



# Fiscal 2017 Q4 Earnings Presentation

## October 31, 2017

# Risks and Non-GAAP Disclosures

This presentation contains forward-looking statements within the meaning of U.S. securities laws, including guidance about expected future results, expectations regarding our ability to gain market share, expected benefits from our investment and strategic plans, and expected future margins. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those anticipated by these forward-looking statements; are based on our current expectations; and we assume no obligation to update them. Factors that could cause actual results to differ materially from those in forward-looking statements include: general economic conditions in the markets in which we operate, worldwide economic, social, political and regulatory conditions, including conditions that may result from legislative, regulatory and policy changes, changing customer and product mixes, competition, including the adoption by competitors of aggressive pricing strategies and sales methods, industry consolidation, volatility in commodity and energy prices, credit risk of our customers, risk of cancellation or rescheduling of orders, work stoppages or other business interruptions (including those due to extreme weather conditions) at transportation centers or shipping ports, financial restrictions on outstanding borrowings, dependence on our information systems and the risk of business disruptions arising from changes to our information systems, disruptions due to computer system or network failures, computer viruses, physical or electronics break-ins and cyber-attacks, the loss of key suppliers or supply chain disruptions, problems with successfully integrating acquired operations, opening or expanding our customer fulfillment centers exposes us to risks of delays, the risk of war, terrorism and similar hostilities, dependence on key personnel, goodwill and intangible assets recorded as a result of our acquisitions could be impaired, and the outcome of potential government or regulatory proceedings or future litigation relating to pending or future claims, inquiries or audits.

Information about these risks is noted in the earnings press release and in the Risk Factors and MD&A sections of our latest annual and quarterly reports filed with the SEC, as well as in our other SEC filings. Investors are cautioned not to place undue reliance on these forward-looking statements.

Throughout this presentation we will reference both GAAP and adjusted financial results, which are non-GAAP financial measures. Please refer to the reconciliation tables at the end of this presentation for a reconciliation of the adjusted financial measures to the most directly comparable GAAP measures.

# FY 2017 Q4 Comparison

(dollars in millions, except per share data and as otherwise noted)

	<b>FY 2017 Q4 Reported Results<sup>(1)</sup></b>	<b>FY 2017 Q4 Excluding DECO<sup>(1,2)</sup></b>	<b>FY 2017 Q4 Guidance</b>	<b>FY 2016 Q4 Reported Results<sup>(1)</sup></b>
Net Sales	753.8	743.4	732 – 746	745.1
Gross Margin	44.2%	44.6%	43.6 – 44.0%	44.8%
Operating Expenses	233.5	231.4	230.0	234.8
Tax Rate	38.0%	38.0%	37.3%	36.7%
Diluted EPS	\$1.07	\$1.07	\$0.97 – \$1.01	\$1.02

(1) Fiscal 2017 Q4 contained 13 weeks; fiscal 2016 Q4 contained 14 weeks; the impact of extra week was estimated to be approximately \$56M of net sales, \$26M of gross profit, \$13M of operating expenses, \$13M of operating profit, and \$0.12 of diluted EPS.

(2) Excludes DECO results. Non-GAAP reconciliations provided on slides 8 – 13.

# FY 2017 Full Year Comparison

(dollars in millions, except per share data and as otherwise noted)

	<b>FY 2017 Reported Results<sup>(1)</sup></b>	<b>FY 2017 Excluding DECO<sup>(1,2)</sup></b>	<b>FY 2016 Reported Results<sup>(1)</sup></b>
Net Sales	2,887.7	2,877.4	2,863.5
Gross Profit	1,286.2	1,284.3	1,288.9
Operating Expenses	907.2	905.2	912.9
Operating Profit	379.0	379.2	376.0
Diluted EPS	\$4.05	\$4.05	\$3.77

(1) Fiscal 2017 contained 52 weeks; fiscal 2016 contained 53 weeks; the impact of extra week was estimated to be approximately \$56M of net sales, \$26M of gross profit, \$13M of operating expense, \$13M of operating profit, and \$0.12 of diluted EPS.

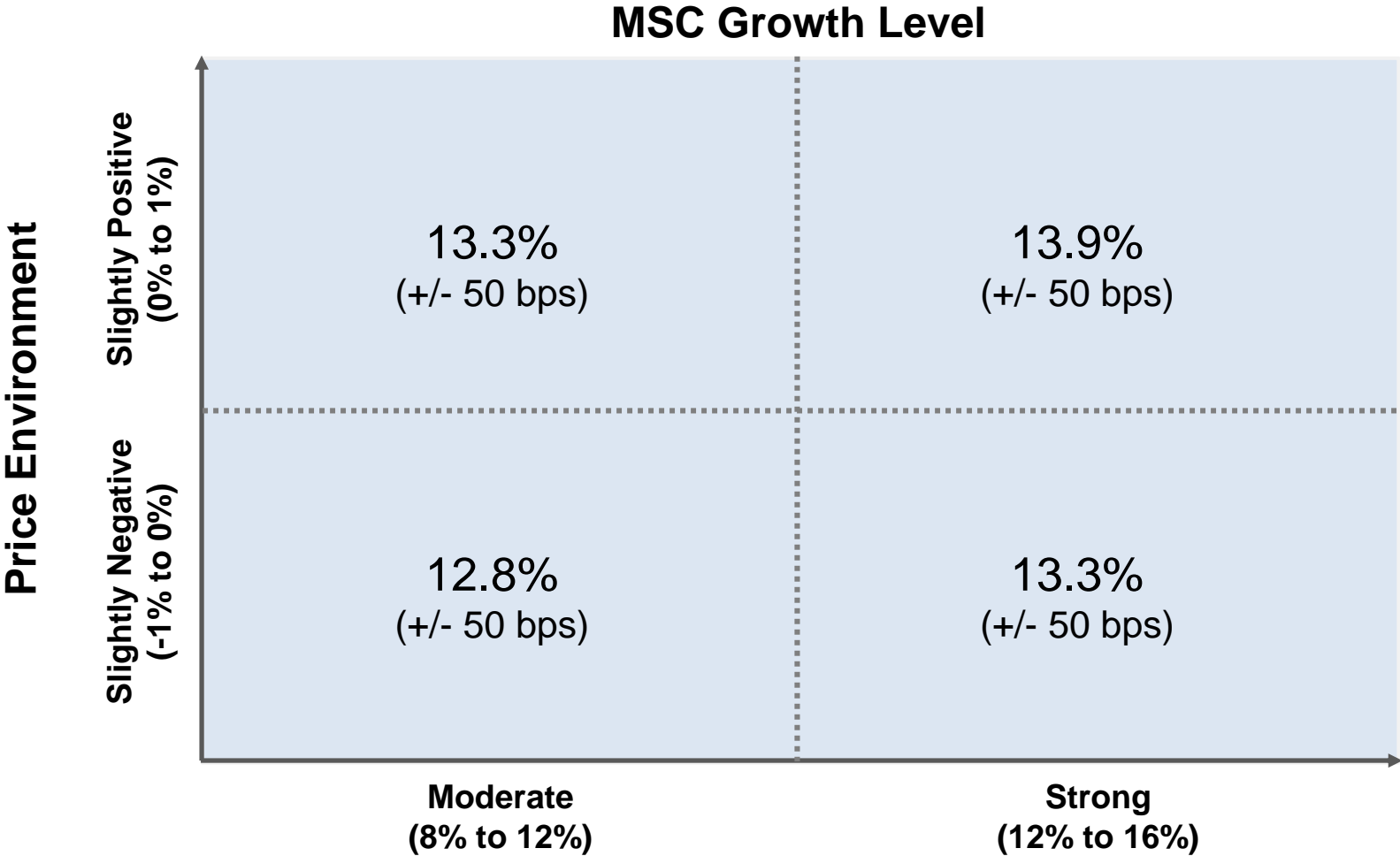
(2) Excludes DECO results. Non-GAAP reconciliations provided on slides 8 –13.

# FY 2018 Q1 Guidance

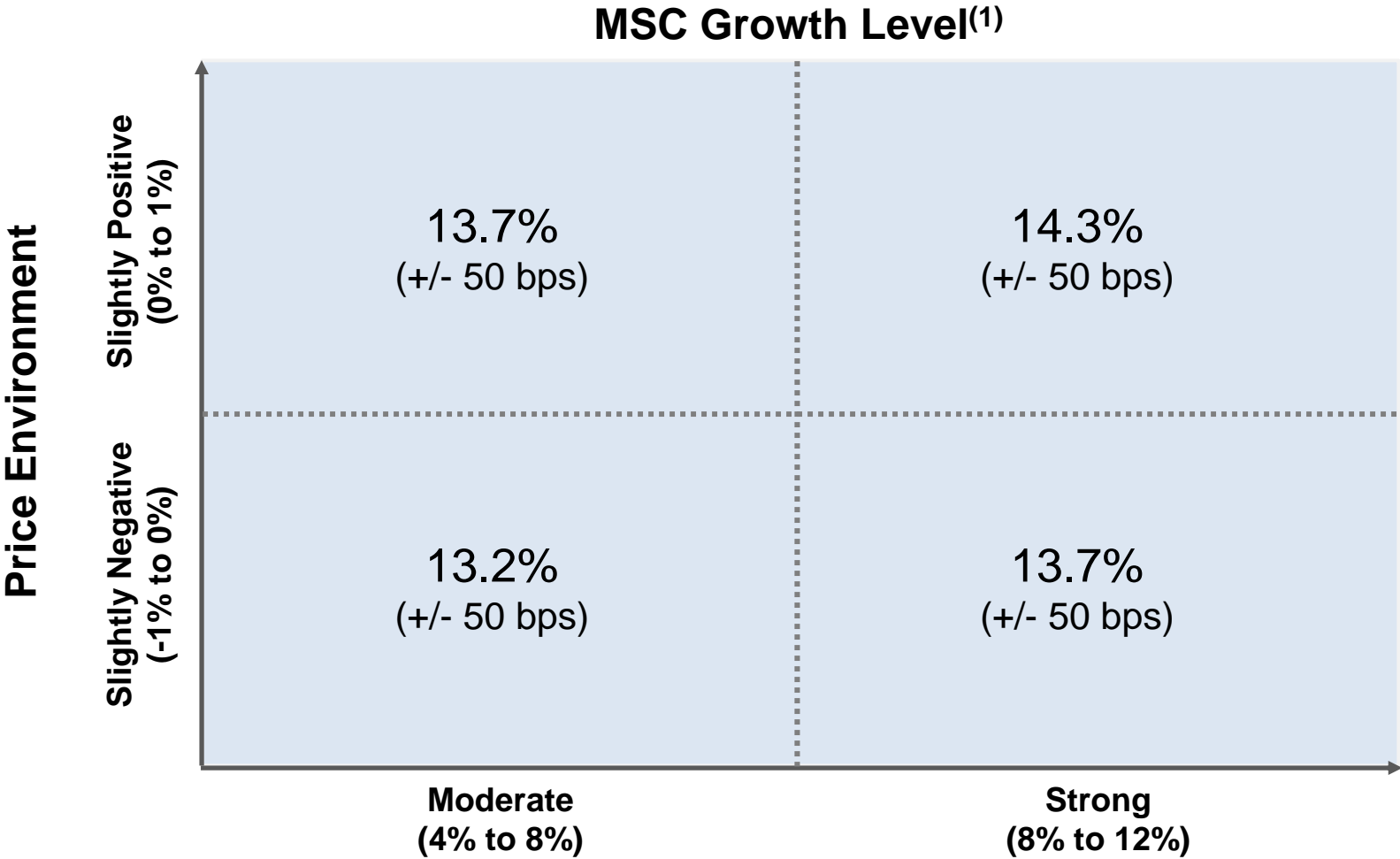
	<b>Including DECO</b>	<b>Excluding DECO<sup>(1)</sup></b>
Sales	\$762M – \$776M	\$734M – \$748M
Gross Margin	43.4% – 43.8%	44.2% – 44.6%
Tax Rate	38.2%	38.2%
Diluted EPS	\$1.03 – \$1.07	\$1.03 – \$1.07

(1) Excludes DECO results. Non-GAAP reconciliations provided on slides 8 –13.

# FY 2018 Annual Operating Margin Framework Including DECO Results



# FY 2018 Annual Operating Margin Framework Excluding DECO Results



(1) Excludes DECO results.

# Reconciliations

## Non-GAAP Financial Measures

### ***Free Cash Flow***

Our measure of “Free cash flow” meets the definition of a non-GAAP financial measure. Free cash flow is used in addition to and in conjunction with results presented in accordance with GAAP and free cash flow should not be relied upon to the exclusion of GAAP financial measures. Management strongly encourages investors to review our financial statements and publicly-filed reports in their entirety and to not rely on any single financial measure. Free cash flow, which we reconcile to “Net cash provided by operating activities,” is cash flow from operations reduced by “Expenditures for property, plant and equipment”. We believe that free cash flow, although similar to cash flow from operations, is a useful additional measure since capital expenditures are a necessary component of ongoing operations. Management also views free cash flow as a measure of the Company’s ability to reduce debt, add to cash balances, pay dividends, repurchase stock, and fund other financing activities. Free cash flow has limitations due to the fact that it does not represent the residual cash flow available for discretionary expenditures. For example, free cash flow does not incorporate payments made on capital lease obligations or cash payments for business acquisitions. In addition, different companies define free cash flow differently. Therefore, we believe it is important to view free cash flow as a complement to our entire consolidated statements of cash flows. A reconciliation of cash provided by operating activities to free cash flow for the thirteen and fifty-two weeks ended September 2, 2017 and for the fourteen and fifty-three weeks ended September 3, 2016 is shown below.

### ***MSC Reported excluding DECO Tool Supply Co***

To supplement MSC’s unaudited selected financial data presented consistent with Generally Accepted Accounting Principles (“GAAP”), the Company discloses certain non-GAAP financial measures that exclude the results of our acquisition of DECO Tool Supply Co. (“DECO”) on July 31, 2017, including non-GAAP net sales, non-GAAP gross profit, non-GAAP income from operations, non-GAAP net income and non-GAAP diluted earnings per share. These non-GAAP measures are not in accordance with or an alternative for GAAP, and may be different from non-GAAP measures used by other companies. We believe that these non-GAAP measures have limitations in that they do not reflect MSC’s results of operations as determined in accordance with GAAP, and that these measures should only be used to evaluate MSC’s results of operations in conjunction with the corresponding GAAP measures. The presentation of this additional information is not meant to be considered in isolation or as a substitute for the most directly comparable GAAP measures. We compensate for the limitations of non-GAAP financial measures by relying upon GAAP results to gain a complete picture of the Company’s performance.

In calculating non-GAAP financial measures, we exclude the results of DECO to facilitate a review of the comparability of the Company’s operating performance on a period-to-period basis. We use non-GAAP measures to evaluate the operating performance of our business (excluding DECO), for comparison with forecasts and strategic plans, and for benchmarking performance externally against competitors. We believe that investors benefit from seeing results “through the eyes” of management in addition to seeing GAAP results. We believe that these non-GAAP measures, when read in conjunction with the Company’s GAAP financials, provide useful information to investors by offering:

- the ability to make more meaningful period-to-period comparisons of the Company’s on-going operating results;
- the ability to better identify trends in the Company’s underlying business and perform related trend analyses;
- a better understanding of how management plans and measures the Company’s underlying business; and
- an easier way to compare the Company’s operating results against analyst financial models and operating results of competitors that supplement their GAAP results with non-GAAP financial measures



# Reconciliations – Free Cash Flow

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES					
Reconciliation of GAAP and Non-GAAP Information					
Quarters and Years Ended September 2, 2017 and September 3, 2016					
(dollars in millions)					
GAAP Measure		Items Affecting Comparability		Non-GAAP Measure	
Net cash provided by operating activities		Expenditures for property, plant and equipment		Free cash flow	
Thirteen Weeks Ended	Fourteen Weeks Ended	Thirteen Weeks Ended	Fourteen Weeks Ended	Thirteen Weeks Ended	Fourteen Weeks Ended
September 2, 2017	September 3, 2016	September 2, 2017	September 3, 2016	September 2, 2017	September 3, 2016
\$ 87,710	\$ 115,281	\$ (8,625)	\$ (53,216)	\$ 79,085	\$ 62,065
GAAP Measure		Items Affecting Comparability		Non-GAAP Measure	
Net cash provided by operating activities		Expenditures for property, plant and equipment		Free cash flow	
Fiscal Year Ended		Fiscal Year Ended		Fiscal Year Ended	
September 2, 2017	September 3, 2016	September 2, 2017	September 3, 2016	September 2, 2017	September 3, 2016
\$ 246,841	\$ 401,103	\$ (46,548)	\$ (87,930)	\$ 200,293	\$ 313,173

# Reconciliations – Fiscal 2017 DECO impact

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES									
Reconciliation of GAAP and Non-GAAP Information									
Thirteen Weeks and Year Ended September 2, 2017									
(dollars in thousands, except per share data)									
GAAP Measure		Items Affecting Comparability		Non-GAAP Measure					
Net Sales		DECO Tool Supply Co.		Net Sales, excluding DECO					
Thirteen Weeks Ended	Year Ended	Thirteen Weeks Ended	Year Ended	Thirteen Weeks Ended	Year Ended				
September 2, 2017	September 2, 2017	September 2, 2017	September 2, 2017	September 2, 2017	September 2, 2017				
\$ 753,770	\$ 2,887,744	\$ 10,369	\$ 10,369	\$ 743,401	\$ 2,877,375				
GAAP Measure		Items Affecting Comparability		Non-GAAP Measure		GAAP Measure		Non-GAAP Measure	
Gross Profit		DECO Tool Supply Co.		Gross Profit, excluding DECO		Gross Margin		Gross Margin, excluding DECO	
Thirteen Weeks Ended	Year Ended	Thirteen Weeks Ended	Year Ended	Thirteen Weeks Ended	Year Ended	Thirteen Weeks Ended	Year Ended	Thirteen Weeks Ended	Year Ended
September 2, 2017	September 2, 2017	September 2, 2017	September 2, 2017	September 2, 2017	September 2, 2017	September 2, 2017	September 2, 2017	September 2, 2017	September 2, 2017
\$ 333,450	\$ 1,286,247	\$ 1,900	\$ 1,900	\$ 331,550	\$ 1,284,347	44.2 %	44.5 %	44.6 %	44.6 %
GAAP Measure		Items Affecting Comparability		Non-GAAP Measure					
Operating Expenses		DECO Tool Supply Co.		Operating Expenses, excluding DECO					
Thirteen Weeks Ended	Year Ended	Thirteen Weeks Ended	Year Ended	Thirteen Weeks Ended	Year Ended				
September 2, 2017	September 2, 2017	September 2, 2017	September 2, 2017	September 2, 2017	September 2, 2017				
\$ 233,471	\$ 907,247	\$ 2,059	\$ 2,059	\$ 231,412	\$ 905,188				

# Reconciliations – Fiscal 2017 DECO impact (con't)

GAAP Measure		Items Affecting Comparability		Non-GAAP Measure		GAAP Measure		Non-GAAP Measure	
Operating Income (Loss)		DECO Tool Supply Co.		Operating Income (Loss), excluding DECO		Operating Margin		Operating Margin, excluding DECO	
Thirteen Weeks Ended	Year Ended	Thirteen Weeks Ended	Year Ended	Thirteen Weeks Ended	Year Ended	Thirteen Weeks Ended	Year Ended	Thirteen Weeks Ended	Year Ended
September 2, 2017	September 2, 2017	September 2, 2017	September 2, 2017	September 2, 2017	September 2, 2017	September 2, 2017	September 2, 2017	September 2, 2017	September 2, 2017
\$ 99,979	\$ 379,000	\$ (159)	\$ (159)	\$ 100,138	\$ 379,159	13.3 %	13.1 %	13.5 %	13.2 %
GAAP Measure		Items Affecting Comparability		Non-GAAP Measure					
Net Income (Loss)		DECO Tool Supply Co.		Net Income (Loss), excluding DECO					
Thirteen Weeks Ended	Year Ended	Thirteen Weeks Ended	Year Ended	Thirteen Weeks Ended	Year Ended				
September 2, 2017	September 2, 2017	September 2, 2017	September 2, 2017	September 2, 2017	September 2, 2017				
\$ 60,748	\$ 231,431	\$ (157)	\$ (157)	\$ 60,905	\$ 231,588				
GAAP Measure		Items Affecting Comparability		Non-GAAP Measure					
Diluted Earnings Per Share		DECO Tool Supply Co.		Diluted Earnings Per Share, excluding DECO					
Thirteen Weeks Ended	Year Ended	Thirteen Weeks Ended	Year Ended	Thirteen Weeks Ended	Year Ended				
September 2, 2017	September 2, 2017	September 2, 2017	September 2, 2017	September 2, 2017	September 2, 2017				
\$ 1.07	\$ 4.05	\$ -	\$ -	\$ 1.07	\$ 4.05				

# Reconciliations – Fiscal 2018 Q1 DECO impact

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES				
Reconciliation of GAAP and Non-GAAP Information				
Guidance for Thirteen Weeks Ended December 2, 2017*				
(dollars in millions, except per share data)				
GAAP Measure	Items Affecting Comparability	Non-GAAP Measure		
Net Sales	DECO Tool Supply Co.	Net Sales, excluding DECO		
Thirteen Weeks Ended December 2, 2017	Thirteen Weeks Ended December 2, 2017	Thirteen Weeks Ended December 2, 2017		
\$ 769.0	\$ 27.8	\$ 741.2		
GAAP Measure	Items Affecting Comparability	Non-GAAP Measure	GAAP Measure	Non-GAAP Measure
Gross Profit	DECO Tool Supply Co.	Gross Profit, excluding DECO	Gross Margin	Gross Margin, excluding DECO
Thirteen Weeks Ended December 2, 2017	Thirteen Weeks Ended December 2, 2017	Thirteen Weeks Ended December 2, 2017	Thirteen Weeks Ended December 2, 2017	Thirteen Weeks Ended December 2, 2017
\$ 335.1	\$ 6.0	\$ 329.1	43.6 %	44.4 %
GAAP Measure	Items Affecting Comparability	Non-GAAP Measure		
Operating Expenses	DECO Tool Supply Co.	Operating Expenses, excluding DECO		
Thirteen Weeks Ended December 2, 2017	Thirteen Weeks Ended December 2, 2017	Thirteen Weeks Ended December 2, 2017		
\$ 235.3	\$ 5.8	\$ 229.5		

# Reconciliations – Fiscal 2018 Q1 DECO impact (con't)

GAAP Measure	Items Affecting Comparability	Non-GAAP Measure	GAAP Measure	Non-GAAP Measure
Operating Income	DECO Tool Supply Co.	Operating Income, excluding DECO	Operating Margin	Operating Margin, excluding DECO
Thirteen Weeks Ended	Thirteen Weeks Ended	Thirteen Weeks Ended	Thirteen Weeks Ended	Thirteen Weeks Ended
December 2, 2017	December 2, 2017	December 2, 2017	December 2, 2017	December 2, 2017
\$ 99.7	\$ 0.1	\$ 99.6	13.0 %	13.4 %
GAAP Measure	Items Affecting Comparability	Non-GAAP Measure		
Net Income (Loss)	DECO Tool Supply Co.	Net Income (Loss), excluding DECO		
Thirteen Weeks Ended	Thirteen Weeks Ended	Thirteen Weeks Ended		
December 2, 2017	December 2, 2017	December 2, 2017		
\$ 59.7	\$ (0.1)	\$ 59.8		
GAAP Measure	Items Affecting Comparability	Non-GAAP Measure		
Diluted Earnings Per Share	DECO Tool Supply Co.	Diluted Earnings Per Share, excluding DECO		
Thirteen Weeks Ended	Thirteen Weeks Ended	Thirteen Weeks Ended		
December 2, 2017	December 2, 2017	December 2, 2017		
\$ 1.05	\$ -	\$ 1.05		

\* The data in the above tables represent the midpoint of management's guidance; see note regarding forward-looking statements