

# Fiscal 2018 Q3 Earnings Presentation

## July 11, 2018

# 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, including from our recent acquisitions, 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, 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, outcome of government or regulatory proceedings or future litigation, 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, our headquarters or our customer fulfillment centers, 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, retention of key personnel, the loss of key suppliers or supply chain disruptions, risks associated with changes to trade policies, failure to comply with environmental, health and safety laws and regulations, goodwill and intangible assets recorded as a result of our acquisitions could be impaired, risks associated with the integration of acquired businesses or other strategic transactions, and financial restrictions on outstanding borrowings.

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 2018 Q3 Results Excluding Acquisitions

	FY 2018 Q3 Reported Results	FY 2018 Q3 Impact of Acquisitions	FY 2018 Q3 Excluding Acquisitions <sup>(1)(2)</sup>	FY 2018 Q3 Guidance Midpoint Excluding Acquisitions	FY 2017 Q3 Reported Results
Net Sales	\$828.3M	\$39.4M	\$789.0M	\$796.0M	\$743.9M
Gross Margin	43.6%	(110bps)	44.7%	44.6%	44.3%
Operating Expenses	\$245.6M	\$7.5M	\$238.1M	\$239.2M	\$227.7M
Effective Tax Rate <sup>(3)</sup>	29.3%	---	29.3%	29.5%	36.3%
Diluted EPS	\$1.39	---	\$1.39	\$1.40	\$1.09

(1) Non-GAAP reconciliations provided on slides 8 – 15.

(2) Excludes impact of DECO and AIS acquisitions.

(3) FY 2018 Q3 effective tax rate reflects a reduction of the federal tax rate resulting from the Tax Cuts and Jobs Act.

# FY 2018 Q3 and AIS Impact Comparison

	<b>FY 2018 Q3 Reported Results</b>	<b>FY 2018 Q3 Impact of AIS</b>	<b>FY 2018 Q3 Results Excluding AIS</b>	<b>FY 2018 Q3 Guidance Midpoint</b>
Net Sales	\$828.3M	\$6.7M	\$821.6M	\$827.6M
Gross Profit	\$361.0M	\$1.0M	\$360.0M	\$362.2M
Gross Margin	43.6%	(20bps)	43.8%	43.8%
Operating Expenses	\$245.6M	\$2.4M	\$243.2M	\$245.4M
Net Income	\$79.1M	(\$1.2M)	\$80.3M	\$79.9M
Diluted EPS	\$1.39	(\$0.02)	\$1.41	\$1.40

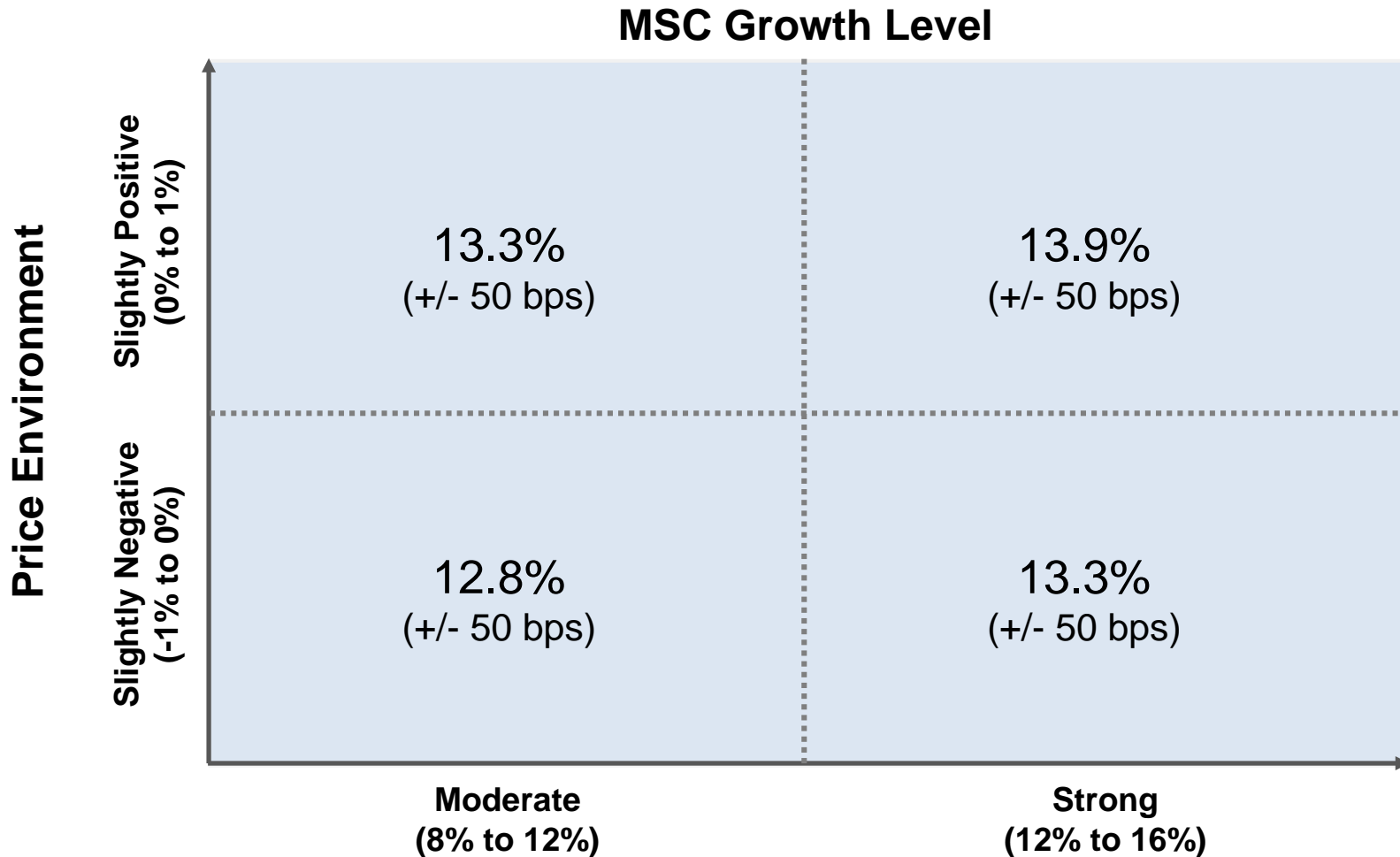
# FY 2018 Q4 Guidance

	FY 2018 Q4 Guidance	FY 2017 Q4 Reported Results	FY 2018 Q4 Guidance Excluding Acquisitions <sup>(1)</sup>	FY 2017 Q4 Results Excluding Acquisitions <sup>(1)</sup>
Net Sales	\$829M – \$844M	\$753.8M	\$778M – \$793M	\$743.4M
Gross Margin	42.5% – 42.9% <sup>(2)</sup>	44.2%	43.9% – 44.3%	44.6%
Effective Tax Rate	29.6%	38.0%	29.6%	38.0%
Diluted EPS	\$1.24 – \$1.30 <sup>(2)</sup>	\$1.07	\$1.26 – \$1.32	\$1.07

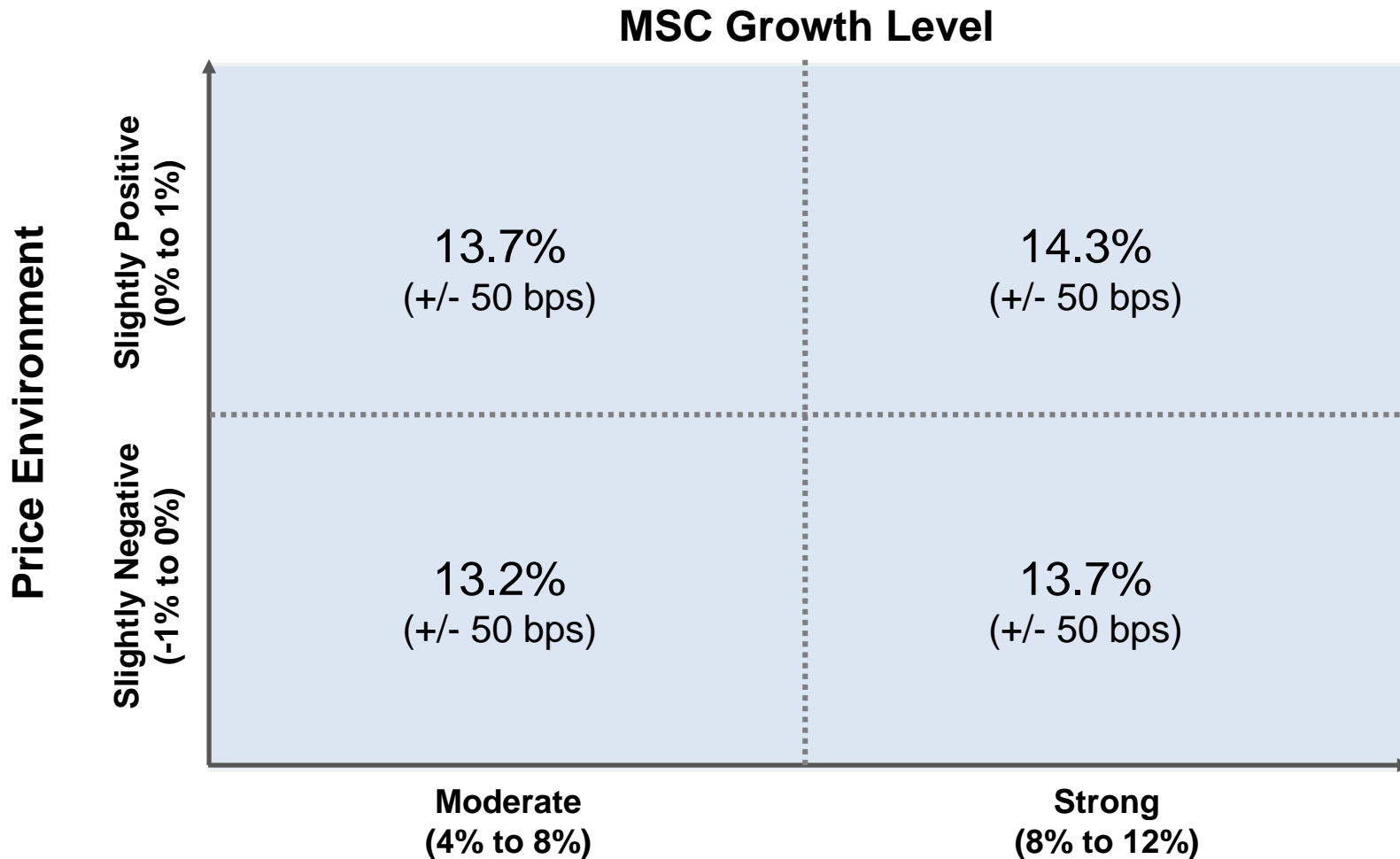
(1) Non-GAAP reconciliations provided on slides 8 –15.

(2) FY 2018 Q4 guidance anticipates net dilution from acquisitions of (\$0.02), including (\$0.04) from the inventory step-up adjustment to fair value for AIS.

# FY 2018 Annual Operating Margin Framework Including Acquisitions



# FY 2018 Annual Operating Margin Framework Excluding Acquisitions



# Reconciliations

## Non-GAAP Financial Measures

### • **Free Cash Flow (“FCF”)**

Our measure of “FCF” meets the definition of a non-GAAP financial measure. FCF is used in addition to and in conjunction with results presented in accordance with GAAP and FCF 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. FCF, 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 FCF, 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 FCF, as a measure of the Company’s ability to reduce debt, add to cash balances, pay dividends, and repurchase stock. FCF has limitations due to the fact that it does not represent the residual cash flow available for discretionary expenditures. For example, FCF does not incorporate payments made on capital lease obligations or required debt service payments. In addition, different companies define FCF differently. Therefore, we believe it is important to view FCF as a complement to our entire consolidated statements of cash flows. A reconciliation of cash provided by operating activities to FCF for the thirteen weeks and thirty-nine weeks ended June 2, 2018 and June 3, 2017, respectively is shown below.

### • **Results excluding DECO Tool Supply Co (DECO) and All Integrated Solutions (AIS), collectively “Acquisitions”**

To supplement MSC’s unaudited selected financial data presented consistent with Generally Accepted Accounting Principles (“GAAP”), the Company discloses certain non-GAAP financial measures, including Non-GAAP net sales, non-GAAP gross profit, non-GAAP income from operations, non-GAAP (benefit) provision for income taxes, non-GAAP net income and non-GAAP diluted earnings per share, that exclude the results of our acquisitions of DECO Tool Supply Co. (“DECO”) on July 31, 2017 and All Integrated Solutions (“AIS”) on April 30, 2018, collectively, “Acquisitions”.

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 our Acquisitions to facilitate a review of the Company’s operating performance on a period-to-period basis, 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

Thirteen and Thirty-Nine Weeks Ended June 2, 2018 and June 3, 2017

(dollars in thousands)

GAAP Measure		Items Affecting Comparability		Non-GAAP Measure	
Net cash provided by operating activities Thirteen Weeks Ended		Expenditures for property, plant and equipment Thirteen Weeks Ended		Free cash flow Thirteen Weeks Ended	
June 2, 2018	June 3, 2017	June 2, 2018	June 3, 2017	June 2, 2018	June 3, 2017
\$ 112,052	\$ 62,475	\$ (13,533)	(12,415)	\$ 98,519	\$ 50,060

GAAP Measure		Items Affecting Comparability		Non-GAAP Measure	
Net cash provided by operating activities Thirty-Nine Weeks Ended		Expenditures for property, plant and equipment Thirty-Nine Weeks Ended		Free cash flow Thirty-Nine Weeks Ended	
June 2, 2018	June 3, 2017	June 2, 2018	June 3, 2017	June 2, 2018	June 3, 2017
\$ 230,237	\$ 159,131	\$ (30,794)	(37,923)	\$ 199,443	\$ 121,208

# Reconciliations – Fiscal 2018 Q3 and YTD

## Acquisitions impact

### MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES

#### Reconciliation of GAAP and Non-GAAP Information

Thirteen and Thirty-Nine Weeks Ended June 2, 2018

(dollars in thousands, except per share data)

GAAP Measure		Items Affecting Comparability		Non-GAAP Measure		GAAP Measure		Non-GAAP Measure	
Net Sales		Acquisitions		Net Sales, excluding Acquisitions		Average Daily Sales Growth		Average Daily Sales Growth, excluding Acquisitions	
Thirteen Weeks Ended	Thirty-Nine Weeks Ended	Thirteen Weeks Ended	Thirty-Nine Weeks Ended	Thirteen Weeks Ended	Thirty-Nine Weeks Ended	Thirteen Weeks Ended	Thirty-Nine Weeks Ended	Thirteen Weeks Ended	Thirty-Nine Weeks Ended
June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018
\$ 828,345	\$ 2,365,893	\$ 39,394	\$ 99,031	\$ 788,951	\$ 2,266,862	11.4 %	10.9 %	6.1 %	6.2 %

GAAP Measure		Items Affecting Comparability		Non-GAAP Measure		GAAP Measure		Non-GAAP Measure	
Gross Profit		Acquisitions		Gross Profit, excluding Acquisitions		Gross Margin		Gross Margin, excluding Acquisitions	
Thirteen Weeks Ended	Thirty-Nine Weeks Ended	Thirteen Weeks Ended	Thirty-Nine Weeks Ended	Thirteen Weeks Ended	Thirty-Nine Weeks Ended	Thirteen Weeks Ended	Thirty-Nine Weeks Ended	Thirteen Weeks Ended	Thirty-Nine Weeks Ended
June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018
\$ 361,001	\$ 1,033,293	\$ 8,578	\$ 21,666	\$ 352,423	\$ 1,011,627	43.6 %	43.7 %	44.7 %	44.6 %

GAAP Measure		Items Affecting Comparability		Non-GAAP Measure		GAAP Measure		Non-GAAP Measure	
Operating Expenses		Acquisitions		Operating Expenses, excluding Acquisitions		Operating Expenses as a percentage of Net Sales		Operating Expenses as a percentage of Net Sales, excluding Acquisitions	
Thirteen Weeks Ended	Thirty-Nine Weeks Ended	Thirteen Weeks Ended	Thirty-Nine Weeks Ended	Thirteen Weeks Ended	Thirty-Nine Weeks Ended	Thirteen Weeks Ended	Thirty-Nine Weeks Ended	Thirteen Weeks Ended	Thirty-Nine Weeks Ended
June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018
\$ 245,619	\$ 720,530	\$ 7,511	\$ 19,671	\$ 238,108	\$ 700,859	29.7 %	30.5 %	30.2 %	30.9 %

# Reconciliations – Fiscal 2018 Q3 and YTD Acquisitions impact (cont'd)

GAAP Measure		Items Affecting Comparability		Non-GAAP Measure		GAAP Measure		Non-GAAP Measure	
Operating Income (Loss)		Acquisitions		Operating Income (Loss), excluding Acquisitions		Operating Margin		Operating Margin, excluding Acquisitions	
Thirteen Weeks Ended	Thirty-Nine Weeks Ended	Thirteen Weeks Ended	Thirty-Nine Weeks Ended	Thirteen Weeks Ended	Thirty-Nine Weeks Ended	Thirteen Weeks Ended	Thirty-Nine Weeks Ended	Thirteen Weeks Ended	Thirty-Nine Weeks Ended
June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018
\$ 115,382	\$ 312,763	\$ 1,068	\$ 1,996	\$ 114,314	\$ 310,767	13.9 %	13.2 %	14.5 %	13.7 %

GAAP Measure		Items Affecting Comparability		Non-GAAP Measure	
Provision for income taxes		Acquisitions		Provision for income taxes, excluding Acquisitions	
Thirteen Weeks Ended	Thirty-Nine Weeks Ended	Thirteen Weeks Ended	Thirty-Nine Weeks Ended	Thirteen Weeks Ended	Thirty-Nine Weeks Ended
June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018
\$ 32,748	\$ 46,250	\$ 107	\$ 234	\$ 32,641	\$ 46,016

GAAP Measure		Items Affecting Comparability		Non-GAAP Measure	
Net Income		Acquisitions		Net Income, excluding Acquisitions	
Thirteen Weeks Ended	Thirty-Nine Weeks Ended	Thirteen Weeks Ended	Thirty-Nine Weeks Ended	Thirteen Weeks Ended	Thirty-Nine Weeks Ended
June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018
\$ 79,069	\$ 256,206	\$ 256	\$ 561	\$ 78,813	\$ 255,645

GAAP Measure		Items Affecting Comparability		Non-GAAP Measure	
Diluted Earnings Per Share		Acquisitions		Diluted Earnings Per Share, excluding Acquisitions	
Thirteen Weeks Ended	Thirty-Nine Weeks Ended	Thirteen Weeks Ended	Thirty-Nine Weeks Ended	Thirteen Weeks Ended	Thirty-Nine Weeks Ended
June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018	June 2, 2018
\$ 1.39	\$ 4.51	\$ -	\$ 0.01	\$ 1.39	\$ 4.50

# Reconciliations – Fiscal 2018 Q4 Guidance

## Acquisitions impact

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES  
 Reconciliation of GAAP and Non-GAAP Information  
 Guidance for Thirteen Weeks Ended September 1, 2018\*  
 (dollars in millions, except per share data)

GAAP Measure	Items Affecting Comparability	Non-GAAP Measure	GAAP Measure	Non-GAAP Measure
Net Sales Thirteen Weeks Ended September 1, 2018	Acquisitions Thirteen Weeks Ended September 1, 2018	Net Sales, excluding Acquisitions Thirteen Weeks Ended September 1, 2018	Average Daily Sales Growth Thirteen Weeks Ended September 1, 2018	Average Daily Sales Growth, excluding Acquisitions Thirteen Weeks Ended September 1, 2018
\$ 836.4	\$ 51.2	\$ 785.2	9.3 %	4.0 %

GAAP Measure	Items Affecting Comparability	Non-GAAP Measure	GAAP Measure	Non-GAAP Measure
Gross Profit Thirteen Weeks Ended September 1, 2018	Acquisitions Thirteen Weeks Ended September 1, 2018	Gross Profit, excluding Acquisitions Thirteen Weeks Ended September 1, 2018	Gross Margin Thirteen Weeks Ended September 1, 2018	Gross Margin, excluding Acquisitions Thirteen Weeks Ended September 1, 2018
\$ 356.9	\$ 10.6	\$ 346.3	42.7 %	44.1 %

GAAP Measure	Items Affecting Comparability	Non-GAAP Measure	GAAP Measure	Non-GAAP Measure
Operating Expenses Thirteen Weeks Ended September 1, 2018	Acquisitions Thirteen Weeks Ended September 1, 2018	Operating Expenses, excluding Acquisitions Thirteen Weeks Ended September 1, 2018	Operating Expenses as a percentage of Net Sales Thirteen Weeks Ended September 1, 2018	Operating Expenses as a percentage of Net Sales, excluding Acquisitions Thirteen Weeks Ended September 1, 2018
\$ 250.0	\$ 11.1	\$ 238.9	29.9 %	30.4 %

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

# Reconciliations – Fiscal 2018 Q4 Guidance

## Acquisitions impact (cont'd)

GAAP Measure	Items Affecting Comparability	Non-GAAP Measure	GAAP Measure	Non-GAAP Measure
Operating Income Thirteen Weeks Ended September 1, 2018	Acquisitions Thirteen Weeks Ended September 1, 2018	Operating Income, excluding Acquisitions Thirteen Weeks Ended September 1, 2018	Operating Margin Thirteen Weeks Ended September 1, 2018	Operating Margin, excluding Acquisitions Thirteen Weeks Ended September 1, 2018
\$ 106.9	\$ (0.4)	\$ 107.3	12.8 %	13.7 %

GAAP Measure	Items Affecting Comparability	Non-GAAP Measure
Net Income Thirteen Weeks Ended September 1, 2018	Acquisitions Thirteen Weeks Ended September 1, 2018	Net Income, excluding Acquisitions Thirteen Weeks Ended September 1, 2018
72.2	\$ (1.2)	\$ 73.4

GAAP Measure	Items Affecting Comparability	Non-GAAP Measure
Diluted Earnings Per Share Thirteen Weeks Ended September 1, 2018	Acquisitions Thirteen Weeks Ended September 1, 2018	Diluted Earnings Per Share, excluding Acquisitions Thirteen Weeks Ended September 1, 2018
\$ 1.27	\$ (0.02)	\$ 1.29

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

# Reconciliations – Fiscal 2017 Q4 DECO impact

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES  
 Reconciliation of GAAP and Non-GAAP Information  
 Thirteen Weeks 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	Thirteen	Thirteen
Weeks Ended	Weeks Ended	Weeks Ended
September 2, 2017	September 2, 2017	September 2, 2017
\$ 753,770	\$ 10,369	\$ 743,401

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	Thirteen	Thirteen	Thirteen	Thirteen
Weeks Ended	Weeks Ended	Weeks Ended	Weeks Ended	Weeks Ended
September 2, 2017	September 2, 2017	September 2, 2017	September 2, 2017	September 2, 2017
\$ 333,450	\$ 1,900	\$ 331,550	44.2 %	44.6 %

GAAP Measure	Items Affecting Comparability	Non-GAAP Measure
Operating Expenses	DECO Tool Supply Co.	Operating Expenses, excluding DECO
Thirteen	Thirteen	Thirteen
Weeks Ended	Weeks Ended	Weeks Ended
September 2, 2017	September 2, 2017	September 2, 2017
\$ 233,471	\$ 2,059	\$ 231,412

# Reconciliations – Fiscal 2017 Q4 DECO impact (cont'd)

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	Thirteen	Thirteen	Thirteen	Thirteen
Weeks Ended	Weeks Ended	Weeks Ended	Weeks Ended	Weeks Ended
September 2,	September 2,	September 2,	September 2,	September 2,
2017	2017	2017	2017	2017
\$ 99,979	\$ (159)	\$ 100,138	13.3 %	13.5 %

GAAP Measure	Items Affecting Comparability	Non-GAAP Measure
Net Income (Loss)	DECO Tool Supply Co.	Net Income (Loss), excluding DECO
Thirteen	Thirteen	Thirteen
Weeks Ended	Weeks Ended	Weeks Ended
September 2,	September 2,	September 2,
2017	2017	2017
\$ 60,748	\$ (157)	\$ 60,905

GAAP Measure	Items Affecting Comparability	Non-GAAP Measure
Diluted Earnings Per Share	DECO Tool Supply Co.	Diluted Earnings Per Share, excluding DECO
Thirteen	Thirteen	Thirteen
Weeks Ended	Weeks Ended	Weeks Ended
September 2,	September 2,	September 2,
2017	2017	2017
\$ 1.07	\$ -	\$ 1.07