

MSC REPORTS FISCAL 2019 FIRST QUARTER RESULTS

FISCAL Q1 2019 HIGHLIGHTS

- Net sales of \$831.6 million, an 8.2% YoY increase, with 230 basis points of acquisitive growth
- Operating income of \$103.0 million, an increase of approximately 4% YoY
- Operating margin of 12.4% (12.6% excluding acquisition*)
- Diluted EPS of \$1.33, \$0.02 above the guidance midpoint, and versus \$1.05 in the prior year quarter

MELVILLE, NY and DAVIDSON, NC, JANUARY 9, 2019 - MSC INDUSTRIAL SUPPLY CO. (NYSE: MSM), "MSC" or the "Company," a premier distributor of Metalworking and Maintenance, Repair and Operations ("MRO") products and services to industrial customers throughout North America, today reported financial results for its fiscal 2019 first quarter ended December 1, 2018.

| Financial Highlights ¹ | FY19 Q1 | FY18 Q1 | Change |
|-----------------------------------|---------------------|---------------------|--------|
| Net Sales | \$831.6 | \$768.6 | 8.2% |
| Operating Income | 103.0 | 99.3 | 3.7% |
| % of Net Sales | 12.4% | 12.9% | |
| Net Income | 74.2 | 59.6 | 24.6% |
| Diluted EPS | \$1.33 ² | \$1.05 ³ | 26.7% |

¹In millions except per share data or as otherwise noted. ²Based on 55.8 million diluted shares outstanding for FY19 Q1. ³Based on 56.5 million diluted shares outstanding for FY18 Q1.

Erik Gershwind, president and chief executive officer, said, "The industrial economy remained strong in the fiscal first quarter, although there is currently more uncertainty than a few months ago due to potential economic and trade overhangs and the government shut-down. Our net sales in the first quarter were slightly above the mid-point of our guidance, with Core customers and National Accounts achieving high single-digit growth, tempered by the expected weakness in Government. AIS continues to progress according to plan, delivering solid top line growth."

Rustom Jilla, executive vice president and chief financial officer, added, "Our fiscal first quarter total ADS increased 8.2% year-over-year, with AIS contributing 230 basis points of acquisitive growth. Our gross margin was in-line with our expectations. Price contribution remained positive, while product cost increases and mix were headwinds. Our productivity initiatives continued in the quarter. Despite our continued investment in sales and service, and marketing to support future growth, our operating expense to net sales ratio was flat year-over-year at 30.7%. Our operating margin was down roughly 50 basis points from the prior year, reflecting primarily the impact of AIS and the year-over-year decline in gross margin. Finally, we paid dividends of \$35 million and repurchased approximately 800 thousand shares for about \$64 million in the first quarter."

Gershwind concluded, "Looking forward, given the significant supplier price increase activity that we have seen, we anticipate implementing a meaningful price increase later in our fiscal second quarter. Given the timing of the increase, we expect the impact to be fully reflected in our fiscal third and fourth quarters. This price increase, coupled with increasing traction from our sales transformation efforts, drives our expectation of significantly higher operating margins in the second half of the fiscal year."

* An explanation and reconciliation of non-GAAP financial measures to GAAP financial measures is presented in the financial schedules of this press release.

MSC INDUSTRIAL SUPPLY CO. REPORTS FISCAL 2019 FIRST QUARTER RESULTS**Outlook**

The Company expects net sales for the second quarter of fiscal 2019 to be between \$817 million and \$833 million. At the midpoint, average daily sales are expected to increase roughly 9.0% compared to last year's second quarter. The Company expects diluted earnings per share for the second quarter of fiscal 2019 to be between \$1.22 and \$1.28.

Excluding the AIS acquisition*, the Company expects net sales for the second quarter of fiscal 2019 to be between \$798 million and \$814 million, with average daily sales at the midpoint expected to increase roughly 6.5% compared to last year's second quarter. The Company expects the AIS acquisition to have a roughly breakeven impact on diluted earnings per share for the second quarter of fiscal 2019.

Conference Call Information

MSC will host a conference call today at 8:30 a.m. EST to review the Company's fiscal 2019 first quarter results. The call, accompanying slides, and other operational statistics may be accessed at: <http://investor.mscdirect.com>. The conference call may also be accessed at 1-877-443-5575 (U.S.), 1-855-669-9657 (Canada) or 1-412-902-6618 (international).

An online archive of the broadcast will be available until January 16, 2019.

The Company's reporting date for fiscal 2019 second quarter results is scheduled for April 10, 2019.

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About MSC Industrial Supply Co. MSC Industrial Supply Co. (NYSE:MSM) is a leading North American distributor of metalworking and maintenance, repair, and operations (MRO) products and services. We help our customers drive greater productivity, profitability and growth with more than 1.6 million products, inventory management and other supply chain solutions, and deep expertise from over 75 years of working with customers across industries.

Our experienced team of over 6,500 associates is dedicated to working side by side with our customers to help drive results for their businesses - from keeping operations running efficiently today to continuously rethinking, retooling, and optimizing for a more productive tomorrow.

For more information on MSC, please visit mscdirect.com.

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Note Regarding Forward-Looking Statements:

Statements in this Press Release may constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, that address activities, events or developments that we expect, believe or anticipate will or may occur in the future, including statements about expected future results, expected benefits from our investment and strategic plans, including from our recent acquisitions, and expected future margins, are forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those anticipated by these forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The inclusion of any statement in this release does not constitute an admission by MSC or any other person that the events or circumstances described in such statement are material. 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 and other changes in the industrial distribution sector; volatility in commodity and energy prices; the outcome of government or regulatory proceedings or future litigation; credit risk of our customers; risk of customer cancellation or rescheduling of orders; work stoppages or other business interruptions (including those due to extreme weather conditions) at transportation centers, shipping ports, our headquarters or our customer fulfillment centers; dependence on our information systems and the risks of business disruptions arising from changes to our information systems and disruptions due to catastrophic events, power outages, natural disasters, computer system or network failures, computer viruses, physical or electronic break-ins and cyber-attacks; recent U.S. tax legislation and increased volatility in the effective tax rate; retention of key personnel; retention of qualified sales and customer service personnel and metalworking specialists; risk of loss of key suppliers, key brands or supply chain disruptions; risks associated with changes to trade policies, including the impact from significant restrictions or tariffs; risks associated with opening or expanding our customer fulfillment centers; litigation risk due to the nature of our business; risks associated with the integration of acquired businesses or other strategic transactions; financial restrictions on outstanding borrowings; failure to comply with applicable 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 volatility of our common stock; and our principal shareholders exercise significant control over us. Additional information concerning these and other risks is described under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the reports on Forms 10-K and 10-Q that we file with the U.S. Securities and Exchange Commission. We assume no obligation to update any of these forward-looking statements.

MSC INDUSTRIAL SUPPLY CO. REPORTS FISCAL 2019 FIRST QUARTER RESULTS

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In thousands)

| <u>ASSETS</u> | December 1, 2018 (unaudited) | September 1, 2018 |
|---|------------------------------------|----------------------|
| Current Assets: | | |
| Cash and cash equivalents | \$ 11,615 | \$ 46,217 |
| Accounts receivable, net of allowance for doubtful accounts | 531,406 | 523,892 |
| Inventories | 527,984 | 518,496 |
| Prepaid expenses and other current assets | 60,928 | 58,902 |
| Total current assets | 1,131,933 | 1,147,507 |
| Property, plant and equipment, net | 307,586 | 311,685 |
| Goodwill | 674,464 | 674,998 |
| Identifiable intangibles, net | 119,762 | 122,724 |
| Other assets | 31,053 | 31,813 |
| Total assets | \$ 2,264,798 | \$ 2,288,727 |
| <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u> | | |
| Current Liabilities: | | |
| Short-term debt | \$ 210,979 | \$ 224,097 |
| Accounts payable | 154,896 | 145,133 |
| Accrued liabilities | 111,241 | 121,293 |
| Total current liabilities | 477,116 | 490,523 |
| Long-term debt | 311,656 | 311,236 |
| Deferred income taxes and tax uncertainties | 99,714 | 99,714 |
| Total liabilities | 888,486 | 901,473 |
| Commitments and Contingencies | | |
| Shareholders' Equity: | | |
| Preferred Stock | — | — |
| Class A common stock | 54 | 55 |
| Class B common stock | 10 | 10 |
| Additional paid-in capital | 660,185 | 657,749 |
| Retained earnings | 1,316,489 | 1,325,822 |
| Accumulated other comprehensive loss | (20,975) | (19,634) |
| Class A treasury stock, at cost | (579,451) | (576,748) |
| Total shareholders' equity | 1,376,312 | 1,387,254 |
| Total liabilities and shareholders' equity | \$ 2,264,798 | \$ 2,288,727 |

MSC INDUSTRIAL SUPPLY CO. REPORTS FISCAL 2019 FIRST QUARTER RESULTS

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES
Condensed Consolidated Statements of Income
(In thousands, except per share data)
(Unaudited)

| | Thirteen Weeks Ended | |
|--|----------------------|---------------------|
| | December 1, 2018 | December 2, 2017 |
| Net sales | \$ 831,597 | \$ 768,561 |
| Cost of goods sold | 473,612 | 433,492 |
| Gross profit | 357,985 | 335,069 |
| Operating expenses | 254,985 | 235,791 |
| Income from operations | 103,000 | 99,278 |
| Other (expense) income: | | |
| Interest expense | (4,056) | (3,237) |
| Interest income | 162 | 163 |
| Other (expense) income, net | 2 | (408) |
| Total other expense | (3,892) | (3,482) |
| Income before provision for income taxes | 99,108 | 95,796 |
| Provision for income taxes | 24,876 | 36,211 |
| Net income | \$ 74,232 | \$ 59,585 |
| Per Share Information: | | |
| Net income per common share: | | |
| Basic | \$ 1.34 | \$ 1.06 |
| Diluted | \$ 1.33 | \$ 1.05 |
| Weighted average shares used in computing net income per common share: | | |
| Basic | 55,502 | 56,287 |
| Diluted | 55,831 | 56,504 |
| Cash dividends declared per common share | \$ 0.63 | \$ 0.48 |

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income
(In thousands)
(Unaudited)

| | Thirteen Weeks Ended | |
|--|----------------------|---------------------|
| | December 1, 2018 | December 2, 2017 |
| Net income, as reported | \$ 74,232 | \$ 59,585 |
| Other comprehensive income, net of tax: | | |
| Foreign currency translation adjustments | (1,341) | (843) |
| Comprehensive income | \$ 72,891 | \$ 58,742 |

MSC INDUSTRIAL SUPPLY CO. REPORTS FISCAL 2019 FIRST QUARTER RESULTS

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows

(In thousands)
(Unaudited)

| | Thirteen Weeks Ended | |
|---|----------------------|---------------------|
| | December 1, 2018 | December 2, 2017 |
| Cash Flows from Operating Activities: | | |
| Net income | \$ 74,232 | \$ 59,585 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 15,846 | 15,749 |
| Stock-based compensation | 4,174 | 3,894 |
| Loss on disposal of property, plant, and equipment | 141 | 126 |
| Provision for doubtful accounts | 2,814 | 1,698 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (10,630) | (9,291) |
| Inventories | (9,803) | (4,259) |
| Prepaid expenses and other current assets | (2,044) | (1,663) |
| Other assets | 753 | 1,252 |
| Accounts payable and accrued liabilities | 1,383 | 14,888 |
| Total adjustments | 2,634 | 22,394 |
| Net cash provided by operating activities | 76,866 | 81,979 |
| Cash Flows from Investing Activities: | | |
| Expenditures for property, plant and equipment | (10,053) | (9,028) |
| Cash used in business acquisition | — | (738) |
| Net cash used in investing activities | (10,053) | (9,766) |
| Cash Flows from Financing Activities: | | |
| Repurchases of common stock | (63,527) | (4,018) |
| Payments of cash dividends | (34,858) | (27,087) |
| Proceeds from sale of Class A common stock in connection with associate stock purchase plan | 954 | 959 |
| Proceeds from exercise of Class A common stock options | 9,329 | 2,405 |
| Borrowings under the revolving credit facilities | 245,000 | 24,000 |
| Payments under the revolving credit facilities | (259,000) | (65,000) |
| Other, net | 753 | 606 |
| Net cash used in financing activities | (101,349) | (68,135) |
| Effect of foreign exchange rate changes on cash and cash equivalents | (66) | 91 |
| Net increase (decrease) in cash and cash equivalents | (34,602) | 4,169 |
| Cash and cash equivalents – beginning of year | 46,217 | 16,083 |
| Cash and cash equivalents – end of year | \$ 11,615 | \$ 20,252 |
| Supplemental Disclosure of Cash Flow Information: | | |
| Cash paid for income taxes | \$ 1,761 | \$ 1,757 |
| Cash paid for interest | \$ 1,685 | \$ 2,068 |

MSC INDUSTRIAL SUPPLY CO. REPORTS FISCAL 2019 FIRST QUARTER RESULTS

Non-GAAP Financial Measures

- **Results excluding All Integrated Solutions (AIS) Acquisition**

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 acquisition of All Integrated Solutions ("AIS") on April 30, 2018 (the "Acquisition").

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 the Acquisition 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

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES

Reconciliation of GAAP and Non-GAAP Information

Thirteen Weeks Ended December 1, 2018

(dollars in thousands, except per share data)

| GAAP Measure | Items Affecting Comparability | Non-GAAP Measure | GAAP Measure | Non-GAAP Measure |
|--|--|--|--|--|
| Net Sales Thirteen Weeks Ended December 1, 2018 | Acquisition Thirteen Weeks Ended December 1, 2018 | Net Sales, excluding Acquisition Thirteen Weeks Ended December 1, 2018 | Average Daily Sales Growth Thirteen Weeks Ended December 1, 2018 | Average Daily Sales Growth, excluding Acquisition Thirteen Weeks Ended December 1, 2018 |
| \$ 831,597 | \$ 17,658 | \$ 813,939 | 8.2 % | 5.9 % |

| GAAP Measure | Items Affecting Comparability | Non-GAAP Measure | GAAP Measure | Non-GAAP Measure |
|---|--|---|---|---|
| Gross Profit Thirteen Weeks Ended December 1, 2018 | Acquisition Thirteen Weeks Ended December 1, 2018 | Gross Profit, excluding Acquisition Thirteen Weeks Ended December 1, 2018 | Gross Margin Thirteen Weeks Ended December 1, 2018 | Gross Margin, excluding Acquisition Thirteen Weeks Ended December 1, 2018 |
| \$ 357,985 | \$ 5,448 | \$ 352,537 | 43.0 % | 43.3 % |

| GAAP Measure | Items Affecting Comparability | Non-GAAP Measure | GAAP Measure | Non-GAAP Measure |
|---|--|---|---|---|
| Operating Expenses Thirteen Weeks Ended December 1, 2018 | Acquisition Thirteen Weeks Ended December 1, 2018 | Operating Expenses, excluding Acquisition Thirteen Weeks Ended December 1, 2018 | Operating Expenses as a percentage of Net Sales Thirteen Weeks Ended December 1, 2018 | Operating Expenses as a percentage of Net Sales, excluding Acquisition Thirteen Weeks Ended December 1, 2018 |
| \$ 254,985 | \$ 4,857 | \$ 250,128 | 30.7 % | 30.7 % |

MSC INDUSTRIAL SUPPLY CO. REPORTS FISCAL 2019 FIRST QUARTER RESULTS

| GAAP Measure | Items Affecting Comparability | Non-GAAP Measure | GAAP Measure | Non-GAAP Measure |
|----------------------|-------------------------------|---|----------------------|---|
| Operating Income | Acquisition | Operating Income, excluding Acquisition | Operating Margin | Operating Margin, excluding Acquisition |
| Thirteen Weeks Ended | Thirteen Weeks Ended | Thirteen Weeks Ended | Thirteen Weeks Ended | Thirteen Weeks Ended |
| December 1, 2018 | December 1, 2018 | December 1, 2018 | December 1, 2018 | December 1, 2018 |
| \$ 103,000 | \$ 592 | \$ 102,408 | 12.4 % | 12.6 % |

| GAAP Measure | Items Affecting Comparability | Non-GAAP Measure |
|----------------------------|-------------------------------|---|
| Provision for income taxes | Acquisition | Provision for income taxes, excluding Acquisition |
| Thirteen Weeks Ended | Thirteen Weeks Ended | Thirteen Weeks Ended |
| December 1, 2018 | December 1, 2018 | December 1, 2018 |
| \$ 24,876 | \$ (69) | \$ 24,945 |

| GAAP Measure | Items Affecting Comparability | Non-GAAP Measure |
|----------------------|-------------------------------|-----------------------------------|
| Net Income | Acquisition | Net Income, excluding Acquisition |
| Thirteen Weeks Ended | Thirteen Weeks Ended | Thirteen Weeks Ended |
| December 1, 2018 | December 1, 2018 | December 1, 2018 |
| \$ 74,232 | \$ (206) | \$ 74,438 |

| GAAP Measure | Items Affecting Comparability | Non-GAAP Measure |
|----------------------------|-------------------------------|---|
| Diluted Earnings Per Share | Acquisition | Diluted Earnings Per Share, excluding Acquisition |
| Thirteen Weeks Ended | Thirteen Weeks Ended | Thirteen Weeks Ended |
| December 1, 2018 | December 1, 2018 | December 1, 2018 |
| \$ 1.33 | \$ - | \$ 1.33 |

MSC INDUSTRIAL SUPPLY CO. REPORTS FISCAL 2019 FIRST QUARTER RESULTS

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES
 Reconciliation of GAAP and Non-GAAP Information
 Guidance for Thirteen Weeks Ended March 2, 2019*
 (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 March 2, 2019 | Acquisition Thirteen Weeks Ended March 2, 2019 | Net Sales, excluding Acquisition Thirteen Weeks Ended March 2, 2019 | Average Daily Sales Growth Thirteen Weeks Ended March 2, 2019 | Average Daily Sales Growth, excluding Acquisition Thirteen Weeks Ended March 2, 2019 |
| \$ 824.8 | \$ 18.5 | \$ 806.3 | 9.0 % | 6.5 % |

| GAAP Measure | Items Affecting Comparability | Non-GAAP Measure | GAAP Measure | Non-GAAP Measure |
|---|--|---|---|---|
| Gross Profit Thirteen Weeks Ended March 2, 2019 | Acquisition Thirteen Weeks Ended March 2, 2019 | Gross Profit, excluding Acquisition Thirteen Weeks Ended March 2, 2019 | Gross Margin Thirteen Weeks Ended March 2, 2019 | Gross Margin, excluding Acquisition Thirteen Weeks Ended March 2, 2019 |
| \$ 352.7 | \$ 5.9 | \$ 346.8 | 42.8 % | 43.0 % |

| GAAP Measure | Items Affecting Comparability | Non-GAAP Measure | GAAP Measure | Non-GAAP Measure |
|---|--|---|--|--|
| Operating Expenses Thirteen Weeks Ended March 2, 2019 | Acquisition Thirteen Weeks Ended March 2, 2019 | Operating Expenses, excluding Acquisition Thirteen Weeks Ended March 2, 2019 | Operating Expenses as a percentage of Net Sales Thirteen Weeks Ended March 2, 2019 | Operating Expenses as a percentage of Net Sales, excluding Acquisition Thirteen Weeks Ended March 2, 2019 |
| \$ 256.1 | \$ 5.1 | \$ 251.0 | 31.1 % | 31.1 % |

| GAAP Measure | Items Affecting Comparability | Non-GAAP Measure | GAAP Measure | Non-GAAP Measure |
|---|--|---|---|---|
| Operating Income Thirteen Weeks Ended March 2, 2019 | Acquisition Thirteen Weeks Ended March 2, 2019 | Operating Income, excluding Acquisition Thirteen Weeks Ended March 2, 2019 | Operating Margin Thirteen Weeks Ended March 2, 2019 | Operating Margin, excluding Acquisition Thirteen Weeks Ended March 2, 2019 |
| \$ 96.5 | \$ 0.8 | \$ 95.7 | 11.7 % | 11.9 % |

| GAAP Measure | Items Affecting Comparability | Non-GAAP Measure |
|---|--|---|
| Net Income Thirteen Weeks Ended March 2, 2019 | Acquisition Thirteen Weeks Ended March 2, 2019 | Net Income, excluding Acquisition Thirteen Weeks Ended March 2, 2019 |
| 69.4 | \$ (0.1) | \$ 69.5 |

| GAAP Measure | Items Affecting Comparability | Non-GAAP Measure |
|--|--|--|
| Diluted Earnings Per Share Thirteen Weeks Ended March 2, 2019 | Acquisition Thirteen Weeks Ended March 2, 2019 | Diluted Earnings Per Share, excluding Acquisition Thirteen Weeks Ended March 2, 2019 |
| \$ 1.25 | \$ - | \$ 1.25 |

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