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DELTA REPORT

10-Q

MSM - MSC INDUSTRIAL DIRECT CO

10-Q - JUNE 01, 2024 COMPARED TO 10-Q - MARCH 02, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	901
CHANGES	319
DELETIONS	311
ADDITIONS	271

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 2, 2024 June 1, 2024

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: **1-14130**

MSC INDUSTRIAL DIRECT CO., INC.

(Exact name of registrant as specified in its charter)

New York	**11-3289165**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
515 Broadhollow Road, Suite 1000, Melville, New York	**11747**
(Address of principal executive offices)	(Zip Code)

(516) 812-2000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value $0.001 per share	**MSM**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of March 15, 2024 June 17, 2024, 56,300,611 56,122,955 shares of Class A Common Stock of the registrant were outstanding.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this “Report”) contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Discussions containing such forward-looking statements may be found in Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Item 3, “Quantitative and Qualitative Disclosures About Market Risk” of Part I and Item 1, “Legal Proceedings” and Item 1A, “Risk Factors” of Part II of this Report, as well as within this Report generally. The words “will,” “may,” “believes,” “anticipates,” “thinks,” “expects,” “estimates,” “plans,” “intends” and similar expressions are intended to identify forward-looking statements. In addition, statements which refer to expectations, projections or other characterizations of future events or circumstances, statements involving a discussion of strategy, plans or intentions, statements about management’s assumptions, projections or predictions of future events or market outlook and any other statement other than a statement of present or historical fact are forward-looking statements. We expressly disclaim any obligation to publicly disclose any revisions to these forward-looking statements to reflect events or circumstances occurring subsequent to filing this Report with the United States Securities and Exchange Commission (the “SEC”), except to the extent required by applicable law. These forward-looking statements are subject to risks and uncertainties, including, without limitation, those discussed in Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Item 3, “Quantitative and Qualitative Disclosures About Market Risk” of Part I and Item 1, “Legal Proceedings” and Item 1A, “Risk Factors” of Part II of this Report, as well as in Item 1A, “Risk Factors” of Part I and Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” of Part II of our Annual Report on Form 10-K for the fiscal year ended September 2, 2023. In addition, new risks may emerge from time to time and it is not possible for management to predict such risks or to assess the impact of such risks on our business or financial results. Accordingly, future results may differ materially from historical results or from those discussed or implied by these forward-looking statements. Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements. These risks and uncertainties include, but are not limited to, the following:

- general economic conditions in the markets in which we operate;
- changing customer and product mixes;
- volatility in commodity and energy prices, the impact of prolonged periods of low, high or rapid inflation, and fluctuations in interest rates;
- competition, including the adoption by competitors of aggressive pricing strategies or sales methods;
- industry consolidation and other changes in the industrial distribution sector;
- our ability to realize the expected benefits from our investment and strategic plans;
- our ability to realize the expected cost savings and benefits from our restructuring activities and structural cost reductions;
- the retention of key management personnel;
- the credit risk of our customers;
- the risk of customer cancellation or rescheduling of orders;
- difficulties in calibrating customer demand for our products, which could cause an inability to sell excess products ordered from manufacturers resulting in inventory write-downs or could conversely cause inventory shortages of such products;
- work stoppages, labor shortages or other disruptions, including those due to extreme weather conditions, at transportation centers, shipping ports, our headquarters or our customer fulfillment centers;
- disruptions or breaches of our information technology systems or violations of data privacy laws;
- our ability to attract, train and retain qualified sales and customer service personnel and metalworking and specialty sales specialists;
- the risk of loss of key suppliers or contractors or key brands or supply chain disruptions;
- changes to governmental trade or sanctions policies, including the impact from significant import restrictions or tariffs or moratoriums on economic activity with certain countries or regions;
- risks related to opening or expanding our customer fulfillment centers;
- our ability to estimate the cost of healthcare claims incurred under our self-insurance plan;
- 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;
- our ability to maintain our credit facilities or incur additional borrowings on terms we deem attractive;
- the failure to comply with applicable environmental, health and safety laws and regulations and other laws and regulations applicable to our business;
- the outcome of government or regulatory proceedings;

- goodwill and other indefinite-lived intangible assets recorded as a result of our acquisitions could become impaired;
- our common stock price may be volatile due to factors outside of our control;
- the significant influence that our principal shareholders will continue to have over our decisions; and
- our ability to realize the desired benefits from the Reclassification (as defined in Note 9, 8, “Shareholders’ Equity”).

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED MARCH 2, JUNE 1, 2024

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

MSC INDUSTRIAL DIRECT CO., INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	March 2, 2024	September 2, 2023
	June 1, 2024	September 2, 2023
	(Unaudited)	
ASSETS		
ASSETS		
ASSETS		
Current Assets:		
Current Assets:		
Current Assets:		
Cash and cash equivalents		
Cash and cash equivalents		

Cash and cash equivalents		
Accounts receivable, net of allowance for credit losses of $20,260 and $22,747, respectively		
Accounts receivable, net of allowance for credit losses of $21,076 and $22,747, respectively		
Inventories		
Prepaid expenses and other current assets		
Total current assets		
Property, plant and equipment, net		
Goodwill		
Identifiable intangibles, net		
Operating lease assets		
Other assets		
Total assets		
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current Liabilities:		
Current Liabilities:		
Current portion of debt including obligations under finance leases		
Current portion of debt including obligations under finance leases		
Current portion of debt including obligations under finance leases		
Current portion of operating lease liabilities		
Accounts payable		
Accrued expenses and other current liabilities		
Total current liabilities		
Long-term debt including obligations under finance leases		
Noncurrent operating lease liabilities		
Deferred income taxes and tax uncertainties		
Total liabilities		
Total liabilities		
Total liabilities		
Commitments and Contingencies	Commitments and Contingencies	Commitments and Contingencies
Shareholders' Equity:		
MSC Industrial Shareholders' Equity:		
MSC Industrial Shareholders' Equity:		
MSC Industrial Shareholders' Equity:		
Preferred Stock; $0.001 par value; 5,000,000 shares authorized; none issued and outstanding		
Preferred Stock; $0.001 par value; 5,000,000 shares authorized; none issued and outstanding		
Preferred Stock; $0.001 par value; 5,000,000 shares authorized; none issued and outstanding		
Class A Common Stock (one vote per share); $0.001 par value; 100,000,000 shares authorized; 57,600,348 and 48,075,100 shares issued, respectively		
Class A Common Stock (one vote per share); $0.001 par value; 100,000,000 shares authorized; 57,409,287 and 48,075,100 shares issued, respectively		
Class B Common Stock (10 votes per share); $0.001 par value; 0 shares authorized; 0 and 8,654,010 shares issued and outstanding, respectively		
Additional paid-in capital		
Retained earnings		
Accumulated other comprehensive loss		
Class A treasury stock, at cost, 1,299,705 and 1,230,960 shares, respectively		
Class A treasury stock, at cost, 1,286,332 and 1,230,960 shares, respectively		
Total MSC Industrial shareholders' equity		
Noncontrolling interest		
Total shareholders' equity		
Total liabilities and shareholders' equity		

See accompanying Notes to Condensed Consolidated Financial Statements.

MSC INDUSTRIAL DIRECT CO., INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)
(Unaudited)

	Thirteen Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended		Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	March 2, 2024	March 4, 2023	March 2, 2024	March 4, 2023				
	June 1, 2024	June 3, 2023	June 1, 2024	June 3, 2023				
Net sales								
Cost of goods sold								
Gross profit								
Operating expenses								
Restructuring and other costs								
Income from operations								
Other income (expense):								
Interest expense								
Interest expense								
Interest expense								
Interest income								
Other expense, net								
Total other expense								
Income before provision for income taxes								
Provision for income taxes								
Net income								
Less: Net (loss) income attributable to noncontrolling interest								
Net income attributable to MSC Industrial								
Per share data attributable to MSC Industrial:								
Net income per common share:								
Net income per common share:								
Net income per common share:								
Basic								
Basic								
Basic								
Diluted								
Weighted-average shares used in computing net income per common share:								
Basic								
Basic								
Basic	56,325	55,880	56,377	55,885	56,214	55,963	56,323	55,911
Diluted	Diluted 56,467	56,001	56,595	56,074	Diluted 56,351	56,156	56,514	56,121

See accompanying Notes to Condensed Consolidated Financial Statements.

MSC INDUSTRIAL DIRECT CO., INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Thirteen Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended		Thirteen Weeks Ended	Thirty-Nine Weeks Ended
	March 2, 2024	March 4, 2023	March 2, 2024	March 4, 2023		

	June 1, 2024	June 3, 2023	June 1, 2024	June 3, 2023
Net income, as reported				
Other comprehensive income, net of tax:				
Foreign currency translation adjustments				
Foreign currency translation adjustments				
Foreign currency translation adjustments				
Comprehensive income(1)				
Comprehensive income attributable to noncontrolling interest:				
Net loss (income)				
Net loss (income)				
Net loss (income)				
Foreign currency translation adjustments				
Comprehensive income attributable to MSC Industrial				

(1) There were no material taxes associated with other comprehensive income during the thirteen- and twenty-six-week thirty-nine-week periods ended March 2, 2024 June 1, 2024 and March 4, 2023 June 3, 2023.

See accompanying Notes to Condensed Consolidated Financial Statements.

MSC INDUSTRIAL DIRECT CO., INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands, except per share data)
(Unaudited)

	Thirteen Weeks Ended	Thirteen Weeks Ended		Twenty-Six Weeks Ended	Thirteen Weeks Ended	Thirty-Nine Weeks Ended
	March 2, 2024	March 4, 2023	March 2, 2024	March 4, 2023		
	June 1, 2024	June 3, 2023	June 1, 2024	June 3, 2023		
Class A Common Stock						
Beginning Balance						
Beginning Balance						
Beginning Balance						
Associate Incentive Plans						
Repurchase and retirement of Class A Common Stock						
Reclassification of Class B Common Stock to Class A Common Stock						
Ending Balance						
Class B Common Stock						
Beginning Balance						
Beginning Balance						
Beginning Balance						
Reclassification of Class B Common Stock to Class A Common Stock						
Ending Balance						
Additional Paid-in Capital						
Beginning Balance						
Beginning Balance						
Beginning Balance						
Associate Incentive Plans						
Repurchase and retirement of Class A Common Stock						
Reclassification of Class B Common Stock to Class A Common Stock						
Ending Balance						
Retained Earnings						
Beginning Balance						
Beginning Balance						

Beginning Balance
Net Income
Repurchase and retirement of Class A Common Stock
Regular cash dividends declared on Class A Common Stock
Regular cash dividends declared on Class B Common Stock
Reclassification of Class B Common Stock to Class A Common Stock
Dividend equivalents declared, net of cancellations
Ending Balance
Accumulated Other Comprehensive Loss
Beginning Balance
Beginning Balance
Beginning Balance
Foreign Currency Translation Adjustment
Ending Balance
Treasury Stock
Beginning Balance
Beginning Balance
Beginning Balance
Associate Incentive Plans
Repurchase of Class A Common Stock
Ending Balance
Total Shareholders’ Equity Attributable to MSC Industrial
Noncontrolling Interest
Beginning Balance
Beginning Balance
Beginning Balance
Foreign Currency Translation Adjustment
Net (Loss) Income
Ending Balance
Total Shareholders’ Equity
Dividends declared per Class A Common Share
Dividends declared per Class B Common Share

See accompanying Notes to Condensed Consolidated Financial Statements.

MSC INDUSTRIAL DIRECT CO., INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Twenty-Six Weeks Ended	
	March 2, 2024	**March 4, 2023**
	Thirty-Nine Weeks Ended	
	June 1, 2024	**June 3, 2023**
Cash Flows from Operating Activities:		
Net income		
Net income		
Net income		
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization		
Depreciation and amortization		
Depreciation and amortization		

Amortization of cloud computing arrangements
Non-cash operating lease cost
Stock-based compensation
Loss on disposal of property, plant and equipment
Non-cash changes in fair value of estimated contingent consideration
Provision for credit losses
Expenditures for cloud computing arrangements
Deferred income taxes and tax uncertainties
Changes in operating assets and liabilities:
Accounts receivable
Accounts receivable
Accounts receivable
Inventories
Prepaid expenses and other current assets
Operating lease liabilities
Other assets
Accounts payable and accrued liabilities
Total adjustments
Net cash provided by operating activities
Cash Flows from Investing Activities:
Expenditures for property, plant and equipment
Expenditures for property, plant and equipment
Expenditures for property, plant and equipment
Cash used in acquisitions, net of cash acquired
Net cash used in investing activities
Cash Flows from Financing Activities:
Repurchases of Class A Common Stock
Repurchases of Class A Common Stock
Repurchases of Class A Common Stock
Payments of regular cash dividends
Proceeds from sale of Class A Common Stock in connection with Associate Stock Purchase Plan
Proceeds from exercise of Class A Common Stock options
Borrowings under credit facilities
Payments under credit facilities
Borrowings under financing obligations
Payments under Shelf Facility Agreements and Private Placement Debt
Proceeds from other long-term debt
Other, net
Net cash used in financing activities
Effect of foreign exchange rate changes on cash and cash equivalents
Net (decrease) increase in cash and cash equivalents
Cash and cash equivalents—beginning of period
Cash and cash equivalents—end of period
Supplemental Disclosure of Cash Flow Information:
Supplemental Disclosure of Cash Flow Information:
Supplemental Disclosure of Cash Flow Information:
Cash paid for income taxes
Cash paid for income taxes
Cash paid for income taxes
Cash paid for interest

See accompanying Notes to Condensed Consolidated Financial Statements.

MSC INDUSTRIAL DIRECT CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts and shares in thousands, except per share data)
(Unaudited)

Note 1. Basis of Presentation

The unaudited Condensed Consolidated Financial Statements have been prepared by the management of MSC Industrial Direct Co., Inc. (together with its wholly owned subsidiaries and entities in which it maintains a controlling financial interest, “MSC Industrial” or the “Company”) and in the opinion of management include all normal recurring adjustments necessary to present fairly the Company’s financial position as of March 2, 2024 June 1, 2024 and September 2, 2023, results of operations for the thirteen- thirteen and twenty-six thirty-nine weeks ended March 2, 2024 June 1, 2024 and March 4, 2023 June 3, 2023, and cash flows for the twenty-six thirty-nine weeks ended March 2, 2024 June 1, 2024 and March 4, 2023 June 3, 2023. The financial information as of September 2, 2023 was derived from the Company’s audited Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the fiscal year ended September 2, 2023.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the rules and regulations of the SEC. The Company, however, believes that the disclosures contained in this Report comply with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), for a Quarterly Report on Form 10-Q and are adequate to make the information presented not misleading. The unaudited Condensed Consolidated Financial Statements and these Notes to Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended September 2, 2023.

Fiscal Year

The Company operates on a 52/53-week fiscal year ending on the Saturday closest to August 31st of each year. References to “fiscal year 2024” refer to the period from September 3, 2023 to August 31, 2024, which is a 52-week fiscal year. References to “fiscal year 2023” refer to the period from September 4, 2022 to September 2, 2023, which is a 52-week fiscal year. The fiscal quarters ended March 2, 2024 June 1, 2024 and March 4, 2023 June 3, 2023 refer to the thirteen weeks ended as of those dates.

Principles of Consolidation

The unaudited Condensed Consolidated Financial Statements include the accounts of MSC Industrial Direct Co., Inc., its wholly owned subsidiaries and entities in which it maintains a controlling financial interest. All significant intercompany balances and transactions have been eliminated in consolidation.

Reclassifications

Reclassifications were made to the unaudited Condensed Consolidated Statement of Cash Flows for the first half of fiscal year 2023 thirty-nine weeks ended June 3, 2023 to conform with the current year presentation.

Accounting Standards Not Yet Adopted

In November March 2024, the SEC issued its final rule on the enhancement and standardization of climate-related disclosures for investors. These wide-ranging disclosures require annual disclosure of material greenhouse gas emissions as well as disclosure of governance, risk management and strategy related to material climate-related risks. Within the notes to financial statements, the final rule requires disclosure of expenditures recognized, subject to certain thresholds, attributable to severe weather. Outside of the financial statements, the final rule requires qualitative and quantitative disclosures about material Scope 1 and Scope 2 greenhouse gas emissions. Also required is disclosure of the risk management process and the oversight practices of the Board of Directors and management related to climate-related risks. The final rule follows a compliance phase-in timeline, with the first requirements required to be adopted for the Company’s fiscal year 2026, followed in later years by greenhouse gas-related requirements. In April 2024, the SEC voluntarily stayed implementation of the final rule pending completion of judicial review of consolidated challenges to the final rule by the Court of Appeals

MSC INDUSTRIAL DIRECT CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts and shares in thousands, except per share data)
(Unaudited)

for the Eighth Circuit. The Company is currently evaluating the final rule to determine the impact on its consolidated financial statements and disclosures.

In December 2023, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2023-09, Income Taxes (Topic 740): Improvement to Income Tax Disclosures to enhance the transparency and decision usefulness of income tax disclosures. The ASU primarily enhances and expands both the income tax rate reconciliation disclosure and the income taxes paid disclosure. The ASU is effective for annual periods beginning after December 15, 2024 on a prospective basis. Early adoption is permitted. The Company is currently evaluating the standard to determine the impact of adoption on its consolidated financial statements and disclosures.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. The ASU requires entities, including those with a single reporting segment, to disclose significant segment expenses that are regularly provided to the chief operating decision maker, among other provisions. The ASU is effective for fiscal year periods beginning after December 15, 2023, including subsequent interim periods, with early adoption permitted, and requires retrospective application to all prior periods presented in the financial statements. The Company is currently evaluating the standard to determine the impact of adoption on its consolidated financial statements and disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvement to Income Tax Disclosures to enhance the transparency and decision usefulness of income tax disclosures. The ASU primarily enhances and expands both the income tax rate reconciliation disclosure and the income taxes paid disclosure. The ASU is effective for annual periods beginning after December 15, 2024 on a prospective basis. Early adoption is permitted. The Company is

currently evaluating the standard to determine the impact of adoption on its consolidated financial statements and disclosures.

In March 2024, the SEC issued its final rule on the enhancement and standardization of climate-related disclosures for investors. These wide-ranging disclosures require annual disclosure of material greenhouse gas emissions as well as disclosure of governance, risk management and strategy related to material climate-related risks. Within the notes to financial statements, the final rule requires disclosure of expenditures recognized, subject to certain thresholds, attributable to severe weather. Outside of the financial statements, the final rule requires qualitative and quantitative disclosures about material scope 1 and scope 2 greenhouse gas emissions. Also required is disclosure of the risk management process and the oversight practices of the Board of Directors and management related to climate-related risks. The final rule follows a compliance phase-in timeline, with the first requirements required to be adopted for the Company's fiscal year 2026, followed in later years by greenhouse gas-related requirements. The Company is currently evaluating the rule to determine the impact on its consolidated financial statements and disclosures.

Note 2. Revenue

Revenue Recognition

Net sales include product revenue and shipping and handling charges, net of estimated sales returns and any related sales incentives. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring products. All revenue is recognized when the Company satisfies its performance obligations under the contract, which is determined to occur when the customer obtains control of the products, and invoicing occurs at approximately the same point in time. The Company's product sales have standard payment terms that do not exceed one year. The Company considers shipping and handling as activities to fulfill its performance obligations. Substantially all of the Company's contracts have a single performance obligation, to deliver products, and are short-term in nature. The Company estimates product returns based on historical return rates. Total accrued sales returns were $8,464 $8,412 and $8,632 as of March 2, 2024 June 1, 2024 and September 2, 2023, respectively, and are reported as accrued Accrued expenses and other current liabilities in the unaudited Condensed Consolidated Balance Sheets. Sales taxes and value-added taxes in foreign jurisdictions that are collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from net sales.

Consideration Payable to Customers

The Company offers customers sales incentives, which primarily consist of volume rebates, and upfront sign-on payments. These volume rebates and sign-on payments are not in exchange for a distinct good or service and result in a reduction of net sales from the goods transferred to the customer at the later of when the related revenue is recognized or when the Company promises to pay the consideration. The Company estimates its volume rebate accruals and records its sign-on payments based on various factors, including contract terms, historical experience, and performance levels. Total accrued sales incentives, primarily related to volume rebates, were $23,500 $23,202 and $31,954 as of March 2, 2024 June 1, 2024 and September 2, 2023, respectively, and are included in accrued Accrued expenses and other current liabilities in the unaudited Condensed Consolidated Balance Sheets. Sign-on payments, not yet recognized as a reduction of net sales, are recorded in prepaid Prepaid expenses and other current assets in the unaudited Condensed Consolidated Balance Sheets and were $3,551 $4,297 and $3,733 as of March 2, 2024 June 1, 2024 and September 2, 2023, respectively.

Contract Assets and Liabilities

The Company records a contract asset when it has a right to payment from a customer that is conditioned on events other than the passage of time. The Company records a contract liability when customers prepay but the Company has not yet satisfied its performance obligations. The Company did not have material contract assets or liabilities as of March 2, 2024 June 1, 2024 and September 2, 2023.

MSC INDUSTRIAL DIRECT CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts and shares in thousands, except per share data)
(Unaudited)

Disaggregation of Revenue

The Company has determined that it operates as one operating and reportable segment as a distributor of metalworking and maintenance, repair and operations products and services. The conclusion of a single reporting segment is based on the nature of the products the Company sells to its diverse customer base, the distribution footprint and the regulatory environment in which the Company operates.

MSC INDUSTRIAL DIRECT CO., INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts and shares in thousands, except per share data)

(Dollar amounts and shares in thousands, except per share data)

(Unaudited)

The Company serves a large number of customers of various types and in diverse industries, which are subject to different economic and industry factors. The Company's presentation of net sales by customer end-market, customer type and geography most reasonably depicts how the nature, amount, timing and uncertainty of Company revenue and cash flows are affected by economic and industry factors. The Company does not disclose net sales information by product category as it is impracticable to do so as a result of its numerous product offerings and the way its business is managed.

The following table presents the Company's percentage of revenue by customer end-market for the thirteen- and twenty-six-week thirty-nine-week periods ended March 2, 2024 June 1, 2024 and March 4, 2023 June 3, 2023:

		Thirteen Weeks Ended March 2, 2024 June 1, 2024	Thirteen Weeks Ended March 4, 2023 June 3, 2023	Twenty-Six Weeks Ended March 2, 2024 June 1, 2024	Twenty-Six Weeks Ended March 4, 2023		June 3, 2023	Thirteen Weeks Ended		Thirty-Nine Weeks Ended
Manufacturing Heavy	Manufacturing Heavy	48 %	49 %	47 %	49 %	Manufacturing Heavy	46 %	46 %	47 %	48 %
Manufacturing Light	Manufacturing Light	21 %	20 %	21 %	20 %	Manufacturing Light	21 %	20 %	21 %	20 %
Public Sector	Public Sector	8 %	8 %	9 %	8 %	Public Sector	9 %	11 %	9 %	9 %
Retail/Wholesale	Retail/Wholesale	8 %	7 %	8 %	7 %	Retail/Wholesale	8 %	7 %	8 %	7 %
Commercial Services	Commercial Services	4 %	4 %	4 %	4 %	Commercial Services	4 %	4 %	4 %	4 %
Other (1)	Other (1)	11 %	12 %	11 %	12 %	Other (1)	12 %	12 %	11 %	12 %
Total	Total	100 %	100 %	100 %	100 %	Total	100 %	100 %	100 %	100 %

(1) The Other category primarily includes individual customer and small business net sales not assigned to a specific industry classification.

The Company groups customers into three categories by type of customer: national account, public sector and core and other. National account customers include Fortune 1000 companies, large privately held companies, and international companies doing business in North America. Public sector customers are governments and their instrumentalities such as federal agencies, state governments, and public sector healthcare providers. Federal government customers include the United States Marine Corps, the United States Coast Guard, the United States Postal Service, the United States General Services Administration, the United States Department of Defense, the United States Department of Energy, large and small military bases, Veterans Affairs hospitals, and correctional facilities. The Company has individual state and local contracts, as well as contracts through partnerships with several state co-operatives. Core and other customers are those customers that are not national account customers or public sector customers.

The following table presents the Company's percentage of revenue by customer type for the thirteen- and twenty-six-week thirty-nine-week periods ended March 2, 2024 June 1, 2024 and March 4, 2023 June 3, 2023:

		Thirteen Weeks Ended (1) March 2, 2024 June 1, 2024	Thirteen Weeks Ended (1) March 4, 2023 June 3, 2023	Twenty-Six Weeks Ended (1) March 2, 2024 June 1, 2024	Twenty-Six Weeks Ended (1) March 4, 2023		June 3, 2023	Thirteen Weeks Ended (1)		Thirty-Nine Weeks Ended (1)
National Account Customers	National Account Customers	38 %	36 %	37 %	36 %	National Account Customers	37 %	35 %	37 %	35 %
Public Sector Customers	Public Sector Customers	8 %	8 %	9 %	8 %	Public Sector Customers	9 %	11 %	9 %	9 %
Core and Other Customers	Core and Other Customers	54 %	56 %	54 %	56 %	Core and Other Customers	54 %	54 %	54 %	56 %
Total	Total	100 %	100 %	100 %	100 %	Total	100 %	100 %	100 %	100 %

(1) Includes a reclassification reclassifications of certain customers during the second quarter of fiscal year 2024, primarily between national account customers and core and other customers.

The Company's revenue originating from the following geographic areas was as follows for the thirteen- and twenty-six-week thirty-nine-week periods ended March 2, 2024 June 1, 2024 and March 4, 2023 June 3, 2023:

		Thirteen Weeks Ended	Thirteen Weeks Ended		Twenty-Six Weeks Ended		Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
		March 2, 2024	March 4, 2023	March 2, 2024	March 4, 2023					
		June 1, 2024	June 3, 2023	June 1, 2024	June 3, 2023					
United States	United States	95 %	95 %	95 %	95 %	United States	95 %	95 %	95 %	95 %
Mexico	Mexico	2 %	2 %	2 %	2 %	Mexico	2 %	2 %	2 %	2 %
Canada	Canada	2 %	1 %	2 %	2 %	Canada	2 %	2 %	2 %	2 %
North America	North America	99 %	98 %	99 %	99 %	North America	99 %	99 %	99 %	99 %
Other foreign countries	Other foreign countries	1 %	2 %	1 %	1 %	Other foreign countries	1 %	1 %	1 %	1 %
Total	Total	100 %	100 %	100 %	100 %	Total	100 %	100 %	100 %	100 %

Note 3. Net Income per Share

Basic net income per share is computed by dividing net income by the weighted-average number of shares of the Company's Class A Common Stock, par value $0.001 per share ("Class A Common Stock"), and the Company's Class B Common Stock, par value $0.001 per share ("Class B Common Stock" and, together with Class A Common Stock, "Common Stock"), outstanding during the period. In the first quarter of fiscal year 2024, all Class B Common Stock was reclassified, exchanged and converted into Class A Common Stock in connection with the Reclassification. See Note 9, 8, "Shareholders' Equity" for additional information. Diluted net income per share is computed by dividing net income by the weighted-average number of shares of Common Stock outstanding during the period, including potentially dilutive shares of Common Stock equivalents outstanding during the period. The dilutive effect of potential shares of Common Stock is determined using the treasury stock method. The following table sets forth the computation of basic and diluted net income per common share under the treasury stock method for the thirteen- and twenty-six-week thirty-nine-week periods ended March 2, 2024 June 1, 2024 and March 4, 2023 June 3, 2023:

	Thirteen Weeks Ended		Thirteen Weeks Ended		Twenty-Six Weeks Ended	Thirteen Weeks Ended		Thirty-Nine Weeks Ended
	March 2, 2024		March 4, 2023	March 2, 2024	March 4, 2023			
	June 1, 2024		June 3, 2023	June 1, 2024	June 3, 2023			
Numerator:								
Net income attributable to MSC Industrial, as reported								
Net income attributable to MSC Industrial, as reported								
Net income attributable to MSC Industrial, as reported								
Denominator:								
Weighted-average shares outstanding for basic net income per share								
Weighted-average shares outstanding for basic net income per share								
Weighted-average shares outstanding for basic net income per share								
Effect of dilutive securities								
Weighted-average shares outstanding for diluted net income per share								
Net income per share:								
Basic								
Basic								
Basic								
Diluted								
Potentially dilutive securities								
Potentially dilutive securities								
Potentially dilutive securities	15	215		8	225	16	0	10	204

Potentially dilutive securities attributable to outstanding share-based awards are excluded from the calculation of diluted net income per share when the combined exercise price and average unamortized fair value are greater than the average market price of Class A Common Stock, and, therefore, their inclusion would be anti-dilutive.

(Dollar amounts and shares in thousands, except per share data)

Note 4. Stock-Based Compensation

The Company accounts for all stock-based payments in accordance with Accounting Standards Codification ("ASC") Topic 718, "Compensation—Stock Compensation," as amended. Stock-based compensation expense included in Operating expenses for the thirteen- and twenty-six-week thirty-nine-week periods ended March 2, 2024 June 1, 2024 and March 4, 2023 June 3, 2023 was as follows:

	Thirteen Weeks Ended	Thirteen Weeks Ended		Twenty-Six Weeks Ended	Thirteen Weeks Ended	Thirty-Nine Weeks Ended
	March 2, 2024	March 4, 2023	March 2, 2024	March 4, 2023		
	June 1, 2024	June 3, 2023	June 1, 2024	June 3, 2023		
Stock options						
Restricted stock units (1)						
Performance share units (1)						
Associate Stock Purchase Plan						
Stock-based compensation expense						
Deferred income tax benefit						
Stock-based compensation expense, net						

(1) Includes equity award acceleration costs associated with associate severance and separation, which are included in Restructuring and other costs in the unaudited Condensed Consolidated Statements of Income for the thirty-nine-week period ended June 1, 2024 and for the thirteen- and twenty-six-week thirty-nine-week periods ended March 2, 2024 June 3, 2023. See Note 10, 9, "Restructuring and Other Costs" for additional information.

Stock Options

Subsequent to the stock option grant in fiscal year 2019, the Company discontinued its grants of stock options. The fair value of each option grant in previous fiscal years was estimated on the date of grant using the Black-Scholes option pricing model.

A summary of the Company's stock option activity for the twenty-six-week thirty-nine-week period ended March 2, 2024 June 1, 2024 is as follows:

	Shares	Shares	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value	Shares	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding on September 2, 2023									
Granted									
Granted									
Granted									
Exercised									
Exercised									
Exercised									
Canceled/Forfeited/Expired									
Canceled/Forfeited/Expired									
Canceled/Forfeited/Expired									
Outstanding on March 2, 2024									
Outstanding on March 2, 2024									
Outstanding on March 2, 2024									

(Dollar amounts and shares in thousands, except per share data)

Exercisable on March 2, 2024
Outstanding on June 1, 2024
Outstanding on June 1, 2024
Outstanding on June 1, 2024
Exercisable on June 1, 2024

The aggregate intrinsic value of options exercised, which represents the difference between the exercise price and the market value of Class A Common Stock measured at each individual exercise date, during the twenty-six-week thirty-nine-week periods ended March 2, 2024 June 1, 2024 and March 4, 2023 June 3, 2023 was $1,784 $1,864 and $1,563, $3,044, respectively. There were no unrecognized stock-based compensation costs related to stock options at March 2, 2024 June 1, 2024.

Performance Share Units

In fiscal year 2020, the Company began granting performance share units ("PSUs") as part of its long-term stock-based compensation program. PSUs cliff vest after a three-year performance period based on the achievement of specific

performance goals as set forth in the applicable award agreement. Based on the extent to which the performance goals are achieved, vested shares may range from 0% to 200% of the target award amount.

The following table summarizes all transactions related to PSUs under the MSC Industrial Direct Co., Inc. 2015 Omnibus Incentive Plan (the "2015 Omnibus Incentive Plan") and the MSC Industrial Direct Co., Inc. 2023 Omnibus Incentive Plan (the "2023 Omnibus Incentive Plan") (based on target award amounts) for the twenty-six-week thirty-nine-week period ended March 2, 2024 June 1, 2024:

	Shares	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value per Share
Non-vested PSUs at September 2, 2023					
Granted					
PSU adjustment (1)					
Vested					
Canceled/Forfeited					
Non-vested PSUs at March 2, 2024 (2)					
Non-vested PSUs at June 1, 2024 (2)					

(1) PSU adjustment represents the net PSUs awarded above or below their target grants resulting from the achievement of performance goals above or below the performance targets established at grant. One grant goal was achieved at 200% of its target based on fiscal year 2021 through fiscal year 2023 financial results.

(2) Excludes approximately 6 shares of accrued incremental dividend equivalent rights on outstanding PSUs granted under the 2015 Omnibus Incentive Plan and the 2023 Omnibus Incentive Plan.

Restricted Stock Units

A summary of the Company's non-vested restricted stock unit ("RSU") award activity under the 2015 Omnibus Incentive Plan and the 2023 Omnibus Incentive Plan for the twenty-six-week thirty-nine-week period ended March 2, 2024 June 1, 2024 is as follows:

	Shares	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value per Share
Non-vested RSUs at September 2, 2023					
Granted					
Vested					
Canceled/Forfeited					
Non-vested RSUs at March 2, 2024 (1)					
Non-vested RSUs at June 1, 2024 (1)					

(1) Excludes approximately 28 32 shares of accrued incremental dividend equivalent rights on outstanding RSUs granted under the 2015 Omnibus Incentive Plan and the 2023 Omnibus Incentive Plan.

The fair value of each PSU and RSU is the closing stock price on the New York Stock Exchange of Class A Common Stock on the date of grant. PSUs are expensed over the three-year performance period of each respective grant and RSUs are expensed over the vesting period of each respective grant. Forfeitures of share-based awards are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from estimated forfeitures. The Company uses historical data to estimate pre-vesting PSU and RSU forfeitures and records stock-based compensation expense only for PSU and RSU awards that are expected to vest. Upon vesting, and, in the case of the PSUs, subject to the achievement of specific performance goals, a portion of the PSU and RSU awards may be withheld to satisfy the statutory income tax withholding obligation, and the remaining PSUs and RSUs will be settled in shares of Class A Common Stock. These awards accrue dividend equivalents on the underlying PSUs and RSUs (in the form of additional stock units) based on dividends declared on Class A Common Stock, and these dividend equivalents are paid to the award recipient in the form of unrestricted shares of Class A Common Stock on the vesting dates of the underlying PSUs and RSUs, subject, in the case of the dividend equivalents on the underlying PSUs, to the same performance vesting requirements. The unrecognized stock-based compensation costs related to the PSUs and RSUs at March 2, 2024 were $6,000 and $34,006, respectively, which are expected to be recognized over a weighted-average period of 1.7 and 3.0 years, respectively.

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unrecognized stock-based compensation costs related to the PSUs and RSUs at June 1, 2024 were $4,122 and $30,128, respectively, which are expected to be recognized over a weighted-average period of 1.5 and 2.7 years, respectively.

Note 5. Fair Value

Fair value accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The below fair value hierarchy prioritizes the inputs used to measure fair value into three levels, with Level 1 being of the highest priority. The three levels of inputs used to measure fair value are as follows:

Level 1— Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
Level 2— Include other inputs that are directly or indirectly observable in the marketplace.
Level 3— Unobservable inputs which are supported by little or no market activity.

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and outstanding indebtedness. Cash and cash equivalents include investments in a money market fund which are reported at fair value. The fair value of money market funds is determined using quoted prices for identical investments in active markets, which are considered to be Level 1 inputs within the fair value hierarchy. The Company uses a market approach to determine the fair value of its debt instruments, utilizing quoted prices in active markets, interest rates and other relevant information generated by market transactions involving similar instruments. Therefore, the inputs used to measure the fair value of the Company's debt instruments are classified as Level 2 within the fair value hierarchy. The reported carrying amounts of the Company's financial instruments approximated their fair values as of March 2, 2024 June 1, 2024 and March 4, 2023 June 3, 2023.

During the thirteen- and twenty-six-week thirty-nine-week periods ended March 2, 2024 June 1, 2024 and March 4, 2023 June 3, 2023, the Company had no material remeasurements of non-financial assets or liabilities at fair value on a non-recurring basis subsequent to their initial recognition.

Assets Held for Sale

The Company classifies an asset as held for sale when management, having the authority to approve the action, commits to a plan to sell the asset, the sale is probable within one year and the asset is available for immediate sale in its present condition. The Company also considers whether an active program to locate a buyer has been initiated, whether the asset is marketed actively for sale at a price that is reasonable in relation to its current fair value and whether actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. The Company initially measures an asset that is classified as held for sale at the lower of its carrying amount or fair value less costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized until the date of sale. The Company assesses the fair value of an asset less costs to sell each reporting period it remains classified as held for sale and reports any subsequent changes as an adjustment to the carrying amount of the asset, as long as the new carrying amount does not exceed the carrying amount of the asset at the time it was initially classified as held for sale. Assets are not depreciated or amortized while they are classified as held for sale.

In March 2024, the Company commenced its plan to sell its 468,000 square foot customer fulfillment center ("CFC") in Columbus, Ohio. As of June 1, 2024, the related assets had a carrying value of approximately $31,758, which is comprised of approximately $20,663 of building and building improvements, $4,097 of land assets and $6,998 of furniture, fixtures and equipment, which is included in Property, plant and equipment, net in the unaudited Condensed Consolidated Balance Sheet as of such date. As a result of the above, the Company determined that all of the criteria to classify the building as held for sale had been met as of June 1, 2024. Fair value was determined based upon the anticipated sales price of these assets based on current market conditions and assumptions made by management, which may differ from actual results and may result in an impairment if market conditions deteriorate. No impairment charge was recorded as the fair value less costs to sell was in excess of the carrying amount of the assets.

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Note 6. Accounts Receivable

Accounts receivables at March 2, 2024 June 1, 2024 and September 2, 2023 consisted of the following:

	March 2, 2024	September 2, 2023

	June 1, 2024	September 2, 2023
Accounts receivable		
Less: allowance for credit losses		
Accounts receivable, net		

In the second quarter of fiscal year 2023, the Company entered into a Receivables Purchase Agreement (the "RPA"), by and among MSC A/R Holding Co., LLC, a wholly owned subsidiary of the Company (the "Receivables Subsidiary"), as seller, the Company, as master servicer, certain purchasers from time to time party thereto (collectively, the "Purchasers"), and Wells Fargo Bank, National Association, as administrative agent. Under the RPA, the Receivables Subsidiary may sell receivables to the Purchasers in amounts up to $300,000. During the second quarter of fiscal year 2023, the amount sold to the Purchasers was $300,000, which was derecognized from the unaudited Condensed Consolidated Balance Sheet as of that date. March 4, 2023. The RPA matures on December 19, 2025 and is subject to customary termination events related to transactions of this type.

The Company continues to be involved with the receivables sold to the Purchasers by providing collection services. As cash is collected on sold receivables, the Receivables Subsidiary continuously sells new qualifying receivables to the Purchasers so that the total principal amount outstanding of receivables sold is approximately $300,000. The total principal amount outstanding of receivables sold was approximately $300,000 as of March 2, 2024 June 1, 2024 and September 2, 2023. The amount of receivables pledged as collateral as of March 2, 2024 June 1, 2024 and September 2, 2023 was $348,848 $339,142 and $352,385, respectively.

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The following table summarizes the activity and amounts outstanding under the RPA for the thirteen- and twenty-six-week thirty-nine-week periods ended March 2, 2024 June 1, 2024 and March 4, 2023 June 3, 2023:

	Thirteen Weeks Ended	Thirteen Weeks Ended		Twenty-Six Weeks Ended	Thirteen Weeks Ended	Thirty-Nine Weeks Ended
	March 2, 2024	March 4, 2023	March 2, 2024	March 4, 2023		
	June 1, 2024	June 3, 2023	June 1, 2024	June 3, 2023		
Receivables sold under the RPA						
Cash collected on sold receivables under the RPA						

The receivables sold incurred fees due to the Purchasers of $4,616 $4,605 and $9,227 $13,832 during the thirteen- and twenty-six-week thirty-nine-week periods ended March 2, 2024 June 1, 2024, respectively, and $3,323 $4,317 and $7,640 during both the thirteen- and twenty-six-week thirty-nine-week periods ended March 4, 2023 June 3, 2023, respectively, which were recorded within Other expense, net in the unaudited Condensed Consolidated Statements of Income. The financial covenants under the RPA are substantially the same as those under the Credit Facilities, the Private Placement Debt and the Shelf Facility Agreements (each, as defined below). See Note 8, 7, "Debt" for more information about these financial covenants.

Note 7. Acquisitions

SMRT Asset Acquisition

In December 2023, the Company acquired certain intellectual property assets from Schmitz Manufacturing Research & Technology LLC ("SMRT"), a leading company in mechanical, aerospace and manufacturing engineering. The acquired assets relate to SMRT's technology assets for the United States manufacturing industry. With this investment, the Company intends to enhance its ability to create and advance technology for the United States machining industry to strengthen its market leadership in metalworking.

This acquisition was accounted for as an asset acquisition, as the fair value of the gross assets acquired is concentrated in the value of the SMRT intellectual property intangible assets. The total cost of the acquisition was $2,894, inclusive of approximately $145 of transaction-related costs and $1,200 of deferred consideration payable to the sellers, in accordance with the asset purchase agreement. The Company allocated the total cost of the acquisition to intellectual property intangible assets and assigned the assets a useful life of five years.

Acquisition of KAR

In January 2024, the Company acquired 100% of the outstanding shares of privately held KAR Industrial Inc. ("KAR"), a Canada-based metalworking distributor, for aggregate consideration of $8,903, which includes cash paid of $8,303, subject to certain post-closing adjustments, and contingent consideration to be paid out of $747, which had a present value of $600 as of the acquisition date based on a Monte Carlo Simulation approach. Total cash consideration funded by the Company came from available cash resources.

KAR specializes in measuring and cutting tools, machine tool accessories and other manufacturing-related supplies across Canada's industrial landscape. The Company expects to capitalize on KAR's metalworking expertise, knowledge of the Canadian market and value-added services by offering KAR's customers access to the full breadth of MSC

Industrial's product portfolio, including E-commerce capabilities.

This acquisition was accounted for as a single business acquisition pursuant to ASC Topic 805, "Business Combinations" ("ASC Topic 805"). As required by ASC Topic 805, the Company allocated the consideration to assets and liabilities based on their estimated fair value at the acquisition date. The Company's purchase accounting as of March 2, 2024 is preliminary primarily due to the pending final valuation and an expected working capital adjustment to the purchase price.

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The following table summarizes the amounts of identified assets acquired and liabilities assumed based on their estimated fair value at the acquisition date:

Cash	$	129
Inventories		3,130
Accounts receivable		1,987
Prepaid expenses and other current assets		115
Identifiable intangibles		971
Goodwill		3,885
Property, plant and equipment		45
Total assets acquired	$	10,262
Accounts payable		1,196
Accrued liabilities		163
Total liabilities assumed	$	1,359
Total purchase price consideration	$	8,903

Acquired identifiable intangible assets with a fair value of $971 consisted of customer relationships of $747 with useful lives of 10 years and trade names of $224 with useful lives of five years. The goodwill amount of $3,885 represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired and liabilities assumed. The primary items that generated the goodwill were the premiums paid by the Company for the right to control the business acquired and the benefit of expanding the Company's metalworking footprint within the Canadian market. This goodwill will not be amortized and will be included in the Company's periodic test for impairment at least annually. The goodwill is non-deductible for income tax purposes.

The amount of combined revenue and income before provision for income taxes from KAR included in the unaudited Condensed Consolidated Statements of Income for the thirteen- and twenty-six-week periods ended March 2, 2024 was $2,476 and $99, respectively. In addition, for the thirteen- and twenty-six-week periods ended March 2, 2024, the Company incurred non-recurring transaction and integration costs relating to the acquisition totaling $465, which are included in Operating expenses in the unaudited Condensed Consolidated Statements of Income.

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Note 8. 7. Debt

Debt at March 2, 2024 June 1, 2024 and September 2, 2023 consisted of the following:

	March 2, 2024
	June 1, 2024
Amended Revolving Credit Facility	
Amended Revolving Credit Facility	
Amended Revolving Credit Facility	
Uncommitted Credit Facilities	
Uncommitted Credit Facilities	
Uncommitted Credit Facilities	
Long-Term Note Payable	

Long-Term Note Payable				
Long-Term Note Payable				
Private Placement Debt:				
Private Placement Debt:				
Private Placement Debt:				
2.90% Senior Notes, Series B, due July 28, 2026				
2.90% Senior Notes, Series B, due July 28, 2026				
2.90% Senior Notes, Series B, due July 28, 2026				
3.79% Senior Notes, due June 11, 2025				
3.79% Senior Notes, due June 11, 2025				
3.79% Senior Notes, due June 11, 2025				
2.60% Senior Notes, due March 5, 2027				
2.60% Senior Notes, due March 5, 2027				
2.60% Senior Notes, due March 5, 2027				
2.40% Series 2019A Notes, due March 5, 2024 (1)				
2.40% Series 2019A Notes, due March 5, 2024 (1)				
2.40% Series 2019A Notes, due March 5, 2024 (1)				
5.73% Senior Notes, due April 18, 2027				
5.73% Senior Notes, due April 18, 2027				
5.73% Senior Notes, due April 18, 2027				
Financing arrangements				
Financing arrangements				
Financing arrangements				
Obligations under finance leases				
Obligations under finance leases				
Obligations under finance leases				
Less: unamortized debt issuance costs				
Less: unamortized debt issuance costs				
Less: unamortized debt issuance costs				
Total debt, including obligations under finance leases				
Total debt, including obligations under finance leases				
Total debt, including obligations under finance leases				
Less: current portion				
Less: current portion				
Less: current portion	(257,829) (2)	(2) (229,935) (3)	(3) (206,335) (2)	(2) (229,935) (3) (3)
Total long-term debt, including obligations under finance leases				

(1) Represents private placement debt issued under the Shelf Facility Agreements.

(2) Consists of $205,000 from the Uncommitted Credit Facilities (as defined below), $50,000 from the 2.40% Series 2019A Notes, due March 5, 2024, $3,045 $1,515 from financing arrangements, $129 203 from obligations under finance leases and net of unamortized debt issuance costs of $345 $383 expected to be amortized in the next 12 months.

(3) Consists of $180,000 from the Uncommitted Credit Facilities, $50,000 from the 2.40% Series 2019A Notes, due March 5, 2024, $37 from financing arrangements, $249 from obligations under finance leases and net of unamortized debt issuance costs of $351 expected to be amortized in the next 12 months.

Amended Revolving Credit Facility

In April 2017, the Company entered into a $600,000 revolving credit facility, which was subsequently amended and extended in August 2021 (as amended and extended, the “Amended Revolving Credit Facility”). The Amended Revolving Credit Facility, which matures on August 24, 2026, provides for a five-year unsecured revolving loan facility on a committed basis. The interest rate for borrowings under the Amended Revolving Credit Facility is based on either the Adjusted Term SOFR Rate (as defined in the Amended Revolving Credit Facility) or a base rate, plus a spread based on the Company’s consolidated leverage ratio at the end of each fiscal reporting quarter. The Company currently elects to have loans under the Amended Revolving Credit Facility bear interest based on the Adjusted Term SOFR Rate with one-month interest periods.

The Amended Revolving Credit Facility permits up to $50,000 to be used to fund letters of credit. The Amended Revolving Credit Facility also permits the Company to initiate one or more incremental term loan facilities and/or to increase the revolving loan commitments in an aggregate amount not to exceed $300,000. Subject to certain limitations, each such incremental term loan facility or revolving loan commitment increase will be on terms as agreed to by the Company, the administrative agent and the lenders providing such financing. Outstanding letters of credit were $6,304 and $5,269 at March 2, 2024 June 1, 2024 and September 2, 2023, respectively.

Uncommitted Credit Facilities

During the second quarter of fiscal year 2024, the Company extended two all three of its three uncommitted credit facilities. The third uncommitted credit facility is expected to be extended in the third quarter of fiscal year 2024. These facilities (collectively, the “Uncommitted Credit Facilities” and, together with the Amended Revolving Credit Facility, the “Credit Facilities”) total $208,000 in aggregate maximum uncommitted availability, under which $205,000 and $180,000 were

“Credit Facilities”) total $208,000 in aggregate maximum uncommitted availability, under which $205,000 and $180,000 were outstanding at March 2, 2024 June 1, 2024 and September 2, 2023, respectively, and are included in Current portion of debt including obligations under finance leases in the unaudited Condensed Consolidated Balance Sheets. The interest rate on the Uncommitted Credit Facilities is based on the Secured Overnight Financing Rate. Borrowings under the Uncommitted Credit Facilities are due at the end of the applicable interest period, which is typically one month but may be up to six months and may be rolled over to a new interest period at the option of the applicable lender. The Company’s lenders have, in the past, been willing to roll over the principal amount outstanding under the Uncommitted Credit Facilities at the end of each interest period but are not obligated to do so. Each Uncommitted Credit Facility matures within one year of entering into such Uncommitted Credit Facility and contains certain limited covenants which are substantially the same as the limited covenants contained in the Amended Revolving Credit Facility. All of the Uncommitted Credit Facilities are unsecured and rank equally in right of payment with the Company’s other unsecured indebtedness.

During the twenty-six-week thirty-nine-week period ended March 2, 2024 June 1, 2024, the Company borrowed an aggregate $297,000 $359,000 and repaid an aggregate $202,000 $309,000 under the Credit Facilities. As of March 2, 2024 June 1, 2024 and September 2, 2023, the weighted-average interest rates on borrowings under the Credit Facilities were 6.23% 6.20% and 6.17%, respectively.

Private Placement Debt

In July 2016, the Company completed the issuance and sale of $100,000 aggregate principal amount of 2.90% Senior Notes, Series B, due July 28, 2026; in June 2018, the Company completed the issuance and sale of $20,000 aggregate principal amount of 3.79% Senior Notes, due June 11, 2025; and, in March 2020, the Company completed the issuance and sale of $50,000 aggregate principal amount of 2.60% Senior Notes, due March 5, 2027; and, in April 2024, the Company completed the issuance and sale of $50,000 aggregate principal amount of 5.73% Senior Notes, due April 18, 2027 (collectively, the “Private Placement Debt”). Interest is payable semiannually at the fixed stated interest rates. All of the Private Placement Debt is unsecured.

Shelf Facility Agreements

In January 2018, the Company entered into Note Purchase and Private Shelf Agreements with MetLife Investment Advisors, LLC (the “MetLife Note Purchase Agreement”) and PGIM, Inc. (the “Prudential Note Purchase Agreement” and, together with the MetLife Note Purchase Agreement, the “Shelf Facility Agreements”). Each of the MetLife Note Purchase Agreement and the Prudential Note Purchase Agreement provides for an uncommitted facility for the issuance and sale of up to an aggregate total of $250,000 of unsecured senior notes, at a fixed rate. As of March 2, 2024, $50,000 aggregate principal amount of 2.40% Series 2019A Notes, due March 5, 2024, was outstanding under notes issued in private placements pursuant to the Shelf Facility Agreements.

Subsequent to the fiscal quarter ended March 2, 2024, In March 2024, the Company paid $50,000 to satisfy its obligation on the 2.40% Series 2019A Notes, due March 5, 2024, associated with the Shelf Facility Agreements. As of June 1, 2024, there were no outstanding notes issued in private placements pursuant to the Shelf Facility Agreements. No new notes may be issued pursuant to the Shelf Facility Agreements.

Covenants

Each of the Credit Facilities, the Private Placement Debt and the Shelf Facility Agreements imposes several restrictive covenants. As of March 2, 2024 June 1, 2024, the Company was in compliance with the operating and financial covenants of the Credit Facilities, the Private Placement Debt and the Shelf Facility Agreements.

Note 9. 8. Shareholders’ Equity

Common Stock Repurchases and Treasury Stock

In June 2021, the Board of Directors of the Company (the “Board”) terminated the existing share repurchase plan and authorized a new share repurchase plan (the “Share Repurchase Plan”) to purchase up to 5,000 shares of Class A Common Stock. There is no expiration date for the Share Repurchase Plan. As of March 2, 2024 June 1, 2024, the maximum number of shares of Class A Common Stock that were available for repurchase under the Share Repurchase Plan was 2,278 2,078 shares. The Share Repurchase Plan allows the Company to repurchase shares at any time and in any increments it deems appropriate in accordance with Rule 10b-18 under the Exchange Act.

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(Unaudited)

During the thirteen- and twenty-six-week thirty-nine-week periods ended March 2, 2024 June 1, 2024, the Company repurchased 175 200 shares and 1,542 1,742 shares, respectively, of Class A Common Stock for $16,632 $18,489 and $148,677, $167,166, respectively. From these totals, 9 shares less than 1 share and 96 shares, respectively, were repurchased by the Company to satisfy the Company's associates' tax withholding liability associated with its stock-based compensation program and are reflected at cost as treasury stock in the unaudited Condensed Consolidated Financial Statements for the thirteen- and twenty-six-week thirty-nine-week periods ended March 2, 2024 June 1, 2024 and the remainder were immediately retired. During the thirteen- and twenty-six-week thirty-nine-week periods ended March 4, 2023 June 3, 2023, the Company repurchased 152 shares 1 share and 385 386 shares, respectively, of Class A Common Stock for $12,468 $65 and $31,007, $31,072, respectively. From these totals, 2 shares 1 share and 54 55 shares, respectively, were repurchased by the Company to satisfy the Company's associates' tax withholding liability associated with its stock-based compensation program and are reflected at cost as treasury stock in the unaudited Condensed Consolidated Financial Statements for the thirteen- and twenty-six-week thirty-nine-week periods ended March 4, 2023 June 3, 2023 and the remainder were immediately retired.

The Company reissued 14 shares and 27 41 shares of treasury stock during the thirteen- and twenty-six-week thirty-nine-week periods ended March 2, 2024 June 1, 2024, respectively, and reissued 17 14 shares and 31 45 shares of treasury stock during the thirteen- and twenty-six-week thirty-nine-week periods ended March 4, 2023 June 3, 2023, respectively, to fund the MSC Industrial Direct Co., Inc. Amended and Restated Associate Stock Purchase Plan.

Dividends on Common Stock

The Company paid aggregate regular cash dividends of $1.66 $2.49 per share totaling $93,964 $140,695 for the twenty-six-week thirty-nine-week period ended March 2, 2024 June 1, 2024. For the twenty-six-week thirty-nine-week period ended March 4, 2023 June 3, 2023, the Company paid aggregate regular cash dividends of $1.58 $2.37 per share totaling $88,313. $132,484.

On March 26, 2024 June 25, 2024, the Board declared a regular cash dividend of $0.83 per share, payable on April 23, 2024 July 23, 2024, to shareholders of record at the close of business on April 9, 2024 July 9, 2024. The dividend is expected to result in aggregate payments of $46,730, $46,582, based on the number of shares outstanding at March 15, 2024 June 17, 2024.

Reclassification

In the first quarter of fiscal year 2024, the Company completed its previously announced reclassification (the "Reclassification") of the Common Stock to eliminate the Class B Common Stock, effective at the time that the Company's Restated Certificate of Incorporation was duly filed with the Secretary of State of the State of New York (the "Effective Time"), as contemplated by that certain Reclassification Agreement, dated as of June 20, 2023 (the "Reclassification Agreement"), with Mitchell Jacobson, Erik Gershwind, other members of the Jacobson / Gershwind family and certain entities affiliated with the Jacobson / Gershwind family (collectively, the "Jacobson / Gershwind Family Shareholders"). Pursuant to the Reclassification, each share of Class B Common Stock issued and outstanding immediately prior to the Effective Time was reclassified, exchanged and converted into 1.225 shares of Class A Common Stock. The issuance of Class A Common Stock in connection with the Reclassification was registered under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to the Company's Registration Statement on Form S-4 (File No. 333-273418).

As contemplated by the Reclassification Agreement, a number of corporate governance changes were implemented, including the following:

- the Jacobson / Gershwind Family Shareholders have the right to designate (i) two individuals (one of whom will be Mr. Erik Gershwind so long as he is the Company's Chief Executive Officer) for nomination for election to the Board so long as the Jacobson / Gershwind Family Shareholders own 10% or more of the issued and outstanding shares of Class A Common Stock and (ii) one individual for nomination for election to the Board so long as the Jacobson / Gershwind Family Shareholders own less than 10% but more than 5% of the issued and outstanding shares of Class A Common Stock;
- the Jacobson / Gershwind Family Shareholders have each granted an irrevocable proxy authorizing the Company to vote such pro rata portion of shares of Class A Common Stock beneficially owned by the Jacobson / Gershwind Family Shareholders or their permitted transferees in excess of 15% of the issued and outstanding shares of Class A Common Stock in proportion to the votes of other holders (i.e., excluding any Jacobson / Gershwind Family Shareholders and their permitted transferees) entitled to vote and that do in fact vote;
- certain standstill and lock-up provisions for the Jacobson / Gershwind Family Shareholders;

- the transition of the approval standard for certain significant transactions (including mergers, asset sales, share exchanges and dissolution) from a two-thirds supermajority to a majority of the issued and outstanding shares of Class A Common Stock entitled to vote thereon;
- the adoption of a "majority of the votes cast" standard for uncontested director elections; and
- the designation of (i) the New York Supreme Court as the exclusive forum for (a) certain derivative claims, (b) claims asserting breach of fiduciary duties, (c) claims pursuant to the New York Business Corporation Law, the Company's Restated Certificate of Incorporation or the Company's Third Amended and Restated By-Laws or (d) claims governed by the internal affairs doctrine and (ii) the U.S. federal district courts as the exclusive forum for claims under the Securities Act.

Note 10. 9. Restructuring and Other Costs

Optimization of Company Operations and Profitability Improvement

The Company continues to identify opportunities for improvements in its workforce realignment, strategy and staffing, and its focus on performance management, to ensure it has the right skill sets and number of associates to execute its long-term vision. As such, the Company extends voluntary and involuntary severance and separation benefits to certain associates in order to facilitate its workforce realignment that qualify as exit and disposal costs under accounting principles generally accepted in the United States of America. In the second quarter of fiscal year 2024, Restructuring and other costs principally consisted of severance and separation charges relating to an associate voluntary termination program.

(Dollar amounts and shares in thousands, except per share data)

As part of the Company's strategic realignment efforts to optimize its supply chain and distribution network and enhance operational efficiency, the Company engaged consultants and, in March 2024, commenced its plan to sell its CFC in Columbus, Ohio. As such, the Company incurred consulting-related costs and extended voluntary and involuntary severance and separation benefits to certain associates in order to facilitate its network optimization and workforce realignment that qualify as exit and disposal costs under accounting principles generally accepted in the United States of America.

In addition, from time to time, the Company incurs certain expenses that are an integral component of, and directly attribute to, its restructuring activities, which do not qualify as exit and disposal costs under accounting principles generally accepted in the United States of America. These expenses include professional and consulting-related costs directly associated with the optimization of the Company's operations and profitability improvement, which are also included in Restructuring and other costs in the unaudited Condensed Consolidated Statements of Income.

The following table summarizes Restructuring and other costs for the thirteen- and twenty-six-week thirty-nine-week periods ended March 2, 2024 June 1, 2024 and March 4, 2023 June 3, 2023:

	Thirteen Weeks Ended	Thirteen Weeks Ended		Twenty-Six Weeks Ended	Thirteen Weeks Ended	Thirty-Nine Weeks Ended
	March 2, 2024	March 4, 2023	March 2, 2024	March 4, 2023		
	June 1, 2024	June 3, 2023	June 1, 2024	June 3, 2023		
Consulting-related costs						
Associate severance and separation costs						
Equity award acceleration costs associated with severance						
Other exit-related costs						
Total Restructuring and other costs						
Total Restructuring and other costs						
Total Restructuring and other costs						

Liabilities associated with Restructuring and other costs are included in Accrued expenses and other current liabilities in the unaudited Condensed Consolidated Balance Sheet as of March 2, 2024 June 1, 2024. The following table summarizes activity related to liabilities associated with Restructuring and other costs for the twenty-six-week period ended March 2, 2024:

	Consulting-related costs	Associate severance and separation costs	Total
Balance at September 2, 2023	$ 100	$ 1,037	$ 1,137
Additions	1,074	5,640	6,714
Payments and other adjustments	(1,057)	(1,448)	(2,505)
Balance at March 2, 2024	$ 117	$ 5,229	$ 5,346

activity related to liabilities associated with Restructuring and other costs for the thirty-nine-week period ended June 1, 2024:

	Consulting-related costs	Associate severance and separation costs	Other exit-related costs	Total
Balance at September 2, 2023	$ 100	$ 1,037	$ —	$ 1,137
Additions	4,435	6,319	650	11,404
Payments and other adjustments	(4,077)	(6,368)	—	(10,445)
Balance at June 1, 2024	$ 458	$ 988	$ 650	$ 2,096

Note 11. 10. Income Taxes

During the twenty-six-week thirty-nine-week period ended March 2, June 1, 2024, there were no material changes in unrecognized tax benefits.

During fiscal year 2023, the Company received funds related to Employee Retention Credit ("ERC") claims previously submitted. As there is no authoritative guidance under accounting principles generally accepted in the United States of America on accounting for government assistance to for-profit business entities, the Company accounts for the ERC by analogy to International Accounting Standard 20, Accounting for Government Grants and Disclosure of Government Assistance. Management Of the funds received in fiscal year 2023, the Company recorded $6,566 to Other income (expense) in the Consolidated Statement of Income for the fiscal year ended September 2, 2023, as the probability threshold had been met. As of June 1, 2024, the Company determined the probability threshold has had not been met for $5,129 of the funds received in fiscal year 2023, and, as such, that portion of the funds remains remained in accrued Accrued expenses and other current liabilities in the unaudited Condensed Consolidated Balance Sheet as of March 2, 2024. such date. This amount will be recognized in the unaudited Condensed Consolidated Statement of Income when the probability threshold has been met, which the Company has determined to be the earlier of a completed audit or the lapse of the relevant statute of limitations.

The Company's effective tax rate was 23.7% 24.2% for the twenty-six-week thirty-nine-week period ended March 2, 2024 June 1, 2024, as compared to 25.0% 24.9% for the twenty-six-week thirty-nine-week period ended March 4, 2023 June 3, 2023. The decrease in the effective tax rate was primarily due to a higher tax benefit from stock-based compensation. The effective tax rate is higher than the federal statutory tax rate primarily due to state taxes.

Note 12. 11. Legal Proceedings

In the ordinary course of business, there are various claims, lawsuits and pending actions against the Company incidental to the operation of its business. Although the outcome of these matters, both individually and in aggregate, is currently not determinable, management the Company does not expect that the ultimate costs to resolve these matters will have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

Note 13: 12. Subsequent Events

Subsequent to the fiscal quarter ended March 2, 2024, In June 2024, the Company commenced its plan to sell its 468,000 square foot customer fulfillment center in Columbus, Ohio. The closure is part acquired 100% of the Company's strategic realignment efforts outstanding shares of privately held ApTex, Inc., a Waukesha, Wisconsin-based metalworking distributor focusing on cutting tools and abrasives, for aggregate consideration of $5,500, subject to optimize its distribution network and enhance operational efficiency. customary post-closing working capital adjustments.

The In June 2024, the Company is in the initial stages also acquired certain assets and assumed certain liabilities of developing its plan Premier Tool Grinding, Inc., a Goodyear, Arizona-based carbide cutting tool manufacturer, for aggregate consideration of $10,500, subject to sell the asset, such as initiating a search for a buyer and actively marketing the asset for sale. The Company will also assess if the criteria to classify the building as held for sale will be met in the next quarterly reporting period. The fair value is expected to be in excess of the carrying amounts of approximately $20,628 and $4,097 of the building and building improvements and land assets, respectively. customary post-closing working capital adjustments.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following is intended to update the information contained in MSC Industrial Direct Co., Inc.'s (together with its wholly owned subsidiaries and entities in which it maintains a controlling financial interest, "MSC," "MSC Industrial," the "Company," "we," "us" or "our") Annual Report on Form 10-K for the fiscal year ended September 2, 2023 and presumes that readers have access to, and will have read, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of Part II of such Annual Report on Form 10-K.

Our Business

MSC is a leading North American distributor of a broad range of metalworking and maintenance, repair and operations ("MRO") products and services. We help our customers drive greater productivity, profitability and growth with inventory management and other supply chain solutions and deep expertise from more than 80 years of working with customers across industries. We offer approximately 2.4 million active, saleable stock-keeping units through our catalogs; our brochures; our E-commerce channels, including our website, *www.mscdirect.com* (the "MSC website"); our inventory management solutions; and our customer care centers, customer fulfillment centers ("CFCs"), regional inventory centers and warehouses. We service our customers from six customer fulfillment centers, CFCs, 10 regional inventory centers, 41 40 warehouses, and four manufacturing locations. We continue to implement our strategies to gain market share, generate new customers, increase sales to existing customers and diversify our customer base.

Our business model focuses on providing overall procurement cost reduction and just-in-time delivery to meet our customers' needs. Many of our products are carried in stock, and orders for these in-stock products are typically fulfilled the day on which the order is received.

We focus on offering inventory, process and procurement solutions that reduce MRO supply chain costs and improve plant floor productivity for our customers. We will seek to continue to achieve cost reductions throughout our business through cost-saving strategies and increased leverage from our existing infrastructure, and to continue to provide additional procurement cost-saving solutions to our customers through technology such as our Electronic Data Interchange ("EDI") systems, vendor-managed inventory ("VMI") systems and vending programs. Our vending machines in service totaled 25,854 26,438 as of March 2, 2024 June 1, 2024, compared to 23,286 24,038 as of March 4, 2023 June 3, 2023, and our In-Plant programs totaled 312 325 locations as of March 2, 2024 June 1, 2024, compared to 224 246 as of March 4, 2023 June 3, 2023. Our sales force, which focuses on a more complex and high-touch role, drives value for our customers by enabling them to achieve higher levels of growth, profitability and productivity. Our field sales and service associate headcount was 2,640 2,664 as of March 2, 2024 June 1, 2024, compared to 2,574 2,580 as of March 4, 2023 June 3, 2023.

Highlights

Highlights during the twenty-six thirty-nine weeks ended March 2, 2024 June 1, 2024 include the following:

- We generated $159.9 million $303.4 million of cash from operations, compared to $416.4 million $567.1 million for the same period in the prior fiscal year. The decline was primarily due to the $300.0 million Receivables Purchase Agreement (the "RPA") entered into during the second quarter of fiscal year 2023.
- We had net borrowings of $95.0 $50.0 million on our credit facilities, private placement debt and shelf facility agreements, compared to net payments of $245.0 $330.0 million for the same period in the prior fiscal year.
- We paid out an aggregate $94.0 million $140.7 million in regular cash dividends, compared to an aggregate $88.3 $132.5 million in regular cash dividends for the same period in the prior fiscal year.
- We repurchased $148.7 million $167.2 million of MSC's Class A Common Stock, par value $0.001 per share ("Class A Common Stock"), compared to $31.0 million $31.1 million for the same period in the prior fiscal year. The higher share repurchase volume was primarily to offset the share dilution resulting from the

Reclassification (as defined below).

- We acquired certain intellectual property assets from Schmitz Manufacturing Research & Technology LLC (“SMRT”) for aggregate consideration of $2.9 million.
- We acquired KAR Industrial Inc. (“KAR”) for aggregate consideration of $8.9 million, subject to certain post-closing adjustments.
- We incurred $7.1 million $11.8 million in restructuring Restructuring and other costs, compared to $3.9 million $5.7 million for the same period in the prior fiscal year, consisting of voluntary and involuntary associate severance and separation costs, consulting-related costs and consulting-related other exit-related costs.
- We commenced our plan to sell our CFC in Columbus, Ohio. The closure is part of our strategic realignment efforts to optimize our supply chain and distribution network and enhance operational efficiency. The related assets classified as held for sale within Property, plant and equipment, net in the unaudited Condensed Consolidated Balance Sheet as of June 1, 2024 had a carrying value of approximately $31,758 as of such date.
- We acquired certain intellectual property assets from Schmitz Manufacturing Research & Technology LLC (“SMRT”) for aggregate consideration of $2.9 million and we acquired KAR Industrial Inc. (“KAR”) for aggregate consideration of $8.9 million, including post-closing working capital adjustments.
- In the first quarter of fiscal year 2024, we completed our previously announced reclassification (the “Reclassification”) of our common stock to eliminate our Class B Common Stock, par value $0.001 per share (“

(“Class B Common Stock”). Pursuant to the Reclassification, each issued and outstanding share of Class B Common Stock was reclassified, exchanged and converted into 1.225 shares of Class A Common Stock. See

Note 9, 8, “Shareholders’ Equity” in the Notes to Condensed Consolidated Financial Statements for additional information.

Our Strategy

Our Company-wide initiative, referred to as “Mission Critical,” which focused on market share capture and improved profitability came to a close at the end of fiscal year 2023. We successfully executed on our Mission Critical initiatives, which included solidifying our market-leading metalworking business, with an emphasis on selling our product portfolio, expanding our solutions, improving our digital and E-commerce capabilities and diversifying our customers and end markets. end-markets. The next phase of our mission critical journey is anchored in three pillars: maintaining the momentum of the first phase of the Mission Critical program and our existing growth drivers, increasing our focus on both core customers and Original Equipment Manufacturer fasteners, and driving productivity improvements and reducing operating expenses as a percentage of net sales. To accomplish the next phase of our mission critical journey, we will leverage investments in advanced analytics to improve supply chain performance, maintain momentum from our category line reviews and upgrade our digital core to unlock productivity within our order-to-cash and procure-to-pay processes. In the second quarter of fiscal year 2024, we launched completed our web pricing changes price realignment initiative, and we are currently in the process of rolling out our E-commerce enhancements.

Our primary objective is to grow sales profitably while offering our customers highly technical and high-touch solutions to solve their most complex challenges on the plant floor. We have experienced success to date as measured by the growth rates of our high-touch programs, such as vending and in-plant programs, and the rate of new customer implementations. Our strategy is to complete the transition from being a spot-buy supplier to a mission-critical partner to our customers. We will selectively pursue strategic acquisitions that expand or complement our business in new and existing markets or further enhance the value and offerings we provide.

Business Environment

The United States economy has experienced various macroeconomic pressures including an elevated inflationary environment, sustained high interest rates and general economic and political uncertainty. Such pressures have impacted, and may continue to impact in the future, the Company’s business, financial condition and results of operations. During the first and second three quarters of fiscal year 2024, the Company experienced softening demand for the products and services it offers as evidenced by the decrease in the average IP Index (as defined below) during the second third quarter. High finished goods inventories This demand softening was felt more acutely in the auto manufacturing industry, lingering impacts from which is the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America strike and an extended calendar year-end holiday shutdown further softened customer demand and led many of our customers to reduce inventory rather than purchase new products during largest end-market for the second quarter. Company’s products.

We utilize various indices when evaluating the level of our business activity, including the Industrial Production (“IP”) Index. Approximately 69% 67% and 68% of our revenues came from sales in the manufacturing sector during the thirteen- and twenty-six-week thirty-nine-week periods ended March 2, 2024 June 1, 2024, respectively. Through statistical analysis, we have found that trends in our customers’ activity have correlated to changes in the IP Index. The IP Index measures short-term changes in industrial production. Growth in the IP Index from month to month indicates growth in the manufacturing, mining and utilities industries. The IP Index over the three months ended February May 2024 and the average for the three- and 12-month periods ended February May 2024 were as follows:

Period	IP Index
December March	102.7 102.4
January April	102.2 102.5
February May	102.3 103.3
Fiscal Year 2024 Q2 Q3 Average	102.4 102.7
12-Month Average	102.8 102.7

The average IP Index for the three months ended February May 2024 of 102.4 improved 102.7 increased relative to the adjusted average from the prior second fiscal year quarter of 102.2 2024 of 102.3 but declined relative to the adjusted average from the first same period in the prior fiscal quarter year of 2024 102.9. These readings indicate minimal improvement in a challenging macro environment, specifically in the heavy manufacturing end-market, which represented 46% of 102.9, which indicates a decline in manufacturing output our revenues during the period. thirteen-week period ended June 1, 2024. General economic uncertainty remains driven by an elevated inflationary environment, sustained high interest rates and political uncertainty. As we see the IP Index continue to fluctuate, we will monitor the current economic conditions for the impact on our customers and markets and assess both risks and opportunities that may affect our business and operations.

Thirteen-Week Period Ended March 2, 2024 June 1, 2024 Compared to the Thirteen-Week Period Ended March 4, 2023 June 3, 2023

The table below summarizes the Company’s results of operations both in dollars (in thousands) and as a percentage of net sales for the periods indicated:

		Thirteen Weeks Ended												
		March 2, 2024												
		March 2, 2024												
		March 2, 2024			March 4, 2023			Change						
		June 1, 2024												
		June 1, 2024												
		June 1, 2024			June 3, 2023			Change						
		$	$	%	$		%	$		%			$	
Net sales	Net sales	$935,348	100.0	100.0 %	$ 961,632	100.0	100.0 %	$(26,284)	(2.7)	(2.7)%	Net sales	$979,350	100.0	100.0 %
Cost of goods sold	Cost of goods sold	546,737	58.5	58.5 %	564,937	58.7	58.7 %	(18,200)	(3.2)	(3.2)%	Cost of goods sold	578,903	59.1	59.1 %
Gross profit	Gross profit	388,611	41.5	41.5 %	396,695	41.3	41.3 %	(8,084)	(2.0)	(2.0)%	Gross profit	400,447	40.9	40.9 %
Operating expenses	Operating expenses	291,235	31.1	31.1 %	280,630	29.2	29.2 %	10,605	3.8	3.8 %	Operating expenses	288,991	29.5	29.5 %
Restructuring and other costs	Restructuring and other costs	6,181	0.7	0.7 %	1,783	0.2	0.2 %	4,398	246.7	246.7 %	Restructuring and other costs	4,690	0.5	0.5 %
Income from operations	Income from operations	91,195	9.7	9.7 %	114,282	11.9	11.9 %	(23,087)	(20.2)	(20.2)%	Income from operations	106,766	10.9	10.9 %
Total other expense	Total other expense	(11,240)	(1.2)	(1.2)%	(8,104)	(0.8)	(0.8)%	(3,136)	38.7	38.7 %	Total other expense	(11,430)	(1.2)	(1.2)%
Income before provision for income taxes	Income before provision for income taxes	79,955	8.5	8.5 %	106,178	11.0	11.0 %	(26,223)	(24.7)	(24.7)%	Income before provision for income taxes	95,336	9.7	9.7 %
Provision for income taxes	Provision for income taxes	18,390	2.0	2.0 %	26,863	2.8	2.8 %	(8,473)	(31.5)	(31.5)%	Provision for income taxes	24,024	2.5	2.5 %
Net income	Net income	61,565	6.6	6.6 %	79,315	8.2	8.2 %	(17,750)	(22.4)	(22.4)%	Net income	71,312	7.3	7.3 %
Less: Net (loss) income attributable to noncontrolling interest		(282)	0.0	%	175	0.0	%	(457)		(261.1)%				
Less: Net loss attributable to noncontrolling interest		(393)	0.0	%	(41)	0.0	%	(352)		858.5 %				
Net income attributable to MSC Industrial	Net income attributable to MSC Industrial	$ 61,847	6.6	6.6 %	$ 79,140	8.2	8.2 %	$(17,293)	(21.9)	(21.9)%	Net income attributable to MSC Industrial	$ 71,705	7.3	7.3 %

Net Sales

Net sales decreased 2.7% 7.1%, or $26.3 million $75.1 million, to $935.3 million $979.4 million for the thirteen-week period ended March 2, 2024 June 1, 2024, as compared to $961.6 million $1,054.5 million for the same period in the prior fiscal year. The $26.3 million $75.1 million decrease in net sales was comprised of $43.6 $75.7 million of lower sales volume partially offset by $8.8 and a negative $4.4 million impact from improved pricing, inclusive of impacts from our web price realignment initiative and changes in customer and product mix, discounting and other items, $6.4 partially offset by $3.9 million of net sales from acquisitions occurring after the third quarter of fiscal year 2023 and 2024 acquisitions and $2.1 $1.1 million of favorable foreign exchange impact. Of the $26.3 million $75.1 million decrease in net sales during the thirteen-week period ended March 2, 2024 June 1, 2024, sales to our core and other customers decreased by $30.5 $39.8 million, partially offset by an increase in sales to our public sector customers decreased $31.2 million and sales to our national account customers of $3.8 million and an increase in sales to our public sector customers of $0.4 decreased $4.1 million.

The table below shows, among other things, the change in our average daily sales (“ADS”) by total Company, by customer end-market and by customer type for the thirteen-week periods ended March 2, 2024 June 1, 2024 and March 4, 2023 June 3, 2023, each as compared to the same period in the prior fiscal year:

ADS Percentage Change

(Unaudited)

		Thirteen Weeks Ended						
		March 2, 2024	March 4, 2023					
		June 1, 2024	June 3, 2023					
Net Sales (in thousands)								
Sales Days								
ADS (1) (in millions)								
Total Company ADS Percent Change (2)	Total Company ADS Percent Change (2)	(2.7)%	11.5	%	Total Company ADS Percent Change (2)	(7.1)%	11.7	%
Manufacturing Customers ADS Percent Change (2)								
Manufacturing Customers ADS Percent Change (2)								
Manufacturing Customers ADS Percent Change (2)		(3.6)%	10.0	%		(5.1) %	5.8	%
Manufacturing Customers Percent of Total Net Sales	Manufacturing Customers Percent of Total Net Sales	69 %	69	%	Manufacturing Customers Percent of Total Net Sales	67 %	66	%
Non-Manufacturing Customers ADS Percent Change (2)								
Non-Manufacturing Customers ADS Percent Change (2)								
Non-Manufacturing Customers ADS Percent Change (2)		(0.8)%	15.1	%		(11.0) %	25.3	%
Non-Manufacturing Customers Percent of Total Net Sales	Non-Manufacturing Customers Percent of Total Net Sales	31 %	31	%	Non-Manufacturing Customers Percent of Total Net Sales	33 %	34	%
National Account Customers ADS Percent Change (2)(3)								
National Account Customers ADS Percent Change (2)(3)								
National Account Customers ADS Percent Change (2)(3)		1.1 %	18.8	%		(1.1) %	8.8	%
National Account Customers Percent of Total Net Sales (3)	National Account Customers Percent of Total Net Sales (3)	38 %	36	%	National Account Customers Percent of Total Net Sales (3)	37 %	35	%
Public Sector Customers ADS Percent Change (2)(3)								
Public Sector Customers ADS Percent Change (2)(3)								
Public Sector Customers ADS Percent Change (2)(3)		0.6 %	18.7	%		(25.4) %	81.0	%
Public Sector Customers Percent of Total Net Sales (3)	Public Sector Customers Percent of Total Net Sales (3)	8 %	8	%	Public Sector Customers Percent of Total Net Sales (3)	9 %	11	%
Core and Other Customers ADS Percent Change (2)(3)								
Core and Other Customers ADS Percent Change (2)(3)								
Core and Other Customers ADS Percent Change (2)(3)		(5.7)%	6.3	%		(7.0) %	4.9	%
Core and Other Customers Percent of Total Net Sales (3)	Core and Other Customers Percent of Total Net Sales (3)	54 %	56	%	Core and Other Customers Percent of Total Net Sales (3)	54 %	54	%

(1) ADS is calculated using the number of business days in the United States for the periods indicated. The Company believes ADS is a key performance indicator because it shows the effectiveness of the Company's selling performance on a consistent basis between periods.

(2) Percent reflects the change from the 2023 fiscal period to the 2024 fiscal period and the change from the 2022 fiscal period to the 2023 fiscal period, respectively.

(3) Includes a reclassification reclassifications of certain customers during the second quarter of fiscal year 2024, primarily between national account customers and core and other customers.

We believe that our ability to transact business with our customers directly through the MSC website as well as through various other electronic portals gives us a competitive advantage over smaller suppliers. Sales made through our E-commerce platforms, including sales made through EDI systems, VMI systems, Extensible Markup Language ordering-based systems, vending, hosted systems and other electronic portals, represented 63.2% 63.3% of consolidated net sales for the thirteen-week period ended March 2, 2024 June 1, 2024, as compared to 62.0% 60.1% of consolidated net sales for the same period in the prior fiscal year.

Gross Profit

Gross profit of $388.6 $400.4 million for the thirteen-week period ended March 2, 2024 June 1, 2024 decreased $8.1 $28.5 million, or 2.0% 6.6%, compared to the same period in the prior fiscal year. Gross profit margin was 41.5% 40.9% for the thirteen-week period ended March 2, 2024 June 1, 2024, as compared to 41.3% 40.7% for the same period in the prior fiscal year. The decrease in gross profit was primarily a result of lower sales volume, as described above. The increase in gross profit margin resulted was primarily from a result of significant public sector sales in the impact of prior fiscal year period that were transacted below our gross margin countermeasures, including our category line reviews, typical public sector margins, which more than did not repeat in the current fiscal year period. This benefit was partially offset by negative price-cost impacts during the quarter.

current fiscal quarter, primarily due to temporary excess discounting during the launch of our web price realignment initiative.

Operating Expenses

Operating expenses increased 3.8% decreased 0.9%, or $10.6 $2.7 million, to $291.2 $289.0 million for the thirteen-week period ended March 2, 2024 June 1, 2024, as compared to $280.6 $291.7 million for the same period in the prior fiscal year. Operating expenses were 31.1% 29.5% of net sales for the thirteen-week period ended March 2, 2024 June 1, 2024, as compared to 29.2% 27.7% for the same period in the prior fiscal year. The increase decrease in operating Operating expenses was primarily attributable to lower variable expenses associated with lower sales volume, including lower incentive compensation and freight expense. The primary drivers of the increase in Operating expenses as a percentage of net sales were higher payroll costs, primarily due to higher associate headcount to support our strategic growth investments and payroll-related costs, expenses from our recent acquisitions annual merit increases, and investments supporting our digital initiatives and solutions growth, partially offset by a decrease in freight expense. growth.

Payroll and payroll-related costs for the thirteen-week period ended March 2, 2024 June 1, 2024 were 57.1% 55.4% of total operating Operating expenses, as compared to 56.8% 56.1% for the same period in the prior fiscal year. Payroll and payroll-related costs, which include salary, incentive compensation, sales commission and fringe benefit costs, increased $6.8 million decreased $3.6 million for the thirteen-week period ended March 2, 2024 June 1, 2024. The majority of this increase decrease compared to the same period in the prior fiscal year was due to increased lower incentive compensation and fringe benefit costs, partially offset by higher salary expense primarily attributable to higher associate headcount to support our strategic growth investments and our annual merit increases.

Freight expense was $36.5 million $37.4 million for the thirteen-week period ended March 2, 2024 June 1, 2024, as compared to $39.5 million $39.4 million for the same period in the prior fiscal year. The primary driver of the decrease in freight expense was a decrease in sales volume.

Restructuring and Other Costs

We incurred $6.2 $4.7 million in restructuring Restructuring and other costs for the thirteen-week period ended March 2, 2024 June 1, 2024, as compared to $1.8 million for the same period in the prior fiscal year. Restructuring and other costs primarily consist of associate severance and separation costs, consulting-related costs and equity award acceleration costs associated with severance related to the Company's associate voluntary termination program strategic realignment efforts to optimize its supply chain and the optimization of the Company's operations and profitability improvement. distribution network. See Note 10, 9, "Restructuring and Other Costs" in the Notes to Condensed Consolidated Financial Statements for additional information.

Income from Operations

Income from operations decreased 20.2% 21.1%, or $23.1 $28.6 million, to $91.2 $106.8 million for the thirteen-week period ended March 2, 2024 June 1, 2024, as compared to $114.3 $135.4 million for the same period in the prior fiscal year. Income from operations as a percentage of net sales decreased to 9.7% 10.9% for the thirteen-week period ended March 2, 2024 June 1, 2024, as compared to 11.9% 12.8% for the same period in the prior fiscal year. The decrease in income from operations as a percentage of net sales was primarily attributable to, as described above, a higher level of restructuring Restructuring and other costs and an increase in operating Operating expenses as a percentage of net sales, partially offset by a higher gross profit margin during the thirteen-week period ended March 2, 2024 June 1, 2024.

Total Other Expense

Total other expense increased 38.7% 27.3%, or $3.1 $2.4 million, to $11.2 $11.4 million for the thirteen-week period ended March 2, 2024 June 1, 2024, as compared to $8.1 $9.0 million for the same period in the prior fiscal year. The increase was primarily due to higher interest rates and higher average balances on our credit facilities and fees incurred associated with the RPA entered into during the second quarter of fiscal year 2023. facilities.

Provision for Income Taxes

The Company's effective tax rate for the thirteen-week period ended March 2, 2024 June 1, 2024 was 23.0% 25.2%, as compared to 25.3% 24.7% for the same period in the prior fiscal year. The decrease increase in the effective tax rate was primarily due to a higher the non-deductibility of certain transaction costs associated with the Reclassification, which were recently finalized in the prior fiscal year tax benefit from stock-based compensation. return.

Net Income

The factors which affected net income for the thirteen-week period ended March 2, 2024 June 1, 2024, as compared to the same period in the prior fiscal year, have been discussed above.

Twenty-Six-Week Thirty-Nine-Week Period Ended March 2, 2024 June 1, 2024 Compared to the Twenty-Six-Week Thirty-Nine-Week Period Ended March 4, 2023 June 3, 2023

The table below summarizes the Company's results of operations both in dollars (in thousands) and as a percentage of net sales for the periods indicated:

	Twenty-Six Weeks Ended		
	March 2, 2024		
	March 2, 2024		
	March 2, 2024	March 4, 2023	Change
	Thirty-Nine Weeks Ended		
	June 1, 2024		
	June 1, 2024		
	June 1, 2024	June 3, 2023	Change
	$		

		$ $		%	$		%	$		%			%	$	%	
Net sales	Net sales	$1,889,317	100.0	100.0 %	$1,919,377	100.0	100.0 %	$(30,060)	(1.6)	(1.6)%	Net sales	$2,868,667	100.0	100.0 %	$2,973,841	100.0
Cost of goods sold	Cost of goods sold	1,107,589	58.6	58.6 %	1,124,883	58.6	58.6 %	(17,294)	(1.5)	(1.5)%	Cost of goods sold	1,686,492	58.8	58.8 %	1,750,410	58.9
Gross profit	Gross profit	781,728	41.4	41.4 %	794,494	41.4	41.4 %	(12,766)	(1.6)	(1.6)%	Gross profit	1,182,175	41.2	41.2 %	1,223,431	41.1
Operating expenses	Operating expenses	581,868	30.8	30.8 %	560,325	29.2	29.2 %	21,543	3.8	3.8 %	Operating expenses	870,859	30.4	30.4 %	852,031	28.7
Restructuring and other costs	Restructuring and other costs	7,097	0.4	0.4 %	3,877	0.2	0.2 %	3,220	83.1	83.1 %	Restructuring and other costs	11,787	0.4	0.4 %	5,722	0.2
Income from operations	Income from operations	192,763	10.2	10.2 %	230,292	12.0	12.0 %	(37,529)	(16.3)	(16.3)%	Income from operations	299,529	10.4	10.4 %	365,678	12.3
Total other expense	Total other expense	(21,490)	(1.1)	(1.1)%	(16,263)	(0.8)	(0.8)%	(5,227)	32.1	32.1 %	Total other expense	(32,920)	(1.1)	(1.1)%	(25,244)	(0.8
Income before provision for income taxes	Income before provision for income taxes	171,273	9.1	9.1 %	214,029	11.2	11.2 %	(42,756)	(20.0)	(20.0)%	Income before provision for income taxes	266,609	9.3	9.3 %	340,434	11.4
Provision for income taxes	Provision for income taxes	40,580	2.1	2.1 %	53,502	2.8	2.8 %	(12,922)	(24.2)	(24.2)%	Provision for income taxes	64,604	2.3	2.3 %	84,768	2.9
Net income	Net income	130,693	6.9	6.9 %	160,527	8.4	8.4 %	(29,834)	(18.6)	(18.6)%	Net income	202,005	7.0	7.0 %	255,666	8.6
Less: Net (loss) income attributable to noncontrolling interest	Less: Net (loss) income attributable to noncontrolling interest	(504)	0.0	0.0 %	73	0.0	0.0 %	(577)	(790.4)	(790.4)%	Less: Net (loss) income attributable to noncontrolling interest	(897)	0.0	0.0 %	32	0.0
Net income attributable to MSC Industrial	Net income attributable to MSC Industrial	$ 131,197	6.9	6.9 %	$ 160,454	8.4	8.4 %	$(29,257)	(18.2)	(18.2)%	Net income attributable to MSC Industrial	$ 202,902	7.1	7.1 %	$ 255,634	8.6

Net Sales

Net sales decreased 1.6% 3.5%, or $30.1 $105.2 million, to $1,889.3 million $2,868.7 million for the twenty-six-week thirty-nine-week period ended March 2, 2024 June 1, 2024, as compared to $1,919.4 million $2,973.8 million for the same period in the prior fiscal year. The $30.1 $105.2 million decrease in net sales was comprised of $73.3 $149.0 million of lower sales volume, partially offset by $24.3 $19.9 million from improved pricing, inclusive of changes in customer and product mix, discounting and other items, $14.2 $18.1 million of net sales from fiscal year 2023 and 2024 acquisitions and $4.7 $5.8 million of favorable foreign exchange impact. Of the $30.1 $105.2 million decrease in net sales during the twenty-six-week thirty-nine-week period ended March 2, 2024 June 1, 2024, sales to our core and other customers decreased by $51.6 $106.8 million and sales to our public sector customers decreased $24.3 million, partially offset by an increase in sales to our national account customers of $14.6 million and an increase in sales to our public sector customers of $6.9 $25.9 million.

The table below shows, among other things, the change in our ADS by total Company, by customer end-market and by customer type for the twenty-six-week thirty-nine-week periods ended March 2, 2024 June 1, 2024 and March 4, 2023 June 3, 2023, each as compared to the same period in the prior fiscal year:

ADS Percentage Change

(Unaudited)

	Twenty-Six Weeks Ended	
	March 2, 2024	March 4, 2023
	Thirty-Nine Weeks Ended	
	June 1, 2024	June 3, 2023
Net Sales (in thousands)		

Sales Days	Sales Days	125	125		Sales Days	189		189	
ADS (1) (in millions)									
Total Company ADS Percent Change (2)	Total Company ADS Percent Change (2)	(1.6)%	12.2	%	Total Company ADS Percent Change (2)	(3.5)%		12.0	%
Manufacturing Customers ADS Percent Change (2)									
Manufacturing Customers ADS Percent Change (2)									
Manufacturing Customers ADS Percent Change (2)		(2.8)%	10.5	%		(3.6)	%	8.8	%
Manufacturing Customers Percent of Total Net Sales	Manufacturing Customers Percent of Total Net Sales	68 %	69	%	Manufacturing Customers Percent of Total Net Sales	68 %		68	%
Non-Manufacturing Customers ADS Percent Change (2)									
Non-Manufacturing Customers ADS Percent Change (2)									
Non-Manufacturing Customers ADS Percent Change (2)		1.2 %	16.1	%		(3.4)	%	19.4	%
Non-Manufacturing Customers Percent of Total Net Sales	Non-Manufacturing Customers Percent of Total Net Sales	32 %	31	%	Non-Manufacturing Customers Percent of Total Net Sales	32 %		32	%
National Account Customers ADS Percent Change (2)(3)									
National Account Customers ADS Percent Change (2)(3)									
National Account Customers ADS Percent Change (2)(3)		2.1 %	19.1	%		2.5	%	13.6	%
National Account Customers Percent of Total Net Sales (3)	National Account Customers Percent of Total Net Sales (3)	37 %	36	%	National Account Customers Percent of Total Net Sales (3)	37 %		35	%
Public Sector Customers ADS Percent Change (2)(3)									
Public Sector Customers ADS Percent Change (2)(3)									
Public Sector Customers ADS Percent Change (2)(3)		4.6 %	20.3	%		(8.8)	%	41.4	%
Public Sector Customers Percent of Total Net Sales (3)	Public Sector Customers Percent of Total Net Sales (3)	9 %	8	%	Public Sector Customers Percent of Total Net Sales (3)	9 %		9	%
Core and Other Customers ADS Percent Change (2)(3)									
Core and Other Customers ADS Percent Change (2)(3)									
Core and Other Customers ADS Percent Change (2)(3)		(4.8)%	7.1	%		(6.5)	%	7.3	%
Core and Other Customers Percent of Total Net Sales (3)	Core and Other Customers Percent of Total Net Sales (3)	54 %	56	%	Core and Other Customers Percent of Total Net Sales (3)	54 %		56	%

(1) ADS is calculated using the number of business days in the United States for the periods indicated. The Company believes ADS is a key performance indicator because it shows the effectiveness of the Company's selling performance on a consistent basis between periods.

(2) Percent reflects the change from the 2023 fiscal period to the 2024 fiscal period and the change from the 2022 fiscal period to the 2023 fiscal period, respectively.

(3) Includes a reclassification reclassifications of certain customers during the second quarter of fiscal year 2024, primarily between national account customers and core and other customers.

We believe that our ability to transact business with our customers directly through the MSC website as well as through various other electronic portals gives us a competitive advantage over smaller suppliers. Sales made through our E-commerce platforms, including sales made through EDI systems, VMI systems, Extensible Markup Language ordering-based systems, vending, hosted systems and other electronic portals, represented 63.2% of consolidated net sales for the twenty-six-week thirty-nine-week period ended March 2, 2024 June 1, 2024, as compared to 61.9% 61.3% of consolidated net sales for the same period in the prior fiscal year.

Gross Profit

Gross profit of $781.7 $1,182.2 million for the twenty-six-week thirty-nine-week period ended March 2, 2024 June 1, 2024 decreased $12.8 million $41.3 million, or 1.6% 3.4%, compared to the same period in the prior fiscal year. Gross profit margin was 41.4% 41.2% for the twenty-six-week thirty-nine-week period ended March 2, 2024 June 1, 2024, as compared to 41.4% 41.1% for the same period in the prior fiscal year. The decrease in gross profit was primarily a result of lower sales volume, as described above. The consistent increase in gross profit margin was positively impacted from gross margin countermeasures, including primarily a result of significant public sector sales in the prior fiscal year period that were transacted below our category line reviews, typical public sector margins, which helped did not repeat in the current fiscal year period. This benefit was partially offset by negative price-cost impacts during the quarter. current fiscal year period, primarily due to temporary excess discounting during the launch of our web price realignment initiative.

Operating Expenses

Operating expenses increased 3.8% 2.2%, or $21.5 million $18.8 million, to $581.9 million $870.9 million for the twenty-six-week thirty-nine-week period ended March 2, 2024 June 1, 2024, as compared to $560.3 million $852.0 million for the same period in the prior fiscal year. Operating expenses were 30.8% 30.4% of net sales for the twenty-six-week thirty-nine-week period ended March 2, 2024 June 1, 2024, as compared to 29.2% for the same period in the prior fiscal year. The increase in operating expenses was primarily attributable to higher payroll and payroll-related costs, expenses from our recent acquisitions and investments supporting our digital initiatives and solutions growth, partially offset by a decrease in freight expense.

Payroll and payroll-related costs for the twenty-six-week period ended March 2, 2024 were 56.9% of total operating expenses, as compared to 56.5% 28.7% for the same period in the prior fiscal year. The increase in Operating expenses and Operating expenses as a percentage of net sales was due to higher payroll costs, primarily resulting from higher associate headcount to support our strategic growth investments and our annual merit increases, partially offset by a decrease in incentive compensation, freight expense and lower variable expenses associated with lower sales.

Payroll and payroll-related costs for both the thirty-nine-week period ended June 1, 2024 and the same period in the prior fiscal year were 56.4% of total Operating expenses. Payroll and payroll-related costs, which include salary, incentive compensation, sales commission, and fringe benefit costs, increased $14.6 $11.0 million for the twenty-six-week thirty-nine-week period ended March 2, 2024 June 1, 2024. The majority of this increase compared to the same period in the prior fiscal year was due to increased salary expense, primarily attributable to higher associate headcount to support our strategic growth investments and our annual merit increases. Fringe benefit costs also increased, resulting from higher insurance-related healthcare reserves due to recent higher healthcare claims. These increases were partially offset by a lower incentive compensation accrual. and sales commission expenses.

Freight expense was $73.9 million $111.3 million for the twenty-six-week thirty-nine-week period ended March 2, 2024 June 1, 2024, as compared to $80.0 million $119.4 million for the same period in the prior fiscal year. The primary driver of the decrease in freight expense was a decrease in sales volume.

Restructuring and Other Costs

We incurred $7.1 million $11.8 million in restructuring Restructuring and other costs for the twenty-six-week thirty-nine-week period ended March 2, 2024 June 1, 2024, as compared to $3.9 million $5.7 million for the same period in the prior fiscal year. Restructuring and other costs primarily consist of associate severance and separation costs consulting-related costs and equity award acceleration costs associated with severance related to the Company's associate voluntary termination program and the optimization of consulting-related costs associated with the Company's operations strategic realignment efforts to optimize its supply chain and profitability improvement. distribution network. See Note 10, 9, "Restructuring and Other Costs" in the Notes to Condensed Consolidated Financial Statements for additional information.

Income from Operations

Income from operations decreased 16.3% 18.1%, or $37.5 million $66.1 million, to $192.8 $299.5 million for the twenty-six-week thirty-nine-week period ended March 2, 2024 June 1, 2024, as compared to $230.3 $365.7 million for the same period in the prior fiscal year. Income from operations as a percentage of net sales decreased to 10.2% 10.4% for the twenty-six-week thirty-nine-week period ended March 2, 2024 June 1, 2024, as compared to 12.0% 12.3% for the same period in the prior fiscal year. The decrease in income from operations as a percentage of net sales was primarily attributable to, as described above, a higher level of restructuring Restructuring and other costs and an increase in operating Operating expenses as a percentage of net sales, partially offset by a higher gross profit margin during the twenty-six-week thirty-nine-week period ended March 2, 2024 June 1, 2024.

Total Other Expense

Total other expense increased 32.1% 30.4%, or $5.2 $7.7 million, to $21.5 $32.9 million for the twenty-six-week thirty-nine-week period ended March 2, 2024 June 1, 2024, as compared to $16.3 $25.2 million for the same period in the prior fiscal year. The increase was primarily due to higher interest rates on our credit facilities and fees incurred associated with the RPA entered into during the second quarter of fiscal year 2023.

Provision for Income Taxes

The Company's effective tax rate for the twenty-six-week thirty-nine-week period ended March 2, 2024 June 1, 2024 was 23.7% 24.2%, as compared to 25.0% 24.9% for the same period in the prior fiscal year. The decrease in the effective tax rate was primarily due to a higher tax benefit from stock-based compensation.

Net Income

The factors which affected net income for the twenty-six-week thirty-nine-week period ended March 2, 2024 June 1, 2024, as compared to the same period in the prior fiscal year, have been discussed above.

Liquidity and Capital Resources

	March 2, 2024	September 2, 2023	$ Change
	June 1, 2024	September 2, 2023	$ Change
		(In thousands)	
Total debt			
Less: Cash and cash equivalents			
Net debt			
Total shareholders' equity			

As of March 2, 2024 June 1, 2024, we had $22.2 million $25.9 million in cash and cash equivalents, substantially all with well-known financial institutions. Historically, our primary financing needs have been to fund our working capital requirements necessitated by our sales growth and the costs of acquisitions, new products, new facilities, facility expansions, investments in vending solutions, technology investments, and productivity investments. Cash generated from operations, together with borrowings under our credit facilities and net proceeds from the private placement notes, have been used to fund these needs, to repurchase shares of Class A Common Stock from time to time, and to pay dividends to our shareholders.

As of March 2, 2024 June 1, 2024, total borrowings outstanding, representing amounts due under our credit facilities and notes, as well as all finance leases and financing arrangements, were $552.3 million $506.1 million, net of unamortized debt issuance costs of $0.8 million $0.9 million, as compared to total borrowings outstanding of $454.3 million, net of unamortized debt issuance costs of $1.0 million, as of the end of fiscal year 2023. The increase in total borrowings outstanding was driven by higher net borrowings under our credit facilities to fund our recent higher share repurchase volume to offset the share dilution resulting from the Reclassification. See Note 8, 7, "Debt" in the Notes to Condensed Consolidated Financial Statements for more information about these balances.

We believe, based on our current business plan, that our existing cash, financial resources and cash flow from operations will be sufficient to fund anticipated capital expenditures and operating cash requirements for at least the next 12 months. We will continue to evaluate our financial position in light of future developments and to take appropriate action as it is warranted.

The table below summarizes certain information regarding the Company's cash flows for the periods indicated:

	Twenty-Six Weeks Ended	
	March 2, 2024	March 4, 2023
	Thirty-Nine Weeks Ended	
	June 1, 2024	June 3, 2023
	(In thousands)	
Net cash provided by operating activities		
Net cash used in investing activities		
Net cash used in financing activities		
Effect of foreign exchange rate changes on cash and cash equivalents		
Net (decrease) increase in cash and cash equivalents		

Cash Flows from Operating Activities

Net cash provided by operating activities was $159.9 million $303.4 million for the twenty-six thirty-nine weeks ended March 2, 2024 June 1, 2024, compared to $416.4 million $567.1 million for the twenty-six thirty-nine weeks ended March 4, 2023 June 3, 2023. The decrease was primarily due to the following:

- a decrease in net income, as described above; and
- a smaller decrease in the change in accounts receivable primarily attributable to the RPA entered into during the second quarter of fiscal year 2023; partially offset by
- a decrease in the change in inventories primarily attributable to lower sales and purchase volume.

The table below summarizes certain information regarding the Company's operations as of the periods indicated:

		March 2, 2024	September 2, 2023	March 4, 2023
		June 1, 2024	September 2, 2023	June 3, 2023
		(Dollars in thousands)		
Working Capital (1)				
Current Ratio (2)	Current Ratio (2)	2.1	2.0	1.9
Days' Sales Outstanding (3)				
Days' Sales Outstanding (3)				
Days' Sales Outstanding (3)				
Inventory Turnover (4)				

(1) Working Capital is calculated as current assets less current liabilities.

(2) Current Ratio is calculated as total current assets divided by total current liabilities.

(3) Days' Sales Outstanding is calculated as accounts receivable divided by net sales, using trailing two months sales data.

(4) Inventory Turnover is calculated as total cost of goods sold divided by inventory, using a 13-month trailing average inventory.

Working capital as of June 1, 2024 declined compared to September 2, 2023 and declined slightly compared to June 3, 2023, while the current ratio as of March 2, 2024 declined slightly increased compared to both September 2, 2023 and March 4, 2023 June 3, 2023. The slight decrease in these metrics working capital was primarily due to lower inventory and cash balances, along with a higher balance partially offset by lower balances in the Current portion of long term debt including obligations under finance leases partially offset by a higher balance in Prepaid and Accrued expenses and other current assets due to higher prepaid income taxes. liabilities.

The increase in days' sales outstanding as of March 2, 2024 June 1, 2024 as compared to both September 2, 2023 and March 4, 2023 June 3, 2023 was primarily due to the receivables portfolio consisting of a greater percentage of our national account program sales, which typically have longer payment terms.

Inventory turnover as of March 2, 2024 June 1, 2024 increased compared to both September 2, 2023 and March 4, 2023 June 3, 2023. This improvement in inventory turnover was due to growth in cost of goods sold outpacing growth in inventory. Recent lower inventory balances were due to lower purchase volumes, category management efforts and supply chain efficiencies.

Cash Flows from Investing Activities

Net cash used in investing activities for the twenty-six thirty-nine weeks ended March 2, 2024 June 1, 2024 and March 4, 2023 June 3, 2023 was $53.7 million $83.2 million and $61.1 million $84.3 million, respectively. The use of cash for both periods was primarily due to expenditures for property, plant and equipment mainly related to vending programs and other infrastructure and technology investments. The use of cash for the twenty-six thirty-nine weeks ended March 2, 2024 June 1, 2024 and March 4, 2023 June 3, 2023 also included cash outflows due to the acquisition acquisitions of KAR and SMRT in fiscal year 2024 and Buckeye Industrial Supply Co. and Tru-Edge Grinding, Inc. in fiscal year 2023. See Note 7, "Acquisitions" in the Notes to Condensed Consolidated Financial Statements for more information about the KAR and SMRT acquisitions.

Cash Flows from Financing Activities

Net cash used in financing activities was $134.3 million $244.5 million for the twenty-six thirty-nine weeks ended March 2, 2024 June 1, 2024, compared to $349.3 million $468.1 million for the twenty-six thirty-nine weeks ended March 4, 2023 June 3, 2023, primarily due to the following:

- $148.7 167.2 million in aggregate repurchases of Class A Common Stock during the twenty-six thirty-nine weeks ended March 2, 2024 June 1, 2024, compared to $31.0 $31.1 million in aggregate repurchases of Class A Common Stock during the twenty-six thirty-nine weeks ended March 4, 2023 June 3, 2023;
- $94.0 140.7 million of regular cash dividends paid during the twenty-six thirty-nine weeks ended March 2, 2024 June 1, 2024, compared to $88.3 $132.5 million of regular cash dividends paid during the twenty-six thirty-nine weeks ended March 4, 2023 June 3, 2023; and
- net borrowings of $50.0 million under our credit facilities, private placement debt and shelf facility agreements of $95.0 million during the twenty-six thirty-nine weeks ended March 2, 2024 June 1, 2024, compared to net payments of $245.0 $330.0 million during the twenty-six thirty-nine weeks ended March 4, 2023 June 3, 2023.

Capital Expenditures

We continue to invest in E-commerce and vending platforms, customer fulfillment centers CFCs and distribution network, and other infrastructure and technology.

Long-Term Debt

Credit Facilities

In April 2017, the Company entered into a $600.0 million revolving credit facility, which was subsequently amended and extended in August 2021. As of March 2, 2024 June 1, 2024, the Company also had three uncommitted credit facilities, totaling $208.0 million of in aggregate maximum uncommitted availability. As of March 2, 2024 June 1, 2024, we were in compliance with the operating and financial covenants of our credit facilities. The current unused balance of $423.7 million $518.7 million from the revolving credit facility, which is reduced by outstanding letters of credit, is available for working capital purposes if necessary. See Note 8, 7, "Debt" in the Notes to Condensed Consolidated Financial Statements for more information about these balances.

Private Placement Debt and Shelf Facility Agreements

In July 2016, we completed the issuance and sale of unsecured senior notes. In January 2018, we entered into two note purchase and private shelf facility agreements (together, the "Shelf Facility Agreements"). In June 2018 and March 2020, we entered into additional note purchase agreements. Pursuant to the terms of the Shelf Facility Agreements, no No new unsecured senior notes may be issued pursuant to the Shelf Facility Agreements. In March 2024, the Company paid $50.0 million to satisfy its obligation on the 2.40% Series 2019A Notes, due March 5, 2024, which were the last notes associated with the Shelf Facility Agreements. In April 2024, the Company completed the issuance and sold after January 12, 2021 sale of $50.0 million aggregate principal amount of 5.73% Senior Notes, due April 18, 2027. See Note 8, 7, "Debt" in the Notes to Condensed Consolidated Financial Statements for more information about these transactions.

Leases and Financing Arrangements

As of March 2, 2024 June 1, 2024, certain of our operations were conducted on leased premises. These leases are for varying periods, the longest extending to fiscal year 2031. In addition, we are obligated under certain equipment and automobile operating and finance leases, which expire on varying dates through fiscal year 2029.

From time to time, we enter into financing arrangements with vendors to purchase certain information technology equipment or software.

Critical Accounting Estimates

On an ongoing basis, we evaluate our critical accounting policies and estimates, including those related to revenue recognition, inventory valuation, allowance for credit losses, warranty reserves, contingencies and litigation, income taxes, and accounting for goodwill and long-lived assets. We make estimates, judgments and assumptions in determining the amounts reported in the unaudited Condensed Consolidated Financial Statements and accompanying Notes. Estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The estimates are used to form the basis for making judgments about the carrying values of assets and liabilities and the amount of revenues and expenses reported that are not readily apparent from other sources. Actual results may differ from these estimates.

There have been no material changes outside the ordinary course of business in the Company's critical accounting policies, as disclosed in its Annual Report on Form 10-K for the fiscal year ended September 2, 2023.

Recently Adopted Accounting Standards

See Note 1, "Basis of Presentation" in the Notes to Condensed Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

For information regarding our exposure to certain market risks, see Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Interest Rate Risks” under Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” of Part II of our Annual Report on Form 10-K for the fiscal year ended September 2, 2023. Except as described in Item 2, “Management’s Discussion and Analysis of Financial Condition and

Results of Operations” contained elsewhere in this Report, there have been no significant changes in our financial instrument portfolio or interest rate risk since our September 2, 2023 fiscal year-end.

Item 4. Controls and Procedures.

Our senior management is responsible for establishing and maintaining a system of disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer’s management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

In accordance with Exchange Act Rules 13a-15 and 15d-15, we carried out an evaluation, with the participation of our Chief Executive Officer and our Chief Financial Officer, as well as other key members of our management, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Report. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective, as of the end of the period covered by this Report, to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is (i) accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and Rule 15d-15(f) promulgated under the Exchange Act) during the fiscal quarter ended March 2, 2024 June 1, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

In the ordinary course of business, there are various claims, lawsuits and pending actions against the Company incidental to the operation of its business. Although the outcome of these matters, both individually and in aggregate, is currently not determinable, management the Company does not expect that the ultimate costs to resolve these matters will have a material adverse effect on the Company’s consolidated financial position, results of operations or liquidity.

Item 1A. Risk Factors.

In addition to the other information set forth in this Report, you should carefully consider the risks and the uncertainties discussed in Item 1A, “Risk Factors” of Part I of our Annual Report on Form 10-K for the fiscal year ended September 2, 2023, which could materially affect our business, financial condition and/or operating results. There have been no material changes in the Company’s risk factors from those disclosed in our Annual Report on Form 10-K. The risks described in our Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be not material also may materially and adversely affect our business, financial condition and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table sets forth repurchases by the Company of its outstanding shares of Class A Common Stock, which are listed on the New York Stock Exchange, during the thirteen-week period ended March 2, 2024 June 1, 2024:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased(1)		Average Price Paid Per Share(2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs(3)
12/3/23-1/2/24	20,473	$	98.58	16,101	2,427,299
1/3/24-2/1/24	149,934	$	94.64	149,774	2,277,525
2/2/24-3/2/24	4,184	$	100.94	—	2,277,525
Total	174,591			165,875	

Period	Total Number of Shares Purchased(1)		Average Price Paid Per Share(2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs(3)
3/3/24-4/2/24	—	$	—	—	2,277,525

4/3/24-5/2/24	200,407	$	92.20	200,000	2,077,525
5/3/24-6/1/24	77	$	84.98	—	2,077,525
Total	200,484			200,000	

(1) During the thirteen weeks ended March 2, 2024 June 1, 2024, 8,716 484 shares of Class A Common Stock were withheld by the Company as payment to satisfy our associates' tax withholding liability associated with our stock-based compensation program and are included in the total number of shares purchased.

(2) Activity is reported on a trade date basis.

(3) In June 2021, the Board of Directors of the Company terminated the existing share repurchase plan and authorized a new share repurchase plan (the "Share Repurchase Plan") to purchase up to 5,000,000 shares of Class A Common Stock. There is no expiration date for the Share Repurchase Plan. As of March 2, 2024 June 1, 2024, the maximum number of shares of Class A Common Stock that may yet be repurchased under the Share Repurchase Plan was 2,277,525 2,077,525 shares.

Item 5. Other Information.

Insider Trading Arrangements

On January 10, 2024 During the quarter ended June 1, 2024, Erik Gershwind, the Company's President and Chief Executive Officer and a director, adopted a trading plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act. Mr. Gershwind's trading plan provides for the sale of up to 150,000 shares of Class A Common Stock, subject to volume and pricing limits. Mr. Gershwind's trading plan will expire on September 30, 2024.

None none of our other directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted, modified or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (as each term is defined in Item 408 of Regulation S-K) during the quarter ended March 2, 2024.

Item 6. Exhibits.

EXHIBIT INDEX

Exhibit No.	Description
10.1	Confidential Separation and Release Agreement, dated June 12, 2024, by and between Sid Tool Co., Inc. and John W. Hill (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on June 12, 2024 (File No. 001-14130)). †
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.INS	Inline XBRL Instance Document.*
101.SCH	Inline XBRL Taxonomy Extension Schema Document.*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).*

*	Filed herewith.
**	Furnished herewith.
†	Indicates a management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MSC INDUSTRIAL DIRECT CO., INC.
(Registrant)

Dated: March 28, 2024 July 2, 2024

By: /s/ ERIK GERSHWIND

Erik Gershwind
President and Chief Executive Officer
(Principal Executive Officer)

Dated: March 28, 2024 July 2, 2024

By: /s/ KRISTEN ACTIS-GRANDE

Kristen Actis-Grande
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

EXHIBIT 31.1

CERTIFICATION

I, Erik Gershwind, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MSC Industrial Direct Co., Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 28, 2024 July 2, 2024

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/s/ ERIK GERSHWIND

Erik Gershwind
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Kristen Actis-Grande, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MSC Industrial Direct Co., Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 28, 2024 July 2, 2024

/s/ KRISTEN ACTIS-GRANDE

Kristen Actis-Grande
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO SECTION 906

OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of MSC Industrial Direct Co., Inc. (the “Company”) for the fiscal quarter ended March 2, 2024 June 1, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Erik Gershwind, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 28, 2024 July 2, 2024

By: /s/ ERIK GERSHWIND

Name: Erik Gershwind
President and Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to MSC Industrial Direct Co., Inc. and will be retained by it and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO SECTION 906

OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of MSC Industrial Direct Co., Inc. (the “Company”) for the fiscal quarter ended March 2, 2024 June 1, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Kristen Actis-Grande, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 28, 2024 July 2, 2024

By: /s/ KRISTEN ACTIS-GRANDE

Name: Kristen Actis-Grande
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to MSC Industrial Direct Co., Inc. and will be retained by it and furnished to the Securities and Exchange Commission or its staff upon request.

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