

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

**FORM 10-K**

(Mark One)

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

For the fiscal year ended September 2 , 2023

OR

☐ **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

(State or other jurisdiction of  
incorporation or organization)

11-3289165

(I.R.S. Employer  
Identification No.)

515 Broadhollow Road , Suite 1000, Melville , New York

(Address of principal executive offices)

11747

(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

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 ☒ No ☐

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 ☒ No ☐

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 ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

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. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of Class A Common Stock held by non-affiliates of the registrant as of March 3, 2023 was approximately \$ 3,944,227,738 .

As of October 6, 2023, 57,241,468 shares of Class A Common Stock of the registrant were outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive proxy statement to be filed with the United States Securities and Exchange Commission in connection with the registrant's 2024 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent described herein.

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MSC INDUSTRIAL DIRECT CO., INC.  
ANNUAL REPORT ON FORM 10-K  
FOR THE FISCAL YEAR ENDED SEPTEMBER 2, 2023

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## PART I.

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (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 1 of Part I and Item 7 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 1A of Part I and Item 7 of Part II of this Report. 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, energy and labor 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, including our transition from being a spot-buy supplier to a mission-critical partner to our customers;
- our ability to realize the expected cost savings and benefits from our restructuring activities and structural cost reductions;
- the retention of certain key management personnel;
- the credit risk of our customers;
- higher inflation and fluctuations in interest rates ;
- 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, including due to import restrictions or global geopolitical conditions;
- 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 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 below).

## ITEM 1. BUSINESS.

### General

MSC Industrial Direct Co., Inc. (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”) is a leading North American distributor of a broad range of metalworking and maintenance, repair and operations (“MRO”) products and services. With a history of driving innovation in industrial product distribution for more than 80 years, we help solve our manufacturing customers’ metalworking, MRO and operational challenges. Through our technical metalworking expertise and inventory management and other supply chain solutions, our team of more than 7,000 associates helps to keep our customers’ manufacturing operations up and running and to improve their efficiency, productivity and profitability.

We serve a broad range of customers throughout the United States, Canada, Mexico and the United Kingdom, from individual machine shops to Fortune 1000 manufacturing companies to government agencies such as the United States General Services Administration and the United States Department of Defense. We operate a sophisticated network of six customer fulfillment centers, 10 regional inventory centers 38 warehouses (36 in North America and two in Europe) and four manufacturing locations, including two locations acquired in the January 2023 acquisition of Buckeye and Tru-Edge (each, as defined below). Our customer fulfillment centers are located in or near Harrisburg, Pennsylvania; Atlanta, Georgia; Elkhart, Indiana; Columbus, Ohio; Reno, Nevada; and Hanover Park, Illinois.

We offer approximately 2.4 million active, saleable stock-keeping units (“SKUs”) through our catalogs; our brochures; our E-commerce channels, including our website, <https://www.mscdirect.com> (the “MSC website”); our inventory management solutions; and our customer care centers, customer fulfillment centers, regional inventory centers and warehouses. We carry many of the products we sell in our inventory, so that orders for these in-stock products are processed and fulfilled the day the order is received. We offer next-day delivery nationwide for qualifying orders placed by 8 p.m. Eastern Time (excluding Class C Consumables category products). Our customers can choose among many convenient ways to place orders: the MSC website, eProcurement platforms, inventory management solutions (including in-plant and vending solutions), customer care centers and direct communication with our telesales and outside sales associates. Additionally, MSC’s robust sourcing capabilities and vast supplier base allow us to further satisfy our customers’ needs outside of our current product offerings.

We believe our value-added solutions approach to driving our customers’ success serves to differentiate MSC from traditional transaction-focused distributors. We endeavor to save our customers money when they partner with us for their metalworking, MRO, Class C Consumables and Original Equipment Manufacturer (“OEM”) product needs. We focus on building strong partnerships with our customers to help them improve their productivity, profitability and growth. We do this in a variety of ways:

- our experienced team includes customer care representatives, metalworking specialists, safety specialists, fluid connector specialists, inventory management specialists, in-plant and technical support teams and experienced sales associates focused on driving our customers’ success by reducing their operational costs;
- our robust systems and transactional data enable us to provide insights to our customers to help them take costs out of their supply chains and operations;
- our extensive product inventory enables our customers to deal with fewer suppliers, streamlining their purchasing work and reducing their administrative costs;
- our timely shipping enables our customers to reduce their inventory investment and carrying costs;
- our purchasing process consolidates multiple purchases into a single order, providing a single invoice for multiple purchases over time and offering direct shipments to specific departments and personnel at one or more facilities, which reduces our customers’ administrative costs;
- our extensive E-commerce capabilities provide sophisticated search and transaction capabilities, access to real-time inventory, customer-specific pricing, workflow management tools, customized reporting and other features. We can also interface directly with many metalworking applications, marketplaces and purchasing portals;
- our “Better MRO” digital platform delivers knowledge and insights to our customers that assist their associates and their business operations;
- our collaboration efforts with key supplier partners and their research and development teams deliver value and productivity on the plant floor;
- our inventory management solutions enable our customers to carry less inventory and still significantly limit situations when critical items are out of stock;

- our proprietary software solution, called Ap Op® (Application Optimization), enables our metalworking specialists to document productivity savings for customers for a range of applications, including grinding, milling, turning, threading, sawing, hole-making, metalworking fluids and other manufacturing process improvements;
- our exclusive service, MSC MillMax®, focuses on maximizing milling productivity and lowering cost while reducing the milling optimization process to a fraction of the time, which helps customers increase material removal rates, reduce cycle times, improve surface finishes and extend tool life, leading to improved productivity, quality and profits; and
- our strategic partnership with MachiningCloud, an industry leader in manufacturing tool data, provides a one-stop solution for manufacturing customers' machining application needs, and MachiningCloud's platform and manufacturer-provided data combined with MSC's vast product offerings and inventory availability, streamline the purchasing process and deliver greater efficiency in customers' production processes.

## Industry Overview

MSC operates in a large, fragmented industry comprised of national, regional and local distributors, retail outlets, small distributorships, online distributors, direct mail suppliers, large warehouse stores and manufacturers' own sales forces serving MRO customers.

MSC differentiates itself in the industry by being a leading distributor of metalworking products. We have continued to expand technical support and enhance supplier relationships, especially with our metalworking products. Our associates share their deep expertise and knowledge of metalworking and MRO products to help our customers achieve their goals.

Nearly every industrial and service business has an ongoing need for MRO supplies. These businesses, with the exception of the largest industrial plants, often do not have the resources to manage and monitor their MRO inventories effectively. They spend more than necessary to purchase and track their supplies, providing an opportunity for MSC to serve as their one-stop MRO product supplier. Even the larger facilities often store their supplies in multiple locations, so they often carry excess inventories and duplicate purchase orders. In many organizations, multiple people often acquire the same item in small quantities via expensive, one-off purchases, resulting in higher purchasing costs and administrative efforts to keep track of supplies.

With limited capital availability and limited E-commerce capabilities and operating leverage, smaller industrial distributors are under increasing pressure to consolidate and/or curtail services and product lines to remain competitive. Their challenge represents MSC's opportunity. We improve purchasing efficiency and reduce costs for our customers because our offerings enable our customers to consolidate suppliers, purchase orders and invoices, and reduce inventory tracking, stocking decisions, purchases and out-of-stock situations. In addition, through Vendor Managed Inventory ("VMI"), Customer Managed Inventory ("CMI") and vending solutions, we empower our customers to utilize sophisticated inventory management solutions.

## Business Strategy

MSC's business strategy is based on helping our customers become more productive and profitable by reducing their total costs for purchasing and using metalworking, MRO, Class C Consumables and OEM products. Leveraging our expertise, knowledge and experience with metalworking products will continue to be a key tenet of our business strategy. Our customer-focused culture and high-touch engagement model drive value for our customers and result in deep customer relationships. Our business strategy includes the following key elements:

**Technical Expertise and Support.** We provide technical support and one-on-one service through our field sales specialists and our centralized tech team representatives. We have a dedicated team of more than 150 metalworking and specialty sales experts who work with customers to improve their manufacturing processes and efficiency, as well as a technical support team that provides assistance to our sales teams and customers via phone and email. These metalworking and specialty sales experts are customer-facing and work side-by-side with our customers to perform onsite need analysis and to identify productivity improvement opportunities. We utilize our Ap Op® proprietary software to capture the application data and to deliver documented cost savings to our customers. Our exclusive service, MSC MillMax®, focuses on maximizing milling productivity and lowering costs while reducing the milling optimization process to a fraction of the

time. Our customers recognize the value of a distributor that can provide technical support to improve their operations and productivity.

**Inventory Management Solutions.** Our approach starts with a thorough customer assessment. Our expert associates develop and recommend solutions that provide exceptional value to the customer. Depending on the customer's size and needs, we customize options to address complexity and processes, as well as specific products, technical issues and cost targets. The options include eProcurement, VMI, CMI, vending, tool crib control or in-plant solutions. Our world-class sourcing, logistics and business systems provide predictable, reliable and scalable service.

**Broad Selection of Products.** Customers want a full range of product options, even as they look to reduce the number of suppliers they partner with. We provide "good-better-best" alternatives, comprising a spectrum of brand name, MSC exclusive brand and generic MRO products. MSC's broad selection of products enables customers to choose the right combination of price and quality on every purchase to meet their needs.

**Same-Day Shipping and Next-Day Delivery.** We guarantee same-day shipping of our core metalworking and MRO products, enabling customers to reduce supply inventories. We fulfill our same-day shipment guarantee for in-stock products about 99% of the time. We offer next-day delivery nationwide for qualifying orders placed by 8 p.m. Eastern Time (excluding Class C Consumables sales channel products). We know that our customers value this service, and areas accessible by next-day delivery generate significantly greater sales for MSC than areas where next-day delivery is not available.

**Superior Customer Service.** Our commitment to customer service starts with our many associates who share their deep expertise and knowledge of metalworking, MRO, Class C Consumables and OEM products to help our customers achieve greater success. We invest in sophisticated information systems and provide extensive training to empower our associates to better support our customers. Using our proprietary customer support software, our customer care representatives can: inform customers on a real-time basis of product availability; recommend substitute products; verify credit information; receive special, custom or manufacturer direct orders; cross-check inventory items using previously entered customer product codes; and arrange or provide technical assistance. We offer: customized billing; customer savings reports; electronic data interchange ordering; E-commerce capabilities; bulk discounts; and stocking of specialty items requested by customers.

**Commitment to Technological Innovation.** We embrace technological innovations to support our customers, which in turn propels our growth, improves our customer service and reduces our operating costs. The innovations make our buying practices more effective, improve our automated inventory replenishment and streamline order fulfillment. MSC's proprietary software helps our customers and sales representatives determine the availability of products in real time and evaluate alternative products and pricing. Our warehouses are automated through the use of advanced systems and robotics platforms that allow us to rapidly process orders for next-day delivery, with greater efficiency.

We also continually upgrade our distribution methods and systems and provide comprehensive electronic ordering capabilities to support our customers' purchase order processing. We continue to invest in our VMI, CMI and vending solutions that streamline customer replenishment and trim our customers' inventories. Our vending solutions include different kinds of machines, such as storage lockers or carousels, which can stand alone or be combined with other machines. MSC vending machines use network or web-based software to enable customers to gain inventory visibility, save time and drive profitability.

**Digital Technologies and the MSC Website.** The MSC website contains a searchable online catalog with electronic ordering capabilities and provides personalized real-time inventory availability, online bill payment, delivery tracking status and other enhancements, including work-flow management tools. The user-friendly search engine on the MSC website allows customers to find SKUs by keyword, part description, competitive part number, vendor number or brand. Information can also be found detailing MSC's in-plant and other inventory management solutions. The MSC website is a key component of our strategy to reduce our customers' transaction costs and delivery time.

**Competitive Pricing.** Customers increasingly evaluate their total procurement costs, of which our industrial supplies are an important component. As a result, we strategically adjust our customer pricing to maintain competitiveness, while capturing the value of our comprehensive services.



## Growth Strategy

Our growth strategy includes a number of initiatives to gain market share and reposition MSC from being a spot-buy supplier to a mission-critical partner to our customers. These initiatives include the following:

**Expanding and enhancing our metalworking capabilities to aggressively penetrate customers in heavy and light manufacturing.** MSC is a leading distributor of metalworking products in North America. We have continued to expand technical support and enhance supplier relationships. We are continuing to develop high-performance metalworking products marketed under MSC exclusive brands, providing high-value product alternatives for our customers. Our metalworking field specialists and centralized technical support team members have diverse backgrounds in machining, programming, management and engineering. They help our customers select the right tool for the job from our deep supplier base and exclusive brands.

**Expanding programs for our public sector and national account customers .** Our public sector program is focused on becoming an industry leader and trusted advisor to key public sector end customers. Although MSC has been providing metalworking and MRO supplies to the commercial sector for more than 80 years, we recognize the importance of diversifying into the public sector. Over the last few years, MSC has invested in our public sector programs and expanded into several large contracts with federal, state and local agencies, and we expect to continue to expand the scope of our public sector programs to leverage our recent success and position MSC for future growth.

We provide customized national account programs for larger customers, often on an enterprise-wide basis. These national account customers value our ability to support their procurement needs electronically to reduce their transactional costs. Our dedicated national account managers and operations experts provide supply chain solutions that reduce these customers' total costs of procurement and ownership through increased visibility into their MRO purchases and improved management. We demonstrate these savings by providing these customers with detailed reporting at both the enterprise and site level.

**Increasing sales from existing customers and generating new customers with various value-added programs.** Our value-added programs include business needs analysis, inventory management solutions and workflow management tools. Our customers particularly value our industrial vending solutions that can accommodate a range of products from precision cutting tools to MRO supplies. We are increasing investments in vending, VMI and our growing in-plant solutions program.

**Enhancing E-commerce capabilities.** The MSC website is a business-to-business oriented, horizontal marketplace serving the metalworking and MRO market. The MSC website allows customers to enjoy added convenience without sacrificing customized service. The MSC website is a key component of our strategy to reduce customers' transaction costs and internal requisition time. MSC continues to evaluate the MSC website and solicit customer feedback, making on-going improvements to ensure that it remains a premier website in our marketplace. The MSC website provides advanced features, such as order approval (workflow) and purchase order control, that our customers interact with in order to derive business value beyond merely placing an order. Many large customer accounts transact business with MSC using eProcurement solution providers that sell a suite of E-commerce products. We have associations with many of these providers and continue to evaluate and expand our eProcurement capabilities.

**Selectively pursuing strategic acquisitions and investments.** MSC is a leader in the highly fragmented industrial distribution market with significant opportunities for organic and acquisitive growth. We selectively pursue strategic acquisitions that deepen our metalworking expertise, extend our capabilities into strategic adjacencies, such as OEM fasteners, hardware and components, and expand our markets in North America. We also seek to target investments in businesses and other ventures that we believe offer opportunities for growth and improved operational performance for our business.

In January 2023, the Company acquired certain assets and assumed certain liabilities of Buckeye Industrial Supply Co. ("Buckeye"), an Ohio-based metalworking distributor, and Tru-Edge Grinding, Inc. ("Tru-Edge"), an Ohio-based custom tool manufacturer. Buckeye primarily serves the metalworking needs of large manufacturers. MSC Industrial plans to build on Buckeye's technical, high-touch relationships and value-added services by offering customers access to its extensive product portfolio to support customers' full metalworking and MRO needs. Tru-Edge brings new capabilities to MSC Industrial, including the design and manufacture of parts from scratch with a strong focus in the automotive and medical markets. The Company expects to drive revenue growth in its existing Midwest manufacturing customer base by

leveraging the services provided by Tru-Edge. The Company believes the technical expertise and value-added services provided by Tru-Edge will support its effort to drive cost savings for its customers.

***Increasing the size and improving the productivity of our direct sales force.*** We have invested resources to give our sales representatives more time with our customers and have provided increased support to drive customer productivity improvements and deliver a personalized experience for our customers. At September 2, 2023, our field sales and service associate headcount was 2,572. We believe that our sales force investment has played a critical role in the overall success of the Company's revenue performance. Our sales force, focusing 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.

***Increasing the number of product lines and productive SKUs.*** We offer approximately 2.4 million active, saleable SKUs through our distribution and E-commerce channels, including the MSC website, inventory management solutions, catalogs, brochures, customer care centers, customer fulfillment centers, regional inventory centers and warehouses. The majority of products sold are third-party manufactured products; however, SKUs sold under MSC private label brands approximate 13% of net sales. We are increasing the breadth and depth of our product offerings and pruning non-value-added SKUs. In fiscal year 2023, we added approximately 240,000 SKUs, net of SKU removals, to our active, saleable SKU count. We also leverage the depth and breadth of MSC's product portfolio within our Class C Consumables sales channel. We plan to continue adding SKUs in fiscal year 2024.

***Improving our marketing programs.*** MSC has built an extensive buyer database, which we harness via both human and artificial intelligence to target our marketing to the best prospects. We supplement the efforts of our sales force through the use of digital and traditional marketing tactics. Our industry-specific expertise allows us to focus our outreach on the most promising growth areas.

***Improving our excellent customer service.*** MSC consistently receives top quartile customer satisfaction ratings, according to customer surveys. By working to anticipate our customers' needs, we strive to exceed our customers' expectations. This focus on our customers' needs enables us to achieve our goal to stand apart in the market. We use customer comment cards, surveys and other customer outreach tools, using their feedback to improve the overall customer experience.

## **Intellectual Property**

We conduct business under various trademarks and service marks. We protect these trademarks by maintaining registrations in the United States, Canada and elsewhere. We also file for and obtain patents and use confidentiality and other agreements with customers, associates, consultants and others in order to protect our proprietary information. Although we do not believe our operations are substantially dependent upon any of our intellectual property, we consider our intellectual property to be valuable to our business.

## **Products and Supplier Services**

Our broad range of metalworking and MRO products includes cutting tools, measuring instruments, tooling components, metalworking products, fasteners, flat stock, raw materials, abrasives, machinery hand and power tools, safety and janitorial supplies, plumbing supplies, materials handling products, power transmission components and electrical supplies. Our large and growing number of SKUs makes us an increasingly valuable partner to our customers as they look to rationalize their supplier base. Our assortment from multiple product suppliers and MSC exclusive brands, prices and quality levels enables our customers to select from "good-better-best" options on nearly all of their purchases. Our extensive network of suppliers provides us access to technical application, safety, training certifications and many other value-added services for our customers. We stand apart from our competitors by offering brand name, MSC exclusive brand and generic products, depth in our core product lines and competitive pricing.

We purchase substantially all of our products directly from more than 3,000 suppliers. No single supplier accounted for more than 5% of our total purchases in fiscal year 2023, 2022 or 2021.

## **Customer Fulfillment Centers and Distribution Network**

We continue to invest in the enhancement of our distribution efficiency and capabilities. When our customers order an in-stock product online or via phone, we ship it the day the order is placed about 99% of the time. We do that through our six customer fulfillment centers, 10 regional inventory centers and 38 warehouses. Some specialty or custom

items and very large orders are shipped directly from the manufacturer. We manage our primary customer fulfillment centers via computer-based SKU tracking systems and radio frequency devices that locate specific stock items to make the selection process more efficient. Our warehouses are predominantly from our acquired subsidiaries. Similar to our customer fulfillment centers, these warehouses primarily handle the stocking and fulfillment of inventory. However, in some cases, these locations also operate as subsidiary headquarters and provide office space for sales associates.

## **Sales and Marketing**

We serve individual machine shops, Fortune 1000 companies, government agencies and manufacturers of all sizes. With some of our recent acquisitions, such as All Integrated Solutions, Inc. and Tower Fasteners, LLC ("Tower Fasteners"), we have increased our presence in the OEM fasteners, hardware and components business. We have also significantly increased our presence in the VMI space within the Class C Consumables sales channel. VMI involves not only selling the Class C Consumables, but also managing appropriate stock levels for the customer, fulfilling replenishment orders, putting away the stock, and maintaining a clean and organized inventory area.

MSC's public sector customers include 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. We have individual state and local contracts, as well as contracts through partnerships with several state co-operatives.

Our national account program includes Fortune 1000 companies, large privately held companies, and international companies primarily doing business in North America. We have identified hundreds of additional national account prospects and have given our sales team tools to ensure we are targeting prospective customers that best fit the MSC model.

We have implemented advanced analytics and significantly increased the return on our marketing investments designed to acquire new customers and increase our share of business with current customers. The majority of our efforts are focused on search engine marketing, email marketing and online advertising to align with our customers' buying behavior. We utilize traditional marketing methods, such as catalogs and direct mail, on a selective basis. We use our own contact database together with external information to target buyers with the highest likelihood to buy.

Our sales representatives are highly trained and experienced individuals who build relationships with customers, assist customers in reducing costs, provide and coordinate technical support, coordinate special orders and shipments with vendors, and update customer account profiles in our information systems databases. Our marketing approach centers on the ability of our sales representatives, armed with our comprehensive databases as a resource, to respond effectively to the customers' needs. When a customer interacts with MSC, the sales representative has immediate access to that customer's company and specific buyer profile, which includes billing and purchasing track records, and plant and industry information. Meanwhile, the sales representative has access to inventory levels on every SKU we carry.

Our associates at our customer care centers undergo an intensive seven-week training course, followed up by regular training seminars and workshops. We monitor and evaluate our sales associates at regular intervals through quality monitoring, customer satisfaction surveys and net promoter score feedback. We also provide our sales associates with technical training by our in-house specialists and product vendors. We maintain a separate technical support group dedicated to answering customer inquiries and assisting our customers with product operation information and finding the most efficient solutions to manufacturing problems.

## **Virtual Customer Care Hubs**

As part of our enhanced customer support model implemented in fiscal year 2021, we transitioned from our branch office network to virtual customer care hubs. Our virtual customer care hubs continue to play an integral role in obtaining new accounts and penetrating existing ones.

## **Digital and Traditional Marketing**

Our primary method of presenting products and solutions is the MSC website and our digital marketing programs, which include tactics such as search engine marketing, email marketing, social media and online advertising. These programs align with the ever-evolving buying behavior of our customers and are designed to maximize marketing

productivity and return on marketing dollars spent. While digital is our primary means of marketing, we leverage catalogs, sales collateral and promotional brochures where appropriate. We use these methods to target customers in specific areas, such as metal fabrication, facilities management, and safety and janitorial, with a more focused selection of products or solutions.

## **Customer Service**

One of our goals is to make purchasing our products as convenient and effortless as possible. During the fiscal year ended September 2, 2023, customers submitted approximately 61.1% of their orders digitally through our E-commerce platforms (the MSC website, vending machines and eProcurement). The remaining orders are primarily placed via telephone, email and fax. The efficient handling of orders is a critical aspect of our business. Order entry and fulfillment occurs at our main customer care centers, mostly located at our customer fulfillment centers. Customer care phone representatives enter non-digital orders into computerized order processing systems. In the event of a local or regional situation, our communications system will reroute customer exchanges to an alternative location. When an order enters the system, a credit check is performed; if the credit is approved, the order is usually transmitted to the customer fulfillment center closest to the customer. Customers are invoiced for merchandise and shipping and handling promptly after shipment.

## **Information Systems**

MSC's information systems are an integral part of driving growth and delivering our full value proposition to our customers. In today's digital world, our systems allow our customers to conduct business with us securely across multiple channels and in the way they want. In addition, our systems enable data visibility for faster decision making, which drives operational efficiency and supports a flexible remote workforce across the globe.

Our E-commerce environment is continually being upgraded and enhanced with a focus on delivering an exceptional online customer experience. We plan to achieve this by utilizing state-of-the-art cloud technologies, developing an industry leading search engine, deploying an integrated digital marketing platform and further enriching our product data.

In response to shifts in the labor market, we also look to accelerate automation in our customer fulfillment centers. In fiscal year 2019, we introduced a patented robotic packing solution, and we are in the process of deploying advanced robotic picking technology to several customer fulfillment centers.

Most of our information systems operate in real time over a secure wide area network, letting each customer fulfillment center and virtual customer care hub share information and monitor daily progress on sales activity, credit approvals, inventory levels, stock balancing, vendor returns, order fulfillment and other key performance measures. We maintain a sophisticated buying and inventory management system that monitors all of our SKUs and automatically purchases inventory from vendors for replenishment, based on proprietary forecasting models. We also maintain an Electronic Data Interchange ("EDI") and XML purchasing program with our vendors to boost order placement efficiency, reduce order cycle processing time, and increase order accuracy.

As part of our commitment to creating services that fuel the potential of our customers, we develop and maintain a suite of proprietary VMI digital solutions. These VMI digital solutions allow our customers to focus on their core business, while MSC manages their inventory ordering, fulfillment and replenishment. Our various VMI digital solutions are customizable to meet both simple and complex customer needs. Our scanning solutions integrate scanner accumulated orders directly into our Sales Order Entry system and the MSC website. Our CMI enables customers to simply and effectively replenish inventory by submitting orders directly to the MSC website. Our customized vending solutions are used by customers in manufacturing plants to help them achieve supply chain and shop floor optimization, through inventory optimization and reduced tooling and labor costs. All of our digital solutions function directly as front-end ordering systems for our e-Portal-based customers. These solutions take advantage of advanced technologies built upon the latest innovations in E-commerce and wireless and cloud-based computing.

Our core business systems run in a highly distributed computing environment and utilize world-class software and hardware platforms from key partners. We utilize disaster recovery techniques and procedures, which are consistent with best practices in enterprise information technology ("IT"). With many of our associates shifting to a remote work model beginning in fiscal year 2020, we deployed secure home computing assets and implemented collaboration software to

enable interconnected teams and scalable video conferencing for large virtual gatherings. Our focus in fiscal year 2024 onwards will be to optimize the hybrid associate work experience.

We believe that our current systems and practice of implementing regular updates are adequate to support our current needs. Over the next few years, we will also be upgrading and migrating many of our systems to take advantage of the flexibility and controls offered by cloud computing platforms while downsizing our on-premise data center footprint. Recent cloud migrations include commercial off-the-shelf enterprise systems as well as our E-commerce infrastructure.

Our sales representatives are equipped with proprietary mobile technology that allows them to tap into MSC's supply chain directly from our customers' manufacturing plants and make sure that critical inventory is always on site and available. In addition, we are enhancing our customer websites and portals to reflect this new mobile reality at a pace in line with customer adoption of mobile technology.

Our customer care centers are powered via state-of-the-art telephony, case management and workforce optimization platforms. The features within the platforms create a seamless environment equipped with advanced applications that assist our associates in optimizing our customers' experience. The architecture has established a dynamic infrastructure that is scalable both in terms of operations and future capabilities. We are continuing to implement additional functionality aimed at enhancing the engagement and personalization of the customer experience regardless of the contact method chosen.

MSC is actively leveraging artificial intelligence ("AI") in various areas to improve customer experiences and drive efficiencies in areas such as time-series forecasting models for financial planning, AI-driven recommendations for our customer-care team, order error processing, natural language processing to automate product taxonomy classification and AI-driven chatbots for our associates to quickly find relevant information. We continue to take steps to understand, secure and pilot this technology in additional areas within the Company. We believe our strategic alignment with leading vendors in this space will position MSC well for a future where AI technology will be integrated into many aspects of MSC's business.

## **Competition**

The MRO supply industry is a large, fragmented industry that is highly competitive. We face competition from traditional channels of distribution, such as retail outlets, dealers and wholesalers, regional and national distributors utilizing direct sales forces, manufacturers of MRO supplies, large warehouse stores and large direct mail distributors. We also face substantial competition in the online distribution space that competes with price transparency and includes both traditional distributors and non-traditional, web-based E-commerce competitors. In addition, new entrants in the MRO supply industry could increase competition. We believe that sales of MRO supplies will become more concentrated over the next several years, which may make MRO supply distribution more competitive. Some of our competitors challenge us with a greater variety of product offerings, greater financial resources, additional services, or a combination of these factors. In the industrial products market, customer purchasing decisions are based primarily on one or more of the following criteria: price, product selection, product availability, technical support relationship, level of service and convenience. We believe we compete effectively on all such criteria. Our industry has seen consolidation in recent years. The trend of our industry toward consolidation could cause the industry to become more competitive as greater economies of scale are achieved by competitors, or as competitors with new lower-cost business models are able to operate with lower prices and gross profit on products.

## **Seasonality**

During any given time, we may be impacted by our industrial customers' plant shutdowns, particularly during the summer months (our fiscal fourth quarter), as well as the winter months for the Christmas and New Year holiday period (our fiscal second quarter). In addition, we may be impacted by weather-related disruptions.

## **Compliance with Health and Safety and Environmental Laws and Regulations**

Our operations are subject to and affected by a variety of federal, state, local and non-U.S. health and safety and environmental laws and regulations relating to the discharge, treatment, storage, disposal, investigation and remediation of certain materials, substances and wastes. We continually assess our compliance status and management of environmental matters to ensure that our operations are compliant with all applicable environmental laws and regulations.

Operating and maintenance costs associated with environmental compliance and management of sites are a normal and recurring part of our operations. With respect to all other matters that may currently be pending, in the opinion of management, based on our analysis of relevant facts and circumstances, compliance with applicable environmental laws and regulations is not likely to have a material adverse effect upon our capital expenditures, earnings or competitive position.

## **Human Capital Resources**

As of September 2, 2023, we employed 7,377 associates worldwide, of which approximately 7,131 were full-time and 246 were part-time. No associate is represented by a labor union. Approximately 90% of our workforce is based in the United States. MSC has not experienced any major work stoppages and considers associate relations to be good.

Our goal is to attract, develop and retain a talented team of associates inspired by our greater purpose of fueling the potential of our stakeholders. We believe a career at MSC includes:

- Purpose – MSC helps to fuel the industrial economy, propel our stakeholders' success, and contribute to our customers' growth.
- People and Respect – MSC cares about people. We strive to offer a positive work environment, with people you like and leaders you can respect.
- Health and Well-being – MSC offers many available options for our associates and their families to be healthy and plan for the future.
- Rewards and Recognition – Appreciation for our associates' contributions and the opportunity to share financially and intrinsically in MSC's success.
- Growth – The opportunity to learn, take risks and develop a career.

At MSC, we refer to our workforce as our team of "associates," rather than employees, because we believe that our associates have a stake in our success. We rely on each other to be as dedicated to MSC as MSC is dedicated to each associate. This is a critical part of our expectations of our associates and a unique part of our culture.

### *Health and Safety*

MSC's safety vision is to build a culture in which safety is a top value across all levels of the organization, and that every associate has the right and responsibility to continually seek to prevent injuries and build a safe environment for everyone. Our leadership team is highly engaged through our Safety Leadership System in identifying trends in our incidents throughout the network and working collaboratively with our safety professionals to effectively reduce incidents involving our associates and to make MSC one of the safest places to work.

In calendar year 2022, the Company's Occupational Safety and Health Administration ("OSHA") Total Recordable Incident Rate was 1.72 and the Company's OSHA Lost Time Incident Rate was 0.62 based upon the number of incidents per 100 associates (or per 200,000 work hours). The Company's rates fall well below the Total Recordable Incident Rate and the Lost Time Incident Rate of the North American Industry Classification System, which were 2.10 and 0.70, respectively. The success of our Safety Leadership System was additionally validated through the completion and re-certification to the ISO 45001 Standard in our Columbus, Ohio customer fulfillment center in November 2022. We are expanding our efforts to achieve ISO 45001 certification throughout the supply chain network in the coming years.

### *Diversity, Equity and Inclusion*

MSC is committed to promoting a respectful, diverse workplace, constructive collaboration, innovative creativity, and genuine leadership. We believe that our culture and our business benefit greatly from the rich combination of experience, creativity and perspective that our diverse workforce provides. Our associates' differences – the individual characteristics, work styles, beliefs and backgrounds – make us strong and equip us to better serve our customers. Because we are dedicated to an environment of equal opportunity, we partner with several outreach organizations that help us in our recruitment efforts such as: Hiring our Heroes, minority-owned organizations, women-owned organizations, local and state workforce services, and vocational rehab centers. Additionally, MSC continues to grow its business resource groups, known as Inclusion Circles, with membership growing to more than 1,000 associates combined. Each Inclusion Circle is sponsored by a member of the MSC leadership team. These include WIN (Women's Inclusion Network), Veterans, BIG (Black Inclusion Group), Pride, ABLE, GEN (Generational Empowerment Network) and HOLA (Hispanic Organization for Leadership and Advancement).

As of September 2, 2023, our U.S. associate population by gender, ethnic and racial attributes was as follows:

U.S. Associate Population	Male	Female	White	Hispanic/Latino	Black/African American	Asian	American Indian/Alaskan Native	Native Hawaiian/Other Pacific Islander	Two or More Races	Not Available
Individual Contributor	59.9 %	40.1 %	71.5 %	10.0 %	12.8 %	2.2 %	0.7 %	0.3 %	2.4 %	0.1 %
Middle Management	63.9 %	36.1 %	82.6 %	4.9 %	8.7 %	1.9 %	0.3 %	0.3 %	1.2 %	0.1 %
Director and Above	71.1 %	28.9 %	85.2 %	0.8 %	6.6 %	7.4 %	— %	— %	— %	— %
Total U.S. Associate Population	60.5 %	39.5 %	73.0 %	9.3 %	12.2 %	2.3 %	0.6 %	0.3 %	2.2 %	0.1 %

#### *Talent Acquisition and Development*

MSC focuses on creating opportunities for associate growth, development and training education, offering a comprehensive talent program that continues throughout an associate's career. MSC believes that its future success is highly dependent upon the Company's continued ability to attract, retain and motivate associates. As part of its efforts in these areas, the Company offers competitive compensation and benefits to meet the diverse needs of team members and support their health and well-being, financial future and work-life balance. Associates are given access to health plan resources, disease management, tobacco cessation, parental support, stress management and weight loss programs. In addition, MSC provides to its associates retirement savings, paid holidays and time off, educational assistance and income protection benefits, as well as a variety of other programs.

MSC also offers through MSC University various learning and development opportunities in support of associate career growth and success through a variety of offerings, including virtual classrooms and webinars, instructor-led courses, informal work groups, e-learning, books and articles, and more. These opportunities can drive improvement, facilitate career development, provide coaching and mentoring opportunities, and enhance communication skills. The average training hours completed by MSC associates in fiscal year 2023 increased nearly 18% year over year to over 20 hours per individual. Additionally, MSC's tuition assistance program covers educational costs and provides eligible associates the financial assistance to obtain a graduate or undergraduate degree while working.

#### **Available Information**

The Company's website is <https://www.mscdirect.com>. We make available, free of charge, on or through the investor relations portion of our website, <https://investor.mscdirect.com>, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to these reports, as well as proxy statements and other information, as soon as reasonably practicable after such documents are electronically filed with, or furnished to, the SEC. We also make available, on our website, the charters of the committees of our Board of Directors, the Code of Ethics, the Code of Business Conduct and the Corporate Governance Guidelines pursuant to SEC requirements and New York Stock Exchange ("NYSE") listing standards. The information on our website, or linked to or from our website, is not incorporated by reference into, and does not constitute a part of, this Report or any other documents we file with, or furnish to, the SEC.

We use the investor relations portion of our website, <https://investor.mscdirect.com>, to distribute information, including as a means of disclosing material, non-public information, and for complying with our disclosure obligations under Regulation FD. We routinely post and make accessible financial and other information regarding the Company on our website. Accordingly, investors should monitor the investor relations portion of our website, <https://investor.mscdirect.com>, in addition to our press releases, SEC filings and other public communications.

#### **ITEM 1A. RISK FACTORS.**

In addition to the other information in this Report, the following factors should be considered in evaluating the Company and its business. Our future operating results depend upon many factors and are subject to various risks and



uncertainties. The known material risks and uncertainties which may cause our operating results to vary from anticipated results or which may negatively affect our operating results and profitability are as follows:

### **Risks Related to Our Business**

*Our business depends heavily on the operating levels of our customers and the economic factors that affect them , including general economic conditions.*

Many of the primary markets for the products and services we sell are subject to cyclical fluctuations that affect demand for goods and materials that our customers produce. Consequently, demand for our products and services has been, and will continue to be, influenced by most of the same economic factors that affect demand for and production of our customers' products.

When, as occurs in economic downturns, current or prospective customers reduce production levels because of lower demand or tight credit conditions, their need for our products and services diminishes. Selling prices and terms of sale with our customers come under pressure, which may adversely affect the profitability and the durability of customer relationships. Credit losses increase as well. Volatile economic and credit conditions also make it more difficult for distributors, as well as customers and suppliers, to forecast and plan future business activities and may prevent them from ordering our products as frequently or in the quantities they otherwise would. We may experience adverse impacts to our business as a result of any economic recession or slowing in the rate of growth.

Additionally, macroeconomic conditions may impact the proper functioning of financial and capital markets, foreign currency exchange rates, commodity and energy prices, labor and supply costs, and interest rates. We have also been affected by macroeconomic conditions specific to the principal end markets that we serve, including as the result of work stoppages and organized labor activity. Any or all of these factors may impact us, our customers, and their demand for our products.

In addition, as various sectors of our industrial customer base face increased foreign competition, and in fact lose business to foreign competitors or shift their operations overseas in an effort to reduce expenses, we may face increased difficulty in growing and maintaining our market share and growth prospects.

*Changes in our customer and product mix, or adverse changes to the cost of goods we sell, could cause our gross margin percentage to fluctuate or decrease.*

From time to time, we experience changes in our customer mix and in our product mix. Changes in our customer mix have resulted from various factors, such as geographic expansion, daily selling activities within current geographic markets, and targeted selling activities to new customers. Changes in our product mix have also resulted from various factors, such as marketing activities to existing customers, needs communicated to us from existing and prospective customers and business acquisitions. As our national account and government customer program sales grow, we will face continued pressures on maintaining gross margin because these customers receive lower pricing due to their higher level of purchases from us. In addition, our continued expansion of our vending program and other E-commerce platforms places pressure on our gross margin. We may also be subject to price increases from our suppliers and independent freight carriers that we may not be able to pass along to our customers, particularly in periods of high or rapid inflation.

*Volatility in commodity, energy and labor prices may adversely affect operating margins.*

In times of commodity, energy and labor price increases, we may be subject to price increases from our suppliers and independent freight carriers that we are unable to pass along to our customers. Raw material costs used in our suppliers' products (steel, tungsten, etc.) and energy and labor costs may increase, which may result in increased production costs for our suppliers that they pass along to us. The fuel costs of our independent freight carriers have been volatile. Our suppliers and independent freight carriers typically look to pass increased costs along to us through price increases. When we are forced to accept these price increases, we may not be able to pass them along to our customers, resulting in lower margins.

In addition to increases in commodity, energy and labor prices, decreases in those costs, particularly if severe, could also adversely impact us by creating deflation in selling prices, which could cause our gross profit margin to deteriorate, or by negatively impacting customers in certain industries, which could cause our sales to those customers to decline.



Inflation impacts the costs at which we can procure products and our ability to increase prices at which we sell to customers over time. Prolonged periods of low inflation or deflation could adversely affect our ability to increase the prices at which we sell to customers. Periods of high or rapid inflation, such as the historically high levels of inflation the United States has experienced recently, may also cause the prices that our suppliers and independent freight carriers charge to increase rapidly or unpredictably. We may not be able to pass along increased costs due to inflation in full or synchronously to customers, which may result in lower margins or changes in our relationships with customers.

*We operate in a highly competitive industry, which is evolving and consolidating, which could adversely affect our business and financial results.*

The MRO supply industry, although consolidating, still remains a large, fragmented industry that is highly competitive. We face competition from traditional channels of distribution, such as retail outlets, small dealerships, regional and national distributors utilizing direct sales forces, manufacturers of MRO supplies, large warehouse stores and larger direct mail distributors. We believe that sales of MRO supplies will continue to concentrate over the next several years, which may make MRO supply distribution more competitive. Some of our competitors challenge us with a greater variety of product offerings, greater financial resources, additional services, or a combination of these factors. In addition, we also face the risk of companies which operate primarily outside of our industry entering our marketplace.

Our industry is evolving at an accelerated pace. If we do not have the agility and flexibility to effectively respond to this accelerated pace of industry changes, our strategy could be put at risk resulting in a loss of market share. We also face substantial competition in the online distribution space that competes with price transparency. Increased competition from online retailers (particularly those major internet providers who can offer a wide range of products and rapid delivery), and the adoption by competitors of aggressive pricing strategies or sales methods, could cause us to lose market share or reduce our prices, adversely affecting our sales, margins and profitability.

Traditional MRO suppliers are attempting to consolidate the market through internal expansion or acquisitions or mergers with other industrial suppliers, or a combination of both. This consolidation allows suppliers to improve efficiency and spread fixed costs over a greater number of sales, and to achieve other benefits derived from economies of scale. The trend of our industry toward consolidation could cause the industry to become more competitive as greater economies of scale are achieved by competitors, or as competitors with new lower-cost business models are able to operate with lower prices and gross profit on products. These trends may adversely affect our sales, margins and profitability.

In order to operate more efficiently, control costs and improve profitability, we incurred approximately \$7.9 million in restructuring and other costs in fiscal year 2023, primarily consisting of consulting-related costs and associate severance and separation costs associated with the optimization of the Company's operations and profitability improvement. There can be no assurance that these actions will achieve their intended benefits.

*As a supplier to the U.S. government and public sector, we are subject to certain laws and regulations which may increase our costs of doing business and which subject us to certain compliance requirements and potential liabilities.*

As a supplier to the U.S. government and public sector, which currently represents approximately 10% of total Company revenue, we must comply with certain laws and regulations, including the Trade Agreements Act, the Buy American Act and the Federal Acquisition Regulation, relating to the formation, administration and performance of U.S. government contracts. These laws and regulations affect how we do business with government customers and, in some instances, impose added compliance and other costs on our business. From time to time, we are subject to governmental or regulatory inquiries or audits relating to our compliance with these laws and regulations. A violation of these specific laws and regulations, as well as others, could result in the imposition of fines and penalties or the termination of our U.S. government contracts and could harm our reputation and cause our business to suffer.

*Our business is exposed to the credit risk of our customers, which could adversely affect our operating results.*

We perform periodic credit evaluations of our customers' financial condition, and collateral is generally not required. We evaluate the collectability of accounts receivable based on numerous factors, including past transaction history with customers and their creditworthiness, and we provide a reserve for accounts that we believe to be uncollectible. A significant deterioration in the economy or the financial condition of our customers, including as a result of higher inflation and fluctuations in interest rates, geopolitical events or macroeconomic events, could have an adverse effect on our ability to collect our accounts receivable, including longer payment cycles and increased collection costs and defaults.

*Failure to accurately forecast customer demand and timely purchase inventory could lead to excess inventories or inventory shortages, which could result in decreased operating margins, reduced cash flows and harm to our business.*

To meet anticipated demand for our products, we may purchase products from manufacturers outside of our typical programs, including payment terms, and in advance of customer orders, which we hold in inventory and resell to customers. We are subject to the risk that we may be unable to sell excess products ordered from manufacturers. Inventory levels in excess of customer demand due to the difficulty of calibrating demand for such products, the concentration of demand for a limited number of SKUs, difficulties in product sourcing, including due to supply chain disruptions affecting us and our suppliers, or rapid changes in demand may result in inventory impairment or write-downs, and the sale of excess inventory at discounted prices could have an adverse effect on our operating results, financial condition and cash flows. Conversely, if we underestimate customer demand for our products or if our manufacturers fail to supply products we require at the time we need them, including due to supply chain disruptions affecting us and our suppliers, we may experience inventory shortages. Inventory shortages might delay shipments to customers and negatively impact customer relationships.

*The risk of cancellation or rescheduling of orders may cause our operating results to fluctuate.*

The cancellation or rescheduling of orders may cause our operating results to fluctuate. Although we strive to maintain relationships with our customers, there is an ongoing risk that orders may be cancelled or rescheduled due to fluctuations in our customers' business needs or purchasing budgets, including changes in national and local government budgets. Additionally, although our customer base is diverse, ranging from individual machine shops to Fortune 1000 companies and large governmental agencies, the cancellation or rescheduling of significant orders by larger customers may still have a material adverse effect on our operating results from time to time.

*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 may adversely affect our ability to obtain inventory and make deliveries to our customers.*

Our ability to provide same-day shipping and next-day delivery of our core metalworking and MRO products is an integral component of our overall business strategy. Disruptions at transportation centers or shipping ports, including global and domestic locations, due to third-party work stoppages or labor shortages or severe weather conditions affect both our ability to maintain core products in inventory and to deliver products to our customers on a timely basis, which may in turn adversely affect our customer relationships and results of operations. In addition, severe weather conditions and work stoppages affecting the end markets we serve could adversely affect demand for our products in particularly hard-hit regions and impact our sales and/or our ability to deliver our products.

*Our business depends on our ability to attract, train and retain qualified sales and customer service personnel and metalworking and specialty sales specialists.*

Our business depends on our ability to attract, train and retain qualified sales and customer service personnel and metalworking specialists. We greatly benefit from having associates who are familiar with the products we sell and their applications, as well as associates, and in particular metalworking specialists, who can provide technical support to our customers. Qualified individuals of the requisite caliber and number needed to fill these positions may be difficult to hire and retain in sufficient numbers. Additionally, hiring and retaining such qualified individuals may be adversely impacted by global and domestic economic uncertainty, and increased competition for such qualified individuals. If we are unable to hire and retain associates capable of providing a high level of customer service and technical support, our operational capabilities and ability to provide differentiated services may be adversely affected.

*The loss of key suppliers or contractors or key brands could adversely affect our operating results.*

We believe that our ability to offer a combination of well-known brand name products and competitively priced exclusive brand products is an important factor in attracting and retaining customers. Our ability to offer a wide range of products and services is dependent on obtaining adequate product supply and services from our key suppliers and contractors. The loss of, or a substantial decrease in, the availability of products or services from key suppliers or contractors at competitive prices, or the loss of a key brand, could cause our revenues and profitability to decrease.

*Supply chain disruptions could adversely impact our business, operating results and financial position.*

Disruptions in our supply chain due to events outside of our control, including natural and human-induced disasters, earthquakes, storms, hurricanes, floods, fires, droughts, tornados and other extreme weather, widespread contagious diseases or viruses, geopolitical events, such as war, economic sanctions, civil unrest, rioting or terrorist attacks in the United States or countries in which we operate, in which our key suppliers are located or through which products we sell are transported or distributed, transportation disruptions, labor disputes or shortages, raw material shortages, inadequate manufacturing capacity or utilization to meet demand, actions by governments and central banks that impact the flow of international goods, and the imposition of other trade limitations, prohibitions or sanctions that increase the costs of domestic and international trade and transportation, could restrict our ability to obtain products that our customers demand or to meet delivery expectations, which could adversely impact our business, operating results and financial position. Any such disruption or other catastrophic event could cause our distribution channels and networks to become limited or non-operational, adversely impact our ability to obtain or deliver products to our customers in a timely manner, limit our ability to meet customer demand, result in lost sales, increased costs, penalties, order cancellations or contract terminations, or adversely impact our customer relationships. Our ability to fulfill customer orders using same-day shipping and next-day delivery is an integral component of our business strategy upon which our customers rely, and any such disruption could adversely impact our business, operating results and financial position.

*Changes to trade policies or trade relationships could make sourcing products from overseas more difficult and/or costlier as well as negatively affect the markets we sell into.*

Changes to trade policies or trade relationships, including the imposition of significant restrictions, quotas, duties, tariffs or moratoriums on economic activity with certain countries or regions, whether because of amendments to or the elimination of existing trade agreements or the imposition of new or modified trade tariffs or other governmental orders or sanctions, could have an adverse effect on our business. These changes and other changes to trade policies or trade relationships could adversely affect our ability to secure sufficient products to service our customers and/or result in increased product costs that we may not be able to pass on to our customers, resulting in lower margins. Additionally, these changes could adversely affect our foreign sales.

*Opening or expanding our customer fulfillment centers exposes us to risks of delays and may affect our operating results.*

In the future, as part of our long-term strategic planning, we may open new customer fulfillment centers to improve our efficiency, geographic distribution and market penetration. In addition, we intend to make, as we have in the past, capital improvements and operational enhancements to certain of our existing customer fulfillment centers. Moving or opening customer fulfillment centers and effecting such improvements requires a substantial capital investment, including expenditures for real estate and construction, and opening new customer fulfillment centers requires a substantial investment in inventory. Additionally, the opening of new customer fulfillment centers or the expansion of existing customer fulfillment centers would have an adverse impact on operating expenses as a percentage of sales, inventory turnover and return on investment in the periods prior to and for some time following the commencement of operations of each new customer fulfillment center or the completion of such expansions.

*We establish insurance-related healthcare reserves based on historical claims experience and actuarial estimates, which could lead to adjustments in the future based on actual claims incurred.*

We retain a significant portion of the risk under our healthcare insurance program. In fiscal year 2021, we began self-insuring for costs associated with associates' health needs, which is limited by stop-loss coverage. Our healthcare insurance program accruals are determined on an actuarial basis, based on historical claims experience and an estimate of claims incurred but not yet reported and other relevant factors. While we believe our estimation process is well designed, every estimation process is inherently subject to limitations. Fluctuations in the frequency, magnitude or number of claims make it difficult to predict the ultimate cost of claims and may lead to future adjustments of reported results of operations which, depending on the magnitude of such adjustments, may significantly affect our reported results or negatively affect the reliability of our reported results.

*An interruption of operations at our headquarters or customer fulfillment centers could adversely impact our business .*

Our business depends on maintaining operations at our co-located headquarters and customer fulfillment centers. A serious, prolonged interruption due to power outage, telecommunications outage, cyber-attack, terrorist attack,

earthquake, storm, hurricane, flood, fire, drought, tornado and other extreme weather, widespread contagious disease or virus or other interruption could have a material adverse effect on our business and financial results.

*Goodwill and other indefinite-lived intangible assets recorded as a result of our acquisitions could become impaired .*

As of September 2, 2023, our combined goodwill and other indefinite-lived intangible assets amounted to \$729.3 million. To the extent we do not generate sufficient cash flows to recover the net amount of any investment in goodwill and other indefinite-lived intangible assets recorded, the investment could be considered impaired and subject to write-off. We expect to record further goodwill and other indefinite-lived intangible assets as a result of future acquisitions we may complete. Future amortization of such assets or impairments, if any, of goodwill or other indefinite-lived intangible assets would adversely affect our results of operations in any given period. If the financial performance of our business was to decline significantly, we could incur a material non-cash charge to our income statement for the impairment of goodwill and other indefinite-lived intangible assets.

*Climate change and societal and governmental responses to climate change could adversely affect our business and performance, including indirectly through impacts on our customers.*

Concerns over the long-term impacts of climate change have led, and will continue to lead, to governmental efforts around the world to mitigate those impacts. Consumers and businesses also may change their behavior on their own as a result of concerns regarding the impact of climate change, governmental regulations and public perceptions. We and our customers will need to respond to new laws and regulations as well as consumer and business preferences resulting from climate change concerns. The impact on our customers will likely vary depending on their specific attributes, including reliance on or role in carbon intensive activities. Among the impacts to us could be a drop in demand for our products and services, particularly in certain sectors. Our efforts to take these risks into account, including by increasing our business with climate-friendly companies, may not be effective in protecting us from the negative impact of new laws and regulations or changes in consumer or business behavior.

Furthermore, climate change may present additional physical risks to our operations and lead to an increased frequency of unusual or extreme weather conditions, which could disrupt our supply chain or harm or disrupt our operations or those of our customers or suppliers.

#### **Risks Related to Our Indebtedness**

*The terms of our credit facilities and senior notes impose operating and financial restrictions on us, which may limit our ability to respond to changing business and economic conditions.*

We currently have credit facilities and outstanding senior notes. For a description of these facilities and senior notes, please see Note 10, "Debt" in the Notes to Consolidated Financial Statements. We are subject to various operating and financial covenants under the credit facilities and senior notes which restrict our ability to, among other things, incur additional indebtedness, make particular types of investments, incur certain types of liens, engage in fundamental corporate changes, enter into transactions with affiliates or make substantial asset sales. Any failure to comply with these covenants may constitute a breach under the credit facilities and senior notes, which could result in the acceleration of all or a substantial portion of any outstanding indebtedness and the termination of revolving credit commitments. Additionally, as interest rates rise, there may be fewer alternatives to our existing credit facilities for raising additional capital or such alternatives may be more expensive.

*Our inability to maintain our committed and uncommitted credit facilities could materially adversely affect our liquidity and our business.*

Our ability to manage our business and execute our business strategy is dependent, in part, on the continued availability of financing. With respect to committed facilities, lenders may decline to renew or extend credit facilities, or they may require stricter terms and conditions with respect to future facilities, and we may not find these terms and conditions acceptable. With respect to uncommitted facilities, lenders may cease making loans or demand payment of outstanding loans, which may overly restrict our ability to conduct our business successfully and adversely impact our liquidity and financial position.

## **Risks Related to the Reclassification**

*The Reclassification may not achieve the desired benefits for us or our shareholders.*

The long-term impacts of the Reclassification are still unknown, and the Reclassification may not result in an increase in shareholder value or improve the liquidity and marketability of our equity. If the Reclassification is not viewed favorably by members of the investment community, it may impair the value of our Class A Common Stock and limit its liquidity and marketability. Furthermore, securities markets worldwide have experienced significant price and volume fluctuations in recent years. This market volatility, as well as general economic, market or political conditions, could cause a reduction in the market price and liquidity of shares of our Class A Common Stock.

*Our principal shareholders own a significant amount of our voting stock and have rights to nominate directors to our Board of Directors, and their interests may differ from those of our other shareholders.*

So long as the Jacobson / Gershwind Family Shareholders (as defined below), collectively, have beneficial or record ownership of at least 10% of the issued and outstanding shares of Class A Common Stock, our Board of Directors will, subject to the procedures and limitations set forth in the Reclassification Agreement (as defined below), nominate two individuals designated by the Jacobson / Gershwind Family Shareholders for election to the Board of Directors at any annual meeting of our shareholders at which directors are to be elected. So long as the Jacobson / Gershwind Family Shareholders, collectively, have beneficial or record ownership of less than 10% but 5% or more of the issued and outstanding shares of Class A Common Stock, our Board of Directors will, subject to the procedures and limitations set forth in the Reclassification Agreement, nominate one individual designated by the Jacobson / Gershwind Family Shareholders for election to the Board of Directors at any annual meeting of our shareholders at which directors are to be elected.

The amount of Class A Common Stock currently held by the Jacobson / Gershwind Family Shareholders, together with the foregoing director nomination rights, provide the Jacobson / Gershwind Family Shareholders with significant continued influence over our decisions. The interests of the Jacobson / Gershwind Family Shareholders with respect to matters potentially or actually involving or affecting us and our other shareholders, such as future acquisitions, financings and other corporate opportunities and attempts to acquire us, may differ from, or conflict with, the interests of our other shareholders.

## **Risks Related to Information Technology**

*Maintaining our IT systems and complying with data privacy laws may incur significant, recurring costs.*

We believe that our IT systems are an integral part of our business and growth strategies. In particular, the COVID-19 pandemic caused us to modify our business practices, including requiring many of our office-based associates to work from home. As a result, we are dependent upon our IT systems to operate our business and our ability to effectively manage our business depends on the security, reliability and adequacy of our IT systems. We also depend upon our IT systems to help process orders, to manage inventory and accounts receivable collections, to manage financial reporting, to purchase, sell and ship products efficiently and on a timely basis, to maintain cost-effective operations, to operate our websites and to help provide superior service to our customers. We have made and continue to make investments in technology to protect our systems, computers, software, data and networks from attacks, damage or unauthorized access. We also have implemented numerous security protocols in order to strengthen security, and we maintain a customary cyber insurance policy, but there can be no assurance that breaches will not occur in the future or be covered by our insurance policy. The costs of maintaining adequate cybersecurity safeguards for our IT systems may be significant and recurring as technology progresses.

In addition to incurring continual costs to maintain cybersecurity, we also incur significant, recurring costs to comply with data privacy laws. Regulatory authorities have increased their focus on how companies collect, process, use, store, share and transmit personal data. New privacy security laws and regulations, including the United Kingdom's Data Protection Act 2018 (DPA), the European Union General Data Protection Regulation 2016 (GDPR) that became effective May 2018, the California Consumer Protection Act that became effective on January 1, 2020, and other similar state privacy laws, pose increasingly complex compliance challenges, which may increase compliance costs, and any failure to comply with data privacy laws and regulations could result in significant penalties.

*Disruptions or breaches of our IT systems, or violations of data privacy laws, could adversely affect us.*

Our IT systems may be vulnerable to damage or disruption caused by circumstances beyond our control or anticipation, such as catastrophic events, power outages, natural disasters, computer system or network failures, computer viruses, and physical or electronic break-ins. In addition, our IT systems may be vulnerable to cyber-attacks, including the use of malicious codes, worms, phishing, spyware, denial of service attacks and ransomware, all of which are rapidly evolving and becoming increasingly sophisticated. Despite our efforts to ensure the integrity of our IT systems, as cyber-attacks evolve and become more difficult to detect and successfully defend against, one or more cyber-attacks might defeat the measures that we take to anticipate, detect, avoid or mitigate these threats. These cyber-attacks and any unauthorized access or disclosure of our customers' information could compromise and expose sensitive information and damage our reputation. Cyber-attacks could also cause us to incur significant remediation costs, including the possibility of government fines, disrupt our operations and divert management attention and key IT resources.

Any material cyber-attack or failure of our IT systems to perform as we anticipate could disrupt our business and operations, result in transaction errors, the loss of data, processing inefficiencies, downtime, litigation, government investigation or fines, substantial remediation costs (including potential liability for stolen assets or information and the costs of repairing system damage), and the loss of sales and customers, and damage our reputation. In addition, changes to our IT systems could disrupt our business operations. Any one or more of these consequences could have a material adverse effect on our business, financial condition and results of operations. Additionally, our suppliers and customers also rely upon IT systems to operate their respective businesses. If any of them experience a cyber-attack or other cyber incident, this could adversely impact their operations, which may in turn impact or adversely affect our operations.

#### **General Risk Factors**

*Our success is dependent on certain key management personnel.*

Our success depends largely on the efforts and abilities of certain key members of our senior management. The loss or disruption of the services of one or more of such key personnel could have a material adverse effect on our business and financial results. We do not maintain any key-man insurance policies with respect to any of our executive officers.

*We are subject to litigation risk due to the nature of our business, which may have a material adverse effect on our business .*

From time to time, we are involved in lawsuits or other legal proceedings that arise from business transactions or the operation of our business. Due to the nature of our business, these proceedings may, for example, relate to product liability claims, commercial disputes or employment matters. In addition, we could face claims over other matters, such as claims arising from our status as a government contractor, intellectual property matters, or corporate or securities law matters. The defense and ultimate outcome of lawsuits or other legal proceedings may result in higher operating expenses, which could have a material adverse effect on our business, financial condition or results of operations.

*We may encounter difficulties with acquisitions and other strategic transactions which could harm our business.*

We have completed several acquisitions and we expect to continue to pursue acquisitions and other strategic transactions, such as joint ventures, that we believe will either expand or complement our business in new or existing markets or further enhance the value and offerings we are able to provide to our existing or future potential customers.

Acquisitions and other strategic transactions present numerous risks and challenges, which could harm our business, including:

- the diversion of management's attention from the normal operation of our business;
- the potential loss of key associates and customers of the acquired companies;
- difficulties managing and integrating operations in geographically dispersed locations;
- the potential for deficiencies in internal controls at the acquired companies;
- increases in our expenses and working capital requirements, which reduce our return on invested capital;
- the lack of experience operating in the geographic market or industry sector of the acquired companies; and
- the exposure to unanticipated liabilities of the acquired companies.

To integrate acquired businesses, we must implement our management information systems, operating systems and internal controls, and assimilate and manage the personnel of the acquired operations. The difficulties of this

integration may be further complicated by geographic distances. The integration of acquired businesses may not be successful and could result in disruption to other parts of our business.

*We are subject to environmental, health and safety laws and regulations.*

We are subject to federal, state, local, foreign and provincial environmental, health and safety laws and regulations. Fines and penalties may be imposed for non-compliance with applicable environmental, health and safety requirements and the failure to have or to comply with the terms and conditions of required permits. The failure by us to comply with applicable environmental, health and safety requirements could result in fines, penalties, enforcement actions, third-party claims for property damage and personal injury, requirements to clean up property or to pay for the costs of cleanup, or regulatory or judicial orders requiring corrective measures, which could have a material adverse effect on our business, financial condition or results of operations. Additionally, such actions could negatively impact our reputation in the impacted geographic market and more broadly.

*Social and environmental responsibility policies and provisions may be difficult to comply with and may impose costs on us.*

There is an increasing focus on corporate social and environmental responsibility in our industry. An increasing number of our customers have adopted, or may adopt, procurement policies that include social and environmental responsibility provisions that their suppliers should comply with, or they may seek to include such provisions in their procurement terms and conditions. This corporate social and environmental responsibility influence is expanding to other stakeholders such as investors, suppliers, associates and communities. We currently voluntarily comply with the sustainability standards set forth by various sustainability initiatives and organizations. These social and environmental responsibility practices, policies, provisions and initiatives are subject to change, can be unpredictable, and may be difficult and expensive for us to comply with. In addition, the failure by us to take action or otherwise comply with the policies of our customers may negatively impact our customer relationships or reputation, which may adversely impact our business and results of operations.

*Our Third Amended and Restated By-Laws contain choice-of-forum provisions for certain claims against us, which could increase the costs of bringing a claim or limit the ability of a shareholder to bring a claim in a judicial forum viewed by a shareholder as favorable.*

Our Third Amended and Restated By-Laws provide that, unless we consent in writing to the selection of an alternative forum, the New York Supreme Court in the State of New York (or, if such court does not have subject matter jurisdiction thereof, the United States District Court for the Southern District of New York or, if such court also does not have subject matter jurisdiction thereof, such other federal district court or state courts located within the State of New York) will, to the fullest extent permitted by law, be the sole and exclusive forum for certain claims. The foregoing provisions will not apply to claims or causes of action brought to enforce a duty or liability created by the Securities Act of 1933, as amended (the "Securities Act"), or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any other claim under federal securities laws (other than derivative actions brought to enforce any duty or liability created by the Exchange Act) for which the federal courts have exclusive federal or concurrent state and federal jurisdiction. In addition, the Third Amended and Restated By-Laws provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States will, to the fullest extent permitted by law, be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act.

These choice-of-forum provisions may increase costs for a shareholder pursuing any such claim or limit a shareholder's ability to bring a claim in a judicial forum that such shareholder finds favorable for disputes with us or any of our directors, officers or other employees, which may discourage such lawsuits even though an action, if successful, might benefit our shareholders. In addition, the courts designated under these choice-of-forum provisions may reach different judgments or results than would other courts, including courts where a shareholder would otherwise choose to bring the action, and such judgments or results may be more favorable to us than to our shareholders. If a court were to find these choice-of-forum provisions inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business, liquidity, financial condition and/or results of operations.

Our common stock price may be volatile.

We believe factors such as fluctuations in our operating results or the operating results of our competitors, changes in economic conditions in the market sectors in which our customers operate, notably the durable and non-durable goods manufacturing industry, which accounts for a substantial portion of our revenues, and changes in general market conditions, including as a result of inflation, rising interest rates and geopolitical events, could cause the market price of our Class A Common Stock to fluctuate substantially.

#### ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

#### ITEM 2. PROPERTIES.

We have customer fulfillment centers in or near the following locations:

Location	Approx. Sq. Ft.	Operational Date	Leased/ Owned
Harrisburg, Pennsylvania	821,000	1997	Owned
Atlanta, Georgia	721,000	1990	Owned
Elkhart, Indiana	545,000	1996	Owned
Columbus, Ohio	468,000	2014	Owned
Reno, Nevada	419,000	1999	Owned
Hanover Park, Illinois	288,000	2003	Leased

We maintain 38 warehouses, of which 36 are located in North America and two are located in Europe. This count includes locations which were previously referred to as either branches or customer fulfillment centers. Of these locations, two are new to MSC as a result of the acquisition of Buckeye and Tru-Edge during fiscal year 2023. Our warehouses range in size from approximately 1,000 to 110,000 square feet. We also maintain four manufacturing locations, two of which were acquired as part of the Buckeye and Tru-Edge acquisition during fiscal year 2023. These manufacturing locations range in size from approximately 2,000 to 23,000 square feet. We also maintain 10 regional inventory centers, all of which are located in the United States, which vary in size from approximately 7,000 to 58,000 square feet. Most of these warehouses, regional inventory centers and manufacturing locations are leased. These leases are for varying periods, with the longest extending to fiscal year 2031. The aggregate annual lease payments on the leased customer fulfillment centers, warehouses, regional inventory centers and manufacturing locations in fiscal year 2023 were approximately \$12.3 million.

#### ITEM 3. LEGAL PROCEEDINGS.

For information related to legal proceedings, see the discussion under the caption "Legal Proceedings" in Note 16, "Commitments and Contingencies" in the Notes to Consolidated Financial Statements.

#### ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.



## PART II.

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

MSC's Class A Common Stock is traded on the NYSE under the symbol "MSM."

In 2003, our Board of Directors instituted a policy of paying regular quarterly cash dividends to our shareholders. The Company paid aggregate annual regular cash dividends of \$3.16 per share in fiscal year 2023 and \$3.00 per share in fiscal year 2022. The Company expects its practice of paying quarterly cash dividends on its common stock will continue, although the payment of future dividends is at the discretion of the Company's Board of Directors and will depend upon the Company's earnings, capital requirements, financial condition and other factors.

On October 11, 2023, the Company's Board of Directors declared a regular cash dividend of \$0.83 per share, payable on November 28, 2023 to shareholders of record at the close of business on November 14, 2023. The dividend is expected to result in aggregate payments of \$47.5 million, based on the number of shares outstanding at October 6, 2023.

The approximate number of holders of record of MSC's Class A Common Stock as of October 6, 2023 was 546.

#### Purchases of Equity Securities

The following table sets forth repurchases by the Company of its outstanding shares of Class A Common Stock, which are listed on the NYSE, during the quarter ended September 2, 2023:

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid Per Share <sup>(2)</sup>	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 <sup>(3)</sup>
6/4/2023-7/4/2023	2,214	\$ 95.51	—	4,369,279
7/5/2023-8/3/2023	129,596	\$ 96.00	129,500	4,239,779
8/4/2023-9/2/2023	516,236	\$ 100.81	515,756	3,724,023
Total	648,046		645,256	

<sup>(1)</sup> During the quarter ended September 2, 2023, 2,790 shares of our Class A Common Stock were withheld by the Company as payment to satisfy our associates' tax withholding liability associated with our share-based compensation program and are included in the total number of shares purchased.

<sup>(2)</sup> Activity is reported on a trade date basis.

<sup>(3)</sup> On June 29, 2021, the Company's Board of Directors terminated the MSC Stock Repurchase Plan, which was established during fiscal year 1999, and authorized a new share repurchase program (the "Share Repurchase Program") to purchase up to 5,000,000 shares of the Company's Class A Common Stock. There is no expiration date for the Share Repurchase Program. As of September 2, 2023, the maximum number of shares of the Company's Class A Common Stock that may yet be repurchased under the Share Repurchase Program was 3,724,023 shares.

#### Performance Graph

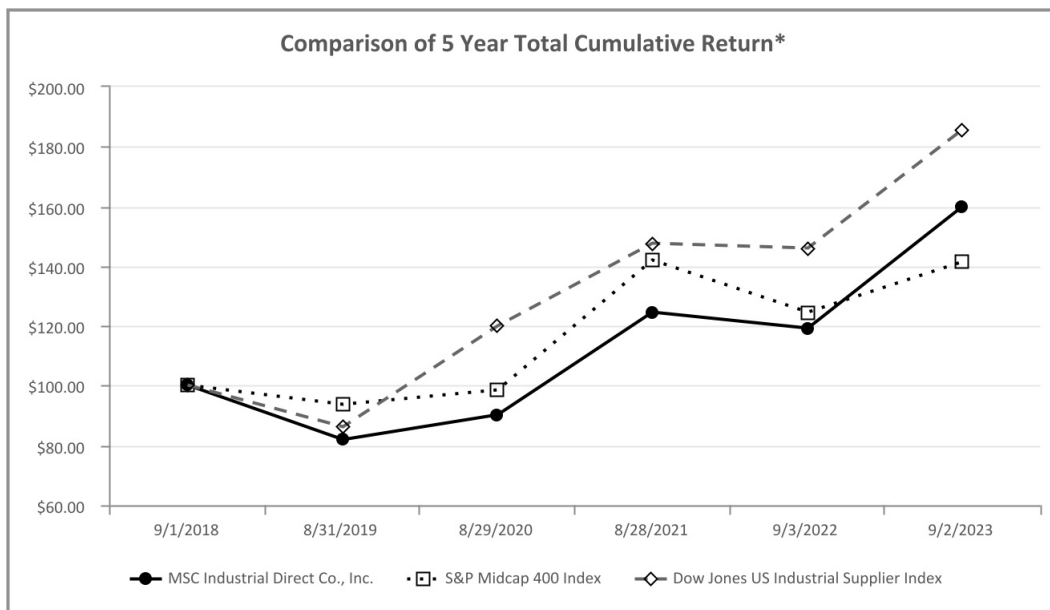
*The following stock price performance graph and accompanying information is not deemed to be "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any filings under the Securities Act or the Exchange Act or be subject to the liabilities of Section 18 of the Exchange Act, regardless of any general incorporation language in any such filing.*

The following graph compares the cumulative total return on an investment in our Class A Common Stock with the cumulative total return on an investment in each of the S&P Midcap 400 Index and the Dow Jones US Industrial Supplier Index.

The graph assumes that \$100 was invested at the closing price of our Class A Common Stock on the NYSE and each index on September 1, 2018 and assumes that all dividends paid on such securities during the applicable fiscal years

were reinvested. Indices are calculated on a month-end basis. The comparisons in this table are based on historical data and are not intended to forecast or to be indicative of the possible future performance of our Class A Common Stock.

**Cumulative Total Shareholder Return  
for the Period from September 1, 2018 through September 2, 2023**



\*\$100 invested on 9/1/2018 in stock or index, including reinvestment of dividends

	9/1/2018	8/31/2019	8/29/2020	8/28/2021	9/3/2022	9/2/2023
MSC Industrial Direct Co., Inc.	100.00	81.78	90.16	124.63	119.03	159.78
S&P Midcap 400 Index	100.00	93.57	98.52	141.86	124.58	141.38
Dow Jones US Industrial Supplier Index	100.00	86.23	120.05	147.62	145.84	185.72

ITEM 6. [RESERVED]

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

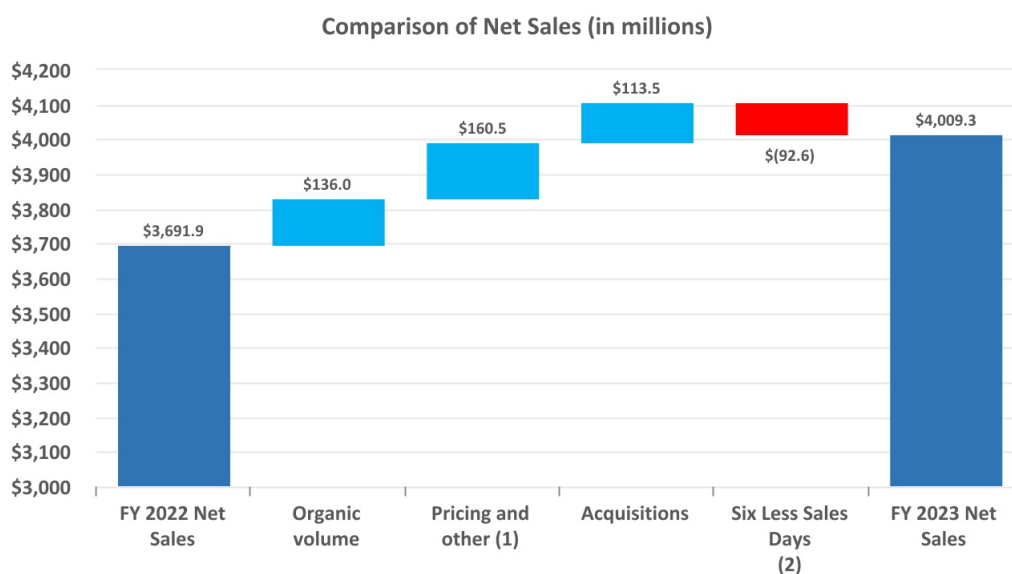
### Overview

MSC is a leading North American distributor of a broad range of metalworking and MRO products and services. We help our customers drive greater productivity, profitability and growth with approximately 2.4 million products, inventory management and other supply chain solutions, and deep expertise from more than 80 years of working with customers across industries. We continue to implement our strategies to gain market share, generate new customers, increase sales to existing customers, and diversify our customer base.

Our experienced team of more than 7,000 associates works with our customers to help drive results for their businesses, from keeping operations running efficiently today to continuously rethinking, retooling and optimizing for a more productive tomorrow. We offer approximately 2.4 million active, saleable SKUs through our catalogs; our brochures; our E-commerce channels, including the MSC website; our inventory management solutions; and our customer care centers, customer fulfillment centers, regional inventory centers and warehouses. We service our customers from six customer fulfillment centers, 10 regional inventory centers, 38 warehouses and four manufacturing locations. 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.

Our business model focuses on providing overall procurement cost reduction and just-in-time delivery to meet our customers' needs. 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-savings strategies and increased leverage from our existing infrastructure, and continue to provide additional procurement cost-savings solutions to our customers through technology such as our VMI, CMI and vending programs. Our field sales and service associate headcount was 2,572 at September 2, 2023 compared to 2,536 at September 3, 2022 and 2,398 at August 28, 2021.

The chart below displays a two-year comparison of our net sales from fiscal year 2022 through fiscal year 2023:



<sup>(1)</sup> Pricing and other is comprised of changes in customer and product mix, discounting and other items.

<sup>(2)</sup> Fiscal years 2023 and 2022 had 252 and 258 sales days, respectively.

## Highlights

Highlights during fiscal year 2023 include the following:

- We generated \$699.6 million of cash from operations compared to \$246.2 million in fiscal year 2022. The increase was primarily from the \$300.0 million Receivables Purchase Agreement (the "RPA") entered into during fiscal year 2023.
- We had net payments of \$340.0 million on our credit facilities, private placement debt and shelf facility agreements compared to net borrowings of \$9.5 million in fiscal year 2022. Proceeds from the RPA were primarily utilized to pay down debt on our credit facilities.
- We repurchased \$95.8 million of MSC's Class A Common Stock, par value \$0.001 per share ("Class A Common Stock"), compared to \$27.4 million in fiscal year 2022.
- We paid out an aggregate \$176.7 million in regular cash dividends, compared to an aggregate \$167.4 million in regular cash dividends in fiscal year 2022.
- In January 2023, we acquired Buckeye and Tru-Edge for aggregate consideration of \$22.4 million, which includes cash paid of \$20.5 million and the fair value of contingent consideration to be paid out of \$2.3 million, net of a post-closing working capital adjustment in the amount of \$0.4 million received from the sellers.
- We incurred \$7.9 million in restructuring and other costs compared to \$15.8 million in fiscal year 2022. Restructuring and other costs primarily consist of consulting-related costs and associate severance and separation costs associated with the optimization of the Company's operations and profitability improvement.

## Recent Developments

### *Progress on Mission Critical*

As previously disclosed, we initiated a Company-wide project, which we refer to as "Mission Critical," to accelerate market share capture and improve profitability over the period through fiscal year 2023. To realize growth, one of our Mission Critical initiatives, we began and expect to continue investing in our market-leading metalworking business by adding to our metalworking specialist team, introducing value-added services to our customers, expanding our vending, VMI and in-plant solutions programs, building out our sales force, and diversifying our customers and end-markets. We also are focused on improving profitability through the implementation of various pricing strategies and critical structural cost reductions in order to improve return on invested capital. We anticipate that the cost reductions will be comprised of savings in the areas of sales and service, supply chain and general and administrative expenses, and include initiatives to optimize our distribution center network and real estate footprint, renegotiate supplier contracts, and redesign our talent acquisition and retention approach. While Mission Critical was tied to three-year financial targets ending in fiscal year 2023, the key focus areas of Mission Critical, including profitable growth, an improved operating model, and technological improvement, remain critical and ever-evolving initiatives at the Company. Maintaining a continuous improvement mindset remains a key tenet of our strategy going forward.

### *Impact of Economic Trends*

The United States economy has experienced and continues to experience disruptions in the supply of certain products and services and tight conditions in the labor market. These disruptions and conditions have contributed to an inflationary environment which, while falling, remains elevated and has affected the price and, at times, the availability of certain products and services necessary for the Company's operations, including fuel, labor and certain products the Company sells or the inputs for such products. Such disruptions and conditions have impacted, and may continue to impact in the future, the Company's business, financial condition and results of operations.

As a result of recent high inflation and periodic supply chain disruptions, the Company continues to implement price realization strategies in response to increased costs the Company faces and has invested in improved warehouse automation to mitigate the effects of labor inflation. The category line review process initiated in the second quarter of fiscal year 2023 continues to progress and shows early signs of improvements in supply chain efficiency, customer experience and supplier engagement. Furthermore, in light of disruptions to availability and increased or uncertain shipping times, the Company is maintaining higher purchasing levels than it did prior to its fiscal year 2020 in order to ensure sufficient inventory supply to meet customer demand.

### *Reclassification*

On January 31, 2023, the Board of Directors of the Company (the "Board") received a proposal (the "Proposal") from the Company's controlling shareholders, the Jacobson / Gershwind family, to exchange each of their shares of Class B Common Stock, par value \$0.001 per share ("Class B Common Stock" and, together with Class A Common Stock, "Common Stock"), for shares of Class A Common Stock, reclassify the Class B Common Stock and the Class A Common Stock into a single class of common stock and eliminate the current dual-class share structure (the "Reclassification"). The Board formed a Special Committee composed entirely of independent and disinterested directors to evaluate the Proposal, which was advised by independent financial and legal advisors.

On June 21, 2023, the Company announced that it had reached an agreement with the Jacobson / Gershwind family with respect to the Reclassification, in support of which, the Company entered into a 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").

In October 2023, we completed the Reclassification as contemplated by the Reclassification Agreement. Pursuant to the Reclassification, each share of Class B Common Stock issued and outstanding immediately prior to the time that the Company's Amended and Restated Certificate of Incorporation was duly filed with the Secretary of State of the State of New York 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 pursuant to the Registration Statement on Form S-4.

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 two individuals 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 to designate 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; and
- the transition to a "majority of the votes cast" standard for any election of directors that is not a contested election.

### *Acquisition of Buckeye and Tru-Edge*

In January 2023, the Company acquired certain assets and assumed certain liabilities of Buckeye, an Ohio-based metalworking distributor, and Tru-Edge, an Ohio-based custom tool manufacturer. Buckeye primarily serves the metalworking needs of large manufacturers. MSC Industrial plans to build on Buckeye's technical, high-touch relationships and value-added services by offering customers access to its extensive product portfolio to support customers' full metalworking and MRO needs. Tru-Edge brings new capabilities to MSC Industrial, including the design and manufacture of parts from scratch with a strong focus in the automotive and medical markets. The Company expects to drive revenue growth in its existing Midwest manufacturing customer base by leveraging the services provided by Tru-Edge. The Company believes the technical expertise and value-added services provided by Tru-Edge will support its effort to drive cost savings for its customers.

## Our Strategy

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. 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

We utilize various indices when evaluating the level of our business activity, including the Industrial Production ("IP") Index. Approximately 66% and 68% of our revenues came from sales in the manufacturing sector during the quarter and year ended September 2, 2023, 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 September 2, 2023 and the average for the three- and 12-month periods ended September 2, 2023 were as follows:

Period	IP Index
June	102.3
July	103.3
August	103.3
Fiscal Year 2023 Q4 Average	103.0
12-month average	102.8

The average IP Index for the 12 months ended September 2, 2023 of 102.8 increased from the adjusted average from the prior fiscal year of 101.8, which indicated growth in manufacturing during fiscal year 2023. Favorable conditions exist in certain end markets and volume remains stable. Despite improvements in certain areas, economic uncertainty remains driven by higher interest rates and continued elevated levels of inflation. Recently, the United States economy has experienced supply chain disruptions and significant levels of inflation. The Company has implemented price realization strategies in response to increased costs the Company faces. 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. See "Impact of Economic Trends" above.

## Results of Operations

### Fiscal Year Ended September 2, 2023 Compared to the Fiscal Year Ended September 3, 2022

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:

	Fiscal Years Ended					
	September 2, 2023 (52 weeks)		September 3, 2022 (53 weeks)		Change	
	\$	%	\$	%	\$	%
Net sales	\$ 4,009,282	100.0 %	\$ 3,691,893	100.0 %	\$ 317,389	8.6 %
Cost of goods sold	2,366,317	59.0 %	2,133,645	57.8 %	232,672	10.9 %
Gross profit	1,642,965	41.0 %	1,558,248	42.2 %	84,717	5.4 %
Operating expenses	1,151,295	28.7 %	1,083,862	29.4 %	67,433	6.2 %
Restructuring and other costs	7,937	0.2 %	15,805	0.4 %	(7,868)	(49.8)%
Gain on sale of property	—	— %	(10,132)	(0.3)%	10,132	N/A <sup>(1)</sup>
Income from operations	483,733	12.1 %	468,713	12.7 %	15,020	3.2 %
Total other expense	(27,577)	(0.7)%	(17,581)	(0.5)%	(9,996)	56.9 %
Income before provision for income taxes	456,156	11.4 %	451,132	12.2 %	5,024	1.1 %
Provision for income taxes	113,049	2.8 %	110,650	3.0 %	2,399	2.2 %
Net income	343,107	8.6 %	340,482	9.2 %	2,625	0.8 %
Less: Net (loss) income attributable to noncontrolling interest	(126)	0.0 %	696	0.0 %	(822)	(118.1)%
Net income attributable to MSC Industrial	\$ 343,233	8.6 %	\$ 339,786	9.2 %	\$ 3,447	1.0 %

<sup>(1)</sup> N/A is Not Applicable.

#### Net Sales

Net sales increased 8.6%, or \$317.4 million, from the prior fiscal year. The \$317.4 million increase in net sales was comprised of \$160.5 million from improved pricing, inclusive of changes in customer and product mix, discounting and other items, \$136.0 million of higher sales volume and \$113.5 million of net sales from recent acquisitions, partially offset by \$92.6 million in sales attributable to six fewer selling days during fiscal year 2023. Of the \$317.4 million increase in net sales during the fiscal year ended September 2, 2023, national account customer sales increased by \$123.0 million, sales to our public sector customers increased by \$122.1 million and sales to our core and other customers increased by \$72.3 million.

The table below shows, among other things, the annual 2023 average daily sales (“ADS”) by total company and by customer type compared to the same periods in the prior fiscal year:

2023 Fiscal Period	ADS Percentage Change (Unaudited)										
	Thirteen-Week Period Ended Fiscal Q1		Thirteen-Week Period Ended Fiscal Q2		Thirteen-Week Period Ended Fiscal Q3		Thirteen-Week Period Ended Fiscal Q4		Fiscal Year Ended		
Net Sales (in thousands)	\$	957,745	\$	961,632	\$	1,054,464	\$	1,035,441	\$	4,009,282	
Sales Days		62		63		64		63		252	
ADS <sup>(1)</sup> (in millions)	\$	15.4	\$	15.3	\$	16.5	\$	16.4	\$	15.9	
Total Company ADS Percent Change <sup>(2)</sup>		12.9	%	11.5	%	11.7	%	9.3	%	11.2	%
Manufacturing Customers ADS Percent Change <sup>(2)</sup>										7.5	%
Manufacturing Customers Percent of Total Net Sales										68	%
Non-Manufacturing Customers ADS Percent Change <sup>(2)</sup>										19.7	%
Non-Manufacturing Customers Percent of Total Net Sales										32	%

<sup>(1)</sup> 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.

<sup>(2)</sup> Percent reflects the change from the 2022 fiscal period to the 2023 fiscal period.

We believe that our ability to transact business with our customers through various electronic portals and directly through the MSC website 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 61.1% of consolidated net sales for fiscal year 2023, compared to 61.7% of consolidated net sales for fiscal year 2022. The decline was primarily attributable to large sales to a public sector customer that did not transact through our E-commerce platforms.

#### Gross Profit

Gross profit increased 5.4% to \$1,643.0 million in fiscal year 2023, as compared to \$1,558.2 million in fiscal year 2022. Gross profit margin was 41.0% in fiscal year 2023, as compared to 42.2% in fiscal year 2022. The increase in gross profit was primarily a result of a higher sales level as described above and gross profits from our recent acquisitions. The decrease in gross profit margin was primarily attributable to large sales to a public sector customer during the third and fourth quarters of fiscal year 2023 which were transacted below our typical public sector customer margins, as well as unfavorable customer mix as sales to our national account and public sector customers are growing at higher rates and are typically at lower gross margins than the business as a whole.

#### Operating Expenses

Operating expenses increased 6.2% to \$1,151.3 million in fiscal year 2023, as compared to \$1,083.9 million in fiscal year 2022. Operating expenses were 28.7% of fiscal year 2023 net sales, as compared to 29.4% for fiscal year 2022. The increase in operating expenses was primarily attributable to an increase in payroll and payroll-related costs and increased professional fees associated with the Reclassification. The decline in operating expenses as a percentage of net sales was related to our cost savings programs and productivity improvements resulting from our Mission Critical initiatives.



Payroll and payroll-related costs were approximately 56.1% of total operating expenses for fiscal year 2023, as compared to approximately 57.5% for fiscal year 2022. Payroll and payroll-related costs, which include salary, incentive compensation, sales commission, and fringe benefit costs, increased by \$22.9 million for fiscal year 2023. The majority of this increase compared to the prior fiscal year was due to increased salary expenses and fringe benefit costs, including higher insurance-related healthcare reserves due to recent higher healthcare claims, partially offset by a lower incentive compensation accrual.

Freight expense was \$156.8 million for fiscal year 2023, as compared to \$155.5 million for fiscal year 2022. The primary drivers of the increase in freight expense were increased sales volume and higher fuel-related charges. Fuel-related surcharges began to taper off during the second half of fiscal year 2023.

Depreciation and amortization was \$74.7 million for fiscal year 2023, as compared to \$69.9 million for fiscal year 2022. The primary drivers of the increase in depreciation and amortization were increased capital expenditures related to vending programs and Mission Critical projects.

Professional fee expense was \$47.9 million for fiscal year 2023, as compared to \$30.3 million for fiscal year 2022. The primary driver of the increase in professional fee expense was fees and other expenses associated with the Reclassification, which included legal and advisory fees, printing and mailing expenses for the associated proxy statement / prospectus, Reimbursable Expenses (as defined in the Reclassification Agreement), and filing and other fees paid to the SEC. See "Reclassification" above for additional information.

#### *Restructuring and Other Costs*

We incurred \$7.9 million in restructuring and other costs for fiscal year 2023, as compared to \$15.8 million for the prior fiscal year. Restructuring and other costs primarily consist of consulting-related costs and associate severance and separation costs associated with the optimization of the Company's operations and profitability improvement. See Note 14, "Restructuring and Other Costs" in the Notes to Consolidated Financial Statements for additional information.

#### *Gain on Sale of Property*

During fiscal year 2021, the Company entered into a Purchase and Sale Agreement to sell its 170,000-square foot Long Island Customer Service Center in Melville, New York. During fiscal year 2022, the Company disposed of the building with a sale price of \$25.5 million, which resulted in a gain on sale of property of \$10.1 million after the settlement of certain closing costs and fees, which is included in the Consolidated Statement of Income for the fiscal year ended September 3, 2022.

#### *Income from Operations*

Income from operations increased 3.2% to \$483.7 million in fiscal year 2023, as compared to \$468.7 million in fiscal year 2022. Income from operations as a percentage of net sales decreased to 12.1% in fiscal year 2023, as compared to 12.7% in fiscal year 2022. The decrease in income from operations as a percentage of net sales was primarily attributable to a lower gross profit margin and the impact of six fewer selling days during fiscal year 2023, both as described above, partially offset by an improvement in operating expenses as a percentage of net sales from the prior fiscal year and the prior fiscal year gain on sale of property which did not recur during fiscal year 2023.

#### *Total Other Expense*

Total other expense increased 56.9%, or \$10.0 million, to \$27.6 million for fiscal year 2023, as compared to \$17.6 million for the prior fiscal year. The increase was primarily due to higher interest rates on our credit facilities and fees incurred associated with the RPA, partially offset by the recognition of \$6.6 million of Employee Retention Credit funds. See Note 8, "Income Taxes" in the Notes to Consolidated Financial Statements for further information.

#### *Provision for Income Taxes*

Our effective tax rate for fiscal year 2023 was 24.8%, as compared to 24.5% for fiscal year 2022. See Note 8, "Income Taxes" in the Notes to Consolidated Financial Statements for further information.

### Net Income

The factors which affected net income for fiscal year 2023, as compared to the prior fiscal year, have been discussed above.

### Liquidity and Capital Resources

	September 2, 2023	September 3, 2022	\$ Change
(In thousands)			
Total debt	\$ 454,326	\$ 794,592	\$ (340,266)
Less: Cash and cash equivalents	50,052	43,537	6,515
Net debt	\$ 404,274	\$ 751,055	\$ (346,781)
Equity	\$ 1,492,582	\$ 1,362,283	\$ 130,299

As of September 2, 2023, we had \$50.1 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 September 2, 2023, total borrowings outstanding, representing amounts due under our credit facilities and notes, as well as all finance leases and financing arrangements, were \$454.3 million, net of unamortized debt issuance costs of \$1.0 million, as compared to total borrowings outstanding of \$794.6 million, net of unamortized debt issuance costs of \$1.4 million, as of September 3, 2022. The decrease in total borrowings outstanding was driven by higher net payments under our credit facilities, private placement notes and shelf facility agreements. Debt payments were primarily funded through the RPA entered into during fiscal year 2023. See Note 10, "Debt" in the Notes to 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, particularly those relating to changes in macroeconomic conditions, including variations in foreign currency exchange rates, commodity and energy prices, labor and supply costs, inflation, and interest rates, and to take appropriate action as it is warranted.

The Reclassification required significant cash outlays during fiscal year 2023. We incurred \$12.4 million of non-recurring costs and expenses for fiscal year 2023 in connection with the Reclassification. Furthermore, we repurchased and immediately retired 645,256 shares of Class A Common Stock for \$64.4 million during the fourth quarter of fiscal year 2023. We expect to continue repurchasing shares throughout fiscal year 2024, while considering market volatility and our liquidity and financial position.

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

	Fiscal Years Ended	
	September 2, 2023	September 3, 2022
(In thousands)		
Net cash provided by operating activities	\$ 699,582	\$ 246,183
Net cash used in investing activities	(112,675)	(94,493)
Net cash used in financing activities	(580,400)	(148,140)
Effect of foreign exchange rate changes on cash and cash equivalents	8	(549)
Net increase in cash and cash equivalents	\$ 6,515	\$ 3,001

### Operating Activities

Net cash provided by operating activities for fiscal years 2023 and 2022 was \$699.6 million and \$246.2 million, respectively. The increase was primarily due to the following:

- a decrease in the change in accounts receivable primarily attributable to the RPA entered into during fiscal year 2023, which resulted in a decline in accounts receivable of \$300.0 million; and
- a smaller increase in the change in inventories as compared to the prior fiscal year.

The table below summarizes certain information regarding the Company's operations:

	Fiscal Years Ended	
	September 2, 2023	September 3, 2022
	(Dollars in thousands)	
Working Capital <sup>(1)</sup>	\$ 668,077	\$ 817,679
Current Ratio <sup>(2)</sup>	2.0	2.1
Days' Sales Outstanding <sup>(3)</sup>	36.5	65.3
Inventory Turnover <sup>(4)</sup>	3.2	3.2

<sup>(1)</sup> Working Capital is calculated as current assets less current liabilities.

<sup>(2)</sup> Current Ratio is calculated by dividing total current assets by total current liabilities.

<sup>(3)</sup> Days' Sales Outstanding is calculated by dividing accounts receivable by net sales, using trailing two months sales data.

<sup>(4)</sup> Inventory Turnover is calculated by dividing total cost of goods sold by inventory, using a 13-month trailing average inventory.

Working capital and the current ratio both decreased compared to September 3, 2022. The decreases were primarily due to a decrease in accounts receivable resulting from the RPA entered into during fiscal year 2023. The RPA reduced the accounts receivable balance by \$300.0 million.

The decrease in days' sales outstanding as of September 2, 2023, as compared to September 3, 2022, was primarily due to the RPA entered into during fiscal year 2023.

Inventory turnover as of September 2, 2023 remained consistent with September 3, 2022.

### Investing Activities

Net cash used in investing activities for fiscal years 2023 and 2022 was \$112.7 million and \$94.5 million, respectively. The use of cash for both fiscal years was primarily due to expenditures for property, plant and equipment mainly related to vending programs and Mission Critical projects. The use of cash for fiscal years 2023 and 2022 also included cash outflows due to acquisitions, Buckeye and Tru-Edge in fiscal year 2023 and Engman-Taylor Company, Inc. and Tower Fasteners in fiscal year 2022. In fiscal year 2022, investing outflows were partially offset by the net proceeds received from the sale of the Company's Long Island Customer Service Center.

### Financing Activities

Net cash used in financing activities for fiscal years 2023 and 2022 was \$580.4 million and \$148.1 million, respectively.

The components contributing to the use of cash for fiscal year 2023 were primarily the following:

- \$176.7 million of regular cash dividends paid during fiscal year 2023 compared to \$167.4 million of regular cash dividends paid during fiscal year 2022;
- net payments under our credit facilities, private placement debt and shelf facility agreements of \$340.0 million during fiscal year 2023 compared to net borrowings of \$9.5 million during fiscal year 2022;
- \$95.8 million in aggregate repurchases of Class A Common Stock during fiscal year 2023 compared to \$27.4 million in aggregate repurchases of Class A Common Stock during fiscal year 2022; and
- proceeds from the exercise of Class A Common Stock options of \$28.7 million during fiscal year 2023 compared to \$34.7 million during fiscal year 2022.

## 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 September 2, 2023, the Company also had three uncommitted credit facilities, totaling \$203.0 million of aggregate maximum uncommitted availability. See Note 10, "Debt" in the Notes to Consolidated Financial Statements for more information about our credit facilities. As of September 2, 2023, we were in compliance with the operating and financial covenants of our credit facilities.

Subsequent to fiscal year 2023, the Company made additional payments of \$15.0 million through October 6, 2023 on its revolving credit facility. The current unused balance of \$559.7 million from the revolving credit facility, which is reduced by outstanding letters of credit, is available for working capital purposes if necessary. See Note 10, "Debt" in the Notes to 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. In June 2018 and March 2020, we entered into additional note purchase agreements. See Note 10, "Debt" in the Notes to Consolidated Financial Statements for more information about these transactions. During fiscal year 2023, the Company paid \$50.0 million to satisfy its obligation on the 3.04% Senior Notes, due January 12, 2023 and \$75.0 million to satisfy its obligation on the 2.65% Senior Notes, Series A, due July 28, 2023.

### Leases and Financing Arrangements

As of September 2, 2023, certain of our operations were conducted on leased premises. These leases are for varying periods, with 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.

### Capital Expenditures

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

### Future Liquidity Outlook

As of September 2, 2023, our future contractual obligations were as follows (in thousands):

Contractual Obligations	Fiscal Year 2024	Thereafter
Undiscounted operating lease obligations <sup>(1)</sup>	\$ 23,422	\$ 49,529
Undiscounted finance lease obligations, net of interest <sup>(2)</sup>	275	237
Maturities of long-term debt obligations, net of interest <sup>(3)</sup>	50,000	224,750
Estimated interest on long-term debt <sup>(4)</sup>	9,638	18,659
<b>Total contractual obligations</b>	<b>\$ 83,335</b>	<b>\$ 293,175</b>

<sup>(1)</sup> Certain of our operations are conducted on leased premises. These leases (most of which require us to provide for the payment of real estate taxes, insurance and other operating costs) are for varying periods, with the longest extending to fiscal year 2031. In addition, we are obligated under certain equipment and automobile operating leases, which expire on varying dates through fiscal year 2029. See Note 11, "Leases" in the Notes to Consolidated Financial Statements for additional information on our operating lease arrangements.

<sup>(2)</sup> As of September 2, 2023, the Company had entered into various finance leases for certain IT equipment, which expire on varying dates through fiscal year 2026. See Note 11, "Leases" in the Notes to Consolidated Financial Statements for additional information on our finance lease arrangements.

<sup>(3)</sup> Excludes debt issuance costs.

<sup>(4)</sup> Interest payments for long-term debt are based on principal amounts and coupons or contractual rates at fiscal year-end.

As of September 2, 2023, the Company had recorded a non-current liability of \$5.3 million for tax uncertainties and interest. This amount is excluded from the table above, as the Company cannot make reliable estimates of these cash flows by period. See Note 8, "Income Taxes" in the Notes to Consolidated Financial Statements.

We have not entered into any off-balance sheet arrangements and there are no commitments or obligations (including, but not limited to, guarantees; retained or contingent interests in assets transferred; contractual arrangements that support the credit, liquidity or market risk for transferred assets; or risk related to derivatives or other financial products related to our equity securities), including contingent obligations, with unconsolidated entities or persons that had during the periods presented herein or are reasonably likely to have a material impact on the Consolidated Financial Statements.

### **Critical Accounting Estimates**

We make estimates, judgments and assumptions in determining the amounts reported in the 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. Our significant accounting policies are described in the Notes to Consolidated Financial Statements. The accounting policies described below are impacted by our critical accounting estimates. More information on the critical accounting estimates can be found in Note 1, "Business and Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements.

#### *Allowance for Credit Losses*

We perform periodic credit evaluations of our customers' financial condition, and collateral is generally not required. The Company considers several factors to estimate the allowance for credit losses in accounts receivable, including the age of the receivables and the historical ratio of actual write-offs to the age of the receivables, and also reflects the adopted accounting standard related to current expected credit losses. See Note 1, "Business and Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements for more information.

#### *Inventories*

Inventory is reflected at the lower of weighted-average cost or net realizable value considering future demand, market conditions and the physical condition of the inventory. We write-down inventories for shrinkage and slow-moving or obsolete inventory. The analysis includes inventory levels, sales information, historical write-down information, and the on-hand quantities relative to the sales history for the product.

#### *Goodwill and Other Indefinite-Lived Intangible Assets*

The purchase price of an acquired company is allocated between the intangible assets and the net tangible assets of the acquired business with the residual of the purchase price recorded as goodwill. The determination of the value of the intangible assets acquired involves certain judgments and estimates. These judgments can include, but are not limited to, the cash flows that an asset is expected to generate in the future and the appropriate weighted-average cost of capital. The Company annually reviews goodwill at the reporting unit level and intangible assets that have indefinite lives for impairment in its fiscal fourth quarter and when events or changes in circumstances indicate the carrying values of these assets might exceed their current fair values.

#### *Income Taxes*

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax basis of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. The tax balances and income tax expense recognized by the Company are based on management's interpretations of the tax laws of multiple jurisdictions. Income tax expense reflects the Company's best estimates and assumptions regarding, among other items, the level of future taxable income, interpretations of tax laws and uncertain tax positions.

#### *Other*

Other significant accounting policies, not involving the same level of measurement uncertainties as those discussed above, are nevertheless important to an understanding of the financial statements. Policies such as revenue recognition, depreciation, intangibles, long-lived assets and warranties require judgments on complex matters that are often

subject to multiple external sources of authoritative guidance such as the Financial Accounting Standards Board and the SEC. Possible changes in estimates or assumptions associated with these policies are not expected to have a material effect on the financial condition or results of operations of the Company. More information on these additional accounting policies can be found in Note 1, "Business and Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements.

#### **Recently Adopted Accounting Pronouncements**

Refer to Note 1, "Business and Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements.

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

##### **Interest Rate Risks**

We are exposed to interest rate risk on our variable rate debt. During fiscal year 2023, the Company extended its three uncommitted credit facilities. Additionally, the Company amended its committed credit facility during fiscal year 2023. See Note 10, "Debt" in the Notes to Consolidated Financial Statements for more information about the credit facilities.

During fiscal years 2022 and 2023, we amended our committed and uncommitted credit facilities by replacing the London InterBank Offered Rate ("LIBOR") with the Secured Overnight Financing Rate ("SOFR") as the primary reference rate. As SOFR is a relatively new reference rate with a limited history, there may or may not be more volatility than other reference rates such as LIBOR, which may result in increased borrowing costs for the Company. We will continue to actively assess the related opportunities and risks involved in this transition.

Borrowings under our committed and uncommitted credit facilities are subject to fluctuations in the interest rate, which have a corresponding effect on our interest expense. We are also exposed to interest rate risk arising from market rate adjustments as they pertain to the RPA. Future sales of our finance receivables may be affected by changes in market rates. A 100-basis point increase or decrease in interest rates would impact our interest costs and fees incurred associated with the RPA by approximately \$5.1 million under our current capital structure. We have monitored and will continue to monitor our exposure to interest rate fluctuations.

In addition, our interest income is most sensitive to changes in the general level of interest rates. In this regard, changes in interest rates affect the interest earned on our cash.

We do not currently use interest rate derivative instruments to manage exposure to interest rate changes.

##### **Foreign Currency Risks**

Approximately 95% of our sales are denominated in U.S. dollars and are primarily from customers in the United States. As a result, currency fluctuations are currently not material to our operating results. To the extent that we engage in more significant international sales in the future, an increase in the value of the U.S. dollar relative to foreign currencies could make our products less competitive in international markets. We have monitored and will continue to monitor our exposure to currency fluctuations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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## **Report of Independent Registered Public Accounting Firm**

To the Shareholders and the Board of Directors of MSC Industrial Direct Co., Inc.

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of MSC Industrial Direct Co., Inc. (the Company) as of September 2, 2023 and September 3, 2022, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended September 2, 2023, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at September 2, 2023 and September 3, 2022 and the results of its operations and its cash flows for each of the three years in the period ended September 2, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of September 2, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated October 25, 2023 expressed an unqualified opinion thereon.

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### **Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.



## Measurement of Inventory Valuation Reserves

### *Description of the Matter*

As of September 2, 2023, the Company's net inventory balance was \$ 726,521 thousand. As more fully described in Note 1 to the consolidated financial statements, the valuation of inventory requires management to make assumptions and judgments about the recoverability of the inventory and its net realizable value. The Company establishes the inventory valuation reserves for shrinkage and slow-moving or obsolete inventory. The analyses of the required inventory valuation reserves include consideration of inventory levels, sales information, historical write-off information, and the on-hand quantities relative to the sales history for the product. The Company also considers factors such as the inventory age, historic and current demand trends, and assumptions regarding future demand.

Auditing management's analyses to determine its inventory valuation reserves were complex as auditor judgment was necessary in evaluating the amounts that should be reserved based on the assumptions detailed in the preceding paragraph.

### *How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the inventory valuation reserve process, including controls over the inputs and assumptions described above, that are used in management's calculation.

Our audit procedures to test the adequacy of the inventory valuation reserves included, among others, evaluating the appropriateness of management's inputs to the inventory valuation reserves calculation, including testing the completeness and accuracy of the data used in management's calculation such as historical write-off activity, inventory levels, and sales history for each class of inventory. We compared actual write-off activity in recent years to the inventory valuation reserve estimated by the Company in prior years to evaluate management's ability to accurately estimate the reserve. We also audited management's calculation of the inventory valuation reserves by testing the mathematical accuracy of the Company's reserve calculations. In addition, we performed inquiries of the Company's management and obtained documentation to evaluate the Company's estimate.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2002.

Jericho, New York

October 25, 2023

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

	September 2, 2023	September 3, 2022
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 50,052	\$ 43,537
Accounts receivable, net of allowance for credit losses of \$ 22,747 and \$ 20,771 , respectively	435,421	687,608
Inventories	726,521	715,625
Prepaid expenses and other current assets	105,519	96,853
Total current assets	1,317,513	1,543,623
Property, plant and equipment, net	319,660	286,666
Goodwill	718,174	710,130
Identifiable intangibles, net	110,641	114,328
Operating lease assets	65,909	64,780
Other assets	12,237	9,887
Total assets	<u>\$ 2,544,134</u>	<u>\$ 2,729,414</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Current portion of debt including obligations under finance leases	\$ 229,935	\$ 325,680
Current portion of operating lease liabilities	21,168	18,560
Accounts payable	226,299	217,378
Accrued expenses and other current liabilities	172,034	164,326
Total current liabilities	649,436	725,944
Long-term debt including obligations under finance leases	224,391	468,912
Noncurrent operating lease liabilities	45,924	47,616
Deferred income taxes and tax uncertainties	131,801	124,659
Total liabilities	1,051,552	1,367,131
Commitments and Contingencies		
Shareholders' Equity:		
MSC Industrial Shareholders' Equity:		
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; 48,075,100 and 48,447,384 shares issued, respectively	48	48
Class B Common Stock ( 10 votes per share); \$ 0.001 par value; 50,000,000 shares authorized; 8,654,010 and 8,654,010 shares issued and outstanding, respectively	9	9
Additional paid-in capital	849,502	798,408
Retained earnings	755,007	681,292
Accumulated other comprehensive loss	( 17,725 )	( 23,121 )
Class A treasury stock, at cost, 1,230,960 and 1,228,472 shares, respectively	( 107,677 )	( 106,202 )
Total MSC Industrial shareholders' equity	1,479,164	1,350,434
Noncontrolling interest	13,418	11,849
Total shareholders' equity	1,492,582	1,362,283
Total liabilities and shareholders' equity	<u>\$ 2,544,134</u>	<u>\$ 2,729,414</u>

See accompanying Notes to Consolidated Financial Statements.

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

	For the Fiscal Years Ended		
	September 2,	September 3,	August 28,
	2023 (52 weeks)	2022 (53 weeks)	2021 (52 weeks)
Net sales	\$ 4,009,282	\$ 3,691,893	\$ 3,243,224
Cost of goods sold	2,366,317	2,133,645	1,909,709
Gross profit	1,642,965	1,558,248	1,333,515
Operating expenses	1,151,295	1,083,862	994,468
Impairment loss, net	—	—	5,886
Restructuring and other costs	7,937	15,805	31,392
Gain on sale of property	—	( 10,132 )	—
Income from operations	483,733	468,713	301,769
Other income (expense):			
Interest expense	( 22,543 )	( 17,599 )	( 14,510 )
Interest income	1,034	150	66
Other (expense) income, net	( 6,068 )	( 132 )	1,054
Total other expense	( 27,577 )	( 17,581 )	( 13,390 )
Income before provision for income taxes	456,156	451,132	288,379
Provision for income taxes	113,049	110,650	70,442
Net income	343,107	340,482	217,937
Less: Net (loss) income attributable to noncontrolling interest	( 126 )	696	1,030
Net income attributable to MSC Industrial	\$ 343,233	\$ 339,786	\$ 216,907
Per share data attributable to MSC Industrial:			
Net income per common share:			
Basic	\$ 6.14	\$ 6.09	\$ 3.89
Diluted	\$ 6.11	\$ 6.06	\$ 3.87
Weighted-average shares used in computing net income per common share:			
Basic	55,918	55,777	55,737
Diluted	56,210	56,045	56,093

See accompanying Notes to Consolidated Financial Statements.

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

	For the Fiscal Years Ended		
	September 2,	September 3,	August 28,
	2023 (52 weeks)	2022 (53 weeks)	2021 (52 weeks)
Net income, as reported	\$ 343,107	\$ 340,482	\$ 217,937
Other comprehensive income, net of tax:			
Foreign currency translation adjustments	7,091	( 4,985 )	3,852
Comprehensive income <sup>(1)</sup>	350,198	335,497	221,789
Comprehensive income attributable to noncontrolling interest:			
Net loss (income)	126	( 696 )	( 1,030 )
Foreign currency translation adjustments	( 1,695 )	( 152 )	( 418 )
Comprehensive income attributable to MSC Industrial	<u>\$ 348,629</u>	<u>\$ 334,649</u>	<u>\$ 220,341</u>

<sup>(1)</sup> There were no material taxes associated with other comprehensive income during fiscal years 2023, 2022 and 2021.

See accompanying Notes to Consolidated Financial Statements.

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

	For the Fiscal Years Ended		
	September 2, 2023 (52 weeks)	September 3, 2022 (53 weeks)	August 28, 2021 (52 weeks)
<b>Class A Common Stock</b>			
Beginning Balance	\$ 48	\$ 48	\$ 47
Exchange of Class B Common Stock for Class A Common Stock	—	—	1
Associate Incentive Plans	1	—	—
Repurchase and retirement of Class A Common Stock	( 1 )	—	—
Ending Balance	48	48	48
<b>Class B Common Stock</b>			
Beginning Balance	9	9	10
Exchange of Class B Common Stock for Class A Common Stock	—	—	( 1 )
Ending Balance	9	9	9
<b>Additional Paid-in Capital</b>			
Beginning Balance	798,408	740,867	690,739
Associate Incentive Plans	51,257	57,591	50,251
Repurchase and retirement of Class A Common Stock	( 163 )	( 50 )	( 123 )
Ending Balance	849,502	798,408	740,867
<b>Retained Earnings</b>			
Beginning Balance	681,292	532,315	749,515
Net Income	343,233	339,786	216,907
Repurchase and retirement of Class A Common Stock	( 90,849 )	( 22,076 )	( 67,343 )
Regular cash dividends declared on Class A Common Stock	( 149,368 )	( 141,414 )	( 140,296 )
Regular cash dividends declared on Class B Common Stock	( 27,347 )	( 25,962 )	( 27,003 )
Special cash dividends declared on Class A Common Stock	—	—	( 163,511 )
Special cash dividends declared on Class B Common Stock	—	—	( 31,840 )
Dividend equivalents declared, net of cancellations	( 1,954 )	( 1,357 )	( 4,114 )
Ending Balance	755,007	681,292	532,315
<b>Accumulated Other Comprehensive Loss</b>			
Beginning Balance	( 23,121 )	( 17,984 )	( 21,418 )
Foreign Currency Translation Adjustment	5,396	( 5,137 )	3,434
Ending Balance	( 17,725 )	( 23,121 )	( 17,984 )
<b>Treasury Stock</b>			
Beginning Balance	( 106,202 )	( 104,384 )	( 103,948 )
Associate Incentive Plans	3,291	3,415	3,359
Repurchase of Class A Common Stock	( 4,766 )	( 5,233 )	( 3,795 )
Ending Balance	( 107,677 )	( 106,202 )	( 104,384 )
<b>Total Shareholders' Equity Attributable to MSC Industrial</b>	<b>1,479,164</b>	<b>1,350,434</b>	<b>1,150,871</b>
<b>Noncontrolling Interest</b>			
Beginning Balance	11,849	11,001	5,628
Issuance of Noncontrolling Interest	—	—	3,825
Capital Contributions	—	—	100
Foreign Currency Translation Adjustment	1,695	152	418
Net (Loss) Income	( 126 )	696	1,030
Ending Balance	13,418	11,849	11,001
<b>Total Shareholders' Equity</b>	<b>\$ 1,492,582</b>	<b>\$ 1,362,283</b>	<b>\$ 1,161,872</b>
Dividends declared per Class A Common Share	\$ 3.16	\$ 3.00	\$ 6.50
Dividends declared per Class B Common Share	\$ 3.16	\$ 3.00	\$ 6.50

See accompanying Notes to Consolidated Financial Statements.

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

	For the Fiscal Years Ended		
	September 2,	September 3,	August 28,
	2023 (52 weeks)	2022 (53 weeks)	2021 (52 weeks)
<b>Cash Flows from Operating Activities:</b>			
Net income	\$ 343,107	\$ 340,482	\$ 217,937
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	75,129	70,376	68,846
Non-cash operating lease cost	20,966	17,190	18,578
Stock-based compensation	18,639	19,264	17,721
Loss on disposal of property, plant and equipment	557	921	563
Gain on sale of property	—	( 10,132 )	—
Inventory write-down	—	—	30,091
Operating lease and fixed asset impairment due to restructuring	—	—	16,335
Non-cash changes in fair value of estimated contingent consideration	104	( 879 )	—
Provision for credit losses	10,275	9,806	8,181
Deferred income taxes and tax uncertainties	6,697	10,761	( 13,611 )
Changes in operating assets and liabilities, net of amounts associated with business acquired:			
Accounts receivable	247,653	( 123,571 )	( 73,041 )
Inventories	( 4,860 )	( 81,494 )	( 107,037 )
Prepaid expenses and other current assets	( 6,918 )	( 7,429 )	( 10,141 )
Operating lease liabilities	( 21,173 )	( 17,147 )	( 33,312 )
Other assets	( 615 )	( 2,258 )	( 1,055 )
Accounts payable and accrued liabilities	10,021	20,293	84,407
Total adjustments	356,475	( 94,299 )	6,525
Net cash provided by operating activities	699,582	246,183	224,462
<b>Cash Flows from Investing Activities:</b>			
Expenditures for property, plant and equipment	( 92,493 )	( 61,373 )	( 53,746 )
Cash used in business acquisitions, net of cash acquired	( 20,182 )	( 57,865 )	( 22,000 )
Net proceeds from sale of property	—	24,745	—
Net cash used in investing activities	( 112,675 )	( 94,493 )	( 75,746 )
<b>Cash Flows from Financing Activities:</b>			
Repurchases of Class A Common Stock	( 95,779 )	( 27,359 )	( 71,261 )
Payments of regular cash dividends	( 176,715 )	( 167,376 )	( 167,299 )
Payments of special cash dividends	—	—	( 195,351 )
Proceeds from sale of Class A Common Stock in connection with Associate Stock Purchase Plan	4,415	4,296	4,136
Proceeds from exercise of Class A Common Stock options	28,677	34,659	29,667
Borrowings under credit facilities	333,000	374,000	583,500
Payments under credit facilities	( 548,000 )	( 364,500 )	( 399,200 )
Contributions from noncontrolling interest	—	—	100
Proceeds from other long-term debt	—	—	4,750
Payments under Shelf Facility Agreements and Private Placement Debt	( 125,000 )	—	( 20,000 )

Payments on finance lease and financing obligations	( 2,193 )	( 2,466 )	( 2,584 )
Other, net	1,195	606	( 205 )
Net cash used in financing activities	( 580,400 )	( 148,140 )	( 233,747 )
Effect of foreign exchange rate changes on cash and cash equivalents	8	( 549 )	356
Net increase (decrease) in cash and cash equivalents	6,515	3,001	( 84,675 )
Cash and cash equivalents—beginning of period	43,537	40,536	125,211
Cash and cash equivalents—end of period	\$ 50,052	\$ 43,537	\$ 40,536
Supplemental Disclosure of Cash Flow Information:			
Cash paid for income taxes	\$ 106,962	\$ 117,038	\$ 73,116
Cash paid for interest	\$ 22,432	\$ 16,903	\$ 13,995

See accompanying Notes to Consolidated Financial Statements.



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

**1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Business*

MSC Industrial Direct Co., Inc. (together with its wholly owned subsidiaries and entities in which it maintains a controlling financial interest, "MSC," "MSC Industrial" or the "Company") is a leading North American distributor of a broad range of metalworking and maintenance, repair and operations ("MRO") products and services, with co-located headquarters in Melville, New York and Davidson, North Carolina. The Company has an additional office support center in Southfield, Michigan and serves primarily domestic markets through its distribution network of six customer fulfillment centers, 10 regional inventory centers, 38 warehouses and four manufacturing locations.

*Principles of Consolidation*

The 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.

*Impact of Economic Trends*

The United States economy has experienced and continues to experience disruptions in the supply of certain products and services and tight conditions in the labor market. These disruptions and conditions have contributed to an inflationary environment which, while falling, remains elevated and has affected the price and, at times, the availability of certain products and services necessary for the Company's operations, including fuel, labor and certain products the Company sells or the inputs for such products. Such disruptions and conditions have impacted, and may continue to impact in the future, the Company's business, financial condition and results of operations.

As a result of recent high inflation and periodic supply chain disruptions, the Company continues to implement price realization strategies in response to increased costs the Company faces and has invested in improved warehouse automation to mitigate the effects of labor inflation. The category line review process initiated in the second quarter of fiscal year 2023 continues to progress and shows early signs of improvements in supply chain efficiency, customer experience and supplier engagement. Furthermore, in light of disruptions to availability and increased or uncertain shipping times, the Company is maintaining higher purchasing levels than it did prior to its fiscal year 2020 in order to ensure sufficient inventory supply to meet customer demand.

*Fiscal Year*

The Company operates on a 52/53-week fiscal year ending on the Saturday closest to August 31<sup>st</sup> of each 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. References to "fiscal year 2022" refer to the period from August 29, 2021 to September 3, 2022, which is a 53-week fiscal year.

*Use of Estimates*

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions used in preparing the accompanying Consolidated Financial Statements.

*Cash and Cash Equivalents*

The Company considers all short-term, highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents are carried at cost, which approximates fair value.

#### *Concentrations of Credit Risk*

The Company's mix of receivables is diverse, selling its products primarily to end-users. The Company's customer base represents many diverse industries primarily concentrated in the United States. The Company performs periodic credit evaluations of its customers' financial condition, and collateral is generally not required. The Company evaluates the collectability of accounts receivable based on numerous factors, including past transaction history with customers and their creditworthiness, and the Company provides a reserve for accounts that it believes to be uncollectible.

The Company's cash includes deposits with commercial banks. The terms of these deposits and investments provide that all monies are available to the Company upon demand. The Company maintains the majority of its cash with high-quality financial institutions. Deposits held with banks may exceed insurance limits. While MSC monitors the creditworthiness of these commercial banks and financial institutions, a crisis in the U.S. financial systems could limit access to funds and/or result in a loss of principal.

#### *Allowance for Credit Losses*

The Company establishes reserves for customer accounts that are deemed uncollectible. The allowance for credit losses is based on several factors, including the age of the receivables and the historical ratio of actual write-offs to the age of the receivables. These analyses also take into consideration economic conditions that may have an impact on a specific industry, a group of customers or a specific customer. While the Company has a broad customer base, representing many diverse industries primarily in all regions of the United States, a general economic downturn could result in higher than expected defaults and, therefore, the need to revise estimates for bad debts.

#### *Inventories*

Inventories consist of merchandise held for resale and are stated at the lower of weighted-average cost or net realizable value. The Company evaluates the recoverability of its slow-moving or obsolete inventories quarterly. The Company estimates the recoverable cost of such inventory by product type and considering such factors as its age, historic and current demand trends, the physical condition of the inventory, historical write-down information as well as assumptions regarding future demand. The Company's ability to recover its cost for slow-moving or obsolete inventory can be affected by such factors as general market conditions, future customer demand, and relationships with suppliers. Substantially all of the Company's inventories have demonstrated long shelf lives and are not highly susceptible to obsolescence. In addition, many of the Company's inventory items are eligible for return under various supplier agreements.

#### *Property, Plant and Equipment*

Property, plant and equipment and capitalized computer software are stated at cost less accumulated depreciation and amortization. Expenditures for maintenance and repairs are charged to expense as incurred; costs of major renewals and improvements are capitalized. At the time property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are eliminated from the asset and accumulated depreciation accounts and the profit or loss on such disposition is reflected in income.

Depreciation and amortization of property, plant and equipment are computed for financial reporting purposes on the straight-line method based on the estimated useful lives of the assets. Leasehold improvements are amortized over either their respective lease terms or their estimated useful lives, whichever is shorter. Estimated useful lives range from three years to 40 years for leasehold improvements and buildings, three years to 10 years for computer systems, equipment and software, and three years to 20 years for furniture, fixtures and equipment.

Capitalized computer software costs are amortized using the straight-line method over the estimated useful life. These costs include purchased software packages, payments to vendors and consultants for the development, implementation or modification of purchased software packages for Company use, and payroll and related costs for associates connected with internal-use software projects. Capitalized computer software costs are included in property, plant and equipment in the Consolidated Balance Sheets.

## Leases

The Company's lease portfolio includes certain real estate (customer fulfillment centers, regional inventory centers, warehouses and manufacturing locations), automobiles and other equipment. The determination of whether an arrangement is, or contains, a lease is performed at the inception of the arrangement. Operating leases are recorded on the balance sheet with operating lease assets representing the right to use the underlying asset for the lease term and operating lease liabilities representing the obligation to make lease payments arising from the lease.

For real estate leases, lease components and non-lease components, such as common area maintenance, are grouped as a single lease component. All leases with an initial term of 12 months or less are not included on the balance sheet. Real estate leases typically include one or more options to extend the lease. The Company regularly evaluates the renewal options, and when it is reasonably certain of exercise, the Company includes the renewal period in its lease term. The automobile leases contain variable lease payments based on inception and subsequent interest rate fluctuations.

When readily determinable, the Company uses the interest rate implicit in its leases to discount lease payments. When the implicit rate is not readily determinable, as is the case with substantially all of the real estate leases, the Company utilizes the incremental borrowing rate. The Company's operating lease expense is recognized on a straight-line basis over the lease term and is recorded in Operating expenses in the Consolidated Statements of Income.

## Goodwill and Other Indefinite-Lived Intangible Assets

The Company's business acquisitions typically result in the recording of goodwill and other intangible assets, which affects the amount of amortization expense and possibly impairment write-downs that the Company may incur in future periods. Goodwill represents the excess of the purchase price paid over the fair value of the net assets acquired in business acquisitions. The Company annually reviews goodwill at the reporting unit level and intangible assets that have indefinite lives for impairment in its fiscal fourth quarter and when events or changes in circumstances indicate the carrying values of these assets might exceed their current fair values.

The Company currently operates at a single reporting unit level. Events or circumstances that may result in an impairment review include changes in macroeconomic conditions, industry and market considerations, cost fact events affecting the reporting unit or a sustained decrease in share price. Each year, the Company may elect to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If impairment is indicated in the qualitative assessment or if management elects to initially perform a quantitative assessment of goodwill or intangible assets, the impairment test uses a single step approach. This single step approach compares the carrying value of a reporting unit to its fair value. If the fair value of the reporting unit exceeds its carrying amount, goodwill and intangible assets of the reporting unit are not impaired. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited to the amount of goodwill allocated to that reporting unit. Based on the qualitative assessments of goodwill and intangible assets that have indefinite lives performed by the Company in its respective fiscal fourth quarters, there was no indicator of impairment for fiscal years 2023, 2022 and 2021.

The balances and changes in the carrying amount of goodwill are as follows:

Balance as of August 28, 2021	\$	692,704
Engman-Taylor acquisition <sup>(1)</sup>		6,173
Tower Fasteners acquisition <sup>(2)</sup>		12,247
Foreign currency translation adjustments		( 994 )
Balance as of September 3, 2022	\$	710,130
Buckeye/Tru-Edge acquisition <sup>(3)</sup>		7,826
Tower Fasteners post-closing working capital adjustment <sup>(2)</sup>		123
Foreign currency translation adjustments		95
Balance as of September 2, 2023	\$	718,174

(1) In June 2022, the Company acquired certain assets and assumed certain liabilities of Engman-Taylor (as defined in Note 6, "Business Combinations").

(2) In August 2022, the Company acquired 100% of the outstanding equity of Tower Fasteners (as defined in Note 6, "Business Combinations").

(3) In January 2023, the Company acquired certain assets and assumed certain liabilities of Buckeye and Tru-Edge (each, as defined in Note 6, "Business Combinations").

The components of the Company's intangible assets for fiscal years 2023 and 2022 are as follows:

	Weighted-Average Useful Life (in years)	For the Fiscal Years Ended			
		September 2, 2023		September 3, 2022	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer Relationships	13.1	\$ 252,769	\$ ( 157,306 )	\$ 243,269	\$ ( 144,300 )
Non-Compete Agreements	3.4	966	( 575 )	966	( 280 )
Trademarks	7.9	7,546	( 3,842 )	4,746	( 2,876 )
Trademarks	Indefinite	11,083	—	12,803	—
<b>Total</b>	<b>12.9</b>	<b>\$ 272,364</b>	<b>\$ ( 161,723 )</b>	<b>\$ 261,784</b>	<b>\$ ( 147,456 )</b>

For the fiscal year ended September 2, 2023, the Company recorded approximately \$ 10,600 of intangible assets, primarily consisting of the acquired customer relationships and trade names from the Buckeye and Tru-Edge acquisition. See Note 6, "Business Combinations." During the fiscal year ended September 2, 2023, approximately \$ 20 in indefinite lived intangible assets were written off related to trademarks that are no longer being utilized. Furthermore, \$ 1,700 of indefinite lived intangible assets were reclassified to definite lived intangible assets during fiscal year 2023. For the fiscal year ended September 3, 2022, the Company recorded approximately \$ 24,300 of intangible assets, primarily consisting of the acquired customer relationships, non-compete and trademarks from the Engman-Taylor and Tower Fasteners acquisitions. During the fiscal year ended September 3, 2022, approximately \$ 4,329 in gross intangible assets, and any related accumulated amortization, were written off related to trademarks that are no longer being utilized. These trademarks were fully amortized prior to being written off.

The Company's amortizable intangible assets are amortized on a straight-line basis, including customer relationships, based on an approximation of customer attrition patterns and best estimates of the use pattern of the asset. Amortization expense of the Company's intangible assets was \$ 14,917 , \$ 11,663 and \$ 10,934 during fiscal years 2023, 2022 and 2021, respectively. Estimated amortization expense for each of the five succeeding fiscal years is as follows:

Fiscal Year	Estimated Amortization Expense
2024	\$ 14,773
2025	14,486
2026	14,466
2027	14,247
2028	11,541

#### *Impairment of Long-Lived Assets*

The Company periodically evaluates the net realizable value of long-lived assets, including definite-lived intangible assets, operating lease right-of-use assets, and property and equipment, relying on a number of factors, including operating results, business plans, economic projections, and anticipated future cash flows. Impairment is assessed by evaluating the estimated undiscounted cash flows over the asset's remaining life. If estimated cash flows are insufficient to recover the investment, an impairment loss is recognized.

#### *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 obligation. 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.

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.

#### *Gross Profit*

Gross profit primarily represents the difference between the sale price to the Company's customers and the product cost from its suppliers (net of earned rebates and discounts), including the cost of inbound freight. The cost of outbound freight (including internal transfers), purchasing, receiving and warehousing are included in operating expenses.

#### *Vendor Consideration*

The Company receives volume rebates from certain vendors based on contractual arrangements with such vendors. Rebates received from these vendors are recognized as a reduction to Cost of goods sold in the Consolidated Statements of Income when the inventory is sold. In addition, the Company records cash consideration received for advertising costs incurred to sell the vendor's products as a reduction of the Company's advertising costs and such consideration is reflected in Operating expenses in the Consolidated Statements of Income. The total amount of advertising costs, net of co-operative advertising income from vendor-sponsored programs, included in Operating expenses in the Consolidated Statements of Income was approximately \$ 9,124 , \$ 14,377 and \$ 17,749 during fiscal years 2023, 2022 and 2021, respectively.

#### *Product Warranties*

The Company generally offers a maximum one year warranty, including parts and labor, for certain of its products sold. The specific terms and conditions of those warranties vary depending upon the product sold. The Company may be able to recoup some of these costs through product warranties it holds with its original equipment manufacturers, which typically range from 30 to 90 days. In general, many of the Company's general merchandise products are covered by third-party original equipment manufacturers' warranties. The Company's warranty expense has been minimal.

#### *Shipping and Handling Costs*

The Company includes shipping and handling fees billed to customers in Net sales and shipping and handling costs associated with outbound freight in Operating expenses in the Consolidated Statements of Income. The shipping and handling costs in Operating expenses were approximately \$ 156,844 , \$ 155,472 and \$ 133,737 during fiscal years 2023, 2022 and 2021, respectively.

#### *Stock-Based Compensation*

In accordance with Accounting Standards Codification ("ASC") Topic 718, "Compensation — Stock Compensation," the Company estimates the fair value of share-based payment awards on the date of grant. The value of awards that are ultimately expected to vest is recognized as an expense over the requisite service periods. The fair value of the Company's restricted stock units and performance share units is based on the closing market price of the Company's Class A Common Stock on the date of grant. The Company estimates the fair value of stock options granted using a Black-Scholes option-pricing model. This model requires the Company to make estimates and assumptions with respect to the expected term of the option, the expected volatility of the price of the Company's Class A Common Stock and the expected forfeiture rate. The fair value is then amortized on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period.

The expected term is based on the historical exercise behavior of grantees, as well as the contractual life of the option grants. The expected volatility factor is based on the volatility of the Company's Class A Common Stock for a period equal to the expected term of the stock option. In addition, forfeitures of share-based awards are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical data to estimate forfeitures and records stock-based compensation expense only for those awards that are expected to vest.

#### *Share Repurchases and Treasury Stock*

Repurchased shares may be retired immediately and resume the status of authorized but unissued shares or may be held by the Company as treasury stock. The Company accounts for treasury stock under the cost method, using the first-in, first-out flow assumption, and it is included in Class A treasury stock, at cost in the Consolidated Balance Sheets. When the Company reissues treasury stock, the gains are recorded in additional paid-in capital ("APIC"), while the losses are recorded to APIC to the extent that the previous net gains on the reissuance of treasury stock are available to offset the losses. If the losses are larger than the previous net gains available, then the losses are recorded to retained earnings. The Company accounts for repurchased shares immediately retired under the constructive retirement method. When shares are retired, the par value of the repurchased shares is deducted from common stock and the excess repurchase price over par is deducted by allocation to both APIC and retained earnings. The amount allocated to APIC is calculated as the original cost of APIC per share outstanding using the first-in, first-out flow assumption and is applied to the number of shares repurchased. Any remaining amount is allocated to retained earnings.

#### *Fair Value of Financial Instruments*

The carrying values of the Company's financial instruments, including cash and cash equivalents, receivables, accounts payable and accrued liabilities, approximate fair value because of the short maturity of these instruments. In addition, based on borrowing rates currently available to the Company for borrowings with similar terms, the carrying values of the Company's lease obligations also approximate fair value. The fair values of the Company's long-term debt, including current maturities, are estimated based on quoted market prices for the same or similar issues or on current rates offered to the Company for debt of the same remaining maturities. Under this method, the Company's fair values of any long-term obligations were not significantly different than the carrying values at September 2, 2023 and September 3, 2022.

#### *Foreign Currency*

The local currency is the functional currency for all of MSC's operations outside the United States. Assets and liabilities of these operations are translated to U.S. dollars at the exchange rate in effect at the end of each period. Income statement accounts are translated at the average exchange rate prevailing during the period. Translation adjustments arising from the use of differing exchange rates from period to period are included as a component of other comprehensive income within shareholders' equity. Gains and losses from foreign currency transactions are included in net income for the period.

#### *Income Taxes*

The Company has established deferred income tax assets and liabilities for temporary differences between the financial reporting bases and the income tax bases of its assets and liabilities at enacted tax rates expected to be in effect when such assets or liabilities are realized or settled pursuant to the provisions of ASC Topic 740, "Income Taxes," which prescribes a comprehensive model for the financial statement recognition, measurement, classification and disclosure of uncertain tax positions. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amounts of unrecognized tax benefits, exclusive of interest and penalties that would affect the effective tax rate, were \$ 5,053 and \$ 7,719 as of September 2, 2023 and September 3, 2022, respectively.

#### *Comprehensive Income*

Comprehensive income consists of consolidated net income and foreign currency translation adjustments. Foreign currency translation adjustments included in comprehensive income were not tax-affected as investments in international affiliates are deemed to be permanent.

#### *Geographic Regions*

The Company's sales and assets are predominantly generated from North American locations. For fiscal year 2023, the Company's operations in North America represented approximately 99 % of consolidated net sales, with 95 % of the total being from the Company's operations in the United States. The remaining 1 % of consolidated net sales is from the Company's operations in Europe.

### *Segment Reporting*

The Company utilizes the management approach for segment disclosure, which designates the internal organization that is used by management for making operating decisions and assessing performance as the source of its reportable segments. The Company operates in one operating and reportable segment as a distributor of metalworking, MRO, Class C Consumables and Original Equipment Manufacturer ("OEM") products and services. The Company's chief operating decision maker, its Chief Executive Officer, manages the Company's operations on a consolidated basis for purposes of allocating resources. Substantially all of the Company's revenues and long-lived assets are in the United States. 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 manner in which its business is managed.

### *Business Combinations*

The Company accounts for business combinations in accordance with ASC Topic 805, "Business Combinations" ("ASC Topic 805"). ASC Topic 805 established principles and requirements for recognizing the total consideration transferred to, and the assets acquired, liabilities assumed and any non-controlling interest in, the acquired target in a business combination. ASC Topic 805 also provides guidance for recognizing and measuring goodwill acquired in a business combination and requires the acquirer to disclose information that users may need to evaluate and understand the financial impact of the business combination. See Note 6, "Business Combinations" for further discussion.

### *Recently Adopted Accounting Pronouncements*

In November 2021, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update 2021-10, Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance, which provides for additional disclosures and added transparency for entities which receive government assistance. This includes disclosure of the type of government assistance received, the entity's method of accounting, and the impact on the entity's financial statements. This guidance is effective for annual periods beginning after December 15, 2021. The guidance was adopted by the Company for fiscal year 2023 and will be applied prospectively. See Note 8, "Income Taxes" for further information related to the Employee Retention Credit (the "ERC") provision provided under the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act").

Other pronouncements issued by the FASB or other authoritative accounting standards groups with future effective dates are either not applicable or are not expected to have a material impact on the Consolidated Financial Statements.

## **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 obligation. 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 \$ 8,632 and \$ 7,198 as of September 2, 2023 and September 3, 2022, respectively, and are reported as Accrued expenses and other current liabilities in the 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 \$ 31,954 and \$ 25,274 as of September 2, 2023 and September 3, 2022, respectively, and are included in Accrued expenses and other current liabilities in the Consolidated Balance Sheets. Sign-on payments, not yet recognized as a reduction of net sales, are recorded in Prepaid expenses and other current assets in the Consolidated Balance Sheets and were \$ 3,733 and \$ 2,210 as of September 2, 2023 and September 3, 2022, 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 September 2, 2023 and September 3, 2022.

#### *Disaggregation of Revenue*

The Company operates in one operating and reportable segment as a distributor of metalworking and MRO products and services. 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 manner in which its business is managed.

The following table presents the Company's percentage of revenue by customer end-market for fiscal years 2023 and 2022:

	For the Fiscal Years Ended	
	September 2, 2023	September 3, 2022
	(52 weeks)	(53 weeks)
Manufacturing Heavy	48 %	49 %
Manufacturing Light	20 %	21 %
Public Sector	10 %	8 %
Retail/Wholesale	7 %	7 %
Commercial Services	4 %	4 %
Other <sup>(1)</sup>	11 %	11 %
Total	100 %	100 %

<sup>(1)</sup> 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 are Fortune 1000 companies, large privately held companies, and international companies primarily 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 fiscal years 2023 and 2022:

	For the Fiscal Years Ended	
	September 2, 2023	September 3, 2022
	(52 weeks)	(53 weeks)
National Account Customers	38 %	38 %
Public Sector Customers	10 %	8 %
Core and Other Customers	52 %	54 %
Total	100 %	100 %

The Company's revenue originating from the following geographic areas was as follows for fiscal years 2023 and 2022:

	For the Fiscal Years Ended	
	September 2, 2023	September 3, 2022
	(52 weeks)	(53 weeks)
United States	95 %	95 %
Mexico	2 %	2 %
Canada	2 %	2 %
North America	99 %	99 %
Other foreign countries	1 %	1 %
Total	100 %	100 %

### 3. 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 September 2, 2023 and September 3, 2022.

During fiscal years 2023 and 2022, 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.

#### *Gain on Sale of Property*

During fiscal year 2021, the Company entered into a Purchase and Sale Agreement to sell its 170,000 -square foot Long Island Customer Service Center in Melville, New York. During fiscal year 2022, the Company disposed of the building with a sale price of \$ 25,500 , which resulted in a gain on sale of property of \$ 10,132 after the settlement of certain

closing costs and fees, which is included in the Consolidated Statement of Income for the fiscal year ended September 3, 2022.

#### 4. 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. 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 fiscal years 2023, 2022 and 2021:

	For the Fiscal Years Ended		
	September 2, 2023 (52 weeks)	September 3, 2022 (53 weeks)	August 28, 2021 (52 weeks)
<b>Numerator:</b>			
Net income attributable to MSC Industrial as reported	\$ 343,233	\$ 339,786	\$ 216,907
<b>Denominator:</b>			
Weighted-average shares outstanding for basic net income per share	55,918	55,777	55,737
Effect of dilutive securities	292	268	356
Weighted-average shares outstanding for diluted net income per share	56,210	56,045	56,093
<b>Net income per share:</b>			
Basic	\$ 6.14	\$ 6.09	\$ 3.89
Diluted	\$ 6.11	\$ 6.06	\$ 3.87
Potentially dilutive securities	—	400	314

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.

#### 5. ACCOUNTS RECEIVABLE

Accounts receivables at September 2, 2023 and September 3, 2022 consisted of the following:

	September 2, 2023	September 3, 2022
Accounts receivable	\$ 458,168	\$ 708,379
Less: Allowance for credit losses	22,747	20,771
Accounts receivable, net	\$ 435,421	\$ 687,608

On December 19, 2022, 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 (the "Agent"). The RPA matures on December 19, 2025 and is subject to customary termination events related to transactions of this type. Additionally, the Receivables Subsidiary also

entered into a Receivables Sale Agreement, dated as of December 19, 2022, by and between the Receivables Subsidiary, as buyer, and Sid Tool Co., Inc., a wholly owned subsidiary of the Company, as originator.

Under the RPA, the Receivables Subsidiary may sell receivables to the Purchasers in amounts up to \$ 300,000 . The receivables will be sold to the Purchasers in consideration for the Purchasers making payments of cash, which is referred to as "capital" for purposes of the RPA, to the Receivables Subsidiary in accordance with the terms of the RPA. The Receivables Subsidiary may sell receivables to the Purchasers so long as certain conditions are satisfied, including that, at any date of determination, the aggregate capital paid to the Receivables Subsidiary does not exceed a "capital coverage amount," equal to an adjusted net receivables pool balance minus a required reserve. Each Purchaser's share of capital accrues yield at one-month Term SOFR (as defined in the RPA) plus a margin.

The parties intend that the conveyance of receivables to the Agent, for the ratable benefit of the Purchasers, will constitute a purchase and sale of receivables and not a pledge for security. The Receivables Subsidiary has guaranteed to each Purchaser and the Agent the prompt payment of sold receivables, and, to secure the prompt payment and performance of such guaranteed obligations, the Receivables Subsidiary has granted a security interest to the Agent, for the benefit of the Purchasers, in all assets of the Receivables Subsidiary. The assets of the Receivables Subsidiary are not available to pay the Company's creditors or any affiliate thereof. In the capacity as master servicer under the RPA, the Company is responsible for administering and collecting receivables and has made customary representations, warranties, covenants and indemnities.

The proceeds of the RPA are classified as operating activities in the Consolidated Statement of Cash Flows for the fiscal year ended September 2, 2023 and were used to pay down balances on the Amended Revolving Credit Facility (as defined below). Cash received from collections of sold receivables is used by the Receivables Subsidiary to fund additional purchases of receivables on a revolving basis or to return all or any portion of outstanding capital of the Purchasers. Subsequent collections on the pledged receivables, which have not been sold, will be classified as operating cash flows at the time of collection.

As of September 2, 2023, the amount sold to the Purchasers was \$ 300,000 , which was derecognized from the Consolidated Balance Sheet as of that date. As collateral against sold receivables, the Receivables Subsidiary maintains a certain level of unsold receivables, which was \$ 352,385 as of September 2, 2023.

Total cumulative receivables sold under the RPA were \$ 1,157,276 as of September 2, 2023. Total cumulative cash collections under the RPA were \$ 857,276 as of September 2, 2023. The fair value of the sold receivables approximated book value due to their credit quality and short-term nature, and, as a result, no gain or loss on sale of receivables was recorded.

The receivables sold incurred fees due to the Purchasers of \$ 12,175 for the fiscal year ended September 2, 2023, which were recorded within Other (expense) income, net in the Consolidated Statement of Income for the fiscal year ended September 2, 2023. 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 10, "Debt" for more information about these financial covenants.

## **6. BUSINESS COMBINATIONS**

### *Fiscal Year 2023 Acquisitions*

In January 2023, the Company acquired certain assets and assumed certain liabilities of Buckeye Industrial Supply Co. ("Buckeye"), an Ohio-based metalworking distributor, and Tru-Edge Grinding, Inc. ("Tru-Edge"), an Ohio-based custom tool manufacturer, for aggregate consideration of \$ 22,389 , which includes cash paid of \$ 20,500 and the fair value of contingent consideration to be paid out of \$ 2,294 , net of a post-closing working capital adjustment in the amount of \$ 405 received from the sellers that was finalized during the third quarter of fiscal year 2023. Total cash consideration funded by the Company came from available cash resources.

Buckeye primarily serves the metalworking needs of large manufacturers. MSC plans to build on Buckeye's technical, high-touch relationships and value-added services by offering customers access to its extensive product portfolio to support customers' full metalworking and MRO needs. Tru-Edge brings new capabilities to MSC, including the design and manufacture of parts from scratch with a strong focus in the automotive and medical markets. The Company expects to drive revenue growth in its existing Midwest manufacturing customer base by leveraging the services provided by Tru-Edge. The Company believes the technical expertise and value-added services provided by Tru-Edge will support its effort to drive cost savings for its customers.

This acquisition was accounted for as a single business acquisition pursuant to ASC Topic 805. As required by ASC Topic 805, the Company allocated the consideration to assets and liabilities based on their fair value at the acquisition date. The following table summarizes the amounts of identified assets acquired and liabilities assumed based on the fair value at the acquisition date:

Inventories	\$	1,019
Accounts receivable		2,745
Prepaid expenses and other current assets		27
Identifiable intangibles		10,600
Goodwill		7,826
Property, plant and equipment		1,291
<b>Total assets acquired</b>	<b>\$</b>	<b>23,508</b>
Accounts payable		1,090
Accrued liabilities		29
<b>Total liabilities assumed</b>	<b>\$</b>	<b>1,119</b>
<b>Total purchase price consideration</b>	<b>\$</b>	<b>22,389</b>

Acquired identifiable intangible assets with a fair value of \$ 10,600 consisted of customer relationships of \$ 9,500 with useful lives of 10 years and trade names of \$ 1,100 with useful lives of five years and 20 years for Buckeye and Tru-Edge, respectively. The goodwill amount of \$ 7,826 represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. 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 from adding a highly complementary provider of metalworking tools and supplies, as well as design and manufacturing of parts. This goodwill will not be amortized and will be included in the Company's periodic test for impairment at least annually. The goodwill is deductible for income tax purposes.

The amount of combined net sales and income before provision for income taxes from Buckeye and Tru-Edge included in the Consolidated Statement of Income for the fiscal year ended September 2, 2023 was \$ 20,916 and \$ 1,655 , respectively. In addition, the Company incurred non-recurring transaction and integration costs relating to the acquisition totaling \$ 341 , which are included in Operating expenses in the Consolidated Statement of Income for the fiscal year ended September 2, 2023.

#### *Fiscal Year 2022 Acquisitions*

##### Acquisition of Certain Assets of Engman-Taylor

In June 2022, the Company acquired certain assets and assumed certain liabilities of Engman-Taylor Company, Inc. ("Engman-Taylor"), a Menomonee Falls, Wisconsin-based distributor of metalworking tools and supplies, for aggregate consideration of \$ 24,838 , which includes a post-closing working capital adjustment in the amount of \$ 661 that was paid to the Company in August 2022. Total cash consideration funded by the Company came from available cash resources and borrowings under the Amended Revolving Credit Facility (see Note 10, "Debt").

##### Acquisition of Tower Fasteners

In August 2022, the Company, through its subsidiary, All Integrated Solutions, Inc., acquired 100 % of the outstanding shares of privately held Tower Fasteners, LLC ("Tower Fasteners"), a Holtsville, New York-based distributor of OEM fasteners and components, for aggregate consideration of \$ 33,990 , which includes a post-closing working capital adjustment in the amount of \$ 1,152 paid by the Company, of which \$ 1,029 was paid in August 2022 and \$ 123 was paid in November 2022. Total cash consideration funded by the Company came from available cash resources and borrowings under the Amended Revolving Credit Facility (see Note 10, "Debt").

## 7. PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment and the estimated useful lives used in the computation of depreciation and amortization:

	Number of Years	September 2, 2023	September 3, 2022
Land	—	\$ 24,028	\$ 24,418
Building and improvements	3 - 40	166,711	167,012
Leasehold improvements	The lesser of lease term or 10	6,265	4,787
Furniture, fixtures and equipment	3 - 20	193,121	176,723
Computer systems, equipment and software	3 - 10	563,724	498,267
		953,849	871,207
Less: Accumulated depreciation and amortization		634,189	584,541
Total		\$ 319,660	\$ 286,666

During fiscal year 2021, the Company entered into a Purchase and Sale Agreement to sell its Long Island Customer Service Center. Prior to disposal, the related assets had a carrying value of approximately \$ 15,300 , which was comprised of approximately \$ 11,600 of building and improvements and \$ 3,700 of land. During fiscal year 2022, the Company disposed of the building with a sale price of \$ 25,500 .

The amount of capitalized interest, net of accumulated amortization, included in property, plant and equipment was \$ 428 and \$ 460 at September 2, 2023 and September 3, 2022, respectively. Depreciation expense was \$ 59,814 , \$ 58,285 and \$ 57,199 for fiscal years 2023, 2022 and 2021, respectively.

## 8. INCOME TAXES

The components of income before provision for income taxes were as follows:

	For the Fiscal Years Ended		
	September 2, 2023	September 3, 2022	August 28, 2021
Domestic	\$ 453,563	\$ 449,389	\$ 282,478
Foreign	2,593	1,743	5,901
Total	\$ 456,156	\$ 451,132	\$ 288,379

The provision for income taxes is comprised of the following:

	For the Fiscal Years Ended		
	September 2, 2023	September 3, 2022	August 28, 2021
Current:			
Federal	\$ 81,187	\$ 77,761	\$ 60,988
State and local	21,121	19,524	15,237
Foreign	1,635	1,309	1,327
	103,943	98,594	77,552
Deferred:			
Federal	8,164	11,591	( 5,513 )
State and local	1,683	1,281	( 842 )
Foreign	( 741 )	( 816 )	( 755 )
	9,106	12,056	( 7,110 )
Total	\$ 113,049	\$ 110,650	\$ 70,442

Significant components of deferred tax assets and liabilities are as follows:

	September 2, 2023	September 3, 2022
Deferred tax liabilities:		
Depreciation	\$ ( 40,137 )	\$ ( 41,990 )
Right-of-use assets	( 14,290 )	( 14,898 )
Goodwill	( 118,015 )	( 111,471 )
Intangible amortization	( 2,388 )	( 2,568 )
	( 174,830 )	( 170,927 )
Deferred tax assets:		
Accounts receivable	5,047	4,605
Lease liability	14,595	14,766
Inventory	10,356	13,476
Self-insurance liability	2,988	1,605
Deferred compensation	256	586
Stock-based compensation	5,431	5,881
Other accrued expenses/reserves	11,958	14,915
	50,631	55,834
Net Deferred Tax Liabilities	\$ ( 124,199 )	\$ ( 115,093 )

Reconciliation of the U.S. federal income tax rate to the Company's effective income tax rate is as follows:

	For the Fiscal Years Ended		
	September 2, 2023	September 3, 2022	August 28, 2021
U.S. federal income tax rate	21.0 %	21.0 %	21.0 %
State income taxes, net of federal benefit	4.3	3.9	4.1
Other, net	( 0.5 )	( 0.4 )	( 0.7 )
Effective income tax rate	24.8 %	24.5 %	24.4 %

The aggregate changes in the balance of gross unrecognized tax benefits during fiscal years 2023 and 2022 were as follows:

	September 2, 2023	September 3, 2022
Beginning Balance	\$ 11,223	\$ 6,119
Additions for tax positions relating to current year	403	1,130
Additions for tax positions relating to prior years	—	6,810
Reductions for tax positions relating to prior years	( 816 )	( 626 )
Settlements	( 178 )	—
Lapse of statute of limitations	( 2,864 )	( 2,210 )
Ending Balance	\$ 7,768	\$ 11,223

Included in the balance of gross unrecognized tax benefits at September 2, 2023 is \$ 1,415 related to tax positions for which it is reasonably possible that the total amounts could significantly change during the next 12 months. This amount represents a potential decrease in gross unrecognized tax benefits comprised primarily of items related to expiring statutes of limitations in state and foreign jurisdictions.

The Company recognizes interest expense and penalties in the provision for income taxes. The provision for income taxes for fiscal years 2023, 2022 and 2021 included interest and penalties of \$ 153 , \$ 7 and \$ 689 , respectively. The

Company had accrued \$ 1,973 and \$ 2,490 for interest and penalties as of September 2, 2023 and September 3, 2022, respectively.

The United States government enacted the CARES Act to provide certain relief as a result of the COVID-19 pandemic. The CARES Act provides tax relief, along with other stimulus measures, including the ERC, which allows for employers to claim a refundable tax credit against the employer share of social security taxes equal to 50% of qualified wages paid to qualified employees between March 13, 2020 and December 31, 2020 and 70% of qualified wages paid to qualified employees after December 31, 2020 through September 30, 2021. The ERC was designed to encourage businesses to keep employees on the payroll during the COVID-19 pandemic. During the fiscal year ended September 2, 2023, the Company received funds related to 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. As such, the Company recorded \$ 6,566 to Other (expense) income, net in the Consolidated Statement of Income for the fiscal year ended September 2, 2023, as the probability threshold had been met for these funds. Conversely, management determined the probability threshold had not been met for \$ 5,129 of the funds received, and, as such, that portion of the funds was recorded to Accrued expenses and other current liabilities in the Consolidated Balance Sheet as of September 2, 2023. This amount will be recognized in the Consolidated Statement of Income when the probability threshold has been met, which is the earlier of a completed audit or the lapse of the relevant statute of limitations.

The CARES Act provides for the deferral of the employer-paid portion of social security payroll taxes. The Company elected to defer the employer-paid portion of social security payroll taxes through December 31, 2020 of \$ 18,887. Of this amount, half was remitted in December 2021 and the remaining half was remitted in December 2022.

The Company is routinely examined by federal and state tax authorities. The Internal Revenue Service completed an examination of the Company's U.S. income tax returns for fiscal years 2017, 2018 and 2019, which resulted in a settlement. The Company is subject to examination by the Internal Revenue Service from fiscal year 2020 to present. With limited exceptions, the Company is no longer subject to state income tax examinations prior to fiscal year 2020. The Company is also subject to examinations in various foreign jurisdictions. The statute of limitations may vary by jurisdiction.

The Company has reinvested an immaterial amount of undistributed earnings of its foreign subsidiaries and may be subject to additional foreign withholding taxes and U.S. state income taxes if it reverses its indefinite reinvestment assertion on these foreign earnings in the future. All other outside basis differences not related to earnings were immaterial to account for at this period of time and are currently considered as being permanent in duration.

## 9. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	September 2, 2023	September 3, 2022
Accrued payroll and fringe	\$ 39,717	\$ 48,078
Accrued bonus	17,243	31,961
Accrued sales, property and income taxes	13,116	12,377
Accrued sales and rebates	40,586	32,472
Accrued restructuring and other costs	1,137	2,714
Accrued dividend equivalents	4,975	5,843
Accrued freight	4,905	5,144
Accrued repurchases of common stock	8,494	—
Accrued fees related to the Reclassification	5,575	—
Accrued ERC claims	5,129	—
Accrued other	31,157	25,737
Total accrued liabilities	<u>\$ 172,034</u>	<u>\$ 164,326</u>

## 10. DEBT

Debt at September 2, 2023 and September 3, 2022 consisted of the following:

	September 2, 2023	September 3, 2022
Amended Revolving Credit Facility	\$ 50,000	\$ 245,000
Uncommitted Credit Facilities	180,000	200,000
Long-Term Note Payable	4,750	4,750
Private Placement Debt:		
2.65 % Senior Notes, Series A, due July 28, 2023	—	75,000
2.90 % Senior Notes, Series B, due July 28, 2026	100,000	100,000
3.79 % Senior Notes, due June 11, 2025	20,000	20,000
2.60 % Senior Notes, due March 5, 2027	50,000	50,000
3.04 % Senior Notes, due January 12, 2023 <sup>(1)</sup>	—	50,000
2.40 % Series 2019A Notes, due March 5, 2024 <sup>(1)</sup>	50,000	50,000
Financing arrangements	127	88
Less: Unamortized debt issuance costs	( 1,026 )	( 1,426 )
Total debt, excluding obligations under finance leases	453,851	793,412
Less: Current portion	( 229,686 ) <sup>(2)</sup>	( 324,684 ) <sup>(3)</sup>
Total long-term debt, excluding obligations under finance leases	\$ 224,165	\$ 468,728

<sup>(1)</sup> Represents private placement debt issued under the Shelf Facility Agreements.

<sup>(2)</sup> Consists of \$ 180,000 from the Uncommitted Credit Facilities (as defined below), \$ 50,000 from the 2.40 % Series 2019A Notes, due March 5, 2024, \$37 from financing arrangements and net of unamortized debt issuance costs of \$ 351 expected to be amortized in the next 12 months.

<sup>(3)</sup> Consists of \$ 200,000 from the Uncommitted Credit Facilities, \$ 50,000 from the 3.04 % Senior Notes, due January 12, 2023, \$ 75,000 from the 2.65 % Senior Notes, Series A, due July 28, 2023, \$ 88 from financing arrangements and net of unamortized debt issuance costs of \$ 404 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, 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. Depending on the interest period the Company selects, interest may be payable every one, two or three months. Interest is reset at the end of each interest period. 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 request 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 \$ 5,269 at both September 2, 2023 and September 3, 2022.

### Uncommitted Credit Facilities

During fiscal year 2023, the Company extended all three of its uncommitted credit facilities. These facilities (collectively, the "Uncommitted Credit Facilities" and, together with the Amended Revolving Credit Facility, the "Credit Facilities") total \$ 203,000 in aggregate maximum uncommitted availability, under which \$ 180,000 and \$ 200,000 were outstanding at September 2, 2023 and September 3, 2022, respectively, and are included in Current portion of debt including obligations under finance leases in the 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 may not do so in the future. 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.

Because the interest rates on the Uncommitted Credit Facilities have recently been lower than the interest rates which are available on the Company's other sources of financing, the Company has used, and intends to use in the future, the Uncommitted Credit Facilities for opportunistic refinancing of the Company's existing indebtedness. The Company does not presently view the Uncommitted Credit Facilities as sources of incremental debt financing of the Company due to the uncommitted nature of the Uncommitted Credit Facilities, but reserves the right to use the Uncommitted Credit Facilities to incur additional debt where it considers it appropriate under the then-existing credit market conditions.

During fiscal year 2023, the Company borrowed an aggregate \$ 333,000 and repaid an aggregate \$ 548,000 under the Credit Facilities. As of September 2, 2023 and September 3, 2022, the weighted-average interest rates on borrowings under the Credit Facilities were 6.17 % and 3.42 %, 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 (collectively, the "Private Placement Debt"). Interest is payable semiannually at the fixed stated interest rates. All of the Private Placement Debt is unsecured.

In July 2023, the Company paid \$ 75,000 to satisfy its obligation on the 2.65 % Senior Notes, Series A, due July 28, 2023, associated with the Private Placement Debt.

#### *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 September 2, 2023, \$ 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.

In January 2023, the Company paid \$ 50,000 to satisfy its obligation on the 3.04 % Senior Notes, due January 12, 2023, associated with the Prudential Note Purchase Agreement.

#### *Covenants*

Each of the Credit Facilities, the Private Placement Debt and the Shelf Facility Agreements imposes several restrictive covenants, including the requirement that the Company maintain (i) a maximum consolidated leverage ratio of total indebtedness to EBITDA (earnings before interest expense, taxes, depreciation, amortization and stock-based compensation) of no more than 3.00 to 1.00 (or, at the election of the Company after it consummates a material acquisition, a four-quarter temporary increase to 3.50 to 1.00) and (ii) a minimum consolidated interest coverage ratio of EBITDA to total interest expense of at least 3.00 to 1.00, during the terms of the Credit Facilities, the Private Placement Debt and the Shelf Facility Agreements. As of September 2, 2023, the Company was in compliance with the operating and financial covenants of the Credit Facilities, the Private Placement Debt and the Shelf Facility Agreements.

*Maturities of Long-Term Debt*

Fiscal Year	Maturities of Long-Term Debt
2024	\$ 50,000
2025	20,000
2026	150,000
2027	50,000
2028	—
Thereafter	4,750
Total	<u>\$ 274,750</u>

## 11. LEASES

The Company's lease portfolio includes certain real estate (customer fulfillment centers, regional inventory centers, warehouses and manufacturing locations), automobiles and other equipment. The determination of whether an arrangement is, or contains, a lease is performed at the inception of the arrangement. Operating leases are recorded on the balance sheet with operating lease assets representing the right to use the underlying asset for the lease term and operating lease liabilities representing the obligation to make lease payments arising from the lease. For real estate leases, the Company has elected the practical expedient which allows lease components and non-lease components, such as common area maintenance, to be grouped as a single lease component. The Company has also elected the practical expedient which allows leases with an initial term of 12 months or less to be excluded from the balance sheet.

The Company does not guarantee any residual value in its lease agreements, there are no material restrictions or covenants imposed by lease arrangements, and there are no lease transactions with related parties. Real estate leases typically include one or more options to extend the lease. The Company regularly evaluates the renewal options, and when it is reasonably certain of exercise, the Company includes the renewal period in its lease term. The automobile leases contain variable lease payments based on inception and subsequent interest rate fluctuations. When readily determinable, the Company uses the interest rate implicit in its leases to discount lease payments. When the implicit rate is not readily determinable, as is the case with substantially all of the real estate leases, the Company utilizes the incremental borrowing rate. The incremental borrowing rate for a lease is the rate of interest the Company would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. The rate for each lease was determined using primarily the Company's credit spread, the lease term and currency.

The components of lease cost for fiscal years 2023 and 2022 were as follows:

	For the Fiscal Years Ended	
	September 2, 2023	September 3, 2022
Operating lease cost	\$ 22,935	\$ 19,995
Variable lease cost (benefit)	339	( 355 )
Short-term lease cost	3,236	4,496
Finance lease cost:		
Amortization of leased assets	957	1,265
Interest on leased liabilities	18	48
Total Lease Cost	<u>\$ 27,485</u>	<u>\$ 25,449</u>

Supplemental balance sheet information relating to operating and finance leases is as follows:

	Classification	September 2, 2023	September 3, 2022
<b>Assets</b>			
Operating lease assets	Operating lease assets	\$ 65,909	\$ 64,780
Finance lease assets <sup>(1)</sup>	Property, plant and equipment, net	473	1,118
Total leased assets		<u>\$ 66,382</u>	<u>\$ 65,898</u>
<b>Liabilities</b>			
<b>Current</b>			
Operating	Current portion of operating lease liabilities	\$ 21,168	\$ 18,560
Finance	Current portion of debt including obligations under finance leases	249	996
<b>Noncurrent</b>			
Operating	Noncurrent operating lease liabilities	45,924	47,616
Finance	Long-term debt including obligations under finance leases	226	184
Total lease liabilities		<u>\$ 67,567</u>	<u>\$ 67,356</u>

<sup>(1)</sup> Finance lease assets are net of accumulated amortization of \$ 2,952 and \$ 3,447 as of September 2, 2023 and September 3, 2022, respectively.

	September 2, 2023	September 3, 2022
<b>Weighted-average remaining lease term (in years)</b>		
Operating Leases	4.0	4.7
Finance Leases	2.1	1.2
<b>Weighted-average discount rate</b>		
Operating Leases	3.8 %	3.1 %
Finance Leases	4.5 %	2.7 %

The following table sets forth supplemental cash flow information related to operating and finance leases:

	For the Fiscal Years Ended	
	September 2, 2023	September 3, 2022
Operating Cash Outflows from Operating Leases	\$ 22,779	\$ 19,535
Operating Cash Outflows from Finance Leases	18	48
Financing Cash Outflows from Finance Leases	1,019	1,305
Leased assets obtained in exchange for new lease liabilities:		
Operating Leases	\$ 21,060	\$ 33,608
Finance Leases	317	17

As of September 2, 2023, future lease payments were as follows:

Fiscal Year <sup>(1)</sup>	Operating Leases	Finance Leases	Total
2024	\$ 23,422	\$ 275	\$ 23,697
2025	19,093	126	19,219
2026	12,555	111	12,666
2027	8,226	—	8,226
2028	4,133	—	4,133
Thereafter	5,522	—	5,522
<b>Total Lease Payments</b>	<b>72,951</b>	<b>512</b>	<b>73,463</b>
Less: Imputed Interest	5,859	37	5,896
<b>Present Value of Lease Liabilities <sup>(2)</sup></b>	<b>\$ 67,092</b>	<b>\$ 475</b>	<b>\$ 67,567</b>

<sup>(1)</sup> Future lease payments by fiscal year are based on contractual lease obligations.

<sup>(2)</sup> Includes the current portion of \$ 21,168 for operating leases and \$ 249 for finance leases.

As of September 2, 2023, the Company's future lease obligations which had not yet commenced were immaterial. The Company has various arrangements for certain property it owns under which it is the lessor. These leases meet the criteria for operating lease classification. Lease income associated with these leases is immaterial.

## 12. SHAREHOLDERS' EQUITY

### *Common Stock Repurchases and Treasury Stock*

On June 29, 2021, the Board of Directors of the Company (the "Board") terminated the MSC Stock Repurchase Plan, which was established during fiscal year 1999, and authorized a new share repurchase program (the "Share Repurchase Program") to purchase up to 5,000 shares of Class A Common Stock. There is no expiration date for the Share Repurchase Program. As of September 2, 2023, the maximum number of shares of Class A Common Stock that may yet be repurchased under the Share Repurchase Program was 3,724 shares. The Share Repurchase Program allows the Company to repurchase shares at any time and in any increments it deems appropriate in accordance with Rule 10b-18 under the Securities Exchange Act of 1934, as amended.

During fiscal years 2023 and 2022, the Company repurchased 1,034 shares and 363 shares, respectively, of Class A Common Stock for \$ 95,779 and \$ 27,359, respectively. In fiscal years 2023 and 2022, from these totals, 976 shares and 300 shares, respectively, were immediately retired and 58 shares and 63 shares, respectively, were repurchased by the Company to satisfy the Company's associates' tax withholding liability associated with its share-based compensation program and are reflected at cost as treasury stock in the Consolidated Financial Statements for fiscal years 2023 and 2022.

Shares of Class A Common Stock purchased to satisfy the Company's associates' tax withholding liability associated with its share-based compensation program did not reduce the number of shares that may be repurchased under the Share Repurchase Program. The Company reissued 56 shares and 58 shares of Class A treasury stock during fiscal years 2023 and 2022, respectively, to fund the Associate Stock Purchase Plan (as defined below) (see Note 13, "Associate Benefit Plans").

### *Common Stock*

Each holder of Class A Common Stock is entitled to one vote for each share held of record on the applicable record date on all matters presented to a vote of shareholders, including the election of directors. Holders of Class A Common Stock have no cumulative voting rights or preemptive rights to purchase or subscribe for any stock or other securities and there are no redemption or sinking fund provisions with respect to such stock.

Prior to the Reclassification (as defined below), we had an additional class of common stock outstanding: Class B Common Stock. Class B Common Stock shares were convertible into shares of Class A Common Stock on a one-to-one basis at any time at the option of the holder, and all shares of Class B Common Stock would convert into shares of Class A Common Stock on a one-to-one basis upon the sale or transfer of such shares of Class B Common Stock to any person who is not a member of the Jacobson or Gershwind families or any trust not established principally for members of the Jacobson or Gershwind families or to any person who is not an executor, administrator or personal representative of an estate of a

member of the Jacobson or Gershwind families. Each holder of Class B Common Stock was entitled to 10 votes per share. See Note 17, "Subsequent Events" for additional information related to the Reclassification.

#### *Preferred Stock*

The Company has authorized 5,000 shares of preferred stock. The Board has the authority to issue the shares of preferred stock. Shares of preferred stock may have priority over Class A Common Stock with respect to dividend or liquidation rights, or both. As of September 2, 2023, there were no shares of preferred stock issued or outstanding.

#### *Cash Dividend*

In 2003, the Board instituted a policy of paying regular quarterly cash dividends to the Company's shareholders. This policy is reviewed regularly by the Board. The Company expects its practice of paying quarterly cash dividends on its common stock will continue, although the payment of future dividends is at the discretion of the Board and will depend upon the Company's earnings, capital requirements, financial condition and other factors.

On October 11, 2023, the Board declared a regular cash dividend of \$ 0.83 per share, payable on November 28, 2023, to shareholders of record at the close of business on November 14, 2023. The dividend is expected to result in aggregate payments of \$ 47,510 , based on the number of shares outstanding at October 6, 2023.

### **13. ASSOCIATE BENEFIT PLANS**

The Company accounts for all stock-based payments in accordance with ASC Topic 718, "Compensation—Stock Compensation," as amended . Stock-based compensation expense included in Operating expenses for fiscal years 2023, 2022 and 2021 was as follows:

	For the Fiscal Years Ended		
	September 2, 2023	September 3, 2022	August 28, 2021
Stock options	\$ 101	\$ 1,261	\$ 2,285
Restricted stock units <sup>(1)</sup>	14,933	14,810	13,976
Performance share units <sup>(1)</sup>	3,311	2,883	1,233
Associate Stock Purchase Plan	294	310	227
<b>Total</b>	<b>18,639</b>	<b>19,264</b>	<b>17,721</b>
Deferred income tax benefit	( 4,619 )	( 4,720 )	( 4,324 )
<b>Stock-based compensation expense, net</b>	<b>\$ 14,020</b>	<b>\$ 14,544</b>	<b>\$ 13,397</b>

<sup>(1)</sup> Includes equity award acceleration costs associated with associate severance and separation.

#### *2023 Omnibus Incentive Plan*

At the Company's annual meeting of shareholders held on January 25, 2023, the shareholders approved the MSC Industrial Direct Co., Inc. 2023 Omnibus Incentive Plan (the "2023 Omnibus Incentive Plan"). The 2023 Omnibus Incentive Plan replaced the MSC Industrial Direct Co., Inc. 2015 Omnibus Incentive Plan (the "Prior Plan") and, beginning January 25, 2023, all awards are granted under the 2023 Omnibus Incentive Plan. Awards under the 2023 Omnibus Incentive Plan may be made in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, other share-based awards, and performance cash, performance shares or performance units. All outstanding awards under the Prior Plan will continue to be governed by the terms of the Prior Plan. Upon approval of the 2023 Omnibus Incentive Plan, the maximum aggregate number of shares of Class A Common Stock authorized to be issued under the 2023 Omnibus Incentive Plan was 2,186 shares.

### Stock Options

A summary of the Company's stock option activity for fiscal year 2023 is as follows:

	Shares	Weighted-Average Exercise Price
Outstanding - beginning of year	614	\$ 78.96
Granted	—	—
Exercised	( 371 )	77.31
Canceled/Forfeited	( 25 )	80.40
Outstanding - end of year	218	\$ 81.60
Exercisable - end of year	218	\$ 81.60

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 fiscal years 2023, 2022 and 2021 was \$ 4,393 , \$ 5,855 and \$ 5,826 , respectively. There were no unrecognized stock-based compensation costs related to stock options at September 2, 2023.

Stock option awards outstanding under the Company's incentive plans have been granted at exercise prices that are equal to the market value of Class A Common Stock on the date of grant. Such options generally vest over a period of four years and expire at seven years after the grant date. The Company recognizes compensation expense ratably over the vesting period, net of estimated forfeitures. The Company uses the Black-Scholes option-pricing model to estimate the fair value of stock options granted. The Company discontinued its grants of stock options in fiscal year 2020.

Stock option awards outstanding as of September 2, 2023 had exercise prices ranging from \$ 79.60 to \$ 83.21 . As of September 2, 2023, there were 218 stock option awards outstanding and exercisable, with a weighted-average remaining contractual life of 1.7 years, a weighted-average exercise price of \$ 81.60 and an intrinsic value of \$ 4,380 .

### Performance Share Units

In fiscal year 2020, the Company began granting performance share units ("PSUs") as part of its long-term share-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 2023 Omnibus Incentive Plan and the Prior Plan (based on target award amounts) at September 2, 2023:

	Shares	Weighted-Average Grant Date Fair Value
Non-vested PSUs at the beginning of the year	88	\$ 80.04
Granted	51	82.16
PSU adjustment <sup>(1)</sup>	4	76.32
Vested	( 26 )	76.32
Canceled/Forfeited	( 5 )	82.85
Non-vested PSUs at the end of the year <sup>(2)</sup>	112	\$ 81.81

<sup>(1)</sup> 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 116 % of its target based on fiscal year 2020 through fiscal year 2022 financial results.

<sup>(2)</sup> Excludes approximately 12 shares of accrued incremental dividend equivalent rights on outstanding PSUs granted under the 2023 Omnibus Incentive Plan and the Prior Plan.

The fair value of each PSU is the closing stock price on the New York Stock Exchange (the "NYSE") of Class A Common Stock on the date of grant. PSUs are expensed over the three-year performance 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 those estimates. The Company uses historical data to estimate PSU forfeitures and records

stock-based compensation expense only for PSU awards that are expected to vest. Upon vesting, subject to the achievement of specific performance goals, a portion of the PSU award may be withheld to satisfy the statutory income tax withholding obligation, and the remaining PSUs will be settled in shares of Class A Common Stock. These awards accrue dividend equivalents on the underlying PSUs (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, subject to the same performance vesting requirements. The unrecognized share-based compensation cost related to the PSUs at September 2, 2023 was \$ 3,711 and is expected to be recognized over a weighted-average period of 1.4 years.

#### *Restricted Stock Units*

A summary of the Company's non-vested restricted stock unit ("RSU") award activity under the 2023 Omnibus Incentive Plan and the Prior Plan for fiscal year 2023 is as follows:

	Shares	Weighted-Average Grant Date Fair Value
Non-vested RSUs at the beginning of the year	448	\$ 79.71
Granted	215	82.23
Vested	( 171 )	79.23
Canceled/Forfeited	( 25 )	80.90
Non-vested RSUs at the end of the year <sup>(1)</sup>	467	\$ 80.98

<sup>(1)</sup> Excludes approximately 48 shares of accrued incremental dividend equivalent rights on outstanding RSUs granted under the 2023 Omnibus Incentive Plan and the Prior Plan.

The fair value of each RSU is the closing stock price on the NYSE of Class A Common Stock on the date of grant. 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 those estimates. The Company uses historical data to estimate pre-vesting RSU forfeitures and records stock-based compensation expense only for RSU awards that are expected to vest. Upon vesting, a portion of the RSU award may be withheld to satisfy the statutory income tax withholding obligation, and the remaining RSUs will be settled in shares of Class A Common Stock. These awards accrue dividend equivalents on the underlying 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 RSUs. The unrecognized share-based compensation cost related to the RSUs at September 2, 2023 was \$ 24,641 and is expected to be recognized over a weighted-average period of 2.4 years.

#### *Associate Stock Purchase Plan*

The Company has established the MSC Industrial Direct Co., Inc. Amended and Restated Associate Stock Purchase Plan (the "Associate Stock Purchase Plan"), the terms of which qualified plan allow for eligible associates (as defined in the Associate Stock Purchase Plan) to participate in the purchase of up to a maximum of five shares of Class A Common Stock at a price equal to 90 % of the closing price at the end of each stock purchase period. On January 15, 2015, the shareholders of the Company approved an increase in the authorized but unissued shares of Class A Common Stock reserved for sale under the Associate Stock Purchase Plan from 1,150 shares to 1,500 shares. As of September 2, 2023, approximately 234 shares remained reserved for issuance under the Associate Stock Purchase Plan. During fiscal years 2023 and 2022, associates purchased approximately 56 shares and 58 shares, respectively, of Class A Common Stock at an average per share price of \$ 79.41 and \$ 74.47 , respectively.

#### *Savings Plan*

The Company maintains a defined contribution plan with both a profit sharing feature and a 401(k) feature, which covers all associates who have completed at least one month of service with the Company. For fiscal years 2023, 2022 and 2021, the Company contributed \$ 9,481 , \$ 9,019 and \$ 7,952 , respectively, to the plan. The Company contributions are discretionary.

## 14. RESTRUCTURING AND OTHER COSTS

### *Optimization of Company Operations and Profitability Improvement*

During fiscal years 2022 and 2023, the Company identified opportunities for improvements in its workforce realignment, strategy and staffing, and increased its focus on performance management, to ensure it has the right skillsets and number of associates to execute its long-term vision. As such, the Company extended voluntary and involuntary severance and separation benefits to certain associates in order to facilitate its workforce realignment. In addition, the Company engaged consultants to assist in reviewing the optimization of the Company's operations and improving profitability with executing on its Company-wide initiative, referred to as Mission Critical, through fiscal year 2023.

The following table summarizes restructuring and other costs:

	For the Fiscal Years Ended	
	September 2, 2023	September 3, 2022
Consulting-related costs	\$ 4,939	\$ 8,188
Associate severance and separation costs	2,594	5,753
Equity award acceleration costs associated with severance	404	1,728
Other exit-related costs	—	136
Total restructuring and other costs	\$ 7,937	\$ 15,805

Liabilities associated with restructuring and other costs are included in Accrued expenses and other current liabilities in the Consolidated Balance Sheets. The following table summarizes activity related to liabilities associated with restructuring and other costs:

	Consulting-related costs	Associate severance and separation costs	Other exit-related costs	Total
Balance as of August 28, 2021	\$ 3,328	\$ 367	\$ 441	\$ 4,136
Additions	8,188	5,753	136	14,077
Payments and other adjustments	( 10,676 )	( 4,246 )	( 577 )	( 15,499 )
Balance as of September 3, 2022	840	1,874	—	2,714
Additions	4,939	2,594	—	7,533
Payments and other adjustments	( 5,679 )	( 3,431 )	—	( 9,110 )
Balance as of September 2, 2023	\$ 100	\$ 1,037	\$ —	\$ 1,137

## 15. ASSET IMPAIRMENTS

### *Fiscal Year 2021 Personal Protective Equipment ("PPE")-Related Inventory Write-Downs*

In fiscal year 2021, the Company realized lower product margins as well as inventory write-downs, each as a result of the COVID-19 pandemic, primarily due to the increased supply of competing products from manufacturers and an expected inability to sell excess inventory of safety-related products ordered from manufacturers earlier in the COVID-19 pandemic. During fiscal year 2021, the Company incurred PPE-related inventory write-downs of \$ 30,091 to reduce the carrying value of certain PPE-related inventory to its net realizable value. These inventory write-downs were reflected in the Consolidated Statement of Income for the fiscal year ended August 28, 2021. There were no such inventory write-downs during fiscal years 2022 or 2023.

### *Fiscal Year 2021 Impairment Loss, Net*

To meet anticipated demand for PPE products during the COVID-19 pandemic, the Company purchased products from manufacturers outside its typical programs and under non-standard payment terms. Given the high demand for PPE products and related challenges in sourcing PPE products as well as the imperative to quickly obtain such products based on customer demand, the Company used a number of distributors and brokers to source PPE products. In September 2020,



the Company prepaid approximately \$ 26,726 for the purchase of nitrile gloves to be sourced from manufacturers in Asia and experienced significant delays in obtaining possession of this PPE. The Company evaluated the potential recoverability of these assets and, as a result, recorded an impairment charge of \$ 26,726 in the first quarter of fiscal year 2021 to reflect the fact that the Company would not ultimately obtain this PPE or recover its related prepayment. This impairment charge was reflected in the unaudited Condensed Consolidated Statement of Income during the first quarter of fiscal year 2021. During the third quarter of fiscal year 2021, the Company entered into a legal settlement agreement with a vendor and, as a result, received \$ 20,840 of loss recovery related to this prepayment, which resulted in a net impairment charge of \$ 5,886 for fiscal year 2021. The Company continues to pursue its legal avenues for recovery of the remaining loss.

## 16. COMMITMENTS AND CONTINGENCIES

### *Lease Commitments*

The Company's lease portfolio includes certain real estate (customer fulfillment centers, regional inventory centers, warehouses and manufacturing locations), automobiles and other equipment. Refer to Note 11, "Leases" for more information.

### *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 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.

## 17. SUBSEQUENT EVENTS

Subsequent to the fiscal year ended September 2, 2023, the Company repurchased and immediately retired 205 shares of Class A Common Stock for \$ 19,823 under the Share Repurchase Program.

### *Reclassification*

In October 2023, we completed our previously announced reclassification (the "Reclassification") of the Common Stock to eliminate the Class B Common Stock, effective at the time that the Company's Amended and 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, 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 two individuals 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 to designate 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; and

- the transition to a “majority of the votes cast” standard for any election of directors that is not a contested election.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

None.

**ITEM 9A. CONTROLS AND PROCEDURES.**

**Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of September 2, 2023. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of September 2, 2023, such disclosure controls and procedures were effective in ensuring that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**Management's Annual Report on Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed 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. The Company's internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company's management and directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of September 2, 2023. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework (2013 Framework)*.

Based on this assessment, management determined that the Company maintained effective internal control over financial reporting as of September 2, 2023.

**Attestation Report of the Independent Registered Public Accounting Firm**

The effectiveness of the Company's internal control over financial reporting as of September 2, 2023 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which appears in this Item under the heading "Report of Independent Registered Public Accounting Firm."

### **Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) under the Exchange Act that occurred during the quarter ended September 2, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **Report of Independent Registered Public Accounting Firm**

To the Shareholders and the Board of Directors of MSC Industrial Direct Co., Inc.

### **Opinion on Internal Control Over Financial Reporting**

We have audited MSC Industrial Direct Co., Inc.'s internal control over financial reporting as of September 2, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, MSC Industrial Direct Co., Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of September 2, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of September 2, 2023 and September 3, 2022, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended September 2, 2023, and the related notes and schedule and our report dated October 25, 2023 expressed an unqualified opinion thereon.

### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Jericho, New York

October 25, 2023

## **ITEM 9B. OTHER INFORMATION.**

### **Insider Trading Arrangements**

On August 22, 2023, Kristen Actis-Grande, the Company's Executive Vice President and Chief Financial Officer, adopted a trading plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act. Ms. Actis-Grande's trading plan allows for the sale of the shares of Class A Common Stock received upon the vesting of 1,838 performance share units and 3,470 restricted stock units. Ms. Actis-Grande's trading plan will expire on August 22, 2024.

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 September 2, 2023.

## **ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.**

Not applicable.

## **PART III.**

## **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.**

Information called for by Item 10 is set forth under the headings "Election of Directors," "Corporate Governance" and "Information About Our Executive Officers" in the definitive proxy statement for the Company's 2024 Annual Meeting of Shareholders (the "Proxy Statement"), which is incorporated herein by this reference.

The Company has adopted a Code of Ethics (the "Code of Ethics"), which is intended to qualify as a "code of ethics" within the meaning of Item 406 of Regulation S-K of the Exchange Act. The Code of Ethics applies to the Company's principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions. The Code of Ethics is available on the investor relations portion of the Company's website, <https://investor.mscdirect.com>.

The Company will disclose information pertaining to any amendment to, or waiver from, the provisions of the Code of Ethics that apply to the Company's principal executive officer, principal financial officer, principal accounting officer or persons performing similar functions and that relate to any element of the Code of Ethics enumerated in the SEC rules and regulations by posting this information on the investor relations portion of the Company's website, <https://investor.mscdirect.com>. The information on the Company's website, or linked to or from the Company's website, is not incorporated by reference into, and does not constitute a part of, this Report or any other documents the Company files with, or furnishes to, the SEC.

## **ITEM 11. EXECUTIVE COMPENSATION.**

Information called for by Item 11 is set forth under the headings "Compensation Discussion and Analysis," "Executive Compensation," "Corporate Governance" and "Compensation Committee Report" in the Proxy Statement, which is incorporated herein by this reference.

## **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.**

Information called for by Item 12 is set forth under the headings "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" in the Proxy Statement, which is incorporated herein by this reference.

## **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.**

Information called for by Item 13 is set forth under the heading "Corporate Governance" in the Proxy Statement, which is incorporated herein by this reference.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.**

Information called for by Item 14 is set forth under the heading “Ratification of the Appointment of Independent Registered Public Accounting Firm” in the Proxy Statement, which is incorporated herein by this reference.

**PART IV.**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.**

(a)(1) Index to Financial Statements

Financial statements filed as a part of this Report are listed on the “Index to Consolidated Financial Statements” at page 36 herein.

(a)(2) Financial Statement Schedules

For the three fiscal years ended September 2, 2023.

	Page
Schedule II—Valuation and Qualifying Accounts	S-1

All other schedules have been omitted because the information is not applicable or is presented in the Consolidated Financial Statements or Notes thereto.

(a)(3) Exhibits

Reference is made to Item 15(b) below.

(b) Exhibits

The Exhibit Index, which immediately precedes the signature page, is incorporated by reference into this Report.

(c) Financial Statement Schedules

Reference is made to Item 15(a)(2) above.

**ITEM 16. FORM 10-K SUMMARY.**

None.



## EXHIBIT INDEX

Exhibit No.	Description
3.1	<a href="#">Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on October 5, 2023 (File No. 001-14130)).</a>
3.2	<a href="#">Third Amended and Restated By-Laws of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed on October 5, 2023 (File No. 001-14130)).</a>
4.1	<a href="#">Description of the Registrant's Securities (incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K filed on October 5, 2023 (File No. 001-14130)).</a>
4.2	Specimen Class A Common Stock Certificate. <sup>(P)</sup>
4.3	<a href="#">Amended and Restated Note Purchase Agreement, dated April 14, 2017, by and among the Registrant and the noteholders named therein (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on April 18, 2017 (File No. 001-14130)).</a>
4.4	<a href="#">Form of 2.90% Senior Note, Series B, due July 28, 2026 (included in Exhibit 4.3).</a>
10.1	<a href="#">Credit Agreement, dated as of April 14, 2017, by and among the Registrant, the several banks and other financial institutions or entities from time to time parties thereto, and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on April 18, 2017 (File No. 001-14130)).</a>
10.2	<a href="#">Amendment No. 1 to Credit Agreement, dated as of August 24, 2021, by and among the Registrant, the subsidiary guarantors party thereto, the lenders and issuing lenders party thereto, and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on August 30, 2021 (File No. 001-14130)).</a>
10.3	<a href="#">Amendment No. 2 to Credit Agreement, dated as of May 31, 2023, by and between the Registrant and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 3, 2023 (File No. 001-14130)).</a>
10.4	<a href="#">Note Purchase and Private Shelf Agreement, dated January 12, 2018, by and between the Registrant and MetLife Investment Advisors, LLC and/or one or more of its affiliates or related funds, as purchasers thereunder (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on January 17, 2018 (File No. 001-14130)).</a>
10.5	<a href="#">Note Purchase and Private Shelf Agreement, dated January 12, 2018, by and between the Registrant and PGIM, Inc. and/or one or more of its affiliates or related funds, as purchasers thereunder (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on January 17, 2018 (File No. 001-14130)).</a>
10.6	<a href="#">Receivables Purchase Agreement, dated as of December 19, 2022, by and among the Registrant, as initial master servicer, MSC A/R Holding Co., LLC, as seller, Wells Fargo Bank, National Association, as administrative agent, and the purchasers from time to time party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on December 20, 2022 (File No. 001-14130)).</a>
10.7	<a href="#">Receivables Sale Agreement, dated as of December 19, 2022, by and between MSC A/R Holding Co., LLC, as SPE, and Sid Tool Co., Inc., as originator (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on December 20, 2022 (File No. 001-14130)).</a>
10.8	<a href="#">MSC Industrial Direct Co., Inc. Amended and Restated Associate Stock Purchase Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended February 27, 2021 (File No. 001-14130)).</a> <sup>†</sup>
10.9	<a href="#">MSC Industrial Direct Co., Inc. 2005 Omnibus Incentive Plan, as amended through November 13, 2014 (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended November 29, 2014 (File No. 001-14130)).</a> <sup>†</sup>
10.10	<a href="#">Form of Non-Qualified Stock Option Agreement under the MSC Industrial Direct Co., Inc. 2005 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended February 26, 2011 (File No. 001-14130)).</a> <sup>†</sup>
10.11	<a href="#">Form of First Amendment to Non-Qualified Stock Option Agreement under the MSC Industrial Direct Co., Inc. 2005 Omnibus Incentive Plan (2013 grant) (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended May 30, 2020 (File No. 001-14130)).</a> <sup>†</sup>

Exhibit No.	Description
10.12	<a href="#">Form of First Amendment to Non-Qualified Stock Option Agreement under the MSC Industrial Direct Co., Inc. 2005 Omnibus Incentive Plan (2014 grant) (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended May 30, 2020 (File No. 001-14130)).</a> †
10.13	<a href="#">MSC Industrial Direct Co., Inc. 2015 Omnibus Incentive Plan (incorporated by reference to Exhibit 99.01 to the Registrant's Registration Statement on Form S-8 filed on January 15, 2015 (File No. 333-201522)).</a> †
10.14	<a href="#">Form of Non-Qualified Stock Option Agreement under the MSC Industrial Direct Co., Inc. 2015 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended November 28, 2015 (File No. 001-14130)).</a> †
10.15	<a href="#">Form of Restricted Stock Unit Agreement under the MSC Industrial Direct Co., Inc. 2015 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended November 28, 2015 (File No. 001-14130)).</a> †
10.16	<a href="#">Form of Performance Share Unit Award Agreement under the MSC Industrial Direct Co., Inc. 2015 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended November 30, 2019 (File No. 001-14130)).</a> †
10.17	<a href="#">MSC Industrial Direct Co., Inc. 2023 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on January 26, 2023 (File No. 001-14130)).</a> †
10.18	<a href="#">Form of Restricted Stock Unit Agreement for Non-Executive Directors under the MSC Industrial Direct Co., Inc. 2023 Omnibus Incentive Plan.</a> *†
10.19	<a href="#">MSC Executive Severance Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on October 27, 2016 (File No. 001-14130)).</a> †
10.20	<a href="#">MSC Industrial Direct Co., Inc. Executive Change in Control Severance Plan (incorporated by reference to Exhibit 10.29 to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 1, 2018 (File No. 001-14130)).</a> †
10.21	<a href="#">Relocation Policy (incorporated by reference to Exhibit 10.02 to the Registrant's Current Report on Form 8-K filed on March 30, 2011 (File No. 001-14130)).</a> †
10.22	<a href="#">Relocation Reimbursement Agreement &amp; Policy Acknowledgment Form (incorporated by reference to Exhibit 10.03 to the Registrant's Current Report on Form 8-K filed on March 30, 2011 (File No. 001-14130)).</a> †
10.23	<a href="#">Form of Director and Executive Officer Indemnification Agreement (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on January 25, 2016 (File No. 001-14130)).</a> †
10.24	<a href="#">Summary of Non-Executive Directors' Compensation (incorporated by reference to Exhibit 10.12 to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 1, 2018 (File No. 001-14130)).</a> †
10.25	<a href="#">Board Adviser Agreement, effective as of January 29, 2020, between the Registrant and Roger Fradin (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended February 29, 2020 (File No. 001-14130)).</a>
10.26	<a href="#">Kristen Actis-Grande Offer Letter, dated July 17, 2020 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on August 31, 2020 (File No. 001-14130)).</a> †
10.27	<a href="#">Transition Agreement and General Release, dated September 7, 2022, by and between the Registrant and Douglas E. Jones (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K/A filed on September 7, 2022 (File No. 001-14130)).</a> †
10.28	<a href="#">Martina McIsaac Offer Letter, dated July 1, 2022 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on September 16, 2022 (File No. 001-14130)).</a> †
10.29	<a href="#">Reclassification Agreement, dated as of June 20, 2023, by and among the Registrant and the shareholders listed therein (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on June 21, 2023 (File No. 001-14130)).</a>
10.30	<a href="#">Registration Rights Agreement, dated as of October 4, 2023, by and among the Registrant and the shareholders party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on October 5, 2023 (File No. 001-14130)).</a>
19.1	<a href="#">MSC Industrial Direct Co., Inc. Insider Trading Policy.</a> *

Exhibit No.	Description
21.1	<a href="#">Subsidiaries of the Registrant.</a> *
23.1	<a href="#">Consent of Ernst &amp; Young LLP.</a> *
31.1	<a href="#">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.</a> *
31.2	<a href="#">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.</a> *
32.1	<a href="#">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.</a> **
32.2	<a href="#">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.</a> **
97.1	<a href="#">MSC Industrial Direct Co., Inc. Executive Incentive Compensation Recoupment Policy.</a> *†
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).*

<sup>(P)</sup> Filed as an exhibit to the registrant's Registration Statement on Form S-1, as amended (File No. 33-98832). This exhibit was originally filed in paper format. Accordingly, a hyperlink has not been provided.

\* Filed herewith.

\*\* Furnished herewith.

† Indicates a management contract or compensatory plan or arrangement.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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.

By: /s/ ERIK GERSHWIND

Erik Gershwind

*President and Chief Executive Officer*  
*(Principal Executive Officer)*

Dated: October 25, 2023

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ MITCHELL JACOBSON</u> Mitchell Jacobson	Non-Executive Chairman of the Board of Directors	October 25, 2023
<u>/s/ ERIK GERSHWIND</u> Erik Gershwind	President and Chief Executive Officer and Director (Principal Executive Officer)	October 25, 2023
<u>/s/ KRISTEN ACTIS-GRANDE</u> Kristen Actis-Grande	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	October 25, 2023
<u>/s/ LOUISE GOESER</u> Louise Goeser	Director	October 25, 2023
<u>/s/ MICHAEL KAUFMANN</u> Michael Kaufmann	Director	October 25, 2023
<u>/s/ STEVEN PALADINO</u> Steven Paladino	Director	October 25, 2023
<u>/s/ PHILIP PELLER</u> Philip Peller	Director	October 25, 2023
<u>/s/ RAHQUEL PURCELL</u> Rahquel Purcell	Director	October 25, 2023
<u>/s/ RUDINA SESERI</u> Rudina Seseri	Director	October 25, 2023

**MSC INDUSTRIAL DIRECT CO., INC.**  
**SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS**  
(In thousands)

<b>Description</b>	<b>Balance at Beginning of Year</b>	<b>Charged to Costs and Expenses</b>	<b>Charged to Other Accounts</b>	<b>Deductions <sup>(1)</sup></b>	<b>Balance at End of Year</b>
Deducted from asset accounts:					
For the fiscal year ended August 28, 2021 Allowance for credit losses <sup>(2)</sup>	\$ 18,249	\$ 8,181	\$ —	\$ 8,014	\$ 18,416
Deducted from asset accounts:					
For the fiscal year ended September 3, 2022 Allowance for credit losses <sup>(2)</sup>	\$ 18,416	\$ 9,806	\$ —	\$ 7,451	\$ 20,771
Deducted from asset accounts:					
For the fiscal year ended September 2, 2023 Allowance for credit losses <sup>(2)</sup>	\$ 20,771	\$ 10,275	\$ —	\$ 8,299	\$ 22,747

<sup>(1)</sup> Comprised of uncollected accounts charged against the allowance.

<sup>(2)</sup> Included in accounts receivable.

**MSC INDUSTRIAL DIRECT CO., INC.  
2023 OMNIBUS INCENTIVE PLAN**

**RESTRICTED STOCK UNIT AGREEMENT  
NON-EXECUTIVE DIRECTOR**

**Participant:**     %%FIRST\_NAME\_MIDDLE\_NAME\_LAST\_NAME%%-

**RSUs Granted:**   %%TOTAL\_SHARES\_GRANTED,'999,999,999'%%-

**Grant Date:**     %%OPTION\_DATE,'Month DD, YYYY'%%-

This RESTRICTED STOCK UNIT AGREEMENT (this “Agreement”) is entered into on the date set forth on the signature page hereto, by and between MSC Industrial Direct Co., Inc. (the “Company”) and the above-named participant (the “Participant”). The Company and the Participant may hereinafter each be referred to as a “Party” and collectively as the “Parties.”

**WHEREAS**, the Parties desire to enter into this Agreement for the purpose of establishing the terms and conditions of RSUs (as defined below) that have been granted to the Participant.

**NOW, THEREFORE**, in consideration of the foregoing premises and the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1.     Definitions. Capitalized terms used but not defined herein shall have the meanings given to such terms in the Company’s 2023 Omnibus Incentive Plan (the “Plan”).

2.     Grant of Award. The Participant is hereby granted an Award (the “Award”) of restricted stock units (“RSUs”) issued under the Plan, evidencing the grant thereof by the Board of Directors of the Company on the grant date (the “Grant Date”), and the Participant hereby accepts the Award, in each case, on the terms and subject to the conditions set forth in this Agreement.

3.     Vesting Dates. Subject to Sections 7, 8 and 10 below, the applicable percentage of the RSUs shall vest on each “Vesting Date” in accordance with the following schedule, provided that the Participant remains an associate of, or in the service of, the Company (or a Subsidiary) during the entire period commencing on the Grant Date and ending on the applicable Vesting Date:

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Vesting Date	Percentage of RSUs Vested
%%VEST_DATE_PERIOD1,'Month DD, YYYY'%-%	50%
%%VEST_DATE_PERIOD2,'Month DD, YYYY'%-%	50%

4. Settlement; Rights as a Shareholder. Upon vesting, each RSU shall be converted into the right to receive one (1) share of the Company's Class A Common Stock, par value \$0.001 per share (a "Share"), upon settlement. Settlement of vested RSUs shall be made promptly following the date such RSUs shall have vested and in any case within sixty (60) days following the date of vesting, provided that the Participant shall not be permitted, directly or indirectly, to designate the year of settlement. Any fractional RSU shall be disregarded. Unless and until such time as Shares are issued in settlement of vested RSUs, the Participant shall have no ownership of the Shares allocated to the RSUs and, subject to the provisions of Section 5, shall have no rights as a shareholder with respect to such Shares. Upon settlement, the Company shall cause the Company's transfer agent to issue a certificate or certificates for the Shares in the name of the Participant, or to make a book entry record of such issuance, and the Participant shall thereupon have all rights as a shareholder with respect to such Shares, including the right to vote such Shares and to receive all dividends and other distributions paid with respect to such Shares. The Company may place on the certificates representing the Shares such legend or legends as the Company may deem appropriate and the Company may place a stop transfer order with respect to such Shares with the transfer agent(s) for the Shares.

5. Dividend Equivalents. Any dividends paid in cash on Shares prior to vesting of the RSUs shall be credited to the Participant as additional RSUs, as if the RSUs then held by the Participant had been converted to Shares. The amount of such credit, which may be in whole and/or fractional RSUs (carried to three decimals), shall be determined based on the Fair Market Value of Shares on the date of payment of such dividend. All such additional RSUs credited to the Participant shall be subject to the same vesting requirements applicable to the RSUs underlying the Award and shall be settled in accordance with, and at the time of, settlement of vested RSUs pursuant to this Agreement.

6. No Transfer. This Award and the RSUs are non-transferable and may not be assigned, pledged or hypothecated and shall not be subject to execution, attachment or similar process. Upon any attempt to effect any such disposition, or upon the levy of any such process, the Award shall immediately become null and void and the RSUs shall be forfeited.

7. Termination of Services by Reason of Death, Disability or Retirement If the Participant ceases to provide services as a Non-Executive Director by reason of death, disability or retirement, the RSUs shall fully vest and any forfeiture restrictions on this Award shall lapse on the date of such death, disability or termination of services by reason of retirement. For purposes of this Agreement only, retirement means the Participant's cessation of service as a Non-Executive Director with the express approval of the Board (which may be withheld in the Board's sole discretion), provided further that if necessary for the Award to satisfy Section 409A of the Code, a disability must also be a disability within the meaning of Section 409A.

8. Other Termination of Services. If the Participant ceases to provide services as a Non-Executive Director for any reason other than death, disability or retirement, this Award and the RSUs represented by this Award that have not yet vested as of such date shall be forfeited to

the Company forthwith and all rights of the Participant under this Award and such unvested RSUs represented by this Award shall immediately terminate.

9. Death of Participant. If any of the RSUs shall vest upon the death of the Participant, any Shares to be delivered upon settlement shall be registered in the name of the estate of the Participant unless the Company shall have theretofore received in writing a beneficiary designation, in which event they shall be registered in the name of the designated beneficiary.

10. Change in Control. Upon any Change in Control as provided under the Plan, and otherwise subject to the Plan, the RSUs shall fully vest and any forfeiture restrictions on this Award shall lapse on the date of such Change in Control.

11. Effect of Amendment of Plan; Amendment of Agreement. No discontinuation, modification or amendment of the Plan may, without the express written consent of the Participant, adversely affect the rights of the Participant under this Award, except as expressly provided under the Plan.

This Agreement may be amended as provided under the Plan, but except as provided thereunder any such amendment shall not adversely affect Participant's rights hereunder without Participant's consent.

12. No Limitation on Rights of the Company; Adjustment of Award. The grant of this Award shall not in any way affect the right or power of the Company to make adjustments, reclassifications or changes in its capital or business structure or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets. The number and kind of shares subject to this Award and other related terms shall be adjusted by the Committee in accordance with Section 11.2 of the Plan.

13. Compliance with Applicable Law. Notwithstanding anything herein to the contrary, the Company shall not be obligated to issue or deliver or cause to be issued or delivered any certificates for Shares, unless and until the Company is advised by its counsel that the issuance and delivery of such certificates is in compliance with all applicable laws, regulations of governmental authority, and the requirements of any exchange upon which Shares are traded. The Company shall in no event be obligated to register any securities pursuant to the Securities Act of 1933 (as now in effect or as hereafter amended) or to take any other action in order to cause the issuance and delivery of such certificates to comply with any such law, regulation or requirement. The Company may require, as a condition of the issuance and delivery of such certificates and in order to ensure compliance with such laws, regulations and requirements, that the Participant makes such covenants, agreements and representations as the Company, in its sole discretion, considers necessary or desirable.

14. No Right to Continued Service. The execution of this Agreement shall not be construed as conferring any legal rights upon the Participant for the continuation of service as a Non-Executive Director, nor shall it interfere with the right of the Company's Board of Directors or shareholders to terminate the Participant's service as a Non-Executive Director, if permissible. The adoption and maintenance of the Plan shall not constitute an inducement to, or condition of, the Participant's service as a Non-Executive Director. Participation in the Plan with respect to this Award shall not entitle the Participant to participate with respect to any other award.

15. Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally or sent by certified, registered or express mail, postage prepaid, return receipt requested, or by a reputable overnight delivery service. Any such notice shall be deemed given when received by the intended recipient.



16. Governing Law. Except to the extent preempted by Federal law, this Agreement shall be construed and enforced in accordance with, and governed by, the laws of the State of New York without regard to any principles thereof relating to the conflicts of laws that would result in the application of the laws of any other jurisdiction.

17. Receipt of Plan. The Participant acknowledges receipt of a copy of the Plan, and represents that the Participant is familiar with the terms and provisions thereof, and hereby accepts this Award subject to all the terms and provisions of this Agreement and of the Plan. The Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee with respect to any questions arising under this Agreement or the Plan.

18. Entire Agreement. The Plan and this Agreement constitute the entire agreement and understanding of the Parties with respect to the subject matter of this Agreement, and supersede all prior understandings and agreements, whether oral or written, between the Parties hereto with respect to the specific subject matter hereof. To the extent any provisions of the Agreement are inconsistent or in conflict with any terms or provisions of the Plan, the Plan shall govern.

**IN WITNESS WHEREOF**, the Company and the Participant have duly executed this Agreement as of the %%OPTION\_DATE,'Month DD, YYYY'%%-%.

**FOR MSC INDUSTRIAL DIRECT CO., INC. USE ONLY**

ACCEPTED BY MSC INDUSTRIAL DIRECT CO., INC.

By: Neal Dongre, Vice President, General Counsel & Corporate Secretary

/s/ Neal Dongre

**MSC INDUSTRIAL DIRECT CO., INC.  
INSIDER TRADING POLICY  
and Guidelines with Respect to  
Certain Transactions in Company Securities**

(as revised June 21, 2023)

**Purpose**

This Insider Trading Policy (the “**Policy**”) provides guidelines with respect to transactions in the securities of MSC Industrial Direct Co., Inc. (the “**Company**”) and the handling of confidential information about the Company and the companies with which the Company does business. The Company’s Board of Directors (the “**Board**”) has adopted this Policy to promote compliance with federal securities laws that prohibit insider trading or providing inside information to other persons. All associates, executive officers, and Board members are individually responsible to understand and comply with this Policy. We have all worked hard to establish a reputation for integrity and ethical conduct, and we cannot afford to have that reputation damaged.

**Transactions and Persons Subject to the Policy**

This Policy applies to transactions in, including purchases, sales and gifts of, the Company’s securities, including common stock, restricted stock units, performance stock units, options, and any other debt or equity securities that the Company may issue from time to time, such as bonds, preferred stock and instruments convertible or exercisable for the Company’s common stock. As explained more fully below, the Policy prohibits trading in derivative securities relating to the Company’s securities.

This Policy applies to all associates of the Company and its subsidiaries and all executive officers and Board members of the Company (each of the foregoing, a “**Covered Person**”). This Policy also applies to Covered Persons’ family members who reside with them, anyone else who lives in their household and family members who live elsewhere but whose transactions in Company securities are directed by, or are subject to, any Covered Person’s influence or control and entities that are directed by or are subject to Covered Persons’ influence or control (collectively referred to as “**Family Members/Controlled Entities**”). Covered Persons are responsible for the transactions of Family Members/Controlled Entities. The Company may also determine that other persons should be subject to this Policy, such as contractors or consultants who have access to Material Nonpublic Information (as defined below), and will notify such persons of their obligations under the Policy.

This Policy also imposes specific Blackout Period (as defined below) and pre-clearance procedures on Designated Insiders.

The “**Insider Trading Compliance Officers**” referred to in this Policy are Neal Dongre, VP, General Counsel & Corporate Secretary, Greg Clark, VP Finance & Corporate Controller, and Graig Harr, Senior Director of Finance & Assistant Corporate Controller, of the Company. The Board or the chair of the Nominating and Corporate Governance Committee may also change or designate additional Insider Trading Compliance Officers to meet the needs of the Company.

The duties of the Insider Trading Compliance Officers shall include, but not be limited to, the following:

- Determining whether to pre-clear a transaction as required under this Policy;
- Assisting, as requested, in the preparation and filing of Section 16 reports (Forms 3, 4 and 5) for Section 16 reporting persons;
- Serving as the designated recipient at the Company of copies of reports filed with the U.S. Securities and Exchange Commission (the “**SEC**”) by Section 16 reporting persons under Section 16 of the Securities Exchange Act of 1934 (the “**Exchange Act**”);
- Periodically reminding all Section 16 reporting persons regarding their obligations to report all of their transactions to the Company, including transactions made by others on their behalf, and comply with their reporting obligations, as well as sending quarterly reminders of the dates that trading Blackout Periods begin and end;
- Circulating the Policy (and/or a summary thereof) to all Covered Persons;
- Assisting the Company in implementation and monitoring of the Policy; and
- Coordinating with Company counsel regarding compliance activities with respect to compliance with insider trading and other relevant securities laws and to ensure that the Policy is amended as necessary to comply with such requirements.

### **Definition of Material Nonpublic Information**

It is not possible to define all categories of material information. However, information is “material” if a reasonable investor would consider that information important in making a decision to buy, hold or sell securities.<sup>1</sup> Any information that could be expected to affect the market price of a company’s securities, whether such information is positive or negative, should be considered material. Because trading that receives scrutiny will be evaluated after the fact with the benefit of hindsight, questions as to the materiality of particular information should be resolved in favor of materiality, and trading should be avoided. Executive officers, Board members, and certain other associates are subject to the Blackout Period provisions described in Section 8 of the Policy.

While it may be difficult to determine whether particular information is material, there are various categories of information that are particularly sensitive and, as a general rule, should be presumed to be material. Examples of such information may include:

- Financial or operating results;
- Projections of future earnings, losses or operating results or other earnings guidance;
- Changes to previously-announced earnings guidance;
- Earnings that are inconsistent (whether favorable or unfavorable) with the consensus expectations of the investment community;
- An increase or decrease in the amount of dividends;
- The fact that the Company is evaluating or considering a material transaction or prospective business relationship, including any merger, acquisition, disposition, joint venture or tender offer, or that discussions or negotiations on such matters are in progress;
- Actions of governmental bodies or regulatory agencies;
- Impending bankruptcy or financial liquidity problems;
- Gain or loss of a significant customer or supplier;
- Significant supply problems;
- Significant pricing changes;
- Stock splits and stock repurchase programs;
- New equity or debt offerings;

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<sup>1</sup>More specifically, information is material when there is “a substantial likelihood that the...fact would have been viewed by the reasonable investor as having significantly altered the “total mix” of information made available.” (TSC Industries v. Northway, Inc., 426 U.S. 438, 449 (1976))

- Bank borrowings or other financing transactions out of the ordinary course;
- Significant cybersecurity risks and incidents, including vulnerabilities and breaches;
- Significant litigation exposure due to actual or threatened litigation; and
- Changes in senior management.

“**Material Nonpublic Information**” is material information that has not been previously disclosed to the investing public through a press release or securities filings and is otherwise not available to the investing public. As provided in this Policy, even after material information has been disclosed to the investing public, it is still necessary to afford the investing public with sufficient time to absorb the information before purchases or sales of the Company’s securities may occur.

All information about the Company or its business plans is potentially Material Nonpublic Information until after the Company publicly discloses it. Similarly, information received about any other company with which the Company does business – including competitors, customers, vendors and suppliers – that is not yet publicly available is also potentially Material Nonpublic Information. In all cases, the responsibility for determining whether an individual is in possession of Material Nonpublic Information rests with that individual, and any action on the part of the Company, the Insider Trading Compliance Officers or any other associate or Board member pursuant to this Policy (or otherwise) does not in any way constitute legal advice or insulate an individual from liability under applicable securities laws. A Covered Person could be subject to severe legal penalties and disciplinary action by the Company for any conduct prohibited by this Policy or applicable securities laws, as described below in more detail under the heading “Potential Criminal and Civil Liability and/or Disciplinary Action.”

### **Statement of Policy** **General Policy**

It is the policy of the Company to prohibit the unauthorized disclosure of any nonpublic information acquired in the workplace, trading in securities while aware of Material Nonpublic Information, and any other violation of applicable securities laws.

There are no exceptions to this Policy, except as specifically noted herein. Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure), or small transactions, are not excepted from this Policy. Strict compliance with this Policy is necessary to both protect the Company and its shareholders, and avoid the appearance of an improper transaction to preserve the Company’s reputation for adhering to the highest standards of conduct.

### **Specific Policies**

**1. Trading on Material Nonpublic Information.** Except as otherwise provided in this Policy under the headings “Certain Exceptions” and “Rule 10b5-1 Plans,” **no Covered Person and no Family Member/Controlled Entity of any Covered Person, may buy or sell Company securities during any period commencing with the date that he or she becomes aware of Material Nonpublic Information concerning the Company and ending after one full Trading Day (as defined below) following the public disclosure of that information, or at such time as such nonpublic information is no longer material.** As used in this Policy, the term “**Trading Day**” shall mean a day on which national securities exchanges are open for trading. If, for example, the Company were to make an announcement before the opening of trading on a Monday, Covered Persons (and Family Members/Controlled Entities) may not trade in the Company’s securities until Tuesday (assuming that Monday and Tuesday are Trading

Days). The same restrictions apply to buying or selling securities of other companies with which the Company and its subsidiaries do business, including customers, vendors and suppliers.

**2. Tipping.** No Covered Person may disclose or pass on (“tip”) Material Nonpublic Information to any other person, including a Family Member or friend, nor may any Covered Person make recommendations or express opinions on the basis of Material Nonpublic Information as to trading in the Company’s securities or the securities of another company with which the Company and its subsidiaries do business.

**3. Confidentiality of Nonpublic Information.** Nonpublic information relating to the Company is the property of the Company and the unauthorized disclosure of such information is forbidden.

Nonpublic information must be protected and efforts should be taken to avoid inadvertent communication. For example:

- Do not discuss new developments in public places such as lunch rooms, coffee rooms, elevators, hallways, restaurants, airplanes, taxicabs, or any place where the discussion can be overheard.
- Do not read documents with nonpublic information in public places or discard them where others can retrieve them.
- Do not carry documents with nonpublic information in public places in an exposed manner.
- Cover documents with nonpublic information on desks before leaving offices or rooms and do not leave said documents where others can read them.
- When leaving for the evening, business trips or otherwise, lock office doors. Filing cabinets with materials which could be nonpublic information should be locked or kept in rooms that are locked.
- Ensure that nonpublic information which may be received by facsimile is received on a secure machine with limited access – particularly after hours.
- Do not give anyone access to e-mail messages, computer directories, voicemail or Company phones. Do not send nonpublic information to your personal email addresses or leave a Company computer or other device unsecured.
- Do not store nonpublic information in electronic form in directories, databases or other storage mechanisms (e.g., internet “cloud” storage) with public access.

#### **Potential Criminal and Civil Liability and/or Disciplinary Action**

**4. Liability for Insider Trading.** Any Covered Person or Family Member/Controlled Entity who engages in a transaction in the Company’s securities (or the securities of another company with which the Company and its subsidiaries do business) at a time when they have knowledge of Material Nonpublic Information may be subject to penalties and sanctions, including:

- up to 20 years in jail;
- a criminal fine of up to \$5,000,000;
- a civil penalty of up to \$1,000,000 or, if greater, 3 times the profit gained or loss avoided; and
- SEC civil enforcement injunctions.

5. **Liability for Tipping.** Any Covered Person who tips (“**tipppers**”) a third party (commonly referred to as a “**tippee**”) may also be liable under the securities laws for improper transactions by tippees to whom they have tipped Material Nonpublic Information or to whom they have made recommendations or expressed opinions on the basis of such information as to trading in the Company’s securities (or the securities of another company with which the Company and its subsidiaries do business). Tipppers and tippees would be subject to the same penalties and sanctions as described above, and the SEC has imposed large penalties even when the tipper or tippee did not profit from the trading. The SEC and the stock exchanges use sophisticated electronic surveillance techniques to uncover insider trading.

6. **Control Persons.** The Company and its supervisory personnel, if they fail to take appropriate steps to prevent illegal insider trading, may in certain circumstances, be subject to the following penalties:

- civil penalties of up to 3 times the profit gained or loss avoided as a result of the employee’s violation; and
- a criminal penalty of up to \$25,000,000.

7. **Possible Company-Imposed Disciplinary Actions.** Associates of the Company and its subsidiaries who violate this Policy shall also be subject to disciplinary action by the Company, which may include termination of employment.

#### **Additional Guidelines**

8. **Trading Blackout Period.** To ensure compliance with this Policy and applicable federal securities laws, and to avoid even the appearance of trading on the basis of nonpublic information, the Company requires that executive officers, Board members, and certain other associates of the Company (attached hereto as Exhibit B) designated by the Company’s Insider Trading Compliance Officers as subject to the Blackout Period prohibitions because of their access to the Company’s internal financial statements or other Material Nonpublic Information regarding the Company’s performance during annual and quarterly fiscal periods (collectively, “**Designated Insiders**”) and Family Members/Controlled Entities of Designated Insiders, refrain from conducting transactions involving the purchase or sale of the Company’s securities during the Blackout Periods established below:

- A “**Regular Blackout Period**” is the period commencing at the end of the eleventh calendar day prior to the Company’s fiscal quarter or year end, and ending after one full Trading Day following the public disclosure of the financial results for such fiscal quarter or year-end.
- A “**Special Blackout Period**” is an additional period in which the Board establishes from time to time that all Designated Insiders or only a specific group of Designated Insiders may not conduct transactions in the Company’s securities. Typically, this will occur when there are nonpublic developments that would be considered material for insider trading law purposes, such as, among other things, developments relating to regulatory proceedings or a major corporate transaction. An Insider Trading Compliance Officer (or another person acting at the direction of an Insider Trading Compliance Officer) will provide written notice to Designated Insiders subject to a Special Blackout Period. Any person made aware of the existence of a Special Blackout Period should not disclose the existence of the Special Blackout Period to any other person. The failure of the Company to designate a person as being subject to a Special Blackout Period will not relieve that person of the obligation not to trade while aware of Material Nonpublic

Information. As used in this Policy, the term “**Blackout Period**” shall mean all Regular Blackout Periods and Special Blackout Periods announced by the Company.

The purpose behind a Blackout Period is to help establish a diligent effort to avoid any improper transactions. Trading in the Company’s securities outside a Blackout Period should not be considered a “safe harbor,” and all Covered Persons and other persons subject to this Policy should use good judgment at all times. Even outside a Blackout Period, any person possessing Material Nonpublic Information concerning the Company should not engage in any transactions in the Company’s securities until such information has been known publicly for at least one full Trading Day after the date of announcement. Although the Company may from time to time impose special Blackout Periods, because of developments known to the Company and not yet disclosed to the public, each person is individually responsible at all times for compliance with the prohibitions against insider trading.

**9. Pre-clearance of Trades.** The Company has determined that all vice presidents and above, executive officers and Board members and their respective Family Members/Controlled Entities must refrain from trading in the Company’s securities, without first complying with the Company’s “pre-clearance” process. Such person must contact one of the Company’s Insider Trading Compliance Officers not less than one (1) business day prior to commencing any trade in the Company’s securities. This preclearance requirement applies to any transaction or transfer involving the Company’s securities, including a stock plan transaction such as an option exercise, or a gift, transfer to a trust or any other transfer. An Insider Trading Compliance Officer must pre-clear each proposed trade or transfer. The Insider Trading Compliance Officer is not under any obligation to approve a trade or transfer submitted for preclearance and may determine not to permit a trade or transfer.

To facilitate the process, the Company has prepared a pre-clearance request, attached hereto as Exhibit A, to be completed and provided to the Insider Trading Compliance Officer. The Insider Trading Compliance Officer or another person designated by an Insider Trading Compliance Officer will assist with the approval process. **No trade or transfer may be effected until the requesting person has received the approved Pre-Clearance Request Form, even if one (1) business days has passed since the Pre-Clearance Request Form was submitted. Transactions should be executed promptly after pre-clearance is received so as to ensure compliance with applicable law and the Policy at the time of the transaction.**

The Company may also find it necessary, from time to time, to require compliance with the preclearance process from associates designated as Designated Insiders. Any executive officer or Board member who wishes to implement Rule 10b5-1 Trading Plan (as defined below) or similar trading plan must first pre-clear the plan with an Insider Trading Compliance Officer. As required by Rule 10b5-1, an executive officer or Board member may enter into a trading plan only when he or she is not in possession of Material Nonpublic Information. In addition, a trading plan may not be entered into during a Blackout Period. Transactions effected pursuant to a pre-cleared trading plan will not require further pre-clearance at the time of the transaction.

**10. Individual Responsibility.** Every Covered Person has the individual responsibility to comply with this Policy against insider trading, regardless of whether a transaction is executed outside a Blackout Period or is pre-cleared by the Company. The restrictions and procedures are intended to help avoid inadvertent instances of improper insider trading, but appropriate judgment should always be exercised by each Covered Person in connection with any trade in the Company’s securities. A Covered Person may, from time to time, have to forego a proposed transaction in the Company’s securities even if he or she planned to make the transaction before learning of the Material Nonpublic Information and even though

the Covered Person believes he or she may suffer an economic loss or forego anticipated profit by waiting.

### **Certain Exceptions**

**11. Stock Options Exercises.** For purposes of this Policy, the Company considers that the exercise of stock options under the Company's omnibus incentive plans (but not the sale of the underlying stock) to be exempt from this Policy; however, those individuals subject to Section 9 are required to pre-clear the exercise of stock options. This Policy does apply, however, to any sale of stock as part of a broker-assisted "cashless" exercise of an option, or any market sale for the purpose of generating the cash needed to pay the exercise price of an option.

**12. Restricted Stock/Restricted Stock Unit Awards.** This Policy does not apply to the vesting of restricted stock or restricted stock units, or the withholding by the Company of shares to satisfy tax withholding requirements upon the vesting of restricted stock or restricted stock units.

**13. 401(k) Plan.** This Policy does not apply to purchases of Company stock in the Company's 401(k) plan resulting from periodic contributions of money to the plan pursuant to payroll deduction elections. This Policy does apply, however, to certain elections that may be made under the 401(k) plan, including (a) an election to increase or decrease the percentage of periodic contributions that will be allocated to the Company stock fund, if any, (b) an election to make an intra-plan transfer of an existing account balance into or out of the Company stock fund, (c) an election to borrow money against a 401(k) plan account if the loan will result in a liquidation of some or all of a participant's Company stock fund balance and (d) an election to pre-pay a plan loan if the pre-payment will result in allocation of loan proceeds to the Company stock fund.

**14. Associate Stock Purchase Plan.** This Policy does not apply to purchases of Company stock in the Company's associate stock purchase plan resulting from periodic contributions of money to the plan pursuant to the elections made at the time of enrollment in the plan. This Policy also does not apply to purchases of Company stock resulting from lump sum contributions to the plan, provided that the participant elected to participate by lump-sum payment at the beginning of the applicable enrollment period. This Policy does apply to a participant's election to participate in or increase his or her participation in the plan, and to a participant's sales of Company stock purchased pursuant to the plan.

**15. Hardship Exceptions.** A Designated Insider who is subject to the blackout period and who has an unexpected and urgent need to sell Company stock in order to generate cash may, in appropriate circumstances, be permitted to sell Company stock even during the blackout period. Hardship exceptions may be granted only by the Insider Trading Compliance Officer or the Board of Directors (or the Nominating and Corporate Governance Committee of the Board) and must be requested in advance of the proposed trade. A hardship exception may be granted only if the Insider Trading Compliance Officer or the Board of Directors (or the Nominating and Corporate Governance Committee of the Board) concludes that the trade would otherwise be permitted under applicable law. Under no circumstance will a hardship exception be granted during a Special Blackout Period, which is described in Section 8. Hardship exceptions granted pursuant to this Section 14 shall not be deemed to be "waivers" of this Policy.

**16. Reporting of Violations.** Anyone who knows, or has reason to believe, that this Policy has been, or is about to be violated, should immediately bring the actual or potential violation to the attention of an Insider Trading Compliance Officer and the Company's General Counsel.



### **Section 16 Liability – Board Members and Executive Officers**

Certain officers and all directors of the Company must also comply with the reporting obligations and limitations on short-swing profit transactions set forth in Section 16 of the **Exchange Act**. The practical effect of these provisions is that any officer or Board member who purchases and sells the Company's securities within a period of less than six months must pay all profits or avoided losses to the Company whether or not he or she had knowledge of any Material Nonpublic Information. Under these provisions, and so long as certain other criteria are met, neither the receipt of stock or stock options under the Company's omnibus incentive plans, nor the exercise of options nor the receipt of stock under the Company's associate stock purchase plan or the Company's 401(k) retirement plan is deemed a purchase that can be matched against a sale for Section 16(b) short-swing profit payment purposes; however, the sale of any such shares so obtained is a sale for these purposes. Moreover, no such officer or director may ever make a short sale of the Company's common stock, which is unlawful under Section 16(c) of the Exchange Act. The Company has provided separate memoranda and other appropriate materials to the affected officers and directors regarding compliance with Section 16 and its related rules.

Directors and officers subject to Section 16 must also disclose transactions in Company stock (including gifts and estate or tax planning transactions) within two (2) trading days of the transaction. Section 16 reporting persons should immediately report each transaction to the Company so that timely disclosure may be made of transactions subject to Section 16.

### **Short Sale Transactions**

No Covered Person may ever make a "short sale" of Company securities. Short sales of Company securities evidence an expectation on the part of the seller that the securities will decline in value, and therefore signal to the market that the seller has no confidence in the Company or its short-term prospects. In addition, short sales may reduce the seller's incentive to improve the Company's performance. For these reasons, short sales by Covered Persons of Company securities and Family Members/Controlled Entities are prohibited by this Policy. In addition, Section 16(c) of the Exchange Act prohibits Board members and executive officers from engaging in short sales.

### **Publicly Traded Options**

A transaction in options or derivative financial products is, in effect, a bet on the short-term movement of the Company's stock and therefore, creates the appearance that the Covered Person is trading based on nonpublic information. Transactions in options also may focus the trader's attention on short-term performance at the expense of the Company's long-term objectives. Accordingly, transactions in puts, calls, collars, forward sale contracts, futures, equity swaps, or other derivative securities, on an exchange or in any other organized market, are prohibited. Option or derivative positions arising from certain types of hedging transactions are governed by the section below captioned "Hedging or Monetization Transactions."

### **Hedging or Monetization Transactions**

Certain forms of hedging or monetization transactions, such as zero-cost collars and forward sale contracts, allow a Covered Person to lock in much of the value of his or her stock holdings, often in exchange for all or part of the potential for upside appreciation in the stock. These transactions would allow a Covered Person to continue to own the covered securities, but without the full risks and rewards of ownership. When that occurs, a Covered Person's interests and the interests of the Company and its shareholders may be misaligned and may signal a message to the trading market that may not be in the best interests of the Company and its

shareholders at the time it is conveyed. Accordingly, hedging transactions and all other forms of monetization transactions are prohibited.

### **Margin Accounts and Pledges**

Securities held in a margin account may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Similarly, securities pledged (or hypothecated) as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan. A margin sale or foreclosure sale may occur at a time when the Covered Person is aware of Material Nonpublic Information or otherwise is not permitted to trade in Company securities pursuant to Blackout Period restrictions. Thus, shares of Company stock may not be held in a margin account. Additionally, Covered Persons are prohibited from pledging Company securities as collateral for a loan outside of a margin account in excess of 10% of a Covered Person's ownership (excluding options, unvested restricted stock or restricted stock units or similar instruments) of Company securities, provided further that an executive officer or Board member may not pledge securities required to be held pursuant to the Company's stock ownership guidelines. Upon application to the Nominating and Corporate Governance Committee of the Board of Directors, the Committee may grant a limited exception to the restriction on pledging securities outside of a margin account. Exceptions may be granted based on, among other considerations, (i) a Covered Person's demonstrated financial capacity to repay the loan without resorting to the pledged securities, (ii) the aggregate percentage of securities proposed to be pledged representing no more than 20% of a Covered Person's ownership (excluding options, unvested restricted stock and restricted stock units and similar instruments) of Company securities, (iii) the securities to be pledged not including any securities required to be held by an executive officer or Board member pursuant to the Company's stock ownership guidelines, and (iv) the amount of the pledged securities in terms of total common shares outstanding, the market value of the total common shares outstanding, and the trading volume of the common shares.

### **Rule 10b5-1 Plans**

Rule 10b5-1 under the Exchange Act provides a defense from insider trading liability under Rule 10b-5. In order to be eligible to rely on this defense, a person subject to this Policy must enter into a Rule 10b5-1 plan for transactions in Company securities that meets certain conditions specified in the Rule (a "Rule 10b5-1 Plan"). If the plan meets the requirements of Rule 10b5-1, Company securities may be purchased or sold without regard to certain restrictions on trading while the owner is in possession of Material Nonpublic Information.

All trading plans, including trading plans that do not qualify as a Rule 10b5-1 Plan, with respect to the Company's securities must be approved by an Insider Trading Compliance Officer prior to being entered into, modified or terminated by a Covered Person or any of their Family Members/Controlled Entities. To comply with the Policy, a Rule 10b5-1 Plan must be approved by one of the Insider Trading Compliance Officers and meet the requirements of Rule 10b5-1 and the Company's guidelines for Rule 10b5-1 Plans. The Insider Trading Compliance Officers are empowered to issue such guidelines for Rule 10b5-1 Plans and to set standards and best practices for Rule 10b5-1 Plans.

In general, a Rule 10b5-1 Plan must be entered into at a time when the person entering into the plan is not aware of Material Nonpublic Information and not during a Blackout Period. Once the plan is adopted, the person must act in good faith with respect to the Rule 10b5-1 Plan, including not exercising any influence over the amount of securities to be traded, the price at which they are to be traded or the date of the trade. The Rule 10b5-1 Plan must either specify the amount, pricing and timing of transactions in advance or delegate discretion on these matters to an independent third party. Further, the Rule 10b5-1 Plan must observe the required "cooling off

period” applicable to the person establishing the plan as well as complying with the other requirements of Rule 10b5-1. Single trade plans and overlapping plans are not permitted outside of limited circumstances and must be approved by one of the Insider Trading Compliance Officers and the Company’s General Counsel.

#### **Post-Termination Transactions**

This Policy continues to apply to transactions in Company securities even after a Covered Person has resigned or terminated employment or service. If the person who resigns or separates from the Company is in possession of Material Nonpublic Information at that time, he or she may not trade in Company securities until the later of (i) the end of each applicable Blackout Period and (ii) one trading day after the Material Nonpublic Information in such Covered Person’s possession becomes public or is no longer material.

#### **Stop-Transfer Instructions**

The Company may, in its discretion, provide stop-transfer instructions to its transfer agent to enforce trading restrictions imposed by this Policy on Insider Trading, including, without limitation, restrictions relating to blackout periods or post-termination transactions.

#### **Communications with the Public**

The Company is subject to the SEC’s Regulation FD and must avoid selective disclosure of Material Nonpublic Information. The Company has established procedures for releasing material information in a manner that is designed to achieve broad public dissemination of the information immediately upon its release. Pursuant to Company policy, only the executive officers who have been authorized to engage in communications with the public may disclose information to the public regarding the Company and its business activities and financial affairs. The public includes, without limitation, research analysts, portfolio managers, financial and business reporters, news media and investors. In addition, because of the risks associated with the exchange of information through such communications media, associates are strictly prohibited from posting or responding to messages containing information regarding the Company on Internet “bulletin boards,” Internet “chat rooms” or in similar online forums. Associates who inadvertently disclose any Material Nonpublic Information must immediately advise the Insider Trading Compliance Officer so the Company can assess its obligations under Regulation FD and other applicable securities laws.

### **Inquiries**

Please direct questions as to any of the matters discussed in this Policy to the Company's Insider Trading Compliance Officers at the following addresses:

Neal Dongre  
VP, General Counsel & Corporate Secretary  
MSC Industrial Direct Co., Inc.  
525 Harbour Place Drive  
Davidson, North Carolina 28036  
Telephone: (704) 987-5390  
E-mail: dongren@mscdirect.com

Greg Clark  
VP Finance & Corporate Controller  
MSC Industrial Direct Co., Inc.  
515 Broadhollow Road  
Melville, New York 11747  
Telephone: (516) 812-1607  
E-mail: clarkg@mscdirect.com

Graig Harr  
Senior Director of Finance & Assistant Corporate Controller  
MSC Industrial Direct Co., Inc.  
525 Harbour Place Drive  
Davidson, North Carolina 28036  
Telephone (704) 987-5257  
Email: harrg@mscdirect.com

### **Training**

All new associates of the Company must complete the Code of Business Conduct training, which includes the insider trading content, in their first year of employment and existing associates must complete this training no less often than every two years. The Insider Trading Policy can be found on the MSC SharePoint site.

**EXHIBIT A**

**MSC INDUSTRIAL DIRECT CO., INC.  
PRE-CLEARANCE REQUEST**

The following information must be provided in the pre-clearance request sent to the Insider Trading Compliance Officers at [stocktraderequests@mscdirect.com](mailto:stocktraderequests@mscdirect.com):

- a. Name:
  - b. Insider: (Y/N)
  - c. Trade Dates: (From/To)
  - d. Type of Trade: (Same Day Sale/Sell To Cover/Cash Exercise)
  - e. Grant Date and Type of Award (if applicable)
  - f. Shares Restrictions: (# of shares if any restricted to sell)
-

## **EXHIBIT B**

### **MSC INDUSTRIAL DIRECT CO., INC. ROLES DEFINED AS DESIGNATED INSIDERS**

All individuals that have the roles or titles identified below are "Designated Insiders" (as defined in the Insider Trading Policy).

- Executive Officers, Directors and above, their respective Executive Assistants and all members of the Board of Directors;
- All associates in the following functional areas:
  - o Financial and Sales Planning;
  - o Tax;
  - o Financial Reporting; and
  - o Internal Audit;
- Sales Zone Managers/Regional VPs
- Any Associate not included in the above categories that may have access to material, nonpublic information and have been designated as a Designated Insider by the Insider Trading Compliance Officers).

**Insider Trading Policy Compliance Statement**

I have received and carefully read the Policy on Insider Trading (the "Policy") of MSC Industrial Direct Co., Inc. (the "Company") dated June 21, 2023 and understand all of its provisions. I certify that, to the best of my knowledge, I have complied with the Policy since such date (or during my term of employment, directorship, or provision of services, if after such date) and that I will continue to comply with the Policy in all respects.

I understand that failure to observe and comply with all of the provisions contained in the Policy may subject me to corrective action by the Company, including termination.

Acknowledged by:

Signature: \_\_\_\_ Date: \_\_\_\_

Print Name: \_\_\_\_

Title:

## SUBSIDIARIES OF MSC INDUSTRIAL DIRECT CO., INC.

ENTITY	STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION
Sid Tool Co., Inc.	New York
MSC Services Corp.	New York
J&L America, Inc.	Michigan
MSC Acquisition Corp VI	New York
MSC AR Holding Co., LLC	Delaware
MSC Contract Management, Inc.	New York
MSC Foreign Properties Corporation	Delaware
American Specialty Grinding Co., Inc.	Massachusetts
Mission Real Estate Acquisition Company	Delaware
MSC Industrial Supply ULC	Canada
MSC Acquisition Subsidiary LLC	Delaware
MSC Import Export LLC	Delaware
MSC Industrial Supply S.de.R.L. de C.V.	Mexico
MSC Industrial Supply License Holder 1	Mexico
All Integrated Solutions, Inc.	Delaware
AIS Mexico LLC	Delaware
AIS All-Integrated-Solutions de Mexico, S. de R.L. de C.V.	Mexico
Wm. F. Hurst Co., LLC	Kansas
Engman-Taylor, an MSC Company, LLC	Delaware
Tower Fasteners, LLC	Delaware
Towerfast de Mexico, S de R.L. de C.V.	Mexico
Tower Fasteners de Mexico, S de R.L. de C.V.	Mexico
Tower Fasteners EU Limited	Ireland
Tower Mexico NY, LLC	New York
Buckeye Industrial Supply Company LLC, an MSC Company	Delaware
Tru-Edge Grinding LLC, an MSC Company	Delaware
MSC Shared Services S. de. R.L. de C.V.	Mexico



**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-48901), pertaining to the MSC Industrial Direct 401(k) Plan,
- (2) Registration Statement (Form S-8 No. 333-70293), pertaining to the Associate Stock Purchase Plan,
- (3) Registration Statement (Form S-8 No. 333-130899 and Form S-8 No. 333-164362), pertaining to the 2005 Omnibus Incentive Plan,
- (4) Registration Statement (Form S-8 No. 333-156850 and Form S-8 No. 333-201523), pertaining to the MSC Industrial Direct Co., Inc. Amended and Restated Associate Stock Purchase Plan,
- (5) Registration Statement (Form S-8 No. 333-201522), pertaining to the 2015 Omnibus Incentive Plan,
- (6) Registration Statement (Form S-8 No. 333-252474), pertaining to the Associate Stock Purchase Plan, and
- (7) Registration Statement (Form S-8 No. 333-271108), pertaining to the 2023 Omnibus Incentive Plan;

of our reports dated October 25, 2023, with respect to the consolidated financial statements and schedule of MSC Industrial Direct Co., Inc., and the effectiveness of internal control over financial reporting of MSC Industrial Direct Co., Inc. included in this Annual Report (Form 10-K) of MSC Industrial Direct Co., Inc. for the year ended September 2, 2023.

/s/ Ernst & Young LLP

Jericho, New York  
October 25, 2023

## CERTIFICATIONS

I, Erik Gershwind, certify that:

1. I have reviewed this Annual Report on Form 10-K 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 changes 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: October 25, 2023

/s/ ERIK GERSHWIND

Erik Gershwind

*President and Chief Executive Officer*  
*(Principal Executive Officer)*

## CERTIFICATIONS

I, Kristen Actis-Grande, certify that:

1. I have reviewed this Annual Report on Form 10-K 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 changes 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: October 25, 2023

/s/ KRISTEN ACTIS-GRANDE

Kristen Actis-Grande

*Executive Vice President and Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)*

**CERTIFICATION PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of MSC Industrial Direct Co., Inc. (the "Company") for the fiscal year ended September 2, 2023, 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: October 25, 2023

/s/ ERIK GERSHWIND

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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.

**CERTIFICATION PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of MSC Industrial Direct Co., Inc. (the "Company") for the fiscal year ended September 2, 2023, 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: October 25, 2023

/s/ KRISTEN ACTIS-GRANDE

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Kristen Actis-Grande

*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.

## MSC INDUSTRIAL DIRECT CO., INC.

## EXECUTIVE INCENTIVE COMPENSATION RECOUPMENT POLICY

**(Adopted June 20, 2023, Effective October 2, 2023)**

MSC Industrial Direct Co., Inc. ("Company") has adopted this clawback policy as an amendment and restatement of the Company's Executive Incentive Compensation Recoupment Policy (the "Policy") and as a supplement to any other clawback policies in effect now or in the future at the Company. To the extent this Policy applies to compensation payable to a person covered by this Policy (as set forth below), it shall be the only clawback policy applicable to such compensation and no other clawback policy shall apply; provided that, if such other policy provides that a greater amount of such compensation shall be subject to clawback, such other policy shall apply to the amount in excess of the amount subject to clawback under this Policy. With the exception of Section 7, this Policy shall be interpreted to comply with the clawback rules found in 17 C.F.R. §240.10D and the related listing rules of the New York Stock Exchange or such other national securities exchange or national securities association ("Exchange") on which the Company has listed securities, and, to the extent this Policy is any manner deemed inconsistent with such rules, this Policy shall be treated as retroactively amended to comply with such rules.

1. Definitions. 17 C.F.R. §240.10D-1(d) defines the terms "Executive Officer," "Financial Reporting Measure," "Incentive-Based Compensation," and "Received." As used herein, these terms shall have the same meaning as in that regulation and any interpretive guidance issued thereunder.

2. Application of the Policy. With the exception of Section 7, this Policy shall only apply in the event that the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

3. Recovery Period. The Incentive-Based Compensation subject to clawback is the Incentive-Based Compensation Received during the three completed fiscal years immediately preceding the date that the Company is required to prepare an accounting restatement described in Section 2, provided that the person served as an Executive Officer at any time during the performance period applicable to the Incentive-Based Compensation in question. The date that the Company is required to prepare an accounting restatement shall be determined pursuant to 17 C.F.R. §240.10D-1(b)(1)(ii).

(a) Notwithstanding the foregoing, the Policy shall only apply if the Incentive-Based Compensation is Received (1) while the Company has a class of securities listed on an Exchange and (2) on or after October 2, 2023 (the "Effective Date").

(b) This Policy will apply to Incentive-Based Compensation Received during a transition period arising due to a change in the Company's fiscal year pursuant to 17 C.F.R. §240.10D-1(b)(1)(i).

4. Erroneously Awarded Compensation. With the exception of Section 7, the amount of Incentive-Based Compensation subject to recoupment or clawback under this Policy ("Erroneously Awarded Compensation") is the amount of Incentive-Based Compensation Received that exceeds the amount of Incentive Based-Compensation that otherwise would have been Received had it been determined based on the restated amounts and shall be computed without regard to any taxes paid. For Incentive-Based Compensation based on stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in an accounting restatement: (1) the amount shall be based on a reasonable estimate of

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the effect of the accounting restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was received; and (2) the Company shall maintain documentation of the determination of that reasonable estimate and provide such documentation to the Exchange.

5. Effectuation of Recovery. The Company shall recover reasonably promptly any Erroneously Awarded Compensation except to the extent that the conditions of paragraphs (a), (b), or (c) below apply. The Board of Directors (the "Board") shall determine the recoupment method and schedule for each amount of Erroneously Awarded Compensation in a manner that complies with this "reasonably promptly" requirement. Such determination shall be consistent with any applicable legal guidance, by the SEC, judicial opinion, or otherwise. The determination of "reasonably promptly" may vary from case to case and the Board is authorized to adopt additional rules to further describe what repayment schedules satisfy this requirement.

(a) Erroneously Awarded Compensation need not be recovered if the direct expense paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered and the Board has made a determination that recovery would be impracticable. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement, the Company shall make a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to recover, and provide that documentation to the Exchange.

(b) Erroneously Awarded Compensation need not be recovered if recovery would violate home country law where that law was adopted prior to November 28, 2022 and the Board has made a determination that recovery would be impracticable. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of home country law, the Company shall obtain an opinion of home country counsel, acceptable to the Exchange, that recovery would result in such a violation and shall provide such opinion to the Exchange.

(c) Erroneously Awarded Compensation need not be recovered if recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the registrant, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder and the Board has made a determination that recovery would be impracticable.

6. Method of Recoupment. The Board shall determine the method of recoupment and may seek recoupment of the Erroneously Awarded Compensation from an Executive Officer from any of the following sources: prior incentive compensation payments; future payments of incentive compensation; cancellation of outstanding equity awards; future equity awards; and direct repayment. For the avoidance of doubt, the Board may seek recoupment of the Erroneously Awarded Compensation from an Executive Officer via any or all of the following recovery actions (A) repayment by the Executive Officer of all incentive-based compensation that was paid or vested; (B) cancellation of outstanding equity awards, including restricted share awards, restricted stock unit awards, performance stock units, stock appreciation rights, and stock options; (C) payment by the Executive Officer of net proceeds resulting from the sale or other disposition of shares issued upon the exercise of stock appreciation rights and stock options; (D) payment by the Executive Officer of net proceeds resulting from the sale or other disposition of shares underlying any restricted share awards, restricted stock unit awards, or performance stock unit awards upon or following the vesting of such awards; (E) recoupment of any shares held by the Executive Officer issued upon or with respect to which the restrictions have lapsed upon the vesting of restricted share awards, restricted stock unit awards or performance unit awards; and (F) recoupment of any shares held by the Executive Officer issued upon the exercise of stock options.

7. Recoupment of Compensation in Cases of Violation of Post-Employment Restrictive Covenants. In the event that following an Executive Officer's termination of employment with the Company (1) the Executive Officer discloses confidential information of the Company, (2) within two (2) years of

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such termination, the Executive Officer directly or indirectly competes with the Company (including through employment by any company which the Company has identified as a competitive company), or (3) within two (2) years of such termination, the Executive Officer solicits any of the Company's customers or employees, the Board may take any one or more of the following actions, to the extent permitted by applicable law: (A) cancel any outstanding equity awards, including restricted share awards, restricted stock unit awards, performance stock units, stock appreciation rights and stock options; (B) recover any net proceeds resulting from the sale or other disposition of shares issued upon the exercise of stock appreciation rights and stock options; (C) recover any net proceeds resulting from the sale or other disposition of shares underlying any restricted share awards, restricted stock unit awards or performance stock unit awards upon or following the vesting of such awards; (D) recoup any shares held by the Executive Officer issued upon or with respect to which the restrictions have lapsed upon the vesting of restricted share awards restricted stock unit awards or performance stock unit awards; and (E) recoup any shares held by the Executive Officer issued upon the exercise of stock options, in the cases of clauses (B) through (E) with respect to stock options that were exercised during the period beginning two years before and ending two years after the Executive Officer's termination of employment and with respect to restricted share, restricted stock unit awards or performance stock unit awards that vested during the period beginning two years before and ending two years after the Executive Officer's termination of employment.

8. Board Decisions; Delegation. The Board may delegate to the Compensation Committee all determinations to be made and actions to be taken by the Board under this Policy. Decisions of the Board or the Compensation Committee, as applicable, with respect to this Policy shall be final, conclusive and binding on all Executive Officers subject to this Policy, unless determined to be an abuse of discretion.

9. No Indemnification. Notwithstanding anything to the contrary in any other policy of the Company or any agreement between the Company and an Executive Officer, no Executive Officer shall be indemnified by the Company against the loss of any Erroneously Awarded Compensation.

10. Agreement to Policy by Executive Officers. The Board shall take reasonable steps to inform Executive Officers of this Policy and obtain their agreement to this Policy, which steps may constitute the inclusion of this Policy as an attachment to any award that is accepted by the Executive Officer.

11. Severability. If any provision of this Policy or the application of any such provision to any Executive Officer shall be adjudicated to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Policy, and the invalid, illegal or unenforceable provisions shall be deemed amended to the minimum extent necessary to render any such provision or application enforceable.

12. No Impairment of Other Remedies. This Policy does not preclude the Company from taking any other action to enforce an Executive Officer's obligations to the Company, including termination of employment or institution of civil or criminal proceedings. This Policy is in addition to the requirements of Section 304 of the Sarbanes-Oxley Act of 2002 that are applicable to the Company's Chief Executive Officer and Chief Financial Officer.