

MSC INDUSTRIAL DIRECT CO INC
Form 10-Q
June 30, 2011

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended May 28, 2011

OR

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

For transition period from to

Commission File No.: 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.)

75 Maxess Road, Melville, New York
(Address of principal executive offices)

11747
(Zip Code)

(516) 812-2000

(Registrant's telephone number, including area code)

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 and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

As of June 27, 2011, 47,558,045 shares of Class A common stock and 16,400,474 shares of Class B common stock of the registrant were outstanding.

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SAFE HARBOR STATEMENT

This Quarterly Report on Form 10-Q (the 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 Items 2 and 3 of Part I of this Report, as well as within this Report generally. The words believes, anticipates, thinks, expects, estimates, plans, intends, and similar expressions are intended to identify forward-looking statements.

In addition, any statements which refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. We undertake no obligation to publicly disclose any revisions to these forward-looking statements to reflect events or circumstances occurring subsequent to filing this Report with the Securities and Exchange Commission (the SEC). These forward-looking statements are subject to risks and uncertainties, including, without limitation, those discussed in this section and Items 2 and 3 of Part I, as well as in Part II, Item 1A, Risk Factors of this Report, and in Part I, Item 1A, Risk Factors and in Part II, Item 7, Management Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended August 28, 2010. In addition, new risks emerge from time to time and it is not possible for management to predict all such risk factors or to assess the impact of such risk factors on our business. 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:

- current economic, political, and social conditions;
 - general economic conditions in the markets in which the Company operates;
 - changing customer and product mixes;
 - risks associated with acquisitions, including difficulties with integrating acquired businesses;
 - competition;
 - industry consolidation and other changes in the industrial distribution sector;
 - volatility in commodity and energy prices;
 - the outcome of potential government or regulatory proceedings or future litigation;
 - credit risk of our customers;
 - risk of cancellation or rescheduling of orders;
 - work stoppages or other business interruptions (including those due to extreme weather conditions) at transportation centers or shipping ports;
 - risk of loss of key suppliers, key brands or supply chain disruptions;
 - dependence on our information systems; and
 - retention of key personnel.
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(In thousands, except share data)**

	May 28, 2011 (Unaudited)	August 28, 2010
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 136,771	\$ 121,191
Accounts receivable, net of allowance for doubtful accounts of \$6,027 and \$5,489, respectively	257,088	221,013
Inventories	321,859	285,985
Prepaid expenses and other current assets	19,612	20,498
Deferred income taxes	26,270	27,849
Total current assets	761,600	676,536
Property, plant and equipment, net	147,649	143,609
Goodwill	272,041	271,765
Identifiable intangibles, net	44,705	48,751
Other assets	5,723	12,662
Total assets	\$ 1,231,718	\$ 1,153,323
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term notes payable	\$ 42	\$ 39,361
Accounts payable	87,212	81,220
Accrued liabilities	59,355	69,704
Total current liabilities	146,609	190,285
Deferred income taxes and tax uncertainties	75,517	63,158
Total liabilities	222,126	253,443
Commitments and Contingencies		
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; 51,082,818 and 48,380,376 shares issued, and 47,548,246 and 44,851,997 shares outstanding, respectively	51	48
Class B common stock (ten votes per share); \$0.001 par value; 50,000,000	16	18

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shares authorized; 16,400,474 and 17,925,474 shares issued and outstanding, respectively

Additional paid-in capital	434,593	378,315
Retained earnings	729,811	675,968
Accumulated other comprehensive loss	(1,930)	(2,660)
Class A treasury stock, at cost, 3,534,572 and 3,528,379 shares, respectively	(152,949)	(151,809)
Total shareholders' equity	1,009,592	899,880
Total liabilities and shareholders' equity	\$ 1,231,718	\$ 1,153,323

See accompanying notes to condensed consolidated financial statements.

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Condensed Consolidated Statements of Income
(In thousands, except per share data)
(Unaudited)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	May 28, 2011	May 29, 2010	May 28, 2011	May 29, 2010
Net sales	\$ 532,366	\$ 450,381	\$ 1,488,555	\$ 1,230,680
Cost of goods sold	280,804	245,499	793,001	671,064
Gross profit	251,562	204,882	695,554	559,616
Operating expenses	153,428	134,481	439,672	388,303
Income from operations	98,134	70,401	255,882	171,313
Other (Expense) Income:				
Interest expense	(51)	(248)	(211)	(993)
Interest income	12	43	42	137
Other (expense) income, net	(120)	19	(123)	31
Total other expense	(159)	(186)	(292)	(825)
Income before provision for income taxes	97,975	70,215	255,590	170,488
Provision for income taxes	35,889	25,968	96,255	64,172
Net income	\$ 62,086	\$ 44,247	\$ 159,335	\$ 106,316