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We Keep Industry Running

Fiscal Q3 2021 Recap

April 29, 2021

Safe Harbor Statement

This presentation contains statements that are forward-looking, as that term is defined by the Securities and Exchange Commission in its rules, regulations and releases. Applied intends that such forward-looking statements be subject to the safe harbors created thereby. Forward-looking statements are often identified by qualifiers such as “believe,” “expect,” “outlook,” “project” “guidance,” “will” and derivative or similar expressions. All forward-looking statements are based on current expectations regarding important risk factors including trends in the industrial sector of the economy, the effects of the health crisis associated with the COVID-19 pandemic on our business operations, results of operations, and financial condition, and other risk factors identified in Applied's most recent periodic report and other filings made with the Securities and Exchange Commission, many of which risks are amplified by circumstances arising out of the COVID-19 pandemic. Accordingly, actual results may differ materially from those expressed in the forward-looking statements, and the making of such statements should not be regarded as a representation by Applied or any other person that the results expressed therein will be achieved. Applied assumes no obligation to update publicly or revise any forward-looking statements, whether due to new information, or events, or otherwise.

Non-GAAP Financial Measures

This presentation sets forth certain non-GAAP financial measures including Adjusted Earnings per Share (EPS); Adjusted Net Income; Adjusted Gross Margin; Adjusted Selling, Distribution and Administrative (SD&A) Expense; EBITDA; Adjusted EBITDA; Adjusted EBITDA Margin; Free Cash Flow; Net Leverage Ratio - which are presented as supplemental disclosures to Net Income; Cash from Operations; Total Debt Outstanding; and reported results. Management believes these measures are useful indicators for normalizing earnings for non-routine items and facilitating effective evaluation of operating performance. A presentation of the most directly comparable GAAP measure and reconciliations of Adjusted Earnings per Share (EPS); Adjusted Net Income; Adjusted Gross Margin; Adjusted Selling, Distribution and Administrative (SD&A) Expense; EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Free Cash Flow, and Net Leverage Ratio are set forth in the appendix to this presentation.

Primary Messages from Management

- **F3Q21 results reflect solid execution** against an improving industrial backdrop, emerging secular growth tailwinds, and benefits from internal initiatives.
- **Underlying demand strengthened** in F3Q21 with organic daily sales rates up 8% sequentially vs. F2Q21 and above normal seasonal patterns.
- **Order rates and backlog increasing** across fluid power, specialty flow control, and emerging automation offerings.
- **Gross margins expanded YoY and sequentially** reflecting strong channel execution and improving demand conditions.
- **Operational discipline and a leaner cost structure** supporting initial earnings recovery despite the roll off of temporary cost actions.
- **Cash flow remains positive** as strong working capital management and internal initiatives are helping to balance emerging growth requirements.
- **Balance sheet in a strong position** to supplement growth and shareholder returns over the emerging upcycle.

Fiscal Q3 2021 Key Financial Highlights

- **Sales up 1.2% YoY**
  - Up 0.4% on an organic daily basis
  - Acquisitions +1.8%, currency +0.6%, selling days -1.6%

- **Net Income of $56.1M or $1.42 per share**

- **Non-GAAP Adjusted Net Income of $54.1M and Adjusted EPS of $1.37**
  - Excludes, on a pre-tax basis, non-routine income of $2.6M
  - Includes discrete tax benefits related to stock option exercises and income tax credits

- **Gross margin 29.4%, up 43 bps vs. prior year adjusted level of 29.0%**
  - Up 29 bps YoY excluding LIFO expense ($0.8M vs. $2.0M in F3Q20)
  - Up 51 bps sequentially excluding LIFO expense

- **Adjusted SD&A expense 20.9% of sales vs. prior year of 21.9%**
  - Excludes $2.6M of non-routine income in F3Q21
  - Down 6% YoY on an organic basis

- **Adjusted EBITDA of $86.8M, up 14.4% vs. prior year of $75.9M**
  - 10.3% of sales, up 119 bps YoY

Current Investor Discussion Points

Discussion Point	Update	Detail
1. Underlying Demand	• *Improved sequentially through the quarter; seeing greater maintenance, break-fix, and equipment optimization spending, as well as emerging secular demand tailwinds*	• *F3Q21 organic daily sales +0.4% YoY vs. -10.5% in F2Q21, and +8% sequentially vs. a 3Q/2Q average of +2.5% from FY15-FY19*
2. End-Market Trends	• *Demand improvement extending across a greater number of industries relative to F1H21; recovery within heavy industries gaining momentum*	• *17 of top 30 industry verticals up YoY in F3Q21 vs. 10 in F2Q21; strongest trends across food & beverage, aggregates, technology, chemicals, lumber & wood, pulp & paper, and transportation end markets*
3. Inflation & Pricing	• *Supplier price announcements greater in recent months; overall magnitude to date remains manageable and not unusual relative to prior cycle recoveries*	• *Price contribution slightly higher in F3Q21 but still modest (<100 bps); strong track record of managing price/cost and supplier inflation reflecting industry position, internal initiatives, and mix opportunities*
4. Supply Chain	• *Suppliers facing greater supply chain constraints with lead times extending, though impact to AIT remains modest to date; distribution network running smoothly*	• *Position across core verticals, supplier strategy, and localized scale provide supply chain support and share gain opportunities through an upcycle*
5. Near-term Sales Outlook	• *YoY sales growth accelerating into early F4Q21 as prior year pandemic weakness is lapped; broader indicators remain positive including improving heavy-industry demand, backlog, and field commentary*	• *Organic sales month to date in April up ~10% YoY; assuming normal seasonal patterns for the balance of the quarter, expect F4Q21 organic sales to increase 12% to 13% YoY*
6. Incremental Margins	• *Favorable F3Q21 operating leverage reflects strong gross margin execution, cost control, and benefits from a leaner cost structure, which offset the roll-off of temporary cost actions*	• *Adj. EBITDA up 14% YoY; targeting F4Q21 incremental margins in the low double-digit to mid teen range; reiterate average annual incremental margin target of mid to high teens over an upcycle*
7. Capital Deployment	• *Balance sheet and liquidity in strong position; remain balanced but opportunistic given an improving outlook and strategic growth initiatives*	• *Primarily focused on M&A and internal growth investment near term; expect greater working capital requirements and more modest cash flow in F4Q21*
8. Automation Offering	• *Favorable internal and external feedback on our expanding position; focused on next generation solutions tied to robotics, vision, motion, and IIoT technologies*	• *Encouraging organic sales growth in F3Q21; recent ACS and Gibson acquisitions contributed $15M of sales in F3Q21 vs. $10M-$11M target; order activity increasing, pipeline remains active*

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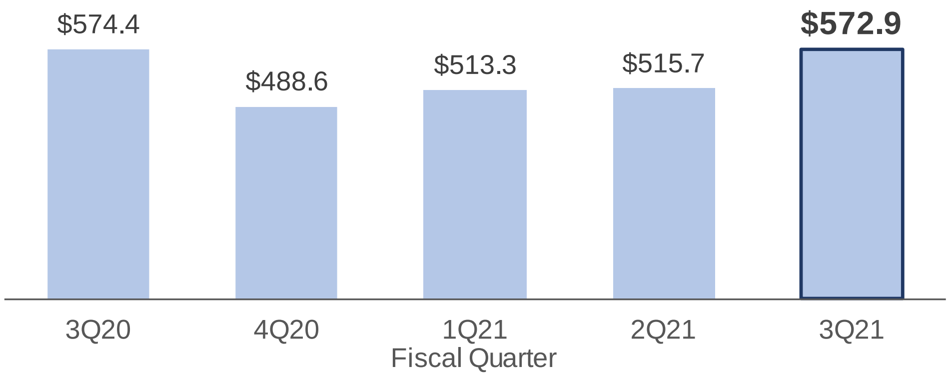
Segment Results – Service Center Based Distribution

Segment Overview: *Representing 69% of fiscal 2020 sales - the segment includes our legacy distribution operations including ~400 local service centers across North America, Australia, and New Zealand, primarily focused on our core bearings, power transmission, and fluid power MRO product offering, as well as other industrial supplies for scheduled maintenance and emergency repairs of customers' machinery and equipment.*

Service Center Distribution Sales, in Millions

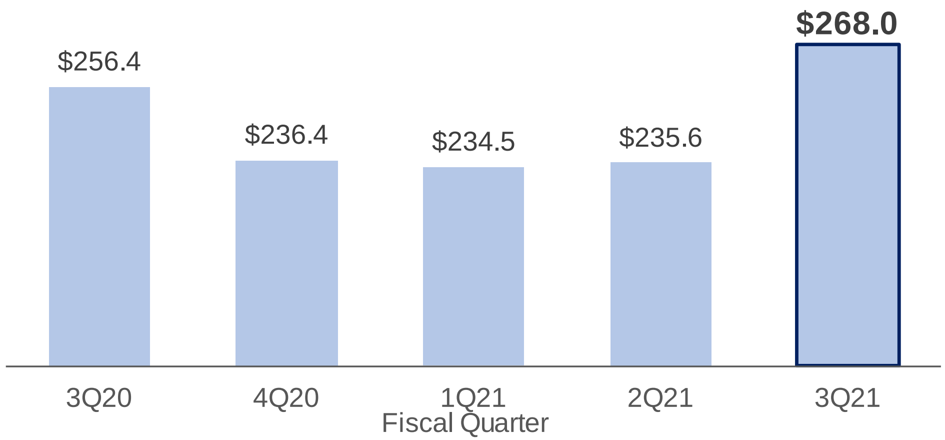


- **Sales down 0.3% YoY in F3Q21**
  - o Organic + 0.4%
  - o Currency + 0.9%
  - o Selling days - 1.6%
- **Organic sales growth emerging reflecting sustained end-market recovery including improving order activity across heavy industrial verticals**
- **Segment daily sales up 18% from the end of FY20; greatest improvement from food & beverage, aggregates, lumber & wood, pulp & paper, and chemicals**
- **Customers gradually increasing production and facility utilization, driving greater break-fix and maintenance activity**
- **Segment operating income of $65.6M in F3Q21**

Segment Results – Fluid Power & Flow Control

<u>Segment Overview</u>: *Representing 31% of fiscal 2020 sales - the segment consists of 1) our Fluid Power network specializing in distributing, engineering, designing, integrating, and repairing hydraulic and pneumatic technologies and related systems, 2) our specialty flow control products and engineered solutions, and 3) our automation products and solutions.*

Fluid Power & Flow Control Sales, in Millions



- **Sales up 4.5% YoY in F3Q21**
  - Organic + 0.2%
  - Acquisitions + 5.9%
  - Selling days - 1.6%
- **Stronger demand across technology, off-highway mobile, life sciences, and chemical industries**
- **Backlog higher YoY and sequentially with greater orders tied to equipment optimization, automation, and technology demand**
- **Segment operating income of $30.8M in F3Q21**

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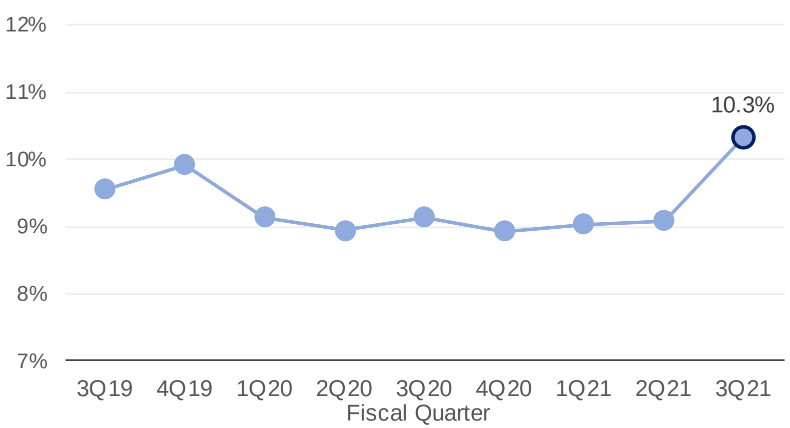
Margin and Expense Highlights

Adjusted Gross Profit, Adjusted SD&A, and Adjusted EBITDA Metrics

$ in millions	Q3 21[1]	Q3 20[2]	Chg YoY	Excluding LIFO Chg YoY
Gross Profit	**$247.2**	$240.7	2.7%	2.2%
Gross Margin	**29.4%**	29.0%	43 bps	29 bps
SD&A Expense	**$175.4**	$181.6	(3.4%)	
% of Sales	**20.9%**	21.9%	101 bps	
EBITDA	**$86.8**	$75.9	14.4%	12.5%
EBITDA Margin	**10.3%**	9.1%	119 bps	105 bps
Memo: LIFO Expense	**$0.8**	$2.0		

Adjusted EBITDA Margin



(1) *Excludes $2.6M of non-routine income in SD&A*
(2) *Excludes $6.0M of non-routine expense ($3.9M in cost of sales and $2.1M in SD&A)*

- **Gross margin up 43 bps YoY**
  - Prior year excludes $3.9M of non-routine costs
  - Excluding LIFO expense, up 29 bps YoY and up 51 bps sequentially
  - Reflects strong channel execution, ongoing margin initiatives, and improving demand
- **Adj. SD&A down 3.4% YoY**
  - Down 6% YoY on an organic basis
  - Reflects strong expense control, operational discipline, and emerging efficiencies
  - Residual temporary cost actions fully restored with related expense largely reflected in F3Q21
- **Adj. EBITDA margin up 119 bps YoY**

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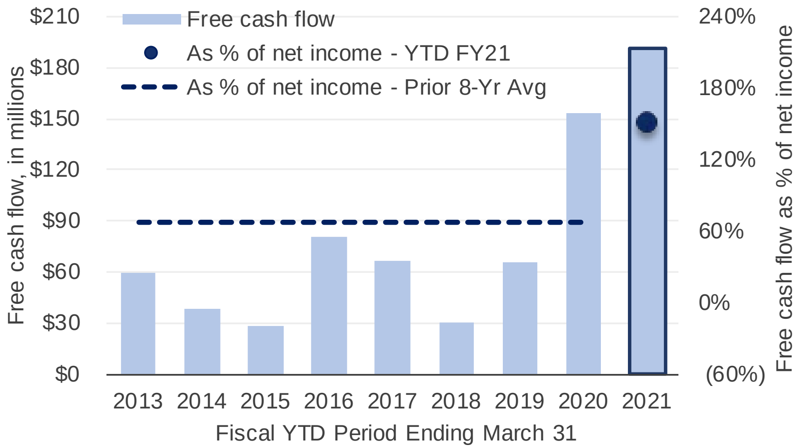
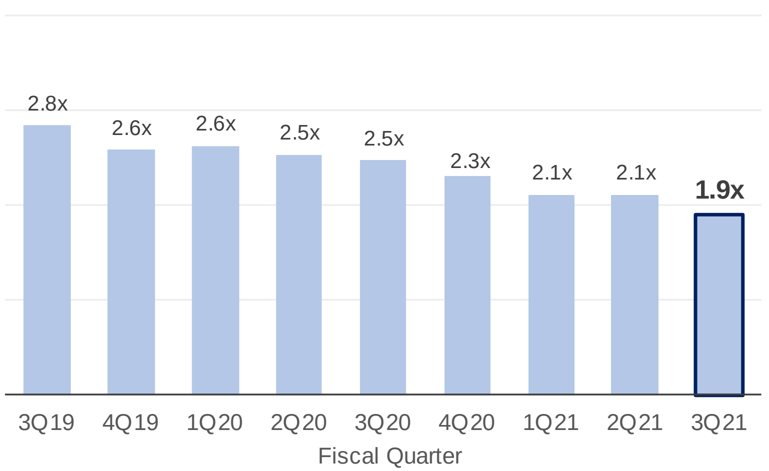
Cash Flow and Balance Sheet Leverage

Free Cash Flow (in Millions) - Fiscal YTD Period



Net Leverage Ratio (Net Debt to Trailing Adjusted EBITDA)



- **F3Q21 cash from operations of $44.1M; free cash of $40.3M**
  - YTD FY21 cash from operations of $203M; free cash of $191M (150% of adj. net income)
  - Ongoing traction with working capital initiatives balancing emerging growth investment
  - Expect reduced free cash generation in F4Q21 as working capital requirements increase

- **Net leverage ratio at 1.9x**
  - Below prior year level of 2.5x and F2Q21 of 2.1x
  - Net debt down 30% YoY
  - Total debt down over $200M since early 2018

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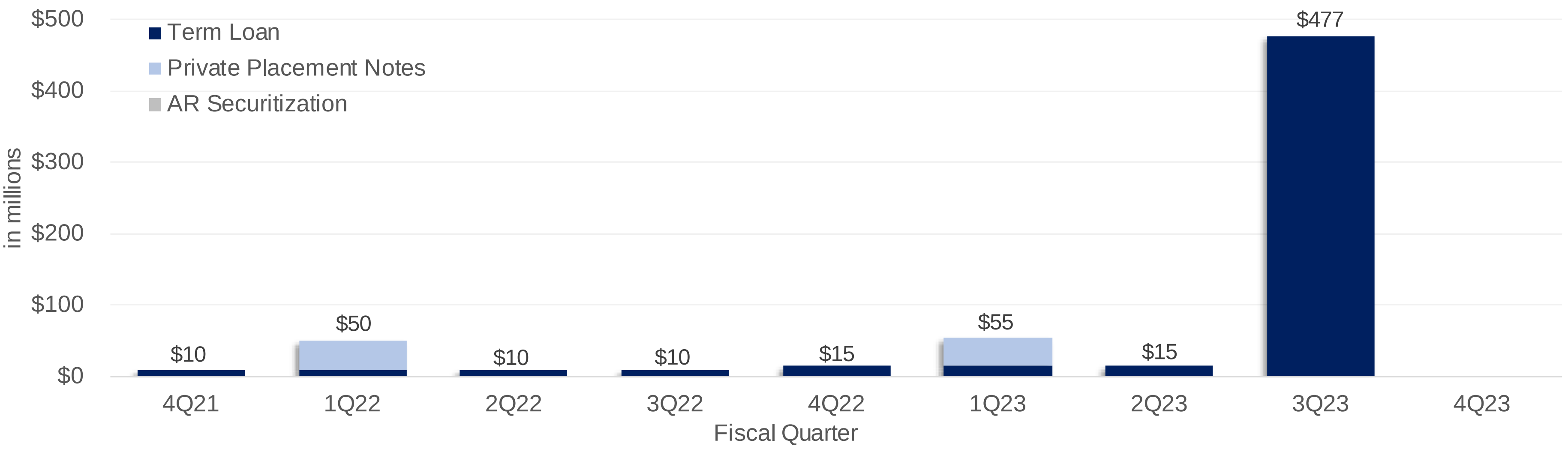
Debt Outstanding and Maturity Schedule, as of 3/31/21

- **$852M of debt outstanding**
  - $548M net of $304M of cash on hand
- **~$250M of available capacity under undrawn revolver**
- **$140M of available capacity on uncommitted shelf facility**
- **$88M of available capacity under AR securitization facility**
  - Extended maturity to 2024 following amendment in late March

Debt Maturity Schedule



Appendix: Number of Selling Days by Fiscal Quarter and Full Year

	Q1	Q2	Q3	Q4	Year
2019	63.0	62.0	63.0	63.5	251.5
2020	64.0	62.0	64.0	63.5	253.5
2021	**64.0**	**62.0**	**63.0**	**63.5**	**252.5**
2022	**64.0**	**61.0**	**64.0**	**63.5**	**252.5**

Appendix: Net Sales and Operating Income by Segment

(dollar amount in thousands)	Three Months Ended March 31 Q3 FY20		Three Months Ended March 31 Q3 FY21	
Service Center Based Distribution Segment:				
Net sales	$	574,368	$	572,892
Operating income	$	53,014	$	65,553
Non-routine costs		5,997		-
Adjusted segment operating income	**$**	**59,011**	**$**	**65,553**
Fluid Power & Flow Control Segment:				
Net sales	$	256,429	$	268,045
Operating income	$	26,449	$	30,829
Non-routine costs		-		-
Adjusted segment operating income	**$**	**26,449**	**$**	**30,829**
Corporate and other expense, net (1)	$	157,413	$	21,915
Intangible and other impairment		131,000		-
Non-routine income		-		(2,609)
Adjusted corporate and other expense, net (1)	**$**	**26,413**	**$**	**24,524**

(1) Includes intangible amortization expense

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Appendix: Reconciliation of Adjusted Net Income and EPS

	Three Months Ended March 31, 2021				
(dollar amount in thousands)	**Pre-tax**	**Tax Effect**	**Net of Tax**	**Per Share Diluted Impact**	**Tax Rate**
Net loss and net loss per share	**$ 68,516**	**$ 12,453**	**$ 56,063**	**$ 1.42**	**18.2%**
Non-routine income	(2,609)	(613)	(1,996)	(0.05)	23.5%
Adjusted net income and net income per share	**$ 65,907**	**$ 11,840**	**$ 54,067**	**$ 1.37**	**18.0%**

Appendix: Reconciliation of Adjusted Gross Margin

(dollar amount in thousands)	**Q3 FY20**	**Q3 FY21**
Net Sales	**$ 830,797**	**$ 840,937**
Gross Profit	236,752	247,225
Non-routine costs in cost of sales	3,900	
Adjusted Gross Profit	$ 240,652	$ 247,225
Adjusted Gross Margin	**29.0%**	**29.4%**

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Appendix: Reconciliation of Adjusted SD&A Expense

(dollar amount in thousands)	Three Months Ended Q3 FY20	Three Months Ended Q3 FY21
SD&A (Operating Expense)	$ 183,702	$ 172,758
Non-routine costs (income)	2,097	(2,609)
Adjusted SD&A (Adjusted Operating Expense)	$ 181,605	$ 175,367

Appendix: Reconciliation of EBITDA and Adjusted EBITDA

(dollar amount in thousands)	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21
Net Income	$ 16,535	$ 39,803	$ 38,799	$ 38,031	$ (82,777)	$ 29,989	$ 34,784	$ (5,334)	$ 56,063
Interest expense, net	9,947	10,187	10,059	9,583	8,805	8,088	7,653	7,658	7,608
Income tax expense	9,283	22,317	12,308	11,346	(2,550)	10,090	10,048	(4,834)	12,453
Depreciation and amortization of property	5,026	5,191	5,223	5,394	5,380	5,199	5,352	5,209	5,080
Amortization of intangibles	9,911	10,060	10,374	10,195	10,048	9,882	9,726	8,276	8,236
EBITDA	**$ 50,702**	**$ 87,558**	**$ 76,763**	**$ 74,549**	**$ (61,094)**	**$ 63,248**	**$ 67,563**	**$ 10,975**	**$ 89,440**
Goodwill & intangible impairment	31,594				131,000			49,528	
Non-routine costs (income)	2,300		1,455		5,997	1,540		7,772	(2,609)
Adjusted EBITDA	**$ 84,596**	**$ 87,558**	**$ 78,218**	**$ 74,549**	**$ 75,903**	**$ 64,788**	**$ 67,563**	**$ 68,275**	**$ 86,831**

Appendix: Reconciliation of Adjusted EBITDA Margin

(dollar amount in thousands)	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21
Net Sales	**$ 885,443**	**$ 882,743**	**$ 856,404**	**$ 833,375**	**$ 830,797**	**$ 725,076**	**$ 747,807**	**$ 751,287**	**$ 840,937**
Adjusted EBITDA	84,596	87,558	78,218	74,549	75,903	64,788	67,563	68,275	86,831
Adjusted EBITDA Margin	**9.6%**	**9.9%**	**9.1%**	**8.9%**	**9.1%**	**8.9%**	**9.0%**	**9.1%**	**10.3%**

Appendix: Reconciliation of Free Cash Flow

	Three Months Ended September 30							
(dollar amount in thousands)	**Q1 FY14**	**Q1 FY15**	**Q1 FY16**	**Q1 FY17**	**Q1 FY18**	**Q1 FY19**	**Q1 FY20**	**Q1 FY21**
Cash provided by Operating Activities	$ 16,956	$ (18,101)	$ 15,090	$ 41,864	$ 9,440	$ 11,797	$ 50,018	$ 81,842
Capital Expenditures	(1,571)	(3,100)	(3,112)	(2,999)	(6,336)	(3,173)	(4,946)	(3,597)
Free Cash Flow	$ 15,385	$ (21,201)	$ 11,978	$ 38,865	$ 3,104	$ 8,624	$ 45,072	$ 78,245

	Three Months Ended December 31							
(dollar amount in thousands)	**Q2 FY14**	**Q2 FY15**	**Q2 FY16**	**Q2 FY17**	**Q2 FY18**	**Q2 FY19**	**Q2 FY20**	**Q2 FY21**
Cash provided by Operating Activities	$ 15,707	$ 19,274	$ 18,355	$ 3,794	$ 11,744	$ 53,783	$ 54,881	$ 77,514
Capital Expenditures	(2,555)	(4,706)	(2,625)	(3,711)	(5,124)	(3,923)	(7,019)	(4,852)
Free Cash Flow	$ 13,152	$ 14,568	$ 15,730	$ 83	$ 6,620	$ 49,860	$ 47,862	$ 72,662

	Three Months Ended March 31							
(dollar amount in thousands)	**Q3 FY14**	**Q3 FY15**	**Q3 FY16**	**Q3 FY17**	**Q3 FY18**	**Q3 FY19**	**Q3 FY20**	**Q3 FY21**
Cash provided by Operating Activities	$ 11,663	$ 38,139	$ 57,416	$ 32,848	$ 26,694	$ 11,586	$ 64,725	$ 44,053
Capital Expenditures	(2,366)	(3,203)	(3,704)	(5,077)	(6,438)	(4,615)	(4,258)	(3,728)
Free Cash Flow	$ 9,297	$ 34,936	$ 53,712	$ 27,771	$ 20,256	$ 6,971	$ 60,467	$ 40,325

	Nine Months Ended March 31							
(dollar amount in thousands)	**YTD FY14**	**YTD FY15**	**YTD FY16**	**YTD FY17**	**YTD FY18**	**YTD FY19**	**YTD FY20**	**YTD FY21**
Cash provided by Operating Activities	$ 44,326	$ 39,312	$ 90,861	$ 78,506	$ 47,878	$ 77,166	$ 169,624	$ 203,409
Capital Expenditures	(6,492)	(11,009)	(9,441)	(11,787)	(17,898)	(11,711)	(16,223)	(12,177)
Free Cash Flow	$ 37,834	$ 28,303	$ 81,420	$ 66,719	$ 29,980	$ 65,455	$ 153,401	$ 191,232

Appendix: Reconciliation of Net Leverage Ratio

(dollar amount in thousands)	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21
Net Income	$ 16,535	$ 39,803	$ 38,799	$ 38,031	$ (82,777)	$ 29,989	$ 34,784	$ (5,334)	$ 56,063
Interest expense, net	9,947	10,187	10,059	9,583	8,805	8,088	7,653	7,658	7,608
Income tax expense	9,283	22,317	12,308	11,346	(2,550)	10,090	10,048	(4,834)	12,453
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EBITDA	$ 50,702	$ 87,558	$ 76,763	$ 74,549	$ (61,094)	$ 63,248	$ 67,563	$ 10,975	$ 89,440
Goodwill & intangible impairment	31,594				131,000			49,528	
Non-routine costs	2,300		1,455		5,997	1,540		7,772	(2,609)
Adjusted EBITDA	$ 84,596	$ 87,558	$ 78,218	$ 74,549	$ 75,903	$ 64,788	$ 67,563	$ 68,275	$ 86,831
Trailing 4-Quarter EBITDA	330,125	330,682	326,420	324,921	316,228	293,458	282,803	276,529	287,457
Current portion of long-term debt	$ 44,163	$ 49,036	$ 93,912	$ 73,771	$ 78,642	$ 78,646	$ 78,651	$ 78,638	$ 78,644
Long-term debt	937,536	908,850	859,172	874,423	864,758	855,143	792,827	783,076	773,404
Total Debt	$ 981,699	$ 957,886	$ 953,084	$ 948,194	$ 943,400	$ 933,789	$ 871,478	$ 861,714	$ 852,048
Cash	47,367	108,219	98,204	128,149	165,464	268,551	271,060	288,775	304,016
Net Debt	$ 934,332	$ 849,667	$ 854,880	$ 820,045	$ 777,936	$ 665,238	$ 600,418	$ 572,939	$ 548,032
Net Leverage Ratio	**2.8**	**2.6**	**2.6**	**2.5**	**2.5**	**2.3**	**2.1**	**2.1**	**1.9**

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