Fiscal Q1 2023 Recap

October 27, 2022

- The Premier Provider of Advanced Motion, Power, Control, & Automation Solutions to Critical Industrial Infrastructure -

Safe Harbor Statement

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Non-GAAP Financial Measures

This presentation sets forth certain non-GAAP financial measures including EBITDA; Adjusted EBITDA; 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 EBITDA; Adjusted EBITDA; Free Cash Flow; Net Leverage Ratio are set forth in the appendix to this presentation.

Primary Messages from Management

- **Reported solid F1Q23 performance with organic sales up over 19% and EPS up 45%**; reflects favorable industry position and strong execution within a still challenging and uncertain operating environment.
- **Underlying demand remains firm across both segments;** structural and secular tailwinds across U.S. industrial manufacturing markets, and company-specific growth opportunities providing support.
- **Renamed Fluid Power & Flow Control segment to “Engineered Solutions”**; segment YoY organic sales growth accelerated to 18% in F1Q23 vs. 14% in F4Q22, and against 17% growth in the prior-year period.
- **Gross margins expanded YoY** reflecting solid channel execution and ongoing counter measures to offset inflationary and supply chain headwinds.
- **Efficiency gains and operational discipline providing ongoing support** to controlling costs and driving solid operating leverage and EBITDA margin expansion.
- **Raising fiscal 2023 guidance** following strong F1Q23 performance; remain mindful of broader macro uncertainty and potential slower industrial activity industry-wide as fiscal 2023 plays out.

Fiscal Q1 2023 Key Financial Highlights

- **Sales up 19.1% YoY**
  - Up 19.4% on an organic basis
  - Acquisitions +0.2%, currency -0.5%

- **Net Income of $76.9M and EPS of $1.97**
  - EPS up 45.0% from prior year of $1.36
  - Includes $9.1M pre-tax ($0.18/sh) of LIFO expense in F1Q23 vs. $3.6M ($0.07/sh) in F1Q22

- **Gross margin 28.9%, up 24 bps vs. prior year of 28.6%**
  - Includes an unfavorable 52 bps YoY impact due to higher LIFO expense

- **SD&A expense 18.8% of sales vs. prior year of 20.3%**
  - Up 11.0% YoY on an organic, constant currency basis

- **EBITDA of $118.7M, up 34.2% vs. prior year of $88.5M**
  - Includes a net $5.5M unfavorable YoY impact due to higher LIFO expense
  - 11.2% EBITDA margin up 125 bps YoY including an unfavorable 52 bps YoY impact due to higher LIFO expense

- **Operating cash flow of $25.9M; free cash flow of $20.4M**
  - Inclusive of growth-focused working capital investment and seasonality

Current Investor Discussion Points

Discussion Point	Update	Detail
1. Underlying Demand	• *Demand remains firm with few signs of slowing to date; spending on break-fix MRO and engineered solutions supported by structural and secular tailwinds across the industrial sector*	• *F1Q23 organic sales up over 19% YoY, and over 20% vs. pre-pandemic levels; average daily sales slightly lower vs. F4Q22, but modestly above normal seasonality; Oct to date up by ~20% YoY*
2. End-Market Trends	• *Breadth of positive growth remains wide and constructive; some normalization in the rate of growth sequentially in select markets vs. robust FY22 levels*	• *27 of top 30 industry verticals up YoY in F1Q23; strongest growth across food & beverage, pulp & paper, metals, energy, refineries, lumber & wood, and machinery*
3. Inflation & Pricing	• *Inflationary pressures persisting with ongoing supplier price increases, though number of price increase announcements moderating from elevated FY22 levels, as expected*	• *LIFO expense of $9.1M in F1Q23 vs. $3.6M in F1Q22 represented a 52 bps headwind on margins during the quarter; price contributed ~500 bps to YoY sales growth in F1Q23, similar to F4Q22 levels*
4. Supply Chain	• *Supply chain challenges remain with modest signs of improvement to date; greater customer supply chain requirements and investments position Applied well over the medium to long term*	• *Customers focused on reinforcing and investing in supply chains to maximize reliability; component lead times remain a modest headwind to Engineered Solutions segment sales growth*
5. Operating Costs	• *Sustaining strong cost leverage despite ongoing inflationary headwinds reflecting enhanced internal processes and operational efficiencies from system investments and shared services model*	• *F1Q23 incremental EBIT margins at ~19% including YoY LIFO expense headwinds; SD&A expense up 11% YoY vs. a 19% YoY sales increase, and at record 1Q lows as a percent of sales*
6. Updated FY23 Outlook	• *Strong F1Q23 performance balanced by ongoing economic uncertainty, and the potential for normalizing growth rates in coming quarters following recent robust levels*	• *Updated FY23 organic sales guidance of 6% to 10% (prior 3% to 7%) assumes slowing underlying sales trends as the year progresses given current macro uncertainty, particularly in F2H23*
7. Interest Rates & Fx	• *Impact from rising interest rates primarily "indirect" around broader macro dynamics; U.S. centric operating model (87% of sales) limits direct foreign currency impact on earnings*	• *Net leverage at 1.1x; fixed interest rate on over 70% of outstanding debt as of 9/30/22; updated FY23 guidance assumes a ~1% YoY sales growth headwind from foreign currency translation*

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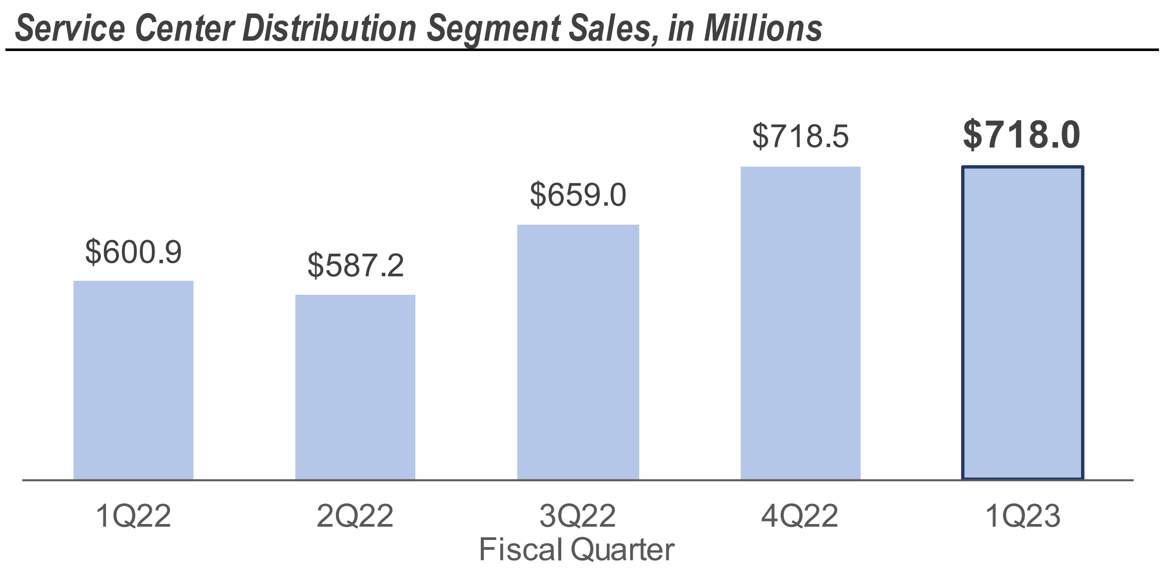
Segment Results – Service Center Based Distribution

Segment Overview: *Representing 67% of fiscal 2022 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 repairs of customers' machinery, equipment, and facilities*

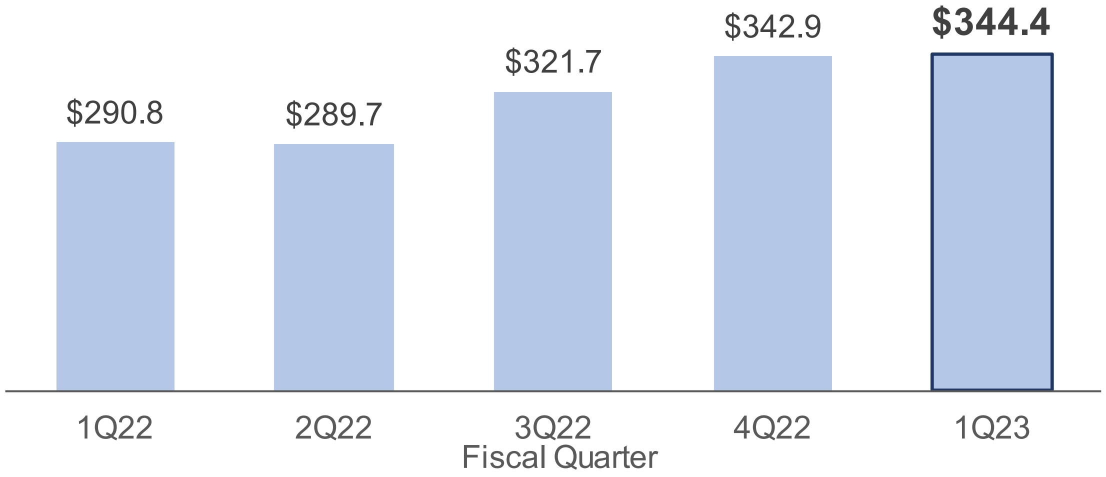


- **Sales up 19.5% YoY in F1Q23**
  - Organic + 20.3%
  - Currency - 0.8%
- Segment benefiting from favorable break-fix MRO activity, sales process initiatives, and ongoing pricing actions; secular growth and supply chain investments across U.S. manufacturing sector providing support
- Strongest growth across food & beverage, mining, metals, pulp & paper, energy, aggregates, lumber & wood, and transportation
- Segment operating income of $88.8M in F1Q23

Segment Results – Engineered Solutions *(previously named Fluid Power & Flow Control)*

Segment Overview: *Representing 33% of fiscal 2022 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 advanced automation products and solutions.*

Engineered Solutions Segment Sales, in Millions



- **Sales up 18.4% YoY in F1Q23**
  - Organic + 17.8%
  - Acquisitions + 0.6%
- Growth most favorable across mining, metals, agriculture, chemicals, technology, food & beverage, and machinery markets; partially balanced by supply chain bottlenecks and component lead times
- Segment backlog remains firm with some moderation in order growth rates in recent months as expected, though no material signs of order cancellations or spending deferrals
- Segment operating income of $45.5M in F1Q23

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Fiscal Q1 2023 Margin and Expense Highlights

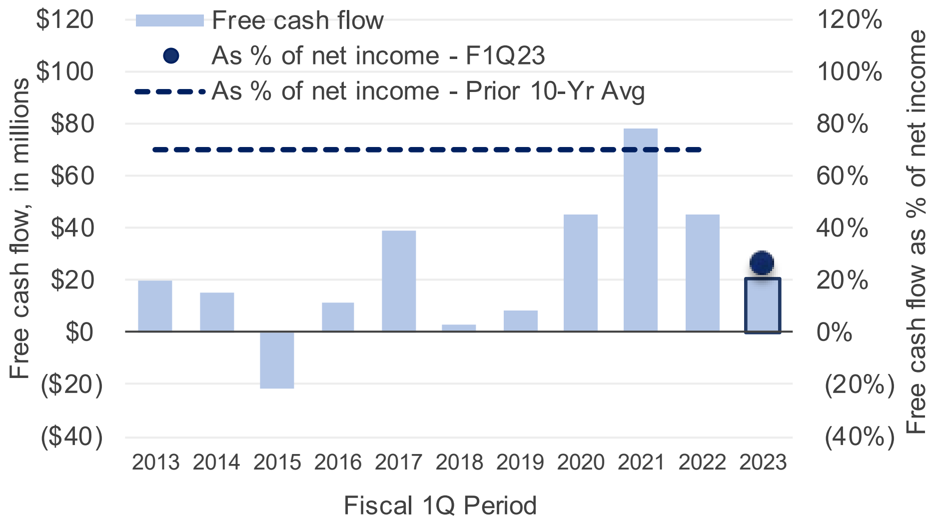
Gross Profit, SD&A, and EBITDA Metrics

$ in millions	**Q1 23**	**Q1 22**	**Chg YoY**	***LIFO Impact YoY***
Gross Profit	**$306.8**	$255.3	20.1%	*(2.1%)*
Gross Margin	**28.9%**	28.6%	24 bps	*(52) bps*
SD&A Expense	**$200.3**	$180.7	10.8%	
% of Sales	**18.8%**	20.3%	142 bps	
EBITDA	**$118.7**	$88.5	34.2%	*(6.2%)*
EBITDA Margin	**11.2%**	9.9%	125 bps	*(52) bps*
<u>Memo:</u>				
LIFO Expense	**$9.1**	$3.6		

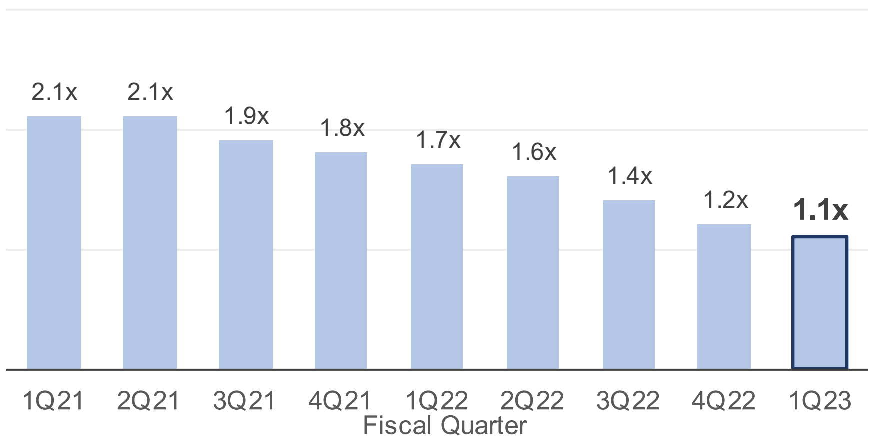
- **Gross margin up 24 bps YoY**
  - Includes an unfavorable 52 bps YoY impact due to LIFO
  - Price actions, channel execution, effective freight management, and ongoing margin initiatives providing support
- **SD&A expense up 10.8% YoY**
  - 18.8% of sales vs. 20.3% in the prior-year period
  - Reflects strong expense control, operational discipline, and efficiency gains
- **EBITDA margin of 11.2% up 125 bps YoY**
  - Includes an unfavorable 52 bps YoY impact due to LIFO

Cash Flow and Balance Sheet

Free Cash Flow (in Millions) - Fiscal 1Q Period



Net Leverage Ratio (Net Debt to Trailing Adjusted EBITDA)



- **F1Q23 cash from operations of $25.9M; free cash of $20.4M**
  - Free cash at 26.5% of net income
  - Inclusive of working capital growth investment and seasonality
- **Net leverage ratio at 1.1x as of September 30, 2022**
  - Below prior-year level of 1.7x
  - Total debt down ~40% since early 2018
- **Strong balance sheet capacity to support growth** *(as of 9/30/22)*
  - $148M of cash on hand
  - $490M of available capacity under revolver
    - Additional $500M accordion option available
  - $220M of available capacity on uncommitted shelf facility
  - $62M of available capacity under AR securitization facility

Fiscal 2023 Guidance

Fiscal 2023 Guidance

	Prior (8/11/22)			**Current (10/27/22)**		
Total Sales - YoY % change	3%	-	7%	**5%**	**-**	**9%**
EBITDA Margin	10.8%	-	11.1%	**10.9%**	**-**	**11.2%**
Diluted EPS	$6.65	-	$7.30	**$6.90**	**-**	**$7.55**
Additional Assumptions:						
Depreciation & amortization expense	$53	-	$54	$53	-	$54
Interest & other expense	$28	-	$29	$30	-	$31
Effective tax rate	22.5%	-	23.5%	22.5%	-	23.5%

Updated Considerations:

- Organic sales growth of 6% to 10% excluding a projected ~100 bps headwind from foreign currency translation
- Slowing growth industry wide as the year progresses considering macro headwinds and general uncertainty
- Support from favorable industry position, end-market mix, internal initiatives, new growth opportunities, and price contribution
- Expect low to mid-teen YoY organic sales growth in F2Q23
- Persisting inflationary and supply chain headwinds
    - Ongoing YoY LIFO expense headwinds near term
- Excludes potential incremental M&A contribution

Note: $ amount in millions except EPS.

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

Fiscal Period	Q1	Q2	Q3	Q4	Year
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
2023	**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 September 30 Q1 FY22	Q1 FY23
Service Center Based Distribution Segment:		
Net sales	$ 600,871	$ 717,988
Operating income	**$ 64,653**	**$ 88,809**
Egineered Solutions Segment:		
Net sales	$ 290,810	$ 344,417
Operating income	**$ 34,805**	**$ 45,534**
Corporate and other expense, net (1)	$ 24,844	$ 27,811

Note: (1) Includes intangible amortization expense.

Appendix: Reconciliation of EBITDA

(dollar amount in thousands)	Three Months Ended September 30 Q1 FY22	Q1 FY23
Net Income	**$ 52,969**	**$ 76,880**
Interest expense, net	7,390	6,480
Income tax expense	14,567	22,164
Depreciation and amortization of property	5,427	5,481
Amortization of intangibles	8,121	7,705
EBITDA	**$ 88,474**	**$ 118,710**

Appendix: Reconciliation of EBITDA Margin

(dollar amount in thousands)	Three Months Ended September 30 Q1 FY22	Three Months Ended September 30 Q1 FY23
Net Sales	**$ 891,681**	**$ 1,062,405**
EBITDA	88,474	118,710
EBITDA Margin	**9.9%**	**11.2%**

Appendix: Reconciliation of Free Cash Flow

	Three Months Ended September 30										
(dollar amount in thousands)	**Q1 FY13**	**Q1 FY14**	**Q1 FY15**	**Q1 FY16**	**Q1 FY17**	**Q1 FY18**	**Q1 FY19**	**Q1 FY20**	**Q1 FY21**	**Q1 FY22**	**Q1 FY23**
Cash provided by Operating Activities	$ 23,947	$ 16,956	$ (18,101)	$ 15,090	$ 41,864	$ 9,440	$ 11,797	$ 50,018	$ 81,842	$ 48,642	$ 25,943
Capital Expenditures	(3,892)	(1,571)	(3,100)	(3,112)	(2,999)	(6,336)	(3,173)	(4,946)	(3,597)	(3,621)	(5,554)
Free Cash Flow	**$ 20,055**	**$ 15,385**	**$ (21,201)**	**$ 11,978**	**$ 38,865**	**$ 3,104**	**$ 8,624**	**$ 45,072**	**$ 78,245**	**$ 45,021**	**$ 20,389**

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Appendix: Reconciliation of Net Leverage Ratio

(dollar amount in thousands)	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23
Net Income	$ 34,784	$ (5,334)	$ 56,063	$ 59,244	$ 52,969	$ 57,026	$ 68,306	$ 79,113	$ 76,880
Interest expense, net	7,653	7,658	7,608	7,673	7,390	7,007	5,852	6,014	6,480
Income tax expense	10,048	(4,834)	12,453	14,638	14,567	15,013	21,216	21,580	22,164
Depreciation and amortization	5,352	5,209	5,080	5,139	5,427	5,436	5,352	5,461	5,481
Amortization of intangibles	9,726	8,276	8,236	8,127	8,121	8,084	7,891	7,783	7,705
EBITDA	**$ 67,563**	**$ 10,975**	**$ 89,440**	**$ 94,821**	**$ 88,474**	**$ 92,566**	**$ 108,617**	**$ 119,951**	**$ 118,710**
Goodwill & intangible impairment		49,528							
Non-routine costs (income)		7,772	(2,609)						
Adjusted EBITDA	**$ 67,563**	**$ 68,275**	**$ 86,831**	**$ 94,821**	**$ 88,474**	**$ 92,566**	**$ 108,617**	**$ 119,951**	**$ 118,710**
Trailing 4-Quarter EBITDA	**282,803**	**276,529**	**287,457**	**317,490**	**338,401**	**362,692**	**384,478**	**409,608**	**439,844**
Current portion of long-term debt	$ 78,651	$ 78,638	$ 78,644	$ 43,525	$ 88,401	$ 40,182	$ 40,166	$ 40,174	$ 181
Long-term debt	792,827	783,076	773,404	784,855	730,307	681,266	681,197	649,150	649,103
Total Debt	$ 871,478	$ 861,714	$ 852,048	$ 828,380	$ 818,708	$ 721,448	$ 721,363	$ 689,324	$ 649,284
Cash	271,060	288,775	304,016	257,745	247,313	154,843	188,084	184,474	147,575
Net Debt	$ 600,418	$ 572,939	$ 548,032	$ 570,635	$ 571,395	$ 566,605	$ 533,279	$ 504,850	$ 501,709
Net Leverage Ratio	**2.1**	**2.1**	**1.9**	**1.8**	**1.7**	**1.6**	**1.4**	**1.2**	**1.1**