



APPLIED

Industrial Technologies®

We Keep Industry Running

Investor Presentation

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,” “target,” “objectives,” “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 (such as the inflationary environment and supply chain strains), 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 - Adjusted Gross Margin; 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 Gross Margin, EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Free Cash Flow, and Net Leverage Ratio are set forth in the appendix to this presentation.



Strategic Focus on

Technical Products & Solutions

~80% of Sales Generated From #1 or #2 Market Positions



Bearings & Power Transmission



Fluid Power



Process Flow Control



Advanced Automation

We Are One of the Largest Distributors and Solution Providers of Industrial Motion, Power, Control, & Automation Technologies

\$3.8B

Revenue

\$410M

EBITDA

\$5B

Market Cap

8.5M

Accessible
Products SKUs

3,200+

Customer Facing
Associates

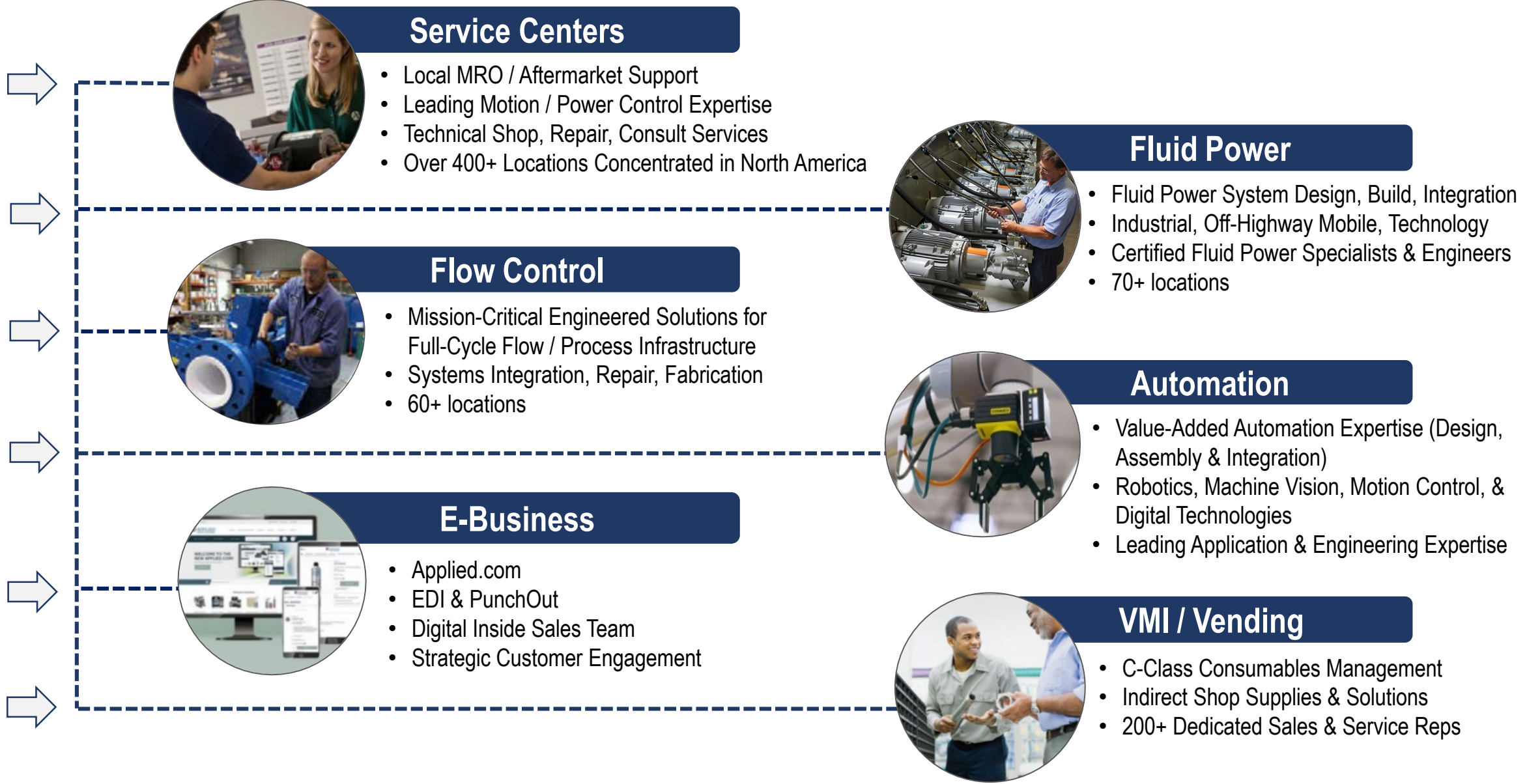
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Service
Facilities

Headquartered in Cleveland, Ohio

Notes: 1) Revenue and EBITDA based on reported fiscal 2022

Industrial Customer





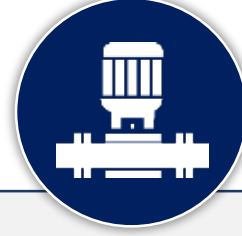
**Power
Transmission**



**Bearings,
Linear, Seals**



Fluid Power



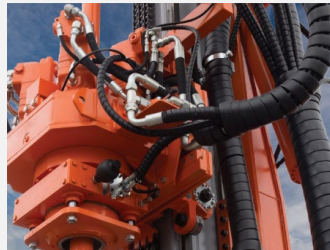
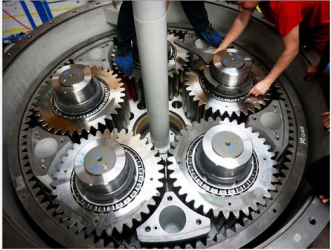
Flow Control



**Advanced
Automation**



**General MRO;
Hose Products**



We Are
AppliedSM

**Industrial Motion, Fluid Power, Flow Control,
Automation, Maintenance Supplies**



Customer Application / Cross-Sell Potential of Applied® Products & Solutions

Service Centers

Mounted bearings, gearing, & couplings for processing equipment & machinery break-fix applications



Service Centers

Fluid power MRO supplies, including cylinders, valves, & hoses to support regular maintenance on core systems



Specialty Flow Control

Pumps, valves, instrumentation, hoses, & filtration to ensure precise control of pressure, temperature, levels, flow, & product quality across process lines



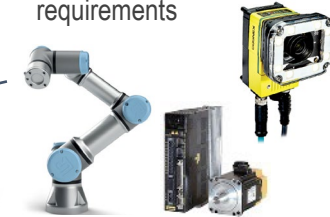
Service Centers

Maintenance & repair on belting, pulleys, & clutches for conveying & movement of processed materials & end-product



Automation Solutions

Collaborative robots, motion control, & machine vision for finishing, packaging, quality inspection, & other automation requirements



Fluid Power

Design & build hydraulic power units for single machine or central plant power requirements



Specialty Flow Control

Steam specialties, heat exchangers, valves, instruments, & pumps to control plant utilities for improved energy conservation & waste management



Indirect Consumable Supply Solutions

VMI, vending, & storeroom technology solutions in support of MRO consumable supplies within back office, administrative & support areas



Fluid Power

Design & build automated pneumatic systems that control / move product to various fill & weigh stations



Smart Solutions (IIoT)

Sensors, machine vision, & industrial networking in support of remote monitoring, maintenance analysis, & operational insights



Automation Solutions

Design, engineer, & build automated systems used for moving, weighing, sorting, processing & cleaning product



Primary Supplier Partners



ENGINEERING
TOMORROW



PUMP SOLUTIONS GROUP
A DOVER COMPANY

ENGINEERING
TOMORROW



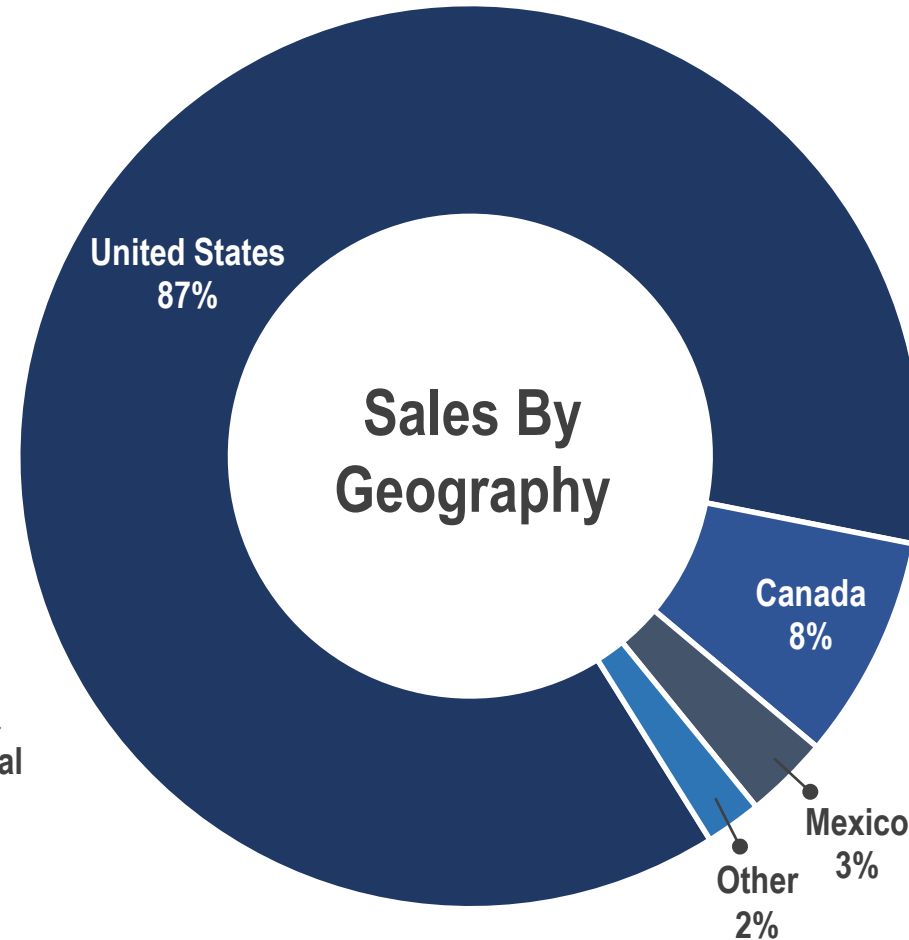
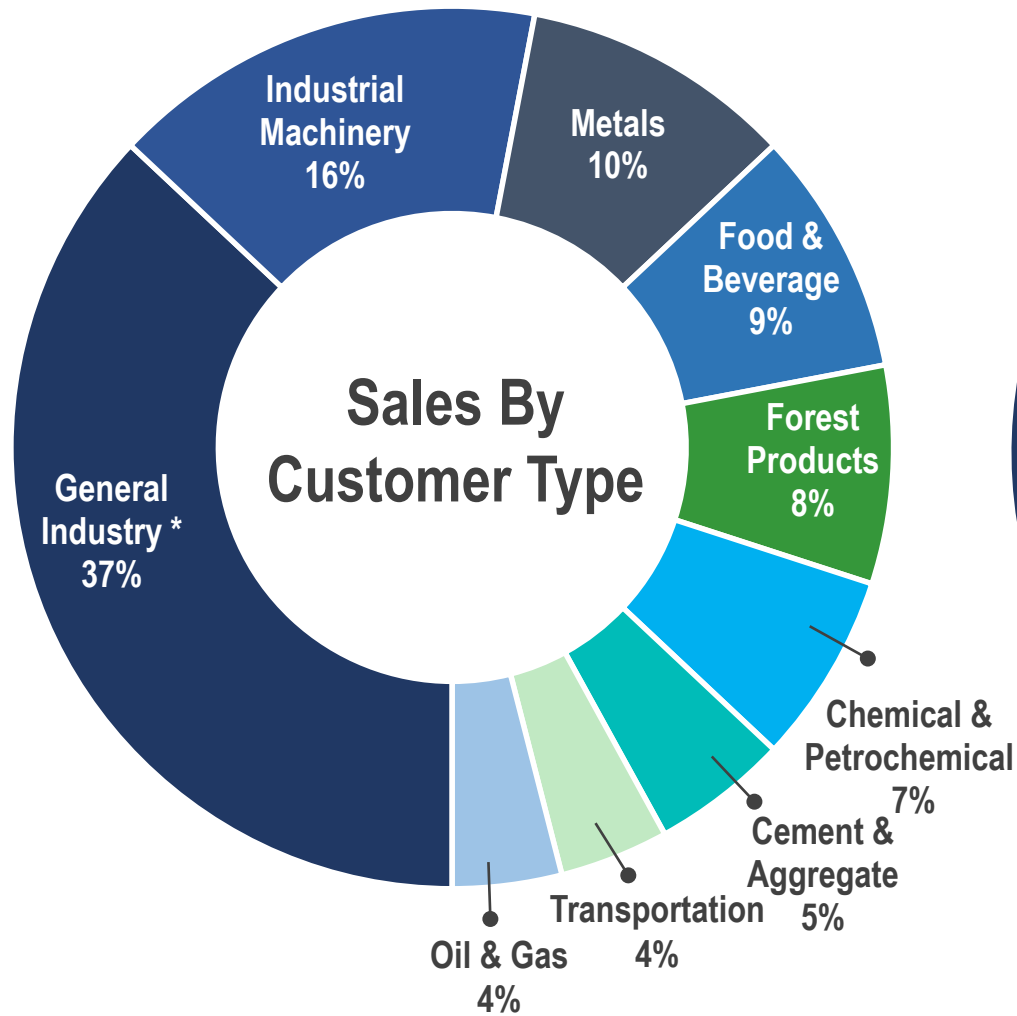
ITT



Sumitomo Drive Technologies

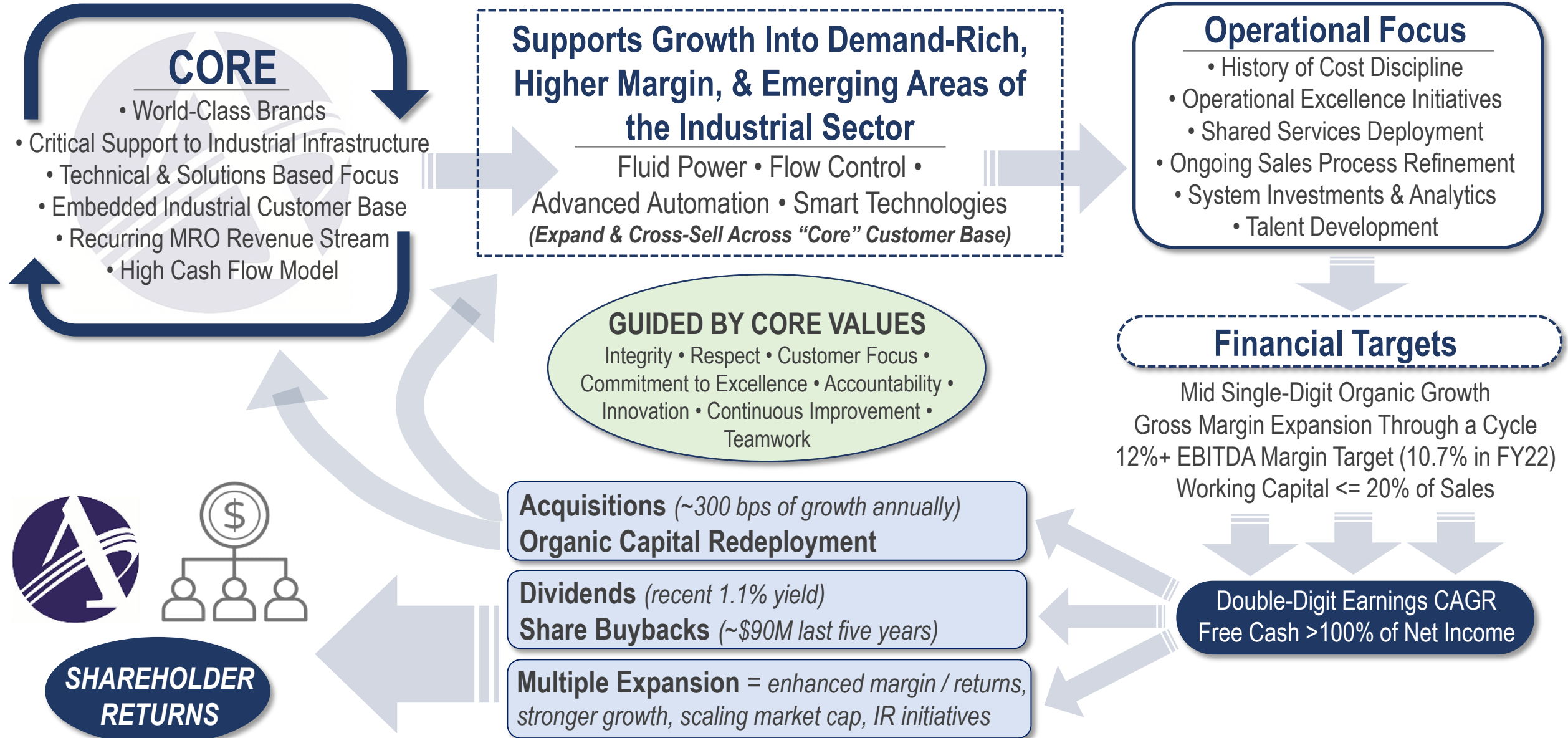


Customer & Geographic Exposure



* General Industry includes all other industries representing 4% or less of sales; includes Utilities, Rubber & Plastics, Construction, Technology, Agriculture, Automotive, and Life Sciences; Based on fiscal 2022 sales

Diverse Customer Base Focused Primarily Within North America



Durable & Adaptable Business Model Positioned to Unlock Shareholder Value Long Term

Our products & solutions are increasingly critical across the industrial supply chain...

- **Break / Fix Demand:** Structurally higher given greater production and capacity utilization on aged manufacturing infrastructure across North America.
- **Customer Outsourcing of Technical Needs:** Greater focus on addressing skilled labor constraints and needing qualified providers to support growth.
- **Industrial Facility Optimization:** Greater focus on plant floor optimization / automation and equipment maintenance as supply chains de-risk.
- **Compliance and Regulatory Requirements:** More stringent facility and equipment standards driving increased technical MRO needs and capex.
- **Manufacturing Reshoring:** Greater customer push to diversify production concentration and reduce risks inherent in long-distance supply chains.
- **Demand for Next Generation Industrial Solutions:** Evolving production strategies and re-prioritizing investments in automation and IIoT.
- **Industry Consolidation:** Acceleration of market share toward leading distributors given greater operational, supply chain, and capital requirements.

...while our operational platform and internal capabilities have never been stronger

- **Expanded & Enhanced Offerings:** Fluid Power, Flow Control, Automation, Consumables
- **Cross-Sell Opportunity:** Leveraging Legacy Service Center Network, Strategic Accounts
- **Greater Technical Focus:** Expansion of Fluid Power, Flow Control, Automation, IIoT Solutions
- **Enhanced Systems & Processes:** Established ERP, Analytics, Sales Tools & Processes, HR / Talent
- **Operational Excellence:** Strong Learning Foundation, Integrated Strategy, Greater Shared Services Deployment
- **Enhanced Digital Platform:** Applied.com, EDI, PunchOut, Inside Sales Team



Current Investor Discussion Points – Q2 FY23

Discussion Point

Update

Detail

1. Underlying Demand



- Strong sales growth trends through F2Q23 reflecting a productive U.S. manufacturing backdrop, as well as ongoing traction with growth initiatives and backlog support

- F2Q23 YoY organic sales growth over 21% vs. 19% in F1Q23; average daily sales up 4% on an organic basis vs. F1Q23 and above normal seasonality; Jan to date up by a low-twenty percent YoY

2. End-Market Trends



- Breadth of growth remains favorable, particularly when considering difficult prior-year comparisons; some slowing in select markets, but customer feedback remains fairly positive

- 25 of top 30 industry verticals up YoY in F2Q23; strongest growth across food & beverage, pulp & paper, fabricated metals, energy, aggregates, and mining

3. Inflation & Pricing



- Inflationary pressures persisting with ongoing supplier price increases, though number of price increase announcements continues to moderate from elevated FY22 levels, as expected

- LIFO expense of \$8.9M in F2Q23 vs. \$4.7M in F2Q22 represented a 39 bps YOY headwind on margins during the quarter; estimated pricing contribution to YoY sales growth in F2Q23 was in the mid single digits, relatively similar to F1Q23 levels

4. Growth Tailwinds



- Growth profile more resilient and favorable vs. prior cycles reflecting a diverse mix of growth tailwinds tied to our channel strategy, business evolution in recent years, and internal initiatives

- Influenced by our technical industry position, more diversified end-market mix, exposure to secular tailwinds (U.S. manufacturing investments, reshoring, infrastructure) and government stimulus, ongoing automation build out, and sales force initiatives

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

- F2Q23 incremental EBIT margins at ~19% including YoY LIFO expense headwinds; SD&A expense up 9% YoY vs. a 21% YoY sales increase, and at record lows as a percent of sales

6. Fiscal 2H23 Outlook



- Strong F1H23 performance supporting improved F2H23 outlook relative to prior expectations; balanced by ongoing economic uncertainty, normalizing order rates, more difficult comparisons, and sustained inflationary pressures near term

- Increasing FY23 organic sales growth guidance to 13% to 15% (prior 6% to 10%); assumes F2H23 YoY organic sales growth in the high single digits at the mid-point of guidance

7. Capital Allocation



- Balance sheet and liquidity in solid position to support growth initiatives and shareholder returns; M&A remains priority with an increasingly active pipeline across focus areas

- Net leverage at 1.0x; expect stronger free cash generation going forward; announced acquisition of Automation, Inc. in early Nov 2022; increased quarterly dividend for the 14th time since 2010



Fiscal 2023 Guidance

	Prior (10/27/22)	Current (1/26/23)
Total Sales - YoY % change	5% - 9%	13% - 15%
EBITDA Margin	10.9% - 11.2%	11.5% - 11.7%
Diluted EPS	\$6.90 - \$7.55	\$8.10 - \$8.50
Additional Assumptions:		
Depreciation & amortization expense	\$53 - \$54	\$53 - \$54
Interest & other expense	\$30 - \$31	\$28 - \$29
Effective tax rate	22.5% - 23.5%	22.5% - 23.5%

Updated Considerations:

- Current guidance assumes sales growth at 13% to 15%
 - Similar range on an organic basis as ~50 bps of M&A contribution is offset by foreign currency headwinds
- Assumes high single digit YoY organic sales growth in F2H23 at the mid-point of guidance on difficult comparisons
- Expect slower growth industry wide into F2H23 considering macro headwinds, general uncertainty, and slowing order rates
- Support from favorable industry position, end-market mix, internal initiatives, and new growth opportunities
- F3Q23 assumptions:
 - Sales up by a low to mid-teen percent YoY
 - Gross margins relatively unchanged sequentially
 - Incremental margins at a mid-teen percent
 - Includes considerations tied to annual merit pay increase (Jan 1), ongoing inflationary pressures, and slower sales growth

Historical Financial Highlights

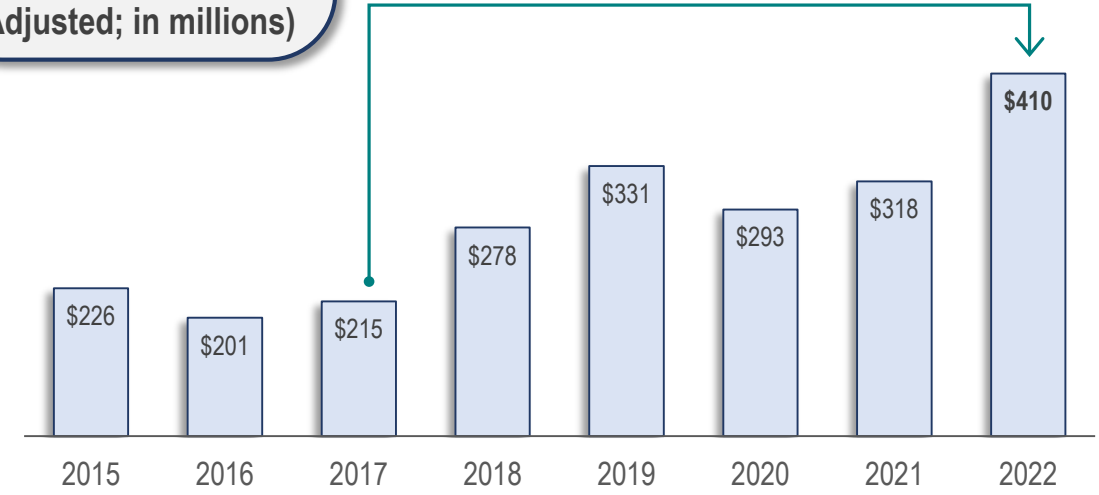
Net Sales (in billions)

8% Five-Year CAGR (2017-2022)



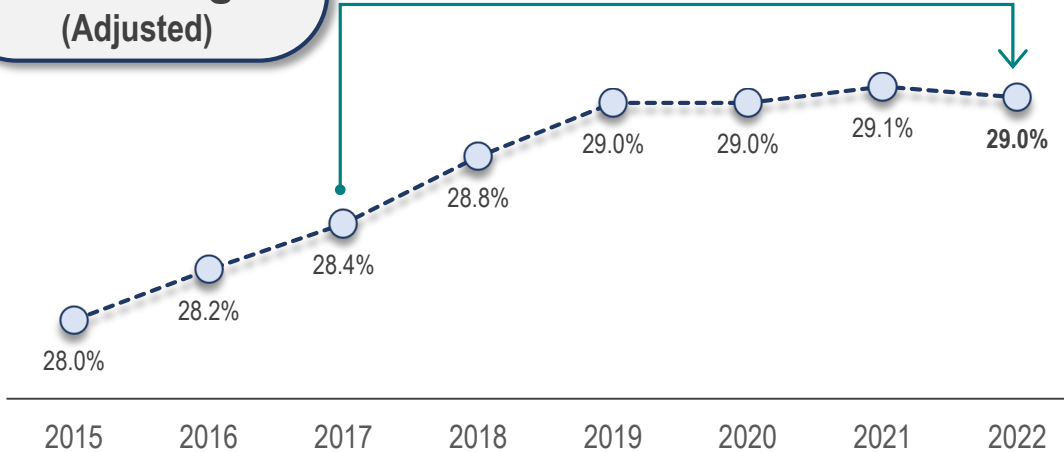
EBITDA (Adjusted; in millions)

14% Five-Year CAGR (2017-2022)



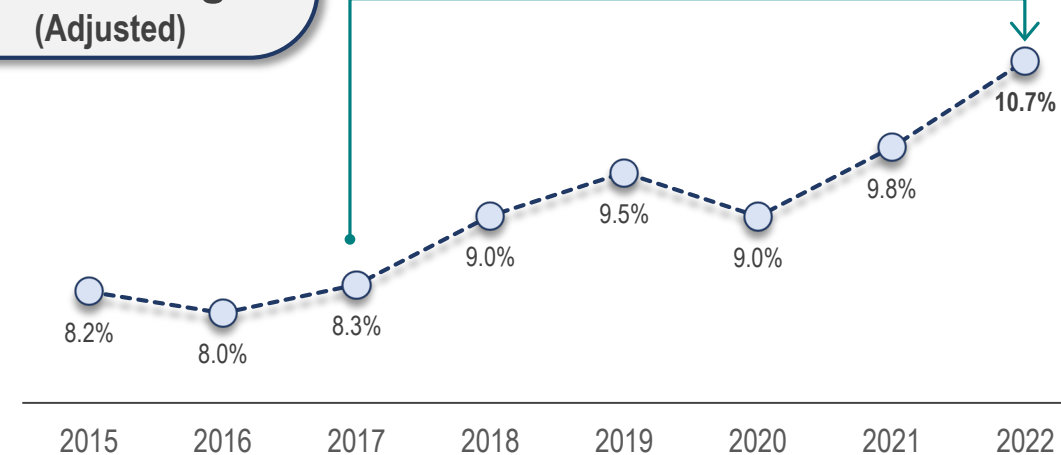
Gross Margins (Adjusted)

Up 60 bps Since 2017



EBITDA Margins (Adjusted)

Up 240 bps Since 2017

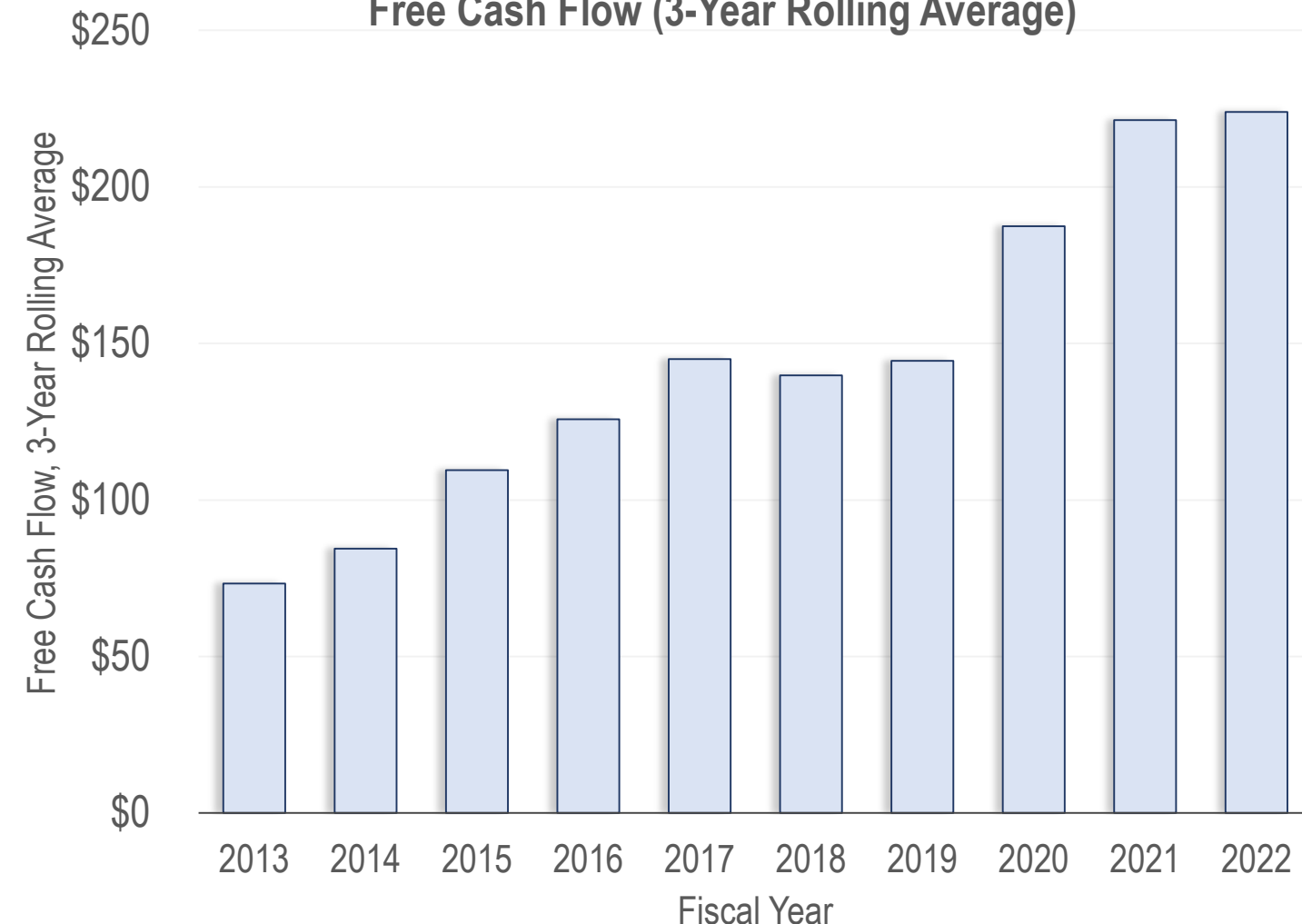


Note: Represents fiscal years ending June 30

Track Record of Financial Resiliency, Accelerating Growth, & Margin Expansion

Durable & Solid Cash Generation Through All Cycles

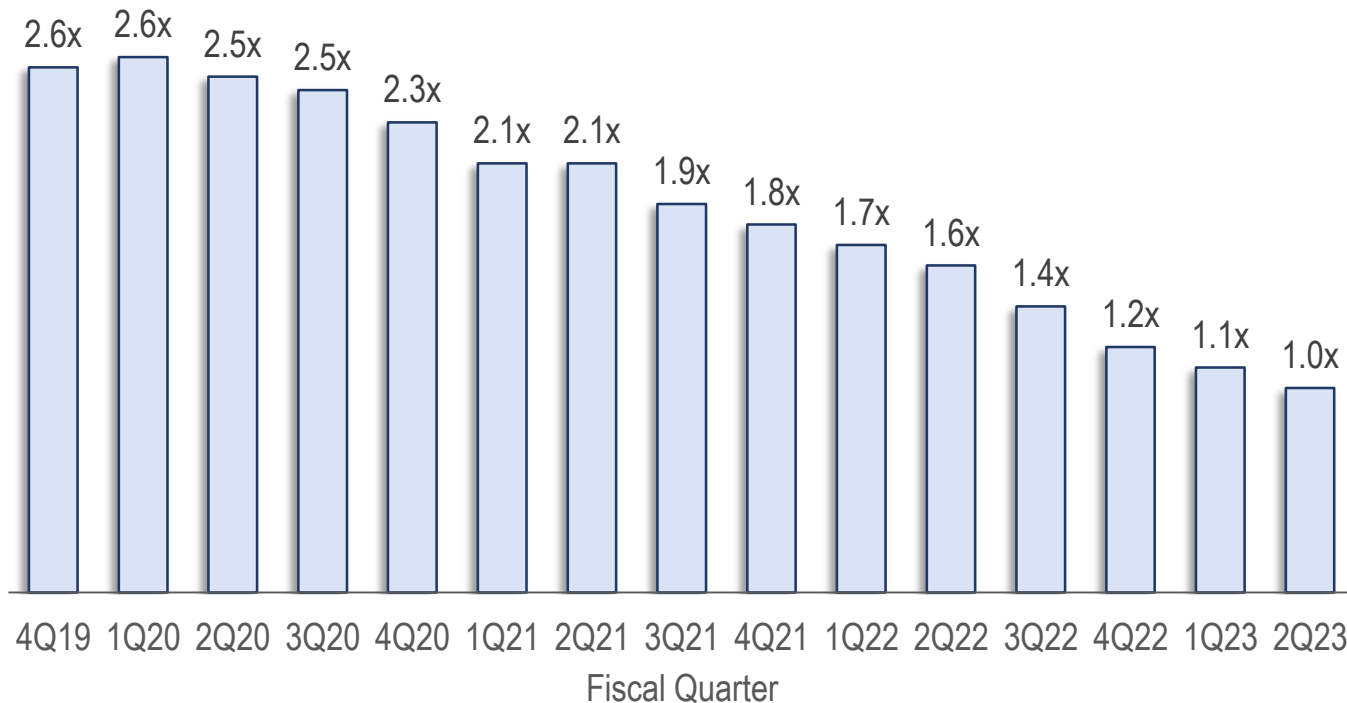
Free Cash Flow (3-Year Rolling Average)



Strategic Initiatives Aligned to Drive Greater Cash Generation

- Average FCF Conversion of ~113% Past 3 Years
- Increased Scale & Margin Expansion Potential
 - Growth in higher margin areas of business
 - Intermediate sales target of \$5B+
 - +30% vs. \$3.8B in FY22
 - Intermediate EBITDA margin target of 12%+
 - 130+ bps vs. 10.7% in FY22
- Working Capital Management
 - Expansion of shared services model
 - Cross-functional inventory planning
 - Collections initiatives
 - Terms expansion, purchase card programs
 - Leveraging systems investments

Net Leverage Ratio (Net Debt to Trailing Adjusted EBITDA)



Balance Sheet & Liquidity (As of December 31, 2022)

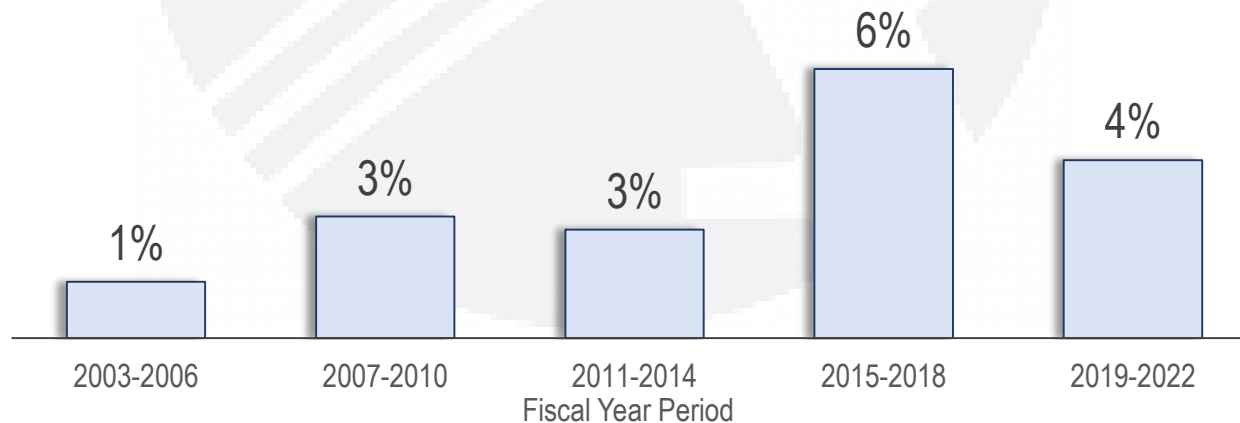
- Net leverage ratio at 1.0x
- \$166M of cash on hand
- Total debt down ~40% since early 2018
- ~\$700M of balance sheet capacity under undrawn revolver, AR securitization facility, & uncommitted shelf facility
 - Additional \$500M accordion option available under revolver

Active Acquisition Pipeline Aligned with Long-term Growth Priorities...

• Acquisitions Remain an Element of Growth Formula

- 45 acquisitions since 2000
- 28 acquisitions since 2012 representing over \$1B in annual sales
- Average Annual Target = ~300 bps of sales growth from acquisitions
- High industry fragmentation presents consolidation opportunity
- Customers partnering with fewer, more capable providers
- Greater operational requirements constraining smaller providers
- Augment supplier reach / penetration within key verticals

Average Annual Sales Growth From Acquisitions



Acquisition Priority Areas

Focused on Expanding Current Offering While Further Enhancing Our Technical Differentiation & Value-Add Solution Capabilities

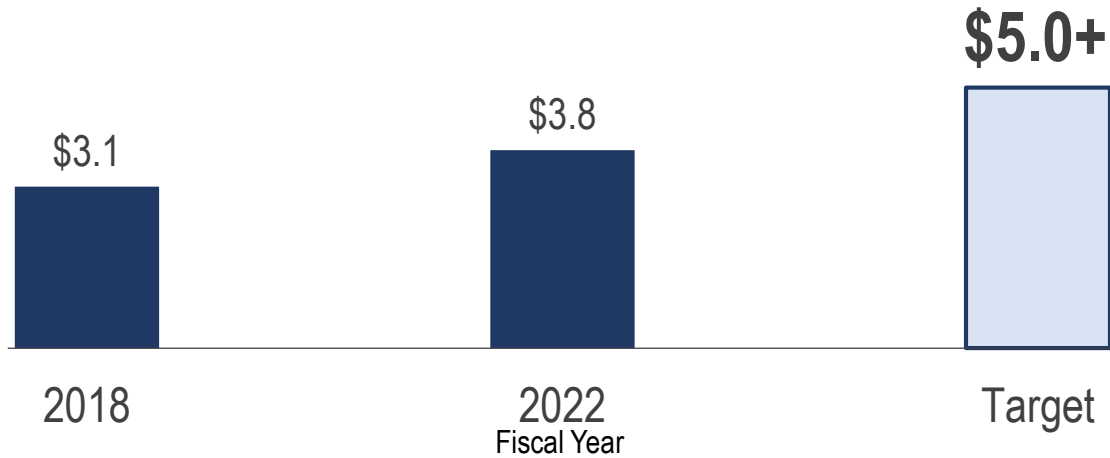


Fluid Power

Flow Control

Automation

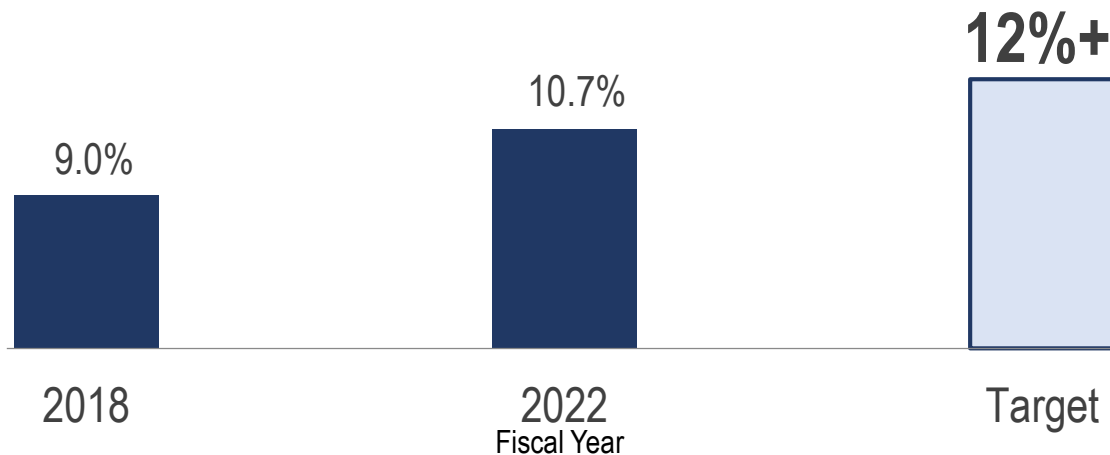
Net Sales – Grow to \$5+ Billion



Strategic Drivers & Considerations

- Mid Single-Digit Plus Organic Growth on Average Over an Upcycle
- Greater Cross-Selling Across Legacy Customer Network
- Secular Tailwinds From Leading Technical Industry Position
- Ongoing Expansion of Automation, IIoT, and Digital Offerings
- 300+ Bps of Annual Growth on Average From Accretive Acquisitions
 - *Primary Focus on Automation, Flow Control, and Fluid Power*
- High Single-Digit Sales CAGR Over Horizon

EBITDA Margins – Expand to 12%+



Strategic Drivers & Considerations

- Mid to High-Teen Incremental Margins on Average Over Upcycle
- Leveraging of Systems Investments and Shared Services
- Ongoing Operational Excellence Initiatives
- History of Cost Discipline and Accountability
- Expansion of Higher Margin Products and Solutions
- Double-Digit EPS CAGR Over Horizon

Strong & Growing Cash Generation

- >100% Conversion (on Net Income)
- Expanding Margins, Improving Working Capital

Enhanced Growth Profile

- Significant Cross-Sell Opportunity
- Exposure to Secular Tailwinds
- Expansion into Automation & Advanced Solutions
- Fragmented Industry Supports Accretive M&A

Competitive Moat

- Leading Position in Technical Product Areas
- Engineered Solutions & Service Capabilities
- Scale & Proximity of Service Center Network
- Critical to Customers' Production Infrastructure

Margin Expansion Potential

- Established Track Record
- Favorable Mix in Growth Priority Areas
- Operational Excellence, Systems Investments

Operational Discipline

- Strong Track Record of Cost Control & Execution
- Experienced Tenured Management Team
- Focus on Accountability & Sustainability

Adaptable Industry Position

- Leveraging Legacy in Core Motion Control
- Embedded Customer Base Ripe for Cross-Selling
- Expansion into Automation & Advanced Solutions

Commitment to ESG

- Business Model Presents Low Carbon Footprint
- Advising Customers on Energy Savings
- Promoting Diversity & Continuous Learning
- Best Practices in Corporate Governance

Rising Investor Awareness

- Enhanced Investor Relations & Outreach Strategy
- Scalable Market Capitalization
- Self-Help Margin & Growth Story



Service Center Based Distribution

67%
of sales⁽¹⁾

Legacy service center distribution network across North America, Australia, & New Zealand; Focused on MRO motion & power control solutions for critical break-fix applications; includes inventory management solutions

Engineered Solutions

33%
of sales⁽¹⁾

Specializing in distributing, engineering, designing, & integrating hydraulic, pneumatic, & flow control technologies, as well as advanced automation solutions including robotics, machine vision, industrial networking, & digital offerings

Key Growth & Operational Considerations

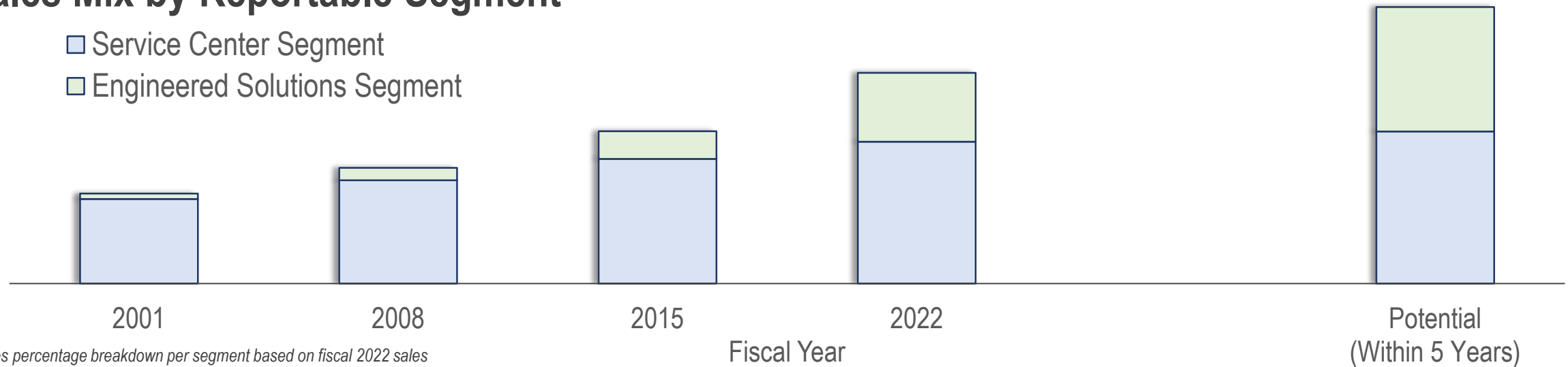
- Greater break-fix demand; equipment / facility optimization
- Customer labor constraints; greater technical requirements
- Reshoring & increased industrial capex; local account growth
- Sales process optimization; enhanced digital capabilities
- Embedded customer base ripe for cross-selling

Key Growth & Operational Considerations

- Higher margin & faster growing area of Applied®
- Production efficiency, remote / control integration, compliance
- Technical capabilities; footprint expansion & cross-sell opportunity
- Expanding position in advanced automation solutions
- Diversification into new end markets with secular tailwinds

Sales Mix by Reportable Segment

- Service Center Segment
- Engineered Solutions Segment



(1) Sales percentage breakdown per segment based on fiscal 2022 sales

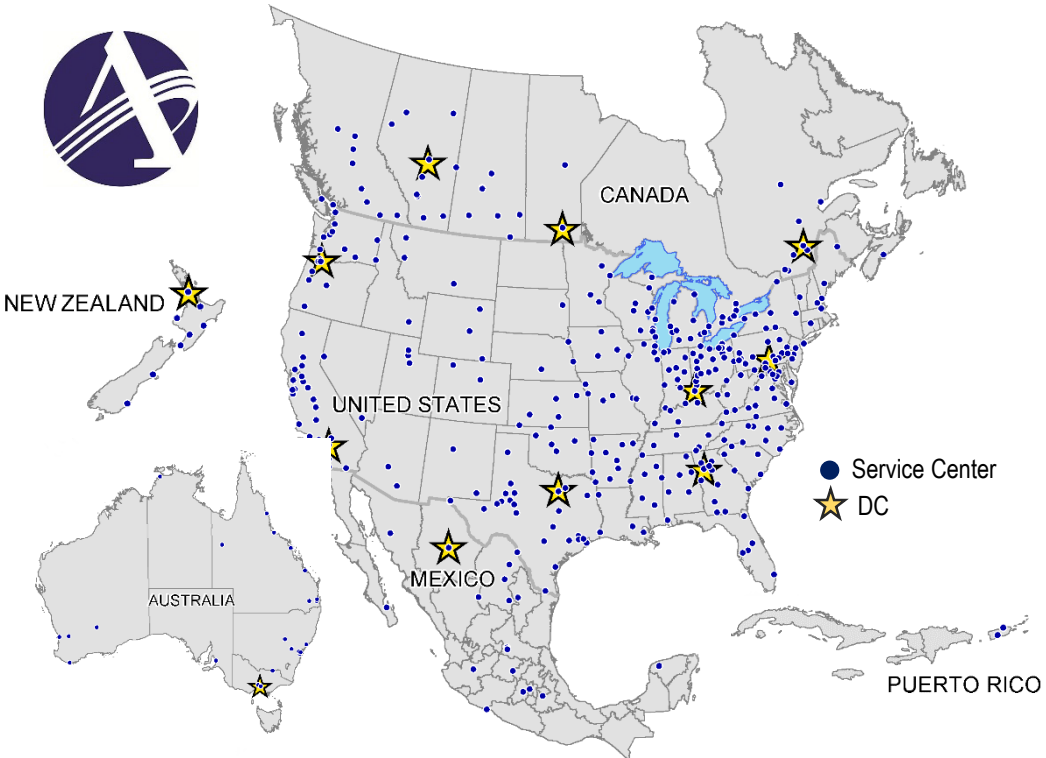
Service Center Network

- Network of service locations supporting industrial motion & power control MRO requirements
- Over 400 locations across North America, Australia, & New Zealand
- Local market focus with overnight inventory replenishment from 12 distribution centers
- 24 / 7 emergency service tailored to minimize customers' production downtime
- Over 50% of sales tied to break-fix situation at customers' facility
- Authorized distributor of more than 8.5 million products with a focus on premier brands



Applied Service Center & DC Locations

Customer Return-Enhancing Solutions



- **Documented Value-Added[®] Report:** Analysis & evaluation of cost savings
- **Maintenance PRO[®]:** Technical training for customer employees
- **Industrial Rubber Services:** Shop network offering fabrication, installation, repair, & warehousing of industrial belting, hosing, & conveyor supplies
- **Repair & Rebuild:** Analysis & evaluation of repair options; parts reworked to specifications
- **Inventory Management:** Evaluation of customers' replenishment cycles; committed inventory of critical spares
- **AppliedSTORE[®]:** Comprehensive tracking system to control & manage customers' supply storeroom
- **Linear Shafting Services:** Cut, machine, stock & ship customized lengths of shafting





Fluid Power 101: Hydraulic & pneumatic technologies using liquids & gases under pressure to transmit power

Advantages: More power in smaller spaces than other forms of power transmission

- *Hydraulics (uses liquids):* high power-to-weight ratio, high torque at low speed, reliability
- *Pneumatics (uses gases):* inexpensive, lightweight, clean, speed, precision

Secular Tailwinds: Electronic control integration, equipment power consumption, equipment electrification, plant automation, emissions control, remote monitoring, machining advancements, IIoT integration, data analytics, precision machine performance

The Leading Provider of an Unmatched Industrial Power & Efficiency Solution

Key Applications & Market Focus

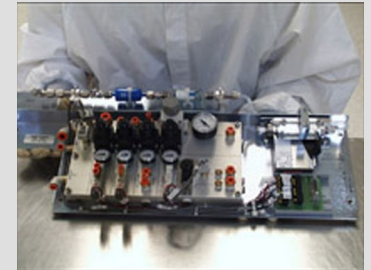
Off-Highway Mobile



Industrial



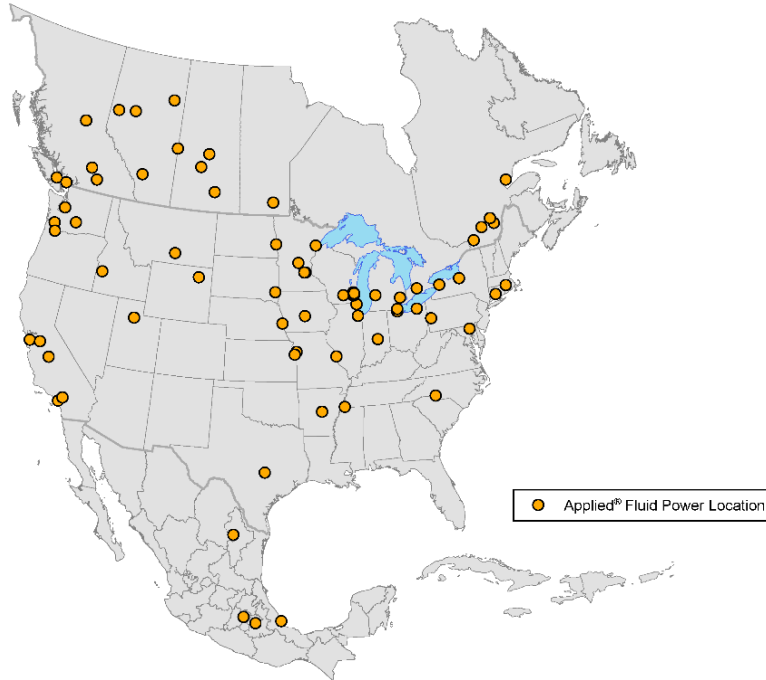
Technology





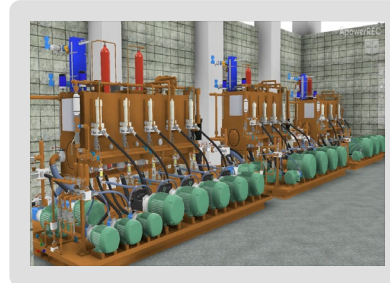
Fluid Power™

*Largest Fluid Power Distributor
in North America*



We Provide Innovative Fluid Power Solutions Through Unmatched Engineered Systems Design, Assembly, Integration, & Service Capabilities

Engineering & Design



- Customized fluid power systems for specific applications
- Certified engineers & designers
- CAD software & 3D modeling
- Customer consultation, analysis

System Build & Integration



- Hydraulic Power Units
- Cartridge Valve Manifolds
- Lubrication & Filtration Systems
- Electronic Control Integration
- Sensor & Robotics Implementation

Service & Repair



- Repair facilities for pumps, motors, valves & cylinders
- Fluid power specialists with service center support
- Team of technicians
- Inspection & testing services



Flow Control

Flow Control 101: Products used to manage & control the flow of liquids & gases within an industrial facility or process industry

Product Detail: Includes flow handling (pumps, compressors), flow management (valves, actuators) & specialty equipment (instrumentation, filtration); typically engineered or customized for specific industry application; requires technical aftermarket support

Secular Tailwinds: Process industry infrastructure expansion, more stringent regulatory & compliance standards, customer technical labor constraints, automation, growth in hygienic & high purity applications, integration of IIoT, customer de-carbonization initiatives

The Leading Provider of Process Flow Control Solutions to the Industrial Sector

Key Applications & Market Focus

Chemical



OEM & Manufacturing



Life Sciences



Food & Beverage



Steel & Metals



Water Infrastructure



Flow Control Position & Value Proposition

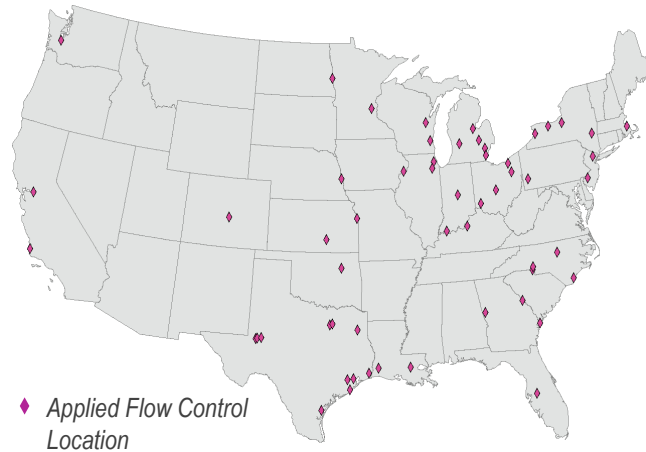


Flow Control

Strategic Rationale & Growth Strategy

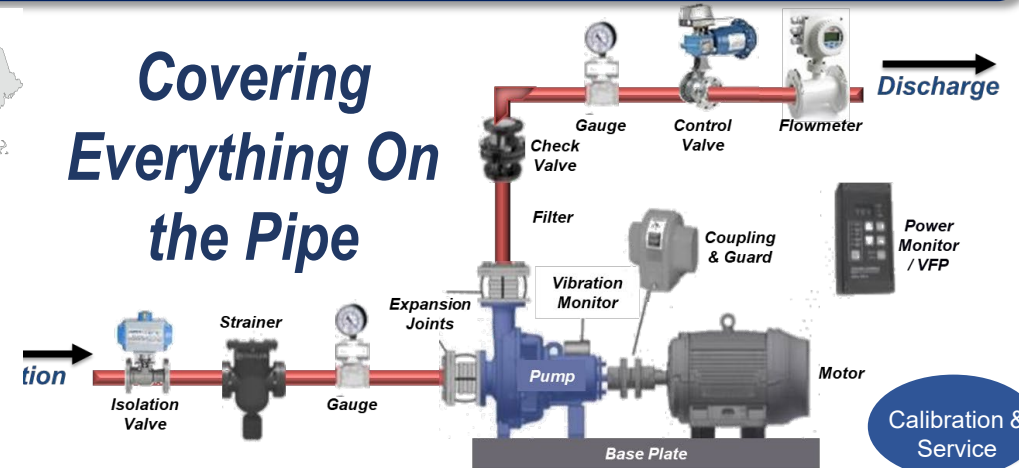
- Enhances leading technical MRO position
- Higher margins from high-touch service capabilities and higher-engineered products
- Significant cross-selling opportunity
- “Acquirer of Choice” status with geographic expansion potential across the U.S.

We Offer the Largest, Most Comprehensive Flow Control Product & Service Portfolio Focused on Mission-Critical & Full-Cycle Solutions



◆ Applied Flow Control Location

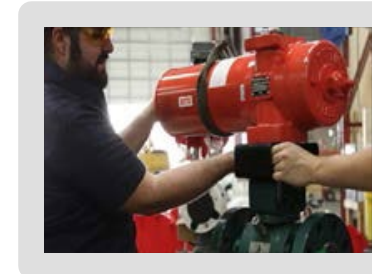
Covering Everything On the Pipe



Calibration & Service

Drivers of Competitive Position

- Service & repair capabilities
- Valve actuation, consulting, instrumentation, fabrication, calibration, & commissioning services
- Engineered systems integration expertise
- Comprehensive product offering
- Highly technical sales team
- Long-term supplier relationships





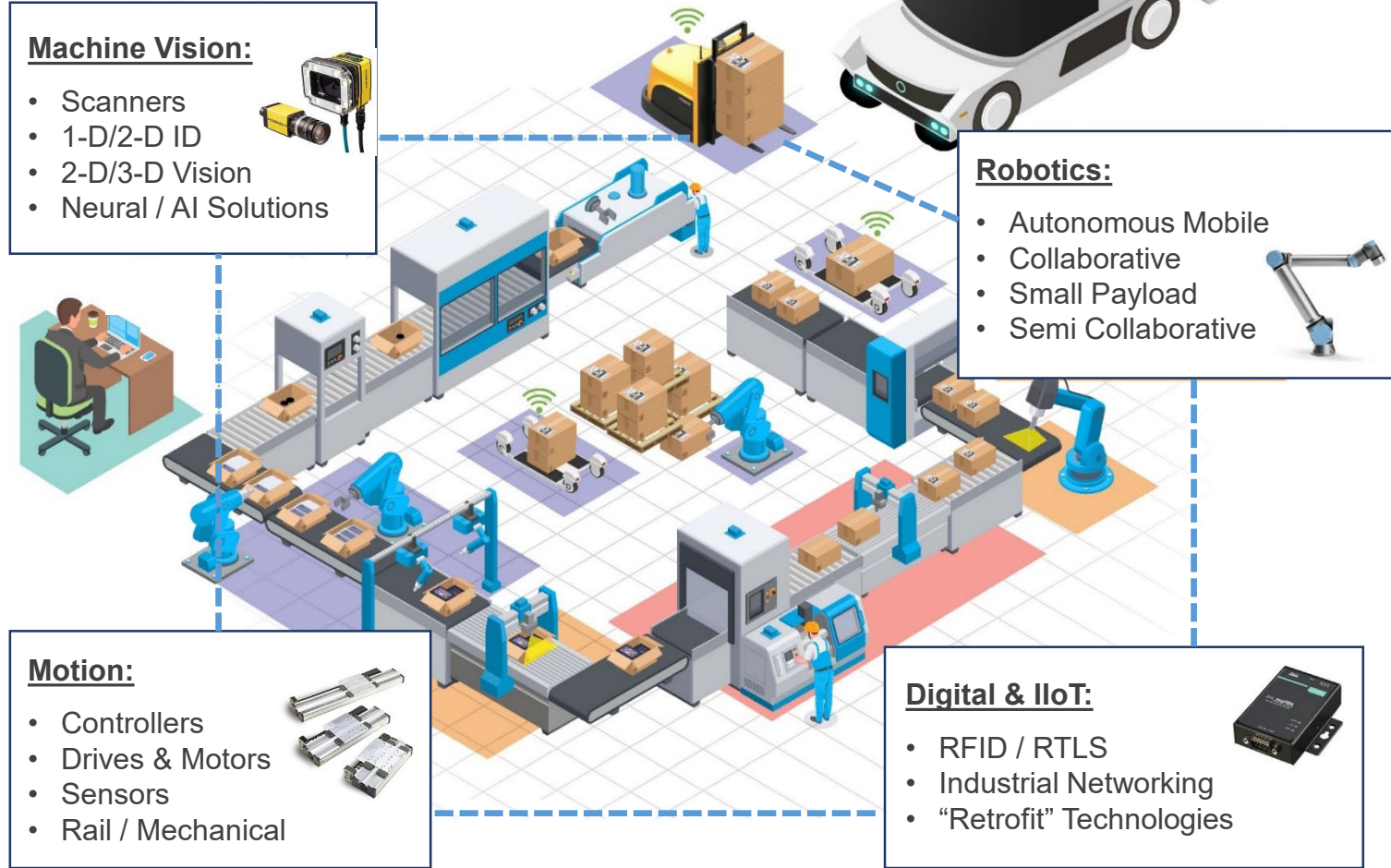
Automation



- Five Strategic Acquisitions the Past 3+ Years
- Focus on Emerging Automation Technologies
 - Machine Vision
 - Robotics
 - Motion Control
 - Digital & IIoT
- Core Vertical Markets Including Technology, Life Sciences, Food Production, Machinery, Logistics & E-Commerce
- Significant Cross-Sell Opportunity Across Core Service Center Customer Network

A Growing Provider of Next-Generation Automation Supplies & Solutions Focused on Machine Vision, Robotics, Motion, & Digital Technologies

Evolving Toward the Factory of the Future...



Increasing Focus on Next Generation Automation & Industry 4.0

Market Opportunity

Technology converging with traditional industrial supply chains as customers address skilled labor constraints & plant efficiency, while considerations around manufacturing re-shoring & U.S. industrial infrastructure have potential to gain momentum

Value Proposition

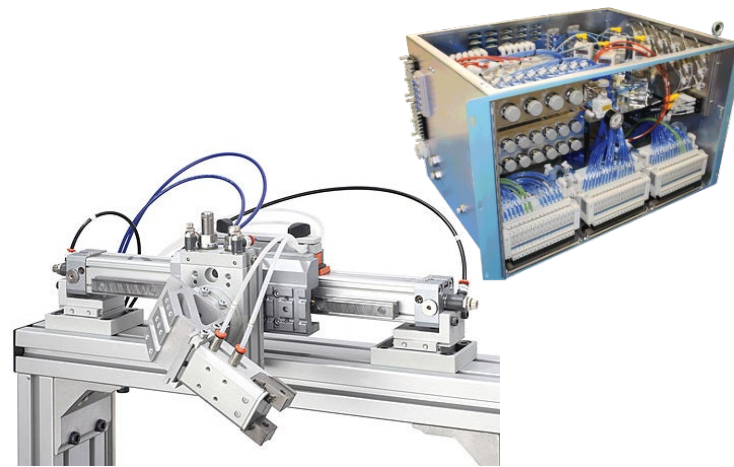
Legacy technical product focus, service capabilities, embedded customer relationships within traditional industrial end markets, knowledge across direct production infrastructure & equipment, & existing supplier relationships



Legacy in Motion Control & Embedded Industrial Customer Base

Leading Technical Position & Engineered Solutions Focus

Provides Platform into Next Generation Automation & Industry 4.0



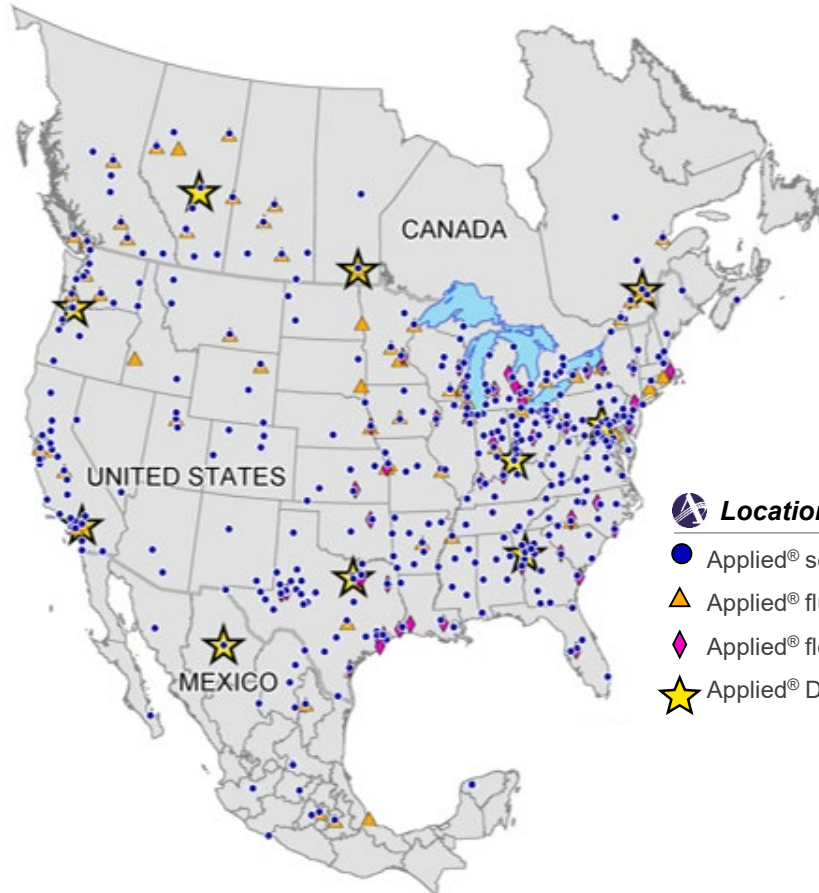
Increasing Focus on Next Generation Automation & Industry 4.0

Products, Solutions, & Experience Across Legacy Operations



- Electronic Control Integration (*Fluid Power*)
- Pneumatic Automation (*Fluid Power*)
- Valve Actuation (*Flow Control*)
- Sensors & Retrofits (*Service Centers*)
- Motion Control Products (*Service Centers*)

Vast Network with Entrenched Customer Relationships Across Underpenetrated Industrial End Markets



Expansion into Next Generation Automation & Smart Technology Solutions

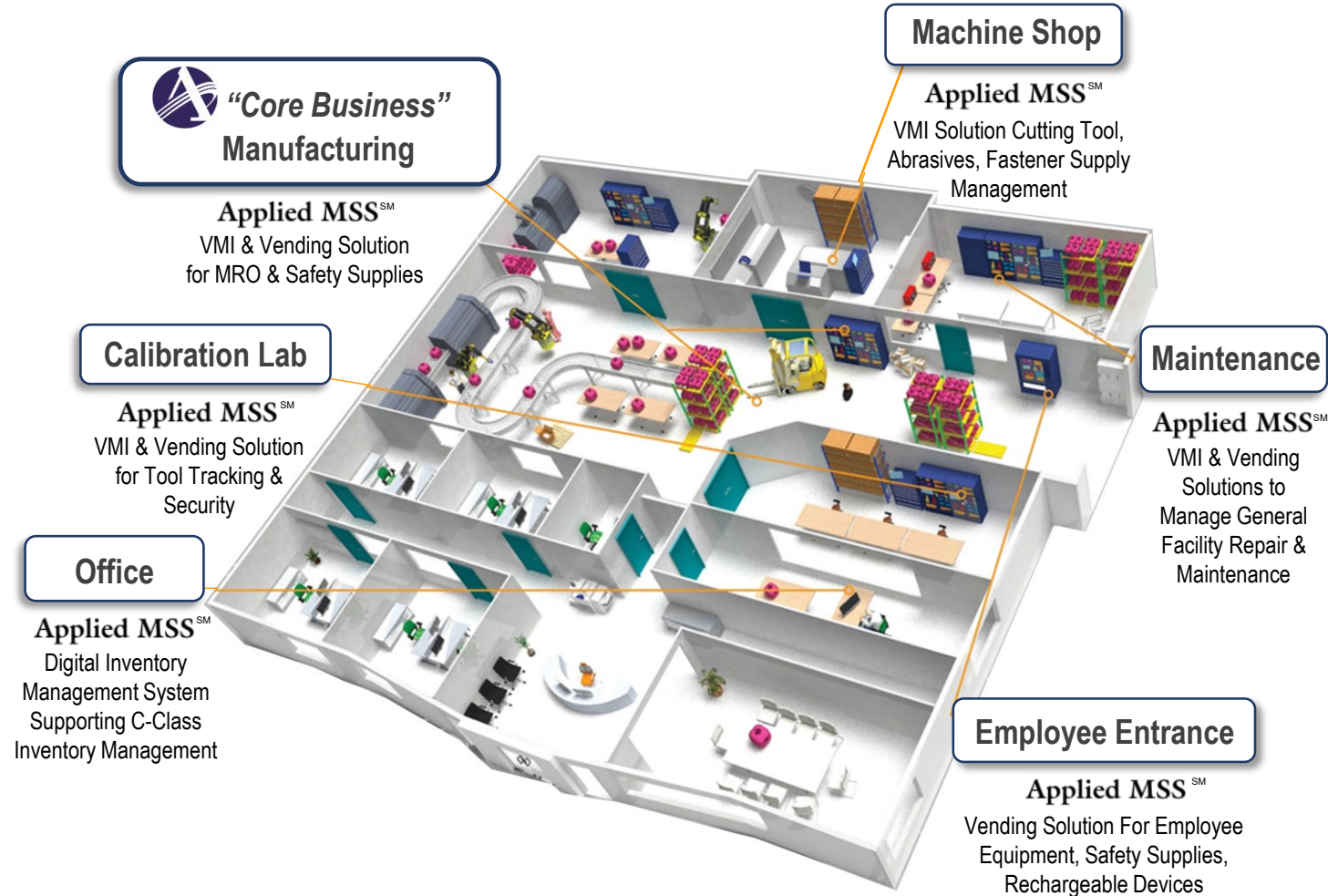
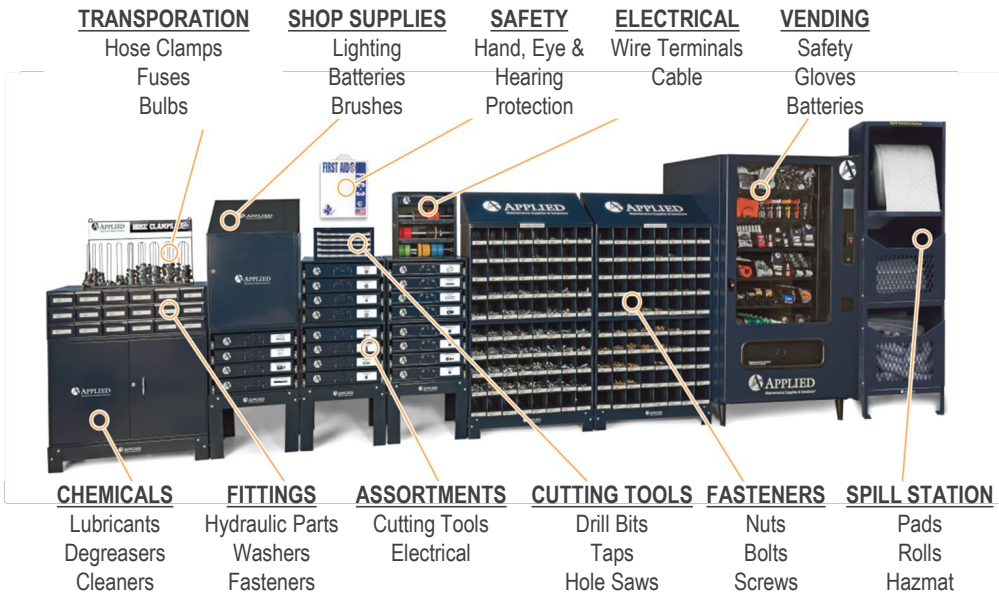


- Advanced Facility Automation
- Cobots & Mobile Robots
- Machine Vision & RFID
- Industrial Networking, Connectivity
- Specialized Engineered Solutions
- System Design & Assembly



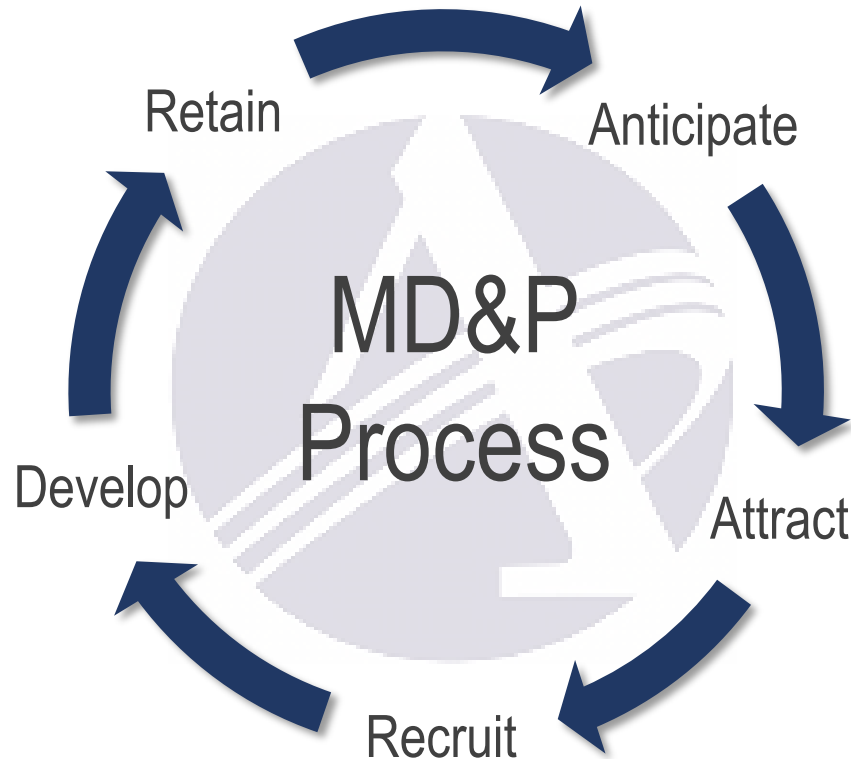
A Leading National Distribution Platform for C-Class MRO Supplies Through Vendor Managed Inventory (VMI) & Vending Solutions

- 200+ Sales & Service Representatives
- 4 Distribution Centers
- 250,000+ SKUs Available
- *Significant Cross-Sell Opportunity Across Core Service Center Customer Network*



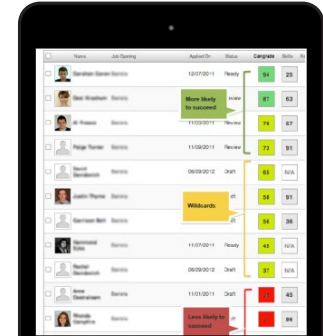
Management Development & Planning

- Expanding Organizational Vitality
- Enhancing Performance & Realizing Potential
- Creating Succession & Organizational Plans
 - Top Talent – Development & Retention



Strengthening Leadership & Organizational Capabilities

- Integrated HR Information System Enhancing the Hire-to-Retire Process
 - Recruitment
 - Performance Management
 - Career Development
 - Succession
- Competency-Focused Career Website
- Robust Data Analytics for Selection & Development
- Direct Communication to 30,000+ Candidates Through Talent Network
- Competency-based Career Ladders & Focused Training Framework:
 - 70% On-the-Job Training
 - 20% Project-Based Training
 - 10% Formal Training



Skill	Effect on Quota Percentage	Effect on Total Contract Value	Room for Skill Improvement	Relative Perceived Importance	Development Priority	Skills to Add to Your Radar*
Quick Qualification	High	High	High	High	Very High	
Using Sales Processes	High	Moderate	High	Moderate	Very High	X
Focus on Value Creation	High	Moderate	High	High	Very High	
Identifying Performance Gaps	Moderate	Moderate	Very High	Moderate	Very High	X
Identifying Customer Needs	High	Moderate	Moderate	High	High	
Monitoring Performance	High	Low	High	Low	High	X

Our ESG Focus Takes Many Forms

- 100 years of conducting business ethically & responsibly
- Low-carbon footprint as a distributor
- Advise customers on energy savings & reducing their carbon footprint
- Implementing greener practices in our own operations
- Promoting diversity & continuous learning across our organization
- Supporting the well-being of our associates & our communities



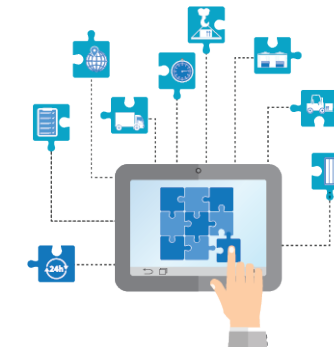
Core Values

- Reflect our foundation, present & future
- Guide actions & reinforce required performance
- Represent collective business & individual responsibilities



Corporate Governance

- Diverse, seasoned executives
- Accepted principles & practices
- Integrity & transparency in financial reporting



Supply Chain Management

- Quality brands; world-class manufacturers
- Supplier Diversity program
- Conflict Minerals reporting



Information & Technology

- Established practices & policies
- Enterprise class systems
- Data protection; cybersecurity



Environmental, Health & Safety

- Emphasis & awareness
- Expectations, roles & responsibilities
- Established EHS Policy



Sustainability Initiatives

- Comply with government mandates
- Reduce environmental impact
- Provide eco-friendly products, knowledge & operations



Corporate Citizenship & Human Rights Statement

- Equal employment opportunities; equitable pay
- Continuous learning & training
- Employee wellness assistance; community partner

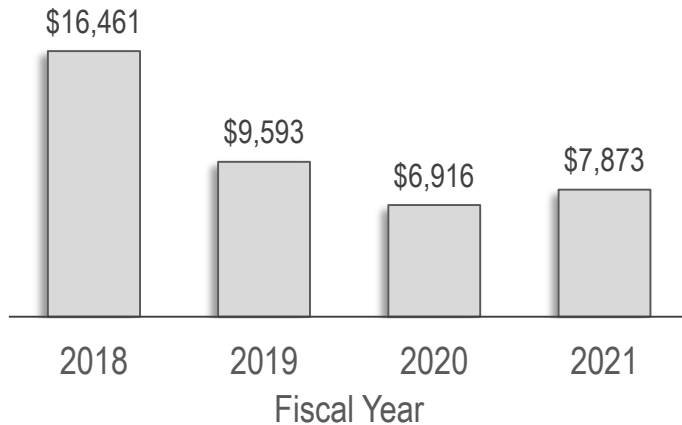
Safety & Sustainability Performance

- Dedicated safety focus with comprehensive training programs across company
- Formalized EHS policy, analysis, monitoring, & accountability focus
- Low carbon footprint as a distributor
- Conduct customer energy audits on motors, belting, & gearing
- Develop fluid power systems that reduce greenhouse gas emissions
- Process flow control solutions support customers' de-carbonization initiatives
- Two-thirds of dedicated sales fleet made up of fuel-efficient vehicles
- Promote Eco-Friendly Products - *Energy reduction, recycled content, bio-based, biodegradable, NEMA Premium[®], Green Seal[®] certified, ENERGY STAR[®], EcoLogo[®]*



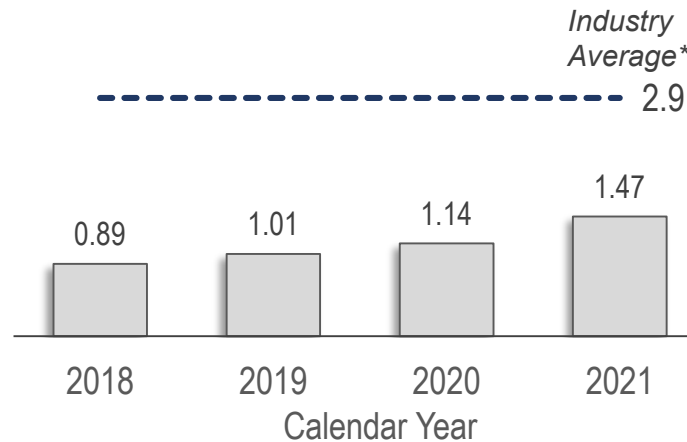
Workers Comp Claim Value

Within U.S.



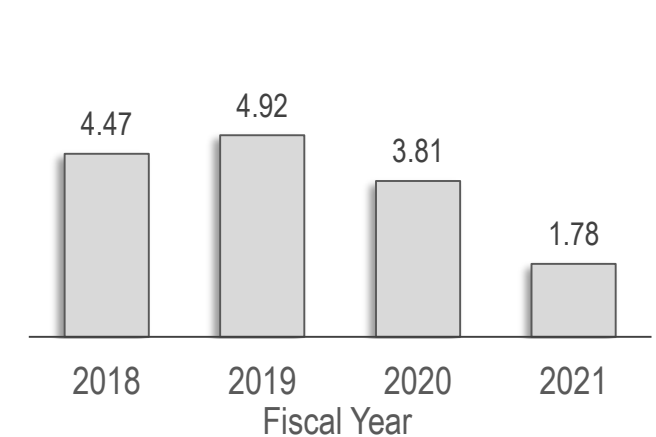
Total Recordable Incident Rate (TRIR)

Within U.S.; Excludes cases from COVID-19 diagnosis



Auto Liability Claim Frequency

Within U.S.; Per 100 Vehicles



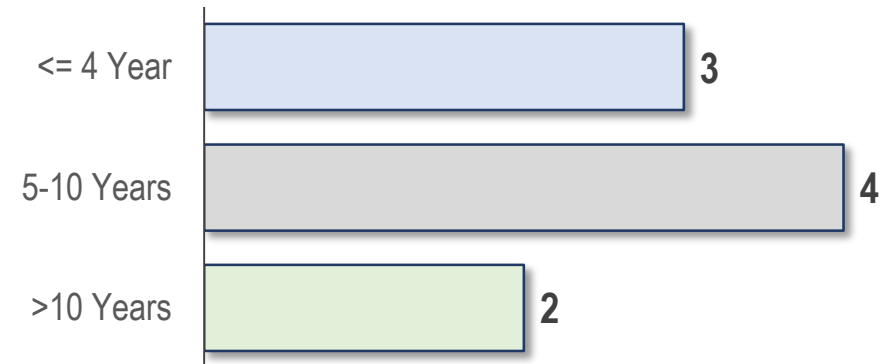
* Industry Average for Total Recordable Incident Rate based on 2020 data from National Association of Wholesalers-Distributors

Key Governance Features

- Independent Chairman; all directors independent except CEO
- Key committees composed of only independent directors
- Women represent 33% of board members
- Strong “Pay for Performance” compensation practices
 - 82% of CEO compensation in fiscal 2022
- Equity award vesting rewards long-term, sustained performance
- Robust stock ownership guidelines for officers & directors
 - 5x salary for CEO, 3x for other executive officers

Board Refreshment & Tenure

Average Tenure of Board Members < 7 Years



Management Incentive Structure Summary

Incentive Compensation Components

Annual Cash Incentives:

Based on Performance Relative to Targets of:

- Net Income
- Average Working Capital Percent of Sales

Long-Term Equity Based Incentives:

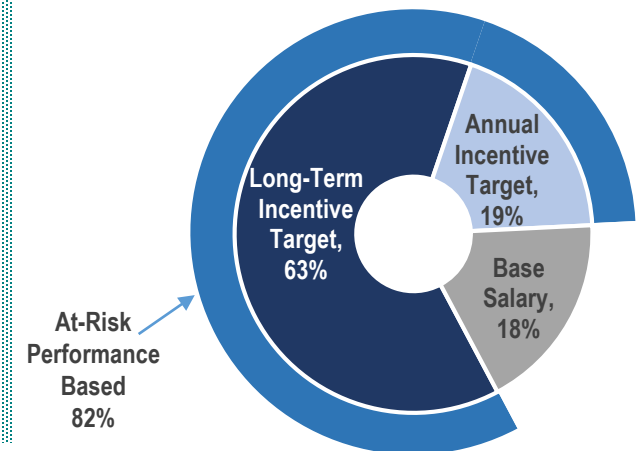
Based on Three-Year Performance Relative to Targets of:

- EBITDA
- Return on Assets

Long-Term Equity Based Incentive Mix

- Performance Shares – **50%**
 - Achievement of three-year goals
- Stock Appreciation Rights – **25%**
 - Four-year (25% graded) vesting period
- Restricted Stock Units – **25%**
 - Three-year cliff vesting period

CEO Target Compensation Mix





Appendix

Appendix: Reconciliations

EBITDA, Adjusted EBITDA, & Adjusted EBITDA Margin

<i>(dollar amount in thousands)</i>	Twelve Months Ended June 30							
	2015	2016	2017	2018	2019	2020	2021	2022
Net Income	\$115,484	\$29,577	\$133,910	\$141,625	\$ 143,993	\$24,042	\$144,757	\$257,414
Interest expense, net	7,869	8,763	8,541	23,485	40,188	36,535	30,592	26,263
Income tax expense	60,387	49,401	33,056	63,093	50,488	31,194	32,305	72,376
Depreciation and amortization of property	16,578	15,966	15,306	17,798	20,236	21,196	20,780	21,676
Amortization of intangibles	25,797	90,374	24,371	32,065	41,883	40,499	34,365	31,879
EBITDA	\$226,115	\$194,081	\$215,184	\$278,066	\$296,788	\$153,466	\$262,799	\$409,608
Goodwill & intangible impairment					\$31,594	\$131,000	\$49,528	
Non-routine costs				\$6,123	\$2,300	\$8,992	\$5,163	
Adjusted EBITDA	\$226,115	\$194,081	\$215,184	\$284,189	\$330,682	\$293,458	\$317,490	\$409,608
Sales	\$2,751,561	\$2,519,428	\$2,593,746	\$3,073,274	\$3,472,739	\$3,245,652	\$3,235,919	\$3,810,676
Adjusted EBITDA Margin	8.2%	7.7%	8.3%	9.2%	9.5%	9.0%	9.8%	10.7%

Adjusted Gross Margin

<i>(dollar amount in thousands)</i>	Twelve Months Ended June 30							
	2015	2016	2017	2018	2019	2020	2021	2022
Net Sales	\$2,751,561	\$2,519,428	\$2,593,746	\$3,073,274	\$3,472,739	\$3,245,652	\$3,235,919	\$3,810,676
Gross Profit	\$769,814	\$711,001	\$737,665	\$883,995	\$1,008,323	\$937,736	\$935,524	\$1,106,916
Non-routine expense in cost of sales						\$3,900	\$7,369	
Adjusted Gross Profit	\$769,814	\$711,001	\$737,665	\$883,995	\$1,008,323	\$941,636	\$942,893	\$1,106,916
Adjusted Gross Margin	28.0%	28.2%	28.4%	28.8%	29.0%	29.0%	29.1%	29.0%

Appendix: Reconciliations

Free Cash Flow

<i>(dollar amount in thousands)</i>	Fiscal Year, Ended June 30											
	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Cash provided by Operating Activities	\$76,842	\$90,422	\$111,397	\$110,110	\$157,007	\$162,014	\$164,619	\$147,304	\$180,601	\$296,714	\$241,697	\$187,570
Capital Expenditures	(20,431)	(26,021)	(12,214)	(20,190)	(14,933)	(13,130)	(17,045)	(23,230)	(18,970)	(20,115)	(15,852)	(18,124)
Free Cash Flow	\$56,411	\$64,401	\$99,183	\$89,920	\$142,074	\$148,884	\$147,574	\$124,074	\$161,631	\$276,599	\$225,845	\$169,446
3-Year Rolling Average Free Cash Flow			\$73,332	\$84,501	\$110,392	\$126,959	\$146,177	\$140,177	\$144,426	\$187,435	\$221,358	\$223,963

Net Leverage Ratio

<i>(dollar amount in thousands)</i>	Fiscal Quarter														
	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23
Net Income	\$39,803	\$38,799	\$38,031	(\$82,777)	\$29,989	\$34,784	(\$5,334)	\$56,063	\$59,244	\$52,969	\$57,026	\$68,306	\$79,113	\$76,880	\$80,457
Interest expense, net	10,187	10,059	9,583	8,805	8,088	7,653	7,658	7,608	7,673	7,390	7,007	5,852	6,014	6,480	6,185
Income tax expense	22,317	12,308	11,346	(2,550)	10,090	10,048	(4,834)	12,453	14,638	14,567	15,013	21,216	21,580	22,164	25,493
Depreciation and amortization	5,191	5,223	5,394	5,380	5,199	5,352	5,209	5,080	5,139	5,427	5,436	5,352	5,461	5,481	5,552
Amortization of intangibles	10,060	10,374	10,195	10,048	9,882	9,726	8,276	8,236	8,127	8,121	8,084	7,891	7,783	7,705	7,814
EBITDA	\$87,558	\$76,763	\$74,549	(\$61,094)	\$63,248	\$67,563	\$10,975	\$89,440	\$94,821	\$88,474	\$92,566	\$108,617	\$119,951	\$118,710	\$125,501
Goodwill & intangible impairment				131,000			49,528								
Non-routine costs		1,455		5,997	1,540		7,772	(2,609)							
Adjusted EBITDA	\$87,558	\$78,218	\$74,549	\$75,903	\$64,788	\$67,563	\$68,275	\$86,831	\$94,821	\$88,474	\$92,566	\$108,617	\$119,951	\$118,710	\$125,501
Trailing 4-Quarter EBITDA	\$330,682	\$326,420	\$324,921	\$316,228	\$293,458	\$282,803	\$276,529	\$287,457	\$317,490	\$338,401	\$362,692	\$384,478	\$409,608	\$439,844	\$472,779
Current portion of long-term debt	49,036	93,912	73,771	78,642	78,646	78,651	78,638	78,644	43,525	88,401	40,182	40,166	40,174	181	25,189
Long-term debt	908,850	859,172	874,423	864,758	855,143	792,827	783,076	773,404	784,855	730,307	681,266	681,197	649,150	649,103	624,052
Total Debt	\$957,886	\$953,084	\$948,194	\$943,400	\$933,789	\$871,478	\$861,714	\$852,048	\$828,380	\$818,708	\$721,448	\$721,363	\$689,324	\$649,284	\$649,241
Cash	108,219	98,204	128,149	165,464	268,551	271,060	288,775	304,016	257,745	247,313	154,843	188,084	184,474	147,575	165,538
Net Debt	\$849,667	\$854,880	\$820,045	\$777,936	\$665,238	\$600,418	\$572,939	\$548,032	\$570,635	\$571,395	\$566,605	\$533,279	\$504,850	\$501,709	\$483,703
Net Leverage Ratio	2.6	2.6	2.5	2.5	2.3	2.1	2.1	1.9	1.8	1.7	1.6	1.4	1.2	1.1	1.0