APPLIED
Industrial Technologies®

*We Keep Industry Running*

# Investor Presentation

# 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,” “target,” “objectives,” “will” and derivative or similar expressions. All forward-looking statements are based on current expectations regarding important risk factors including trends and events in the industrial sector of the economy (such as the inflationary environment and supply chain strains), 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. 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.

# Company Profile

APPLIED Industrial Technologies®

## 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

| | | |
|---|---|---|
| $4.4B Revenue | $525M EBITDA | $5.5B Market Cap |
| 8.5M Accessible Products SKUs | 3,200+ Customer Facing Associates | 580 Service Facilities |

*Headquartered in Cleveland, Ohio*

*Notes: 1) Revenue and EBITDA based on reported fiscal 2023*

# Multi-Channel Capabilities

Industrial Customer



## Service Centers

- Local MRO / Aftermarket Support
- Leading Motion / Power Control Expertise
- Technical Shop, Repair, Consult Services
- Over 400+ Locations Concentrated in North America



## Flow Control

- Mission-Critical Engineered Solutions for Full-Cycle Flow / Process Infrastructure
- Systems Integration, Repair, Fabrication
- 60+ locations



## E-Business

- Applied.com
- EDI & PunchOut
- Digital Inside Sales Team
- Strategic Customer Engagement



## Fluid Power

- Fluid Power System Design, Build, Integration
- Industrial, Off-Highway Mobile, Technology
- Certified Fluid Power Specialists & Engineers
- 70+ locations



## Automation

- Value-Added Automation Expertise (Design, Assembly & Integration)
- Robotics, Machine Vision, Motion Control, & Digital Technologies
- Leading Application & Engineering Expertise



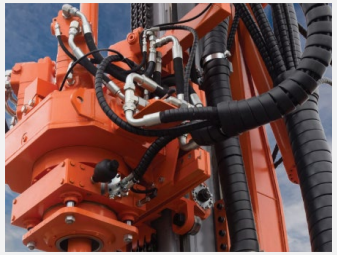
## VMI / Vending

- C-Class Consumables Management
- Indirect Shop Supplies & Solutions
- 200+ Dedicated Sales & Service Reps

***Leading Technical End-Market Reach with Comprehensive Product & Service Solutions***

# Product Portfolio

APPLIED Industrial Technologies®

| Power Transmission | Bearings, Linear, Seals | Fluid Power | Flow Control | Advanced Automation | General MRO; Hose Products |
|---|---|---|---|---|---|
|  |  |  |  |  |  |

We Are Applied℠

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

*~85% of Sales Focused in Critical Motion Control, Fluid Power, Flow Control, & Automation Products & Solutions*

# 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



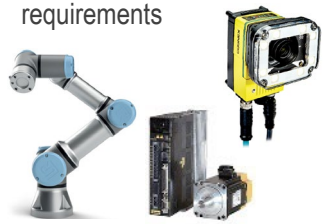
## Service Centers

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

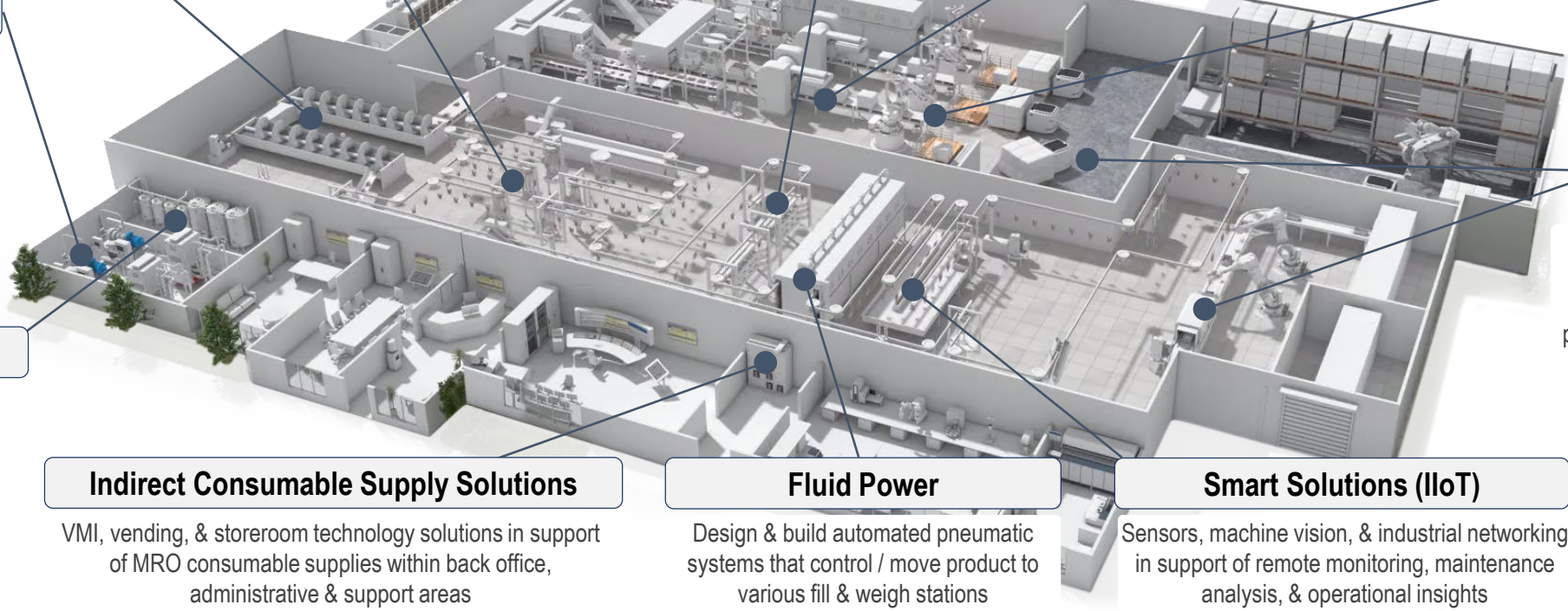
Design & build hydraulic power units for single machine or central plant power requirements



## 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



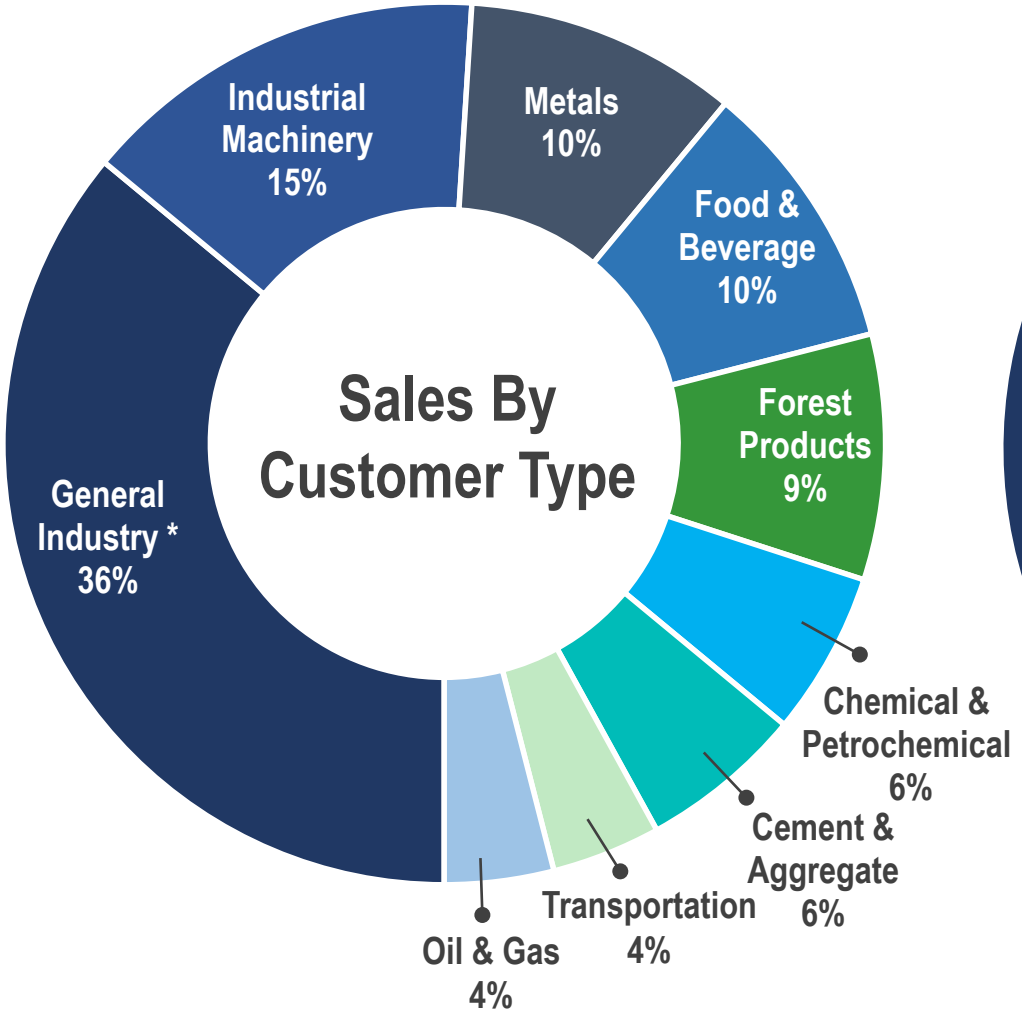
# Primary Supplier Partners

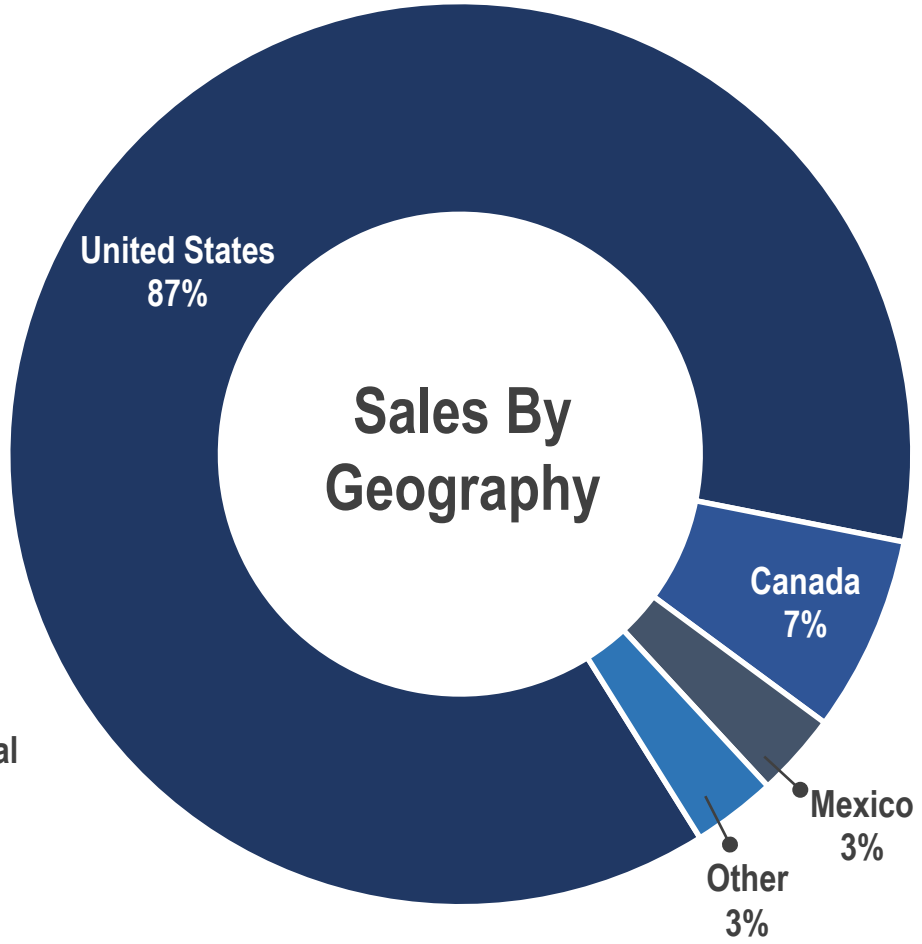



*Leading Manufacturers with World Class Brands Focused on Premier Industrial Solutions*

# 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 2023 sales*

***Diverse Customer Base Focused Primarily Within North America***

# Applied® Value Creation Model

## CORE

- World-Class Brands
- Critical Support to Industrial Infrastructure
- Technical & Solutions Based Focus
- Embedded Industrial Customer Base
- Recurring MRO Revenue Stream
- Enhanced Operating Profile
- High Cash Flow Model

## Supports Growth Into Higher Margin Engineered Solutions & Emerging Areas of the Industrial Sector

Fluid Power • Flow Control • Advanced Automation • Smart Technologies

***(Expand & Cross-Sell Across "Core" Customer Base)***

## Operational Focus

- History of Cost Discipline
- Operational Excellence Initiatives
- Shared Services Deployment
- Ongoing Sales Process Refinement
- System Investments & Analytics
- Talent Development

## GUIDED BY CORE VALUES

Integrity • Respect • Customer Focus • Commitment to Excellence • Accountability • Innovation • Continuous Improvement • Teamwork

## Financial Targets

Mid Single-Digit Organic Growth
Gross Margin Expansion Through a Cycle
13%+ EBITDA Margin Target (11.9% in FY23)
Working Capital <= 20% of Sales

**Acquisitions** *(LSD* % growth contribution annually)*
**Organic Capital Redeployment**

**Dividends** *(recent 1% yield)*
**Share Buybacks** *(~$66M last five years)*

**Multiple Expansion** = *enhanced margin / returns, stronger growth, scaling market cap, IR initiatives*

Double-Digit Earnings CAGR
Free Cash >100% of Net Income

***SHAREHOLDER RETURNS***

*Note (*): LSD = Low Single-Digit*

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

# Key Growth & Operational Considerations

## *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 – Q4 FY23

| Discussion Point | Update | Detail |
|---|---|---|
| **1. Underlying Demand** | • *Industry activity continues to normalize and customer feedback is slightly more mixed, though sales trends in F4Q23 were encouraging and highlight support from secular tailwinds, internal sales initiatives, and our industry position* | • *F4Q23 YoY organic sales growth of 9% vs. 15% in F3Q23; 2-Yr STACK organic growth of 27% relatively unchanged with F3Q23 levels; average daily sales up 3% vs. F3Q23 with firm trends through June* |
| **2. End-Market Trends** | • *Demand remains generally stable within most core end markets; seeing slowing across technology, metals, and chemical verticals, as well as lower-tier verticals, partially reflecting normalizing activity on more difficult comparisons* | • *19 of top 30 industry verticals up YoY in F4Q23; strongest growth across food & beverage, pulp & paper, energy, utilities, lumber & wood, and mining* |
| **3. Inflation & Pricing** | • *Inflationary pressures remain but stabilizing; the number of supplier price increase announcements and price contribution to sales growth continues to moderate relative to prior quarters as expected* | • *LIFO expense was favorable YoY in F4Q23 for the first time in two years; estimated pricing contribution to YoY sales growth in F4Q23 was in the low single-digits, compared to mid single-digits in F3Q23* |
| **4. Competitive Backdrop** | • *Applied's competitive moat in a strong position given customers' greater technical service requirements, focus on supply chain consistency and resilience, and need for engineering solutions across more diverse and technical applications* | • *Generated top-tier organic growth in FY23 (high-teens); excluding LIFO, gross margins up 60 bps and EBITDA margins up 280 bps from pre-COVID levels, while return on capital metrics are the strongest in over 10 years* |
| **5. FY24 Outlook** | • *Expect more modest sales growth reflecting normalizing market demand and difficult comparisons, but positioned well given exposure to secular tailwinds, share gain opportunities, cross-selling momentum, easing LIFO headwinds, and balance sheet capacity* | • *Sales F1Q24 to date up by a low single-digit percent YoY; FY24 sales guidance of 0% to 4% assumes slower sales trends in 1H relative to 2H and incorporates ongoing macro uncertainty, supply chain pressures, and below normal seasonal sales patterns* |
| **6. Macro Sensitivity** | • *Track record of executing across all macro environments, including strong margin/cost discipline and counter-cyclical cash flow; more favorable growth profile vs. prior cycles* | • *Showing outperformance vs. moderating macro industrial indicators (U.S. IP, CU, ISM); average decremental margins during the prior two industrial downcycles in the low double-digits* |
| **7. Capital Allocation** | • *Balance sheet and liquidity in solid position to support growth initiatives and shareholder returns; M&A remains top priority with an active pipeline across focus areas* | • *Net leverage at 0.5x; pipeline remains active across both segments; share buybacks in scope for FY24 given balance sheet capacity and return profile* |

***Strong Performance Sustaining From Solid Execution, Internal Initiatives, and Industry Position***

# Fiscal 2024 Guidance

| | Fiscal 2024 Guidance |
|---|---|
| **Total Sales - YoY % change** | **0% - 4%** |
| **EBITDA Margin** | **11.9% - 12.1%** |
| **Diluted EPS** | **$8.80 - $9.55** |
| **Additional Assumptions:** | |
| Depreciation & amortization expense | $49 - $50 |
| Interest & other expense | $17.5 - $18.0 |
| Effective tax rate | 23.0% - 24.0% |

## Guidance Assumptions:

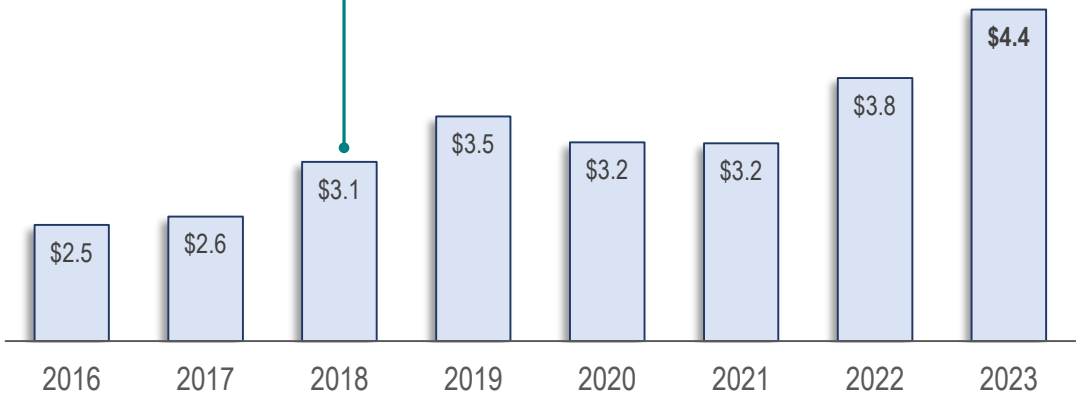
- Moderating industrial activity near term reflecting lingering macro uncertainty and normalizing customer production levels
- Easing price contribution on sales growth as the year plays out
- Support from favorable industry position, end-market mix, internal sales initiatives, and new growth opportunities
- Mid-point assumes low single-digit organic sales growth with slower growth in 1H vs. 2H
- Potential for favorable cash generation on more modest working capital investment and internal initiatives
- Excludes potential incremental M&A contribution
- F1Q24 assumptions:
  - Low single-digit YoY organic sales growth
  - Gross margins down slightly sequentially from F4Q23 levels
  - Low to mid-teen incremental margins

***Outlook Supported by Industry Position and Company-Specific Opportunities***

# Historical Financial Highlights

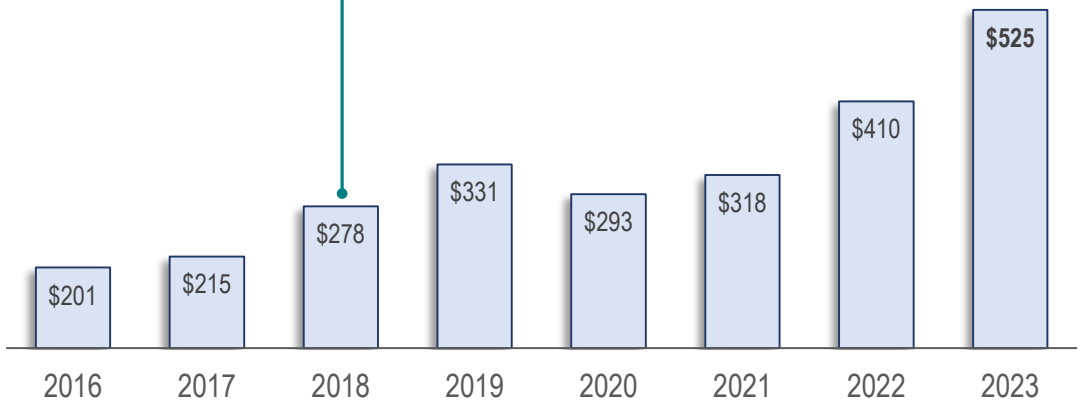
## Net Sales
(in billions)

*8% Five-Year CAGR (2018-2023)*



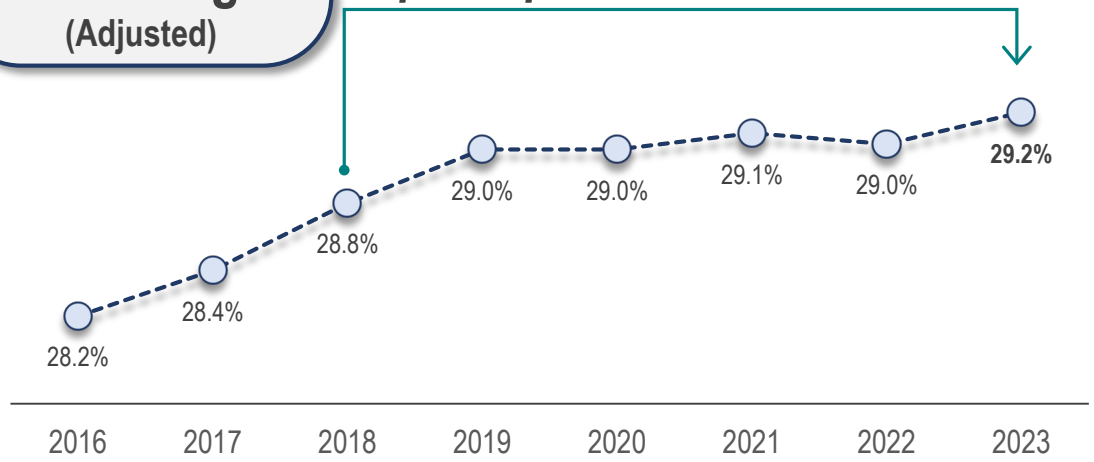

## EBITDA
(Adjusted; in millions)

*14% Five-Year CAGR (2018-2023)*



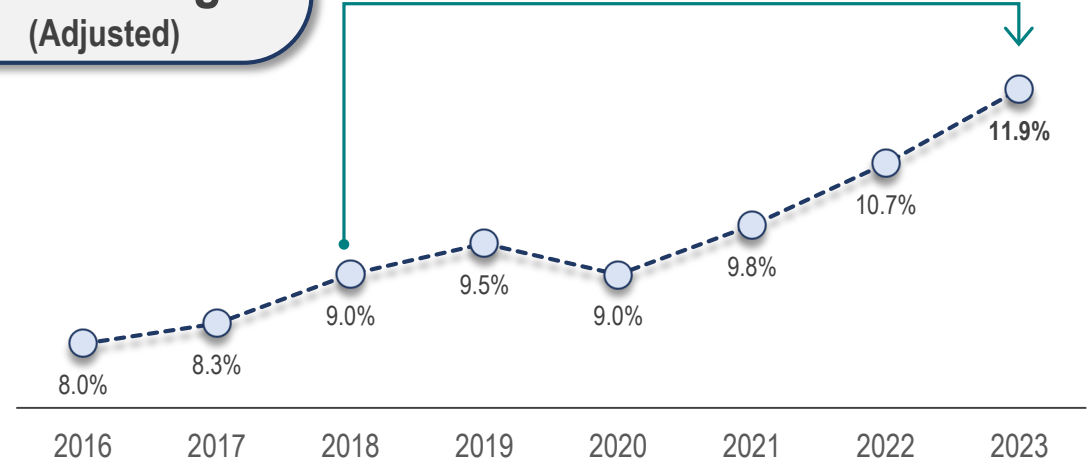

## Gross Margins
(Adjusted)

*Up 40 bps Since 2018*




## EBITDA Margins
(Adjusted)

*Up 290 bps Since 2018*

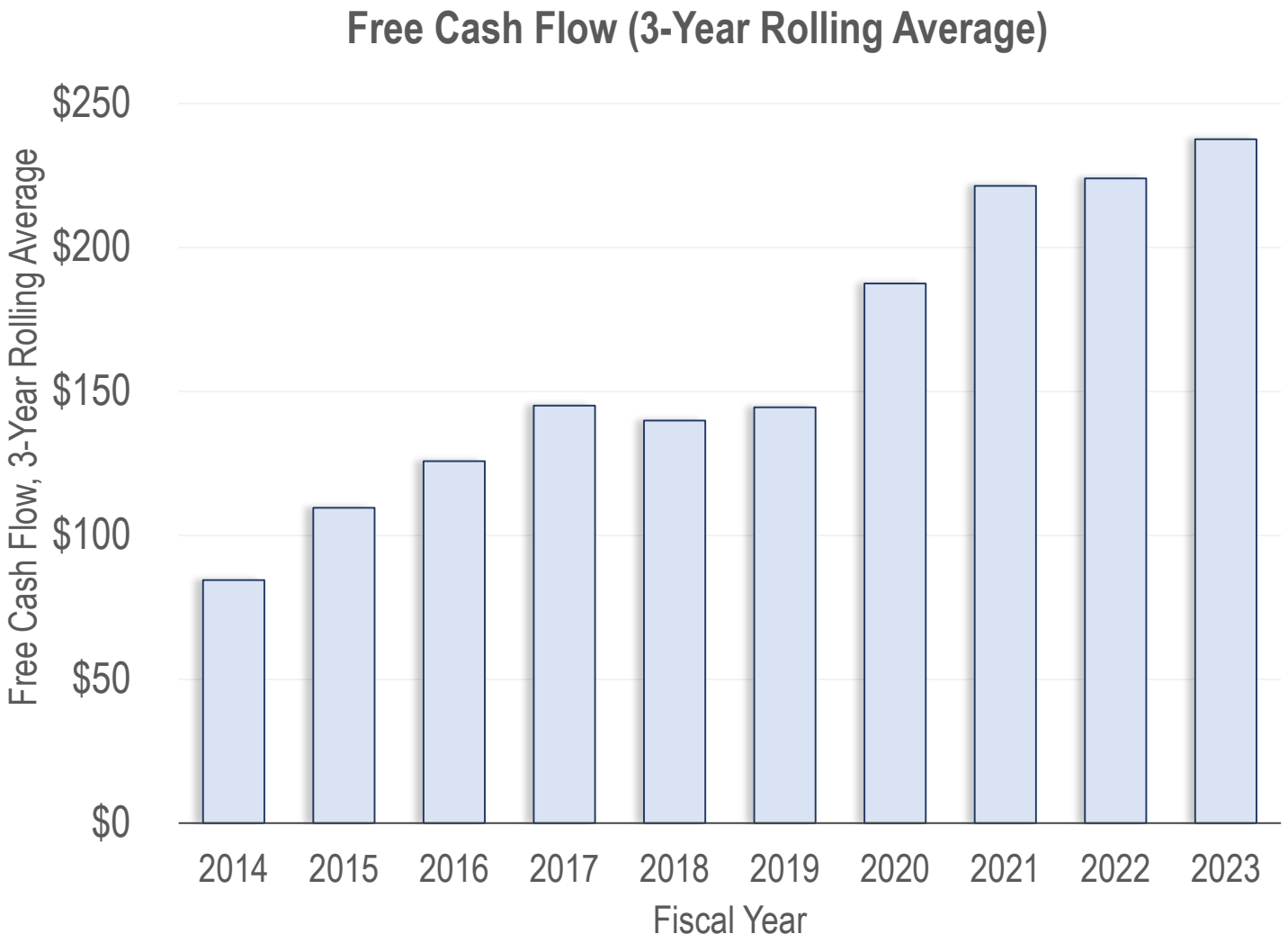



*Note: Represents fiscal years ending June 30*

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

# Historical Free Cash Generation

## *Durable & Solid Cash Generation Through All Cycles*



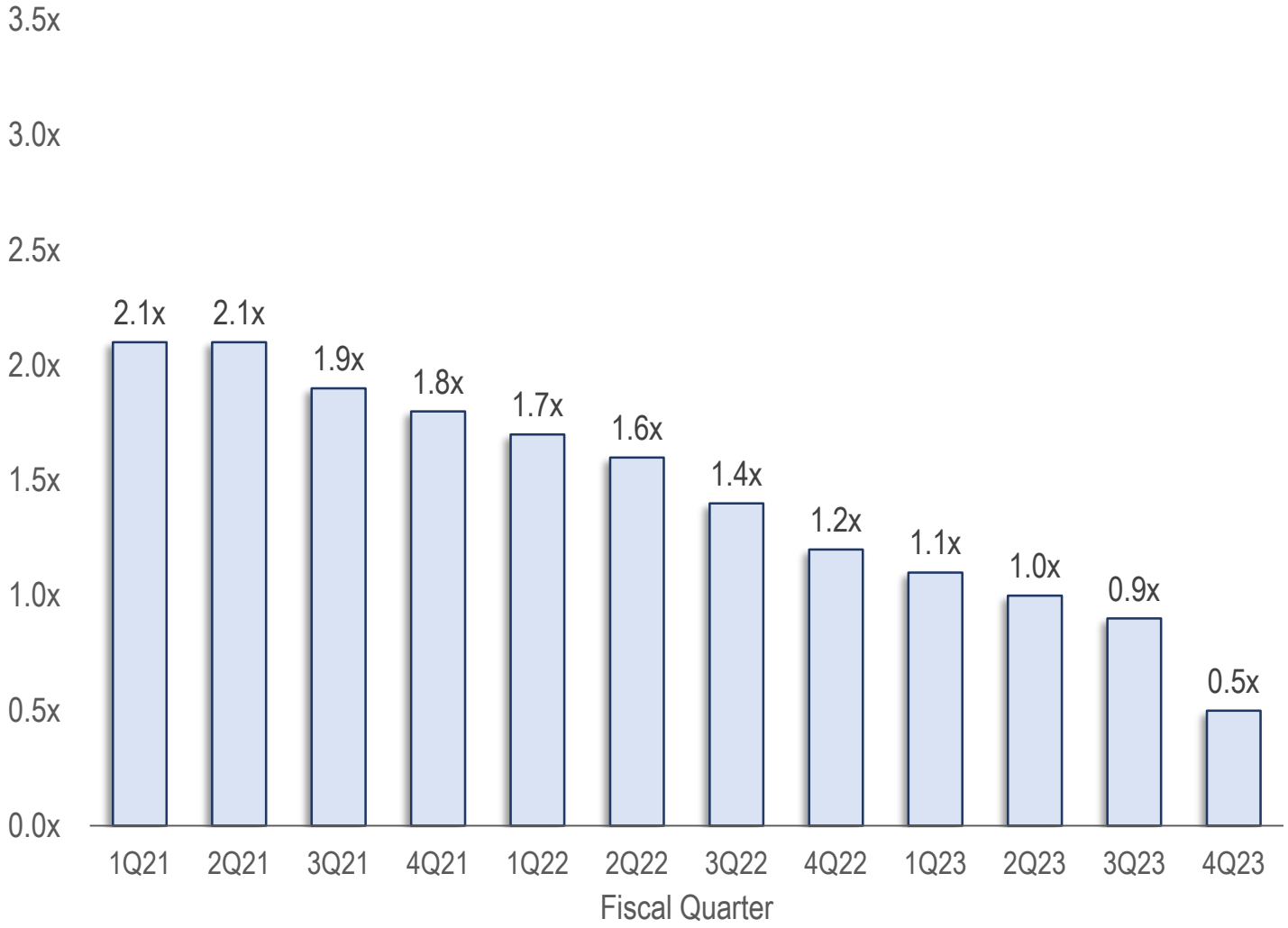

## *Strategic Initiatives Aligned to Drive Greater Cash Generation*

- Average FCF Conversion of ~112% Past 5 Years
- Increased Scale & Margin Expansion Potential
  - Growth in higher margin areas of business
  - Intermediate sales target of $5.5B+
    - +25% vs. $4.4B in FY23
  - Intermediate EBITDA margin target of 13%+
    - 110+ bps vs. 11.9% in FY23
- Working Capital Management Initiatives
  - Expansion of shared services model
  - Cross-functional inventory planning
  - Collections initiatives
  - Terms expansion
  - Leveraging systems investments
  - Local account growth

***Strong Cash Flow Model Supports Growth, Liquidity & Shareholder Returns Through the Cycle***

# Balance Sheet & Liquidity

## *Net Leverage Ratio* (Net Debt to Trailing Adjusted EBITDA)




## *Balance Sheet & Liquidity* (As of June 30, 2023)

- Net leverage ratio at 0.5x
- $344M of cash on hand
- Total debt down ~40% since early 2018
- ~$800M of balance sheet capacity under undrawn revolver, AR securitization facility, & uncommitted shelf facility
  - Additional $500M accordion option available under revolver

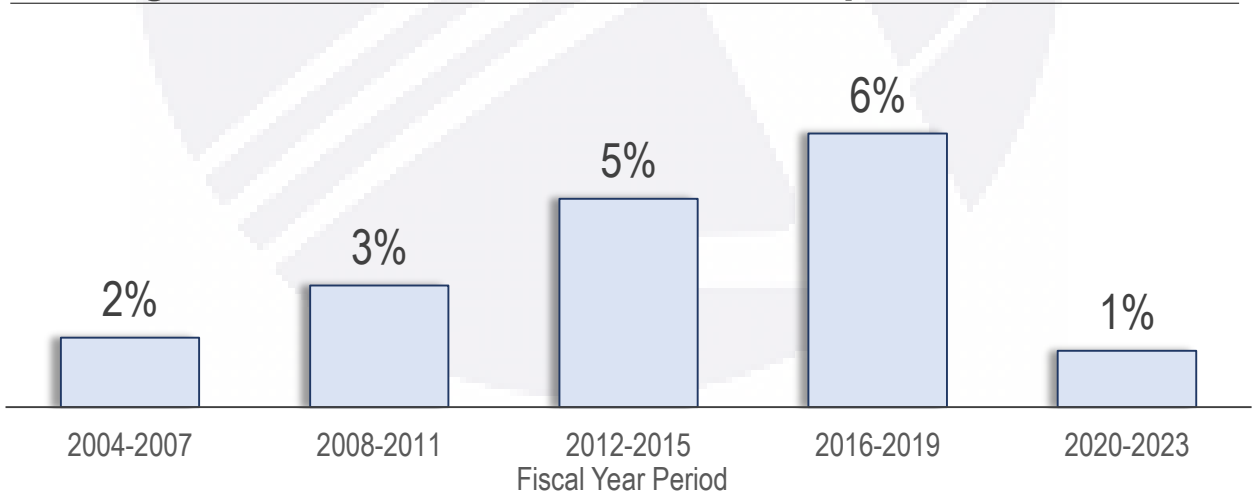
***Supportive Liquidity & Balance Sheet Position***

# Acquisitive Growth

## *Active Acquisition Pipeline Aligned with Long-term Growth Priorities…*

- **Acquisitions Remain an Element of Growth Formula**
  - 46 acquisitions since 2000
  - 29 acquisitions since 2012 representing over $1B in annual sales
  - Average Annual Target = low single-digit % sales growth contribution
  - 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**

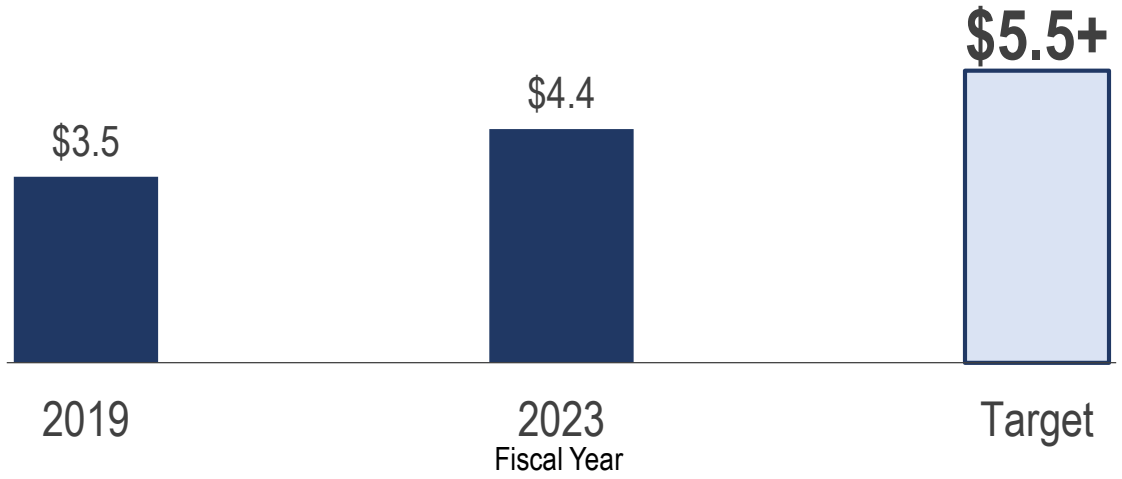
**Flow Control**

**Automation**

*Disciplined Acquisition Strategy Focused on Supplementing Growth & Strengthening Industry Position*

# Intermediate Financial Objectives

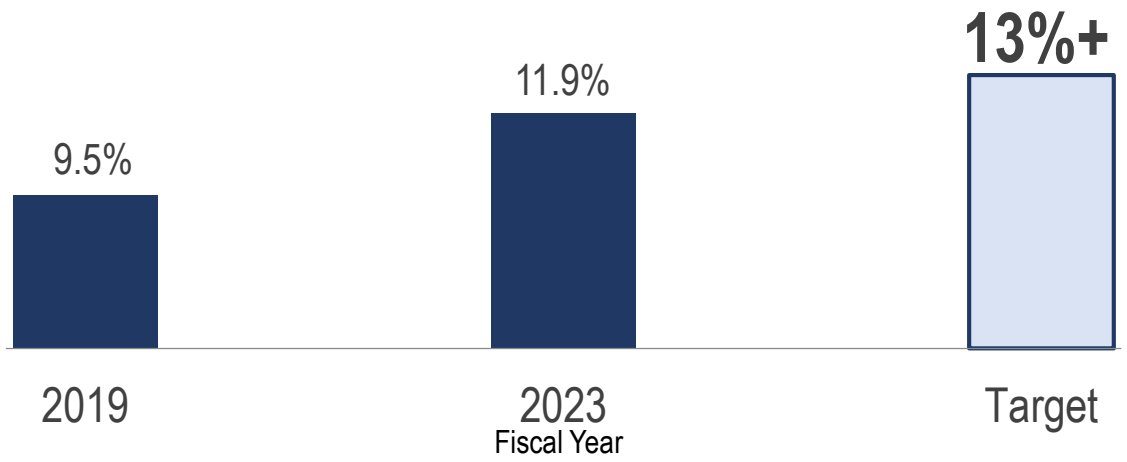
## *Net Sales – Grow to Over $5.5 Billion*




## 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 and Digital Offerings
- Low Single-Digit Annual Growth Contribution From Acquisitions
  - *Primary Focus on Automation, Flow Control, and Fluid Power*
- High Single-Digit Sales CAGR Over Horizon

## *EBITDA Margins – Expand to 13%+*




## 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

***Execution Track Record & Strategic Objectives Provide Framework for Significant Value Creation***

# Why Invest In Applied®?

## 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

# Segment Overview

## 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

***Key Growth & Operational Considerations***

- Recurring 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

## Engineered Solutions

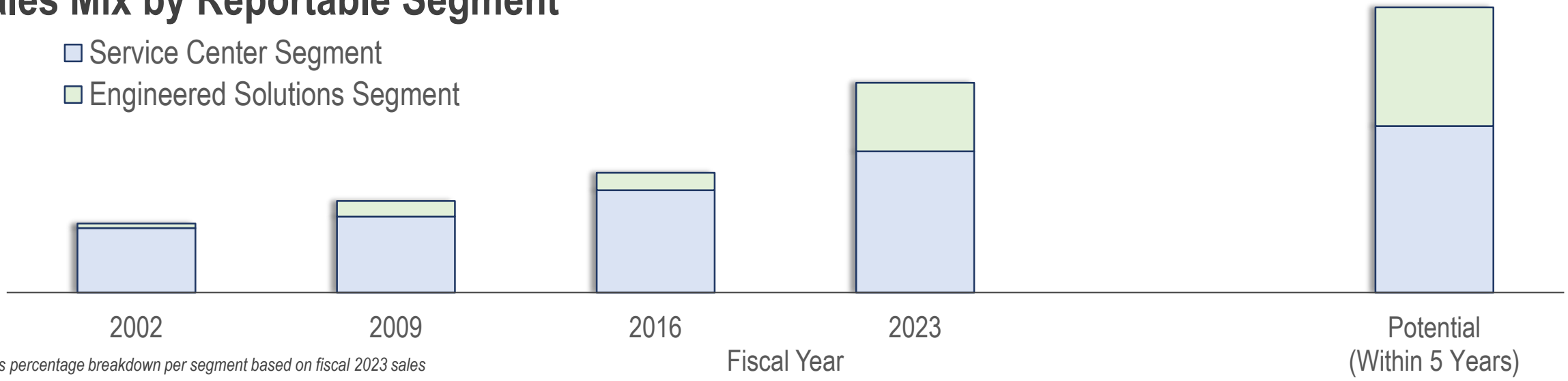
**33%** of sales(1)

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***

- 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




*(1) Sales percentage breakdown per segment based on fiscal 2023 sales*

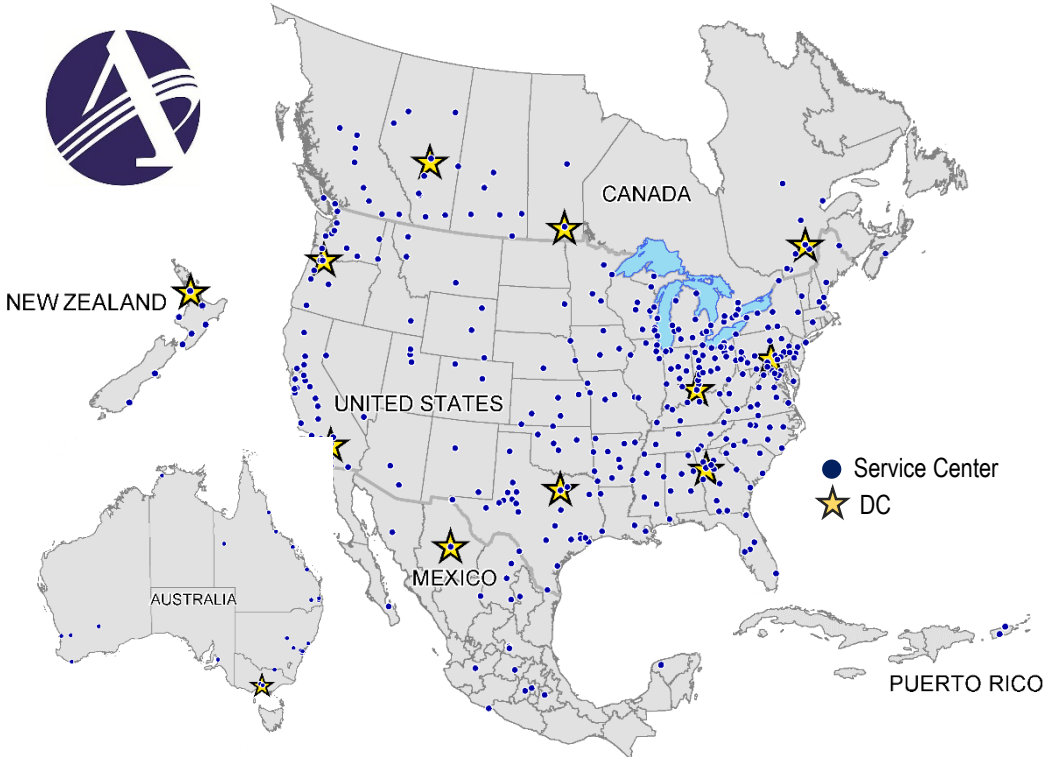
***Legacy in Core Service Center Segment …Strategic Expansion Across Engineered Solutions Segment***

# 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



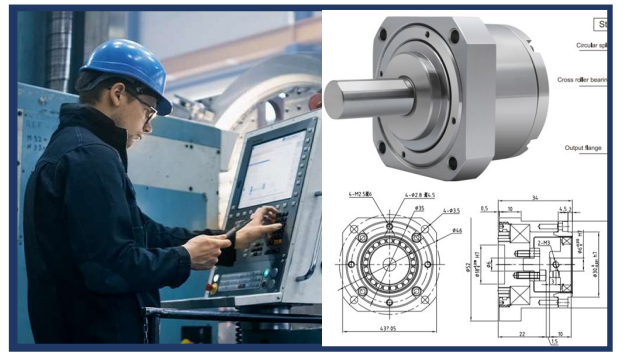

## Applied Service Center & DC Locations




## 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





***One of the Largest MRO Service Networks of Industrial Motion & Power Control Needs***

# Fluid Power: Overview & Industry Application

APPLIED Industrial Technologies®

APPLIED Fluid Power™

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

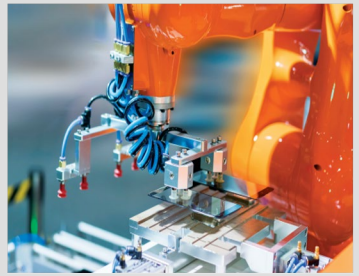
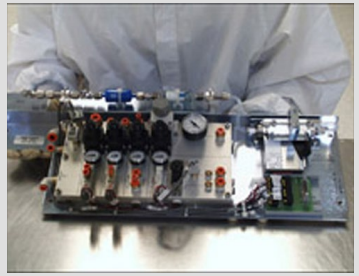
**Advantages:** More power in smaller spaces than other forms of power transmission

- *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 |
|---|---|---|
|  |  |  |
|  |  |  |

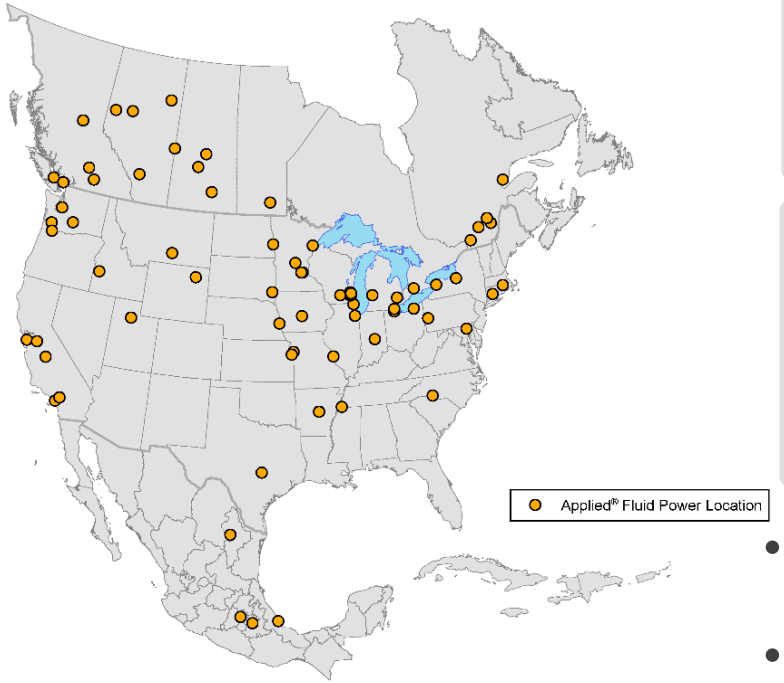
*Fluid Power Plays an Integral Role in the Industrial Sector's Growth & Efficiency*

# Fluid Power Position & Value Proposition

APPLIED Industrial Technologies®

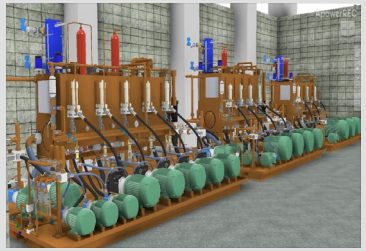
APPLIED Fluid Power™

***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

***Leading Fluid Power Capabilities Centered on Innovative Components, Services, & Solutions***

# Flow Control: Overview & Industry Application

APPLIED Industrial Technologies®

*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**



*Solutions Critical to Process Movement Across the Industrial Sector*

# Flow Control Position & Value Proposition

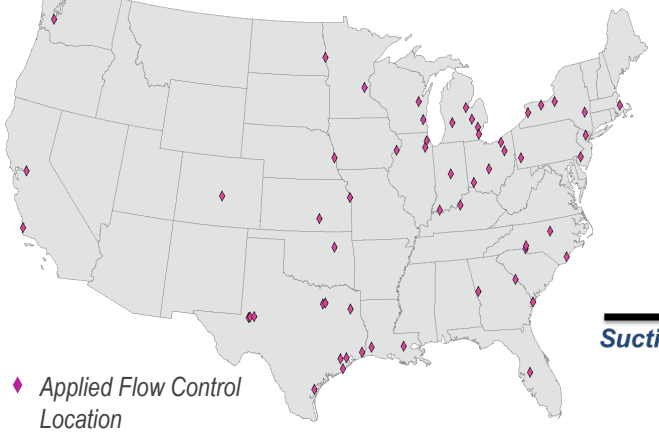
APPLIED Industrial Technologies®

*Flow Control*

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

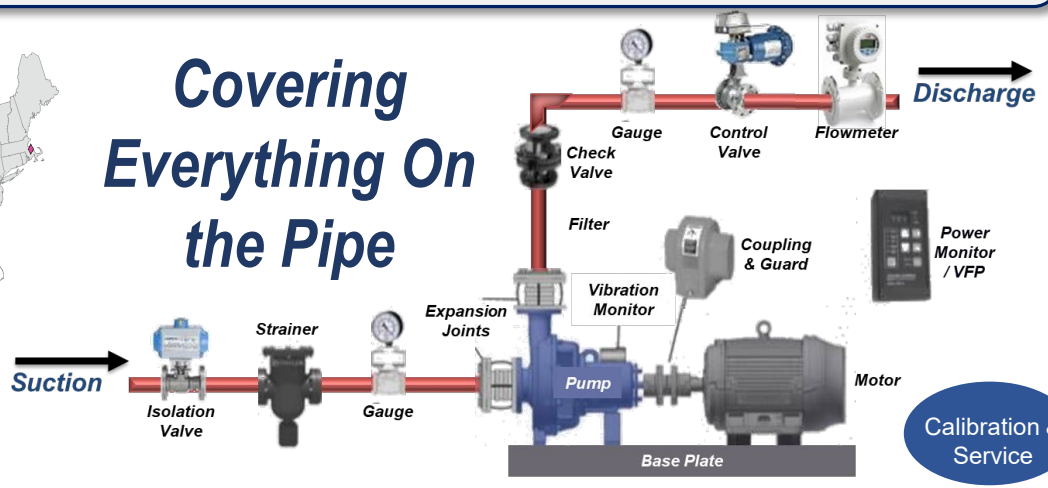
## Strategic Rationale & Growth Strategy

- 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.



♦ *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 Solutions

APPLIED Industrial Technologies

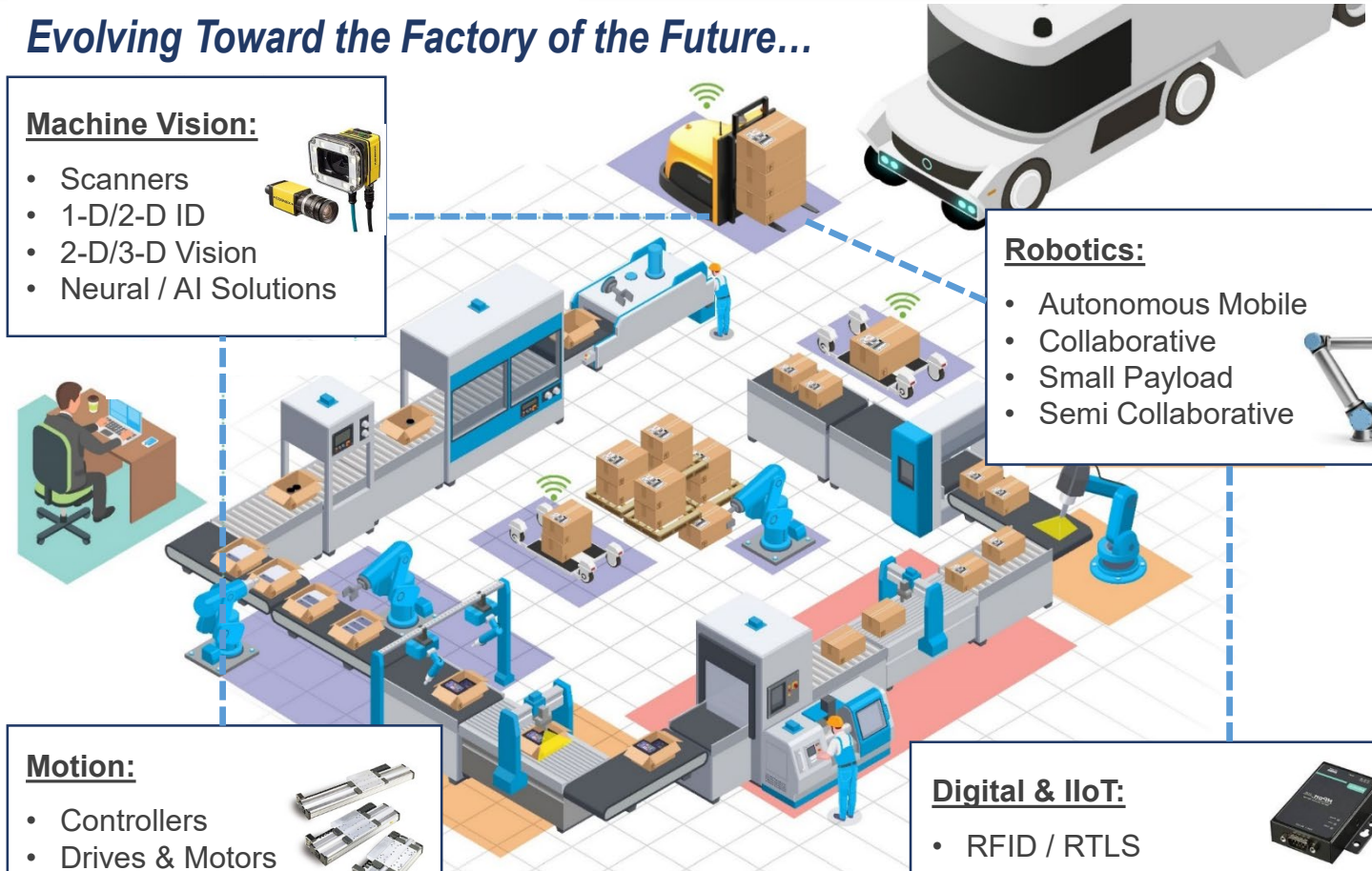
APPLIED Automation

Olympus Controls | ACS advanced control solutions | GIBSON ENGINEERING | Automation, Inc. | RRF RR Floody Company Inc

- 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…***



**Machine Vision:**

- Scanners
- 1-D/2-D ID
- 2-D/3-D Vision
- Neural / AI Solutions

**Robotics:**

- Autonomous Mobile
- Collaborative
- Small Payload
- Semi Collaborative

**Motion:**

- Controllers
- Drives & Motors
- Sensors
- Rail / Mechanical

**Digital & IIoT:**

- RFID / RTLS
- Industrial Networking
- "Retrofit" Technologies

# Increasing Focus on Next Generation Automation & Industry 4.0

**Market Opportunity**

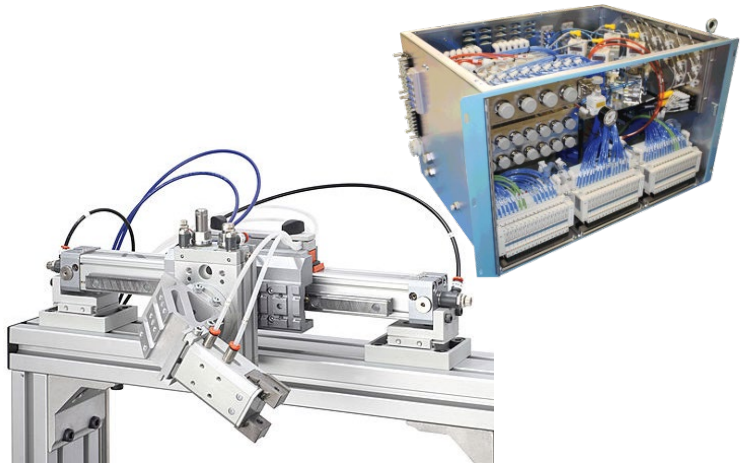
Technology converging with traditional industrial supply chains as customers address skilled labor constraints & plant efficiency, while considerations around manufacturing re-shoring & U.S. industrial infrastructure have potential to gain momentum

**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***







***Leveraging Industry Position to Drive Growth Tied to Enhanced Technology & New Market Opportunities***

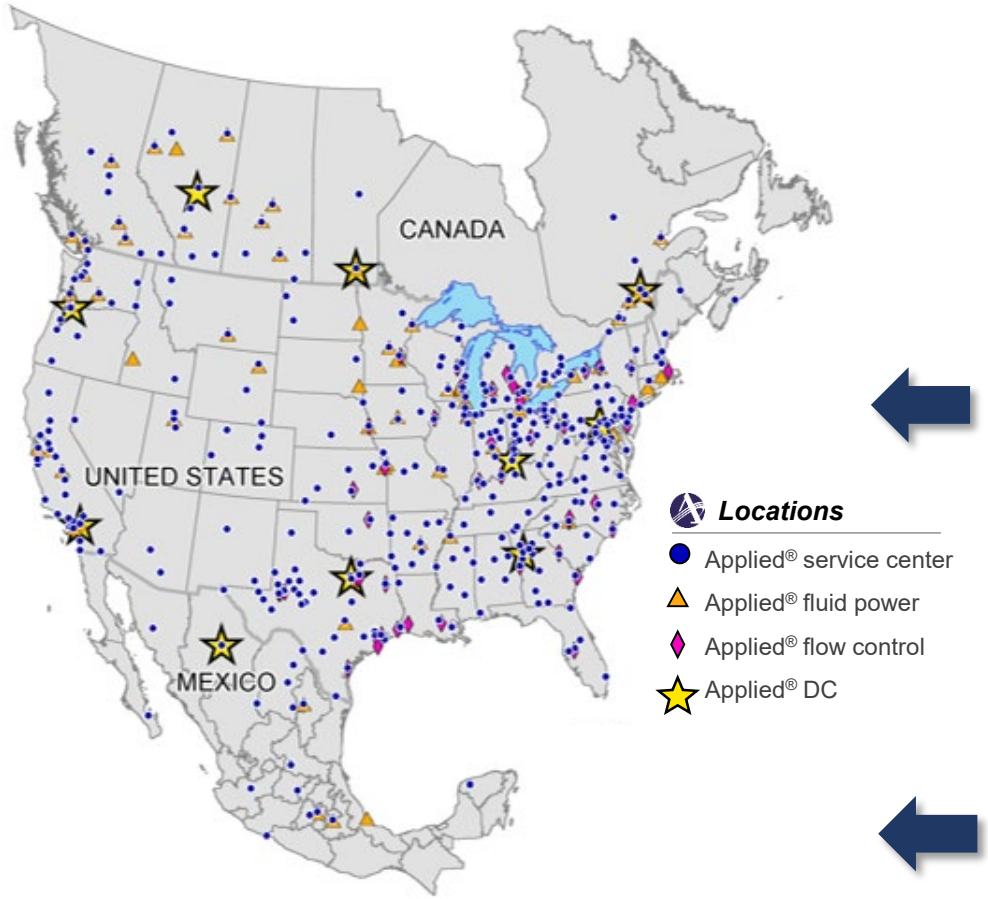
# Increasing Focus on Next Generation Automation & Industry 4.0

**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

*Leveraging Industry Position to Drive Growth Tied to Enhanced Technology & New Market Opportunities*

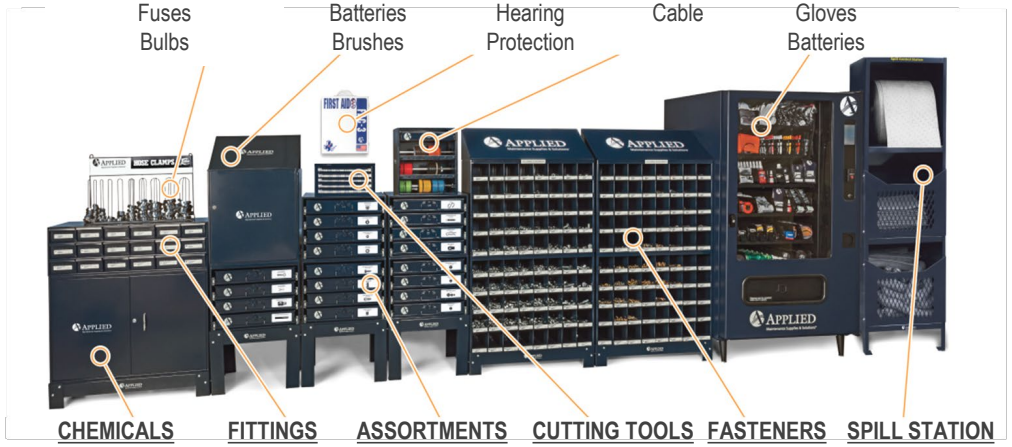
# Maintenance Supplies & Solutions

APPLIED Industrial Technologies®

APPLIED
Maintenance Supplies & Solutions®

**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*




**"Core Business" Manufacturing**

**Applied MSS℠**
VMI & Vending Solution for MRO & Safety Supplies

**Machine Shop**

**Applied MSS℠**
VMI Solution Cutting Tool, Abrasives, Fastener Supply Management

**Calibration Lab**

**Applied MSS℠**
VMI & Vending Solution for Tool Tracking & Security

**Maintenance**

**Applied MSS℠**
VMI & Vending Solutions to Manage General Facility Repair & Maintenance

**Office**

**Applied MSS℠**
Digital Inventory Management System Supporting C-Class Inventory Management



**Employee Entrance**

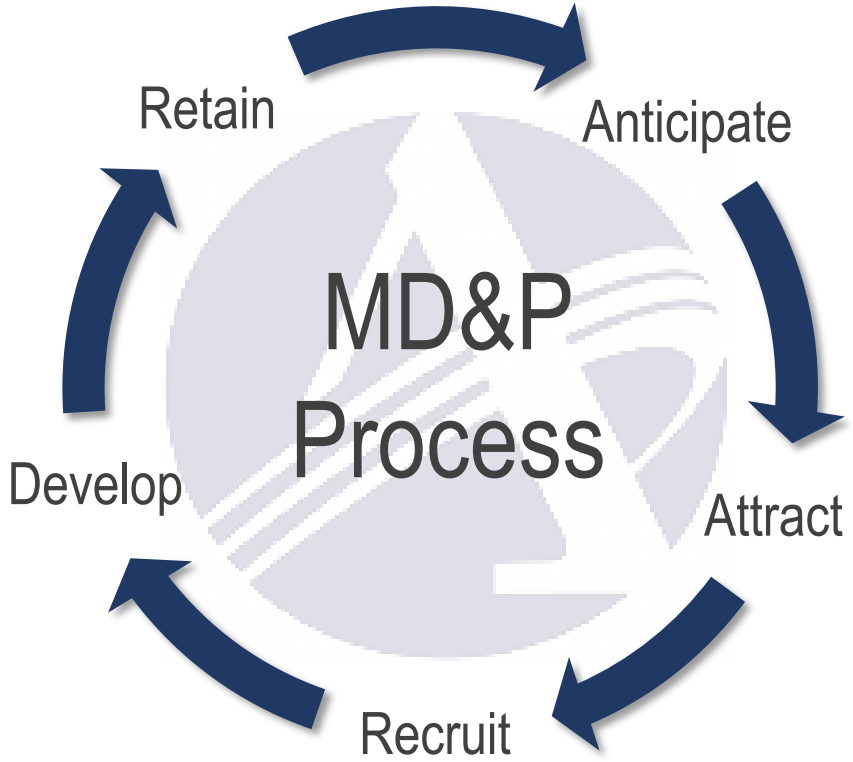
**Applied MSS℠**
Vending Solution For Employee Equipment, Safety Supplies, Rechargeable Devices

*Complementary Inventory Management Solutions for Customers' Indirect Supply Requirements*

# Talent Development

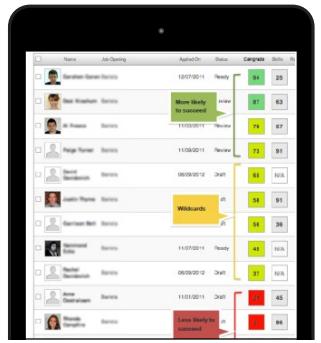
## Management Development & Planning

- 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 |

# Environmental - Social - Governance (ESG)

## 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*



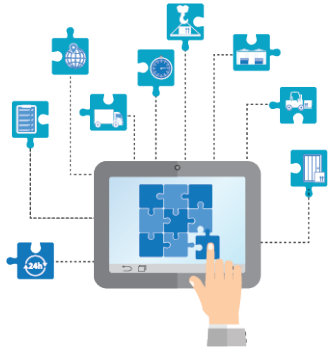

## Core Values

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



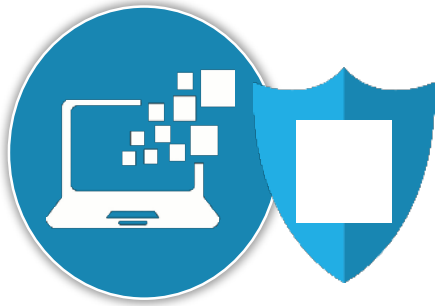

## Corporate Governance

- 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

***Demonstrated Commitment to Conducting Business Fairly, Honestly, & Ethically***

# Safety & Sustainability Performance

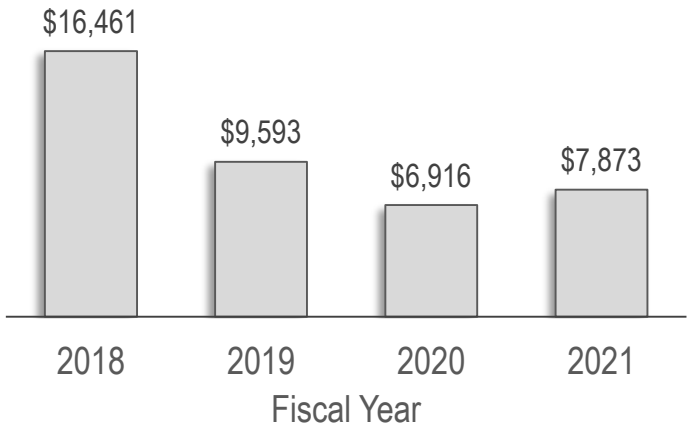
- Dedicated safety focus with comprehensive training programs across company
- Formalized EHS policy, analysis, monitoring, & accountability focus
- Low carbon footprint as a distributor
- Conduct customer energy audits on motors, belting, & gearing
- Develop fluid power systems that reduce greenhouse 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®*

Environmental Health & Safety



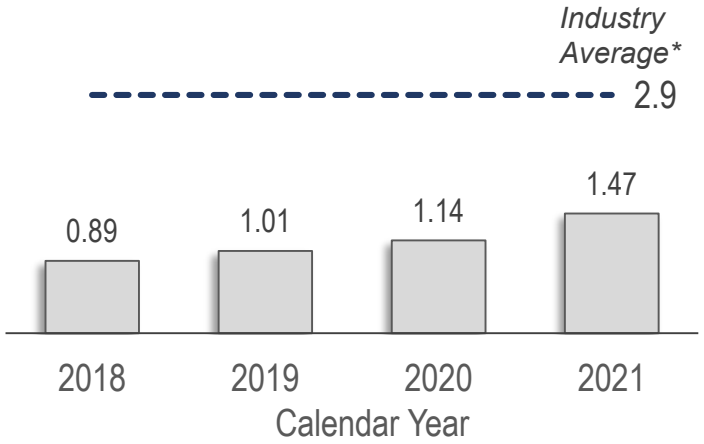
***Workers Comp Claim Value***

*Within U.S.*



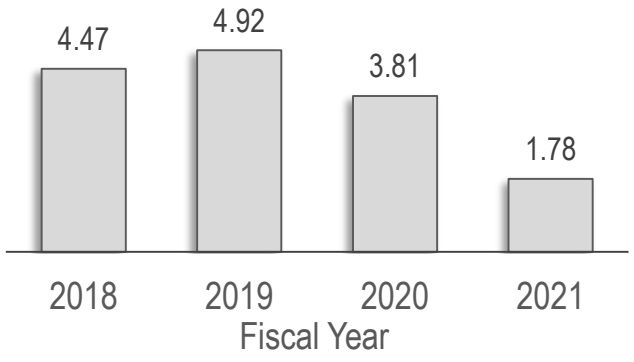

***Total Recordable Incident Rate (TRIR)***

*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*

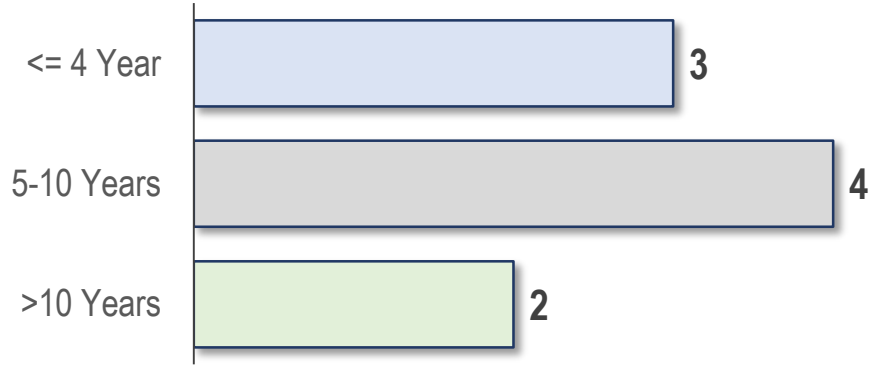
# Corporate Governance

## 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:**

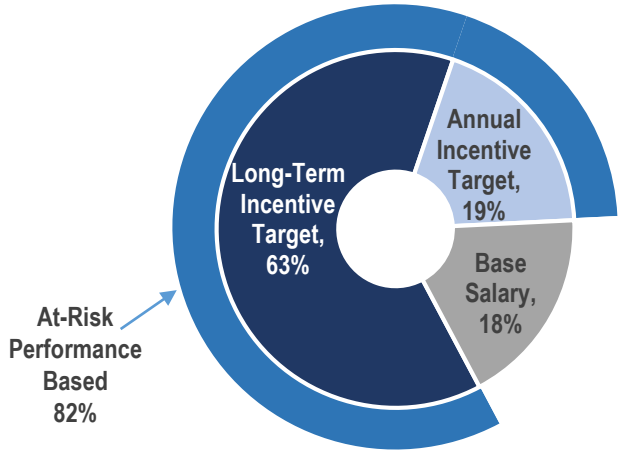
Based on Three-Year Performance Relative to Targets of:

- 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




*Corporate Governance Policies that Align the Interests of Management with Shareholders*

APPLIED
Industrial Technologies®

# Appendix

# Appendix: Reconciliations

## *EBITDA, Adjusted EBITDA, & Adjusted EBITDA Margin*

| | Twelve Months Ended June 30 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(dollar amount in thousands)* | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** |
| Net Income | $29,577 | $133,910 | $141,625 | $ 143,993 | $24,042 | $144,757 | $257,414 | $346,739 |
| Interest expense, net | 8,763 | 8,541 | 23,485 | 40,188 | 36,535 | 30,592 | 26,263 | 21,639 |
| Income tax expense | 49,401 | 33,056 | 63,093 | 50,488 | 31,194 | 32,305 | 72,376 | 103,072 |
| Depreciation and amortization of property | 15,966 | 15,306 | 17,798 | 20,236 | 21,196 | 20,780 | 21,676 | 22,266 |
| Amortization of intangibles | 90,374 | 24,371 | 32,065 | 41,883 | 40,499 | 34,365 | 31,879 | 30,805 |
| **EBITDA** | $194,081 | $215,184 | $278,066 | $296,788 | $153,466 | $262,799 | $409,608 | $524,521 |
| Goodwill & intangible impairment | | | | $31,594 | $131,000 | $49,528 | | |
| Non-routine costs | | | $6,123 | $2,300 | $8,992 | $5,163 | | |
| **Adjusted EBITDA** | **$194,081** | **$215,184** | **$284,189** | **$330,682** | **$293,458** | **$317,490** | **$409,608** | **$524,521** |
| Sales | $2,519,428 | $2,593,746 | $3,073,274 | $3,472,739 | $3,245,652 | $3,235,919 | $3,810,676 | $4,412,794 |
| **Adjusted EBITDA Margin** | **7.7%** | **8.3%** | **9.2%** | **9.5%** | **9.0%** | **9.8%** | **10.7%** | **11.9%** |

## *Adjusted Gross Margin*

| | Twelve Months Ended June 30 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(dollar amount in thousands)* | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** |
| **Net Sales** | $2,519,428 | $2,593,746 | $3,073,274 | $3,472,739 | $3,245,652 | $3,235,919 | $3,810,676 | $4,412,794 |
| Gross Profit | $711,001 | $737,665 | $883,995 | $1,008,323 | $937,736 | $935,524 | $1,106,916 | $1,286,965 |
| Non-routine expense in cost of sales | | | | | $3,900 | $7,369 | | |
| **Adjusted Gross Profit** | **$711,001** | **$737,665** | **$883,995** | **$1,008,323** | **$941,636** | **$942,893** | **$1,106,916** | **$1,286,965** |
| **Adjusted Gross Margin** | **28.2%** | **28.4%** | **28.8%** | **29.0%** | **29.0%** | **29.1%** | **29.0%** | **29.2%** |

# Appendix: Reconciliations

## Free Cash Flow

| | Fiscal Year, Ended June 30 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *(dollar amount in thousands)* | **FY12** | **FY13** | **FY14** | **FY15** | **FY16** | **FY17** | **FY18** | **FY19** | **FY20** | **FY21** | **FY22** | **FY23** |
| Cash provided by Operating Activities | $90,422 | $111,397 | $110,110 | $157,007 | $162,014 | $164,619 | $147,304 | $180,601 | $296,714 | $241,697 | $187,570 | $343,966 |
| Capital Expenditures | (26,021) | (12,214) | (20,190) | (14,933) | (13,130) | (17,045) | (23,230) | (18,970) | (20,115) | (15,852) | (18,124) | (26,476) |
| **Free Cash Flow** | **$64,401** | **$99,183** | **$89,920** | **$142,074** | **$148,884** | **$147,574** | **$124,074** | **$161,631** | **$276,599** | **$225,845** | **$169,446** | **$317,490** |
| 3-Year Rolling Average Free Cash Flow | | | $84,501 | $110,392 | $126,959 | $146,177 | $140,177 | $144,426 | $187,435 | $221,358 | $223,963 | $237,594 |

## Net Leverage Ratio

| | Fiscal Quarter | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *(dollar amount in thousands)* | **Q1 FY21** | **Q2 FY21** | **Q3 FY21** | **Q4 FY21** | **Q1 FY22** | **Q2 FY22** | **Q3 FY22** | **Q4 FY22** | **Q1 FY23** | **Q2 FY23** | **Q3 FY23** | **Q4 FY23** |
| **Net Income** | $34,784 | ($5,334) | $56,063 | $59,244 | $52,969 | $57,026 | $68,306 | $79,113 | $76,880 | $80,457 | $97,187 | $92,215 |
| Interest expense, net | 7,653 | 7,658 | 7,608 | 7,673 | 7,390 | 7,007 | 5,852 | 6,014 | 6,480 | 6,185 | 4,773 | 4,201 |
| Income tax expense | 10,048 | (4,834) | 12,453 | 14,638 | 14,567 | 15,013 | 21,216 | 21,580 | 22,164 | 25,493 | 25,093 | 30,322 |
| Depreciation and amortization | 5,352 | 5,209 | 5,080 | 5,139 | 5,427 | 5,436 | 5,352 | 5,461 | 5,481 | 5,552 | 5,565 | 5,668 |
| Amortization of intangibles | 9,726 | 8,276 | 8,236 | 8,127 | 8,121 | 8,084 | 7,891 | 7,783 | 7,705 | 7,814 | 7,670 | 7,616 |
| **EBITDA** | **$67,563** | **$10,975** | **$89,440** | **$94,821** | **$88,474** | **$92,566** | **$108,617** | **$119,951** | **$118,710** | **$125,501** | **$140,288** | **$140,022** |
| Goodwill & intangible impairment | | 49,528 | | | | | | | | | | |
| Non-routine costs | | 7,772 | (2,609) | | | | | | | | | |
| **Adjusted EBITDA** | **$67,563** | **$68,275** | **$86,831** | **$94,821** | **$88,474** | **$92,566** | **$108,617** | **$119,951** | **$118,710** | **$125,501** | **$140,288** | **$140,022** |
| **Trailing 4-Quarter EBITDA** | $282,803 | $276,529 | $287,457 | $317,490 | $338,401 | $362,692 | $384,478 | $409,608 | $439,844 | $472,779 | $504,450 | $524,521 |
| Current portion of long-term debt | 78,651 | 78,638 | 78,644 | 43,525 | 88,401 | 40,182 | 40,166 | 40,174 | 181 | 25,189 | 25,196 | 25,170 |
| Long-term debt | 792,827 | 783,076 | 773,404 | 784,855 | 730,307 | 681,266 | 681,197 | 649,150 | 649,103 | 624,052 | 597,006 | 596,926 |
| Total Debt | $871,478 | $861,714 | $852,048 | $828,380 | $818,708 | $721,448 | $721,363 | $689,324 | $649,284 | $649,241 | $622,202 | $622,096 |
| Cash | 271,060 | 288,775 | 304,016 | 257,745 | 247,313 | 154,843 | 188,084 | 184,474 | 147,575 | 165,538 | 182,127 | 344,036 |
| **Net Debt** | **$600,418** | **$572,939** | **$548,032** | **$570,635** | **$571,395** | **$566,605** | **$533,279** | **$504,850** | **$501,709** | **$483,703** | **$440,075** | **$278,060** |
| **Net Leverage Ratio** | **2.1** | **2.1** | **1.9** | **1.8** | **1.7** | **1.6** | **1.4** | **1.2** | **1.1** | **1.0** | **0.9** | **0.5** |