Fiscal Q4 2023 Recap and FY24 Outlook
Investor Presentation

August 10, 2023

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

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 including Adjusted Earnings per Share (EPS); Adjusted Net Income; EBITDA; EBITDA Margin; 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 Adjusted Earnings per Share (EPS); Adjusted Net Income; EBITDA; EBITDA Margin; Adjusted EBITDA; Free Cash Flow; Net Leverage Ratio are set forth in the appendix to this presentation.

Primary Messages from Management

- **Reported another quarter of outperformance** with YoY sales and EBITDA growth of 9% and 17%, respectively, exceeding expectations and against difficult prior-year comparisons.

- **Underlying sales momentum steady despite more mixed end-market demand;** F4Q23 average daily sales increased 3% sequentially (inline with normal seasonality) including firm trends through June.

- **Reported record 4Q and full-year cash generation;** converted 189% of net income into free cash during the quarter, resulting in full-year FY23 free cash increasing 87% to $317M.

- **Sustaining gross margin and EBITDA margin expansion** reflecting broad-based execution, inflationary countermeasures, internal initiatives, and enhanced business mix.

- **Returns on capital continuing to expand and at the strongest level in over 10 years**; reflects an enhanced margin profile, disciplined capital deployment, and strong underlying operational cash returns across Applied.

- **Balance sheet supports growth and shareholder returns in FY24;** net leverage at 0.5x with balance sheet capacity over $1.5B; provides substantial firepower for organic reinvestment, M&A, and other capital deployment.

Applied® Value Creation Model At Work in FY23!

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

Supports Growth Into Demand-Rich, Higher Margin, & 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

FY23 Financial Performance
Organic Sales Growth of 16%

12 bps of Gross Margin Expansion

EBITDA Growth of 28%

114 bps of EBITDA Margin Expansion

Working Cap at 20.6% of Sales (22% in FY22)

Adj. EPS Growth of 33%

Free Cash Growth of 87%

Acquisitions *($36M deployed on Automation build out)*

Organic Re-Investment *(Capex of $26M, up 46%)*

Debt Reduction *($67M paydown)*

Dividends *($53M, up 3%)*

Share Price Appreciation = *Up 51% during FY23*

Scaling Market Cap = *Nearing $6B, vs. $2B in FY20*

SHAREHOLDER RETURNS

Fiscal Q4 2023 Key Financial Highlights

- **Sales up 9.1% YoY**
  - Up 8.6% on an organic basis
  - Acquisitions +0.7%, currency -0.2%

- **Net Income of $92.2M and EPS of $2.35**
  - EPS up 16.1% from the prior year
  - Includes $8.1M pre-tax ($0.15/sh) of LIFO expense in F4Q23 vs. $10.8M ($0.22/sh) in F4Q22

- **Gross margin 29.2%, up 35 bps vs. prior year of 28.9%**
  - Includes a favorable 24 bps YoY impact due to lower LIFO expense

- **SD&A expense 18.3% of sales vs. prior year of 18.6%**
  - Up 6% YoY on an organic, constant currency basis

- **EBITDA of $140.0M, up 16.7% vs. prior year of $120.0M**
  - 12.1% EBITDA margin up 79 bps YoY including a favorable 24 bps YoY impact due to lower LIFO expense

- **Operating cash flow of $179.9M; free cash flow of $174.3M**
  - Free cash flow up 268% from the prior year and 189% of net income

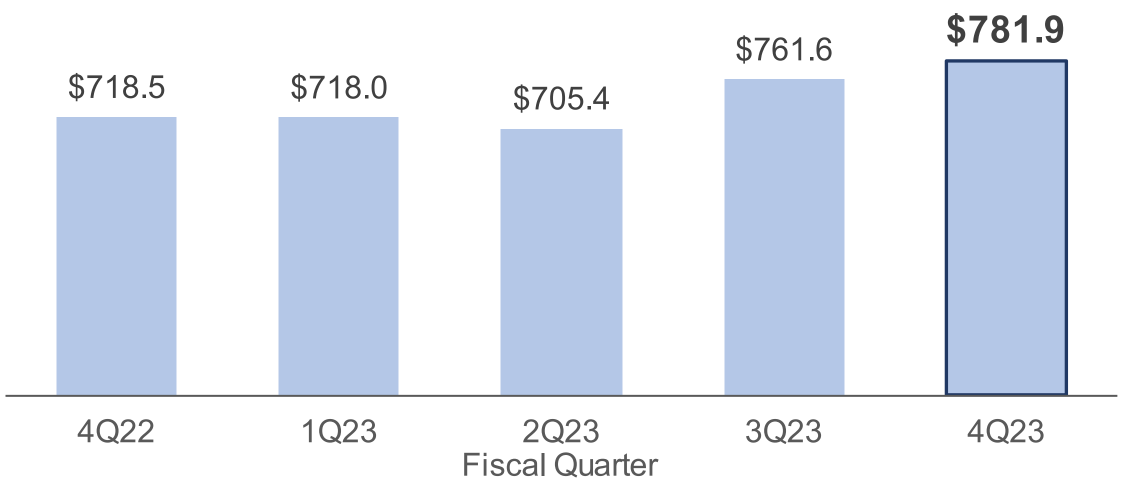
Current Investor Discussion Points

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*

Segment Results – Service Center Based Distribution

Segment Overview: *Representing 67% of fiscal 2023 sales - the segment includes our core distribution operations including ~400 local service centers across North America, Australia, and New Zealand, primarily focused on our technical bearings, power transmission, and fluid power MRO product and solution offerings, as well as other industrial supplies for scheduled maintenance and repairs of customers' machinery, equipment, and facilities*

Service Center Distribution Segment Sales, in Millions



- **Sales up 8.8% YoY in F4Q23**
  - Organic + 9.1%
  - Currency - *0.3%*

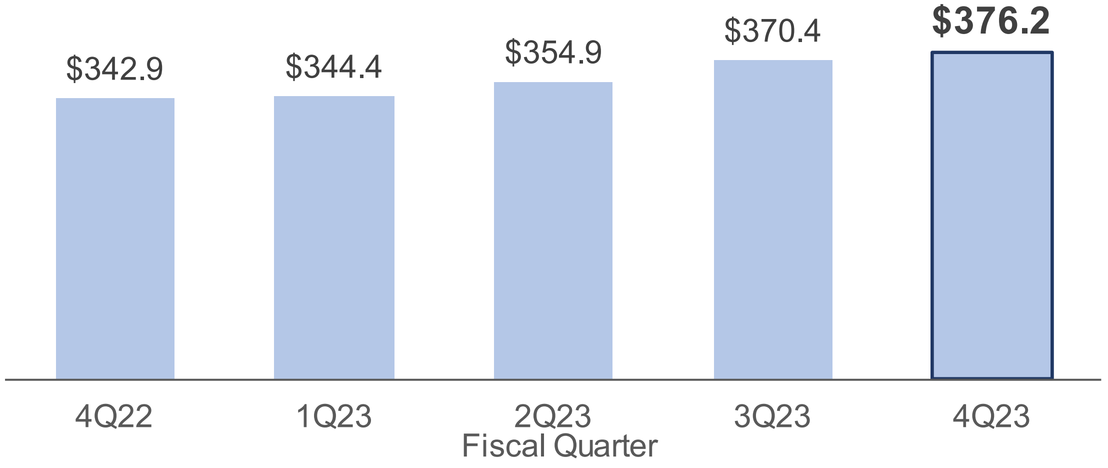
- Segment sales growth remaining firm reflecting market position and sales process initiatives; solid growth across national strategic accounts, as well as incremental benefits from cross-selling actions.

- Segment operating income of $95.1M in F4Q23

Segment Results – Engineered Solutions

Segment Overview: *Representing 33% of fiscal 2023 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 across off-highway mobile, industrial, and technology verticals, 2) our specialty flow control products and engineered solutions supporting mission-critical process infrastructure, and 3) our advanced automation products and solutions focused on machine vision, robotics, motion, & digital technologies*

Engineered Solutions Segment Sales, in Millions



- **Sales up 9.7% YoY in F4Q23**
  - Organic + 7.5%
  - Acquisitions + 2.2%

- Underlying segment demand remains positive; technical and engineering capabilities, backlog, and diverse end-market mix providing support, partially offset by slower activity across the technology sector, and ongoing supply chain constraints.

- Segment operating income of $54.3M in F4Q23

Fiscal Q4 2023 Margin and Expense Highlights

Gross Profit, SD&A, and EBITDA Metrics

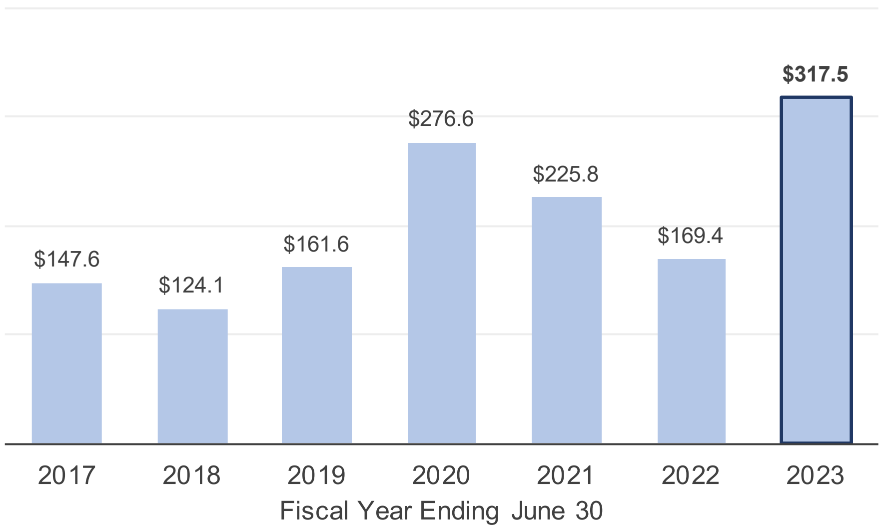
$ in millionsilestone	Q4 23	Q4 22	Chg YoY	*LIFO Impact YoY*
Gross Profit	**$338.6**	$306.6	10.4%	*0.9%*
Gross Margin	**29.2%**	28.9%	35 bps	*24 bps*
SD&A Expense	**$211.7**	$197.4	7.3%	
% of Sales	**18.3%**	18.6%	31 bps	
EBITDA	**$140.0**	$120.0	16.7%	*2.3%*
EBITDA Margin	**12.1%**	11.3%	79 bps	*24 bps*
Memo:				
LIFO Expense	**$8.1**	$10.8		

- **Gross margin up 35 bps YoY**
  - Includes a favorable 24 bps YoY impact due to LIFO
  - Price actions, channel execution, effective freight management, and ongoing margin initiatives providing support
  - Includes modest mix headwinds YoY from national account growth and project activity
- **SD&A expense up 7.3% YoY**
  - Up 6% on an organic, constant currency basis
  - Up 4% excluding prior-year favorability tied to self-insurance performance and lower deferred compensation expense
  - 18.3% of sales vs. 18.6% in the prior-year period
  - Primarily reflects cost control, operational discipline, efficiency gains, and execution of internal initiatives
  - Continue to leverage labor costs well reflecting talent and systems investments, and benefits from shared services deployment
- **EBITDA margin of 12.1% up 79 bps YoY**
  - Includes a favorable 24 bps YoY impact due to LIFO

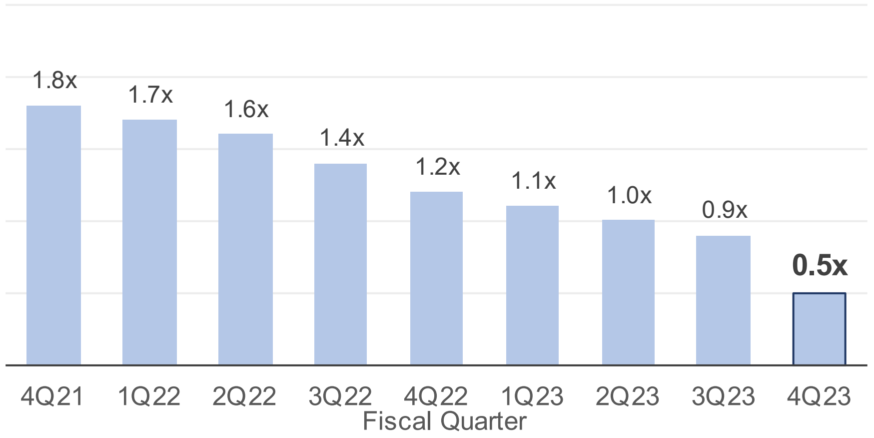
APPLIED Industrial Technologies®

Cash Flow and Balance Sheet

Free Cash Flow (in Millions) - Fiscal Year Period



Net Leverage Ratio (Net Debt to Trailing Adjusted EBITDA)



- **F4Q23 cash from operations of $179.9M; free cash of $174.3M**
  - Free cash at 189.0% of net income in the quarter, and up 268.5% YoY
  - Full-year FY23 cash from operations of $344M; free cash of $317M
  - Full-year FY23 free cash at 92.5% of adjusted net income
  - Record performance highlights enhanced business position and margin profile, as well as strong progress on working capital initiatives including inventory management and A/R collections
  - Inclusive of working capital investments and higher capex spending in FY23 supporting organic growth initiatives and service capabilities

- **Net leverage ratio at 0.5x as of June 30, 2023**
  - Below prior-year level of 1.2x
  - Total net debt down over 70% since early 2018

- **Strong balance sheet capacity to support growth** *(as of 6/30/23)*
  - $344M of cash on hand
  - $516M 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

APPLIED Industrial Technologies®

Fiscal 2024 Guidance and Outlook Assumptions

	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%

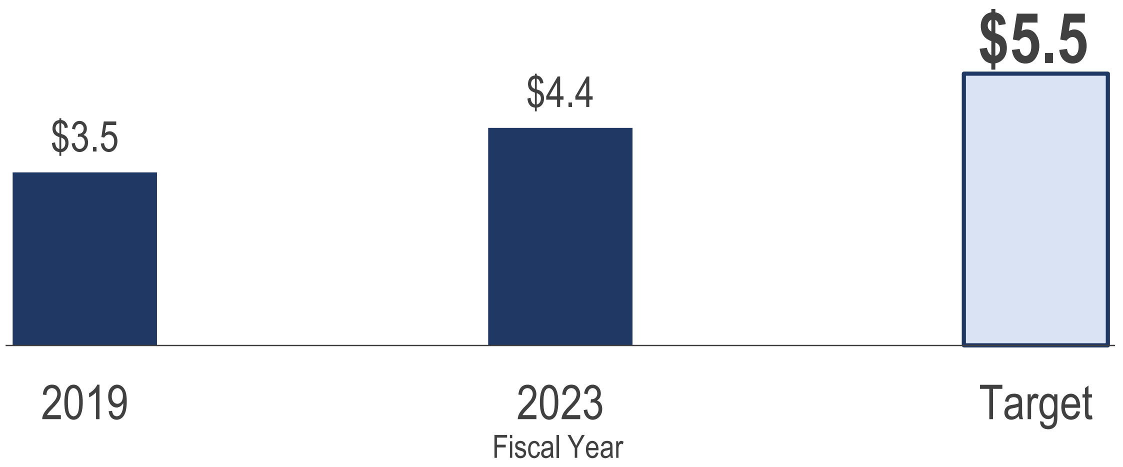
Guidance Assumptions:

- 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

Note: $ amount in millions except EPS.

Updated Intermediate Financial Objectives

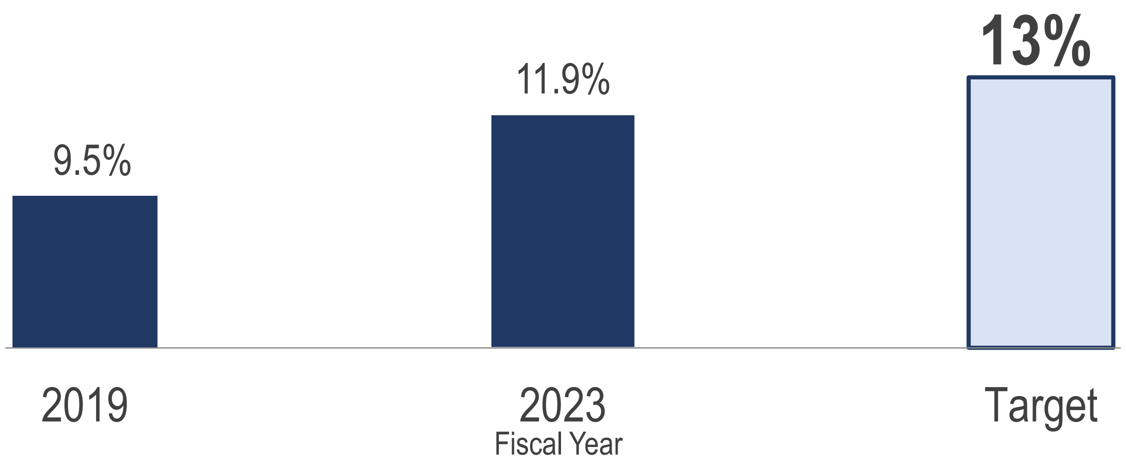
Net Sales – Grow to Over $5.5 Billion



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 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 Over 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

APPLIED Industrial Technologies®

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

Fiscal Period	Q1	Q2	Q3	Q4	Year
2022	64.0	61.0	64.0	63.5	252.5
2023	64.0	61.0	64.0	63.5	252.5
2024	**63.0**	**61.0**	**63.5**	**64.0**	**251.5**

Appendix: Net Sales and Operating Income by Segment

(dollar amount in thousands)	Three Months Ended June 30 Q4 FY22	Q4 FY23
Service Center Based Distribution Segment:		
Net sales	$ 718,517	$ 781,863
Operating income	**$ 88,138**	**$ 95,063**
Egineered Solutions Segment:		
Net sales	$ 342,942	$ 376,211
Operating income	**$ 44,827**	**$ 54,327**
Corporate and other expense, net (1)	$ 23,741	$ 22,575

Note: (1) Includes intangible amortization expense.

Appendix: Reconciliation of Adjusted Net Income and EPS

	Year Ended June 30 2023				
(dollar amount in thousands)	**Pre-tax**	**Tax Effect**	**Net of Tax**	**Per Share Diluted Impact**	**Tax Rate**
Net income and net income per share	**$ 449,811**	**$ 103,072**	**$ 346,739**	**$ 8.84**	**22.9%**
Tax valuation allowance adjustment, net	-	3,657	(3,657)	(0.09)	0.8%
Adjusted net income and net income per share	**$ 449,811**	**$ 106,729**	**$ 343,082**	**$ 8.75**	**23.7%**

Appendix: Reconciliation of EBITDA

(dollar amount in thousands)	**Three Months Ended June 30**		**Year Ended June 30**	
	Q4 FY22	**Q4 FY23**	**FY22**	**FY23**
Net Income	**$ 79,113**	**$ 92,215**	**$ 257,414**	**$ 346,739**
Interest expense, net	6,014	4,201	26,263	21,639
Income tax expense	21,580	30,322	72,376	103,072
Depreciation and amortization of property	5,461	5,668	21,676	22,266
Amortization of intangibles	7,783	7,616	31,879	30,805
EBITDA	**$ 119,951**	**$ 140,022**	**$ 409,608**	**$ 524,521**

APPLIED Industrial Technologies®

Appendix: Reconciliation of EBITDA Margin

	Three Months Ended June 30		Year Ended June 30	
(dollar amount in thousands)	**Q4 FY22**	**Q4 FY23**	**FY22**	**FY23**
Net Sales	**$ 1,061,459**	**$ 1,158,074**	**$ 3,810,676**	**$ 4,412,794**
EBITDA	119,951	140,022	409,608	524,521
EBITDA Margin	**11.3%**	**12.1%**	**10.7%**	**11.9%**

Industrial Technologies®

Appendix: Reconciliation of Free Cash Flow

	Three Months Ended June 30						
(dollar amount in thousands)	**Q4 FY17**	**Q4 FY18**	**Q4 FY19**	**Q4 FY20**	**Q4 FY21**	**Q4 FY22**	**Q4 FY23**
Cash provided by Operating Activities	$ 86,113	$ 99,426	$ 103,435	$ 127,090	$ 38,288	$ 53,747	$179,939
Capital Expenditures	(5,258)	(5,332)	(7,259)	(3,892)	(3,675)	(6,450)	(5,667)
Free Cash Flow	$ 80,855	$ 94,094	$ 96,176	$ 123,198	$ 34,613	$ 47,297	$174,272

	Year Ended June 30						
(dollar amount in thousands)	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
Cash provided by Operating Activities	$ 164,619	$ 147,304	$ 180,601	$ 296,714	$ 241,697	$ 187,570	$343,966
Capital Expenditures	(17,045)	(23,230)	(18,970)	(20,115)	(15,852)	(18,124)	(26,476)
Free Cash Flow	$ 147,574	$ 124,074	$ 161,631	$ 276,599	$ 225,845	$ 169,446	$317,490

Appendix: Reconciliation of Net Leverage Ratio

(dollar amount in thousands)	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23
Net Income	$ 59,244	$ 52,969	$ 57,026	$ 68,306	$ 79,113	$ 76,880	$ 80,457	$ 97,187	$ 92,215
Interest expense, net	7,673	7,390	7,007	5,852	6,014	6,480	6,185	4,773	4,201
Income tax expense	14,638	14,567	15,013	21,216	21,580	22,164	25,493	25,093	30,322
Depreciation and amortization	5,139	5,427	5,436	5,352	5,461	5,481	5,552	5,565	5,668
Amortization of intangibles	8,127	8,121	8,084	7,891	7,783	7,705	7,814	7,670	7,616
EBITDA	**$ 94,821**	**$ 88,474**	**$ 92,566**	**$ 108,617**	**$ 119,951**	**$ 118,710**	**$ 125,501**	**$ 140,288**	**$ 140,022**
Goodwill & intangible impairment									
Non-routine costs (income)									
Adjusted EBITDA	**$ 94,821**	**$ 88,474**	**$ 92,566**	**$ 108,617**	**$ 119,951**	**$ 118,710**	**$ 125,501**	**$ 140,288**	**$ 140,022**
Trailing 4-Quarter EBITDA	**317,490**	**338,401**	**362,692**	**384,478**	**409,608**	**439,844**	**472,779**	**504,450**	**524,521**
Current portion of long-term debt	$ 43,525	$ 88,401	$ 40,182	$ 40,166	$ 40,174	$ 181	$ 25,189	$ 25,196	$ 25,170
Long-term debt	784,855	730,307	681,266	681,197	649,150	649,103	624,052	597,006	596,926
Total Debt	$ 828,380	$ 818,708	$ 721,448	$ 721,363	$ 689,324	$ 649,284	$ 649,241	$ 622,202	$ 622,096
Cash	257,745	247,313	154,843	188,084	184,474	147,575	165,538	182,127	344,036
Net Debt	$ 570,635	$ 571,395	$ 566,605	$ 533,279	$ 504,850	$ 501,709	$ 483,703	$ 440,075	$ 278,060
Net Leverage Ratio	**1.8**	**1.7**	**1.6**	**1.4**	**1.2**	**1.1**	**1.0**	**0.9**	**0.5**

Applied Industrial Technologies®