



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 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.



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

\$7B

Market Cap

8.5M

Accessible
Products SKUs

3,200+

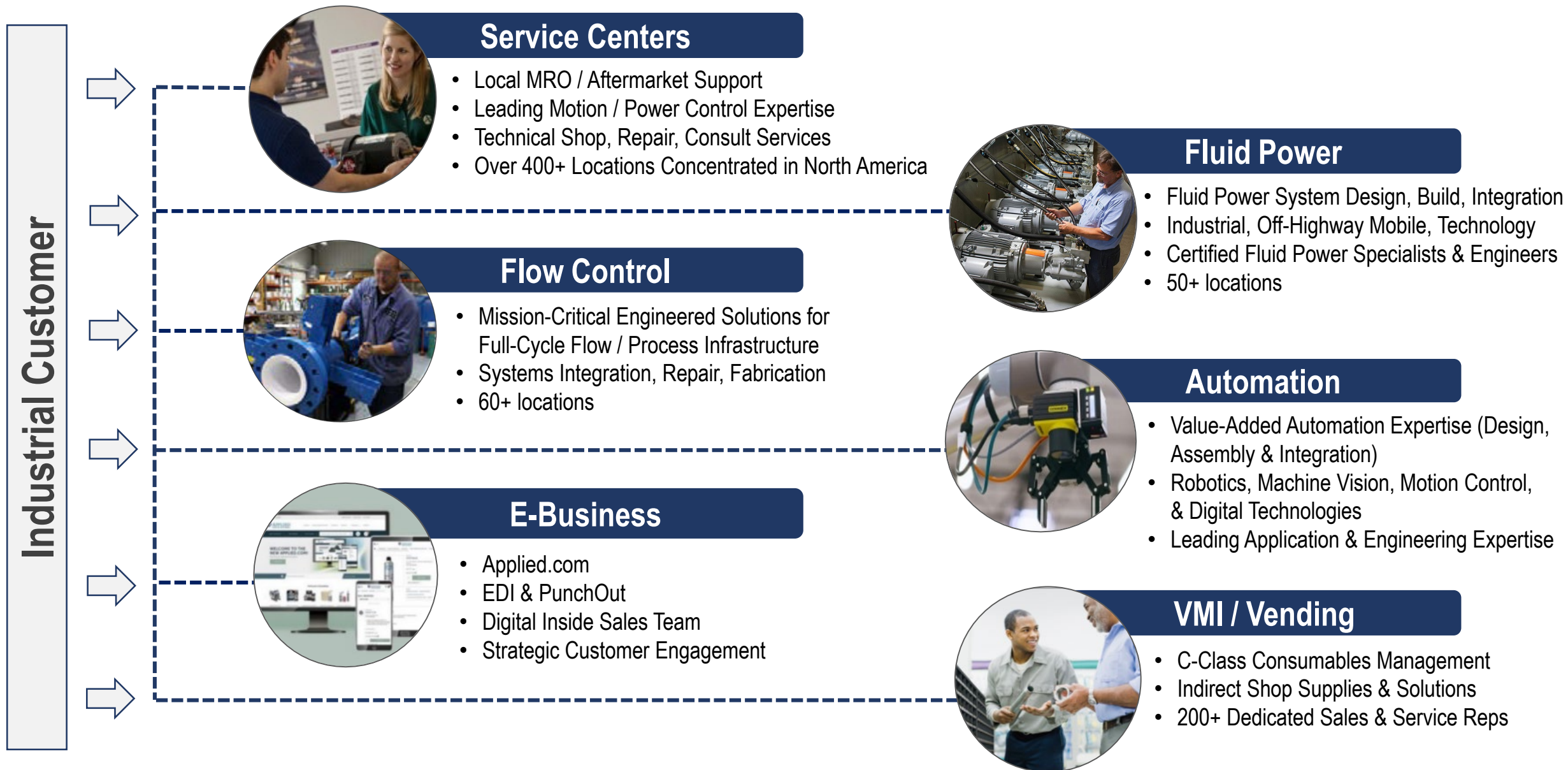
Customer Facing
Associates

580

Service
Facilities

Headquartered in Cleveland, Ohio

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



Product Portfolio



**Power
Transmission**



**Bearings,
Linear, Seals**



Fluid Power



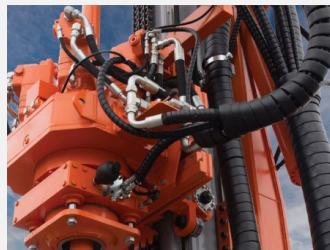
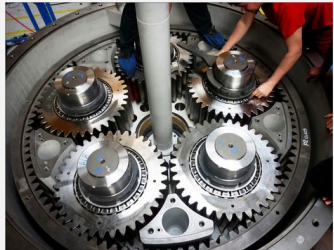
Flow Control



**Advanced
Automation**



**General MRO;
Hose Products**

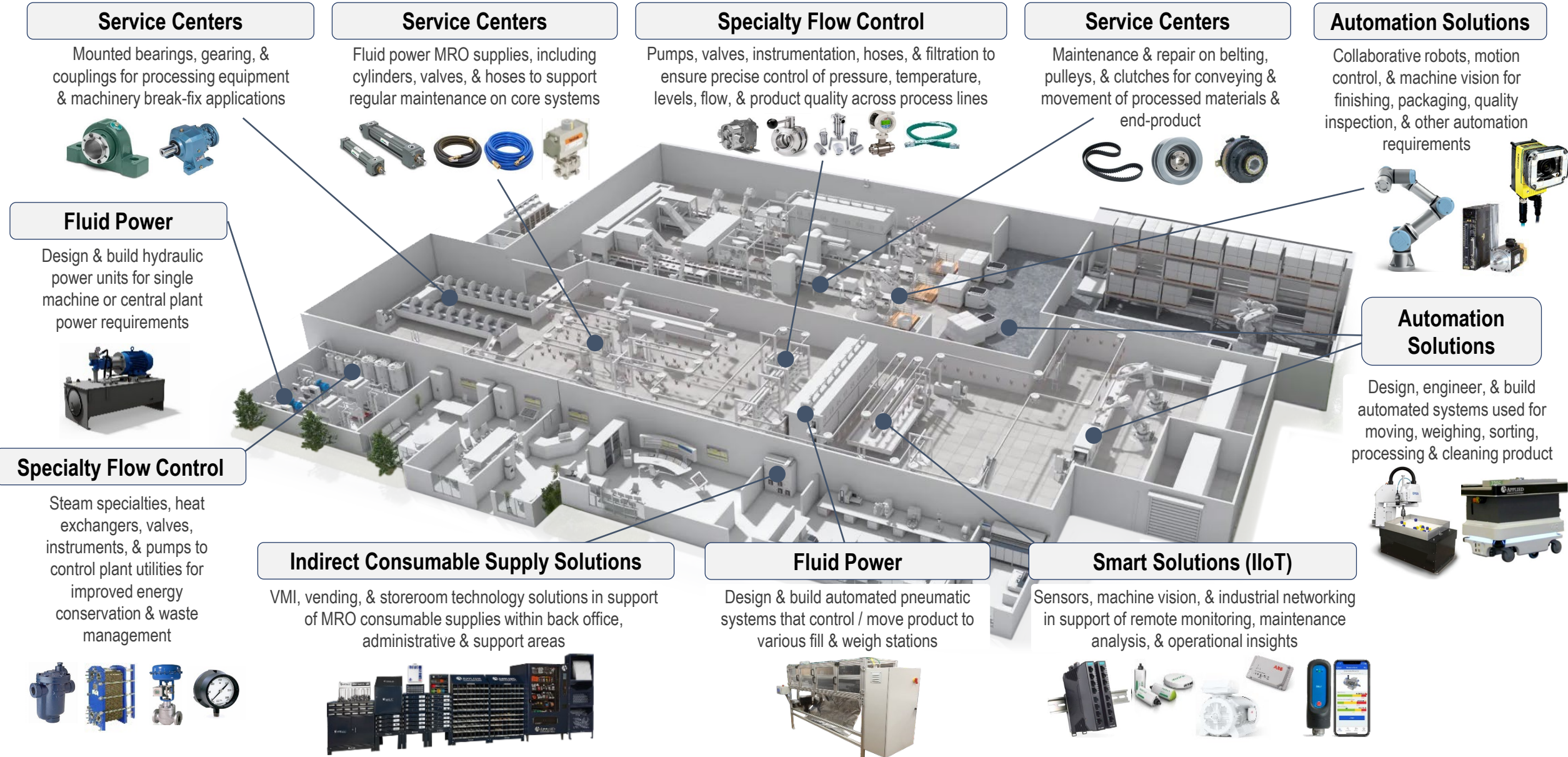


We Are
AppliedSM

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

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

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



Primary Supplier Partners

TIMKEN



EAT•N

ABB

DODGE

CLIMAX
METAL PRODUCTS COMPANY

Milwaukee



ENGINEERING
TOMORROW

Danfoss

BALDOR • RELIANCE

 **metso**

 **HYDRAFORCE**

THOMSON
Linear Motion. Optimized.™

 **GRUNDFOS**

FLOWSERVE

Martin

RENOLD

**Regal
Rexnord**

Parker



ITT

SKF

McGILL

EPSON
EXCEED YOUR VISION

KAYDON

Sumitomo Drive Technologies

SMC



Donaldson
FILTRATION SOLUTIONS

WEG

 **MITSUBISHI
ELECTRIC**

SCHAEFFLER

IR *Ingersoll Rand*

FALK



LOCTITE

TSUBAKI

Continental 

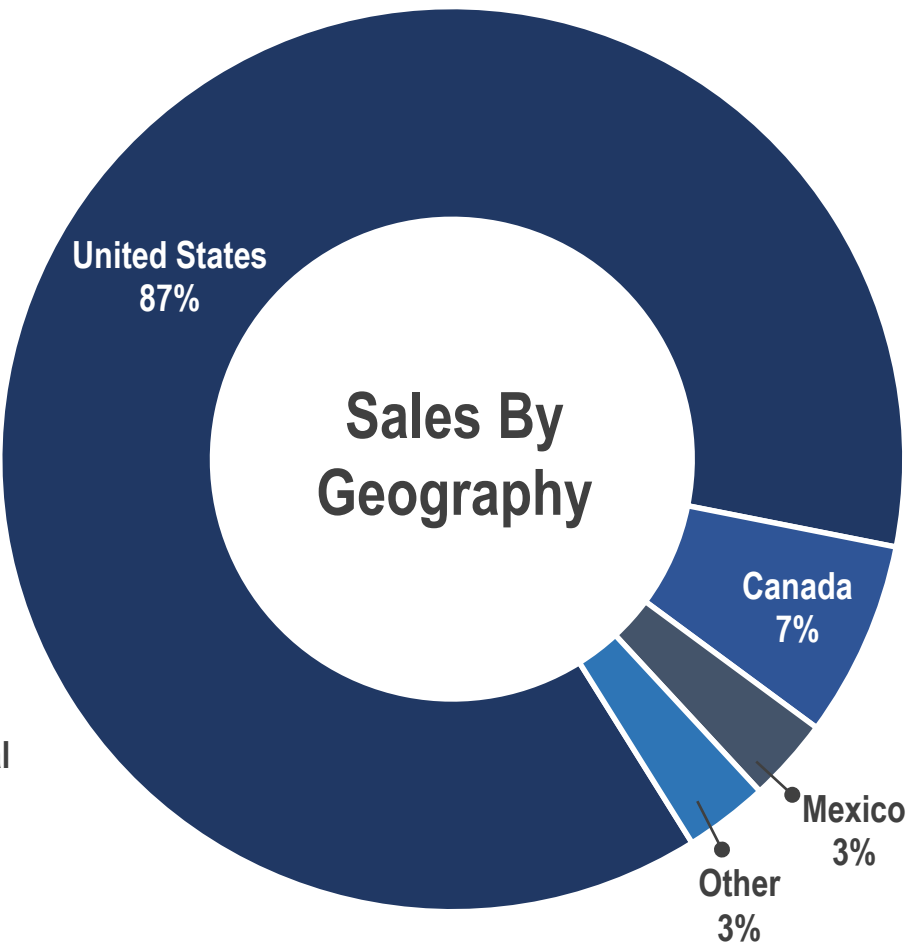
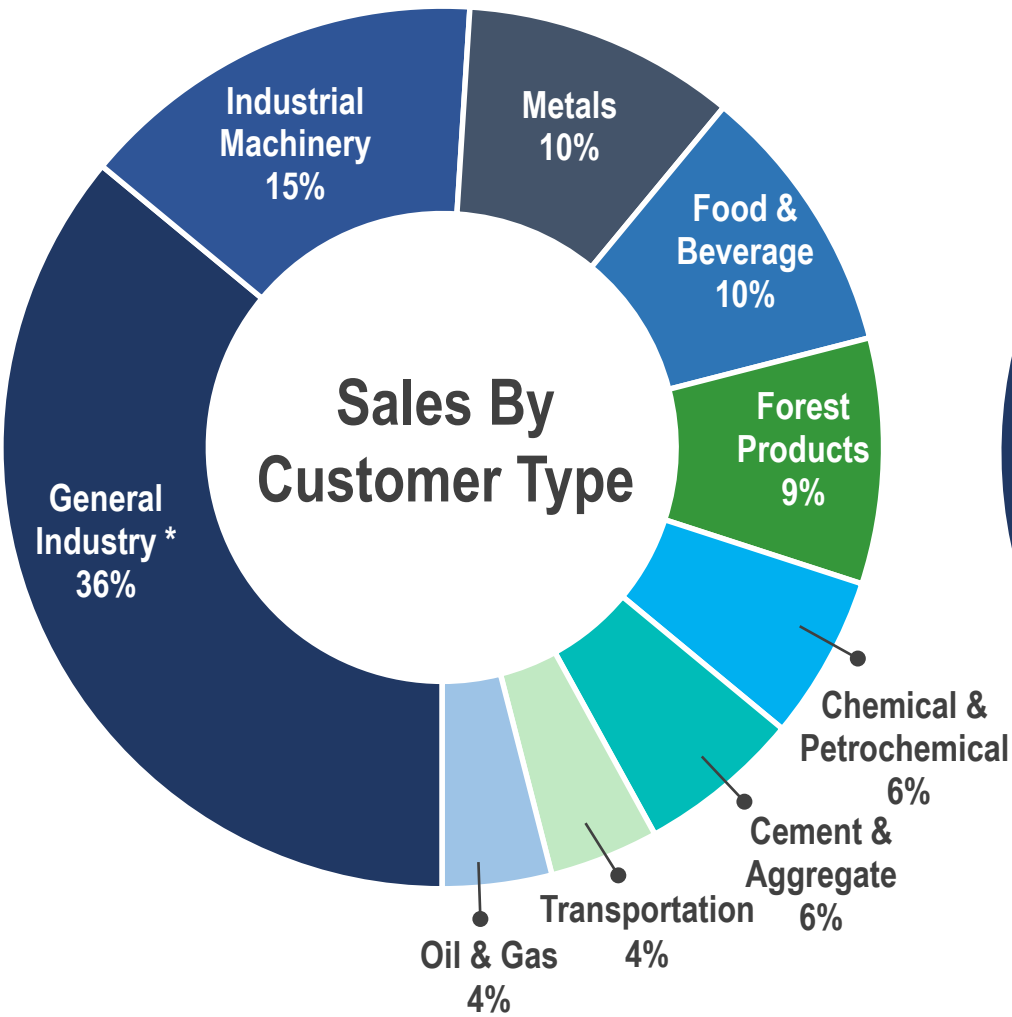
 **POCLAIN**
Hydraulics

NELES

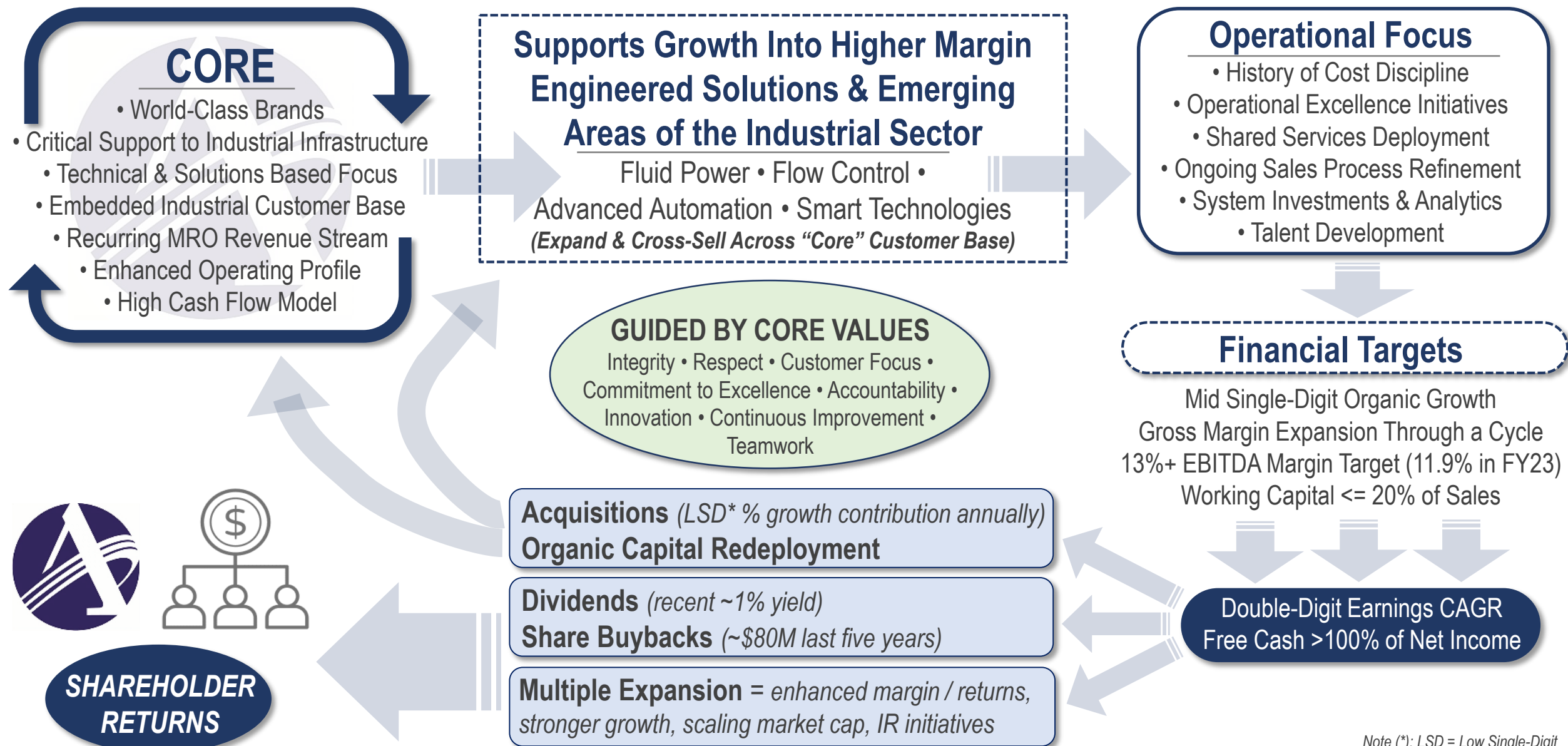
CRANE

NSK

Leading Manufacturers with World Class Brands Focused on Premier Industrial Solutions



* 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



Note (*): LSD = Low Single-Digit

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.

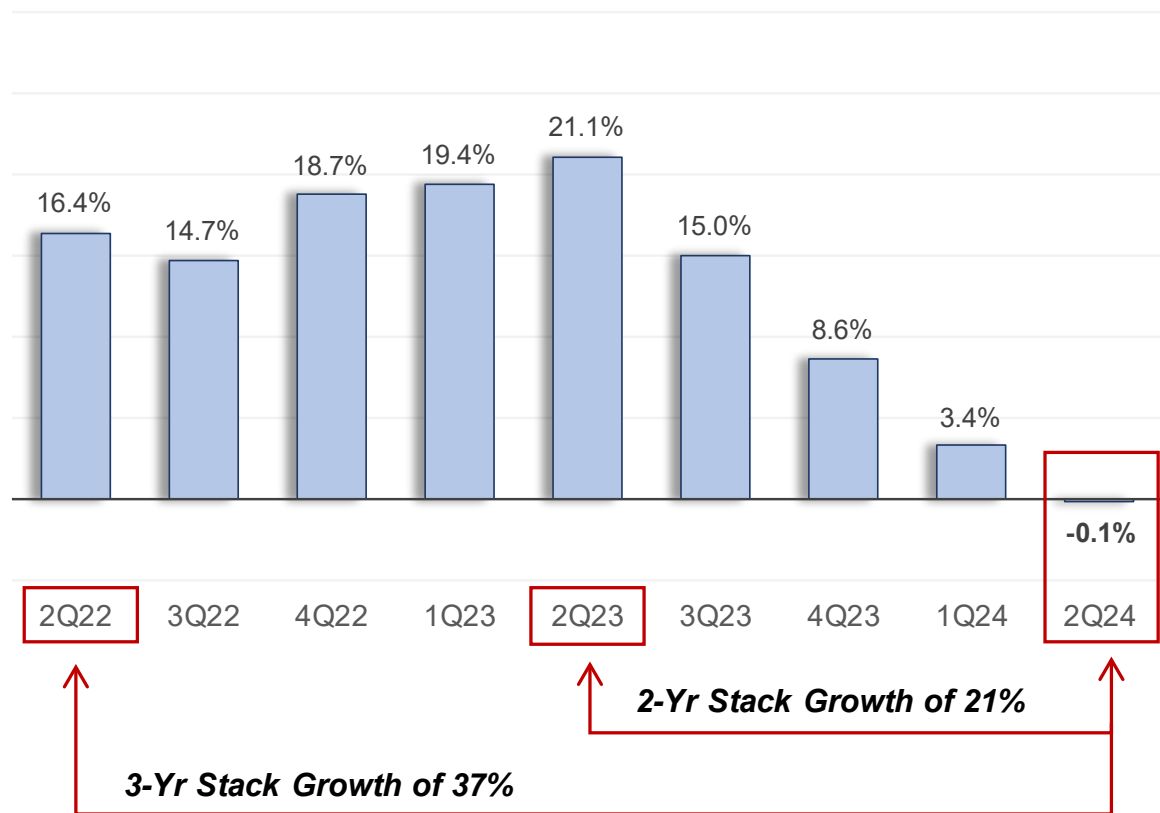
...while our operational platform and internal capabilities have never been stronger

- **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



Organic Sales Growth Trend & Discussion Points – Q2 FY24

Year-over-Year Organic % Change in Sales Per Day



* Based on largest 30 industry verticals for fiscal 2023
Note: Represents fiscal quarter

F2Q24 Sales Growth Detail

- Relatively unchanged YoY on an organic basis; above expectations and against a difficult prior-year comparison
- Average daily sales up 1% sequentially on an organic basis, relatively inline with normal seasonality
- Up 21% on a 2-year stack basis, 37% on a 3-year stack basis
- Estimated price contribution in the low single-digits percent
- 18 of top 30 industry verticals up YoY in F2Q24 compared to 22 during F1Q24 *
- Strongest growth across food & beverage, mining, refining, pulp & paper, and transportation; offset by softer trends in technology, machinery, energy, and rubber & plastics
- Reduced activity across the technology vertical negatively impacted reported YoY growth by over 100 bps in F2Q24
- Support from secular tailwinds; internal sales initiatives and industry position continue to drive new growth opportunities

Other Investor Discussion Points – Q2 FY24

Discussion Point

Update

Detail

Underlying Demand



Customer activity more mixed as production and supply chain dynamics continue to normalize industrywide; impact to AIT balanced by secular tailwinds, internal growth initiatives, and differentiated industry position

U.S. industrial production contracting YoY, U.S. PMI sub-50 for 14 months; core U.S. Service Center, Fluid Power, and Flow Control sales up low single-digits YoY organically and inline with normal seasonal patterns during F2Q24

Inflation & Pricing



While moderating from heightened levels, inflationary pressures persisting including ongoing supplier price increases; partially reflects industrywide labor constraints, dynamic supply chain backdrop, and other non-material inflationary factors

Estimated price contribution to YoY sales growth in the low single-digits during F2Q24; the number and magnitude of supplier price increases YTD remain elevated vs. historical levels; medical, IT, and facility cost pressures persisting

Automation Expansion



F2Q24 Automation sales growth negatively impacted by difficult prior-year comparison, shipment timing, and current technology sector demand; making steady progress with strategic initiatives to expand this business long term

Automation sales down YoY on an organic basis in F2Q24 as expected, though up sequentially vs. F1Q24; new business funnel remains encouraging; expect improved YoY sales trends in F2H24

Fiscal 2H Outlook



Expect muted industrial activity near term; see potential for reaccelerating organic sales growth considering easing comparisons, abating tech sector headwinds, infrastructure stimulus, and heightened technical MRO and capital spending requirements

January sales trending down by an estimated low single-digit percent YoY on an organic basis against a +20% prior-year comparison; updated guidance mid-point assumes F2H24 sales unchanged YoY organically, and slowing underlying demand near term

Capital Allocation



Strong cash generation YTD bolstering capacity for growth investments and shareholder returns; M&A pipeline and related due diligence activity increasing; ongoing scope for share buybacks moving forward

Record 2Q cash generation and net leverage at 0.3x; expanding growth capacity in strategic markets; M&A remains focused on bolt-on targets; deployed \$11M on share buybacks in F2Q24; announced a 6% increase in quarterly dividend



Fiscal 2024 Guidance

	Prior (10/26/23)	Current (1/25/24)
Total Sales - YoY % change	1% - 4%	1% - 3%
EBITDA Margin	12.0% - 12.3%	12.1% - 12.3%
Adjusted Diluted EPS ⁽¹⁾	\$9.25 - \$9.80	\$9.35 - \$9.70
Additional Assumptions:		
Depreciation & amortization expense	\$49 - \$50	\$53 - \$54
Interest & other expense	\$12.0 - \$13.0	\$6.0 - \$7.0
Effective tax rate	23.0% - 24.0%	23.0% - 24.0%

(1) Excludes a tax benefit of \$3.0M in F2Q24 from a deferred tax valuation allowance adjustment

Note: \$ amount in millions except EPS.

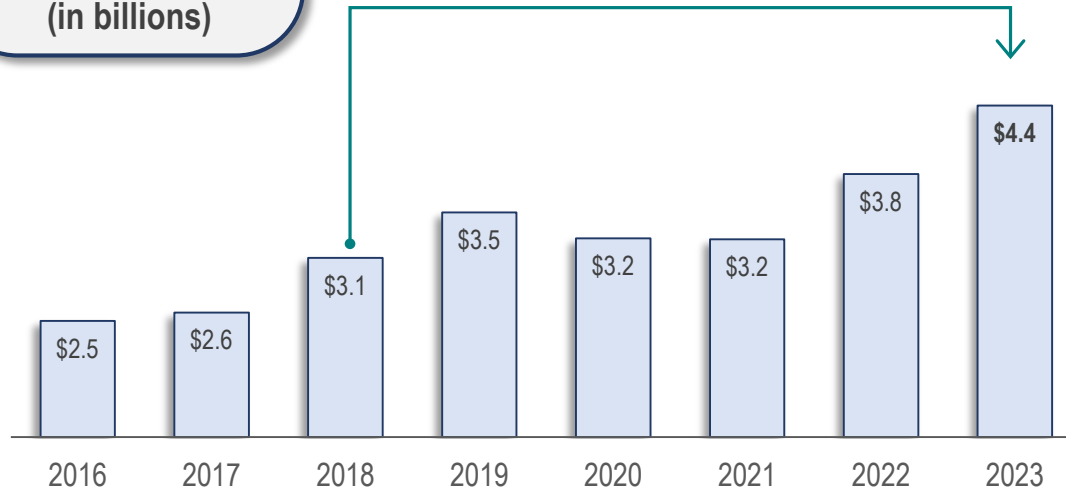
Updated Considerations:

- Organic daily sales growth of 0% to 2% excluding ~100 bps contribution from acquisitions and foreign currency translation
- Assumes sales are relatively unchanged YoY on an organic basis in F2H24 at the mid-point of guidance
- F2H24 outlook based on trends to-date in January, and assumes ongoing moderation in industrial activity near term
- Potential support from easing comparisons, secular growth drivers, internal sales initiatives, ongoing new growth opportunities, and abating tech sector headwinds
- Excludes potential incremental M&A contribution
- Lower interest expense and LIFO expense assumptions compared to prior guidance provided in October 2023
- Ongoing organic growth investments and inflationary headwinds
- F3Q24 assumptions:
 - Sales unchanged to down low single-digits YoY organically
 - Gross margins up slightly vs. F2Q24 levels
 - EBITDA margin flat to up slightly YoY

Historical Financial Highlights

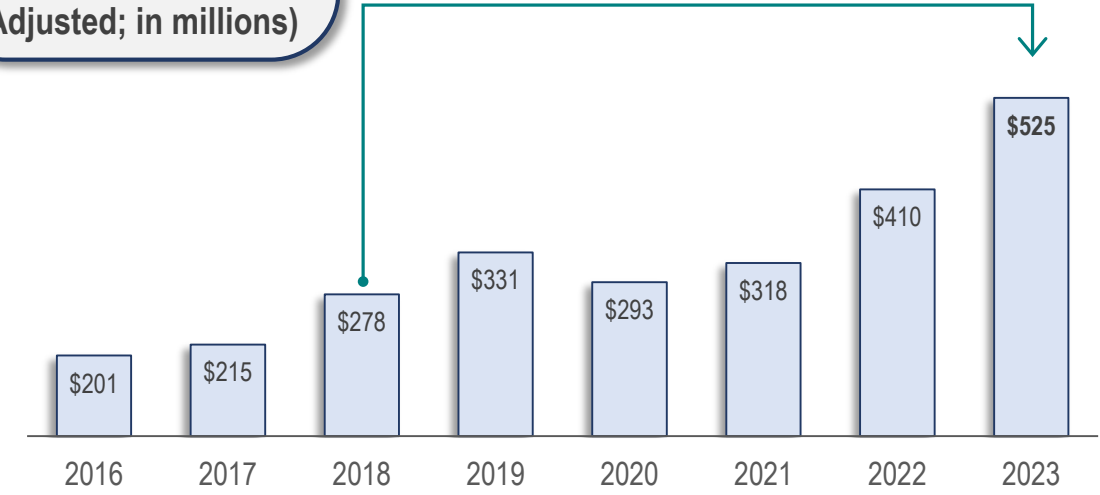
Net Sales (in billions)

8% Five-Year CAGR (2018-2023)



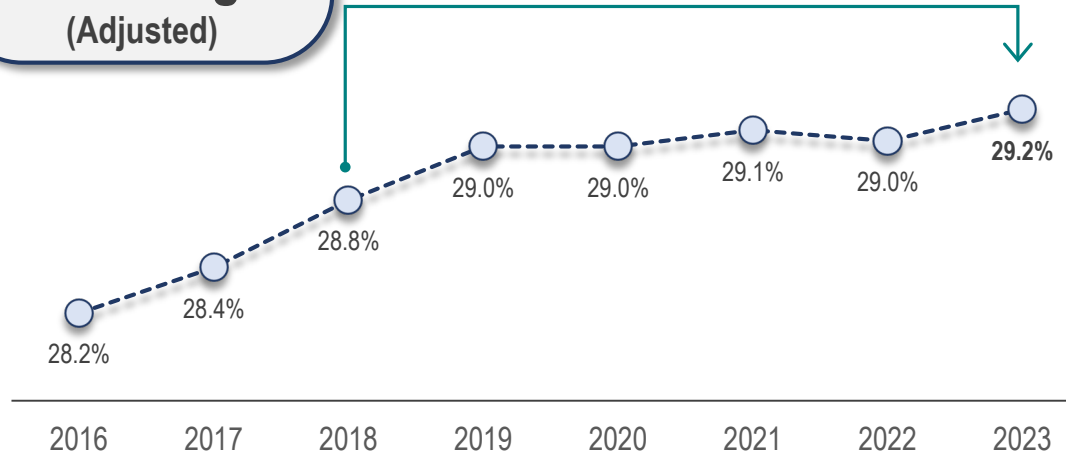
EBITDA (Adjusted; in millions)

14% Five-Year CAGR (2018-2023)



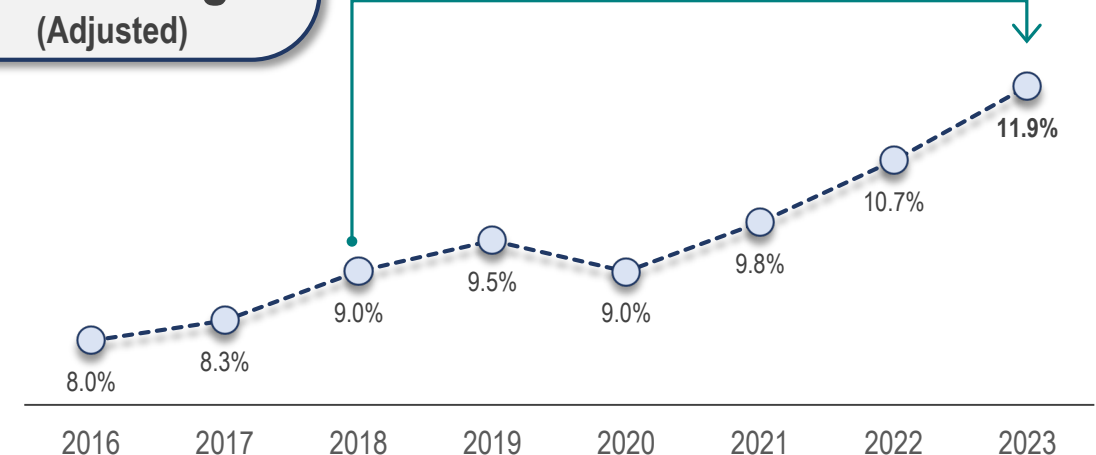
Gross Margins (Adjusted)

Up 40 bps Since 2018



EBITDA Margins (Adjusted)

Up 290 bps Since 2018

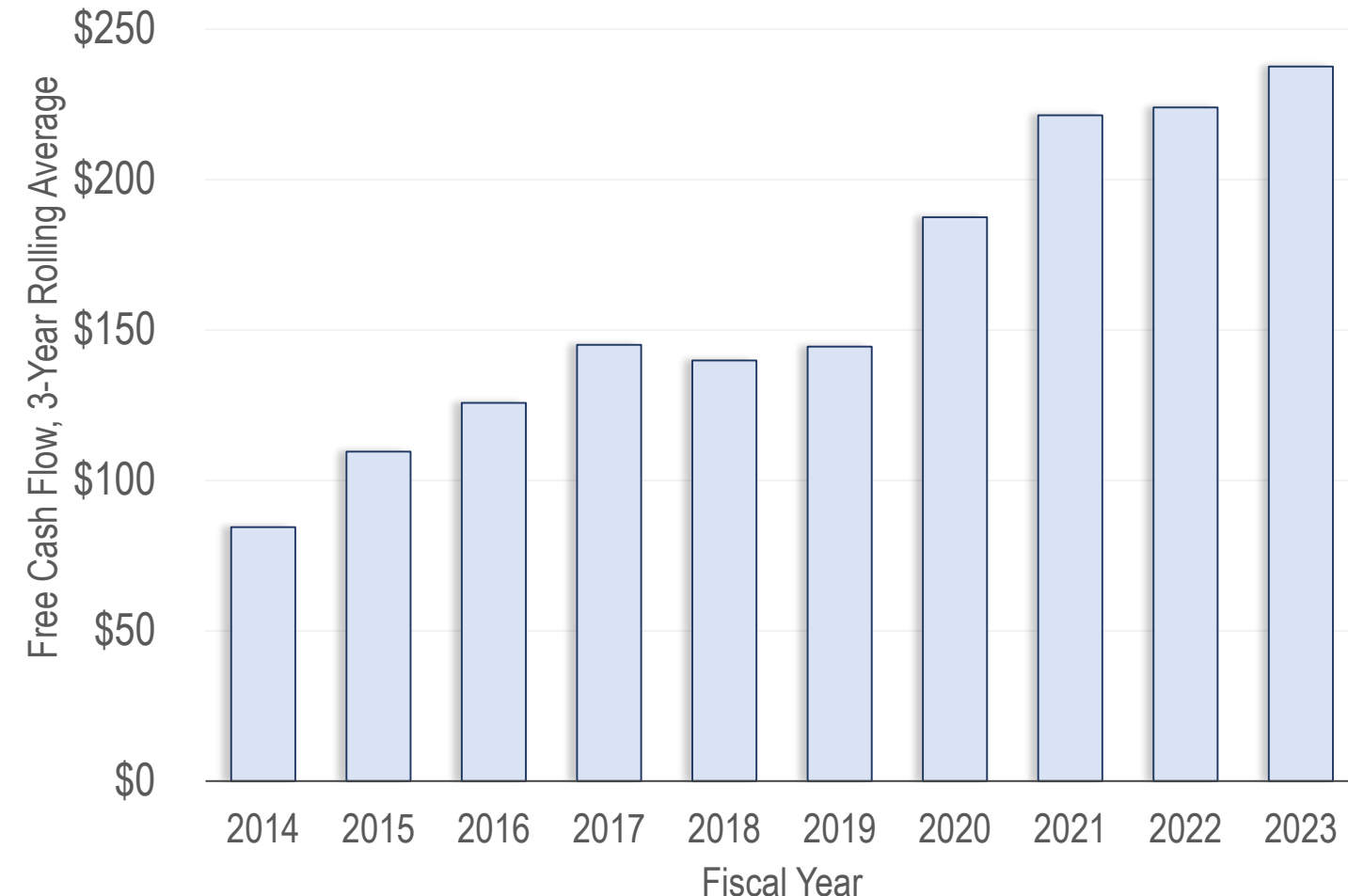


Note: Represents fiscal years ending June 30

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

Durable & Solid Cash Generation Through All Cycles

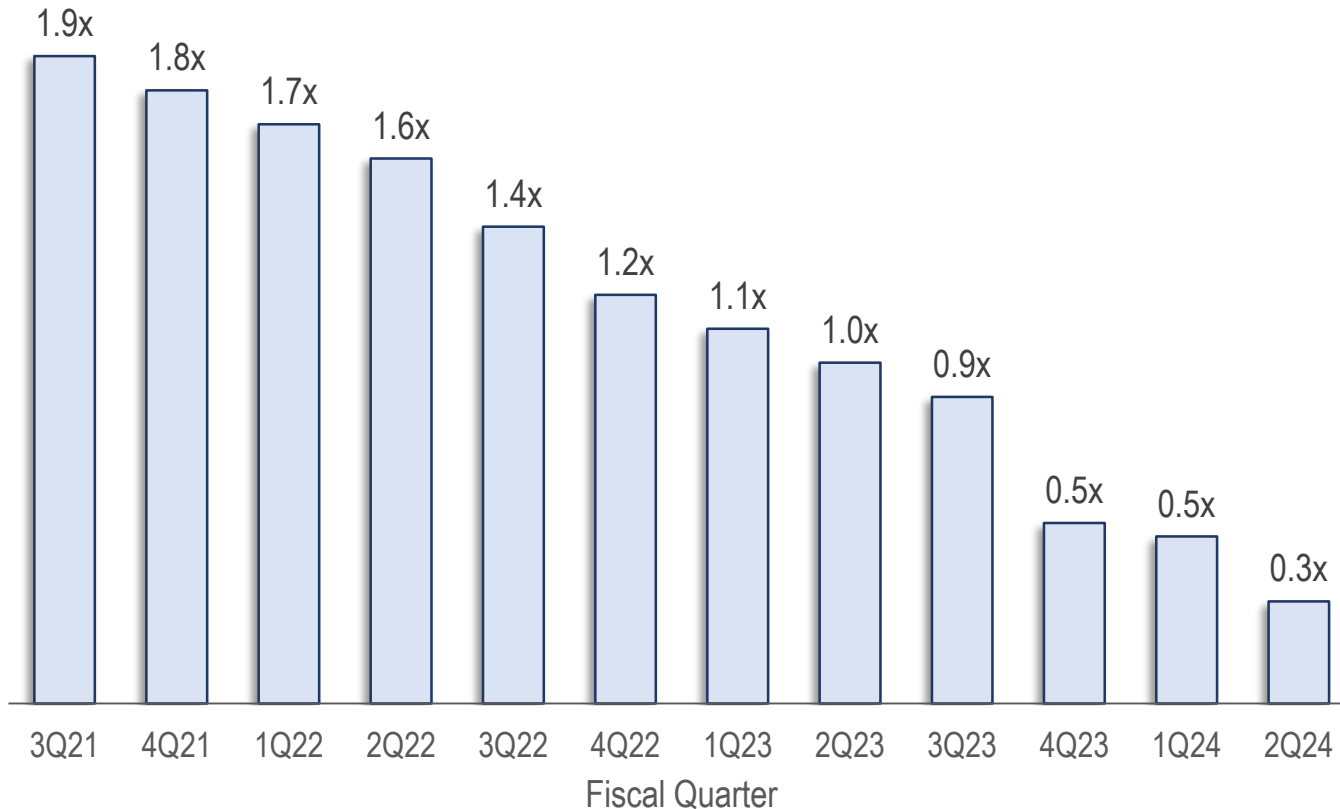
Free Cash Flow (3-Year Rolling Average)



Strategic Initiatives Aligned to Drive Greater Cash Generation

- Average FCF Conversion of ~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

Net Leverage Ratio (Net Debt to Trailing Adjusted EBITDA)



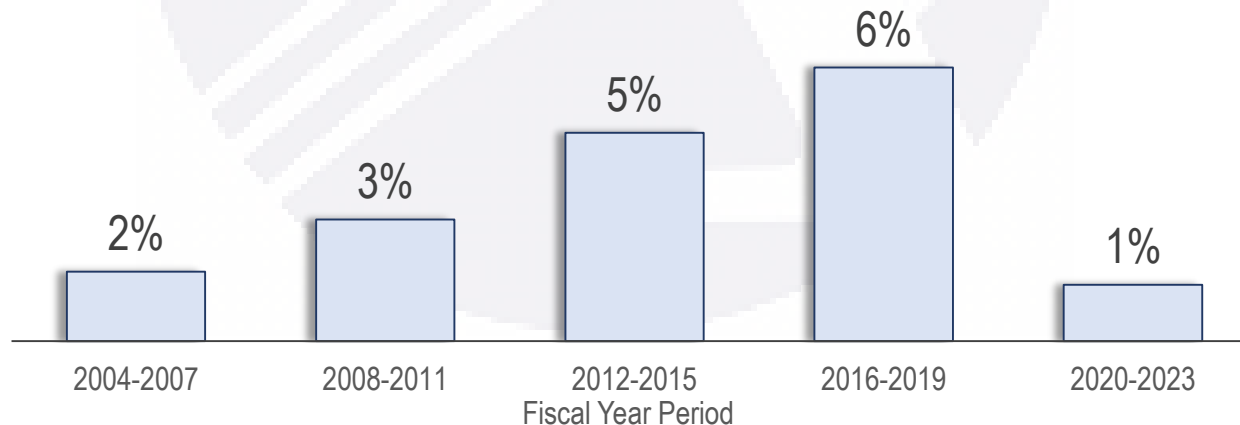
Balance Sheet & Liquidity (As of December 31, 2023)

- Net leverage ratio at 0.3x
- \$413M of cash on hand
- Total debt down ~40% since early 2018
- Over \$800M 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**
 - 50 acquisitions since 2000
 - 33 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

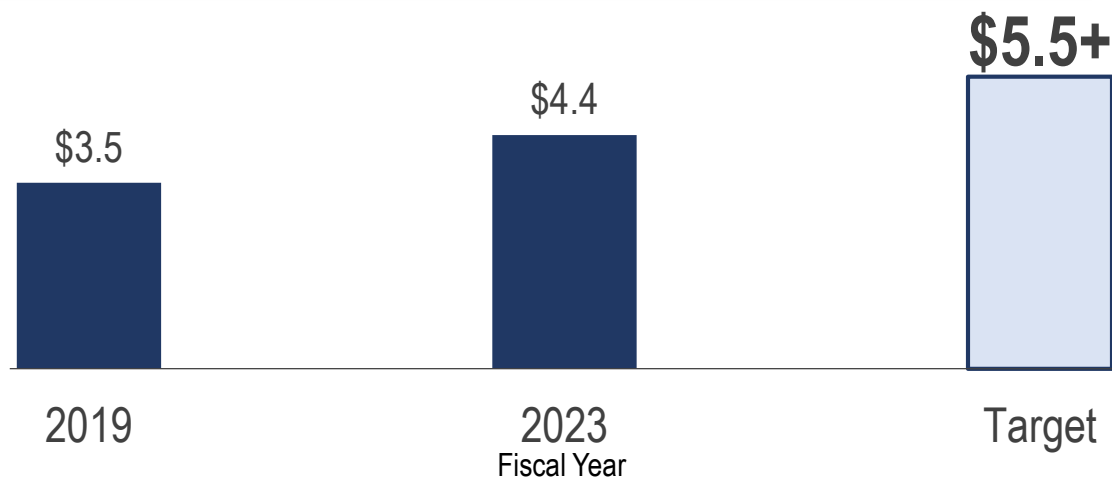


Fluid Power

Flow Control

Automation

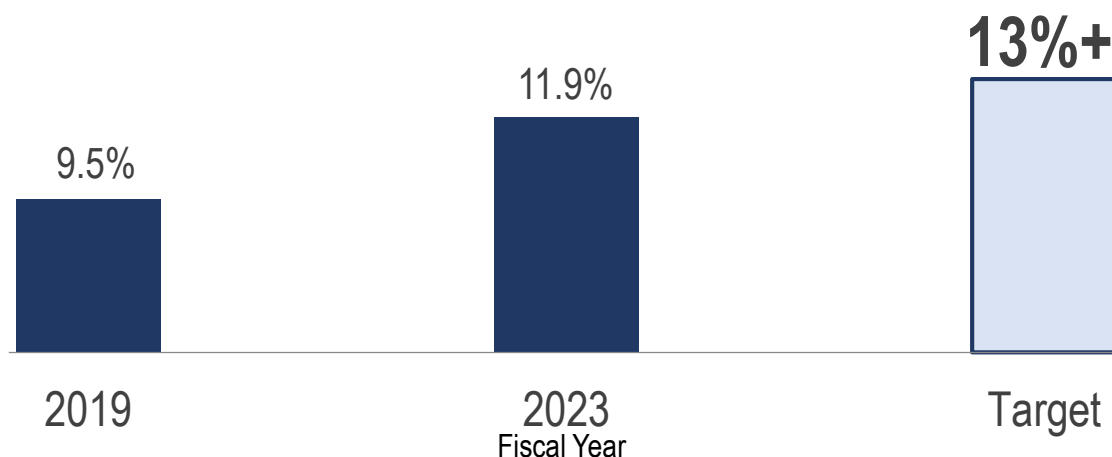
Net Sales – Grow to Over \$5.5 Billion



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

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

**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⁾

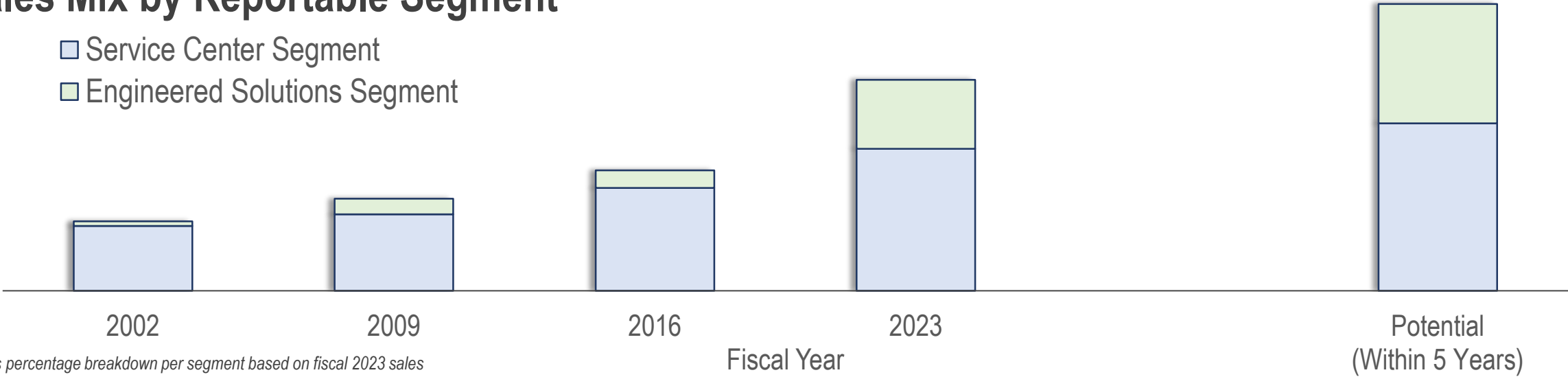
Specializing in distributing, engineering, designing, & integrating hydraulic, pneumatic, & flow control technologies, as well as advanced automation solutions including robotics, machine vision, industrial networking, & digital offerings

**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

- Service Center Segment
- Engineered Solutions Segment

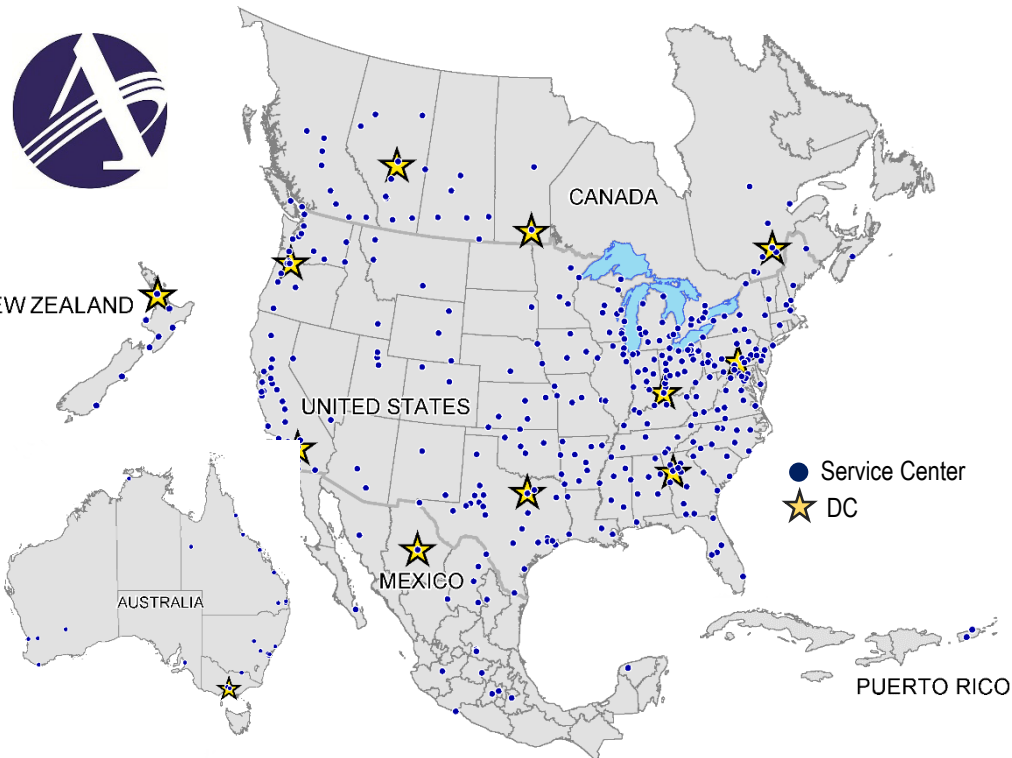


(1) Sales percentage breakdown per segment based on fiscal 2023 sales

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, autonomous mobile equipment, 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

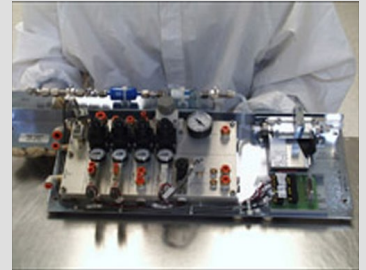
Off-Highway Mobile



Industrial



Technology

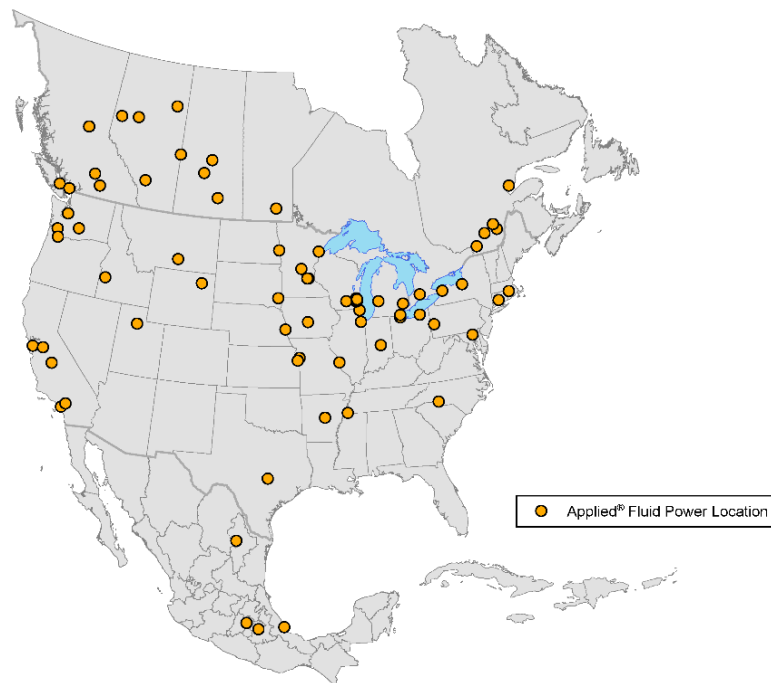


Fluid Power Position & Value Proposition



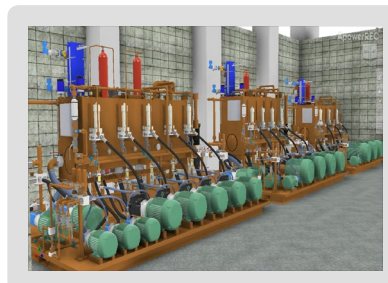
Fluid Power™

*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

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



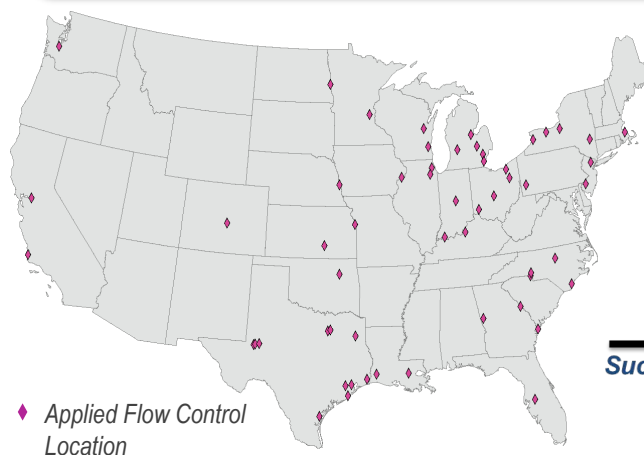
Flow Control Position & Value Proposition

Flow Control

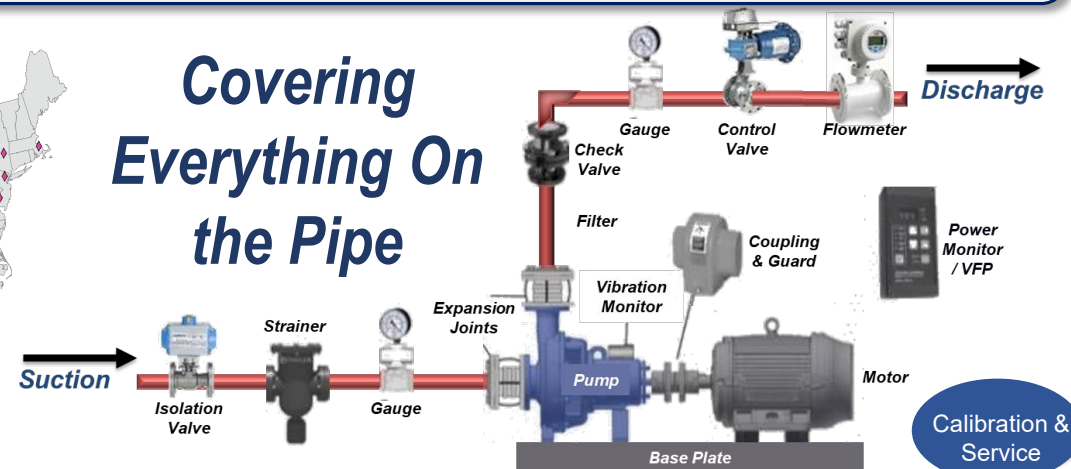
Overview & Growth Strategy

- 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

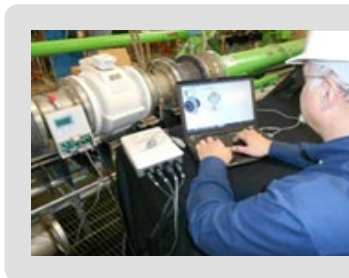
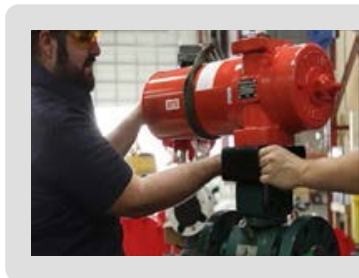


**Covering
Everything On
the Pipe**



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





- 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



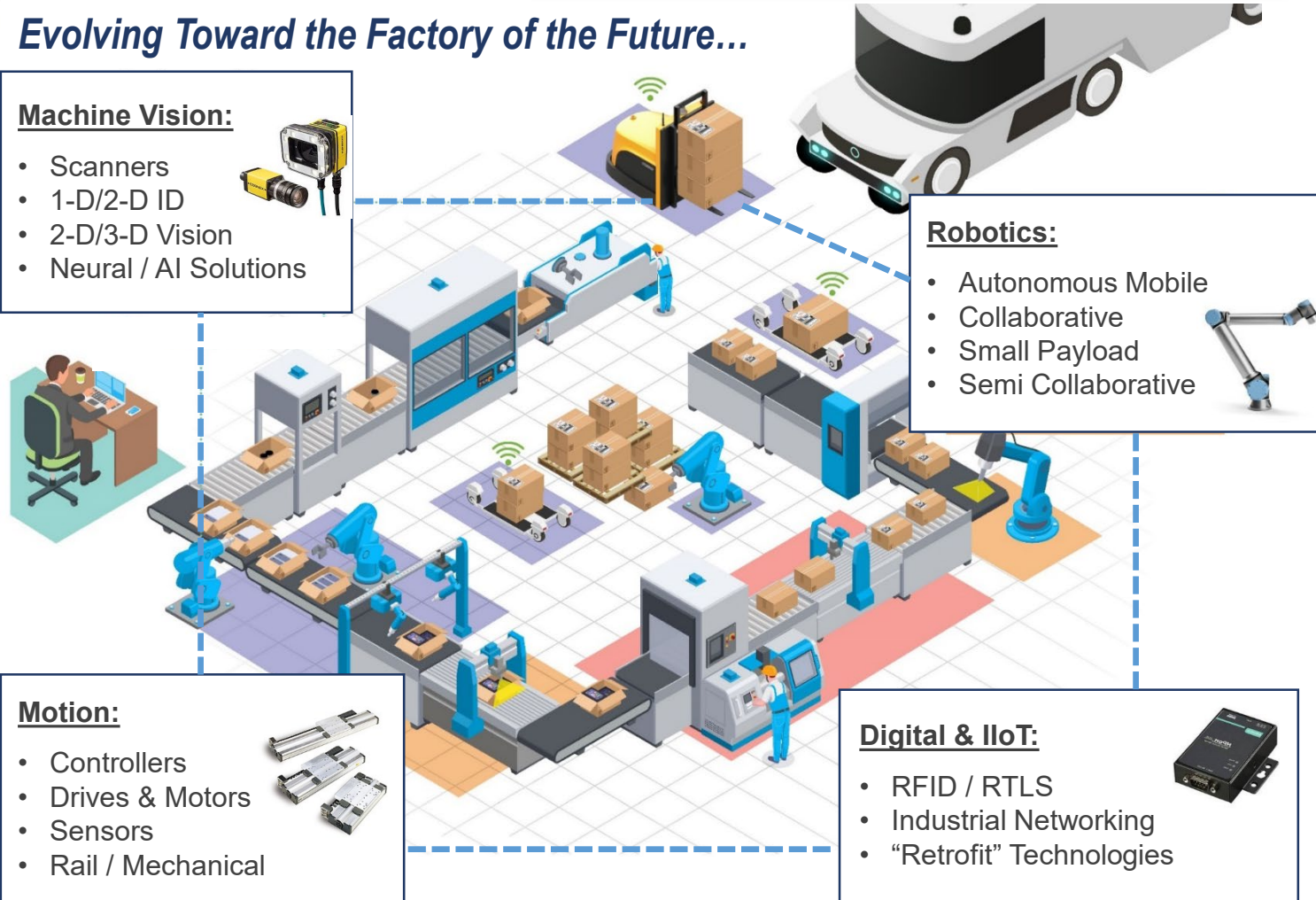
Motion:

- 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



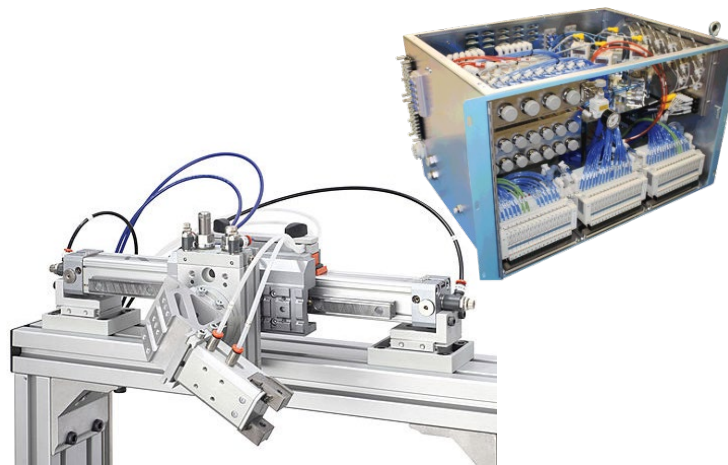
Legacy in Motion Control & Embedded Industrial Customer Base



Leading Technical Position & Engineered Solutions Focus



Provides Platform into Next Generation Automation & Industry 4.0



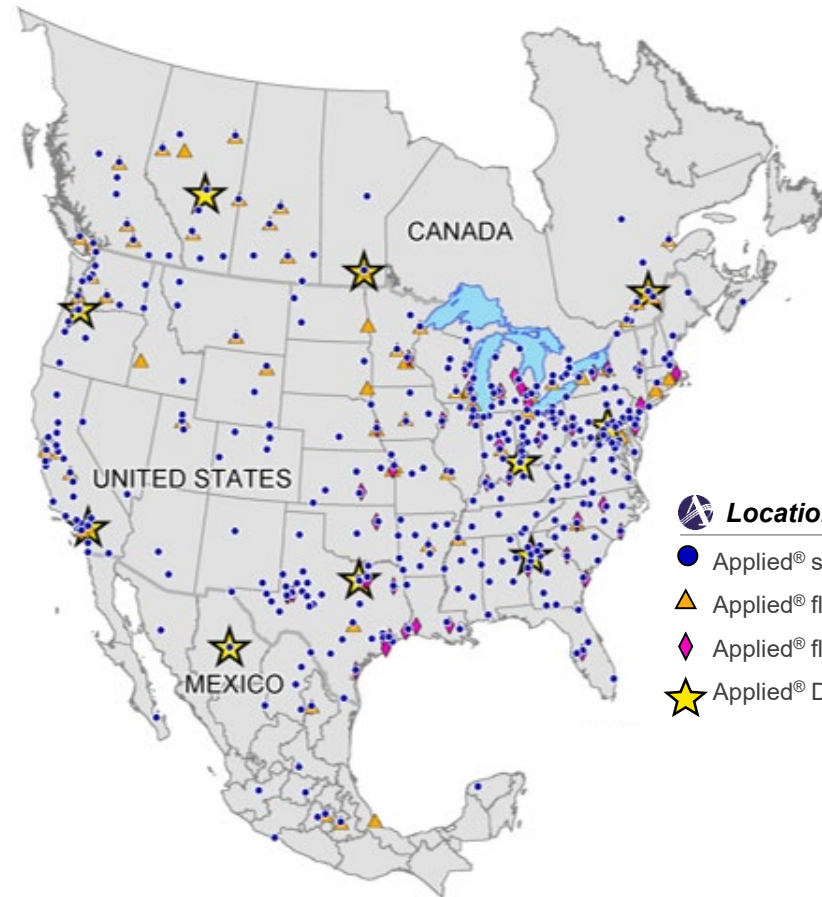
Increasing Focus on Next Generation Automation & Industry 4.0

**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**



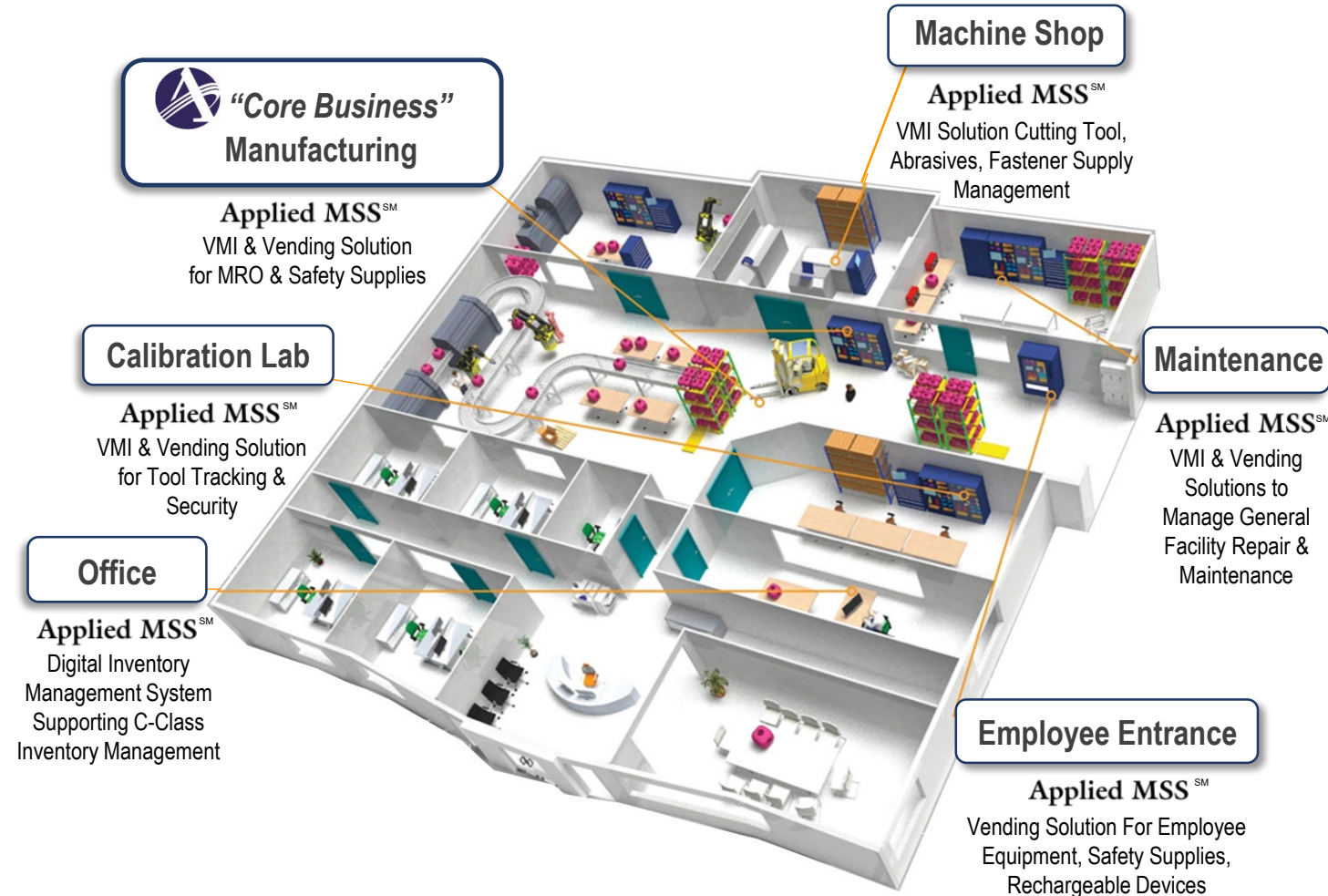
- Advanced Facility Automation
- Cobots & Mobile Robots
- Machine Vision & RFID
- Industrial Networking, Connectivity
- Specialized Engineered Solutions
- System Design & Assembly

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



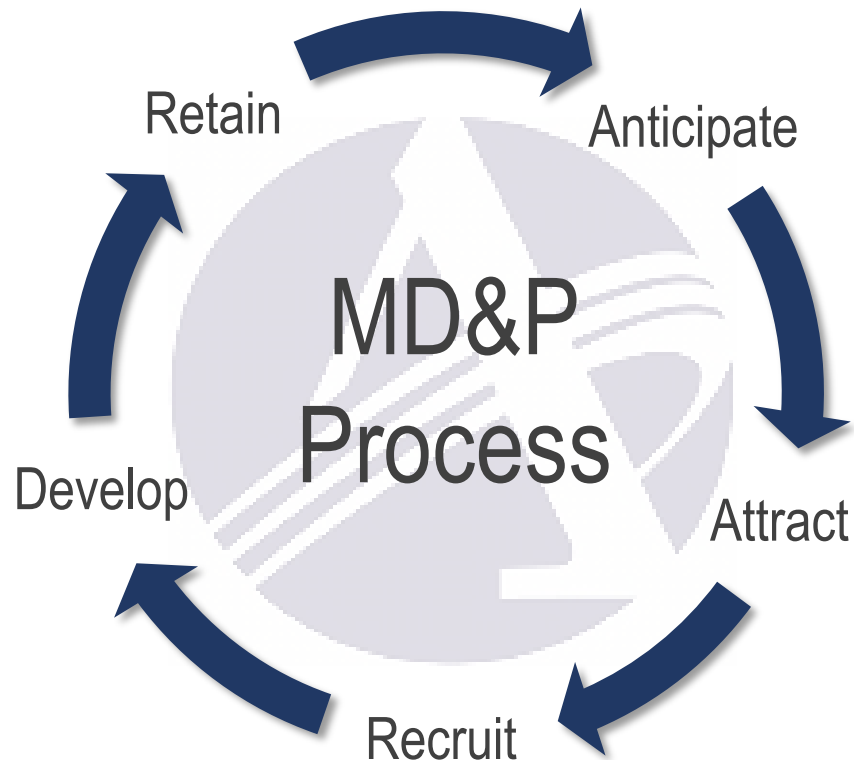
- 200+ Sales & Service Representatives
- 4 Distribution Centers
- 250,000+ SKUs Available
- *Significant Cross-Sell Opportunity Across Core Service Center Customer Network*

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



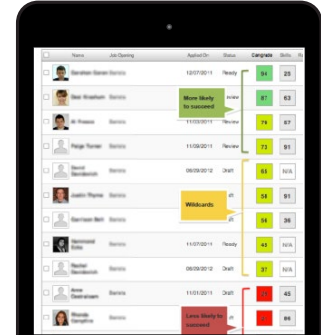
Management Development & Planning

- 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



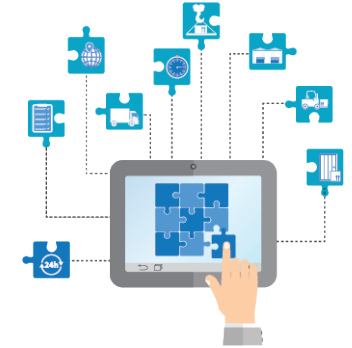
Core Values

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



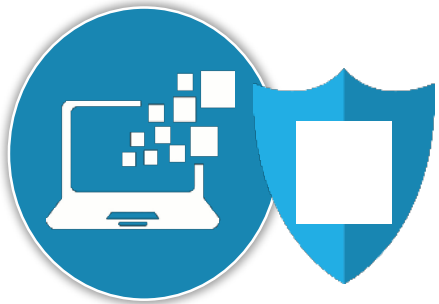
Corporate Governance

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



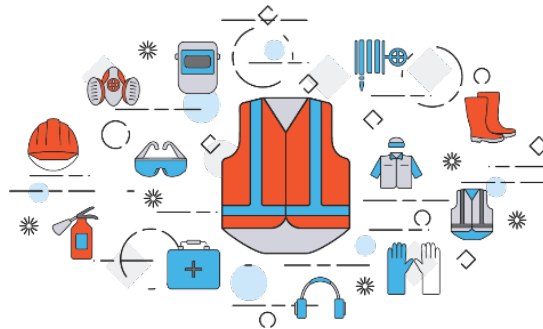
Supply Chain Management

- 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



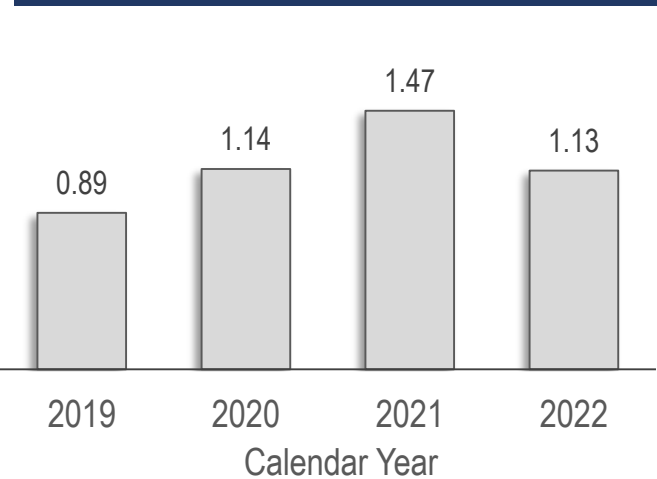
Corporate Citizenship & Human Rights Statement

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

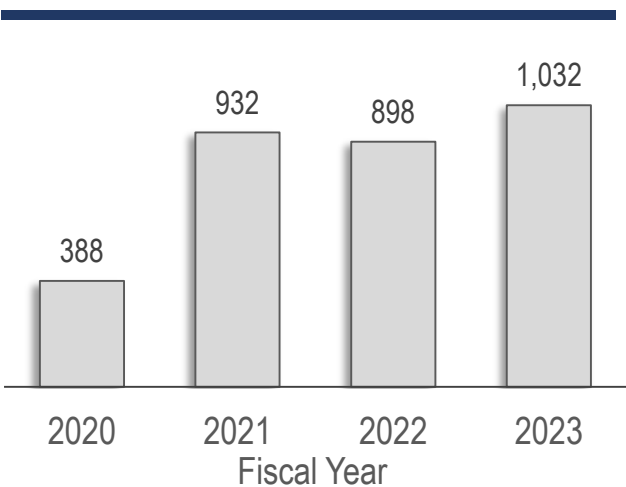
- Dedicated safety focus with comprehensive training programs across company
- Formalized EHS policy, analysis, monitoring, & accountability focus
- Low carbon footprint as a distributor
- Conduct customer energy audits on motors, belting, & gearing
- Develop fluid power systems that improve energy usage, operator safety, and durability
- Process flow control solutions support customers' de-carbonization & energy transition initiatives
- Provide advanced automation solutions that help improve product quality & employee safety
- Promote Eco-Friendly Products - *Energy reduction, recycled content, bio-based, biodegradable, NEMA Premium[®], Green Seal[®] certified, ENERGY STAR[®], EcoLogo[®]*

Total Recordable Incident Rate (TRIR)

Within U.S.; Net of impact from cases tied to COVID-19



Behavior-Based Safety Observations *



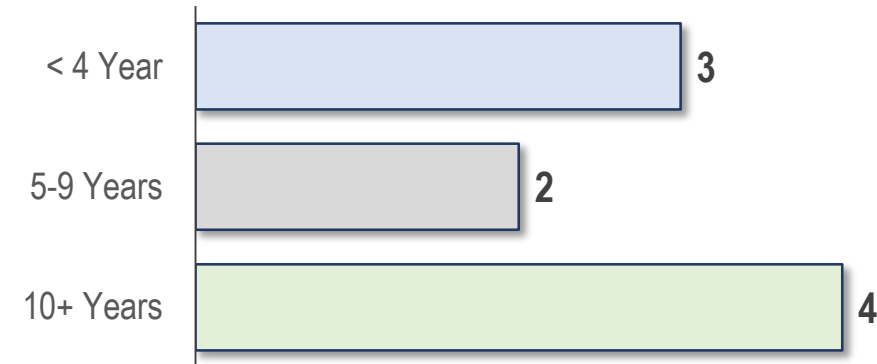
* Behavior-Based Safety Observations represent positive statements of safe performance within Applied's Distribution Center Leader Safety Scorecard

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 2023
- 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



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:

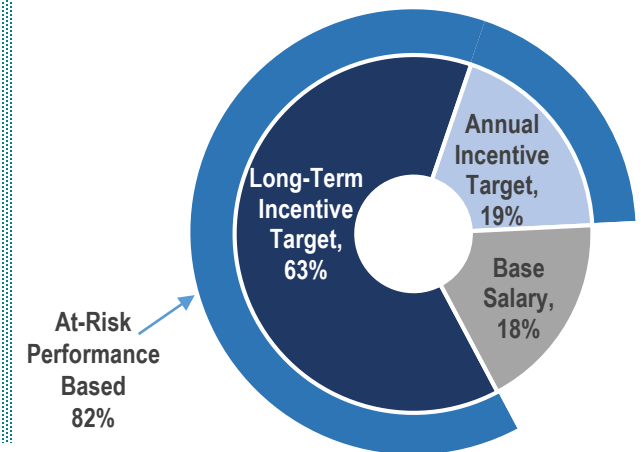
Based on Three-Year Performance Relative to Targets of:

- 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

(dollar amount in thousands)	Twelve Months Ended June 30							
	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

(dollar amount in thousands)	Twelve Months Ended June 30							
	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											
<i>(dollar amount in thousands)</i>	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											
<i>(dollar amount in thousands)</i>	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24
Net Income	\$56,063	\$59,244	\$52,969	\$57,026	\$68,306	\$79,113	\$76,880	\$80,457	\$97,187	\$92,215	\$93,826	\$91,228
Interest expense, net	7,608	7,673	7,390	7,007	5,852	6,014	6,480	6,185	4,773	4,201	1,320	1,917
Income tax expense	12,453	14,638	14,567	15,013	21,216	21,580	22,164	25,493	25,093	30,322	25,103	24,373
Depreciation and amortization	5,080	5,139	5,427	5,436	5,352	5,461	5,481	5,552	5,565	5,668	5,717	6,048
Amortization of intangibles	8,236	8,127	8,121	8,084	7,891	7,783	7,705	7,814	7,670	7,616	7,393	7,257
EBITDA	\$89,440	\$94,821	\$88,474	\$92,566	\$108,617	\$119,951	\$118,710	\$125,501	\$140,288	\$140,022	\$133,359	\$130,823
Goodwill & intangible impairment												
Non-routine costs	(2,609)											
Adjusted EBITDA	\$86,831	\$94,821	\$88,474	\$92,566	\$108,617	\$119,951	\$118,710	\$125,501	\$140,288	\$140,022	\$133,359	\$130,823
Trailing 4-Quarter EBITDA	\$287,457	\$317,490	\$338,401	\$362,692	\$384,478	\$409,608	\$439,844	\$472,779	\$504,450	\$524,521	\$539,170	\$544,492
Current portion of long-term debt	78,644	43,525	88,401	40,182	40,166	40,174	181	25,189	25,196	25,170	25,171	25,159
Long-term debt	773,404	784,855	730,307	681,266	681,197	649,150	649,103	624,052	597,006	596,926	596,883	571,854
Total Debt	\$852,048	\$828,380	\$818,708	\$721,448	\$721,363	\$689,324	\$649,284	\$649,241	\$622,202	\$622,096	\$622,054	\$597,013
Cash	304,016	257,745	247,313	154,843	188,084	184,474	147,575	165,538	182,127	344,036	360,415	412,855
Net Debt	\$548,032	\$570,635	\$571,395	\$566,605	\$533,279	\$504,850	\$501,709	\$483,703	\$440,075	\$278,060	\$261,639	\$184,158
Net Leverage Ratio	1.9	1.8	1.7	1.6	1.4	1.2	1.1	1.0	0.9	0.5	0.5	0.3