Fiscal Q2 2024 Recap

January 25, 2024

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; 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; Free Cash Flow; Net Leverage Ratio are set forth in the appendix to this presentation.

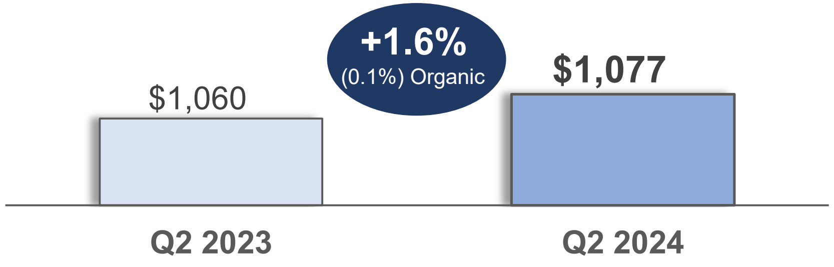
Primary Messages from Management

- **Sustaining earnings growth and generating record cash** against a moderating near-term industrial backdrop; highlights the Company's differentiated position, evolution, and inherent execution.
- **Sales exceeded our expectations and held steady YoY** against the most difficult comparison of the year and tech sector headwinds; support from internal growth initiatives and secular tailwinds.
- **Gross margins and EBITDA margins expanded YoY** reflecting operational execution and normalizing LIFO expense; inclusive of temporary mix headwinds, growth investments, and ongoing inflationary pressures.
- **Free cash of $96M increased over 70% vs. the prior year** and is on track for a record year in fiscal 2024; provides additional firepower for organic reinvestment, M&A, and other capital deployment opportunities.
- **Updated FY24 guidance assumes industrial activity remains mixed near term,** though easing comparisons, abating tech sector headwinds, and secular drivers support reaccelerating growth in coming quarters.
- **Significant long-term potential given industry position and balance sheet capacity;** making favorable progress toward intermediate objectives of $5.5B in sales and 13% EBITDA margins.

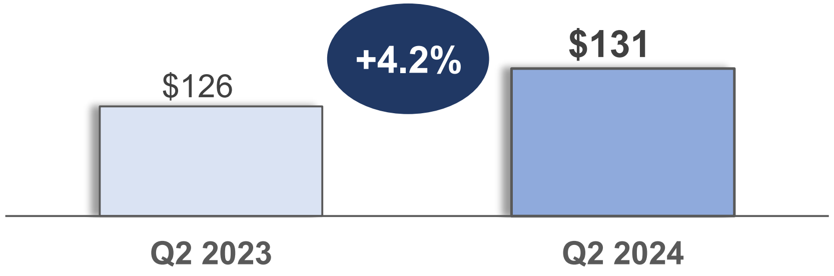
Fiscal Q2 2024 Key Financial Highlights

- **Sales up 1.6% YoY**
  - Down 0.1% on an organic basis
  - Acquisitions +1.4%, currency +0.3%
- **Net Income of $91.2M and EPS of $2.32**
- **Adjusted Net Income of $88.2M and Adjusted EPS of $2.24**
  - Excludes a $3.0M deferred tax valuation allowance benefit
  - Adjusted EPS up 9.3% from the prior year
  - Includes $3.4M pre-tax ($0.07/sh) of LIFO expense
- **Gross margin 29.4%, up 34 bps vs. prior year of 29.1%**
  - Includes a favorable 51 bps YoY impact due to lower LIFO expense
- **SD&A expense 18.8% of sales vs. prior year of 18.4%**
  - Up ~1% YoY on an organic, constant currency basis
- **EBITDA of $130.8M, up 4.2% vs. prior year of $125.5M**
  - 12.1% EBITDA margin up 31 bps YoY
  - Includes a favorable 51 bps YoY impact due to lower LIFO expense
- **Operating cash of $101.8M; free cash of $96.2M**
  - Free cash up 73% YoY, and 109% of adjusted net income

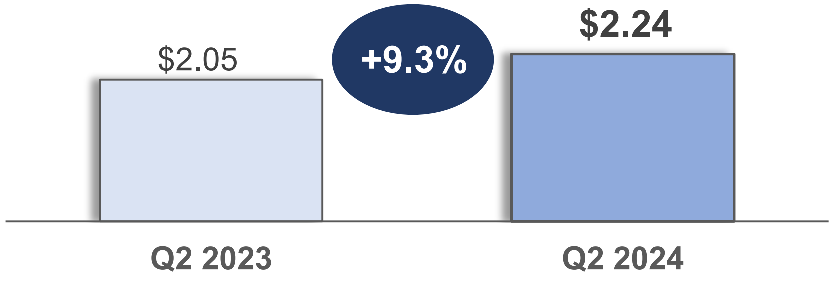
Sales, ***$ in millions***



EBITDA, ***$ in millions***

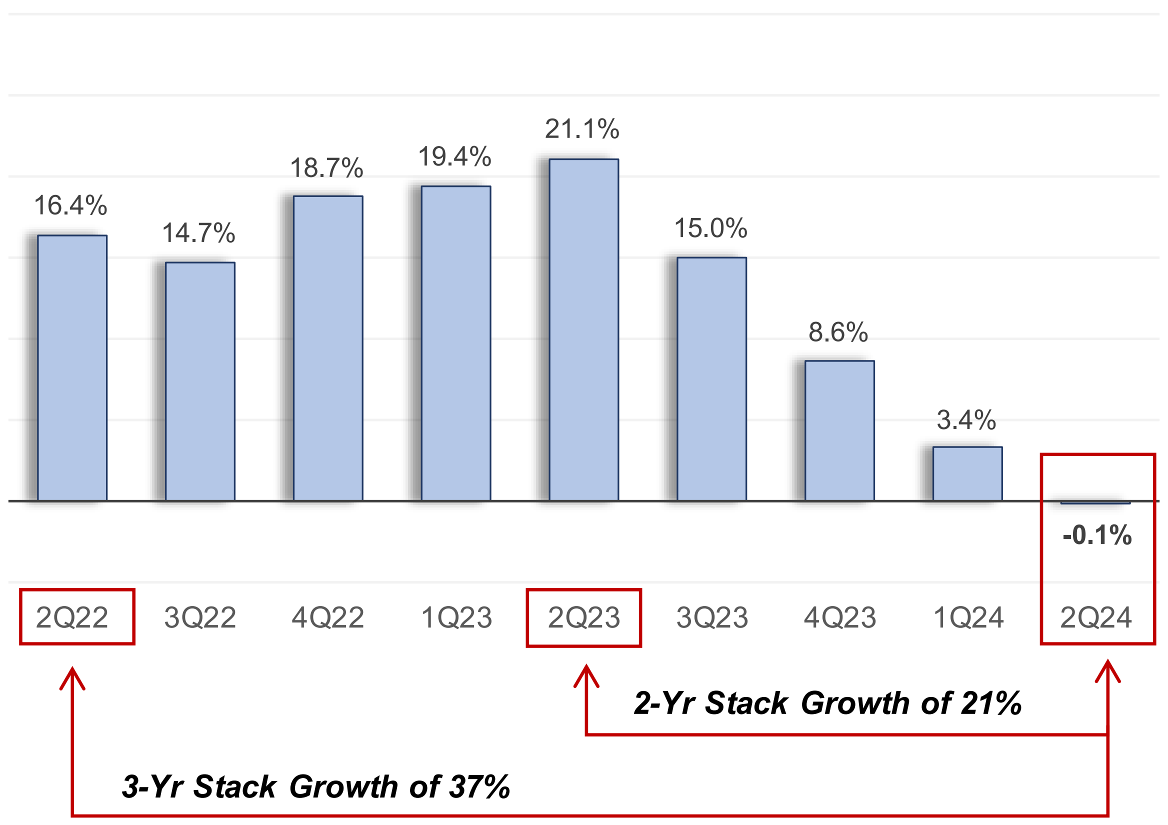


Adjusted Earnings Per Share



Organic Sales Growth Trend and Investor Discussion Points

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



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

** Based on largest 30 industry verticals for fiscal 2023*

Other Investor Discussion Points

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*

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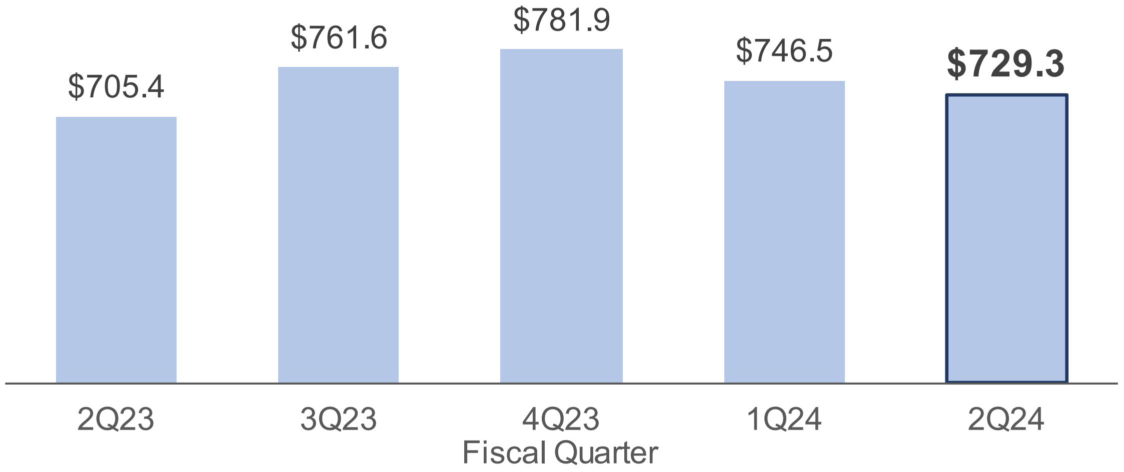
Segment Results – Service Center Based Distribution

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

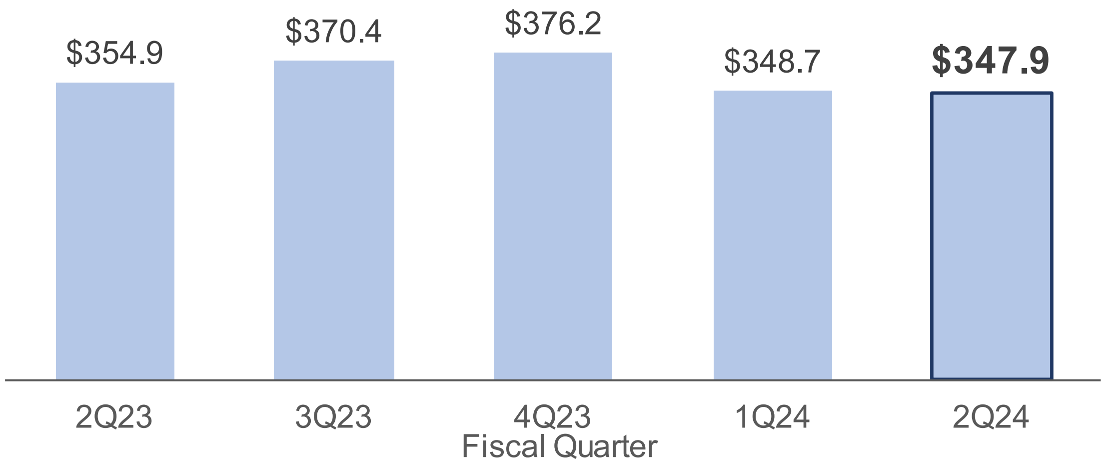


- **Sales up 3.4% YoY in F2Q24**
  - Organic + 1.4%
  - Acquisitions + 1.6%
  - Currency + 0.4%
- Segment organic sales remained modestly higher YoY, with relatively firm average daily sales trends sequentially through the quarter against softer industrial production and capacity utilization trends industrywide
- Continue to benefit from market position and sales initiatives; includes solid growth across national accounts and fluid power MRO in the U.S.
- Segment operating income of $91.4M in F2Q24

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 down 2.0% YoY in F2Q24**
  - Organic − 3.0%
  - Acquisitions + 1.0%

- Sustained growth across core industrial / mobile fluid power and flow control markets, offset by reduced activity across the technology sector and difficult prior-year automation comparison
- Technology sector has adversely impacted segment sales growth the past four consecutive quarters, including by ~400 bps on the reported YoY organic change in F2Q24
- Segment operating income of $51.2M in F2Q24

Fiscal Q2 2024 Margin and Expense Highlights

Gross Profit, SD&A, and EBITDA Metrics

$ in millions	**Q2 24**	**Q2 23**	**Chg YoY**	***LIFO Impact YoY***
Gross Profit	**$317.1**	$308.5	2.8%	*1.8%*
Gross Margin	**29.4%**	29.1%	34 bps	*51 bps*
SD&A Expense	**$202.5**	$195.6	3.5%	
% of Sales	**18.8%**	18.4%	(35) bps	
EBITDA	**$130.8**	$125.5	4.2%	*4.4%*
EBITDA Margin	**12.1%**	11.8%	31 bps	*51 bps*
Memo:				
LIFO Expense	**$3.4**	$8.9		

- **Gross margin up 34 bps YoY**
  - Includes a favorable 51 bps YoY impact due to LIFO
  - Includes a 20-30 bps YoY mix headwind from reduced Engineered Solutions segment sales, national account growth, and a difficult prior-year comparison in higher-margin solutions sales
  - Ongoing channel execution, effective freight management, and margin initiatives providing support
  - YTD gross margins up 57 bps YoY including a favorable 46 bps YoY impact due to LIFO
- **SD&A expense up 3.5% YoY**
  - Up ~1% on an organic, constant currency basis
  - 18.8% of sales vs. 18.4% in the prior-year period
  - Efficiency gains, execution of internal initiatives, and reduced variable expense offset by higher medical and deferred compensation expense, as well as growth investments
  - Continue to mitigate softer top-line and inflation pressures through operational focus, expense counter measures, and benefits from shared services deployment
- **EBITDA margin of 12.1% up 31 bps YoY**
  - Includes a favorable 51 bps YoY impact due to LIFO

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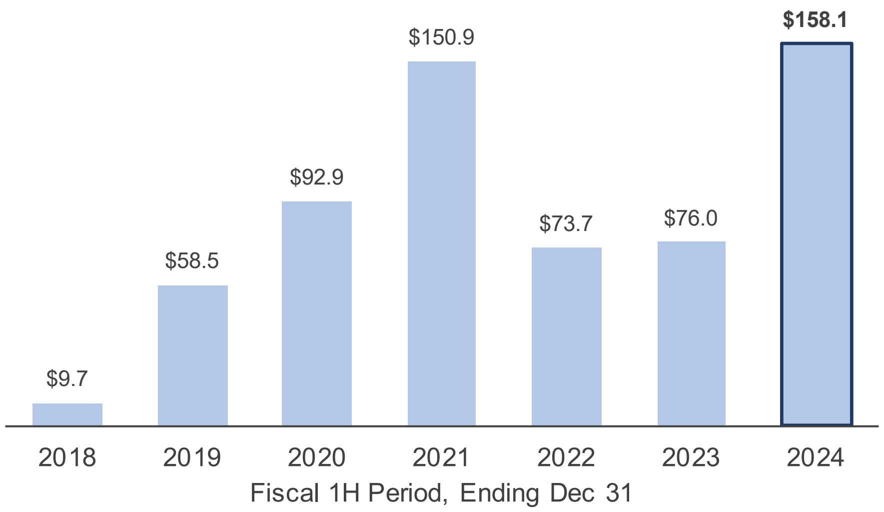
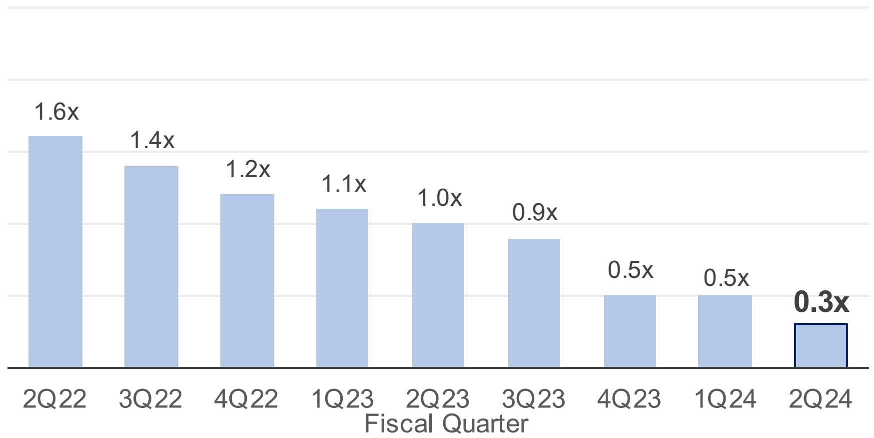
Cash Flow and Balance Sheet

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



Net Leverage Ratio (Net Debt to Trailing Adjusted EBITDA)



- **F2Q24 cash from operations of $101.8M; free cash of $96.2M**
  - Free cash at 109% of adjusted net income in the quarter, and up 73% YoY
  - YTD free cash of $158.1M, up 108% YoY and at record levels
  - YoY cash flow growth reflects sustained earnings growth, enhanced margin profile, and ongoing progress on working capital initiatives
- **Net leverage ratio at 0.3x as of December 31, 2023**
  - Below prior-year level of 1.0x
  - Total net debt down over 70% since early 2018
- **Strong balance sheet capacity to support growth** *(as of 12/31/23)*
  - $413M of cash on hand
  - $516M of available capacity under revolver
    - Additional $500M accordion option available
  - $245M of available capacity on uncommitted shelf facility
  - $62M of available capacity under AR securitization facility

Fiscal 2024 Guidance and Outlook Assumptions

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

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

Note: $ amount in millions except EPS.

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**
2025	**64.0**	**62.0**	**63.0**	**63.5**	**252.5**

Appendix: Net Sales and Operating Income by Segment

(dollar amount in thousands)	Three Months Ended Dec 31 Q2 FY23	Q2 FY24
Service Center Based Distribution Segment:		
Net sales	$ 705,392	$ 729,273
Operating income	**$ 86,484**	**$ 91,440**
Egineered Solutions Segment:		
Net sales	$ 354,888	$ 347,880
Operating income	**$ 51,626**	**$ 51,167**
Corporate and other expense, net (1)	$ 25,217	$ 28,013

Note: (1) Includes intangible amortization expense.

Appendix: Reconciliation of Adjusted Net Income and EPS

(dollar amount in thousands)	Three Months Ended December 31, 2023				
	Pre-tax	Tax Effect	Net of Tax	Per Share Diluted Impact	Tax Rate
Net income and net income per share	**$ 115,601**	**$ 24,373**	**$ 91,228**	**$ 2.32**	**21.1%**
Tax valuation allowance adjustment	-	3,046	(3,046)	(0.08)	2.6%
Adjusted net income and net income per share	**$ 115,601**	**$ 27,419**	**$ 88,182**	**$ 2.24**	**23.7%**

Appendix: Reconciliation of EBITDA

(dollar amount in thousands)	Three Months Ended Dec 31 Q2 FY23	Three Months Ended Dec 31 Q2 FY24
Net Income	**$ 80,457**	**$ 91,228**
Interest expense, net	6,185	1,917
Income tax expense	25,493	24,373
Depreciation and amortization of property	5,552	6,048
Amortization of intangibles	7,814	7,257
EBITDA	**$ 125,501**	**$ 130,823**

Appendix: Reconciliation of EBITDA Margin

(dollar amount in thousands)	Three Months Ended Dec 31 Q2 FY23	Q2 FY24
Net Sales	**$ 1,060,280**	**$ 1,077,153**
EBITDA	125,501	130,823
EBITDA Margin	**11.8%**	**12.1%**

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Appendix: Reconciliation of Free Cash Flow

	Three Months Ended September 30						
(dollar amount in thousands)	**Q1 FY18**	**Q1 FY19**	**Q1 FY20**	**Q1 FY21**	**Q1 FY22**	**Q1 FY23**	**Q1 FY24**
Cash provided by Operating Activities	$ 9,440	$ 11,797	$ 50,018	$ 81,842	$ 48,642	$ 25,943	$ 66,209
Capital Expenditures	(6,336)	(3,173)	(4,946)	(3,597)	(3,621)	(5,554)	(4,340)
Free Cash Flow	**$ 3,104**	**$ 8,624**	**$ 45,072**	**$ 78,245**	**$ 45,021**	**$ 20,389**	**$ 61,869**

	Three Months Ended December 31						
(dollar amount in thousands)	**Q2 FY18**	**Q2 FY19**	**Q2 FY20**	**Q2 FY21**	**Q2 FY22**	**Q2 FY23**	**Q2 FY24**
Cash provided by Operating Activities	$ 11,744	$ 53,783	$ 54,881	$ 77,514	$ 32,622	$ 62,880	$101,758
Capital Expenditures	(5,124)	(3,923)	(7,019)	(4,852)	(3,889)	(7,263)	(5,523)
Free Cash Flow	$ 6,620	$ 49,860	$ 47,862	$ 72,662	$ 28,733	$ 55,617	$ 96,235

	Six Months Ended December 31						
(dollar amount in thousands)	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
Cash provided by Operating Activities	$ 21,184	$ 65,580	$ 104,899	$ 159,356	$ 81,264	$ 88,823	$167,967
Capital Expenditures	(11,460)	(7,096)	(11,965)	(8,449)	(7,510)	(12,817)	(9,863)
Free Cash Flow	$ 9,724	$ 58,484	$ 92,934	$ 150,907	$ 73,754	$ 76,006	$158,104

Appendix: Reconciliation of Net Leverage Ratio

(dollar amount in thousands)	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24
Net Income	$ 57,026	$ 68,306	$ 79,113	$ 76,880	$ 80,457	$ 97,187	$ 92,215	$ 93,826	$ 91,228
Interest expense, net	7,007	5,852	6,014	6,480	6,185	4,773	4,201	1,320	1,917
Income tax expense	15,013	21,216	21,580	22,164	25,493	25,093	30,322	25,103	24,373
Depreciation and amortization	5,436	5,352	5,461	5,481	5,552	5,565	5,668	5,717	6,048
Amortization of intangibles	8,084	7,891	7,783	7,705	7,814	7,670	7,616	7,393	7,257
EBITDA	**$ 92,566**	**$ 108,617**	**$ 119,951**	**$ 118,710**	**$ 125,501**	**$ 140,288**	**$ 140,022**	**$ 133,359**	**$ 130,823**
Adjusted EBITDA	**$ 92,566**	**$ 108,617**	**$ 119,951**	**$ 118,710**	**$ 125,501**	**$ 140,288**	**$ 140,022**	**$ 133,359**	**$ 130,823**
Trailing 4-Quarter EBITDA	**362,692**	**384,478**	**409,608**	**439,844**	**472,779**	**504,450**	**524,521**	**539,170**	**544,492**
Current portion of long-term debt	$ 40,182	$ 40,166	$ 40,174	$ 181	$ 25,189	$ 25,196	$ 25,170	$ 25,171	$ 25,159
Long-term debt	681,266	681,197	649,150	649,103	624,052	597,006	596,926	596,883	571,854
Total Debt	$ 721,448	$ 721,363	$ 689,324	$ 649,284	$ 649,241	$ 622,202	$ 622,096	$ 622,054	$ 597,013
Cash	154,843	188,084	184,474	147,575	165,538	182,127	344,036	360,415	412,855
Net Debt	$ 566,605	$ 533,279	$ 504,850	$ 501,709	$ 483,703	$ 440,075	$ 278,060	$ 261,639	$ 184,158
Net Leverage Ratio	**1.6**	**1.4**	**1.2**	**1.1**	**1.0**	**0.9**	**0.5**	**0.5**	**0.3**

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