Applied Industrial Technologies®

Fiscal Q4 2024 Recap

August 15, 2024

Safe Harbor Statement

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Non-GAAP Financial Measures

This presentation sets forth certain non-GAAP financial measures including 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 EBITDA; Free Cash Flow; Net Leverage Ratio are set forth in the appendix to this presentation.

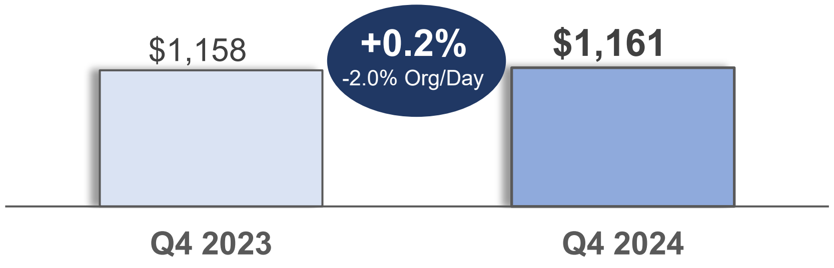
Primary Messages from Management

- **F4Q24 results highlight strong execution and positive margin momentum** with EBITDA and EPS increasing a respective 10% and 13% YoY against an ongoing mixed end-market demand backdrop.
- **Gross margins exceeded 30% and EBITDA margins exceeded 13%;** highlights strong margin expansion potential tied to operational discipline, internal strategy, ongoing evolution, and flexible operating model.
- **Organic daily sales declined 2% YoY with end-market demand slower than expected;** primarily reflects ongoing weakness across OEM fluid power customers, as well as slightly more mixed MRO spending.
- **Expect demand to remain muted near term** as customers conservatively manage production and delay capital projects pending greater clarity on interest rates and the U.S. Election.
- **Taking a prudent approach to initial FY25 guidance** but remain constructive on our potential given secular tailwinds, a pending technology/automation recovery, easing comparisons, and ongoing self-help opportunities.
- **Increasingly confident in potential beyond current intermediate financial objectives** of $5.5B in sales and 13% EBITDA margins considering FY24 margin performance, balance sheet capacity, and our growth profile.

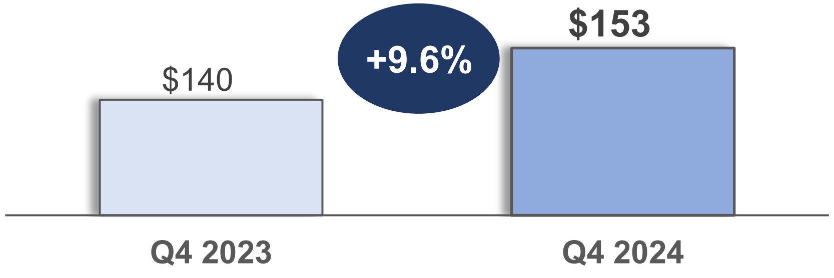
Fiscal Q4 2024 Key Financial Highlights

- **Sales up 0.2% YoY**
  - Down 2.0% on an organic daily basis
  - Acquisitions +1.5%, currency -0.1%, selling days +0.8%
- **Net Income of $103.5M and EPS of $2.64**
  - EPS up 12.6% from prior year
  - Includes $0.3M pre-tax ($0.01/sh) of LIFO expense
  - Favorable impact YoY from net interest income
- **Gross margin 30.7%, up 146 bps vs. prior year of 29.2%**
  - Includes a favorable 67 bps YoY impact due to lower LIFO expense
- **SD&A expense 18.7% of sales vs. prior year of 18.3%**
  - Down 0.2% YoY on an organic, constant currency basis
- **EBITDA of $153.5M, up 9.6% vs. prior year of $140.0M**
  - 13.2% EBITDA margin up 113 bps YoY
  - Includes a favorable 67 bps YoY impact due to lower LIFO expense
- **Operating cash of $119.2M; free cash of $111.7M**
  - Full-year FY24 free cash of $346.5M; up 9% YoY and 91% of adjusted net income

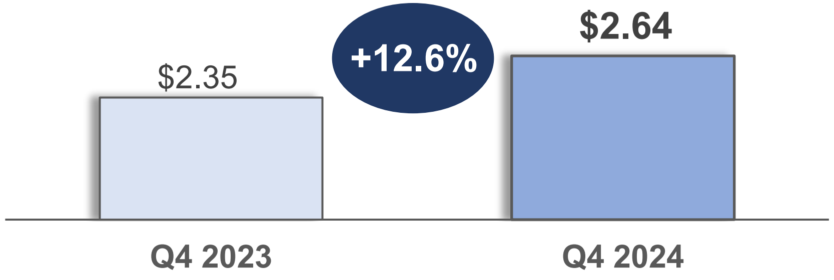
Sales, ***$ in millions***



EBITDA, ***$ in millions***



Earnings Per Share



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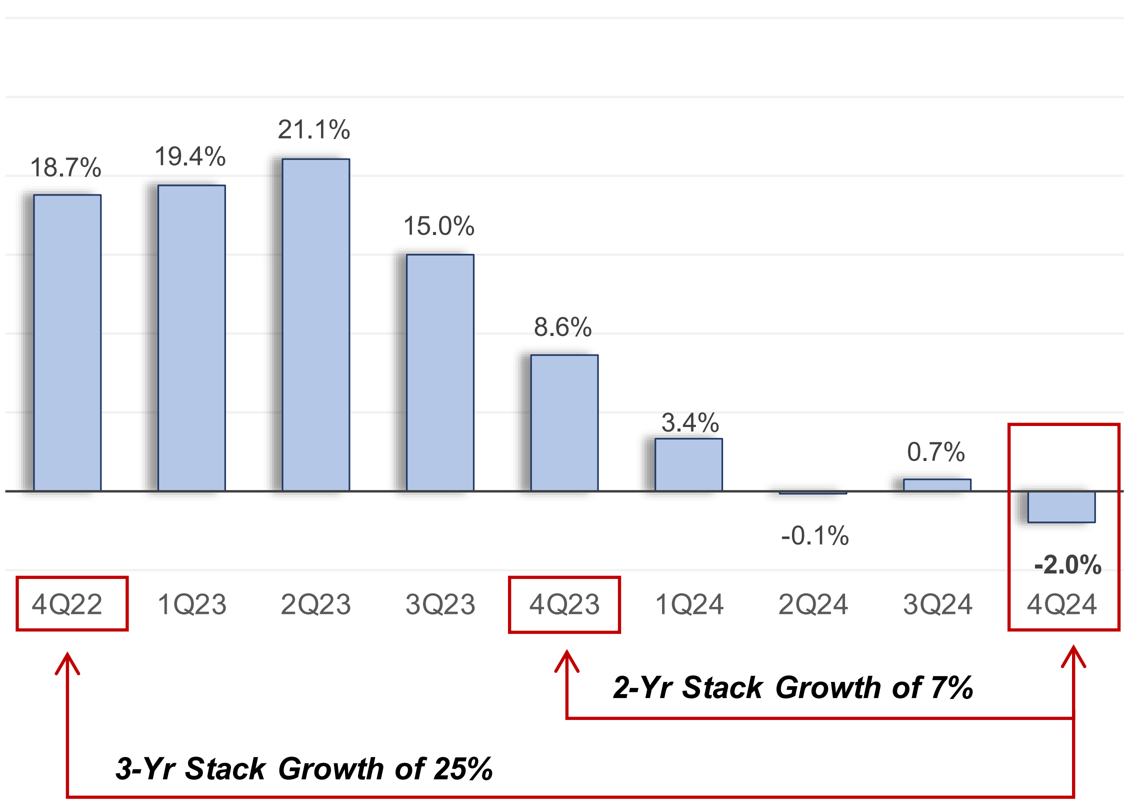
Organic Sales Growth Trend and Investor Discussion Points

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

Fiscal Quarters



F4Q24 Sales Growth Detail

- Down 2.0% YoY on an organic daily basis; end-market demand softer than expected including muted activity during June
- Average daily sales flat sequentially on an organic basis, +7% on a 2-year YoY stack, and +25% on a 3-year YoY stack
- Estimated price contribution in the low single-digits percent
- Trends consistent with recent industrial data points; customers conservatively managing capital spending and production schedules given higher interest rates and business uncertainty
- 14 of top 30 industry verticals up YoY in F4Q24 compared to 15 during F3Q24 *
- Strongest growth across food & beverage, metals, transportation, refining, and mining
- Offset by declines primarily in machinery, energy, pulp & paper, fabricated metals, rubber & plastics, and utilities

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

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Other Investor Discussion Points

Discussion Point	Update	Detail
Underlying Demand	• *Customer spending slowed further in F4Q24 and remains mixed; weakness most pronounced across OEM markets and capital projects; MRO related sales (~70% of total sales) holding in but more muted vs. prior quarters*	• *Organic daily sales down 2.0% YoY in F4Q24 vs. up 0.7% in F3Q24, and relatively unchanged sequentially (vs. +LSD historical 4Q/3Q seasonality); ES segment down 4.6% YoY and SC segment down 0.7% YoY on an organic daily basis*
ES Segment Trends	• *ES segment sales weaker than expected given ongoing softness across Fluid Power customers; balanced by positive Flow Control sales growth and strong segment margin performance, as well as inline Automation sales*	• *ES sales reflect HSD declines in Fluid Power, MSD declines in Automation, and a LSD increase in Flow Control; ES segment EBITDA up 4.5% YoY and EBITDA margin up ~95 bps YoY to nearly 16% in F4Q24*
Margin Improvement	• *Strong margin improvement primarily driven by underlying execution, ES segment mix on greater solution sales, variable cost adjustments, and lower LIFO expense; expect margin trends to ease sequentially near term, but view FY24 performance as indicative of margin expansion potential*	• *F4Q24 gross margin up 146 bps YoY at nearly 31%, and EBITDA margins up 113 bps at over 13%; includes 67 bps of YoY LIFO favorability, as well as ongoing growth investments; gross margin and EBITDA margin up a respective 68 bps and 47 bps in FY24 despite muted sales backdrop*
FY25 Outlook	• *Expect industrial activity to remain muted near term; see potential for a sales reacceleration as FY25 plays out given easing comparisons, potential tech vertical rebound, automation business funnel, flow control pipeline, and a potential catch up in required technical MRO activity*	• *Organic sales F1Q25 to date down by a MSD percent YoY; FY25 guidance (org/day -4% to +1%) assumes demand moderation in 1H & stabilization in 2H; recent positive datapoints include firm U.S. capacity utilization, tech/semi indicators, and customer messaging in automation*
Capital Allocation	• *Balance sheet and liquidity in solid position to support ongoing growth initiatives and increase shareholder returns; M&A pipeline remains active; ongoing scope for share buybacks and dividend growth moving forward*	• *Closed two bolt-on acquisitions in early August within our Service Center and Fluid Power operations; deployed \$73M on share buybacks in FY24 including \$45M in F4Q24; deployed more than \$1B in total capital the past 5 years*

Note: LSD = Low Single-Digits, MSD = Mid Single-Digits, HSD = High Single-Digits

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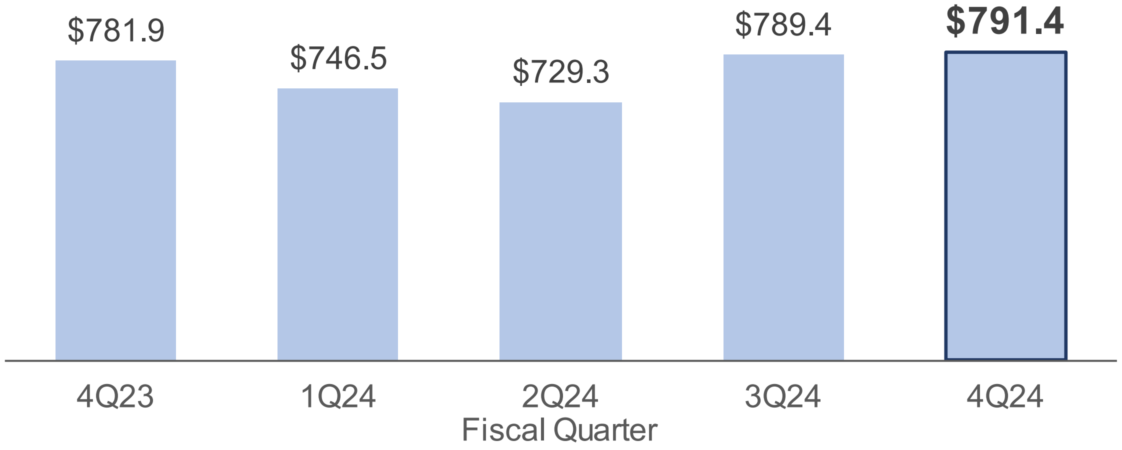
Segment Results – Service Center Based Distribution

Segment Overview: *Representing 68% of fiscal 2024 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 1.2% YoY in F4Q24**
  - Organic − 0.7%
  - Acquisitions + 1.2%
  - Currency − 0.1%
  - Selling days + 0.8%
- Segment organic sales trends slightly more mixed vs. prior quarters reflecting a more conservative approach from customers around scheduled MRO spending and capital maintenance projects
- Continue to outperform the broader market reflecting our competitive position, sales initiatives, and service capabilities; includes ongoing growth across national accounts and fluid power MRO in the U.S.
- Segment operating income of $111.4M in F4Q24, up 17.2% YoY

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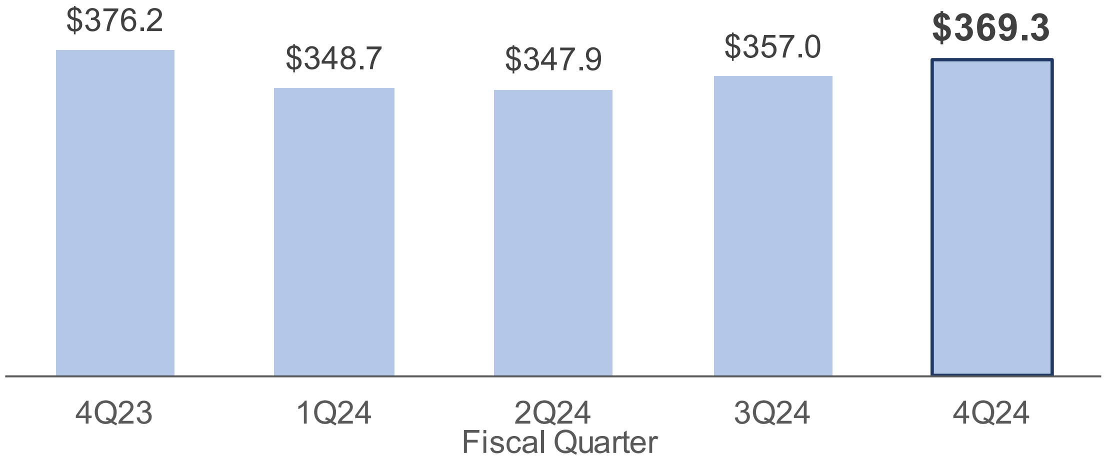
Segment Results – Engineered Solutions

<u>Segment Overview</u>: *Representing 32% of fiscal 2024 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 1.8% YoY in F4Q24**
  - Organic − 4.6%
  - Acquisitions + 2.0%
  - Selling days + 0.8%
- Ongoing growth across process flow control markets offset by lower fluid power sales, as well as ongoing (albeit stabilizing) mid single-digit organic sales declines within automation operations
- Technology vertical remains a modest YoY headwind but poised to rebound in FY25; Automation showing positive signs with organic average daily sales up 7% sequentially in F4Q24
- Segment operating income of $56.6M in F4Q24, up 4.1% YoY

Fiscal Q4 2024 Margin and Expense Highlights

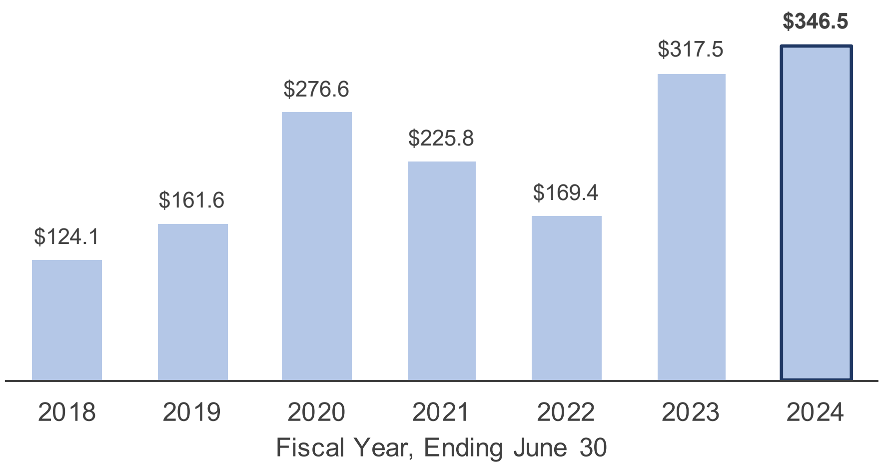
Gross Profit, SD&A, and EBITDA Metrics

$ in millions	Q4 24	Q4 23	Chg YoY	*LIFO Impact YoY*
Gross Profit	**$356.2**	$338.6	5.2%	*2.3%*
Gross Margin	**30.7%**	29.2%	146 bps	*67 bps*
SD&A Expense	**$216.9**	$211.7	2.4%	
% of Sales	**18.7%**	18.3%	(40) bps	
EBITDA	**$153.5**	$140.0	9.6%	*5.5%*
EBITDA Margin	**13.2%**	12.1%	113 bps	*67 bps*
Memo:				
LIFO Expense	**$0.3**	$8.1		

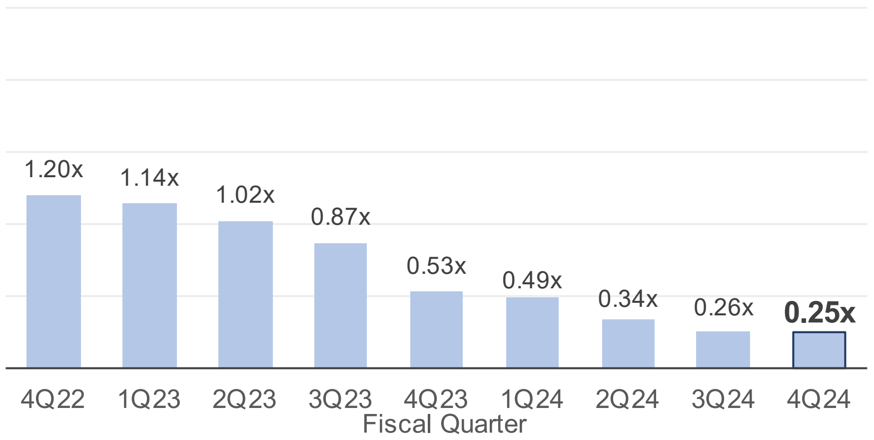
- **Gross margin up 146 bps YoY**
  - Includes a favorable 67 bps YoY impact due to lower LIFO expense
  - Reflects strong channel execution, favorable mix across ES segment, effective freight management, and ongoing margin initiatives
- **SD&A expense up 2.4% YoY**
  - Down 0.2% on an organic, constant currency basis
  - 18.7% of sales vs. 18.3% in the prior-year period
  - Efficiency gains, cost discipline, and reduced variable expense offset by higher associate costs, growth positioning, and ongoing inflation
- **EBITDA margin of 13.2% up 113 bps YoY**
  - Includes a favorable 67 bps YoY impact due to lower LIFO expense
  - Highlights strong margin expansion potential tied to operational discipline, internal strategy, ongoing evolution, and flexible operating model

Cash Flow and Balance Sheet

Free Cash Flow (in Millions) - Fiscal Year Period



Net Leverage Ratio (Net Debt to Trailing Adjusted EBITDA)

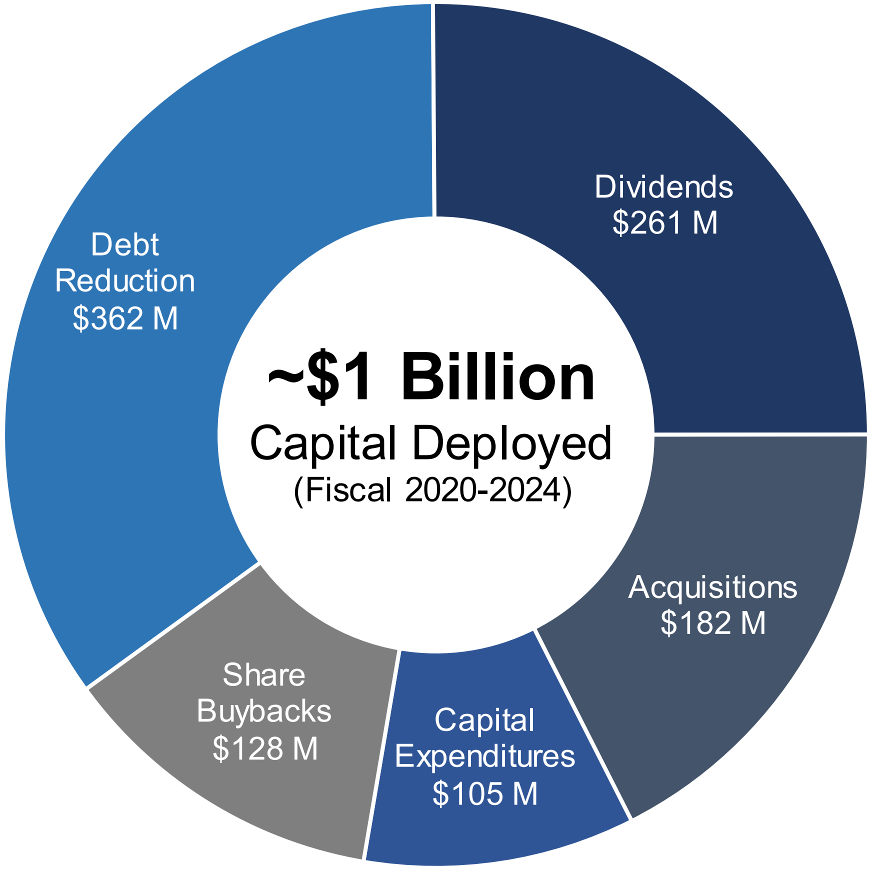


- **F4Q24 cash from operations of $119.2M; free cash of $111.7M**
  - Free cash at 108% of net income in the quarter
  - FY24 free cash of $346.5M, up 9% YoY and at record levels
  - FY24 free cash at 90.5% of adjusted net income
  - YoY cash flow growth reflects sustained earnings growth, enhanced margin profile, and ongoing progress on working capital initiatives
- **Net leverage ratio at 0.25x as of June 30, 2024**
  - Below prior-year level of 0.53x and F3Q24 of 0.26x
- **Strong balance sheet capacity to support growth** *(as of 6/30/24)*
  - $461M 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

Capital Allocation

Capital Allocation Priorities & Strategy

Priority	Strategy
Organic Growth	*Pursue greenfield expansion while optimizing customer service capabilities and operating efficiencies through technology, working capital, and system investments*
Acquisitions	*Scale Engineered Solutions segment while pursuing select Service Center segment opportunities to enhance organic growth, margins, and competitive position*
Debt Service	*Dependent on outstanding commitments, cycle dynamics & interest savings potential; comfortable with normalized net leverage of ~2x through a cycle*
Share Buybacks	*Opportunistic approach focused on returning excess cash through a disciplined valuation & return framework*
Dividends	*Consistent annual increases in ordinary dividend; target dividend growth in relation to normalized earnings growth*



$251M capital deployed in fiscal 2024

Fiscal 2025 Guidance and Outlook Assumptions

	Fiscal 2025 Guidance		
Total Sales - YoY % change	**-2.5%**	**-**	**+2.5%**
Organic Avg Daily Sales - YoY % change	*-4.0%*	*-*	*+1.0%*
EBITDA Margin	**12.1%**	**-**	**12.3%**
Diluted EPS	**$9.20**	**-**	**$9.95**
Additional Assumptions:			
Depreciation & amortization expense	$53	-	$55
Interest & other expense	$2.0	-	$3.0
Effective tax rate	23.0%	-	24.0%

Guidance Assumptions:

- Mid-point assumes ongoing moderation in underlying industrial activity through 1H, followed by stabilization in 2H
- Modest LSD price contribution to sales growth
- Mid-point assumes 2H organic daily sales up LSD YoY
- Excludes contribution from future M&A and/or share repurchases
- Potential support/upside from industry position, sales initiatives, active cost controls, operational focus, a pending recovery in technology vertical and automation operations, and/or a sooner than expected rebound in end-market demand
- F1Q25 assumptions:
  - MSD YoY decline in organic daily sales
  - Gross margins down sequentially
  - EBITDA margins of 12.0% to 12.2%

Notes: 1) $ amount in millions except EPS
2) LSD = Low Single-Digits, MSD = Mid Single-Digits

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, Operating Income, EBITDA, & EBITDA Margin by Segment

(dollar amount in thousands)	Three Months Ended Jun 30 Q4 FY23	Three Months Ended Jun 30 Q4 FY24
Service Center Based Distribution Segment:		
Net sales	$ 781,863	$ 791,393
Operating income	$ 95,063	$ 111,391
Depreciation and amortization of property	$ 4,523	$ 4,478
EBITDA	**$ 99,586**	**$ 115,869**
% of sales (EBITDA margin)	*12.7%*	*14.6%*
Engineered Solutions Segment:		
Net sales	$ 376,211	$ 369,282
Operating income	$ 54,327	$ 56,571
Depreciation and amortization of property	$ 1,145	$ 1,386
EBITDA	**$ 55,472**	**$ 57,957**
% of sales (EBITDA margin)	*14.7%*	*15.7%*
Corporate and other expense, net [1]	$ 22,575	$ 28,619

Note: (1) Includes intangible amortization expense.

Appendix: Reconciliation of EBITDA

(dollar amount in thousands)	Three Months Ended Jun 30 Q4 FY23	Q4 FY24
Net Income	**$ 92,215**	**$ 103,491**
Interest expense (income), net	4,201	(671)
Income tax expense	30,322	37,444
Depreciation and amortization of property	5,668	5,864
Amortization of intangibles	7,616	7,322
EBITDA	**$ 140,022**	**$ 153,450**

Appendix: Reconciliation of EBITDA Margin

(dollar amount in thousands)	Three Months Ended Jun 30 Q4 FY23	Q4 FY24
Net Sales	**$ 1,158,074**	**$ 1,160,675**
EBITDA	140,022	153,450
EBITDA Margin	**12.1%**	**13.2%**

Appendix: Reconciliation of Free Cash Flow

	Three Months Ended June 30						
(dollar amount in thousands)	**Q4 FY18**	**Q4 FY19**	**Q4 FY20**	**Q4 FY21**	**Q4 FY22**	**Q4 FY23**	**Q4 FY24**
Cash provided by Operating Activities	$ 99,426	$ 103,435	$ 127,090	$ 38,288	$ 53,747	$179,939	$119,234
Capital Expenditures	(5,332)	(7,259)	(3,892)	(3,675)	(6,450)	(5,667)	(7,510)
Free Cash Flow	$ 94,094	$ 96,176	$ 123,198	$ 34,613	$ 47,297	$174,272	$111,724

	Year Ended June 30						
(dollar amount in thousands)	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**
Cash provided by Operating Activities	$ 147,304	$ 180,601	$ 296,714	$ 241,697	$ 187,570	$343,966	$371,393
Capital Expenditures	(23,230)	(18,970)	(20,115)	(15,852)	(18,124)	(26,476)	(24,864)
Free Cash Flow	$ 124,074	$ 161,631	$ 276,599	$ 225,845	$ 169,446	$317,490	$346,529

Appendix: Reconciliation of Net Leverage Ratio

(dollar amount in thousands)	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24
Net Income	$ 79,113	$ 76,880	$ 80,457	$ 97,187	$ 92,215	$ 93,826	$ 91,228	$ 97,217	$ 103,491
Interest expense (income), net	6,014	6,480	6,185	4,773	4,201	1,320	1,917	265	(671)
Income tax expense	21,580	22,164	25,493	25,093	30,322	25,103	24,373	25,448	37,444
Depreciation and amortization	5,461	5,481	5,552	5,565	5,668	5,717	6,048	5,802	5,864
Amortization of intangibles	7,783	7,705	7,814	7,670	7,616	7,393	7,257	6,951	7,322
EBITDA	**$ 119,951**	**$ 118,710**	**$ 125,501**	**$ 140,288**	**$ 140,022**	**$ 133,359**	**$ 130,823**	**$ 135,683**	**$ 153,450**
Adjusted EBITDA	**$ 119,951**	**$ 118,710**	**$ 125,501**	**$ 140,288**	**$ 140,022**	**$ 133,359**	**$ 130,823**	**$ 135,683**	**$ 153,450**
Trailing 4-Quarter EBITDA	**409,608**	**439,844**	**472,779**	**504,450**	**524,521**	**539,170**	**544,492**	**539,887**	**553,315**
Current portion of long-term debt	$ 40,174	$ 181	$ 25,189	$ 25,196	$ 25,170	$ 25,171	$ 25,159	$ 25,107	$ 25,055
Long-term debt	649,150	649,103	624,052	597,006	596,926	596,883	571,854	571,862	572,279
Total Debt	$ 689,324	$ 649,284	$ 649,241	$ 622,202	$ 622,096	$ 622,054	$ 597,013	$ 596,969	$ 597,334
Cash	184,474	147,575	165,538	182,127	344,036	360,415	412,855	456,533	460,617
Net Debt	$ 504,850	$ 501,709	$ 483,703	$ 440,075	$ 278,060	$ 261,639	$ 184,158	$ 140,436	$ 136,717
Net Leverage Ratio	**1.23**	**1.14**	**1.02**	**0.87**	**0.53**	**0.49**	**0.34**	**0.26**	**0.25**

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