Fiscal Q1 2025 Recap

October 24, 2024

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

Safe Harbor Statement

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Non-GAAP Financial Measures

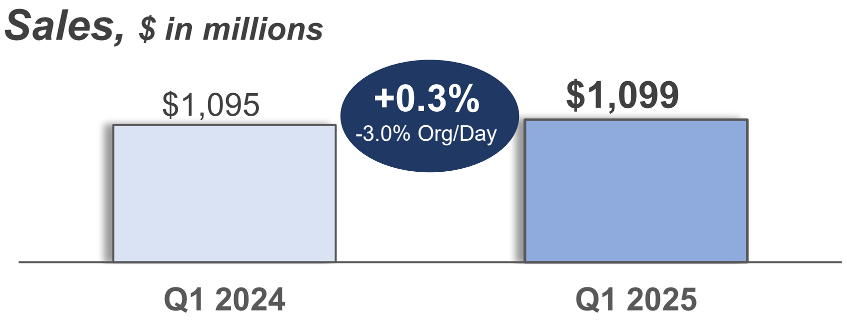
This presentation sets forth certain non-GAAP financial measures including EBITDA; Free Cash Flow; Net Leverage Ratio - which are presented as supplemental disclosures to Net Income; Cash from Operations; Total Debt Outstanding; and reported results. Management believes these measures are useful indicators 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.

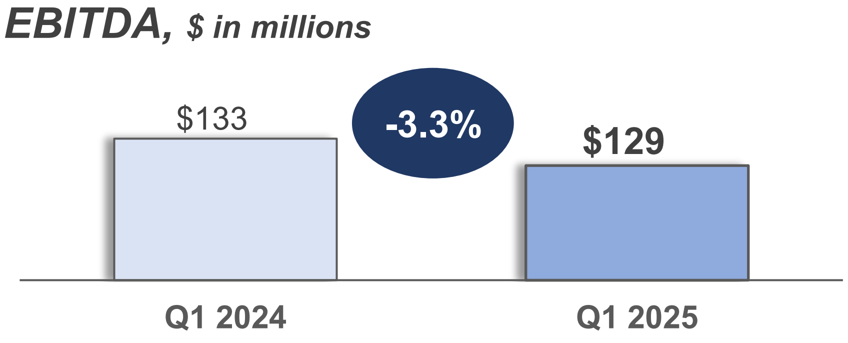
Primary Messages from Management

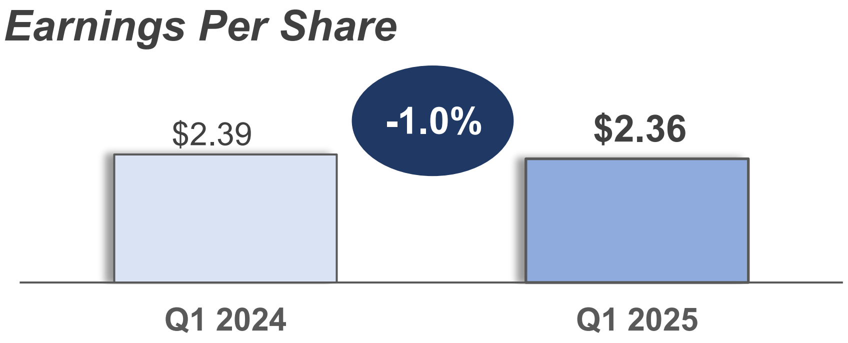
- **Sales exceeded our expectations on stronger September trends**; end-market demand remains mixed but gradually improved through the quarter in several key areas.
- **Demand indicators across Engineered Solutions segment improving** with sales finishing the quarter strong and orders up YoY on strengthening activity across our Automation operations and the technology vertical.
- **Margin trends eased during the quarter as expected** reflecting comparisons, mix, growth positioning, and expense deleveraging on sales declines early in the quarter; no change to margin outlook for FY25.
- **Free cash of $122M nearly doubled over the prior year to record 1Q levels;** provides additional firepower for organic reinvestment, M&A, and other capital deployment moving forward.
- **Expect demand to remain choppy near term** ahead of the U.S. Election and seasonally slower fall/winter months but see ongoing potential for stronger sales and earnings trends as the year progresses.
- **Reiterate FY25 sales and EBITDA margin guidance**; favorably positioned to drive above-market growth and margin expansion as demand reaccelerates reflecting industry position and internal initiatives.

Fiscal Q1 2025 Key Financial Highlights

- **Sales up 0.3% YoY**
  - Down 3.0% on an organic daily basis
  - Acquisitions +2.0%, currency -0.3%, selling days +1.6%
- **Net Income of $92.1M and EPS of $2.36**
  - EPS down 1.0% from prior year
  - Includes $2.0M pre-tax ($0.04/sh) of LIFO expense
  - Favorable impact YoY from interest & other income, a lower tax rate, and reduced share count
- **Gross margin 29.6%, down 10 bps vs. prior year of 29.7%**
  - Includes a favorable 24 bps YoY impact due to lower LIFO expense
- **SD&A expense 19.3% of sales vs. prior year of 18.7%**
  - Up 0.8% YoY on an organic, constant currency basis
- **EBITDA of $129.0M, down 3.3% vs. prior year of $133.4M**
  - 11.7% EBITDA margin down 44 bps YoY
  - Includes a favorable 24 bps YoY impact due to lower LIFO expense
- **Operating cash of $127.7M; free cash of $122.2M**
  - Free cash up 98% YoY and 133% of net income







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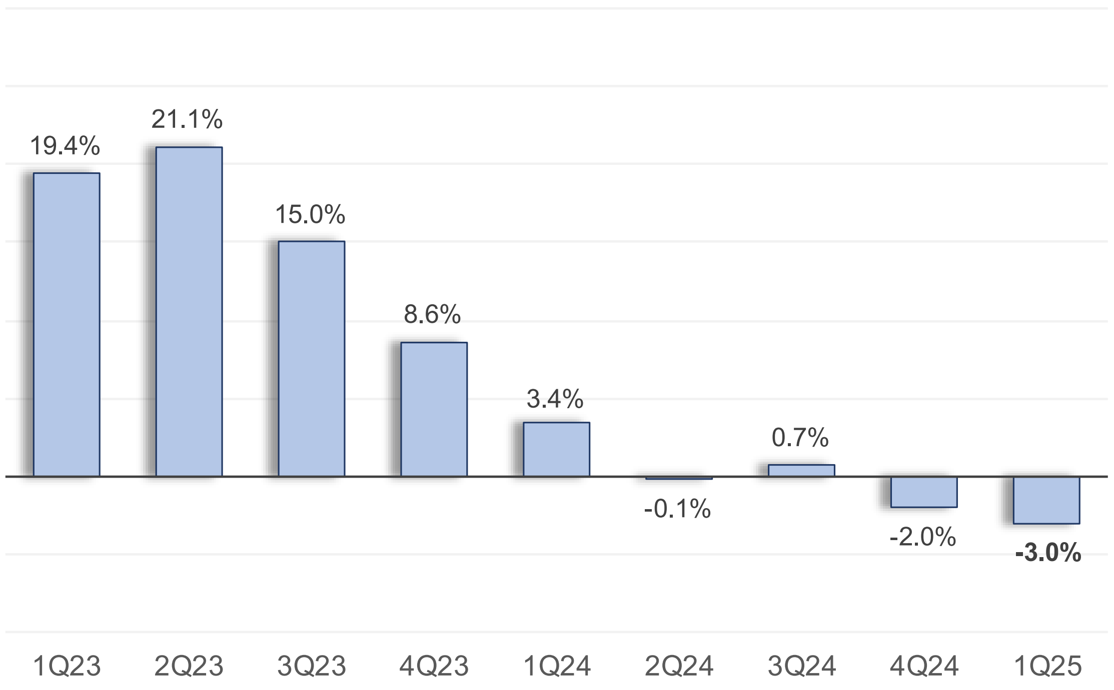
Organic Sales Growth Trend and Investor Discussion Points

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

Fiscal Quarters



F1Q25 Sales Growth Detail

- Down 3.0% YoY on an organic daily basis; flat on a 2-year stack and up 20% on a 3-year stack YoY organic daily basis
- Average daily sales declined 5% sequentially on an organic basis, but improved 9% sequentially in September, which was above normal seasonal patterns by ~400 bps
- September strength was broad based across the U.S. but led by improvement within the Engineered Solutions segment
- Estimated price contribution to YoY sales was ~100 bps
- 13 of top 30 industry verticals up YoY in F1Q25 compared to 14 during F4Q24 *
- Strongest growth across food & beverage, primary metals, transportation, aggregates, and technology
- Offset by declines primarily in machinery, lumber & wood, oil & gas, fabricated metals, pulp & paper, and rubber & plastics

** Based on largest 30 industry verticals for fiscal 2024*

Other Investor Discussion Points

Discussion Point	Update	Detail
Underlying Demand	• *Customer activity remains mixed, though signs of a demand recovery emerging with improved shipment and order activity during Sept; positive trends developing across Automation operations and the technology vertical, while MRO spending sequentially firm during the quarter*	• *Organic average daily sales (ADS) down 3.0% YoY in F1Q25; declines driven by weaker activity earlier in the quarter; organic ADS in Sept was relatively unchanged YoY and up by a HSD % sequentially; ES segment orders up by a MSD organic % YoY in F1Q25*
Fluid Power Backdrop	• *Demand across mobile OEM markets lower YoY but stabilizing; industrial & MRO related sales steady and orders ramping across tech vertical; fluid power growth outlook attractive given leading industry position, U.S. production trends, and secular growth tied to machine modernization*	• *Fluid power organic sales down by a HSD % YoY in F1Q25, but unchanged YoY in Sept; orders up YoY including DD growth across tech vertical; notable growth potential tied to machinery automation, power management, fluid conveyance, electrification, connectivity, and reshoring*
Margin Expectations	• *Expect more favorable margin trends in F2Q25; remain constructive on long-term margin expansion potential considering sustainable mix tailwinds, internal initiatives, leading technical position, and inherent operating leverage on enhanced organic growth potential*	• *Maintain FY25 EBITDA margin guidance of 12.1% to 12.3%; expect F2Q25 gross margins +10-20 bps vs. F1Q25; reiterate mid-teen to high-teen incremental margin expectations over an upcycle on MSD organic sales growth with upside support from recent growth positioning and internal initiatives*
Competitive Position	• *Strong competitive moat tied to technical focus and engineered solutions; uniquely positioned to sustain share gains across a fragmented $80B+ TAM given heightened technical, supply chain, and growth requirements across U.S. industrial production facilities*	• *Technical domain expertise across critical capital equipment and production processes; locally-focused distribution network and engineering capabilities present a powerful value prop for suppliers and customers; return on capital metrics strongest in 10+ years with strategy supporting additional upside*
Capital Allocation	• *Cash generation potential and balance sheet supports ongoing growth initiatives and other capital deployment opportunities; M&A pipeline remains active; ongoing scope for share buybacks and dividend growth moving forward*	• *Generated record 1Q free cash and ended Sept with $539M of cash on hand; expect greater capital deployment in FY25 with a focus on accretive M&A, as well as ongoing share buyback activity given long-term earnings growth potential*

Note: MSD = Mid Single-Digits, HSD = High Single-Digits, DD = Double-Digits

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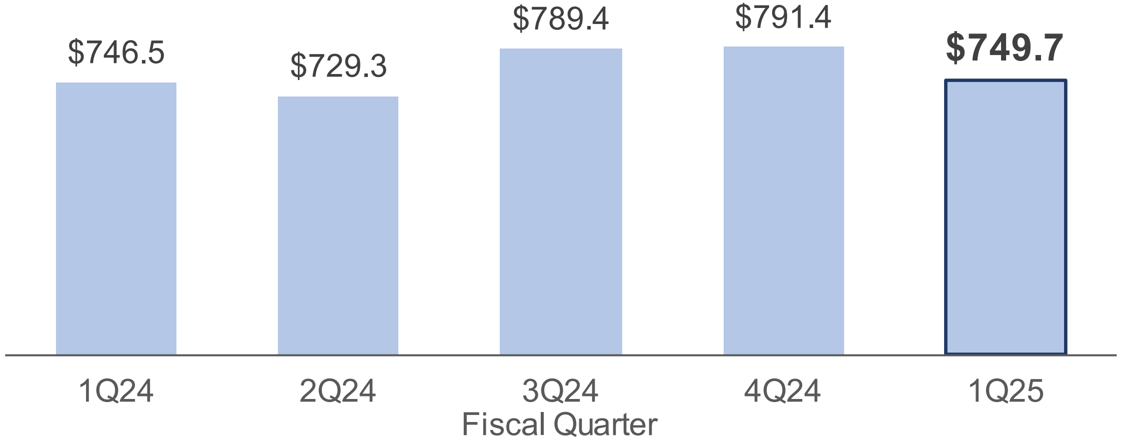
Segment Results – Service Center Based Distribution

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 0.4% YoY in F1Q25**
  - Organic − 1.4%
  - Acquisitions + 0.7%
  - Currency − 0.5%
  - Selling days + 1.6%
- Organic sales decline primarily driven by softer MRO spending and capital maintenance projects early in the quarter; ongoing growth across national accounts and fluid power MRO, partially offset by weaker local account sales including across machinery, pulp & paper, and oil & gas verticals, as well as slower international sales
- Weaker end-market demand balanced by continued benefits from ongoing sales force productivity initiatives, technology investments, and new business opportunities
- Segment operating income of $94.6M in F1Q25, down 2.3% YoY

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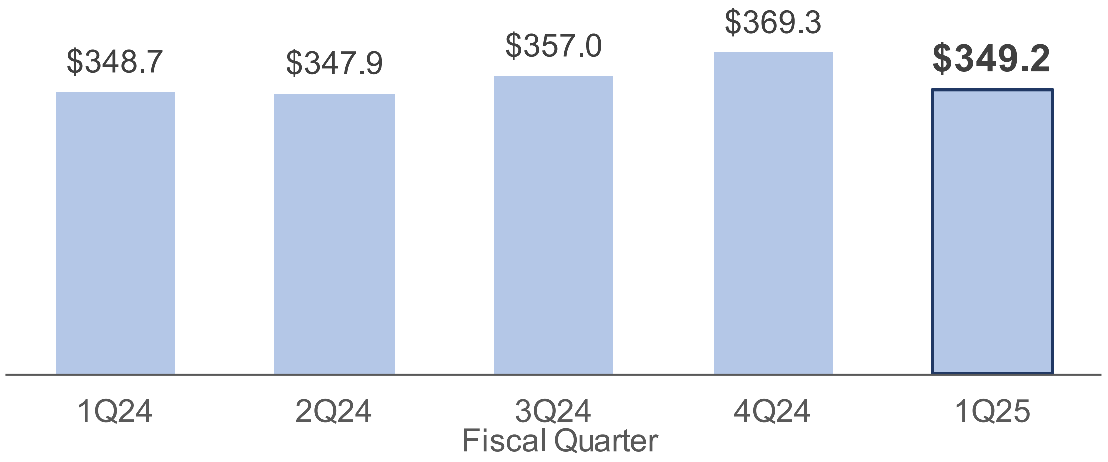
Segment Results – Engineered Solutions

Segment Overview: *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 up 0.2% YoY in F1Q25**
  - Organic − 6.1%
  - Acquisitions + 4.7%
  - Selling days + 1.6%

- Organic sales decline primarily reflects softer demand across off-highway mobile fluid power OEM customers, and to a lesser extent softer flow control and automation sales in July and August
- Segment sales and orders strengthened in September including improvement across Automation and the technology vertical, as well as flow control
- Segment operating income of $48.1M in F1Q25, down 2.9% YoY

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Fiscal Q1 2025 Margin and Expense Highlights

Gross Profit, SD&A, and EBITDA Metrics

$ in millions	Q1 25	Q1 24	Chg YoY	*LIFO Impact YoY*
Gross Profit	**$325.1**	$325.1	0.0%	*0.8%*
Gross Margin	**29.6%**	29.7%	(10) bps	*24 bps*
SD&A Expense	**$211.9**	$204.4	3.7%	
% of Sales	**19.3%**	18.7%	(62) bps	
EBITDA	**$129.0**	$133.4	(3.3%)	*2.0%*
EBITDA Margin	**11.7%**	12.2%	(44) bps	*24 bps*
Memo:				
LIFO Expense	**$2.0**	$4.6		

- **Gross margin down 10 bps YoY**
  - Includes a favorable 24 bps YoY impact due to lower LIFO expense
  - YoY trend impacted by prior-year vendor rebate favorability and slightly higher scrap costs in SC segment, as well as unfavorable mix from national account growth and lower ES segment sales
  - Partially offset by mix accretion from recent acquisitions and ongoing margin initiatives

- **SD&A expense up 3.7% YoY**
  - Up 0.8% on an organic, constant currency basis
  - 19.3% of sales vs. 18.7% in the prior-year period
  - Includes an unfavorable 150 bps from higher deferred compensation costs and one extra payroll day over the prior year
  - Efficiency gains, cost discipline, and reduced variable expense offset by higher associate costs, growth positioning, and ongoing inflation

- **EBITDA margin of 11.7% down 44 bps YoY**
  - Includes a favorable 24 bps YoY impact due to lower LIFO expense

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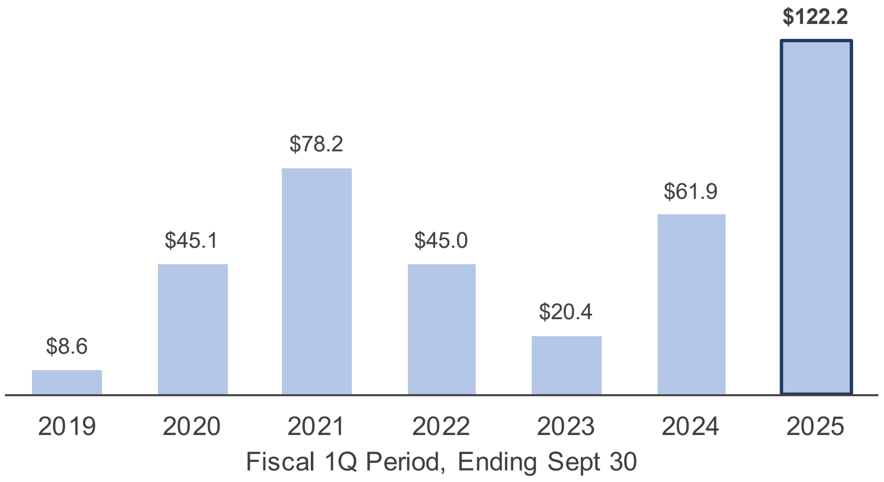
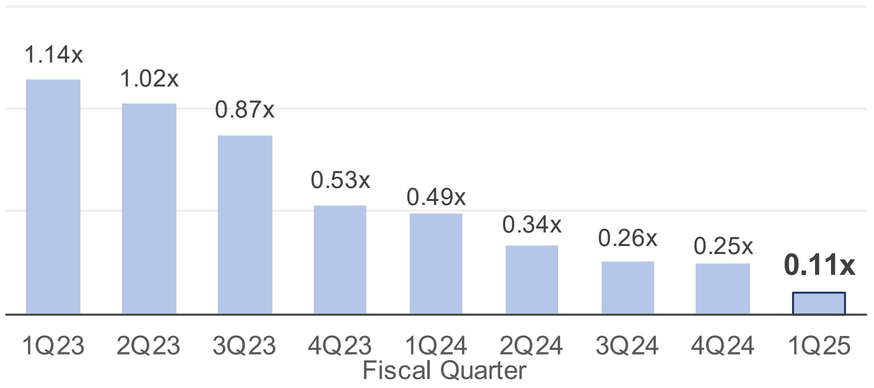
Cash Flow and Balance Sheet

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



Net Leverage Ratio (Net Debt to Trailing Adjusted EBITDA)



- **F1Q25 cash from operations of $127.7M; free cash of $122.2M**
  - Free cash nearly doubled YoY and was up 9% sequentially to record 1Q levels
  - Free cash at 133% of net income
  - YoY cash flow growth primarily reflects more modest working capital investment compared to the prior year, as well as ongoing progress with internal initiatives and our enhanced margin profile
- **Net leverage ratio at 0.11x as of September 30, 2024**
  - Below prior-year level of 0.49x and F4Q24 of 0.25x
- **Strong balance sheet capacity to support growth** *(as of 9/30/24)*
  - $539M 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

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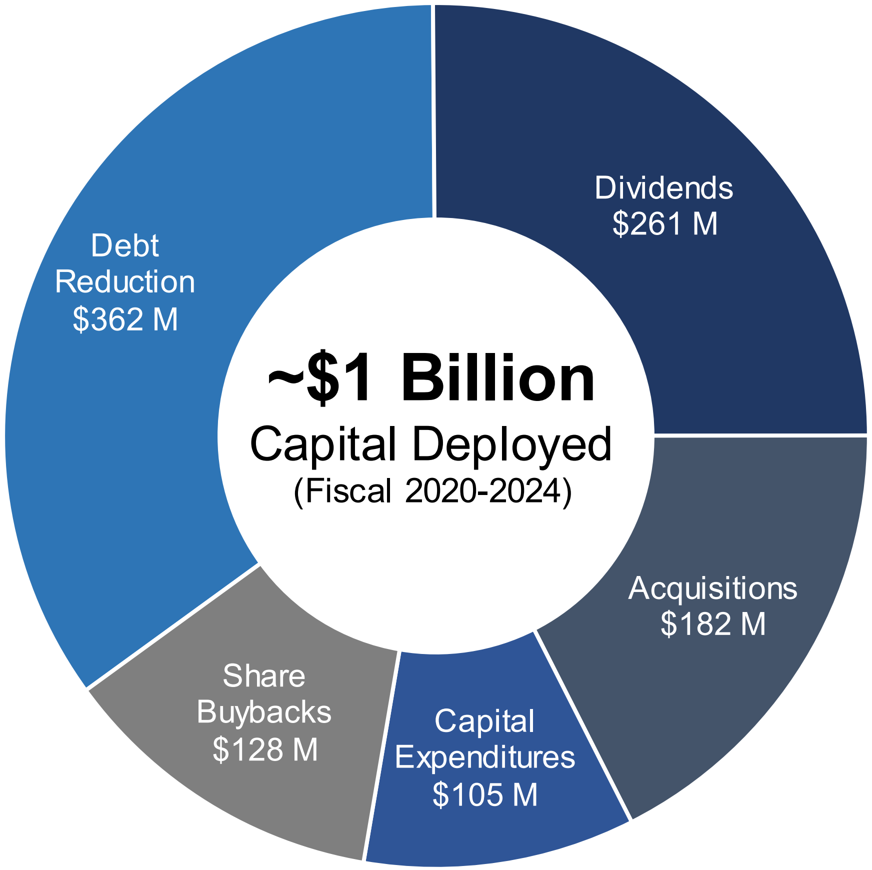
Capital Allocation

Capital Allocation Priorities & 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

	Prior (8/15/24)			Current (10/24/24)		
Total Sales - YoY % chg	-2.5%	-	+2.5%	**-2.5%**	**-**	**+2.5%**
Organic Avg Daily Sales - YoY % chg	-4.0%	-	+1.0%	**-4.0%**	**-**	**+1.0%**
EBITDA Margin	12.1%	-	12.3%	**12.1%**	**-**	**12.3%**
Diluted EPS	$9.20	-	$9.95	**$9.25**	**-**	**$10.00**
Additional Assumptions:						
Depreciation & amortization expense	$53	-	$55	$54	-	$55
Interest & other expense (income)	$2	-	$3	($1)	-	$0
Effective tax rate	23%	-	24%	23%	-	24%

Updated Considerations:

- No change to sales and EBITDA margin outlook for FY25
- Increasing EPS guidance by $0.05 to primarily reflect updated assumptions for Interest & Other Income following F1Q25 results
- Mid-point assumes ongoing moderation in underlying industrial activity near term followed by stabilization in 2H
- Modest LSD price contribution to sales growth
- Excludes contribution from future M&A and/or share repurchases
- Potential support/upside from industry position, sales initiatives, active cost controls, operational focus, a recovery in technology vertical and automation operations, and a sooner/greater rebound in end-market demand
- F2Q25 assumptions:
  - LSD to MSD YoY percent decline in organic daily sales
  - Gross margins up slightly sequentially
  - EBITDA margin of 11.7% to 11.9%

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
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 Sept 30 Q1 FY24	Q1 FY25
Service Center Based Distribution Segment:		
Net sales	$ 746,533	$ 749,739
Operating income	$ 96,881	$ 94,627
Depreciation and amortization of property	$ 4,436	$ 4,419
EBITDA	**$ 101,317**	**$ 99,046**
% of sales (EBITDA margin)	*13.6%*	*13.2%*
Engineered Solutions Segment:		
Net sales	$ 348,655	$ 349,205
Operating income	$ 49,595	$ 48,145
Depreciation and amortization of property	$ 1,281	$ 1,505
EBITDA	**$ 50,876**	**$ 49,650**
% of sales (EBITDA margin)	*14.6%*	*14.2%*
Corporate and other expense, net (1)	$ 25,796	$ 29,600

Note: (1) Includes intangible amortization expense.

Appendix: Reconciliation of EBITDA

(dollar amount in thousands)	Three Months Ended Sept 30 Q1 FY24	Q1 FY25
Net Income	**$ 93,826**	**$ 92,063**
Interest expense (income), net	1,320	(627)
Income tax expense	25,103	24,017
Depreciation and amortization of property	5,717	5,924
Amortization of intangibles	7,393	7,600
EBITDA	**$ 133,359**	**$ 128,977**

Appendix: Reconciliation of EBITDA Margin

	Three Months Ended Sept 30	
(dollar amount in thousands)	**Q1 FY24**	**Q1 FY25**
Net Sales	**$ 1,095,188**	**$ 1,098,944**
EBITDA	133,359	128,977
EBITDA Margin	**12.2%**	**11.7%**

Appendix: Reconciliation of Free Cash Flow

(dollar amount in thousands)	Three Months Ended September 30 Q1 FY19	Q1 FY20	Q1 FY21	Q1 FY22	Q1 FY23	Q1 FY24	Q1 FY25
Cash provided by Operating Activities	$ 11,797	$ 50,018	$ 81,842	$ 48,642	$ 25,943	$ 66,209	$127,747
Capital Expenditures	(3,173)	(4,946)	(3,597)	(3,621)	(5,554)	(4,340)	(5,549)
Free Cash Flow	**$ 8,624**	**$ 45,072**	**$ 78,245**	**$ 45,021**	**$ 20,389**	**$ 61,869**	**$122,198**

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Appendix: Reconciliation of Net Leverage Ratio

(dollar amount in thousands)	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25
Net Income	$ 76,880	$ 80,457	$ 97,187	$ 92,215	$ 93,826	$ 91,228	$ 97,217	$ 103,491	$ 92,063
Interest expense (income), net	6,480	6,185	4,773	4,201	1,320	1,917	265	(671)	(627)
Income tax expense	22,164	25,493	25,093	30,322	25,103	24,373	25,448	37,444	24,017
Depreciation and amortization	5,481	5,552	5,565	5,668	5,717	6,048	5,802	5,864	5,924
Amortization of intangibles	7,705	7,814	7,670	7,616	7,393	7,257	6,951	7,322	7,600
EBITDA	**$ 118,710**	**$ 125,501**	**$ 140,288**	**$ 140,022**	**$ 133,359**	**$ 130,823**	**$ 135,683**	**$ 153,450**	**$ 128,977**
Trailing 4-Quarter EBITDA	**439,844**	**472,779**	**504,450**	**524,521**	**539,170**	**544,492**	**539,887**	**553,315**	**548,933**
Current portion of long-term debt	$ 181	$ 25,189	$ 25,196	$ 25,170	$ 25,171	$ 25,159	$ 25,107	$ 25,055	$ 25,003
Long-term debt	649,103	624,052	597,006	596,926	596,883	571,854	571,862	572,279	572,288
Total Debt	$ 649,284	$ 649,241	$ 622,202	$ 622,096	$ 622,054	$ 597,013	$ 596,969	$ 597,334	$ 597,291
Cash	147,575	165,538	182,127	344,036	360,415	412,855	456,533	460,617	538,520
Net Debt	$ 501,709	$ 483,703	$ 440,075	$ 278,060	$ 261,639	$ 184,158	$ 140,436	$ 136,717	$ 58,771
Net Leverage Ratio	**1.14**	**1.02**	**0.87**	**0.53**	**0.49**	**0.34**	**0.26**	**0.25**	**0.11**

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