APPLIED
Industrial Technologies®

We Keep Industry Running

Investor Presentation

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 - 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.

Company Profile

APPLIED Industrial Technologies®

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

$4.7B Revenue	$583M EBITDA	$10B Market Cap
+9M Accessible Products SKUs	3,300+ Customer Facing Associates	624 Service Facilities

Headquartered in Cleveland, Ohio

Notes: 1) Revenue and EBITDA reflect proforma amounts based on calendar year 2024 and including projected Hydradyne contribution

Multi-Channel Capabilities

Industrial Customer



Service Centers

- Local MRO / Aftermarket Support
- Leading Motion / Power Control Expertise
- Technical Shop, Repair, Consult Services
- Over 400+ Locations Concentrated in North America



Flow Control

- Mission-Critical Engineered Solutions for Full-Cycle Flow / Process Infrastructure
- Systems Integration, Repair, Fabrication
- 60+ locations



E-Business

- Applied.com
- EDI & PunchOut
- Digital Inside Sales Team
- Strategic Customer Engagement



Fluid Power

- Fluid Power System Design, Build, Integration
- Industrial, Off-Highway Mobile, Technology
- Certified Fluid Power Specialists & Engineers
- 80+ locations



Automation

- Value-Added Automation Expertise (Design, Assembly & Integration)
- Robotics, Machine Vision, Motion Control, & Digital Technologies
- Leading Application & Engineering Expertise
- 30+ locations



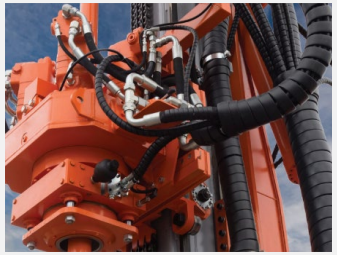
VMI / Vending

- C-Class Consumables Management
- Indirect Shop Supplies & Solutions
- 200+ Dedicated Sales & Service Reps

Leading Technical End-Market Reach with Comprehensive Product & Service Solutions

Product Portfolio

APPLIED Industrial Technologies®

Power Transmission	Bearings, Linear, Seals	Fluid Power	Flow Control	Advanced Automation	General MRO; Hose Products
					

We Are Applied℠

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

APPLIED Industrial Technologies®

Service Centers

Mounted bearings, gearing, & couplings for processing equipment & machinery break-fix applications



Service Centers

Fluid power MRO supplies, including cylinders, valves, & hoses to support regular maintenance on core systems



Specialty Flow Control

Pumps, valves, instrumentation, hoses, & filtration to ensure precise control of pressure, temperature, levels, flow, & product quality across process lines



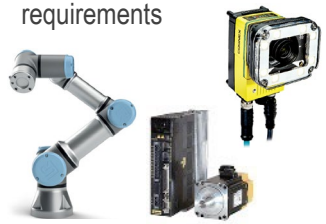
Service Centers

Maintenance & repair on belting, pulleys, & clutches for conveying & movement of processed materials & end-product



Automation Solutions

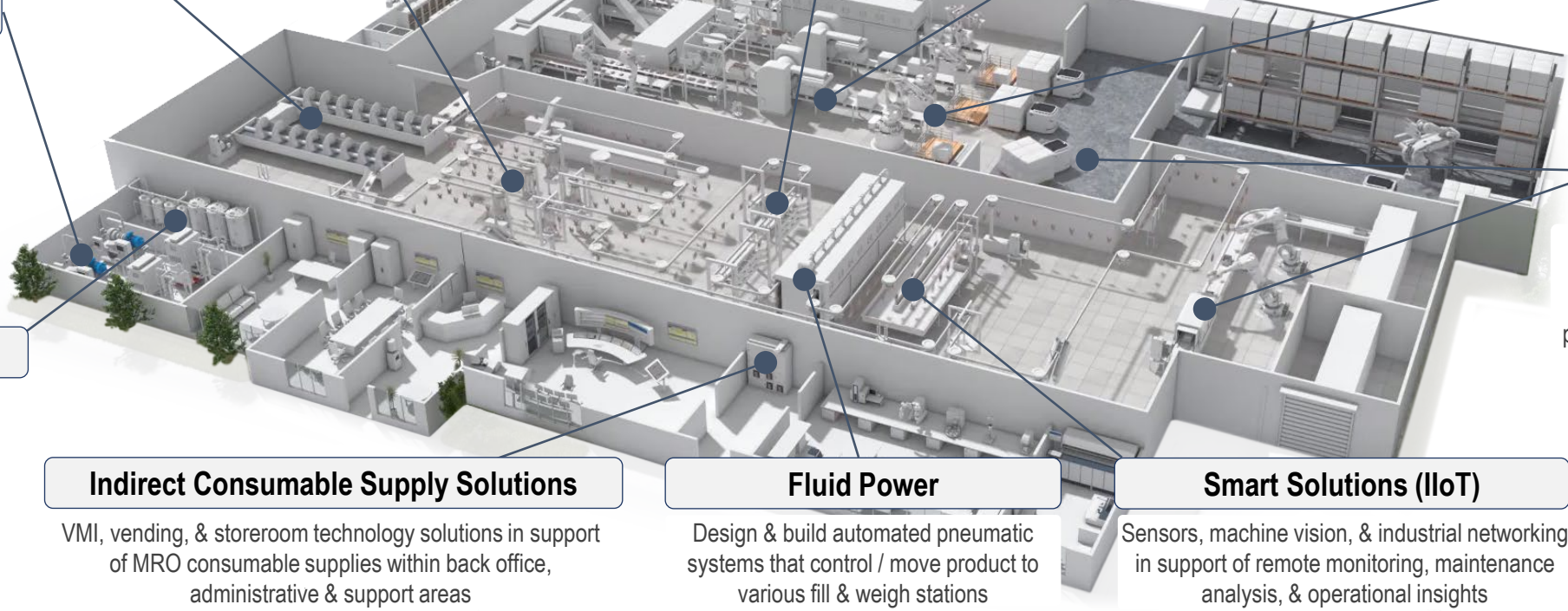
Collaborative robots, motion control, & machine vision for finishing, packaging, quality inspection, & other automation requirements



Fluid Power

Design & build hydraulic power units for single machine or central plant power requirements





Automation Solutions

Design, engineer, & build automated systems used for moving, weighing, sorting, processing & cleaning product



Specialty Flow Control

Steam specialties, heat exchangers, valves, instruments, & pumps to control plant utilities for improved energy conservation & waste management



Indirect Consumable Supply Solutions

VMI, vending, & storeroom technology solutions in support of MRO consumable supplies within back office, administrative & support areas



Fluid Power

Design & build automated pneumatic systems that control / move product to various fill & weigh stations



Smart Solutions (IIoT)

Sensors, machine vision, & industrial networking in support of remote monitoring, maintenance analysis, & operational insights

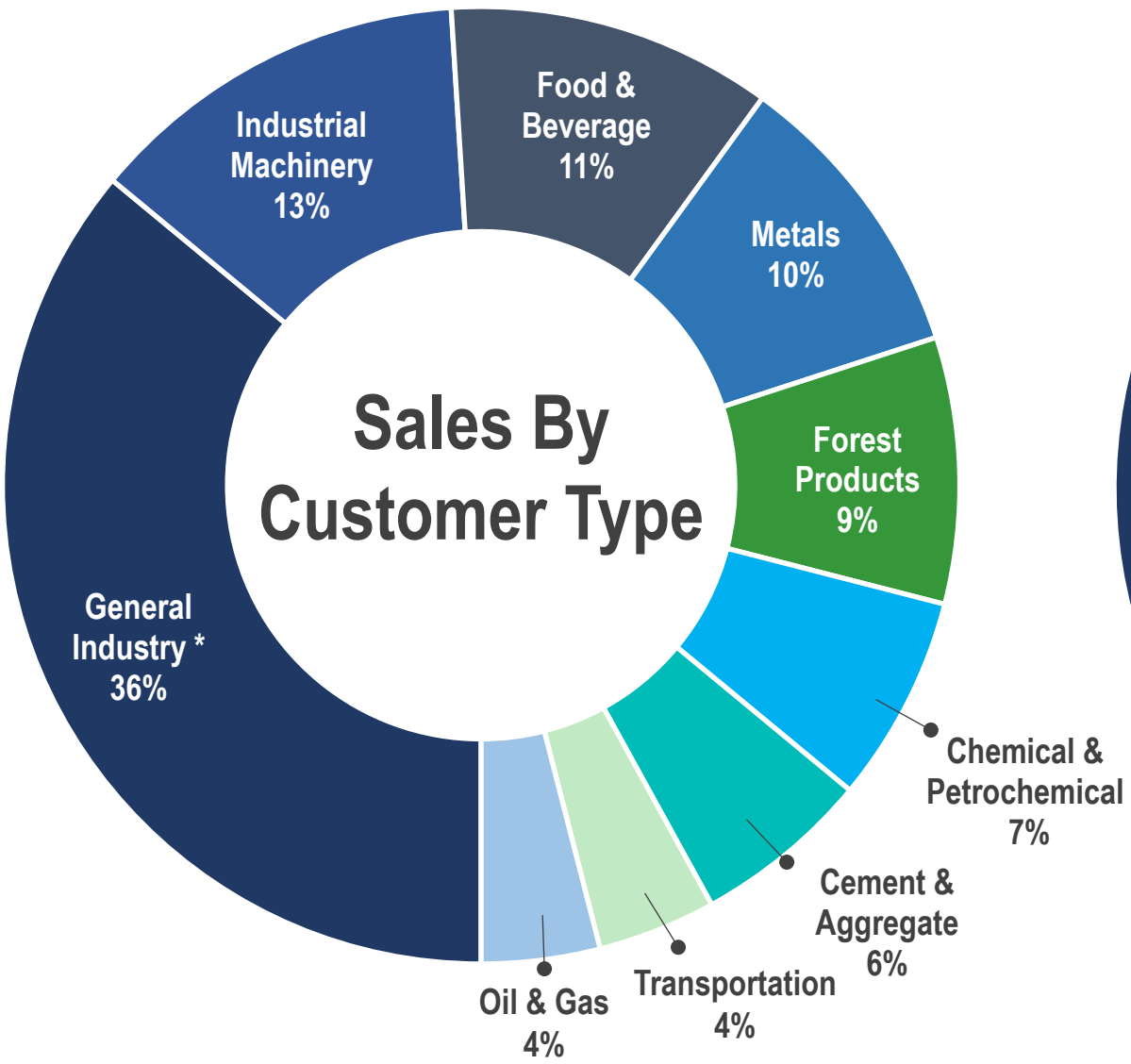


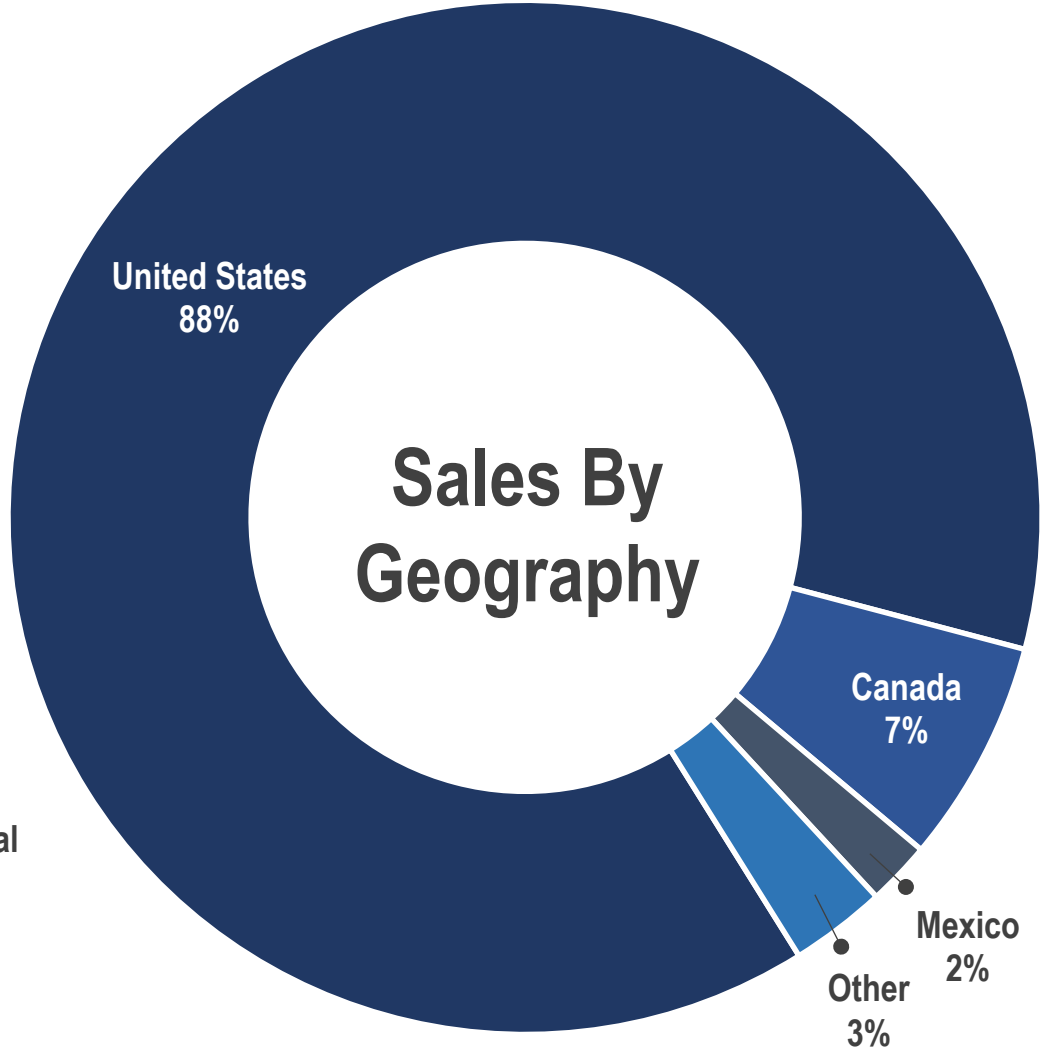
Primary Supplier Partners



Leading Manufacturers with World Class Brands Focused on Premier Industrial Solutions

Customer & Geographic Exposure





** 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 2024 sales*

Diverse Customer Base Focused Primarily Within North America

Applied® Value Creation Model

CORE

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

Supports Growth Into Higher Margin Engineered Solutions & Emerging Areas of the Industrial Sector

Fluid Power • Flow Control • Advanced Automation • Smart Technologies

(Expand & Cross-Sell Across "Core" Customer Base)

Operational Focus

- History of Cost Discipline
- Operational Excellence Initiatives
- Shared Services Deployment
- Ongoing Sales Process Refinement
- System Investments & Analytics
- Talent Development

GUIDED BY CORE VALUES

Integrity • Respect • Customer Focus • Commitment to Excellence • Accountability • Innovation • Continuous Improvement • Teamwork

Financial Targets

Mid Single-Digit Organic Growth
Gross Margin Expansion Through a Cycle
13%+ EBITDA Margin Target (12.4% in FY24)
Working Capital <= 20% of Sales

Acquisitions *(LSD* % growth contribution annually)*
Organic Capital Redeployment

Dividend Growth *(track normalized EPS growth)*
Share Buybacks *(~$160M last five years)*

Multiple Expansion = *enhanced margin / returns, stronger growth, scaling market cap, IR initiatives*

Double-Digit Earnings CAGR
Free Cash >100% of Net Income

SHAREHOLDER RETURNS

Note (*): LSD = Low Single-Digit

Durable & Adaptable Business Model Positioned to Unlock Shareholder Value Long Term

Key Growth & Operational Considerations

Our products & solutions are increasingly critical across the industrial supply chain…

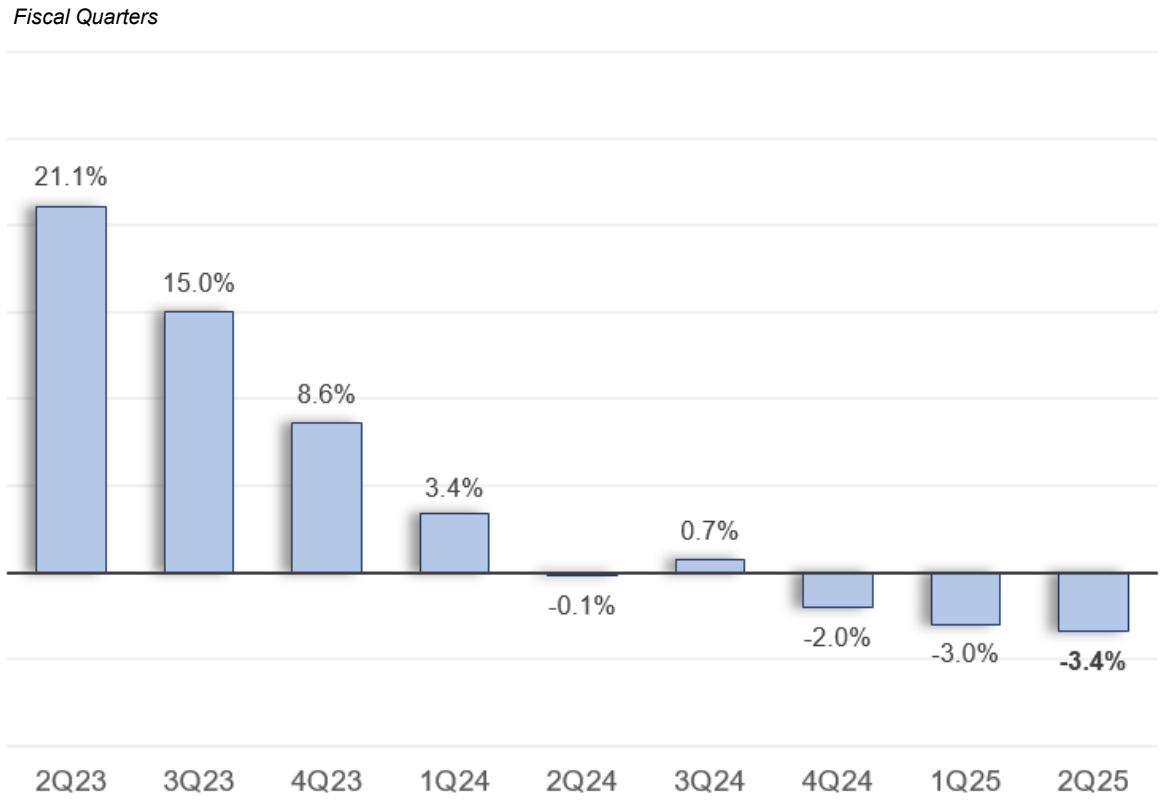
- **Break / Fix Demand:** Structurally higher given greater production and capacity utilization on aged manufacturing infrastructure across North America.
- **Customer Outsourcing of Technical Needs:** Greater focus on addressing skilled labor constraints and needing qualified providers to support growth.
- **Industrial Facility Optimization:** Greater focus on plant floor optimization / automation and equipment maintenance to support suppl-chain hardening.
- **Energy Efficiency:** More stringent facility and equipment standards to lower carbon footprint 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 Engineered Solutions, Technical Customer Support
- **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 FY25

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



F2Q25 Sales Growth Detail

- Down 3.4% YoY on an organic daily basis; down 3.5% on a 2-year stack and up 17.6% on a 3-year stack basis
- Average daily sales sequential increase of ~1% in F2Q25 was ~100 bps below normal seasonal patterns, but an improvement from relative seasonal patterns in prior quarters
- Late December sales impacted by holiday timing and extended customer plant idling, which negatively impacted F2Q25 YoY organic sales trends by ~100 bps
- 11 of top 30 industry verticals up YoY in F2Q25 compared to 13 during F1Q25 *
- YoY growth primarily across chemicals, food & beverage, pulp & paper, and technology
- Offset by declines primarily in machinery, transportation, aggregates, fabricated metals, oil & gas, and mining

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

Operating Within a More Muted End-Market Demand Environment Near-Term

Other Investor Discussion Points – Q2 FY25

Discussion Point	Update	Detail
Underlying Demand	• *Customer activity remains mixed with ongoing weakness across machinery OEM markets and muted MRO spending; signs of a growth recovery emerging including improving short-cycle macro indicators and order trends YTD*	• *Organic daily sales down 3.4% YoY in F2Q25, but up ~1% sequentially; ES segment orders up YoY YTD led by stronger orders across Automation/tech areas; U.S. ISM New Orders above 50 (expansion) in Nov/Dec, SC segment bookings firming following a slow Dec and early start to Jan*
Pricing & Tariffs	• *Price contribution more modest though supplier price increases continue; favorably positioned to manage ongoing inflation and impact from possible tariff policies given technical industry position, U.S. centricity, margin initiatives, and structural mix tailwinds*	• *Estimated price contribution to YoY sales slightly below 100 bps during F2Q25 with a similar level expected in F2H25; gross margins up over 160 bps over the past 5 years despite greater industry-wide inflationary pressures*
Margin Expectations	• *Strong F2Q25 margin improvement primarily driven by channel execution, ES segment performance, cost controls, and lower LIFO expense; expect margins to ease sequentially in F3Q25 assuming normalizing performance and growth investments, though positive tailwinds remain*	• *F2Q25 gross margins +114 bps & EBITDA margins +45 bps YoY; ES segment EBITDA margin of 16.3% hits new high on gross margin initiatives and favorable mix; the potential for improved sales trends and greater mix tailwinds provide potential upside support to margins in F2H25 and into FY26*
Fiscal 2H Outlook	• *Expect muted demand persists near term given U.S. policy uncertainty and a gradual pace to interest rate cuts; potential for re-emerging growth as F2H25 plays out considering easier comps, ES segment orders, technical MRO/capital spending requirements, and stabilizing machinery markets*	• *Jan sales trending down by a MSD percent YoY on an organic basis; updated FY25 guidance mid-point assumes F2H25 sales down LSD YoY organically and ~100 bps below normal seasonal trends on average*
Capital Allocation	• *Cash generation potential and balance sheet supports ongoing growth initiatives and capital deployment opportunities; M&A pipeline remains active; ongoing scope for share buybacks and dividend growth*	• *Record 1H cash generation and net leverage at ~0.5x on a pro-forma basis post Hydradyne acquisition; M&A remains focused on bolt-on and mid-size targets; deployed $30M on share buybacks in F1H25; announced a 24% increase in quarterly dividend*

Note: LSD – Low Single-Digits, MSD = Mid Single-Digits

More Mixed Sales Growth Backdrop Supported by Internal Initiatives, Industry Position, and Operational Focus

Fiscal 2025 Guidance

Fiscal 2025 Guidance

	Prior (10/24/24)	Current (1/29/25)
Total Sales - YoY % chg	-2.5% - +2.5%	**1% - 3%**
Organic Avg Daily Sales - YoY % chg	-4% - +1%	**-3% - -1%**
EBITDA Margin	12.1% - 12.3%	**12.2% - 12.4%**
Diluted EPS	$9.25 - $10.00	**$9.65 - $10.05**
Additional Assumptions:		
Depreciation & amortization expense	$54 - $55	$60 - $62
Interest & other expense (income)	($1) - $0	$0 - $1
Effective tax rate	23% - 24%	23% - 24%

Notes: 1) $ amount in millions except EPS
2) LSD = Low Single-Digits, MSD = Mid Single-Digits
3) Represents fiscal year ending June 30, 2025

Updated Assumptions:

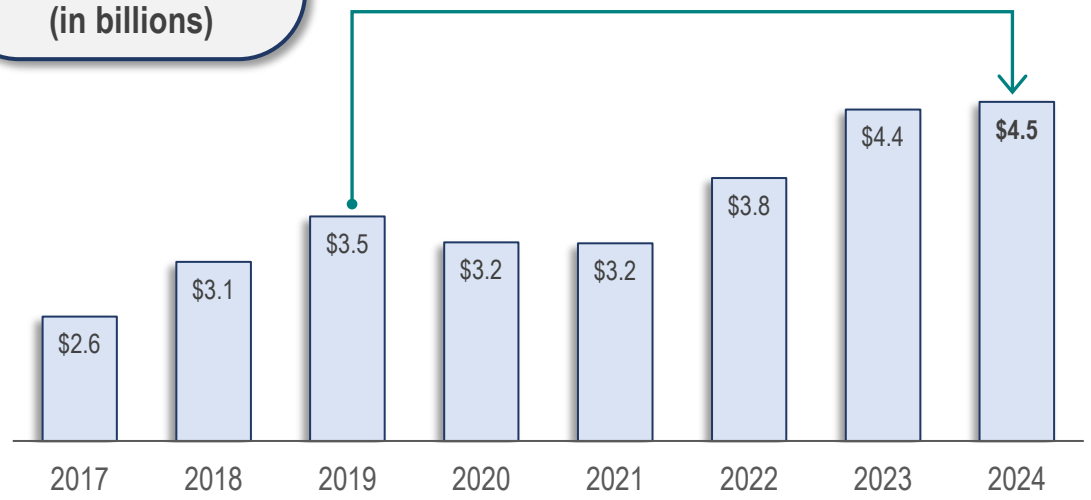
- Assumes sales decline by a LSD % YoY on an organic average daily basis in F2H25 at the mid-point of guidance
- F2H25 organic sales outlook based on initial January trends, and ongoing uncertainty tied to macro policy and interest rates
- Assumes 600-700 bps of YoY M&A sales contribution in F2H25
- Assumes Hydradyne EPS accretion ramps through F2H25 & FY26
- Excludes contribution from future M&A and/or share repurchases
- Potential support/upside from industry position, sales initiatives, active cost controls, a greater recovery across the technology vertical and automation operations, initial Hydradyne synergies, and a sooner/greater rebound in broader end-market demand
- F3Q25 assumptions:
  - Total Sales: Flat to up LSD (%) YoY
  - Organic Daily Sales: Down MSD to LSD (%) YoY
  - Gross Margin: Around 30%
  - EBITDA Margin: 12.0% to 12.2%
  - EPS: $2.30 to $2.45

Outlook Supported by Industry Position and Company-Specific Opportunities

Historical Financial Highlights

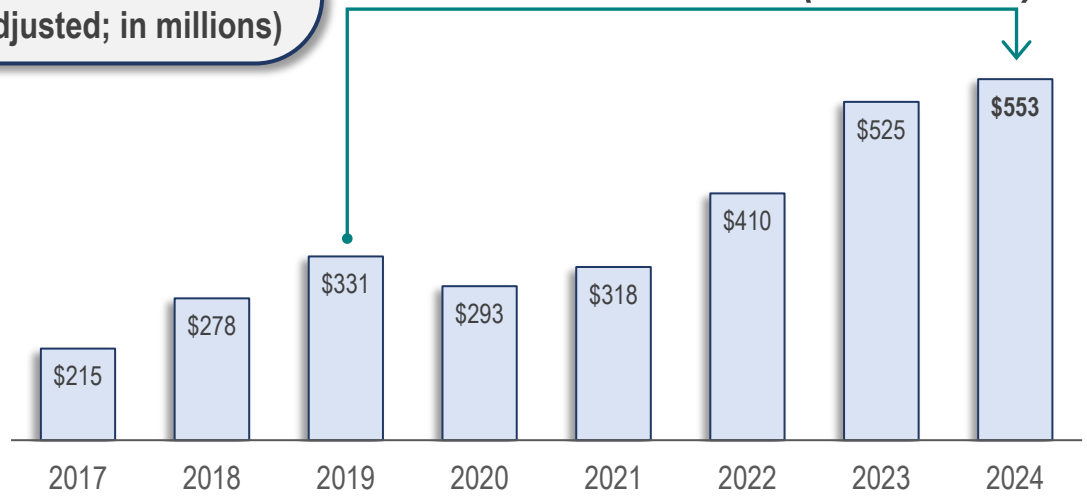
Net Sales (in billions)

5% Five-Year CAGR (2019-2024)



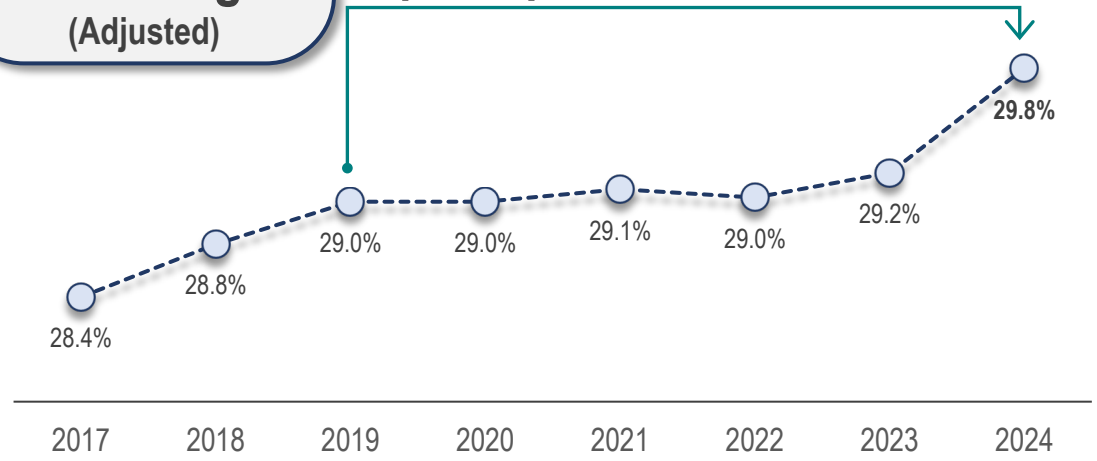
EBITDA (Adjusted; in millions)

11% Five-Year CAGR (2019-2024)



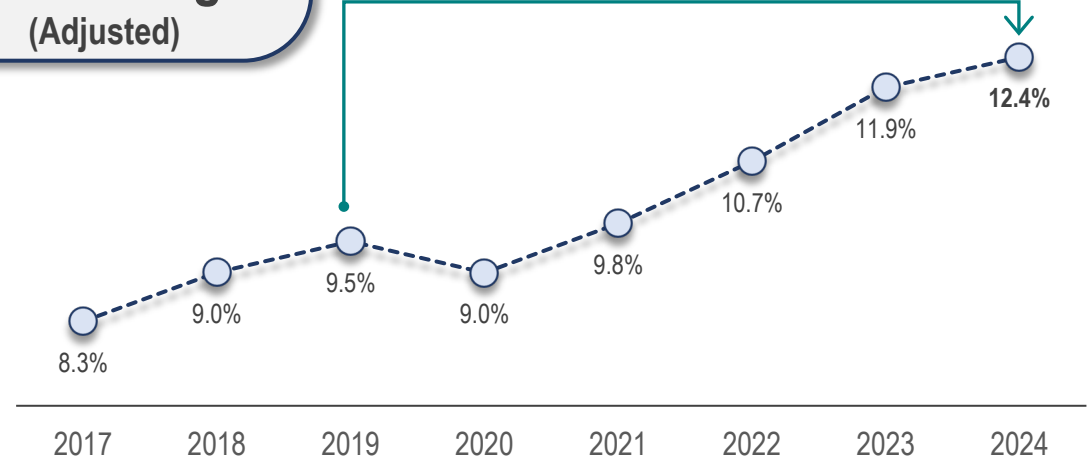
Gross Margins (Adjusted)

Up 80 bps Since 2019



EBITDA Margins (Adjusted)

Up 280 bps Since 2019

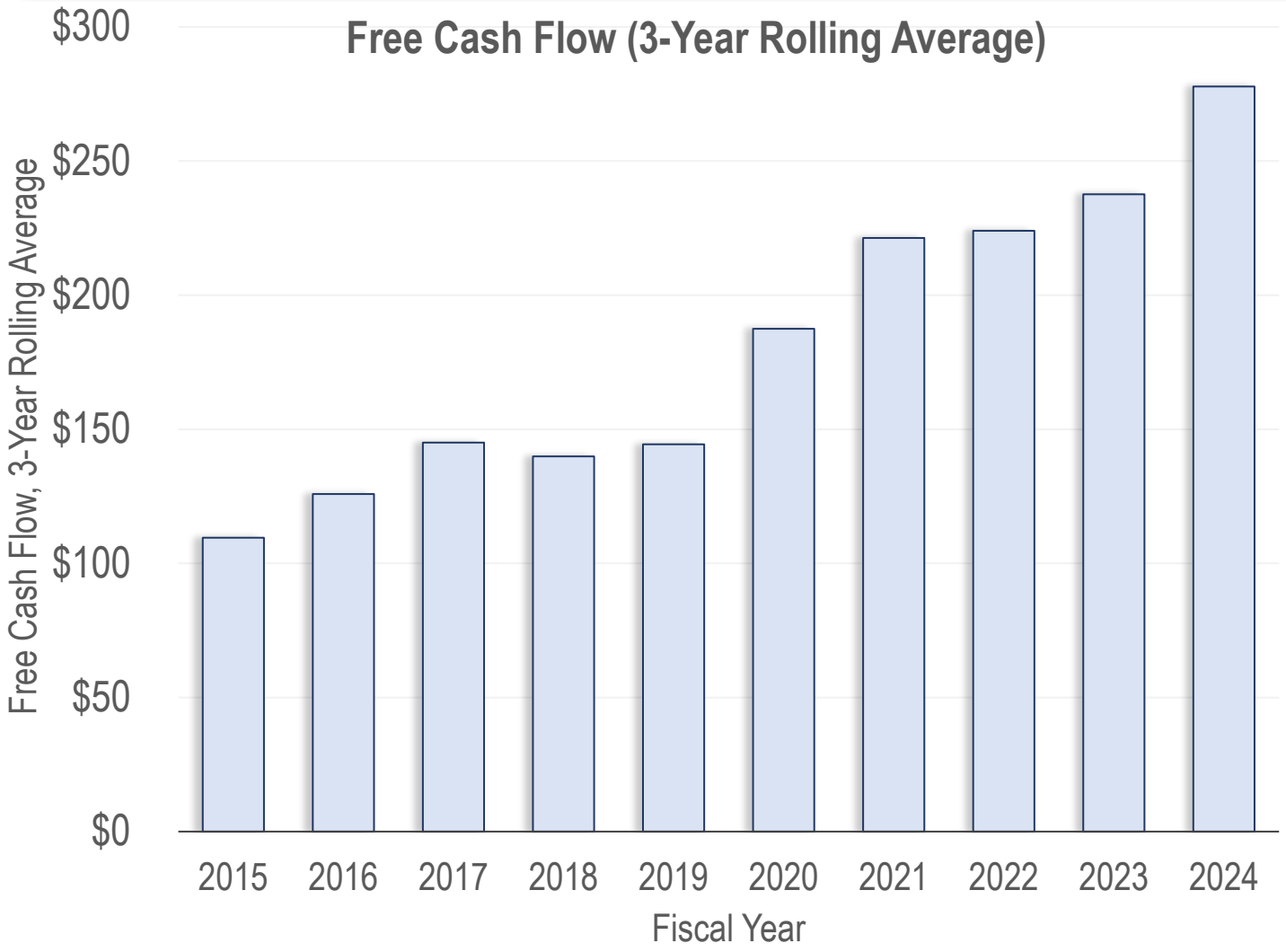


Note: Represents fiscal years ending June 30

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

Historical Free Cash Generation

Durable & Solid Cash Generation Through All Cycles



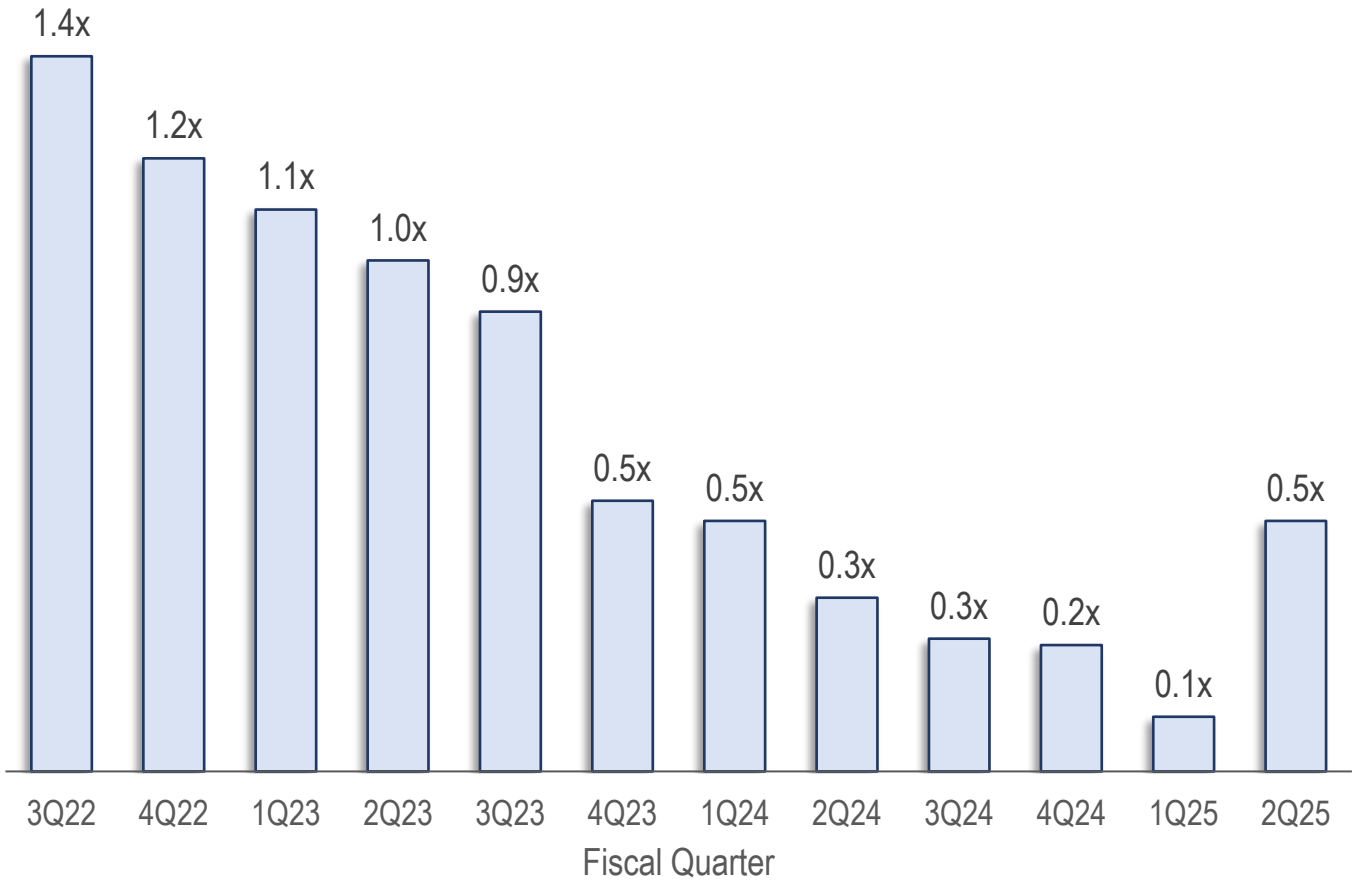
Strategic Initiatives Aligned to Drive Greater Cash Generation

- Average FCF Conversion of ~111% Past 5 Years
- Increased Scale & Margin Expansion Potential
  - Growth in higher margin areas of business
  - Intermediate sales target of $5.5B+
    - $4.5B in FY24
  - Intermediate EBITDA margin target of 13%+
    - 12.4% in FY24
- Working Capital Management Initiatives & Potential
  - Expansion of shared services model
  - Cross-functional inventory planning
  - Collections initiatives
  - Leveraging systems investments
  - Local account growth
  - Growth in engineered solutions (lower WC)

Strong Cash Flow Model Supports Growth, Liquidity & Shareholder Returns Through the Cycle

Balance Sheet & Liquidity

Net Leverage Ratio (Net Debt to Trailing Adjusted EBITDA)



Balance Sheet & Liquidity (As of December 31, 2024)

- Net leverage ratio at 0.5x
- $303M of cash on hand
- Over $800M of potential balance sheet capacity under undrawn revolver, AR securitization facility, & uncommitted shelf facility
  - Additional $500M accordion option available under revolver

Supportive Liquidity & Balance Sheet Position

Capital Allocation

Deployment Priorities & Strategy

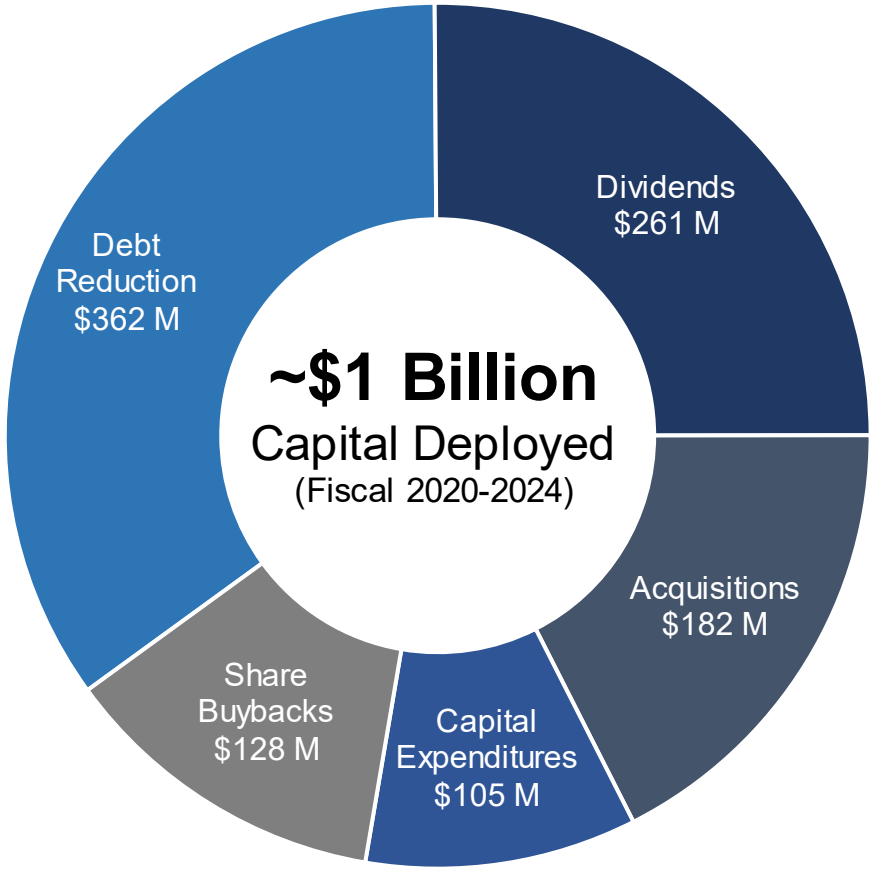
Organic Growth — *Pursue greenfield expansion while optimizing customer service capabilities and operating efficiencies through technology, working capital, and system investments*

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
~$380M capital deployed in fiscal 2025 YTD

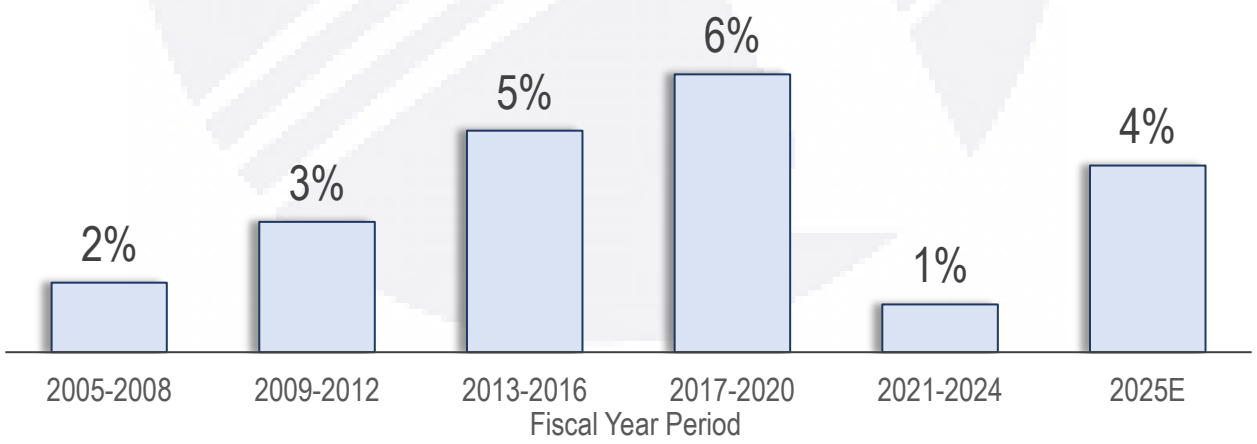
Disciplined Capital Allocation Strategy Focused on Enhancing Long-Term Earnings Growth & Shareholder Returns

Acquisitive Growth

Active Acquisition Pipeline Aligned with Long-term Growth Priorities…

- **Acquisitions Remain an Element of Growth Formula**
  - Over 51 acquisitions since 2000
  - 37 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

- **Automation**
- **Flow Control**
- **Fluid Power**

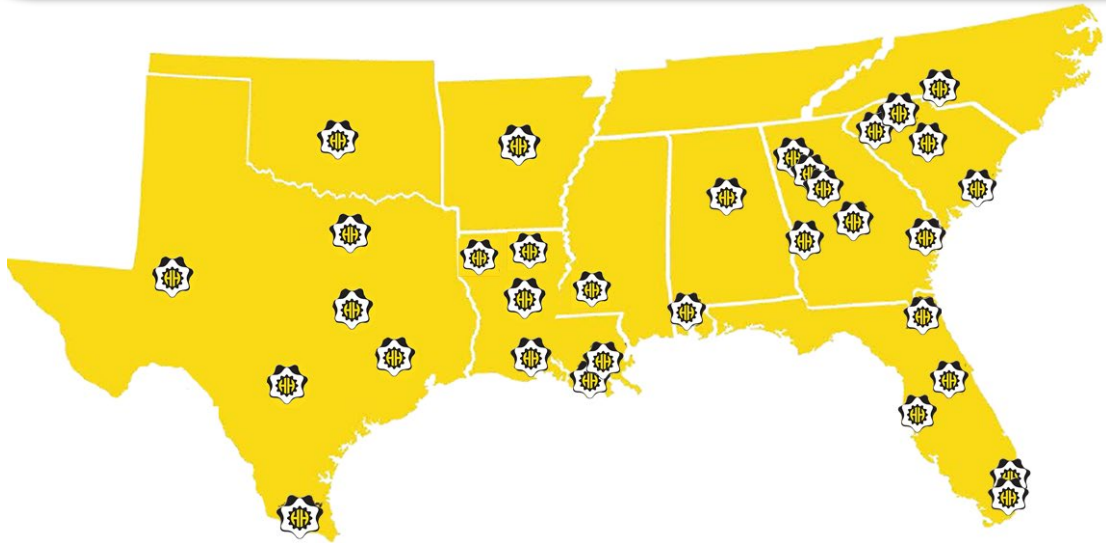
Disciplined Acquisition Strategy Focused on Supplementing Growth & Strengthening Industry Position

Hydradyne Acquisition – Overview

Hydradyne

- Acquisition completed on December 31, 2024
- Premier provider of fluid power solutions focused on hydraulics, pneumatics, electromechanical, instrumentation, filtration, and fluid conveyance
- Product and service offering integral to powering and controlling critical stationary and mobile equipment in key industrial, commercial, and emerging industries
- Team of nearly 500 associates operating out of 33 locations across the Southeastern U.S.
- Strong technical market approach with over 30% of sales from solutions including repair services, system engineering & design, installation, fabrication, cylinder rebuilds, and hose assemblies
- Diverse customer base with sales balanced across MRO (~55%) and OEM (~45%) applications



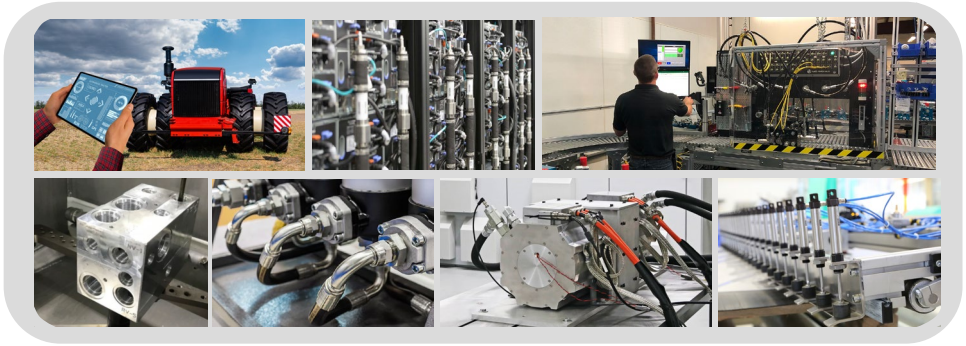


Recent Hydradyne Acquisition Provides Strong Growth & Operational Momentum Going Forward

Hydradyne Acquisition – Overview

Investment Rationale:

- Broadens #1 fluid power distribution position to serve secular growth tied to reshoring, equipment modernization, power management, connectivity, and electrification
- Extends fluid power geographic footprint and service/repair capabilities across the strategic Southeastern U.S. region
- Further expands more technical and higher-margin Engineered Solutions Segment, which is now approaching 40% of total Applied sales
- Attractive synergy potential via cross-selling, complementary solutions, harmonizing technical capabilities & systems, and operational efficiencies

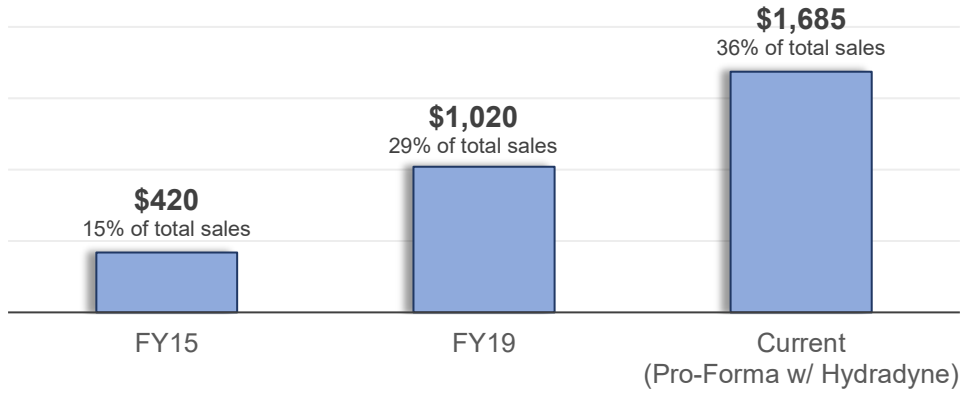


Financial Considerations:

- $276M purchase price ($272M enterprise value) funded with cash on hand; transaction multiple of 9.1x on forward 12-month projected EBITDA before synergies
- Net synergy targets would reduce transaction multiple by at least “1 to 2 turns”, and anticipated within the next 3 to 5 years
- Expected to generate approximately $260M in sales and $30M(1) in EBITDA, as well as be accretive to EPS by approximately $0.15 (1)(2), in the first full year of ownership
- Pro-forma net debt to EBITDA at 0.5x post the transaction, leaving ample capacity for additional M&A and other capital deployment opportunities

Engineered Solutions Segment Sales

($ in millions)

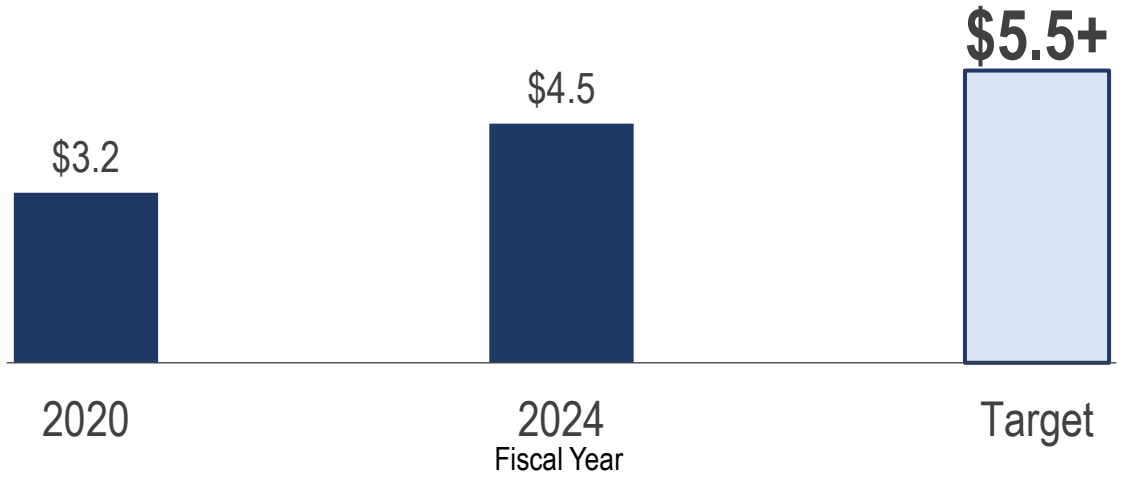


Notes: (1) Excludes transaction-related expenses and potential purchase accounting adjustments
(2) Net of projected acquisition intangible amortization expense of over $11M in the first year, and lower interest income on reduced cash balances after funding the deal

Recent Hydradyne Acquisition Provides Strong Growth & Operational Momentum Going Forward

Intermediate Financial Objectives

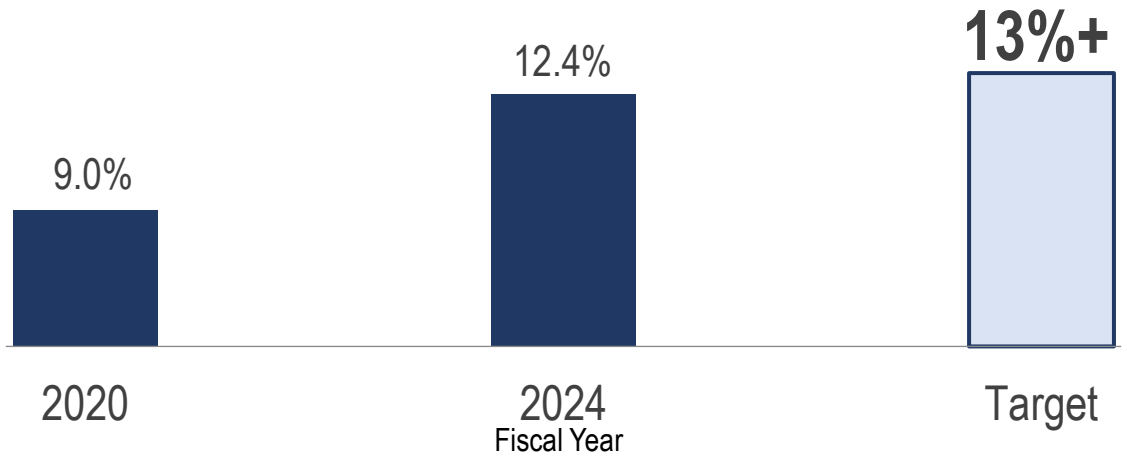
Net Sales – Grow to Over $5.5 Billion



Strategic Drivers & Considerations

- Mid Single-Digit Plus Organic Growth on Average Over an Upcycle
- Greater Cross-Selling Across Legacy Customer Network
- Secular Tailwinds From Leading Technical Industry Position
- Ongoing Expansion of Automation and Digital Offerings
- Low Single-Digit Annual Growth 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

Execution Track Record & Strategic Objectives Provide Framework for Significant Value Creation

Segment Overview

Service Center Based Distribution

68% of sales(1)

Service center distribution network across North America, Australia, & New Zealand; Focused on MRO motion & power control solutions for critical break-fix applications; includes technical shop & 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

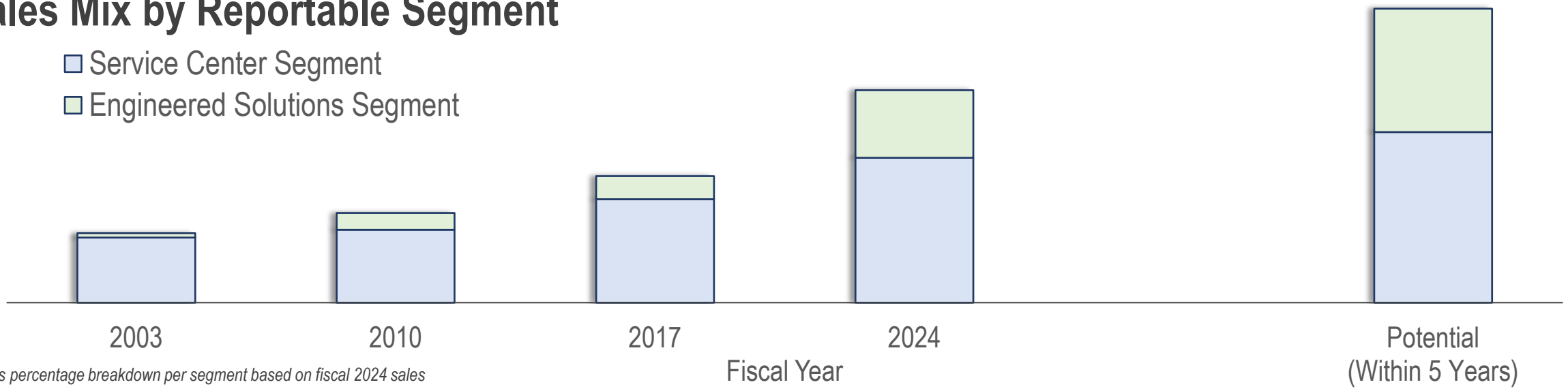
32% of sales(1)

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



(1) Sales percentage breakdown per segment based on fiscal 2024 sales

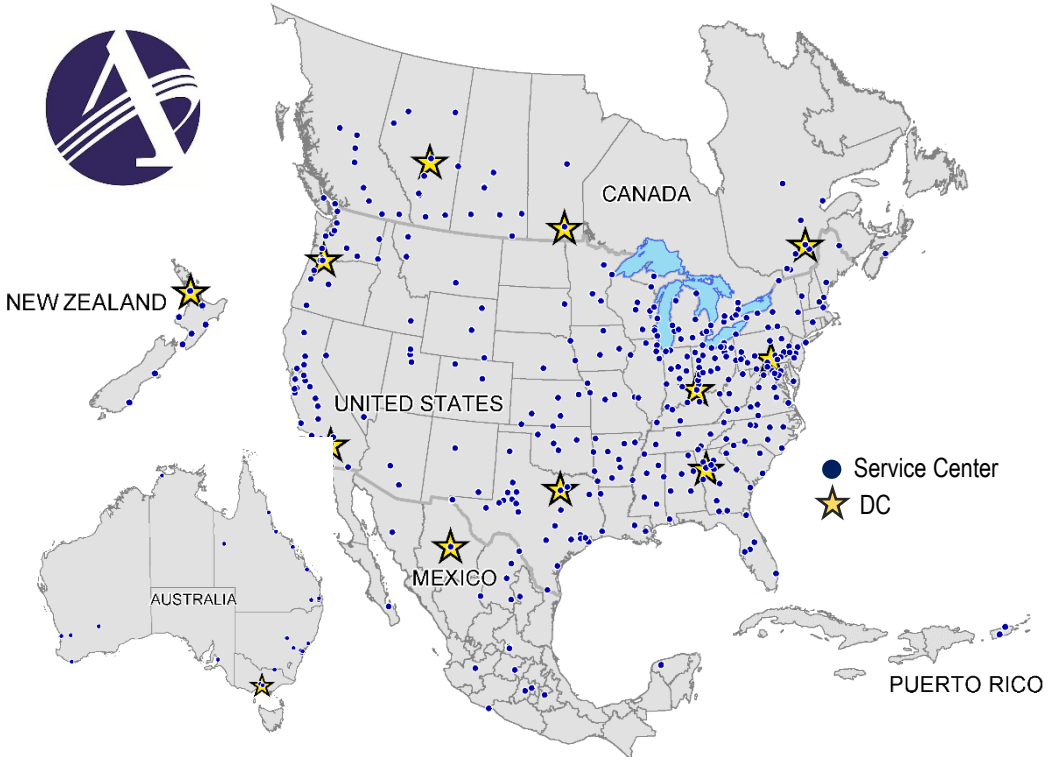
Legacy in Core Service Center Segment …Strategic Expansion Across Engineered Solutions Segment

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 8.8 million products with a focus on premier brands



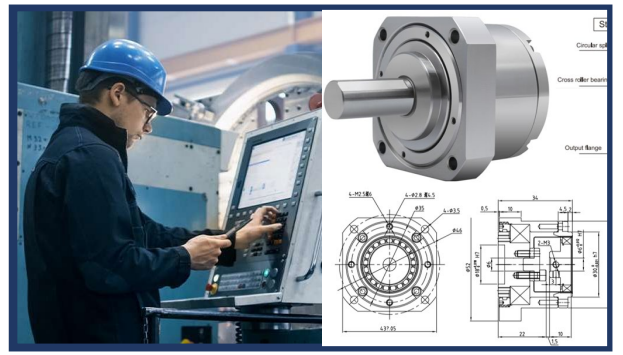
Applied Service Center & DC Locations



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





One of the Largest MRO Service Networks of Industrial Motion & Power Control Needs

Fluid Power: Overview & Industry Application

APPLIED Industrial Technologies®

APPLIED Fluid Power™

Fluid Power 101: Hydraulic & pneumatic technologies using liquids & gases under pressure to transmit power

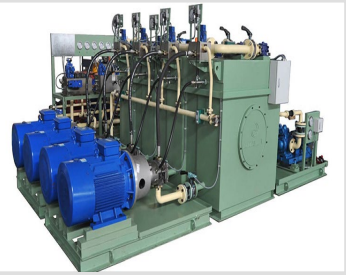
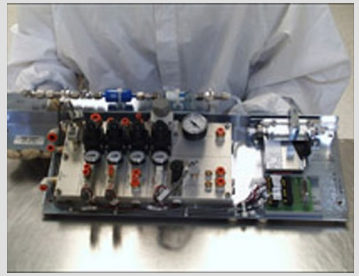
Advantages: More power in smaller spaces than other forms of power transmission

- *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	In-Plant Industrial	Technology
		
		

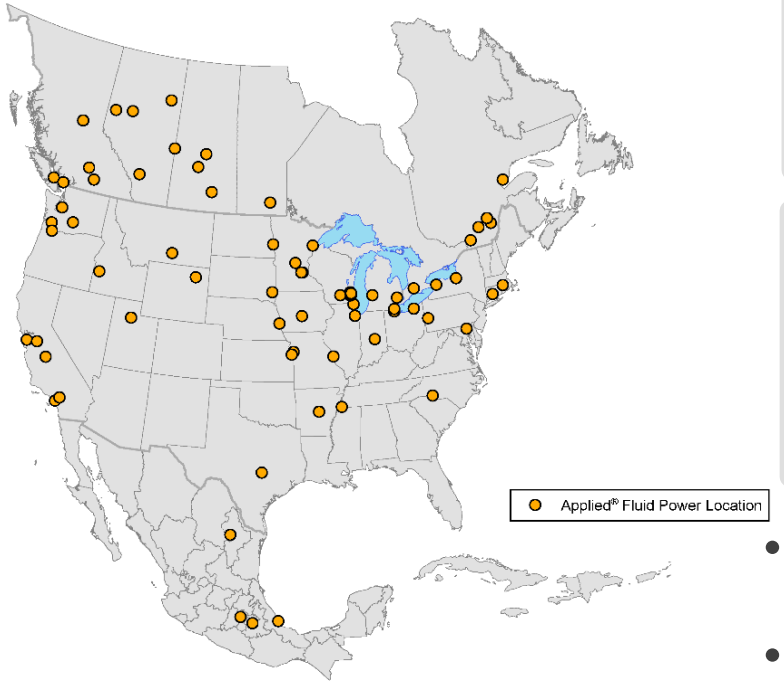
Fluid Power Plays an Integral Role in the Industrial Sector's Growth & Efficiency

Fluid Power Position & Value Proposition

APPLIED Industrial Technologies®

APPLIED Fluid Power™

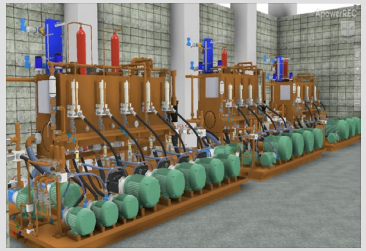
Largest Fluid Power Distributor in North America



Note: Map excludes 33 locations in the Southeast U.S. from Hydradyne acquisition (closed 12/31/24)

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: Overview & Industry Application

APPLIED Industrial Technologies®

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



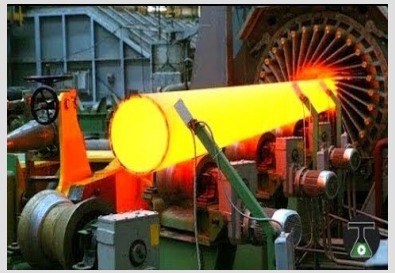
Life Sciences



Food & Beverage



Steel & Metals



Water Infrastructure



Solutions Critical to Process Movement Across the Industrial Sector

Flow Control Position & Value Proposition

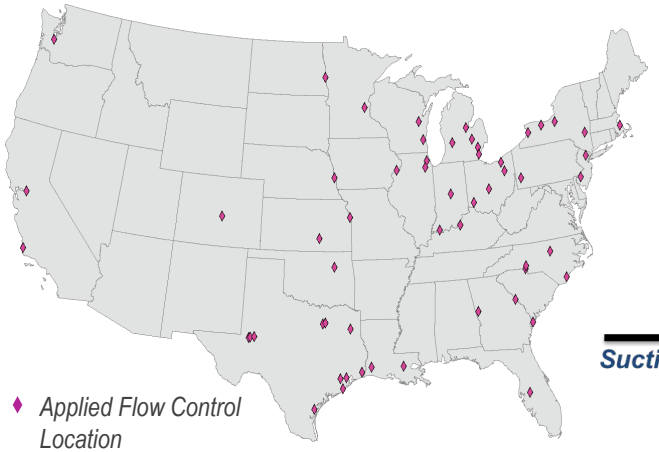
APPLIED Industrial Technologies®

Flow Control

We Offer the Largest, Most Comprehensive Flow Control Product & Service Portfolio Focused on Mission-Critical & Full-Cycle Solutions

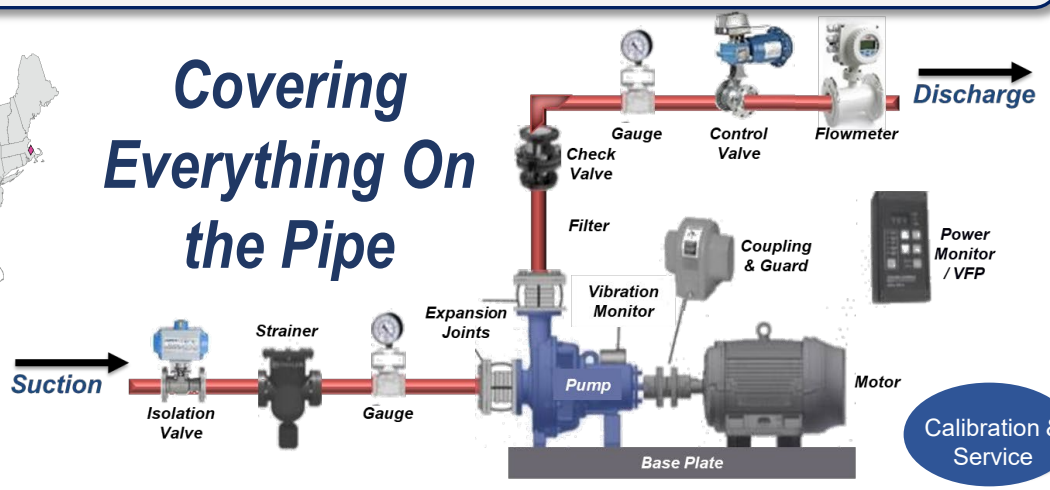
Overview & Growth Strategy

- 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.



♦ *Applied Flow Control Location*

Covering Everything On the Pipe



Calibration & Service

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








Automation Solutions

APPLIED Industrial Technologies

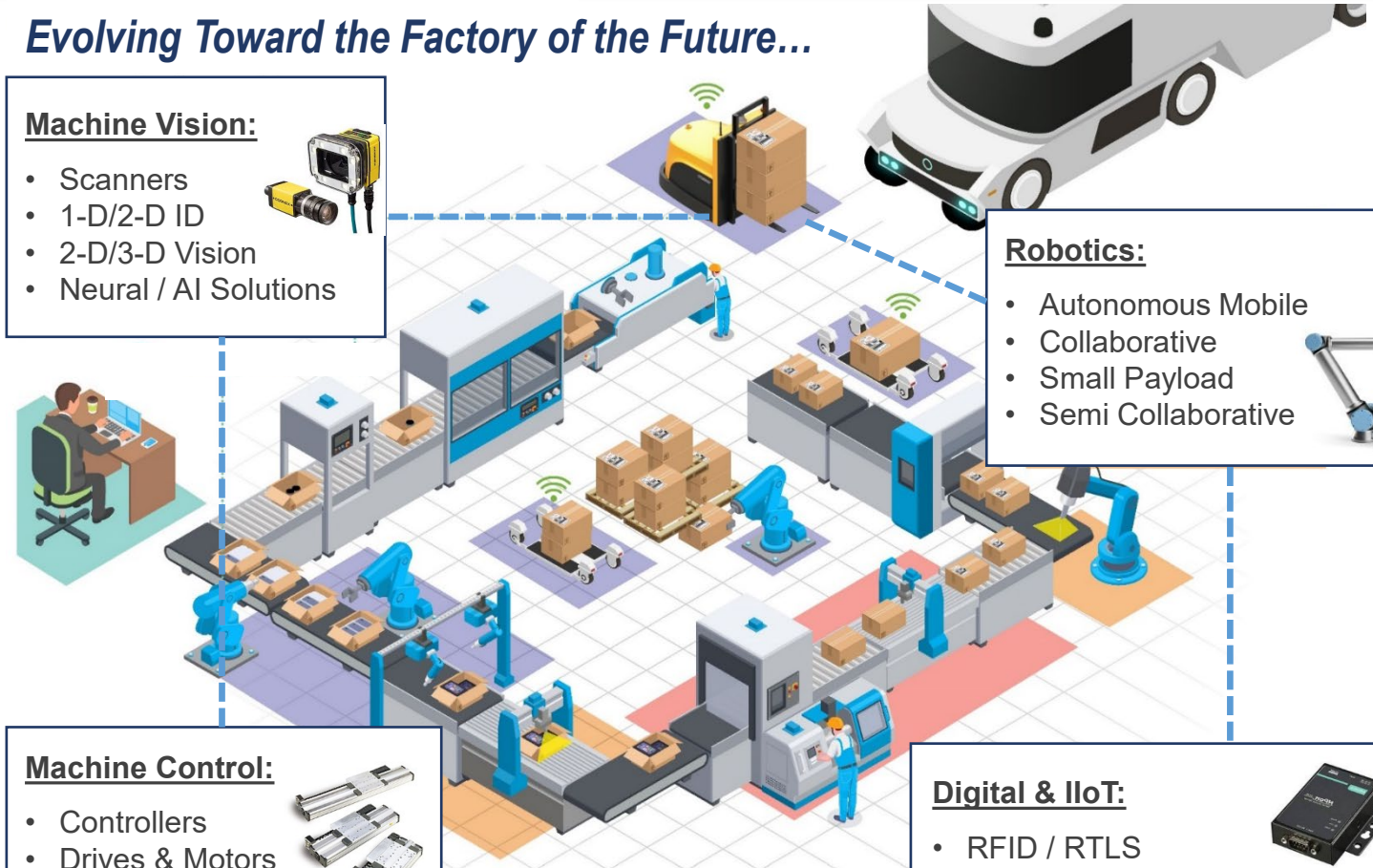
APPLIED Automation

Olympus CONTROLS | ACS advanced control solutions | GIBSON ENGINEERING | Automation, Inc. | KOPAR AUTOMATIZACIÓN Y ROBÓTICA INDUSTRIAL | RRF RR Floody Company Inc

- 7 Strategic Acquisitions the Past 5+ Years
- Focus on Emerging Automation Technologies
  - Machine Vision
  - Robotics
  - Machine 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

Machine Control:

- Controllers
- Drives & Motors
- Sensors
- Rail / Mechanical

Digital & IIoT:

- RFID / RTLS
- Industrial Networking
- “Retrofit” Technologies

Expanding Focus in Key Emerging Technologies Through Leading Application & Engineered Solutions

Increasing Focus on Next Generation Automation & Industry 4.0

Market Opportunity

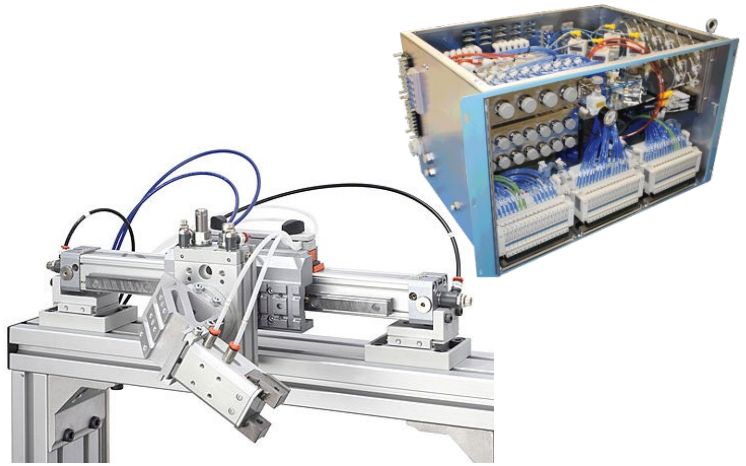
Technology converging with traditional industrial supply chains as customers address skilled labor constraints & plant efficiency, while considerations around manufacturing re-shoring & U.S. industrial infrastructure have potential to gain momentum

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***







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

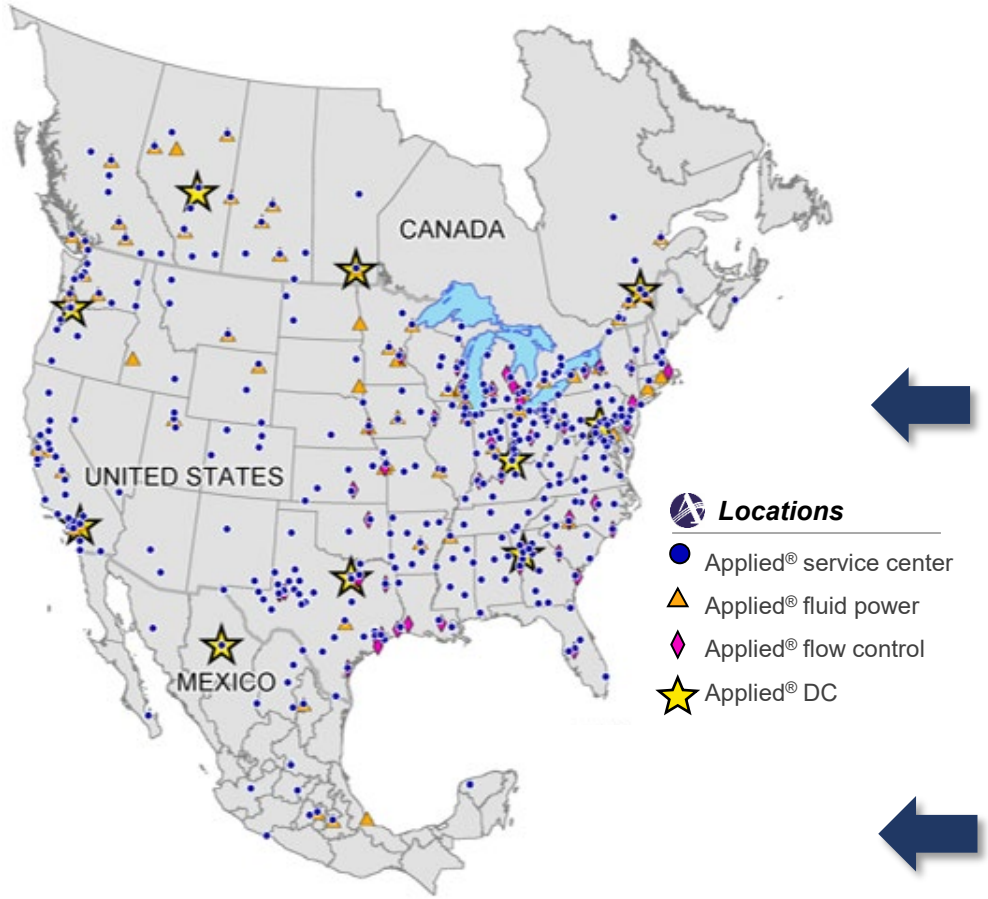
Increasing Focus on Next Generation Automation & Industry 4.0

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



Note: Map excludes 33 locations in the Southeast U.S. from Hydradyne acquisition (closed 12/31/24)

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

Maintenance Supplies & Solutions

APPLIED Industrial Technologies®

APPLIED
Maintenance Supplies & Solutions®

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

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



"Core Business" Manufacturing

Applied MSS℠
VMI & Vending Solution for MRO & Safety Supplies

Machine Shop

Applied MSS℠
VMI Solution Cutting Tool, Abrasives, Fastener Supply Management

Calibration Lab

Applied MSS℠
VMI & Vending Solution for Tool Tracking & Security

Maintenance

Applied MSS℠
VMI & Vending Solutions to Manage General Facility Repair & Maintenance

Office

Applied MSS℠
Digital Inventory Management System Supporting C-Class Inventory Management



Employee Entrance

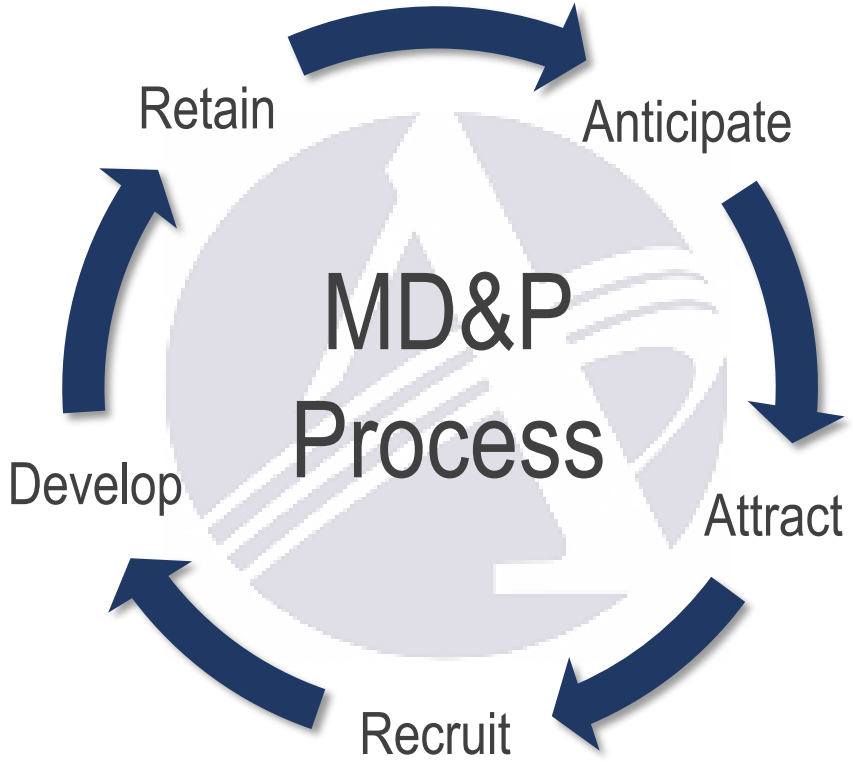
Applied MSS℠
Vending Solution For Employee Equipment, Safety Supplies, Rechargeable Devices

Complementary Inventory Management Solutions for Customers' Indirect Supply Requirements

Talent Development

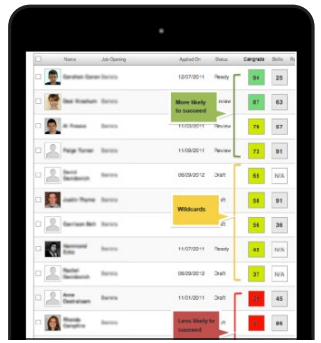
Management Development & Planning

- 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

- *Over 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*



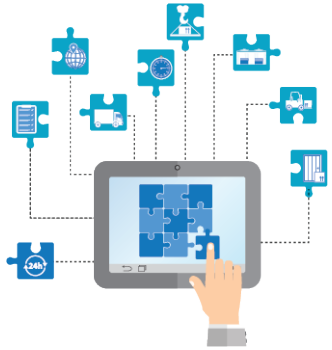
Core Values

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



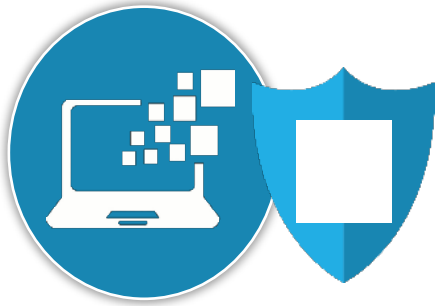
Corporate Governance

- 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

Demonstrated Commitment to Conducting Business Fairly, Honestly, & Ethically

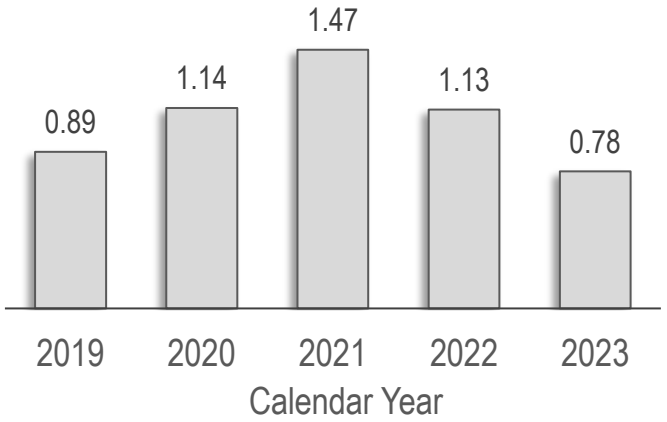
Safety & Sustainability Performance

- 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®*

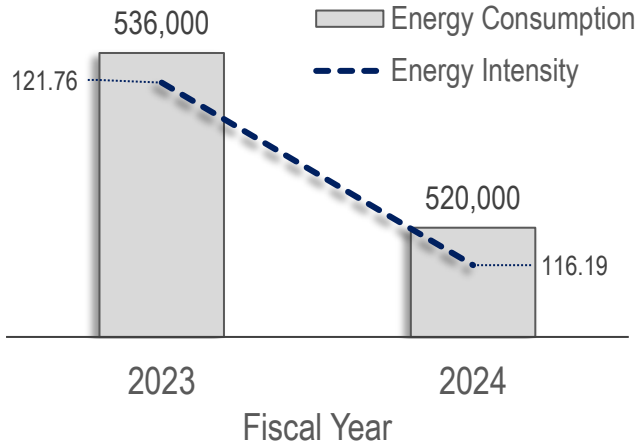


Total Recordable Incident Rate (TRIR)

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



Absolute Energy Consumption & Energy Intensity *





** Includes Applied's operations in the U.S., Canada, Australia, New Zealand, and Singapore; Energy Consumption in Gigajoules; Energy Intensity calculated as metric tons divided by revenue in millions*

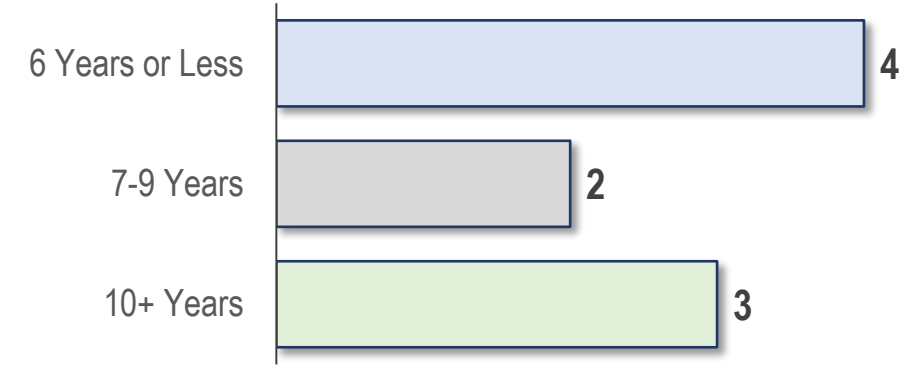
Corporate Governance

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 2024
- 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:

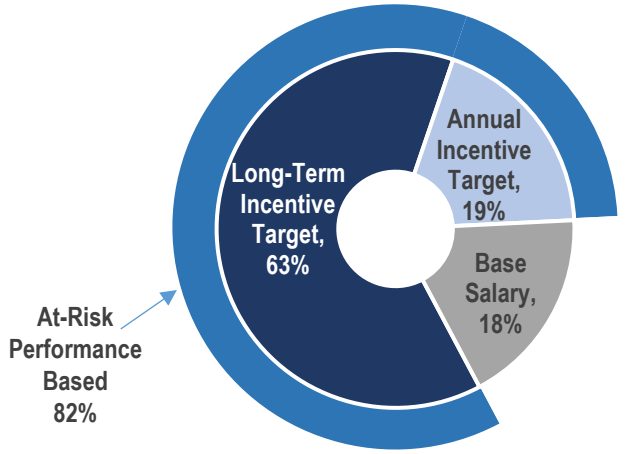
Based on Three-Year Performance Relative to Targets of:

- 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



Corporate Governance Policies that Align the Interests of Management with Shareholders

APPLIED
Industrial Technologies®

Appendix

Appendix: Reconciliations

EBITDA, Adjusted EBITDA, & Adjusted EBITDA Margin

	Twelve Months Ended June 30							
(dollar amount in thousands)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Net Income	$133,910	$141,625	$ 143,993	$24,042	$144,757	$257,414	$346,739	$385,762
Interest expense, net	8,541	23,485	40,188	36,535	30,592	26,263	21,639	2,831
Income tax expense	33,056	63,093	50,488	31,194	32,305	72,376	103,072	112,368
Depreciation and amortization of property	15,306	17,798	20,236	21,196	20,780	21,676	22,266	23,431
Amortization of intangibles	24,371	32,065	41,883	40,499	34,365	31,879	30,805	28,923
EBITDA	$215,184	$278,066	$296,788	$153,466	$262,799	$409,608	$524,521	$553,315
Goodwill & intangible impairment			$31,594	$131,000	$49,528			
Non-routine costs		$6,123	$2,300	$8,992	$5,163			
Adjusted EBITDA	**$215,184**	**$284,189**	**$330,682**	**$293,458**	**$317,490**	**$409,608**	**$524,521**	**$553,315**
Sales	$2,593,746	$3,073,274	$3,472,739	$3,245,652	$3,235,919	$3,810,676	$4,412,794	$4,479,406
Adjusted EBITDA Margin	**8.3%**	**9.2%**	**9.5%**	**9.0%**	**9.8%**	**10.7%**	**11.9%**	**12.4%**

Adjusted Gross Margin

	Twelve Months Ended June 30							
(dollar amount in thousands)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Net Sales	$2,593,746	$3,073,274	$3,472,739	$3,245,652	$3,235,919	$3,810,676	$4,412,794	$4,479,406
Gross Profit	$737,665	$883,995	$1,008,323	$937,736	$935,524	$1,106,916	$1,286,965	$1,336,653
Non-routine expense in cost of sales				$3,900	$7,369			
Adjusted Gross Profit	**$737,665**	**$883,995**	**$1,008,323**	**$941,636**	**$942,893**	**$1,106,916**	**$1,286,965**	**$1,336,653**
Adjusted Gross Margin	**28.4%**	**28.8%**	**29.0%**	**29.0%**	**29.1%**	**29.0%**	**29.2%**	**29.8%**

Appendix: Reconciliations

Free Cash Flow

(dollar amount in thousands)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Cash provided by Operating Activities	$111,397	$110,110	$157,007	$162,014	$164,619	$147,304	$180,601	$296,714	$241,697	$187,570	$343,966	$371,393
Capital Expenditures	(12,214)	(20,190)	(14,933)	(13,130)	(17,045)	(23,230)	(18,970)	(20,115)	(15,852)	(18,124)	(26,476)	(24,864)
Free Cash Flow	**$99,183**	**$89,920**	**$142,074**	**$148,884**	**$147,574**	**$124,074**	**$161,631**	**$276,599**	**$225,845**	**$169,446**	**$317,490**	**$346,529**
3-Year Rolling Average Free Cash Flow		$94,552	$110,392	$126,959	$146,177	$140,177	$144,426	$187,435	$221,358	$223,963	$237,594	$277,822

Net Leverage Ratio

(dollar amount in thousands)	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25
Net Income	$68,306	$79,113	$76,880	$80,457	$97,187	$92,215	$93,826	$91,228	$97,217	$ 103,491	$ 92,063	$ 93,290
Interest expense, net	5,852	6,014	6,480	6,185	4,773	4,201	1,320	1,917	265	(671)	(627)	(936)
Income tax expense	21,216	21,580	22,164	25,493	25,093	30,322	25,103	24,373	25,448	37,444	24,017	29,271
Depreciation and amortization	5,352	5,461	5,481	5,552	5,565	5,668	5,717	6,048	5,802	5,864	5,924	5,926
Amortization of intangibles	7,891	7,783	7,705	7,814	7,670	7,616	7,393	7,257	6,951	7,322	7,600	7,567
EBITDA	**$108,617**	**$119,951**	**$118,710**	**$125,501**	**$140,288**	**$140,022**	**$133,359**	**$130,823**	**$135,683**	**$ 153,450**	**$ 128,977**	**$ 135,118**
Trailing 4-Quarter EBITDA	$384,478	$321,134	$439,844	$472,779	$504,450	$524,521	$539,170	$544,492	$539,887	$553,315	$553,315	$553,228
Current portion of long-term debt	40,166	40,174	181	25,189	25,196	25,170	25,171	25,159	25,107	25,055	25,003	0
Long-term debt	681,197	649,150	649,103	624,052	597,006	596,926	596,883	571,854	571,862	572,279	572,288	572,300
Total Debt	$721,363	$689,324	$649,284	$649,241	$622,202	$622,096	$622,054	$597,013	$596,969	$597,334	$597,291	$572,300
Cash	188,084	184,474	147,575	165,538	182,127	344,036	360,415	412,855	456,533	460,617	538,520	303,441
Net Debt	**$533,279**	**$504,850**	**$501,709**	**$483,703**	**$440,075**	**$278,060**	**$261,639**	**$184,158**	**$140,436**	**$136,717**	**$58,771**	**$268,859**
Net Leverage Ratio	**1.4**	**1.6**	**1.1**	**1.0**	**0.9**	**0.5**	**0.5**	**0.3**	**0.3**	**0.2**	**0.1**	**0.5**