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 “expect,” “outlook,” “guidance,” “will” and derivative or similar expressions. All forward-looking statements are based on current expectations regarding important risk factors including trends in the industrial sector of the economy, the effects of the health crisis associated with the COVID-19 pandemic on our business operations, 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, many of which risks are amplified by circumstances arising out of the COVID-19 pandemic. 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®

- **Bearings & Power Transmission** *(#2 industry position)*
- **Fluid Power** *(#1 industry position)*
- **Specialty Flow Control** *(#1 industry position)*
- **Robotics & Machinery Automation** *(Emerging Provider)*

We Are One of the Largest Distributors and Solution Providers of Industrial Motion, Power, and Control Technologies in the World

$3.1B Revenue	$294M EBITDA	$3.6B Market Cap
7M+ Accessible Products SKUs	3,200+ Customer Facing Associates	580+ Service Facilities

Headquartered in Cleveland, Ohio

Notes: 1) Revenue and EBITDA based on reported fiscal 2020
2) Represents adjusted EBITDA

Multi-Channel Capabilities

Industrial Customer



Service Centers

- Local MRO / Aftermarket Support
- Leading Motion / Power Control Expertise
- Technical Shop, Repair, Consult Services
- Over 420+ 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
- 70+ locations



Automation

- Value-Added Automation Expertise (Design, Assembly & Integration)
- Motion Control, Machine Vision, & Robotic, and IIoT Technologies
- Final Mile Customization of Automation

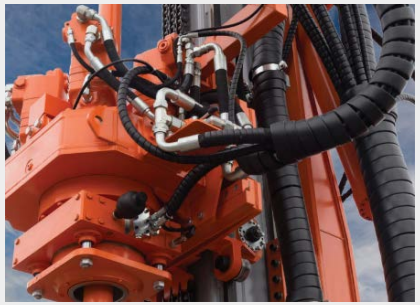


VMI / Vending

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

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

Product Portfolio

Power Transmission	Bearings, Linear & Seals	Fluid Power	Flow Control	General MRO; Hose Products
				
27%	19%	21%	12%	21%

Note: Based on reported fiscal 2020 sales

~80% of Sales Focused in Critical Motion Control, Fluid Power, and Flow Control Products & Solutions

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

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



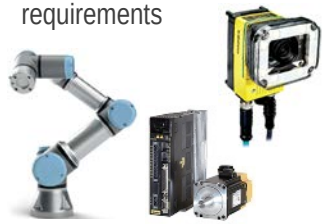
Service Centers

Maintenance and 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

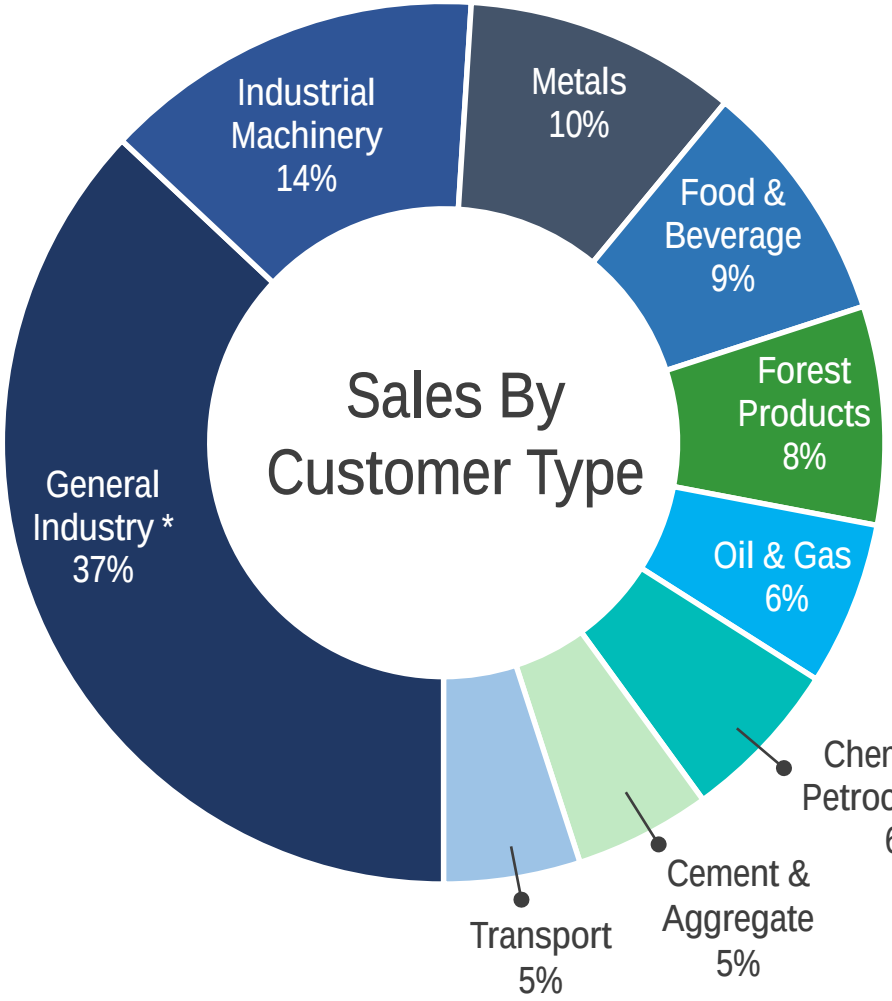


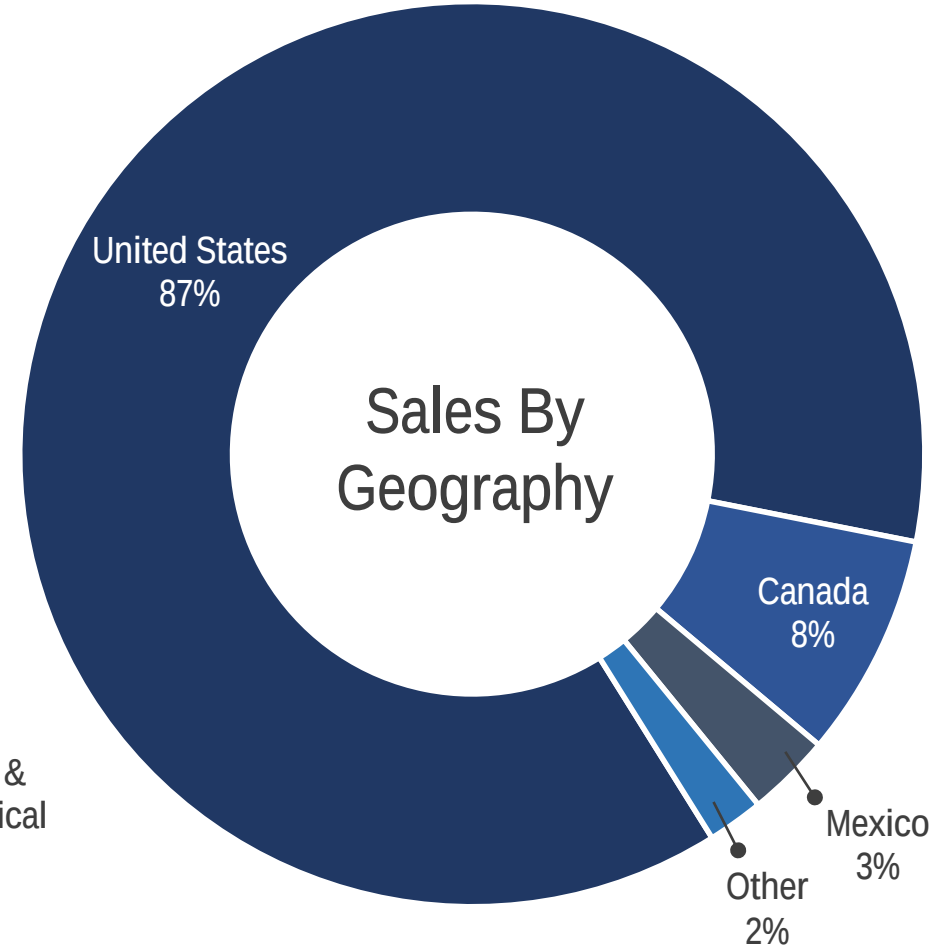
Primary Supplier Partners



Customer & Geographic Exposure









** General Industry includes all industries representing 4% or less of sales; includes Utilities, Rubber & Plastics, Construction, Technology, Agriculture, Automotive, and Life Sciences; Based on fiscal 2020 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
- High Cash Flow Model

Supports Growth Into Demand-Rich, Higher Margin, & Emerging Areas of the Industrial Sector
Fluid Power • Flow Control • Automation • Smart Technologies
(Expand and 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

Financial Targets
Mid Single-Digit Organic Growth
Gross Margin Expansion Through a Cycle
11%+ EBITDA Margin Target (9% in FY20)
Working Capital <= 20% of Sales

GUIDED BY CORE VALUES
Integrity • Respect • Customer Focus • Commitment to Excellence • Accountability • Innovation • Continuous Improvement • Teamwork



Acquisitions *(~300 bps of growth annually)*
Organic Capital Redeployment

Dividends *(30%+ payout ratio; recent 1.4% yield)*
Share Buybacks *($120M 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

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

Key Growth & Operational Considerations

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

- Early-cycle Break / Fix Demand: Elevated customer requirements following an unprecedented period of idle equipment and deferred maintenance.
- Customer Outsourcing of Technical Needs: Greater focus on addressing skilled labor constraints that could increase as broader economy reopens.
- Industrial Facility Optimization: Greater focus on plant floor optimization / automation and equipment maintenance as supply chains de-risk.
- Compliance and Regulatory Requirements: More stringent facility and equipment standards driving increased technical MRO needs.
- Manufacturing Reshoring: Potential greater customer push to diversify production concentration and shift risk management parameters.
- 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 distribution platforms given greater operational and capital requirements.

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

- Expanded & Enhanced Offerings: Fluid Power, Flow Control, Automation, Consumables
- Cross-Sell Opportunity: Leveraging Legacy Service Center Network, Strategic Accounts
- Greater Technical Focus: Expansion of Fluid Power, Flow Control, Automation, IIoT Solutions
- Enhanced Systems & Processes: Established ERP, Analytics, Sales Processes, HR / Talent
- Operational Excellence: Strong Learning Foundation, Integrated Strategy, Best Practices
- Enhanced Digital Platform: Applied.com, EDI, PunchOut, Inside Sales Team

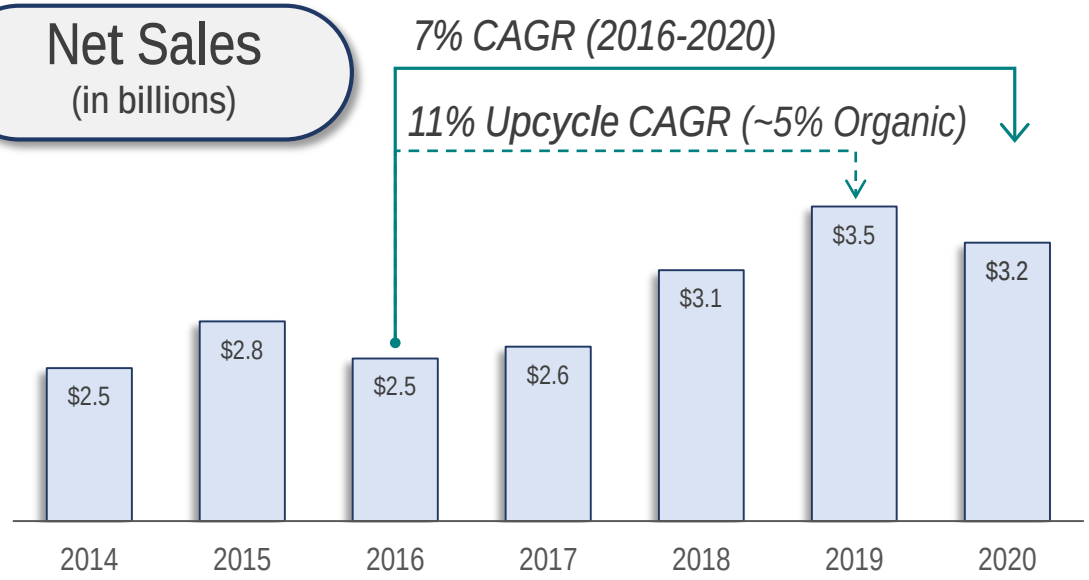
Investor Discussion Points – Q2 FY21

Discussion Point	Update	Detail
1. Underlying Demand	• *Improved sequentially through the quarter; customers remaining productive despite higher COVID rates; seeing greater maintenance, break-fix, production, and equipment optimization spending*	• *F2Q21 organic sales -10.5% YoY vs. -13.5% in F1Q21 with YoY declines improving each month; F2Q21 daily sales up 3% sequentially on an organic basis*
2. End-Market Trends	• *Weakness remains concentrated in "heavy" industries, though underlying trends improved sequentially across several end markets*	• *Positive trends across food & beverage, aggregates, technology, chemicals, lumber & wood, pulp & paper, and transportation end markets*
3. Sales Outlook	• *Environment remains challenging, though trends firm into early F3Q21; vaccine distribution, fiscal stimulus, improving heavy-industry indicators, and growth initiatives provide support*	• *Organic sales month to date in January down by a mid-single digit percent YoY; assuming normal seasonal patterns for the balance of the quarter, expect F3Q21 organic sales to decline 3% to 4% YoY*
4. Inflation & Pricing	• *The number of announced supplier price increases up modestly on a sequential basis, though no material change in underlying product cost inflation YTD in FY21*	• *Pricing relatively neutral to F2Q21 sales YoY; strong track record of managing price/cost dynamics and supplier inflation reflecting industry position, internal initiatives, and positive mix opportunities*
5. Decremental Margins	• *F2Q21 favorability driven by sequential sales improvement, firm gross margins, ongoing cost control, lower amortization expense, and operating efficiencies*	• *F2Q21 decremental margins of 5% on adj. EBIT and 8% on adj. EBITDA; project $170M-$175M of SD&A expense in F3Q21, which assumes the continued roll off of temporary cost actions*
6. Capital Deployment	• *Remain balanced in light of ongoing macro uncertainty but opportunistic given recent cash generation, an improving outlook, and strategic growth initiatives*	• *Made two acquisitions in F2Q21 expanding specialized automation offering; announced dividend increase; expect greater working capital requirements in F2H21 given improving demand*
7. Automation Offering	• *Completed three related acquisitions the past 16 months including ACS and Gibson Engineering in F2Q21; focused on next generation solutions tied to robotics, vision, motion, and IIoT technologies*	• *Expect $10M-$11M of inorganic sales contribution from recent ACS and Gibson acquisitions in F3Q21; related M&A pipeline remains active; significant cross-selling opportunity longer-term*

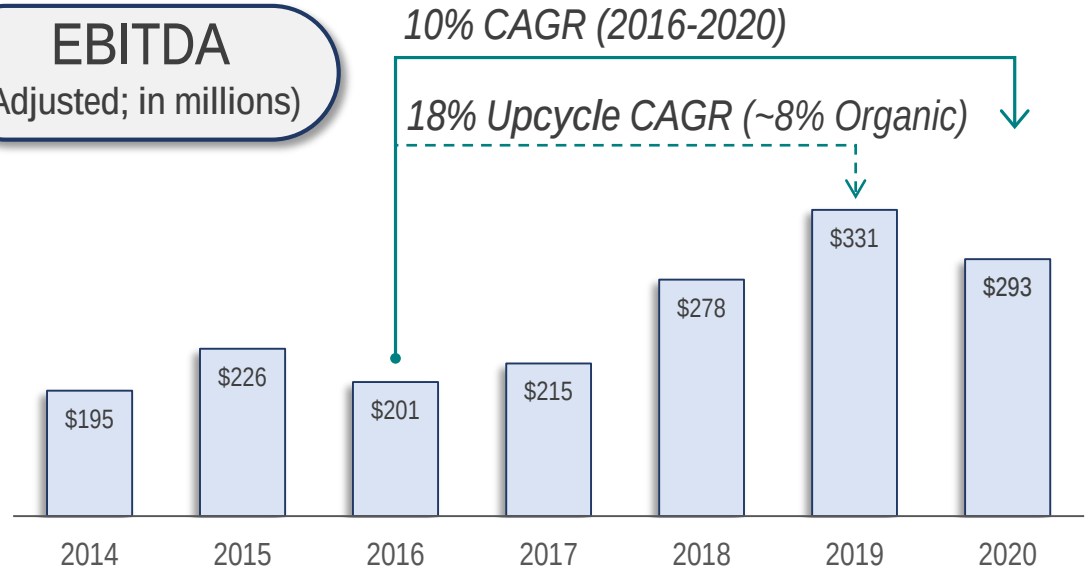
Strong Execution Across Applied Within a Lower Near-term Demand Environment

Historical Financial Highlights

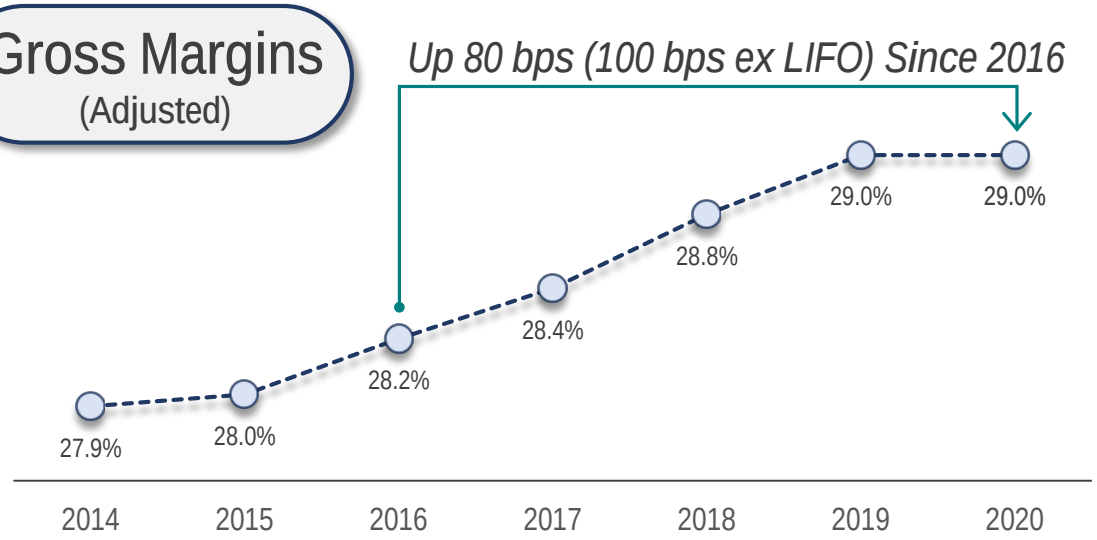
Net Sales
(in billions)



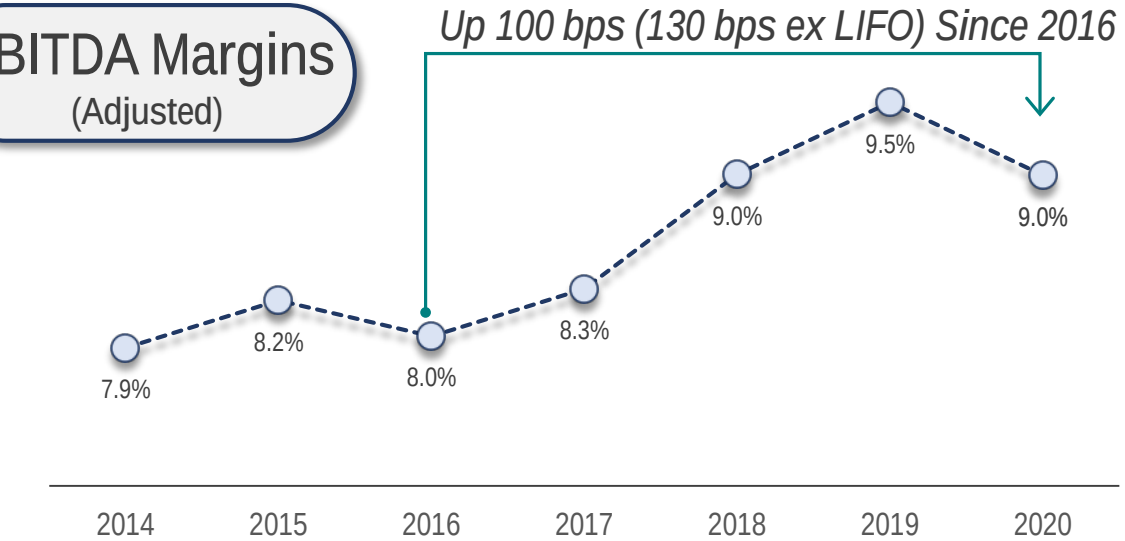
EBITDA
(Adjusted; in millions)



Gross Margins
(Adjusted)



EBITDA Margins
(Adjusted)

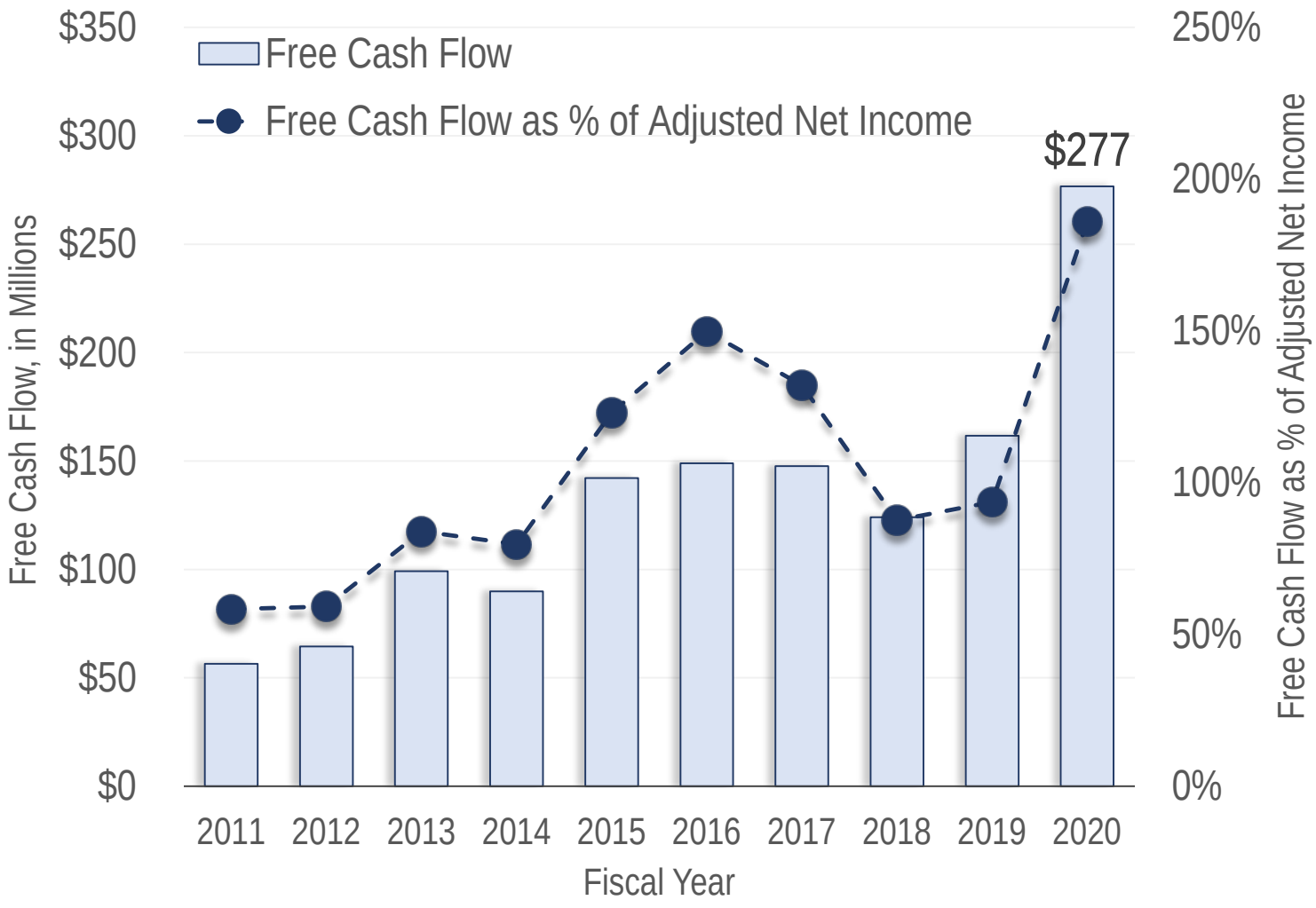


Note: Represents fiscal years ending June 30

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

Historical Free Cash Generation

Durable & Improving Cash Generation Through All Cycles



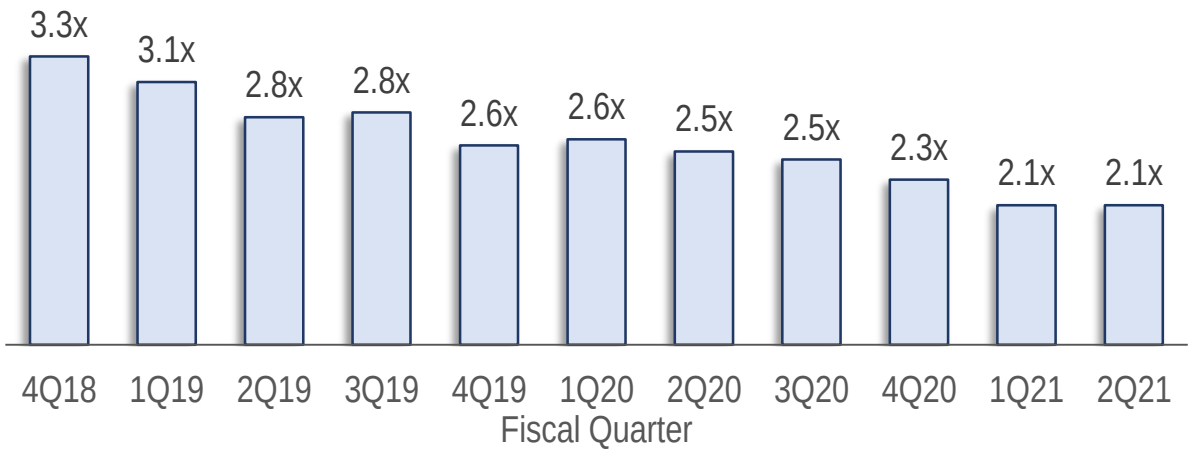
Strategic Initiatives Aligned to Drive Greater Cash Generation

- Average FCF Conversion of 130% Past 5 Years
- Increased Scale & Margin Expansion Potential
  - 2018 acquisition of FCX
  - Growth in higher margin areas of business
  - Long-term sales target $4.5B
    - +40% vs. $3.2B in FY20)
- Working Capital Management
  - Target <= 20% of sales (vs. 3-Yr avg 22%)
  - Expansion of shared services model
  - Ongoing collections initiatives
  - Terms expansion, purchase card programs
  - Leveraging systems investments

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

Balance Sheet and Liquidity

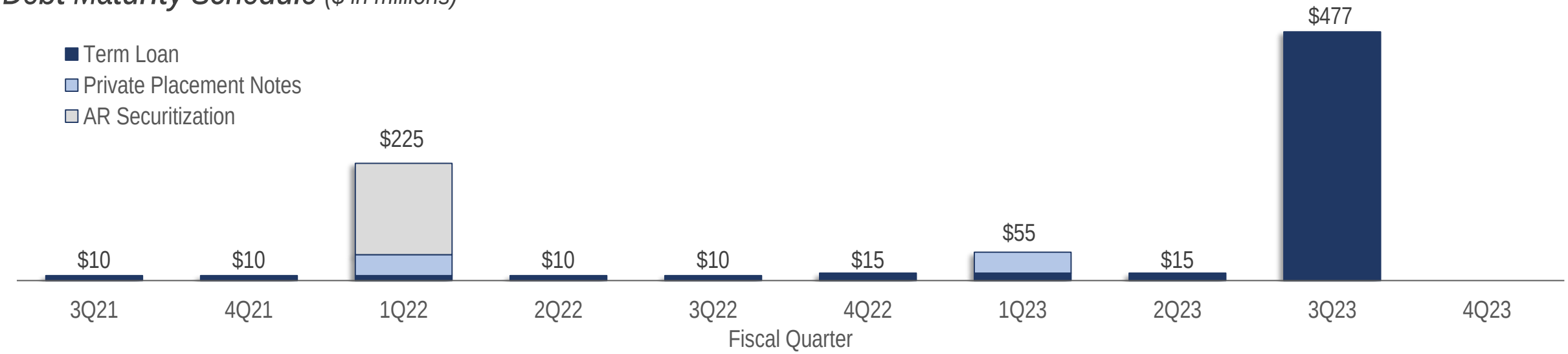
Net Leverage Ratio *(Net Debt to Trailing Adjusted EBITDA)*



Balance Sheet & Liquidity *(As of December 31, 2020)*

- Net leverage ratio at 2.1x
- $289M of cash on hand
- Paid down ~$90M of debt over past 12 months
- Net debt down 30% YoY
- ~$250M of available capacity under undrawn revolver
- $140M of available capacity on uncommitted shelf facility

Debt Maturity Schedule *($ in millions)*



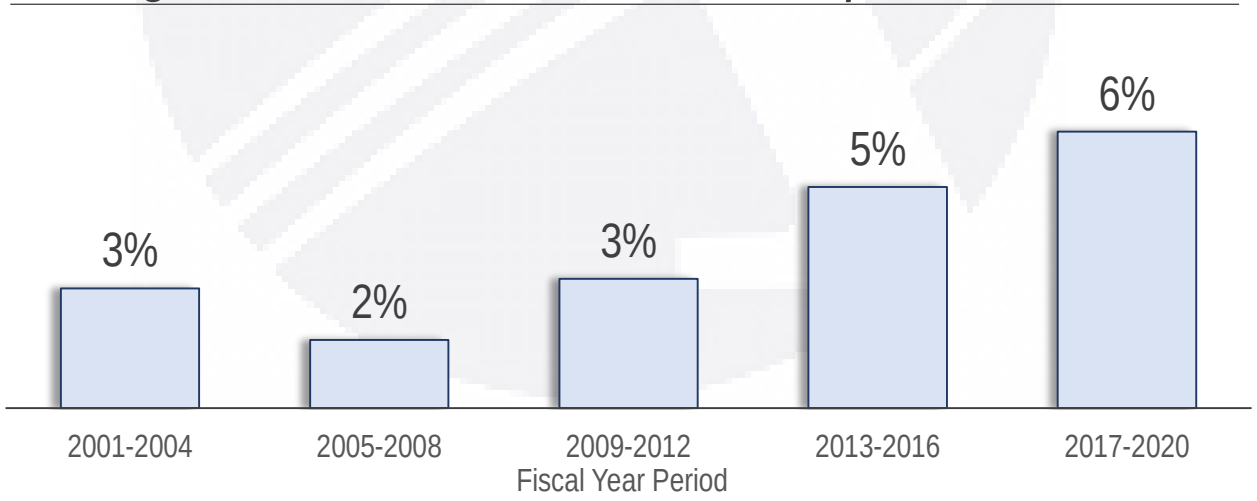
Supportive Liquidity & Balance Sheet Position

Acquisitive Growth

Active Acquisition Pipeline Aligned with Long-term Growth Priorities…

- Acquisitions Remain an Element of Growth Formula
  - 43 acquisitions since 2000
  - 26 acquisitions since 2012 representing over $1B in annual sales
  - Annual Target = $100M of sales from acquisitions *(~300 bps of growth)*
  - High industry fragmentation presents consolidation opportunity
  - Customers partnering with fewer, more capable providers
  - Greater operational requirements constraining smaller providers
  - Augment supplier reach / penetration within key verticals

Average Annual Sales Growth From Acquisitions



Acquisition Priority Areas

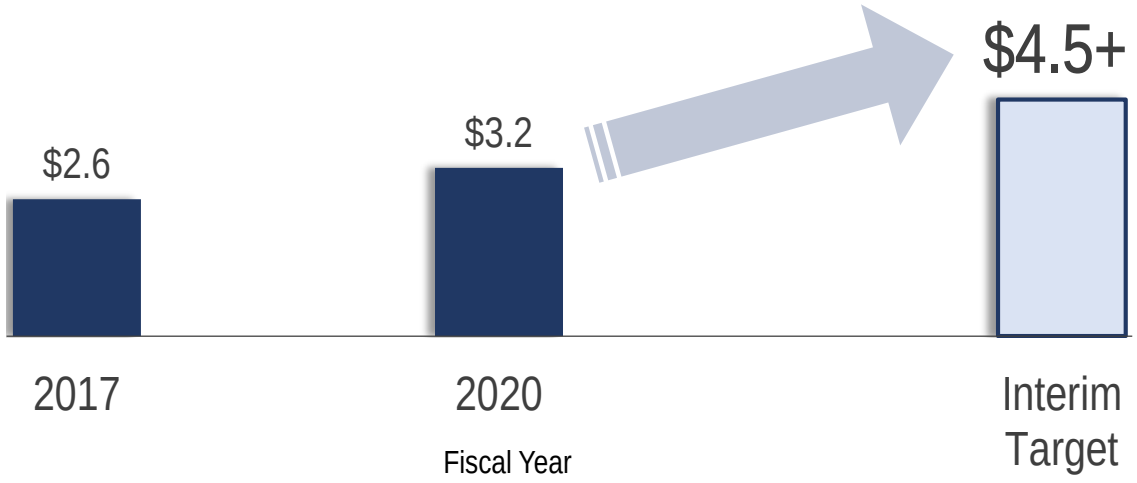
Focused on Expanding Current Offering While Further Enhancing Our Technical Differentiation & Value-Add Solution Capabilities

- Fluid Power
- Flow Control
- Automation

Disciplined Acquisition Strategy Focused on Supplementing Growth & Strengthening Industry Position

Long-Term Strategic Objectives

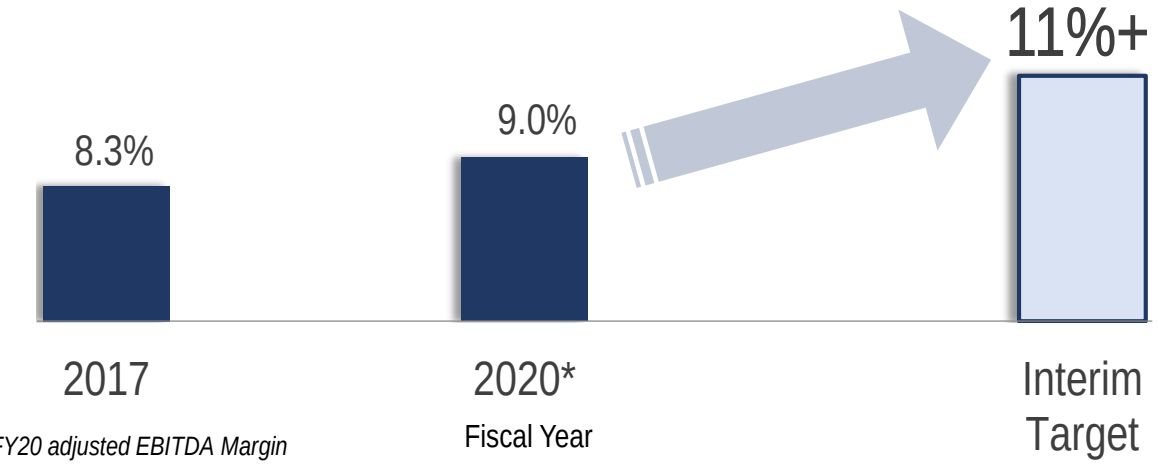
Net Sales – Grow to Over $4.5 Billion



Strategic Drivers & Considerations

- Mid Single-Digit Organic Growth During Upcycle
- Cross-Selling Across Legacy Customer Network
- Expansion of Faster Growth Verticals
- $100M From Accretive Acquisitions Per Year
- High Single-Digit CAGR Over Long-term Strategy Horizon

EBITDA Margins – Expand to Over 11%



** FY20 adjusted EBITDA Margin*

Strategic Drivers & Considerations

- Mid to High-Teen Incremental Margins During Upcycle
- Leveraging of Systems Investments
- Operational Excellence Initiatives
- Expansion of Higher Margin Products & Solutions
  - *Fluid Power, Flow Control, Automation, Consumables*

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

Why Invest In Applied®?

Strong & Growing Cash Generation

- >100% Conversion
- Expanding Margins, Improving Working Capital

Enhanced Growth Profile

- Significant Cross-Sell Opportunity
- Greater Exposure to Secular Tailwinds
- Expansion into Automation & IIoT
- Potential Industry Consolidation

Competitive Moat

- Leading Position in Technical Product Areas
- Engineered Solutions & Service Capabilities
- Scale & Proximity of Service Center Network
- Critical to Customers' Direct Infrastructure

Margin Expansion Potential

- Established Track Record
- Favorable Mix in Growth Priority Areas
- Operational Excellence, Systems Investments



Operational Discipline

- Strong Track Record of Cost Control & Execution
- Experienced Tenured Management Team
- Focus on Accountability & Sustainability

Adaptable Industry Position

- Leveraging Legacy in Core Motion Control
- Embedded Customer Base Ripe for Cross-Selling
- Expansion into Automation & IIoT

Commitment to ESG

- Advising Customers on Energy Savings
- Promoting Diversity & Continuous Learning
- Best Practices in Corporate Governance

Rising Investor Awareness

- Enhanced Investor Relations & Outreach Strategy
- Scalable Market Capitalization
- Self-Help Margin & Growth Story

Leading Technical Distributor with Self-Help Margin & Growth Initiatives, Strong Cash Flow, & Competitive Moat

Segment Overview

Service Center Based Distribution

69% of sales(1)

Legacy service center distribution network across North America, Australia, & New Zealand; Focused on MRO motion & power control solutions for critical break-fix applications; includes inventory management solutions

Key Growth & Operational Considerations

- Early-cycle break-fix demand; equipment / facility optimization
- Customer labor constraints; greater technical requirements
- Potential U.S. manufacturing reshoring; local account growth
- Sales process optimization; enhanced digital capabilities
- Embedded customer base ripe for cross-selling

Fluid Power & Flow Control

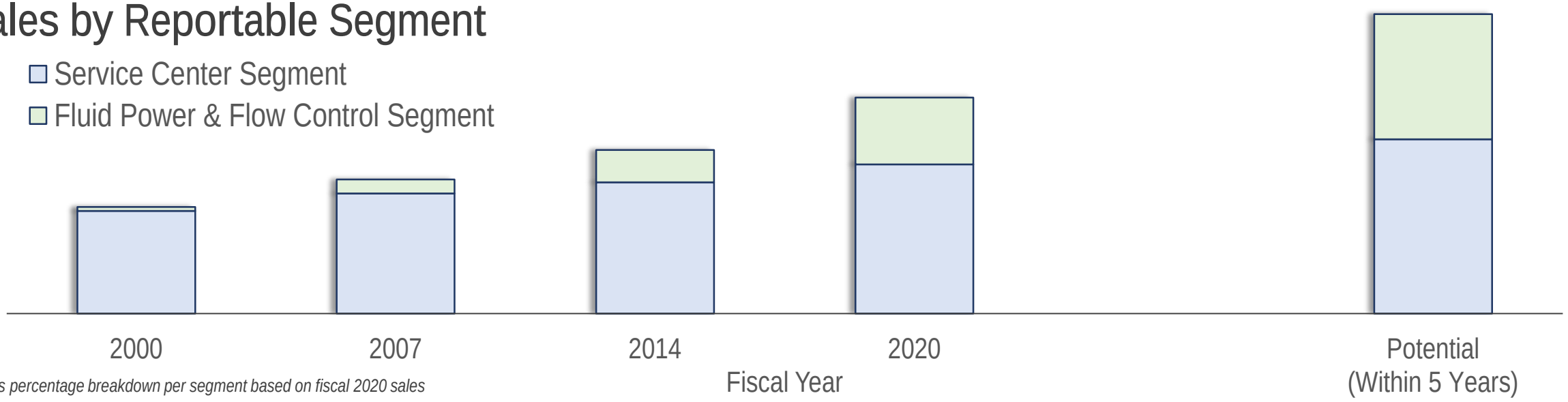
31% of sales(1)

Specializing in distributing, engineering, designing, integrating, and repairing hydraulic, pneumatic, and specialty flow control technologies and related systems; Includes emerging automation solutions

Key Growth & Operational Considerations

- Higher margin and faster growing area of Applied®
- Production efficiency, remote / control integration, compliance
- Technical capabilities; footprint expansion & cross-sell opportunity
- Emerging focus & investment into automation solutions
- Diversification into new end markets with secular tailwinds

Sales by Reportable Segment



(1) Sales percentage breakdown per segment based on fiscal 2020 sales

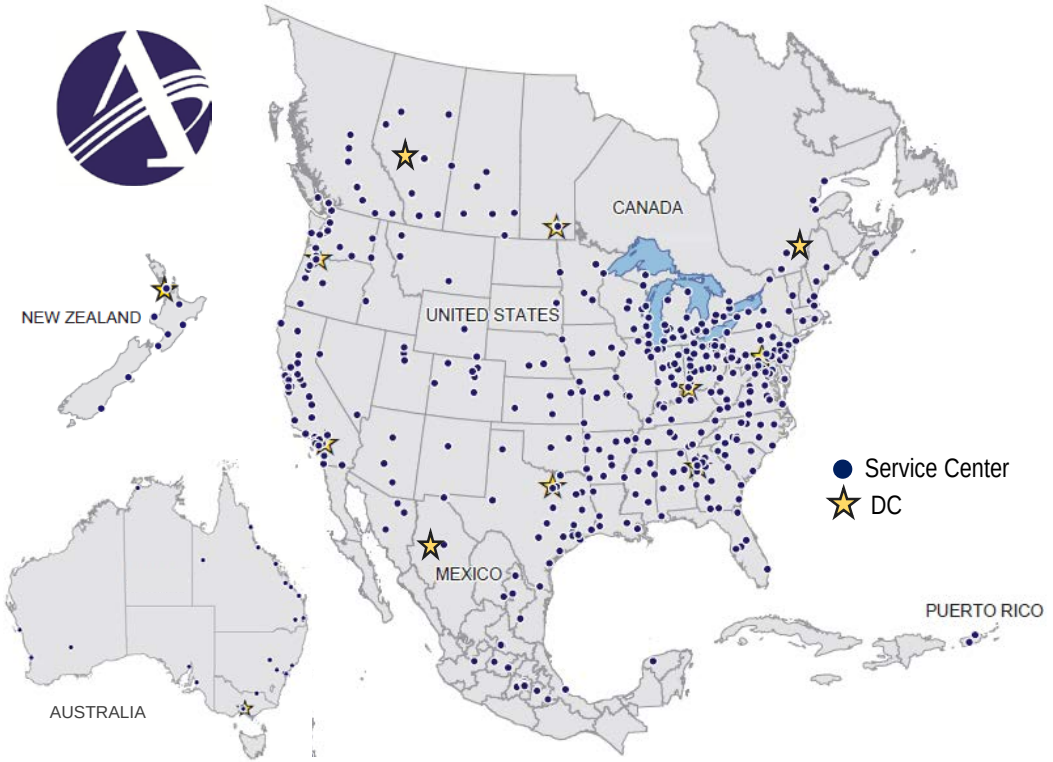
Legacy in Core Service Center Segment …Strategic Expansion Across Fluid Power & Flow Control Segment

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 7 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
- *Applied Store:* 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 Platform

APPLIED Industrial Technologies®

APPLIED Fluid Power®

The Leading Provider of an Unmatched Industrial Power & Efficiency Solution

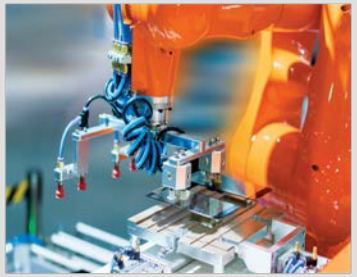
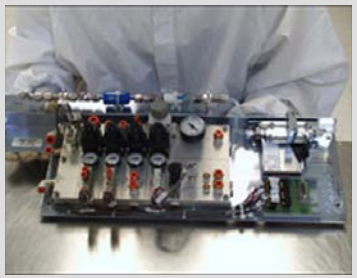
Fluid Power 101: Hydraulic & pneumatic technologies using liquids & gases under pressure to transmit power

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, plant automation, emissions control, remote monitoring, machining advancements, IIoT integration, data analytics, precision machine performance

Key Applications & Market Focus

Off-Highway Mobile	Industrial	Technology
		
		

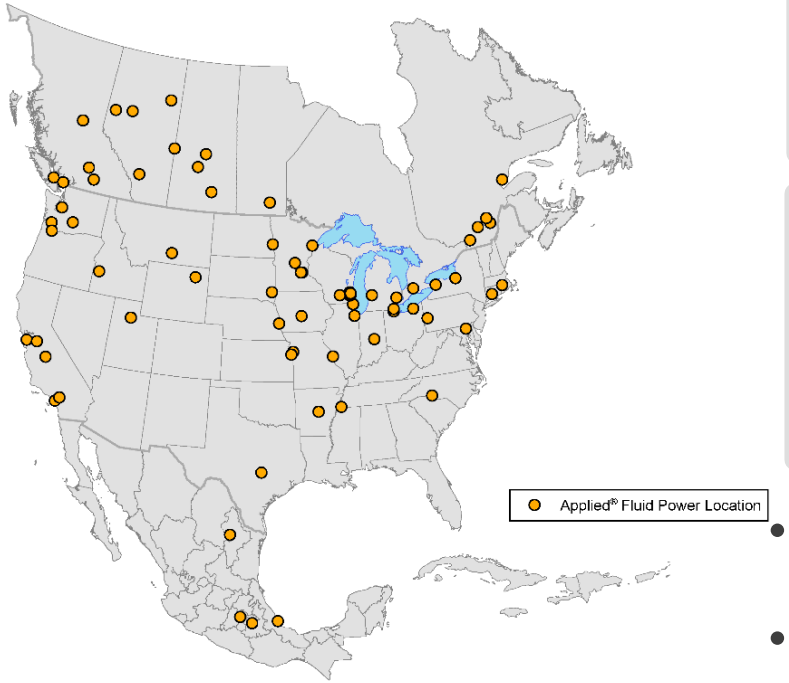
Fluid Power Plays an Integral Role in the Industrial Sector's Growth & Efficiency

Fluid Power Position & Value Proposition

APPLIED Industrial Technologies®

APPLIED Fluid Power®

Largest Fluid Power Distributor in North America



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 and testing services

Flow Control: Overview & Industry Application

APPLIED Industrial Technologies®

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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, & IIoT

The Leading Provider of Specialty Flow Control Solutions to the Industrial Sector

Key Applications & Market Focus

Chemical



OEM & Manufacturing



Life Sciences



Food & Beverage



Steel & Metals



Water Infrastructure



Flow Control Position & Value Proposition

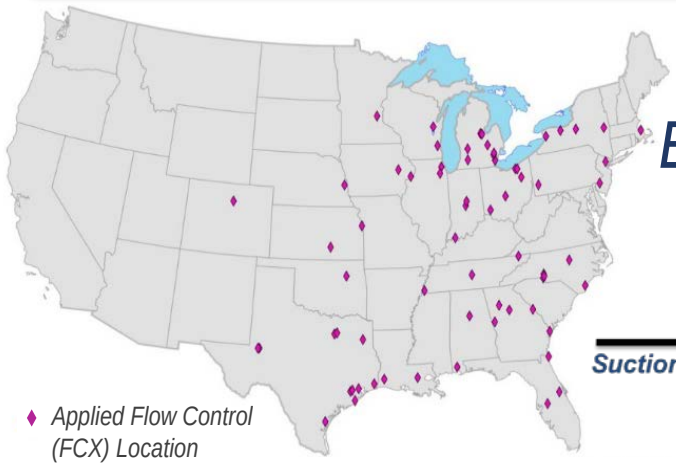
Strategic Rationale & Growth Strategy

- Enhances leading technical MRO position
- Higher margins from high-touch service capabilities
- Significant cross-selling opportunity
- "Acquirer of Choice" status with geographic expansion potential in western U.S.

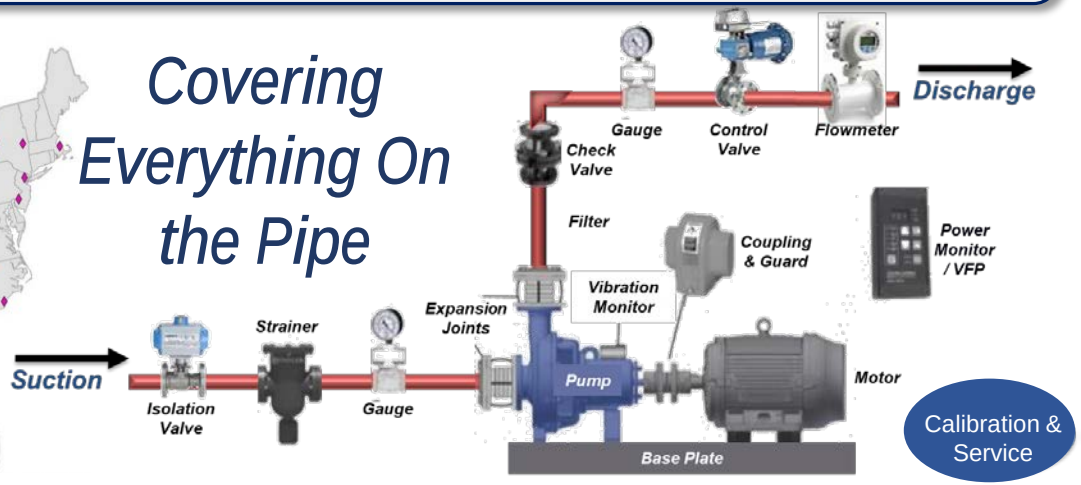
Drivers of Competitive Position

- Service and repair capabilities
- Valve actuation, consulting, instrumentation, fabrication, calibration, & commissioning services
- Engineered systems integration expertise
- Comprehensive product offering
- Highly technical sales team
- Long-term exclusive supplier relationships

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



Covering Everything On the Pipe










Emerging 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

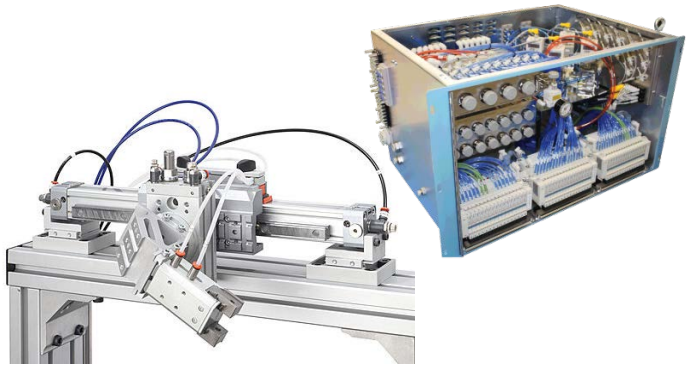
Legacy technical product focus, service capabilities, embedded customer relationships within traditional industrial end markets, knowledge across direct production infrastructure and equipment, & existing supplier relationships

Recent Actions

Three acquisitions the past 16 months expanding automation offering focused on the design, assembly, integration, & distribution of next generation machine vision, robotic, motion, and IIoT technologies; Established Applied IoT Connect™ program focused on emerging data, digitization, & connected industrial solutions

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

Emerging Focus on Next Generation Automation & Industry 4.0

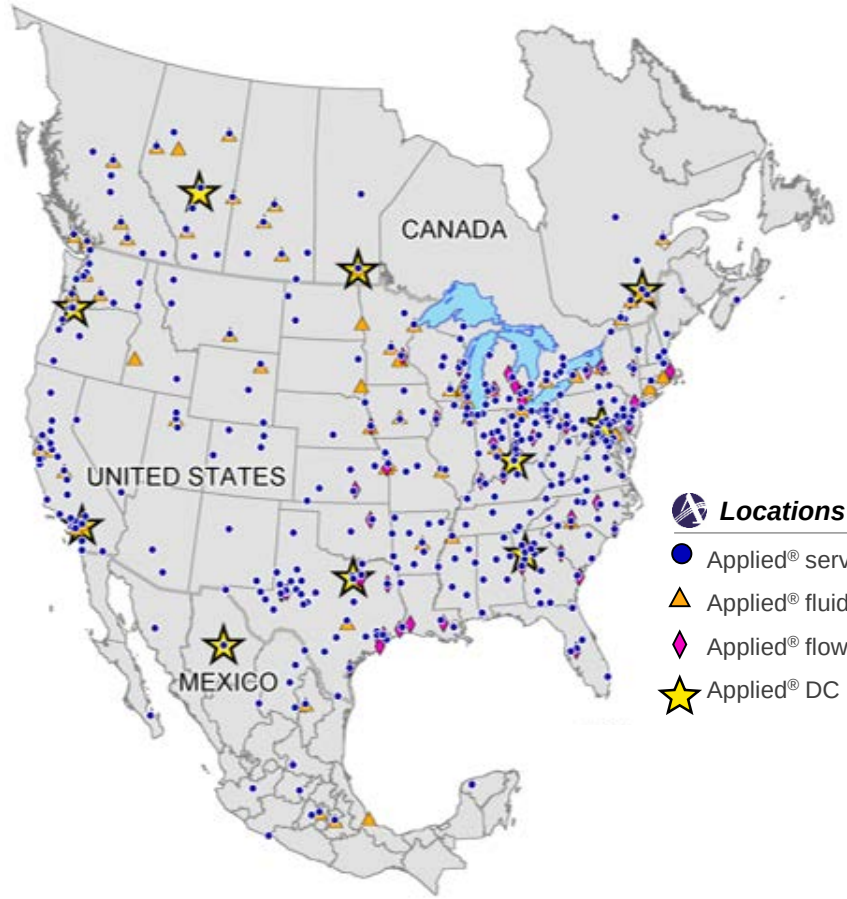
Products, Solutions, & Experience Across Legacy Operations

Vast Network with Entrenched Customer Relationships Across Underpenetrated Industrial End Markets

Expansion Into Next Generation Automation & Smart Technology Solutions



- Electronic Control Integration *(Fluid Power)*
- Pneumatic Automation *(Fluid Power)*
- Valve Actuation *(Flow Control)*
- Sensors & Retrofits *(Service Centers)*
- Motion Control Products *(Service Centers)*





- Robotic & Machine Automation
- Cobots & Mobile Robots
- Machine Vision & RFID
- Industrial Networking, Gateways
- Specialized Engineered Solutions
- System Design & Assembly

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

Maintenance Supplies & Solutions

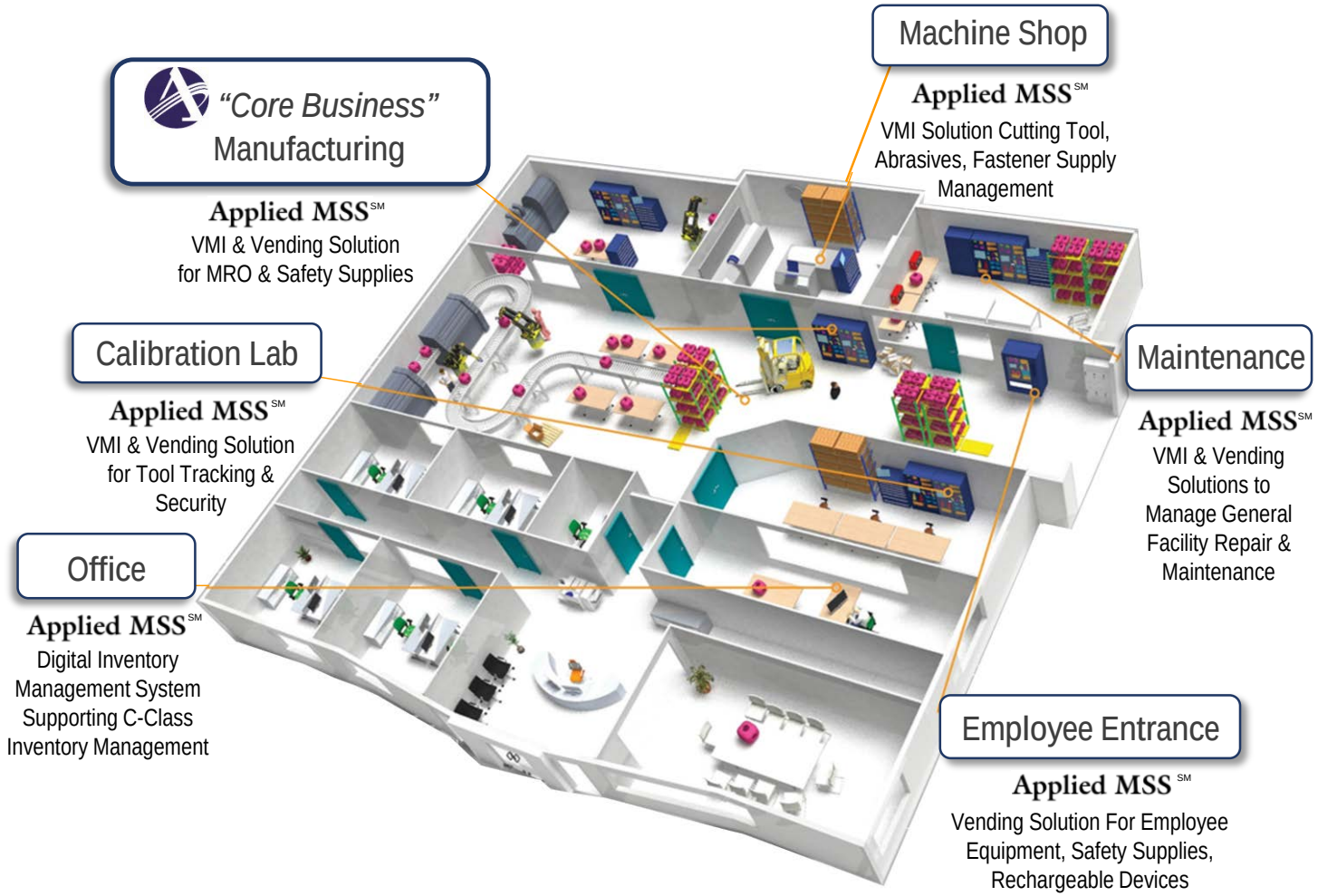
APPLIED Industrial Technologies®

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*



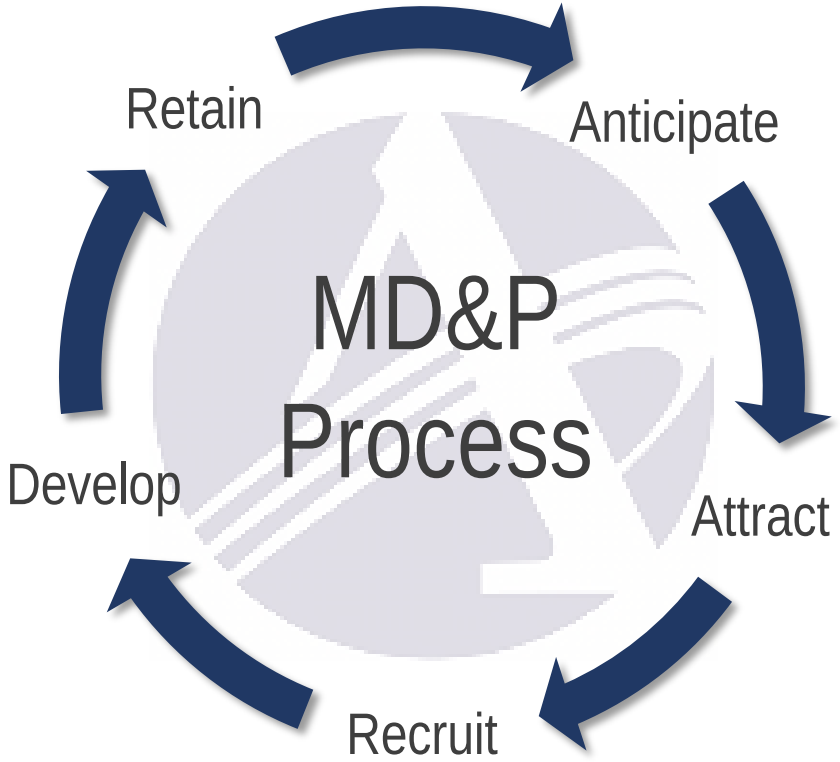


Complementary Inventory Management Solutions for Customers' Indirect Supply Requirements

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

Linking Top Talent to Execute Strategy & Deliver Operating Plans Long-Term

Environmental - Social - Governance (ESG)

Our ESG Focus Takes Many Forms

- *97 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*



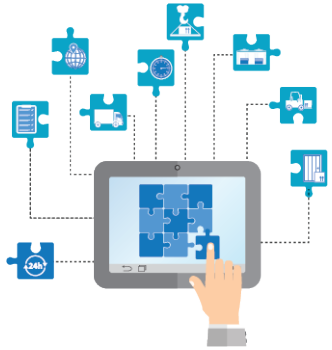
Core Values

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



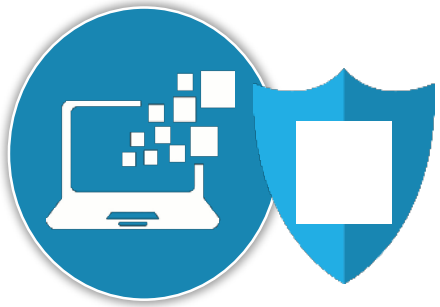
Corporate Governance

- 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

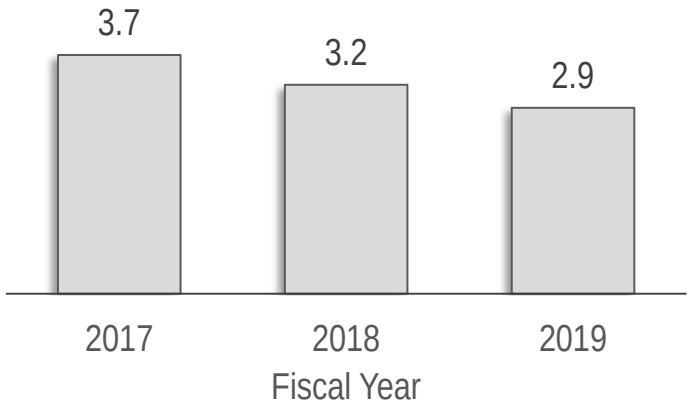
Demonstrated Commitment to Conducting Business Fairly, Honestly, & Ethically

Safety & Sustainability Performance

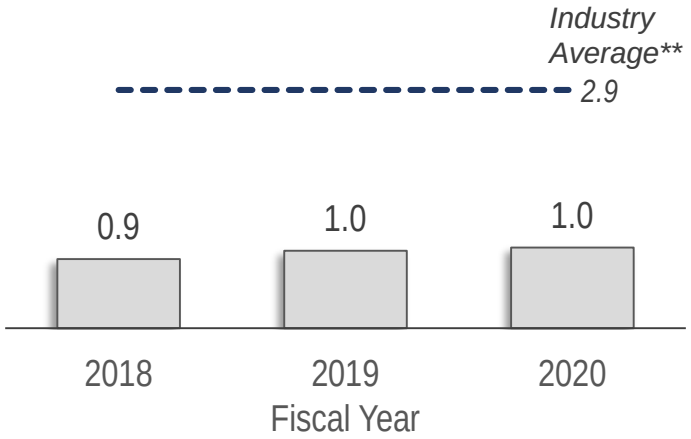
- Dedicated safety focus with comprehensive training programs across company
- Formalized EHS policy, analysis, monitoring, & accountability focus
- Low carbon footprint given distribution model
- Fuel-efficient dedicated sales fleet; primary freight provider top 2% in CO_2 emissions per mile*
- Undertaking LED retrofits across company
- Conduct customer energy audits on motors, belting, & gearing
- Promote Eco-Friendly Products - *Energy reduction, recycled content, bio-based, biodegradable, NEMA Premium®, Green Seal® certified, ENERGY STAR®*



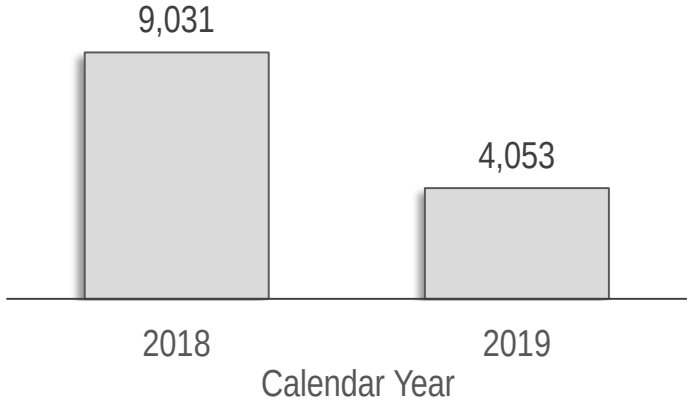
Workers Comp Claims
Per $10M U.S. Payroll



Total Recordable Incident Rate (TRIR)
Within U.S.



Hazardous Waste Disposed
In pounds; U.S. Distribution Centers



** Based on EPA SmartWay Transport Partners*
*** Industry Average for Total Recordable Incident Rate based on data from National Association of Wholesalers-Distributors; represents average of 2018-2019 calendar year period*

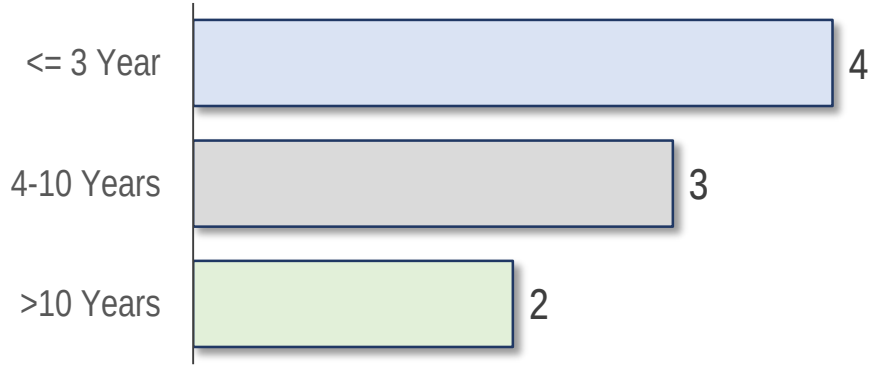
Corporate Governance

Key Governance Features

- Independent Chairman; all directors independent except CEO
- Key committees composed of only independent directors
- Strong “Pay for Performance” compensation practices
  - 80% of CEO compensation in fiscal 2019
- 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 ~7 Years



Management Incentive Structure Summary

Incentive Compensation Components

Annual Cash Incentives:

Based on Performance Relative to Targets of:

- Net Income
- Cash From Operating Activities

Long-Term Equity Based Incentives:

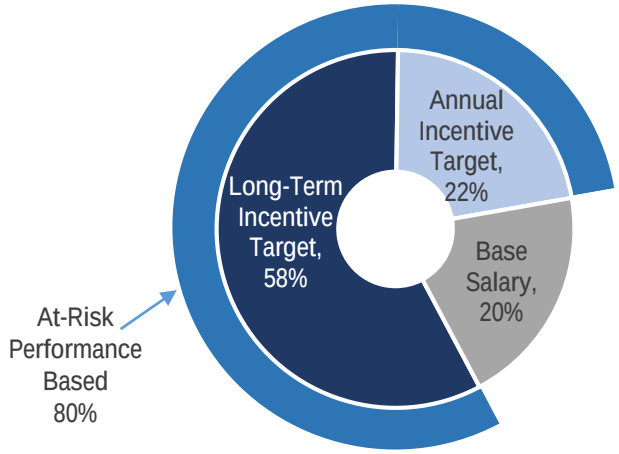
Based on Three-Year Performance Relative to Targets of:

- 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

Appendix

Appendix: Reconciliations

EBITDA, Adjusted EBITDA, & Adjusted EBITDA Margin

	Twelve Months Ended June 30						
(dollar amount in thousands)	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Net Income	$112,821	$115,484	$29,577	$133,910	$141,625	$ 143,993	$24,042
Interest expense, net	249	7,869	8,763	8,541	23,485	40,188	36,535
Income tax expense	53,441	60,387	49,401	33,056	63,093	50,488	31,194
Depreciation and amortization of property	13,977	16,578	15,966	15,306	17,798	20,236	21,196
Amortization of intangibles	14,023	25,797	90,374	24,371	32,065	41,883	40,499
EBITDA	$194,511	$226,115	$194,081	$215,184	$278,066	$296,788	$153,466
Goodwill & intangible impairment						$31,594	$131,000
Non-routine costs					$6,123	$2,300	$8,992
Adjusted EBITDA	**$194,511**	**$226,115**	**$194,081**	**$215,184**	**$284,189**	**$330,682**	**$293,458**
Sales	$2,459,878	$2,751,561	$2,519,428	$2,593,746	$3,073,274	$3,472,739	$3,245,652
Adjusted EBITDA Margin	**7.9%**	**8.2%**	**7.7%**	**8.3%**	**9.2%**	**9.5%**	**9.0%**

Adjusted Gross Margin

	Twelve Months Ended June 30						
(dollar amount in thousands)	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Net Sales	$2,459,878	$2,751,561	$2,519,428	$2,593,746	$3,073,274	$3,472,739	$3,245,652
Gross Profit	$686,926	$769,814	$711,001	$737,665	$883,995	$1,008,323	$937,736
Non-routine costs in cost of sales							$3,900
Adjusted Gross Profit	**$686,926**	**$769,814**	**$711,001**	**$737,665**	**$883,995**	**$1,008,323**	**$941,636**
Adjusted Gross Margin	**27.9%**	**28.0%**	**28.2%**	**28.4%**	**28.8%**	**29.0%**	**29.0%**

Appendix: Reconciliations

Free Cash Flow

(dollar amount in thousands)	Fiscal Year, Ended June 30 FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Cash provided by Operating Activities	$90,422	$111,397	$110,110	$157,007	$162,014	$164,619	$147,304	$180,601	$296,714
Capital Expenditures	(26,021)	(12,214)	(20,190)	(14,933)	(13,130)	(17,045)	(23,230)	(18,970)	(20,115)
Free Cash Flow	$64,401	$99,183	$89,920	$142,074	$148,884	$147,574	$124,074	$161,631	$276,599

Net Leverage Ratio

(dollar amount in thousands)	Fiscal Quarter Q4 FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21
Net Income	$40,362	$48,938	$38,717	$16,535	$39,803	$38,799	$38,031	($82,777)	$29,989	$34,784	($5,334)
Interest expense, net	10,964	10,476	9,578	9,947	10,187	10,059	9,583	8,805	8,088	7,653	7,658
Income tax expense	19,859	7,164	11,724	9,283	22,317	12,308	11,346	(2,550)	10,090	10,048	(4,834)
Depreciation and amortization of property	5,077	4,981	5,038	5,026	5,191	5,223	5,394	5,380	5,199	5,352	5,209
Amortization of intangibles	10,739	10,921	10,991	9,911	10,060	10,374	10,195	10,048	9,882	9,726	8,276
EBITDA	**$87,001**	**$82,480**	**$76,048**	**$50,702**	**$87,558**	**$76,763**	**$74,549**	**($61,094)**	**$63,248**	**$67,563**	**$10,975**
Goodwill & intangible impairment				31,594				131,000			49,528
Non-routine costs				2,300		1,455		5,997	1,540		7,772
Adjusted EBITDA	**$87,001**	**$82,480**	**$76,048**	**$84,596**	**$87,558**	**$78,218**	**$74,549**	**$75,903**	**$64,788**	**$67,563**	**$68,275**
Trailing 4-Quarter EBITDA	$278,066	$298,240	$317,777	$330,125	$330,682	$326,420	$324,921	$316,228	$293,458	$282,803	$276,529
Current portion of long-term debt	19,183	19,184	44,184	44,163	49,036	93,912	73,771	78,642	78,646	78,651	78,638
Long-term debt	944,522	953,216	923,410	937,536	908,850	859,172	874,423	864,758	855,143	792,827	783,076
Total Debt	$963,705	$972,400	$967,594	$981,699	$957,886	$953,084	$948,194	$943,400	$933,789	$871,478	$861,714
Cash	54,150	56,408	79,827	47,367	108,219	98,204	128,149	165,464	268,551	271,060	288,775
Net Debt	**$909,555**	**$915,992**	**$887,767**	**$934,332**	**$849,667**	**$854,880**	**$820,045**	**$777,936**	**$665,238**	**$600,418**	**$572,939**
Net Leverage Ratio	**3.3**	**3.1**	**2.8**	**2.8**	**2.6**	**2.6**	**2.5**	**2.5**	**2.3**	**2.1**	**2.1**