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

$4.4B Revenue	$525M EBITDA	$7.5B Market Cap
8.5M Accessible Products SKUs	3,200+ Customer Facing Associates	580 Service Facilities

Headquartered in Cleveland, Ohio

Notes: 1) Revenue and EBITDA based on reported fiscal 2023

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
- 50+ locations



Automation

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



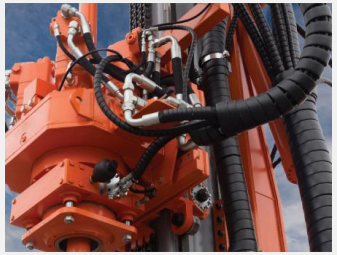
VMI / Vending

- 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

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



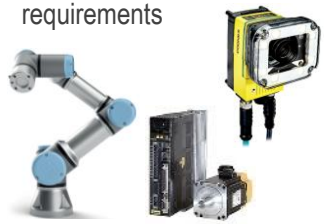
Service Centers

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



Automation Solutions

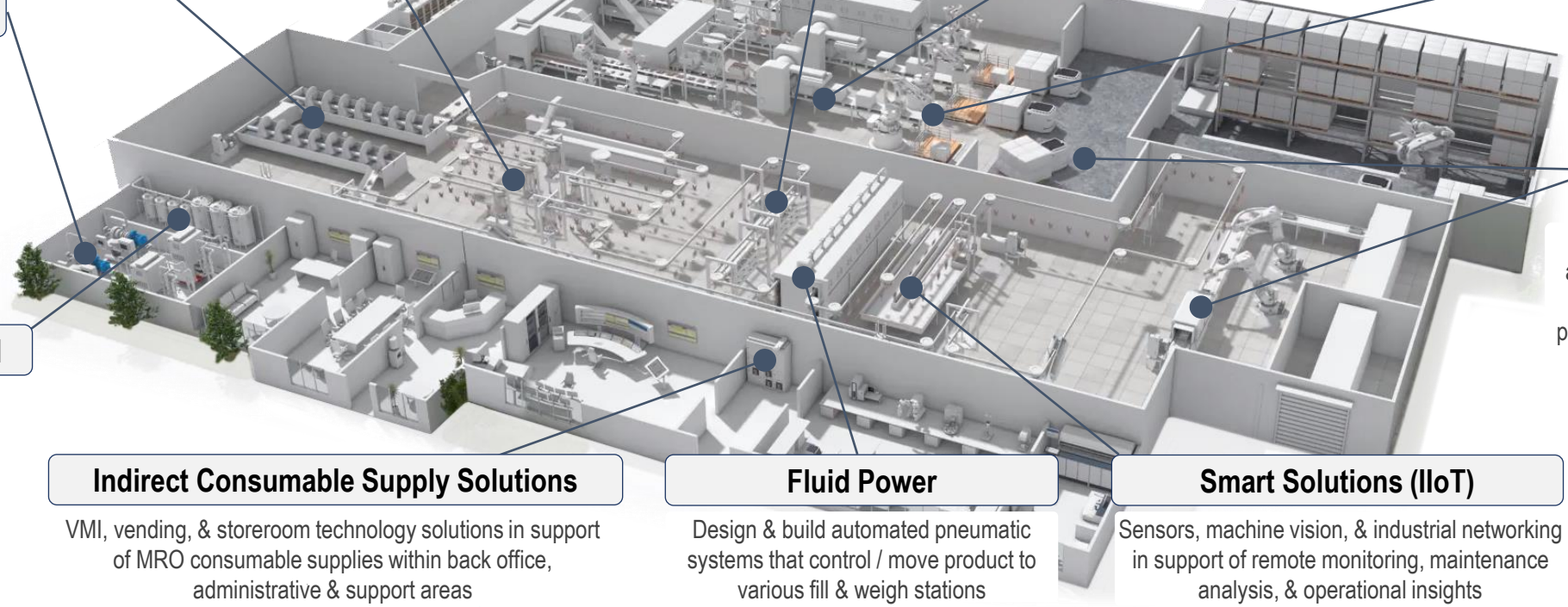
Collaborative robots, motion control, & machine vision for finishing, packaging, quality inspection, & other automation requirements



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



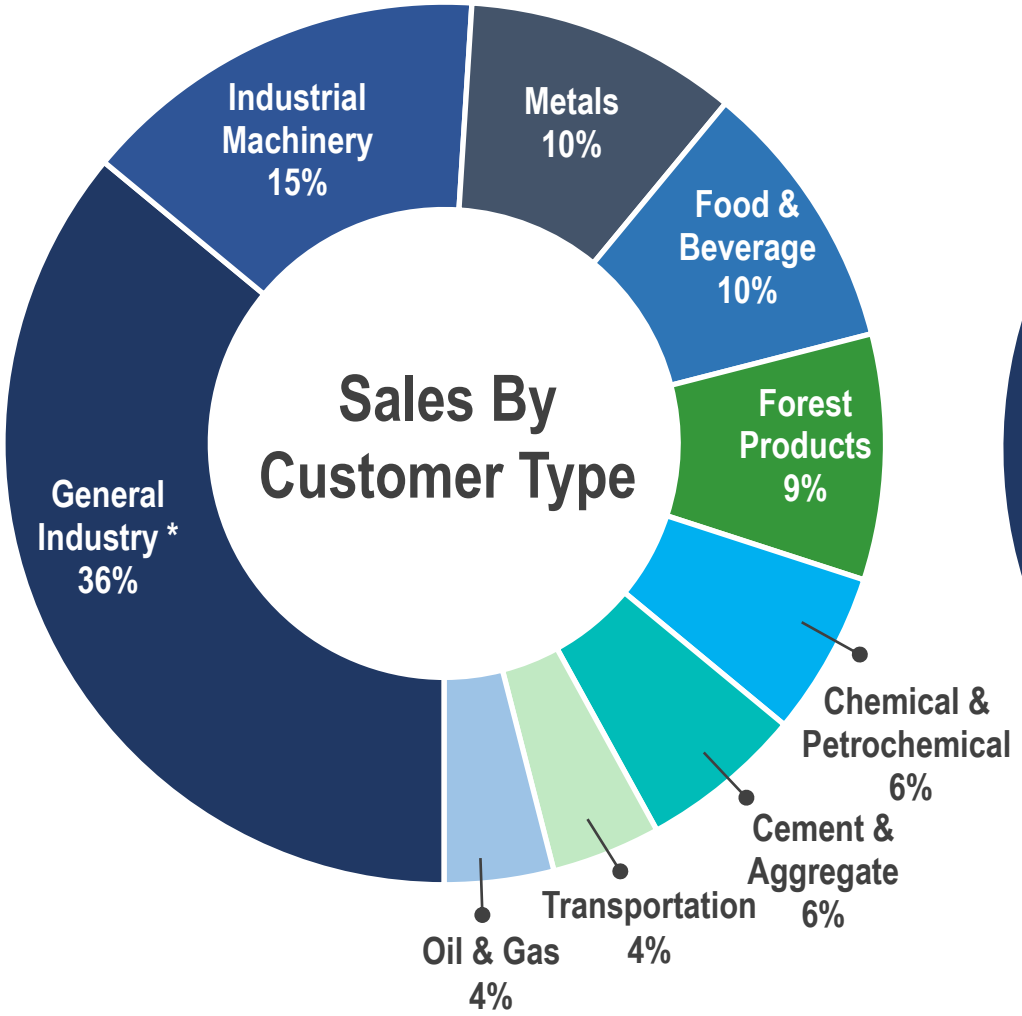
Primary Supplier Partners

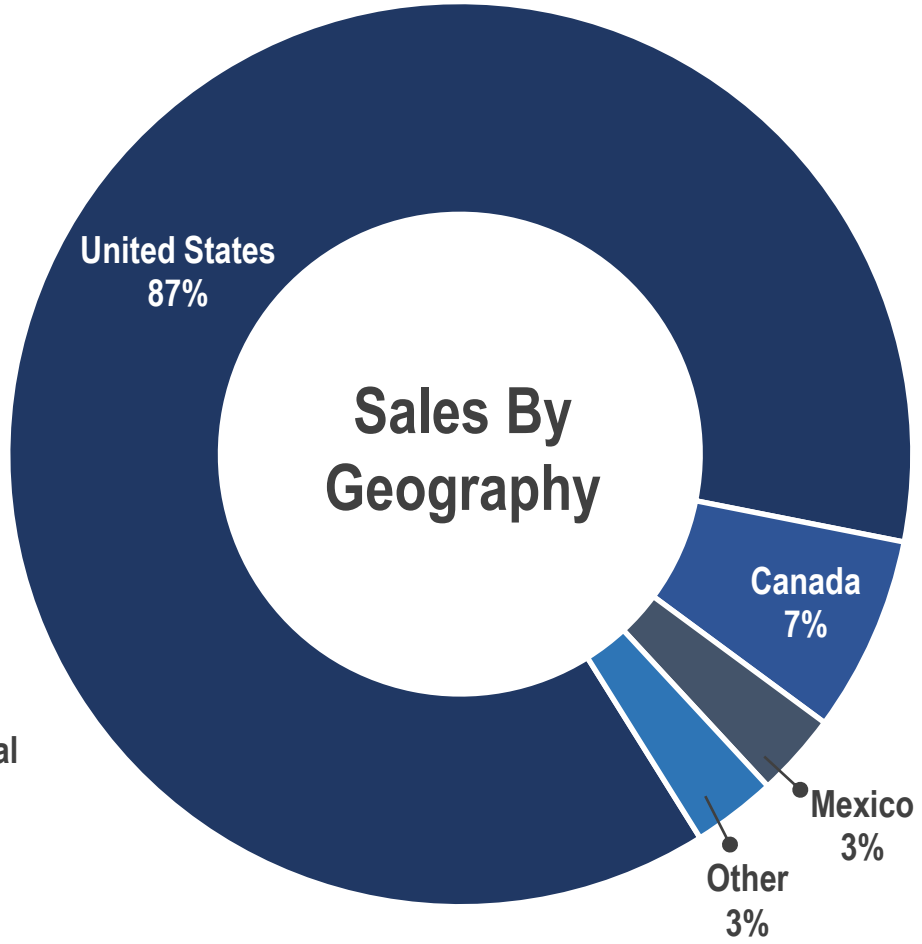


Leading Manufacturers with World Class Brands Focused on Premier Industrial Solutions

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 2023 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 (11.9% in FY23)
Working Capital <= 20% of Sales

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

Dividends *(recent ~1% yield)*
Share Buybacks *(~$80M 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…

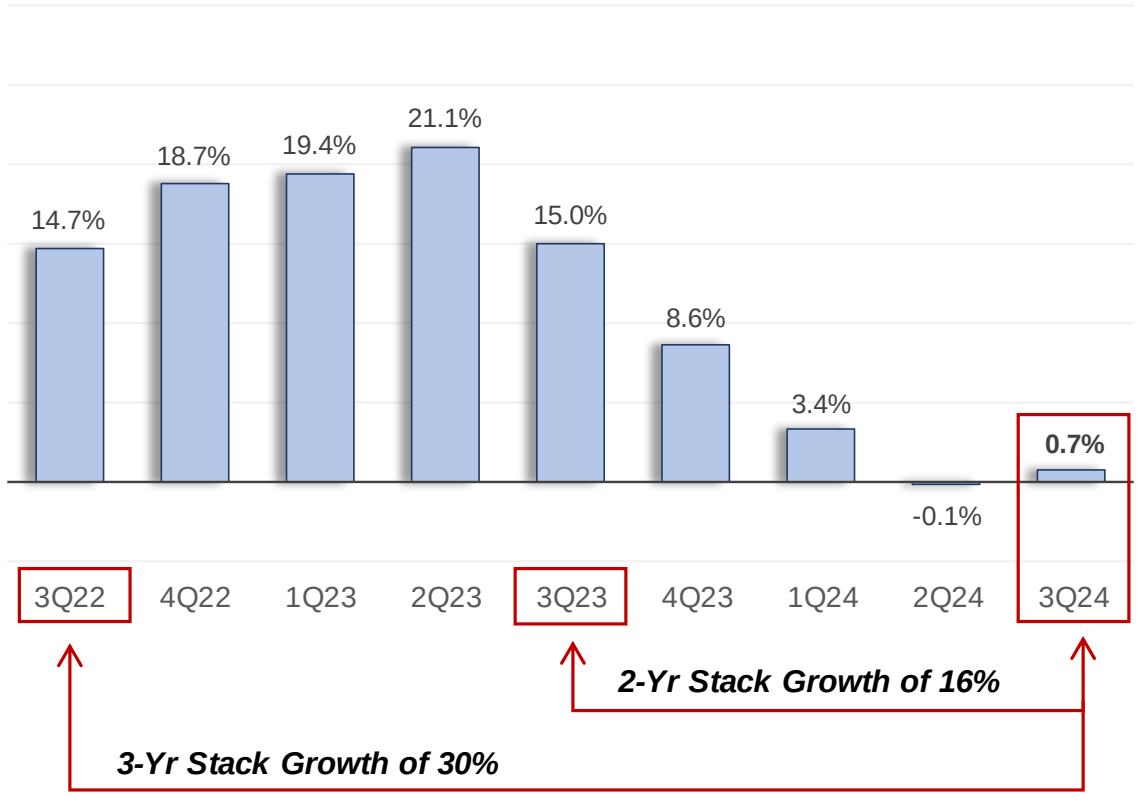
- **Break / Fix Demand:** Structurally higher given greater production and capacity utilization on aged manufacturing infrastructure across North America.
- **Customer Outsourcing of Technical Needs:** Greater focus on addressing skilled labor constraints and needing qualified providers to support growth.
- **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 – Q3 FY24

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



** Based on largest 30 industry verticals for fiscal 2023*
Note: Represents fiscal quarter

F3Q24 Sales Growth Detail

- Up ~1% YoY on an organic daily basis; above expectations with trends improving through the quarter
- Organic growth led by Service Center segment sales increasing ~3% YoY, including by a mid single-digit percent in the month of March
- Average daily sales up more than 2% sequentially, 16% on a 2-year YoY stack basis, and 30% on a 3-year YoY stack basis
- Estimated price contribution in the low single-digits percent
- 15 of top 30 industry verticals up YoY in F3Q24 compared to 18 during F2Q24 *
- Strongest growth across food & beverage, metals, utilities, mining, lumber & wood; offset by softer trends in machinery, energy, pulp & paper, fabricated metals, aggregates
- Support from secular tailwinds; internal sales initiatives and industry position continue to drive new growth opportunities

Organic Sales Growth Moderating Against Difficult Comparisons and Normalizing End-Market Demand

Other Investor Discussion Points – Q3 FY24

Discussion Point	Update	Detail
Underlying Demand	• *Customer activity remains mixed as firm technical MRO spending balanced by muted OEM channel and engineered system shipments; improving short-cycle indicators and Service Center growth a favorable indicator*	• *SC segment organic daily sales +2.6% YoY in F3Q24 with YoY trends improving each month; ES segment organic daily sales -3.2% YoY in F3Q24; U.S. ISM PMI improved during the quarter including a reading above 50 (expansion) in March*
Inflation & Pricing	• *While moderating from heightened levels, inflationary pressures persisting including ongoing supplier price increases; partially reflects industrywide labor constraints, and other non-material inflationary factors*	• *Estimated price contribution to YoY sales growth in the low single-digits during F3Q24 and similar to last quarter; magnitude of supplier price increases YTD remains elevated vs. historical levels*
Margins Trends	• *Making progress YTD toward interim EBITDA margin goal of 13% including gross margin improvement; F3Q24 EBITDA margin trends impacted by expense deleveraging, mix, growth positioning, and prior-year favorability*	• *YTD gross margins up 40 bps and EBITDA margins up 20 bps inclusive of 10-20 bps of unfavorable mix; EBITDA margins down YoY in F3Q24, but expected to be flat to up YoY in F4Q24; positioning business to accelerate growth in FY25*
Near-term Outlook	• *Expect industrial activity to remain mixed near term; see potential for reaccelerating growth in FY25 considering easing comparisons, potential tech sector rebound, automation pipeline, infrastructure stimulus, and heightened technical MRO customer requirements*	• *April sales trending down by a low single-digit percent YoY month to date; updated FY24 organic sales growth guidance assumes organic daily sales are -1% to +2% YoY in F4Q23 and below normal seasonal patterns*
Capital Allocation	• *Strong cash generation YTD bolstering capacity for growth investments and shareholder returns; M&A pipeline remains active; ongoing scope for share buybacks moving forward*	• *Announced agreement to acquire Grupo Kopar, expanding automation platform into Mexico; deployed $18M on share buybacks during F3Q24 following $11M in F2Q24*

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

Fiscal 2024 Guidance

Fiscal 2024 Guidance

	Prior (1/25/24)	Current (4/25/24)
Total Sales - YoY % change	1.0% - 3.0%	**1.5% - 2.5%**
EBITDA Margin	12.1% - 12.3%	**12.0% - 12.1%**
Adjusted Diluted EPS [(1)]	$9.35 - $9.70	**$9.55 - $9.70**
Additional Assumptions:		
Depreciation & amortization expense	$53 - $54	$52
Interest & other expense	$6.0 - $7.0	$0.0 - $2.0
Effective tax rate	23.0% - 24.0%	22.5%

(1) Excludes a tax benefit of $3.0M in F2Q24 from a deferred tax valuation allowance adjustment

Updated Considerations:

- Tightening FY2024 sales guidance; assuming ongoing moderation in underlying industrial activity and muted sales growth recovery in Engineered Solutions segment near term
- Adjusting EBITDA margin guidance to primarily reflect F3Q24 performance, as well as F4Q24 sales outlook and slightly higher LIFO expense assumptions
- Implied F4Q24 guidance:
  - Organic Sales/Day (YoY Chg): -1% to +2%
  - EBITDA Margin: 12.0% to 12.4%
  - EPS: $2.44 to $2.59
- Other F4Q24 assumptions and considerations:
  - Gross margins flat to up slightly from F3Q24 levels
  - Potential support from easing comparisons, cost controls, reduced professional fees, more favorable mix, and ongoing new growth opportunities

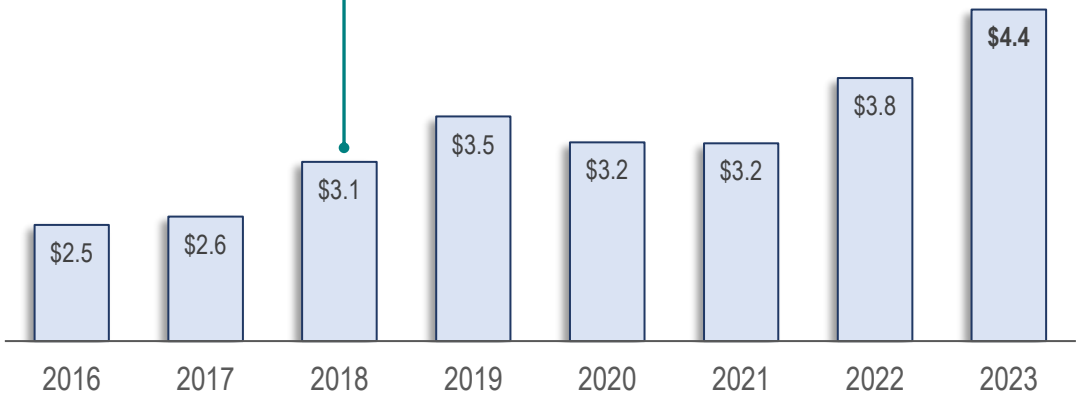
Note: $ amount in millions except EPS.

Outlook Supported by Industry Position and Company-Specific Opportunities

Historical Financial Highlights

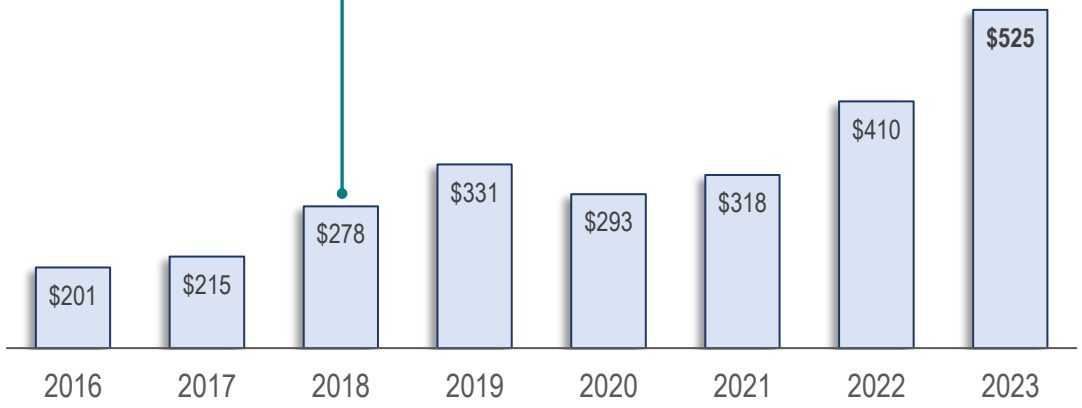
Net Sales
(in billions)

8% Five-Year CAGR (2018-2023)



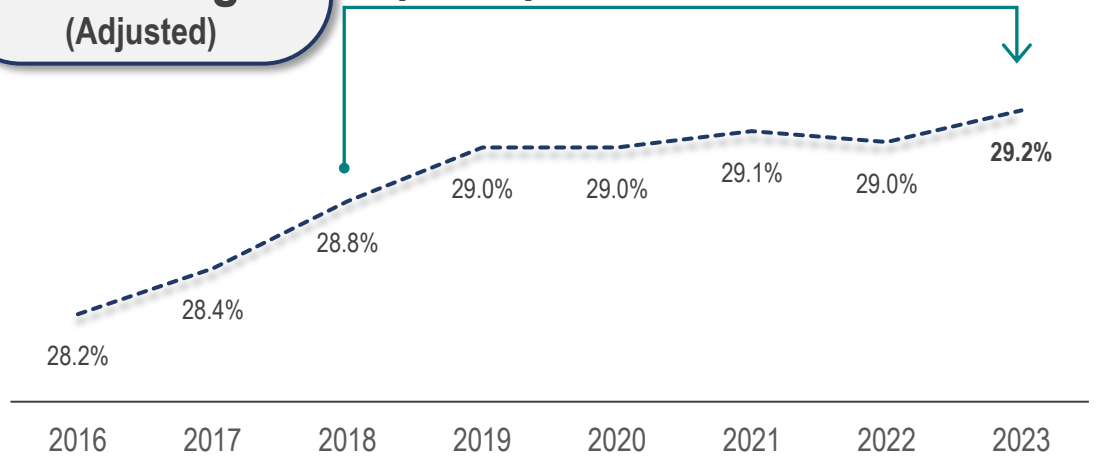
EBITDA
(Adjusted; in millions)

14% Five-Year CAGR (2018-2023)



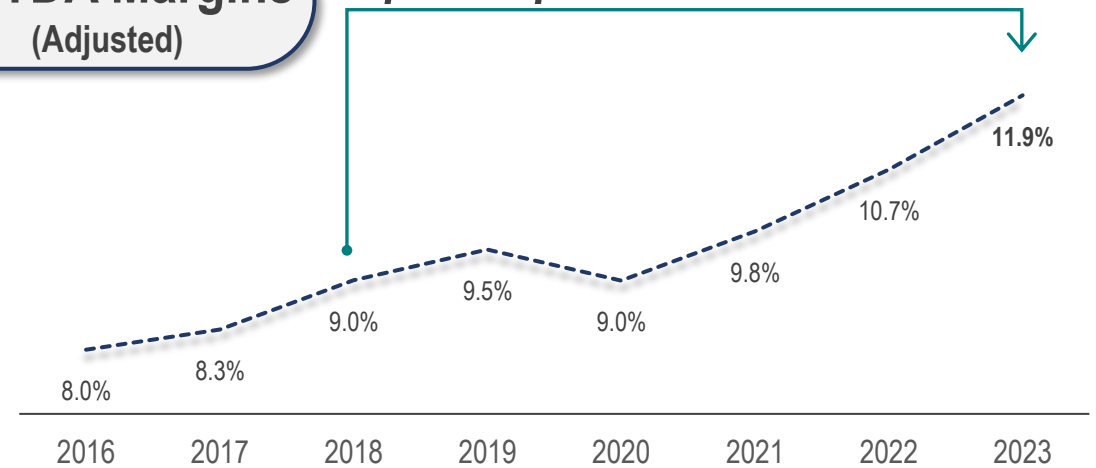
Gross Margins
(Adjusted)

Up 40 bps Since 2018



EBITDA Margins
(Adjusted)

Up 290 bps Since 2018

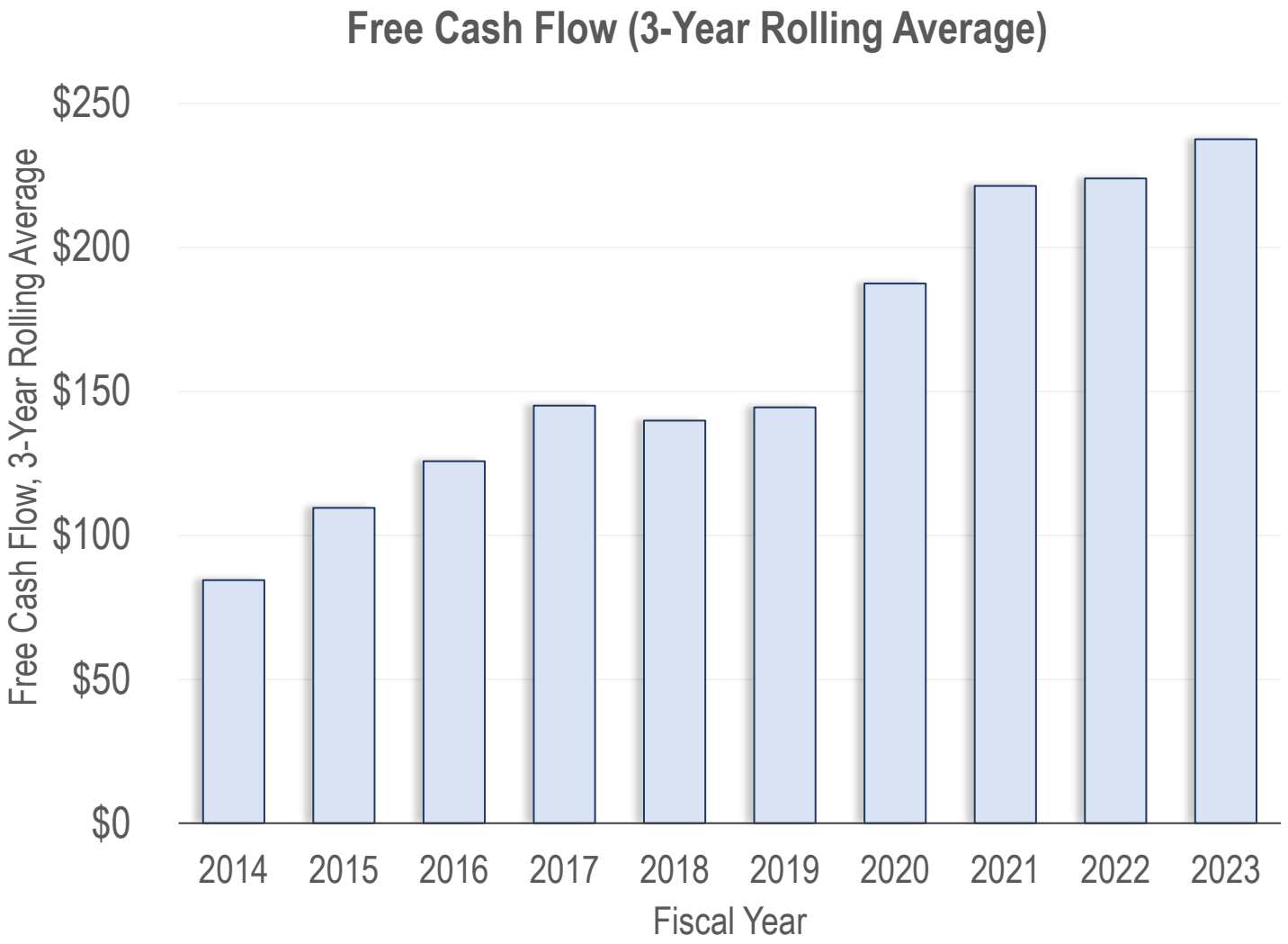


Note: Represents fiscal years ending June 30

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

Historical Free Cash Generation

Durable & Solid Cash Generation Through All Cycles



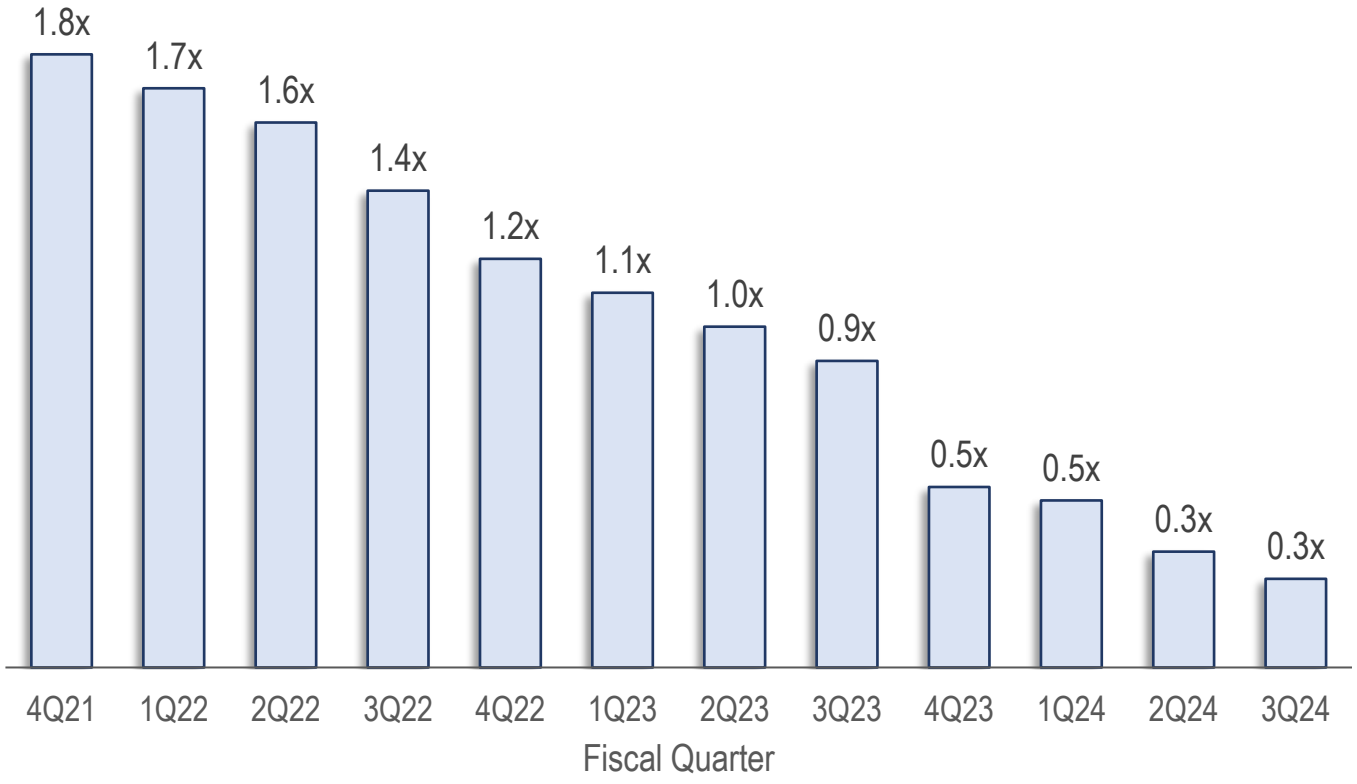
Strategic Initiatives Aligned to Drive Greater Cash Generation

- Average FCF Conversion of ~112% Past 5 Years
- Increased Scale & Margin Expansion Potential
  - Growth in higher margin areas of business
  - Intermediate sales target of $5.5B+
    - +25% vs. $4.4B in FY23
  - Intermediate EBITDA margin target of 13%+
    - 110+ bps vs. 11.9% in FY23
- Working Capital Management Initiatives
  - Expansion of shared services model
  - Cross-functional inventory planning
  - Collections initiatives
  - Terms expansion
  - Leveraging systems investments
  - Local account growth

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 March 31, 2024)

- Net leverage ratio at 0.3x
- $457M of cash on hand
- Total debt down ~40% since early 2018
- Over $800M of 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

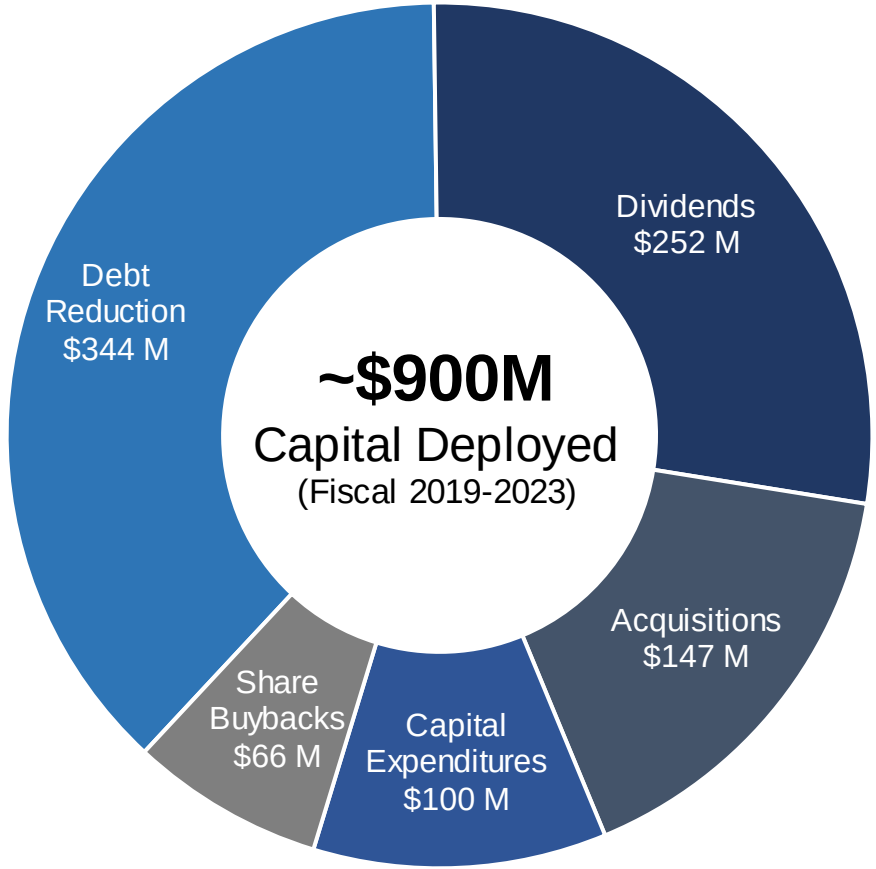
Organic Growth — *Pursue greenfield expansion while optimizing customer service capabilities and operating efficiencies through technology, working capital, and system investments*

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*



- $134M capital deployed YTD in fiscal 2024
- Includes $21M on acquisitions, $29M on share buybacks, and $42M on dividends

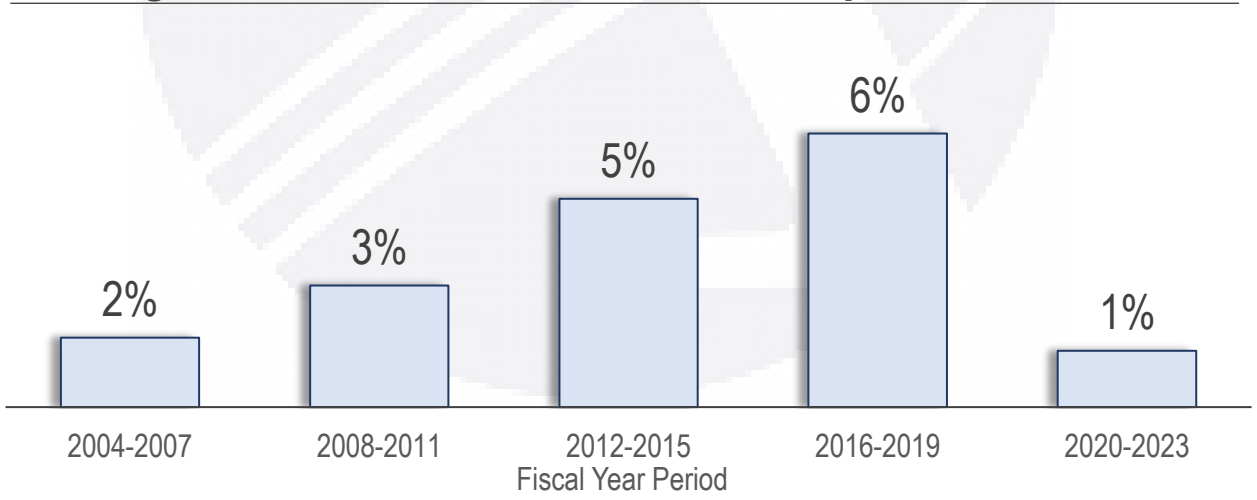
Disciplined Capital Allocation Strategy Focused on Enhancing Long-Term Earnings Growth & Shareholder Returns

Acquisitive Growth

Active Acquisition Pipeline Aligned with Long-term Growth Priorities…

- **Acquisitions Remain an Element of Growth Formula**
  - Over 50 acquisitions since 2000
  - 34 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

Fluid Power

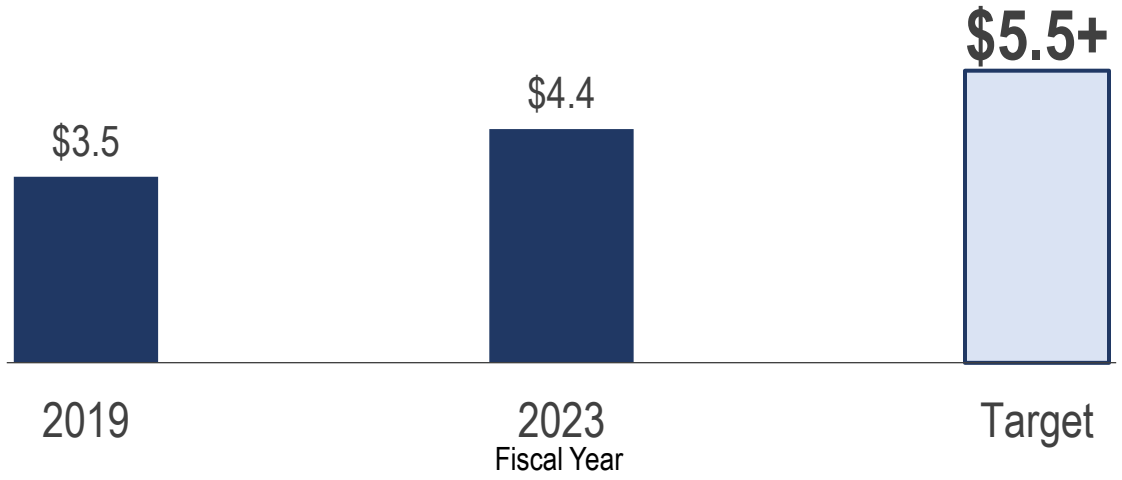
Flow Control

Automation

Disciplined Acquisition Strategy Focused on Supplementing Growth & Strengthening Industry Position

Intermediate Financial Objectives

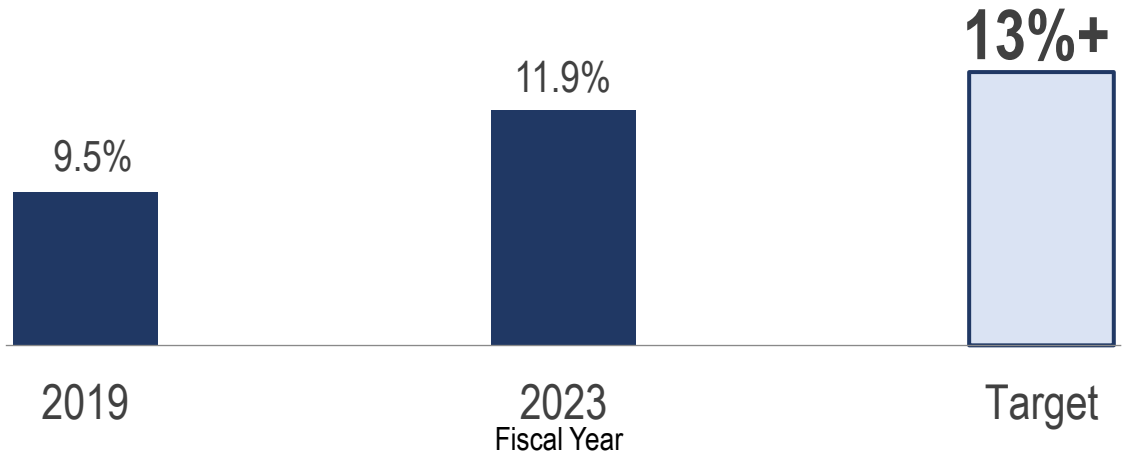
Net Sales – Grow to Over $5.5 Billion



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

Why Invest In Applied®?

Strong & Growing Cash Generation

- >100% Conversion (on Net Income)
- Expanding Margins, Improving Working Capital

Enhanced Growth Profile

- Significant Cross-Sell Opportunity
- Exposure to Secular Tailwinds
- Expansion into Automation & Advanced Solutions
- Fragmented Industry Supports Accretive M&A

Competitive Moat

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

Commitment to ESG

- Business Model Presents Low Carbon Footprint
- 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

67% 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

- 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

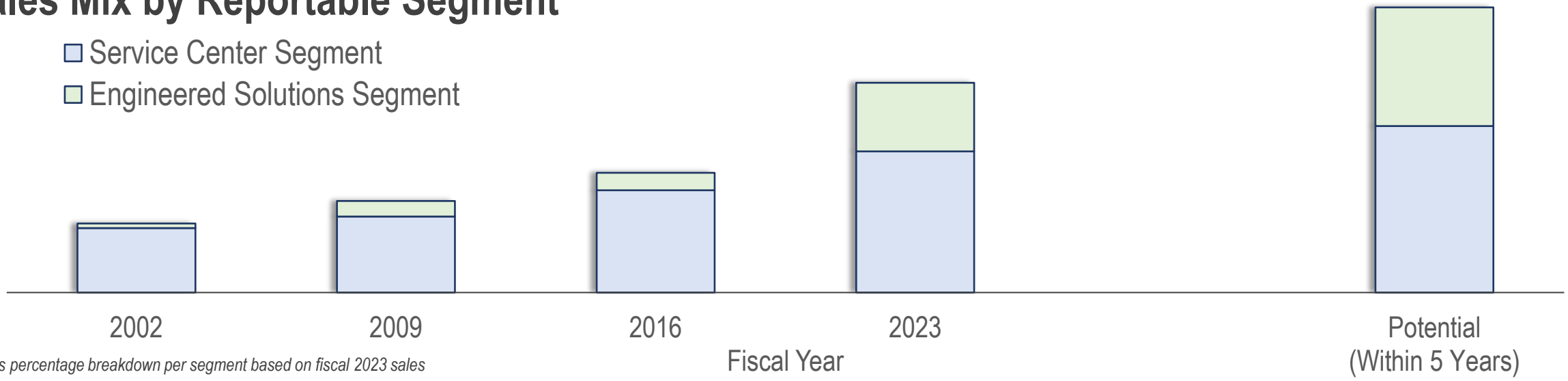
33% of sales(1)

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 2023 sales

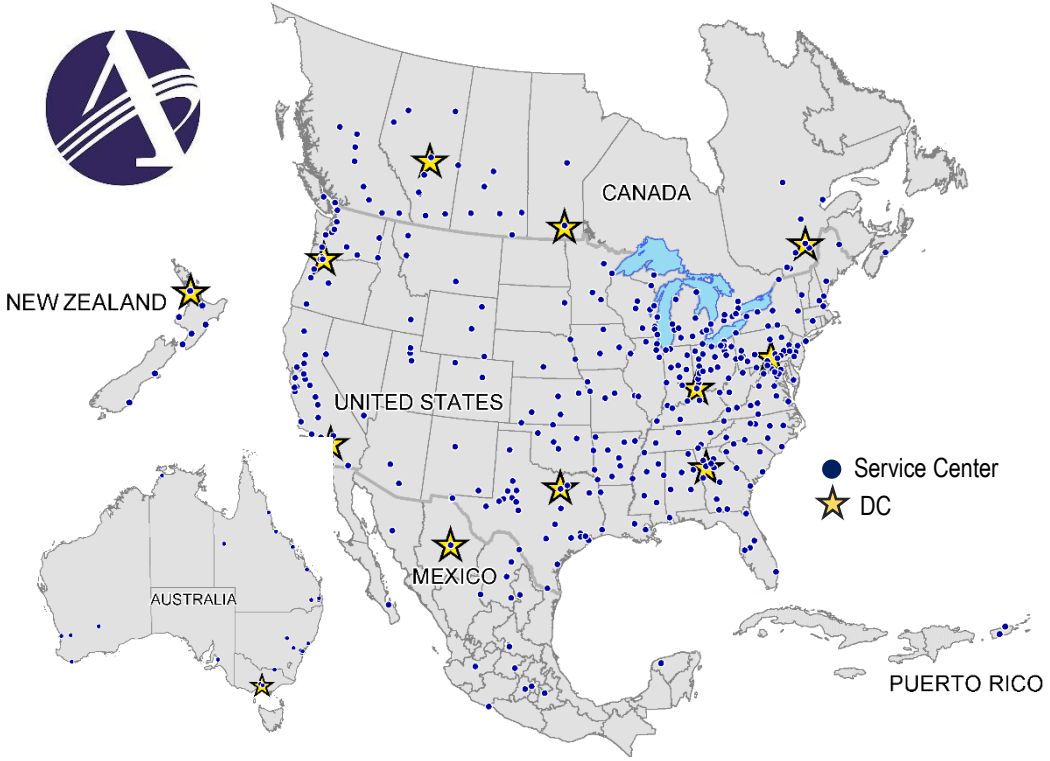
Legacy in Core Service Center Segment …Strategic Expansion Across Engineered Solutions Segment

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 8.5 million products with a focus on premier brands



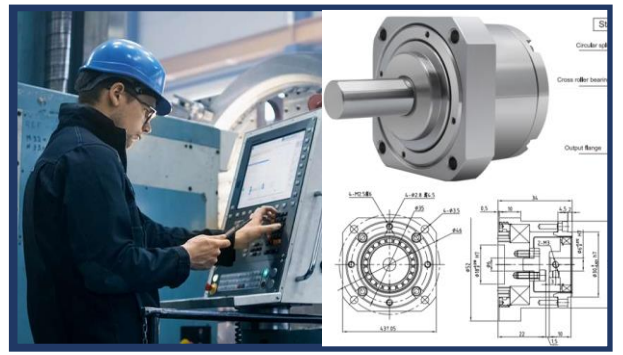
Applied Service Center & DC Locations



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

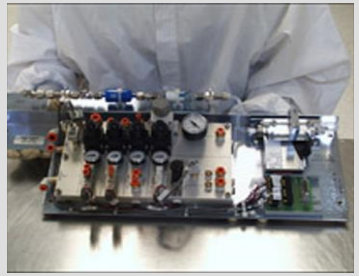
Advantages: More power in smaller spaces than other forms of power transmission

- *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	Industrial	Technology
		
		

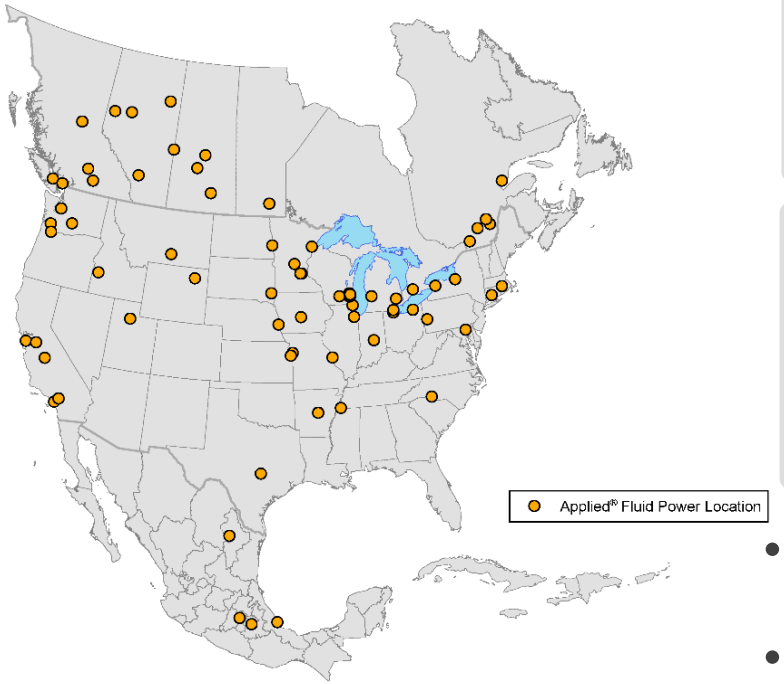
Fluid Power Plays an Integral Role in the Industrial Sector's Growth & Efficiency

Fluid Power Position & Value Proposition

APPLIED Industrial Technologies®

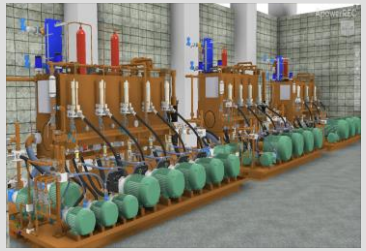
APPLIED Fluid Power™

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 & 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

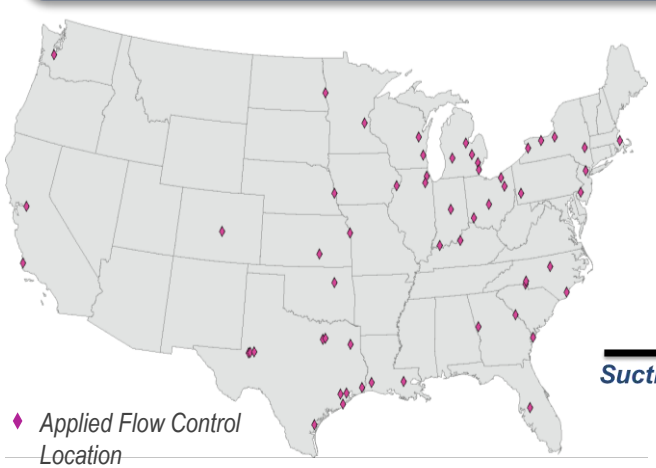
APPLIED Industrial Technologies®

Flow Control

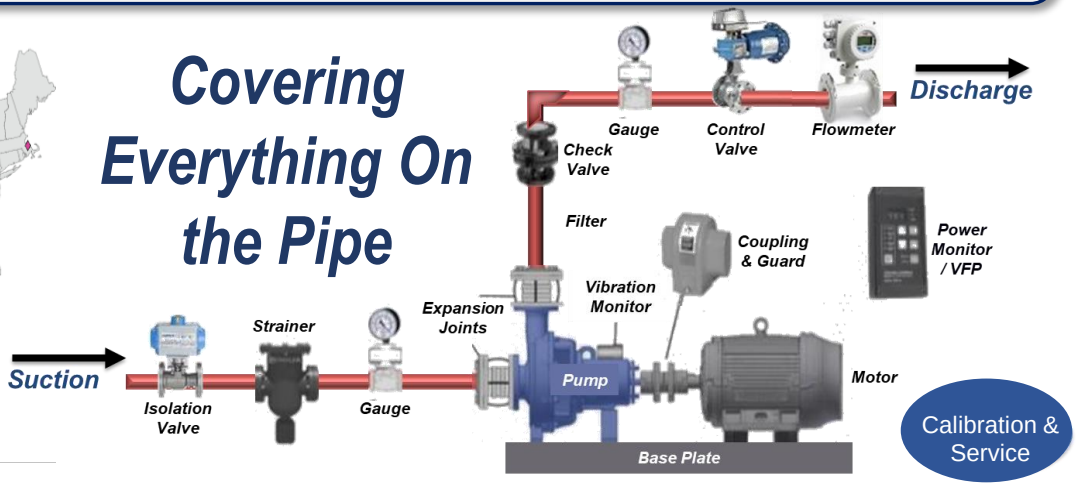
We Offer the Largest, Most Comprehensive Flow Control Product & Service Portfolio Focused on Mission-Critical & Full-Cycle Solutions

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.



Covering Everything On the Pipe



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



Solutions Critical to Process Movement Across the Industrial Sector

Automation Solutions

APPLIED Industrial Technologies®

APPLIED Automation

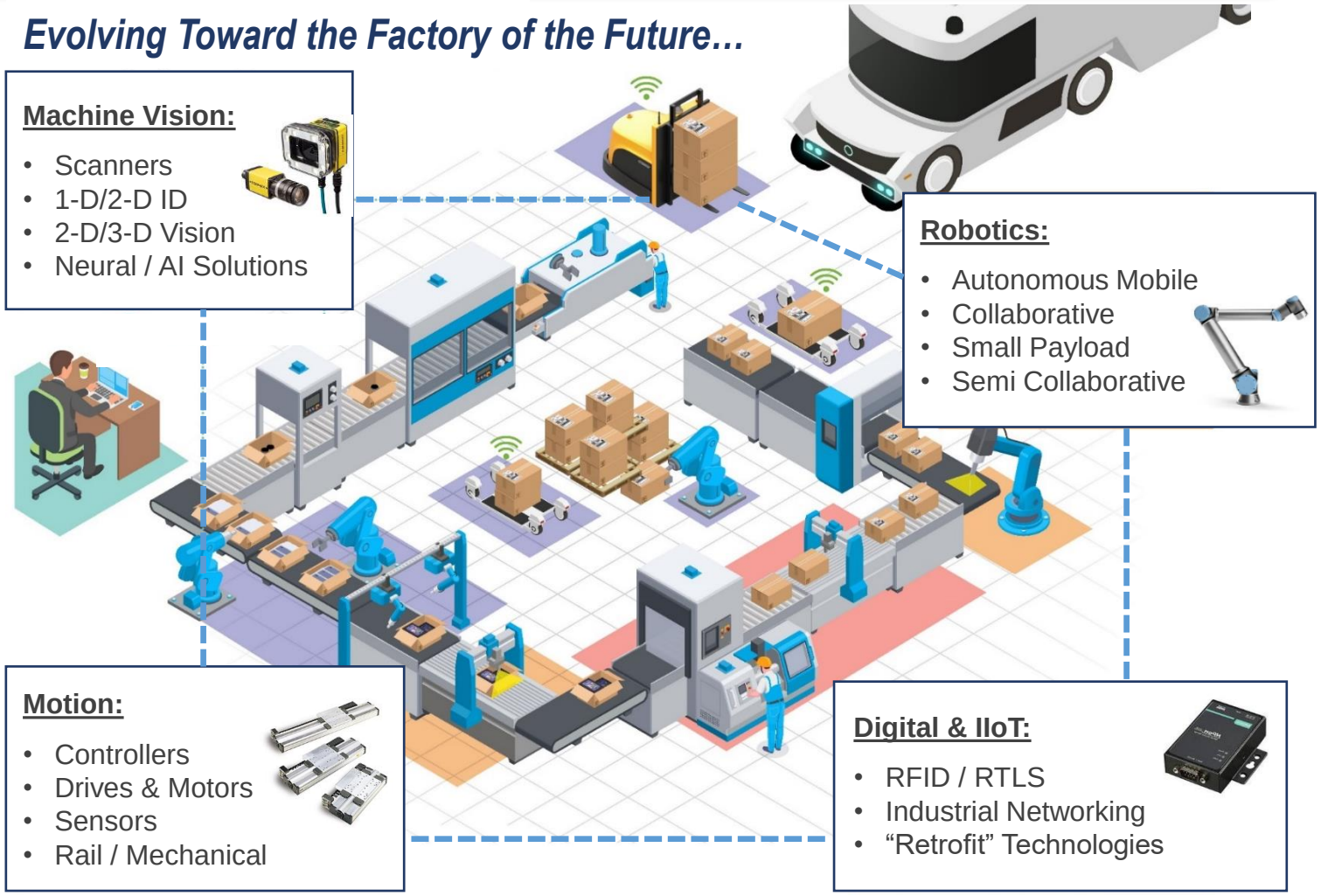
Olympus CONTROLS | ACS advanced control solutions | GIBSON ENGINEERING

Automation, Inc. | KOPAR AUTOMATIZACIÓN Y ROBÓTICA INDUSTRIAL | RRF RR Floody Company Inc

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

Motion:

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

Digital & IIoT:

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

Increasing Focus on Next Generation Automation & Industry 4.0

Market Opportunity

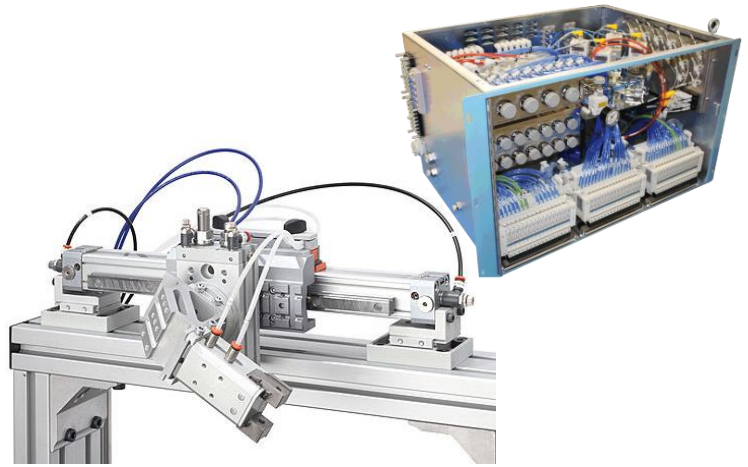
Technology converging with traditional industrial supply chains as customers address skilled labor constraints & plant efficiency, while considerations around manufacturing re-shoring & U.S. industrial infrastructure have potential to gain momentum

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

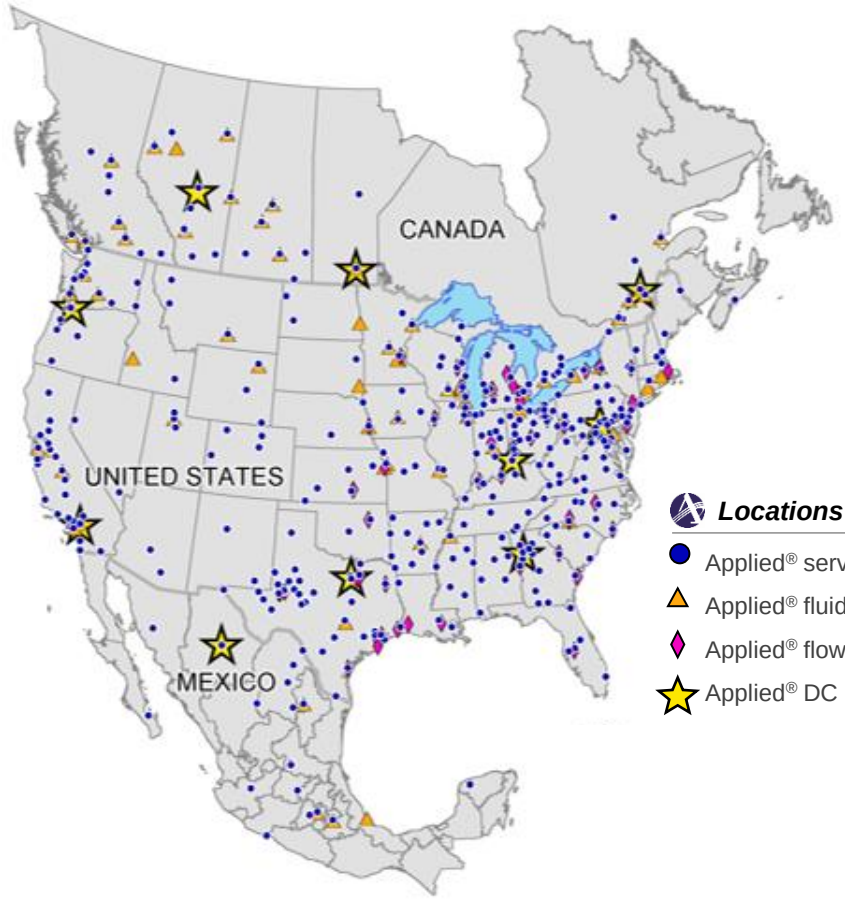
Increasing Focus on Next Generation Automation & Industry 4.0

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



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

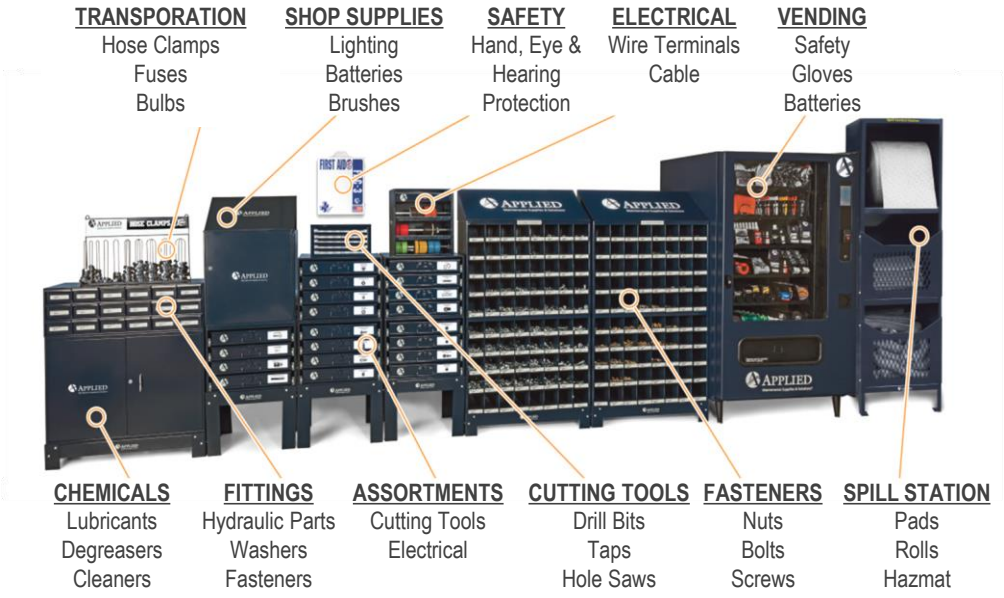
Maintenance Supplies & Solutions

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

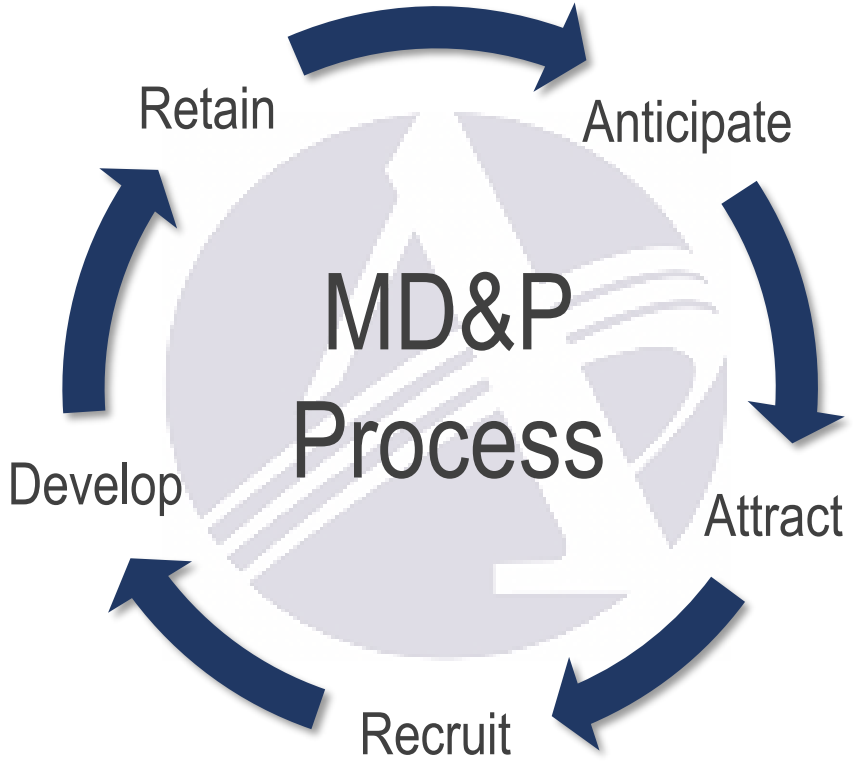
Applied MSS℠
Vending Solution For Employee Equipment, Safety Supplies, Rechargeable Devices

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

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

Environmental - Social - Governance (ESG)

Our ESG Focus Takes Many Forms

- *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*



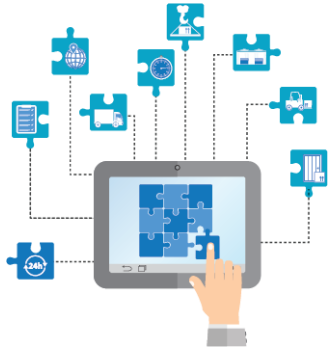
Core Values

- 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

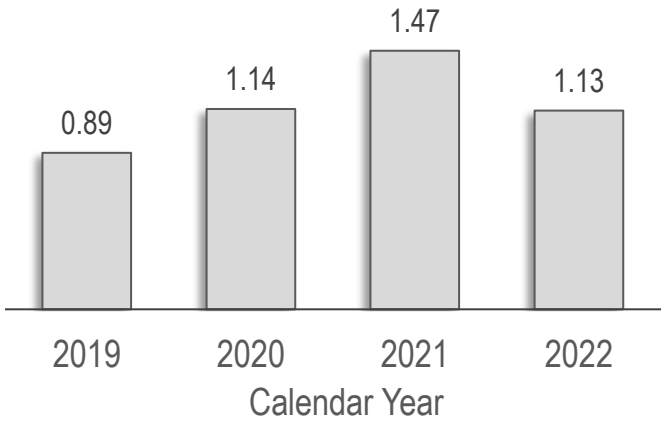
Demonstrated Commitment to Conducting Business Fairly, Honestly, & Ethically

Safety & Sustainability Performance

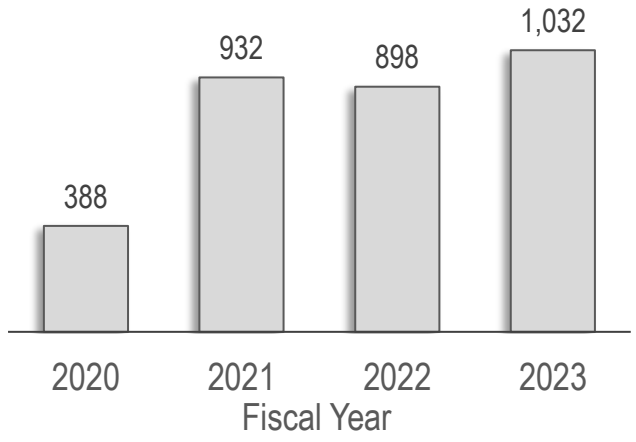
- Dedicated safety focus with comprehensive training programs across company
- Formalized EHS policy, analysis, monitoring, & accountability focus
- Low carbon footprint as a distributor
- Conduct customer energy audits on motors, belting, & gearing
- Develop fluid power systems that improve energy usage, 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



Behavior-Based Safety Observations *





** Behavior-Based Safety Observations represent positive statements of safe performance within Applied's Distribution Center Leader Safety Scorecard*

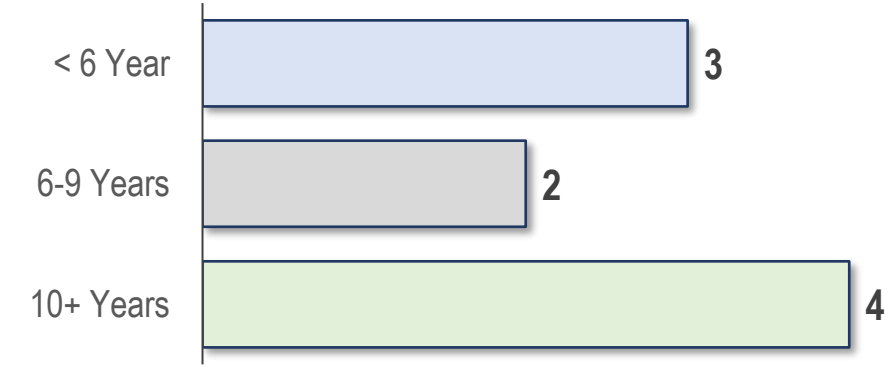
Corporate Governance

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 2023
- 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:

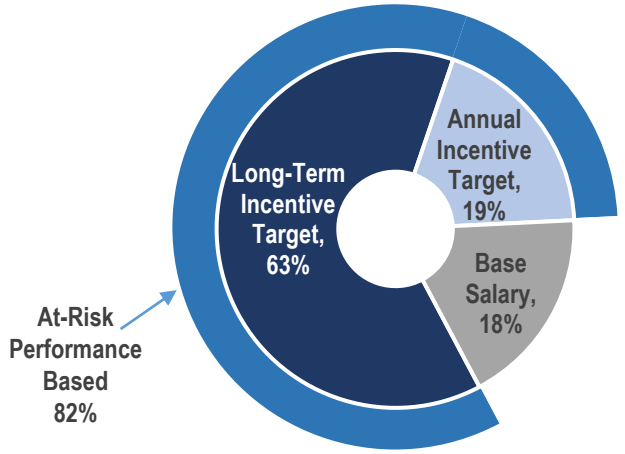
Based on Three-Year Performance Relative to Targets of:

- 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

Appendix

Appendix: Reconciliations

EBITDA, Adjusted EBITDA, & Adjusted EBITDA Margin

	Twelve Months Ended June 30							
(dollar amount in thousands)	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Net Income	$29,577	$133,910	$141,625	$ 143,993	$24,042	$144,757	$257,414	$346,739
Interest expense, net	8,763	8,541	23,485	40,188	36,535	30,592	26,263	21,639
Income tax expense	49,401	33,056	63,093	50,488	31,194	32,305	72,376	103,072
Depreciation and amortization of property	15,966	15,306	17,798	20,236	21,196	20,780	21,676	22,266
Amortization of intangibles	90,374	24,371	32,065	41,883	40,499	34,365	31,879	30,805
EBITDA	$194,081	$215,184	$278,066	$296,788	$153,466	$262,799	$409,608	$524,521
Goodwill & intangible impairment				$31,594	$131,000	$49,528		
Non-routine costs			$6,123	$2,300	$8,992	$5,163		
Adjusted EBITDA	**$194,081**	**$215,184**	**$284,189**	**$330,682**	**$293,458**	**$317,490**	**$409,608**	**$524,521**
Sales	$2,519,428	$2,593,746	$3,073,274	$3,472,739	$3,245,652	$3,235,919	$3,810,676	$4,412,794
Adjusted EBITDA Margin	**7.7%**	**8.3%**	**9.2%**	**9.5%**	**9.0%**	**9.8%**	**10.7%**	**11.9%**

Adjusted Gross Margin

	Twelve Months Ended June 30							
(dollar amount in thousands)	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Net Sales	$2,519,428	$2,593,746	$3,073,274	$3,472,739	$3,245,652	$3,235,919	$3,810,676	$4,412,794
Gross Profit	$711,001	$737,665	$883,995	$1,008,323	$937,736	$935,524	$1,106,916	$1,286,965
Non-routine expense in cost of sales					$3,900	$7,369		
Adjusted Gross Profit	**$711,001**	**$737,665**	**$883,995**	**$1,008,323**	**$941,636**	**$942,893**	**$1,106,916**	**$1,286,965**
Adjusted Gross Margin	**28.2%**	**28.4%**	**28.8%**	**29.0%**	**29.0%**	**29.1%**	**29.0%**	**29.2%**

Appendix: Reconciliations

Free Cash Flow

	Fiscal Year, Ended June 30											
(dollar amount in thousands)	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**
Cash provided by Operating Activities	$90,422	$111,397	$110,110	$157,007	$162,014	$164,619	$147,304	$180,601	$296,714	$241,697	$187,570	$343,966
Capital Expenditures	(26,021)	(12,214)	(20,190)	(14,933)	(13,130)	(17,045)	(23,230)	(18,970)	(20,115)	(15,852)	(18,124)	(26,476)
Free Cash Flow	**$64,401**	**$99,183**	**$89,920**	**$142,074**	**$148,884**	**$147,574**	**$124,074**	**$161,631**	**$276,599**	**$225,845**	**$169,446**	**$317,490**
3-Year Rolling Average Free Cash Flow			$84,501	$110,392	$126,959	$146,177	$140,177	$144,426	$187,435	$221,358	$223,963	$237,594

Net Leverage Ratio

	Fiscal Quarter											
(dollar amount in thousands)	**Q4 FY21**	**Q1 FY22**	**Q2 FY22**	**Q3 FY22**	**Q4 FY22**	**Q1 FY23**	**Q2 FY23**	**Q3 FY23**	**Q4 FY23**	**Q1 FY24**	**Q2 FY24**	**Q3 FY24**
Net Income	$59,244	$52,969	$57,026	$68,306	$79,113	$76,880	$80,457	$97,187	$92,215	$93,826	$91,228	$97,217
Interest expense, net	7,673	7,390	7,007	5,852	6,014	6,480	6,185	4,773	4,201	1,320	1,917	265
Income tax expense	14,638	14,567	15,013	21,216	21,580	22,164	25,493	25,093	30,322	25,103	24,373	25,448
Depreciation and amortization	5,139	5,427	5,436	5,352	5,461	5,481	5,552	5,565	5,668	5,717	6,048	5,802
Amortization of intangibles	8,127	8,121	8,084	7,891	7,783	7,705	7,814	7,670	7,616	7,393	7,257	6,951
EBITDA	**$94,821**	**$88,474**	**$92,566**	**$108,617**	**$119,951**	**$118,710**	**$125,501**	**$140,288**	**$140,022**	**$133,359**	**$130,823**	**$135,683**
Goodwill & intangible impairment												
Non-routine costs												
Adjusted EBITDA	**$94,821**	**$88,474**	**$92,566**	**$108,617**	**$119,951**	**$118,710**	**$125,501**	**$140,288**	**$140,022**	**$133,359**	**$130,823**	**$135,683**
Trailing 4-Quarter EBITDA	$317,490	$338,401	$362,692	$384,478	$409,608	$439,844	$472,779	$504,450	$524,521	$539,170	$544,492	$539,887
Current portion of long-term debt	43,525	88,401	40,182	40,166	40,174	181	25,189	25,196	25,170	25,171	25,159	25,107
Long-term debt	784,855	730,307	681,266	681,197	649,150	649,103	624,052	597,006	596,926	596,883	571,854	571,862
Total Debt	$828,380	$818,708	$721,448	$721,363	$689,324	$649,284	$649,241	$622,202	$622,096	$622,054	$597,013	$596,969
Cash	257,745	247,313	154,843	188,084	184,474	147,575	165,538	182,127	344,036	360,415	412,855	456,533
Net Debt	**$570,635**	**$571,395**	**$566,605**	**$533,279**	**$504,850**	**$501,709**	**$483,703**	**$440,075**	**$278,060**	**$261,639**	**$184,158**	**$140,436**
Net Leverage Ratio	**1.8**	**1.7**	**1.6**	**1.4**	**1.2**	**1.1**	**1.0**	**0.9**	**0.5**	**0.5**	**0.3**	**0.3**