APPLIED
Industrial Technologies®

Strong Foundation

Expanding Capabilities

Outstanding Potential







Safe Harbor

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, 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 Earnings per Share (EPS), Adjusted Net Income, EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Free Cash Flow - 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 EPS, Adjusted Net Income, EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, and Free Cash Flow are set forth in the appendix to this presentation.

Company Profile

APPLIED Industrial Technologies®

We Are One Of The Largest Distributors And Service Providers Of Industrial Motion And Control Technologies In The World

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

$3.5B Revenue	$330M EBITDA	$2.7B Market Cap
7M+ Product SKUs	3,600+ Customer-Facing Associates	600+ Service Facilities

Headquartered in Cleveland, Ohio
Operating for More Than 97 Years

Note: Revenue and EBITDA based on reported fiscal 2019

Providing Technical Products To Critical Areas of the Industrial Sector Through an Unmatched Service and Solutions Oriented Model

Products & Solutions that Enable Our Customers' Success

Business Overview

Industry leader
with proven track record



Well-positioned
in large, fragmented market

Strong cash generation
providing business flexibility & ability to quickly de-lever

Strategic plan
for accelerated growth

Driving Shareholder Value Creation via

Business Execution | Strategic Investments | Dividends | Share Repurchases

Strong Foundation, Expanding Business Capabilities, Outstanding Potential

Enhanced Differentiation

Critical Core Products

> 80%
of sales in critical Bearing, PT, and Fluid Power & Control segments;

> 50%
in response to critical “break / fix” requirements...

“We Keep Industry Moving!”

Customer Return Enhancing Solutions

Wide Range
of Technical Services, including: Engineering Design, Assembly, Repair, Technical Support, Storeroom Inventory Management & other solutions for a diverse customer base

Fluid Power & Flow Control Leader

Leading
Provider of Engineered Fluid Power & Specialty Flow Control solutions with leading brands, technical expertise & value-added services for OEMs & MRO end users

Geography & Channels

600+
Local facilities &

3,600+
Customer-facing associates providing immediate product / technical support; serving customers through

5
channels to market

Extensive Product & Service Offering for Diverse Industry Requirements

Broad Product Portfolio

7+ Million SKUs

Power Transmission	Bearings, Linear & Seals	Fluid Power	Specialty Flow Control	General Maintenance; Hose Products
				
24%	20%	21%	16%	19%

Fiscal 2019

Critical Products, Services & Solutions… Reducing Downtime, Increasing Uptime

Multi-Channel Capabilities

Customer



Service Centers

- Proximity
- Technical Support
- Core Products
- Shop Services



Fluid Power

- Product Expansion
- System Design
- Application Expertise
- Innovative Solutions



Flow Control

- Mission-Critical Engineered Full-Cycle Solutions
- Highly Technical Sales Team



Automation

- Value-added Automation Expertise (Design, Assembly & Integration)
- Distribution
  - Motion Control
  - Machine Vision
  - Robotic Technologies



E-Business

- Applied.com
- EDI & PunchOut
- Digitalize Customer Experience



MSS

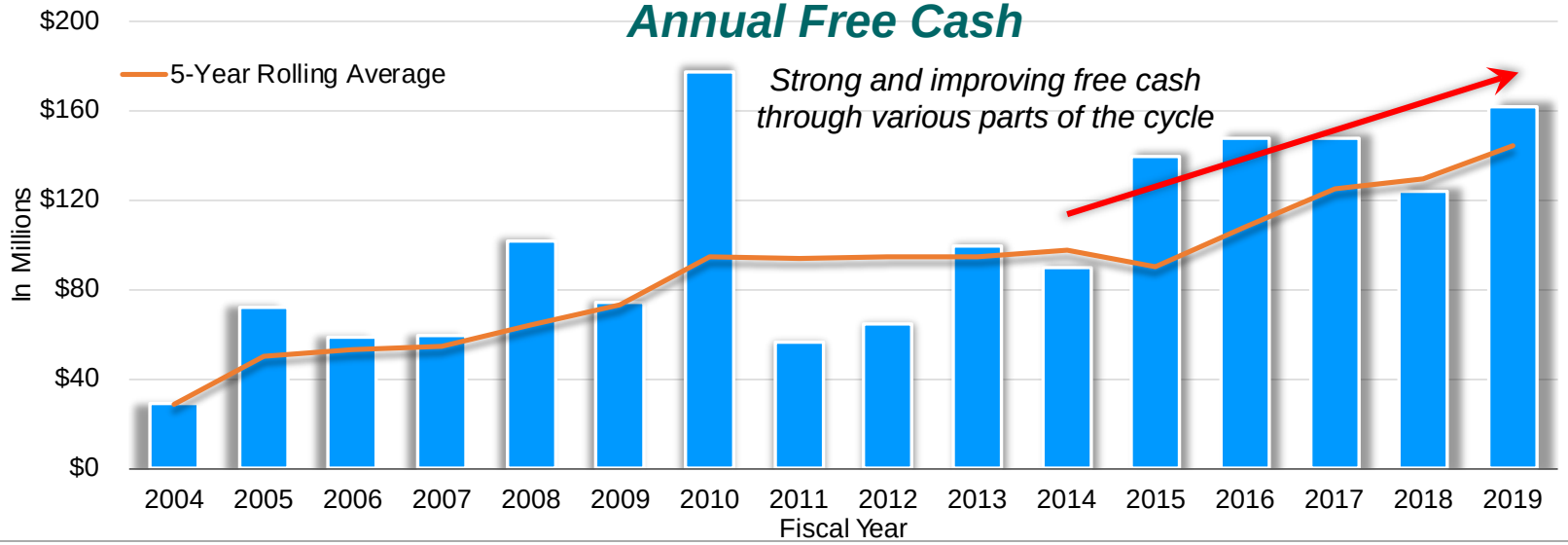
- Maintenance Supplies & Solutions
  - VMI & Vending
  - Class “C” Consumables

- *Expanding Multi-Channel Sales & Marketing Efforts*
- *Providing Customers Choice, Convenience & Expertise*
- *Leveraging Leading Technical MRO & OE Distribution Position*
- *Addressing Technical Voids Due to Aging Customer Workforce*

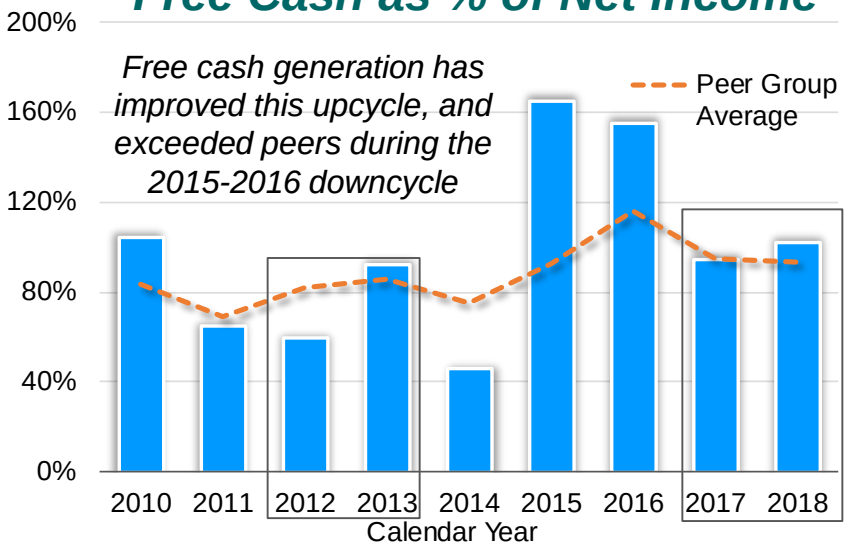
Productively Reaching End Markets… Providing Choice, Convenience, Expertise

Historical Free Cash Generation

Annual Free Cash



Free Cash as % of Net Income



Note: Peer average includes W.W. Grainger, Fastenal, MSC Industrial Direct, and WESCO

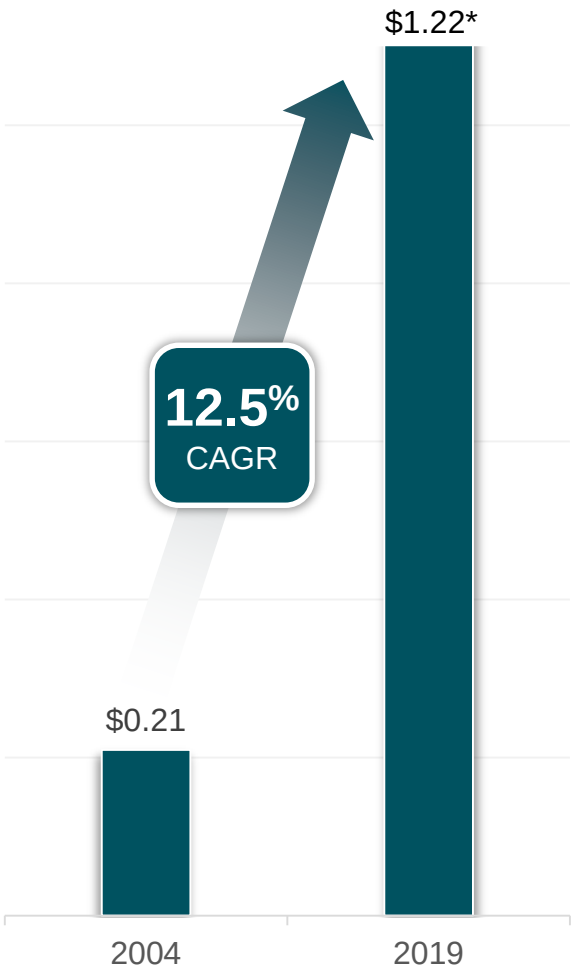
Cash Flow Guidance - Fiscal 2020

$ in millions	2019	**2020 Guidance**	YoY Chg
Cash from Operations	$181	**$220 - $245**	29%
Free Cash Flow	$162	**$200 - $220**	30%
% of Net Income	*94%*	***118% - 130%***	

Flexibility for Growth, Shareholder Returns & Balance Sheet Utilization Through the Cycle

Returning Capital to Shareholders

Dividends Per Share



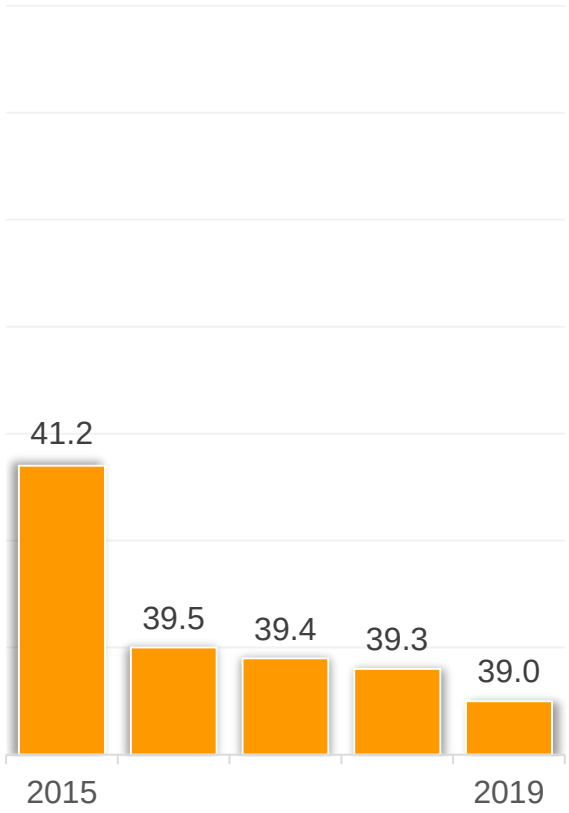
Share Repurchases

($, in millions)



Shares Outstanding

(in millions)



*Full fiscal year 2019

Returning Capital to Shareholders via Dividends & Repurchase Activity

Q2 FY20 Key Discussion Points

Discussion Point	Update	Detail
1. Industrial Demand	• *End-market demand remains subdued; trends weakened in Dec following stabilization in Oct and Nov*	• *20 of top 30 industry verticals down YoY; most notable declines in metals, mining, oil & gas, and machinery verticals*
2. Inflation & Pricing	• *Supplier price increases continue, but at more modest pace*	• *Q2 gross margin unchanged YoY*
3. Cash Generation	• *Working capital initiatives and slower demand environment driving strong cash generation*	• *YTD Cash from Operations $105M; Free Cash Flow $93M = 119% of adjusted net income*
4. Cost Control	• *Solid execution on recent cost actions and ongoing expense discipline in the current soft demand environment*	• *SD&A expense down 3.4% YoY on an organic basis in Q2*
5. Outlook	• *Expect tepid demand near term as customers slowly rebound from an evolving trade/production backdrop*	• *Organic daily sales trending down mid-single digits YoY Jan month-to-date*
6. Capital Deployment	• *M&A top priority, but opportunistic with debt reduction, dividend increases, and share buybacks*	• *M&A pipeline remains active, increased dividend for 11th time since 2010; cash generation provides ample flexibility*

Margin Execution and Free Cash Generation Balancing Slower Demand

Fiscal 2020 Guidance – Updated January 2020

	FY19 Actual		FY20 Guidance
Sales	$3.47B	**-2%** to **0%** *(-5% to -3% organic)*	$3.40B - $3.47B
EPS	$4.41*	-5% to 0%	$4.20 - $4.40**
Free Cash	$162M	+23% to +36%	$200M - $220M

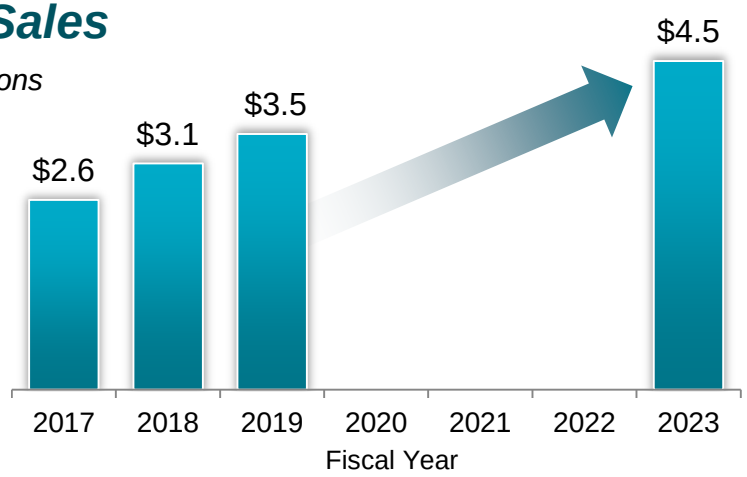
- *FY19 reflects adjusted Non-GAAP EPS – excludes a Net $0.70/sh Non-Cash Intangible Impairment Charge and $0.04/sh of Restructuring Costs*
- *** FY20 reflects Non-GAAP EPS – excludes $0.02 of Non-Routine expense during Q1 FY20*

Assumes Cautious End-Market Outlook, But Strong Cash Generation

2023 Strategic Objectives

Net Sales

$ in Billions

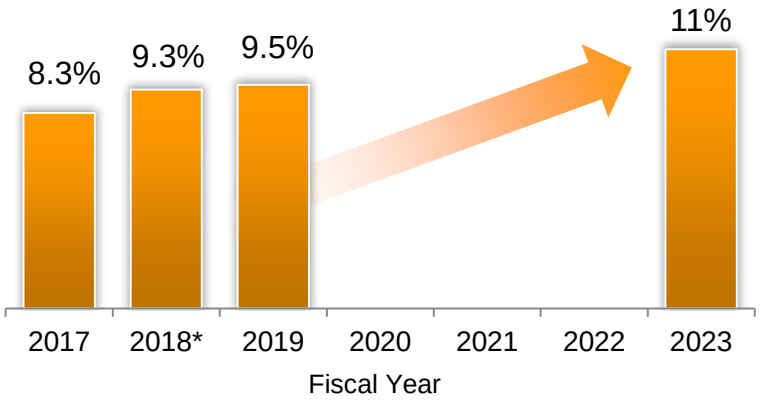


Grow Revenues to >$4.5 Billion

- Mid-Single Digit Organic Growth
- ~$100M of Accretive Acquisitions Per Year
- ~9% Compounded Growth Over 5-Year Strategy Horizon

EBITDA Margin

EBITDA % of Sales



** FY18 adjusted to exclude one-time FCX acquisition costs*

Increase EBITDA Margins to >11%

- Through Sales & Margin Expansion
  - *Continued focus on accretive value-add services & expansionary products*
- Leveraging of Systems Investments & Operational Excellence Initiatives
- Continuing Cost Discipline

Generating Shareholder Value With Proven Track Record of Execution

Why Invest in Applied

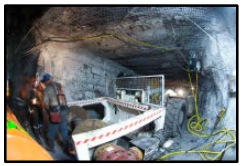


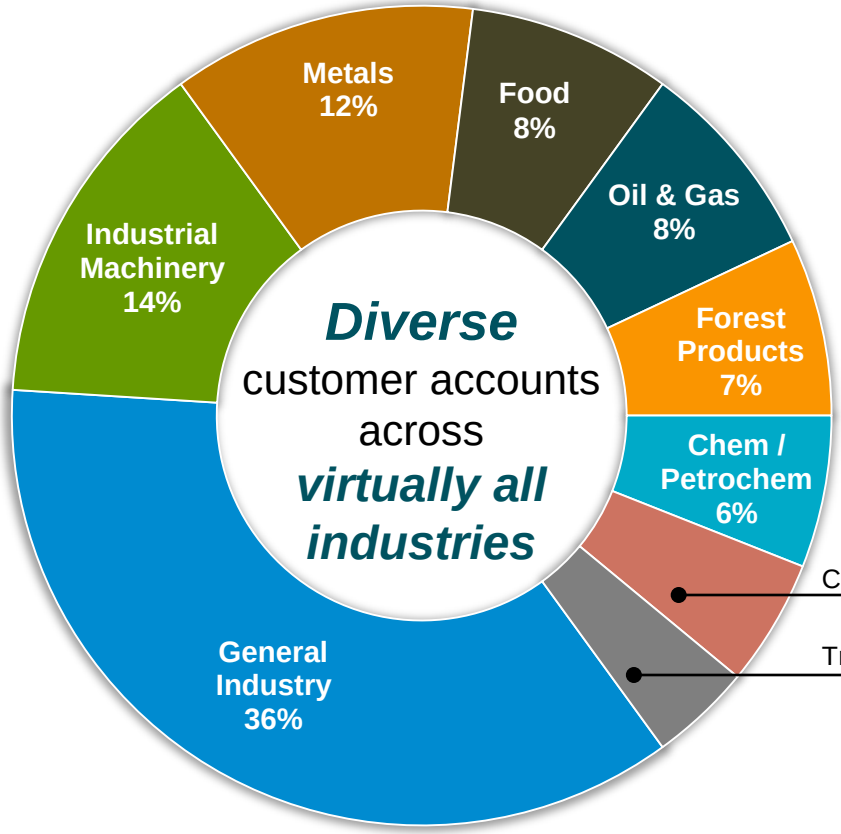
Strong Foundation, Expanding Capabilities, Outstanding Potential

Diverse Customer Base







Fiscal 2019



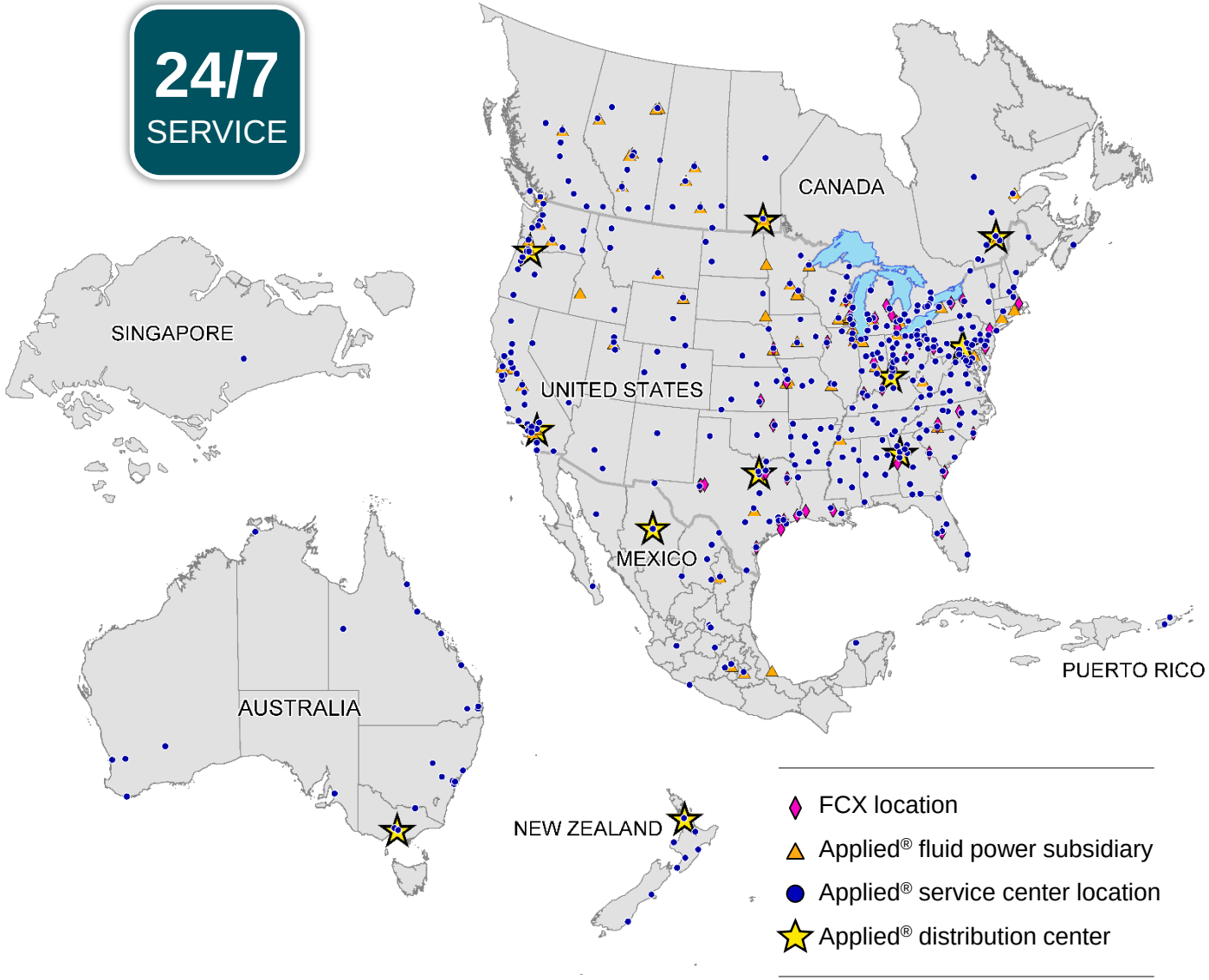





Diverse Customer Base… Opportunities for Further Market Penetration

Broad Geographic Coverage

24/7
SERVICE



Global Operations

430+ MRO-Focused Service Centers Supported by 11 Distribution Centers

- Experienced Inside Sales Associates
- Dedicated Outside Sales Associates
- Overnight Replenishment, Dedicated Delivery

70+ Fluid Power Sales & Service Facilities

- Industry Leader in Fluid Power Solutions
- Leading Brands, Value-Added Services

65+ Flow Control Sales & Service Locations

- Premier Provider in Process Flow Control
- Leading Brands, Value-Added Services

A Leading Market Position & Excellent Geographic Coverage

Strong Supplier Partners



Leading Manufacturers… Winning in the Marketplace

Customer Return Enhancing Capabilities


Rubber Services


Hose Assembly


Linear Shafting


Reducer Rebuild Program


Storeroom Services


Technical Support


MaintenancePRO®

Documented Value-Added® (DVA®)



Services & Solutions that Positively Impact Customers' Owning / Operating Costs

Growth Strategy

Accelerate Profitable Growth



Clear Market-Driven Strategy to Accelerate Profitable Growth

Core Growth

Driving Profitable Sales Growth

Reaching the **RIGHT** Customers

- Retain, Penetrate & Add
  - -Local Accounts
  - -Strategic Accounts
- Vertical Markets

Having the **RIGHT** Associates

- Leadership
- MD&P – Talent Management
- Standards of Work
- Training & Development

Utilizing the **RIGHT** Processes

- Enhanced Sales Planning
- Plan Attainment
- Selling Tools

Driving the **RIGHT** Actions

- Sales Growth
  - -New Accounts
  - -Product Expansion
- Documented Value-Added® (DVA®)
- Margin Enhancement

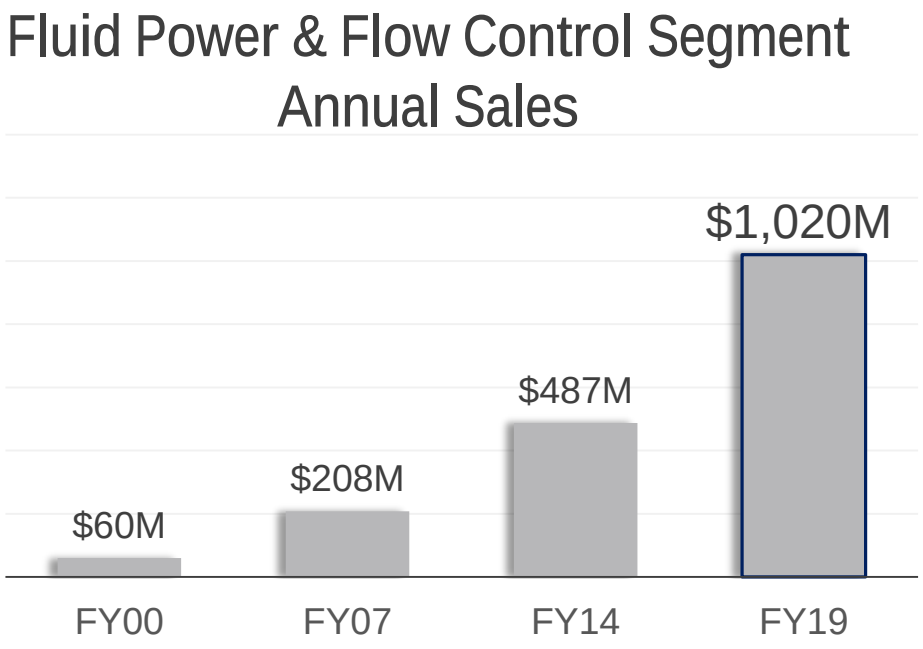
Supported by **RIGHT** Resources

- Supply Chain & Logistics
- Suppliers
- Specialists
- FP Subs & MSS
- Applied.com

Consistent Processes to Generate Above Market Sales & Margin Growth

Leading Fluid Power & Flow Control Platform





	FY00	FY07	FY14	FY19
% of Sales	4%	10%	20%	**30%**

- Largest Provider of Fluid Power and Specialty Flow Control Solutions in North America
- Higher Margin and Faster Growing Area of Applied's Business
- Focused on Highly Engineered, Technical MRO and OEM Solutions
- Solution Based Growth Strategy Tied to Mission Critical Areas of the Industrial Supply Chain
- Secular Tailwinds from Production & Process Efficiencies, Compliance Standards, Regulations, and Automation Trends

Leading Engineered Fluid Power & Flow Control Systems Provider

Fluid Power: Overview and Industry Application

APPLIED Industrial Technologies®

APPLIED Fluid Power®

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

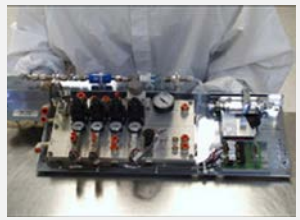
Advantages: More power in smaller spaces than other forms of power transmission

- *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

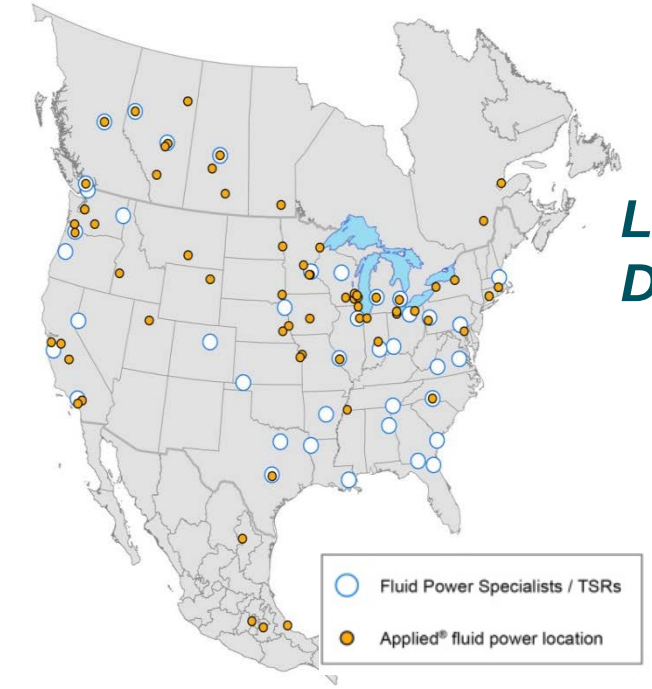
The Leading Provider of an Unmatched Industrial Power & Efficiency Solution

Key Applications Across Market Focus

Off-Highway Mobile	Industrial	Technology
		
		

Integral to the Industrial Sector's Growth and Efficiency

Fluid Power Platform



APPLIED Fluid Power®

Largest Fluid Power Distributor in the World

- **70+ locations in U.S., Canada, Mexico & Singapore**
- **1,000+ Associates**
- **350+ Premier Product Lines**

- *Leading the Industry in Innovative Fluid Power Technology Solutions Through Highly Engineered Systems Design, Assembly, Integration & Value-Added Services*
  - Integrating Electronic Controls for Precision Machine Performance
  - Applying New Technology to Reduce Manufacturers' Power Consumption & CO_2 Emissions
  - Optimizing Plant & Equipment Efficiency
  - Enabling Automation, Remote Monitoring, Data Analytics

Hydraulic System & Manifold Design



Electro-Pneumatic /Hydraulic Control Systems



Electronic Control Integration & Programming



Hydraulic Hose Assembly Fabrication



Hydraulic Power Units



Filtration / Purifier Systems



Centralized Lubrication Systems



Fluid Power Repair Services



Fluid Power Capabilities… Components, Services & Solutions

Fluid Power Position and Value Proposition

APPLIED Industrial Technologies®

APPLIED Fluid Power®

We Provide Innovative Fluid Power Solutions Through Unmatched Engineered Systems Design, Assembly, Integration & Service Capabilities

Engineering & Design





- Customize fluid power systems for a diverse selection of customer applications
- Team of certified engineers and designers
- Utilize CAD software and 3D modeling
- Provide customer consultation, analysis

System Build & Integration





- Hydraulic Power Units, Cartridge Valve Manifolds, Lubrication & Filtration Systems
- Electronic Control Integration
- Sensor and Robotics Implementation
- Hydraulic Hose Assembly

Service & Repair





- Leverage extensive service center network and fluid power specialists
- State-of-the-art repair facilities for pumps, motors, valves and cylinders
- Team of technicians
- Inspection and testing services

Fluid Power Capabilities… Components, Services & Solutions

Flow Control: Overview and Industry Application

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

Flow Control 101: Products used to manage and control the flow of liquids and gases within an industrial facility or process industry

Product Detail: Includes flow handling (pumps, compressors), flow management (valves, actuators) and 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, and IIoT

Key Applications Across Market Focus

Chemical



OEM & Manufacturing



Life Sciences



Food & Beverage



Steel & Metals

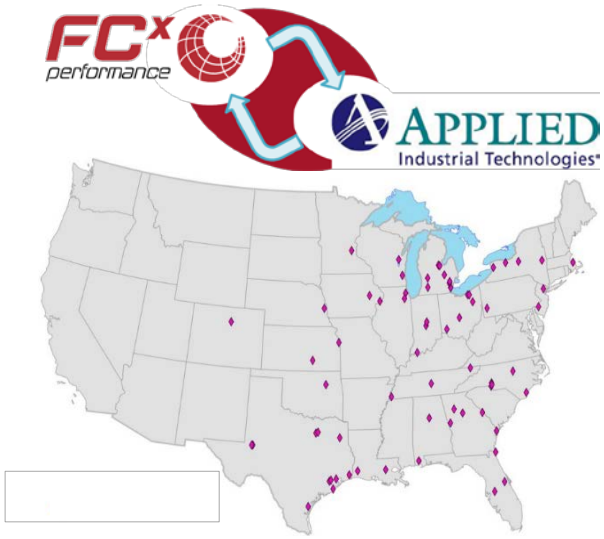


Water Infrastructure



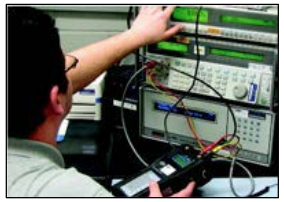
Solutions Critical to Process Movement Across the Industrial Sector

Flow Control Platform



Leading Distributor of Specialty Flow Control Products & Services

- 65+ Locations, 1,000+ Associates
- Focused on Designing, Repairing and Implementing Pumps Valves and Related Instrumentation Across Mission-Critical Industrial Process Systems
- Comprehensive Product Offering (100K+ SKUs)
- Value-Added Service & Repair Capabilities
- Highly Technical Sales Team

Systems Integration	**Pump Repair**	**Valve Repair**	**Pipe Fabrication**	**Process Instrumentation**	**Compressed Air Services**
					
Compliance Consulting	**Valve Actuation**	**Actuator Repair**	**Hose Fabrication**	**Instrument Services**	**Commissioning Services**
					

Leading Solutions Provider for Engineered Flow Control Applications

Flow Control Position and Value Proposition

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

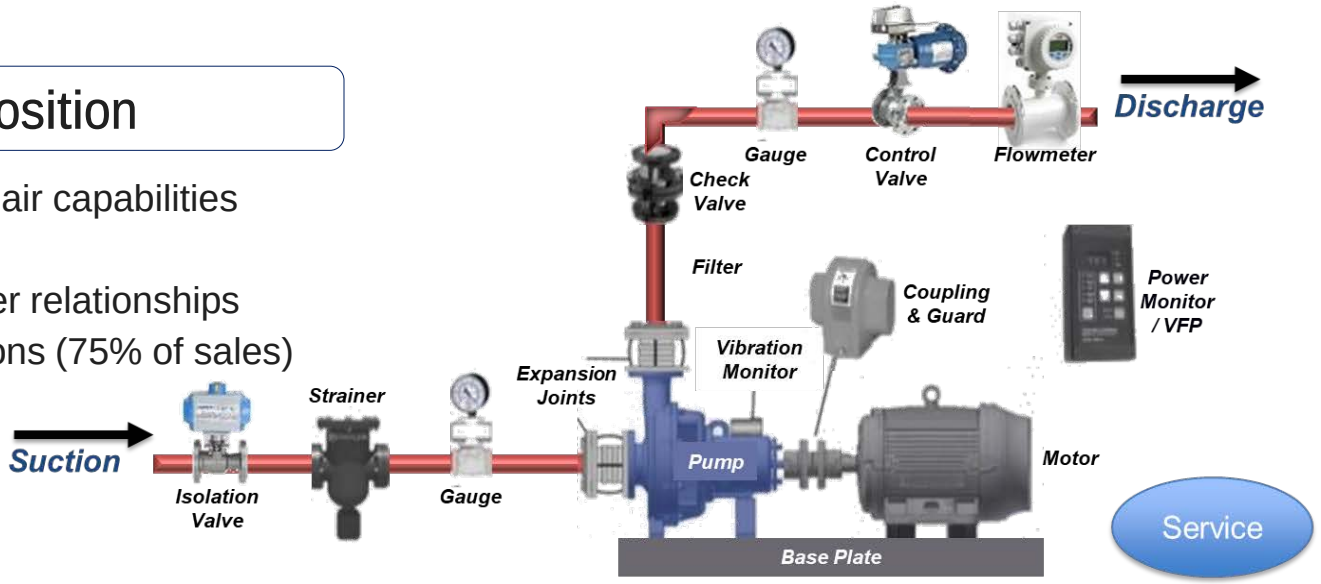
Strategic Rationale and Growth Strategy

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

Drivers of Competitive Position

- Unmatched service and repair capabilities
- Highly technical sales team
- Long-term exclusive supplier relationships
- Focused on MRO applications (75% of sales)

Providing Everything Along The Industrial Pipe



Leading Solutions Provider for Engineered Flow Control Applications

Maintenance Supplies & Solutions







APPLIED
Maintenance Supplies & Solutions®

A leading value-added ***National Distributor of C-Class Maintenance, Repair, Operating and Production (MROP)*** supplies specializing in fasteners; cutting tools & abrasives; paints & chemicals; tube, hose & fittings; electrical; safety; shop supplies and other industrial products ***serving customers in virtually every industry.***

Vendor Managed Inventory Specialists

47,000+ ***SKUs*** in stock

250,000+ ***SKUs*** available

200+ ***Sales & Service*** Representatives

4 ***Distribution Centers***

Applied MSS℠… Enhancing Our Industrial Product Offering

Proven Acquisition Record

Committed to pursuing opportunities that are aligned with our ***Strategic Priorities*** and generate ***Shareholder Value.***

41 since 2000 ⟶ **24** since 2012; **~$1B** in annualized revenue

U.S.

- 2008 — FPR Group
- 2012 — PAI
- 2013 — TOPS
- 2014 — Reliance, Knox, Ira
- 2015 — Atlantic Fasteners
- 2015 — S. G. Morris Co.
- 2016 — HUB Industrial Supply
- 2017 — Sentinel Fluid Controls
- 2018 — FCX
- 2018 — Fluid Power Sales
- 2019 — MilRoc Distribution / Woodward Steel
- 2019 — Olympus Controls

CANADA

- 2000 — First Canadian Operations
- 2005 — GLM (Quebec)
- 2010 — SCS (Ontario)
- 2014 — Reliance
- 2016 — Seals Unlimited

MEXICO

- 2001 — First Mexican Operations
- 2003 — Rybalsa
- 2007 — VYCMEX
- 2008 — Enol
- 2014 — RODENSA
- 2017 — DICOFASA

AU/NZ

- 2012 — SKF Distribution Businesses
- 2014 — GSB / Northam

Select Acquisition Activity 2000-2019

- Flow Control
- Fluid Power
- Maintenance Supplies & Solutions
- Automation
- Oil & Gas
- Power Transmission / Bearings

Disciplined, Strategic Acquirer… Accelerating Activity

Talent Development



Management Development & Planning

- Expanding Organizational Vitality
- Enhancing Performance & Realizing Potential
- Creating Succession & Organizational Plans
- Top Talent – Development & Retention
  - ***Best Team Wins!***

Strengthening Leadership & Organizational Capabilities

- Deployed HR Information System for:
  - Recruitment
  - Performance Management
  - Career Development
  - Succession

  Integrated System Enhancing the Hire-to-Retire Process
- Launched Competency-Focused Career Website
- Expanding Data Analytics for Selection & Development
- Direct, Ongoing Communication to 30,000+ Candidates Through Our Talent Network
- Competency-based Career Ladders & Focused Training Framework:
  - 70% On-the-Job Training
  - 20% Project-Based Training
  - 10% Formal Training

Linking Talent to Execute Business Strategy & Deliver Operating Plans

Environmental • Social • Governance

The value we provide can take many forms … actively advising our customers on how to save energy in their operations and reduce their overall environmental impact; implementing greener practices in our operations; promoting diversity and continuous learning across our organization; and supporting the well-being of our associates and our communities.



Core Values

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



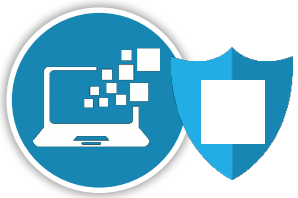
Corporate Governance

- Diverse, seasoned executives
- Accepted principles & practices
- Integrity & transparency in financial reporting



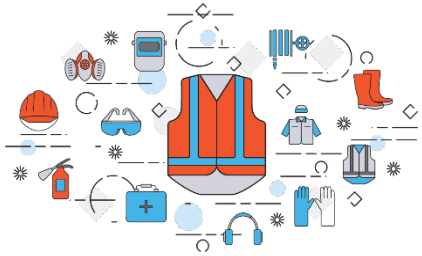
Supply Chain Management

- 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

Core Values



Integrity

Honest and trustworthy in all we do



Respect

Fair and ethical relations with everyone



Customer Focus

Dedicated to customer needs; providing value-added service at every touch point



Commitment to Excellence

Quality in our products, service and support



Accountability

Motivated and responsible for our actions and results



Innovation

Creative in generating value; anticipating and embracing change for new opportunities



Continuous Improvement

Committed to becoming better, as individuals and as a team



Teamwork

Working together, winning together

Reflect Our Foundation, Our Present & Our Future

APPLIED
Industrial Technologies®

Strong Foundation

Expanding Capabilities

Outstanding Potential

Appendix







Appendix: Reconciliation of Adjusted. Net Income and EPS

	Net Income Impact Year Ended June 30,		Per Share - Diluted Impact Year Ended June 30,	
	2019	2018	2019	2018
Net Income and Net Income Per Share	**$ 143,993**	**$ 141,625**	**$ 3.68**	**$ 3.61**
Adjustments:				
FCX one-time costs	-	5,128	-	0.13
Canadian intangible impairment	23,109	-	0.59	-
Canadian tax valuation allowance	3,785	-	0.10	-
Restructuring costs	1,702	-	0.04	-
Adjusted Net Income and Adjusted EPS	**$ 172,589**	**$ 146,753**	**$ 4.41**	**$ 3.74**

Appendix: Reconciliation of Free Cash Flow

	Twelve Months Ended June 30															
(in thousands)	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Cash provided by Operating Activities	$40,863	$81,034	$69,853	$70,925	$110,303	$81,300	$184,324	$76,842	$90,422	$111,397	$110,110	$157,007	$162,014	$164,619	$147,304	$180,601
Capital expenditures	(14,383)	(9,208)	(11,057)	(11,192)	(8,410)	(6,988)	(7,216)	(20,431)	(26,021)	(12,214)	(20,190)	(14,933)	(13,130)	(17,045)	(23,230)	(18,970)
Free Cash Flow	**$26,480**	**$71,826**	**$58,796**	**$59,733**	**$101,893**	**$74,312**	**$177,108**	**$56,411**	**$64,401**	**$99,183**	**$89,920**	**$142,074**	**$148,884**	**$147,574**	**$124,074**	**$161,631**

Appendix: Reconciliation of EBITDA, Adjusted EBITDA, and Adjusted EBITDA Margin

	Twelve Months Ended June 30								
(in thousands)	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Net Income	$96,759	$108,779	$118,149	$112,821	$115,484	$29,577	$133,910	$141,625	$143,993
Interest expense, net	1,668	(9)	165	249	7,869	8,763	8,541	23,485	40,188
Income tax expense	56,129	58,047	59,516	53,441	60,387	49,401	33,056	63,093	50,488
Depreciation and amortization of property	11,234	11,236	12,501	13,977	16,578	15,966	15,306	17,798	20,236
Amortization of intangibles (including impairment)	11,382	11,465	13,233	14,023	25,797	90,374	24,371	32,065	73,477
EBITDA	$177,172	$189,518	$203,564	$194,511	$226,115	$194,081	$215,184	$278,066	$328,382
Non-routine costs								6,123	2,300
Adjusted EBITDA	$177,172	$189,518	$203,564	$194,511	$226,115	$194,081	$215,184	$284,189	$330,682
Sales	$2,212,849	$2,375,445	$2,462,171	$2,459,878	$2,751,561	$2,519,428	$2,593,746	$3,073,274	$3,472,739
Adjusted EBITDA Margin	8.0%	8.0%	8.3%	7.9%	8.2%	7.7%	8.3%	9.2%	9.5%