

We Keep Industry Running



#### APPLIED® AT A GLANCE

##### SALES FOR FISCAL YEAR ENDED 6/30/17:

\$2.6 billion

##### EPS FOR FISCAL 2017:

\$2.83\*

##### OPERATING FACILITIES:

More than 550 in the United States, Puerto Rico, Canada, Mexico, Australia, New Zealand and Singapore

##### DISTRIBUTION CENTERS:

12

##### INTERNET SITE:

www.Applied.com

##### CATALOG:

2017 / 2018 Applied Industrial Technologies Product Catalog

##### STOCK KEEPING UNITS (SKUS)

##### AVAILABLE TO CUSTOMERS:

More than 6.5 million

##### PRODUCT MANUFACTURERS (SUPPLIERS):

More than 4,000

##### ADDRESS:

Applied Industrial Technologies  
Corporate Headquarters  
1 Applied Plaza  
Cleveland, OH 44115  
216/426-4000

##### NYSE:

AIT

Data current as of 8/11/17

\*Number reported is before worthless stock tax deduction in FY 2017.

## ABOUT APPLIED

Applied Industrial Technologies is a leading distributor of bearings, power transmission products, fluid power components, and other industrial supplies, serving MRO and OEM customers in virtually every industry. In addition, Applied provides engineering, design and systems integration for industrial and fluid power applications, as well as customized mechanical, fabricated rubber and fluid power shop services. Applied also offers storeroom services and inventory management solutions that provide added value to its customers.

**Simply stated – We Keep Industry Running... Productively.**

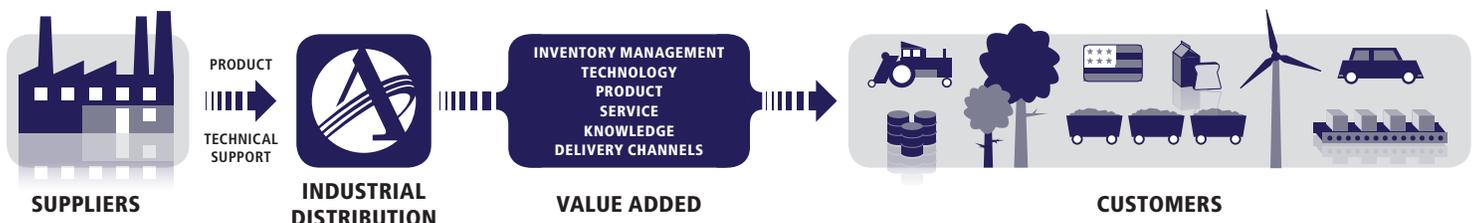
## OVERVIEW

We are excited about the future at Applied, supported by a secure financial position, committed associates, best-in-class suppliers and, of course, our growing customer base. Propelling us forward is our rich heritage of 90+ years of strength in distribution, built on a solid foundation of quality brands, innovative solutions, dedicated customer service, the highest ethical standards and a commitment to our Core Values.

With our strong foundation and significant position as a well-diversified industrial distributor, we have much to offer and even greater potential... serving customers, further enhancing our value-add capabilities and delivering on our commitment to generate shareholder value.

Three Month Financial Data as of September 30,	FY2018	FY2017
Net Sales	\$ 680.7M	\$ 624.8M
Net Income	\$ 33.7M	\$ 27.4M
Earnings Per Share	\$ 0.86	\$ 0.70
Gross Margin	28.3 %	28.5 %
Operating Margin	7.6 %	6.9 %
Debt-to-Total Cap	27.3 %	31.0 %
Cash at September 30	\$ 77.8M	\$ 58.0M
Cash Dividends Per Share/Yield	\$ .29/1.76 %	\$ .28/2.40 %
Closing Share Price on September 30	\$ 65.80	\$ 46.74
52-Week Range	\$ 69.00-43.50	\$ 48.61-35.55
Market Cap at September 30	\$ 2.6B	\$ 1.8B
Average Daily Volume (3 months)	194,000	155,000
Average Shares Outstanding	39,336,000	39,382,000

## OUR BUSINESS MODEL



## KEY OFFICERS:

Neil A. Schrimsher  
President & Chief Executive Officer

David K. Wells  
Vice President – Chief Financial Officer  
& Treasurer

## INVESTOR CONTACT:

For more information, visit the Company's website at Applied.com or contact:

David K. Wells  
Vice President – CFO & Treasurer  
Phone: 216/426-4755  
Fax: 216/426-4845  
Email: ir@applied.com

## SHAREHOLDER INQUIRIES:

Computershare  
P.O. Box 505000  
Louisville, KY 402333-5000  
800/988-5291

## ANALYST COVERAGE:

Cleveland Research Company  
Adam Uhlman 216/649-7241

Great Lakes Review - Division of Wellington  
Shields & Co.  
Elliott Schlang 216/767-1340

KeyBanc Capital Markets  
Steve Barger 216/689-0210

Longbow Research  
Chris Dankert 216/525-8486

Northcoast Research  
Ryan Cieslak  
216/468-6919

Wells Fargo Securities, LLC  
Allison Poliniak-Cusic 212/214-5062

## INVESTMENT CONSIDERATIONS

### HEALTHY BALANCE SHEET:

Applied maintains a strong balance sheet, which provides flexibility in pursuing appropriate opportunities for growth. At September 30, 2017, Applied's current ratio (current assets to current liabilities) was 3.1 to 1. Applied had \$291.1 million in debt outstanding at September 30, 2017.

### SOLID CASH FLOW:

Applied continues to generate strong cash flow, which enables us to invest for future growth and create value for shareholders. Cash provided by operations in fiscal year 2017 was \$164.6M. Working capital at September 30, 2017 was \$596.6M, improved as a percentage of quarter sales by 400 basis points year-over-year.

### DIVIDEND POLICY:

We are committed to generating increased shareholder value, including paying an attractive dividend. In January 2017, we declared an increase in the quarterly cash dividend to \$0.29 per common share, which correlates to a current annual dividend rate of \$1.16 per common share. This is our eighth dividend increase since 2010, representing a cumulative increase of more than 93% in the quarterly dividend over this period.

### CORPORATE GOVERNANCE:

Applied is committed to integrity in corporate governance and transparency in financial reporting. Applied's Board of Directors is a diverse group of seasoned executives who represent shareholders' best interests.

## SELECTED HIGHLIGHTS

### PROFITABLE SALES GROWTH:

Net sales for the three months ended September 30, 2017 increased 8.9% over the prior year. Our results for the quarter reflect ongoing progress in executing our strategic plan, with emphasis on serving our customers, enhancing our capabilities and driving continuous improvements for growth and profitability. We are well-positioned in our markets and on track to deliver our fiscal year commitments, with opportunities for continued improvement in sales, operating performance and earnings.

Our diverse industry experience, local market presence and technical expertise provide the know-how to promptly address a wide variety of unique customer needs. Serving neighboring businesses and larger-scale strategic accounts, Applied's network, capabilities, systems and experience are well matched to the complexity of our customer base and the corresponding product demand variability. Across the organization, we are utilizing the strong industry knowledge and capabilities of our Fluid Power businesses, expert rubber shops and MSS resources to support product expansion and drive new sales.

In fiscal 2018, we maintain continuity and focus on our long-range strategic plan, including five growth pillars:

**Core Growth** – growing our core sales and marketing capabilities across 550+ locations – *leveraging our local market presence and plans to expand with existing accounts and new customers*

**Product Expansion** – driving results beyond our base offerings – *with opportunities across all of our product groups*

**Fluid Power** – building upon our North American leadership – *leveraging our value-added services and expanding product offering for OEM customers, and gaining increased share of MRO end users*

**Operational Excellence** – *driving continuous improvements across the business and realizing the full potential from our ERP systems and Applied.com investments*

**Acquisitions** – *with a productive M&A pipeline, staying active in extending our business reach and expanding Applied's capabilities to serve industrial customers in our geographic markets*

Across our organization, we have more than 5,500 associates who are committed to driving the continued success of Applied, and we look forward to building on our momentum, achieving our next level of growth and generating benefits for all of our stakeholders.

### MARGIN ENHANCEMENT:

Applied's gross profit percentage was 28.3% for the three months ended September 30, 2017. Our operating margin was 7.6%. We are continuing to enhance our Operational Excellence for improvements in efficiency and profitability.

### ASSET MANAGEMENT:

In the three months ended September 30, 2017, we recorded a return on assets of 10.0% after tax.

### COST CONTROL:

SD&A expense as a percentage of sales was 20.7% for the three months ended September 30, 2017. SD&A expense increased from the prior year in absolute dollars by \$5.7 million, or 4.2%.

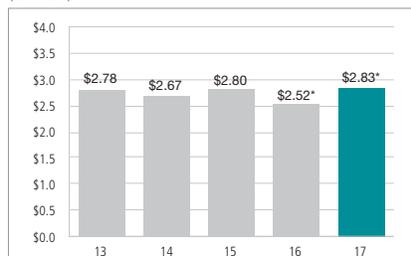
### Net Sales - Full Fiscal Year

(Dollars in Billions)



### Net Income Per Share - Full Fiscal Year

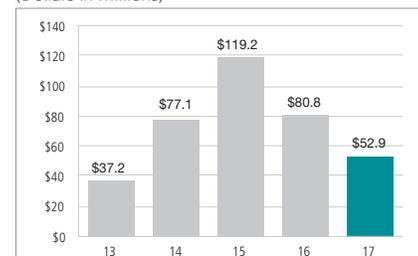
(Dollars)



### Cash Returned to Shareholders - Full Fiscal Year

Dividends + Share Repurchases

(Dollars in Millions)



\* Numbers reported are before worthless stock tax deduction in FY 2017, and goodwill impairment and restructuring charges in FY 2016.