



# STRONG FOUNDATION EXPANDING CAPABILITIES OUTSTANDING POTENTIAL

We Keep Industry Running

## APPLIED® AT A GLANCE

### SALES FOR FISCAL YEAR ENDED 6/30/18:

\$3.1 billion

### EPS FOR FISCAL 2018:

\$3.61

(\$3.74 excluding \$0.13 one-time FCX transaction costs)

### OPERATING FACILITIES:

More than 600 in the United States, Puerto Rico, Canada, Mexico, Australia, New Zealand and Singapore

### DISTRIBUTION CENTERS:

11

### E-COMMERCE:

www.Applied.com

### 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

### STOCK TICKER SYMBOL:

NYSE: AIT

Data current as of 6/30/2018

## ABOUT APPLIED

Applied Industrial Technologies is a leading distributor of bearings, power transmission products, engineered fluid power components and systems, specialty flow control solutions, and other industrial supplies, serving MRO and OEM customers in virtually every industry. In addition, Applied provides engineering, design and systems integration for industrial, fluid power, and flow control applications, as well as customized mechanical, fabricated rubber, fluid power, and flow control 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 95 years of leadership in industrial 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,	FY2019	FY2018
Net Sales	\$ 864.5M	\$ 680.7M
Net Income	\$ 48.9M	\$ 33.7M
Earnings Per Share	\$ 1.24	\$ 0.86
Gross Margin	29.1%	28.3%
Operating Margin	7.7%	7.6%
Debt-to-Total Cap	52.8%	27.3%
Cash at September 30	\$ 56.4M	\$ 77.8M
Cash Dividends Per Share/Yield	\$ .30/1.53	\$ .29/1.76
Closing Share Price on September 30	\$ 78.25	\$ 65.80
52-Week Range	\$ 82.35-59.65	\$ 69.00-43.50
Market Cap at September 30	\$ 3.1B	\$ 2.6B
Average Daily Volume (3 months)	168,000	194,000
Average Shares Outstanding	39,364,000	39,336,000

## 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

This fact sheet 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. All forward-looking statements are based on current expectations regarding important risk factors. 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 results expressed therein will be achieved.

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## INVESTMENT CONSIDERATIONS

#### HEALTHY BALANCE SHEET:

Applied maintains a strong balance sheet, which provides flexibility in pursuing appropriate opportunities for growth and generating shareholder value. At September 30, 2018, Applied's current ratio (current assets to current liabilities) was 2.8 to 1. In the five months subsequent to the incremental borrowing taken to fund the FCX acquisition, our net leverage ratio has been reduced to 2.78x EBITDA from >3.0x EBITDA immediately following the transaction.

#### 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 was \$11.8 million for the three months ended September 30, 2018. Working capital at September 30, 2018 was \$694.9 million.

## SELECTED HIGHLIGHTS

#### PROFITABLE SALES GROWTH:

Net sales for the three months ended September 30, 2018 increased 27.0% over the prior year. We are off to a solid start to our fiscal 2019, as we continue leveraging our expanded capabilities and enhanced differentiation for growth and profitability.

On November 2, 2018, we closed on the acquisition of Fluid Power Sales (FPS), a manufacturer and distributor of fluid power components, specializing in the engineering and fabrication of manifolds and power units. The innovative products, custom solutions and deep hydraulic knowledge of FPS strengthen our technical and differentiated portfolio for continued growth.

The acquisition of FCX Performance in fiscal 2018 (January) was among the most significant achievements of the year, bringing to Applied market leading, value-added specialty flow control expertise with premier brands, high-touch technical service, an extensive footprint, and strong customer relationships. As a leading distributor of specialty process flow control products and services, FCX's comprehensive value-added solutions help customers improve cost productivity, reduce downtime, increase efficiency, and effectively meet regulatory compliance standards. Together, our combined resources make Applied a leading technical solutions provider with significant opportunities for growth.

At 95 years, Applied is well-positioned as the technical MRO distribution leader and we are maintaining continuity in our five strategic elements to generate profitable growth, including:

- **Core Growth** – growing our core sales and marketing capabilities across 600+ locations – *leveraging our local market presence to expand with existing accounts and new customers*

#### DIVIDEND POLICY:

We are committed to generating increased shareholder value, including paying an attractive dividend. In January 2018, we declared an increase in the quarterly cash dividend to \$0.30 per common share, which correlates to a current annual dividend rate of \$1.20 per common share. This represented the ninth consecutive year of dividend increases.

#### 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.

- **Product Expansion** – driving results beyond our base offerings – *with opportunities across all of our product groups, including Maintenance Supplies & Solutions and value-added services*
- **Fluid Power & Flow Control** – 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 enhanced systems*
- **Acquisitions** – *staying active in extending our business reach and expanding Applied's capabilities to serve industrial customers in our geographic markets*

We are confident we will continue accelerating our momentum, leveraging our expanded capabilities, and generating ongoing success and value for all stakeholders.

#### MARGIN ENHANCEMENT:

Applied's gross profit percentage was 29.1% for the three months ended September 30, 2018, an increase of 96 bps. Our operating margin was 7.7%, 58 bps improved from the same period in the prior year.

#### COST CONTROL:

SD&A expense as a percentage of sales was 21.5% for the three months ended September 30, 2018. Realization of projected synergy benefits associated with the acquisition of FCX Performance is tracking ahead of plan.

