



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 12/31/2018

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.

Six Month Financial Data as of December 31,

	FY2019	FY2018
Net Sales	\$ 1.70B	\$ 1.35B
Net Income	\$ 87.7M	\$ 64.7M
Earnings Per Share	\$ 2.23	\$ 1.65
Gross Margin	29.0%	28.3%
Operating Margin	7.5%	7.3%
Debt-to-Total Cap	52.1%	27.1%
Cash at December 31	\$ 79.8M	\$ 85.3M
Cash Dividends Per Share/Yield	\$ 0.60/2.2	\$ 0.58/1.7
Closing Share Price on December 31	\$ 53.94	\$ 68.10
52-Week Range	\$ 82.35-50.56	\$ 70.05-54.00
Market Cap at December 31	\$ 2.1B	\$ 2.7B
Average Daily Volume (6 months)	167,000	193,000
Average Shares Outstanding	39,316,000	39,270,000

OUR BUSINESS MODEL



KEY OFFICERS:

Neil A. Schrimsher
President & Chief Executive Officer
David K. Wells
Vice President – Chief Financial Officer
& Treasurer

INVESTOR CONTACT:

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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.

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 December 31, 2018, Applied's current ratio (current assets to current liabilities) was 2.7 to 1.

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 \$65.6 million for the six months ended December 31, 2018, a \$44.4 million improvement over the prior year period. Working capital at December 31, 2018 was \$688.0 million.

SELECTED HIGHLIGHTS

PROFITABLE SALES GROWTH:

Net sales for the six months ended December 31, 2018 increased 26.5% over the prior year. We did experience some deceleration as we progressed through the quarter. The contributing factors included significantly weaker sales in the final week of the calendar year, combined with some softness and project delays in our fluid power businesses tied to technology markets (electronic equipment and component manufacturers). Additionally, we experienced an adverse impact on our margins from a LIFO inventory charge related to more pronounced inflation experienced in the quarter. In light of the softer top-line and inflationary headwinds, we initiated appropriate cost measures alongside our continued actions to drive efficiencies and execute our business plans.

During the quarter we announced 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.

Additionally, we are pleased to recognize the one-year anniversary of the FCX Performance acquisition and movement into Engineered Specialty Flow Control. FCX offers premier brands, innovative products, custom solutions, and high-touch technical service. Their 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.

DIVIDEND POLICY:

We are committed to generating increased shareholder value, including paying an attractive dividend. In January 2019, we declared an increase in the quarterly cash dividend to \$0.31 per common share, which correlates to a current annual dividend rate of \$1.24 per common share. This represents the 10th dividend increase since 2010.

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.

Moving into our 96th year of doing business, we know our individual and team responsibilities to deliver our fiscal '19 commitments - - including a continued focus on our five strategic elements: Core Growth, Product Expansion, Fluid Power & Flow Control, Operational Excellence, and Acquisitions.

As we move through the second half of fiscal '19, we will maintain an emphasis on:

- **Profitable Sales Growth** – *driving our core business growth with current customers, reaching new end users, and leveraging our value-added capabilities*
- **Margin Expansion** – *mitigating the inflationary pressures*
- **SD&A Management** – *maintaining diligence in our operational spend*
- **Working Capital Improvements** – *strengthening our business and fueling future investments*

We have a strong foundation, expanding business capabilities and outstanding potential.

MARGIN ENHANCEMENT:

Applied's gross profit percentage was 29.0% for the six months ended December 31, 2018, an increase of 77 bps. Our operating margin was 7.5%, 16 bps improved from the same period in the prior year.

COST CONTROL:

SD&A expense as a percentage of sales was 21.6% for the six months ended December 31, 2018. We continue to drive operational excellence initiatives and utilization of technology investments to lower SD&A spend.

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