



Quarter Ending June 30, 2018 Recap

August 10, 2018



WE KEEP INDUSTRY RUNNING

All forward-looking statements are based on current expectations regarding important risk factors, including trends in the industrial sector of the economy, the success of our various marketing strategies, and other risk factors identified in Applied's most recent periodic report and other filings made with the SEC. Accordingly, actual results may differ materially from those expressed in the forward-looking statements.

Non-GAAP Financial Measures

This presentation sets forth certain non-GAAP financial information - Adjusted Earnings per Share (EPS) and EBITDA - which are presented as supplemental disclosures to net income and reported results. Management believes these measures are useful indicators for normalizing earnings per share 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 and EBITDA are set forth in the appendix to this presentation.

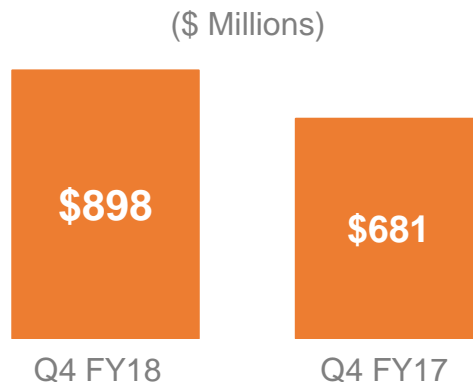
Qtr. Ending 6/30/18 Highlights

- Revenues **+31.7%** (**+9.8%** excluding FCX acquisition)
- Sequential gross margin expansion of **+43 bps** (**+28 bps** excluding FCX)
- Excluding FCX, **19.4%** flow-through to pre-tax income on incremental year-over-year volume
- EPS **\$1.03** / **+32%** year-over-year
(Q4 FY17 reported EPS of \$1.34 / share included +\$0.56 tax benefit from a worthless stock deduction. Excluding this non-routine benefit, Q4 FY17 adjusted EPS was \$0.78 / share. Comps in this presentation will be against the Q4 FY17 adjusted EPS.)
- EBITDA **\$87M** / **9.7%** of sales
- FCX acquisition & integration progressing to expectations

Qtr. Ending 6/30/18 Highlights

REVENUE

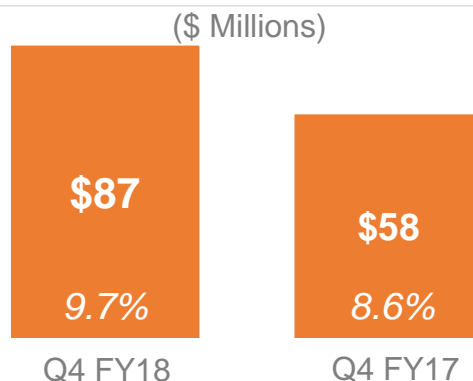
+31.7%



- Organic **+8.2%**
- Acquisitions **+22.1%**
- Currency **+0.3%**
- Selling Days **+1.1%**

EBITDA

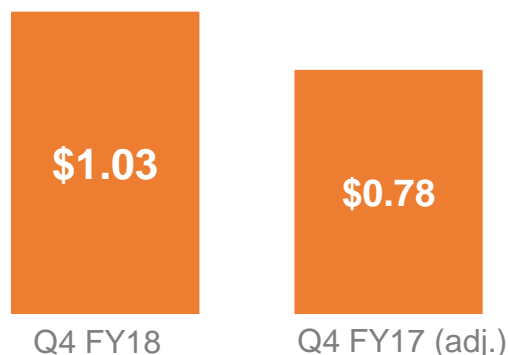
+48.9%
+112 bps



- Organic **+21.5%**
- Acquisitions **+27.4%**

EPS

+32.1%



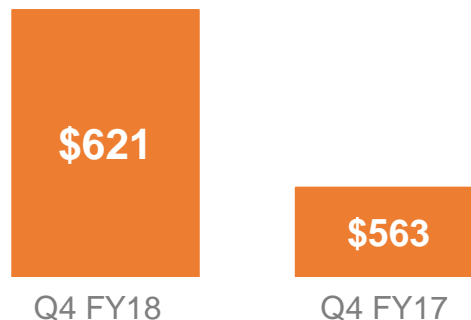
- *FCX \$0.02 / share accretive*
- *Q4 effective tax rate = 33% with final remeasurement of certain deferred tax assets & liabilities to new U.S. statutory rate*

Segment Revenues

SERVICE CENTER BASED DISTRIBUTION

(\$ Millions)

+10.2%

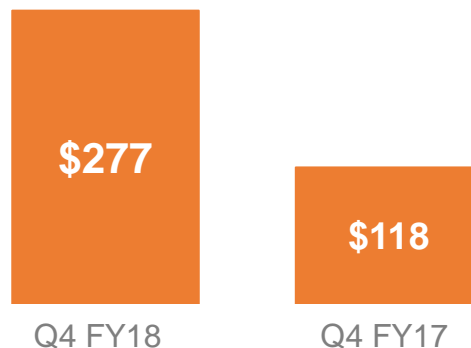


- Organic **+8.5%**
- Acquisitions **+0.2%**
- Currency **+0.3%**
- Selling Days **+1.2%**

FLUID POWER & FLOW CONTROL

(\$ Millions)

+133.8%



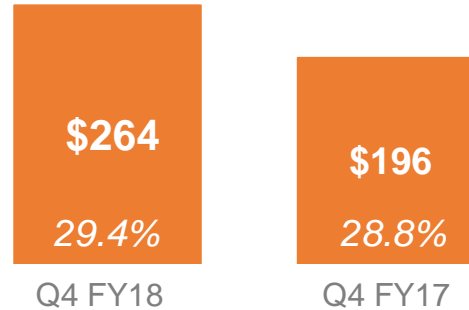
- Organic **+6.9%**
- Acquisitions **+126.1%**
- Selling Days **+0.8%**

Operating Results

GROSS PROFIT

+34.5%
+60 bps

(\$ Millions)

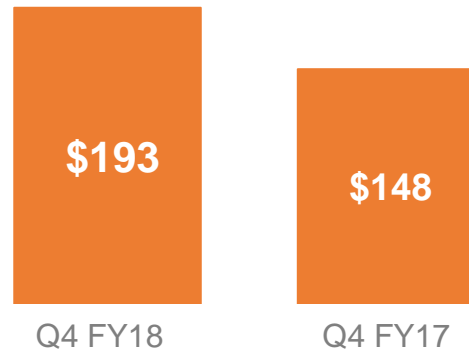


- Organic **+9.3%**
- Acquisitions **+25.2%**
- 28.6% GM% excluding FCX (only 20 bps lower than prior year quarter which included 50 bps net LIFO layer liquidation benefit recognized in Q4 FY17)

SELLING, DISTRIBUTION & ADMINISTRATIVE SPEND

+30.6%

(\$ Millions)



- Organic **+3.3%**
- Acquisitions **+26.9%**
- Currency **+0.4%**

FY18 Full-Year Recap

- Revenue of \$3.1B **+18.5%** YOY
(+8.3% excluding acquisitions & +8.0% days-adjusted organic growth)
- Gross margin expansion of **+40 bps**
(excluding FCX, second half +10 bps YOY despite 25 bps net prior year benefit from LIFO layer liquidation)
- Excluding FCX, **+18.5%** flow-through to pre-tax income on incremental volume
- Adjusted EPS of **\$3.74**, (*\$3.61 reported including \$0.13 FCX transaction one-time charges*) **+32%** YOY vs. *FY17 adjusted EPS of \$2.84 / share*
- EBITDA **\$278M** / **9.0%** of sales
- Operating cash flow **\$147M** *(including \$7M dilutive impact of one-time costs related to the FCX transaction)*

FISCAL YEAR 2019 GUIDANCE:

Sales

+16% – +18%

- Excluding benefit of FCX acquisition +5% – +7%

EPS

\$4.48 – \$4.68

- \$0.13 / share benefit from non-repeat one-time FCX acquisition costs & ~\$0.20 / share benefit from full year of FCX results
- Includes ~\$0.30 / share benefit from step down to new U.S. statutory tax rate from FY18 blended rate
- EPS +24% – +30% YOY

Reconciliation of Adjusted EPS

	Q4 FY18	Q4 FY17	FULL YEAR FY18	FULL YEAR FY17
EPS, as reported	\$1.03	\$1.34	\$3.61	\$3.40
<u>Adjustments:</u>				
Deduct: Worthless Stock tax benefit	-	(0.56)	-	(0.56)
Add back: FCX one-time costs	-	-	0.13	-
<i>Adjusted EPS</i>	\$1.03	\$0.78	\$3.74	\$2.84

Reconciliation of EBITDA to Net Income: Q4

(\$000)	Q4 FY18	Q4 FY17
Sales	\$897,721	\$681,470
Net Income	\$40,362	\$52,960
+ Interest Expense	10,964	2,130
+ Taxes	19,859	(6,580)
+ Depreciation	5,077	3,942
+ Amortization	10,739	5,984
EBITDA	\$87,001	\$58,436
<i>EBITDA % of Sales</i>	<i>9.7%</i>	<i>8.6%</i>

Reconciliation of EBITDA to Net Income: Full Year

(\$000)	FY18	FY17
Sales	\$3,073,274	\$2,593,746
Net Income	\$141,625	\$133,910
+ Interest Expense	23,485	8,541
+ Taxes	63,093	33,056
+ Depreciation	17,798	15,306
+ Amortization	32,065	24,371
EBITDA	\$278,066	\$215,184
<i>EBITDA % of Sales</i>	<i>9.0%</i>	<i>8.3%</i>