



Quarter Ending September 30, 2018 Recap

October 31, 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 based on EBITDA, which is presented as supplemental disclosure to net income and reported results. EBITDA represents earnings from operations before interest, taxes, depreciation and amortization. We believe this measure is a useful indicator for evaluating operating performance and liquidity. A presentation of the most directly comparable GAAP measure and a reconciliation of EBITDA is set forth in the appendix to this presentation.

Qtr. Ending 9/30/18 Highlights

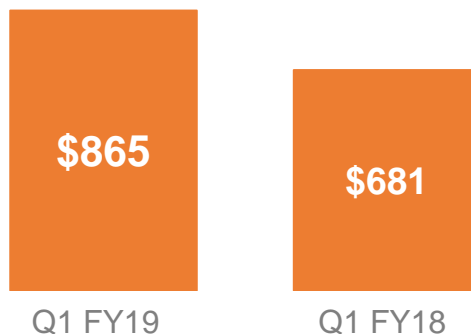
- Revenues **+27.0%** (**+5.5%** *excluding FCX acquisition*)
- Organic Revenue growth **+6.9%**
- Year-Over-Year gross margin expansion of **+86 bps**
- EPS **\$1.24** / **+44.2%** year-over-year
- EBITDA **\$82M** / **9.5%** of sales

Qtr. Ending 9/30/18 Highlights

REVENUE

+27.0%

(\$ Millions)

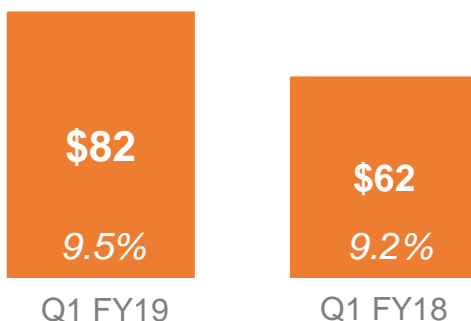


- Organic **+6.9%**
- Rev Rec Std* **-0.5%**
- Currency **-0.9%**
- Acquisitions **+21.5%**

EBITDA

+32.4%
+39 bps

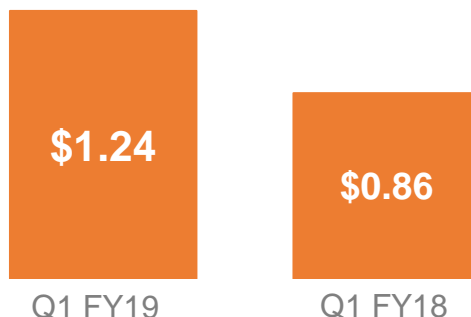
(\$ Millions)



- Organic **+4.5%**
- Rev Rec Std* **-1.1%**
- Acquisitions **+29.0%**

EPS

+44.2%

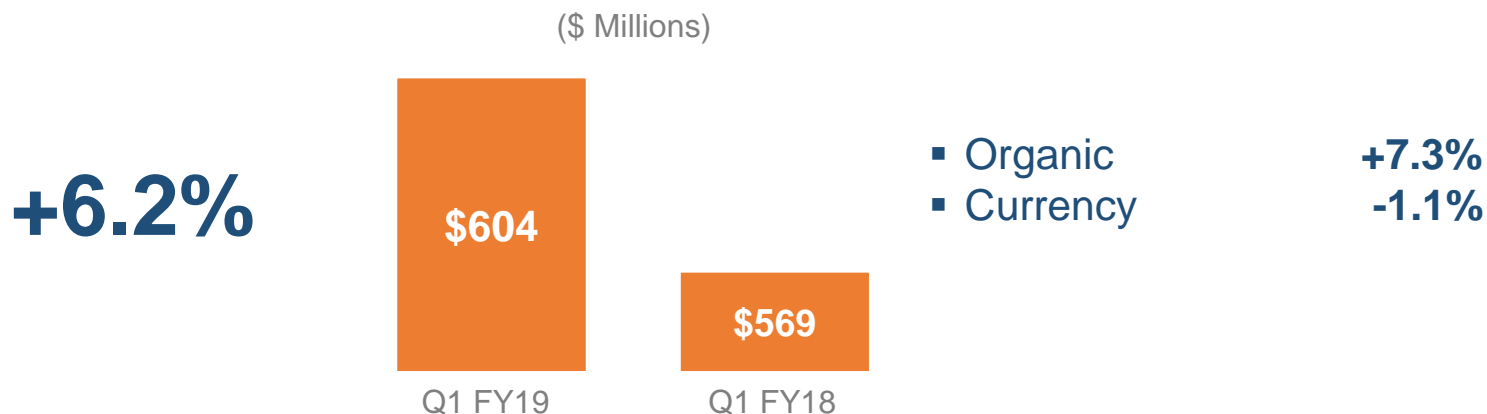


- FCX \$0.06 / share accretive
- Includes benefit from lower effective tax rate due to US tax reform & \$0.10 / share discrete tax items
- Includes -\$0.02 dilutive impact from adoption of ASC 606*

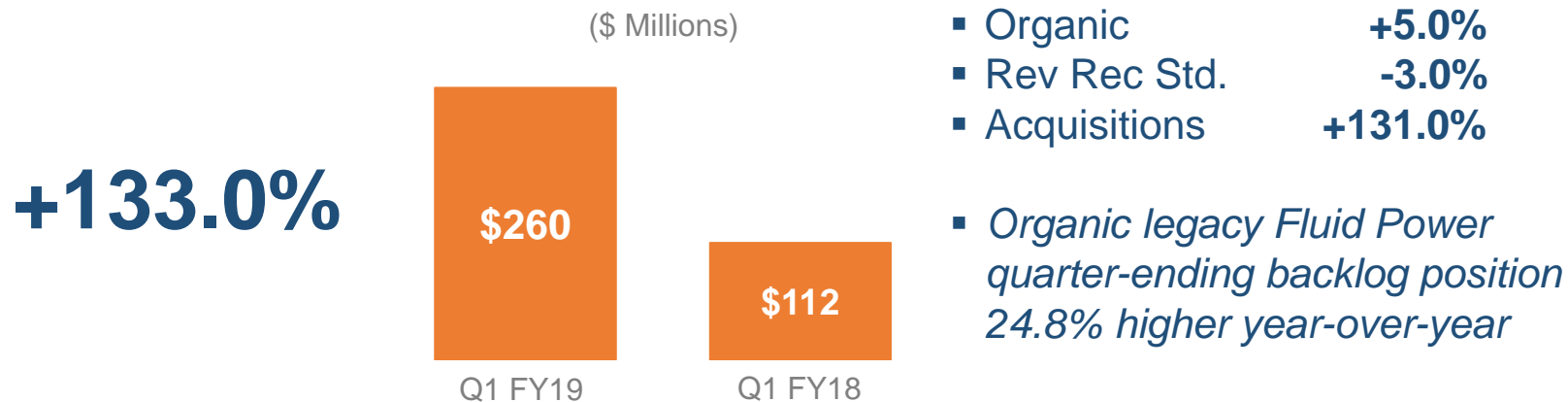
* Impact of adoption of ASC 606 - Revised Revenue Recognition Standard

Segment Revenues

SERVICE CENTER BASED DISTRIBUTION



FLUID POWER & FLOW CONTROL

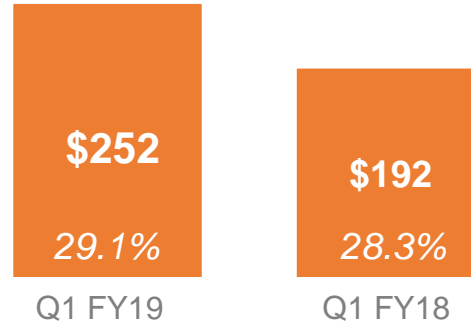


Operating Results

GROSS PROFIT

+30.9%
+86 bps

(\$ Millions)



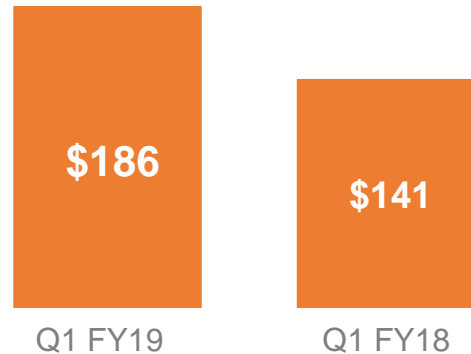
- Organic **+5.1%**
- Acquisitions **+25.8%**

- *GP% 86 bps improved year-over-year*
- *28.2% GP% excluding FCX (10 bps lower year-over-year due to 18 bps dilutive LIFO inventory charge)*

SELLING, DISTRIBUTION & ADMINISTRATIVE SPEND

+32.0%

(\$ Millions)



- Organic **+5.9%**
- Currency **-0.9%**
- Acquisitions **+27.0%**

FISCAL YEAR 2019 UPDATED GUIDANCE:

Sales

+16% – +18%

- Maintaining sales guidance
- Excluding benefit of FCX acquisition +5% – +7%

EPS

\$4.65 – \$4.85

- Range adjusted upwards to reflect improved performance and benefit of lower Q1 effective tax rate

Reconciliation of EBITDA to Net Income: Q1 FY19

(\$000)	Q1 FY19	Q1 FY18
Sales	\$864,515	\$680,701
Net Income	\$48,938	\$33,721
+ Interest Expense	10,476	2,166
+ Taxes	7,164	16,661
+ Depreciation	4,981	3,927
+ Amortization	10,921	5,831
EBITDA	82,480	62,306
<i>EBITDA % of Sales</i>	9.5%	9.2%