



Quarter Ending December 31, 2018 Recap

January 24, 2019



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 12/31/18 Highlights

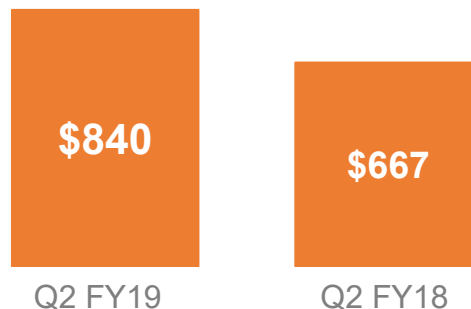
- Revenues **+25.9%** (**+4.6%** *excluding acquisitions*)
- Year-over-year gross margin expansion of **+68 bps**
- EPS **\$0.99** / **+25.3%** year-over-year including **\$0.06 per share** accretive benefit of FCX acquisition
- EBITDA **\$76M** / **9.1%** of sales
- Cash Flow from Operating Activities of **\$54M** improved **\$42M** year-over-year

Qtr. Ending 12/31/18 Highlights

REVENUE

(\$ Millions)

+25.9%



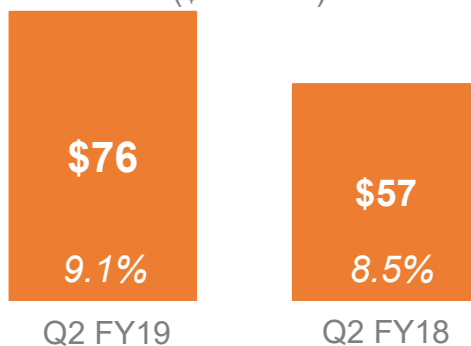
- Days Adj. Organic **+3.7%**
- Selling Days **+1.6%**
- Currency **-0.7%**
- Acquisitions **+21.3%**

EBITDA

(\$ Millions)

+34.6%

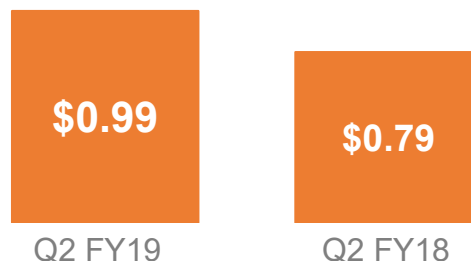
+58 bps



- Organic **+3.3%**
- Acquisitions **+31.3%**

EPS

+25.3%



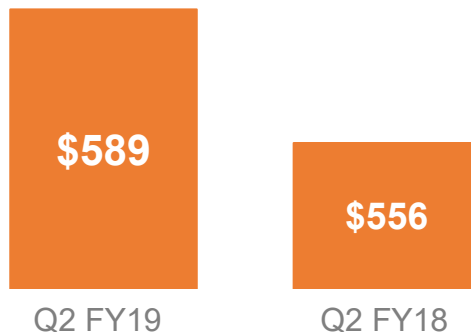
- FCX \$0.06 / share accretive
- Qtr. ending 12/31/18 includes \$0.05 per share adverse impact of \$2.7M LIFO inventory charge

Segment Revenues

SERVICE CENTER BASED DISTRIBUTION

(\$ Millions)

+6.1%

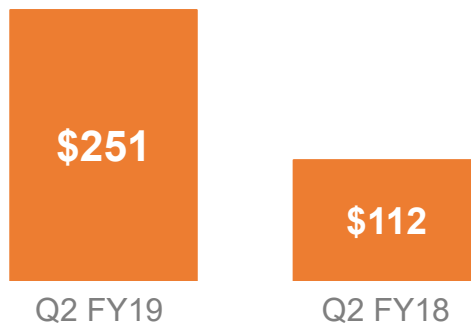


- Days Adj. Organic **+5.3%**
- Selling Days **+1.6%**
- Currency **-0.8%**

FLUID POWER & FLOW CONTROL

(\$ Millions)

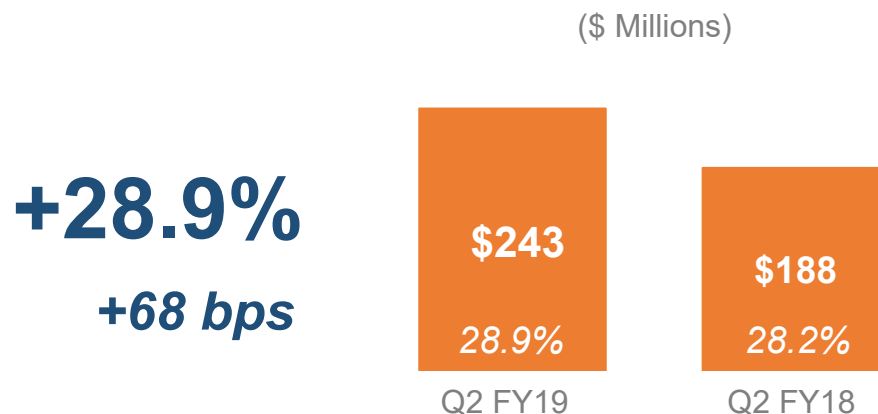
+124.7%



- Days Adj. Organic **-4.4%**
- Selling Days **+1.7%**
- Acquisitions **+127.4%**
- *Modest backlog build in quarter*

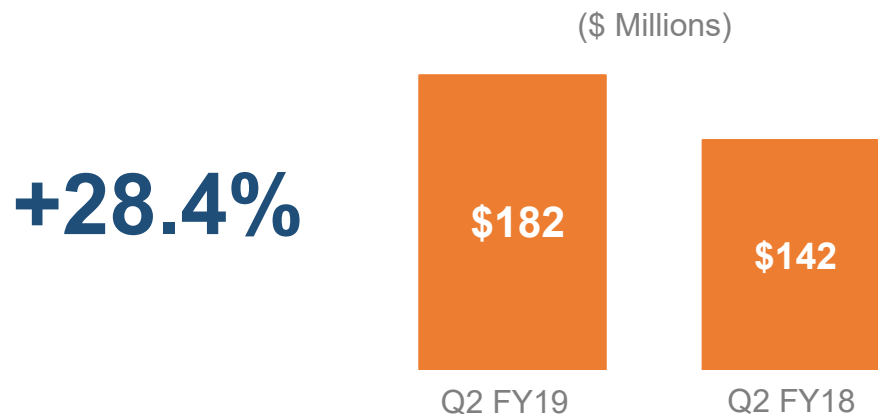
Operating Results

GROSS PROFIT



- Organic **+4.2%**
- Acquisitions **+25.3%**
- LIFO **-0.6%**
- *\$2.7M LIFO inventory charge generates -32 bps headwind in quarter*
- *28.0% GP% excluding acquisitions (26 bps lower year-over-year)*

SELLING, DISTRIBUTION & ADMINISTRATIVE SPEND



- Organic **+3.5%**
- Currency **-0.8%**
- Acquisitions **+25.7%**

FISCAL YEAR 2019 UPDATED GUIDANCE:

Sales

+12.5% – +15%

- Adjusting guidance primarily for demand headwinds in Fluid Power technology-focused markets
- Second-Half Forecast Sales per Day +2% - +4% as compared to First-Half Actual:
 - **Essentially flat Fluid Power / Flow Control** (*excluding benefit of recent FPS acquisition*)
 - **Service Center Business +3% - +5%** second-half increase in daily sales rate
- Full-Year Organic Growth +2% – +3%

EPS

\$4.45 – \$4.65

- Revised guidance reflects lower full-year volumes and impact of second quarter LIFO charge, partially offset with the benefit of SD&A countermeasures

Reconciliation of EBITDA to Net Income: Q2 FY19

(\$000)	Q2 FY19	Q2 FY18
Sales	\$840,038	\$667,187
Net Income	\$38,717	\$30,950
+ Interest Expense	9,578	2,139
+ Taxes	11,724	13,646
+ Depreciation	5,038	4,081
+ Amortization	10,991	5,695
EBITDA	76,048	56,511
<i>EBITDA % of Sales</i>	<i>9.1%</i>	<i>8.5%</i>