

We Keep Industry Running

#### APPLIED® AT A GLANCE

##### SALES FOR FISCAL YEAR ENDED 6/30/16:

\$2.5 billion

##### EPS FOR FISCAL 2016:

\$2.52\*

##### OPERATING FACILITIES:

More than 550 in the United States, Puerto Rico, Canada, Mexico, Australia and New Zealand

##### DISTRIBUTION CENTERS:

12

##### INTERNET SITE:

www.Applied.com

##### CATALOG:

16/17 Applied Industrial Technologies Product Catalog

##### STOCK KEEPING UNITS (SKUs)

##### AVAILABLE TO CUSTOMERS:

More than 6 million

##### PRODUCT MANUFACTURERS

##### (SUPPLIERS):

More than 4,000

##### ADDRESS:

Applied Industrial Technologies  
Corporate Headquarters  
1 Applied Plaza  
Cleveland, OH 44115  
216/426-4000

##### NYSE:

AIT

Data current as of 12/31/16



## ABOUT APPLIED

Applied Industrial Technologies is a leading industrial distributor in North America, Australia and New Zealand, serving MRO and OEM customers in virtually every industry. In addition, Applied provides engineering, design and systems integration for industrial and fluid power applications, as well as customized mechanical, fabricated rubber and fluid power shop services. Applied also offers maintenance training and inventory management solutions that provide added value to our 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 90+ years of strength in 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,	FY2017	FY2016
Net Sales	\$ 1.23B	\$ 1.25B
Net Income	\$ 51.5M	\$ 48.2M
Earnings Per Share	\$ 1.31	\$ 1.22
Gross Margin	28.5 %	28.3 %
Operating Margin	6.6 %	6.3 %
Debt-to-Total Cap	32.4 %	34.2 %
Cash at December 31	\$ 62.9M	\$ 55.6M
Cash Dividends Per Share/Yield	\$ 0.56/1.9 %	\$ 0.54/2.7 %
Closing Share Price on December 31	\$ 59.40	\$ 40.49
52-Week Range	\$ 62.65-35.55	\$ 46.05-37.00
Market Cap at December 31	\$ 2.3B	\$ 1.6B
Average Daily Volume (6 months)	184,000	250,000
Average Shares Outstanding	39,352,000	39,661,000

## OUR BUSINESS MODEL



## KEY OFFICERS:

Neil A. Schrimsher  
President & Chief Executive Officer

Mark O. Eisele  
Vice President – Chief Financial Officer  
& Treasurer

## INVESTOR CONTACT:

For more information, visit the company's website at Applied.com or contact:

Mark O. Eisele  
Vice President – CFO & Treasurer  
Phone: 216/426-4417  
Fax: 216/426-4845  
Email: meisele@applied.com

## SHAREHOLDER INQUIRIES:

Computershare  
P.O. Box 30170  
College Station, TX 77842-3170

## ANALYST COVERAGE:

Avondale Partners, LLC  
Lawrence P. Pfeffer 314/218-4965

Cleveland Research Company  
Adam Uhlman 216/649-7241

Great Lakes Review - Division of Wellington  
Shields & Co.  
Elliott Schlang 216/767-1340

KeyBanc Capital Markets  
Ryan Cieslak 216/689-0298

Longbow Research  
Chris Dankert 216/525-8486

Stephens Inc.  
Matt Duncan 501/377-3723

Wells Fargo Securities, LLC  
Allison Poliniak-Cusic 212/214-5062

## INVESTMENT CONSIDERATIONS

### HEALTHY BALANCE SHEET:

Applied maintains a strong balance sheet, which provides flexibility in pursuing appropriate opportunities for growth. At December 31, 2016, Applied's current ratio (current assets to current liabilities) was 3.1 to 1. Applied had \$327.6 million in debt outstanding at December 31, 2016.

### 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 \$45.7 million for the six months ended December 31, 2016, and working capital at December 31, 2016 was \$545.2 million.

### DIVIDEND POLICY:

We are committed to generating increased shareholder value, including paying an attractive dividend. In January 2017, we declared an increase in the quarterly cash dividend to \$0.29 per common share, which correlates to a current annual dividend rate of \$1.16 per common share. This is our eighth dividend increase since 2010, representing a cumulative increase of more than 93% in the quarterly dividend over this period.

### 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.

## SELECTED HIGHLIGHTS

### PROFITABLE SALES GROWTH:

Net sales for the six months ended December 31, 2016 decreased 1.5% over the prior year. Net income was \$51.5 million, or \$1.31 per share. Midway through our fiscal year, we are pleased with the continued operational enhancements and efficiencies throughout our organization. We are also encouraged by the improving sales per day developments and remain focused on expanding our capabilities with new and existing customers.

Our experience in diverse industries and local markets provides the leverage and know-how to promptly address a wide variety of unique customer needs. Because we serve the local industrial economy, our network, capabilities and experience are well matched to the complexity of our customer base and product demand variability. Across the organization, we are utilizing the strong industry knowledge and capabilities of our Fluid Power businesses, expert rubber shops and expanded MSS resources to support product expansion and drive new sales.

*Working Together, Winning Together* is our theme as we leverage our strengths and our full product and service offering to win in the marketplace. *Working Together*, we share our collective expertise throughout the Company and realize opportunities across all our product groups to retain, penetrate and add profitable new business. We also remain active pursuing strategic opportunities that extend our business reach and enhance our capabilities.

Overall, our teams are committed to winning every day – in any economic environment – through our business performance; expanding our product, service and solutions offering; and creating opportunities with current and new customers.

### MARGIN ENHANCEMENT:

Applied's gross profit percentage was 28.5% for the six months ended December 31, 2016. Our operating margin was 6.6%. From our field sales functionality to our internal financial system transformation, we are continuing to enhance the operating experience in our ERP systems for improvements in efficiency and profitability. From our field sales functionality to our internal financial system transformation, we are continuing to enhance the operating experience in our ERP systems for improvements in efficiency and profitability.

### ASSET MANAGEMENT:

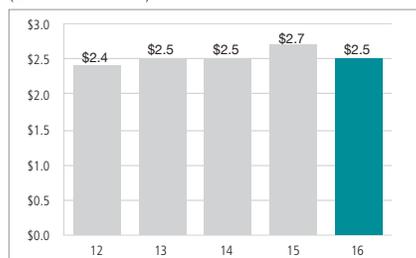
In the six months ended December 31, 2016, we recorded a return on assets of 7.9% after tax.

### COST CONTROL:

SD&A expense as a percentage of sales was 21.9% for the six months ended December 31, 2016 and 2015. SD&A expense decreased from the prior year in absolute dollars by \$4.9 million, or 1.8%.

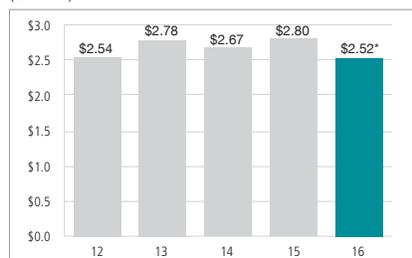
### Net Sales - Full Fiscal Year

(Dollars in Billions)



### Net Income Per Share - Full Fiscal Year

(Dollars)



\*Number reported is before goodwill impairment and restructuring charges.

### Cash Returned to Shareholders - Full Fiscal Year

Dividends + Share Repurchases

(Dollars in Millions)

