# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**
# FORM 10-Q

**(Mark One)**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended MARCH 31, 2024**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from ___ to ___**

**Commission file number 1-2299**

## APPLIED INDUSTRIAL TECHNOLOGIES, INC.
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Ohio** | **34-0117420** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |

| | | | |
|---|---|---|---|
| **One Applied Plaza** | **Cleveland** | **Ohio** | **44115** |
| (Address of principal executive offices) | | | (Zip Code) |

**(216) 426-4000**
Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|---|---|---|
| Common Stock, without par value | AIT | New York Stock Exchange |

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

There were 38,602,617 (no par value) shares of common stock outstanding on April 19, 2024.

APPLIED INDUSTRIAL TECHNOLOGIES, INC. AND SUBSIDIARIES

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PART I: FINANCIAL INFORMATION

ITEM I: FINANCIAL STATEMENTS

APPLIED INDUSTRIAL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED STATEMENTS OF CONSOLIDATED INCOME
(Unaudited)
(In thousands, except per share amounts)

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Net sales | $ 1,146,390 | $ 1,132,035 | $ 3,318,731 | $ 3,254,720 |
| Cost of sales | 808,144 | 798,917 | 2,338,313 | 2,306,314 |
| Gross profit | 338,246 | 333,118 | 980,418 | 948,406 |
| Selling, distribution and administrative expense, including depreciation | 217,040 | 206,207 | 623,938 | 602,070 |
| Operating income | 121,206 | 126,911 | 356,480 | 346,336 |
| Interest expense, net | 265 | 4,773 | 3,502 | 17,438 |
| Other (income) expense, net | (1,724) | (142) | (4,217) | 1,624 |
| Income before income taxes | 122,665 | 122,280 | 357,195 | 327,274 |
| Income tax expense | 25,448 | 25,093 | 74,924 | 72,750 |
| Net income | $ 97,217 | $ 97,187 | $ 282,271 | $ 254,524 |
| Net income per share - basic | $ 2.51 | $ 2.52 | $ 7.29 | $ 6.60 |
| Net income per share - diluted | $ 2.48 | $ 2.47 | $ 7.18 | $ 6.49 |
| Weighted average common shares outstanding for basic computation | 38,675 | 38,617 | 38,707 | 38,574 |
| Dilutive effect of potential common shares | 577 | 651 | 584 | 629 |
| Weighted average common shares outstanding for diluted computation | 39,252 | 39,268 | 39,291 | 39,203 |

See notes to condensed consolidated financial statements.

APPLIED INDUSTRIAL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME
(Unaudited)
(In thousands)

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Net income per the condensed statements of consolidated income | $ 97,217 | $ 97,187 | $ 282,271 | $ 254,524 |
| Other comprehensive income, before tax: | | | | |
| Foreign currency translation adjustments | (5,112) | 5,763 | (1,685) | 255 |
| Post-employment benefits: | | | | |
| Reclassification of net actuarial losses and prior service cost into other (income) expense, net and included in net periodic pension costs | (30) | 9 | (90) | 27 |
| Termination of pension plan | — | — | — | 1,031 |
| Unrealized gain (loss) on cash flow hedge | 5,105 | (2,309) | 4,203 | 10,549 |
| Reclassification of interest from cash flow hedge into interest expense, net | (4,671) | (3,036) | (14,024) | (2,955) |
| Total other comprehensive (loss) income, before tax | (4,708) | 427 | (11,596) | 8,907 |
| Income tax expense (benefit) related to items of other comprehensive income | 135 | (1,315) | (2,403) | 2,256 |
| Other comprehensive (loss) income, net of tax | (4,843) | 1,742 | (9,193) | 6,651 |
| Comprehensive income, net of tax | $ 92,374 | $ 98,929 | $ 273,078 | $ 261,175 |

See notes to condensed consolidated financial statements.

APPLIED INDUSTRIAL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands)

| | March 31, 2024 | June 30, 2023 |
|---|---|---|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | $ 456,533 | $ 344,036 |
| Accounts receivable, net | 710,195 | 708,395 |
| Inventories | 503,910 | 501,184 |
| Other current assets | 97,044 | 93,192 |
| Total current assets | 1,767,682 | 1,646,807 |
| Property, less accumulated depreciation of $ 242,620 and $229,041 | 115,325 | 115,041 |
| Operating lease assets, net | 95,569 | 100,677 |
| Identifiable intangibles, net | 220,840 | 235,549 |
| Goodwill | 588,713 | 578,418 |
| Other assets | 66,814 | 66,840 |
| TOTAL ASSETS | $ 2,854,943 | $ 2,743,332 |
| LIABILITIES AND SHAREHOLDERS’ EQUITY | | |
| Current liabilities | | |
| Accounts payable | $ 271,185 | $ 301,685 |
| Current portion of long-term debt | 25,107 | 25,170 |
| Compensation and related benefits | 75,443 | 98,740 |
| Other current liabilities | 96,671 | 114,749 |
| Total current liabilities | 468,406 | 540,344 |
| Long-term debt | 571,862 | 596,926 |
| Other liabilities | 145,651 | 147,625 |
| TOTAL LIABILITIES | 1,185,919 | 1,284,895 |
| Shareholders’ equity | | |
| Preferred stock—no par value; 2,500 shares authorized; none issued or outstanding | — | — |
| Common stock—no par value; 80,000 shares authorized; 54,213 shares issued | 10,000 | 10,000 |
| Additional paid-in capital | 191,133 | 188,646 |
| Retained earnings | 2,046,956 | 1,792,632 |
| Treasury shares—at cost (15,573 and 15,556 shares, respectively) | (514,576) | (477,545) |
| Accumulated other comprehensive loss | (64,489) | (55,296) |
| TOTAL SHAREHOLDERS’ EQUITY | 1,669,024 | 1,458,437 |
| TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY | $ 2,854,943 | $ 2,743,332 |

See notes to condensed consolidated financial statements.

APPLIED INDUSTRIAL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS
(Unaudited)
(In thousands)

| | Nine Months Ended March 31, 2024 | Nine Months Ended March 31, 2023 |
|---|---|---|
| Cash Flows from Operating Activities | | |
| Net income | $ 282,271 | $ 254,524 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization of property | 17,567 | 16,598 |
| Amortization of intangibles | 21,601 | 23,189 |
| Provision for losses on accounts receivable | 1,001 | 4,676 |
| Amortization of stock appreciation rights and options | 2,570 | 2,322 |
| Other share-based compensation expense | 7,508 | 7,419 |
| Changes in operating assets and liabilities, net of acquisitions | (77,403) | (142,092) |
| Other, net | (2,956) | (2,609) |
| Net Cash provided by Operating Activities | 252,159 | 164,027 |
| Cash Flows from Investing Activities | | |
| Acquisition of businesses, net of cash acquired | (21,440) | (35,667) |
| Capital expenditures | (17,354) | (20,809) |
| Proceeds from property sales | 514 | 226 |
| Net Cash used in Investing Activities | (38,280) | (56,250) |
| Cash Flows from Financing Activities | | |
| Net repayments under revolving credit facility | — | (27,000) |
| Long-term debt repayments | (25,188) | (40,185) |
| Interest rate swap settlement receipts | 10,839 | 5,501 |
| Purchases of treasury shares | (28,875) | (716) |
| Dividends paid | (41,524) | (39,829) |
| Acquisition holdback payments | (681) | (1,510) |
| Exercise of stock appreciation rights and options | 127 | 127 |
| Taxes paid for shares withheld for equity awards | (15,874) | (7,914) |
| Net Cash used in Financing Activities | (101,176) | (111,526) |
| Effect of Exchange Rate Changes on Cash | (206) | 1,402 |
| Increase (Decrease) in Cash and Cash Equivalents | 112,497 | (2,347) |
| Cash and Cash Equivalents at Beginning of Period | 344,036 | 184,474 |
| Cash and Cash Equivalents at End of Period | $ 456,533 | $ 182,127 |

See notes to condensed consolidated financial statements.

APPLIED INDUSTRIAL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)
(In thousands)

| For the Period Ended March 31, 2024 | Shares of Common Stock Outstanding | Common Stock | Additional Paid-In Capital | Retained Earnings | Treasury Shares-at Cost | Accumulated Other Comprehensive Income (Loss) | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|
| Balance at June 30, 2023 | 38,657 | $ 10,000 | $ 188,646 | $ 1,792,632 | $ (477,545) | $ (55,296) | $ 1,458,437 |
| Net income | | | | 93,826 | | | 93,826 |
| Other comprehensive loss | | | | | | (7,074) | (7,074) |
| Cash dividends — $0.35 per share | | | | (23) | | | (23) |
| Treasury shares issued for: | | | | | | | |
| Exercise of stock appreciation rights and options | 32 | | (1,681) | | (1,912) | | (3,593) |
| Performance share awards | 54 | | (3,072) | | (3,487) | | (6,559) |
| Restricted stock units | 13 | | (726) | | (910) | | (1,636) |
| Compensation expense — stock appreciation rights and options | | | 844 | | | | 844 |
| Other share-based compensation expense | | | 1,976 | | | | 1,976 |
| Other | (1) | | (1) | (3) | (78) | | (82) |
| Balance at September 30, 2023 | 38,755 | $ 10,000 | $ 185,986 | $ 1,886,432 | $ (483,932) | $ (62,370) | $ 1,536,116 |
| Net income | | | | 91,228 | | | 91,228 |
| Other comprehensive income | | | | | | 2,724 | 2,724 |
| Cash dividends — $0.35 per share | | | | (13,607) | | | (13,607) |
| Purchases of common stock for treasury | (63) | | | | (10,677) | | (10,677) |
| Treasury shares issued for: | | | | | | | |
| Exercise of stock appreciation rights and options | 11 | | (391) | | (335) | | (726) |
| Restricted stock units | 1 | | (86) | | (108) | | (194) |
| Compensation expense — stock appreciation rights and options | | | 866 | | | | 866 |
| Other share-based compensation expense | | | 2,261 | | | | 2,261 |
| Other | 1 | | | 37 | | | 37 |
| Balance at December 31, 2023 | 38,705 | $ 10,000 | $ 188,636 | $ 1,964,090 | $ (495,052) | $ (59,646) | $ 1,608,028 |
| Net income | | | | 97,217 | | | 97,217 |
| Other comprehensive loss | | | | | | (4,843) | (4,843) |
| Cash dividends — $0.37 per share | | | | (14,360) | | | (14,360) |
| Purchases of common stock for treasury | (100) | | | | (18,198) | | (18,198) |
| Treasury shares issued for: | | | | | | | |
| Exercise of stock appreciation rights and options | 27 | | (1,365) | | (1,495) | | (2,860) |
| Restricted stock units | 1 | | (47) | | (53) | | (100) |
| Compensation expense — stock appreciation rights and options | | | 860 | | | | 860 |
| Other share-based compensation expense | | | 3,271 | | | | 3,271 |
| Other | 7 | | (222) | 9 | 222 | | 9 |
| Balance at March 31, 2024 | 38,640 | $ 10,000 | $ 191,133 | $ 2,046,956 | $ (514,576) | $ (64,489) | $ 1,669,024 |

See notes to condensed consolidated financial statements.

APPLIED INDUSTRIAL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)
(In thousands)

| For the Period Ended March 31, 2023 | Shares of Common Stock Outstanding | Common Stock | Additional Paid-In Capital | Retained Earnings | Treasury Shares-at Cost | Accumulated Other Comprehensive Income (Loss) | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|
| Balance at June 30, 2022 | 38,499 | $ 10,000 | $ 183,822 | $ 1,499,676 | $ (471,848) | $ (72,295) | $ 1,149,355 |
| Net income | | | | 76,880 | | | 76,880 |
| Other comprehensive loss | | | | | | (1,635) | (1,635) |
| Cash dividends — $0.34 per share | | | | | | | |
| Purchases of common stock for treasury | (8) | | | | (716) | | (716) |
| Treasury shares issued for: | | | | | | | |
| Exercise of stock appreciation rights and options | 21 | | (860) | | (366) | | (1,226) |
| Performance share awards | 23 | | (1,290) | | (758) | | (2,048) |
| Restricted stock units | 33 | | (1,668) | | (902) | | (2,570) |
| Compensation expense — stock appreciation rights and options | | | 1,424 | | | | 1,424 |
| Other share-based compensation expense | | | 1,939 | | | | 1,939 |
| Other | 3 | | (19) | (5) | 61 | | 37 |
| Balance at September 30, 2022 | 38,571 | $ 10,000 | $ 183,348 | $ 1,576,551 | $ (474,529) | $ (73,930) | $ 1,221,440 |
| Net income | | | | 80,457 | | | 80,457 |
| Other comprehensive income | | | | | | 6,544 | 6,544 |
| Cash dividends — $0.34 per share | | | | (13,175) | | | (13,175) |
| Treasury shares issued for: | | | | | | | |
| Exercise of stock appreciation rights and options | 28 | | (1,061) | | (878) | | (1,939) |
| Compensation expense — stock appreciation rights and options | | | 447 | | | | 447 |
| Other share-based compensation expense | | | 2,062 | | | | 2,062 |
| Other | | | (1) | 41 | | | 40 |
| Balance at December 31, 2022 | 38,599 | $ 10,000 | $ 184,795 | $ 1,643,874 | $ (475,407) | $ (67,386) | $ 1,295,876 |
| Net income | | | | 97,187 | | | 97,187 |
| Other comprehensive income | | | | | | 1,742 | 1,742 |
| Cash dividends — $0.35 per share | | | | (13,562) | | | (13,562) |
| Treasury shares issued for: | | | | | | | |
| Exercise of stock appreciation rights and options | 40 | | (2,173) | | (2,401) | | (4,574) |
| Restricted stock units | 1 | | (44) | | (30) | | (74) |
| Compensation expense — stock appreciation rights and options | | | 451 | | | | 451 |
| Other share-based compensation expense | | | 3,418 | | | | 3,418 |
| Other | 14 | | (260) | 35 | 421 | | 196 |
| Balance at March 31, 2023 | 38,654 | $ 10,000 | $ 186,187 | $ 1,727,534 | $ (477,417) | $ (65,644) | $ 1,380,660 |

See notes to condensed consolidated financial statements.

APPLIED INDUSTRIAL TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except per share amounts) (Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the financial position of Applied Industrial Technologies, Inc. (the “Company”, or “Applied”) as of March 31, 2024, and the results of its operations and its cash flows for the nine month periods ended March 31, 2024 and 2023, have been included. The condensed consolidated balance sheet as of June 30, 2023 has been derived from the audited consolidated financial statements at that date. This Quarterly Report on Form 10-Q should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended June 30, 2023.

Operating results for the nine month period ended March 31, 2024 are not necessarily indicative of the results that may be expected for the remainder of the fiscal year ending June 30, 2024.

Inventory
The Company uses the LIFO method of valuing U.S. inventories. An actual valuation of inventory under the LIFO method can be made only at the end of each fiscal year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management’s estimates of expected year-end inventory levels and costs and are subject to the final year-end LIFO inventory determination. LIFO expense of $4,758 and $8,205 in the three months ended March 31, 2024 and 2023, respectively, and $12,726 and $26,118 in the nine months ended March 31, 2024 and 2023, respectively, is recorded in cost of sales in the condensed statements of consolidated income.

Recently Issued Accounting Guidance
In December 2023, the FASB issued its final standard to improve income tax disclosures. This standard, issued as ASU 2023-09, requires public business entities to annually disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. This update is effective for annual periods beginning after December 15, 2024. The Company has not yet determined the impact of this pronouncement on its financial statements and related disclosures.

In November 2023, the FASB issued its final standard to improve reportable segment disclosures. This standard, issued as ASU 2023-07, requires enhanced disclosures about significant segment expenses, enhanced interim disclosure requirements, clarifies circumstances in which an entity can disclose multiple segment measures of profit or loss, provides new segment disclosure requirements for entities with a single reportable segment, and contains other disclosure requirements. This update is effective for all public entities for fiscal years beginning after December 15, 2023, with the interim disclosure requirements being effective for fiscal years beginning after December 15, 2024. The Company has not yet determined the impact of this pronouncement on its financial statements and related disclosures.

In July 2023, the SEC issued a final rule to require registrants to provide enhanced and standardized disclosures regarding cybersecurity risk management, strategy, governance, and incidents. The final rule establishes new requirements related to material cybersecurity incidents, which would need to be disclosed on Form 8-K within four business days of their being deemed material, and annual disclosures in Form 10-K pertaining to (1) cybersecurity risk management and strategy, (2) management's role in assessing and managing material risks from cybersecurity threats, and (3) the board of directors' oversight of cybersecurity risks. The Form 10-K disclosures are due beginning with annual reports for fiscal years ending on or after December 15, 2023, and the Form 8-K disclosures were due beginning December 18, 2023. The Company is complying with the disclosure requirements set forth in the final rule as each becomes effective.

(Amounts in thousands, except per share amounts) (Unaudited)

2. REVENUE RECOGNITION

Disaggregation of Revenues

The following tables present the Company's net sales by reportable segment and by geographic areas based on the location of the facility shipping the product for the three and nine months ended March 31, 2024 and 2023. Other countries consist of Mexico, Australia, New Zealand, and Singapore.

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | | | 2023 | | |
| | Service Center Based Distribution | Engineered Solutions | Total | Service Center Based Distribution | Engineered Solutions | Total |
| Geographic Areas: | | | | | | |
| United States | $ 666,170 | $ 350,997 | $ 1,017,167 | $ 628,816 | $ 363,945 | $ 992,761 |
| Canada | 73,388 | — | 73,388 | 80,133 | — | 80,133 |
| Other countries | 49,798 | 6,037 | 55,835 | 52,650 | 6,491 | 59,141 |
| Total | $ 789,356 | $ 357,034 | $ 1,146,390 | $ 761,599 | $ 370,436 | $ 1,132,035 |

| | Nine Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | | | 2023 | | |
| | Service Center Based Distribution | Engineered Solutions | Total | Service Center Based Distribution | Engineered Solutions | Total |
| Geographic Areas: | | | | | | |
| United States | $ 1,885,915 | $ 1,035,262 | $ 2,921,177 | $ 1,795,148 | $ 1,048,299 | $ 2,843,447 |
| Canada | 225,858 | — | 225,858 | 234,605 | — | 234,605 |
| Other countries | 153,389 | 18,307 | 171,696 | 155,226 | 21,442 | 176,668 |
| Total | $ 2,265,162 | $ 1,053,569 | $ 3,318,731 | $ 2,184,979 | $ 1,069,741 | $ 3,254,720 |

The following tables present the Company’s percentage of revenue by reportable segment and major customer industry for the three and nine months ended March 31, 2024 and 2023:

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | | | 2023 | | |
| | Service Center Based Distribution | Engineered Solutions | Total | Service Center Based Distribution | Engineered Solutions | Total |
| General Industry | 35.6 % | 40.7 % | 37.2 % | 33.9 % | 39.9 % | 35.8 % |
| Food | 17.3 % | 2.5 % | 12.7 % | 13.1 % | 2.7 % | 9.7 % |
| Industrial Machinery | 6.8 % | 24.3 % | 12.2 % | 9.7 % | 25.9 % | 15.0 % |
| Metals | 11.4 % | 7.4 % | 10.2 % | 10.6 % | 7.8 % | 9.7 % |
| Forest Products | 11.7 % | 3.1 % | 9.0 % | 12.5 % | 3.6 % | 9.6 % |
| Chem/Petrochem | 2.6 % | 15.4 % | 6.6 % | 2.9 % | 14.3 % | 6.6 % |
| Cement & Aggregate | 6.7 % | 1.1 % | 5.0 % | 7.9 % | 1.2 % | 5.7 % |
| Oil & Gas | 4.4 % | 1.9 % | 3.6 % | 5.8 % | 1.4 % | 4.4 % |
| Transportation | 3.5 % | 3.6 % | 3.5 % | 3.6 % | 3.2 % | 3.5 % |
| Total | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |

(Amounts in thousands, except per share amounts) (Unaudited)

| | Nine Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | | | 2023 | | |
| | Service Center Based Distribution | Engineered Solutions | Total | Service Center Based Distribution | Engineered Solutions | Total |
| General Industry | 34.9 % | 39.5 % | 36.3 % | 33.8 % | 40.6 % | 36.1 % |
| Food | 15.0 % | 2.6 % | 11.1 % | 13.0 % | 2.6 % | 9.6 % |
| Industrial Machinery | 8.2 % | 24.8 % | 13.5 % | 10.0 % | 26.8 % | 15.5 % |
| Metals | 11.0 % | 7.7 % | 10.0 % | 10.7 % | 7.7 % | 9.7 % |
| Forest Products | 12.0 % | 3.2 % | 9.2 % | 12.0 % | 2.9 % | 9.0 % |
| Chem/Petrochem | 2.7 % | 15.7 % | 6.8 % | 3.0 % | 13.7 % | 6.5 % |
| Cement & Aggregate | 7.3 % | 1.2 % | 5.4 % | 7.9 % | 1.3 % | 5.7 % |
| Oil & Gas | 5.3 % | 1.7 % | 4.1 % | 5.9 % | 1.3 % | 4.4 % |
| Transportation | 3.6 % | 3.6 % | 3.6 % | 3.7 % | 3.1 % | 3.5 % |
| Total | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |

The following tables present the Company’s percentage of revenue by reportable segment and product line for the three and nine months ended March 31, 2024 and 2023:

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | | | 2023 | | |
| | Service Center Based Distribution | Engineered Solutions | Total | Service Center Based Distribution | Engineered Solutions | Total |
| Power Transmission | 37.3 % | 11.6 % | 29.3 % | 37.2 % | 10.9 % | 28.6 % |
| Fluid Power | 14.2 % | 36.0 % | 21.0 % | 13.2 % | 34.3 % | 20.1 % |
| General Maintenance; Hose Products & Other | 22.0 % | 17.1 % | 20.4 % | 20.6 % | 19.1 % | 20.1 % |
| Bearings, Linear & Seals | 26.5 % | 0.4 % | 18.4 % | 29.0 % | 0.4 % | 19.6 % |
| Specialty Flow Control | — % | 34.9 % | 10.9 % | — % | 35.3 % | 11.6 % |
| Total | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |

| | Nine Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | | | 2023 | | |
| | Service Center Based Distribution | Engineered Solutions | Total | Service Center Based Distribution | Engineered Solutions | Total |
| Power Transmission | 37.8 % | 11.4 % | 29.4 % | 37.4 % | 10.4 % | 28.5 % |
| Fluid Power | 14.1 % | 36.8 % | 21.3 % | 13.1 % | 34.9 % | 20.3 % |
| General Maintenance; Hose Products & Other | 21.9 % | 17.1 % | 20.4 % | 21.1 % | 19.3 % | 20.5 % |
| Bearings, Linear & Seals | 26.2 % | 0.4 % | 18.0 % | 28.4 % | 0.4 % | 19.2 % |
| Specialty Flow Control | — % | 34.3 % | 10.9 % | — % | 35.0 % | 11.5 % |
| Total | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |

Contract Assets

The Company’s contract assets consist of un-billed amounts resulting from contracts for which revenue is recognized over time using the cost-to-cost method, and for which revenue recognized exceeds the amount billed to the customer.

(Amounts in thousands, except per share amounts) (Unaudited)

Activity related to contract assets, which are included in other current assets on the condensed consolidated balance sheet, is as follows:

| | March 31, 2024 | June 30, 2023 | $ Change | % Change |
|---|---|---|---|---|
| Contract assets | $ 15,125 | $ 17,911 | $ (2,786) | (15.6)% |

The difference between the opening and closing balances of the Company's contract assets primarily results from the timing difference between the Company's performance and when the customer is billed.

3. BUSINESS COMBINATIONS

The operating results of all acquired entities are included within the consolidated operating results of the Company from the date of each respective acquisition.

Fiscal 2024 Acquisitions

On September 1, 2023, the Company acquired substantially all of the net assets of Bearing Distributors, Inc. (BDI), a Columbia, South Carolina based provider of bearings, power transmission, industrial motion, and related service and repair capabilities. BDI is included in the Service Center Based Distribution segment. The purchase price for the acquisition was $18,000, net tangible assets acquired were $ 4,384, and intangible assets including goodwill were $13,616 based upon preliminary estimated fair values at the acquisition date, which are subject to adjustment. The purchase price includes $1,800 of acquisition holdback payments, which are included in other current liabilities and other liabilities on the condensed consolidated balance sheet as of March 31, 2024, and which will be paid on the first and second anniversaries of the acquisition date with interest at a fixed rate of 3.0% per annum. The Company funded this acquisition using available cash. The acquisition price and the results of operations for the acquired entity are not material in relation to the Company's consolidated financial statements.

On August 1, 2023, the Company acquired substantially all of the net assets of Cangro Industries, Inc. (Cangro), a Farmingdale, New York based provider of bearings, power transmission, industrial motion, and related service and repair capabilities. Cangro is included in the Service Center Based Distribution segment. The purchase price for the acquisition was $6,219, net tangible assets acquired were $ 2,175, and intangible assets including goodwill were $4,044 based upon preliminary estimated fair values at the acquisition date, which are subject to adjustment. The purchase price includes $930 of acquisition holdback payments, which are included in other current liabilities and other liabilities on the condensed consolidated balance sheet as of March 31, 2024, and which will be paid on the first, second, and third anniversaries of the acquisition date with interest at a fixed rate of 1.0% per annum. The Company funded this acquisition using available cash. The acquisition price and the results of operations for the acquired entity are not material in relation to the Company's consolidated financial statements.

Fiscal 2023 Acquisitions

On March 31, 2023, the Company acquired substantially all of the net assets of Advanced Motion Systems Inc. (AMS), a western New York based provider of automation products, services, and engineered solutions focused on a full range of machine vision, robotics, and motion control products and technologies. AMS is included in the Engineered Solutions segment. The purchase price for the acquisition was $10,118, net tangible assets acquired were $1,768, and intangible assets including goodwill were $ 8,350 based upon estimated fair values at the acquisition date. The Company funded this acquisition using available cash. The acquisition price and the results of operations for the acquired entity are not material in relation to the Company's consolidated financial statements.

On November 1, 2022, the Company acquired substantially all of the net assets of Automation, Inc., a Minneapolis, Minnesota based provider of automation products, services, and engineered solutions focused on machine vision, collaborative and mobile robotics, motion control, intelligent sensors, pneumatics, and other related products and solutions. Automation, Inc. is included in the Engineered Solutions segment. The purchase price for the acquisition was $25,617, net tangible assets acquired were $ 3,639, and intangible assets including goodwill were $ 21,978 based upon estimated fair values at the acquisition date. The Company funded this acquisition using available cash. The acquisition price and the results of operations for the acquired entity are not material in relation to the Company's consolidated financial statements.

(Amounts in thousands, except per share amounts) (Unaudited)

4. GOODWILL AND INTANGIBLES

The changes in the carrying amount of goodwill for both the Service Center Based Distribution segment and the Engineered Solutions segment for the fiscal year ended June 30, 2023 and the nine month period ended March 31, 2024 are as follows:

| | Service Center Based Distribution | Engineered Solutions | Total |
|---|---|---|---|
| Balance at June 30, 2022 | $ 211,010 | $ 352,195 | $ 563,205 |
| Goodwill acquired during the period | — | 14,517 | 14,517 |
| Other, primarily currency translation | 221 | 475 | 696 |
| Balance at June 30, 2023 | $ 211,231 | $ 367,187 | $ 578,418 |
| Goodwill acquired during the period | 9,489 | 1,249 | 10,738 |
| Other, primarily currency translation | (443) | — | (443) |
| Balance at March 31, 2024 | $ 220,277 | $ 368,436 | $ 588,713 |

During the first quarter of fiscal 2024, the Company recorded an adjustment to the preliminary estimated fair value of intangible assets related to the AMS acquisition. The fair value of the trade name was reduced by $1,249, with a corresponding increase to goodwill of $1,249. During the second quarter of fiscal 2024, the Company recorded an adjustment to the preliminary estimated fair value of intangible assets related to the BDI acquisition. The fair value of the trade name was reduced by $2,130, and the fair value of the customer relationship was increased by $70, with a corresponding combined increase to goodwill of $ 2,060.

The Company has eight (8) reporting units for which an annual goodwill impairment assessment was performed as of January 1, 2024. Based on the assessment performed, the Company concluded that the fair value of all of the reporting units exceeded their carrying amount as of January 1, 2024, therefore no impairment exists.

At March 31, 2024 and June 30, 2023, accumulated goodwill impairment losses subsequent to fiscal year 2002 totaled $ 64,794 related to the Service Center Based Distribution segment and $167,605 related to the Engineered Solutions segment.

The Company's identifiable intangible assets resulting from business combinations are amortized over their estimated period of benefit and consist of the following:

| March 31, 2024 | Amount | Accumulated Amortization | Net Book Value |
|---|---|---|---|
| Finite-Lived Identifiable Intangibles: | | | |
| Customer relationships | $ 366,617 | $ 199,849 | $ 166,768 |
| Trade names | 85,587 | 33,406 | 52,181 |
| Other | 3,446 | 1,555 | 1,891 |
| Total Identifiable Intangibles | $ 455,650 | $ 234,810 | $ 220,840 |

| June 30, 2023 | Amount | Accumulated Amortization | Net Book Value |
|---|---|---|---|
| Finite-Lived Identifiable Intangibles: | | | |
| Customer relationships | $ 364,572 | $ 188,804 | $ 175,768 |
| Trade names | 108,301 | 50,823 | 57,478 |
| Vendor relationships | 9,861 | 9,744 | 117 |
| Other | 3,347 | 1,161 | 2,186 |
| Total Identifiable Intangibles | $ 486,081 | $ 250,532 | $ 235,549 |

Fully amortized amounts are written off.

(Amounts in thousands, except per share amounts) (Unaudited)

During the nine month period ended March 31, 2024, the Company acquired identifiable intangible assets with a preliminary acquisition cost allocation and weighted-average life as follows:

| | Acquisition Cost Allocation | Weighted-Average life |
|---|---|---|
| Customer relationships | $ 7,541 | 20.0 |
| Trade names | 530 | 3.0 |
| Other | 100 | 5.0 |
| Total Identifiable Intangibles | $ 8,171 | 18.7 |

Identifiable intangible assets with finite lives are reviewed for impairment when changes in conditions indicate carrying value may not be recoverable.

Estimated future amortization expense by fiscal year (based on the Company's identifiable intangible assets as of March 31, 2024) for the next five years is as follows: $6,700 for the remainder of 2024, $26,200 for 2025, $24,400 for 2026, $22,500 for 2027, $20,800 for 2028 and $19,300 for 2029.

5. DEBT

A summary of long-term debt, including the current portion, follows:

| | March 31, 2024 | June 30, 2023 |
|---|---|---|
| Revolving credit facility | $ 383,592 | 383,592 |
| Trade receivable securitization facility | 188,300 | 188,300 |
| Series D notes | — | 25,000 |
| Series E notes | 25,000 | 25,000 |
| Other | 169 | 356 |
| Total debt | $ 597,061 | $ 622,248 |
| Less: unamortized debt issuance costs | 92 | 152 |
| | $ 596,969 | $ 622,096 |

Revolving Credit Facility & Term Loan

In December 2021, the Company entered into a new revolving credit facility with a group of banks to refinance the existing credit facility as well as provide funds for ongoing working capital and other general corporate purposes. The revolving credit facility provides a $900,000 unsecured revolving credit facility and an uncommitted accordion feature which allows the Company to request an increase in the borrowing commitments, or incremental term loans, under the credit facility in aggregate principal amounts of up to $500,000. In May 2023, the Company and the administrative agent entered into an amendment to the credit facility to replace LIBOR as a reference rate available for use in the computation of interest and replace it with SOFR. Borrowings under this agreement bear interest, at the Company's election, at either the base rate plus a margin that ranges from 0 to 55 basis points based on net leverage ratio or SOFR plus a margin that ranges from 80 to 155 basis points based on the net leverage ratio. Unused lines under this facility, net of outstanding letters of credit of $200 to secure certain insurance obligations, totaled $516,208 at March 31, 2024 and June 30, 2023, and were available to fund future acquisitions or other capital and operating requirements. The interest rate on the revolving credit facility was 6.23% and 6.11% as of March 31, 2024 and June 30, 2023, respectively.

Additionally, the Company had letters of credit outstanding with separate banks, not associated with the revolving credit agreement, in the amount of $4,046 as of March 31, 2024 and June 30, 2023 in order to secure certain insurance obligations.

Trade Receivable Securitization Facility

In August 2018, the Company established a trade receivable securitization facility (the "AR Securitization Facility"). On March 26, 2021, the Company amended the AR Securitization Facility to expand the eligible receivables, which increased the maximum availability to $250,000 and increased the fees on the AR Securitization Facility to 0.98% per year. On August 4, 2023, the Company amended the AR Securitization Facility, extended the term to August 4, 2026, and reduced the drawn fees to 0.90% per year. Availability is further subject to changes in the credit ratings of our customers, customer concentration levels or certain characteristics of the accounts receivable being transferred and, therefore, at certain times, we may not be able to fully access the $250,000 of funding available under the AR Securitization Facility. The AR Securitization Facility effectively increases the Company's borrowing capacity by collateralizing a portion of the amount of the U.S. operations' trade accounts receivable. The Company uses the proceeds from the AR Securitization Facility as an alternative to other forms of debt, effectively reducing borrowing costs. In May 2023, the Company entered into an amendment to the AR Securitization Facility to replace LIBOR as a reference rate available for use in the computation of interest and replace it with SOFR, therefore borrowings under this facility carry variable interest rates tied to SOFR. The interest rate on the AR Securitization Facility as of March 31, 2024 and June 30, 2023 was 6.33% and 6.16%, respectively.

Unsecured Shelf Facility

At March 31, 2024 and June 30, 2023, the Company had borrowings outstanding under its unsecured shelf facility agreement with Prudential Investment Management of $25,000 and $50,000, respectively. Fees on this facility range from 0.25% to 1.25% per year based on the Company's leverage ratio at each quarter end. The "Series D" notes carried a fixed interest rate of 3.21%, and the remaining principal balance of $25,000 was paid in October 2023. The "Series E" notes have a principal amount of $25,000, carry a fixed interest rate of 3.08%, and are due in October 2024.

Other Long-Term Borrowing

In 2014, the Company assumed $2,359 of debt as a part of the headquarters facility acquisition. The 1.50% fixed interest rate note is held by the State of Ohio Development Services Agency, and matures in November 2024.

## 6. DERIVATIVES

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its assets and liabilities and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's borrowings.

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish these objectives, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in accumulated other comprehensive loss and subsequently reclassified into interest expense, net in the same period(s) during which the hedged transaction affects earnings. Amounts reported in accumulated other comprehensive loss related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt.

In January 2019, the Company entered into an interest rate swap to mitigate variability in forecasted interest payments on $ 463,000 of the Company's U.S. dollar-denominated unsecured variable rate debt. The notional amount declines over time. The interest rate swap effectively converts a portion of the floating rate interest payment into a fixed rate interest payment. The Company designated the interest rate swap as a pay-fixed, receive-floating interest rate swap instrument and is accounting for this derivative as a cash flow hedge. During the quarter ended December 31, 2020, the Company completed a transaction to amend and extend the interest rate swap agreement which resulted in an extension of the maturity date by an additional three years and a decrease of the weighted average fixed pay rate from 2.61% to 1.63%. The pay-fixed interest rate swap is considered a hybrid instrument with a financing component and an embedded at-market derivative that was designated as a cash flow hedge. In May 2023, the Company entered into bilaterial agreements with its swap counterparties to transition its interest rate swap agreements to SOFR, and further decreased the weighted average fixed pay rate to 1.58%. The Company made various Accounting Standards Codification Topic 848 elections related to changes in critical terms of the hedging relationship due to reference rate reform to not result in a dedesignation of the hedging relationship. As of May 31, 2023, the Company's interest rate swap agreement was indexed to SOFR.

(Amounts in thousands, except per share amounts) (Unaudited)

The interest rate swap converted approximately $384,000 of variable rate debt to a rate of 2.48% as of March 31, 2024 and to a rate of 2.59% as of June 30, 2023. The fair value (Level 2 in the fair value hierarchy) of the interest rate cash flow hedge was $20,035 and $27,044 as of March 31, 2024 and June 30, 2023, respectively, which is included in other current assets and other assets in the condensed consolidated balance sheet. Amounts reclassified from other comprehensive (loss) income, before tax, to interest expense, net totaled $(4,671) and $(3,036) for the three months ended March 31, 2024 and 2023, respectively, and $(14,024) and $(2,955) for the nine months ended March 31, 2024 and 2023, respectively.

## 7. FAIR VALUE MEASUREMENTS

Marketable securities measured at fair value at March 31, 2024 and June 30, 2023 totaled $ 22,405 and $18,637, respectively. The majority of these marketable securities are held in a rabbi trust for a non-qualified deferred compensation plan. The marketable securities are included in other assets on the accompanying condensed consolidated balance sheets and their fair values were determined using quoted market prices (Level 1 in the fair value hierarchy).

As of March 31, 2024 and June 30, 2023, the carrying values of the Company's fixed interest rate debt outstanding under its unsecured shelf facility agreement with Prudential Investment Management approximated fair value (Level 2 in the fair value hierarchy). The revolving credit facility and the AR Securitization Facility contain variable interest rates and their carrying values approximate fair value (Level 2 in the fair value hierarchy).

## 8. SHAREHOLDERS' EQUITY

Accumulated Other Comprehensive Loss

Changes in the accumulated other comprehensive loss are comprised of the following amounts, shown net of taxes:

| | Three Months Ended March 31, 2024 | | | |
|---|---|---|---|---|
| | Foreign currency translation adjustment | Post-employment benefits | Cash flow hedge | Total Accumulated other comprehensive (loss) income |
| Balance at December 31, 2023 | $ (79,667) | $ (244) | $ 20,265 | $ (59,646) |
| Other comprehensive (loss) income | (5,147) | — | 3,856 | (1,291) |
| Amounts reclassified from accumulated other comprehensive (loss) income | — | (24) | (3,528) | (3,552) |
| Net current-period other comprehensive (loss) income | (5,147) | (24) | 328 | (4,843) |
| Balance at March 31, 2024 | $ (84,814) | $ (268) | $ 20,593 | $ (64,489) |

| | Three Months Ended March 31, 2023 | | | |
|---|---|---|---|---|
| | Foreign currency translation adjustment | Post-employment benefits | Cash flow hedge | Total Accumulated other comprehensive (loss) income |
| Balance at December 31, 2022 | $ (96,374) | $ (513) | $ 29,501 | $ (67,386) |
| Other comprehensive income (loss) | 5,766 | — | (1,741) | 4,025 |
| Amounts reclassified from accumulated other comprehensive (loss) income | — | 6 | (2,289) | (2,283) |
| Net current-period other comprehensive income (loss) | 5,766 | 6 | (4,030) | 1,742 |
| Balance at March 31, 2023 | $ (90,608) | $ (507) | $ 25,471 | $ (65,644) |

APPLIED INDUSTRIAL TECHNOLOGIES, INC. AND SUBSIDIARIES
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(Amounts in thousands, except per share amounts) (Unaudited)

| | Nine Months Ended March 31, 2024 | | | |
|---|---|---|---|---|
| | Foreign currency translation adjustment | Post-employment benefits | Cash flow hedge | Total Accumulated other comprehensive (loss) income |
| Balance at June 30, 2023 | $ (83,099) | $ (197) | $ 28,000 | $ (55,296) |
| Other comprehensive (loss) income | (1,715) | — | 3,189 | 1,474 |
| Amounts reclassified from accumulated other comprehensive (loss) income | — | (71) | (10,596) | (10,667) |
| Net current-period other comprehensive loss | (1,715) | (71) | (7,407) | (9,193) |
| Balance at March 31, 2024 | $ (84,814) | $ (268) | $ 20,593 | $ (64,489) |

| | Nine Months Ended March 31, 2023 | | | |
|---|---|---|---|---|
| | Foreign currency translation adjustment | Post-employment benefits | Cash flow hedge | Total Accumulated other comprehensive (loss) income |
| Balance at June 30, 2022 | $ (90,738) | $ (1,303) | $ 19,746 | $ (72,295) |
| Other comprehensive income | 130 | 777 | 7,953 | 8,860 |
| Amounts reclassified from accumulated other comprehensive (loss) income | — | 19 | (2,228) | (2,209) |
| Net current-period other comprehensive income | 130 | 796 | 5,725 | 6,651 |
| Balance at March 31, 2023 | $ (90,608) | $ (507) | $ 25,471 | $ (65,644) |

Other Comprehensive Income

Details of other comprehensive (loss) income are as follows:

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | | | 2023 | | |
| | Pre-Tax Amount | Tax Expense (Benefit) | Net Amount | Pre-Tax Amount | Tax (Benefit) Expense | Net Amount |
| Foreign currency translation adjustments | $ (5,112) | $ 35 | $ (5,147) | $ 5,763 | $ (3) | $ 5,766 |
| Post-employment benefits: | | | | | | |
| Reclassification of net actuarial losses and prior service cost into other (income) expense, net and included in net periodic pension costs | (30) | (6) | (24) | 9 | 3 | 6 |
| Unrealized gain (loss) on cash flow hedge | 5,105 | 1,249 | 3,856 | (2,309) | (568) | (1,741) |
| Reclassification of interest from cash flow hedge into interest expense, net | (4,671) | (1,143) | (3,528) | (3,036) | (747) | (2,289) |
| Other comprehensive (loss) income | $ (4,708) | $ 135 | $ (4,843) | $ 427 | $ (1,315) | $ 1,742 |

(Amounts in thousands, except per share amounts) (Unaudited)

| | Nine Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | | | 2023 | | |
| | Pre-Tax Amount | Tax Expense (Benefit) | Net Amount | Pre-Tax Amount | Tax Expense (Benefit) | Net Amount |
| Foreign currency translation adjustments | $ (1,685) | $ 30 | $ (1,715) | $ 255 | $ 125 | $ 130 |
| Post-employment benefits: | | | | | | |
| Reclassification of net actuarial losses and prior service cost into other (income) expense, net and included in net periodic pension costs | (90) | (19) | (71) | 27 | 8 | 19 |
| Termination of pension plan | — | — | — | 1,031 | 254 | 777 |
| Unrealized gain on cash flow hedge | 4,203 | 1,014 | 3,189 | 10,549 | 2,596 | 7,953 |
| Reclassification of interest from cash flow hedge into interest expense, net | (14,024) | (3,428) | (10,596) | (2,955) | (727) | (2,228) |
| Other comprehensive (loss) income | $ (11,596) | $ (2,403) | $ (9,193) | $ 8,907 | $ 2,256 | $ 6,651 |

Anti-dilutive Common Stock Equivalents

In the three month period ended March 31, 2024, stock options and stock appreciation rights related to 77 shares of common stock were not included in the computation of diluted earnings per share for the period then ended as they were anti-dilutive. In the nine month periods ended March 31, 2024 and 2023, stock options and stock appreciation rights related to 102 and 109 shares of common stock, respectively, were not included in the computation of diluted earnings per share for the period then ended as they were anti-dilutive.

9. SEGMENT INFORMATION

The accounting policies of the Company's reportable segments are generally the same as those used to prepare the condensed consolidated financial statements. LIFO expense of $4,758 and $8,205 in the three months ended March 31, 2024 and 2023, respectively, and $ 12,726 and $26,118 in the nine months ended March 31, 2024 and 2023, respectively, is recorded in cost of sales in the condensed statements of consolidated income, and is included in operating income for the related reportable segment, as the Company allocates LIFO expense between the segments. Intercompany sales, primarily from the Engineered Solutions segment to the Service Center Based Distribution segment, of $13,790 and $13,754, in the three months ended March 31, 2024 and 2023, respectively, and $ 38,565 and $35,967 in the nine months ended March 31, 2024 and 2023 respectively, have been eliminated in the Segment Financial Information tables below.

| Three Months Ended | Service Center Based Distribution | Engineered Solutions | Total |
|---|---|---|---|
| **March 31, 2024** | | | |
| Net sales | $ 789,356 | $ 357,034 | $ 1,146,390 |
| Operating income for reportable segments | 100,470 | 49,511 | 149,981 |
| Depreciation and amortization of property | 4,431 | 1,371 | 5,802 |
| Capital expenditures | 4,230 | 3,261 | 7,491 |
| | | | |
| **March 31, 2023** | | | |
| Net sales | $ 761,599 | $ 370,436 | $ 1,132,035 |
| Operating income for reportable segments | 103,083 | 51,917 | 155,000 |
| Depreciation and amortization of property | 4,486 | 1,079 | 5,565 |
| Capital expenditures | 3,413 | 4,579 | 7,992 |

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| Nine Months Ended | Service Center Based Distribution | Engineered Solutions | Total |
|---|---|---|---|
| **March 31, 2024** | | | |
| Net sales | $ 2,265,162 | $ 1,053,569 | $ 3,318,731 |
| Operating income for reportable segments | 288,791 | 150,273 | 439,064 |
| Assets used in business | 1,832,897 | 1,022,046 | 2,854,943 |
| Depreciation and amortization of property | 13,222 | 4,345 | 17,567 |
| Capital expenditures | 12,264 | 5,090 | 17,354 |
| | | | |
| **March 31, 2023** | | | |
| Net sales | $ 2,184,979 | $ 1,069,741 | $ 3,254,720 |
| Operating income for reportable segments | 278,376 | 149,077 | 427,453 |
| Assets used in business | 1,537,793 | 1,070,845 | 2,608,638 |
| Depreciation and amortization of property | 13,409 | 3,189 | 16,598 |
| Capital expenditures | 11,729 | 9,080 | 20,809 |

A reconciliation of operating income for reportable segments to the condensed consolidated income before income taxes is as follows:

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Operating income for reportable segments | $ 149,981 | $ 155,000 | $ 439,064 | $ 427,453 |
| Adjustment for: | | | | |
| Intangible amortization—Service Center Based Distribution | 816 | 707 | 2,415 | 2,195 |
| Intangible amortization—Engineered Solutions | 6,135 | 6,963 | 19,186 | 20,994 |
| Corporate and other expense, net | 21,824 | 20,419 | 60,983 | 57,928 |
| Total operating income | 121,206 | 126,911 | 356,480 | 346,336 |
| Interest expense, net | 265 | 4,773 | 3,502 | 17,438 |
| Other (income) expense, net | (1,724) | (142) | (4,217) | 1,624 |
| Income before income taxes | $ 122,665 | $ 122,280 | $ 357,195 | $ 327,274 |

The change in corporate and other expense, net is due to changes in corporate expenses, as well as in the amounts and levels of certain expenses being allocated to the segments. The expenses being allocated include corporate charges for working capital, logistics support, and other items.

## 10. OTHER (INCOME) EXPENSE, NET

Other (income) expense, net consists of the following:

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Unrealized gain on assets held in rabbi trust for a non-qualified deferred compensation plan | $ (1,600) | $ (999) | $ (2,985) | $ (1,237) |
| Foreign currency transactions loss (gain) | 433 | 1,255 | (470) | 2,183 |
| Net other periodic post-employment costs | 26 | 67 | 77 | 1,386 |
| Life insurance income, net | (522) | (393) | (766) | (608) |
| Other, net | (61) | (72) | (73) | (100) |
| Total other (income) expense, net | $ (1,724) | $ (142) | $ (4,217) | $ 1,624 |

11. SUBSEQUENT EVENTS

We have evaluated events and transactions occurring subsequent to March 31, 2024 through the date the financial statements were issued.

In April 2024, the Company reached a definitive agreement to acquire substantially all of the net assets of Grupo Kopar, a provider of emerging automation technologies and engineered solutions primarily across Mexico. The Company intends to fund this acquisition using available cash, and the business will be included in the Engineered Solutions segment.

With more than 6,300 employees across North America, Australia, New Zealand, and Singapore, Applied Industrial Technologies (“Applied,” the “Company,” “We,” “Us” or “Our”) is a leading value-added distributor and technical solutions provider of industrial motion, fluid power, flow control, automation technologies, and related maintenance supplies. Our leading brands, specialized services, and comprehensive knowledge serve MRO (Maintenance, Repair & Operations) and OEM (Original Equipment Manufacturer) end users in virtually all industrial markets through our multi-channel capabilities that provide choice, convenience, and expertise. We have a long tradition of growth dating back to 1923, the year our business was founded in Cleveland, Ohio. During the third quarter of fiscal 2024, business was conducted in the United States, Puerto Rico, Canada, Mexico, Australia, New Zealand, and Singapore from 586 facilities.

The following is Management's Discussion and Analysis of significant factors which have affected our financial condition, results of operations and cash flows during the periods included in the accompanying condensed consolidated balance sheets, statements of consolidated income, consolidated comprehensive income and consolidated cash flows. When reviewing the discussion and analysis set forth below, please note that the majority of SKUs (Stock Keeping Units) we sell in any given period were not necessarily sold in the comparable period of the prior year, resulting in the inability to quantify certain commonly used comparative metrics analyzing sales, such as changes in product mix and volume.

**Overview**

Consolidated sales for the quarter ended March 31, 2024 increased $14.4 million or 1.3% compared to the prior year quarter, with acquisitions increasing sales by $13.1 million or 1.2% and favorable foreign currency translation of $2.5 million increasing sales by 0.2%. The Company had operating income of $121.2 million, or operating margin of 10.6% of sales for the quarter ended March 31, 2024 compared to an operating income of $126.9 million, or operating margin of 11.2% of sales for the same quarter in the prior year. The Company had net income of $97.2 million for both the quarter ended March 31, 2024 and in the prior year. The current ratio was 3.8 to 1 at March 31, 2024 and 3.0 to 1 at June 30, 2023.

Applied monitors several economic indices that have been key indicators for industrial economic activity in the United States. These include the Industrial Production (IP) and Manufacturing Capacity Utilization (MCU) indices published by the Federal Reserve Board and the Purchasing Managers Index (PMI) published by the Institute for Supply Management (ISM). Historically, our performance correlates well with the MCU, which measures productivity and calculates a ratio of actual manufacturing output versus potential full capacity output. When manufacturing plants are running at a high rate of capacity, they tend to wear out machinery and require replacement parts.

The MCU (total industry) index decreased since December 2023, while the IP index increased since December 2023. The MCU for March 2024 was 78.4, which is down from the December and June 2023 revised readings of 78.7 and 78.9, respectively. The ISM PMI registered 50.3 in March, up from both the December 2023 reading of 47.1 and the June 2023 reading of 46.4. The indices for the months during the current quarter, along with the indices for the prior fiscal year end and prior quarter end, were as follows:

| | Index Reading | | |
|---|---|---|---|
| Month | MCU | PMI | IP |
| March 2024 | 78.4 | 50.3 | 99.9 |
| February 2024 | 78.2 | 47.8 | 99.4 |
| January 2024 | 77.9 | 49.1 | 98.2 |
| December 2023 | 78.7 | 47.1 | 99.4 |
| June 2023 | 78.9 | 46.4 | 99.1 |

The number of Company employees was 6,350 at March 31, 2024, 6,223 at June 30, 2023, and 6,184 at March 31, 2023. The number of operating facilities totaled 586 at March 31, 2024, 577 at June 30, 2023, and 567 at March 31, 2023.

**Results of Operations**

**Three Months Ended March 31, 2024 and 2023**

The following table is included to aid in review of Applied's condensed statements of consolidated income.

| | Three Months Ended March 31, As a Percent of Net Sales | | Change in $'s Versus Prior Period - % Increase (Decrease) |
|---|---|---|---|
| | 2024 | 2023 | |
| Net sales | 100.0 % | 100.0 % | 1.3 % |
| Gross profit | 29.5 % | 29.4 % | 1.5 % |
| Selling, distribution & administrative expense | 18.9 % | 18.2 % | 5.3 % |
| Operating income | 10.6 % | 11.2 % | (4.5) % |
| Net income | 8.5 % | 8.6 % | — % |

During the quarter ended March 31, 2024, sales increased $14.4 million or 1.3% compared to the prior year quarter, with sales from acquisitions adding $13.1 million or 1.2%, and favorable foreign currency translation accounting for a increase of $2.5 million or 0.2%. There were 63.5 selling days in the quarter ended March 31, 2024 and 64 selling days in the quarter ended March 31, 2023. Excluding the impact of businesses acquired and foreign currency translation, sales were down $1.2 million or 0.1% during the quarter, reflecting an increase from operations of 0.7% led by growth in our core Service Center operations as our technical industry position and internal initiatives are augmenting steady break-fix demand, offset by a 0.8% decrease due to the change in sales days.

The following table shows changes in sales by reportable segment ( amounts in millions).

| | Three Months Ended March 31, | | | Amount of change due to | | |
|---|---|---|---|---|---|---|
| Sales by Reportable Segment | 2024 | 2023 | Sales Increase (Decrease) | Acquisitions | Foreign Currency | Organic Change |
| Service Center Based Distribution | $ 789.4 | $ 761.6 | $ 27.8 | $ 11.7 | $ 2.5 | $ 13.6 |
| Engineered Solutions | 357.0 | 370.4 | (13.4) | 1.4 | — | (14.8) |
| Total | $ 1,146.4 | $ 1,132.0 | $ 14.4 | $ 13.1 | $ 2.5 | $ (1.2) |

Sales from our Service Center Based Distribution segment, which operates primarily in MRO markets, increased $27.8 million or 3.6%. Acquisitions within this segment increased sales by $11.7 million or 1.5% and favorable foreign currency translation increased sales by $2.5 million or 0.3%. Excluding the impact of businesses acquired and foreign currency translation, sales increased $13.6 million or 1.8%, driven by an increase of 2.6% from operations due to benefits from market position, sales process initiatives, and firm demand for technical MRO support across the U.S. manufacturing sector, offset by a 0.8% decrease due to the change in sales days.

Sales from our Engineered Solutions segment decreased $13.4 million or 3.6%. Acquisitions within this segment increased sales by $1.4 million or 0.4%. Excluding the impact of businesses acquired, sales decreased $14.8 million or 4.0%, driven by a decrease of 3.2% from operations primarily as a result of ongoing declines within automation operations and lower fluid power sales, in addition to a 0.8% decrease due to the change in sales days. The decrease in sales was moderated by stronger growth across process flow control markets.

The following table shows changes in sales by geographic area. Other countries includes Mexico, Australia, New Zealand, and Singapore (amounts in millions).

| | Three Months Ended March 31, | | | Amount of change due to | | |
|---|---|---|---|---|---|---|
| Sales by Geographic Area | 2024 | 2023 | Sales Increase (Decrease) | Acquisitions | Foreign Currency | Organic Change |
| United States | $ 1,017.2 | $ 992.8 | $ 24.4 | $ 13.1 | $ — | $ 11.3 |
| Canada | 73.4 | 80.1 | (6.7) | — | 0.4 | (7.1) |
| Other countries | 55.8 | 59.1 | (3.3) | — | 2.1 | (5.4) |
| Total | $ 1,146.4 | $ 1,132.0 | $ 14.4 | $ 13.1 | $ 2.5 | $ (1.2) |

Sales in our U.S. operations were up $24.4 million or 2.5%, as acquisitions added $13.1 million or 1.3%. Excluding the impact of businesses acquired, U.S. sales were up $11.3 million or 1.2%, driven by an increase of 2.0% from operations offset by 0.8% due to the change in sales days. Sales from our Canadian operations decreased $6.7 million or 8.4%. Favorable foreign currency translation increased Canadian sales by $0.4 million or 0.5%. Excluding the impact of foreign currency translation, Canadian sales decreased $7.1 million or 8.9%, driven by an decrease of 7.3% from operations, in addition to a 1.6% decrease due to the change in sales days. Consolidated sales from our other country operations, which include Mexico, Australia, New Zealand, and Singapore, decreased $3.3 million or 5.6% from the prior year. Favorable foreign currency translation increased other country sales by $2.1 million or 3.5%. Excluding the impact of currency translation, other country sales were down $5.4 million, or 9.1% during the quarter.

Our gross profit margin was 29.5% in the quarter ended March 31, 2024 compared to 29.4% in the prior year quarter. The gross profit margin for the current year quarter was positively impacted by 30 basis points due to a $3.4 million decrease in LIFO expense.

The following table shows the changes in selling, distribution and administrative expense (SD&A) (amounts in millions).

| | Three Months Ended March 31, | | | Amount of change due to | | |
|---|---|---|---|---|---|---|
| | 2024 | 2023 | SD&A Increase | Acquisitions | Foreign Currency | Organic Change |
| SD&A | $ 217.0 | $ 206.2 | $ 10.8 | $ 3.5 | $ 0.4 | $ 6.9 |

SD&A consists of associate compensation, benefits and other expenses associated with selling, purchasing, warehousing, supply chain management and providing marketing and distribution of the Company's products, as well as costs associated with a variety of administrative functions such as human resources, information technology, treasury, accounting, insurance, legal, and facility related expenses. SD&A was 18.9% of sales in the quarter ended March 31, 2024 compared to 18.2% in the prior year quarter. SD&A increased $10.8 million or 5.3% compared to the prior year quarter. Changes in foreign currency exchange rates had the effect of increasing SD&A during the quarter ended March 31, 2024 by $0.4 million or 0.2% compared to the prior year quarter. SD&A from businesses acquired added $3.5 million or 1.7% of SD&A expenses, including $0.3 million of intangibles amortization related to acquisitions. Excluding the impact of businesses acquired and the unfavorable currency translation impact, SD&A increased $6.9 million or 3.4% during the quarter ended March 31, 2024 compared to the prior year quarter. Bad debt expense increased $4.9 million in the current quarter, primarily tied to income in the prior year quarter due to collection of past due receivables. All other expenses within SD&A were up $2.0 million.

Operating income decreased $5.7 million, and as a percent of sales, decreased to 10.6% from 11.2% during the prior year quarter.

Operating income, as a percentage of sales for the Service Center Based Distribution segment decreased to 12.7% in the current year quarter from 13.5% in the prior year quarter. Operating income, as a percentage of sales for the Engineered Solutions segment decreased to 13.9% in the current year quarter from 14.0% in the prior year quarter.

Interest expense, net decreased $4.5 million from the prior year quarter primarily due to reduced debt levels and greater interest income from higher cash balances and investment yields.

Other (income) expense, net was income of $1.7 million for the current year quarter, which included unrealized gains on investments held by non-qualified deferred compensation trusts of $1.6 million and life insurance income of $0.5 million, offset by unfavorable foreign currency transaction losses of $0.4 million. During the prior year quarter, other (income) expense, net was income of $0.1 million, which included unrealized gains on investments held by non-qualified deferred compensation trusts of $1.0 million and life insurance income of $0.4 million, offset by unfavorable foreign currency transaction losses of $1.3 million.

The effective income tax rate was 20.7% for the quarter ended March 31, 2024 compared to 20.5% for the quarter ended March 31, 2023.

Net income was $97.2 million for both the quarter ended March 31, 2024 and in the prior year quarter. Net income per share was $2.48 per share for the quarter ended March 31, 2024 compared to $2.47 per share in the prior year quarter.

**Results of Operations**

**Nine Months Ended March 31, 2024 and 2023**

The following table is included to aid in review of Applied's condensed statements of consolidated income.

| | Nine Months Ended March 31, As a Percent of Net Sales | | Change in $'s Versus Prior Period - % Increase |
|---|---|---|---|
| | 2024 | 2023 | |
| Net sales | 100.0 % | 100.0 % | 2.0 % |
| Gross profit | 29.5 % | 29.1 % | 3.4 % |
| Selling, distribution & administrative expense | 18.8 % | 18.5 % | 3.6 % |
| Operating income | 10.7 % | 10.6 % | 2.9 % |
| Net income | 8.5 % | 7.8 % | 10.9 % |

During the nine months ended March 31, 2024, sales increased $64.0 million or 2.0% compared to the prior year period, with sales from acquisitions adding $39.1 million or 1.2% and favorable foreign currency translation of $7.8 million increasing sales by 0.2%. There were 187.5 selling days in the nine months ended March 31, 2024 and 189 selling days in the nine months ended March 31, 2023. Excluding the impact of businesses acquired and foreign currency translation, sales were up $17.1 million or 0.6% during the period, driven by an increase of 1.4% from operations led by growth in our core Service Center operations as our technical industry position and internal initiatives are augmenting steady break-fix demand, offset by a 0.8% decrease due to the change in sales days.

The following table shows changes in sales by reportable segment (amounts in millions).

| Sales by Reportable Segment | Nine Months Ended March 31, 2024 | Nine Months Ended March 31, 2023 | Sales Increase (Decrease) | Amount of change due to: Acquisitions | Amount of change due to: Foreign Currency | Amount of change due to: Organic Change |
|---|---|---|---|---|---|---|
| Service Center Based Distribution | $ 2,265.2 | $ 2,185.0 | $ 80.2 | $ 26.7 | $ 7.8 | $ 45.7 |
| Engineered Solutions | 1,053.5 | 1,069.7 | (16.2) | 12.4 | — | (28.6) |
| Total | $ 3,318.7 | $ 3,254.7 | $ 64.0 | $ 39.1 | $ 7.8 | $ 17.1 |

Sales from our Service Center Based Distribution segment, which operates primarily in MRO markets, increased $80.2 million or 3.7%. Acquisitions within this segment increased sales by $26.7 million or 1.2% and favorable foreign currency translation increased sales by $7.8 million or 0.4%. Excluding the impact of businesses acquired and foreign currency translation, sales increased $45.7 million or 2.1%, driven by an increase of 2.9% from operations due to benefits from market position, sales process initiatives, and firm demand for technical MRO support across the U.S. manufacturing sector, offset by a 0.8% decrease due to the change in sales days.

Sales from our Engineered Solutions segment decreased $16.2 million or 1.5%. Acquisitions within this segment increased sales by $12.4 million or 1.2%. Excluding the impact of businesses acquired, sales decreased $28.6 million or 2.7%, driven by a decrease of 1.9% from operations primarily as a result of ongoing declines within automation operations and lower fluid power sales, in addition to a decrease of 0.8% due to the change in sales days. The decrease in sales was moderated by stronger growth across process flow control markets.

The following table shows changes in sales by geographic area. Other countries includes Mexico, Australia, New Zealand, and Singapore (amounts in millions).

| | Nine Months Ended March 31, | | | Amount of change due to | | |
|---|---|---|---|---|---|---|
| Sales by Geographic Area | 2024 | 2023 | Sales Increase (Decrease) | Acquisitions | Foreign Currency | Organic Change |
| United States | $ 2,921.1 | $ 2,843.4 | $ 77.7 | $ 39.1 | $ — | $ 38.6 |
| Canada | 225.9 | 234.6 | (8.7) | — | (2.0) | (6.7) |
| Other countries | 171.7 | 176.7 | (5.0) | — | 9.8 | (14.8) |
| Total | $ 3,318.7 | $ 3,254.7 | $ 64.0 | $ 39.1 | $ 7.8 | $ 17.1 |

Sales in our U.S. operations were up $77.7 million or 2.7%, as acquisitions added $39.1 million or 1.4%. Excluding the impact of businesses acquired, U.S. sales were up $38.6 million or 1.3%, driven by an increase of 2.1% from operations offset by a 0.8% decrease due to the change in sales days. Sales from our Canadian operations decreased $8.7 million or 3.7%. Unfavorable foreign currency translation decreased Canadian sales by $2.0 million or 0.9%. Excluding the impact of foreign currency translation, Canadian sales were down $6.7 million or 2.8%, driven by a decrease of 1.7% from operations and by a 0.8% decrease due to the change in sales days. Consolidated sales from our other country operations, which include Mexico, Australia, New Zealand, and Singapore, decreased $5.0 million or 2.8% from the prior year. Favorable foreign currency translation increased other country sales by $9.8 million or 5.6%. Excluding the impact of currency translation, other country sales were down $14.8 million, or 8.4%, during the period.

Our gross profit margin was 29.5% in the nine months ended March 31, 2024 compared to 29.1% in the prior year period. The gross profit margin for the current year period was positively impacted by 40 basis points due to a $13.4 million decrease in LIFO expense.

The following table shows the changes in selling, distribution and administrative expense (SD&A) (amounts in millions).

| | Nine Months Ended March 31, | | | Amount of change due to | | |
|---|---|---|---|---|---|---|
| | 2024 | 2023 | SD&A Increase | Acquisitions | Foreign Currency | Organic Change |
| SD&A | $ 623.9 | $ 602.1 | $ 21.9 | $ 10.8 | $ 0.9 | $ 10.2 |

SD&A consists of associate compensation, benefits and other expenses associated with selling, purchasing, warehousing, supply chain management and providing marketing and distribution of the Company's products, as well as costs associated with a variety of administrative functions such as human resources, information technology, treasury, accounting, insurance, legal, and facility related expenses. SD&A was 18.8% of sales in the nine months ended March 31, 2024 compared to 18.5% in the prior year period. SD&A increased $21.9 million or 3.6% compared to the prior year period. Changes in foreign currency exchange rates had the effect of increasing SD&A during the nine months ended March 31, 2024 by $0.9 million or 0.2% compared to the prior year period. SD&A from businesses acquired added $10.8 million or 1.8% of SD&A expenses, including $1.1 million of intangibles amortization related to acquisitions. Excluding the impact of businesses acquired and the unfavorable currency translation impact, SD&A increased $10.2 million or 1.6% during the nine months ended March 31, 2024 compared to the prior year period. Excluding the impact of acquisitions, total compensation increased $6.1 million during the nine months ended March 31, 2024 primarily due to annual calendar year merit increases. All other expenses within SD&A were up $4.1 million.

Operating income increased $10.1 million, and as a percent of sales increased to 10.7% from 10.6% during the prior year period.

Operating income, as a percentage of sales for the Service Center Based Distribution segment was 12.7% in both the current year and prior year period. Operating income, as a percentage of sales for the Engineered Solutions segment increased to 14.3% in the current year period from 13.9% in the prior year period.

Interest expense, net decreased $13.9 million from the prior year period primarily due to reduced debt levels and greater interest income from higher cash balances and investment yields.

Other (income) expense, net was income of $4.2 million for the nine months ended March 31, 2024, which included unrealized gains on investments held by non-qualified deferred compensation trusts of $3.0 million, net favorable foreign currency transaction gains of $0.5 million, and life insurance income of $0.8 million, offset by $0.1 million of other expense. During the prior year period, other (income) expense, net was expense of $1.6 million, which included foreign currency transaction losses of $2.2 million and other periodic post-employment of $1.4 million, primarily offset by unrealized gains on investments held by non-qualified deferred compensation trusts of $1.2 million and life insurance income of $0.6 million.

The effective income tax rate was 21.0% for the nine months ended March 31, 2024 compared to 22.2% for the nine months ended March 31, 2023. The decrease in the effective tax rate is primarily due to the reversal of a tax valuation allowance related to Mexico during the nine months ended March 31, 2024, as well as compensation-related deductions during the nine months ended March 31, 2024. We expect our full year tax rate for fiscal 2024 to be in the 22.0% to 23.0% range.

As a result of the factors addressed above, net income for the nine months ended March 31, 2024 increased $27.7 million compared to the prior year period. Net income was $7.18 per share for the nine months ended March 31, 2024 compared to $6.49 per share in the prior year period.

**Liquidity and Capital Resources**

Our primary source of capital is cash flow from operations, supplemented as necessary by bank borrowings or other sources of debt. At March 31, 2024, we had total debt obligations outstanding of $597.1 million compared to $622.2 million at June 30, 2023. Management expects that our existing cash, cash equivalents, funds available under the revolving credit facility, and cash provided from operations will be sufficient to finance normal working capital needs in each of the countries in which we operate, payment of dividends, acquisitions, investments in properties, facilities and equipment, debt service, and the purchase of additional Company common stock. Management also believes that additional long-term debt and line of credit financing could be obtained based on the Company's credit standing and financial strength.

The Company's working capital at March 31, 2024 was $1,299.3 million, compared to $1,106.5 million at June 30, 2023. The current ratio was 3.8 to 1 at March 31, 2024 and 3.0 to 1 at June 30, 2023.

**Net Cash Flows**

The following table is included to aid in review of Applied's condensed statements of consolidated cash flows (amounts in thousands).

| | Nine Months Ended March 31, | |
|---|---|---|
| Net Cash Provided by (Used in): | 2024 | 2023 |
| Operating Activities | $ 252,159 | $ 164,027 |
| Investing Activities | (38,280) | (56,250) |
| Financing Activities | (101,176) | (111,526) |
| Exchange Rate Effect | (206) | 1,402 |
| Increase (Decrease) in Cash and Cash Equivalents | $ 112,497 | $ (2,347) |

The increase in cash provided by operating activities during the nine months ended March 31, 2024 is driven by increased operating results and by changes in working capital during the period. Changes in working capital between periods caused a $64.7 million increase in cash provided by operating activities, driven by (amounts in thousands):

| | Nine Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Accounts Receivable | $ 1,736 | $ (49,209) |
| Inventories | (911) | (72,249) |
| Accounts payable | (30,991) | 13,014 |

Net cash used in investing activities during the nine months ended March 31, 2024 decreased from the prior period primarily due to $21.4 million used for the acquisitions of Cangro Industries, Inc. and Bearing Distributors, Inc. in the current year compared to $35.7 million used for the acquisitions of Automation, Inc. and Advanced Motion Systems Inc. , in the prior year period.

Net cash used in financing activities during the nine months ended March 31, 2024 decreased from the prior year period primarily due to a change in net debt activity, as there were $25.2 million of debt payments in the current year compared to $67.2 million in the prior year period. This was offset by $28.9 million of cash being used for the purchase of treasury shares during the nine months ended March 31, 2024 compared to $0.7 million used in the prior year period.

**Share Repurchases**

The Board of Directors has authorized the repurchase of shares of the Company's common stock. These purchases may be made in open market and negotiated transactions, from time to time, depending upon market conditions. During the three months ended March 31, 2024, the Company acquired 100,053 shares of treasury stock on the open market for $18.2 million. During the nine months ended March 31, 2024, the Company acquired 163,000 shares of treasury stock on the open market for $28.9 million. During the three months ended March 31, 2023, the Company did not acquire any shares of treasury stock on the open market. During the nine months ended March 31, 2023, the Company acquired 8,000 shares of treasury stock for $0.7 million. At March 31, 2024, we had authorization to repurchase 1,337,000 additional shares.

**Borrowing Arrangements**

A summary of long-term debt, including the current portion, follows (amounts in thousands):

| | March 31, 2024 | June 30, 2023 |
|---|---|---|
| Revolving credit facility | $ 383,592 | $ 383,592 |
| Trade receivable securitization facility | 188,300 | 188,300 |
| Series D notes | — | 25,000 |
| Series E notes | 25,000 | 25,000 |
| Other | 169 | 356 |
| Total debt | $ 597,061 | $ 622,248 |
| Less: unamortized debt issuance costs | 92 | 152 |
| | $ 596,969 | $ 622,096 |

Revolving Credit Facility & Term Loan

In December 2021, the Company entered into a new revolving credit facility with a group of banks to refinance the existing credit facility as well as provide funds for ongoing working capital and other general corporate purposes. The revolving credit facility provides a $900.0 million unsecured revolving credit facility and an uncommitted accordion feature which allows the Company to request an increase in the borrowing commitments, or incremental term loans, under the credit facility in aggregate principal amounts of up to $500.0 million. In May 2023, the Company and the administrative agent entered into an amendment to the credit facility to replace LIBOR as a reference rate available for use in the computation of interest and replace it with SOFR. Borrowings under this agreement bear interest, at the Company's election, at either the base rate plus a margin that ranges from 0 to 55 basis points based on net leverage ratio or SOFR plus a margin that ranges from 80 to 155 basis points based on the net leverage ratio. Unused lines under this facility, net of outstanding letters of credit of $0.2 million to secure certain insurance obligations, totaled $516.2 million at March 31, 2024 and June 30, 2023, and were available to fund future acquisitions or other capital and operating requirements. The interest rate on the revolving credit facility was 6.23% and 6.11% as of March 31, 2024 and June 30, 2023, respectively.

Additionally, the Company had letters of credit outstanding with separate banks, not associated with the revolving credit agreement, in the amount of $4.0 million as of March 31, 2024 and June 30, 2023 in order to secure certain insurance obligations.

Trade Receivable Securitization Facility

In August 2018, the Company established a trade receivable securitization facility (the “AR Securitization Facility”). On March 26, 2021, the Company amended the AR Securitization Facility to expand the eligible receivables, which increased the maximum availability to $250.0 million and increased the fees on the AR Securitization Facility to 0.98% per year. On August 4, 2023, the Company amended the AR Securitization Facility, extended the term to August 4, 2026, and reduced the drawn fees to 0.90% per year. Availability is further subject to changes in the credit ratings of our customers, customer concentration levels or certain characteristics of the accounts receivable being transferred and, therefore, at certain times, we may not be able to fully access the $250.0 million of funding available under the AR Securitization Facility. The AR Securitization Facility effectively increases the Company’s borrowing capacity by collateralizing a portion of the amount of the U.S. operations’ trade accounts receivable. The Company uses the proceeds from the AR Securitization Facility as an alternative to other forms of debt, effectively reducing borrowing costs. In May 2023, the Company entered into an amendment to the AR Securitization Facility to replace LIBOR as a reference rate available for use in the computation of interest and replace it with SOFR, therefore borrowings under this facility carry variable interest rates tied to SOFR. The interest rate on the AR Securitization Facility as of March 31, 2024 and June 30, 2023 was 6.33% and 6.16%, respectively.

Unsecured Shelf Facility

At March 31, 2024 and June 30, 2023, the Company had borrowings outstanding under its unsecured shelf facility agreement with Prudential Investment Management of $25.0 million and $50.0 million, respectively. Fees on this facility range from 0.25% to 1.25% per year based on the Company's leverage ratio at each quarter end. The "Series D" notes carried a fixed interest rate of 3.21%, and the remaining principal balance of $25.0 million was paid in October 2023. The "Series E" notes have a principal amount of $25.0 million, carry a fixed interest rate of 3.08%, and are due in October 2024.

Other Long-Term Borrowing

In 2014, the Company assumed $2.4 million of debt as a part of the headquarters facility acquisition. The 1.50% fixed interest rate note is held by the State of Ohio Development Services Agency, and matures in November 2024.

The Company entered into an interest rate swap which mitigates variability in forecasted interest payments on $384.0 million of the Company's U.S. dollar-denominated unsecured variable rate debt. For more information, see note 6, Derivatives, to the consolidated financial statements, included in Item 1 under the caption "Notes to Condensed Consolidated Financial Statements."

The credit facility and the unsecured shelf facility contain restrictive covenants regarding liquidity, net worth, financial ratios, and other covenants. At March 31, 2024, the most restrictive of these covenants required that the Company have net indebtedness less than 3.75 times consolidated income before interest, taxes, depreciation and amortization (as defined). At March 31, 2024, the Company's net indebtedness was less than 0.4 times consolidated income before interest, taxes, depreciation and amortization (as defined). The Company was in compliance with all financial covenants at March 31, 2024.

**Accounts Receivable Analysis**

The following table is included to aid in analysis of accounts receivable and the associated provision for losses on accounts receivable (amounts in thousands):

| | March 31, 2024 | June 30, 2023 |
|---|---|---|
| Accounts receivable, gross | $ 724,870 | $ 730,729 |
| Allowance for doubtful accounts | 14,675 | 22,334 |
| Accounts receivable, net | $ 710,195 | $ 708,395 |
| Allowance for doubtful accounts, % of gross receivables | 2.0 % | 3.1 % |

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Provision for losses on accounts receivable | $ (25) | $ (4,897) | $ 1,001 | $ 4,676 |
| Provision as a % of net sales | — % | (0.43)% | 0.03 % | 0.14 % |

Accounts receivable are reported at net realizable value and consist of trade receivables from customers. Management monitors accounts receivable by reviewing Days Sales Outstanding (DSO) and the aging of receivables for each of the Company's locations.

On a consolidated basis, DSO was 55.8 at March 31, 2024 compared to 55.1 June 30, 2023.

As of March 31, 2024, approximately 1.8% of our accounts receivable balances are more than 90 days past due, compared to 2.5% at June 30, 2023. On an overall basis, our provision for losses on accounts receivable represents 0.03% of sales for the nine months ended March 31, 2024 compared to 0.14% of sales for the nine months ended March 31, 2023. The decrease primarily relates to provisions recorded in the prior year for customer credit deterioration and bankruptcies primarily in the U.S. operations of the Service Center Based Distribution segment, as well as improved collections performance. Historically, this percentage is around 0.10% to 0.15%. Management believes the overall receivables aging and provision for losses on accounts receivable are at reasonable levels.

**Inventory Analysis**

Inventories are valued using the last-in, first-out (LIFO) method for U.S. inventories and the average cost method for foreign inventories. Management uses an inventory turnover ratio to monitor and evaluate inventory. Management calculates this ratio on an annual as well as a quarterly basis, and believes that using average costs to determine the inventory turnover ratio instead of LIFO costs provides a more useful analysis. The annualized inventory turnover based on average costs was 4.3 for the period ended March 31, 2024 and 4.4 for the period ended June 30, 2023.

## Cautionary Statement Under Private Securities Litigation Reform Act

Management's Discussion and Analysis contains statements that are forward-looking based on management's current expectations about the future. Forward-looking statements are often identified by qualifiers, such as "guidance", "expect", "believe", "plan", "intend", "will", "should", "could", "would", "anticipate", "estimate", "forecast", "may", "optimistic" and derivative or similar words or expressions. Similarly, descriptions of objectives, strategies, plans, or goals are also forward-looking statements. These statements may discuss, among other things, expected growth, future sales, future cash flows, future capital expenditures, future performance, and the anticipation and expectations of the Company and its management as to future occurrences and trends. The Company intends that the forward-looking statements be subject to the safe harbors established in the Private Securities Litigation Reform Act of 1995 and by the Securities and Exchange Commission in its rules, regulations and releases.

Readers are cautioned not to place undue reliance on any forward-looking statements. All forward-looking statements are based on current expectations regarding important risk factors, many of which are outside the Company's control. Accordingly, actual results may differ materially from those expressed in the forward-looking statements, and the making of those statements should not be regarded as a representation by the Company or any other person that the results expressed in the statements will be achieved. In addition, the Company assumes no obligation publicly to update or revise any forward-looking statements, whether because of new information or events, or otherwise, except as may be required by law.

Important risk factors include, but are not limited to, the following: risks relating to the operations levels of our customers and the economic factors that affect them; continuing risks relating to the effects of the COVID-19 pandemic; inflationary or deflationary trends in the cost of products, energy, labor and other operating costs, and changes in the prices for products and services relative to the cost of providing them; reduction in supplier inventory purchase incentives; loss of key supplier authorizations, lack of product availability (such as due to supply chain strains), changes in supplier distribution programs, inability of suppliers to perform, and transportation disruptions; changes in customer preferences for products and services of the nature and brands sold by us; changes in customer procurement policies and practices; competitive pressures; our reliance on information systems and risks relating to their proper functioning, the security of those systems, and the data stored in or transmitted through them; the impact of economic conditions on the collectability of trade receivables; reduced demand for our products in targeted markets due to reasons including consolidation in customer industries; our ability to retain and attract qualified sales and customer service personnel and other skilled executives, managers and professionals; our ability to identify and complete acquisitions, integrate them effectively, and realize their anticipated benefits; the variability, timing and nature of new business opportunities including acquisitions, alliances, customer relationships, and supplier authorizations; the incurrence of debt and contingent liabilities in connection with acquisitions; our ability to access capital markets as needed on reasonable terms; disruption of operations at our headquarters or distribution centers; risks and uncertainties associated with our foreign operations, including volatile economic conditions, political instability, cultural and legal differences, and currency exchange fluctuations; the potential for goodwill and intangible asset impairment; changes in accounting policies and practices; our ability to maintain effective internal control over financial reporting; organizational changes within the Company; risks related to legal proceedings to which we are a party; potentially adverse government regulation, legislation, or policies, both enacted and under consideration, including with respect to federal tax policy, labor policy, international trade, data privacy and security, and government contracting; and the occurrence of extraordinary events (including prolonged labor disputes, power outages, telecommunication outages, terrorist acts, war, public health emergency, earthquakes, extreme weather events, other natural disasters, fires, floods, and accidents). Other factors and unanticipated events could also adversely affect our business, financial condition, or results of operations. Risks can also change over time. Further, the disclosure of a risk should not be interpreted to imply that the risk has not already materialized.

We discuss certain of these matters and other risk factors more fully throughout this Form 10-Q as well as other of our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended June 30, 2023.

## ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For quantitative and qualitative disclosures about market risk, see Item 7A "Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for the year ended June 30, 2023.

## ITEM 4: CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's management, under the supervision and with the participation of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), evaluated the effectiveness of the Company's disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(e), as of the end of the period covered by this report. Based on that evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

There have not been any changes in internal control over financial reporting during the three months ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

The Company is a party to pending legal proceedings with respect to various product liability, commercial, personal injury, employment, and other matters. Although it is not possible to predict the outcome of these proceedings or the range of reasonably possible loss, the Company does not expect, based on circumstances currently known, that the ultimate resolution of any of these proceedings will have, either individually or in the aggregate, a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

Repurchases of common stock in the quarter ended March 31, 2024 were as follows:

| Period | (a) Total Number of Shares | (b) Average Price Paid per Share ($) | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1) |
|---|---|---|---|---|
| January 1, 2024 to January 31, 2024 | 37,053 | $168.18 | 37,053 | 1,400,000 |
| February 1, 2024 to February 29, 2024 | 0 | $0.00 | 0 | 1,400,000 |
| March 1, 2024 to March 31, 2024 | 63,000 | $189.96 | 63,000 | 1,337,000 |
| Total | 100,053 | $181.89 | 100,053 | 1,337,000 |

(1) On August 9, 2022, the Board of Directors authorized the repurchase of up to 1.5 million shares of the Company's common stock, replacing the prior authorization. We publicly announced the new authorization on August 11, 2022. Purchases can be made in the open market or in privately negotiated transactions. The authorization is in effect until all shares are purchased, or the Board revokes or amends the authorization.

ITEM 5. Other Information

Rule 10b5-1 Trading Plans and Non-Rule 10b5-1 Trading Arrangements

During the quarter ended March 31, 2024, none of the Company’s directors or officers (as defined in Rule 16a-1(f)) adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that (i) was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or (ii) that constituted a “non-Rule 10b5-1 trading arrangement” as defined in Regulation S-K 408(c) of the Securities Exchange Act of 1934, as amended.

ITEM 6. Exhibits

| Exhibit No. | Description |
|---|---|
| 3.1 | Amended and Restated Articles of Incorporation of Applied Industrial Technologies, Inc., as amended on October 25, 2005 (filed as Exhibit 3(a) to the Company’s Form 10-Q for the quarter ended December 31, 2005, SEC File No. 1-2299, and incorporated here by reference). |
| 3.2 | Code of Regulations of Applied Industrial Technologies, Inc., as amended on October 19, 1999 (filed as Exhibit 3(b) to the Company’s Form 10-Q for the quarter ended September 30, 1999, SEC File No. 1-2299, and incorporated here by reference). |
| 4.1 | Certificate of Merger of Bearings, Inc. (Ohio) (now named Applied Industrial Technologies, Inc.) and Bearings, Inc. (Delaware) filed with the Ohio Secretary of State on October 18, 1988, including an Agreement and Plan of Reorganization dated September 6, 1988 (filed as Exhibit 4(a) to the Company’s Registration Statement on Form S-4 filed May 23, 1997, Registration No. 333-27801, and incorporated here by reference). |

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| 4.2 | Amended and Restated Note Purchase and Private Shelf Agreement dated as of October 30, 2019, between Applied Industrial Technologies, Inc.and PGIM, Inc. (formerly known as Prudential Investment Management, Inc.), and certain of its affiliates (filed as Exhibit 10.1 to the Company's Form 8-K filed November 5, 2019, SEC File No. 1-2299, and incorporated here by reference). |
| 4.3 | Amendment No. 1 to Amended and Restated Note Purchase and Private Shelf Agreement dated as of March 26, 2021 between Applied Industrial Technologies, Inc. and PGIM, Inc. (formerly known as Prudential Investment Management, Inc.), and certain of its affiliates, (filed as Exhibit 4.3 to the Company's Form 10-Q for the quarter ended March 31, 2021, SEC File No. 1-2299, and incorporated here by reference). |
| 4.4 | Amendment No. 2 to Amended and Restated Note Purchase and Private Shelf Agreement, dated as of December 9, 2021, between Applied and PGIM, Inc., (filed as Exhibit 10.2 to the Company's Form 8-K filed December 14, 2021, SEC File No. 1-2299, and incorporated here by reference). |
| 4.5 | Amendment No. 3 to Amended and Restated Note Purchase and Private Shelf Agreement, dated as of October 28, 2022, between Applied and PGIM, Inc. (filed as Exhibit 10.1 to the Company's Form 8-K filed November 1, 2022, SEC File No. 1-2299, as incorporated here by reference). |
| 4.6 | Credit Agreement dated as of December 9, 2021, among Applied Industrial Technologies, Inc., KeyBank National Association as Agent, and various financial institutions, (filed as Exhibit 10.1 to the Company's Form 8-K filed December 14, 2021, SEC File No. 1-2299, and incorporated here by reference). |
| 4.7 | First Amendment Agreement, dated as of May 12, 2023, among Applied Industrial Technologies, Inc., KeyBank National Association as Agent, and the Lenders set forth therein (filed as Exhibit 4.7 to Applied's Form 10-K for the fiscal year ended June 30, 2023, SEC File No. 1-2299, and incorporated here by reference). |
| 4.8 | Receivables Financing Agreement dated as of August 31, 2018 among AIT Receivables LLC, as borrower, PNC Bank, National Association, as administrative agent, Applied Industrial Technologies, Inc., as initial servicer, PNC Capital Markets LLC, as structuring agent and the additional persons from time to time party thereto, as lenders (filed as Exhibit 10.1 to the Company's Form 8-K filed September 6, 2018, SEC File No. 1-2299, and incorporated here by reference). |
| 4.9 | Amendment No. 1 to Receivables Financing Agreement and Reaffirmation of Performance Guaranty dated as of March 26, 2021 among AIT Receivables LLC, as borrower, PNC Bank, National Association, as administrative agent, Applied Industrial Technologies, Inc., as initial servicer, PNC Capital Markets LLC, as structuring agent and the additional persons from time to time party thereto, as lenders (filed as Exhibit 10.2 to the Company's Form 8-K filed March 29, 2021, SEC File No. 1-2299, and incorporated here by reference). |
| 4.10 | Amendment No. 2 to Receivables Financing Agreement and Reaffirmation of Performance Guaranty, dated as of May 12, 2023, by and among AIT Receivables, LLC, Applied Industrial Technologies, Inc., PNC Bank, National Association, Regions Bank, and PNC Capital Markets LLC (filed as Exhibit 4.10 to Applied's Form 10-K for the fiscal year ended June 30, 2023, SEC File No. 1-2299, and incorporated here by reference). |
| 4.11 | Purchase and Sale Agreement dated as of August 31, 2018 among various entities listed on Schedule I thereto (including Applied Industrial Technologies, Inc.), as originators, Applied Industrial Technologies, Inc., as servicer, and AIT Receivables LLC, as buyer (filed as Exhibit 10.2 to the Company's Form 8-K filed September 6, 2018, SEC File No. 1-2299, and incorporated here by reference). |
| 4.12 | Amendment No. 1 to Purchase and Sale Agreement dated as of November 19, 2018 among Applied Industrial Technologies, Inc. and various of its affiliates, as originators, Applied Industrial Technologies, Inc., as servicer, and AIT Receivables LLC, as buyer, (filed as Exhibit 4.10 to the Company's Form 10-Q for the quarter ended March 31, 2021, SEC File No. 1-2299, and incorporated here by reference). |
| 4.13 | Amendment No. 2 to Purchase and Sale Agreement dated as of March 26, 2021 among various entities listed on Schedule 1 thereto (including Applied Industrial Technologies, Inc.), as originators, Applied Industrial Technologies, Inc., as servicer, and AIT Receivables LLC, as buyer (filed as Exhibit 10.2 to the Company's Form 8-K filed March 29, 2021, SEC File No. 1-2299, and incorporated here by reference). |
| 4.14 | Amendment No. 3 to Receivables Financing Agreement and Reaffirmation of Performance Guaranty dated as of August 6, 2023 among AIT Receivables LLC, as borrower, PNC Bank, National Association, as administrative agent, Applied Industrial Technologies, Inc., as initial servicer, PNC Capital Markets LLC, as structuring agent, and the additional persons from time to time party thereto, as lenders (filed as Exhibit 10.1 to Applied's Form 8-K filed August 9, 2023, SEC File No. 1-2299, and incorporated here by reference). |
| 4.15 | Amendment No. 3 to Purchase and Sale Agreement dated as of August 4, 2023 among various entities listed on Schedule I thereto (including Applied Industrial Technologies, Inc.), as originators, Applied Industrial Technologies, Inc., as servicer, and AIT Receivables LLC, as buyer (filed as Exhibit 10.2 to Applied's Form 8-K filed August 9, 2023, SEC File No. 1-2299, and incorporated here by reference). |
| 31 | Rule 13a-14(a)/15d-14(a) certifications |

| | |
|---|---|
| 32 | Section 1350 certifications |
| 101 | The following financial information from Applied Industrial Technologies Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 formatted in Inline XBRL (Extensible Business Reporting Language) includes: (i) the Condensed Statements of Consolidated Income, (ii) the Condensed Statements of Consolidated Comprehensive Income, (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Statements of Consolidated Cash Flows, (v) the Condensed Statements of Shareholders' Equity, and (vi) the Notes to Condensed Consolidated Financial Statements. |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

The Company will furnish a copy of any exhibit described above and not contained herein upon payment of a specified reasonable fee which shall be limited to the Company’s reasonable expenses in furnishing the exhibit.

Certain instruments with respect to long-term debt have not been filed as exhibits because the total amount of securities authorized under any one of the instruments does not exceed 10 percent of the total assets of the Company and its subsidiaries on a consolidated basis. The Company agrees to furnish to the Securities and Exchange Commission, upon request, a copy of each such instrument.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

APPLIED INDUSTRIAL TECHNOLOGIES, INC.
(Company)

| | | |
|---|---|---|
| Date: | April 26, 2024 | By: /s/ Neil A. Schrimsher<br>Neil A. Schrimsher<br>President & Chief Executive Officer |
| Date: | April 26, 2024 | By: /s/ David K. Wells<br>David K. Wells<br>Vice President-Chief Financial Officer, Treasurer, &<br>Principal Accounting Officer |

EXHIBIT 31

Certifications of Disclosure in Quarterly Report on Form 10-Q

I, Neil A. Schrimsher, President & Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Applied Industrial Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

| | |
|---|---|
| Date: April 26, 2024 | By: /s/ Neil A. Schrimsher |
| | Neil A. Schrimsher |
| | President & Chief Executive Officer |

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I, David K. Wells, Vice President-Chief Financial Officer, Treasurer & Principal Accounting Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Applied Industrial Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 26, 2024

By: /s/ David K. Wells
David K. Wells
Vice President-Chief Financial Officer, Treasurer &
Principal Accounting Officer

EXHIBIT 32

[The following certification accompanies Applied Industrial Technologies' Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, and is not filed, as provided in applicable SEC releases.]

**Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. 1350**

In connection with the Form 10-Q (the “Report”) of Applied Industrial Technologies, Inc. (the “Company”) for the period ending March 31, 2024, we, Neil A. Schrimsher, President & Chief Executive Officer, and David K. Wells, Vice President-Chief Financial Officer, Treasurer & Principal Accounting Officer of the Company, certify that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Neil A. Schrimsher
Neil A. Schrimsher
President & Chief Executive Officer

/s/ David K. Wells
David K. Wells
Vice President-Chief Financial Officer, Treasurer & Principal Accounting Officer

Date: April 26, 2024

[A signed original of this written statement required by Section 906 has been provided to Applied Industrial Technologies, Inc. and will be retained by Applied Industrial Technologies, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.]