Applied Industrial Technologies, Inc. (AIT)

Updated October 31st, 2025, by Kody Kester

Key Metrics

Current Price:	$257	**5 Year CAGR Estimate:**	3.8%	**Market Cap:**	$9.7B
Fair Value Price:	$202	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	11/14/25
% Fair Value:	127%	**5 Year Valuation Multiple Estimate:**	-4.7%	**Dividend Payment Date:**	11/28/25
Dividend Yield:	0.7%	**5 Year Price Target**	$297	**Years Of Dividend Growth:**	17
Dividend Risk Score:	A	**Sector:**	Industrials	**Rating:**	Hold

Overview & Current Events

Applied Industrial Technologies, Inc. (AIT) is a company that specializes in distributing industrial products to companies across various industries. The business distributes power transmission products, engineered fluid power components and systems, specialty flow control solutions, advanced automation products, and more through its network of ~400 local service centers across North America, Australia, and New Zealand. The business operates through the following two segments:

1. Service Center-Based Distribution: The segment offers industrial bearings, motors, drives, pumps, and hydraulic and pneumatic components for customers' general machinery and equipment needs. In the FY 2025 ended June 30th, 2025, this segment comprised 64% of AIT's total $4.56 billion in total net sales.
2. Engineered Solutions: This segment specializes in selling hydraulic (water pressure) and pneumatic (air/gas pressure) technologies, specialty flow control, and automation products. In FY 2025, the Engineered Solutions segment made up the remaining 36% of AIT's total net sales.

On October 28th, AIT shared its fiscal first-quarter earnings report for the period ending September 30th, 2025. The company's net sales rose by 9.2% over the year-ago period to $1.20 billion during the quarter. Acquisitions drove most of this topline growth (6.3%), with the remainder derived from 3.0% organic growth in the quarter. A 4.4% growth rate in the Service Center segment more than canceled out a 0.4% decrease in the Engineered Solutions segment for the quarter. These variables easily countered a 0.1% headwind from foreign currency translation during the quarter. AIT's diluted EPS jumped 11.4% year-over-year to $2.63 in the quarter. This topped the analyst consensus for the quarter by $0.15. Steady profit margins (8.4%) and a reduction in its share count via share repurchases helped diluted EPS growth to outpace net sales growth during the quarter.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$2.50	$3.40	$3.61	$3.68	$3.81	$4.74	$6.58	$8.75	$9.75	$10.26	***$10.65***	***$15.65***
DPS	$1.10	$1.14	$1.18	$1.22	$1.26	$1.30	$1.34	$1.38	$1.44	$1.66	***$1.84***	***$2.70***
Shares[1]	39.1	39.0	38.7	38.6	38.7	38.5	38.5	38.7	38.4	38.0	***37.7***	***37.2***

Since FY 2016, AIT's diluted EPS have compounded by approximately 17% annually. Moving forward, we believe the company's diluted EPS can grow by 8% annually off an anticipated FY 2026 base of $10.65. This is because AIT has a history of successfully executing bolt-on acquisitions. In May, the company closed a deal to acquire IRIS Factory Automation. The company is a provider of automation products, services, and turn-key productized solutions focused on optimizing material handling and traceability workflows across production environments.

[1] Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Avg. P/E	17.9	17.4	19.4	16.7	16.4	19.2	14.6	16.6	19.9	22.7	***24.1***	***19.0***
Avg. Yld.	2.5%	1.9%	1.7%	2.0%	2.0%	1.4%	1.4%	1.0%	0.7%	0.7%	***0.7%***	***0.9%***

Over the past decade, AIT's shares have ranged from a P/E ratio as low as the low teens in FY 2022 to as much as the current multiple in the mid-20s. The average P/E ratio over this time was a bit above 18. In the coming years, we think that a P/E ratio of 19 is a rational fair value estimate. That's because, considering the much larger earnings base, AIT's growth profile appears to be relatively intact. Compared to the current year P/E ratio of 24.1, shares remain meaningfully overvalued.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	44%	34%	33%	33%	33%	27%	20%	16%	15%	16%	***17%***	***17%***

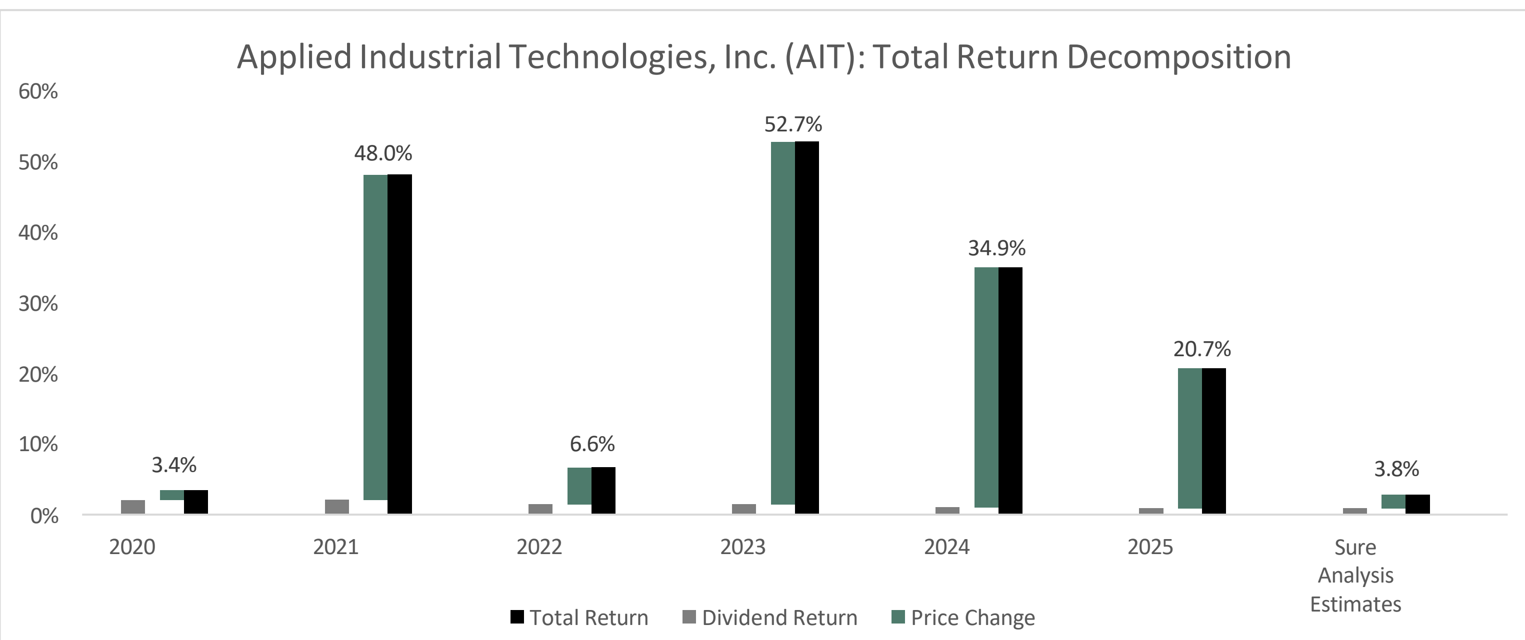
AIT offers customers an extensive portfolio of parts (more than 6 million). That allows the company to meet the needs of customers in a variety of industries. Along with competitive pricing and value-added services, this makes AIT a go-to player in its industry. That has resulted in respectable earnings growth over time.

As of September 30th, 2025, AIT had a net long-term debt balance of just $153.9 million. AIT's dividend payout ratio is also set to be low in FY 2026, at around 17%. That sets it up well to build on its 17-year dividend growth streak for the foreseeable future.

Final Thoughts & Recommendation

AIT's 0.7% dividend yield, 8.0% annual diluted EPS growth prospects, and 4.7% annual valuation multiple contraction potential could deliver 3.8% annual total returns through FY 2031. This is why we're reiterating our hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	2,752	2,519	2,594	3,073	3,473	3,246	3,236	3,811	4,413	4,479
Gross Profit	770	707	738	884	1,008	938	936	1,107	1,287	1,337
Gross Margin	28.0%	28.1%	28.4%	28.8%	29.0%	28.9%	28.9%	29.0%	29.2%	29.9%
SG&A Exp.	585	553	562	658	742	718	680	749	815	841
D&A Exp.	42	42	40	50	62	63	55	54	53	52
Operating Profit	185	155	175	226	266	220	255	358	472	496
Op. Margin	6.7%	6.1%	6.8%	7.3%	7.7%	6.8%	7.9%	9.4%	10.7%	11.1%
Net Profit	115	30	134	142	144	24	145	257	347	386
Net Margin	4.2%	1.2%	5.2%	4.6%	4.1%	0.7%	4.5%	6.7%	7.9%	8.6%
Free Cash Flow	142	149	148	124	162	277	226	169	317	347
Income Tax	60	49	33	63	50	31	32	72	103	112

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,433	1,312	1,388	2,286	2,332	2,284	2,272	2,453	2,743	2,952
Cash & Equivalents	69	60	105	54	108	269	258	184	344	461
Acc. Receivable	376	348	391	549	541	450	516	656	708	725
Inventories	362	338	345	422	448	389	363	450	501	488
Goodwill & Int.	453	394	370	1,083	1,031	884	840	814	814	970
Total Liabilities	691	654	642	1,471	1,435	1,440	1,339	1,303	1,285	1,988
Accounts Payable	180	149	181	257	237	186	208	259	302	254
Long-Term Debt	321	328	292	964	958	934	828	689	622	1,271
Total Equity	741	658	745	815	897	844	933	1,149	1,458	1,262
LTD/E Ratio	0.43	0.50	0.39	1.18	1.07	1.11	0.89	0.60	0.43	1.01

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	8.3%	2.2%	9.9%	7.7%	6.2%	1.0%	6.4%	10.9%	13.4%	16.5%
Return on Equity	15.0%	4.2%	19.1%	18.2%	16.8%	2.8%	16.3%	24.7%	26.6%	44.8%
ROIC	11.4%	2.9%	13.2%	10.1%	7.9%	1.3%	8.2%	14.3%	17.7%	21.1%
Shares Out.	40	39	39	39	39	39	39	39	39	39
Revenue/Share	66.81	63.84	65.82	78.24	88.68	83.22	82.35	97.45	112.51	36.38
FCF/Share	3.45	3.77	3.75	3.16	4.13	7.09	5.75	4.33	8.10	6.76

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.