Applied Industrial Technologies, Inc. (AIT)

Updated January 27th, 2026, by Kody Kester

Key Metrics

Current Price:	$262	**5 Year CAGR Estimate:**	3.4%	**Market Cap:**	$9.8B
Fair Value Price:	$203	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	02/13/26
% Fair Value:	130%	**5 Year Valuation Multiple Estimate:**	-5.0%	**Dividend Payment Date:**	02/27/26
Dividend Yield:	0.8%	**5 Year Price Target**	$298	**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. Through the six months ended December 31st, 2025, this segment comprised 64.8% of AIT's total $2.36 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 the first six months of FY 2026, the Engineered Solutions segment made up the remaining 35.2% of AIT's total net sales.

On January 27th, AIT released its fiscal second-quarter financial results for the period ending December 31st, 2025. The company's net sales grew by 8.4% year-over-year to $1.16 billion in the quarter. Bolt-on acquisitions caused a 6.0% uptick in AIT's net sales during the quarter. Another 2.2% of AIT's topline growth came from organic growth for the quarter (+2.9% in the Service Center segment and +0.5% in the Engineered Solutions segment). The remaining 0.2% of topline growth stemmed from favorable currency translation in the quarter. AIT's diluted EPS increased by 4.6% over the year-ago period to $2.51 during the quarter. That was $0.02 above the analyst consensus for the quarter. On the same day, AIT also upped its quarterly dividend per share by 10.9% to $0.51. This marked the 17th consecutive year of dividend growth.

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	***$10.66***	***$15.66***
DPS	$1.10	$1.14	$1.18	$1.22	$1.26	$1.30	$1.34	$1.38	$1.44	$1.66	***$2.04***	***$3.00***
Shares[1]	39.1	39.0	38.7	38.6	38.7	38.5	38.5	38.7	38.4	38.0	***37.3***	***36.8***

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 $10.66. This is because AIT has a history of successfully executing bolt-on acquisitions. The company just announced a bolt-on acquisition of Thompson Industrial Supply Inc., a provider of industrial bearings, power transmission, hydraulics, and pneumatics products, to further complement the Service Center segment.

[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	***24.6***	***19.0***
Avg. Yld.	2.5%	1.9%	1.7%	2.0%	2.0%	1.4%	1.4%	1.0%	0.7%	0.7%	***0.8%***	***1.0%***

Over the past decade, AIT's shares have ranged from a P/E ratio as cheap as the low teens in FY 2022 to as expensive 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 and improving profitability, AIT's fundamentals look healthy. Compared to the current year P/E ratio of 24.6, 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%	***19%***	***19%***

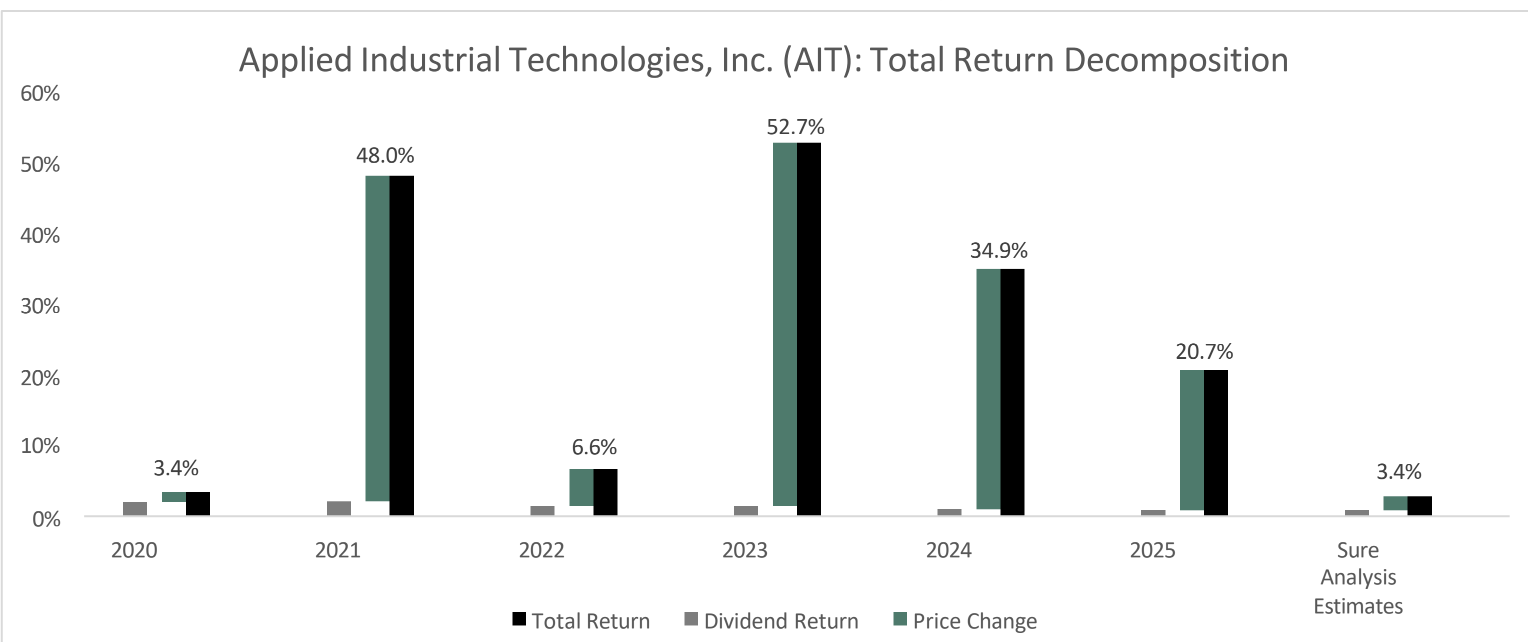
AIT offers customers an extensive portfolio of parts (more than 6 million). That allows the company to meet the needs of customers in a variety of industries. Along with competitive pricing and value-added services, this makes AIT a go-to player in its industry. That has resulted in respectable earnings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

As of December 31st, 2025, AIT had a net long-term debt balance of just $166.3 million. AIT's dividend payout ratio is also set to be low in FY 2026, at around 19%. That sets it up well to build on its 17-year dividend growth streak for the foreseeable future.

Final Thoughts & Recommendation

AIT's 0.8% dividend yield, 8.0% annual diluted EPS growth prospects, and 5.0% annual valuation multiple contraction potential could deliver 3.4% annual total returns through FY 2031. As a result, we're maintaining our Hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	2,519	2,594	3,073	3,473	3,246	3,236	3,811	4,413	4,479	4,563
Gross Profit	707	738	884	1,008	938	936	1,107	1,287	1,337	1,383
Gross Margin	28.1%	28.4%	28.8%	29.0%	28.9%	28.9%	29.0%	29.2%	29.9%	30.3%
SG&A Exp.	553	562	658	742	718	680	749	815	841	905
D&A Exp.	42	40	50	62	63	55	54	53	52	60
Operating Profit	155	175	226	266	220	255	358	472	496	499
Op. Margin	6.1%	6.8%	7.3%	7.7%	6.8%	7.9%	9.4%	10.7%	11.1%	10.9%
Net Profit	30	134	142	144	24	145	257	347	386	393
Net Margin	1.2%	5.2%	4.6%	4.1%	0.7%	4.5%	6.7%	7.9%	8.6%	8.6%
Free Cash Flow	149	148	124	162	277	226	169	317	347	467
Income Tax	49	33	63	50	31	32	72	103	112	108

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	1,312	1,388	2,286	2,332	2,284	2,272	2,453	2,743	2,952	3,176
Cash & Equivalents	60	105	54	108	269	258	184	344	461	388
Acc. Receivable	348	391	549	541	450	516	656	708	725	770
Inventories	338	345	422	448	389	363	450	501	488	505
Goodwill & Int.	394	370	1,083	1,031	884	840	814	814	970	1,048
Total Liabilities	654	642	1,471	1,435	1,440	1,339	1,303	1,285	1,263	1,331
Accounts Payable	149	181	257	237	186	208	259	302	254	280
Long-Term Debt	328	292	964	958	934	828	689	622	572	572
Total Equity	658	745	815	897	844	933	1,149	1,458	1,262	1,845
LTD/E Ratio	0.50	0.39	1.18	1.07	1.11	0.89	0.60	0.43	0.45	0.31

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	2.2%	9.9%	7.7%	6.2%	1.0%	6.4%	10.9%	13.4%	16.5%	12.8%
Return on Equity	4.2%	19.1%	18.2%	16.8%	2.8%	16.3%	24.7%	26.6%	44.8%	22.2%
ROIC	2.9%	13.2%	10.1%	7.9%	1.3%	8.2%	14.3%	17.7%	21.1%	16.7%
Shares Out.	39	39	39	39	39	39	39	39	39	39
Revenue/Share	63.84	65.82	78.24	88.68	83.22	82.35	97.45	112.51	114.84	117.00
FCF/Share	3.77	3.75	3.16	4.13	7.09	5.75	4.33	8.10	6.76	11.97

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