Applied Industrial Technologies, Inc. (AIT)

Updated August 21st, 2026, by Kody Kester

Key Metrics

Current Price:	$341	**5 Year CAGR Estimate:**	0.5%	**Market Cap:**	$12.5B
Fair Value Price:	$229	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	11/13/26[1]
% Fair Value:	149%	**5 Year Valuation Multiple Estimate:**	-7.6%	**Dividend Payment Date:**	11/27/26[1]
Dividend Yield:	0.6%	**5 Year Price Target**	$337	**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 FY 2026, this segment comprised 64.1% of AIT's total $4.97 billion in 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. For FY 2026 ended Jun. 30, 2026, the Engineered Solutions segment made up the remaining 35.9% of AIT's total net sales.

On Aug. 13, AIT released its earnings report for the fiscal fourth quarter ended Jun. 30, 2026. The company's net sales surged 10.4% year-over-year to $1.35 billion in the quarter. Organic sales were up 9.7% during the quarter (backing out a 0.4% benefit from foreign currency translation and a 0.3% benefit from acquisitions). This was due to a 12.9% rise in Engineered Solutions segment organic sales and a 7.9% growth rate in Service Center segment organic sales for the quarter. AIT's diluted EPS jumped 13.2% over the year-ago period to $3.17 in the quarter. That topped the analyst consensus during the quarter by $0.25.

Growth on a Per-Share Basis

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032
EPS	$3.40	$3.61	$3.68	$3.81	$4.74	$6.58	$8.75	$9.75	$10.26	$10.95	***$12.07***	***$17.73***
DPS	$1.14	$1.18	$1.22	$1.26	$1.30	$1.34	$1.38	$1.44	$1.66	$1.94	***$2.04***	***$3.00***
Shares[2]	39.0	38.7	38.6	38.7	38.5	38.5	38.7	38.4	38.0	36.7	***36.7***	***34.0***

Since FY 2016, AIT's diluted EPS has compounded by approximately 17% annually. Moving forward, we believe the company's diluted EPS can grow by 8% annually off an anticipated FY 2027 base of $12.07 (the upper end of its $11.65 to $12.15 guidance for FY 2027). This is because AIT has a history of successfully executing bolt-on acquisitions. In January, the company 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] Estimated dates based on past dividend dates.
[2] Share count is in millions.

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Valuation Analysis

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032
Avg. P/E	17.4	19.4	16.7	16.4	19.2	14.6	16.6	19.9	22.7	30.2	***28.3***	***19.0***
Avg. Yld.	1.9%	1.7%	2.0%	2.0%	1.4%	1.4%	1.0%	0.7%	0.7%	0.6%	***0.6%***	***0.9%***

Over the past decade, AIT's shares have ranged from a P/E ratio as little as the low teens in FY 2022 to as much as the low-30s. 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 28.3, shares are priced well above fair value.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032
Payout	34%	33%	33%	33%	27%	20%	16%	15%	16%	18%	***17%***	***17%***

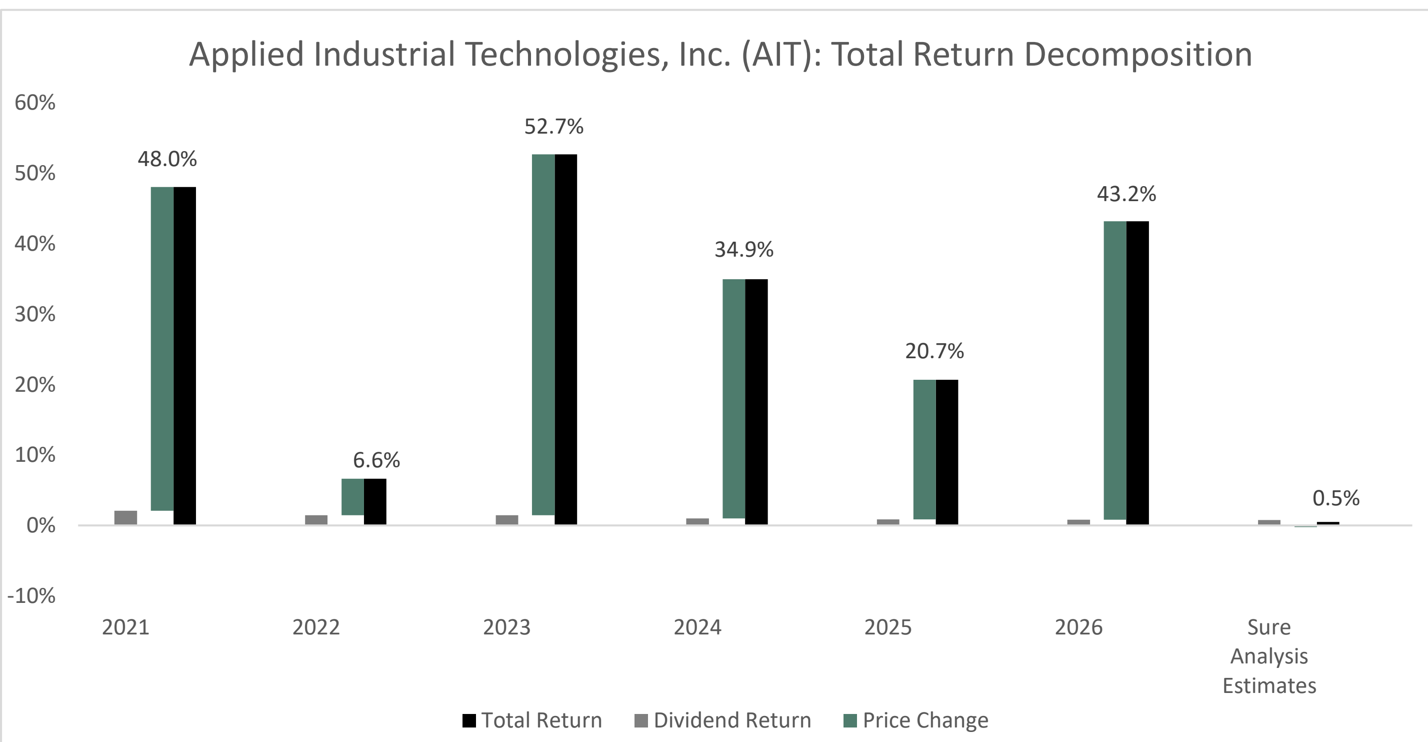
AIT offers customers an extensive portfolio of parts (more than 6 million). That allows the company to meet the needs of customers in a variety of industries. Along with competitive pricing and value-added services, this makes AIT a go-to player in its industry. That has resulted in respectable earnings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

As of Jun. 30, 2026, 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 2027, 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 0.6% dividend yield, 8.0% annual diluted EPS growth prospects, and 7.6% annual valuation multiple contraction potential could deliver 0.5% annual total returns through FY 2031. In closing, we're maintaining our Hold rating.

Total Return Breakdown by Year



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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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.