NEWS RELEASE

AAON Reports First Quarter of 2024 Results

2024-05-02

TULSA, OK, May 2, 2024 - AAON, INC. (NASDAQ-AAON), a provider of premier, configurable HVAC solutions that bring long-term value to customers and owners, today announced its results for the first quarter of 2024.

Net sales for the first quarter of 2024 decreased 1.4% to $262.1 million from $266.0 million in the first quarter of 2023. The year-over-year decline was driven by the AAON Coil Products and BASX segments, which realized respective declines of 27.4% and 9.3%, modestly offset by 4.0% growth at the AAON Oklahoma segment. Total sales volume in the quarter was down 5.7%, while pricing contributed 4.3%.

Gross profit margin in the quarter expanded to 35.2%, up from 29.0% in the comparable quarter in 2023. Gross margin expansion was primarily a result of more favorable pricing relative to moderating cost inflation. SG&A expenses as a percent of sales increased to 17.3%, up from 12.4% in the comparable quarter in 2023. On an absolute basis, SG&A expenses were in line with Company expectations, up year-over-year due primarily to higher professional fees and long-term investments.

Earnings per diluted share for the three months ended March 31, 2024, was $0.46, up slightly from the first quarter of 2023. Earnings benefited from an excess tax benefit of $4.4 million from share based compensation within the quarter.

The Company finished the first quarter of 2024 with a backlog of $558.4 million, up for a second straight quarter. Year-over-year, backlog was down 6.9% from $599.9 million, largely due to supply chain constraints early last year that resulted in extended lead times. Bookings outpaced sales for a second straight quarter and were particularly strong in the data center market for both traditional airside and liquid cooling products.

Gary Fields, CEO, stated, “First quarter performance was mixed relative to our expectations. Bookings remain strong across all business segments with quarter-over-quarter increases in backlog. This is especially true for AAON Coil Products and BASX segments which began the quarter with strong backlogs and continued to strengthen backlogs through the end of the first quarter, even as timing of production resulted in a softer than expected first quarter. Even at these lower production levels, total gross margin was better than expected and SG&A was in line with our expectations. We continue to manage pricing and costs well, and while it was not fully reflected in the first quarter results with lower volumes, operations across the facilities are poised to deliver even stronger results as production increases to deliver on our growing backlog.”

Mr. Fields continued, “Despite the slow start to the year, we believe results will continue to improve as we progress through 2024. Our independent sales reps continue to indicate strong levels of activity in the near-term, and while the upcoming refrigerant regulations may continue to cause some volatility on a month-to-month basis, we think order flow will further improve as we approach the point in time later this year in which customers will no longer be able to order equipment with R410A refrigerant. And as we anticipate an acceleration of backlog conversion at the AAON Coil Products and BASX segments, their production will also drive improved results throughout the year.”

Mr. Fields concluded, “Long-term, based on real opportunities and a large pipeline of projects, especially with mega projects in the data center market, we remain very positive in our outlook. As such, we continue to invest in more production capacity, both with new production square footage and through ways to increase output with our existing resources. We also continue to invest in people and technology that will help us manage the business more effectively and ensure we are able to efficiently adapt to the robust growth rates we continue to target over the long-term.”

As of March 31, 2024, the Company had cash, cash equivalents and restricted cash of $28.4 million and a zero balance on its revolving credit facility. Rebecca Thompson, CFO and Treasurer, commented, “In the quarter, cash flow from operations was strong at $92.4 million, up from $4.8 million in the first quarter of 2023. Working capital as a percent of sales improved for a third straight quarter, resulting in better cash conversion. Capital expenditures during the quarter increased year-over-year 33.0% to $38.7 million. Even with the higher capex budget, we were able to fully pay down our line of credit and finance the quarterly dividend while marginally building our cash position. Overall, the Company is financially strong, positioning us to fully leverage growth opportunities.”

CONFERENCE CALL

The Company will host a conference call and webcast today at 5:15 P.M. EDT to discuss the first quarter 2024 results and outlook. The conference call will be accessible via dial-in for those who wish to participate in Q&A as well as a listen-only webcast. The dial-in is accessible at 1-800-836-8184. To access the listen-only webcast, please

register at https://app.webinar.net/2E7VGLw0vnl. On the next business day following the call, a replay of the call will be available on the Company's website at https://investors.aaon.com.

ABOUT AAON

Founded in 1988, AAON is a global leader in HVAC solutions for commercial and industrial indoor environments. The Company's industry-leading approach to designing and manufacturing highly configurable equipment to meet exact needs creates a premier ownership experience with greater efficiency, performance and long-term value. AAON is headquartered in Tulsa, Oklahoma, where its world-class innovation center and testing lab allows AAON engineers to continuously push boundaries and advance the industry. For more information, please visit www.aaon.com.

FORWARD-LOOKING STATEMENTS

This press release includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", "should", "will", and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. We undertake no obligations to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Important factors that could cause results to differ materially from those in the forward-looking statements include (1) the timing and extent of changes in raw material and component prices, (2) the effects of fluctuations in the commercial/industrial new construction market, (3) the timing and extent of changes in interest rates, as well as other competitive factors during the year, and (4) general economic, market or business conditions.

CONTACT INFORMATION

Joseph Mondillo
Director of Investor Relations
Phone: (617) 877-6346
Email: **joseph.mondillo@aaon.com**

Supplemental financial tables are available in PDF version of this press release.