

Q3 2023 Earnings Conference Call

November 6, 2023



Forward-Looking Statements and Other References

Certain statements and information set forth in this presentation contains “forward-looking statements” and “forward-looking information” within the meaning of the Private Securities Litigation Reform Act of 1995. Except for statements of historical fact, certain information contained herein constitutes forward-looking statements which include management’s assessment of future plans and operations and are based on current internal expectations, estimates, projections, assumptions and beliefs, which may prove to be incorrect. Forward-looking statements are provided to allow potential investors the opportunity of management’s beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. Some of the forward-looking statements may be identified by words such as “may”, “plan”, “foresee”, “will”, “should”, “could”, “anticipate,” “believe,” “expect,” “intend,” “potential,” “continue,” and similar expressions. While the Company’s management believes that these forward-looking statements are reasonable as and when made, these statements are not guarantees of future performance and undue reliance should not be placed on them.

The Company’s forward-looking statements involve significant risks and uncertainties (some of which are beyond the Company’s control) and assumptions that could cause actual future results to differ materially from the Company’s historical experience and its present expectations or projections. For additional information regarding known material factors that could cause the Company’s results to differ from its projected results, please see its filings with the SEC, including its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K. The reader is cautioned not to place undue reliance on forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statement after they are made, whether as a result of new information, future events, or otherwise, except as required by federal securities laws.

This presentation includes references to calculations that are not based on generally accepted accounting principles (“GAAP”). Reconciliations of each of those non-GAAP measures to the most directly comparable GAAP measures have been included in the Appendix. All Share and per share amounts reflect the three-for-two stock split effective August 16, 2023.



Q3 2023 Summary

Sales	\$312.0M	Organic +28.6% Y/Y
Gross Profit Margin	37.2%	+1020 bps Y/Y • +410 bps Q/Q
Adjusted EBITDA	\$83.7M	+81.7% Y/Y • 26.8% adjusted margin
Diluted EPS	\$0.58	+70.6% Y/Y
Backlog	\$490.6M	-4.7% Y/Y • -6.8% Q/Q





Record Organic Volume and Production

Production Capacity	Productivity	Backlog	Strengthening Sales Channel
Expanding capacity within existing footprint	Supply chain issues waning	Strong backlog entering quarter	More alignment with channel partners
Total headcount +21.5% y/y	More efficient hiring practices	Total backlog at the end of Q3'23 - 6.8% y/y	More AAON support for channel partners
Added production equipment	Managing equipment hours better	Robust backlog at BASX	Strongest collection of channel partners ever
	Improving inflation-adjusted sales per day per person		Resulting in strong order and backlog trends



Favorable Secular Market Trends



Decarbonization



Electrification



Govt. Regulations



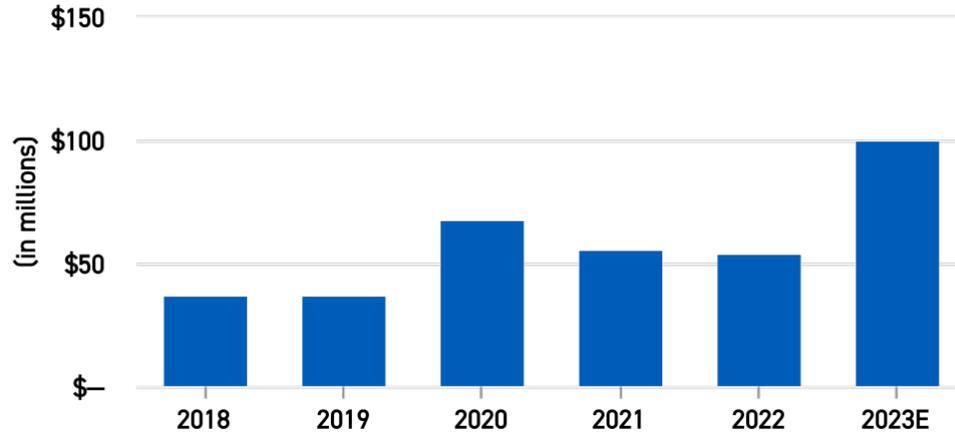
Economics

From niche to mainstream.

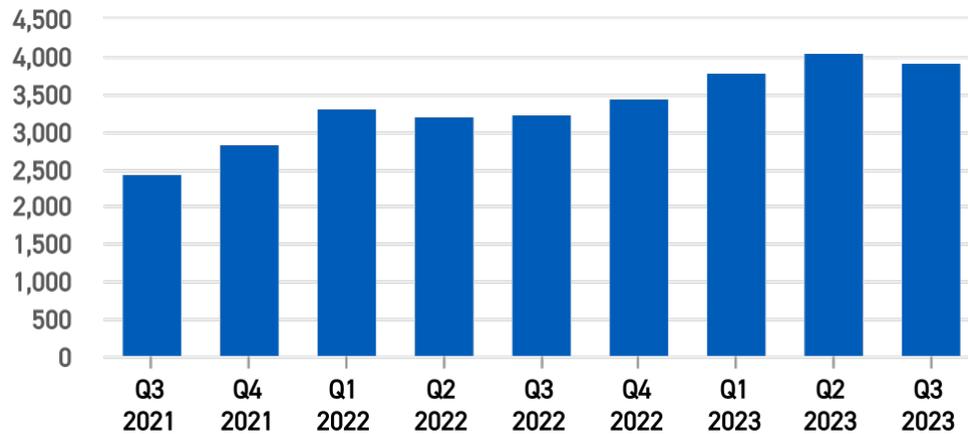


Continued Investment in Production Capacity

CAPEX



Headcount



Q3 Highlights

AAON's lead-times are still an industry-best and have begun to decline

Lead times are still above normal

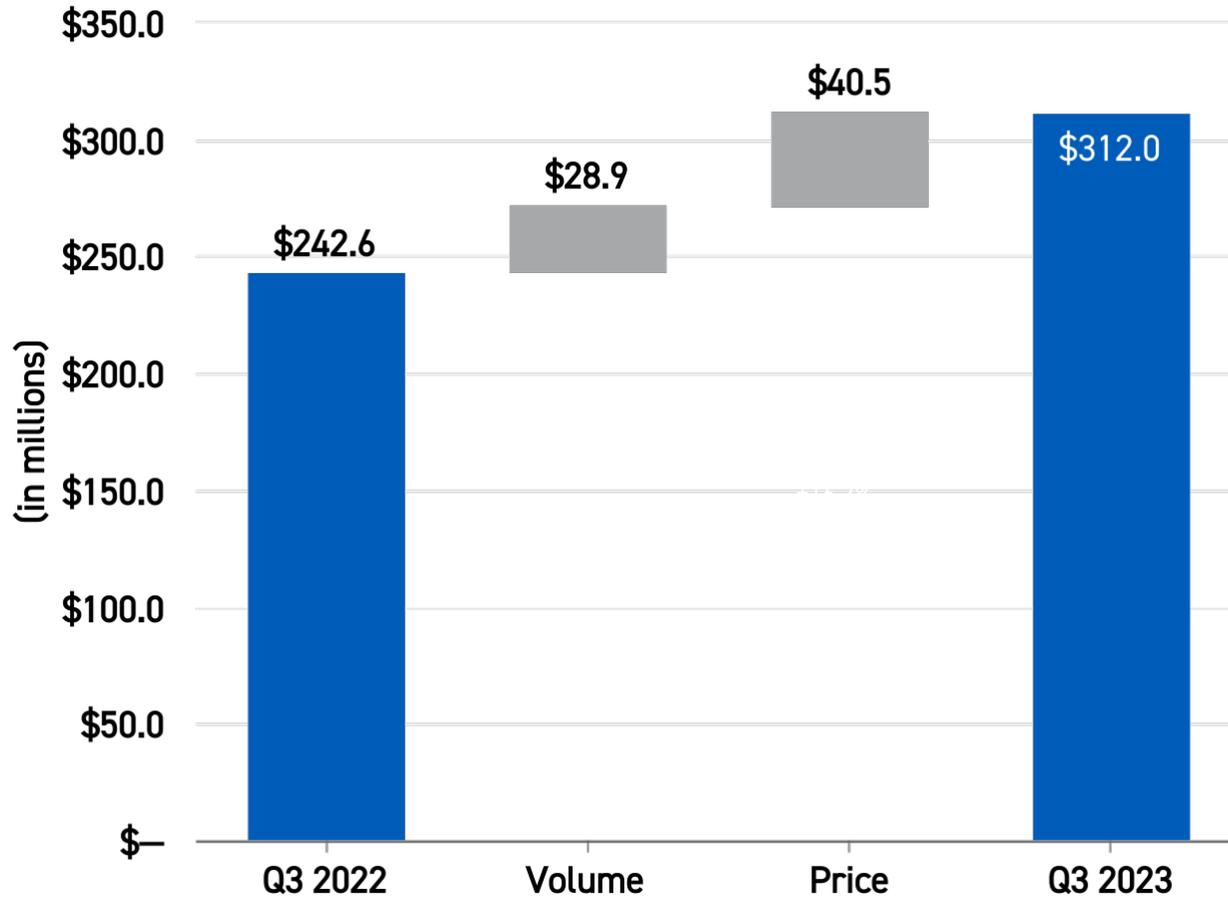
We will continue to invest in production capacity

Headcount +21.5% y/y

Organic volume was up 11.9% y/y, reflecting increased production capacity and higher headcount



Q3 2023 Sales Bridge



Q3 Highlights

Record quarterly sales

Organic sales growth +28.6%

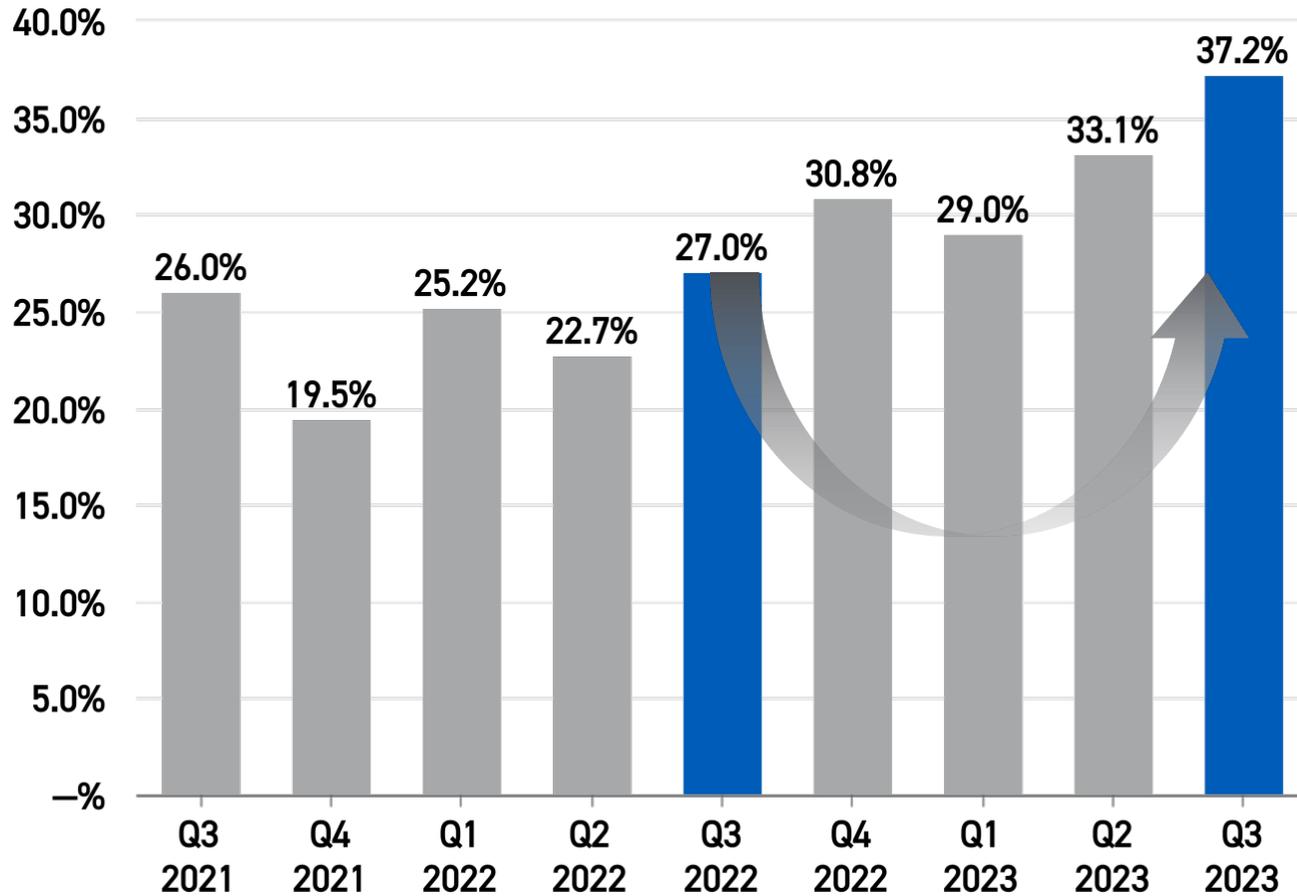
Organic unit volume growth +11.9%

Volume growth reflects strong backlog at end of Q2, increased capacity, improved productivity, and robust growth at the AAON Oklahoma and BASX segments

Parts sales growth +14.0%



Q3 2023 Gross Profit Margin



Q3 Highlights

Positives

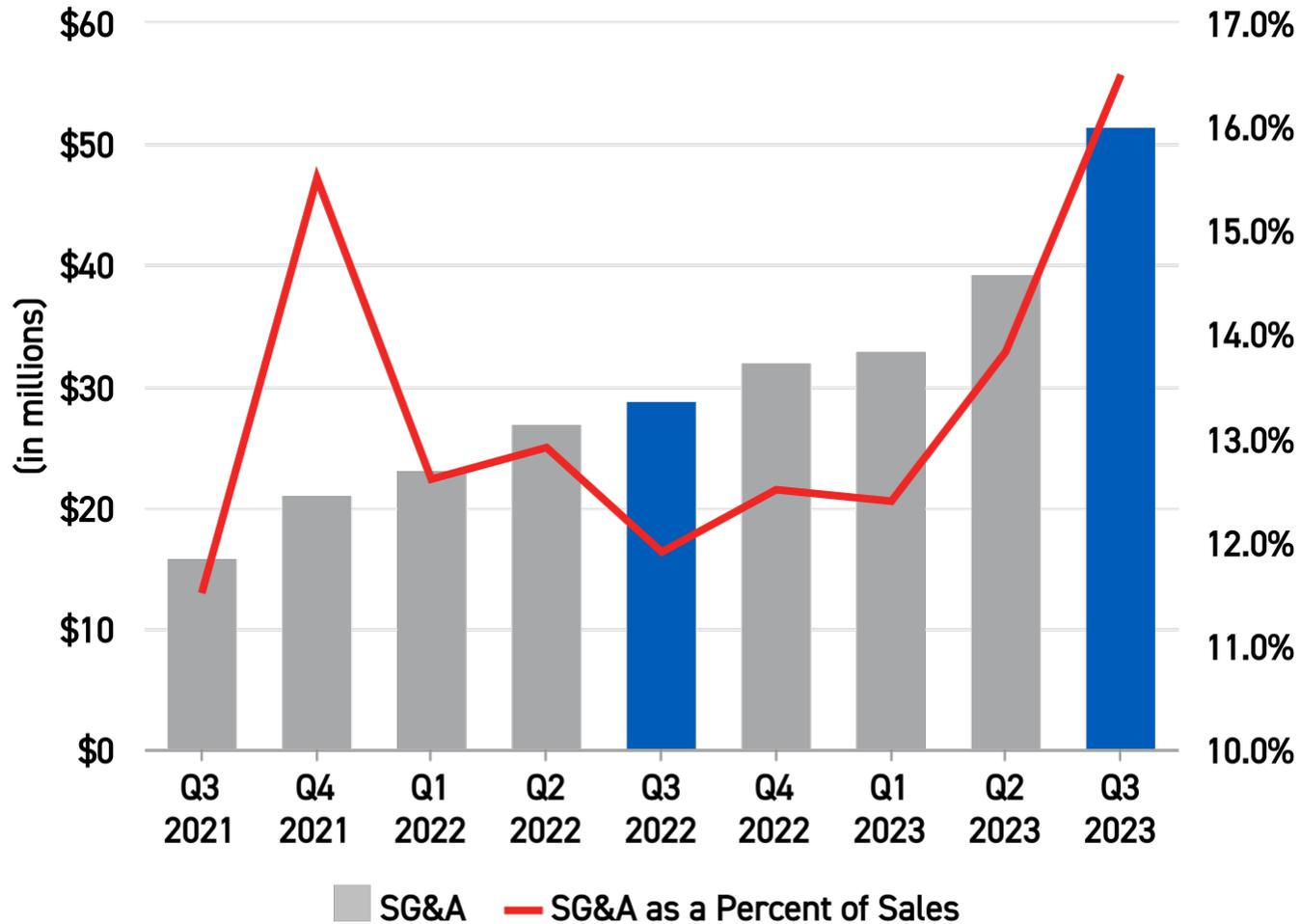
- Increased pricing
- Improved production output
- Improved efficiencies
- Better fixed cost absorption

Negatives

- Higher wages



Q3 2023 SG&A



Q3 Highlights

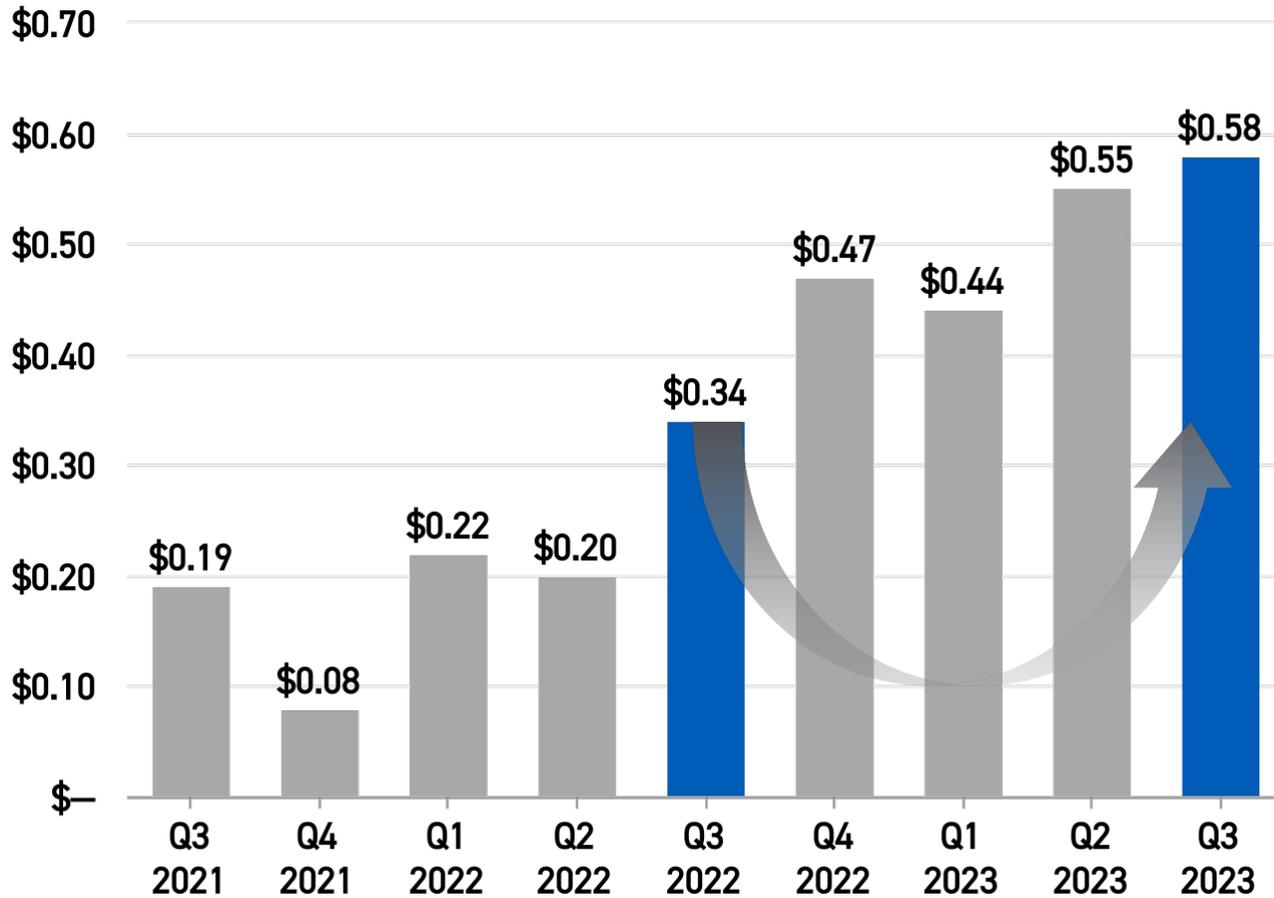
As a percent of sales, SG&A increased y/y 460 bps to 16.5%

Excluding a one-time settlement fee of \$7.5 million and the related effect the exclusion has on profit sharing expenses, non-GAAP adjusted SG&A as a percent of sales increased 240 bps to 14.3%

The biggest increase in non-GAAP adjusted SG&A is from out profit sharing that has increased due to higher earnings as well as investments made to help facilitate long-term growth



Q3 2023 Diluted EPS



Q3 Highlights

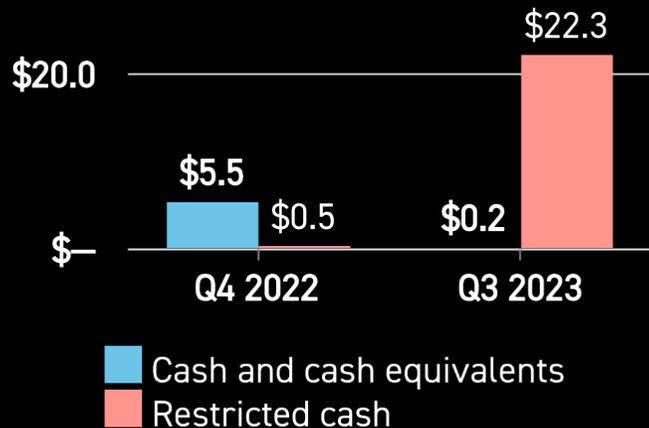
Y/Y growth +70.6%

Excluding a one-time settlement fee and the related effect the exclusion has on profit sharing expenses and taxes, non-GAAP adjusted diluted EPS was \$0.64



Q3 2023 Balance Sheet and Liquidity

Restricted Cash, Cash & Cash Equivalents



Debt



Q3 Highlights

Balance sheet remains strong

Debt of \$78.4 million is up compared to the end of 2022 by \$7.4 million, but still only equates to a leverage ratio of 0.33, down from 0.46 at prior year-end

Increase in debt primarily due to financing increased capital expenditures to facilitate future growth

Expect capex of approximately \$100.0 million in 2023

Working Capital

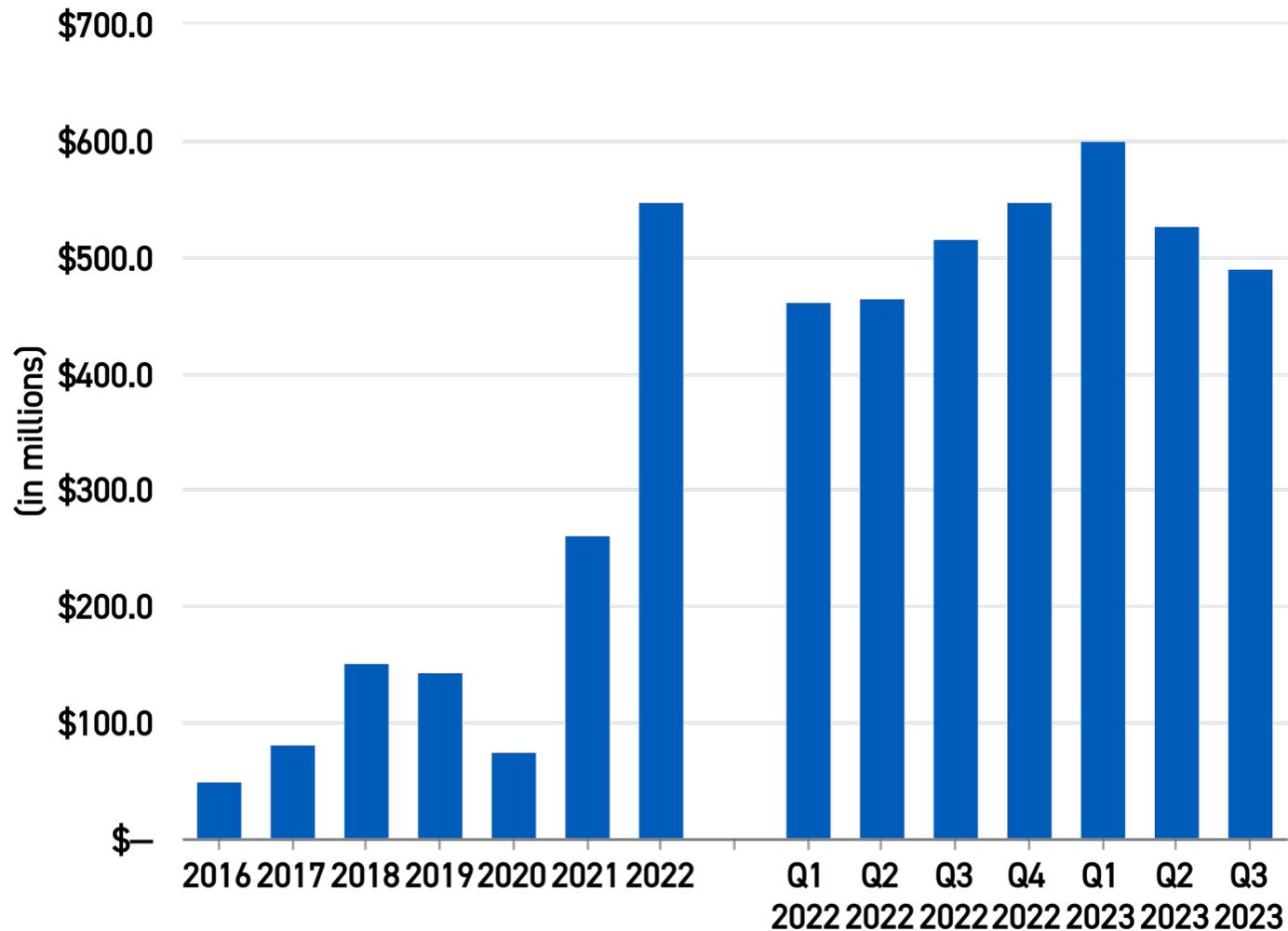


Capex





Backlog Remains Strong



Q3 Highlights

Organic backlog -4.7% y/y, -6.8% q/q

Industry-best lead-times and on-time delivery rates

Narrowing price premium of AAON equipment versus market

AAON equipment offers most attractive value proposition

Strengthening sales channel

Robust demand at BASX



Outlook

Highlights

- Strong backlog entering Q4
- Margin profile of backlog continues to improve entering Q4
- Strong pipeline of business
- Anticipate typical sales and EPS seasonality in Q4
- Early outlook for 2024 is positive

Modeling Assumptions

Pricing contribution to 2023 sales growth:	Mid double digits
Q4 sales and gross margin:	Modestly down quarter-over-quarter
Q4 SG&A as a percent of sales:	15.0%-15.5%
2023 Capex:	\$100.0 million
Pricing contribution to 2024 sales growth:	Mid single digits



AAON

Third Quarter 2023

Appendix





Q3 2023 Non-GAAP Financial Measures

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	<i>(in thousands)</i>			
Net income, a GAAP measure	\$ 48,078	\$ 27,473	\$ 130,574	\$ 61,478
Litigation settlement	7,500	—	7,500	—
Profit sharing effect	(750)	—	(750)	—
Tax effect	(1,640)	—	(1,242)	—
Non-GAAP adjusted net income	<u>\$ 53,188</u>	<u>\$ 27,473</u>	<u>\$ 136,082</u>	<u>\$ 61,478</u>
Weighted average dilutive shares outstanding:	83,393,054	80,938,074	83,275,208	80,882,798
Non-GAAP adjusted earnings per diluted share	<u>\$ 0.64</u>	<u>\$ 0.34</u>	<u>\$ 1.63</u>	<u>\$ 0.76</u>
Net income, a GAAP measure	\$ 48,078	\$ 27,473	\$ 130,574	\$ 61,478
Depreciation and amortization	12,203	9,324	33,439	25,624
Interest expense, net	1,266	954	3,959	1,694
Income tax expense	15,413	8,327	29,447	17,286
EBITDA, a non-GAAP measure	<u>\$ 76,960</u>	<u>\$ 46,078</u>	<u>\$ 197,419</u>	<u>\$ 106,082</u>
Litigation settlement	7,500	—	7,500	—
Profit sharing effect ¹	(750)	—	(750)	—
Adjusted EBITDA, a non-GAAP measure	<u>\$ 83,710</u>	<u>\$ 46,078</u>	<u>\$ 204,169</u>	<u>\$ 106,082</u>
Adjusted EBITDA margin	26.8 %	19.0 %	23.7 %	16.7 %
Selling, general and administrative expenses	\$ 51,470	\$ 28,891	\$ 123,684	\$ 78,880
Litigation settlement	(7,500)	—	(7,500)	—
Profit sharing effect ¹	750	—	750	—
Non-GAAP adjusted selling, general and administrative expenses	<u>\$ 44,720</u>	<u>\$ 28,891</u>	<u>\$ 116,934</u>	<u>\$ 78,880</u>
% of net sales	14.3 %	11.9 %	18.4 %	12.4 %

¹Profit sharing effect of litigation settlement in the respective period.