



Q4 2022 Earnings Conference Call

February 27, 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.



Q4 2022 Summary

SALES \$254.6M

Total +86.8% Y/Y • Organic +67.7% Y/Y

GROSS PROFIT MARGIN 30.8%

+1130 bps Y/Y • +380 bps Q/Q

ADJUSTED EBITDA \$56.2M

+226.5% Y/Y • 22.1% margin

DILUTED EPS \$0.71

+545.5% Y/Y • 39.2% Q/Q

BACKLOG \$548.0M

+110.6% Y/Y • +6.5% Q/Q





Decarbonization



Electrification



Market Demand Shifting From Basic HVAC Equipment To Higher Quality, Higher Performing Equipment



Cost of manufacturing increasing

Aggressive price increase



Minimum energy efficiency standard



Government Regulations



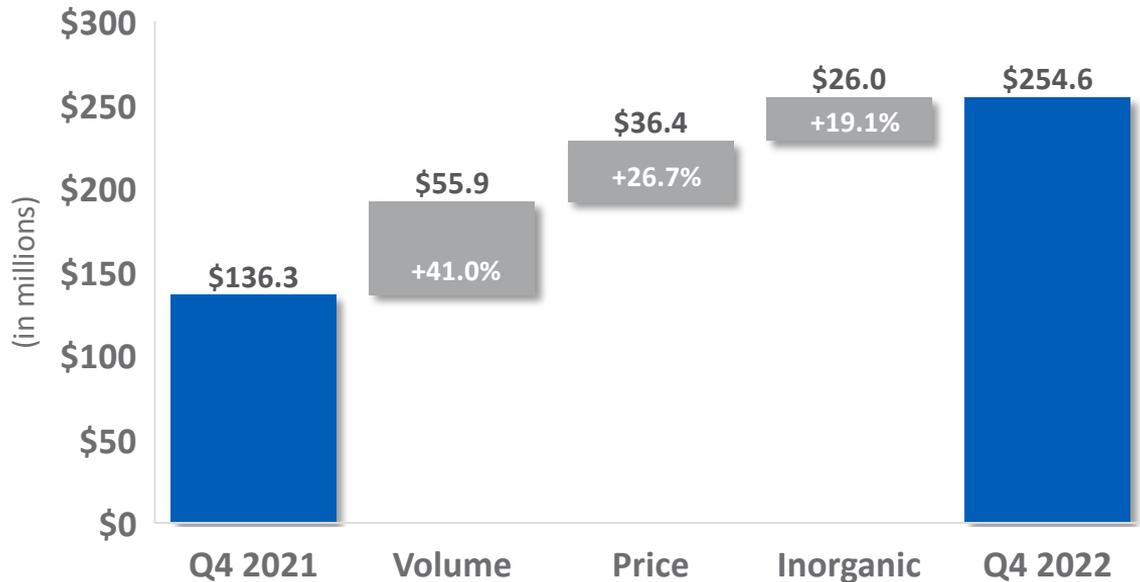
Economics



From Niche to MAINSTREAM



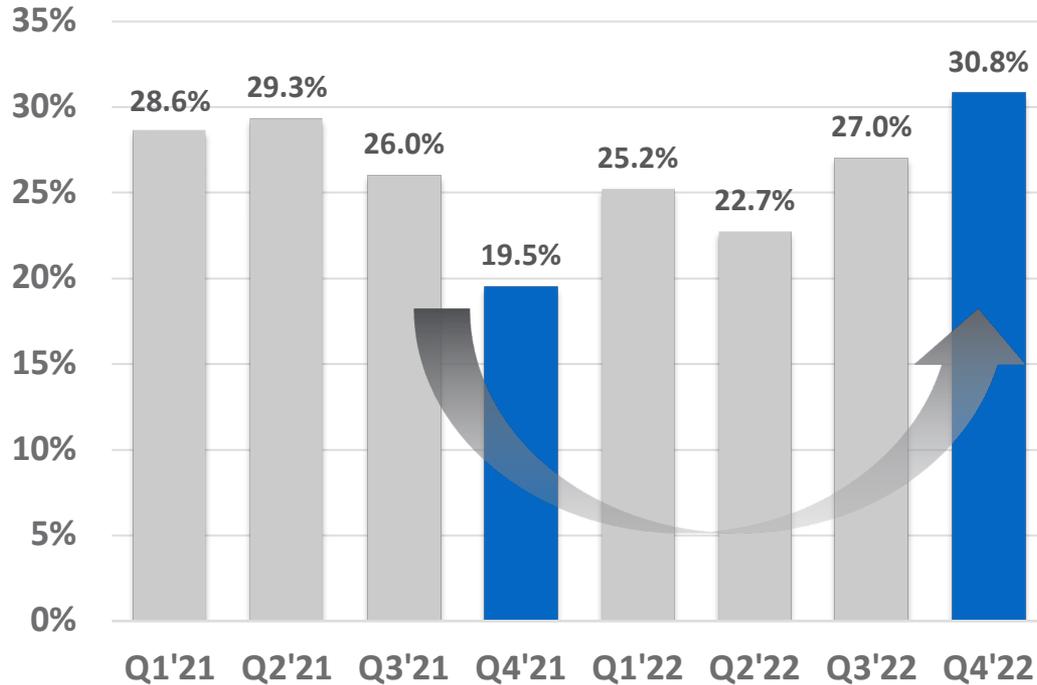
Q4 2022 Sales Bridge



Q4 Highlights

- ✓ Record quarterly sales
- ✓ Reflects strong backlog
- ✓ Record production rates
- ✓ Organic headcount growth +36.2%
- ✓ Organic unit volume growth +41.0%
- ✓ Parts sales growth +23.1%
- ✓ Accelerated price realization
- ✓ Robust growth at BASX

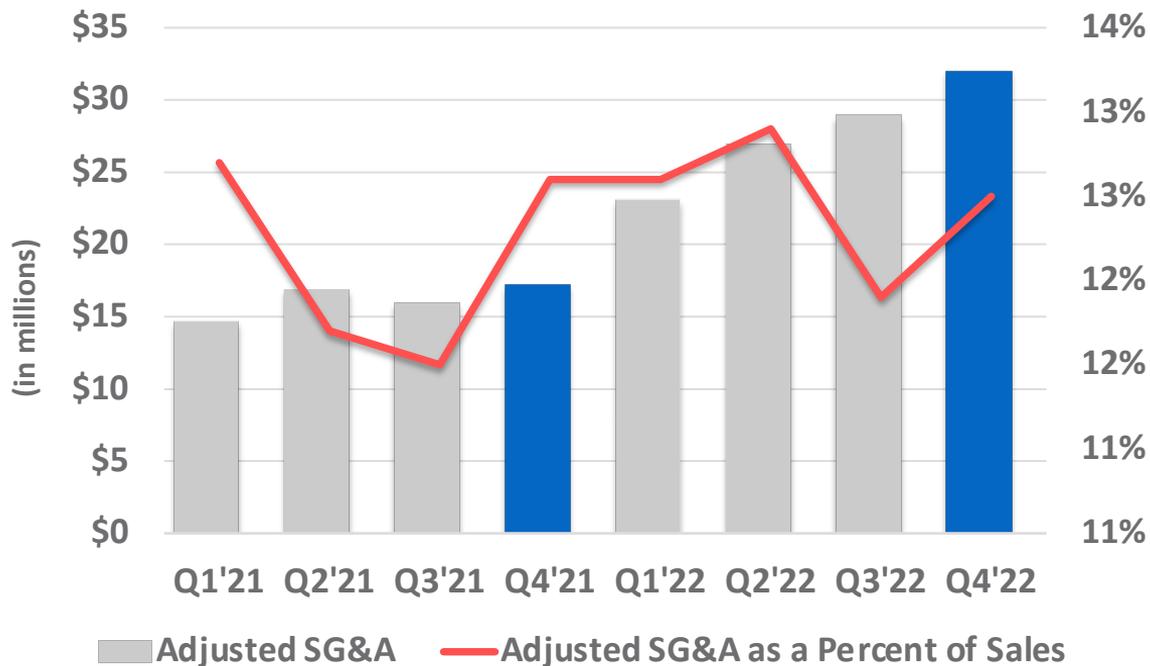
Q4 2022 Gross Profit Margin



Q4 Highlights

- + Improved pricing
- + Better productivity
- Higher component costs and wages
- Supply chain issues

Q4 2022 SG&A



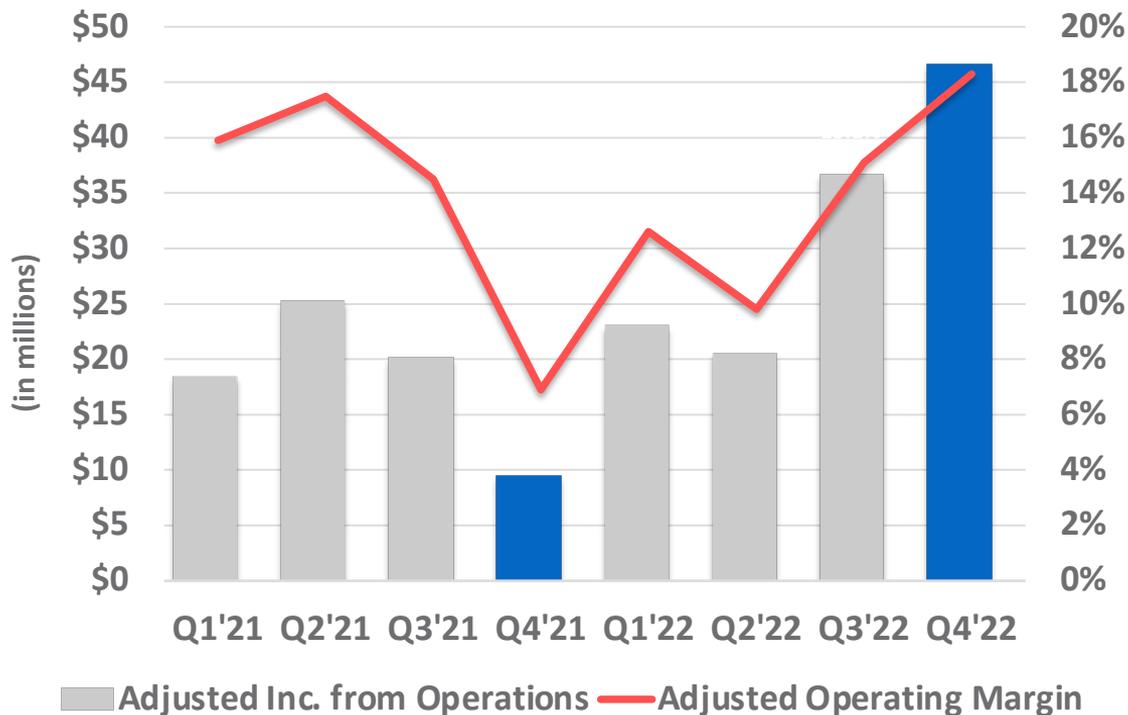
Q4 Highlights

- Adjusted SG&A grew y/y 85.9% on total sales growth of 86.8%
- As a percent of sales, Adjusted SG&A decreased y/y by 10 basis points to 12.5%
- + SG&A increased y/y due to investments that will help facilitate long-term growth

Non-GAAP reconciliations in Appendix



Q4 2022 Income from Operations



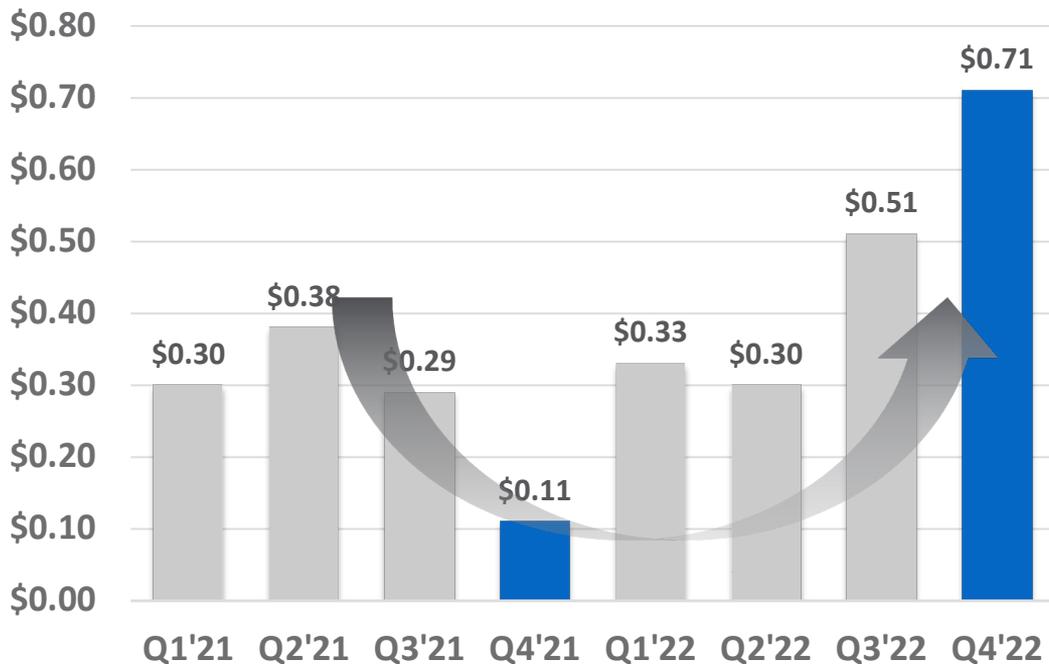
Non-GAAP reconciliations in Appendix

Q4 Highlights

- + Record income from operations
- + Operating margin of 18.3% highest since 2020
- + Robust sales combined with moderating cost inflation
- + AAON Oklahoma Segment recorded strongest operating margin since Q1'20
- Still below 2020 operating margin



Q4 2022 DILUTED EPS



Q4 Highlights

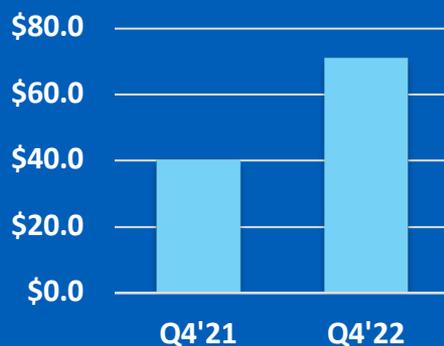
- + Record quarterly Diluted EPS
- + Y/Y growth +545.5%
- + Q/Q growth +39.2%
- Q4'22 benefited from reduction in income taxes from a change in estimate of 179D deduction and R&D tax credits

Q4 2022 Balance Sheet and Liquidity

Cash



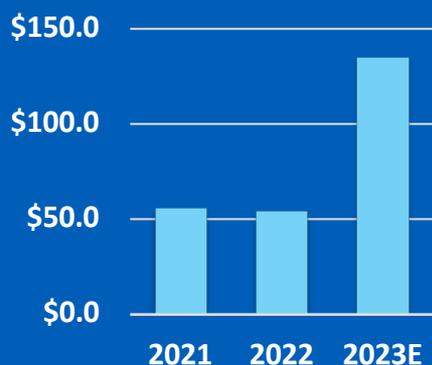
Debt



Working Capital



Capex



Q4 Highlights

- ✓ Balance sheet remains strong
- ✓ Debt of \$71.0 million is up y/y \$31.0 million, but only equates to a leverage ratio of 0.46 versus 0.42 a year ago
- ✓ Increase in debt primarily due to financing working capital investments to facilitate robust volume growth and help mitigate supply chain issues
- ✓ 2022 capex less than originally expected
- ✓ Expect capex of approximately \$135 million in 2023



Record Organic Volume and Production

Production Capacity

- ✓ Squeezing additional capacity out of existing footprint
- ✓ Total headcount +36% y/y
- ✓ Added production equipment



Productivity

- ✓ Sales per day per person improving
- ✓ Mitigating supply chain issues better
- ✓ More efficient hiring practices
- ✓ Managing equipment hours better



Backlog

- ✓ Organic backlog entering Q3 +164% y/y
- ✓ Robust backlog at BASX



Strengthening Sales Channel

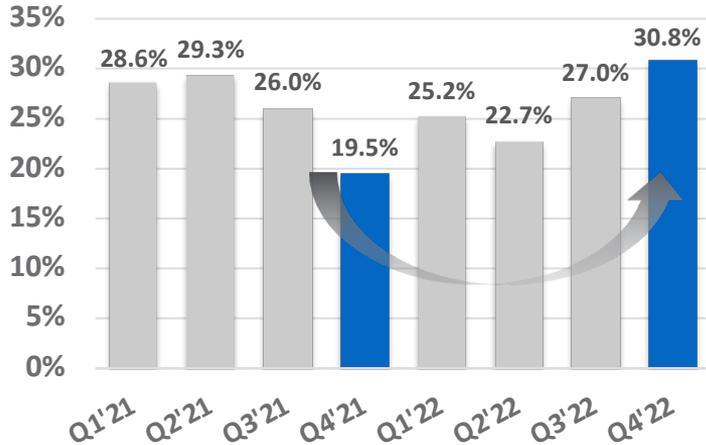
- ✓ More alignment with channel partners
- ✓ More AAON support for channel partners
- ✓ Strongest collection of channel partners ever
- ✓ Resulting in strong order and backlog trends





Pricing Strategy Driving Gross Profit Margin

Gross Margin



Managing Pricing to Cost

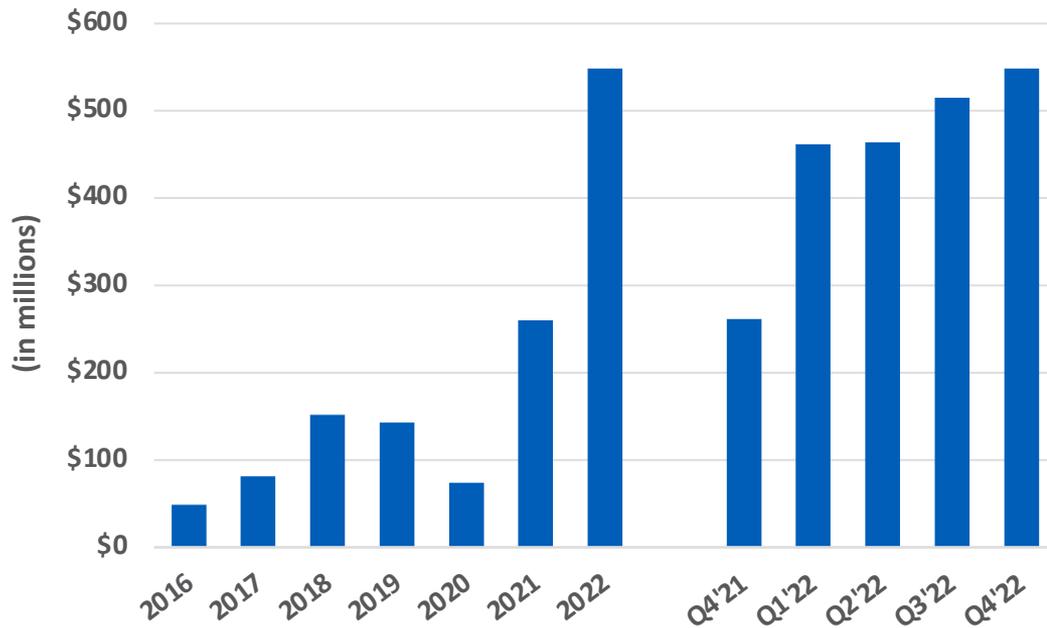
- ✓ Historically, AAON managed pricing to cost exclusively
- ✓ Hyper inflation combined with hyper demand led to a lag between rising costs and price increases, resulting in suboptimal gross margin in 2021-2022
- ✓ Price increases are finally catching up to rising costs
- ✓ Managing pricing to cost will continue to be part of AAON's pricing strategy

Managing Pricing to Market

- ✓ Favorable market trends are resulting in AAON managing its pricing more to market
- ✓ Higher minimum efficiency standards resulting in higher costs of manufacturing and higher market pricing
- ✓ As regulations drive market pricing higher, AAON's price premium has narrowed
- ✓ We will maintain a premium price to market to reflect AAON's premium product offering



Backlog



Q4 2022 Organic Backlog +110.6% Y/Y

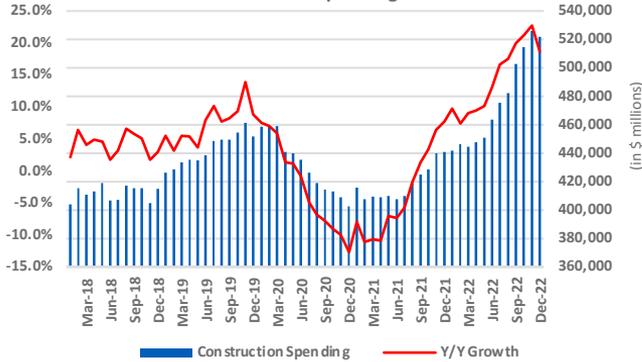
Q4 Highlights

- ✓ Industry best lead-times and on-time delivery rates
- ✓ Narrowing price premium of AAON equipment compared to market
- ✓ AAON equipment offers most attractive value proposition
- ✓ Strengthening sales channel
- ✓ Robust demand at BASX

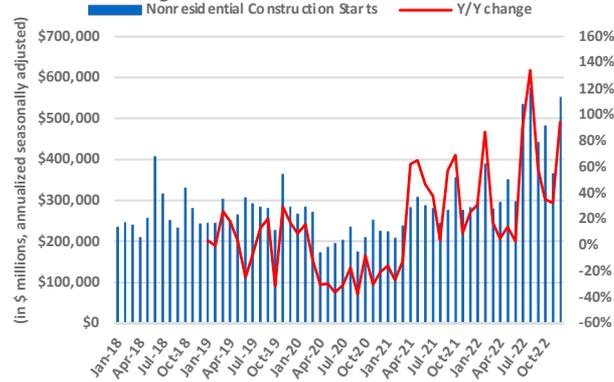


Macroeconomic Indicators Remain Positive

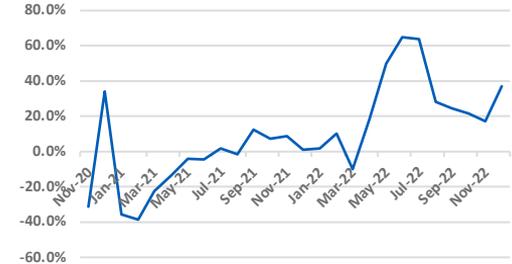
Nonresidential Construction Spending - AAON Sectors



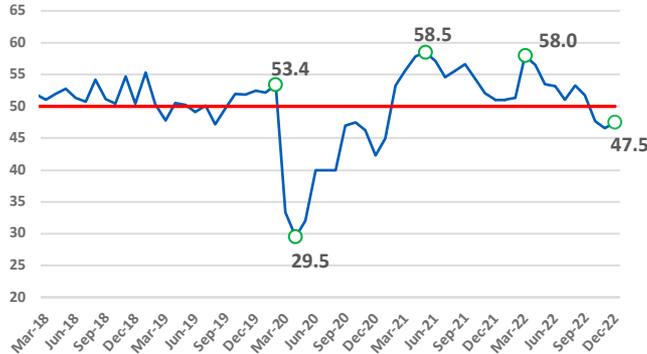
Dodge Nonresidential Construction Starts



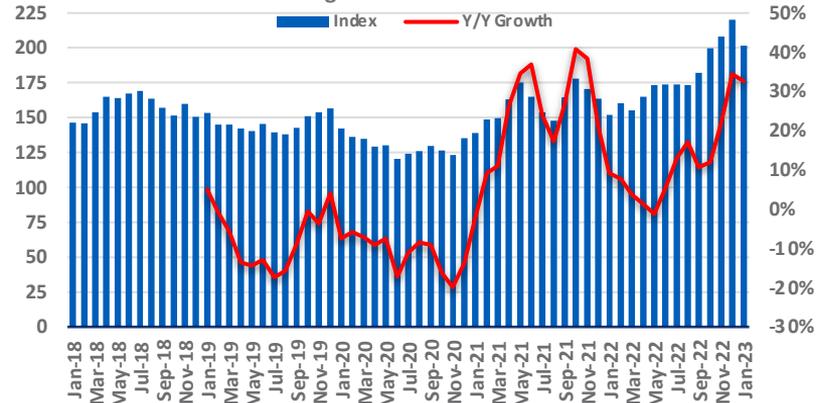
ConstructConnect Nonresidential Construction Starts - 3-Month Rolling Average Y/Y Change



Architectural Billings Index

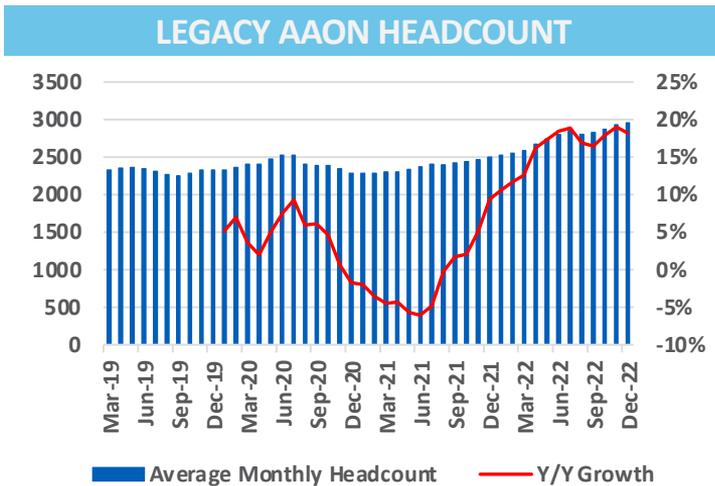
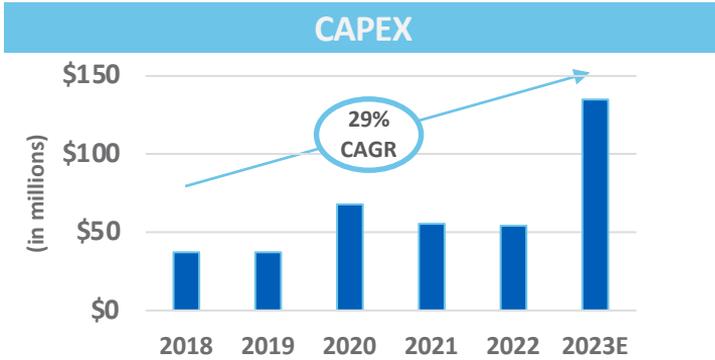


Dodge Momentum Index





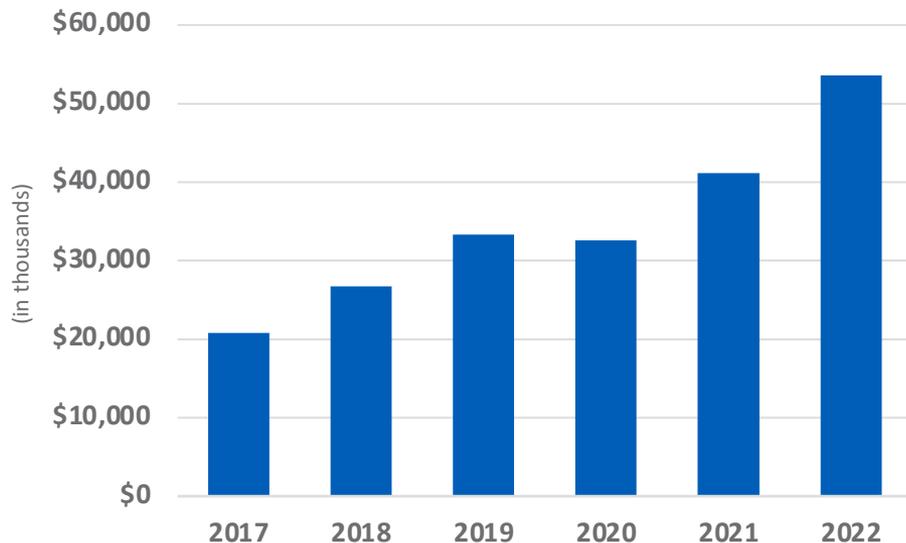
Investing in Production Capacity



Q4 Highlights

- ✓ AAON's lead-times are by far an industry-best, but they continue to expand and are more than 2x where we want them to be
- ✓ Orders remain robust, making it difficult to reduce lead-times
- ✓ Currently, the biggest challenge in ramping up production is the tight supply of components
- ✓ We will continue to invest in plant and equipment capacity as well as headcount
- ✓ Despite the challenges, Q4 organic volume was up y/y 41%, implying we are doing a great job at managing production capacity

Focusing on Parts and Service



Q4 Highlights

- ✓ Parts sales were up 23.1% in Q4
- ✓ Parts sales were up 30.3% in 2022
- ✓ On a two-year stack, parts sales were up 64.6% in 2022
- ✓ Parts sales should accelerate as supply chain issues wane
- ✓ Long-term fundamentals are strong



2023 Outlook

Highlights

- ✓ Record backlog entering 2023
- ✓ Improving margin profile of backlog entering 2023
- ✓ Orders trends remain strong
- ✓ Production and productivity is improving
- ✓ Anticipate another year of record sales and EPS

2023 Modelling Assumptions

Pricing contribution to sales growth:	Low double digits
Gross profit margin:	Improvement from Q4'22
SG&A as a percent of sales:	Slightly higher than 2022
Capex:	\$135 million



Appendix

Non-GAAP Reconciliations



ADJUSTED SG&A & INCOME FROM OPERATIONS

	Quarter Ended				Quarter Ended			
	March 31	June 30	September 30	December 31	March 31	June 30	September 30	December 31
	2021				2022			
	(\$ in 000s)							
SG&A	\$ 14,696	\$ 16,895	\$ 15,897	\$ 21,110	\$ 23,056	\$ 26,933	\$ 28,891	\$ 31,943
Acquisition-related fees, net of profit sharing effect	-	-	-	3,930	-	-	-	-
Adjusted SG&A, a Non-GAAP measure	\$ 14,696	\$ 16,895	\$ 15,897	\$ 17,180	\$ 23,056	\$ 26,933	\$ 28,891	\$ 31,943
Adjusted SG&A as % of Sales, a Non-GAAP measure	12.7%	11.7%	11.5%	12.6%	12.6%	12.9%	11.9%	12.5%
Income from Operations	\$ 18,461	\$ 25,212	\$ 20,137	\$ 5,443	\$ 23,010	\$ 20,453	\$ 36,700	\$ 46,598
Acquisition-related fees, net of profit sharing effect	-	-	-	(3,930)	-	-	-	-
Adjusted Income from operations, a Non-GAAP measure	\$ 18,461	\$ 25,212	\$ 20,137	\$ 9,373	\$ 23,010	\$ 20,453	\$ 36,700	\$ 46,598
Adjusted Operating Margin, a Non-GAAP measure	15.9%	17.5%	14.5%	6.9%	12.6%	9.8%	15.1%	18.3%