



# Q2 2025 Earnings Conference Call

August 11, 2025

# Forward-looking statements and other references

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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. 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 materials 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. For additional information and a discussion of such risks and uncertainties, which could cause the Company’s actual 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. When forward-looking non-GAAP measures are provided, the Company does not provide quantitative reconciliations of forward-looking non-GAAP measures to the most directly comparable GAAP measures, because it cannot, without unreasonable effort, predict the timing and amounts of certain items taken into account in the computations of each of these measures.

# Q2 2025 overview

**\$311.6M**

Sales



-0.6% Y/Y

**26.6%**

Gross Profit Margin



-950 bps Y/Y  
-20 bps Q/Q

**\$46.6M**

Non-GAAP Adj.  
EBITDA\*



-43.1% Y/Y  
14.9% margin

**\$0.22**

Non-GAAP Adj.  
Diluted EPS\*



-64.5% Y/Y

**\$1.12B**

Adjusted Backlog\*\*



+71.9% Y/Y  
+8.8% Q/Q



Q2 sales and earnings  
**impacted by ERP  
implementation**



Strong backlog will result in a  
**strong recovery** in 2H 2025



\* See appendix for additional information regarding Non-GAAP measures. \*\*Adjusted for replacement purchase orders received in July related to administrative processing.

# Context for recent developments

2022 - 2024

To support future growth, identified need to evolve business systems

April 2025

Longview goes live with new SAP system

Production rates slowed

May 2025

Coil production at Longview limits Tulsa production ramp

June 2025

AAON updates investors with preliminary details at IR day

Two additional coil suppliers challenged

July 2025

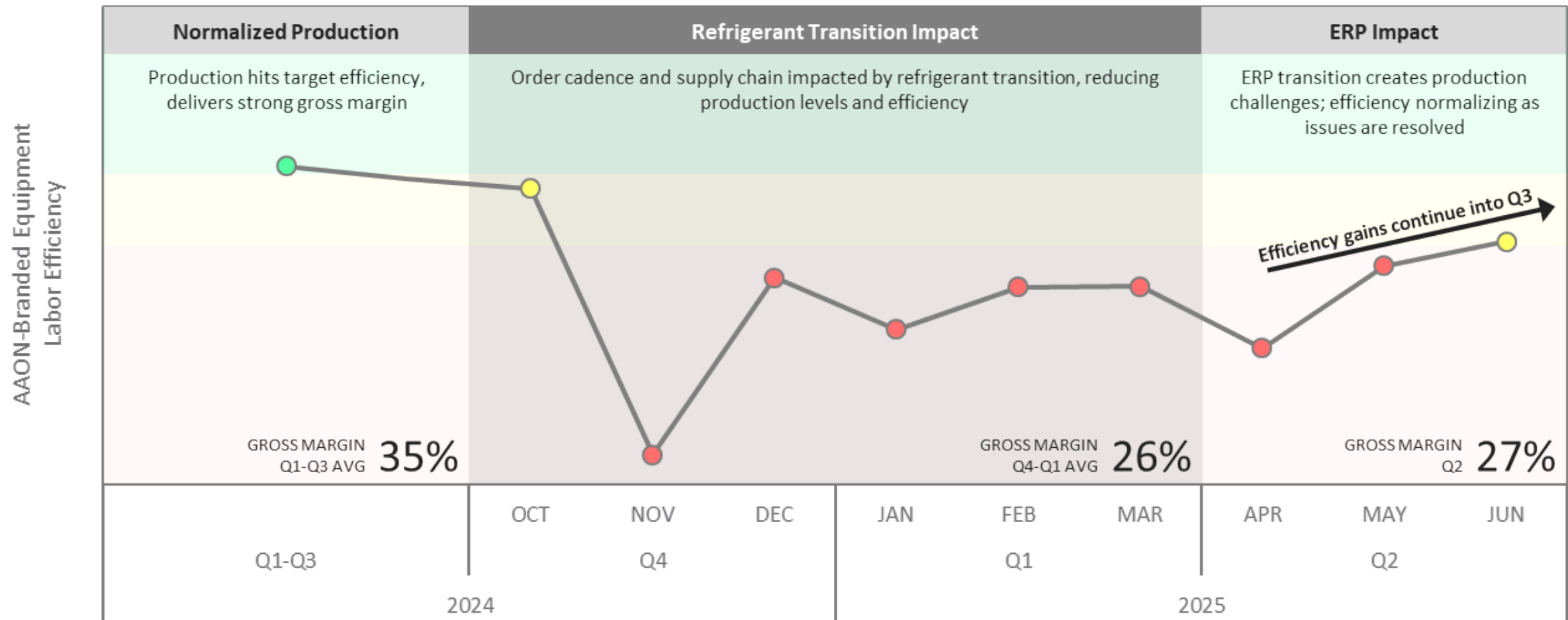
Coil production at Longview and from suppliers begin to improve

Today

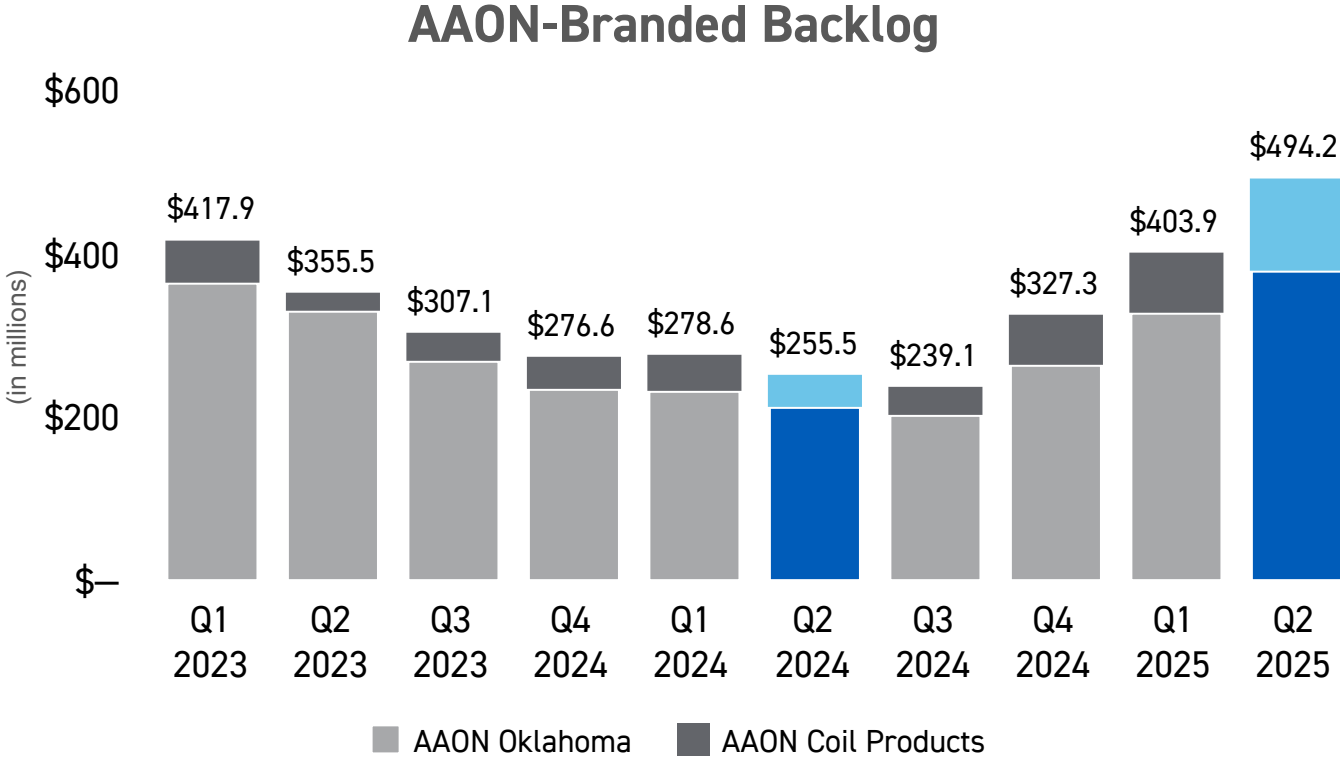
New guide for 2025 which accounts for Q2 weakness and builds in additional ERP cushion for 2H



# When efficiency metrics are hit, margins are delivered



# AAON-Branded Backlog and Production Trends Point To 2H Recovery



## Q2 Highlights

Strong bookings of AAON-branded in Q2 and YTD

AAON-branded backlog up y/y 93.4% and up q/q 22.4%

Backlog has favorable pricing: Most orders with Jan 1st 3% price increase and all orders with March 6% tariff surcharge had yet to hit production floor as of June 30th

# Update on ERP roll-out

## Background

Legacy ERP system was not built for scale. To support our growth, upgrade was required

## Rationale

Improves visibility in operations, data quality and margin trajectory

## Principles

Strategically rolling-out in stages to minimize impact across sites

## Go-Live Sequence

Longview



Memphis



Redmond



Tulsa



2025

2026



## Key takeaways

Intentionally began roll-out in Longview given the site's scale and production of AAON and BASX-branded products, including coils

Implementation resulted in slower production

Global functions overseeing implementation will apply lessons learned to future sites, including Tulsa

Revised 2025 guide incorporates meaningful cushion for potential impact

Management will provide regular updates on implementation progress

# Q2 highlights

BASX-branded data center sales up y/y 127% in Q2 and 269% YTD

Liquid cooling equipment sales approximately 40% of total BASX-branded data center sales in the YTD period

BASX strategically partners with Applied Digital to supply unique cooling systems for their AI data centers

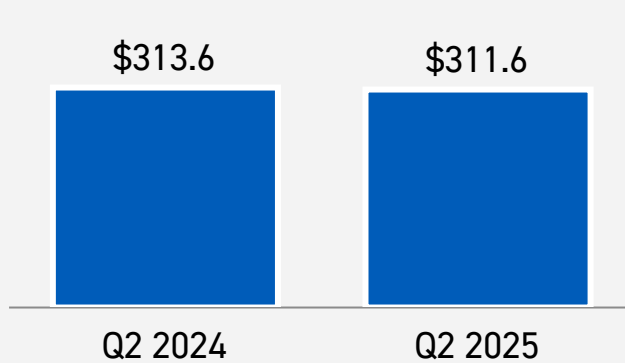
AAON-branded national accounts strategy gaining traction, orders up 163% in Q2, up 90% YTD

In Q2, AAON-branded Alpha Class heat pump sales up 8%, bookings up 61%

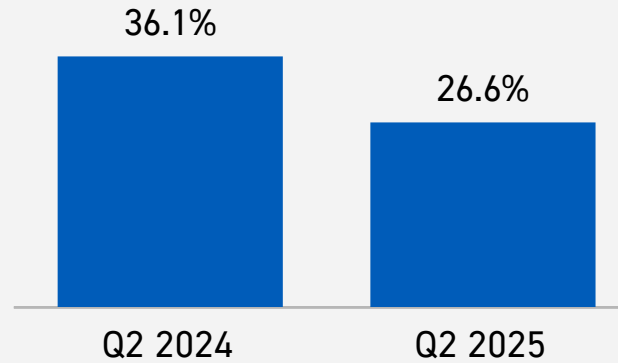


# Q2 2025 summary

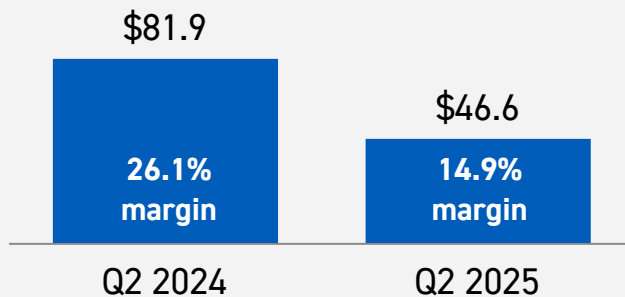
## Net Sales



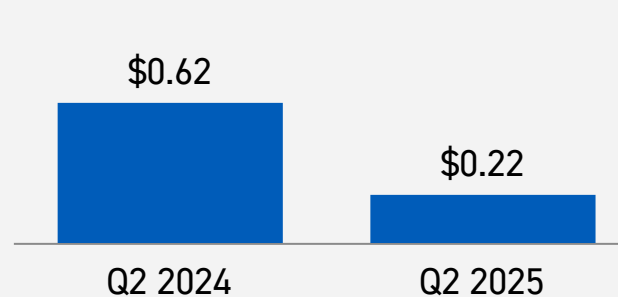
## Gross Margin



## Non-GAAP Adj EBITDA\*



## Non-GAAP Adj EPS\*



## Q2 Highlights

Net sales decline of 0.6% driven by 18.0% decline in sales at AAON Oklahoma segment, nearly fully offset by growth of 20.4% and 86.4% at BASX and AAON Coil Products segments, respectively

AAON-branded sales decline of 20.9% almost fully offset by 90.0% growth in BASX-branded sales

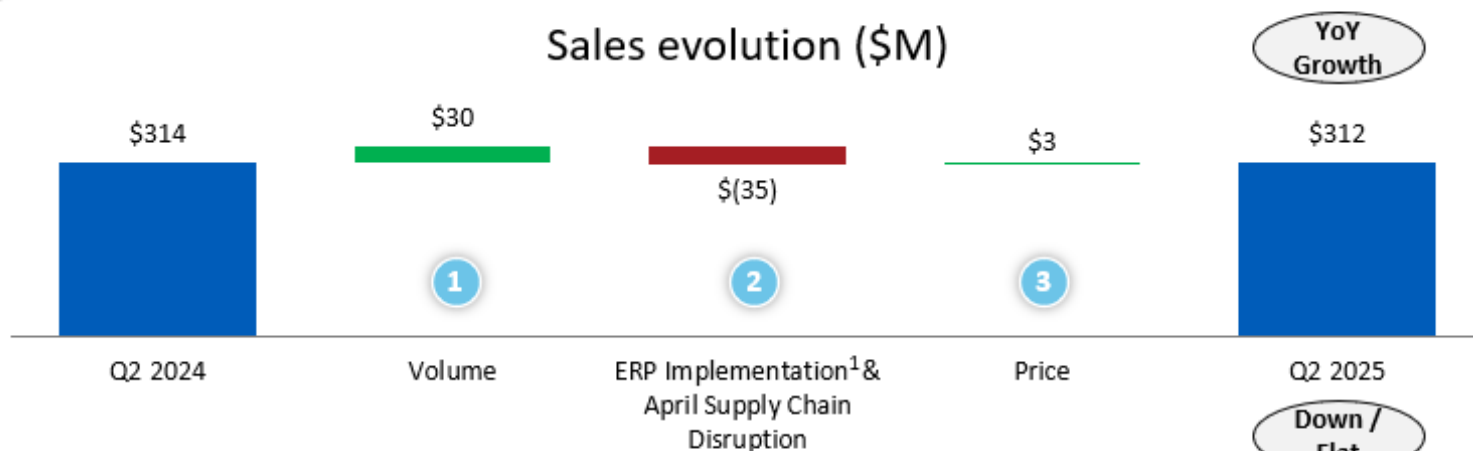
Challenges related to ERP implementation at the Longview, TX facility limited production at AAON Oklahoma and AAON Coil Products segments, resulting in operational inefficiencies and contracting gross and adjusted EBITDA margins



\* See appendix for additional information regarding Non-GAAP measures

# Q2 2024 – Q2 2025 performance

## Sales evolution (\$M)



## Gross margin evolution (\$M)

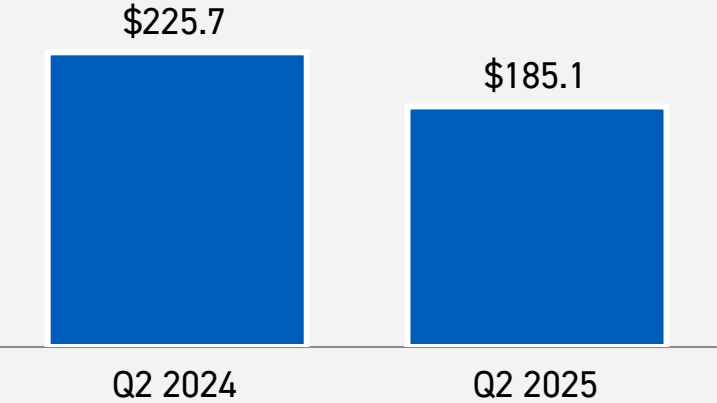


## Observations

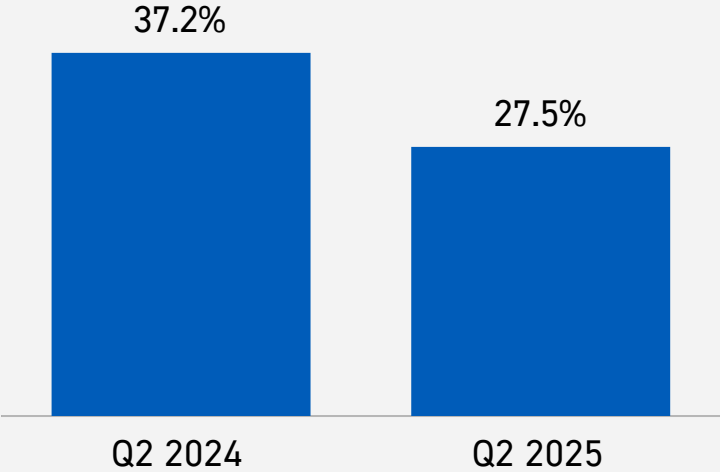
- 1 Volumes before ERP and supply chain impact were +20%, led by strong growth in backlog and continued strength at BASX
- 2 ERP implementation at Longview impacted ACP business with knock-on effects in Tulsa; Supply chain issues troughed in April 2025, as messaged with Q1 earnings
- 3 Initial impact from 3% annual price increase
- 4 Reduced production volumes led to additional cost

# AAON Oklahoma

Net Sales



Gross Margin



## Q2 Highlights

Net sales declined 18.0% as a result of entering the quarter at lower production rates y/y, supply chain issues in early April, and impact of slower coil production at Longview facility

Since March, production consistently improved m/m; July was our strongest month YTD, down 6% from pre-Q4 2024 levels

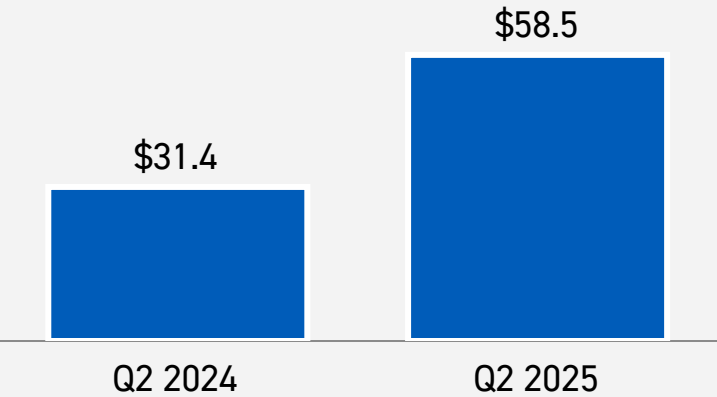
Gross margin was largely impacted by lower production volumes

New Memphis plant contributed \$3.0M of cost in Q2

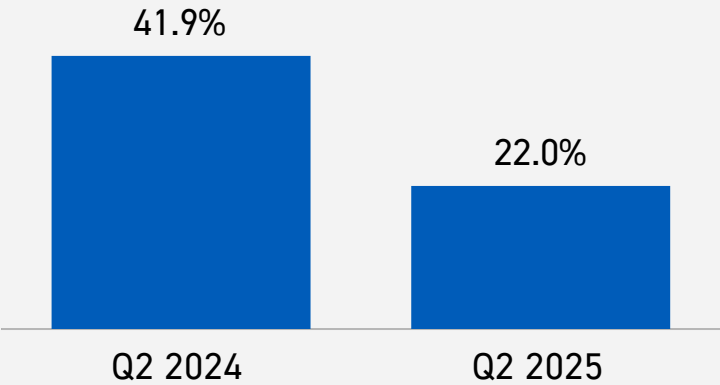
Strong backlog points to q/q growth in both Q3 and Q4

# AAON Coil Products

Net Sales



Gross Margin



## Q2 Highlights

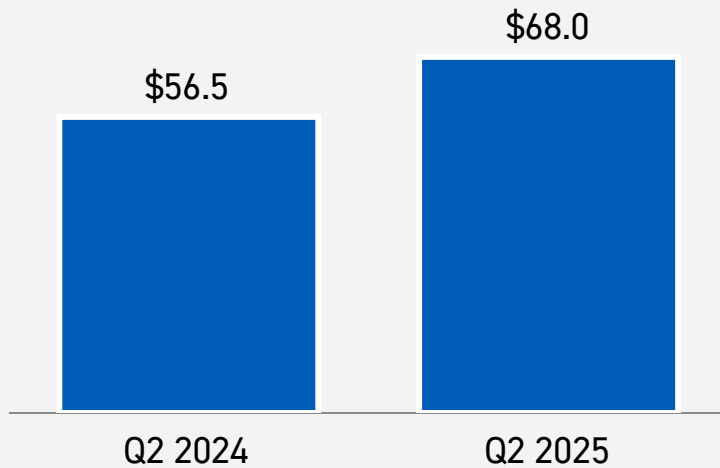
Net sales increase of \$27.1M, or 86.4%, driven by \$40.1M of BASX-branded sales, partially offset by a \$13.0M decline in AAON-branded sales

Challenges with ERP implementation impacted AAON-branded production, minimal impact to BASX-branded production

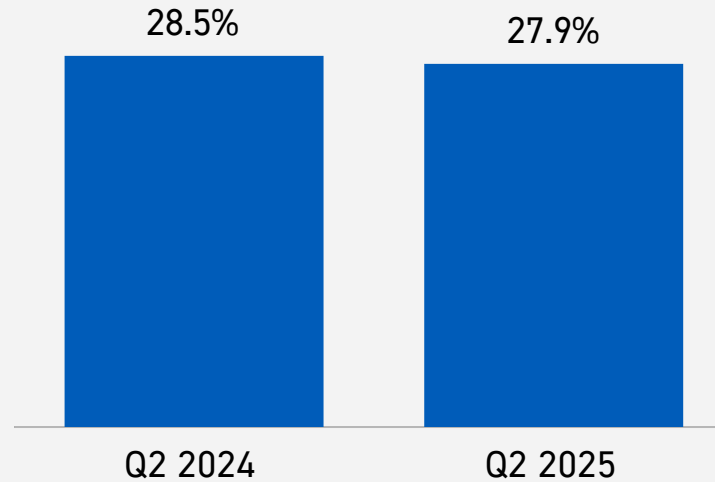
Since April, AAON-branded production is up significantly, still about 37% below pre-4Q 2024 levels

Gross margin impacted by lower production volumes

## Net Sales



## Gross Margin



## Q2 Highlights

Net sales growth of 20.4% driven by strong demand from data center market

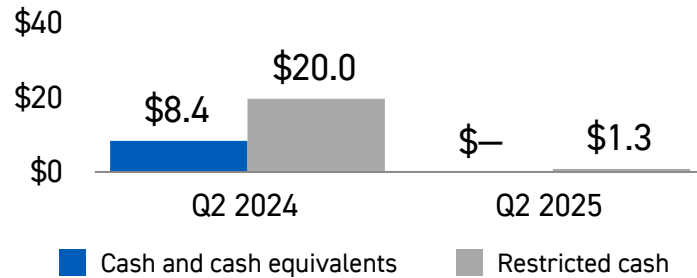
Y/Y, gross margin impacted by higher indirect expenses

Q/Q, gross margin was up a second straight quarter, demonstrating operational efficiencies are improving

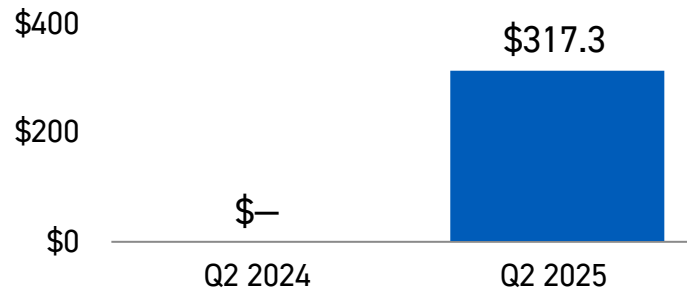
Expect Q3 to look similar to Q2

# Q2 2025 summary: balance sheet

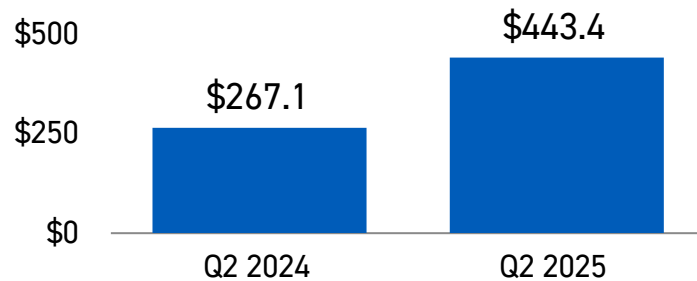
## Restricted Cash, Cash & Cash Equivalents



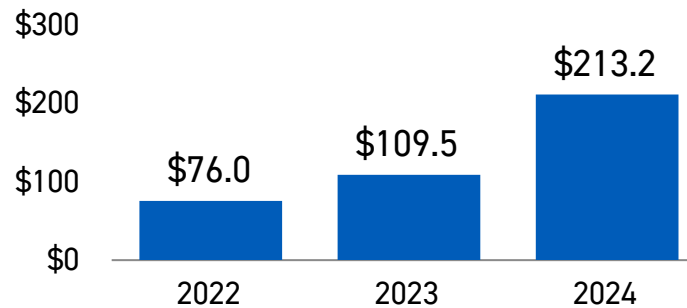
## Debt



## Working Capital



## Annual Capex



\* All metrics are in millions

## Q2 Highlights

Leverage ratio at the end of the first quarter was 1.40

In Q2, closed on new \$500.0M credit facility

Increase to working capital reflects investments made in inventory to accommodate growing backlog

Expect capex of approximately \$220.0 million in 2025, related to preparing the Memphis facility for production later this year

Repurchased \$30.0 million of shares outstanding

# Backlog by brands

(All percentages on this slide represent year-over-year changes)

## Backlog

### BASX brand\*

\$623.4M

Up 58.0%

Demand of air-side and liquid cooling solutions for data centers is robust

Opportunities with our customized free cooling chiller systems.

### AAON brand

\$494.2M

Up 93.4%

Backlog is the highest level in AAON history fueled by national accounts

Expect production to increase significantly in 2H

### TOTAL BACKLOG\*

\$1.12B

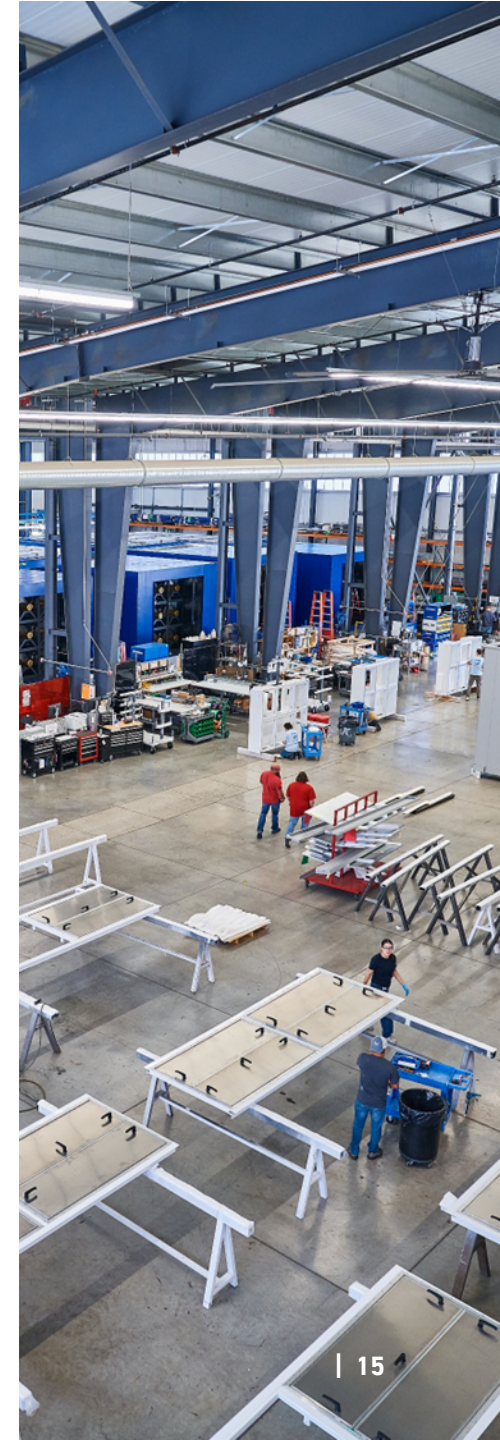
Up 71.9%

Strong backlog allows us to plan production more efficiently

Anticipate improvement in production volume and efficiency throughout 2025



\* Adjusted for replacement purchase orders received in July related to administrative processing



# Revised 2025 outlook

|                                | Prior             | Current     |
|--------------------------------|-------------------|-------------|
| YoY Sales Growth               | Mid-to-High Teens | Low-Teens   |
| Gross Margin                   | ~33%              | 28%-29%     |
| Non-GAAP Adj. SG&A % of Sales* | 15.2%-15.4%       | 16.5%-17.0% |

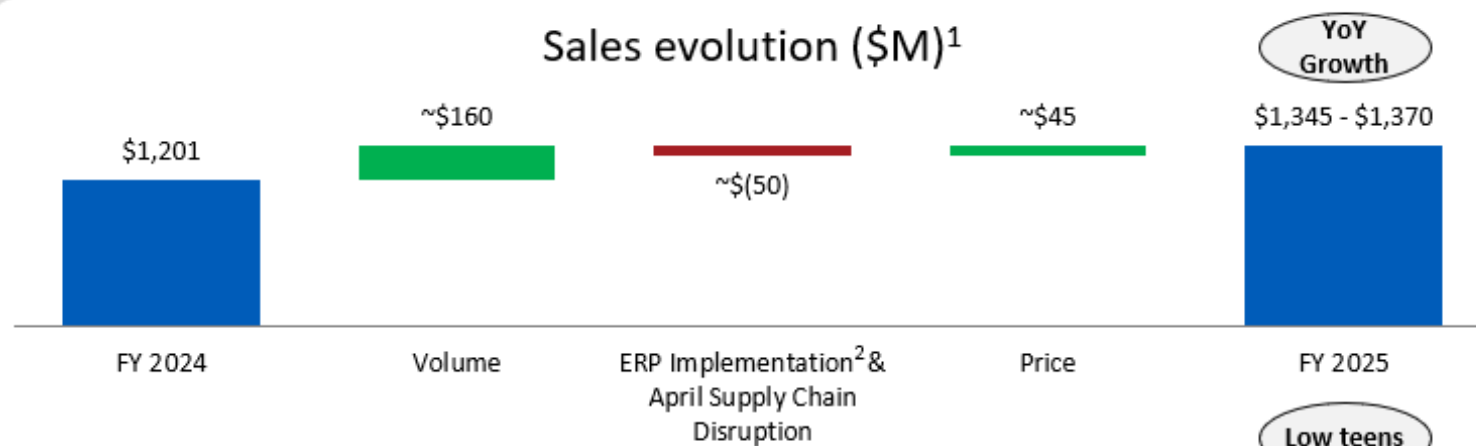


\* See appendix for additional information regarding Non-GAAP measures

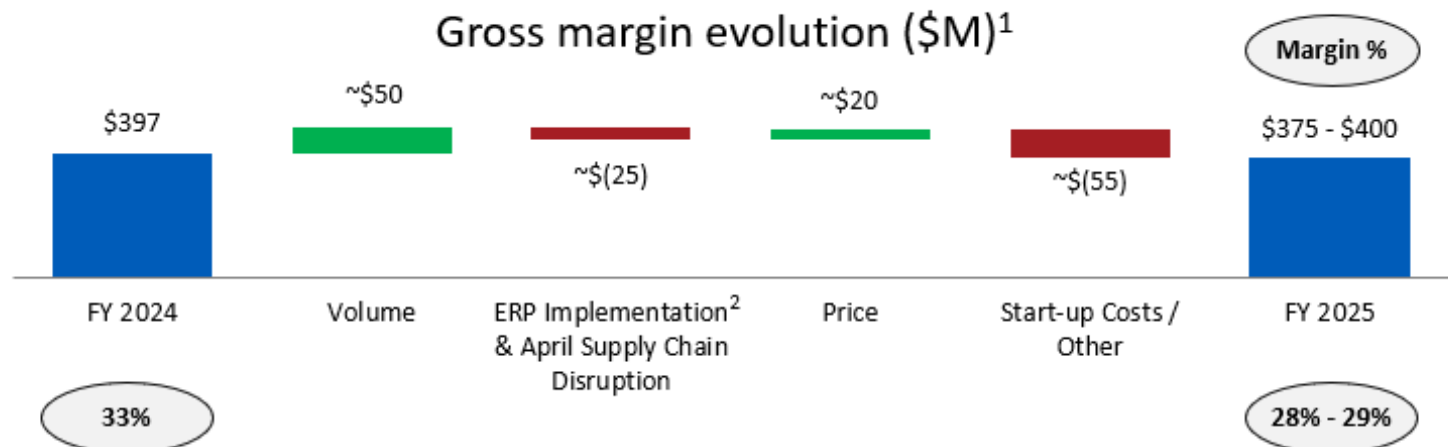


# Revised outlook for 2025

## Sales evolution (\$M)<sup>1</sup>



## Gross margin evolution (\$M)<sup>1</sup>



## Observations

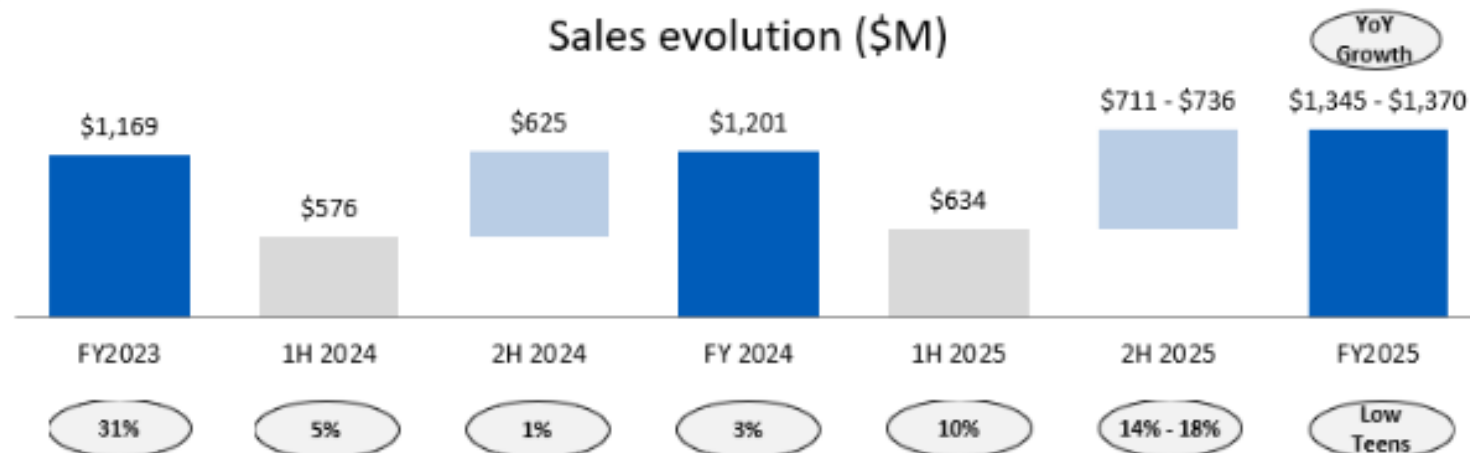
Increased backlog supports 2H 2025 outlook without production issues

Key KPIs and output trends underpin strengthened production across all facilities

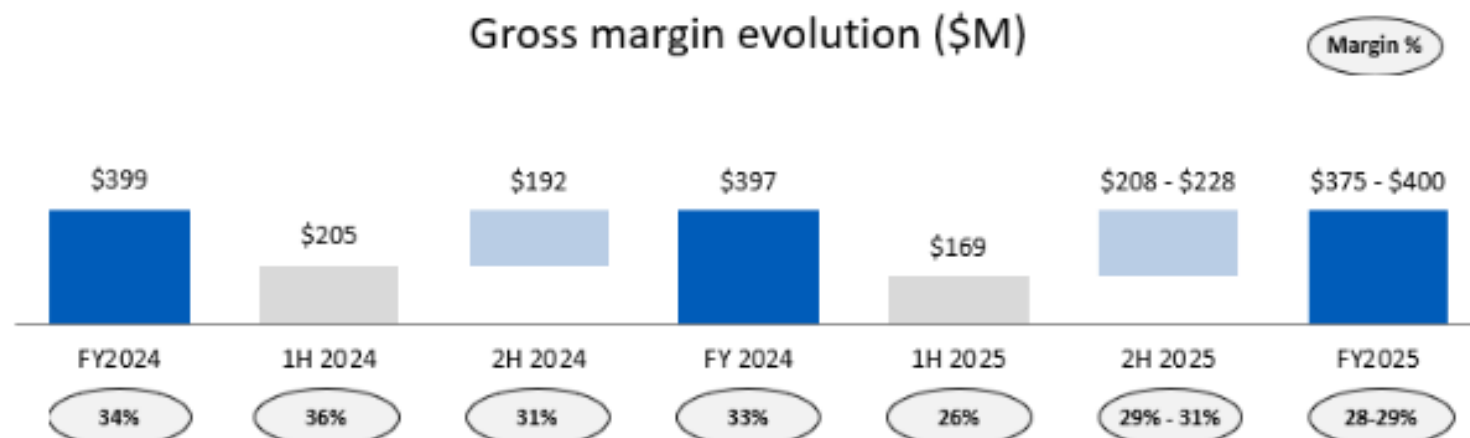
Production efficiencies are on the rise in BASX segment, underpinning margin improvement trajectory

# 2H 2025 performance in context

Sales evolution (\$M)



Gross margin evolution (\$M)



## Observations

- 2H volumes are well supported by increased backlog
- Supply chain normalization will result in margin recovery
- 2025 guide incorporates appropriate ERP implementation cushion



## Outlook

| Metric                            | Q3          | Q4 (Implied)  | FY25          |
|-----------------------------------|-------------|---------------|---------------|
| YoY Sales Growth                  | Low Single  | High Twenties | Low Teens     |
| Gross Margin                      | 28.5%-29.5% | 30.0%-31.0%   | 28.0% - 29.0% |
| Adj. SG&A <sup>1</sup> % of Sales | 17.0%-17.5% | 16.5%-17.0%   | 16.5% - 17.0% |

# Appendix



# Non-GAAP Financial Measures

## Non-GAAP Adjusted Net Income

|  | Three Months Ended<br>June 30, |                  |
|--|--------------------------------|------------------|
|  | 2025                           | 2024             |
|  | <i>(in thousands)</i>          |                  |
| Net income, a GAAP measure                   | \$ 15,487                      | \$ 52,228        |
| Memphis incentive fee <sup>1</sup>           | 3,405                          | —                |
| Profit sharing effect <sup>2</sup>           | (289)                          | —                |
| Tax effect                                   | (742)                          | —                |
| Non-GAAP adjusted net income                 | <u>\$ 17,861</u>               | <u>\$ 52,228</u> |
| Non-GAAP adjusted earnings per diluted share | <u>\$ 0.22</u>                 | <u>\$ 0.62</u>   |

<sup>1</sup>The incentive fee relates to fees payable to our real estate broker associated with the acquisition of our Memphis, Tenn. plant for a percentage of the incentives awarded to us by various entities.

<sup>2</sup>Profit sharing effect of the Memphis incentive fee in the respective period.

## Non-GAAP EBITDA and Adjusted EBITDA

|                                     | Three Months Ended<br>June 30, |                  |
|-------------------------------------|--------------------------------|------------------|
|                                     | 2025                           | 2024             |
|                                     | <i>(in thousands)</i>          |                  |
| Net income, a GAAP measure          | \$ 15,487                      | \$ 52,228        |
| Depreciation and amortization       | 19,936                         | 14,486           |
| Interest expense, net               | 4,009                          | 367              |
| Income tax expense                  | 4,018                          | 14,779           |
| EBITDA, a non-GAAP measure          | <u>\$ 43,450</u>               | <u>\$ 81,860</u> |
| Memphis incentive fee <sup>1</sup>  | 3,405                          | —                |
| Profit sharing effect <sup>2</sup>  | (289)                          | —                |
| Adjusted EBITDA, a non-GAAP measure | <u>\$ 46,566</u>               | <u>\$ 81,860</u> |
| Adjusted EBITDA margin              | 14.9 %                         | 26.1 %           |

<sup>1</sup>The incentive fee relates to fees payable to our real estate broker associated with the acquisition of our Memphis, Tenn. plant for a percentage of the incentives awarded to us by various entities.

<sup>2</sup>Profit sharing effect of the Memphis incentive fee in the respective period.

# Non-GAAP Financial Measures

## Non-GAAP Adjusted SG&A

|  | <b>Q1 2024</b>   | <b>Q2 2024</b>   | <b>Q3 2024</b>   | <b>Q4 2024</b>   | <b>2024</b>       | <b>Q1 2025</b>   | <b>Q2 2025</b>   |
|--|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|
| Selling, general and administrative expenses, a GAAP measure   | \$ 45,288        | \$ 45,895        | \$ 48,637        | \$ 48,194        | \$ 188,014        | \$ 51,293        | \$ 59,147        |
| Memphis incentive fee <sup>1</sup>                             | -                | -                | -                | -                | -                 | 2,700            | 3,405            |
| Profit sharing effect <sup>2</sup>                             | -                | -                | -                | -                | -                 | (230)            | (289)            |
| Non-GAAP adjusted selling, general and administrative expenses | <u>\$ 45,288</u> | <u>\$ 45,895</u> | <u>\$ 48,637</u> | <u>\$ 48,194</u> | <u>\$ 188,014</u> | <u>\$ 48,823</u> | <u>\$ 56,031</u> |
| As a percent of sales  | 17.3%            | 14.6%            | 14.9%            | 16.2%            | 15.7%             | 15.2%            | 18.0%            |

<sup>1</sup> The incentive fee relates to fees payable to our real estate broker associated with the acquisition of our Memphis, Tenn. Plant for a percentage of the incentives awarded to us by various entities.

<sup>2</sup> Profit sharing effect of the Memphis incentive fee in the respective period.