



Q1 2023 Earnings Conference Call

May 4, 2023



Forward-Looking Statements and Other References

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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.



Q1 2023 Summary

SALES \$266.0M

Organic growth +45.5% Y/Y

GROSS PROFIT MARGIN 29.0%

+380 bps Y/Y • -180 bps Q/Q

EBITDA \$54.6M

+81.3% Y/Y • 20.5% margin

DILUTED EPS \$0.67

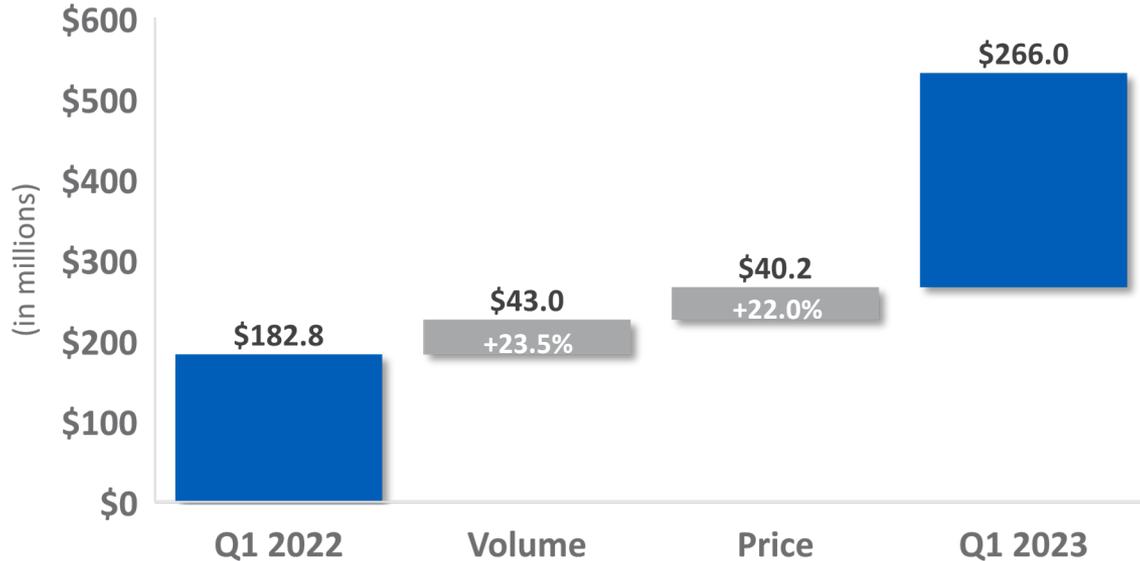
+103.0% Y/Y

BACKLOG \$599.9M

+30.0% Y/Y • +9.5% Q/Q



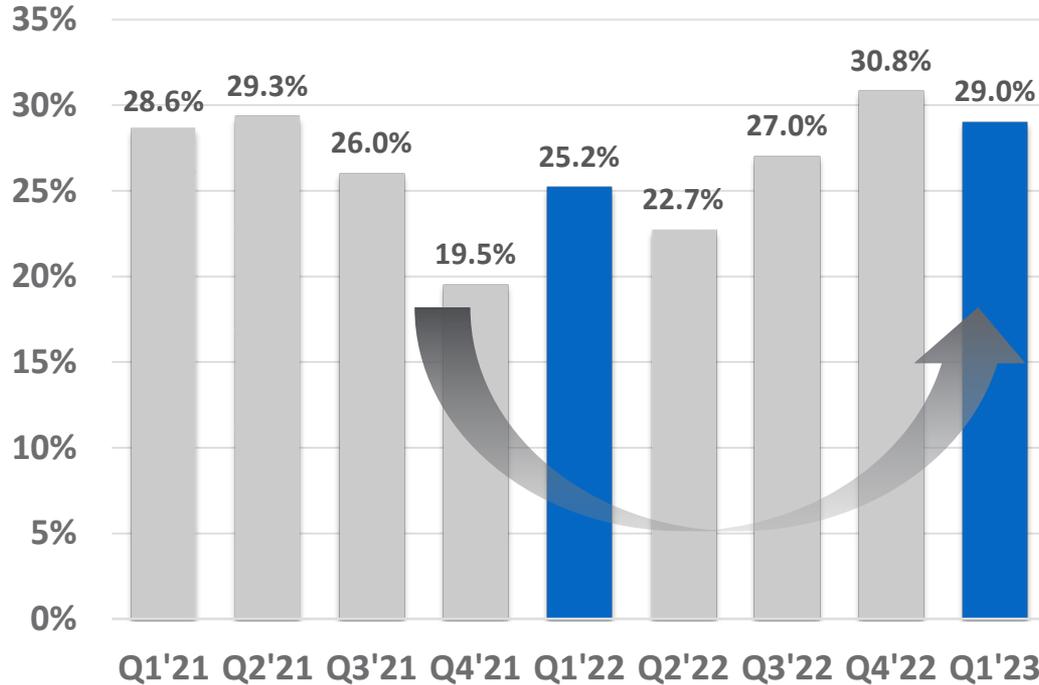
Q1 2023 Sales Bridge



Q1 Highlights

- ✓ Record quarterly sales
- ✓ Organic sales growth +45.5%
- ✓ Organic volume growth +23.5%
- ✓ Reflects strong backlog
- ✓ Record production rates
- ✓ Organic headcount growth +27.3%
- ✓ Parts sales growth +38.5%
- ✓ Robust growth at BASX

Q1 2023 Gross Profit Margin



Q1 Highlights

- + Improved pricing
- + Moderating cost inflation
- + Production output

- Higher component costs and wages
- Supply chain issues
- Temporary productivity decline

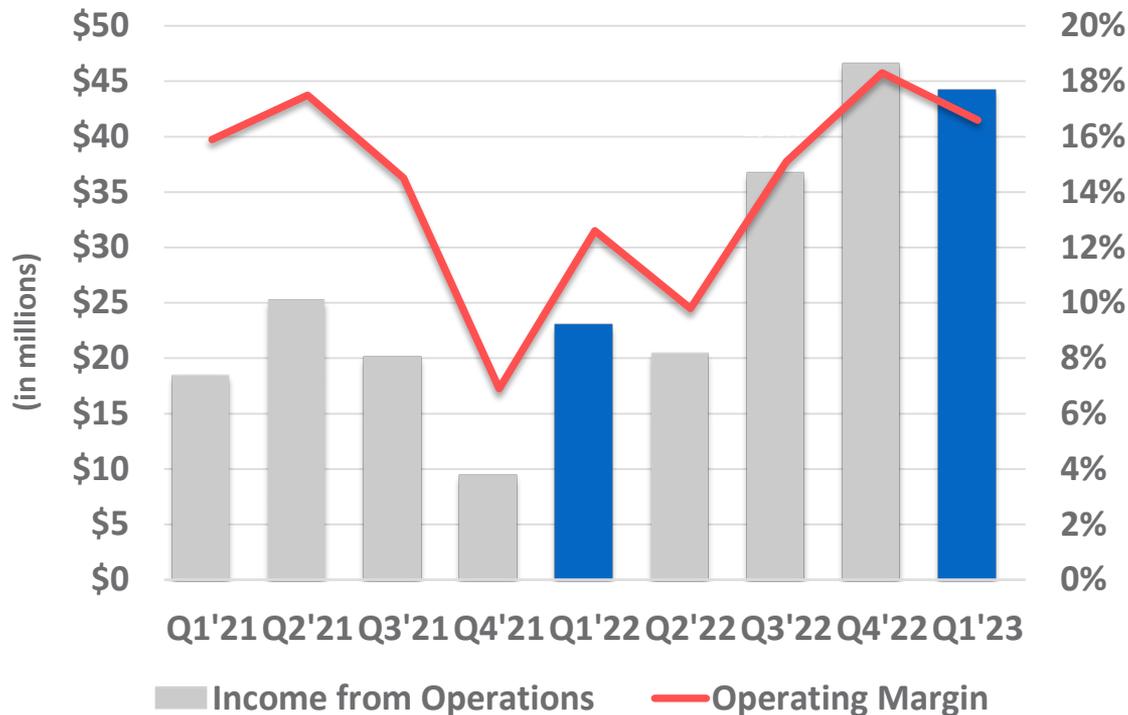
Q1 2023 SG&A



Q1 Highlights

- + As a percent of sales, SG&A declined 20 bps to 12.4%
- + SG&A grew y/y 42.9% on total sales growth of 45.5%
- + SG&A includes investments that will help facilitate long-term growth

Q1 2023 Income from Operations



Q1 Highlights

- + Operating income grew 92.1% on total sales growth of 45.5%
- + Operating margin expanded y/y 400 basis points to 16.6%
- + Robust sales combined with moderating cost inflation
- Operating margin contracted q/q 170 bps

Q1 2023 DILUTED EPS



Q1 Highlights

- + Y/Y growth +103.0%
- + Second strongest quarterly EPS in history
- Q/Q decline -5.6%
- EPS was partially boosted by an excess tax benefit of \$3.8M

Q1 2023 Balance Sheet and Liquidity

Unrestricted Cash



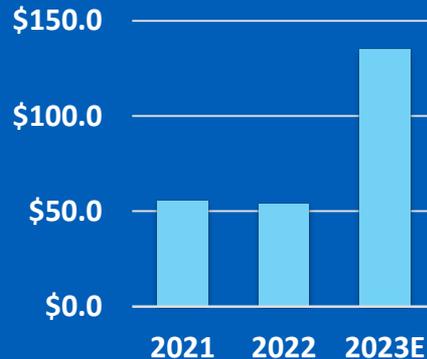
Debt



Working Capital



Capex



Q1 Highlights

- ✓ Balance sheet remains strong
- ✓ Debt of \$83.7 million is up y/y \$18.7 million, but still only equates to a leverage ratio of 0.47, in line with a year ago
- ✓ Increase in debt primarily due to financing working capital investments to facilitate robust volume growth and help mitigate supply chain issues
- ✓ Expect capex of approximately \$135.0 million in 2023



Record Organic Volume and Production

Production Capacity

- ✓ Squeezing additional capacity out of existing footprint
- ✓ Total headcount +27.3% y/y
- ✓ Added production equipment



Productivity

- ✓ Mitigating supply chain issues better
- ✓ More efficient hiring practices
- ✓ Managing equipment hours better
- ✓ Improving employee experience



Backlog

- ✓ Strong backlog entering quarter
- ✓ Total backlog at the end of 2022 +111% y/y
- ✓ Robust backlog at BASX



Strengthening Sales Channel

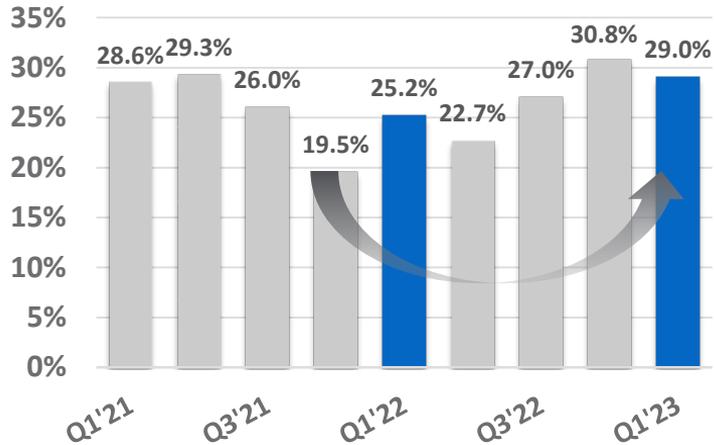
- ✓ More alignment with channel partners
- ✓ More AAON support for channel partners
- ✓ Strongest collection of channel partners ever
- ✓ Resulting in strong order and backlog trends





Pricing Strategy Driving Gross Profit Margin

Gross Margin



Q1 Highlights

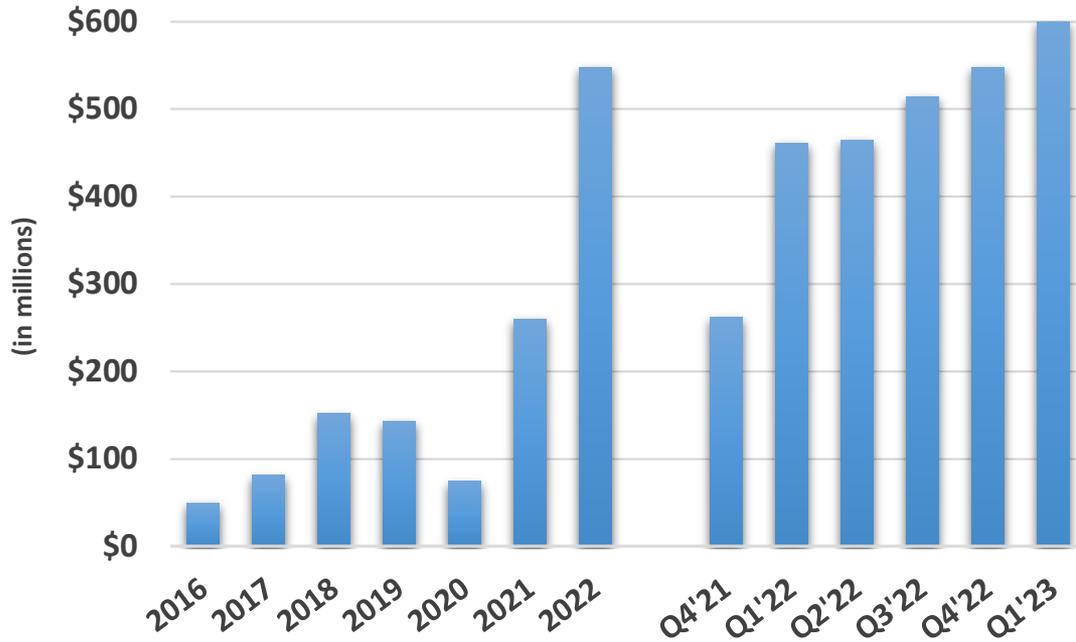
- ✓ Factors that resulted in Q/Q margin contraction are isolated to Q1
- ✓ Anticipate gross margin will improve throughout the rest of 2023

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 Continues To Climb



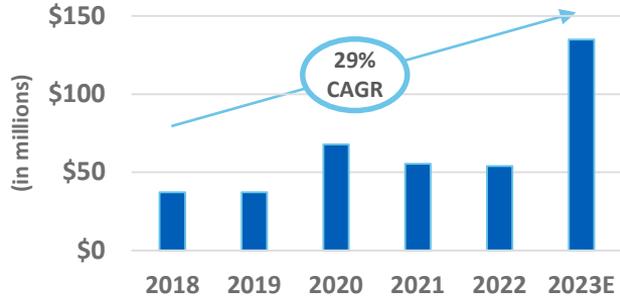
Q1 Highlights

- ✓ Organic backlog +30.0% y/y, +9.5% q/q
- ✓ Bookings continue to outpace production
- ✓ Narrowing price premium of AAON equipment versus market
- ✓ AAON equipment offers most attractive value proposition
- ✓ Strengthening sales channel
- ✓ Robust demand at BASX
- ✓ Favorable secular trends

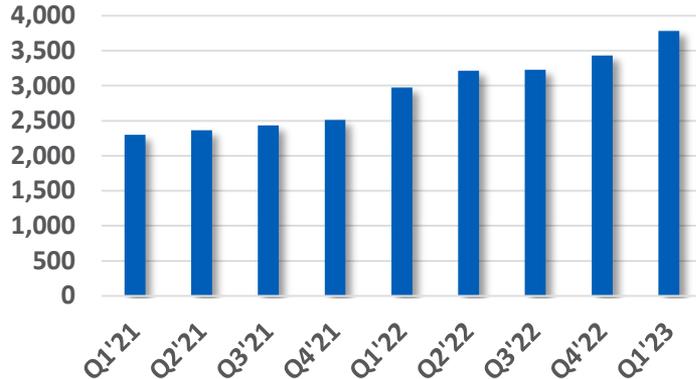


We Continue To Invest in Production Capacity

CAPEX



HEADCOUNT



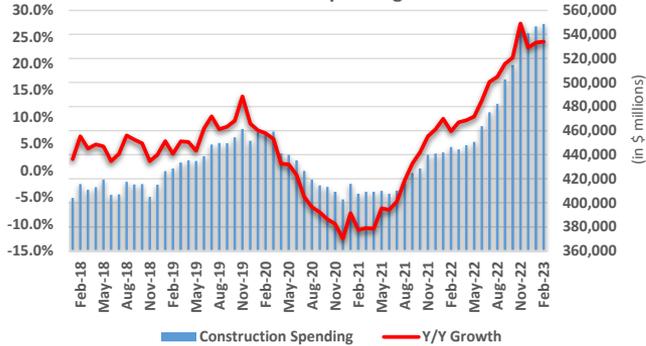
Q1 Highlights

- ✓ AAON's lead-times are still an industry-best, but they continue to expand
- ✓ Orders remain robust, making it difficult to reduce lead-times
- ✓ We will continue to invest in plant and equipment capacity as well as headcount
- ✓ Headcount +27.3% y/y, +10.4% q/q
- ✓ Despite the challenges, Q1 organic volume was up y/y 23.5%, implying we are doing a great job at managing production capacity

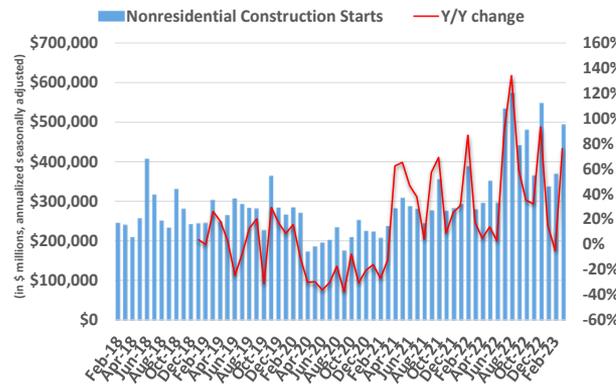


Macroeconomic Indicators Remain Positive

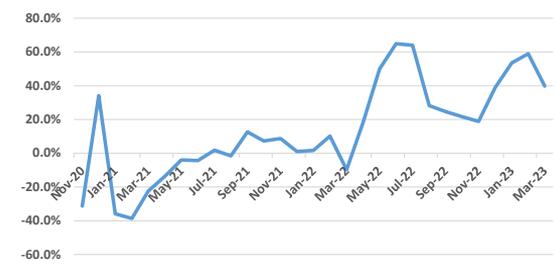
Nonresidential Construction Spending - AAON Sectors



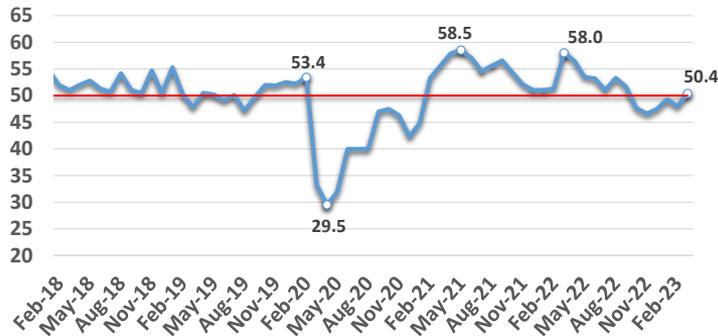
Dodge Nonresidential Construction Starts



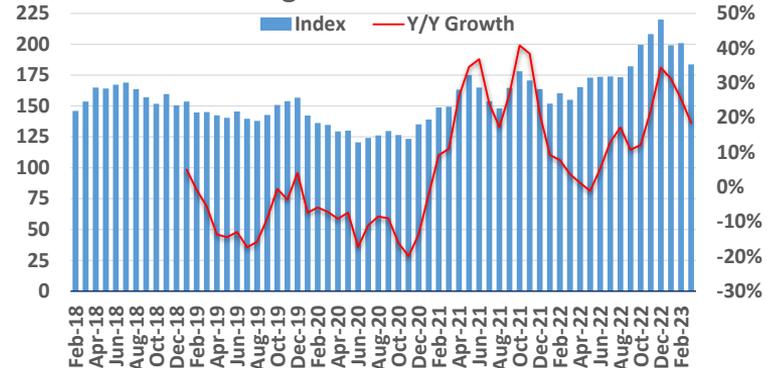
ConstructConnect Nonresidential Construction Starts - 3-Month Rolling Average Y/Y Change



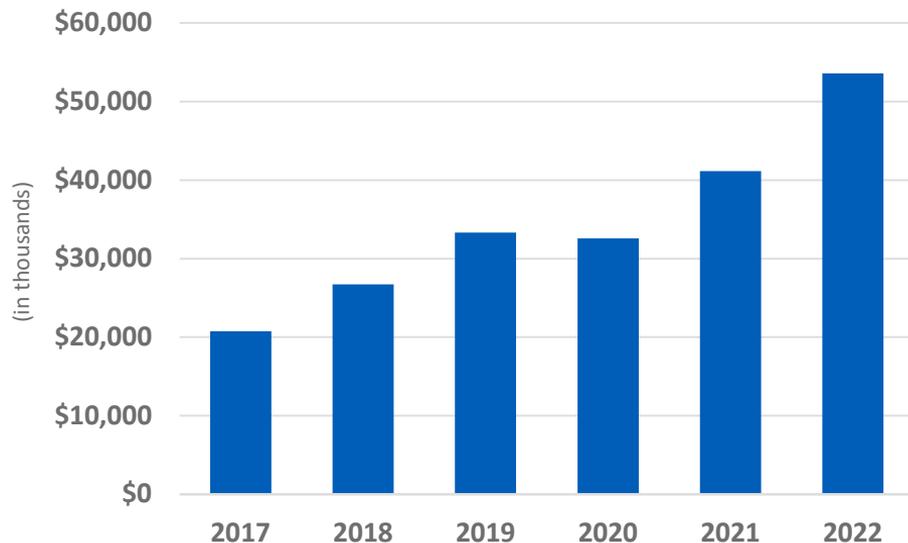
Architectural Billings Index



Dodge Momentum Index



Focusing on Parts and Service



Q1 Highlights

- ✓ Parts sales were up 38.5% in Q1
- ✓ 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



Outlook

Highlights

- ✓ Record backlog entering Q2
- ✓ Improving margin profile of backlog entering Q2
- ✓ Orders trends remain positive
- ✓ Production and productivity will improve throughout 2023
- ✓ Anticipate sales and EPS will improve through at least Q3

Modelling Assumptions

Pricing contribution to 2023 sales growth:	Low double digits
Gross profit margin:	Improvement throughout the year
SG&A as a percent of sales:	Slightly higher in 2023 compared to 2022
Capex:	\$135 million