

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2026

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 0-18953

AAON, INC.

(Exact name of registrant as specified in its
charter)

Nevada	87-0448736
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
2425 South Yukon Ave., Tulsa, Oklahoma 74107	
(Address of principal executive offices) (Zip Code)	
(918) 583-2266	
(Registrant's telephone number, including area code)	

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$.004 par value per share	AAON	NASDAQ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer", "accelerated filer", "small reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

☒ Accelerated filer

☐

Non-accelerated filer

☐ Smaller reporting company

☐

Emerging growth company

☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐

No ☒

As of August 6, 2026, registrant had outstanding a total of 82,453,639 shares of its \$.004 par value Common Stock.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

AAON, Inc. and Subsidiaries Consolidated Balance Sheets (Unaudited)

	June 30, 2026	December 31, 2025
	<i>(in thousands, except share and per share data)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 13	\$ 13
Restricted cash	12,714	1,226
Accounts receivable, net	360,763	314,387
Income tax receivable	19,212	27,445
Inventories, net	331,328	261,151
Contract assets, net	258,873	247,037
Prepaid expenses and other	12,117	17,921
Total current assets	995,020	869,180
Property, plant and equipment, net	682,779	631,262
Intangible assets, net and goodwill	167,893	165,799
Right of use assets	16,190	17,988
Other long-term assets	1,801	2,281
Total assets	<u>\$ 1,863,683</u>	<u>\$ 1,686,510</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term obligations of NMTC ¹	7,535	7,535
Accounts payable	171,717	110,437
Accrued liabilities	138,267	132,213
Contract liabilities	12,752	80,670
Total current liabilities	330,271	330,855
Debt, long-term	435,000	398,320
Deferred tax liabilities	38,136	30,313
Other long-term liabilities	28,529	23,299
New markets tax credit obligations ¹	21,331	8,738
Commitments and contingencies (Note 19)		
Stockholders' equity:		
Preferred stock, \$.001 par value, 5,000,000 shares authorized, no shares issued	—	—
Common stock, \$.004 par value, 200,000,000 shares authorized, 82,448,037 and 81,691,075 issued and outstanding at June 30, 2026 and December 31, 2025, respectively	330	327
Additional paid-in capital	99,689	64,358
Retained earnings	910,397	830,300
Total stockholders' equity	1,010,416	894,985
Total liabilities and stockholders' equity	<u>\$ 1,863,683</u>	<u>\$ 1,686,510</u>

¹ Held by variable interest entities (Note 18)

The accompanying notes are an integral part of these consolidated financial statements.

AAON, Inc. and Subsidiaries
Consolidated Statements of Income
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	<i>(in thousands, except per share data)</i>			
Net sales	\$ 626,976	\$ 311,567	\$ 1,123,912	\$ 633,621
Cost of sales	474,485	228,838	846,456	464,528
Gross profit	152,491	82,729	277,456	169,093
Selling, general and administrative expenses	83,607	59,147	151,513	110,440
Gain on disposal of assets	—	—	—	(40)
Income from operations	68,884	23,582	125,943	58,693
Interest expense	(6,195)	(4,009)	(11,250)	(6,811)
Other income (expense), net	158	(68)	235	106
Income before taxes	62,847	19,505	\$ 114,928	\$ 51,988
Income tax provision	6,188	4,018	18,454	7,209
Net income	<u>\$ 56,659</u>	<u>\$ 15,487</u>	<u>\$ 96,474</u>	<u>\$ 44,779</u>
Earnings per share:				
Basic EPS	<u>\$ 0.69</u>	<u>\$ 0.19</u>	<u>\$ 1.17</u>	<u>\$ 0.55</u>
Diluted EPS	<u>\$ 0.68</u>	<u>\$ 0.19</u>	<u>\$ 1.15</u>	<u>\$ 0.54</u>
Cash dividends declared per common share:	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.20</u>	<u>\$ 0.20</u>
Weighted average shares outstanding:				
Basic	<u>82,189,734</u>	<u>81,441,511</u>	<u>82,213,148</u>	<u>81,456,845</u>
Diluted	<u>83,721,199</u>	<u>82,956,213</u>	<u>83,690,556</u>	<u>83,153,788</u>

The accompanying notes are an integral part of these consolidated financial statements.

AAON, Inc. and Subsidiaries
Consolidated Statements of Stockholders Equity
(Unaudited)

Six Months Ended June 30, 2026

Common Stock

	Shares	Amount	Paid-in Capital	Retained Earnings	Total
	<i>(in thousands)</i>				
Balances at December 31, 2025	81,691	\$ 327	\$ 64,358	\$ 830,300	\$ 894,985
Net income	—	—	—	96,474	96,474
Stock options exercised and restricted stock awards granted	801	4	29,096	—	29,100
Share-based compensation	—	—	10,702	—	10,702
Stock repurchased and retired	(44)	(1)	(4,467)	—	(4,468)
Dividends	—	—	—	(16,377)	(16,377)
Balances at June 30, 2026	<u>82,448</u>	<u>\$ 330</u>	<u>\$ 99,689</u>	<u>\$ 910,397</u>	<u>\$ 1,010,416</u>

Six Months Ended June 30, 2025

Common Stock

	Shares	Amount	Paid-in Capital	Retained Earnings	Total
	<i>(in thousands)</i>				
Balances at December 31, 2024	81,437	\$ 326	\$ 68,946	\$ 755,310	\$ 824,582
Net income	—	—	—	44,779	44,779
Stock options exercised and restricted stock awards granted	535	2	10,023	—	10,025
Share-based compensation	—	—	8,795	—	8,795
Stock repurchased and retired	(463)	(2)	(39,157)	—	(39,159)
Dividends	—	—	—	(16,276)	(16,276)
Balances at June 30, 2025	<u>81,509</u>	<u>326</u>	<u>48,607</u>	<u>783,813</u>	<u>832,746</u>

Three Months Ended June 30, 2026

Common Stock

	Shares	Amount	Paid-in Capital	Retained Earnings	Total
	<i>(in thousands)</i>				
Balances at March 31, 2026	81,851	\$ 327	\$ 71,913	\$ 861,969	\$ 934,209
Net income	—	—	—	56,659	56,659
Stock options exercised and restricted stock awards granted	606	3	26,035	—	26,038
Share-based compensation	—	—	3,006	—	3,006
Stock repurchased and retired	(9)	—	(1,265)	—	(1,265)
Dividends	—	—	—	(8,231)	(8,231)
Balances at June 30, 2026	<u>82,448</u>	<u>\$ 330</u>	<u>\$ 99,689</u>	<u>\$ 910,397</u>	<u>\$ 1,010,416</u>

Three Months Ended June 30, 2025

Common Stock

	Shares	Amount	Paid-in Capital	Retained Earnings	Total
			<i>(in thousands)</i>		
Balances at March 31, 2025	81,348	\$ 325	\$ 39,020	\$ 776,507	\$ 815,852
Net income	—	—	—	15,487	15,487
Stock options exercised and restricted stock awards granted	170	1	5,668	—	5,669
Share-based compensation	—	—	4,774	—	4,774
Stock repurchased and retired	(9)	—	(855)	—	(855)
Dividends	—	—	—	(8,181)	(8,181)
Balances at June 30, 2025	<u>81,509</u>	<u>\$ 326</u>	<u>\$ 48,607</u>	<u>\$ 783,813</u>	<u>\$ 832,746</u>

AAON, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
	2026	2025
	<i>(in thousands)</i>	
Operating Activities		
Net income	\$ 96,474	\$ 44,779
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	44,716	38,879
Amortization of debt issuance costs	84	128
Amortization of right of use assets	91	69
(Recoveries of) Provision for losses on accounts receivable, net of adjustments	(62)	270
Provision for losses on contract assets, net of adjustments	—	200
Provision for excess and obsolete inventories, net of write-offs	1,225	288
Share-based compensation	10,702	8,795
Other	—	(71)
Deferred income taxes	7,823	(2,423)
Changes in assets and liabilities:		
Accounts receivable	(46,314)	(23,409)
Income tax receivable	8,233	(3,187)
Inventories	(71,402)	(47,848)
Contract assets	(11,836)	(97,963)
Prepaid expenses and other long-term assets	6,284	(68)
Accounts payable	63,877	36,397
Contract liabilities	(67,918)	18,839
Extended warranties	7,075	(148)
Accrued liabilities and other long-term liabilities	5,916	(4,567)
Net cash provided by (used in) operating activities	54,968	(31,040)
Investing Activities		
Capital expenditures	(97,282)	(82,515)
Grant proceeds received	1,650	—
Proceeds from sale of property, plant and equipment	—	40
Acquisition of intangible assets	(5,292)	(7,042)
Principal payments from note receivable	—	25
Net cash used in investing activities	(100,924)	(89,492)
Financing Activities		
Borrowings of debt	597,485	415,126
Payments of debt	(560,805)	(252,982)
Proceeds from financing obligation, net of issuance costs	12,908	—
Payment related to financing costs	(399)	(1,395)
Stock options exercised	29,100	10,025
Repurchase of stock - open market	—	(29,992)
Repurchases of stock - LTIP plans (Note 17)	(4,468)	(9,167)
Cash dividends paid to stockholders	(16,377)	(16,276)
Net cash provided by financing activities	57,444	115,339
Net increase (decrease) in cash, cash equivalents, and restricted cash	11,488	(5,193)
Cash, cash equivalents, and restricted cash, beginning of period	1,239	6,514
Cash, cash equivalents, and restricted cash, end of period	\$ 12,727	\$ 1,321

The accompanying notes are an integral part of these consolidated financial statements.

AAON, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2026
(Unaudited)

1. General

Basis of Presentation

AAON, Inc. is a Nevada corporation which was incorporated on August 18, 1987. Our operating subsidiaries include AAON, Inc. (“AAON Oklahoma”), an Oklahoma corporation, AAON Coil Products, Inc. (“AAON Coil Products”), a Texas corporation, and BASX, Inc. (“BASX”) an Oregon corporation (collectively, the “Company”). The accompanying unaudited consolidated financial statements of AAON, Inc. and our operating subsidiaries, all of which are wholly-owned, have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information and with the rules and regulations of the Securities and Exchange Commission (“SEC”).

Our financial statements consolidate all of our affiliated entities in which we have a controlling financial interest. Because we hold certain rights that give us the power to direct the activities of eight variable interest entities (“VIEs”) (Note 18) that most significantly impact the VIEs economic performance, combined with a variable interest that gives us the right to receive potentially significant benefits or the obligation to absorb potentially significant losses, we have a controlling financial interest in those VIEs.

These financial statements have not been audited by the Company's independent registered public accounting firm, except that the consolidated balance sheet at December 31, 2025, is derived from audited consolidated financial statements. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. The financial statements reflect all adjustments (all of which are of a normal recurring nature) which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. Interim results are not necessarily indicative of the results that may be expected for a full year. Certain disclosures have been condensed in or omitted from these consolidated financial statements. The accompanying unaudited financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2025. All intercompany balances and transactions have been eliminated in consolidation.

We are engaged in the engineering, manufacturing, marketing, and sale of premium air conditioning and heating equipment consisting of standard, semi-custom, and custom rooftop units, data centers cooling solutions, cleanroom systems, packaged outdoor mechanical rooms, air handling units, makeup air units, energy recovery units, condensing units, geothermal/water-source heat pumps, coils, and controls.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Because these estimates and assumptions require significant judgment, actual results could differ from those estimates and could have a significant impact on our results of operations, financial position, and cash flows. We reevaluate our estimates and assumptions as needed, but at a minimum on a quarterly basis. The most significant estimates include, but are not limited to, inventory valuation, inventory reserves, warranty accrual, income taxes, useful lives of property, plant, and equipment, estimated future use of leased property, share-based compensation, revenue percentage of completion and estimated costs to complete. Actual results could differ materially from those estimates.

Accounting Policies

A comprehensive discussion of our critical accounting policies and management estimates is included in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2025.

Fair Value Measurements

The carrying amounts of cash and cash equivalents, receivables, accounts payable, and accrued liabilities approximate fair value because of the short-term maturity of the items. The carrying amount of the Company's debt, and other payables, approximates their fair values either due to their short-term nature, the variable rates associated with the debt or based on current rates offered to the Company for debt with similar characteristics.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. Fair value is based upon assumptions that market participants would use when pricing an asset or liability. We use the following fair value hierarchy, which prioritizes valuation technique inputs used to measure fair value into three broad levels:

- Level 1: Quoted prices in active markets for identical assets and liabilities that we have the ability to access at the measurement date.
- Level 2: Inputs (other than quoted prices included within Level 1) that are either directly or indirectly observable for the asset or liability, including (i) quoted prices for similar assets or liabilities in active markets, (ii) quoted prices for identical or similar assets or liabilities in inactive markets, (iii) inputs other than quoted prices that are observable for the asset or liability, and (iv) inputs that are derived from observable market data by correlation or other means.
- Level 3: Unobservable inputs for the asset or liability including situations where there is little, if any, market activity for the asset or liability. Items categorized in Level 3 include the estimated fair values of intangible assets, contingent consideration, and goodwill acquired in a business combination.

The fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). In some cases, the inputs used to measure fair value might fall into different levels of the fair value hierarchy. The lowest level input that is significant to a fair value measurement determines the applicable level in the fair value hierarchy. Assessing the significance of a particular input to a fair value measurement requires judgment, considering factors specific to the asset or liability.

Software Development Costs

We capitalize costs incurred to purchase or develop software for internal use. Internal-use software development costs are capitalized during the application development stage. These capitalized costs are reflected in intangible assets, net and goodwill on the consolidated balance sheets and are amortized over the estimated useful life of the software. The useful life of our internal-use software development costs is generally one to ten years.

Definite-Lived Intangible Assets

Our definite-lived intangible assets include customer relationships, internal-use software and other intellectual property acquired in business combinations or asset acquisition. We amortize our definite-lived intangible assets on

a straight-line basis over the estimated useful lives of the assets. We evaluate the carrying value of our amortizable intangible assets for potential impairment when events and circumstances warrant such a review.

Amortization is computed using the straight-line method over the following estimated useful lives:

Intellectual property	6 - 30 years
Customer relationships	14 years

Goodwill and Indefinite-Lived Intangible Assets

Goodwill represents the excess of the consideration paid for the acquired businesses over the fair value of the individual assets acquired, net of liabilities assumed. Goodwill at June 30, 2026, is expected to be tax deductible in future periods. Indefinite-lived intangible assets consist of trademarks and trade names. Goodwill and indefinite-lived intangible assets are not amortized but instead are evaluated for impairment at least annually. We perform our annual assessment of impairment during the fourth quarter of our fiscal year, and more frequently if circumstances warrant.

Recent Accounting Pronouncements

Changes to U.S. GAAP are established by the Financial Accounting Standards Board (“FASB”) in the form of Accounting Standards Updates (“ASUs”) to the FASB’s Accounting Standards Codification (“ASC”). We consider the applicability and impact of all ASUs. ASUs not listed or included within the Company's Annual Report on Form 10-K for the year ended December 31, 2025, were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial statements and notes thereto.

2. Revenue Recognition

The following tables show disaggregated net sales by reportable segment (Note 21) by major product brand, net of intercompany sales eliminations.

Segment	Brands Produced	Brand Products
AAON Oklahoma	AAON	Rooftop units and aftermarket parts
AAON Coil Products	AAON / BASX	Condensing units, air handling products, data center cooling solutions, and geothermal/water-source heat pumps
BASX	BASX	Data center cooling solutions, cleanroom products, and air handling products

Three Months Ended June 30, 2026				
	AAON Oklahoma	AAON Coil Products	BASX	Total
	<i>(in thousands)</i>			
AAON-branded Products	\$ 262,169	\$ 20,037	\$ —	\$ 282,206
BASX-branded Products	107	126,643	218,020	344,770
Total	<u>\$ 262,276</u>	<u>\$ 146,680</u>	<u>\$ 218,020</u>	<u>\$ 626,976</u>

Three Months Ended June 30, 2025				
	AAON Oklahoma	AAON Coil Products	BASX	Total
	<i>(in thousands)</i>			
AAON-branded Products	\$ 185,120	\$ 17,405	\$ —	\$ 202,525
BASX-branded Products	—	41,060	67,982	109,042
Total	<u>\$ 185,120</u>	<u>\$ 58,465</u>	<u>\$ 67,982</u>	<u>\$ 311,567</u>

Six Months Ended June 30, 2026				
	AAON Oklahoma	AAON Coil Products	BASX	Total
	<i>(in thousands)</i>			
AAON-branded Products	\$ 506,136	\$ 44,421	\$ —	\$ 550,557
BASX-branded Products	107	219,870	353,378	573,355
Total	<u>\$ 506,243</u>	<u>\$ 264,291</u>	<u>\$ 353,378</u>	<u>\$ 1,123,912</u>

Six Months Ended June 30, 2025				
	AAON Oklahoma	AAON Coil Products	BASX	Total
	<i>(in thousands)</i>			
AAON-branded Products	\$ 346,958	\$ 45,060	\$ —	\$ 392,018
BASX-branded Products	—	107,428	134,175	241,603
Total	<u>\$ 346,958</u>	<u>\$ 152,488</u>	<u>\$ 134,175</u>	<u>\$ 633,621</u>

Aftermarket part sales (included in the AAON Product sales above) were \$23.8 million and \$40.8 million for the three and six months ended June 30, 2026, as compared to \$20.7 million and \$35.9 million for the three and six months ended June 30, 2025.

The Company recognizes revenue, presented net of sales tax, when it satisfies the performance obligation in its contracts. For certain manufactured equipment contracts and parts sales, the primary performance obligation in such a contract is delivery of the requested manufactured equipment. We satisfy the performance obligation when the control is passed to the customer, generally at time of shipment. Final sales prices are fixed based on purchase orders. Sales allowances and customer incentives are treated as reductions to sales and are provided for based on historical experiences and current estimates.

Due to the highly customized nature of many of the Company's products and each product not having an alternative use to the Company without significant costs to the Company, the Company recognizes revenue over time as progress is made toward satisfying the performance obligations of each contract. The Company has formal cancellation policies and generally does not accept returns on these units. As a result, many of the Company's products do not have an alternative use and have an enforceable right to payment, including a reasonable profit margin, and therefore, for these products, we recognize revenue over the time it takes to produce the unit.

Contract costs include direct materials, direct labor, installation, freight and delivery, commissions and royalties. Other costs not related to contract performance, such as indirect labor and materials, small tools and supplies, operating expenses, field rework and back charges are charged to expense as incurred. Provisions for estimated losses on contracts in progress are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions and final contract settlements, may result in revisions to costs and income and are estimated and recognized by the Company throughout the life of the contract. The aggregate of costs incurred, and income recognized on uncompleted contracts in excess of billings is shown as a contract asset within our consolidated balance sheets, and the aggregate of billings on uncompleted contracts in excess of related costs incurred and income recognized is shown as a contract liability within our consolidated balance sheets.

Historically, sales of our AAON products are moderately seasonal with the peak period being May-October of each year due to timing of construction projects being directly related to warmer weather.

Product Warranties

A provision is made for the estimated cost of maintaining product warranties to customers at the time the product is sold based upon historical claims experience by product line. The Company records a liability and an expense for estimated future warranty claims based upon historical experience and management's estimate of the level of future claims. Changes in the estimated amounts recognized in prior years are recorded as an adjustment to the liability and expense in the current year.

The Company also sells extended warranties on parts for various lengths of time ranging from six months to 10 years. Revenue for these separately priced warranties is deferred and recognized on a straight-line basis over the separately priced warranty period.

Representatives and Third-Party Products

We are responsible for billings and collections resulting from all sales transactions, including those initiated by our independent manufacturer representatives (“Representatives”). Representatives are national companies that are in the business of providing heating, ventilation, and air conditioning (“HVAC”) units and other related products and services to customers. The end user customer orders a bundled group of products and services from the Representative and expects the Representative to fulfill the order. These other related products and services may include controls purchased from another manufacturer to operate the unit, start-up services, and curbs for supporting the unit (“Third Party Products”). All are associated with the purchase of an HVAC unit but may be provided by the Representative or another third party. Only after the specifications are agreed to by the Representative and the customer, and the decision is made to use an AAON HVAC unit, will we receive notice of the order. We establish the amount we must receive for our HVAC unit (“minimum sales price”), but do not control the total order price that is negotiated by the Representative with the end user customer. The Representatives submit the total order price to us for invoicing and collection. The total order price includes our minimum sales price and an additional amount which may include both the Representatives’ fee and amounts due for additional products and services required by the customer. The Company is considered the principal for the equipment we design and manufacture and records that revenue gross. The Company has no control over the Third Party Products to the end customer and the Company is under no obligation related to the Third-Party Products. Amounts related to Third-Party Products are not recognized as revenue but are recorded as a liability and are included in accrued liabilities on the consolidated balance sheets.

The Representatives’ fee and Third-Party Products amounts (“Due to Representatives”) are paid only after all amounts associated with the order are collected from the customer. The amount of payments to our Representatives were \$18.1 million and \$35.3 million for three and six months ended June 30, 2026, as compared to \$12.0 million and \$24.7 million for the three and six months ended June 30, 2025, respectively.

3. Contract Assets and Liabilities

Opening and closing balances of contract assets and contract liabilities are as follows:

	June 30, 2026	December 31, 2025
	<i>(in thousands)</i>	
Contract assets	\$ 259,472	\$ 247,635
Less: Allowance for credit losses	599	598
Contract assets, net	258,873	247,037
Contract liabilities	(12,752)	(80,670)
Total, net	<u>\$ 246,121</u>	<u>\$ 166,367</u>

Costs and estimated earnings on uncompleted contracts and related billings are as follows:

	June 30, 2026	June 30, 2025
	<i>(in thousands)</i>	
Costs incurred on uncompleted contracts	\$ 431,131	\$ 162,227
Estimated earnings	363,528	136,447
Total	794,659	298,674
Less: Contract billings to date	561,295	106,838
Less: Allowance for credit losses	599	599
Plus: Completed contracts, unbilled	13,356	8,195
Total, net	<u>\$ 246,121</u>	<u>\$ 199,432</u>

Revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period for the six months ended June 30, 2026 and 2025 was \$76.1 million and \$5.9 million.

Typically, we expect to satisfy performance obligations relating to contracts within one year or less, however, timing of performance obligations can vary from timing of payment, production scheduling and timing of customer installation requirements. Increases in contract assets are mainly due to the increased production and increased demand for our BASX-branded products.

4. Leases

The Company has lease arrangements for certain administrative, manufacturing and warehousing facilities and equipment. Lease expiration dates, including expected renewal options, range from May 2027 to November 2033, with the weighted average remaining term being 5.5 years. The discount rates used to calculate the present value of lease payments range from 1.3% to 6.6% as of June 30, 2026. All leases are classified as operating leases.

		June 30, 2026	December 31, 2025
		<i>(in thousands)</i>	
Right-of-use assets	Right of use assets	\$ 16,190	\$ 17,988
Current lease liability	Accrued liabilities	3,385	3,262
Noncurrent lease liability	Other long-term liabilities	13,699	15,529

Since 2018, the Company has leased the manufacturing, engineering and office space used by our operations in Parkville, Missouri. The lease term is through January 2029. In May 2025, the Company added approximately 17,000 additional square feet and extended the lease term through April 2033. Additionally, in May 2025, the Company added approximately 22,300 square feet with a lease term through April 2030. The Company's total leased space in Parkville, Missouri is approximately 125,300 square feet.

In November 2022, the Company entered into a lease arrangement for additional storage facilities in Tulsa, Oklahoma to support our operations. The lease added an additional 198,000 square feet to our operations. In January 2024, we amended the lease for an additional 157,550 square feet for operations and parts distribution. The amended lease term will expire January 2029.

In July 2023, the Company entered into a lease agreement with a start date of September 2023 for land and approximately 72,000 square feet of facilities in Redmond, Oregon to support our manufacturing operations. The lease term will expire November 2033 with additional renewal options.

We also lease six properties near our Redmond location. In the aggregate, these leases contain approximately 83,000 square feet of additional warehouse space, office space, as well as outside storage. These leases have expiring terms from May 2027 to October 2030.

In October 2025, the Company entered into a lease agreement in Bend, OR with a start date of November 2025, for approximately 34,000 square feet of additional warehouse and office space. The lease term will expire October 2030.

Subsequent to June 30, 2026, the Company entered into an operating lease agreement for office space in Tulsa, OK with a total lease term of 6 years. Initial undiscounted lease payments over the term under the agreement total approximately \$3.7 million. The lease commenced July 2026, at which the Company recorded a right-of-use asset and corresponding lease liability on the Consolidated Balance Sheet.

Total future lease payments as of June 30, 2026, are as follows:

<i>(in thousands)</i>		
2026	\$	2,144
2027		4,248
2028		4,103
2029		2,477
2030		2,225
Thereafter		5,013
Total minimum lease obligations	\$	20,210
Less: present value of minimum lease payments		3,126
Less: current portion		3,385
Lease obligations, long-term	\$	<u>13,699</u>

5. Accounts Receivable

Accounts receivable and the related allowance for credit losses are as follows:

	June 30, 2026	December 31, 2025
<i>(in thousands)</i>		
Accounts receivable	\$ 361,985	\$ 315,695
Less: Allowance for credit losses	1,222	1,308
Total, net	<u>\$ 360,763</u>	<u>\$ 314,387</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
<i>(in thousands)</i>				
Allowance for credit losses:				
Balance, beginning of period	\$ 1,188	\$ 1,126	\$ 1,308	\$ 1,038
Provisions for expected credit losses, net of adjustments	36	279	(12)	377
Accounts receivable recoveries (write offs)	(2)	(97)	(74)	(107)
Balance, end of period	<u>\$ 1,222</u>	<u>\$ 1,308</u>	<u>\$ 1,222</u>	<u>\$ 1,308</u>

6. Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined by the first-in, first-out (“FIFO”) method. We establish an allowance for excess and obsolete inventories based on product line changes, the feasibility of substituting parts and the need for supply and replacement parts.

The components of inventories and the related changes in the allowance for excess and obsolete inventories are as follows:

	June 30, 2026	December 31, 2025
	<i>(in thousands)</i>	
Raw materials	\$ 334,805	\$ 265,427
Work in process	2,255	475
Finished goods	837	593
Total, gross	337,897	266,495
Less: Allowance for excess and obsolete inventories	6,569	5,344
Total, net	<u>\$ 331,328</u>	<u>\$ 261,151</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	<i>(in thousands)</i>			
Allowance for excess and obsolete inventories:				
Balance, beginning of period	\$ 6,045	\$ 5,249	\$ 5,344	\$ 5,192
Provision for excess and obsolete inventories	636	234	1,389	632
Inventories written off	(112)	(3)	(164)	(344)
Balance, end of period	<u>\$ 6,569</u>	<u>\$ 5,480</u>	<u>\$ 6,569</u>	<u>\$ 5,480</u>

7. Property, Plant and Equipment

Our property, plant and equipment consist of the following:

	June 30, 2026	December 31, 2025
	<i>(in thousands)</i>	
Property, plant and equipment:		
Land	\$ 17,148	\$ 17,148
Buildings	381,710	366,919
Machinery & equipment	601,671	555,801
Furniture and fixtures	80,313	63,909
Total property, plant and equipment	1,080,842	1,003,777
Less: Accumulated depreciation	398,063	372,515
Property, plant and equipment, net	<u>\$ 682,779</u>	<u>\$ 631,262</u>

Depreciation expense is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	<i>(in thousands)</i>			
Depreciation expense	\$ 22,153	\$ 18,267	\$ 41,514	\$ 35,135

8. Intangible Assets and Goodwill

Intangible Assets

Our intangible assets consist of the following:

	June 30, 2026	December 31, 2025
Definite-lived intangible assets	<i>(in thousands)</i>	
Intellectual property	\$ 11,750	\$ 12,450
Customer relationships	47,547	47,547
Capitalized internal-use software	40,798	34,802
Less: Accumulated amortization	28,665	25,463
Definite-lived intangible assets, net	71,430	69,336
Indefinite-lived intangible assets		
Trademarks	14,571	14,571
Total intangible assets, net	<u>\$ 86,001</u>	<u>\$ 83,907</u>

Amortization expense is as follows:

	Three Months Ended June 30, 2026	2025	Six Months Ended June 30, 2026	2025
	<i>(in thousands)</i>			
Amortization expense	\$ 1,660	\$ 1,669	\$ 3,202	\$ 3,744

The weighted-average amortization period for definite-lived intangible assets are as follows as of June 30, 2026:

	<i>(in years)</i>
Intellectual property	17.6
Customer relationships	9.4
Capitalized internal-use software	7.3
Definite-lived intangible assets	10.1

Total future amortization expense for finite-lived intangible assets was estimated as follows:

	<i>(in thousands)</i>
2026	\$ 3,453
2027	6,850
2028	6,285
2029	5,903
2030	4,975
Thereafter	25,466
Total future amortization expense	52,932
Internal-use software projects in process	18,498
Total	<u>\$ 71,430</u>

Goodwill

The changes in the carrying amount of goodwill were as follows:

	June 30, 2026	December 31, 2025
	<i>(in thousands)</i>	
Balance, beginning of period	\$ 81,892	\$ 81,892
Decreases due to acquisition adjustments	—	—
Balance, end of period	<u>\$ 81,892</u>	<u>\$ 81,892</u>

9. Supplemental Cash Flow Information

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Supplemental disclosures:	<i>(in thousands)</i>			
Interest paid	\$ 5,962	\$ 3,713	\$ 10,891	\$ 6,226
Operating activities - other:				
Gain on disposal of assets	\$ —	\$ —	\$ —	\$ (40)
Foreign currency transaction gain	—	(22)	—	(23)
Interest loss on note receivable	—	(4)	—	(8)
Total, other	<u>\$ —</u>	<u>\$ (26)</u>	<u>\$ —</u>	<u>\$ (71)</u>
Non-cash investing and financing activities:				
Non-cash capital expenditures	\$ (1,924)	\$ (10,285)	\$ (2,597)	\$ 600

Income taxes paid (net of refund) during the three months ended June 30, 2026 and 2025, disaggregated by jurisdiction:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	<i>(in thousands)</i>			
U.S. Federal	\$ —	\$ 10,000	\$ (104)	\$ 10,000
California	462	136	462	136
Illinois	—	160		160
Indiana	—	673		673
Maryland	119	—	119	
Minnesota	98	—	148	
New Jersey	139	—	139	
New York	—	56		326
Pennsylvania	486	424	568	515
Texas	—	201		201
Virginia	402	271	402	293
Other States	665	358	665	513
Total	<u>\$ 2,371</u>	<u>\$ 12,279</u>	<u>\$ 2,399</u>	<u>\$ 12,817</u>

Jurisdictions where income taxes paid were equal to or exceeded 5% of total income taxes paid are disclosed individually.

10. Warranties

The Company has product warranties with various terms, from one year from the date of first use or 18 months for parts, data center cooling solutions, and cleanroom systems to 25 years for certain heat exchangers. The Company has an obligation to replace parts if conditions under the warranty are met. A provision is made for estimated warranty costs at the time the related products are sold based upon the warranty period, historical trends, new products, and any known identifiable warranty issues.

Changes in the warranty accrual are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Warranty accrual:	<i>(in thousands)</i>			
Balance, beginning of period	\$ 31,447	\$ 23,610	\$ 29,965	\$ 24,341
Payments made	(5,803)	(3,447)	(10,234)	(7,389)
Warranty expense	10,987	3,599	16,900	6,810
Balance, end of period	<u>\$ 36,631</u>	<u>\$ 23,762</u>	<u>\$ 36,631</u>	<u>\$ 23,762</u>

Warranty expense by reportable segment (Note 21) is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	<i>(in thousands)</i>			
AAON Oklahoma	\$ 6,067	\$ 2,710	\$ 10,539	\$ 4,877
AAON Coil Products	3,327	461	4,541	860
BASX	1,593	428	1,820	1,073
Total	<u>\$ 10,987</u>	<u>\$ 3,599</u>	<u>\$ 16,900</u>	<u>\$ 6,810</u>

11. Accrued Liabilities and Other Long-Term Liabilities

Accrued liabilities were comprised of the following:

	June 30, 2026	December 31, 2025
	<i>(in thousands)</i>	
Warranty	\$ 36,631	\$ 29,965
Due to representatives	15,247	25,535
Payroll	33,966	27,156
Profit sharing	6,923	3,581
Medical self-insurance	5,224	4,844
Customer prepayments	1,369	6,856
Employee vacation time	17,319	15,408
Extended warranties, ST	3,380	3,365
Operating lease liability ST	3,385	3,262
Property tax	4,075	143
Other	10,748	12,098
Total	<u>\$ 138,267</u>	<u>\$ 132,213</u>

Other long-term liabilities were comprised of the following:

	June 30, 2026	December 31, 2025
	<i>(in thousands)</i>	
Lease liability	\$ 13,699	\$ 15,529
Extended warranties	14,830	7,770
Donations and other	—	—
Total	<u>\$ 28,529</u>	<u>\$ 23,299</u>

12. Debt

On December 16, 2024, we entered into the Third Amendment to the Amended and Restated Loan Agreement dated November 24, 2021, to include an \$80.0 million term loan payable in equal monthly installments, plus interest, over 60 months, expiring December 16, 2029. The agreement provided for a \$200.0 million revolving credit facility and an option to increase the maximum borrowings to \$300.0 million. In April 2025, we entered into the Fourth Amendment to the Amended and Restated Loan Agreement dated November 24, 2021, to increase our available Revolver to \$230.0 million, an increase of \$30.0 million, to fund our additional working capital needs.

On May 29, 2025, we entered into the Fifth Amendment to the Amended and Restated Loan Agreement dated November 24, 2021, whereby the remaining balance of the term loan, approximately \$72.0 million, was rolled into the amended Revolving Loan (“Amended Revolver”), the capacity of which was increased to \$500.0 million from \$230.0 million.

On December 29, 2025, we entered into the Sixth Amendment to the Amended and Restated Loan Agreement (as amended, “Amended Loan Agreement”). The terms of the Amendment increased the amount of the borrowing capacity on the Amended Revolver to \$600.0 million from \$500.0 million by exercising the \$100.0 million accordion feature. The Amended Revolver is prepayable without penalty and expires on May 27, 2030.

Revolver

	June 30, 2026	December 31, 2025
	(in thousands)	
Total Revolver Commitment	\$ 600,000	\$ 600,000
Less: Revolver borrowings outstanding	435,000	398,320
Less: Standby letters of credit	1,308	654
Borrowings available under the Revolver	<u>\$ 163,692</u>	<u>\$ 201,026</u>

Interest Rates

Any outstanding loans under the Revolver bear interest at the daily compounded secured overnight financing rate (“SOFR”) plus the applicable margin, with a 10-basis point credit spread adjustment.

Applicable margin, ranging from 1.25% - 1.75%, is determined quarterly based on the Company’s leverage ratio. The Company is also subject to letter of credit fees, ranging from 1.25% - 1.75%, and a commitment fee, ranging from 0.10% - 0.20%. The applicable fee percentage is determined quarterly based on the Company’s leverage ratio.

Fees associated with the unused portion of the committed amount are included in interest expense on our consolidated statements of income and were not material for the six months ended June 30, 2026 and 2025, respectively.

Weighted average interest rate of our borrowings outstanding is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Revolver	5.2%	5.6%	5.3%	5.6%

If SOFR cannot be determined pursuant to the definition, as defined by the Amended Loan Agreement, any outstanding effected loans will be deemed to have been converted into alternative base rate (“ABR”) loans. ABR loans would bear interest at a rate per annum equal to the highest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Rate in effect on such day plus 0.50%, or (c) daily simple SOFR for a one-month tenor in effect on such day plus 1.00%. As of December 16, 2024, as defined by the Amended Loan Agreement, if the SOFR cannot be determined any outstanding balance will bear interest at the Prime Rate in effect on such day.

Debt Covenants

At June 30, 2026, we were in compliance with our financial covenants as defined by the Amended Loan Agreement. These covenants included a financial covenant that we meet certain parameters related to our leverage ratio. At June 30, 2026, our leverage ratio was 1.46 to 1.0, which meets the requirement of not being above 3 to 1.

13. Income Taxes

Income Tax Provision (Benefit)

The provision for income taxes consists of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	<i>(in thousands)</i>			
Current Federal	\$ 868	\$ 12,417	\$ 6,102	\$ 7,335
Current State	2,083	—	4,529	2,297
Deferred Federal	4,687	(8,399)	10,670	(2,185)
Deferred State	(1,450)	—	(2,847)	\$ (238)
Income tax provision	<u>\$ 6,188</u>	<u>\$ 4,018</u>	<u>\$ 18,454</u>	<u>\$ 7,209</u>

The provision for income taxes differs from the amount computed by applying the statutory Federal income tax rate before the provision for income taxes.

Rate Reconciliation

The following table reconciles the U.S federal statutory income tax rate to the Company's effective income tax rate for the three months ended June 30, 2026 and 2025:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2026		2025		2026		2025	
	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(in thousands)</i>							
Federal statutory rate	\$ 13,173	21.0 %	\$ 4,096	21.0 %	\$ 24,135	21.0 %	\$ 10,917	21.0 %
State income taxes, net of Federal benefit	2,017	3.2	932	4.8	4,478	3.9	2,593	5.0
State tax credits	(1,728)	(2.8)	—	—	(2,227)	(1.9)	—	—
Changes in tax laws in current period	119	0.2	—	—	207	0.2	—	—
Excess tax benefits related to share-based compensation (Note 14)	(11,591)	(18.4)	(1,856)	(9.5)	(12,394)	(10.8)	(9,020)	(17.3)
Return to provision	(1,568)	(2.5)	429	2.2	(1,568)	(1.4)	429	0.8
Changes in valuation allowance	1,945	3.1	—	—	1,945	1.7	—	—
Non-deductible executive compensation	4,584	7.3	756	3.9	5,375	4.7	3,069	5.9
Research and development tax credits	(670)	(1.1)	(775)	(4.0)	(1,195)	(1.0)	(1,550)	(3.0)
Other	(93)	(0.2)	436	2.2	(302)	(0.3)	771	1.5
Effective tax rate	<u>6,188</u>	<u>9.8 %</u>	<u>4,018</u>	<u>20.6 %</u>	<u>18,454</u>	<u>16.1 %</u>	<u>7,209</u>	<u>13.9 %</u>

The Company's effective tax rate differs from the statutory rate primarily due to the excess tax benefits of stock transactions and state taxes. Pretax income is all domestic and there are no foreign income effects. No state jurisdictions individually meet the 5% disaggregation threshold. State taxes in Oregon, Oklahoma, Virginia, and Pennsylvania for the three and six months ended June 30, 2026, and state taxes in Oregon, Indiana, Pennsylvania, and Virginia for the three and six months ended June 30, 2025, contributed to the majority (greater than 50%) of the tax effect in the state and local income tax category.

The Company's estimated annual 2026 effective tax rate, excluding discrete events, is approximately 25.0%. We file income tax returns in the U.S., state and foreign income tax jurisdictions. We are subject to U.S. income tax examinations for the tax years 2023 to present, and to non-U.S. income tax examinations for the tax years 2022 to present. In addition, we are subject to state and local income tax examinations for tax years 2022 to present. The Company continues to evaluate its need to file returns in various state jurisdictions. Any interest or penalties would be recognized as a component of income tax expense.

Realization of deferred tax assets, including the associated credit carryforwards, is dependent upon generating sufficient taxable income in the appropriate tax jurisdiction. We believe that it is more likely than not that we may not realize the benefit of our Tennessee investment tax credit carryforward and, accordingly, have established a valuation allowance against this deferred tax asset.

Tax Law Changes

On July 4, 2025, the One Big Beautiful Bill Act ("OBBBA") was enacted, introducing significant amendments to the Internal Revenue Code. In accordance with ASC 740, Income Taxes, the Company recognized the tax effects of the enacted legislation in the period that includes the enactment date.

Impact of Tax Law Changes

The Company measured the effects of the tax law change using the enactment date approach, with a measurement date of June 30, 2025, from the Q2 2025 tax provision calculation as the closest date of measurement for deferred and current values. The measurement resulted in an increase in DTLs of \$35.4 million, a decrease in current income tax payable of \$36.2 million, and an increase in provision expense of \$0.8 million due to the bonus depreciation change effect on Texas Franchise tax and the reduced R&D Tax Credit allowed with the §174A change. Significant provisions of OBBBA affecting the Company include:

- 100% Bonus Depreciation: Effective for qualified property acquired after January 19, 2025, including manufacturing equipment, which reverses the previously scheduled phase-down of the bonus depreciation deduction to 40% for 2025 under prior law. This provision increased DTLs by \$7.0 million, decreased current payable by \$7.0 million, and increased provision expense due to the accelerated tax deductions for capital expenditures made in 2025 and the small provision effect from the change in Texas Franchise Tax and state bonus depreciation. This adjustment also decreased the DTL for the UNICAP inventory calculation by \$0.6 million, offset against current income tax payable.
- Permanent Expensing of Domestic R&E Costs (Section 174A): Retroactive to January 1, 2025, resulting in decreased DTAs due to immediate tax deductibility of qualified domestic R&E costs as incurred. This provision decreased DTAs by \$3.4 million, decreased current payables by \$4.2 million, and increased provision expense by \$0.8 million due to the reduction in the R&D tax credit (the Company will revert to the reduced credit method for calculation of the tax credit under the new law).
- Accelerated Deduction of Unamortized Domestic R&E Cost Originally Capitalized in Tax Years 2022, 2023, and 2024 (Section 174A): The Company has elected to deduct the unamortized amounts of Section 174 Costs as of December 31, 2024, fully in tax year 2025, which decreased DTAs and current payables by \$25.5 million.

The impact of OBBBA enactment increased the Company's effective tax rate by 0.7% for the year ended December 31, 2025. Effective January 1, 2026, the OBBBA enacted a 1% charitable contribution floor. The Company has included this permanent difference in the Q1 tax provision calculation, and the change increased the Company's effective tax rate by 0.1% for the three months ended June 30, 2026.

Net Operating Loss

Due to the favorable changes in tax law related to the OBBBA, as of December 31, 2025, the Company generated Federal and State net operating loss ("NOL") carryforwards of approximately \$57.0 million and \$22.5 million, respectively. The Federal NOLs have an indefinite carryforward period but are limited to offsetting 80% of taxable income in any given year under current tax law. The State NOLs have varying expiration dates.

The Company recorded deferred tax assets of \$12.0 million (Federal) and \$1.1 million (State) related to these NOL carryforwards as of December 31, 2025. As of June 30, 2026, the federal deferred tax asset balance has been fully

utilized and the remaining state deferred tax asset is negligible considering usage of the NOL's in the first and second quarter of 2026. Accordingly, no valuation allowance has been recorded as of June 30, 2026.

14. Share-Based Compensation

On May 22, 2007, our stockholders adopted a Long-Term Incentive Plan (as amended, "2007 Plan") which provided an additional 5.0 million shares that could be granted in the form of stock options, stock appreciation rights, restricted stock awards, performance units, and performance awards. Under the 2007 Plan, the exercise price of shares granted may not be less than 100% of the fair market value at the date of the grant.

On May 24, 2016, our stockholders adopted the 2016 Long-Term Incentive Plan ("2016 Plan") which provides for approximately 13.4 million shares, comprised of 5.1 million new shares provided for under the 2016 Plan, approximately 0.6 million shares that were available for issuance under the previous 2007 Plan that are now authorized for issuance under the 2016 Plan, approximately 3.9 million shares that were approved by the stockholders on May 15, 2018, and an additional 3.8 million shares that were approved by the stockholders on May 12, 2020.

On May 21, 2024, our stockholders adopted the 2024 Long-Term Incentive Plan ("2024 Plan") which provides for approximately 2.7 million new shares and approximately 3.7 million shares that were issued and outstanding under the 2016 Plan (as of May 21, 2024) that are now authorized for issuance under the 2024 Plan. The 3.7 million shares issued and outstanding under the 2016 Plan are only eligible for issuance under the 2024 Plan upon forfeiture, expiration, or cancellation.

Under the 2024 Plan and previously under the 2016 Plan (collectively, the "LTIP Plans"), shares can be granted in the form of stock options, stock appreciation rights, restricted stock awards, performance awards, dividend equivalent rights, and other awards. Under the LTIP Plans, the exercise price of shares granted may not be less than 100% of the fair market value at the date of the grant. The LTIP Plans are administered by the Compensation Committee of the Board of Directors or such other committee of the Board of Directors as is designated by the Board of Directors (the "Committee"). Membership on the Committee is limited to independent directors. The Committee may delegate certain duties to one or more officers of the Company as provided in the LTIP Plans. The Committee determines the persons to whom awards are to be made, determines the type, size and terms of awards, interprets the LTIP Plans, establishes and revises rules and regulations relating to the LTIP Plans and makes any other determinations that it is necessary for the administration of the LTIP Plans.

Options

The following weighted average assumptions were used to determine the fair value of the stock options granted on the original grant date for expense recognition purposes for options granted during the six months ended June 30, 2026 and 2025 using a Black Scholes-Merton Model:

	Six Months Ended June 30,	
	2026	2025
Senior Leadership¹:		
Expected (annual) dividend rate	\$0.40	\$0.40
Expected volatility	45.57%	39.05%
Risk-free interest rate	3.73%	3.98%
Expected life (in years)	4.0	4.0
Employees:		
Expected (annual) dividend rate	\$0.40	\$0.40
Expected volatility	47.32%	42.44%
Risk-free interest rate	3.66%	3.92%
Expected life (in years)	3.0	3.0

¹ Senior Leadership Team ("SLT") consists of officers and key members of management.

The expected term of the options is based on evaluations of historical and expected future employee exercise behavior. The risk-free interest rate is based on the U.S. Treasury rates at the date of grant with maturity dates approximately equal to the expected life at the grant date. Volatility is based on historical volatility of our stock over time periods equal to the expected life at grant date.

The following is a summary of stock options vested and exercisable as of June 30, 2026:

Range of Exercise Prices			Number of Shares	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Intrinsic Value (in thousands)
17.65	-	27.58	841,721	2.21	\$ 26.25	\$ 84,686
29.29	-	37.07	392,594	4.26	31.42	37,468
37.09	-	141.70	520,783	6.81	66.36	31,511
Total			1,755,098	4.03	\$ 39.31	\$ 153,665

A summary of option activity under the plans is as follows:

Stock Options	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2025	2,837,113	\$ 47.21
Granted	570,756	91.83
Exercised	(646,938)	44.98
Forfeited or Expired	(48,802)	83.12
Outstanding at June 30, 2026	2,712,129	\$ 56.49
Exercisable at June 30, 2026	1,755,098	\$ 39.31

The total pre-tax compensation cost related to unvested stock options not yet recognized as of June 30, 2026, is \$23.4 million and is expected to be recognized over a weighted average period of 2.3 years.

The total intrinsic value of options exercised during the six months ended June 30, 2026 and 2025, was \$54.9 million and \$22.3 million, respectively. The cash received from options exercised during the six months ended June 30, 2026 and 2025, was \$29.1 million and \$10.0 million, respectively. The impact of these cash receipts is included in financing activities in the accompanying consolidated statements of cash flows.

Restricted Stock

The fair value of restricted stock awards is based on the fair market value of AAON common stock on the respective grant dates, reduced for the present value of dividends. At June 30, 2026, unrecognized compensation cost related to unvested restricted stock awards was approximately \$13.0 million which is expected to be recognized over a weighted average period of 2.3 years.

A summary of the unvested restricted stock awards is as follows:

	Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2025	139,708	\$ 80.36
Granted	115,701	92.35
Vested	(65,263)	77.31
Forfeited	(6,217)	84.82
Unvested at June 30, 2026	183,929	\$ 88.83

PSUs

We have awarded PSUs to certain officers and employees under our LTIP Plans. Unlike our restricted stock awards, these PSUs are not considered legally outstanding and do not accrue dividends during the vesting period. These PSUs vest based on the level of achievement with respect to the Company's total shareholder return ("TSR") benchmarked against similar companies included in the capital goods sector of the S&P 400 and S&P 600 building products industry. The TSR measurement period is three years. At the end of the measurement period, each award will be converted into AAON common stock at 0% to 200% of the PSUs held, depending on overall TSR as compared to the S&P 400 and S&P 600 building products industry.

The total pre-tax compensation cost related to unvested PSUs not yet recognized as of June 30, 2026, is \$8.4 million and is expected to be recognized over a weighted average period of approximately 2.2 years.

The following weighted average assumptions were used to determine the fair value of the PSUs granted on the original grant date for expense recognition purposes for PSUs granted during the six months ended June 30, 2026 and 2025, using a Monte Carlo Model:

	Six Months Ended June 30,	
	2026	2025
Expected (annual) dividend rate	\$0.40	\$0.40
Expected volatility	48.04%	41.91%
Risk-free interest rate	3.64%	3.92%
Expected life (in years)	2.8	2.8

The expected term of the PSUs is based on their remaining performance period. The risk-free interest rate is based on the U.S. Treasury rates at the date of grant with maturity dates approximately equal to the expected life at the grant date. Volatility is based on historical volatility of our stock over time periods equal to the expected life at grant date.

A summary of the unvested PSUs is as follows:

	Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2025	144,760	\$ 88.31
Granted	57,664	132.14
Payout adjustment ¹	(8,998)	84.42
Vested	(44,471)	84.42
Forfeited	(5,765)	100.87
Unvested at June 30, 2026 ²	<u>143,190</u>	<u>\$ 106.91</u>

¹ PSU payout adjustment based on a 83.2% achievement at December 31, 2025 for awards vesting in 2026.

² Consists of 42,222 PSUs cliff vesting in 2027, 44,759 PSUs cliff vesting in 2028, and 56,209 PSUs cliff vesting in 2029.

Summary of Share-based Compensation

A summary of share-based compensation is as follows:

	Six Months Ended June 30,	
	2026	2025
	<i>(in thousands)</i>	
Grant date fair value of awards during the period:		
Options	\$ 18,458	\$ 11,809
PSUs	\$ 7,620	3,501
Restricted stock	\$ 10,685	7,184
Total	<u>\$ 36,763</u>	<u>\$ 22,494</u>
	Six Months Ended June 30,	
	2026	2025
	<i>(in thousands)</i>	
Stock-based compensation expense:		
Options	\$ 5,316	\$ 4,066
PSUs	2,082	2,186
Restricted stock	3,304	2,543
Total	<u>\$ 10,702</u>	<u>\$ 8,795</u>
	Six Months Ended June 30,	
	2026	2025
	<i>(in thousands)</i>	
Income tax benefit related to share-based compensation		
Options	\$ 12,086	\$ 4,994
PSUs	(66)	3,334
Restricted stock	374	692
Total	<u>\$ 12,394</u>	<u>\$ 9,020</u>

15. Employee Benefits

Defined Contribution Plan - 401(k)

We sponsor a defined contribution plan (the “Plan”). Eligible employees may make contributions in accordance with the Plan and IRS guidelines. In addition to the traditional 401(k), eligible employees are given the option of making an after-tax contribution to a Roth 401(k) or a combination of both. The Plan provides for automatic enrollment and for an automatic increase to the deferral percentage at January 1st of each year and each year thereafter. Eligible employees are automatically enrolled in the Plan at a 6.0% deferral rate and currently contributing employees’ deferral rates will be increased to 6.0% unless their current rate is above 6.0% or the employee elects to decline the automatic enrollment or increase. Administrative expenses are paid for by Plan participants. The Company paid no administrative expenses during the six months ended June 30, 2026 and 2025.

The Company matches 175.0% up to 6.0% of employee contributions of eligible compensation. Additionally, Plan participant forfeitures are used to reduce the cost of the Company contributions.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	<i>(in thousands)</i>			
Contributions, net of forfeitures, made to the defined contribution plan	\$ 9,825	\$ 5,977	\$ 17,286	\$ 11,999

Profit Sharing Bonus Plans

We maintain a discretionary profit sharing bonus plan under which approximately 8.5% of pre-tax profit from the Company is paid to eligible employees on a quarterly basis in order to reward employee productivity. Eligible employees are regular full-time non-exempt employees of the Company who are actively employed and working on the first and last day of the calendar quarter.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	<i>(in thousands)</i>			
Profit sharing bonus plan	\$ 6,923	\$ 2,038	\$ 12,603	\$ 5,335

Employee Medical Plan

We self-insure for our employees’ health insurance, and make medical claim payments up to certain stop-loss amounts. We estimate our self-insurance liabilities using an analysis provided by our claims administrator and our historical claims experience. Eligible employees are regular full-time employees who are actively employed and working. Participants are expected to pay a portion of the premium costs for coverage of the benefits provided under the Plans. In addition, the Company matches 175.0% of a participating employee's allowed contributions to a qualified health savings account to assist employees with health insurance plan deductibles.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	<i>(in thousands)</i>			
Medical premium payments	\$ 8,659	\$ 5,573	\$ 14,266	\$ 11,408
Health savings account contributions	5,328	2,635	9,799	5,645

16. Earnings Per Share

Basic net income per share is calculated by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted net income per share assumes the conversion of all potentially dilutive securities and is calculated by dividing net income by the sum of the weighted average number of shares of common stock outstanding plus all potentially dilutive securities. Dilutive common shares consist primarily of stock options and restricted stock awards.

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Numerator:	<i>(in thousands, except share and per share data)</i>			
Net income	\$ 56,659	\$ 15,487	\$ 96,474	\$ 44,779
Denominator:				
Basic weighted average shares	82,189,734	81,441,511	82,213,148	81,456,845
Effect of dilutive shares related to stock based compensation ¹	1,531,465	1,514,702	1,477,408	1,696,943
Diluted weighted average shares	83,721,199	82,956,213	83,690,556	83,153,788
Earnings per share:				
Basic	\$ 0.69	\$ 0.19	\$ 1.17	\$ 0.55
Diluted	\$ 0.68	\$ 0.19	\$ 1.15	\$ 0.54
Anti-dilutive shares:				
Shares	561,965	747,383	605,311	427,819

¹ Dilutive shares related to stock options, restricted stock, and PSUs (Note 14)

17. Stockholders' Equity

Stock Repurchases

The Board has authorized one active stock repurchase program for the Company. The Company may purchase shares on the open market from time to time. The Board must authorize the timing and amount of these purchases and all repurchases are in accordance with the rules and regulations of the SEC allowing the Company to repurchase shares from the open market.

Our authorized open market repurchase programs during the periods are as follows:

Agreement Execution Date	Authorized Repurchase \$	Expiration Date
February 25, 2025	\$100 million	**1

¹ Expiration Date is at Board's discretion. The Company is authorized to effectuate repurchases of the Company's common stock on terms and conditions approved in advance by the Board. As of June 30, 2026, approximately \$30 million of shares have been repurchased, and approximately \$70.0 million remains under the current board authorization.

The Company repurchases shares of AAON, Inc. stock related to the LTIP Plans (Note 14) at current market prices.

Our repurchase activity is as follows:

	Six Months Ended June 30,					
	2026			2025		
	<i>(in thousands, except share and per share data)</i>					
<i>Program</i>	Shares	Total \$	\$ per share	Shares	Total \$	\$ per share
Open market	—	\$ —	\$ —	371,139	\$29,992	\$ 80.81
LTIP Shares	44,070	4,468	101.38	91,550	9,167	100.13
Total	44,070	\$ 4,468	\$ 101.38	462,689	\$39,159	\$ 84.63

¹ Includes stock repurchased for payment of statutory tax withholding and/or stock repurchased to cover the strike price of stock options.

Cash Dividends

At the discretion of the Board, we pay cash dividends. Board approval is required to determine the date of declaration and amount for each cash dividend payment.

Our recent cash dividends are as follows:

Declaration Date	Record Date	Payment Date	Dividend per Share	Annualized Dividend per Share
May 13, 2025	June 6, 2025	June 27, 2025	\$0.10	\$0.40
August 14, 2025	September 5, 2025	September 26, 2025	\$0.10	\$0.40
November 10, 2025	November 26, 2025	December 18, 2025	\$0.10	\$0.40
March 5, 2026	March 18, 2026	March 30, 2026	\$0.10	\$0.40
May 12, 2026	June 5, 2026	June 26, 2026	\$0.10	\$0.40

18. New Markets Tax Credit

2019 New Markets Tax Credit

On October 24, 2019, the Company entered into a transaction with a subsidiary of an unrelated third-party financial institution (the “2019 Investor”) and a certified Community Development Entity under a qualified New Markets Tax Credit (“2019 NMTC”) program pursuant to Section 45D of the Internal Revenue Code of 1986, as amended, related to an investment in plant and equipment to facilitate the expansion of our Longview, Texas manufacturing operations (the “2019 Project”). In connection with the 2019 NMTC transaction, the Company received a \$23.0 million NMTC allocation for the Project and secured low-interest financing and the potential for future debt forgiveness related to the 2019 Project.

Upon closing of the 2019 NMTC transaction, the Company provided an aggregate of approximately \$15.9 million to the 2019 Investor, in the form of a loan receivable, with a term of 25 years, bearing an interest rate of 1.0%. This \$15.9 million in proceeds plus capital contributed from the 2019 Investor was used to make an aggregate \$22.5 million loan to a subsidiary of the Company. This financing arrangement is secured by equipment at the Company’s Longview, Texas facilities and a guarantee from the Company, including an unconditional guarantee of the NMTCs. The Company’s seven-year compliance period ends in 2026, at which time the Company expects the put/call feature of the transaction to be exercised, forgiving a portion of the debt.

This transaction also includes a put/call feature either of which can be exercised at the end of the seven-year compliance period. The 2019 Investor may exercise its put option or the Company can exercise the call, both of which could serve to trigger forgiveness of a portion of the debt. The 2019 Investor’s interest of \$7.5 million is recorded as short-term debt on the consolidated balance sheets. The Company incurred approximately \$0.3 million of debt issuance costs related to the above transactions, which are being amortized over the life of the transaction.

2023 New Markets Tax Credit

On April 25, 2023, the Company entered into a transaction with a subsidiary of an unrelated third-party financial institution (the “2023 Investor”) and a certified Community Development Entity under a qualified New Markets Tax Credit (“2023 NMTC”) program pursuant to Section 45D of the Internal Revenue Code of 1986, as amended, related to an investment in plant and equipment to facilitate the expansion of our Longview, Texas manufacturing operations (the “2023 Project”). In connection with the 2023 NMTC transaction, the Company received a \$23.0 million NMTC allocation for the 2023 Project and secured low-interest financing and the potential for future debt forgiveness related to the expansion of its Longview, Texas facilities.

Upon closing of the 2023 NMTC transaction, the Company provided an aggregate of approximately \$16.7 million to the 2023 Investor, in the form of a loan receivable, with a term of 25 years, bearing an interest rate of 1.0%. This \$16.7 million in proceeds plus capital contributed from the 2023 Investor was used to make an aggregate \$23.8 million loan to a subsidiary of the Company. This financing arrangement is secured by a guarantee from the Company, including an unconditional guarantee of the NMTCs. The net proceeds from the closing of the 2023 NMTC are included in restricted cash on our consolidated balance sheets required to be used for the 2023 Project.

This transaction also includes a put/call feature either of which can be exercised at the end of the seven-year compliance period. The 2023 Investor may exercise its put option or the Company can exercise the call, both of which could serve to trigger forgiveness of a portion of the debt. The 2023 Investor’s interest of \$5.8 million is recorded in new markets tax credit obligations on the consolidated balance sheets. The Company incurred

approximately \$0.4 million of debt issuance costs related to the above transactions, which are being amortized over the life of the transaction.

2024 New Markets Tax Credit

On February 27, 2024, the Company entered into a transaction with a subsidiary of an unrelated third-party financial institution (the “2024 Investor”) and a certified Community Development Entity under a qualified New Markets Tax Credit (“2024 NMTC”) program pursuant to Section 45D of the Internal Revenue Code of 1986, as amended, related to an investment in real estate to facilitate 2023 Project. In connection with the 2024 NMTC transaction, the Company received a \$15.5 million NMTC allocation for the 2024 Project and secured low interest financing and the potential for future debt forgiveness related to the expansion of its Longview, Texas facilities.

Upon closing of the 2024 NMTC transaction, the Company provided an aggregate of approximately \$11.0 million to the 2024 Investor, in the form of a loan receivable, with a term of 25 years, bearing an interest rate of 1.0%. This \$11.0 million in proceeds plus capital contributed from the 2024 Investor was used to make an aggregate \$16.0 million loan to a subsidiary of the Company. This financing arrangement is secured by a guarantee from the Company, including an unconditional guarantee of the NMTCs. The net proceeds from the closing of the 2024 NMTC are included in restricted cash on our consolidated balance sheets required to be used for the 2024 Project.

This transaction also includes a put/call feature that either of which can be exercised at the end of the seven-year compliance period. The Investor may exercise its put option or the Company can exercise the call, both of which could serve to trigger forgiveness of a portion of the debt. The 2024 Investor's interest of \$3.9 million is recorded in new markets tax credit obligations on the consolidated balance sheets. The Company incurred approximately \$0.4 million of debt issuance costs related to the above transactions, which are being amortized over the life of the transaction.

2026 New Markets Tax Credit

On April 16, 2026 the Company entered into a transaction with a subsidiary of an unrelated third-party financial institution (the “2026 Investor”) and a certified Community Development Entity under a qualified New Markets Tax Credit (“2026 NMTC”) program pursuant to Section 45D of the Internal Revenue Code of 1986, as amended, related to an investment in our Memphis, TN facility. In connection with the 2026 NMTC transaction, the Company received a \$50.5 million NMTC allocation for the 2026 Project and secured low interest financing and the potential for future debt forgiveness related to the 2026 Project.

Upon closing of the 2026 NMTC transaction, the Company provided an aggregate of approximately \$35.2 million to the 2026 Investor, in the form of a loan receivable, with a term of 27 years, bearing an interest rate of 1.2%. This \$35.2 million in proceeds plus capital contributed from the 2026 Investor was used to make an aggregate \$48.2 million loan to a subsidiary of the Company. This financing arrangement is secured by a guarantee from the Company, including an unconditional guarantee of the NMTCs. The net proceeds from the closing of the 2026 NMTC were \$12.9 million.

This transaction also includes a put/call feature that either of which can be exercised at the end of the seven-year compliance period. The Investor may exercise its put option or the Company can exercise the call, both of which could serve to trigger forgiveness of a portion of the debt.

The 2019 Investor, 2023 Investor, 2024 Investor and 2026 Investor are each subject to 100 percent recapture of the 2019, 2023, 2024 and 2026 NMTC, respectively, it receives for a period of seven years, as provided in the Internal Revenue Code and applicable U.S. Treasury regulations in the event that the financing facility of the Borrower under the transaction (AAON Coil Products for the 2019, 2023 and 2024 transaction and a portion of the business of AAON Oklahoma for the 2026 transaction) becomes ineligible for NMTC treatment per the Internal Revenue Code requirements. The Company is required to be in compliance with various regulations and contractual provisions that apply to the NMTC arrangements. Noncompliance with applicable requirements could result in the Investors' projected tax benefits not being realized and, therefore, require the Company to indemnify the Investor for any loss or recapture of the NMTC related to the financing until such time as the recapture provisions have expired under the applicable statute of limitations. The Company does not anticipate any credit recapture will be required in connection with any of these financing arrangements.

The Investors and their majority-owned community development entity are considered VIEs and the Company is the primary beneficiary of the VIEs. Because the Company is the primary beneficiary of the VIEs, they have been included in the consolidated financial statements. There are no other assets, liabilities or transactions in these VIEs

outside of the financing transactions executed as part of the 2019 NMTC, 2023 NMTC, 2024 NMTC arrangements or 2026 NMTC arrangements, respectively.

19. Commitments and Contingencies

Other Matters

The Company is involved from time to time in claims and lawsuits incidental to our business arising from various matters, including alleged violations of contract, product liability, warranty, environmental, regulatory, personal injury, intellectual property, employment, tax and other laws. We closely monitor these claims and legal actions and frequently consult with our legal counsel to determine whether they may, when resolved, have a material adverse effect on our financial position, results of operations or cash flows and we accrue and/or disclose loss contingencies as appropriate. We do not believe these matters will have a material adverse effect on our business, financial position, results of operations or cash flows.

We are occasionally party to cancellable and occasionally non-cancellable, fixed-price contracts with major suppliers for the purchase of raw material and component parts. We expect to receive delivery of raw materials for use in our manufacturing operations. These contracts are not accounted for as derivative instruments because they meet the normal purchase and normal sales exemption. We had no material contractual purchase obligations as of June 30, 2026, except as noted below.

In 2023, the Company executed a five-year purchase commitment for refrigerants. For the three and six months ended June 30, 2026, the Company made payments of \$1.5 million and \$4.7 million for the three and six months ended June 30, 2025, the Company made payments of \$1.5 million and \$2.1 million on this contract, respectively. Estimated minimum future payments are \$5.8 million, and \$11.2 million for 2026 and 2027, respectively.

In 2025, the Company executed three, one-year purchase commitments for raw materials. Estimated minimum future payments are \$18.8 million for 2026. We had no other material contractual purchase obligations as of June 30, 2026.

20. Related Parties

The following is a summary of transactions and balances with affiliates:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(in thousands)			
Sales to affiliates	\$ 1,088	\$ 2,213	\$ 3,691	\$ 3,308
Payments to affiliates	337	704	501	1,213
		June 30, 2026	December 31, 2025	
	(in thousands)			
Due from affiliates	\$	746	\$	335

The nature of our related party transactions is as follows:

- The Company sells units to an entity managed by a board member's immediate family. This entity is also one of the Company's Representatives and as such, the Company makes payments to the entity for third party products.
- The Company purchases some supplies from entities controlled by two of the Company's board members and a member of the Company's executive management team.
- The Company periodically makes part sales to a board member.
- The Company periodically rents space partially owned by a board member for various Company meetings. These transactions ceased in the fourth quarter of 2025.
- The Company leases flight time of an aircraft partially owned by our President and CEO.

21. Segments

The Company has determined that it has three reportable segments for financial reporting purposes.

AAON Oklahoma: AAON Oklahoma engineers, manufactures, and sells highly configurable HVAC systems, designs and manufactures controls solutions, and sells aftermarket parts to customers through retail part stores and online. AAON Oklahoma includes operations at the Company's manufacturing facilities in Tulsa, Oklahoma; Memphis, Tennessee; and Parkville, Missouri, as well as two retail locations, the Norman Asbjornson Innovation Center ("NAIC"), and the Gary D. Fields Customer Exploration Center.

The NAIC is a world-class research and development laboratory accredited by the Air Movement and Control Association International, Inc. ("AMCA"), where our products are continuously tested under extreme environmental conditions to ensure optimal performance, efficiency, and value. The Gary D. Fields Customer Exploration Center showcases the engineering, design attributes, and premium build quality of our equipment alongside market alternatives.

AAON Coil Products: AAON Coil Products engineers and manufactures and sells semi-custom and custom HVAC systems as well as heating and cooling coils for use in HVAC systems, primarily for AAON Oklahoma, AAON Coil Products, and BASX. AAON Coil Products operates from our Longview, Texas manufacturing facilities, which also produce BASX-branded products.

BASX: BASX engineers, manufactures, and sells a wide range of custom, high-performance cooling solutions for the rapidly growing hyperscale data center market; ventilation solutions for cleanroom environments in the biopharmaceutical, semiconductor, medical, and agricultural sectors; and highly customized air handlers and modular solutions for a variety of markets. BASX operates from our manufacturing facilities in Redmond, Oregon, with additional support from facilities in Memphis, Tennessee, and Longview, Texas.

The Company's chief decision maker ("CODM"), our CEO, allocates resources and assesses the performance of each operating segment using information about the operating segment's net sales, cost of sales, and gross profit directly attributable to our segments. The CODM does not evaluate operating segments using asset or liability information.

Due to the integrated nature of our Company as well as the increasing production of both AAON and BASX-branded products across different segments, other costs and expenses, such as selling, general and administrative including corporate expense, are evaluated and resources allocated at a consolidated level.

The following table summarizes certain financial data related to our segments and significant segment expenses and other segment items regularly reviewed by our CODM. During the fourth quarter of 2025, the Company modified the reporting of sales of coils from AAON Coil Products to AAON Oklahoma to report at cost to be consistent with our other intercompany sales between segments. The revised methodology is intended to better reflect the manner in which the CODM evaluates segment performance and makes resource allocation decisions. As a result of this change, prior period segment results have been recast to conform to the current period presentation. The change did not affect consolidated net sales, cost of sales or gross profit. The cost of sales and gross profit amounts shown below are presented after elimination entries.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(in thousands)			
AAON Oklahoma				
External sales	\$ 262,276	\$ 185,120	\$ 506,243	\$ 346,958
Inter-segment sales	91,359	5,318	135,868	9,157
Eliminations	(91,359)	(5,318)	(135,868)	(9,157)
Net sales	262,276	185,120	506,243	346,958
Cost of sales ¹	198,659	131,603	378,354	252,841
Gross profit	63,617	53,517	127,889	94,117
AAON Coil Products				
External sales	\$ 146,680	\$ 58,465	\$ 264,291	\$ 152,488
Inter-segment sales	7,660	3,439	14,478	7,018
Eliminations	(7,660)	(3,439)	(14,478)	(7,018)
Net sales	146,680	58,465	264,291	152,488
Cost of sales ¹	123,142	48,236	212,451	112,401
Gross profit	23,538	10,229	51,840	40,087
BASX				
External sales	\$ 218,020	\$ 67,982	\$ 353,378	\$ 134,175
Inter-segment sales	558	507	556	550
Eliminations	(558)	(507)	(556)	(550)
Net sales	218,020	67,982	353,378	134,175
Cost of sales ¹	152,684	48,999	255,651	99,286
Gross profit	65,336	18,983	97,727	34,889
Consolidated gross profit	\$ 152,491	\$ 82,729	\$ 277,456	\$ 169,093

¹ Presented after intercompany eliminations.

The reconciliation between consolidated gross profit to consolidated income from operations is as follows:

Consolidated gross profit	\$ 152,491	\$ 82,729	\$ 277,456	\$ 169,093
Less: Selling, general and administrative expenses	83,607	59,147	151,513	110,440
Add: loss on disposal of assets	—	—	—	40
Consolidated income from operations	\$ 68,884	\$ 23,582	\$ 125,943	\$ 58,693

The following table presents long-lived assets by reportable segment, which includes property and equipment, net and operating lease assets:

	June 30, 2026	December 31, 2025
Long-lived assets	<i>(in thousands)</i>	
AAON Oklahoma	\$ 444,514	\$ 400,316
AAON Coil Products	158,116	157,752
BASX	96,339	91,182
Total long-lived assets	<u>\$ 698,969</u>	<u>\$ 649,250</u>

The following table presents intangible assets and goodwill, net, by reportable segment:

	June 30, 2026	December 31, 2025
Intangible assets and goodwill	<i>(in thousands)</i>	
AAON Oklahoma	\$ 28,607	\$ 25,600
AAON Coil Products	5,043	4,235
BASX	134,243	135,964
Total intangible assets and goodwill	<u>\$ 167,893</u>	<u>\$ 165,799</u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the notes thereto, which are included in this report, and our audited consolidated financial statements and the notes thereto, which are included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2025.

This discussion contains or incorporates by reference “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are not historical facts, but rather are based on expectations, estimates, assumptions and projections about our industry, business and future financial results, based on information available at the time this report is filed with the SEC or, with respect to any document incorporated by reference, available at the time that such document was prepared. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those identified in the section entitled “Forward-Looking Statements” in this Item 2 of this Quarterly Report on Form 10-Q and in the section entitled “Risk Factors” in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2025. We do not assume any obligation to update or revise any forward-looking statements to reflect changed assumptions, the occurrence of anticipated or unanticipated events, new information or circumstances or otherwise, except as required by law.

Description of the Company

AAON is a 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 capabilities enable continuous advancement toward a cleaner and more sustainable future.

We engineer, manufacture, and sell premium heating, ventilation, and air conditioning equipment consisting of semi-custom and custom rooftop units, data center cooling solutions, cleanroom systems, packaged outdoor mechanical rooms, air handling units, makeup air units, energy recovery units, condensing units, geothermal/water-source heat pumps, coils, and controls. These products are marketed and sold to a variety of vertical markets including retail, manufacturing, educational, lodging, supermarket, data centers, medical and pharmaceutical, industrial, and other commercial markets. We sell our products to all 50 states in the United States and certain provinces in Canada.

Foreign sales were approximately \$7.6 million and \$18.8 million for the three and six months ended June 30, 2026, as compared to \$7.5 million and \$18.8 million for the three and six months ended June 30, 2025.

Our AAON brand can be affected by a number of economic factors, including the level of economic activity in the markets in which we operate. After the commercial and industrial new construction markets came to a standstill in 2020–2021, our core nonresidential end-markets entered a period of robust growth, increasing by approximately 50.0% between 2022 and 2024. By late 2024, however, these markets began to contract, and the softening continued through 2025, though at a moderate rate. While leading indicators signal a stabilization in activity, we have not observed clear indications of a significant reacceleration. Furthermore, signals from general economic indicators are mixed regarding the health of the general economy. If the domestic economy were to slow or enter a recession, this could further impact our new construction markets and also weigh on the replacement market, potentially resulting in reduced sales volumes and profitability. Sales in the commercial and industrial new construction markets generally lag behind the housing market, which in turn is influenced by cyclical factors such as interest rates, inflation, consumer spending habits, employment rates, the state of the economy and other macroeconomic factors over which we have no control. Sales in the replacement markets are driven by various factors, including general economic growth, the Company's new product introductions, fluctuations in the average age of existing equipment in the market, government regulations and stimulus, change in market demand between more customized, higher performing HVAC equipment and lower priced standard equipment, as well as many other factors. When new construction is down, we emphasize the replacement market.

Our BASX brand is heavily dependent on the data center market. The growing maturity and adoption of Artificial Intelligence and high-performance compute is driving profound innovation across the data center market, resulting in increased demand for our products and solutions. Between 2022 and 2025, total put-in-place construction spending for data centers expanded by approximately 240.0%, and present indicators suggest continued strength with no meaningful signs of slowing in the foreseeable future. In response, we have made substantial capital investments to expand our capacity and ensure we are fully equipped to support this accelerating growth trajectory.

We sell our products to property owners and contractors mainly through a network of independent manufacturers' Representatives. This go-to-market strategy is unique compared to most of our larger competitors in that most control their sales channel. We value the independent sales channel as we think it is a more effective way of increasing market share. Although we concede full control of the sales process with this strategy, the entrepreneurial aspect of the independent sales channel attracts the most talent and provides greater financial incentives for its salespeople. Further, the independent sales channel sells different types of equipment from various manufacturers, allowing it to operate with more of a solutions-based mindset, as opposed to an internal sales department of a manufacturing company that is incentivized to only sell its equipment regardless if it is the best solution for the end customer. We also have a small internal sales force that supports the relationships between the Company and our sales channel partners. BASX sells highly customized products for unique applications for a more concentrated customer base and an internal sales force is more effective for such products.

The principal components of cost of sales are labor, raw materials, component costs, factory overhead, freight out, and engineering expense. The principal high volume raw materials used in our manufacturing processes are steel, copper, and aluminum, and are obtained from domestic suppliers. We also purchase from domestic manufacturers certain components, including coils, compressors, motors, and electrical controls.

The price levels of our raw materials fluctuate due to various economic factors within the U.S. and global economy. At June 30, 2026, the price (year to date average) for copper and aluminum increased by approximately 8.2% and 20.3%, respectively, while stainless steel and galvanized steel decreased approximately 14.1% and 3.4%, respectively.

We attempt to limit the impact of price fluctuations on these materials by entering into cancellable and non-cancellable contracts with our major suppliers for periods of six to 18 months. We expect to receive delivery of raw materials from our contracts for use in our manufacturing operations.

We periodically adjust product pricing, including implementing targeted price increases, to help offset inflationary pressures, fluctuating input costs, and macroeconomic uncertainties such as international tariffs. For standard product lines, pricing is evaluated continuously and adjusted based on market conditions. For custom or job-based engineered products, pricing is generally established on a per-project basis, with contractual terms that allow for price adjustments if order fulfillment or delivery falls outside standard lead times.

Macroeconomic Conditions

Beginning in January 2025, the current United States ("U.S.") Administration began enacting a series of tariffs affecting nearly all goods imported into the U.S. In retaliation, numerous foreign countries imposed reciprocal tariffs and restricted certain exports to the U.S. The continuous changes and uncertainty in tariff policy could impact our cost of materials, parts, or components imported into the U.S. and could impact the availability of supply from our vendors. We source raw materials domestically, but historically have seen those suppliers increase prices when tariffs are increased. Additionally, while we source most components domestically, our vendors may be impacted by tariffs if they use foreign parts and materials and often pass any additional costs as a result of tariffs through to us. Where appropriate, we attempt to mitigate these cost increases by implementing targeted price adjustments across select product lines. Although the realization of these surcharges may lag initial cost increases due to production lead times, we expect pricing actions to help offset tariff-related margin impacts over time, subject to market demand and competitive dynamics.

We make strategic purchases of materials when we see opportunities or potential disruptions in our supply chain. We have experienced supply chain challenges related to specific manufacturing parts, which could be exacerbated by the trade conflict. We manage our supply chain challenges through strong vendor relationships as well as expanding our list of available vendors.

Backlog

Segment	Brands Produced	Brand Products
AAON Oklahoma	AAON	Rooftop units and aftermarket parts
AAON Coil Products	AAON / BASX	Condensing units, air handling products, data center cooling solutions, and geothermal/water-source heat pumps
BASX	BASX	Data center cooling solutions, cleanroom products, and air handling products

The following table shows our historical backlog levels:

	June 30, 2026	December 31, 2025	June 30, 2025
	<i>(in thousands)</i>		
AAON-branded Products	\$ 540,465	\$ 526,350	\$ 494,214
BASX-branded Products	1,430,379	1,302,145	501,106
Total Backlog	<u>\$ 1,970,844</u>	<u>\$ 1,828,495</u>	<u>\$ 995,320</u>

At June 30, 2026, our consolidated backlog is \$1,970.8 million, an increase of 98.0%, or \$975.5 million, as compared to June 30, 2025. Backlog is up from a year ago for both AAON-branded products and BASX-branded products with BASX-branded products increasing 185.4%, or \$929.3 million, when compared to June 30, 2025. Most of these orders were associated with the BASX-branded data center liquid cooling solutions.

Consolidated Results of Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	<i>(in thousands, except per share data)</i>			
Net sales	\$ 626,976	\$ 311,567	\$ 1,123,912	\$ 633,621
Cost of sales	474,485	228,838	846,456	464,528
Gross profit	152,491	82,729	277,456	169,093
Selling, general and administrative expenses	83,607	59,147	151,513	110,440
Gain on disposal of assets	—	—	—	(40)
Income from operations	\$ 68,884	\$ 23,582	125,943	58,693
Interest expense	(6,195)	(4,009)	(11,250)	(6,811)
Other income (expense), net	158	(68)	235	106
Income before taxes	62,847	19,505	114,928	51,988
Income tax provision	6,188	4,018	18,454	7,209
Net income	<u>\$ 56,659</u>	<u>\$ 15,487</u>	<u>\$ 96,474</u>	<u>\$ 44,779</u>

The following are highlights of our results of operations, cash flows, and financial condition:

- Net sales for the three months ended June 30, 2026 grew 101.2% to \$627 million driven by the strong demand and growth of our BASX-branded products. BASX-branded products increased 216.2%, or \$235.7 million when compared to the three months ended June 30, 2025. Net sales of AAON-branded products also increased 39.3%, to \$79.7 million for the three months ended June 30, 2026. This growth is driven by the robust backlog and increased production throughput from our capacity investment and operational improvements.
- As a percent of sales, SG&A has declined from 19.0% for the three months ended June 30, 2025 to 13.3% for the three months ended June 30, 2026, demonstrating strong operating leverage and disciplined cost management.
- We have a strong balance sheet with a leverage ratio of 1.46 and available borrowings under our Revolver of \$163.7 million.

We report our financial results based on three reportable segments: AAON Oklahoma, AAON Coil Products, and BASX, which are further described in “Segments” (Note 21) within our notes to the consolidated financial statements. The Company’s chief operating decision maker (“CODM”), our CEO, allocates resources and assesses the performance of each operating segment using information about the operating segment's net sales and gross profit. The CODM does not evaluate operating segments using asset or liability information.

Segment Operating Results for Three Months Ended June 30, 2026 and Three Months Ended June 30, 2025

	Three Months Ended				\$ Change	% Change
	June 30, 2026	Percent of Sales ¹	June 30, 2025	Percent of Sales ¹		
<i>(in thousands)</i>						
Net Sales²						
AAON Oklahoma	\$ 262,276	41.8 %	\$ 185,120	59.4 %	\$ 77,156	41.7 %
AAON Coil Products	146,680	23.4 %	58,465	18.8 %	88,215	150.9 %
BASX	218,020	34.8 %	67,982	21.8 %	150,038	220.7 %
Net sales	\$ 626,976		\$ 311,567		\$ 315,409	101.2 %
Cost of Sales²						
AAON Oklahoma	\$ 198,659	75.7 %	131,603	71.1 %	\$ 67,056	51.0 %
AAON Coil Products	123,142	84.0 %	48,236	82.5 %	74,906	155.3 %
BASX	152,684	70.0 %	48,999	72.1 %	103,685	211.6 %
Cost of sales	\$ 474,485	75.7 %	\$ 228,838	73.4 %	\$ 245,647	107.3 %
Gross Profit²						
AAON Oklahoma	\$ 63,617	24.3 %	\$ 53,517	28.9 %	\$ 10,100	18.9 %
AAON Coil Products	23,538	16.0 %	10,229	17.5 %	13,309	130.1 %
BASX	65,336	30.0 %	18,983	27.9 %	46,353	244.2 %
Gross profit	\$ 152,491	24.3 %	\$ 82,729	26.6 %	\$ 69,762	84.3 %

¹ Cost of sales and gross profit for each segment are calculated as a percentage of the respective segment’s net sales. Total cost of sales and total gross profit are calculated as a percentage of total net sales.

² Presented after intercompany eliminations.

Total net sales increased \$315.4 million, or 101.2%. AAON Oklahoma had net sales of \$262.3 million, an increase of 41.7% compared to the same period in the prior year. This increase was driven by the strong backlog entering the quarter and a successful ramp up of production. Sales were up 150.9% at AAON Coil Products, primarily driven by growth in BASX-branded products of \$85.6 million for a large liquid cooling data center. BASX net sales were up 220.7% to \$218.0 million due to the continued demand for data center solutions and increasing production out of our Memphis facility.

Gross profit margin decreased to 24.3% of sales from 26.6%. AAON Oklahoma’s decrease in gross profit margin is driven by the additional overhead from our Memphis plant. Memphis is part of AAON Oklahoma, building intercompany sales for the BASX segment at cost. As such, the sales and gross profit from orders completed in Memphis are reflected in the BASX segment, but the additional overhead cost of running the plant is reflected in the AAON Oklahoma segment. Memphis contributed \$18.1 million and \$3.0 million in cost of sales to the AAON Oklahoma segment for the three months ended June 30, 2026 and 2025, respectively. AAON Coil Products gross profit margin decreased to 16.0% from 17.5% as a result of higher material costs.

As shown in the table below, we have experienced fluctuations in the cost of several raw materials.

Raw Material Costs

Three-month average raw material cost per pound as of June 30:

	2026	2025	% Change
Copper	\$ 7.61	\$ 6.04	26.0 %
Galvanized steel	\$ 0.57	\$ 0.59	(3.4)%
Stainless steel	\$ 1.61	\$ 1.94	(17.0)%
Aluminum	\$ 2.57	\$ 2.34	9.8 %

Selling, General and Administrative Expenses

	Three Months Ended June 30,		Percent of Sales	
	2026	2025	2026	2025
	<i>(in thousands)</i>			
Warranty	\$ 10,986	\$ 3,599	1.8 %	1.2 %
Profit sharing	6,923	2,038	1.1 %	0.7 %
Salaries & benefits	30,352	17,125	4.8 %	5.5 %
Stock compensation	3,129	3,133	0.5 %	1.0 %
Advertising	915	2,120	0.1 %	0.7 %
Depreciation & amortization	9,235	7,342	1.5 %	2.4 %
Insurance	2,659	2,111	0.4 %	0.7 %
Professional fees	423	1,775	0.1 %	0.6 %
Memphis incentive fee	1,448	3,405	0.2 %	1.1 %
Travel	2,400	3,649	0.4 %	1.2 %
Consulting	4,855	6,412	0.8 %	2.1 %
Other	10,282	6,438	1.6 %	2.1 %
Total SG&A	<u>\$ 83,607</u>	<u>\$ 59,147</u>	<u>13.3 %</u>	<u>19.0 %</u>

Selling, general and administrative expenses increased \$24.5 million for the three months ended June 30, 2026, from the prior year period. Salaries and benefits have increased as we add additional headcount to help build out our organizational capacity for future growth along with additional bonuses and employee incentives due to better earnings. Warranty is up \$7.4 million due to an increase in our historical claims. Profit sharing is up reflecting improved earnings versus the comparative quarter.

Income Taxes

	Three Months Ended June 30,		Effective Tax Rate	
	2026	2025	2026	2025
	<i>(in thousands)</i>			
Income tax provision	\$ 6,188	\$ 4,018	9.8 %	20.6 %

The Company's estimated annual 2026 effective tax rate, excluding discrete events, is expected to be approximately 25.0%. Discrete events such as excess tax benefits related to stock compensation and various tax credits consistently provide a benefit, keeping our actual effective rate lower than the stated 25.0%.

Segment Operating Results for the Six Months Ended June 30, 2026 and 2025

	Six Months Ended				\$ Change	% Change
	June 30, 2026	Percent of Sales ¹	June 30, 2025	Percent of Sales ¹		
(in thousands)						
Net Sales ²						
AAON Oklahoma	\$ 506,243	45.0 %	\$ 346,958	54.8 %	\$ 159,285	45.9 %
AAON Coil Products	264,291	23.5 %	152,488	24.1 %	111,803	73.3 %
BASX	353,378	31.4 %	134,175	21.2 %	219,203	163.4 %
Net sales	<u>\$ 1,123,912</u>		<u>\$ 633,621</u>		<u>\$ 490,291</u>	77.4 %
Cost of Sales ²						
AAON Oklahoma	\$ 378,354	74.7 %	252,841	72.9 %	\$ 125,513	49.6 %
AAON Coil Products	212,451	80.4 %	112,401	73.7 %	100,050	89.0 %
BASX	255,651	72.3 %	99,286	74.0 %	156,365	157.5 %
Cost of sales	<u>\$ 846,456</u>	75.3 %	<u>\$ 464,528</u>	73.3 %	<u>\$ 381,928</u>	82.2 %
Gross Profit ²						
AAON Oklahoma	\$ 127,889	25.3 %	\$ 94,117	27.1 %	\$ 33,772	35.9 %
AAON Coil Products	51,840	19.6 %	40,087	26.3 %	11,753	29.3 %
BASX	97,727	27.7 %	34,889	26.0 %	62,838	180.1 %
Gross profit	<u>\$ 277,456</u>	24.7 %	<u>\$ 169,093</u>	26.7 %	<u>\$ 108,363</u>	64.1 %

¹ Cost of sales and gross profit for each segment are calculated as a percentage of the respective segment's net sales. Total cost of sales and total gross profit are calculated as a percentage of total net sales.

² Presented after intercompany eliminations.

Total net sales increased \$490.3 million, or 77.4% driven by growth across all segments. AAON Oklahoma saw significant improvement with an increase of \$159.3 million in net sales driven by increased production out of the Tulsa facility and a stronger backlog heading into 2026. AAON-branded products were impacted in the first quarter of 2025 due to the change in refrigerant and then in the second quarter due to a lack of coils from AAON Coil Products. The \$111.8 million increase in net sales for AAON Coil Products is due to sales of BASX-branded products for liquid cooling data center orders. Additionally, AAON Coil Products was impacted in 2025 by disruption caused by the transition to a new Enterprise Resource Planning ("ERP") on April 1st. BASX net sales are up \$219.2 million due to the production of BASX-branded products from our Memphis facility.

Gross profit as a percentage of sales is down at 24.7% compared to 26.7% in the same period a year ago. AAON Oklahoma gross profit margin is down to 25.3% due to overhead costs from our ramping Memphis facility. The approximate overhead related to the Memphis plant is \$28.0 million, and \$5.3 million for the six months ended June 30, 2026 and 2025, respectively. BASX gross profit margin remained flat year-over-year with additional costs related to outsourcing which limited the benefits realized by the additional volume.

Raw Material Costs

Six-month average raw material cost per pound as of June 30:

	2026	2025	% Change
Copper	\$ 6.48	\$ 5.99	8.2 %
Galvanized steel	\$ 0.56	\$ 0.58	(3.4)%
Stainless steel	\$ 1.65	\$ 1.92	(14.1)%
Aluminum	\$ 2.84	\$ 2.36	20.3 %

Selling, General and Administrative Expenses

	Six Months Ended June 30,		Percent of Sales	
	2026	2025	2026	2025
	<i>(in thousands)</i>			
Warranty	\$ 16,899	\$ 6,810	1.5 %	1.1 %
Profit sharing	12,603	5,335	1.1 %	0.8 %
Salaries & benefits	52,974	33,554	4.7 %	5.3 %
Stock compensation	7,079	5,747	0.6 %	0.9 %
Advertising	1,642	2,671	0.1 %	0.4 %
Depreciation & amortization	15,941	14,228	1.4 %	2.2 %
Insurance	5,354	4,167	0.5 %	0.7 %
Professional fees	2,835	3,262	0.3 %	0.5 %
Memphis incentive fee	1,448	6,105	0.1 %	1.0 %
Travel	5,286	6,030	0.5 %	1.0 %
Consulting	8,629	10,100	0.8 %	1.6 %
Other	20,823	12,431	1.9 %	2.0 %
Total SG&A	\$ 151,513	\$ 110,440	13.5 %	17.4 %

Selling, general and administrative expenses as a percentage of sales are down year-over-year to 13.5% from 17.4% in 2025. The dollar increase of \$41.1 million is primarily driven by higher salaries and benefits, including profit sharing and stock compensation. Profit sharing is up as a result of our higher earnings in the period. Salaries and benefits have increased due to increased headcount as well as due to additional employee bonuses and incentives. Warranty has increased due to increases in sales and higher historical claims.

Income Taxes

	Six Months Ended June 30,		Effective Tax Rate	
	2026	2025	2026	2025
	<i>(in thousands)</i>			
Income tax provision	\$ 18,454	\$ 7,209	16.1 %	13.9 %

The Company's estimated annual 2026 effective tax rate, excluding discrete events, is expected to be approximately 25.0%. Discrete events such as excess tax benefits related to stock compensation and various tax credits consistently provide a benefit, keeping our actual effective rate lower than the stated 25.0%.

Liquidity and Capital Resources

Our working capital and capital expenditure requirements are generally met through net cash provided by operations and the use of the revolving bank line of credit based on our current liquidity at the time.

Working Capital - Our unrestricted cash and cash equivalents increased \$11.5 million from December 31, 2025 to June 30, 2026.

Outstanding Debt - On December 16, 2024, we entered into the Third Amendment and Restated Loan Agreement dated November 24, 2021, to include an \$80.0 million term loan payable in equal monthly installments, plus interest, over 60 months, expiring December 16, 2029 ("Term Loan"). The agreement provided for a \$200.0 million revolving credit facility and an option to increase the maximum borrowings to \$300.0 million. In April 2025, we increased our available Revolver to \$230.0 million, an increase of \$30.0 million, to fund our additional working capital needs.

On May 29, 2025, we entered into the Fifth Amendment to the Amended and Restated Loan Agreement dated November 24, 2021 (as amended, “Amended Loan Agreement”) whereby the remaining balance of the Term Loan, approximately \$72.0 million, was rolled into the amended Revolving Loan (“Amended Revolver”), the capacity of which was increased from \$230.0 million to \$500.0 million. The Amended Revolver is prepayable without penalty.

On December 29, 2025, we entered into the Sixth Amendment to the Amended and Restated Loan Agreement. The terms of the Amendment increased the amount of the borrowing capacity on the Revolver from \$500.0 million to \$600.0 million by exercising the \$100.0 million accordion feature. The Amended Revolver is prepayable without penalty. The Revolver expires on May 27, 2030.

As of June 30, 2026, and December 31, 2025, we had an outstanding balance under the Revolver of \$435.0 million and \$398.3 million, respectively. We had two standby letters of credit totaling \$1.3 million and one standby letter of credit totaling \$0.7 million as of June 30, 2026, and December 31, 2025, respectively. Borrowings available under the Revolver at June 30, 2026, were \$163.7 million.

Any outstanding loans under the Revolver bear interest at the daily compounded secured overnight financing rate (“SOFR”) plus the applicable margin, with a 10 basis point credit spread adjustment.

Applicable margin, ranging from 1.25% - 1.75%, is determined quarterly based on the Company’s leverage ratio. The Company is also subject to letter of credit fees, ranging from 1.25% - 1.75%, and a commitment fee, ranging from 0.10% - 0.20%. The applicable fee percentage is determined quarterly based on the Company’s leverage ratio.

Fees associated with the unused portion of the committed amount are included in interest expense on our consolidated statements of income for the three and six months ended June 30, 2026 and 2025.

Weighted average interest rate of our borrowings outstanding are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Revolver	5.2%	5.6%	5.3%	5.6%

If SOFR cannot be determined pursuant to the definition, as defined by the Amended Loan Agreement, any outstanding effected loans will be deemed to have been converted into alternative base rate (“ABR”) loans. ABR loans would bear interest at a rate per annum equal to the highest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Rate in effect on such day plus 0.50%, or (c) daily simple SOFR for a one-month tenor in effect on such day plus 1.00%. As of December 16, 2024, as defined by the Amended Loan Agreement, if the SOFR cannot be determined any outstanding balance will bear interest at the Prime Rate in effect on such day.

At June 30, 2026, we were in compliance with our financial covenants, as defined by the Revolver. These covenants require that we meet certain parameters related to our leverage ratio. At June 30, 2026, our leverage ratio was 1.46 to 1.0, which meets the requirement of not being above 3 to 1.

2019 New Markets Tax Credit - On October 24, 2019, the Company entered into a transaction with a subsidiary of an unrelated third-party financial institution (the “2019 Investor”) and a certified Community Development Entity under a qualified New Markets Tax Credit (“2019 NMTC”) program pursuant to Section 45D of the Internal Revenue Code of 1986, as amended, related to an investment in plant and equipment to facilitate the expansion of our Longview, Texas manufacturing operations (the “2019 Project”). In connection with the 2019 NMTC transaction, the Company received a \$23.0 million NMTC allocation for the Project and secured low-interest financing and the potential for future debt forgiveness related to the 2019 Project.

Upon closing of the 2019 NMTC transaction, the Company provided an aggregate of approximately \$15.9 million to the 2019 Investor, in the form of a loan receivable, with a term of 25 years, bearing an interest rate of 1.0%. This \$15.9 million in proceeds plus capital contributed from the 2019 Investor was used to make an aggregate \$22.5 million loan to a subsidiary of the Company. This financing arrangement is secured by equipment at the Company’s Longview, Texas facilities and a guarantee from the Company, including an unconditional guarantee of the NMTCs. The Company’s seven-year compliance period ends in 2026, at which time the Company expects the put/call feature of the transaction to be exercised, forgiving a portion of the debt.

2023 New Markets Tax Credit - On April 25, 2023, the Company entered into a transaction with a subsidiary of an unrelated third-party financial institution (the “2023 Investor”) and a certified Community Development Entity under a qualified New Markets Tax Credit (“2023 NMTC”) program pursuant to Section 45D of the Internal Revenue Code of 1986, as amended, related to an investment in plant and equipment to facilitate the expansion of our Longview, Texas manufacturing operations (the “2023 Project”). In connection with the 2023 NMTC

transaction, the Company received a \$23.0 million NMTC allocation for the 2023 Project and secured low-interest financing and the potential for future debt forgiveness related to the expansion of its Longview, Texas facilities.

Upon closing of the 2023 NMTC transaction, the Company provided an aggregate of approximately \$16.7 million to the 2023 Investor, in the form of a loan receivable, with a term of 25 years, bearing an interest rate of 1.0%. This \$16.7 million in proceeds plus capital contributed from the 2023 Investor was used to make an aggregate \$23.8 million loan to a subsidiary of the Company. This financing arrangement is secured by a guarantee from the Company, including an unconditional guarantee of the NMTCs. The net proceeds from the closing of the 2023 NMTC are included in restricted cash on our consolidated balance sheets required to be used for the 2023 Project.

2024 New Markets Tax Credit - On February 27, 2024, the Company entered into a transaction with a subsidiary of an unrelated third-party financial institution (the “2024 Investor”) and a certified Community Development Entity under a qualified New Markets Tax Credit (“2024 NMTC”) program pursuant to Section 45D of the Internal Revenue Code of 1986, as amended, related to an investment in real estate to facilitate the current expansion of our Longview, Texas manufacturing operations (the “2024 Project”). In connection with the 2024 NMTC transaction, the Company received a \$15.5 million NMTC allocation for the 2024 Project and secured low-interest financing and the potential for future debt forgiveness related to the expansion of its Longview, Texas facilities.

Upon closing the 2024 NMTC transaction, the Company provided an aggregate of approximately \$11.0 million to the 2024 Investor, in the form of a loan receivable, with a term of 25 years, bearing an interest rate of 1.0%. This \$11.0 million in proceeds plus capital contributed from the 2024 Investor was used to make an aggregate \$16.0 million loan to a subsidiary of the Company. This financing arrangement is secured by a guarantee from the Company, including an unconditional guarantee of NMTCs. The net proceeds from the closing of the 2024 NMTC are included in restricted cash on our consolidated balance sheets required to be used for the 2024 Project.

2026 New Markets Tax Credit - On April 16, 2026 the Company entered into a transaction with a subsidiary of an unrelated third-party financial institution (the “2026 Investor”) and a certified Community Development Entity under a qualified New Markets Tax Credit (“2026 NMTC”) program pursuant to Section 45D of the Internal Revenue Code of 1986, as amended, related to an investment in our Memphis, TN facility. In connection with the 2026 NMTC transaction, the Company received a \$50.5 million NMTC allocation for the 2026 Project and secured low interest financing and the potential for future debt forgiveness related to the 2026 Project.

Upon closing of the 2026 NMTC transaction, the Company provided an aggregate of approximately \$35.2 million to the 2026 Investor, in the form of a loan receivable, with a term of 27 years, bearing an interest rate of 1.2%. This \$35.2 million in proceeds plus capital contributed from the 2026 Investor was used to make an aggregate \$48.2 million loan to a subsidiary of the Company. This financing arrangement is secured by a guarantee from the Company, including an unconditional guarantee of the NMTCs. The net proceeds from the closing of the 2026 NMTC were \$12.9 million.

Stock Repurchase - The Board has authorized stock repurchase programs for the Company. The Company may purchase shares on the open market from time to time. The Board must authorize the timing and amount of these purchases and all repurchases are in accordance with the rules and regulations of the SEC allowing the Company to repurchase shares from the open market.

Our open market repurchase programs are as follows:

Agreement Execution Date	Authorized Repurchase \$	Expiration Date
February 25, 2025	\$100 million	**1

¹ Expiration Date is at Board's discretion. The Company is authorized to effectuate repurchases of the Company's common stock on terms and conditions approved in advance by the Board. As of June 30, 2026, approximately \$30 million of shares have been repurchased, and approximately \$70.0 million remains under the current board authorization.

The Company also repurchases shares of AAON, Inc. stock related to our LTIP plans (Note 14) at current market prices.

Our repurchase activity is as follows:

Six Months Ended June 30,						
	2026			2025		
<i>(in thousands, except share and per share data)</i>						
<i>Program</i>	Shares	Total \$	\$ per share	Shares	Total \$	\$ per share
Open market	—	\$ —	\$ —	371,139	\$29,992	\$ 80.81
LTIP Shares	44,070	4,468	101.38	91,550	9,167	100.13
Total	44,070	\$ 4,468	\$ 101.38	462,689	\$39,159	\$ 84.63

Dividends - At the discretion of the Board of Directors, we pay cash dividends. Board approval is required to determine the date of declaration and amount for each cash dividend payment.

Our recent dividends are as follows:

Declaration Date	Record Date	Payment Date	Dividend per Share	Annualized Dividend per Share
May 13, 2025	June 6, 2025	June 27, 2025	\$0.10	\$0.40
August 14, 2025	September 5, 2025	September 26, 2025	\$0.10	\$0.40
November 10, 2025	November 26, 2025	December 18, 2025	\$0.10	\$0.40
March 5, 2026	March 18, 2026	March 30, 2026	\$0.10	\$0.40
May 12, 2026	June 5, 2026	June 26, 2026	\$0.10	\$0.40

Based on historical performance and current expectations, we believe our cash and cash equivalents balance, the projected cash flows generated from our operations, our existing committed revolving credit facility (or comparable financing), and our expected ability to access capital markets will satisfy our working capital needs, capital expenditures and other liquidity requirements associated with our operations in 2027 and the foreseeable future.

Off-Balance Sheet Arrangements - We are not party to any off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues, expenses, results of operations, liquidity, capital expenditures, or capital resources.

Statement of Cash Flows

The following table reflects the major categories of cash flows for the six months ended June 30, 2026 and 2025. For additional details, see the consolidated financial statements.

	Six Months Ended June 30,	
	2026	2025
	(in thousands)	
Operating Activities		
Net income	\$ 96,474	\$ 44,779
Income statement adjustments, net	64,579	46,135
Changes in assets and liabilities:		
Accounts receivable	(46,314)	(23,409)
Income taxes	8,233	(3,187)
Inventories	(71,402)	(47,848)
Contract assets	(11,836)	(97,963)
Prepaid expenses and other long-term assets	6,284	(68)
Accounts payable	63,877	36,397
Contract liabilities	(67,918)	18,839
Extended warranties	7,075	(148)
Accrued liabilities & other long-term liabilities	5,916	(4,567)
Net cash provided by (used in) operating activities	<u>54,968</u>	<u>(31,040)</u>
Investing Activities		
Capital expenditures	(97,282)	(82,515)
Acquisition of intangible assets	(5,292)	(7,042)
Grant proceeds received	1,650	—
Other	—	65
Net cash used in investing activities	<u>(100,924)</u>	<u>(89,492)</u>
Financing Activities		
Proceeds from financing obligations, net of issuance costs	12,908	—
Payment related to financing costs	(399)	(1,395)
Borrowings of debt	597,485	415,126
Payments of debt	(560,805)	(252,982)
Stock options exercised	29,100	10,025
Repurchase of stock	—	(29,992)
Employee taxes paid by withholding shares	(4,468)	(9,167)
Cash dividends paid to stockholders	(16,377)	(16,276)
Net cash provided by financing activities	<u>\$ 57,444</u>	<u>\$ 115,339</u>

Cash Flows from Operating Activities

The Company currently manages cash needs through working capital as well as drawing on its line of credit. Collections and payments cycles are on a normal pattern and fluctuate due to timing of receipts and payments. Historically, the Company increases the purchase of inventory to take advantage of favorable pricing opportunities and also to mitigate the impact of future supply chain disruptions on our operations. Additionally, we continue to make significant purchases of inventory related to data center orders. These purchases are allocated to customer jobs and show as increases to our contract assets.

Current payment terms for some BASX-branded jobs primarily require the Company to fund the upfront working capital resulting in cash outflows related to our contract assets. Similarly, some BASX-branded jobs require down payments, resulting in cash inflows related to our contract liabilities. The Company experienced carrying working capital for extended periods of time during this period of growth and expansion at our Longview and Memphis plants.

Cash Flows from Investing Activities

Capital expenditures during the six months ended June 30, 2026, relate to the continued build out of our Memphis, Tennessee facility and maintenance of our Tulsa facility. We continue to make investments to purchase and develop software for internal use in anticipation of future Company growth.

Our capital expenditure program for 2026 is estimated to be approximately \$190.0 million. Many of these projects are subject to review and cancellation at the discretion of our CEO and Board of Directors without incurring substantial charges.

Cash Flows from Financing Activities

The change in cash from financing activities in 2026 is primarily related to borrowings under our revolving credit facility to manage our working capital needs, especially strategic purchases of inventory to avoid supply chain delays and the funding of certain capital expenditures, offset by repayments we were able to make due to our operating results and financial condition.

Furthermore, cash flows from financing activities is historically affected by the timing of stock options exercised by our employees and our regular quarterly dividend.

Commitments and Contractual Agreements

We are occasionally party to short-term and long-term, cancellable and occasionally non-cancellable, contracts with suppliers for the purchase of raw material and component parts. We expect to receive delivery of raw material and component parts for use in our manufacturing operations. These contracts are not accounted for as derivative instruments because they meet the normal purchase and normal sales exemption. We had no material contractual purchase obligations as of June 30, 2026, except as described below.

In 2023, the Company executed a five-year purchase commitment for refrigerants. For the three months ended June 30, 2026 and 2025, the Company made payments of \$4.7 million and \$2.1 million on this contract, respectively. Estimated minimum future payments are \$5.8 million, and \$11.2 million for 2026 and 2027, respectively.

In 2025, the Company executed three one-year purchase commitments for raw materials. Estimated minimum future payments are \$18.8 million for 2026. We had no other material contractual purchase obligations as of June 30, 2026.

Critical Accounting Estimates

There have been no material changes in the Company's critical accounting policies during the six months ended June 30, 2026.

Recent Accounting Pronouncements

See Note 1 of the Notes to the Consolidated Financial Statements for a discussion of recent accounting pronouncements.

Forward-Looking Statements

This Quarterly Report on Form 10-Q (or statements otherwise made by the Company or on the Company's behalf from time to time in other reports, filings with the Securities and Exchange Commission ("SEC"), news releases, conferences, website postings, presentations or otherwise) includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements contained herein that are not historical facts are forward-looking statements and involve risks and uncertainties. For all of these forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the U.S. Private Securities Litigation Reform Act of 1995. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "confident," "outlook," "project," "should," "will," and variations of such words and other words of similar meaning or 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. Important factors that could cause results to differ materially from those in the forward-looking statements include, among others:

- market conditions and customer demand for our products;
- the timing and extent of changes in raw material and component prices;
- naturally-occurring events, pandemics, and other disasters causing disruption to our manufacturing operations, product deliveries and production capacity;
- natural disasters and extreme weather conditions, including, without limitation, their effects on locations where our products are manufactured;
- the effects of fluctuations in the commercial/industrial new construction market;
- the timing of introduction and market acceptance of new products;
- the timing and extent of changes in interest rates, as well as other competitive factors during the year;
- general economic, market or business conditions;
- creditworthiness of our customers and their access to capital;
- changing technologies; including, without limitation, our ability to effectively integrate artificial intelligence (AI) in our business;
- the material failure, interruption of service, compromised data or information technology security, phishing emails, cybersecurity breaches or other impacts to our information technology and related systems and networks (including any of the foregoing of third-party vendors and other contractors who provide information technology or other services);
- costs and results of litigation, including trial and appellate costs;
- economic, market or business conditions in the specific industry and market in which our businesses operate;
- geopolitical events, including armed conflicts, and their impact on market conditions, including supply chain disruption, pricing and the global economy
- future levels of capital expenditures, research and development and indebtedness, including, without limitation, our ability to reduce indebtedness and risks associated with the same;
- legal, regulatory, and environmental issues, including, without limitation, compliance of our products with mandated standards and specifications; and
- integration of acquired businesses and our ability to realize synergies and cost savings.

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. Except as required by federal securities laws, we undertake no obligation to update any forward-looking statement to reflect events, occurrences or developments after the date on which such statement is made. For a discussion of risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, please see Item 1A "Risk Factors" included in this Quarterly Report on Form 10-Q, and as otherwise disclosed from time to time in our other filings with the SEC.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Commodity Price Risk

We are exposed to volatility in the prices of commodities used in some of our products and, occasionally, we use cancellable and non-cancellable contracts with our major suppliers for periods of six to 18 months to manage this exposure.

Interest Rate Risk

We are exposed to changes in interest rates related to our outstanding debt. As of June 30, 2026, we had an outstanding balance of \$435.0 million. For each one percentage point increase in the interest rate applicable to our outstanding debt, our annual income before taxes would decrease by approximately \$4.4 million.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer with the oversight of the Audit Committee, regarding the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded, as of the end of the period covered by this Quarterly Report, that our disclosure controls and procedures were effective.

(b) Changes in Internal Control over Financial Reporting

There have been no changes in internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

See Note 19 of the Consolidated Financial Statements.

Item 1A. Risk Factors.

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2025. The risk factors described in our Annual Report could materially adversely affect our business, financial condition or future results. There have been no material changes to the risk factors included in our 2025 Annual Report.

Item 2. Unregistered Sales of Equity and Securities and Use of Proceeds.

Stock Repurchases

The Company may repurchase AAON, Inc. stock on the open market from time to time. Since it’s inception, we have repurchased 371 thousand shares for approximately \$30 million under the current \$100 million open market stock buyback program, approved by the Board of Directors on February 27, 2025. For the six months ended June 30, 2026 we have repurchased zero shares. The Board must authorize the timing and amount of these purchases and all repurchases are in accordance with the rules and regulations of the SEC allowing the Company to repurchase shares from the open market.

The Company also repurchases shares of AAON, Inc. stock from employees for payment of statutory tax withholdings on stock transactions and/or stock repurchased to cover the strike price of stock options. For the six months ended June 30, 2026, we repurchased approximately 44.1 thousand shares (at current market prices) for an aggregate price of \$4.5 million, or an average price of \$101.38 per share.

Repurchases during the second quarter of 2026 were as follows:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid Per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that may yet be Purchased under the Plans or Programs
April 2026	1,136	\$ 92.24	1,136	—
May 2026	6,850	138.38	6,850	—
June 2026	1,516	139.93	1,516	—
Total	9,502	\$ 133.11	9,502	—

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosure.

Not applicable.

Item 4A. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

PART IV

Item 6. Exhibits and Financial Statement Schedules.

Exhibits:

(3)	(A)	Amended and Restated Articles of Incorporation (i)
	(B)	Amended and Restated Bylaws (ii)
(4.1)		Amended and Restated Loan Agreement (dated November 24, 2021) and related documents (iii)
(4.2)		First Amendment to the Amended and Restated Loan Agreement (dated May 27, 2022) and related documents (iv)
(4.3)		Third Amendment to the Amended and Restated Loan Agreement (dated December 16, 2024) and related documents (v)
(4.4)		Fourth Amendment to the Amended and Restated Loan Agreement (dated April 4, 2025) and related documents
(4.5)		Fifth Amendment to the Amended and Restated Loan Agreement (dated May 29, 2025) and related documents (xii)
(4.6)		Sixth Amendment to the Amended and Restated Loan Agreement (dated December 29, 2025) and related documents (xiii)
(4.16)		Description of Securities
(10.1)		AAON, Inc. 2007 Long-Term Incentive Plan, as amended (vi)
(10.2)		AAON, Inc. 2016 Long-Term Incentive Plan (vii)
(10.3)		AAON, Inc. 2024 Long-Term Incentive Plan (viii)
(10.4)		Executive Severance Plan (adopted July 30, 2024) (ix)
(31.1)		Certification of CEO
(31.2)		Certification of CFO
(32.1)		Section 1350 Certification – CEO
(32.2)		Section 1350 Certification – CFO
(99.1)		Membership Interest Purchase Agreement - Acquisition of BASX, LLC (dated November 18, 2021) (xi)
(101)	(INS)	Inline XBRL Instance Document
(101)	(SCH)	Inline XBRL Taxonomy Extension Schema
(101)	(CAL)	Inline XBRL Taxonomy Extension Calculation Linkbase
(101)	(DEF)	Inline XBRL Taxonomy Extension Definition Linkbase
(101)	(LAB)	Inline XBRL Taxonomy Extension Label Linkbase
(101)	(PRE)	Inline XBRL Taxonomy Extension Presentation Linkbase
(104)		Cover Page Interactive Data File (embedded within the Inline XBRL Document and included in Exhibit 101)

(i)	Incorporated herein by reference to the exhibit to our Form 10-Q dated June 30, 2024.
(ii)	Incorporated herein by reference to the exhibit to our Form 8-K dated March 9, 2023.
(iii)	Incorporated herein by reference to exhibit to our Form 8-K dated November 24, 2021.
(iv)	Incorporated herein by reference to the exhibits to our Form 8-K dated May 27, 2022.

- (v) Incorporated herein by reference to the exhibits to our Form 8-K dated December 16, 2024.
- (vi) Incorporated herein by reference to our Form S-8 Registration Statement [No. 333-151915](#) dated June 24, 2008 and our Form S-8 Registration Statement [No. 333-207737](#) dated November 2, 2015.
- (vii) Incorporated herein by reference to our Form S-8 Registration Statement [No. 333-212863](#) dated August 2, 2016, our Form S-8 Registration Statement [No. 333-226512](#) dated August 2, 2018, and our Form S-8 Registration Statement [No. 333-241538](#) dated August 6, 2020.
- (viii) Incorporated herein by reference to our Form S-8 Registration Statement [No. 333-279594](#) dated May 21, 2024 and our Form S-8 POS Registration Statement [No. 333-241538](#) dated June 25, 2024.
- (ix) Incorporated herein by reference to the exhibit to our Form 8-K dated July 30, 2024.
- (x) Incorporated herein by reference to exhibits to our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.
- (xi) Incorporated herein by reference to exhibits to our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.
- (xii) Incorporated herein by reference to the exhibits to our Form 8-K dated May 29, 2025.
- (xiii) Incorporated herein by reference to the exhibits to our Form 8-K dated December 29, 2025.

SIGNATURES

Pursuant to the requirement of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

AAON, INC.

Dated: August 10, 2026

By: /s/ Matthew J. Tobolski

Matthew J. Tobolski
Chief Executive Officer

Dated: August 10, 2026

By: /s/ Andy Cheung

Chung Kin Cheung (“Andy Cheung”)
Chief Financial Officer