



AAON, Inc. (AAON)

Temper Our Estimates And Target To \$64 (From \$69), As AAON Invests For Growth; Market Share Gain Thesis Intact; Note Clean Financial Profile; Maintain NEUTRAL On Valuation

	2019		2020		2021E		2022E	
		OLD	NEW	OLD	NEW	OLD	NEW	
Mar.	\$0.17	\$0.41A		\$0.30	\$0.26	\$0.40	\$0.38	
June	0.26	0.36A		0.32	0.33	0.46	0.43	
Sep.	0.27	0.38A		0.37	0.37	0.52	0.48	
Dec.	<u>0.33</u>	<u>0.30</u>	<u>\$0.27A</u>	<u>0.34</u>	<u>0.34</u>	<u>0.44</u>	<u>0.39</u>	
EPS	\$1.02	\$1.46	\$1.42	\$1.34	\$1.30	\$1.82	\$1.68	
P/E					57.6x		44.6x	
EBITDA (mil)	\$89.8	\$123.1	\$122.3	\$120.6	\$120.2	\$155.3	\$147.8	
EV / EBITDA					32.6x		26.5x	

Note: 2019-2022E include stock-based compensation expense of \$0.14, \$0.15, \$0.15, and \$0.15, respectively. Sum of quarterly EPS may not equal full-year total due to rounding and/or change in share count. The Russell 2000 Index includes AAON. NC = Not covered by Sidoti & Company, LLC.

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E
Rev.(Mil.)	\$321.1	\$356.3	\$358.6	\$384.0	\$405.2	\$430.9	\$469.3	\$514.6	\$505.7	\$570.2
GAAP EPS	\$0.68	\$0.80	\$0.84	\$0.98	\$1.03	\$0.86	\$1.02	\$1.49	\$1.30	\$1.68

Description: AAON, Inc. (www.aaon.com) is a leading domestic manufacturer of standard and custom heating, ventilating and air conditioning (HVAC) units, including unitary rooftops, chillers, air-handling units, make-up air units, heat recovery units, condensing units, coils and boilers. Products target the nonresidential market, specifically, planned replacement (55% of 2020 revenue) and new construction (45% of 2020 revenue). AAON generates almost all revenue from the U.S. Headquarters are in Tulsa, OK.

- **The reduced \$64 price target is based on 38x our 2022 EPS estimate of \$1.68, equating to 23x our 2022 EBITDA forecast of \$148 million. (The prior \$69 target was based on 38x our prior 2022 EPS estimate of \$1.82).**
- **We lower our estimates following AAON's 4Q:20 release and conference call, during which AAON discussed the effects of winter weather on 1Q:21 sales, as well as increased SG&A investment in 2021-2022.**
- **We now estimate an EPS decline of 9% to \$1.30 (prior \$1.34) in 2021, followed by a 29% rebound to \$1.68 (prior \$1.82) in 2022.**
- **Longer-term, AAON will see above-market growth, in our view, owing to company-specific initiatives as well as its product portfolio benefiting from secular trends.**
- **AAON had no debt and \$82 million in cash at year-end 2020; we estimate a cash balance of \$96 million (\$1.83) by year-end 2022.**
- **Given the shares trading above our price target, we maintain a NEUTRAL rating.**

AAON posted adjusted 4Q:20 EPS of \$0.27, an 18% decrease year over year, coming in below our forecast of \$0.30 and consensus of \$0.29. Revenue of \$117 million, a 5% decrease compared to the prior year quarter, was slightly below our projection of \$118 million and a similar consensus estimate. Lower-than-expected gross profit (down 5% year over year) was the key variance between our forecast and results; gross margins of 29.1% were down 120 basis points compared to 4Q:19 margins of 30.3%. A planned shutdown to AAON's Tulsa, OK, facility during the final week of December 2020 was partly responsible for the lower volume absorption and increased repairs and maintenance expenses that affected gross margins during the quarter. We note our adjusted EPS number of \$0.27 excludes a one-time \$0.08 benefit from non-recurring insurance proceeds received during the quarter.

Backlog stood at \$74 million at the end of the quarter, down 48% year over year and 12% sequentially. But new bookings were up 6% year over year, marking the second straight quarter of year over year order growth, which we see as a positive. Quarter-to-date,

NEUTRAL

Price Target: \$64

Price: \$74.92

Julio Romero
 (212) 453-7013
 (jromero@sidoti.com)

Key Statistics

Analysts Covering	3
Market Cap (Mil)	\$3,920
Enterprise Value	\$3,899
52-Week Range (NASDAQ)	81-40
5-Year EPS CAGR	20%
Avg. Daily Trading Volume	187,000
Shares Out (Mil)	52.287
Float Shares (Mil)	41.234
Insider Ownership	25%
Institutional Holdings	60%
Annualized Dividend	\$0.38
Dividend Yield	0.5%
FCF Per Share (2022E)	\$0.79
FCF Yield (2022E)	1.1%
Net Cash Per Share (2022E)	\$1.83
Price to Book Value	11.5x
Return on Equity (2022E)	17.8%
Total Debt to Capital	Nil
Interest Coverage Ratio	N/A
Short Interest %	7.1%
Short Interest Days To Cover	19.9
Russell 2000	2,232
Russell 2000 – Last 12 Months	54.1%
AAON – Last 12 Months	40.7%



inquiries remain strong, relative to management's expectations.

AAON's management does not give formal guidance, but did discuss its outlook qualitatively. Management noted 1Q:21 orders look abnormally strong, likely due to pull-forward demand from customers attempting to get ahead of a 4% price increase AAON implemented on January 11th. AAON expects its order intake to moderate a bit through the remainder of the first half of 2021, but thinks activity will pick up in the second half of the year. From a cost perspective, SG&A is expected to increase in 2021, relative to 2020, due to increased insurance premiums, medical expenses, and reversal of temporary expense reductions (e.g. travel and marketing) realized in 2020. Notably, although AAON is a large consumer of steel and copper (two commodities whose prices have recently risen considerably), the company does not foresee much cost pressure through 1H:21, as AAON enters into fixed price contracts for its raw materials precisely to limit the impact of price fluctuations. If raw material prices do not moderate as we progress through the 1H:21, then we think AAON may have to consider another price increase to offset input costs pressures.

We adjust our estimates. We now model 2021 EPS of \$1.30 (from \$1.34) and 2022 EPS of \$1.68 (from \$1.82). The main EPS change to our 2021 estimate is derived from our downward revision for 1Q:20, owing to nine days of negatively affected sales due to the February winter storms that took place in the Texas/Oklahoma area. For 2022, we are tempering our gross margin forecast as we incorporate rising U.S. inflation across materials and labor, while at the same time raising our SG&A forecast, as we think AAON continues to allocate resources to improve sales. AAON is revamping its go-to-market strategy, leveraging CEO Gary Fields' expertise in HVAC equipment sales to strengthen the sales channel. We also think AAON's core semi-custom equipment product lines will outpace overall market growth, given customers' increased focus on (1) improving the energy efficiency of non-residential buildings, and (2) improving indoor air quality (IAQ) to address COVID-19 challenges. Important to note is we maintain our 2022 revenue forecast of \$570 million, or 13% growth compared to 2021.

AAON maintains a debt-free balance sheet and generates solid cash flow. At the end of 2020, AAON had \$82 million of cash (\$1.58 per share) and no debt. The company also has \$28 million available on its untapped credit facility. Free cash flow for 2020 totaled \$61 million (\$1.15 per share), or about an 80% conversion rate to adjusted net income. While the conversion rate is down from 2019's level (113%), we note this is still well above AAON's 5 year-historical average free cash flow conversion rate of 65%. On estimated capital spending of \$71 million annually, we project free cash flow of \$36 million (\$0.67) in 2021 and \$42 million (\$0.79) in 2022.

Valuation	We maintain a NEUTRAL rating and lower the price target to \$64 (from \$69), based on 38x our reduced 2022 EPS estimate of \$1.68, equating to about 23x our 2022 EBITDA forecast of \$148 million. (Previously, we valued AAON shares at 38x our prior 2022 EPS estimate of \$1.82 to derive a \$69 target). AAON shares rose 41% over the past 12 months, compared with a 54% increase in the Russell 2000 Index. Currently, AAON trades at 45x and 27x our respective 2022 EPS and EBITDA estimates. Given the stock trading above our price target, we maintain a NEUTRAL rating.		
Key Risks	Cyclical end-markets	Rising input costs	U.S. economy

Exhibit 1: AAON, Inc. 4Q:20 Variance Analysis

	<u>4Q:20 Actual</u>	<u>4Q:20 Estimate</u>	<u>Variance</u>	<u>% Variance</u>	<u>4Q:19 Actual</u>	<u>YoY Change</u>	<u>4Q:20 Consensus</u>
Revenue (thou.)	\$116,700	\$117,671	(\$971)	(1%)	\$122,574	(5%)	\$118,500
Gross profit	33,923	35,654	(1,731)	(5%)	36,381	(7%)	
<i>Margin</i>	29.1%	30.3%	-120 bps		29.7%	-60 bps	
Adjusted Operating income	19,301	21,534	(2,233)	(10%)	23,226	(17%)	
<i>Margin</i>	16.5%	18.3%	-180 bps		18.9%	-240 bps	
Adjusted EBITDA	25,964	28,034	(2,070)	(7%)	28,365	(8%)	27,600
<i>Margin</i>	22.2%	23.8%	-160 bps		23.1%	-90 bps	
Adjusted net income	\$14,702	\$15,946	(1,244)	(8%)	\$17,273	(15%)	
<i>Profit margin</i>	12.6%	13.6%	-100 bps		14.1%	-150 bps	
Adjusted EPS	\$0.27	\$0.30	(\$0.03)	(10%)	\$0.33	(18%)	\$0.29

Source: Sidoti & Co., and Company reports

AAON, INC.

Table 1. AAON, Inc. Income Statement

(in thousands, except where noted)

	MarA	JunA	SepA	DecA	2019	MarA	JunA	SepA	DecA	2020A	MarE	JunE	SepE	DecE	2021E	2022E
Sales, net	\$113,822	\$119,437	\$113,500	\$122,574	\$469,333	\$137,483	\$125,596	\$134,772	\$116,700	\$514,551	\$112,736	\$124,340	\$136,794	\$131,871	\$505,741	\$570,248
Cost of sales	88,392	89,233	86,090	86,193	349,908	94,536	87,465	93,924	82,777	358,702	79,930	85,919	94,114	90,991	350,954	385,899
Gross profit	25,430	30,204	27,410	36,381	119,425	42,947	38,131	40,848	33,923	155,849	32,806	38,421	42,680	40,880	154,787	184,349
SG&A	13,677	12,912	12,374	13,114	52,077	15,214	15,939	14,716	14,622	60,491	13,979	14,921	16,415	16,352	61,667	65,068
Other	284	6	6	41	337	(62)	0	1	(6,417)	(6,478)	0	0	0	0	0	0
Operating income	11,469	17,286	15,030	23,226	67,011	27,795	22,192	26,131	25,718	101,836	18,827	23,500	26,264	24,528	93,120	119,281
Adjusted operating income	11,469	17,286	15,030	23,226	67,011	27,795	23,442	26,131	19,301	96,669	18,827	23,500	26,264	24,528	93,120	119,281
EBITDA	17,383	23,132	20,897	28,365	89,777	33,797	28,530	32,762	32,381	127,470	25,427	30,200	33,064	31,528	120,220	147,831
Adjusted EBITDA	17,383	23,132	20,897	28,365	89,777	33,797	29,780	32,762	25,964	122,303	25,427	30,200	33,064	31,528	120,220	147,831
Interest expense	(9)	(31)	(9)	(17)	(66)	(61)	(19)	(10)	2	(88)	(25)	(25)	(25)	(25)	(100)	(100)
Other (income) expense	26	(17)	7	30	46	27	(32)	(15)	(31)	(51)	10	10	10	10	40	40
Income before income taxes	11,452	17,334	15,032	23,213	67,031	27,829	22,243	26,156	25,747	101,975	18,842	23,515	26,279	24,543	93,180	119,341
Income tax provision	2,695	3,943	742	5,940	13,320	5,976	4,439	5,696	6,855	22,966	4,805	5,996	6,701	6,258	23,761	30,432
Net income	\$8,757	\$13,391	\$14,290	\$17,273	\$53,711	\$21,853	\$17,804	\$20,460	\$18,892	\$79,009	\$14,037	\$17,519	\$19,578	\$18,285	\$69,419	\$88,909
Net Income (ex. one-time items)	\$8,757	\$13,391	\$14,290	\$17,273	\$53,711	\$21,853	\$18,805	\$20,460	\$14,702	\$75,819	\$14,037	\$17,519	\$19,578	\$18,285	\$69,419	\$88,909
GAAP diluted EPS	\$0.17	\$0.26	\$0.27	\$0.33	\$1.02	\$0.41	\$0.34	\$0.38	\$0.35	\$1.49	\$0.26	\$0.33	\$0.37	\$0.34	\$1.30	\$1.68
Adjusted diluted EPS	\$0.17	\$0.26	\$0.27	\$0.33	\$1.03	\$0.41	\$0.36	\$0.38	\$0.27	\$1.42	\$0.26	\$0.33	\$0.37	\$0.34	\$1.30	\$1.68
Diluted shares outstanding	52,370	52,474	52,722	52,701	52,567	52,871	52,750	53,151	53,470	53,061	53,426	53,383	53,339	53,296	53,361	53,187

YOY Growth:

Revenue	14.9%	9.0%	0.5%	9.1%	8.2%	20.8%	5.2%	18.7%	-4.8%	9.6%	-18.0%	-1.0%	1.5%	13.0%	-1.7%	12.8%
Cost of sales	5.4%	8.9%	7.5%	2.0%	5.9%	7.0%	-2.0%	9.1%	-4.0%	2.5%	-15.5%	-1.8%	0.2%	9.9%	-2.2%	10.0%
SG&A	17.4%	-1.8%	-2.3%	22.3%	8.1%	11.2%	23.4%	18.9%	11.5%	16.2%	-8.1%	-6.4%	11.5%	11.8%	1.9%	5.5%
Gross profit	67.3%	9.2%	-16.5%	30.7%	15.3%	68.9%	26.2%	49.0%	-6.8%	30.5%	-23.6%	0.8%	4.5%	20.5%	-0.7%	19.1%
Adjusted operating income	110.4%	19.1%	-25.5%	35.6%	17.0%	142.3%	35.6%	73.9%	-16.9%	44.3%	-32.3%	0.2%	0.5%	27.1%	-3.7%	28.1%
Adjusted EBITDA	81.4%	22.9%	-15.0%	29.4%	19.9%	94.4%	28.7%	56.8%	-8.5%	36.2%	-24.8%	1.4%	0.9%	21.4%	-1.7%	23.0%
Net income	177.6%	14.5%	-1.5%	33.2%	26.9%	149.5%	33.0%	43.2%	9.4%	47.1%	-35.8%	-1.6%	-4.3%	-3.2%	-12.1%	28.1%
Adjusted diluted EPS	94.8%	17.2%	-2.1%	33.4%	23.8%	141.2%	38.5%	40.7%	-18.2%	37.9%	-36.6%	-8.3%	-2.6%	25.9%	-8.5%	29.2%

Margin Analysis:

COGS/sales	77.7%	74.7%	75.9%	70.3%	74.6%	68.8%	69.6%	69.7%	70.9%	69.7%	70.9%	69.1%	68.8%	69.0%	69.4%	67.7%
SG&A/sales	12.0%	10.8%	10.9%	10.7%	11.1%	11.1%	12.7%	10.9%	12.5%	11.8%	12.4%	12.0%	12.0%	12.4%	12.2%	11.4%
Gross profit margin	22.3%	25.3%	24.1%	29.7%	25.4%	31.2%	30.4%	30.3%	29.1%	30.3%	29.1%	30.9%	31.2%	31.0%	30.6%	32.3%
Operating margin (ex. one-time items)	10.1%	14.5%	13.2%	18.9%	14.3%	20.2%	17.7%	19.4%	22.0%	19.8%	16.7%	18.9%	19.2%	18.6%	18.4%	20.9%
Pretax margin	10.1%	14.5%	13.2%	18.9%	14.3%	20.2%	17.7%	19.4%	22.1%	19.8%	16.7%	18.9%	19.2%	18.6%	18.4%	20.9%
Net margin	7.7%	11.2%	12.6%	14.1%	11.4%	15.9%	14.2%	15.2%	16.2%	15.4%	12.5%	14.1%	14.3%	13.9%	13.7%	15.6%
Tax rate	23.5%	22.7%	4.9%	25.6%	19.9%	21.5%	20.0%	21.8%	26.6%	22.5%	25.5%	25.5%	25.5%	25.5%	25.5%	25.5%

Sources: Company reports and Sidoti & Company, LLC estimates

AAON, INC.

Table 2. AAON, Inc. Cash Flow Statement

(in thousands, except where noted)

	Mar	Jun	Sep	Dec	2019	MarA	JunA	SepA	DecA	2020A	2021E	2022E
Cash flows from operating activities												
Net income	\$8,757	\$15,106	\$14,290	\$15,558	\$53,711	\$21,853	\$17,804	\$20,460	\$18,892	\$79,009	\$69,419	\$88,909
Depreciation and amortization	5,914	5,846	5,867	5,139	22,766	6,002	6,338	6,631	6,663	25,634	27,100	28,550
Amortization of bond premiums	-	-	-	0	-	10	10	11	12	43	-	-
Provision for losses on account receivable	115	13	(37)	0	91	294	(218)	117	(40)	153	-	-
Provision for excess and obsolete inventories	357	796	(150)	451	1,454	(274)	81	1,969	(668)	1,108	-	-
(Gain)/loss on disposition of assets	284	-	12	41	337	(62)	-	1	(6,417)	(6,478)	-	-
Share-based compensation	2,030	3,043	2,785	3,941	11,799	2,351	3,343	2,852	2,796	11,342	11,000	11,000
Excess tax benefits from stock options exercised	-	-	-	0	-	-	-	-	-	-	-	-
Deferred income taxes	1,887	2,225	96	1,830	6,038	(167)	5,228	2,615	5,351	13,027	-	-
Other	(22)	-	(14)	(9)	(45)	45	(27)	(19)	(35)	(36)	-	-
Change in assets and liabilities	(6,554)	(3,914)	12,314	(72)	1,774	7,545	(7,394)	(404)	5,265	5,012	(1,029)	(15,638)
Net cash provided by operating activities	12,768	23,115	35,163	26,888	97,925	37,597	25,165	34,233	31,819	128,814	106,489	112,821
Cash flows from investing activities												
Other	-	-	-	-	-	-	-	-	6,417	6,417	-	-
Proceeds from sale of property, plant and equipment	52	7	9	1	69	61	-	-	(1)	60	-	-
Investment in certificates of deposit and other	17	(3,989)	4,011	12	51	12	13	13	14	52	-	-
Capital expenditures	(8,772)	(8,012)	(14,047)	(6,335)	(37,166)	(21,877)	(11,633)	(15,445)	(18,847)	(67,802)	(70,700)	(70,700)
Net cash provided by investing activities	(8,703)	(11,994)	(10,027)	(6,322)	(37,046)	(21,804)	(11,620)	(15,432)	(12,417)	(61,273)	(70,700)	(70,700)
Cash flows from financing activities												
Exercise of stock options	4,010	3,675	3,598	1,342	12,625	4,497	9,676	4,346	2,899	21,418	-	-
Other	(588)	(403)	(32)	6,129	5,106	(953)	(149)	(28)	(39)	(1,169)	-	-
Repurchase of common stock	(4,483)	(5,708)	(5,246)	(4,149)	(19,586)	(11,565)	(4,372)	(5,453)	(8,670)	(30,060)	(12,000)	(12,000)
Cash dividends paid to stockholders	-	-	(8,303)	(8,342)	(16,645)	-	-	(9,910)	(9,905)	(19,815)	(20,261)	(20,195)
Net cash provided by (used in) financing activities	(1,061)	(2,436)	(9,983)	(5,020)	(18,500)	(8,021)	5,155	(11,045)	(15,715)	(29,626)	(32,261)	(32,195)
Net change in cash	3,004	8,685	15,153	15,546	42,379	7,772	18,700	7,756	3,687	37,915	3,529	9,926
Effects of exchange rate of cash												
Cash, beginning of period	1,994	4,998	13,683	28,836	1,994	44,373	52,145	70,845	78,601	44,373	82,288	85,817
Cash, ending of period	\$4,998	\$13,683	\$28,836	\$44,382	\$44,373	\$52,145	\$70,845	\$78,601	\$82,288	\$82,288	\$85,817	\$95,743
Free cash flow	\$3,996	\$15,103	\$21,116	\$20,553	60,759	\$15,720	\$13,532	\$18,788	\$12,972	61,012	35,789	42,121
FCF per share	\$0.08	\$0.29	\$0.40	\$0.39	\$1.16	\$0.30	\$0.26	\$0.35	\$0.24	\$1.15	\$0.67	\$0.79

Sources: Company reports and Sidoti & Company, LLC estimates

AAON, INC.

Table 3. AAON, Inc. Balance Sheet

(in thousands, except where noted)

	Mar	Jun	Sep	2019	MarA	JunA	SepA	2020A	2021E	2022E
Assets										
Current assets:										
Cash	4,998	13,683	28,836	26,797	52,145	70,845	78,601	82,288	85,817	95,743
Short-term securities	0	4,000	0	17,576	0	0	0	0	0	0
Accounts receivable	58,688	68,933	56,083	67,399	69,894	56,394	62,195	47,387	58,023	67,033
Income tax receivable	4,756	3,246	3,870	772	0	5,154	3,914	4,587	4,587	4,587
Note receivable	27	28	28	29	27	28	29	31	31	31
Inventories	74,577	77,044	80,623	73,601	72,855	85,411	78,819	82,219	77,937	82,819
Prepaid expenses and other	1,607	1,696	1,559	1,375	2,045	1,943	1,973	3,739	527	559
Total current assets	144,653	168,630	170,999	187,549	196,966	219,775	225,531	220,251	226,922	250,772
Property, plant and equipment, net	166,652	167,631	175,738	178,094	193,029	204,428	208,878	223,340	266,940	342,265
Goodwill	3,229	3,229	3,229	3,501	3,442	3,384	3,326	3,267	3,267	3,267
Long-term securities	2,243	2,153	2,055	1,683	1,641	1,665	1,618	1,571	1,571	1,571
Notes receivables	603	608	594	597	542	555	560	579	579	579
Total assets	317,380	342,251	352,615	371,424	395,620	429,807	439,913	449,008	499,279	598,454
Liabilities and stockholders' equity										
Current liabilities:										
Accounts payable	5,947	7,885	11,118	11,759	13,501	19,698	16,038	12,447	12,375	12,953
Dividend payable		8,355		0		9,930		0	0	0
Accrued liabilities	38,053	42,713	42,764	44,629	50,684	46,992	45,468	46,586	48,771	46,478
Total current liabilities	44,000	58,953	53,882	56,388	64,185	76,620	61,506	59,033	61,146	59,431
Deferred tax liabilities	12,713	14,938	15,034	15,297	15,130	20,358	22,973	28,324	28,324	28,324
Other long-term liabilities	3,442	3,791	3,669	9,959	9,982	10,134	10,542	10,786	10,786	10,786
Total stockholders' equity	259,370	264,569	280,030	289,780	306,323	322,695	344,892	350,865	399,023	499,913
Total liabilities and stockholders' equity	319,525	342,251	352,615	371,424	395,620	429,807	439,913	449,008	499,279	598,454
Key Financial Ratios:										
Long-term debt/total capital	1.3%	1.4%	1.3%	3.3%	3.2%	3.0%	3.0%	3.0%	2.6%	2.1%
Asset Turnover	1.4	1.4	1.3	1.3	1.4	1.2	1.2	1.0	1.1	1.0
Leverage	1.2	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.2
Net cash	\$5,025	\$17,711	\$28,864	\$44,402	\$52,172	\$70,873	\$78,630	\$82,319	\$85,848	\$95,774
Net cash per share	\$0.14	\$0.38	\$0.59	\$0.88	\$1.02	\$1.37	\$1.51	\$1.58	\$1.64	\$1.83
Inventory turnover	4.9	4.8	4.3	4.6	5.1	4.3	4.7	4.2	4.7	4.6
Return on equity (ROE)	13.5%	20.2%	20.4%	19.4%	28.5%	22.1%	23.7%	20.4%	18.8%	17.8%
Return on assets (ROA)	11.2%	16.2%	17.1%	20.3%	24.5%	18.4%	20.7%	18.4%	16.5%	16.5%
Return on total capital (ROTC)	13.7%	21.6%	22.6%	27.2%	33.3%	27.4%	29.7%	27.2%	21.7%	19.4%

Sources: Company reports and Sidoti & Company, LLC estimates

Appendix Required Disclosures

Required Disclosures

AAON, Inc. (AAON-\$74.92) NEUTRAL Price Target: \$64 March 3, 2021

Rating and Price Target History Table

Action	Date	Px	Rating	PT
PT	4/3/18	37.2		33
PT	5/30/19	46.6		37
PT	7/19/19	50.6		40
PT	12/11/19	48.6		52
PT	2/27/20	53		54
PT	4/28/20	48		50
PT	5/8/20	48.6		52
PT	7/23/20	59		50
PT	8/17/20	57.8		53
Rating	10/14/20	64.1	N/a	N/A
Rating	10/14/20	46.6	Deleted	53
Initiation	12/30/20	66.7	Neutral	69



Valuation

We maintain a NEUTRAL rating and lower the price target to \$64 (from \$69), based on 38x our reduced 2022 EPS estimate of \$1.68, equating to about 23x our 2022 EBITDA forecast of \$148 million. (Previously, we valued AAON shares at 38x our prior 2022 EPS estimate of \$1.82 to derive a \$69 target). AAON shares rose 41% over the past 12 months, compared with a 54% increase in the Russell 2000 Index. Currently, AAON trades at 45x and 27x our respective 2022 EPS and EBITDA estimates. Given the stock trading above our price target, we maintain a NEUTRAL rating.

Key Risks

Cyclical end-markets

Rising input costs

U.S. economy

Required Disclosures

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Julio Romero certifies that this report accurately reflects his/her personal views about the subject securities and issuers and that none of the research analyst's compensation was, is or will be directly or indirectly related to the analyst's specific recommendations or views contained in this research report.

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