

# Q1 2024 Earnings Conference Call

May 2, 2024



# Forward-Looking Statements and Other References

Certain statements and information set forth in this presentation contains “forward-looking statements” and “forward-looking information” within the meaning of the Private Securities Litigation Reform Act of 1995. Except for statements of historical fact, certain information contained herein constitutes forward-looking statements which include management’s assessment of future plans and operations and are based on current internal expectations, estimates, projections, assumptions and beliefs, which may prove to be incorrect. Forward-looking statements are provided to allow potential investors the opportunity of management’s beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. Some of the forward-looking statements may be identified by words such as “may”, “plan”, “foresee”, “will”, “should”, “could”, “anticipate,” “believe,” “expect,” “intend,” “potential,” “continue,” and similar expressions. While the Company’s management believes that these forward-looking statements are reasonable as and when made, these statements are not guarantees of future performance and undue reliance should not be placed on them.

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This presentation includes references to calculations that are not based on generally accepted accounting principles (“GAAP”). Reconciliations of each of those non-GAAP measures to the most directly comparable GAAP measures have been included in the Appendix. All Share and per share amounts reflect the three-for-two stock split effective August 16, 2023.



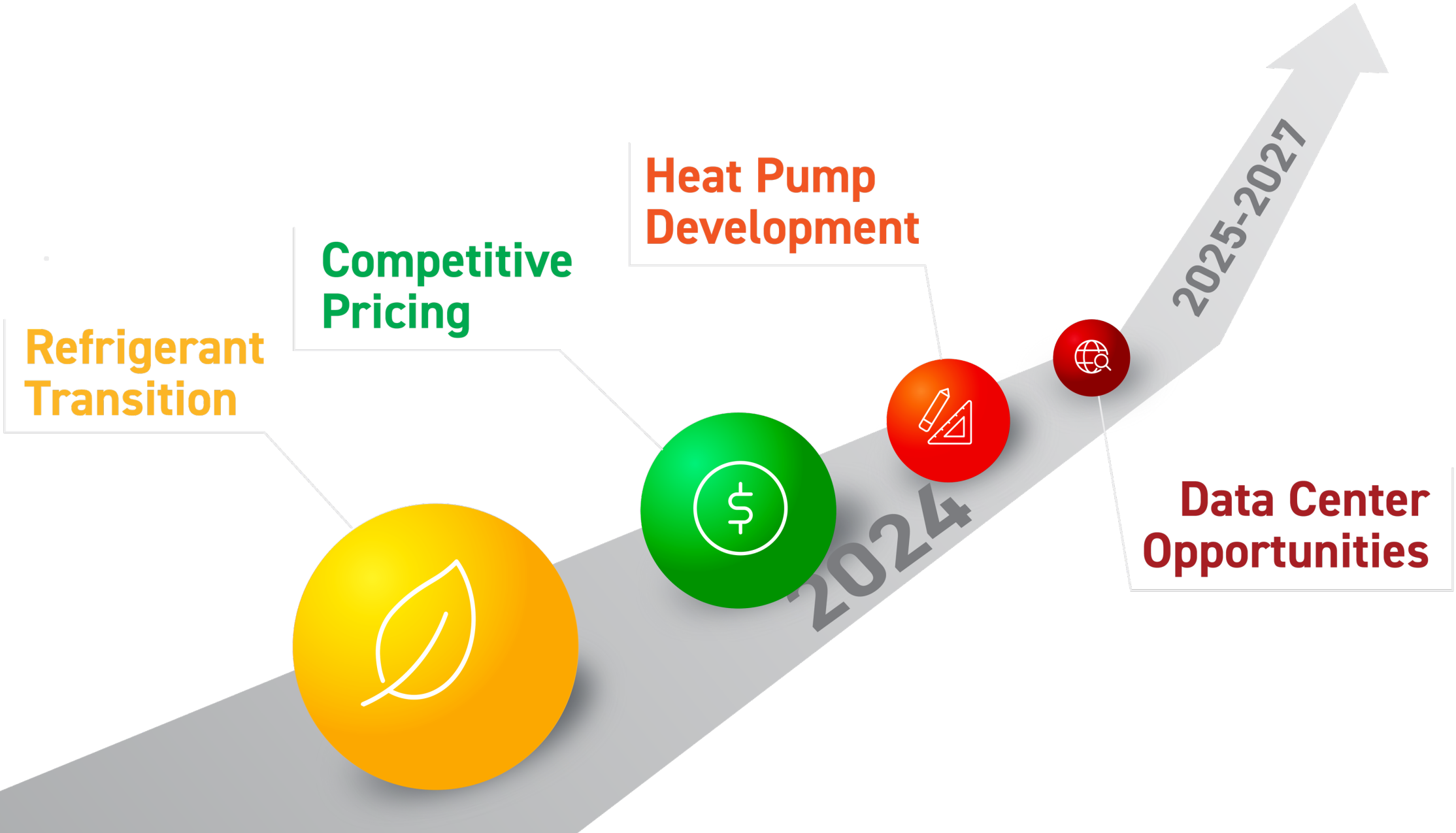
# Q1 2024 Summary

Net Sales	<b>\$262.1M</b>	-1.4% Y/Y
Gross Margin	<b>35.2%</b>	+620 bps Y/Y
EBITDA	<b>\$60.5M</b>	+10.8% Y/Y • 23.1% margin
Diluted EPS	<b>\$0.46</b>	+4.5% Y/Y
Backlog	<b>\$558.4M</b>	-6.9% Y/Y • +9.5% Q/Q



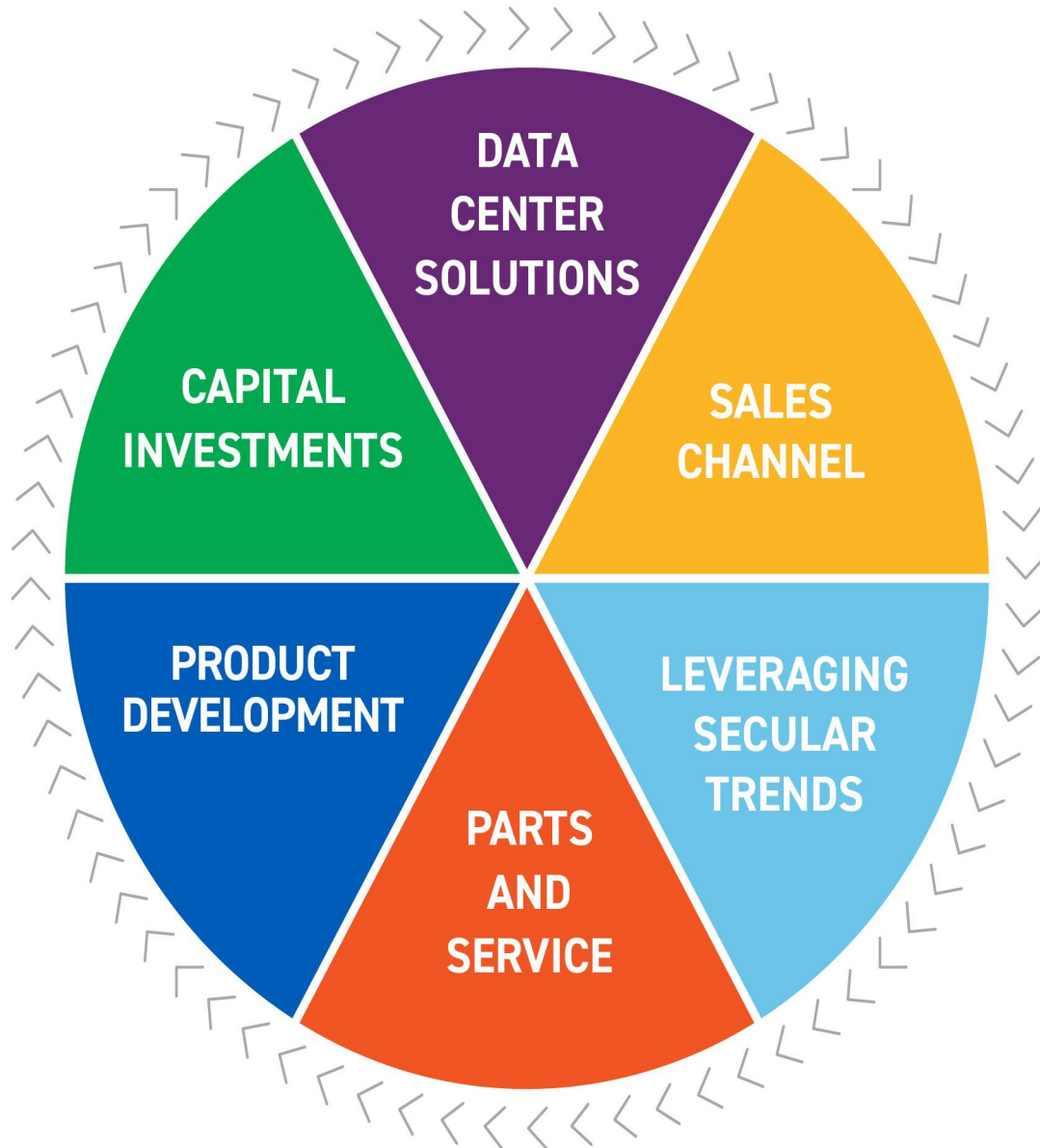


# Moving Forward





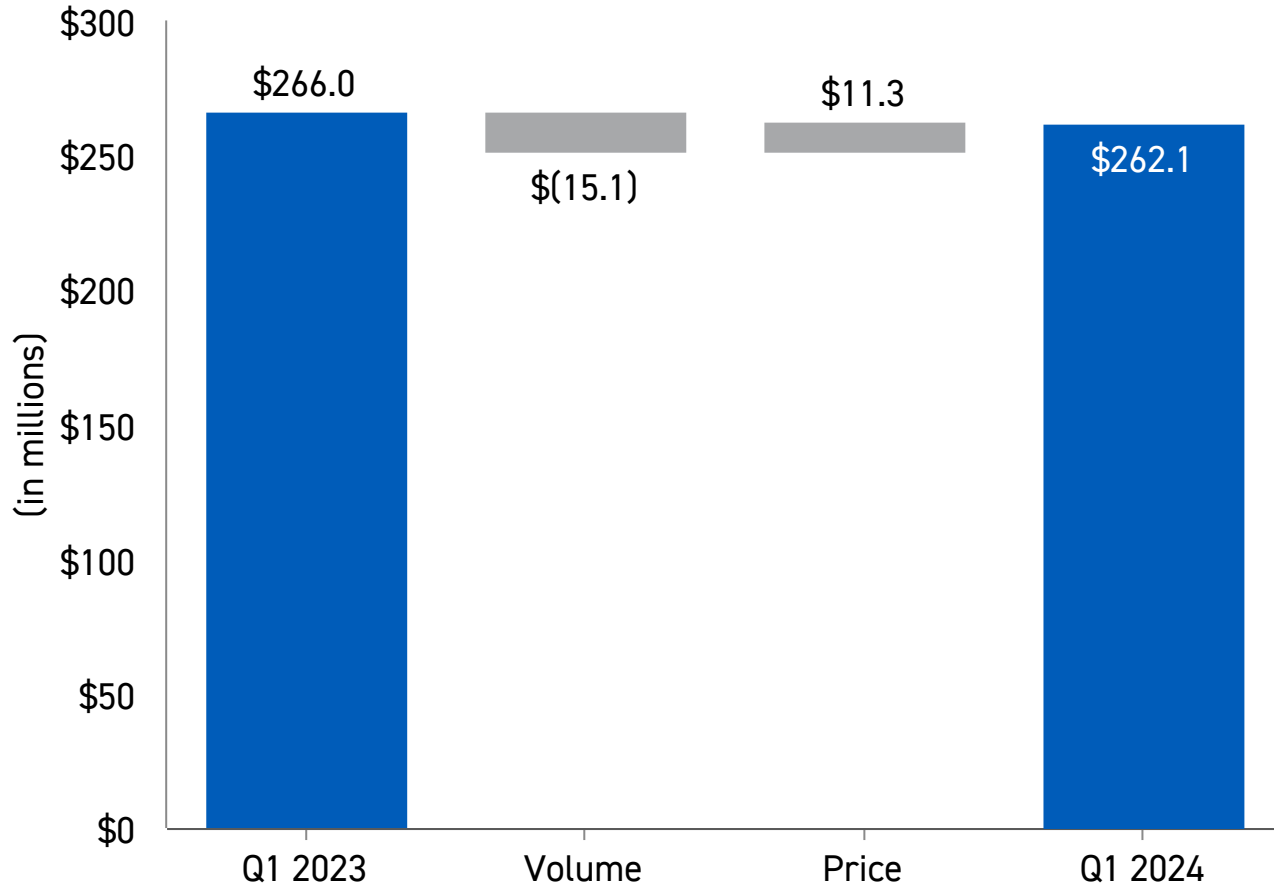
# AAON Striving for Growth



- > **Data Center Solutions**
  - Airside and liquid cooling solutions
- > **Capital Investments**
  - Capacity expansion
  - Operational productivity
- > **Product Development**
  - New refrigerant equipment
  - Alpha Class
- > **Sales Channel**
  - Alignment of channel partners
- > **Leveraging Secular Trends**
  - Decarbonization and electrification
  - Government regulations
- > **Parts and Service**



# Q1 2024 Sales Bridge

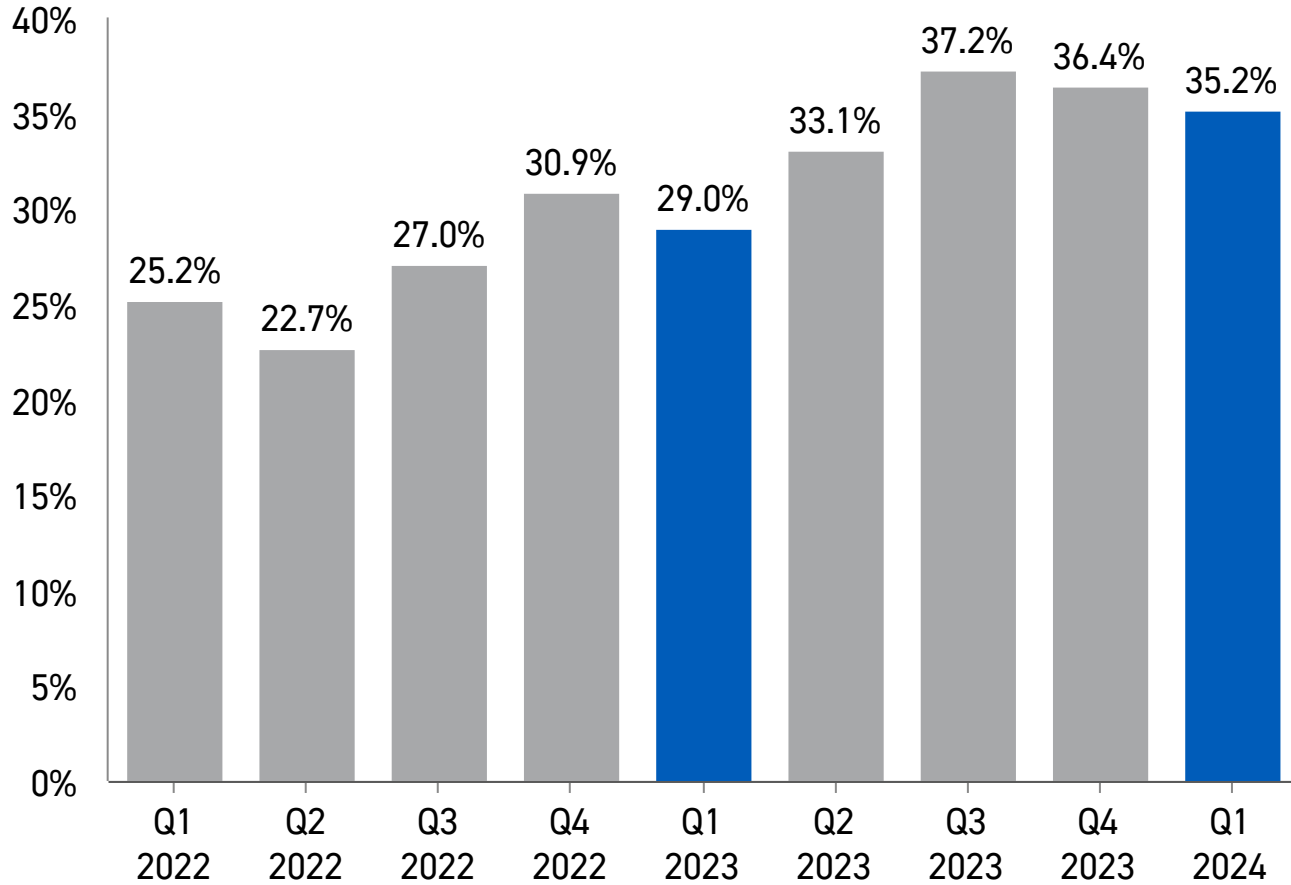


## Q1 Highlights

- Organic sales down -1.4%
- Organic unit volume -5.7%
- Volume decline primarily reflects timing of backlog conversion at AAON Coil Products and BASX segments
- Parts sales growth +10.2%



# Q1 2024 Gross Profit Margin



## Q1 Highlights

### Positives

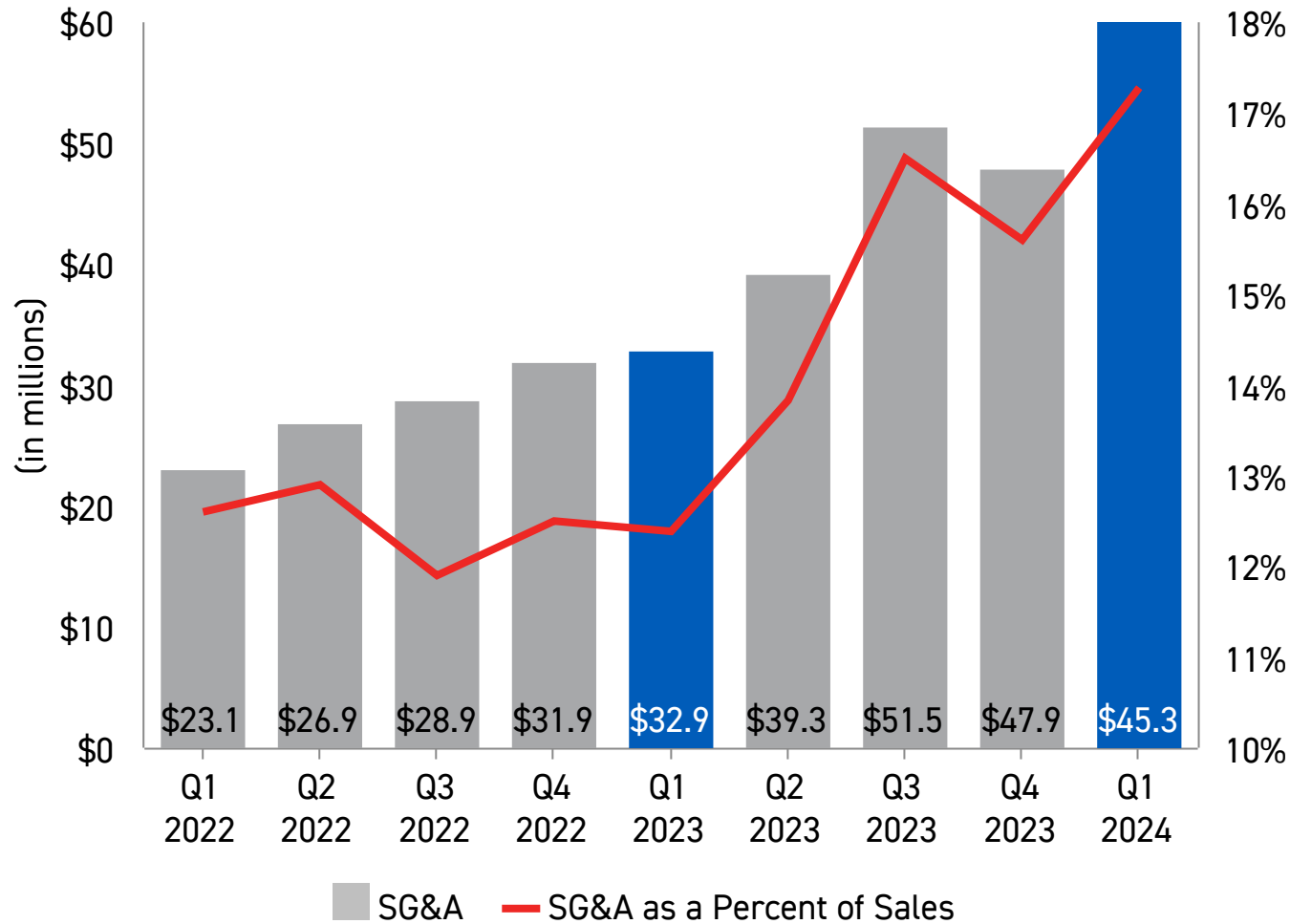
- Increased pricing
- Moderating material cost inflation
- Improved productivity

### Negatives

- Higher wages
- Unabsorbed fixed costs due to lower volumes, which was primarily a result of timing of backlog conversion



# Q1 2024 SG&A



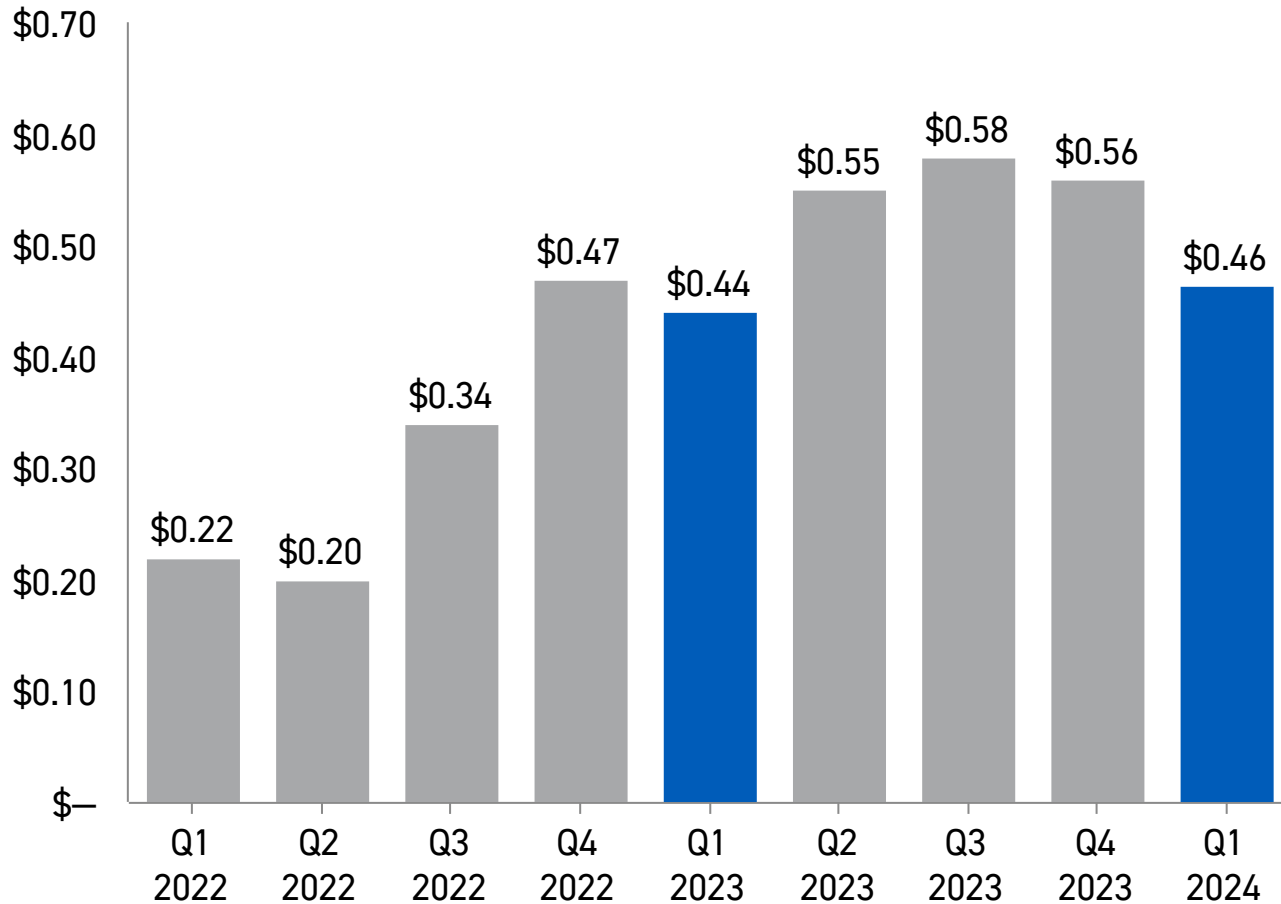
## Q1 Highlights

- As a percent of sales, SG&A increased y/y +490 bps to +17.3%
- The year-over-year increase to SG&A as a percent of sales was primarily a result of lower sales volume, increased employee compensation, incremental investments made in technology and increased professional and legal fees.





# Q1 2024 Diluted EPS



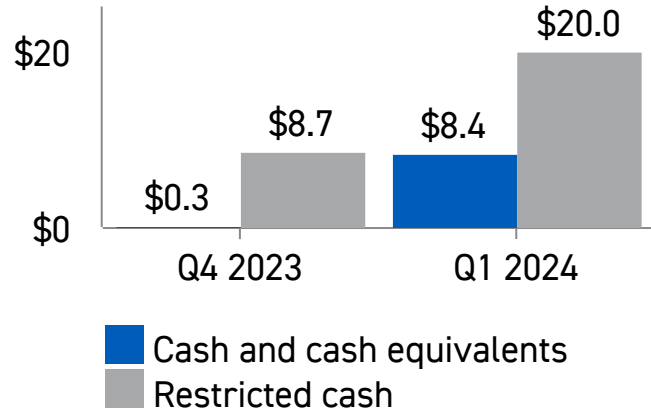
## Q1 Highlights

- Year-over-year, EPS was up slightly.
- An excess tax benefit from share based compensation within the quarter totaling \$4.4 million helped lower our tax rate in the quarter.
- For the remainder of the year, we anticipate an effective tax rate, excluding discrete events, of 25%-26%.

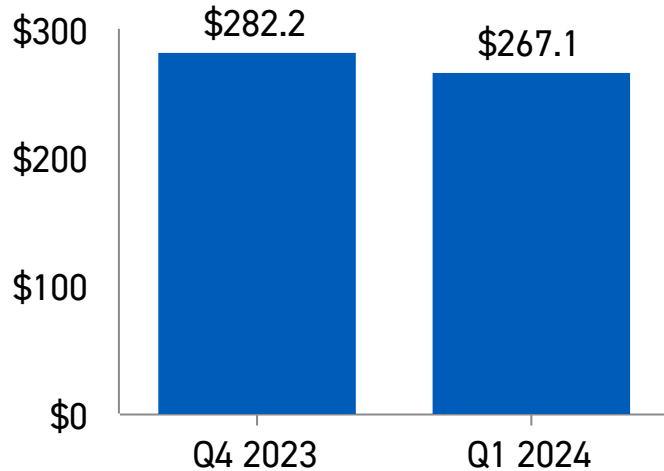


# Q1 2024 Balance Sheet and Liquidity

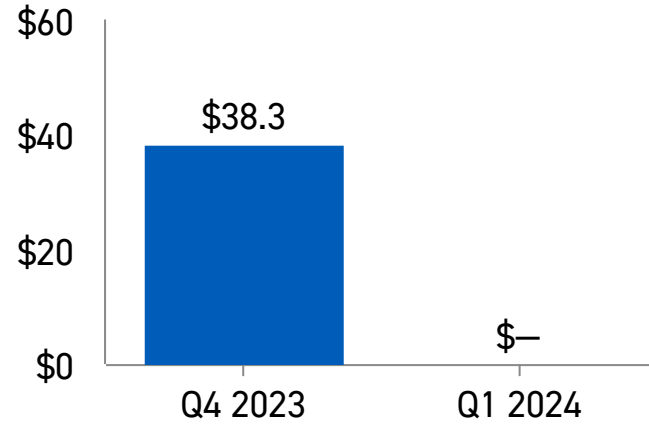
## Restricted Cash, Cash & Cash Equivalents



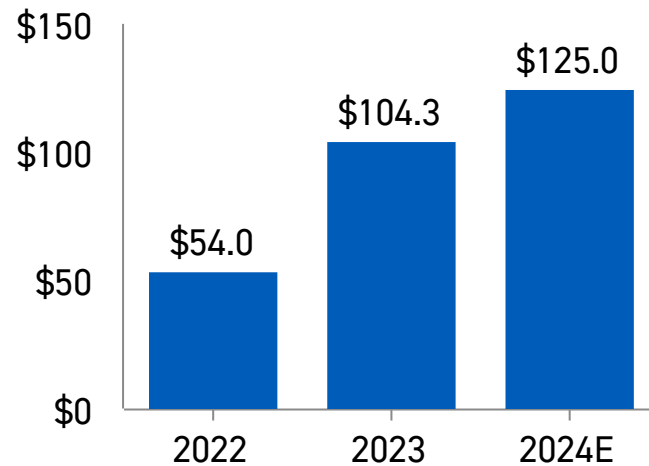
## Working Capital



## Debt



## Annual Capex



## Q1 Highlights

- Balance sheet remains strong.
- Within the quarter, we fully paid down our revolving line of credit.
- Cash flow from operations in the first quarter totaled \$92.4 million, up from \$4.8 million in the comparable quarter a year ago.
- Working capital at the end of March declined \$15.1 million, or 5.4%, from year end.
- Continue to expect capex of approximately \$125.0 million in 2024.



# Outlook

## Highlights

- Healthy backlog entering Q2.
- Sentiment amongst sales channel remains positive, but bookings trends may be volatile in the near-term due to refrigerant transition.
- Slow Q1 causes us to temper growth expectations for the year, but expect improvement throughout 2024.
- Strong pipeline of data center project work at BASX and AAON Coil Products segments points to improved growth later in 2024 and even more so in 2025.

## 2024 Modeling Assumptions

<b>Pricing contribution to sales growth:</b>	Mid-single digits (maintained)
<b>Volume growth:</b>	Down low-single digits to flat (from up low-single digits)
<b>Gross margin:</b>	Expect year-over-year expansion (maintained)
<b>SG&amp;A as a percent of sales:</b>	Up 50-100 basis points (from up modestly)
<b>Capex:</b>	~\$125.0 million (maintained)



# AAON

## First Quarter 2024

### Appendix





# Q1 2024 Non-GAAP Financial Measures

	Three Months Ended March 31,	
	2024	2023
	<i>(in thousands)</i>	
Net income, a GAAP measure	\$39,016	\$36,814
Depreciation and amortization	13,437	10,274
Interest expense, net	239	1,150
Income tax expense	7,792	6,356
EBITDA, a non-GAAP measure	<u>\$60,484</u>	<u>\$54,594</u>