



## AAON, Inc. (AAON)

**1Q:19 EPS Slightly Lower Than Expected On Weak Gross Margin; Backlog And Order Trends Remain Strong; Reduce 2019, Maintain 2020 EPS Estimate; Maintain NEUTRAL, \$33 Target**

	2017		2018		2019E		2020E	
		OLD	NEW	OLD	NEW	OLD	NEW	
Mar.	\$0.19	\$0.11		\$0.22	\$0.21A	\$0.35	\$0.36	
June	0.26	0.23		0.28	0.24	0.40	0.37	
Sep.	0.28	0.27		0.35	0.33	0.41	0.40	
Dec.	<u>0.23</u>	<u>0.24</u>		<u>0.35</u>	<u>0.37</u>	<u>0.38</u>	<u>0.40</u>	
<b>EPS</b>	<b>\$0.96</b>	<b>\$0.84</b>		<b>\$1.20</b>	<b>\$1.14</b>	<b>\$1.53</b>		
P/E				44.1x		32.8x		
<b>EBITDA (mil)</b>	<b>\$89.9</b>	<b>\$73.4</b>		<b>\$103.8</b>	<b>\$101.6</b>	<b>\$127.2</b>	<b>\$128.9</b>	
EV / EBITDA				25.8x		20.3x		

Note: 2017-2020E include stock-based compensation expense of \$0.12, \$0.14, \$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	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E
Rev.(Mil.)	\$266.2	\$303.1	\$321.1	\$356.3	\$358.6	\$384.0	\$405.2	\$430.9	\$496.7	\$542.1
GAAP EPS	\$0.25	\$0.49	\$0.68	\$0.80	\$0.84	\$0.98	\$1.03	\$0.86	\$1.15	\$1.53

**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%) and new construction (45%). AAON generates almost all revenue from the U.S. Headquarters are in Tulsa, OK.

- **This morning, AAON reported 1Q:19 EPS grew year-over 92% to \$0.21, missing our estimate of \$0.22 and consensus of \$0.23. (Note: The year-over-year growth was due to a very easy comparison as earnings declined 44% in 1Q:18.)**
- **Revenue grew 15% to \$114 million, topping our estimate of \$112 million and consensus of \$110 million.**
- **The earnings miss was fully related to gross margin, which came in at 22.7%, versus our estimate of 24.0% and below the 2018 average margin of 23.9%. Higher material costs and operational inefficiencies weighed on profits.**
- **Backlog finished March up 125% at \$167 million. Orders booked in the quarter were up 40% compared to 1Q:18 bookings.**
- **We continue to forecast significant improvement in revenue, gross margin and earnings, as 2018 price increases flow through backlog, although we temper our near-term expectations a bit.**
- **We reduce our 2019 EPS estimate to \$1.14 (from \$1.20) and maintain our 2020 estimate of \$1.53.**
- **Overall, we maintain a positive view of the company and the growth we foresee in 2019-2020. However, with the shares currently trading at 24x our forward 12-month EBITDA estimate, we remain cautious with the stock.**
- **Our \$33 price target continues to be based on 22x our 2020 EPS estimate of \$1.53; this equates to 13.3x our 2020 EBITDA estimate of \$129 million.**
- **Management will host a conference call at 4:15 p.m. E.T., accessible at (888) 241-0551.**

**NEUTRAL**

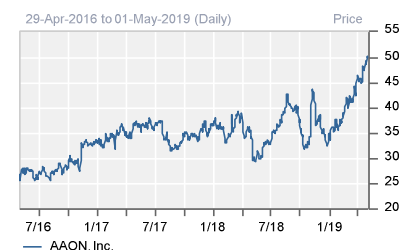
Price Target: \$33

Price: \$50.26

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### Key Statistics

Analysts Covering	3
Market Cap (Mil)	\$2,620
Enterprise Value	\$2,625
52-Week Range (NASDAQ)	51-29
5-Year EPS CAGR	20%
Avg. Daily Trading Volume	134,000
Shares Out (Mil)	52.071
Float Shares (Mil)	40.527
Insider Ownership	25%
Institutional Holdings	60%
Annualized Dividend	\$0.32
Dividend Yield	0.6%
FCF Per Share (2020E)	\$1.52
FCF Yield (2020E)	3.0%
Net Cash Per Share (2020E)	\$1.94
Price to Book Value	10.5x
Return on Equity (2020E)	20.1%
Total Debt to Capital	Nil
Interest Coverage Ratio	N/A
Short Interest %	11.7%
Short Interest Days To Cover	36.8
Russell 2000	1,574
Russell 2000 – Last 12 Months	2.2%
AAON – Last 12 Months	46.7%



**Key Risks**

Construction does not improve

Steel and copper prices rise

U.S. recession

**Exhibit 1: AAON, Inc. 1Q:19 Variance Analysis**

	<u>1Q:19 Actual</u>	<u>1Q:19 Estimate</u>	<u>Variance</u>	<u>% Variance</u>	<u>1Q:18 Actual</u>	<u>YoY Change</u>
Revenue (thou.)	\$113,822	\$111,963	\$1,859	1.7%	\$99,082	14.9%
Gross profit <i>Margin</i>	25,793 22.7%	26,871 24.0%	(1,078)	-4.0%	15,390 15.5%	67.6%
Operating income <i>Margin</i>	14,508 12.7%	15,675 14.0%	(1,167)	-7.4%	7,078 7.1%	105.0%
EBITDA <i>Margin</i>	20,422 17.9%	20,475 18.3%	(53)	-0.3%	9,307 9.4%	119.4%
Adjusted net income <i>Profit margin</i>	\$10,902 9.6%	\$11,618 10.4%	(716)	-6.2%	\$5,723 5.8%	90.5%
Adjusted EPS	\$0.21	\$0.22	(\$0.01)	-6.3%	\$0.11	92.5%

Source: Sidoti &amp; Co., and Company reports

AAON, INC.

**Table 1. AAON, Inc. Income Statement**  
(in thousands, except where noted)

	2017	MarA	JunA	SepA	DecA	2018	MarA	JunE	SepE	DecE	2019E	MarE	JunE	SepE	DecE	2020E
<b>Sales, net</b>	<b>\$405,232</b>	<b>\$99,082</b>	<b>\$109,588</b>	<b>\$112,937</b>	<b>\$112,340</b>	<b>\$433,947</b>	<b>\$113,822</b>	<b>\$123,834</b>	<b>\$131,007</b>	<b>\$132,561</b>	<b>\$501,225</b>	<b>\$129,757</b>	<b>\$137,456</b>	<b>\$142,798</b>	<b>\$140,515</b>	<b>\$550,526</b>
Cost of sales	281,835	83,692	82,003	80,174	84,545	330,414	88,029	92,876	93,670	94,118	368,693	92,776	96,219	99,244	99,063	387,303
<b>Gross profit</b>	<b>123,397</b>	<b>15,390</b>	<b>27,585</b>	<b>32,763</b>	<b>27,795</b>	<b>103,533</b>	<b>25,793</b>	<b>30,959</b>	<b>37,337</b>	<b>38,443</b>	<b>132,531</b>	<b>36,981</b>	<b>41,237</b>	<b>43,553</b>	<b>41,452</b>	<b>163,223</b>
SG&A	49,249	10,219	13,086	13,190	11,260	47,755	11,001	14,117	14,411	12,593	52,122	11,938	14,845	15,137	13,208	55,128
Other	45	(7)	(4)	2	(3)	(12)	284	0	0	0	284	0	0	0	0	0
<b>Operating income</b>	<b>74,103</b>	<b>5,178</b>	<b>14,503</b>	<b>19,571</b>	<b>16,535</b>	<b>55,790</b>	<b>14,508</b>	<b>16,841</b>	<b>22,926</b>	<b>25,849</b>	<b>80,125</b>	<b>25,043</b>	<b>26,392</b>	<b>28,417</b>	<b>28,243</b>	<b>108,095</b>
<b>Operating income (ex. one-time items)</b>	<b>74,103</b>	<b>7,078</b>	<b>15,003</b>	<b>19,571</b>	<b>16,535</b>	<b>55,790</b>	<b>14,508</b>	<b>16,841</b>	<b>22,926</b>	<b>25,849</b>	<b>80,125</b>	<b>25,043</b>	<b>26,392</b>	<b>28,417</b>	<b>28,243</b>	<b>108,095</b>
Interest expense	(298)	(68)	(67)	(36)	(25)	(196)	0	(50)	(70)	(70)	(190)	(70)	(70)	(70)	(70)	(280)
Other (income) expense	(91)	6	(12)	(5)	58	47	17	10	10	10	47	10	10	10	10	40
<b>Income before income taxes</b>	<b>74,492</b>	<b>5,240</b>	<b>14,582</b>	<b>19,612</b>	<b>16,502</b>	<b>55,939</b>	<b>14,491</b>	<b>16,881</b>	<b>22,986</b>	<b>25,909</b>	<b>80,268</b>	<b>25,103</b>	<b>26,452</b>	<b>28,477</b>	<b>28,303</b>	<b>108,335</b>
Income tax provision	19,994	980	2,891	5,527	3,969	13,367	3,589	4,389	5,976	6,736	20,691	6,527	6,877	7,404	7,359	28,167
<b>Net Income</b>	<b>\$54,498</b>	<b>\$4,260</b>	<b>\$11,691</b>	<b>\$14,085</b>	<b>\$12,533</b>	<b>\$42,572</b>	<b>\$10,902</b>	<b>\$12,492</b>	<b>\$17,010</b>	<b>\$19,173</b>	<b>\$59,577</b>	<b>\$18,576</b>	<b>\$19,574</b>	<b>\$21,073</b>	<b>\$20,945</b>	<b>\$80,168</b>
<b>Net Income (ex. one-time items)</b>	<b>\$50,748</b>	<b>\$5,723</b>	<b>\$12,092</b>	<b>\$14,085</b>	<b>\$12,533</b>	<b>\$44,433</b>	<b>\$10,902</b>	<b>\$12,492</b>	<b>\$17,010</b>	<b>\$19,173</b>	<b>\$59,577</b>	<b>\$18,576</b>	<b>\$19,574</b>	<b>\$21,073</b>	<b>\$20,945</b>	<b>\$80,168</b>
<b>GAAP Diluted EPS</b>	<b>\$1.03</b>	<b>\$0.08</b>	<b>\$0.22</b>	<b>\$0.27</b>	<b>\$0.24</b>	<b>\$0.81</b>	<b>\$0.21</b>	<b>\$0.24</b>	<b>\$0.33</b>	<b>\$0.37</b>	<b>\$1.14</b>	<b>\$0.36</b>	<b>\$0.37</b>	<b>\$0.40</b>	<b>\$0.40</b>	<b>\$1.53</b>
<b>Diluted EPS</b>	<b>\$0.96</b>	<b>\$0.11</b>	<b>\$0.23</b>	<b>\$0.27</b>	<b>\$0.24</b>	<b>\$0.84</b>	<b>\$0.21</b>	<b>\$0.24</b>	<b>\$0.33</b>	<b>\$0.37</b>	<b>\$1.14</b>	<b>\$0.36</b>	<b>\$0.37</b>	<b>\$0.40</b>	<b>\$0.40</b>	<b>\$1.53</b>
Diluted shares outstanding	53,072	52,910	52,718	52,628	52,421	52,668	52,370	52,548	52,250	52,428	52,399	52,308	52,279	52,188	52,159	52,233

**YOY Growth:**

Revenue	5.5%	15.1%	8.2%	-0.6%	7.9%	7.1%	14.9%	13.0%	16.0%	18.0%	15.5%	14.0%	11.0%	9.0%	6.0%	9.8%
Cost of sales	6.0%	37.0%	17.7%	2.8%	15.7%	17.2%	5.2%	13.3%	16.8%	11.3%	11.6%	5.4%	3.6%	6.0%	5.3%	5.0%
SG&A	27.9%	-3.0%	9.3%	1.2%	-17.9%	-3.0%	7.7%	7.9%	9.3%	11.8%	9.1%	8.5%	5.2%	5.0%	4.9%	5.8%
Gross profit	4.5%	-38.4%	-12.9%	-8.1%	-10.6%	-16.1%	67.6%	12.2%	14.0%	38.3%	28.0%	43.4%	33.2%	16.6%	7.8%	23.2%
Operating income	-6.9%	-64.2%	-26.2%	-13.5%	-4.8%	-24.7%	180.2%	16.1%	17.1%	56.3%	43.6%	72.6%	56.7%	23.9%	9.3%	34.9%
Net income	4.3%	-58.3%	-15.2%	-4.3%	-20.5%	-16.1%	155.9%	6.9%	20.8%	53.0%	34.1%	70.4%	56.7%	23.9%	9.2%	34.6%
Diluted EPS	-2.2%	-43.7%	-11.6%	-3.6%	5.3%	-11.7%	92.5%	3.6%	21.6%	53.0%	34.7%	70.6%	57.5%	24.0%	9.8%	35.0%

**Margin Analysis:**

COGS/sales	69.5%	84.5%	74.8%	71.0%	75.3%	76.1%	77.3%	75.0%	71.5%	71.0%	73.6%	71.5%	70.0%	69.5%	70.5%	70.4%
SG&A/sales	12.2%	10.3%	11.9%	11.7%	10.0%	11.0%	9.7%	11.4%	11.0%	9.5%	10.4%	9.2%	10.8%	10.6%	9.4%	10.0%
Gross profit margin	30.5%	15.5%	25.2%	29.0%	24.7%	23.9%	22.7%	25.0%	28.5%	29.0%	26.4%	28.5%	30.0%	30.5%	29.5%	29.6%
Operating margin (ex. one-time items)	18.3%	5.2%	13.2%	17.3%	14.7%	12.9%	12.7%	13.6%	17.5%	19.5%	16.0%	19.3%	19.2%	19.9%	20.1%	19.6%
Pretax margin	18.4%	5.3%	13.3%	17.4%	14.7%	12.9%	12.7%	13.6%	17.5%	19.5%	16.0%	19.3%	19.2%	19.9%	20.1%	19.7%
Net margin	13.4%	4.3%	10.7%	12.5%	11.2%	9.8%	9.6%	10.1%	13.0%	14.5%	11.9%	14.3%	14.2%	14.8%	14.9%	14.6%
Tax rate	26.8%	18.7%	19.8%	28.2%	24.1%	23.9%	24.8%	26.0%	26.0%	26.0%	25.8%	26.0%	26.0%	26.0%	26.0%	26.0%

Sources: Company reports and Sidoti & Company, LLC estimates

AAON, INC.

**Table 2. AAON, Inc. Cash Flow Statement**

(in thousands, except where noted)

	MarA	JunA	SepA	DecA	2017	MarA	JunA	SepA	DecA	2018	MarA	2019E	2020E
Cash flows from operating activities													
Net income	\$10,217	\$13,794	\$14,717	\$15,770	\$54,498	\$4,260	\$11,691	\$14,085	\$12,536	\$42,572	\$10,902	\$59,577	\$80,168
Depreciation and amortization	3,638	3,643	3,744	3,982	15,007	4,129	4,309	4,427	4,790	17,655	5,914	21,514	20,800
Amortization of bond premiums	16	13	10	8	47	5	3	3	2	13	-	-	-
Provision for losses on account receivable	184	(43)	39	(1)	179	(11)	100	(22)	107	174	115	115	-
Provision for excess and obsolete inventories	60	200	(206)	210	264	101	198	(244)	97	152	357	357	-
(Gain)/loss on disposition of assets	(1)	48	(1)	(1)	45	(7)	(4)	2	(3)	(12)	284	284	-
Share-based compensation	1,645	1,884	1,431	1,498	6,458	1,724	1,975	1,915	1,760	7,374	2,030	7,730	7,600
Excess tax benefits from stock options exercised	-	-	-	0	-	-	-	-	0	-	-	-	-
Deferred income taxes	720	(356)	783	(2,701)	(1,554)	420	18	426	1,985	2,849	1,887	1,887	-
Other	(74)	66	(36)	7	(37)	17	20	(19)	23	41	(22)	(22)	-
Change in assets and liabilities	(6,223)	4,358	(12,366)	(2,635)	(16,866)	111	7,195	(12,624)	(10,631)	(15,949)	(6,554)	(4,081)	4,034
<b>Net cash provided by operating activities</b>	<b>10,166</b>	<b>23,594</b>	<b>8,105</b>	<b>16,122</b>	<b>57,994</b>	<b>10,744</b>	<b>25,502</b>	<b>7,946</b>	<b>10,641</b>	<b>54,856</b>	<b>14,913</b>	<b>87,361</b>	<b>112,602</b>
Cash flows from investing activities													
Other	7	7	-	56	70	(5,994)	139	16	(472)	(6,311)	-	-	-
Proceeds from sale of property, plant and equipment	-	-	-	0	0	-	-	-	0	0	52	52	-
Investment in certificates of deposit and other	9,340	(7,993)	1,883	7,361	10,591	(5,976)	5,955	5,060	3,905	8,944	17	17	-
Capital expenditures	(6,071)	(10,776)	(9,589)	(15,277)	(41,713)	(8,451)	(17,474)	(8,403)	(2,940)	(37,268)	(8,772)	(38,772)	(36,000)
<b>Net cash provided by investing activities</b>	<b>3,276</b>	<b>(18,762)</b>	<b>(7,706)</b>	<b>(7,916)</b>	<b>(31,052)</b>	<b>(20,421)</b>	<b>(11,380)</b>	<b>(3,327)</b>	<b>(7,916)</b>	<b>(34,635)</b>	<b>(8,703)</b>	<b>(38,703)</b>	<b>(36,000)</b>
Cash flows from financing activities													
Exercise of stock options	898	675	142	544	2,259	1,340	959	1,205	1,483	4,987	4,010	4,010	-
Other	(560)	(506)	(127)	(421)	(1,614)	(568)	(240)	(52)	(237)	(1,097)	(588)	(588)	-
Repurchase of common stock	(6,303)	(3,065)	(3,623)	(3,629)	(16,620)	(4,379)	(7,160)	(5,961)	(9,346)	(26,846)	(4,483)	(13,483)	(12,000)
Cash dividends paid to stockholders	-	-	(6,828)	(6,835)	(13,663)	-	-	(8,400)	(8,328)	(16,728)	-	(15,392)	0
<b>Net cash provided by (used in) financing activities</b>	<b>(5,965)</b>	<b>(2,896)</b>	<b>(10,436)</b>	<b>(10,341)</b>	<b>(29,638)</b>	<b>(3,607)</b>	<b>(6,441)</b>	<b>(13,208)</b>	<b>(10,341)</b>	<b>(39,684)</b>	<b>(1,061)</b>	<b>(25,453)</b>	<b>(12,000)</b>
Net change in cash	7,477	1,936	(10,037)	(2,135)	(2,696)	(13,284)	7,681	(8,589)	19,690	(19,463)	5,149	23,205	64,602
Cash, beginning of period	24,153	31,630	33,566	23,529	24,153	21,457	8,173	15,854	96	21,457	1,994	1,994	25,199
<b>Cash, ending of period</b>	<b>\$31,630</b>	<b>\$33,566</b>	<b>\$23,529</b>	<b>\$21,394</b>	<b>\$21,457</b>	<b>\$8,173</b>	<b>\$15,854</b>	<b>\$96</b>	<b>\$972</b>	<b>\$1,994</b>	<b>\$7,143</b>	<b>\$25,199</b>	<b>\$89,801</b>
<b>Free cash flow</b>	<b>\$4,095</b>	<b>\$12,818</b>	<b>(\$1,484)</b>	<b>\$845</b>	<b>16,281</b>	<b>\$2,293</b>	<b>\$8,028</b>	<b>(\$457)</b>	<b>\$7,701</b>	<b>17,588</b>	<b>\$6,141</b>	<b>48,589</b>	<b>76,602</b>
<b>FCF per share</b>	<b>\$0.08</b>	<b>\$0.24</b>	<b>(\$0.03)</b>	<b>\$0.02</b>	<b>\$0.31</b>	<b>\$0.04</b>	<b>\$0.15</b>	<b>(\$0.01)</b>	<b>\$0.15</b>	<b>\$0.34</b>	<b>\$0.12</b>	<b>\$0.93</b>	<b>\$1.47</b>

Sources: Company reports and Sidoti & Company, LLC estimates

**Table 3. AAON, Inc. Balance Sheet**

(in thousands, except where noted)

	MarA	JunA	SepA	2017	MarA	JunA	SepA	2018	MarA	2019E	2020E
<b>Assets</b>											
Current assets:											
Cash	31,630	33,566	23,529	21,457	8,173	15,854	7,265	1,994	7,143	25,199	89,801
Short-term securities	10,259	18,252	16,382	8,957	14,942	8,475	3,412	0	0	0	0
Accounts receivable	44,377	43,114	57,342	50,338	54,319	53,418	51,207	54,078	58,688	63,629	67,447
Income tax receivable	3,009	809	0	1,643	7,316	4,971	2,292	6,104	4,756	4,756	4,756
Note receivable	25	26	28	28	27	27	28	27	27	27	27
Inventories	55,988	63,075	66,117	70,786	68,680	70,467	79,182	77,612	74,577	86,546	91,092
Prepaid expenses and other	929	888	757	518	1,230	1,453	1,310	1,046	1,607	530	562
<b>Total current assets</b>	<b>146,217</b>	<b>159,730</b>	<b>164,155</b>	<b>153,727</b>	<b>154,687</b>	<b>154,665</b>	<b>144,696</b>	<b>140,861</b>	<b>146,798</b>	<b>180,687</b>	<b>253,685</b>
Property, plant and equipment, net	118,417	124,628	138,308	142,375	147,928	161,121	164,896	163,003	166,652	181,052	209,710
Goodwill					3,677	3,851	3,793	3,735	3,229	3,229	3,229
Long-term securities	656	667	689	678	653	634	639	598	2,243	2,243	2,243
Notes receivables	0	0	0	0	0	0	0	0	603	603	603
<b>Total assets</b>	<b>265,290</b>	<b>285,025</b>	<b>303,152</b>	<b>296,780</b>	<b>306,945</b>	<b>320,271</b>	<b>314,024</b>	<b>308,197</b>	<b>319,525</b>	<b>367,814</b>	<b>469,470</b>
<b>Liabilities and stockholders' equity</b>											
Current liabilities:											
Accounts payable	9,936	14,108	18,933	10,967	22,214	25,127	16,224	10,616	5,947	11,859	12,482
Dividend payable	0	6,849		0		8,400	0	0		0	0
Accrued liabilities	31,186	34,293	41,682	39,098	35,078	38,146	37,492	37,455	38,053	50,447	53,098
Total current liabilities	41,122	55,250	60,615	50,065	57,292	71,673	53,716	48,071	44,000	62,306	65,580
Deferred tax liabilities	10,251	9,895	10,678	7,977	8,397	8,415	8,841	10,826	12,713	12,713	12,713
Other long-term liabilities	2,115	2,119	1,547	1,512	1,645	1,746	1,838	1,801	3,442	3,442	3,442
<b>Total stockholders' equity</b>	<b>211,802</b>	<b>217,761</b>	<b>230,312</b>	<b>237,226</b>	<b>239,611</b>	<b>238,437</b>	<b>249,629</b>	<b>247,499</b>	<b>259,370</b>	<b>289,353</b>	<b>387,736</b>
<b>Total liabilities and stockholders' equity</b>	<b>265,290</b>	<b>285,025</b>	<b>303,152</b>	<b>296,780</b>	<b>306,945</b>	<b>320,271</b>	<b>314,024</b>	<b>308,197</b>	<b>319,525</b>	<b>367,814</b>	<b>469,470</b>
<b>Key Financial Ratios:</b>											
Long-term debt/total capital	1.0%	1.0%	0.7%	0.6%	0.7%	0.7%	0.7%	0.7%	1.3%	1.2%	0.9%
Book value/share	\$3.92	\$4.00	\$4.31	\$4.44	\$4.49	\$4.46	\$4.67	\$4.65	\$4.88	\$5.45	\$7.49
Profit Margin	14.0%	13.9%	12.5%	13.3%	11.9%	13.6%	13.3%	10.8%	12.4%	10.6%	15.9%
Asset Turnover	1.3	1.4	1.5	1.4	1.3	1.4	1.4	1.5	1.4	1.4	1.2
Leverage	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.2	1.2	1.3	1.2
Net cash	\$41,914	\$51,844	\$39,939	\$30,442	\$23,142	\$24,356	\$10,705	\$2,021	\$7,170	\$25,226	\$89,828
Net cash per share	\$0.80	\$0.98	\$0.76	\$0.58	\$0.45	\$0.47	\$0.21	\$0.05	\$0.18	\$0.53	\$1.80
Inventory turnover	5.0	5.4	5.4	5.0	5.2	4.9	4.9	3.9	4.1	4.4	4.4
Return on equity (ROE)	22.8%	26.0%	24.6%	23.4%	19.6%	25.0%	24.0%	19.7%	21.8%	19.4%	23.1%
Return on assets (ROA)	16.3%	20.3%	20.8%	16.1%	4.1%	13.4%	16.6%	18.9%	13.9%	22.7%	20.0%
Return on total capital (ROTC)	23.8%	33.0%	30.4%	21.5%	5.4%	18.8%	21.3%	23.2%	17.2%	28.9%	28.2%

Sources: Company reports and Sidoti &amp; Company, LLC estimates

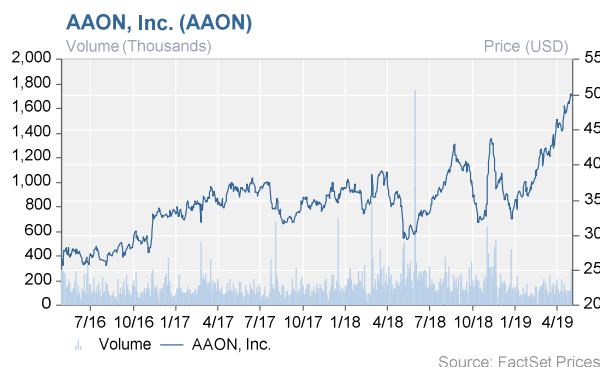
## Appendix Required Disclosures

### Required Disclosures

**AAON, Inc. (AAON-\$50.26) NEUTRAL Price Target: \$33 May 2, 2019**

Rating and Price Target History Table

Action Date	Px	Rating	PT
PT 9/16/16	27.6		28
PT 12/16/16	32.6		34
PT 5/4/17	37.2		37
PT 8/3/17	33.8		35
PT 4/3/18	37.2		33



Key Risks	Construction does not improve	Steel and copper prices rise	U.S. recession
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#### Valuation:

- Our \$33 price target continues to be based on 22x our 2020 EPS estimate of \$1.53; this equates to 13.3x our 2020 EBITDA estimate of \$129 million.

#### Required Disclosures

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## APPENDIX CONTINUED

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