



AAON, Inc.(AAON)

Re-Initiate Coverage of AAON, Inc. With A NEUTRAL Rating And \$69 Price Target

	2019	2020E	2021E	2022E
Mar.	\$0.17	\$0.41A	\$0.30	\$0.40
June	0.26	0.36A	0.32	0.46
Sep.	0.27	0.38A	0.37	0.52
Dec.	0.33	0.30	0.34	0.44
EPS	\$1.02	\$1.46	\$1.34	\$1.82
P/E		45.7x	49.8x	36.7x
EBITDA (mil)	\$89.8	\$123.1	\$120.6	\$155.3
EV / EBITDA		28.2x	28.7x	22.3x

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	2020E	2021E	2022E
Rev.(Mil.)	\$321.1	\$356.3	\$358.6	\$384.0	\$405.2	\$430.9	\$469.3	\$515.5	\$500.4	\$570.2
GAAP EPS	\$0.68	\$0.80	\$0.84	\$0.98	\$1.03	\$0.86	\$1.02	\$1.44	\$1.34	\$1.82

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 2019 revenue) and new construction (45% of 2019 revenue). AAON generates almost all revenue from the U.S. Headquarters are in Tulsa, OK.

- **AAON, Inc. (AAON) is an industry-leading provider of commercial heating, ventilation, and air conditioning (HVAC) products. The company's focus on the underserved semi-custom equipment market rather than standardized HVAC products differentiates it from larger manufacturers, in our view.**
- **The company has grown almost entirely organically since its 1987 inception and has a debt-free balance sheet and steady free cash flow. AAON held \$79 million in cash (\$1.51 per share) as of 3Q:20; we estimate net cash of \$119 million (\$2.31) by year-end 2022.**
- **In our view, AAON will benefit from company-specific initiatives as well as a product portfolio weighted towards longer-term secular growth.**
- **We project EPS will grow at a 21% EPS CAGR from 2020 to 2022.**
- **The shares rose 34% in the past 12 months, compared with a 17% advance in the Russell 2000 Index, but are down 4% from their 52-week high of \$69. Trading at 37x our 2022 EPS estimate, we think the stock's valuation is essentially full.**
- **The \$69 price target is based on 38x our 2022 EPS estimate of \$1.82, which equates to 23x our 2022 EBITDA forecast of \$155 million.**
- **Given the less than 25% potential upside implied by this target, we re-initiate coverage of AAON shares with a NEUTRAL rating.**

AAON manufactures customized HVAC rooftop units, as well as other HVAC equipment for nonresidential buildings. The company's products target planned replacement (55% of 2019 sales) as well as new construction (45% of 2019 sales). We view AAON as an industry-leading operator poised to deliver above-market growth. Owing to its almost 100% organic growth since its 1987 inception, it lacks legacy issues or ill-matched assets that can arise in companies built through consolidation. AAON also is "clean" from a financial standpoint; the company holds no debt.

We estimate AAON's U.S Commercial HVAC market share to be about 3%, based on \$469 million in sales in 2019. A higher market share in select products such as rooftop units (estimated 10% market share) is offset by smaller share in product lines such as split systems (less than 1% share), per the latest 10-K filing. Almost any type of structure,

NEUTRAL

Price Target: \$69
Price: \$66.72

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Key Statistics

Analysts Covering	3
Market Cap (Mil)	\$3,490
Enterprise Value	\$3,474
52-Week Range (NASDAQ)	69-40
5-Year EPS CAGR	20%
Avg. Daily Trading Volume	180,000
Shares Out (Mil)	52.242
Float Shares (Mil)	41.244
Insider Ownership	25%
Institutional Holdings	60%
Annualized Dividend	\$0.38
Dividend Yield	0.6%
FCF Per Share (2022E)	\$1.34
FCF Yield (2022E)	2.1%
Net Cash Per Share (2022E)	\$2.31
Price to Book Value	10.1x
Return on Equity (2022E)	20.0%
Total Debt to Capital	Nil
Interest Coverage Ratio	N/A
Short Interest %	9.1%
Short Interest Days To Cover	22.9
Russell 2000	1,959
Russell 2000 - Last 12 Months	17.4%
AAON - Last 12 Months	33.9%



residential or nonresidential, requires some type of HVAC equipment in order to (1) regulate climate and (2) improve the air quality. Specific to the HVAC market, we follow shipment data from the Air Conditioning, Heating, & Refrigeration Institute (AHRI). Industry shipments of large tonnage units (greater than 5.5 tons, which are more pertinent to nonresidential construction) have declined 16% year-to-date; this compares with a of 1% through October 2019 and flat year-to-date shipments through October 2018.

AAON differentiates itself by focusing on underserved market niches. AAON has four publicly-traded competitors: Lennox International (NYSE: LII, NC), Carrier Global (NYSE: CARR, NC), Trane Technologies (NYSE: TT, NC), and York (NYSE: JCI, NC). We think AAON differentiates itself from these larger players through a narrower focus on semi-custom equipment, compared to standardized HVAC equipment. In addition, AAON focuses exclusively on nonresidential construction. We view the nonresidential construction market as one mired in continued uncertainty heading into 2021, while it concurrently experiences near-term resiliency. We follow the American Institute of Architects' Architectural Billings Index (ABI) as a nine-to-12-month leading indicator for the broader nonresidential construction market. The most recent release (citing November results) of 46.0 (down sequentially from 47.5) was below 50 (indicating contraction) for the ninth consecutive month; the sequential monthly decline is essentially an acceleration in the pace of billings decline.

We think AAON can attain above-market growth, owing to internal initiatives... The company is revamping its go-to-market strategy, investing in additional capacity and targeting a product portfolio weighted towards long-term secular trends. AAON is expanding capacity (capital spending is forecasted to rise substantially) at its two major facilities of Tulsa, OK, and Longview, TX. At the same time, the company is leveraging new CEO Gary Fields' expertise in HVAC equipment sales to strengthen AAON's sales channel. Mr. Fields assumed the role of CEO in May 2020; he was previously the owner and operator of privately-held Texas AirSystems, the largest independent HVAC equipment provider in the state of Texas. He is implementing best practices and working closely with sales reps to improve overall sales performance.

...and having a product portfolio weighted towards longer-term secular growth, compared to peers. In addition to company-specific initiatives, we think AAON's core semi-custom equipment product lines have an inherent competitive advantage regarding the continuing trend of "sustainability" (or environmentally friendly) and the accelerating trend of indoor air quality; 40% of the ongoing cost to operate a commercial building is related to HVAC. We think building owners will continue to appreciate the value proposition of AAON's industry-leading energy efficiency. In a post-COVID-19 world, we think sales of AAON's semi-custom units will outpace standardized; the physical design of AAON's units allow for easier and cost-efficient implementation of recommended virus mitigation strategies (e.g., increased ventilation, filtration, air cleaning devices.)

2020 results have proven resilient... In 2018-2019 some of AAON's key operational managers retired which, along with price lagging, led to gross margins of approximately 24-25%, down from 30.5% in 2017. However, we think these challenges are behind AAON, as evidenced by its year-to-date gross margin of 30.6% (up 520 basis points), in spite of the effects of the COVID-19 pandemic. We forecast 2020 revenue growth of 10% and a 43% increase in EPS \$1.46.

...but we model an EPS downturn beginning in 4Q:20, with a recovery beginning in 4Q:21. We anticipate replacement demand will continue to grow, particularly due to COVID-related retrofit work, but expect that this will only be a partial offset to declining construction-related demand in 4Q:20-1H:21. In 2021, we forecast sales will decline 3%, EBITDA will decline 2% and EPS will decrease 8% to \$1.34. In 2022, we think the recovery will accelerate, and model revenue growth of 14%, assuming AAON continues to outpace industry sales, due to share gains and new product introductions (e.g., water source heat pumps). We project 350 basis points of operating margin expansion to 22.2%, a steady 25% tax rate and EPS growth of 36% to \$1.82.

AAON has a debt-free balance sheet and generates solid cash flow. At the end of 3Q:20, AAON had \$79 million in cash (\$1.51 per share) and no debt. The company also has \$28 million available on its untapped credit facility. AAON has generated positive free cash flow every year since 2012, and in 2019, free cash flow (FCF) exceeded net income. We project solid FCF fueled by improving earnings, with FCF totaling \$50 million (\$0.94 per share) in 2020, \$49 million (\$0.94) in 2021, and \$70 million (\$1.34) in 2022. We include a notable step-up in capital spending (compared to 2015-2019) in our 2020-2022 FCF estimates, as we expect AAON will reinvest into incremental capacity at its Tulsa and Longview facilities.

Valuation	We re-initiate coverage of AAON shares with a NEUTRAL rating and \$69 price target. AAON shares rose 34% in the past 12 months, compared with a 17% increase in the Russell 2000 Index. In the past five years, the stock traded at a median forward P/E and EV/EBITDA multiple of 20x and 17x, respectively. Currently, shares of AAON trade at 36.7x and 22.3x our respective 2022 EPS and EBITDA estimates. Comparatively, AAON's peer group trades at median forward multiples of 20x P/E and 16x EV/EBITDA. We value AAON shares at 38x our 2022 EPS estimate of \$1.82, which equates to 23x our 2022 EBITDA estimate of \$155 million. Given the limited upside implied by the \$69 price target, we re-initiate coverage of AAON shares with a NEUTRAL rating.		
Key Risks	Cyclical end-markets	Rising input costs	U.S. economy

AAON, INC.

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

	MarA	JunA	SepA	DecA	2019	MarA	JunA	SepA	DecE	2020E	MarE	JunE	SepE	DecE	2021E	2022E
Sales, net	\$113,822	\$119,437	\$113,500	\$122,574	\$469,333	\$137,483	\$125,596	\$134,772	\$117,671	\$515,522	\$116,861	\$121,828	\$133,424	\$128,261	\$500,374	\$570,223
Cost of sales	88,392	89,233	86,090	86,193	349,908	94,536	87,465	93,924	82,017	357,942	81,919	84,792	92,063	89,270	348,044	379,834
Gross profit	25,430	30,204	27,410	36,381	119,425	42,947	38,131	40,848	35,654	157,580	34,941	37,036	41,362	38,991	152,330	190,389
SG&A	13,677	12,912	12,374	13,114	52,077	15,214	15,939	14,716	14,121	59,990	13,790	14,376	15,744	14,878	58,788	63,612
Other	284	6	6	41	337	(62)	0	1	0	(61)	0	0	0	0	0	0
Operating income	11,469	17,286	15,030	23,226	67,011	27,795	22,192	26,131	21,534	97,652	21,152	22,660	25,617	24,113	93,542	126,777
Adjusted operating income	11,469	17,286	15,030	23,226	67,011	27,795	23,442	26,131	21,534	98,902	21,152	22,660	25,617	24,113	93,542	126,777
EBITDA	17,383	23,132	20,897	28,365	89,777	33,797	28,530	32,762	28,034	123,123	27,752	29,360	32,417	31,113	120,642	155,327
Adjusted EBITDA	17,383	23,132	20,897	28,365	89,777	33,797	29,780	32,762	28,034	124,373	27,752	29,360	32,417	31,113	120,642	155,327
Interest expense	(9)	(31)	(9)	(17)	(66)	(61)	(19)	(10)	(25)	(115)	(25)	(25)	(25)	(25)	(100)	(100)
Other (income) expense	26	(17)	7	30	46	27	(32)	(15)	10	(10)	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	21,549	97,777	21,167	22,675	25,632	24,128	93,602	126,837
Income tax provision	2,695	3,943	742	5,940	13,320	5,976	4,439	5,696	5,603	21,714	5,292	5,669	6,408	6,032	23,401	31,709
Net Income	\$8,757	\$13,391	\$14,290	\$17,273	\$53,711	\$21,853	\$17,804	\$20,460	\$15,946	\$76,063	\$15,875	\$17,006	\$19,224	\$18,096	\$70,202	\$95,128
Net Income (ex. one-time items)	\$8,757	\$13,391	\$14,290	\$17,273	\$53,711	\$21,853	\$18,805	\$20,460	\$15,946	\$77,064	\$15,875	\$17,006	\$19,224	\$18,096	\$70,202	\$95,128
GAAP diluted EPS	\$0.17	\$0.26	\$0.27	\$0.33	\$1.02	\$0.41	\$0.34	\$0.38	\$0.30	\$1.44	\$0.30	\$0.32	\$0.37	\$0.34	\$1.34	\$1.82
Adjusted diluted EPS	\$0.17	\$0.26	\$0.27	\$0.33	\$1.02	\$0.41	\$0.36	\$0.38	\$0.30	\$1.46	\$0.30	\$0.32	\$0.37	\$0.34	\$1.34	\$1.82
Diluted shares outstanding	52,370	52,474	52,722	52,701	52,567	52,871	52,750	53,151	52,630	52,851	52,510	52,731	52,390	52,611	52,561	52,406

YOY Growth:

Revenue	14.9%	9.0%	0.5%	9.1%	8.2%	20.8%	5.2%	18.7%	-4.0%	9.8%	-15.0%	-3.0%	-1.0%	9.0%	-2.9%	14.0%
Cost of sales	5.4%	8.9%	7.5%	2.0%	5.9%	7.0%	-2.0%	9.1%	-4.8%	2.3%	-13.3%	-3.1%	-2.0%	8.8%	-2.8%	9.1%
SG&A	17.4%	-1.8%	-2.3%	22.3%	8.1%	11.2%	23.4%	18.9%	7.7%	15.2%	-9.4%	-9.8%	7.0%	5.4%	-2.0%	8.2%
Gross profit	67.3%	9.2%	-16.5%	30.7%	15.3%	68.9%	26.2%	49.0%	-2.0%	31.9%	-18.6%	-2.9%	1.3%	9.4%	-3.3%	25.0%
Adjusted operating income	110.4%	19.1%	-25.5%	35.6%	17.0%	142.3%	35.6%	73.9%	-7.3%	47.6%	-23.9%	-3.3%	-2.0%	12.0%	-5.4%	35.5%
Adjusted EBITDA	81.4%	22.9%	-15.0%	29.4%	19.9%	94.4%	28.7%	56.8%	-1.2%	38.5%	-17.9%	-1.4%	-1.1%	11.0%	-3.0%	28.7%
Net income	177.6%	14.5%	-1.5%	33.2%	26.9%	149.5%	33.0%	43.2%	-7.7%	41.6%	-27.4%	-4.5%	-6.0%	13.5%	-7.7%	35.5%
Adjusted diluted EPS	91.6%	15.0%	-1.7%	32.5%	22.7%	147.2%	39.7%	42.0%	-7.6%	42.7%	-26.9%	-9.5%	-4.7%	13.5%	-8.4%	35.9%

Margin Analysis:

COGS/sales	77.7%	74.7%	75.9%	70.3%	74.6%	68.8%	69.6%	69.7%	69.7%	69.4%	70.1%	69.6%	69.0%	69.6%	69.6%	66.6%
SG&A/sales	12.0%	10.8%	10.9%	10.7%	11.1%	11.1%	12.7%	10.9%	12.0%	11.6%	11.8%	11.8%	11.8%	11.6%	11.7%	11.2%
Gross profit margin	22.3%	25.3%	24.1%	29.7%	25.4%	31.2%	30.4%	30.3%	30.3%	30.6%	29.9%	30.4%	31.0%	30.4%	30.4%	33.4%
Operating margin (ex. one-time items)	10.1%	14.5%	13.2%	18.9%	14.3%	20.2%	17.7%	19.4%	18.3%	18.9%	18.1%	18.6%	19.2%	18.8%	18.7%	22.2%
Pretax margin	10.1%	14.5%	13.2%	18.9%	14.3%	20.2%	17.7%	19.4%	18.3%	19.0%	18.1%	18.6%	19.2%	18.8%	18.7%	22.2%
Net margin	7.7%	11.2%	12.6%	14.1%	11.4%	15.9%	14.2%	15.2%	13.6%	14.8%	13.6%	14.0%	14.4%	14.1%	14.0%	16.7%
Tax rate	23.5%	22.7%	4.9%	25.6%	19.9%	21.5%	20.0%	21.8%	26.0%	22.2%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%

Sources: Company reports and Sidoti & Company, LLC estimates

Table 2. AAON, Inc. Cash Flow Statement

(in thousands, except where noted)

	Mar	Jun	Sep	Dec	2019	MarA	JunA	SepA	2020E	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	\$76,063	\$70,202	\$95,128
Depreciation and amortization	5,914	5,846	5,867	5,139	22,766	6,002	6,338	6,631	25,471	27,100	28,550
Amortization of bond premiums	-	-	-	0	-	10	10	11	31	-	-
Provision for losses on account receivable	115	13	(37)	0	91	294	(218)	117	193	-	-
Provision for excess and obsolete inventories	357	796	(150)	451	1,454	(274)	81	1,969	1,776	-	-
(Gain)/loss on disposition of assets	284	-	12	41	337	(62)	-	1	(61)	-	-
Share-based compensation	2,030	3,043	2,785	3,941	11,799	2,351	3,343	2,852	10,646	9,400	9,400
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	7,676	-	-
Other	(22)	-	(14)	(9)	(45)	45	(27)	(19)	(1)	-	-
Change in assets and liabilities	(6,554)	(3,914)	12,314	(72)	1,774	7,545	(7,394)	(404)	936	(7,495)	(13,063)
Net cash provided by operating activities	12,768	23,115	35,163	26,888	97,925	37,597	25,165	34,233	122,731	99,207	120,015
Cash flows from investing activities											
Other	-	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of property, plant and equipment	52	7	9	1	69	61	-	-	61	-	-
Investment in certificates of deposit and other	17	(3,989)	4,011	12	51	12	13	13	38	-	-
Capital expenditures	(8,772)	(8,012)	(14,047)	(6,335)	(37,166)	(21,877)	(11,633)	(15,445)	(73,200)	(50,000)	(50,000)
Net cash provided by investing activities	(8,703)	(11,994)	(10,027)	(6,322)	(37,046)	(21,804)	(11,620)	(15,432)	(73,101)	(50,000)	(50,000)
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	18,519	-	-
Other	(588)	(403)	(32)	6,129	5,106	(953)	(149)	(28)	(1,130)	-	-
Repurchase of common stock	(4,483)	(5,708)	(5,246)	(4,149)	(19,586)	(11,565)	(4,372)	(5,453)	(24,390)	(12,000)	(12,000)
Cash dividends paid to stockholders	-	-	(8,303)	(8,342)	(16,645)	-	-	(9,910)	(19,910)	(19,950)	(23,032)
Net cash provided by (used in) financing activities	(1,061)	(2,436)	(9,983)	(5,020)	(18,500)	(8,021)	5,155	(11,045)	(26,911)	(31,950)	(35,032)
Net change in cash	3,004	8,685	15,153	15,546	42,379	7,772	18,700	7,756	22,719	17,257	34,983
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	44,373	67,092	84,348
Cash, ending of period	\$4,998	\$13,683	\$28,836	\$44,382	\$44,373	\$52,145	\$70,845	\$78,601	\$67,092	\$84,348	\$119,331
Free cash flow	\$3,996	\$15,103	\$21,116	\$20,553	60,759	\$15,720	\$13,532	\$18,788	49,531	49,207	70,015
FCF per share	\$0.08	\$0.29	\$0.40	\$0.39	\$1.16	\$0.30	\$0.26	\$0.35	\$0.94	\$0.94	\$1.34

Sources: Company reports and Sidoti & Company, LLC estimates

Table 3. AAON, Inc. Balance Sheet

(in thousands, except where noted)

	Mar	Jun	Sep	2019	MarA	JunA	SepA	2020E	2021E	2022E
Assets										
Current assets:										
Cash	4,998	13,683	28,836	26,797	52,145	70,845	78,601	67,092	84,348	119,331
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	64,719	70,800	77,573
Income tax receivable	4,756	3,246	3,870	772	0	5,154	3,914	3,914	3,914	3,914
Note receivable	27	28	28	29	27	28	29	29	29	29
Inventories	74,577	77,044	80,623	73,601	72,855	85,411	78,819	70,250	76,462	80,463
Prepaid expenses and other	1,607	1,696	1,559	1,375	2,045	1,943	1,973	471	513	554
Total current assets	144,653	168,630	170,999	187,549	196,966	219,775	225,531	206,474	236,067	281,864
Property, plant and equipment, net	166,652	167,631	175,738	178,094	193,029	204,428	208,878	217,692	240,592	279,692
Goodwill	3,229	3,229	3,229	3,501	3,442	3,384	3,326	3,326	3,326	3,326
Long-term securities	2,243	2,153	2,055	1,683	1,641	1,665	1,618	1,618	1,618	1,618
Notes receivables	603	608	594	597	542	555	560	560	560	560
Total assets	317,380	342,251	352,615	371,424	395,620	429,807	439,913	429,670	482,163	567,060
Liabilities and stockholders' equity										
Current liabilities:										
Accounts payable	5,947	7,885	11,118	11,759	13,501	19,698	16,038	11,187	12,141	12,584
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	43,961	47,849	45,156
Total current liabilities	44,000	58,953	53,882	56,388	64,185	76,620	61,506	55,148	59,989	57,741
Deferred tax liabilities	12,713	14,938	15,034	15,297	15,130	20,358	22,973	22,973	22,973	22,973
Other long-term liabilities	3,442	3,791	3,669	9,959	9,982	10,134	10,542	10,542	10,542	10,542
Total stockholders' equity	259,370	264,569	280,030	289,780	306,323	322,695	344,892	341,007	388,659	475,805
Total liabilities and stockholders' equity	319,525	342,251	352,615	371,424	395,620	429,807	439,913	429,670	482,163	567,060
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%	2.2%
Book value/share	\$4.95	\$5.04	\$5.31	\$5.51	\$5.79	\$6.12	\$6.49	\$6.45	\$7.39	\$9.08
Profit Margin	7.7%	11.2%	12.6%	11.4%	15.9%	14.2%	15.2%	14.8%	14.0%	16.7%
Asset Turnover	1.4	1.4	1.3	1.3	1.4	1.2	1.2	1.1	1.1	1.0
Leverage	1.2	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.2	1.2
Net cash	\$5,025	\$17,711	\$28,864	\$44,402	\$52,172	\$70,873	\$78,630	\$67,121	\$84,377	\$119,360
Net cash per share	\$0.14	\$0.38	\$0.59	\$0.88	\$1.02	\$1.37	\$1.51	\$1.30	\$1.64	\$2.31
Inventory turnover	4.9	4.8	4.3	4.6	5.1	4.3	4.7	4.7	4.7	4.6
Return on equity (ROE)	13.5%	20.2%	20.4%	19.4%	28.5%	22.1%	23.7%	20.4%	19.3%	20.0%
Return on assets (ROA)	11.2%	16.2%	17.1%	20.3%	24.5%	18.4%	20.7%	15.9%	16.9%	18.3%
Return on total capital (ROTC)	13.7%	21.6%	22.6%	27.2%	33.3%	27.4%	29.7%	28.9%	21.7%	23.1%

Sources: Company reports and Sidoti & Company, LLC estimates

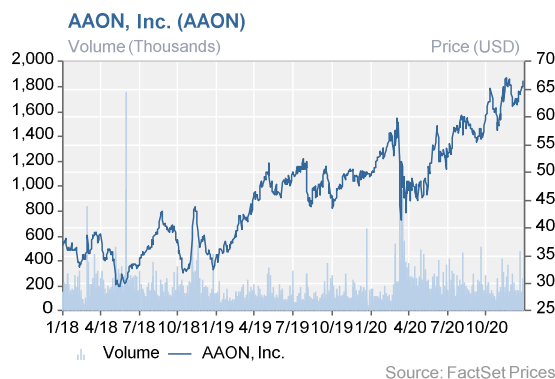
Appendix Required Disclosures

Required Disclosures

AAON, Inc. (AAON-\$66.72) NEUTRAL Price Target: \$69 December 30, 2020

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



Valuation

We re-initiate coverage of AAON shares with a NEUTRAL rating and \$69 price target. AAON shares rose 34% in the past 12 months, compared with a 17% increase in the Russell 2000 Index. In the past five years, the stock traded at a median forward P/E and EV/EBITDA multiple of 20x and 17x, respectively. Currently, shares of AAON trade at 36.7x and 22.3x our respective 2022 EPS and EBITDA estimates. Comparatively, AAON's peer group trades at median forward multiples of 20x P/E and 16x EV/EBITDA. We value AAON shares at 38x our 2022 EPS estimate of \$1.82, which equates to 23x our 2022 EBITDA estimate of \$155 million. Given the limited upside implied by the \$69 price target, we re-initiate coverage of AAON shares with a NEUTRAL rating.

Key Risks

Cyclical end-markets

Rising input costs

U.S. economy

Required Disclosures

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Appendix

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Source

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