

Breaking barriers: Aaon posts record earnings, sales for 4Q

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TULSA – Commercial environmental systems manufacturer Aaon posted numerous record highs in its fourth-quarter and year-end 2012 financial results, easily beating Wall Street estimates.

But its Nasdaq Exchange stock struggled to gain positive territory for much of Thursday's session, finally closing the day up 61 cents to \$26.11. Trading volume totaled 245,073 shares, almost three times Aaon's daily average.

For the three months ended Dec. 31, Tulsa-based Aaon posted a 770-percent rise in net income to a record \$7.6 million, or 31 cents per diluted share, from \$871,000, or 12 cents, a year earlier.

That topped the 23-cent earnings projected from analysts polled by Thomson Financial Network and the 21 cents forecast from the Zacks Investment Research analyst poll.

Sales rose 23 percent to a record \$78 million from \$63.4 million in the same period of 2011.

That brought Aaon's year-end net income to \$27.4 million, or \$1.11 per diluted share, up 96 percent from the \$14 million, or 56 cents, recorded in 2011.

The Thomson analyst consensus had projected \$1.02 per share for 2012, while Zacks had forecast \$1.

Aaon sales rose 14 percent last year to a record \$303.1 million from \$266.2 million in 2011.

That marks the first time its annual sales pierced the \$300 million barrier, said President and Chief Executive Norman H. Asbjornson.

"These results were achieved in spite of a continuing weak national economy," he said in a financial statement Wednesday, pinning the company strength on new product development, including better production lines and facilities, and an improved sales force.

Asbjornson also reminded investors of 2011's abnormal expenses, which dampened year-ago earnings and sales. These included economic limitations to passing on rising material expenses and record snows that damaged Aaon's Tulsa factory roof and undercut production for much of the year.

Tulsa securities analyst Frederic Russell pointed to another factor: the nation's recovering commercial real estate sector.

"They're benefiting from the tremendous recovery in nonresidential construction," said Russell, owner of Tulsa's Fredric E. Russell Investment Management Co. "You build a building and your AC is mandatory."

Aaon gross profit more than doubled in the fourth quarter to \$18.7 million and rose 52.3 percent for all of 2012 to \$70.49 million. Net cash provided by operating activities ended 2012 at \$51.16 million, almost double 2011's \$26.48 million.

“They have tremendous fixed costs, so once they meet those costs, the profits rise much faster than revenue,” said Russell. “The increase in cash flow and net income are very, very dramatic.”

Asbjornson cautioned shareholders about inflationary pressure building among its raw materials, components and labor costs.

“If this continues, our 2012 gross profit may not be sustainable throughout the 2013 calendar year,” he said.

But he projected that the commercial heating and air conditioning manufacturer sector will enjoy flat to modestly improving results this year.

“Based upon this forecast and other factors, we anticipate Aaon having another good year in 2013,” said Asbjornson.

Russell emphasized a key factor for commercial real estate growth.

“As long as we have low interest rates, you’ll see more of this,” he said of Aaon’s strong results.