

## Aaon posts 1Q record sales, earnings

By: Kirby Lee Davis The Journal Record May 5, 2014 0



(Photo by Rip Stell)" width="300" height="159" class="size-medium wp-image-297901" />

Workmen assemble an industrial air-conditioning unit at the Aaon Tulsa plant.

(Photo by Rip Stell)

TULSA – Aaon stock surged 9.24 percent Monday after the Tulsa commercial environmental systems manufacturer posted record first-quarter sales and earnings, beating Wall Street estimates.

President and Chief Executive Norman H. Asbjornson said he expects Aaon to continue setting increased sales and earnings through the rest of 2014.

For the three months ended March 31, Aaon posted a 37.6-percent rise in net income to \$9.8 million, or 26 diluted cents per share, up from \$7.1 million, or 19 cents per share, for the same period of 2013.

Analysts surveyed by Thomson Financial Network had projected 17 cents.

Aaon's earnings per share reflected a 3-for-2 stock split effective July 2, 2013.

Company sales rose 14.3 percent in the latest quarter to \$76.4 million from \$66.8 million the same period a year ago.

Asbjornson attributed the first-quarter gains to higher market share, volume and prices, all achieved in the face of falling material costs. Gross profit as a percentage of sales rose to 28.6 percent from 22.9 percent, while expenses as a percentage of sales fell to 10 percent from 10.4 percent.

Aaon also reported a decline in its backlog, from a record \$71.7 million a year ago to \$51.7 million at March 31. That raised no red flags with Qian Zhang, a research assistant with Tulsa's Fredric E. Russell Investment Management Co.

"Look at how many restaurants in Tulsa have opened," she said. "I think there will be a lot of demand for their air-conditioning systems."

Wall Street seemed to agree. Trading on the Nasdaq Exchange under the symbol AAON, Aaon shares rose \$2.67 to close Monday at \$31.57. Trading volume totaled 268,134 shares.

Aaon income before taxes surged 71 percent in the latest quarter to \$14.3 million from \$8.3 million, the company said Monday. The company's effective tax rate jumped to 31.3 percent this year from 14.6 percent a year ago, Aaon reported in a press release, terming both rates abnormally low due to several retroactive federal tax credits, accounting method changes for state investment credits, and a change in 2013 estimated taxes.

Aaon estimated its 2014 effective tax rate at 34 percent.

The Tulsa manufacturer approved a 30-percent increase in its semiannual cash dividend to 13 cents per share, payable July 1 to shareholders of record June 12.

Zhang praised Monday's report, citing Aaon's strong cash flow and debt-free status.

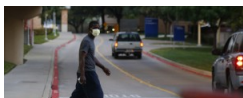
"It suggests the company not only has the power to control its cost of materials, but also its pricing as well," she said.

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