

Aaon eyes industry record for net income growth

By: Kirby Lee Davis The Journal Record August 8, 2013 0



Aaon employees assemble an industrial air-conditioning unit at the company's Tulsa plant. (Photo by Rip Stell)

TULSA – After setting a series of quarterly financial records over the last year, commercial heating and air conditioning unit manufacturer Aaon took it a step further Thursday.

The Tulsa-based company posted not just record quarter and six-month results, but a 13-percent rise in quarterly net income per dollar of sales. Aaon officials think that percentage increase may establish a new quarterly mark for all public HVAC firms.

Officials with the Arlington, Va.-based [Air-Conditioning, Heating, and Refrigeration Institute](#) could not verify that. Neither could those with the [HVAC Insider](#), a group of 15 trade publications serving that industry.

"But it sounds pretty good," said Fred Martel, who oversees four publications for the Covington, Ga.-based organization. "I think construction is on the rise after a long drought. Things seem to be moving in the right direction."

Intrigued by Aaon's claim, market analyst Qian Zhang with Tulsa's [Fredric E. Russell Investment Management Co.](#) studied U.S. Securities and Exchange Commission reports for several of Aaon's competitors. Their net income margin percentages ranged from 2.7 percent to 7.3 percent.

"None of them can match the net income margin of Aaon," she said, checking several Aaon 10Q reports for insight. "I think they have done very good to control their cost."

That echoed comments by [Aaon](#) President Norman H. Asbjornson on how his firm's second-quarter sales and earnings set new highs for any quarter in its history.

- Net income for the three months ended June 30 jumped 30 percent to \$12.1 million, or 33 cents per diluted share, from \$9.3 million, or 25 cents, the prior year.

Thomson Financial Network had projected second-quarter profits of 27 cents per share.

- Sales climbed 9 percent to \$91.2 million from \$83.3 million.

Asbjornson attributed that performance to price increases and declining material costs. That helped Aaon's gross profit as a percent of sales rise 5 percent, even as its selling, general and administrative expenses inched just 1.7 percent higher as a percent of sales – which Asbjornson pinned on profit sharing and warranty expense.

The company also had record sales for any first six months in its history, the latest results rising 7 percent to \$158.1 million from \$148.3 million a year ago. Net income for the first six months of the year soared 39 percent to \$19.3 million, or 52 cents per diluted share, from \$13.9 million, or 37 cents, the prior year.

Boosters might point to those numbers as something of a response to a headline question raised last month in a column by the [Motley Fool's](#) Seth Jayson: "Is Aaon's Cash Machine Slowing Down?"

But even with Thursday's strong marks, which toppled records Aaon set for the same period in 2012, Asbjornson reported mixed results for the company's backlog. The \$66.2 million total at June 30 stood 6.4 percent above year-ago levels, but down 6.8 percent from the record \$71.7 million set at March 31.

That led to the one element of caution Asbjornson offered Thursday – a perceived softening in the market, spurring Aaon to lower its expectations for the year. But the company still anticipates record sales and profits for all of 2013, Asbjornson said.

Wall Street didn't seem to notice. Shares in Aaon's Nasdaq Exchange-traded stock finished Thursday's regular session up 3.5 percent, or 82 cents, to \$24.02. Its trading volume totaled 191,024 shares, 46.8 percent above Aaon's daily average.

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