

Aaon sets records, beats Street hopes

By: Kirby Lee Davis The Journal Record March 13, 2014 0



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

TULSA – Aaon set new earnings records for both the fourth quarter and all of 2013, beating Wall Street expectations.

Shares in its Nasdaq Exchange stock fell 6.49 percent in Thursday's regular trading session, echoing declining market barometers, as fourth-quarter sales trailed the prior-year record. But Aaon President and Chief Executive Norman H. Asbjornson said the Tulsa-based commercial heating and cooling system manufacturer ended 2013 with higher market share, margins and backlog, with no debt. He also forecast a positive outlook for 2014.

Aaon's net income for 2013 jumped 36.9 percent to a record \$37.5 million, or \$1.01 per diluted share, easily beating the 97-cent forecast by Thomson Financial Network. Aaon set its previous annual record profit in 2012, when it finished with a net income of \$27.4 million, or 74 cents per share.

Sales ended the year up 5.9 percent to a record \$321.1 million, beating the prior record set in 2012, \$303.1 million.

Net income for the fourth quarter ended Dec. 31 climbed 2.6 percent to a record \$7.8 million, or 21 cents per diluted share, from \$7.6 million, or 21 cents, for the same period of 2012.

Thomson had projected earnings of 20 cents for the latest quarter.

But sales fell 5.9 percent to \$73.4 million from a fourth-quarter record \$78 million in 2012.

Aaon's overall quarterly sales record stands at \$91.2 million, set in the second quarter of 2013. That three-month period also gave Aaon its overall quarterly earnings record of \$12.1 million.

Asbjornson attributed the sales and income gains to price and market share increases, coupled attractively with material cost declines. That allowed gross profit as a percentage of sales to jump from 23.3 percent to 28 percent.

Sales, general and administration expenses also increased as a percentage of sales, to 10.6 percent from 8.7 percent. He attributed much of that to warranty expense and profit sharing, adding that the company remains debt-free, with stockholder equity of 24.8 percent.

At \$45.3 million, Aaon's backlog finished the year 3.8 percent above year-end 2012 levels.

With a flat to modestly improving outlook for the HVAC sector in 2014, Asbjornson projected that Aaon would record another good year. But shares of Aaon fell \$1.90 Thursday to close the regular session at \$27.37. Trading volume totaled 146,438 shares.

Qian Zhang, a research assistant with Tulsa's Fredric E Russell Investment Management Co., downplayed the stock decline, attributing it to Thursday's overall market momentum.

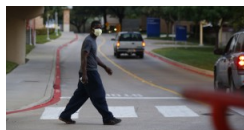
"It's just the big picture's not very good," she said. "Nothing about this company is making investors panic."

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