

## Aaon shares cool off after missed 2Q estimates

By: Kirby Lee Davis The Journal Record August 7, 2014 0



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

TULSA – Aaon shares fell 3.37 percent Thursday after the commercial heating and cooling systems manufacturer posted second-quarter sales and earnings below Wall Street estimates.

Net income dropped 6.2 percent to \$11.4 million, or 20 cents per diluted share, from a record \$12.1 million, or 22 cents, in the second quarter of 2013. Analysts polled by Thomson Financial Network had predicted 23-cent earnings for the latest period.

Net sales inched 1.2 percent higher to a record \$92.3 million from the year-ago record \$91.2 million. But the latest results proved far below the

\$101.28 million consensus projection by Thomson's two analysts.

For the six months ended June 30, Aaon enjoyed a 10-percent rise in earnings to a record \$21.2 million, or 38 cents per diluted share. The company also set a six-month record last year at \$19.3 million, or 35 cents.

Net sales also set a six-month company record, rising 6.7 percent to \$168.7 million from the \$158.1 million record set a year ago.

After opening Thursday with a \$1.57 plunge on the Nasdaq Exchange, Aaon shares finished the regular session down 66 cents to close at \$18.91. Trading volume in that volatile session totaled 347,101 shares, more than twice the company's 50-day daily average of 172,474.

Qian Zhang, investment manager with Tulsa's [Fredric E. Russell Investment Management Co.](#), attributed some of Aaon's market malaise to general turbulence seen in the Dow Jones industrial average and other barometers. She said investors may expect or downplay financial records when scored year after year, as this Tulsa company has accomplished the last two years.

Aaon President and Chief Executive Norman H. Asbjornson pinned the company's second-quarter sales hike on price increases, with gross profit as a percentage of sales remaining steady at 30.2 percent.

Operating expenses rose to 11.5 percent of sales from 10 percent in the second quarter of last year. Asbjornson attributed that to a \$1 million donation of cash and equipment to the Tulsa Central Library renovation.

With no company debt, \$45.6 million in cash and short-term investments, and the company backlog growing to \$67.1 million at June 30, Asbjornson said Aaon would continue scoring record sales and earnings through the rest of 2014.

Thomson analysts project 2014 earnings at 83 cents a share, with revenue reaching \$358.7 million.

"They have a good reputation," Zhang said of Aaon, pointing out its strong position in the replacement market and with expanding customers like Tulsa's QuikTrip. "As long as they keep providing excellence in product and service, I don't think there's a problem."

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