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DELTA REPORT

10-Q

AAON - AAON, INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	735
CHANGES	210
DELETIONS	259
ADDITIONS	266

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2023 March 31, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____________________ to ____________________

Commission file number: 0-18953

AAON, INC.

(Exact name of registrant as specified in its charter)

Nevada	87-0448736
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

2425 South Yukon Ave., Tulsa, Oklahoma 74107
(Address of principal executive offices) (Zip Code)

(918) 583-2266
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $.004 par value per share	AAON	NASDAQ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer", "accelerated filer", "small reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

As of November 2, 2023 April 30, 2024, registrant had outstanding a total of 81,244,857 82,209,281 shares of its $.004 par value Common Stock.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

Consolidated Balance Sheets (Unaudited)

AAON, Inc. and Subsidiaries

		September 30, 2023	December 31, 2022		March 31, 2024	December 31, 2023
Assets	**Assets**	*(in thousands, except share and per share data)*		**Assets**	*(in thousands, except share and per share data)*	
Current assets:	Current assets:			Current assets:		
Cash and cash equivalents	Cash and cash equivalents	$ 212	$ 5,451			
Restricted cash	Restricted cash	22,323	498			
Accounts receivable, net of allowance for credit losses of $385 and $477, respectively		160,108	127,158			
Accounts receivable, net						
Accounts receivable, net						
Accounts receivable, net						
Inventories, net						
Inventories, net						
Inventories, net	Inventories, net	214,507	198,939			
Contract assets	Contract assets	25,306	15,151			
Prepaid expenses and other	Prepaid expenses and other	2,836	1,919			
Total current assets						
Total current assets						
Total current assets	Total current assets	425,292	349,116			
Property, plant and equipment:	Property, plant and equipment:			Property, plant and equipment:		
Land	Land	15,296	8,537			
Buildings	Buildings	193,684	169,156			
Machinery and equipment	Machinery and equipment	381,271	342,045			
Furniture and fixtures	Furniture and fixtures	41,488	30,033			
Total property, plant and equipment	Total property, plant and equipment	631,739	549,771			
Less: Accumulated depreciation	Less: Accumulated depreciation	274,909	245,026			
Property, plant and equipment, net	Property, plant and equipment, net	356,830	304,745			
Intangible assets, net	Intangible assets, net	61,901	64,606			
Intangible assets, net						
Intangible assets, net						
Goodwill	Goodwill	81,892	81,892			
Right of use assets	Right of use assets	12,252	7,123			

Other long-term assets	Other long-term assets	6,376	6,421	
Total assets	Total assets	$ 944,543	$ 813,903	
Liabilities and Stockholders' Equity	**Liabilities and Stockholders' Equity**			
Liabilities and Stockholders' Equity				
Liabilities and Stockholders' Equity				
Current liabilities:	Current liabilities:			Current liabilities:
Accounts payable	Accounts payable	$ 29,917	$ 45,513	
Accrued liabilities				
Accrued liabilities				
Accrued liabilities	Accrued liabilities	90,986	78,630	
Contract liabilities	Contract liabilities	19,576	21,424	
Total current liabilities	Total current liabilities	140,479	145,567	
Revolving credit facility, long-term	Revolving credit facility, long-term	78,420	71,004	
Deferred tax liabilities	Deferred tax liabilities	14,744	18,661	
Other long-term liabilities	Other long-term liabilities	16,247	11,508	
New market tax credit obligation[1]		12,169	6,449	
New markets tax credit obligations[1]				
Commitments and contingencies	Commitments and contingencies			Commitments and contingencies
Stockholders' equity:	Stockholders' equity:			Stockholders' equity:
Preferred stock, $.001 par value, 5,000,000 shares authorized, no shares issued	Preferred stock, $.001 par value, 5,000,000 shares authorized, no shares issued	—	—	
Common stock, $.004 par value, 100,000,000 shares authorized, 81,231,513 and 80,137,776 issued and outstanding at September 30, 2023 and December 31, 2022, respectively[2]		325	322	
Common stock, $.004 par value, 100,000,000 shares authorized, 82,117,680 and 81,508,381 issued and outstanding at March 31, 2024 and December 31, 2023, respectively				
Additional paid-in capital	Additional paid-in capital	109,874	98,735	
Retained earnings[2]		572,285	461,657	

Retained earnings			
Total stockholders' equity	Total stockholders' equity	682,484	560,714
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	$ 944,543	$ 813,903
[1] Held by variable interest entities (Note 16)	[1] Held by variable interest entities (Note 16)		
[2] Reflects three-for-two stock split effective August 16, 2023.			

The accompanying notes are an integral part of these consolidated financial statements.

AAON, Inc. and Subsidiaries

AAON, Inc. and Subsidiaries

AAON, Inc. and Subsidiaries **Consolidated Statements of Income** **(Unaudited)**

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
		(in thousands, except share and per share data)			
		(in thousands, except share and per share data)			
		(in thousands, except share and per share data)			
		(in thousands, except share and per share data)			
Net sales	Net sales	$ 311,970	$ 242,605	$ 861,880	$ 634,190
Cost of sales	Cost of sales	195,861	177,014	574,599	475,159
Cost of sales					
Cost of sales					
Gross profit					
Gross profit					
Gross profit	Gross profit	116,109	65,591	287,281	159,031
Selling, general and administrative expenses	Selling, general and administrative expenses	51,470	28,891	123,684	78,880
Loss (gain) on disposal of assets		(25)	—	(13)	(12)
Selling, general and administrative expenses					
Selling, general and administrative expenses					
(Gain) loss on disposal of assets					

(Gain) loss on disposal of assets

(Gain) loss on disposal of assets

Income from operations

Income from operations

Income from operations	Income from operations	64,664	36,700	163,610	80,163
Interest expense, net	Interest expense, net	(1,266)	(954)	(3,959)	(1,694)

Interest expense, net

Interest expense, net

Other income, net

Other income, net

Other income, net	Other income, net	93	54	370	295
Income before taxes	Income before taxes	63,491	35,800	160,021	78,764

Income before taxes

Income before taxes

Income tax provision

Income tax provision

Income tax provision	Income tax provision	15,413	8,327	29,447	17,286
Net income	Net income	$ 48,078	$ 27,473	$ 130,574	$ 61,478

Net income

Net income

Earnings per share:

Earnings per share:

Earnings per share:	Earnings per share:				
Basic[1]	Basic[1]	$ 0.59	$ 0.34	$ 1.61	$ 0.77

Basic[1]

Basic[1]

Diluted[1]

Diluted[1]

Diluted[1]	Diluted[1]	$ 0.58	$ 0.34	$ 1.57	$ 0.76
Cash dividends declared per common share[1]:	Cash dividends declared per common share[1]:	$ 0.08	$ —	$ 0.24	$ 0.13

Cash dividends declared per common share[1]:

Cash dividends declared per common share[1]:

Weighted average shares outstanding:

Weighted average shares outstanding:

Weighted average shares outstanding:	Weighted average shares outstanding:				

Basic[1]	Basic[1]	81,418,800	79,777,987	81,140,473	79,543,925
Basic[1]					
Basic[1]					
Diluted[1]					
Diluted[1]					
Diluted[1]	Diluted[1]	83,393,054	80,938,074	83,275,208	80,882,798

[1] Reflects three-for-two stock split effective August 16, 2023.

[1] Reflects three-for-two stock split effective August 16, 2023.

[1] Reflects three-for-two stock split effective August 16, 2023.

The accompanying notes are an integral part of these consolidated financial statements.

AAON, Inc. and Subsidiaries **Consolidated Statements of Stockholders' Equity** **(Unaudited)**

Nine Months Ended September 30, 2023

Three Months Ended March 31, 2024

Three Months Ended March 31, 2024

Three Months Ended March 31, 2024

[1] Reflects three-for-two stock split effective August 16, 2023	Common Stock Shares[1]	Common Stock Amount[1]	Paid-in Capital	Retained Earnings[1]	Total
	(in thousands)				
Balances at December 31, 2022	80,138	$ 322	$ 98,735	$461,657	$560,714
Balance at December 31, 2023					
Net income	—	—	—	130,574	130,574
Stock options exercised, restricted stock awards granted, and contingent shares issued (Note 15)	1,517	5	25,246	—	25,251
Stock options exercised and restricted stock awards granted					
Contingent shares issued (Note 15)					
Share-based compensation	—	—	12,102	—	12,102

Common Stock Paid-in Retained

[1] Reflects three-for-two stock split effective August 16, 2023

Shares[1] Amount[1] Capital Earnings[1] Total

(in thousands)

stock awards granted

Stock repurchased and retired	Stock repurchased and retired	(423)	(2)	(26,209)	—	(26,211)
Dividends	Dividends	—	—	—	(19,946)	(19,946)
Balances at September 30, 2023		81,232	$ 325	$109,874	$572,285	$682,484

	Three Months Ended September 30, 2023				
	Common Stock		Paid-in	Retained	
	Shares[1]	Amount[1]	Capital	Earnings[1]	Total
	(in thousands)				
Balances at June 30, 2023	81,569	$ 326	$128,636	$531,149	$660,111
Net income	—	—	—	48,078	48,078
Stock options exercised and restricted stock awards granted	66	1	2,006	—	2,007
Share-based compensation	—	—	4,279	—	4,279
Stock repurchased and retired	(403)	(2)	(25,047)	—	(25,049)
Dividends	—	—	—	(6,942)	(6,942)
Balances at September 30, 2023	81,232	$ 325	$109,874	$572,285	$682,484

Balance at March 31, 2024

	Nine Months Ended September 30, 2022				
	Common Stock		Paid-in	Retained	
	Shares[1]	Amount[1]	Capital	Earnings[1]	Total
	(in thousands)				
Balances at December 31, 2021	78,792	$ 318	$ 81,654	$384,198	466,170
Net income	—	—	—	61,478	61,478
Stock options exercised, restricted stock awards granted, and contingent shares issued (Note 15)	1,265	3	10,987	—	10,990
Share-based compensation	—	—	10,229	—	10,229
Stock repurchased and retired	(234)	—	(8,921)	—	(8,921)
Contingent consideration	—	—	(6,000)	—	(6,000)
Dividends	—	—	—	(10,088)	(10,088)
Balances at September 30, 2022	79,823	$ 321	$ 87,949	$435,588	$523,858

	Three Months Ended September 30, 2022				
	Common Stock		Paid-in	Retained	
	Shares[1]	Amount[1]	Capital	Earnings[1]	Total
	(in thousands)				
Balances at June 30, 2022	79,691	$ 321	$ 82,078	$408,107	$490,506

Three Months Ended March 31, 2023

Three Months Ended March 31, 2023

Three Months Ended March 31, 2023

Common Stock

Shares[1]

Shares[1]

		Shares[1]		Amount[1]	Capital	Earnings[1]	Total
		(in thousands)					(in thousands)
Balances at December 31, 2022							
Net income	Net income	—	—	—	27,473	27,473	
Stock options exercised and restricted stock awards granted	Stock options exercised and restricted stock awards granted	186	—	4,605	—	4,605	
Share-based compensation	Share-based compensation	—	—	3,321	—	3,321	
Share-based compensation							
Share-based compensation							
Stock repurchased and retired	Stock repurchased and retired	(54)	—	(2,055)	—	(2,055)	
Dividends	Dividends	—	—	—	8	8	
Balances at September 30, 2022		79,823	$ 321	$ 87,949	$435,588	$523,858	
Dividends							
Dividends							
Balance at March 31, 2023							

The accompanying notes are an integral part of these consolidated financial statements.

AAON, Inc. and Subsidiaries

Consolidated Statements of Cash Flows **(Unaudited)**

		Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022		Three Months Ended March 31, 2024	2023
Operating Activities	**Operating Activities**	(in thousands)		**Operating Activities**	(in thousands)	
Net income	Net income	$130,574	$ 61,478			
Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:			Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	Depreciation and amortization	33,439	25,624			
Amortization of debt issuance cost		57	32			

Amortization of debt issuance costs				
Amortization of right of use assets	Amortization of right of use assets	166	191	
(Recoveries of) provision for credit losses on accounts receivable, net of adjustments		(92)	300	
Amortization of right of use assets				
Amortization of right of use assets				
Provision for (recoveries of) credit losses on accounts receivable, net of adjustments				
Provision for excess and obsolete inventories, net of write-offs	Provision for excess and obsolete inventories, net of write-offs	2,979	1,380	
Share-based compensation	Share-based compensation	12,102	10,229	
Gain on disposition of assets		(13)	(12)	
Foreign currency transaction loss		—	42	
(Gain) loss on disposition of assets				
Foreign currency transaction loss (gain)				
Interest income on note receivable	Interest income on note receivable	(15)	(17)	
Deferred income taxes	Deferred income taxes	(3,917)	(563)	
Changes in assets and liabilities:	Changes in assets and liabilities:			Changes in assets and liabilities:
Accounts receivable	Accounts receivable	(32,040)	(63,593)	
Income taxes	Income taxes	(12,472)	3,782	
Inventories	Inventories	(18,547)	(47,998)	
Contract assets	Contract assets	(10,155)	(3,843)	
Prepaid expenses and other long-term assets	Prepaid expenses and other long-term assets	(896)	(70)	

Accounts payable	Accounts payable	(15,631)	18,616	
Contract liabilities	Contract liabilities	(1,848)	24,249	
Extended warranties	Extended warranties	2,049	730	
Accrued liabilities and other long-term liabilities	Accrued liabilities and other long-term liabilities	21,405	12,857	
Net cash provided by operating activities	Net cash provided by operating activities	107,145	43,414	
Investing Activities	**Investing Activities**			**Investing Activities**
Capital expenditures	Capital expenditures	(82,900)	(41,586)	
Cash paid for building (Note 18)		—	(22,000)	
Cash paid in business combination, net of cash acquired		—	(249)	
Proceeds from sale of property, plant and equipment	Proceeds from sale of property, plant and equipment	129	12	
Proceeds from sale of property, plant and equipment				
Proceeds from sale of property, plant and equipment				
Software development expenditures				
Principal payments from note receivable				
Principal payments from note receivable				
Principal payments from note receivable	Principal payments from note receivable	39	41	
Net cash used in investing activities	Net cash used in investing activities	(82,732)	(63,782)	
Financing Activities	**Financing Activities**			**Financing Activities**
Proceeds from financing obligation, net of issuance costs	Proceeds from financing obligation, net of issuance costs	6,061	—	
Payment related to financing costs	Payment related to financing costs	(398)	—	
Borrowings under revolving credit facility	Borrowings under revolving credit facility	444,072	151,103	
Payments under revolving credit facility	Payments under revolving credit facility	(436,656)	(114,812)	

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Principal payments on financing lease		—	(115)
Stock options exercised	Stock options exercised	25,251	10,990
Repurchase of stock		(25,009)	(7,943)
Stock options exercised			
Stock options exercised			
Employee taxes paid by withholding shares			
Employee taxes paid by withholding shares			
Employee taxes paid by withholding shares	Employee taxes paid by withholding shares	(1,202)	(978)
Cash dividends paid to stockholders	Cash dividends paid to stockholders	(19,946)	(10,096)
Net cash (used in) provided by financing activities	Net cash (used in) provided by financing activities	(7,827)	28,149
Net increase in cash, cash equivalents and restricted cash		16,586	7,781
Net increase (decrease) in cash, cash equivalents and restricted cash			
Cash, cash equivalents and restricted cash, beginning of period	**Cash, cash equivalents and restricted cash, beginning of period**	5,949	3,487
Cash, cash equivalents and restricted cash, end of period	**Cash, cash equivalents and restricted cash, end of period**	$ 22,535	$ 11,268

The accompanying notes are an integral part of these consolidated financial statements.

AAON, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
(Unaudited)

1. General

Basis of Presentation

AAON, Inc. is a Nevada corporation which was incorporated on August 18, 1987. Our operating subsidiaries include AAON, Inc. ("AAON Oklahoma"), an Oklahoma corporation, AAON Coil Products, Inc. ("AAON Coil Products"), a Texas corporation, and BasX, BASX, Inc. ("BASX"), an Oregon corporation (collectively, the "Company"). The accompanying unaudited consolidated financial statements of AAON, Inc. and our operating subsidiaries, all of which are wholly-owned, have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the rules and regulations of the Securities and Exchange Commission ("SEC").

Our financial statements consolidate all of our affiliated entities in which we have a controlling financial interest. Because we hold certain rights that give us the power to direct the activities of five eight variable interest entities ("VIEs") (Note 16) that most significantly impact the VIEs economic performance, combined with a variable interest that gives us the right to receive potentially significant benefits or the obligation to absorb potentially significant losses, we have a controlling financial interest in those VIEs.

These financial statements have not been audited by the Company's independent registered public accounting firm, except that the consolidated balance sheet at December 31, 2022 December 31, 2023 is derived from audited consolidated financial statements. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. The financial statements reflect all adjustments (all of which are of a normal recurring nature) which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. Interim results are not necessarily indicative of the results that may be expected for a full year. Certain disclosures have been condensed in or omitted from these consolidated financial statements. The accompanying unaudited financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. All intercompany balances and transactions have been eliminated in consolidation.

We are engaged in the engineering, manufacturing, marketing, and sale of premium air conditioning and heating equipment consisting of standard, semi-custom, and custom rooftop units, data center centers cooling solutions, cleanroom systems, packaged outdoor mechanical rooms, air handling units, makeup air units, energy recovery units, condensing units, geothermal/water-source heat pumps, coils, and controls.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Because these estimates and assumptions require significant judgment, actual results could differ from those estimates and could have a significant impact on our results of operations, financial position, and cash flows. We reevaluate our estimates and assumptions as needed, but at a minimum on a quarterly basis. The most significant estimates include, but are not limited to, inventory valuation, inventory reserves, warranty accrual, workers' compensation accrual, medical insurance accrual, income taxes, useful lives of property, plant, and equipment, estimated future use of leased property, share-based compensation, business combinations, revenue percentage of completion and estimated costs to complete. Actual results could differ materially from those estimates.

Inflation and Labor Market

In 2022 and continuing into 2023, we have witnessed increases in our saw the slowing of inflation and some stabilization of raw material and component prices. Due to our favorable liquidity position, we continue to make strategic purchases of materials when we see opportunities. We continue to monitor and manage the increase increases in the cost of raw materials through price increases for our products. We have also experienced supply chain challenges related to specific manufacturing parts, which we have managed through our strong vendor relationships as well as expanding our list of vendors.

Additionally, we continue to experience challenges in a tight labor market, especially the hiring of both skilled and unskilled production labor. We have implemented the following wage increases to remain competitive and to attract and retain employees:

- In March 2022, we awarded annual merit raises for an overall 3.0% increase to wages.
- In October 2022, we implemented a cost of living increase of 3.5% in place for all employees below the Senior Leadership Team ("SLT") level.
- In March 2023, we awarded annual merit raises for an overall 3.9% increase to wages.
- In March 2024, we awarded annual merit raises for an overall 3.3% increase to wages.

We will continue to implement human resource initiatives to retain and attract labor to further increase production capacity. Beginning in 2023, initiatives included changing our employee paid time off policy, historically awarded in arrears at the beginning of each quarter, to accrue ratably over each pay period. Additionally, we enhanced our benefits for short-term disability, life insurance, paid parental leave, and paid military leave.

Despite efforts to mitigate the impact of inflation, supply chain issues and the tight labor market, future disruptions, while temporary, could negatively impact our consolidated financial position, results of operations and cash flows.

Change in Estimate

During the first quarter of 2022, a review of the Company's useful lives for certain sheet metal manufacturing equipment at our Longview, Texas location resulted in a change in estimate that increased the useful lives from between ten and twelve years to fifteen years. This determination was based on recent and estimated future production levels as well as management's knowledge of the equipment and historical and future use of the equipment. The change in estimate was made prospectively and resulted in a decrease to depreciation expense within cost of sales on our consolidated statements of income of $1.8 million during the nine months ended September 30, 2022.

WH Series and WV Series Water Source Heat Pump Units

As part of the normal course of business, management continually monitors the profitability of the Company's various product series offerings. During the third quarter of 2022, management made the decision to no longer produce our small packaged geothermal/water-source heat pump units consisting of the WH Series horizontal configuration and WV Series vertical configuration, from one-half to 12 1/2 tons ("WH/WV"). These WH/WV units were produced solely out of the AAON Oklahoma facility. Production of the remaining WH/WV backlog was completed during the second quarter 2023.

Accounting Policies

A comprehensive discussion of our critical accounting policies and management estimates is included in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

Fair Value Measurements

The carrying amounts of cash and cash equivalents, receivables, accounts payable, and accrued liabilities approximate fair value because of the short-term maturity of the items. The carrying amount of the Company's revolving line of credit, and other payables, approximate their fair values either due to their short term nature, the variable rates associated with the debt or based on current rates offered to the Company for debt with similar characteristics.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. Fair value is based upon assumptions that market participants would use when pricing an asset or liability. We use the following fair value hierarchy, which prioritizes valuation technique inputs used to measure fair value into three broad levels:

- Level 1: Quoted prices in active markets for identical assets and liabilities that we have the ability to access at the measurement date.
- Level 2: Inputs (other than quoted prices included within Level 1) that are either directly or indirectly observable for the asset or liability, including (i) quoted prices for similar assets or liabilities in active markets, (ii) quoted prices for identical or similar assets or liabilities in inactive markets, (iii) inputs other than quoted prices that are observable for the asset or liability, and (iv) inputs that are derived from observable market data by correlation or other means.
- Level 3: Unobservable inputs for the asset or liability including situations where there is little, if any, market activity for the asset or liability. Items categorized in Level 3 include the estimated fair values of property, plant and equipment, intangible assets, contingent consideration, and goodwill acquired in a business combination.

The fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). In some cases, the inputs used to measure fair value might fall into different levels of the fair value hierarchy. The lowest level input that is significant to a fair value measurement determines the applicable level in the fair value hierarchy. Assessing the significance of a particular input to a fair value measurement requires judgment, considering factors specific to the asset or liability.

Definite-Lived Intangible Assets

Our definite-lived intangible assets include various trademarks, service marks, and technical knowledge acquired in business combinations. combinations or asset acquisitions. We amortize our definite-lived intangible assets on a straight-line basis over the estimated

useful lives of the assets. We evaluate the carrying value of our amortizable intangible assets for potential impairment when events and circumstances warrant such a review.

Amortization is computed using the straight-line method over the following estimated useful lives:

Intellectual property	6 - 30 years
Customer relationships	14 years

Software Development Costs

We capitalize costs incurred to purchase or develop software for internal use. Internal-use software development costs are capitalized during the application development stage. These capitalized costs are reflected in intangible assets, net on the consolidated balance sheets and are amortized over the estimated useful life of the software. The useful life of our internal-use software development costs is generally 1-6 years.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill represents the excess of the consideration paid for the acquired businesses over the fair value of the individual assets acquired, net of liabilities assumed. Goodwill and indefinite-lived intangible assets are not amortized, but instead are evaluated for impairment at least annually. We perform our annual assessment of impairment during the fourth quarter of our fiscal year, and more frequently if circumstances warrant.

The changes in the carrying amount of goodwill were as follows:

	Nine Months Ended September 30,	
	2023	**2022**
	(in thousands)	
Balance, beginning of period	$ 81,892	$ 85,727
Additions due to acquisitions	—	—

Decreases due to business combination revisions[1]	—	(3,835)
Balance, end of period	$ 81,892	$ 81,892

[1] Revisions related to the December 2021 acquisition of BASX.

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Balance, beginning of period	$ 81,892	$ 81,892
Additions (decreases) during the period	—	—
Balance, end of period	$ 81,892	$ 81,892

Recent Accounting Pronouncements

Changes to U.S. GAAP are established by the Financial Accounting Standards Board ("FASB") in the form of Accounting Standards Updates ("ASUs") to the FASB's Accounting Standards Codification ("ASC"). We consider the applicability and impact of all ASUs. ASUs not listed or included within the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial statements and notes thereto.

2. Revenue Recognition

The following tables show disaggregated net sales by reportable segment (Note 19) by major source, net of intercompany sales eliminations.

	Three Months Ended September 30, 2023			
	AAON Oklahoma	AAON Coil Products	BASX	Total
	(in thousands)			
Rooftop units	$ 221,417	$ —	$ —	$ 221,417
Condensing units	—	7,636	—	7,636
Air handlers	—	9,862	7,558	17,420
Outdoor mechanical rooms	—	62	—	62
Cleanroom systems	—	—	5,355	5,355
Data center cooling solutions	—	3,284	25,726	29,010
Water-source heat pumps	—	3,898	—	3,898
Part sales	17,756	4	371	18,131
Other[1]	7,281	1,023	737	9,041
	$ 246,454	$ 25,769	$ 39,747	$ 311,970

	Three Months Ended September 30, 2022			
	AAON Oklahoma	AAON Coil Products	BASX	Total
	(in thousands)			
Rooftop units	$ 154,171	$ —	$ —	$ 154,171
Condensing units	—	12,720	—	12,720
Air handlers	—	14,380	2,211	16,591
Outdoor mechanical rooms	58	118	—	176
Cleanroom systems	—	—	15,283	15,283
Data center cooling solutions	—	—	14,884	14,884
Water-source heat pumps	3,236	2,445	—	5,681
Part sales	15,724	—	176	15,900
Other[1]	5,980	841	378	7,199

	$ 179,169	$ 30,504	$ 32,932	$ 242,605

[1] Other sales include freight, extended warranties and miscellaneous revenue.

		Nine Months Ended September 30, 2023			
		AAON Oklahoma	AAON Coil Products	BASX	Total
		(in thousands)			

Three Months Ended March 31, 2024					Three Months Ended March 31, 2024
AAON Oklahoma	AAON Oklahoma	AAON Coil Products	BASX	Total	
(in thousands)					(in thousands)

Rooftop units	Rooftop units	$ 597,508	$ —	$ —	$ 597,508
Condensing units	Condensing units	61	34,243	—	34,304
Air handlers	Air handlers	—	34,693	13,196	47,889
Outdoor mechanical rooms	Outdoor mechanical rooms	208	274	—	482
Cleanroom systems	Cleanroom systems	—	—	35,063	35,063
Data center cooling solutions	Data center cooling solutions	—	6,524	56,079	62,603
Water-source heat pumps	Water-source heat pumps	3,128	10,064	—	13,192
Part sales	Part sales	47,623	5	862	48,490
Other[1]	Other[1]	18,142	3,459	748	22,349
	$				
		$ 666,670	$ 89,262	$ 105,948	$ 861,880

		Nine Months Ended September 30, 2022			
		AAON Oklahoma	AAON Coil Products	BASX	Total
		(in thousands)			

Three Months Ended March 31, 2023

Three Months Ended March 31, 2023

Three Months Ended March 31, 2023

AAON Oklahoma	AAON Oklahoma	AAON Coil Products	BASX	Total
(in thousands)				(in thousands)

Rooftop units	Rooftop units	$ 414,493	$ —	$ —	$ 414,493
Condensing units	Condensing units	242	33,645	—	33,887
Air handlers	Air handlers	—	35,358	6,495	41,853

Outdoor mechanical rooms	Outdoor mechanical rooms	612	488	—	1,100
Cleanroom systems	Cleanroom systems	—	—	31,568	31,568
Data center cooling solutions	Data center cooling solutions	—	—	38,589	38,589
Water-source heat pumps	Water-source heat pumps	8,098	6,596	—	14,694
Part sales	Part sales	39,797	—	507	40,304
Other[1]	Other[1]	13,275	3,106	1,321	17,702
		$ 476,517	$ 79,193	$ 78,480	$634,190
	$				

[1] Other sales include freight, extended warranties and miscellaneous revenue.

Due to the highly customized nature of many of the Company's products and each product not having an alternative use to the Company without significant costs to the Company, the Company recognizes revenue over time as progress is made toward satisfying the performance obligations of each contract. The Company has formal cancellation policies and generally does not accept returns on these units. As a result, many of the Company's products do not have an alternative use and therefore, for these products we recognize revenue over the time it takes to produce the unit.

Contract costs include direct materials, direct labor, installation, freight and delivery, commissions and royalties. Other costs not related to contract performance, such as indirect labor and materials, small tools and supplies, operating expenses, field rework and back charges are charged to expense as incurred. Provisions for estimated losses on contracts in progress are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions and final contract settlements, may result in revisions to costs and income, and are estimated and recognized by the Company throughout the life of the contract. The aggregate of costs incurred and income recognized on uncompleted contracts in excess of billings is shown as a contract asset within our consolidated

balance sheets, and the aggregate of billings on uncompleted contracts in excess of related costs incurred and income recognized is shown as a contract liability within our consolidated balance sheets.

For all other products that are part sales or standardized units, the Company recognizes revenue, presented net of sales tax, when it satisfies the performance obligation in its contracts. As the primary performance obligation in such a contract is delivery of the requested manufactured equipment, we satisfy the performance obligation when the control is passed to the customer, generally at time of shipment. Final sales prices are fixed based on purchase orders.

Sales allowances and customer incentives are treated as reductions to sales and are provided for based on historical experiences and current estimates.

Historically, sales of our products were moderately seasonal with the peak period being May-October of each year due to timing of construction projects being directly related to warmer weather. However, in recent years, given the increases in demand of our product and increases in our backlog, sales have has become more constant throughout the year.

Product Warranties

A provision is made for the estimated cost of maintaining product warranties to customers at the time the product is sold based upon historical claims experience by product line. The Company records a liability and an expense for estimated future warranty claims based upon historical experience and management's estimate of the level of future claims. Changes in the estimated amounts recognized in prior years are recorded as an adjustment to the liability and expense in the current year.

The Company also sells extended warranties on parts for various lengths of time ranging from six months to 10 years. Revenue for these separately priced warranties is deferred and recognized on a straight-line basis over the separately priced warranty period.

Representatives and Third Party Products

We are responsible for billings and collections resulting from all sales transactions, including those initiated by our independent manufacturer representatives ("Representatives"). Representatives are national companies that are in the business of providing HVAC units and other related products and services to customers. The end user customer orders a bundled group of products and services from the Representative and expects the Representative to fulfill the order. These additional products and services may include controls purchased from another manufacturer to operate the unit, start-up services, and curbs for supporting the unit ("Third Party Products"). All are associated with the purchase of a HVAC unit but may be provided by the Representative or another third party. Only after the specifications are agreed to by the Representative and the customer, and the decision is made to use an AAON HVAC unit, will we receive notice of the order. We establish the amount we must receive for our HVAC unit ("minimum sales price"), but do not control the total order price that is negotiated by the Representative with the end user customer. The Representatives submit the total order price to us for invoicing and collection. The total order price includes our minimum sales price and an additional amount which may include both the Representatives' fee and amounts due for additional products and services required by the customer. The Company is considered the principal for the equipment we design and manufacture and records that revenue. The Company has no control over the Third Party Products to the end customer and the Company is under no obligation related to the Third Party Products. Amounts related to Third Party Products are not recognized as revenue but are recorded as a liability and are included in accrued liabilities on the consolidated balance sheets.

The Representatives' fee and Third Party Products amounts ("Due to Representatives") are paid only after all amounts associated with the order are collected from the customer. The amount of payments to our Representatives were $20.1 million $10.8 million and $10.8 million $13.3 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $46.4 million and $28.7 million for the nine months ended September 30, 2023 and 2022, 2023, respectively.

3. Leases

The Company has various lease arrangements for certain manufacturing and warehousing facilities, equipment rental, as well as administrative facilities. Lease expiration dates, including expected renewal options, range from April 2025 to November 2033.

The discount rates used to calculate the present value of lease payment range from 1.3% to 6.6% as of March 31, 2024. Currently, all leases are classified as operating leases.

The following table presents the balances by lease type:

		Balance Sheet Classification	September 30, 2023	December 31, 2022			
		Balance Sheet Classification			Balance Sheet Classification	March 31, 2024	December 31, 2023
Operating Leases	**Operating Leases**						
Right of use assets							
Right of use assets							
Right of use assets	Right of use assets	Right of use assets	$ 12,252	$ 7,123			
Lease liability, short-term	Lease liability, short-term	Accrued liabilities	$ 1,858	$ 1,254			
Lease liability, long-term	Lease liability, long-term	Other long-term liabilities	$ 10,684	$ 5,993			

Since 2018, the Company has leased the manufacturing, engineering, and office space used by our operations in Parkville, Missouri, which is classified as an operating lease. In October 2022, the Parkville, Missouri Missouri. The lease was amended to expand our provides approximately 86,000 square feet of manufacturing and office space from 51,000 square feet to 86,000 square feet. The amended lease provides for approximately 31,000 square feet of additional manufacturing and engineering space and approximately 4,000 square feet of additional office space. The amended lease extends the lease term through expires December 31, 2032.

In November 2022, the Company entered into a lease agreement for land and facilities in Tulsa, Oklahoma which provides an additional 198,000 square feet to support our operations. In January 2024, we amended the lease for an additional 157,550 square feet for operations and parts distribution. The amended lease term will expire October 31, 2025 November 30, 2029.

On July 28, 2023, In July 2023, the Company entered into a lease agreement with a start date of September 1, 2023, for land and approximately 72,000 square feet of facilities in Redmond, Oregon to support our manufacturing operations. The lease term is approximately five years with additional renewal options.

We also lease several properties near our Redmond, Oregon location. In the aggregate, these leases contain approximately 104,500 square feet of additional warehouse space. These leases have expiring terms from February 2025 to November 2033.

Total undiscounted future lease payments are as follows:

		(in thousands)
2024	$	2,415
2025		3,100
2026		3,046
2027		3,136
2028		3,130
Thereafter		6,403

4. Accounts Receivable

Accounts receivable and the related allowance for credit losses are as follows:

		September 30, 2023	**December 31, 2022**	**March 31, 2024**	**December 31, 2023**
		(in thousands)		*(in thousands)*	
Accounts receivable	Accounts receivable	$ 160,493	$ 127,635		
Less: Allowance for credit losses	Less: Allowance for credit losses	(385)	(477)		
Total, net	Total, net	$ 160,108	$ 127,158		

		Three Months Ended		**Nine Months Ended**		**Three Months Ended**		
		September 30, 2023	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**		**March 31, 2024**	**March 31, 2023**
Allowance for credit losses:	Allowance for credit losses:	*(in thousands)*				Allowance for credit losses:	*(in thousands)*	
Balance, beginning of period	Balance, beginning of period	$ 306	$ 563	$ 477	$ 549			
Provisions for (recoveries of) expected credit losses, net of adjustments	Provisions for (recoveries of) expected credit losses, net of adjustments	79	119	(92)	300			
Accounts receivable written off, net of recoveries		—	—	—	(167)			
Balance, end of period	Balance, end of period	$ 385	$ 682	$ 385	$ 682			
Balance, end of period								
Balance, end of period								

5. Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined by the first-in, first-out (“FIFO”) method. We establish an allowance for excess and obsolete inventories based on product line changes, the feasibility of substituting parts and the need for supply and replacement parts.

The components of inventories and related changes in the allowance for excess and obsolete inventories account are as follows:

		September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
		(in thousands)		*(in thousands)*	
Raw materials	Raw materials	$ 209,697	$ 194,159		
Work in process	Work in process	4,379	3,501		
Finished goods	Finished goods	5,219	5,806		
Total, gross	Total, gross	219,295	203,466		
Less: Allowance for excess and obsolete inventories	Less: Allowance for excess and obsolete inventories	(4,788)	(4,527)		
Total, net	Total, net	$ 214,507	$ 198,939		

		Three Months Ended		Nine Months Ended		Three Months Ended		
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022		March 31, 2024	March 31, 2023
Allowance for excess and obsolete inventories:	Allowance for excess and obsolete inventories:	*(in thousands)*				Allowance for excess and obsolete inventories:	*(in thousands)*	
Balance, beginning of period	Balance, beginning of period	$ 5,281	$ 1,871	$ 4,527	$ 1,787			
Provision for (recoveries of) excess and obsolete inventories	Provision for (recoveries of) excess and obsolete inventories	1,521	1,232	2,979	1,380			
Inventories written off	Inventories written off	(2,014)	(38)	(2,718)	(102)			
Inventories written off								
Inventories written off								
Balance, end of period	Balance, end of period	$ 4,788	$ 3,065	$ 4,788	$ 3,065			

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6. Intangible assets

Our intangible assets consist of the following:

		September 30, 2023	December 31, 2022		March 31, 2024	December 31, 2023
Definite-lived intangible assets	Definite-lived intangible assets	*(in thousands)*		Definite-lived intangible assets	*(in thousands)*	
Intellectual property	Intellectual property	$ 6,295	$ 6,295			
Customer relationships	Customer relationships	47,547	47,547			
Capitalized internal-use software						
Less: Accumulated amortization	Less: Accumulated amortization	(6,512)	(3,807)			
Total, net	Total, net	47,330	50,035			
Indefinite-lived intangible assets	Indefinite-lived intangible assets					
Indefinite-lived intangible assets						
Indefinite-lived intangible assets						
Trademarks						
Trademarks						
Trademarks	Trademarks	14,571	14,571			
Total intangible assets, net	Total intangible assets, net	$ 61,901	$ 64,606			

Amortization expense recorded in selling, general and administrative expenses is as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	(in thousands)			
Amortization expense	$ 902	$ 902	$ 2,705	$ 2,698

	Three Months Ended	
	March 31, 2024	March 31, 2023
	(in thousands)	
Amortization expense	$ 1,706	$ 902

Excluding the impact of any

Total future acquisitions, the Company anticipates amortization expense to be $3.6 million for each of the years ending 2023 through 2027. finite-lived intangible assets was estimated as follows:

	(in thousands)
2024	$ 3,662
2025	4,656
2026	4,656

2027	4,656
2028	4,552
Thereafter	29,073
Total future amortization expense	51,255
Internal-use software projects in process	4,838
Total	$ 56,093

7. Supplemental Cash Flow Information

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Supplemental disclosures:	*(in thousands)*				*(in thousands)*	
Interest paid	$ 1,187	$ 974	$ 3,814	$ 1,507		
Interest paid						
Interest paid						
Income taxes paid	$ 12,081	$ 3,086	$ 45,724	$ 14,067		
Non-cash investing and financing activities:						
Non-cash capital expenditures	$ (1,536)	$ 306	$ 35	$ 985		
Non-cash capital expenditures						
Non-cash capital expenditures						
Contingent shares issued (Note 15)						

8. Warranties

The Company has product warranties with various terms from one year from the date of first use or 18 months for parts, data center cooling solutions, and cleanroom systems to 25 years for certain heat exchangers. The Company has an obligation to replace parts if conditions under the warranty are met. A provision is made for estimated warranty costs at the time the related products are sold based upon the warranty period, historical trends, new products, and any known identifiable warranty issues.

Changes in the warranty accrual are as follows:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Warranty accrual:	*(in thousands)*				*(in thousands)*	
Balance, beginning of period	$ 16,900	$ 14,381	$ 15,682	$ 13,769		
Payments made	(3,337)	(2,196)	(7,653)	(5,094)		
Warranty expense	4,248	3,046	9,782	6,556		

Balance, end of period	Balance, end of period	$ 17,811	$ 15,231	$ 17,811	$ 15,231

9. Accrued Liabilities and Other Long-Term Liabilities

Accrued liabilities were comprised of the following:

		September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
		(in thousands)		*(in thousands)*	
Warranty	Warranty	$ 17,811	$ 15,682		
Due to representatives	Due to representatives	15,888	15,545		
Payroll	Payroll	18,105	11,901		
Profit sharing	Profit sharing	7,349	5,451		
Workers' compensation	Workers' compensation	428	367		
Medical self-insurance	Medical self-insurance	1,745	1,178		
Customer prepayments	Customer prepayments	1,462	3,750		
Donations, short-term	Donations, short-term	419	637		
Litigation settlement (Note 17)		7,500	—		
Accrued income taxes					
Accrued income taxes					
Accrued income taxes	Accrued income taxes	113	12,472		
Employee vacation time	Employee vacation time	10,131	6,329		
Extended warranties, short-term					
Lease liability, short-term	Lease liability, short-term	1,858	1,254		
Property taxes	Property taxes	2,493	—		
Extended warranties, short-term		2,909	1,330		
Other	Other	2,775	2,734		
Total	Total	$ 90,986	$ 78,630		

Other long-term liabilities were comprised of the following:

		September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
		(in thousands)		*(in thousands)*	
Lease liability	Lease liability	$ 10,684	$ 5,993		

Extended warranties	Extended warranties	5,009	4,539
Donations and other	Donations and other	554	976
Total	Total	$ 16,247	$ 11,508

10. Revolving Credit Facility

On May 27, 2022, we amended our $100.0 million Amended and Restated Loan Agreement dated November 24, 2021 (as amended, “Revolver”), to provide for maximum borrowings of $200.0 million. As of September 30, 2023 and December 31, 2022 March 31, 2024 we had no amounts outstanding under our Revolver. As of December 31, 2023, we had $78.4 million and $71.0 $38.3 million outstanding under the Revolver, respectively. Revolver. We have two standby letters of credit totaling $2.3 million as of September 30, 2023 March 31, 2024. Borrowings available under the Revolver at September 30, 2023 March 31, 2024 were $119.3 $197.7 million. The Revolver expires on May 27, 2027. On April 20, 2023, we We have amended the Revolver to allow for the occurrence of transactions associated with the New Markets Tax Credit executed on April 25, 2023 transactions (Note 16).

Any outstanding loans under the Revolver bear interest at the daily compounded secured overnight financing rate ("SOFR") plus the applicable margin. Applicable margin, ranging from 1.25% - 1.75%, is determined quarterly based on the Company's leverage ratio. The Company is also subject to letter of credit fees, ranging from 1.25% - 1.75%, and a commitment fee, ranging from 0.10% - 0.20%. The applicable fee percentage is determined quarterly based on the Company's leverage ratio. The weighted average interest rate on borrowings outstanding on the Revolver was 6.5% 6.6% and 6.3% 6.0% for the three and nine months ended September 30, 2023, respectively, as compared to 3.5% March 31, 2024 and 2.5% for the three and nine months ended September 30, 2022, 2023, respectively. Fees associated with the unused portion of the committed amount are included in interest expense on our consolidated statements of income for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023, respectively.

If SOFR cannot be determined pursuant to the definition, as defined by the Revolver agreement, any outstanding affected loans will be deemed to have been converted into alternative base rate ("ABR") loans. ABR loans would bear interest at a rate per annum equal to the highest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Rate in effect on such day plus 0.50%, or (c) daily simple SOFR for a one-month tenor in effect on such day plus 1.00%.

At September 30, 2023 March 31, 2024, we were in compliance with our covenants, as defined by the Revolver. Our financial covenants require that we meet certain parameters related to our leverage ratio. At September 30, 2023 March 31, 2024, our leverage ratio was 0.33 0.01 to 1.0, which meets the requirement of not being above 3 to 1.

11. Income Taxes

The provision (benefit) for income taxes consists of the following:

		Three Months Ended		Nine Months Ended		
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	
		(in thousands)				*(in thousands)*
Current	Current	$ 14,892	$ 8,763	$ 33,364	$ 17,849	
Deferred	Deferred	521	(436)	(3,917)	(563)	
Deferred						
Deferred						
Income tax provision	Income tax provision	$ 15,413	$ 8,327	$ 29,447	$ 17,286	
Income tax provision						
Income tax provision						

The provision for income taxes differs from the amount computed by applying the Federal statutory income tax rate before the provision for income taxes.

The reconciliation of the Federal statutory income tax rate to the effective income tax rate is as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022

Federal statutory rate	Federal statutory rate	21.0 %	21.0 %	21.0 %	21.0 %
Federal statutory rate					
Federal statutory rate					
State income taxes, net of Federal benefit					
State income taxes, net of Federal benefit					
State income taxes, net of Federal benefit	State income taxes, net of Federal benefit	3.4	5.0	4.0	4.7
Excess tax benefits related to share-based compensation (Note 12)	Excess tax benefits related to share-based compensation (Note 12)	(0.8)	(1.5)	(3.9)	(1.6)
Excess tax benefits related to share-based compensation (Note 12)					
Excess tax benefits related to share-based compensation (Note 12)					
Return to provision	Return to provision	0.9	(0.4)	0.3	(0.5)
Return to provision					
Return to provision					
Non-deductible executive compensation					
Non-deductible executive compensation					
Non-deductible executive compensation					
Research and development credits	Research and development credits	(0.2)	(0.7)	(0.9)	(1.0)
Change in valuation allowance (Oklahoma Investment Credit)		—	—	(2.0)	—
Research and development credits					
Research and development credits					
Other					
Other					
Other	Other	—	(0.1)	(0.1)	(0.7)
Effective tax rate	Effective tax rate	24.3 %	23.3 %	18.4 %	21.9 %
Effective tax rate					
Effective tax rate					

We have historically earned investment tax credits from the state of Oklahoma's manufacturing property investment program. We use the flow-through method to account for investment tax credits earned on eligible tangible asset expenditures. Under this method, the investment tax credits are recognized as a reduction to our Oklahoma income tax expense in the year they are used. As part of our expansion projects in Oklahoma, we identified a separate, more advantageous Oklahoma credit program (non (not income tax related) which will cause resulted in us to discontinue discontinuing our accumulation of credits for Oklahoma's manufacturing property investment program after the 2022 tax year.

The Company had investment tax credit carryforwards with a valuation allowance reserved against them as we did not have sufficient taxable income to utilize the carryforwards, in part because we generated more credit each year than we were able to utilize. Because the Company will not generate additional excess credits after our 2022 tax year, we will be able to use our credit carryforwards against future taxable income and the related valuation allowance was reversed resulting in a one-time benefit of $3.1 million to the income tax provision for the nine months ended September 30, 2023. As of September 30, 2023 March 31, 2024, we have investment tax credit carryforwards of approximately $3.8 $2.3 million. These credits have estimated expirations from the year 2039 through 2043.

In accordance with the 2017 Tax Cuts & Jobs Act, under Internal Revenue Code Section 162(m), the tax deduction for covered executives of public companies is limited to $1.0 million per individual. Because of the increase in our stock price and timing of executive stock option exercises this resulted in an increase to the income tax provision of $0.5 million for the three months ended March 31, 2024.

In accordance with the 2017 Tax Cuts & Jobs Act, under Internal Revenue Code Section 174, research and development expenses incurred after December 31, 2021 are required to be capitalized and amortized over 5 years. The amortization requirements for tax purposes is a mid-year convention, meaning that the tax amortization is 10% in the year of acquisition, 20% in the following 4 years, and 10% in the final year.

The Company's estimated annual 2023 2024 effective tax rate, excluding discrete events, is approximately 24.1% 25.6%. We file income tax returns in the U.S., state and foreign income tax returns return jurisdictions. We are subject to U.S. income tax examinations for tax years 2019 2020 to present, and to non-U.S. income tax examinations for the tax years 2018 2019 to present. In addition, we are subject to state and local income tax examinations for the tax years 2018 2019 to present. The Company continues to evaluate its need to file returns in various state jurisdictions. Any interest or penalties would be recognized as a component of income tax expense.

12. Share-Based Compensation

As discussed in Note 15, the Company declared a three-for-two stock split effective August 16, 2023. All share and per share information has been updated to reflect the effect of this stock split.

On May 22, 2007, our stockholders adopted a Long-Term Incentive Plan ("LTIP") which provided an additional 5.0 million shares that could be granted in the form of stock options, stock appreciation rights, restricted stock awards, performance units and performance awards. Under the LTIP, the exercise price of shares granted could not be less than 100% of the fair market value at the date of the grant.

On May 24, 2016, our stockholders adopted the 2016 Long-Term Incentive Plan ("2016 Plan") which provides for approximately 13.4 million shares, comprised of 5.1 million new shares provided for under the 2016 Plan, approximately 0.6 million shares that were available for issuance under the previous LTIP that are now authorized for issuance under the 2016 Plan, approximately 3.9 million shares that were approved by the stockholders on May 15, 2018, and an additional 3.8 million shares that were approved by the stockholders on May 12, 2020.

Under the 2016 Plan, shares can be granted in the form of stock options, stock appreciation rights, restricted stock awards, performance awards, dividend equivalent rights, and other awards. Under the 2016 Plan, the exercise price of shares granted may not be less than 100% of the fair market value at the date of the grant. The 2016 Plan is administered by the Compensation Committee of the Board of Directors or such other committee of the Board of Directors as is designated by the Board of Directors (the "Committee"). Membership on the Committee is limited to independent directors. The Committee may delegate certain duties to one or more officers of the Company as provided in the 2016 Plan. The Committee determines the persons to whom awards are to be made, determines the type, size and terms of awards, interprets the 2016 Plan, establishes and revises rules and regulations relating to the 2016 Plan and makes any other determinations that it believes necessary for the administration of the 2016 Plan.

Options

The following weighted average assumptions were used to determine the fair value of the stock options granted on the original grant date for expense recognition purposes for options granted during the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 using a Black Scholes-Merton Model:

		Nine months ended			Three months ended	
		September 30, 2023	September 30, 2022		March 31, 2024	March 31, 2023
Directors and SLT[1]:	**Directors and SLT[1]:**			**Directors and SLT[1]:**		
Expected (annual) dividend rate	Expected (annual) dividend rate	$0.32	$0.25	Expected (annual) dividend rate	$0.32	$0.32
Expected volatility	Expected volatility	37.89%	36.00%	Expected volatility	38.00%	37.89%
Risk-free interest rate	Risk-free interest rate	4.39%	2.21%	Risk-free interest rate	4.13%	4.40%
Expected life (in years)	Expected life (in years)	4.0	4.0	Expected life (in years)	4.0	4.0
Employees:	**Employees:**					
Expected (annual) dividend rate	Expected (annual) dividend rate	$0.32	$0.25			
Expected (annual) dividend rate						
Expected (annual) dividend rate					$0.32	$0.32
Expected volatility	Expected volatility	38.30%	37.38%	Expected volatility	33.47%	39.55%
Risk-free interest rate	Risk-free interest rate	4.41%	2.20%	Risk-free interest rate	4.26%	4.48%
Expected life (in years)	Expected life (in years)	3.0	3.0	Expected life (in years)	3.0	3.0

[1] SLT consists of officers and key members of management.

The expected term of the options is based on evaluations of historical and expected future employee exercise behavior. The risk-free interest rate is based on the U.S. Treasury rates at the date of grant with maturity dates approximately equal to the expected life at the grant date. Volatility is based on historical volatility of our stock over time periods equal to the expected life at grant date.

The following is a summary of stock options vested and exercisable as of September 30, 2023 March 31, 2024:

Range of Exercise Prices	Number of Shares	Weighted Average Remaining

Range of Exercise Prices				Number of Shares	Weighted Average Remaining Contractual Life *(in years)*	Weighted Average Exercise Price	I *(in t*
$ 13.95	-	$ 27.58		1,528,983 1,542,537	4.52 4.14	$ 24.70 24.98	$
$ 28.28	-	$ 37.16 37.07		534,293 672,291	6.72 6.51	30.91 31.57	
$ 37.63 37.09	-	$ 69.62 85.52		210,415 363,230	7.44 7.43	48.06 50.92	
			Total	2,273,691 2,578,058	5.31 5.22	$ 28.32 30.36	$

A summary of stock option activity under the plans is as follows:

Stock Options	Stock Options	Shares	Weighted Average Exercise Price	Stock Options	Shares	Weigl Aver Exer Pri
Outstanding at December 31, 2022		4,560,520	$ 30.14			
Outstanding at December 31, 2023						
Granted	Granted	326,506	61.16			
Exercised	Exercised	(864,524)	29.19			
Forfeited or Expired	Forfeited or Expired	(106,291)	33.90			
Outstanding at September 30, 2023		3,916,211	$ 32.83			
Exercisable at September 30, 2023		2,273,691	$ 28.32			
Outstanding at March 31, 2024						
Exercisable at March 31, 2024						

The total pre-tax compensation cost related to unvested stock options not yet recognized as of September 30, 2023 March 31, 2024 is $10.7 million $14.7 millio to be recognized over a weighted average period of approximately 1.3 2.3 years.

The total intrinsic value of options exercised during the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 was $27.6 million $14.: million $16.7 million, respectively. The cash received from options exercised during the nine three months ended September 30, 2023 March 31, 2024 and 202 million $9.8 million and $11.0 million $15.9 million, respectively. The impact of these cash receipts is included in financing activities in the accompanying consolida cash flows.

Restricted Stock

The fair value of restricted stock awards is based on the fair market value of AAON, Inc. common stock on the respective grant dates, reduced for the present v At September 30, 2023 March 31, 2024, unrecognized compensation cost related to unvested restricted stock awards was approximately $5.7 million $7.6 expected to be recognized over a weighted average period of approximately 1.5 2.1 years.

A summary of the unvested restricted stock awards is as follows:

		Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2022		217,168	$ 33.34
	Shares	Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2023			
Granted	Granted	73,633	59.70
Vested	Vested	(92,977)	32.57
Forfeited	Forfeited	(4,846)	38.52
Unvested at September 30, 2023		192,978	$ 43.64
Unvested at March 31, 2024			

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PSUs

We have awarded performance restricted stock units ("PSUs") to certain officers and employees under our 2016 Plan. Unlike our restricted stock awards, th considered legally outstanding and do not accrue dividends during the vesting period. These PSUs vest based on the level of achievement with respect to th shareholder return ("TSR") benchmarked against similar companies included in the capital goods sector of the S&P SmallCap 600 Index. The TSR measurem years. At the end of the measurement period, each award will be converted into common stock at 0% to 200% of the PSUs held, depending on overall TSR a S&P SmallCap 600 Index benchmark companies.

The total pre-tax compensation cost related to unvested PSUs not yet recognized as of September 30, 2023 March 31, 2024 is $5.0 $8.5 million and is expectec over a weighted average period of approximately 1.7 2.0 years.

The following weighted average assumptions were used to determine the fair value of the PSUs granted on the original grant date for expense recognition purpos granted during the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 using a Monte Carlo Model:

		Nine months ended September 30, 2023	Nine months ended September 30, 2022		Three months ended March 31, 2024	March 3
Expected (annual) dividend rate	Expected (annual) dividend rate	$0.32	$0.25			
Expected (annual) dividend rate						
Expected (annual) dividend rate					$0.32	$0
Expected volatility	Expected volatility	32.71%	37.60%	Expected volatility	33.99%	32.7
Risk-free interest rate	Risk-free interest rate	4.66%	2.00%	Risk-free interest rate	4.31%	4.6

Expected life (in years)	Expected life (in years)	2.8	2.8	Expected life (in years) 2.8 2

The expected term of the PSUs is based on their remaining performance period. The risk-free interest rate is based on the U.S. Treasury rates at the date of g dates approximately equal to the expected life at the grant date. Volatility is based on historical volatility of our stock over time periods equal to the expected life a

A summary of the unvested PSUs is as follows:

		Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2022		93,982	$ 36.62
	Shares		Shares
Unvested at December 31, 2023			
Granted	Granted	58,130	84.42
Additional target payout[1]			
Vested	Vested	—	—
Forfeited	Forfeited	—	—
Unvested at September 30, 2023[1]		152,112	$ 54.88

[1]Consists of 22,222 PSUs cliff vesting December 31, 2023, 71,760 PSUs cliff vesting December 31, 2024, and 58,130 PSUs cliff vesting December 31, 2025.

Unvested at March 31, 2024[2]

[1] The additional number of PSUs earned based on a 110% achievement at December 31, 2023 for awards vesting in 2024.

[1] The additional number of PSUs earned based on a 110% achievement at December 31, 2023 for awards vesting in 2024.

[2] Consists of 71,760 PSUs cliff vesting December 31, 2024, 58,130 PSUs cliff vesting December 31, 2025, and 46,699 PSUs cliff vesting December 31, 2026.

[2] Consists of 71,760 PSUs cliff vesting December 31, 2024, 58,130 PSUs cliff vesting December 31, 2025, and 46,699 PSUs cliff vesting Decem 2026.

Key Employee Awards

As part of the December 2021 acquisition of BASX, the Company granted awards to key employees of BASX ("Key Employee Awards"). Unlike our restricted st the 2016 Plan, the Key Employee Awards are not considered legally outstanding and do not accrue dividends during the vesting period. The potential future iss Employee Awards is was contingent upon BASX meeting certain post-closing earn-out milestones during each of the years ending 2021, 2022 and 2023 as def acquisition membership interest purchase agreement ("MIPA Agreement") and continued employment with the Company. At the end of the earn-out period, end

2023, each eligible Key Employee Award will vest vested and be was converted into common stock. The fair value of Key Employee Awards is based on the fa AAON common stock on the grant date.

The total All pre-tax compensation cost related to unvested Key Employee Awards not yet has been recognized as of September 30, 2023 is $0.3 million Decem is expected to be recognized over a weighted average period of approximately 0.3 years. all awards vested in March 2024.

A summary of the unvested Key Employee Awards is as follows:

	Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2022	39,899	$ 53.45

	Shares	Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2023			
Granted	Granted	—	—
Vested	Vested	—	—
Forfeited	Forfeited	—	—
Unvested at September 30, 2023		39,899	$ 53.45
Unvested at March 31, 2024			

Share-Based Compensation

A summary of share-based compensation is as follows:

		Three Months Ended		Nine Months Ended			
		Three Months Ended					
		Three Months Ended					
		Three Months Ended					
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022		March 31, 2024
Grant date fair value of awards during the period:	Grant date fair value of awards during the period:		(in thousands)			Grant date fair value of awards during the period:	(in thousand
Options	Options	$ 106	$ 480	$ 5,224	$ 5,979		
PSUs	PSUs	—	109	4,907	2,190		
Restricted stock	Restricted stock	246	164	4,396	3,319		
Total	Total	$ 352	$ 753	$ 14,527	$ 11,488		
Total							
Total							

Share-based compensation expense:	Share-based compensation expense:				
Share-based compensation expense:					
Share-based compensation expense:					
Options					
Options					
Options	Options	$ 2,228	$ 2,104	$ 6,604	$ 6,483
PSUs	PSUs	737	188	1,820	665
Restricted stock	Restricted stock	1,053	768	2,903	2,290
Key employee awards		261	261	775	791
Key Employee Awards					
Total	Total	$ 4,279	$ 3,321	$ 12,102	$ 10,229
					Income tax benefit related to share-based compensation:
Income tax benefit related to share-based compensation:					
Income tax benefit related to share-based compensation:					
Options	Options	$ 478	$ 531	$ 5,639	$ 1,022
PSUs					
Restricted stock	Restricted stock	16	3	680	231
Key Employee Awards					
Total	Total	$ 494	$ 534	$ 6,319	$ 1,253

Share-based compensation expense is recognized on a straight-line basis over the service period of the related share-based compensation award. Historically, restricted stock awards, granted to employees, vested at a rate of 20% per year. Restricted stock awards granted to directors historically vested one-third each on or after May 2019, vest over the shorter of directors' remaining elected term or one-third each year. As of March 2021, all new grants of stock options ar awards, granted to employees, vest at a rate of 33.3% per year. Forfeitures are accounted for as they occur.

Historically, if the employee or director is retirement eligible (as defined by the applicable LTIP or 2016 Plan) or becomes retirement eligible during the service pe share-based compensation award, the service period (and compensation expense recognition) is the lesser of 1) the grant date, if retirement eligible on grant dat between grant date and retirement eligible date. All stock options and restricted stock awards granted on or after March 1, 2020 to retirement eligible emplo contain a one-year employment requirement (minimum service period) or the entire award is forfeited. Forfeitures are accounted for as they occur.

The PSUs cliff vest on December 31, at the end of the third year from the date of grant. Share-based compensation expense is recognized on a straight-line bas period of PSUs. The PSUs are subject to several service and market conditions, as defined by the PSU agreement, which allows the holder to retain a pro-rata as a result of certain termination conditions, retirement, change in common control, or death. Forfeitures are accounted for as they occur.

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The Key Employee Awards cliff vest on December 31, 2023. Share-based compensation expense is recognized on a straight-line basis over the service Employee Awards when it is probable that the performance conditions will be satisfied. The Key Employee Awards are subject to several service and performa defined by the Key Employee Award agreement, which allows the holder to retain an amount of the awards as a result of certain termination conditions or cl control. Forfeitures are accounted for as they occur.

13. Employee Benefits

Defined Contribution Plan - 401(k)

We sponsor a defined contribution plan (the “Plan”). Eligible employees may make contributions in accordance with the Plan and IRS guidelines. In additior 401(k), eligible employees are given the option of making an after-tax contribution to a Roth 401(k) or a combination of both. The Plan provides for automatic enr automatic increase to the deferral percentage at January 1st of each year and each year thereafter. Eligible employees are automatically enrolled in the Plan at and currently contributing employees deferral rates will be increased to 6% unless their current rate is at or above 6% or the employee elects to decline the auton increase. Administrative expenses are paid for by Plan participants. The Company paid no administrative expenses during the nine three months ende 2023 March 31, 2024 and 2022. 2023.

The Company matches 175% up to 6% of employee contributions of eligible compensation. Additionally, Plan participant forfeitures are used to reduce the cos contributions.

	Three Months Ended		Nine Months
	September 30, 2023	September 30, 2022	September 30, 2023
		(in thousands)	
Contributions, net of forfeitures, made to the defined contribution plan	$ 4,497	$ 4,189	$ 13,164 $

	Three Months Ended	
	March 31, 2024	I
	(in thousands)	
Contributions, net of forfeitures, made to the defined contribution plan	$ 5,710	$

Profit Sharing Bonus Plans

We maintain a discretionary profit sharing bonus plan under which approximately 10% 8.5% of pre-tax profit (10% prior to January 1, 2024) from AAON Oklahon Products the Company is paid to eligible employees on a quarterly basis in order to reward employee productivity. Eligible employees are regular full-time non-e of AAON Oklahoma or AAON Coil Products the Company who are actively employed and working on the first and last days day of the calendar quarter and wh full-time for at least three full months prior quarter. BASX employees are eligible to participate in the beginning of the calendar quarter, excluding the Company's team. discretionary profit sharing bonus plan on January 1, 2024.

Prior to January 1, 2024, BASX has had a separate employee incentive program (EIP) under which 5% of BASX's pre-tax profit, plus certain add backs, is paid employees based on days-of-pay during the fiscal year. Eligible employees are regular full-time and part-time employees who have worked during the year and when the EIP payment is made following the end of the fiscal year, excluding members of BASX's senior leadership team and any employee paid commissions incentive program ended December 31, 2023.

	Three Months Ended		Nine Months E
	September 30, 2023	September 30, 2022	September 30, 2023
		(in thousands)	
Profit sharing bonus plan and employee incentive plan expense	$ 6,954	$ 4,137	$ 17,772 $

	Three Months Ended	
	March 31, 2024	M
	(in thousands)	
Profit sharing bonus plan and employee incentive plan expense	$ 4,600	$

Employee Medical Plan

At AAON Oklahoma and AAON Coil Products, we We self-insure for our employees' health insurance, and make medical claim payments up to certain stop-l estimate our self-insurance liabilities using an analysis provided by our claims administrator and our historical claims experience. Eligible employees are employees who are actively employed and working. Participants are expected to pay a portion of the premium costs for coverage of the benefits provided u addition, the Company matches 175% of a participating AAON Oklahoma and AAON Coil Products employee's allowed contributions to a qualified health saving employees with health insurance plan deductibles. BASX employees joined the Company's medical plan and benefits on January 1, 2024.

BASX is was insured for healthcare coverage through a third party. party through December 31, 2023. Eligible employees are regular full-time employees employed and working. Participants are expected to pay a portion of the premium costs for coverage of the benefits provided under the Plans. In additi contributes certain amounts for BASX's employees enrolled in a high deductible plan to a qualified health savings account to assist employees with heal deductibles. This healthcare coverage ended December 31, 2023.

		Three Months Ended			Nine Months Ended		
		Three Months Ended					
		Three Months Ended					
		Three Months Ended					
		September 30, 2023		September 30, 2022		September 30, 2023	Sep
				(in thousands)			
		(in thousands)					
		(in thousands)					
		(in thousands)					
Medical premium payments	Medical premium payments	$ 4,455	$	3,429	$	11,255	$
Health saving account contributions	Health saving account contributions	1,460		968		3,718	
Health saving account contributions							
Health saving account contributions							

14. Earnings Per Share

Basic net income per share is calculated by dividing net income by the weighted average number of shares of common stock outstanding during the period. Dilut share assumes the conversion of all potentially dilutive securities and is calculated by dividing net income by the sum of the weighted average number of shares outstanding plus all potentially dilutive securities. Dilutive common shares consist primarily of stock options and restricted stock awards.

The following table sets forth the computation of basic and diluted earnings per share for the three and nine months ended September 30, 2023 March 31, 2024 a

		Three Months Ended		Nine Months Ended		
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	
Numerator:	**Numerator:**	*(in thousands, except share and per share data)*				
Numerator:						
Numerator:						*(in thousands, except share and per share data)*
Net income	Net income	$ 48,078	$ 27,473	$ 130,574	$ 61,478	
Denominator:	**Denominator:**					
Denominator:						
Denominator:						
Basic weighted average shares[3]						
Basic weighted average shares[3]						
Basic weighted average shares[3]	Basic weighted average shares[3]	81,418,800	79,777,987	81,140,473	79,543,925	
Effect of dilutive shares related to stock based compensation[1,3]	Effect of dilutive shares related to stock based compensation[1,3]	1,974,254	1,160,087	1,993,664	1,135,815	
Effect of dilutive shares related to stock based compensation[1,3]						
Effect of dilutive shares related to stock based compensation[1,3]						
Effect of dilutive shares related to contingent consideration[2,3]						

Effect of dilutive shares related to contingent consideration[2,3]					
Effect of dilutive shares related to contingent consideration[2,3]	Effect of dilutive shares related to contingent consideration[2,3]	—	—	141,071	203,058
Diluted weighted average shares[3]	Diluted weighted average shares[3]	83,393,054	80,938,074	83,275,208	80,882,798
Diluted weighted average shares[3]					
Diluted weighted average shares[3]					
Earnings per share:					
Earnings per share:					
Earnings per share:	**Earnings per share:**				
Basic[3]	Basic[3]	$ 0.59	$ 0.34	$ 1.61	$ 0.77
Basic[3]					
Basic[3]					
Dilutive[3]					
Dilutive[3]					
Dilutive[3]	Dilutive[3]	$ 0.58	$ 0.34	$ 1.57	$ 0.76
Anti-dilutive shares:	**Anti-dilutive shares:**				
Anti-dilutive shares:					
Anti-dilutive shares:					
Shares[3]	Shares[3]	360,408	1,146,759	296,072	1,040,848
Shares[3]					
Shares[3]					

[1] Dilutive shares related to stock options, restricted stock, PSUs and Key Employee Awards (Note 12)

[1] Dilutive shares related to stock options, restricted stock, PSUs and Key Employee Awards (Note 12)

[1] Dilutive shares related to stock options, restricted stock, PSUs and Key Employee Awards (Note 12)

[2] Dilutive shares related to contingent shares issued to the former owners of BASX (Note 15)

[3] Reflects three-for effective August 16

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15. Stockholders' Equity

Stock Repurchases

The Board has authorized one active stock repurchase program for the Company. The Company may purchase shares on the open market from time to time authorize the timing and amount of these purchases and all repurchases are in accordance with the rules and regulations of the SEC allowing the Company to r from the open market.

Our open market repurchase programs are as follows:

Effective Date	Authorized Repurchase $	Expiration Date
March 13, 2020	$20 million	November 9, 2022
November 3, 2022	$50 million	February 27, 2024
February 27, 2024	$50 million	** [1, 2]

[1] Expiration Date is at Board's discretion. The Company is authorized to effectuate repurchases of the Company's common stock on terms and conditions approved in advance by the Board.

[2] As of September 30, 2023 March 31, 2024, there is approximately $25.0 million $50.0 million remaining under the current stock repurchase program. The remaining amount available is subject to authorized 10b5-1 plan requiring certain market conditions and requirements.

The Company repurchases shares of AAON, Inc. stock from employees for payment of statutory tax withholdings on stock transactions. All other repurchases employees are contingent upon Board approval. All repurchases are done at current market prices.

Lastly, the Company also had a stock repurchase arrangement by which employee-participants in our 401(k) savings and investment plan were entitled to have Inc. stock in their accounts sold to the Company. The 401(k) Plan was amended in June 2022 to discontinue this program. No additional shares have been Company under this arrangement since June 2022.

Our repurchase activity is as follows:

	Three Months Ended		Three Months En
	March 31, 2024	March 31, 2024	March 31
	(in thousands, except share and per share data)		*(in thousands, except share ar*
Program		Program Shares[1] Total $ $ per share[1] Shares[1]	Total $ $ per sh

	Nine Months Ended					
Employees						
	September 30, 2023			September 30, 2022		
Employees						
	(in thousands, except share and per share data)					
Program	Shares[1]	Total $	$ per share[1]	Shares[1]	Total $	$ per share[1]
Open market	402,873	$25,009	$62.08	53,218	$2,030	$38.14
401(k)	—	—	—	155,904	5,913	37.93
Employees Employees	20,218	1,202	59.45	24,889	978	39.29
Total	423,091	$26,211	$61.95	234,011	$8,921	$38.12

[1] Reflects three-for-two stock split effective August 16, 2023.

[1] Reflects three-for-two stock split effective August 16, 2023.

[1] Reflects three-for-two stock split effective August 16, 2023.

Our repurchase activity since Company inception, including our current authorized stock repurchase programs, are as follows:

		Inception to September 30, 2023						
		(in thousands, except share and per share data)						
		Inception to						
		Inception to						
		Inception to				March 31, 2024		
		(in thousands, except share and per share data)						*(in thousands, except share and per sh*
Program	Program	Shares[1]	Total $	$ per share[1]	Program	Shares[1]	Total $	$ per share[1]
Open market	Open market	6,893,924	$106,625	$15.47				
401(k)	401(k)	12,462,552	171,789	13.78				
Directors and employees	Directors and employees	3,087,651	24,562	7.95				
Total	Total	22,444,127	$302,976	$13.50				

[1] Reflects three-for-two stock split effective August 16, 2023.

Cash Dividends

At the discretion of the Board, we pay cash dividends. Board approval is required to determine the date of declaration and amount for each cash dividend payme

Our recent cash dividends are as follows:

Declaration Date[1]	Record Date	Payment Date	Dividend per Share[2]	Annualize per S
May 18, 2022	June 3, 2022	July 1, 2022	$0.13	$0.
November 8, 2022	November 28, 2022	December 16, 2022	$0.16	$0.
March 1, 2023	March 13, 2023	March 31, 2023	$0.08	$0.
May 18, 2023	June 9, 2023	June 30, 2023	$0.08	$0.
August 18, 2023	September 8, 2023	September 29, 2023	$0.08	$0.

1 Effective with the cash dividend declared on March 1, 2023 (paid on March 31, 2023), the Company moved from semi-annual cash dividends to quarterly cash dividends.

2 Reflects three-for-two stock split effective August 16, 2023.

Declaration Date	Record Date	Payment Date	Dividend per Share[1]	Annualize per S
March 1, 2023	March 13, 2023	March 31, 2023	$0.08	$0.
May 18, 2023	June 9, 2023	June 30, 2023	$0.08	$0.
August 18, 2023	September 8, 2023	September 29, 2023	$0.08	$0.
November 10, 2023	November 29, 2023	December 18, 2023	$0.08	$0.
March 5, 2024	March 18, 2024	March 29, 2024	$0.08	$0.

1 Reflects three-for-two stock split effective August 16, 2023.

Stock Split

On July 7, 2023, the Board of Directors declared a three-for-two stock split of the Company's common stock to be paid in the form of a stock dividend. Stockh the close of business on July 28, 2023 received one additional share for every two shares they held as of that date on August 16, 2023 (ex-dividend date Augus was paid in lieu of fractional shares (approximately $0.5 million). All share and per share information has been updated to reflect the effects of this stock split. Th of the stock split resulted in an approximately $0.1 million $0.1 million reclass between common stock and retained earnings within stockholders' equity or balance sheet.

Contingent Shares Issued in BASX Acquisition

As discussed above, the Company declared a three-for-two stock split effective August 16, 2023. All share and per share information has been updated to refle stock split.

In December 2021, we closed on the acquisition of BASX. Under the MIPA Agreement, we committed to $78.0 million in the aggregate of contingent considera owners of BASX, which is payable in approximately 1.56 million shares of the Company's common stock, par value $0.004 per share. The shares do not accrue

Under the MIPA Agreement, the potential future issuance of shares to the shares is former owners of BASX was contingent upon BASX meeting certain pos milestones during each of the years ended 2021, 2022, and 2023. Based on In March 2024, we issued the final allocation of the consideration paid, we estimate contingent consideration related to these shares to be approximately $60.0 million, which is included in additional paid-in capital on the consolidated bala September 30, 2023, 0.58 million shares and 0.73 remaining 0.24 million shares related to the earn-out milestones milestone for the years year ended 2022 2023. shares issued in March 2024, the tax basis exceeded the book basis for consideration paid resulting in a deferred tax asset and 2021, an increase to additiona $6.4 million, respectively, on our consolidated balance sheet. The deferred tax asset is expected to be amortized over fifteen years. We previously issued 0.5 March 2023, related to the earn-out milestone for the year ended 2022. All shares have been issued to the former owners of BASX as private placements exem with the SEC under Rule 506(b), which and are included in common stock on the consolidated statements of stockholders' equity.

16. New Markets Tax Credit

2019 New Markets Tax Credit

On October 24, 2019, the Company entered into a transaction with a subsidiary of an unrelated third-party financial institution (the "2019 Investor") and a ce Development Entity under a qualified New Markets Tax Credit ("2019 NMTC") program pursuant to Section 45D of the Internal Revenue Code of 1986, as amer investment in plant and equipment to facilitate the expansion of our Longview, Texas manufacturing operations (the "2019 Project"). In connection with the 2019 N the Company received a $23.0 million NMTC allocation for the Project and secured low interest financing and the potential for future debt forgiveness related to t

Upon closing of the 2019 NMTC transaction, the Company provided an aggregate of approximately $15.9 million to the 2019 Investor, in the form of a loan recei of twenty-five years, bearing an interest rate of 1.0%. This $15.9 million in proceeds plus capital contributed from the 2019 Investor was used to make an aggre loan to a subsidiary of the Company. This financing arrangement is secured by equipment at the Company's Longview, Texas facilities and a guarantee fr including an unconditional guarantee of the NMTCs.

This transaction also includes a put/call feature either of which can be exercised at the end of the seven-year compliance period. The 2019 Investor may exercis the Company can exercise the call, both of which could serve to trigger forgiveness of a portion of the debt. The 2019 Investor's interest of $6.5 million is recorc tax credit obligation on the consolidated balance sheets. The Company incurred approximately $0.3 million of debt issuance costs related to the above transa being amortized over the life of the transaction.

2023 New Markets Tax Credit

On April 25, 2023, the Company entered into a transaction with a subsidiary of an unrelated third-party financial institution (the “2023 Investor”) and a ce Development Entity under a qualified New Markets Tax Credit (“2023 NMTC”) program pursuant to Section 45D of the Internal Revenue Code of 1986, as amer investment in plant and equipment to facilitate the expansion of our Longview, Texas manufacturing operations (the “2023 Project”). In connection with the 2023 N the Company received a $23.0 million NMTC allocation for the 2023 Project and secured low interest financing and the potential for future debt forgivene expansion of its Longview, Texas facilities.

Upon closing of the 2023 NMTC transaction, the Company provided an aggregate of approximately $16.7 million to the Investor, in the form of a loan receival twenty-five years, bearing an interest rate of 1.0%. This $16.7 million in proceeds plus capital contributed from the 2023 Investor was used to make an aggre loan to a subsidiary of the Company. This financing arrangement is secured by a guarantee from the Company, including an unconditional guarantee of the proceeds from the closing of the 2023 NMTC is are included in restricted cash on our consolidated balance sheets required to be used for the 2023 Project.

This transaction also includes a put/call feature either of which can be exercised at the end of the seven-year compliance period. The 2023 Investor may exercis the Company can exercise the call, both of which could serve to trigger forgiveness of a portion of the debt. The 2023 Investor's interest of $5.7 million is recorc tax credit obligation on the consolidated balance sheets. The Company incurred approximately $0.4 million of debt issuance costs related to the above transa being amortized over the life of the transaction.

2024 New Markets Tax Credit

On February 27, 2024, the Company entered into a transaction with a subsidiary of an unrelated third-party financial institution (the “2024 Investor”) and a ce Development Entity under a qualified New Markets Tax Credit (“2024 NMTC”) program pursuant to Section 45D of the Internal Revenue Code of 1986, as amer investment in real estate to facilitate 2023 Project. In connection with the 2024 NMTC transaction, the Company received a $15.5 million NMTC allocation for the secured low interest financing and the potential for future debt forgiveness related to the expansion of its Longview, Texas facilities.

Upon closing of the 2024 NMTC transaction, the Company provided an aggregate of approximately $11.0 million to the Investor, in the form of a loan receival twenty-five years, bearing an interest rate of 1.0%. This $11.0 million in proceeds plus capital contributed from the Investor was used to make an aggregate $16. subsidiary of the Company. This financing arrangement is secured by a guarantee from the Company, including an unconditional guarantee of the NMTCs. The the closing of the 2024 NMTC are included in restricted cash on our consolidated balance sheets required to be used for the 2023 Project.

This transaction also includes a put/call feature that either of which can be exercised at the end of the seven-year compliance period. The Investor may exercis the Company can exercise the call, both of which could serve to trigger forgiveness of a portion of the debt. The 2024 Investor's interest of $3.8 million is recorc tax credit obligations on the consolidated balance sheets. The Company incurred approximately $0.4 million of debt issuance costs related to the above transa being amortized over the life of the transaction.

The 2019 Investor, 2023 Investor, and 2023 2024 Investor are each subject to 100 percent recapture of the 2019, 2023, and 2023 2024 NMTC, respectively, it rec of seven years, as provided in the Internal Revenue Code and applicable U.S. Treasury regulations in the event that the financing facility of the Borrower und (AAON Coil Products, Inc.) becomes ineligible for NMTC treatment per the Internal Revenue Code requirements. The Company is required to be in compli regulations and contractual provisions that apply to the 2019 NMTC arrangements, 2023 NMTC arrangements, and 2023 2024 NMTC arrangements, respectivel with applicable requirements could result in the 2019 and/or 2023 and/or 2024 Investors' projected tax benefits not being realized and, therefore, require the Con the 2019 Investor, 2023 Investor, and 2023 2024 Investor for any loss or recapture of the 2019 NMTC, 2023 NMTC, and 2023 2024 NMTC, respectively, relate until such time as the recapture provisions have expired under the applicable statute of limitations. The Company does not anticipate any credit recapture v connection with either any of these financing arrangements.

The 2019 Investor, 2023 Investor, and 2023 2024 Investor and its majority owned community development entity are considered VIEs and the Company is the p of the VIEs. Because the Company is the primary beneficiary of the VIEs,

they have been included in the consolidated financial statements. There are no other assets, liabilities or transactions in these VIEs outside of the financing tran as part of the 2019 NMTC, 2023 NMTC, or 2023 2024 NMTC arrangements, respectively.

17. Commitments and Contingencies

Havtech Litigation

On January 24, 2022, one of the Company’s former independent sales representative firms, Havtech, LLC (and its affiliate, Havtech Parts Division, LLC, colle filed a complaint (the “Complaint”) in the Circuit Court for Howard County, Maryland (*Havtech, LLC, et al., v. AAON, Inc., et al.*). The Complaint challenge termination of its business relationship with Plaintiffs. The Company removed the action to the United States District Court for the District of Maryland (North moved to dismiss the Complaint. Plaintiffs’ First Amended Complaint (“First Amended Complaint”) was entered by the court on July 28, 2022. The First An asserts that the Company improperly terminated Plaintiffs and seeks damages alleged to be no less than $48.6 million, plus fees and costs. The Company filed Amended Complaint on January 31, 2023.

On September 28, 2023, the parties attended a court ordered settlement conference and agreed to resolve the case for $7.5 million. A settlement agreement wa October 25, 2023 and the case has been dismissed with prejudice. The settlement of $7.5 million has been included in accrued liabilities on our consolidated ba selling, general and administrative expenses on our consolidated statement of income. The final payment was made on October 26, 2023.

Other Matters

The Company is involved from time to time in claims and lawsuits incidental to our business arising from various matters, including alleged violations of contrac warranty, environmental, regulatory, personal injury, intellectual property, employment, tax and other laws. We closely monitor these claims and legal actions and with our legal counsel to determine whether they may, when resolved, have a material adverse effect on our financial position, results of operations or cash flo and/or disclose loss contingencies as appropriate. We do not believe these matters will have a material adverse effect on our business, financial position, result cash flows.

We are occasionally party to short-term and long-term, cancellable and occasionally non-cancellable, contracts with major suppliers for the purchase of component parts. We expect to receive delivery of raw material and component parts for use in our manufacturing operations. These contracts are not accounte instruments because they meet the normal purchase and normal sales exemption. We had no material contractual purchase obligations as of September 30, 202 except as noted below.

On April 27, 2022, In 2023, the Company entered into executed a five-year purchase commitment for refrigerants. For the three months ended March 31, 2024 ar with a third-party manufacturer to 2023, the Company made payments of $3.6 million and $2.4 million, respectively, on this contract. Estimated minimum future p million, $9.1 million, $10.5 million, and $11.2 million for 2024, 2025, 2026, and 2027, respectively. We had no other material contractual purchase certain ass manufacture fan wheels for the purchase price obligations as of $6.5 million. As of September 30, 2023, we have paid approximately $3.5 million related to this is included in other long-term assets and property, plant and equipment, with the remaining $3.0 million included in accounts payable and other long-te consolidated balance sheets. The final payment was made on October 30, 2023 March 31, 2024.

18. Related Parties

The following is a summary of transactions and balances with related parties:

	Three Months Ended		Nine Months E
	September 30, 2023	**September 30, 2022**	**September 30, 2023**
		(in thousands)	
Sales to affiliates	$ 1,047	$ 450	$ 4,811 $
Payments to affiliates	90	30	872

	September 30, 2023
	(in thousan
Due from affiliates	$ 190 $
Due to affiliates	232

	Three Months E
	March 31, 2024
	(in thousand
Sales to affiliates	$ 2,196 $
Payments to affiliates	615

	March 31, 2024
	(in thousand
Due from affiliates	$ 792 $
Due to affiliates	119

The nature of our related party transactions is as follows:

- The Company sells units to an entity owned by a member of the CEO/President's CEO's immediate family. This entity is also one of the Company's Re as such, the Company makes payments to the entity for third party products.
- The Company purchases some supplies from entities controlled by two of the Company's board members and a member of the Company's executive ma
- The Company periodically makes part sales and makes payments to a board member related to a consulting agreement.
- The Company periodically rents space partially owned by the CEO/President CEO for various Company meetings.
- From December 10, 2021 through May 31, 2022, the The Company leased a manufacturing leases flight time of an aircraft partially owned by our COO a Redmond, Oregon from an entity in which certain members of BASX management have an ownership interest. This facility was purchased 100% by the 31, 2022. Vice President.

19. Segments

The Company has determined that it has three reportable segments for financial reporting purposes. Management evaluates the performance of its business s on gross profit. The Company's chief operating decision maker ("CODM"), our CEO, allocates resources and assesses the performance of each operatir information about the operating segment's net sales and income from operations. The CODM does not evaluate operating segments using asset or liability inform

AAON Oklahoma: AAON Oklahoma designs, manufactures, sells and services standard, semi-custom and custom heating, ventilation and air conditioning (designs and produces controls solutions for all of our HVAC units and sells retail parts to customers through our two retail part stores in Tulsa, Oklahoma Through our Norman Asbjornson Innovation Center ("NAIC") research and development laboratory facility in Tulsa, Oklahoma, the Company is able to test u environmental conditions. AAON Oklahoma includes the operations of our Tulsa, Oklahoma and Parkville, Missouri facilities, our NAIC research and develo facility and two retail parts locations.

AAON Coil Products: AAON Coil Products designs and manufactures a selection of our standard, semi-custom and custom HVAC systems. AAON Coil Products manufactures various heating and cooling coils to be used in HVAC systems, mostly for the benefit of AAON Oklahoma and AAON Coil Products. AAON Coil Pr operations at our Longview, Texas facilities.

BASX: BASX provides product development design and manufacturing of custom engineered air handling systems including high efficiency data center cleanroom HVAC systems, commercial/industrial HVAC systems and modular solutions. Additionally, BASX designs and manufactures cleanroom environment to support hospital surgical suites, pharmaceutical process facilities, semiconductor and electronics manufacturing, laboratory and isolation modular clear flexibility. BASX consists of operations at our Redmond, Oregon facility.

The following table summarizes certain financial data related to our segments. Transactions between segments are recorded based on prices negotiated betwe The Gross Profit amounts shown below are presented after elimination entries.

		Three Months Ended						
		Three Months Ended						
		Three Months Ended						
		Three Months Ended				Nine Months Ended		
		September 30, 2023		September 30, 2022		September 30, 2023		Septen
Net Sales	Net Sales					(in thousands)		
Net Sales								
Net Sales								
AAON Oklahoma								
AAON Oklahoma								
AAON Oklahoma	AAON Oklahoma							
External sales	External sales	$	246,454	$	179,169	$	666,670	$
External sales								

External sales					
Inter-segment sales					
Inter-segment sales					
Inter-segment sales	Inter-segment sales	768	998	3,467	
AAON Coil Products	AAON Coil Products				
AAON Coil Products					
AAON Coil Products					
External sales					
External sales					
External sales	External sales	25,769	30,504	89,262	
Inter-segment sales	Inter-segment sales	11,871	8,037	28,687	
Inter-segment sales					
Inter-segment sales					
BASX					
BASX					
BASX	BASX				
External sales	External sales	39,747	32,932	105,948	
External sales					
External sales					
Inter-segment sales					
Inter-segment sales					
Inter-segment sales	Inter-segment sales	(74)	61	1,426	
Eliminations	Eliminations	(12,565)	(9,096)	(33,580)	
Eliminations					
Eliminations					
Net sales					
Net sales					
Net sales	Net sales	$ 311,970	$ 242,605	$ 861,880	$
Gross Profit	**Gross Profit**				
Gross Profit					
Gross Profit					
AAON Oklahoma					
AAON Oklahoma					
AAON Oklahoma	AAON Oklahoma	$ 94,174	$ 45,643	$ 231,403	$
AAON Coil Products	AAON Coil Products	8,307	10,564	22,948	
AAON Coil Products					
AAON Coil Products					
BASX	BASX	13,628	9,384	32,930	
BASX					
BASX					
Gross profit					
Gross profit					
Gross profit	Gross profit	$ 116,109	$ 65,591	$ 287,281	$

	March 31, 2024	**Decemb**
Long-lived assets	*(in thousands)*	

AAON Oklahoma	$	255,176	$
AAON Coil Products		89,701	
BASX		62,383	
Total long-lived assets	$	407,260	$
Intangible assets and goodwill			
AAON Oklahoma	$	13,795	$
AAON Coil Products		—	
BASX		138,761	
Total intangible assets and goodwill	$	152,556	$

		September 30, 2023	Decemb
Long-lived assets		*(in thousands)*	
AAON Oklahoma	$	251,298	$
AAON Coil Products		77,434	
BASX		45,805	
Total long-lived assets	$	374,537	$
Intangible assets and goodwill			
AAON Oklahoma	$	3,229	$
AAON Coil Products		—	
BASX		140,564	
Total intangible assets and goodwill	$	143,793	$

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial stateme thereto, which are included in this report, and our audited consolidated financial statements and the notes thereto, which are included in our Annual Report on fiscal year ended December 31, 2022 December 31, 2023.

This discussion contains or incorporates by reference "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 199 looking statements are not historical facts, but rather are based on expectations, estimates, assumptions and projections about our industry, business and futur based on information available at the time this report is filed with the SEC or, with respect to any document incorporated by reference, available at the time th was prepared. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including the section entitled "Forward-Looking Statements" in this Item 2 of this Quarterly Report on Form 10-Q and in the section entitled "Risk Factors" in Item 1A of our Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023. We do not assume any obligation to update or revise any forward-looking sta changed assumptions, the occurrence of anticipated or unanticipated events, new information or circumstances or otherwise, except as required by law.

Overview

We engineer, manufacture, market, are engaged in the engineering, manufacturing, and sell selling of premium heating, ventilation, and air conditioning and h consisting primarily of standard, semi-custom and custom rooftop units, data center cooling solutions, cleanroom systems, packaged outdoor mechanical ro units, makeup air units, energy recovery units, condensing units, geothermal/water-source heat pumps, coils, and controls. These products are marketed and s vertical markets including retail, manufacturing, educational, lodging, supermarket, data centers, medical and pharmaceutical, industrial, and other commercial in We market sell our products to all 50 states in the United States and certain provinces in Canada. Foreign sales were approximately $29.3 million $7.4 million of for the nine three months ended September 30, 2023 March 31, 2024 and $18.0 million $12.6 million of our sales during the same period of 2022. 2023.

Our business can be affected by a number of economic factors, including the level of economic activity in the markets in which we operate. Both the new replacement markets are cyclical. If the domestic economy were to slow or enter a recession, this could result in a decrease in our sales volume and profita commercial and industrial new construction markets generally lag the housing market, which in turn is influenced by cyclical factors such as interest rates, in spending habits, employment rates, the state of the economy and other macroeconomic factors over which we have no control. Sales in the replacement mar various factors, including general economic growth, the Company's Company's new product introductions, fluctuations in the average age of existing equipm government regulations and stimulus, changes change in market demand between more customized, higher performing HVAC equipment and lower priced stand well as many other factors.

When new construction is down, we emphasize the replacement market.

We sell our products to property owners and contractors mainly through a network of independent manufacturers' Representatives. This go-to-market strategy is to most of our larger competitors in that most control their sales channel. We value the independent sales channel as we think it is a more effective way of share. Although we concede full control of the sales process with this strategy, the entrepreneurial aspect of the independent sales channel attracts the most ta greater financial incentives for its salespeople. Furthermore, the independent sales channel sells different types of equipment from various manufacturers, allo with more of a solutions-based mindset, as opposed to an internal sales department of a manufacturing company that is incentivized to only sell its equipment re best solution for the end customer. We also have a small internal sales force that supports the relationships between the Company and our sales channel par highly customized products for unique applications to for a more concentrated customer base. A combination of our base and an internal sales force an independent sales representatives is most more effective for BASX's such products.

The principal components of cost of goods sold are labor, raw materials, component costs, factory overhead, freight and engineering expense. The principal materials used in our manufacturing processes are steel, copper and aluminum, and are obtained from domestic suppliers. We also purchase from domestic man components, including coils, compressors, motors, and electrical controls.

The price levels of our raw materials fluctuate given that the market continues to be volatile and unpredictable as a result of the uncertainty related to the U.S. ec economy. At September 30, 2023 March 31, 2024, the price (year to date average) for copper, galvanized steel, and stainless steel and aluminum increased 1.2% 5.0% 16.9%, and 16.7% 18.5%, respectively, as compared to the price (year to date average) at September 30, 2022 March 31, 2023, while the price (year to galvanized steel decreased 29.9% aluminum increased 0.4% as compared to the price (year to date average) at September 30, 2022 March 31, 2023.

We attempt to limit the impact of price fluctuations on these materials by entering into cancellable and non-cancellable contracts with our major suppliers for p months. We expect to receive delivery of raw materials from our contracts for use in our manufacturing operations.

We occasionally increase the price of our products to help offset any inflationary headwinds. In 2022, we implemented two significant price increases as well monthly price increase effective beginning June 1, 2022 and ending on April 1, 2023. We reinstated the recurring 1% monthly price increase on October 1, 202 through April 1, 2023 February 1, 2024.

Backlog

The following table shows our historical backlog levels:

September 30, 2023	December 31, 2022	September 30, 2022			
March 31, 2024			March 31, 2024	December 31, 2023	March 2023
			(in thousands)		
$ 490,591	$ 548,022	$ 514,735			

While our backlog is down at September 30, 2023 compared to December 31, 2022, our Our bookings remain strong. The year-ended December 31, 2022 was bookings and our backlog was swollen causing us to extend lead times. Investments made in our facilities and workforce have significantly improved our capaci efficiencies. Production rates are at all time highs, trimming our backlog down to a more manageable size and allowing our lead times to continue to improve.

Results of Operations

	Three months ended September 30,		Nine months ended Septem
	2023	2022	2023
		(in thousands)	
Net Sales	$ 311,970	$ 242,605	$ 861,880 $
Cost of Sales	195,861	177,014	574,599
Gross Profit	116,109	65,591	287,281
Selling, general and administrative expenses	51,470	28,891	123,684
Loss (gain) on disposal of assets	(25)	—	(13)
Income from operations	$ 64,664	$ 36,700	$ 163,610 $

	Three months ended Marc		
	2024		
	(in thousands)		
Net sales	$	262,099	$
Cost of sales		169,857	
Gross profit		92,242	
Selling, general and administrative expenses		45,288	
Loss (gain) on disposal of assets		(16)	
Income from operations	$	46,970	$

The following are recent highlights and items that impacted our results of operations, cash flows and financial condition:

- Sales for the three and nine months ended September 30, 2023 grew 28.6% and 35.9% March 31, 2024 decreased 1.4%, respectively, due to record dec rates and price increases realized during the period as compared to the same periods period in the prior year. 2023.
- Our gross profit margin for the quarter ended September 30, 2023 March 31, 2024 of 37.2% 35.2% increased 1,020 620 basis points from the quarter end 30, 2022 March 31, 2023 due to increased organic volumes price increases, product mix for operational efficiencies, lower material costs, and better over
- We completed the repurchase of $25.0 million of shares under our current share repurchase authorization.

We report our financial results based on three reportable segments: AAON Oklahoma, AAON Coil Products, and BASX, which are further described in "Segments our notes to the consolidated financial statements. The Company's chief operating decision maker ("CODM"), our CEO, allocates resources and assesses th each operating segment using information about the operating segment's net sales and income from operations. The CODM does not evaluate operating segme liability information.

Segment Operating Results for Three Months Ended September 30, 2023 March 31, 2024 and Three Months Ended September 30, 2022 March 31, 2023

	Three Months Ended					
	September 30, 2023	Percent of Sales1	September 30, 2022	Percent of Sales1	$ Change	% Change
	(in thousands)					

	Three Months Ended
	Three Months Ended
	Three Months Ended
	March 31, 2024
	March 31, 2024
	March 31, 2024
	(in thousands)
	(in thousands)
	(in thousands)
Net Sales2	
Net Sales2	

Net Sales2	Net Sales2						
AAON Oklahoma	AAON Oklahoma	$ 246,454	79.0 %	$ 179,169	73.9 %	$67,285	37.6 %
AAON Oklahoma							

AAON Oklahoma
AAON Coil Products
AAON Coil Products

AAON Coil Products	AAON Coil Products	25,769	8.3 %	30,504	12.6 %	(4,735)	(15.5)%
BASX	BASX	39,747	12.7 %	32,932	13.6 %	6,815	20.7 %
BASX							
BASX							
Net sales							
Net sales							
Net sales	Net sales	$ 311,970		$ 242,605		$69,365	28.6 %
Cost of Sales2	**Cost of Sales2**						
Cost of Sales2							
Cost of Sales2							
AAON Oklahoma							
AAON Oklahoma							
AAON Oklahoma	AAON Oklahoma	$ 152,280	61.8 %	133,526	74.5 %	$18,754	14.0 %
AAON Coil Products	AAON Coil Products	17,462	67.8 %	19,940	65.4 %	(2,478)	(12.4)%
AAON Coil Products							
AAON Coil Products							
BASX	BASX	26,119	65.7 %	23,548	71.5 %	2,571	10.9 %
BASX							
BASX							
Cost of sales							
Cost of sales							
Cost of sales	Cost of sales	$ 195,861	62.8 %	$ 177,014	73.0 %	$18,847	10.6 %
Gross Profit2	**Gross Profit2**						
Gross Profit2							
Gross Profit2							
AAON Oklahoma							
AAON Oklahoma							
AAON Oklahoma	AAON Oklahoma	$ 94,174	38.2 %	$ 45,643	25.5 %	$48,531	106.3 %
AAON Coil Products	AAON Coil Products	8,307	32.2 %	10,564	34.6 %	(2,257)	(21.4)%
AAON Coil Products							
AAON Coil Products							
BASX	BASX	13,628	34.3 %	9,384	28.5 %	4,244	45.2 %
BASX							
BASX							
Gross profit							
Gross profit							
Gross profit	Gross profit	$ 116,109	37.2 %	$ 65,591	27.0 %	$50,518	77.0 %

1 Cost of sales and gross profit for each segment are calculated as a percentage of the

1 Cost of sales and gross profit for each segment are calculated as a percentage of the respective segment's net sales. Total cost of sales and total gross profit are calculated

respective segment's net sales. Total cost of sales and total gross profit are calculated as a percentage of total net sales.

as a percentage of total net sales.

[1] Cost of sales and gross profit for each segment are calculated as a respective segment's net sales. Total cost of sales and total gross pr as a percentage of total net sales.

[2] Presented after intercompany eliminations.

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[2] Presented after intercompany eliminations.

For the three months ended September 30, 2023 March 31, 2024 total net sales increased $69.4 decreased $3.9 million or 28.6% 1.4%, with 16.7% due to a dec of the increase coming from realization of approximately 5.7%, offset by price increases and of approximately 4.3%. While our AAON Oklahoma segment increas remaining 11.9% coming from increases in organic volume. three months ended March 31, 2024, our AAON Coil Products had a smaller backlog and realize quicker than AAON Oklahoma. This along with inefficiencies related BASX segments experienced some production timing delays in early 2024 which contribute a new production line of BASX product at AAON Coil Products lead to year over year decreases the overall decrease in sales for this segment. sales.

Gross profit as a percent of sales increased to 37.2% 35.2% for the three months ended September 30, 2023 March 31, 2024 as compared to 27.0% 29.0% for ended September 30, 2022 March 31, 2023. As noted above, realization of price increases has improved our margin profile along with the slowing of inflation. Ad the organic growth noted above comes from inflation for raw materials, especially in our AAON Oklahoma segment, significantly improving overall co

performance. As discussed above, production timing delays at our AAON Coil Products and BASX locations contributed to less overhead absorp
performance. performance, which resulted in a period over period decline in gross margin for our BASX has benefited from larger jobs as a result of the revenue by being part of AAON which allows them to have a higher production rate without increasing personnel.

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segment.

As shown in the table below, we've experienced year over year increases in the cost of several raw materials. We implemented multiple price increases 2023 materials has started to counteract the increased cost of material. Some of the price increases come down but we still have yet to be realized. seen inflation parts that typically lag raw materials by 6-18 months. Additionally, in order to retain our existing employees, we have increased our starting wage rate consideral and continue to award periodic raises in addition wage increases to our annual merit raises employees. These additional costs have been offset by the various p have put in place in the past two years and increases in our production efficiency that has led to our employees. increased overhead absorption.

Raw Material Costs

Three-month average raw material cost per pound as of September 30: March 31:

			2024					2024				2023		
			2023	2022	% Change									
Copper														
Copper														
Copper	Copper	$	5.45	$5.83	(6.5)%		$	5.56	$	$	5.71	(2.6)	(2.6)	%
Galvanized steel	Galvanized steel	$	0.59	$0.82	(28.0)%	Galvanized steel	$	0.59	$	$	0.71	(16.9)	(16.9)	%
Stainless steel	Stainless steel	$	3.31	$2.94	12.6 %	Stainless steel	$	2.73	$	$	3.35	(18.5)	(18.5)	%
Aluminum	Aluminum	$	2.45	$2.55	(3.9)%	Aluminum	$	2.33	$	$	2.32	0.4	0.4	%

Selling, General and Administrative Expenses

		Three Months Ended		Percent of Sales							
			September 2023	2022							
		September 30, 2023	30, 2022								
		(in thousands)									
		Three Months Ended									Three Months Ended
		March 31, 2024	2024								
			2024								
			2024						2023		
		(in thousands)									
Warranty											
Warranty											
Warranty	Warranty	$ 4,248	$ 3,046	1.4 %	1.3 %		$3,398	$	$2,408	1.3	1.3 %
Profit sharing	Profit sharing	6,954	3,744	2.2 %	1.5 %	Profit sharing	4,600	4,866	4,866	1.8	1.
Salaries & benefits	Salaries & benefits	13,106	11,644	4.2 %	4.8 %	Salaries & benefits	15,810	12,733	12,733	6.0	6.
Stock	Stock					Stock					

compensation	compensation	2,476	1,537	0.8 %	0.6 %	compensation	2,244	1,873	1,873	0.9	0.[illegible]
Advertising	Advertising	646	375	0.2 %	0.2 %	Advertising	599	846	846	0.2	0.[illegible]
Depreciation & amortization	Depreciation & amortization	3,943	2,015	1.3 %	0.8 %	Depreciation & amortization	3,870	2,645	2,645	1.5	1.[illegible]
Insurance	Insurance	1,403	902	0.4 %	0.4 %	Insurance	1,971	1,233	1,233	0.8	0.[illegible]
Professional fees	Professional fees	9,914	1,304	3.2 %	0.5 %	Professional fees	4,620	1,105	1,105	1.8	1.[illegible]
Donations	Donations	226	232	0.1 %	0.1 %	Donations	170	125	125	0.1	0.[illegible]
Other	Other	8,554	4,092	2.7 %	1.7 %						
Other											
Other							8,006		5,108		3.1 %
Total SG&A	Total SG&A	$ 51,470	$ 28,891	16.5 %	11.9 %	Total SG&A	$ 45,288	$	$ 32,942	17.3	17.3 [illegible]

Selling, general and administrative expenses increased $22.6 $12.3 million for the three months ended September 30, 2023 March 31, 2024 from the prior y sharing Salaries and benefits increased $3.2 million $3.1 million or 85.7% due 24.2%, which is primarily attributable to our overall increased operating results. hea the the impact of employee pay increases and benefit improvements discussed above. Included in the benefit improvements was a one-time charge of $0.8 integration of BASX benefits. Depreciation and amortization has increased due to increased investments in back office technology and automation. Professior $8.6 $3.5 million during the three months ended September 30, 2023 March 31, 2024 due the litigation settlement (Note 17). various professional, regulatory, a requirements. Other expenses increased $4.5 million $2.9 million or 109.0% 56.7% during the three months ended September 30, 2023 March 31, 2024 due m travel, the closing of our New Markets Tax Credit transaction and consulting expenses.

Income Taxes

	Three Months Ended		Effective Tax Rat	
	September 30, 2023	September 30, 2022	2023	
	(in thousands)			
Income tax provision	$ 15,413	$ 8,327	24.3 %	

	Three Months Ended		Effective Tax Rat	
	March 31, 2024	March 31, 2023	2024	
	(in thousands)			
Income tax provision	$ 7,792	$ 6,356	16.6 %	

The Company's estimated annual 2023 2024 effective tax rate, excluding discrete events, is expected to be approximately 24.1% 25.6%.

During the quarter, we saw increases in our tax rate due to the finalization and filing of our 2022 tax return that resulted primarily from lower than expected fed development tax credit. This was offset by a decrease in our tax rate as a result of higher estimated income for the State of Oklahoma and thus higher realization credit.

Segment Operating Results for Nine Months Ended September 30, 2023 and Nine Months Ended September 30, 2022

	Nine Months Ended				
	September 30, 2023	Percent of Sales[1]	September 30, 2022	Percent of Sales[1]	$ Change
Net Sales[2]					
AAON Oklahoma	$ 666,670	77.4 %	$ 476,517	75.1 %	$ 190,153
AAON Coil Products	89,262	10.4 %	79,193	12.5 %	10,069

BASX	105,948	12.3 %	78,480	12.4 %	27,468
Net sales	$ 861,880		$ 634,190		$ 227,690
Cost of Sales[2]					
AAON Oklahoma	$ 435,267	65.3 %	365,301	76.7 %	$ 69,966
AAON Coil Products	66,314	74.3 %	52,849	66.7 %	13,465
BASX	73,018	68.9 %	57,009	72.6 %	16,009
Cost of sales	$ 574,599	66.7 %	$ 475,159	74.9 %	$ 99,440
Gross Profit[2]					
AAON Oklahoma	$ 231,403	34.7 %	$ 111,216	23.3 %	$ 120,187
AAON Coil Products	22,948	25.7 %	26,344	33.3 %	(3,396)
BASX	32,930	31.1 %	21,471	27.4 %	11,459
Gross profit	$ 287,281	33.3 %	$ 159,031	25.1 %	$ 128,250

[1] Cost of sales and gross profit for each segment are calculated as a percentage of the respective segment's net sales. Total cost of sales and total gross profit are calcul percentage of total net sales.

[2] Presented after intercompany eliminations.

For the nine months ended September 30, 2023 total net sales increased $227.7 million or 35.9%, with approximately 19.3% coming from realization of price in coming from increases in organic volumes.

Gross profit as a percent of sales increased to 33.3% for the nine months ended September 30, 2023 as compared to 25.1% for the nine months ended Septem gross profit increased mostly due to the multiple price increases realized for the nine months ended September 30, 2023 counteracting the increasing cost of m The increase in overall unit production volume, resulted in favorable labor and overhead efficiencies, improving absorption of fixed costs.

AAON Coil Products' gross profit as a percent of sales decreased to 25.7% for the nine months ended September 30, 2023 as compared to 33.3% for the ni September 30, 2022 mostly due to less than optimal overhead absorption as discussed above. Start-up of production related to BASX units being built at AAON slower than anticipated and resulted in lower volumes.

The cost of our material fluctuates month-to-month. We implemented multiple price increases during 2022 and 2023 to counteract the increased cost of material. increases have yet to be realized. Additionally, in order to retain our existing employees, we continue to award periodic raises in addition to our annual m employees. During the nine months ended September 30, 2023, our gross profit decreased by approximately $3.7 million for changes in our paid time off polic taxes and 401(k) matching contributions related to profit sharing payments and stock transactions as our stock reached record highs consistently during the first

Raw Material Costs

Nine-month average raw material cost per pound as of September 30:

	2023	2022	% Chang
Copper	$ 5.68	$ 5.61	
Galvanized steel	$ 0.68	$ 0.97	
Stainless steel	$ 3.33	$ 3.17	
Aluminum	$ 2.44	$ 2.09	

Selling, General and Administrative Expenses

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Percent of Sales 2023
	(in thousands)		
Warranty	$ 9,782	$ 6,556	1.1 %
Profit sharing	17,772	8,559	2.1 %
Salaries & benefits	39,229	31,419	4.6 %
Stock compensation	6,825	5,220	0.8 %
Advertising	2,505	2,006	0.3 %
Depreciation & amortization	9,812	5,768	1.1 %

Insurance	3,834	2,477	0.4 %
Professional fees	11,895	3,686	1.4 %
Donations	780	557	0.1 %
Other	21,250	12,632	2.5 %
Total SG&A	$ 123,684	$ 78,880	14.4 %

Overall, selling, general and administrative expenses increased $44.8 million for the nine months ended September 30, 2023 from the prior year period. Profit $9.2 million or 107.6% due to our increased operating results. Professional fees increased $8.2 million during the three months ended September 30, 2023 settlement (Note 17). Other expenses increased $8.6 million or 68.2% during the nine months ended September 30, 2023 due mostly to increased travel and clo to the 2023 New Market Tax Credit (Note 16).

Income Taxes

	Nine months ended		Effective Tax Rat
	September 30, 2023	September 30, 2022	2023
	(in thousands)		
Income tax provision	$ 29,447	$ 17,286	18.4 %

The Company's estimated annual 2023 effective tax rate, excluding discrete events, is expected to be approximately 24.1%.

The decrease in the overall effective tax rate was primarily due to the change in our valuation allowance from the discontinuation of our participation in the st manufacturing property investment program. This change will allow the Company to utilize existing credit carryforwards in future tax years, eliminating the ne allowance against this deferred tax asset. The related valuation allowance was reversed resulting in a one-time benefit of $3.1 million to the estimated income ta nine months ended September 30, 2023.

Additionally during the nine months ended September 30, 2023 March 31, 2024, the Company recorded an excess tax benefit of $6.3 million $4.4 million as million $3.8 million during the same period in 2022. 2023. The increase was primarily due excess tax benefit is related to the timing of stock option exercises as a stock price during the nine three months ended September 30, 2023. March 31, 2024 and 2023, respectively.

Liquidity and Capital Resources

Our working capital and capital expenditure requirements are generally met through net cash provided by operations and the use of the revolving bank line of cr current liquidity at the time.

Working Capital - Our unrestricted cash decreased $5.2 million increased $8.1 million from December 31, 2022 December 31, 2023 to September 30, 2023 Ma totaled $0.2 million $8.4 million at September 30, 2023 March 31, 2024. Our restricted cash increased $21.8 million $11.2 million from the closing of our recent Credit related to our Longview, Texas Expansion. expansion. We expect most funds will be released from this account by the end of 2023. The funds will be use revolving line of credit. 2024. We have also seen increases in our current income tax payable due to the tax law changes surrounding the capitalization development costs. This has increased our cash paid for income taxes.

Revolving Line of Credit - Our revolving credit facility (as amended, "Revolver"), provides for maximum borrowings of $200.0 million. As of September 30, 20 31, 2022 March 31, 2024 we had no amounts outstanding under our Revolver. As of December 31, 2023, we had $78.4 $38.3 million and $71.0 million, respec under the Revolver. We had two standby letters of credit totaling $2.3 million as of September 30, 2023 March 31, 2024. At September 30, 2023 March 3 $119.3 $197.7 million of borrowings available under the Revolver. The Revolver expires May 27, 2027. On April 20, 2023 we We have amended the Revolve occurrence of transactions associated with the New Markets Tax Credit executed on April 25, 2023 transactions (Note 16).

Any outstanding loans under the Revolver bear interest at the daily compounded secured overnight financing rate ("SOFR") plus the applicable margin. Applicab from 1.25% - 1.75%, is determined quarterly based on the Company's leverage ratio. The Company is also subject to letter of credit fees, ranging from 1.25 commitment fee, ranging from 0.10% - 0.20%. The applicable fee percentage is determined quarterly based on the Company's leverage ratio. The weighted av on borrowings outstanding on the Revolver was 6.5% 6.6% and 6.3% 6.0% for the three and nine months ended September 30, 2023 March 31, 2024. Fees a unused portion of the committed amount are included in interest expense on our consolidated statements of income for the three and nine months ende 2023 March 31, 2024 and 2022. 2023.

If SOFR cannot be determined pursuant to the definition, as defined by the Revolver agreement, any outstanding effected loans will be deemed to have be alternative base rate ("ABR") loans. ABR loans would bear interest at a rate per annum equal to the highest of (a) the Prime Rate in effect on such day, (b) the Fe in effect on such day plus 0.50%, or (c) daily simple SOFR for a one-month tenor in effect on such day plus 1.00%.

At September 30, 2023 March 31, 2024, we were in compliance with our financial covenants, as defined by the Revolver. These covenants require that parameters related to our leverage ratio. At September 30, 2023 March 31, 2024, our leverage ratio was 0.33 0.01 to 1.0, which meets the requirement of not beir

2019 New Markets Tax Credit - On October 24, 2019, the Company entered into a transaction with a subsidiary of an unrelated third-party financial ins Investor") and a certified Community Development Entity under a qualified New Markets Tax Credit ("2019 NMTC") program pursuant to Section 45D of the Intern of 1986, as amended, related to an investment in plant and equipment to facilitate the expansion of our Longview, Texas manufacturing operations (the " connection with the NMTC transaction, the Company received a $23.0 million NMTC allocation for the 2019 Project and secured low interest financing and the p debt forgiveness related to the expansion of its Longview, Texas facilities.

Upon closing of the 2019 NMTC transaction, the Company provided an aggregate of approximately $15.9 million to the Investor, in the form of a loan receival twenty-five years, bearing an interest rate of 1.0%. This $15.9 million in proceeds plus capital contributed from the Investor was used to make an aggregate $22. subsidiary of the Company. This financing arrangement is secured by equipment at the Company's Longview, Texas facilities, and a guarantee from the Comp unconditional guarantee of the NMTCs.

2023 New Markets Tax Credit - On April 25, 2023, the Company entered into a transaction with a subsidiary of an unrelated third-party financial institution (th and a certified Community Development Entity under a qualified New Markets Tax Credit ("2023 NMTC") program pursuant to Section 45D of the Internal Rever as amended, related to an investment in plant and equipment to facilitate the expansion of our Longview, Texas manufacturing operations (the "2023 Project"). the 2023 NMTC transaction, the Company received a $23.0 million NMTC allocation for the 2023 Project and secured low interest financing and the potent forgiveness related to the expansion of its Longview, Texas facilities.

Upon closing of the 2023 NMTC transaction, the Company provided an aggregate of approximately $16.7 million to the Investor, in the form of a loan receival twenty-five years, bearing an interest rate of 1.0%. This $16.7 million in proceeds plus capital contributed from the Investor was used to make an aggregate $23. subsidiary of the Company. This financing arrangement is secured by a guarantee from the Company, including an unconditional guarantee of the NMTCs proceeds from the closing of the 2023 NMTC are included in restricted cash on our consolidated balance sheets required to be used for the 2023 Project.

2024 New Markets Tax Credit

On February 27, 2024, the Company entered into a transaction with a subsidiary of an unrelated third-party financial institution (the "2024 Investor") and a ce Development Entity under a qualified New Markets Tax Credit ("2024 NMTC") program pursuant to Section 45D of the Internal Revenue Code of 1986, as amer investment in real estate to facilitate 2023 Project. In connection with the 2024 NMTC transaction, the Company received a $15.5 million NMTC allocation for the secured low interest financing and the potential for future debt forgiveness related to the expansion of its Longview, Texas facilities.

Upon closing of the 2024 NMTC transaction, the Company provided an aggregate of approximately $11.0 million to the Investor, in the form of a loan receival twenty-five years, bearing an interest rate of 1.0%. This $11.0 million

in proceeds plus capital contributed from the Investor was used to make an aggregate $16.0 million loan to a subsidiary of the Company. This financing arranger a guarantee from the Company, including an unconditional guarantee of the NMTCs. The unused net proceeds from the closing of the 2024 NMTC are included on our consolidated balance sheets required to be used for the 2023 Project.

Stock Repurchases - The Board has authorized one active stock repurchase program for the Company. The Board must authorize the timing and amount of the all repurchases are in accordance with the rules and regulations of the SEC allowing the Company to repurchase shares from the open market. On Novembe 27, 2024, the Board of Directors approved an updated stock repurchase plan with repurchases under the plan not to exceed $50 million. The current repurchase the Board of Directors' discretion.

Our open market repurchase programs are as follows:

Effective Date	Authorized Repurchase $	Expiration Date
March 13, 2020	$20 million	November 9, 2022
November 3, 2022	$50 million	February 27, 2024
February 27, 2024	$50 million	** [1, 2]

[1] Expiration Date is at Board's discretion. The Company is authorized to effectuate repurchases of the Company's common stock on terms and conditions approved in advance by the Board.

[2] As of September 30, 2023 March 31, 2024, there is approximately $25.0 million $50.0 million remaining under the current stock repurchase program. The remaining amount available is subject to authorized 10b5-1 plan requiring certain market conditions and requirements.

The Company repurchases shares of AAON, Inc. stock from employees for payment of statutory tax withholdings on stock transactions. All other repurchases employees are contingent upon Board approval. All repurchases approval and all shares are done repurchased at current market prices.

Lastly, the Company also had a stock repurchase arrangement by which employee-participants in our 401(k) savings and investment plan were entitled to have Inc. stock in their accounts sold to the Company. The 401(k) Plan was amended in June 2022 to discontinue this program. No additional shares have been Company under this arrangement since June 2022.

Our repurchase activity is as follows:

	Three Months Ended					Three Months Ended		
	March 31, 2024			March 31, 2024		March 31		
	(in thousands, except share and per share data)					(in thousands, except share ar		
Program		Program	Shares1	Total $	$ per share1	Shares1	Total $	$ per s

	Nine Months Ended					
Employees						
	September 30, 2023			September 30, 2022		
Employees						
	(in thousands, except share and per share data)					
Program	Shares1	Total $	$ per share1	Shares1	Total $	$ per share1
Open market	402,873	$25,009	$62.08	53,218	$2,030	$38.14
401(k)	—	—	—	155,904	5,913	37.93
Employees Employees	20,218	1,202	59.45	24,889	978	39.29
Total	423,091	$26,211	$61.95	234,011	$8,921	$38.12

1 Reflects three-for-two stock split effective August 16, 2023.

1 Reflects three-for-two stock split effective August 16, 2023.

1 Reflects three-for-two stock split effective August 16, 2023.

Our repurchase activity since Company inception, including our current authorized stock repurchase programs, are as follows:

Program	Program	Shares1	Total $	$ per share1	Program	Shares1	Total $	$ per share1
		Inception to September 30, 2023						
		(in thousands, except share and per share data)						
		Inception to						
		Inception to						
		Inception to			March 31, 2024			
		(in thousands, except share and per share data)						(in thousands, except share and per sh
Open market	Open market	6,893,924	$106,625	$15.47				
401(k)	401(k)	12,462,552	171,789	13.78				
Directors and employees	Directors and employees	3,087,651	24,562	7.95				
Total	Total	22,444,127	$302,976	$13.50				

1 Reflects three-for-two stock split effective August 16, 2023.

Dividends - At the discretion of the Board, we pay cash dividends. Board approval is required to determine the date of declaration and amount for each cash divi

Our recent cash dividends are as follows:

Declaration Date1	Record Date	Payment Date	Dividend per Share2	Annualized per S
May 18, 2022	June 3, 2022	July 1, 2022	$0.13	$0.
November 8, 2022	November 28, 2022	December 16, 2022	$0.16	$0.
March 1, 2023	March 13, 2023	March 31, 2023	$0.08	$0.
May 18, 2023	June 9, 2023	June 30, 2023	$0.08	$0.

August 18, 2023	September 8, 2023	September 29, 2023	$0.08	$0.

1 Effective with the cash dividend declared on March 1, 2023 (paid on March 31, 2023), the Company moved from semi-annual cash dividends to quarterly cash dividends.

2 Reflects three-for-two stock split effective August 16, 2023.

Declaration Date	Record Date	Payment Date	Dividend per Share1	Annualize per S
March 1, 2023	March 13, 2023	March 31, 2023	$0.08	$0.
May 18, 2023	June 9, 2023	June 30, 2023	$0.08	$0.
August 18, 2023	September 8, 2023	September 29, 2023	$0.08	$0.
November 10, 2023	November 29, 2023	December 18, 2023	$0.08	$0.
March 5, 2024	March 18, 2024	March 29, 2024	$0.08	$0.

1 Reflects three-for-two stock split effective August 16, 2023.

On July 7, 2023, the Board of Directors declared a three-for-two stock split of the Company's common stock that was paid in the form of a stock dividend. Stockh the close of business on July 28, 2023 received one additional share for every two shares they held as of that date on August 16, 2023 (ex-dividend date Au share and per share information has been updated to reflect the effects of this stock split.

Based on historical performance and current expectations, we believe our cash and cash equivalents balance, the projected cash flows generated from our opera committed revolving credit facility (or comparable financing) and our expected ability to access capital markets will satisfy our working capital needs, capital other liquidity requirements associated with our operations in 2023 2024 and the foreseeable future.

Statement of Cash Flows

The following table reflects the major categories of cash flows for the nine three months ended September 30, 2023 March 31, 2024 and 2022. 2023. For addition consolidated financial statements.

		Nine Months Ended			
	Three Months Ended				Three Months Ended
		September 30, 2023	September 30, 2022	March 31, 2024	March 31, 2023
		(in thousands)		(in thousands)	
Operating Activities	Operating Activities				
Net Income	Net Income	$ 130,574	$ 61,478		
Net Income					
Net Income					
Income statement adjustments, net	Income statement adjustments, net	44,706	37,206		
Changes in assets and liabilities:	Changes in assets and liabilities:				
Accounts receivable					
Accounts receivable					
Accounts receivable	Accounts receivable	(32,040)	(63,593)		
Income taxes	Income taxes	(12,472)	3,782		
Inventories	Inventories	(18,547)	(47,998)		

Contract assets	Contract assets	(10,155)	(3,843)
Prepaid expenses and other long-term assets	Prepaid expenses and other long-term assets	(896)	(70)
Accounts payable	Accounts payable	(15,631)	18,616
Contract liabilities	Contract liabilities	(1,848)	24,249
Extended warranties	Extended warranties	2,049	730
Accrued liabilities & other long-term liabilities	Accrued liabilities & other long-term liabilities	21,405	12,857
Net cash provided by operating activities	Net cash provided by operating activities	107,145	43,414
Investing Activities	**Investing Activities**		
Capital expenditures	Capital expenditures	(82,900)	(41,586)
Cash paid for building (Note 18)		—	(22,000)
Cash paid in business combination, net of cash acquired		—	(249)
Capital expenditures			
Capital expenditures			
Software development expenditures			
Other			
Other			
Other	Other	168	53
Net cash used in investing activities	Net cash used in investing activities	(82,732)	(63,782)
Financing Activities	**Financing Activities**		
Proceeds from financing obligations, net of issuance costs	Proceeds from financing obligations, net of issuance costs	6,061	—
Proceeds from financing obligations, net of issuance costs			
Proceeds from financing obligations, net of issuance costs			

Payment related to financing costs	Payment related to financing costs	(398)	—
Borrowings under revolving credit facility	Borrowings under revolving credit facility	444,072	151,103
Payments under revolving credit facility	Payments under revolving credit facility	(436,656)	(114,812)
Principal payments on financing lease		—	(115)
Stock options exercised	Stock options exercised	25,251	10,990
Repurchase of stock		(25,009)	(7,943)
Stock options exercised			
Stock options exercised			
Employee taxes paid by withholding shares			
Employee taxes paid by withholding shares			
Employee taxes paid by withholding shares	Employee taxes paid by withholding shares	(1,202)	(978)
Cash dividends paid to stockholders	Cash dividends paid to stockholders	(19,946)	(10,096)
Net cash (used in) provided by financing activities	Net cash (used in) provided by financing activities	$ (7,827)	$ 28,149

Cash Flows Provided by Operating Activities

The Company currently manages cash needs through working capital as well as drawing on its line of credit. Collections and payments cycles are on a n fluctuate due to timing of receipts and payments. In early 2022,

Historically, the Company began increasing increased the purchase of inventory to take advantage of favorable pricing opportunities and also to mitigate the impa chain disruptions on our operations. Increases operations, however, as inflationary and supply chain disruptions have decreased, the Company has been able to levels. Additionally, increases in the timing of our customer prepayment as well as increases in our employee bonuses pools and benefits (as a result of our results) increased our cash provided by accrued liabilities.

Payment terms for BASX jobs typically require upfront cash to fund the job resulting in cash inflows related to our contract liabilities and cash inflows fluctuate due scheduling.

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We have also seen increases in our current income tax payable due to the tax law changes surrounding the capitalization of research and development costs. T our cash paid for income taxes.

The increase in our accrued liabilities and other long-term liabilities is due litigation settlement (Note 17) accrued at September 30, 2023.

Cash Flows Used in Investing Activities

The capital expenditures for the nine three months ended September 30, 2023 March 31, 2024 relate to our continued investment in our production capabilities. the nine three months ended September 30, 2023 March 31, 2024 relate to additional sheet metal infrastructure and other machinery for both replacement and production and warehouse space in our Redmond, Oregon and Longview, Texas locations, additional office space equipment and production ca Oklahoma, Parkville, Missouri, and additional land in Tulsa, Oklahoma for future growth, and a partial interest growth. We have also made investments to pu software for internal use in an airplane. anticipation of future Company growth. The capital expenditure program for 2023 2024 is estimated to be appr million $125.0 million. Many of these projects are subject to review and cancellation at the discretion of our CEO and Board of Directors without incurring substan

Cash Flows Provided by Financing Activities

The change in cash from financing activities in 2023 2024 is primarily related to borrowings under our revolving credit facility to manage our working capital strategic purchases of inventory to avoid supply chain delays and the funding of certain capital expenditures, offset by repayments we were able to make du operating results and financial condition.

Furthermore, cash flows from financing activities is historically affected by the timing of stock options exercised by our employees. Stock options exercised inc increase in the number of employee options exercised and increase in our average stock price exercises decreased during the nine three months ende 2023 March 31, 2024 compared to the nine three months ended September 30, 2022.

Additionally, we repurchased approximately 402,873 shares for approximately $25.0 million during the nine months ended September 30, 2023 under our current program (Note 15).

Effective with the cash dividend declared on March 1, 2023 (paid on March 31, 2023), the Company moved from semi-annual cash dividends to quarterly cash di quarter dividend was paid on September 29, 2023.

Commitments and Contractual Obligations

We are occasionally party to short-term and long-term, cancellable and occasionally non-cancellable, contracts with suppliers for the purchase of raw materi parts. We expect to receive delivery of raw material and component parts for use in our manufacturing operations. These contracts are not accounted for as deri because they meet the normal purchase and normal sales exemption. We had no material contractual purchase obligations as of September 30, 2023 March 3 described below.

On April 27, 2022, In 2023, the Company entered into executed a five-year purchase commitment for refrigerants. For the three months ended March 31, 2024 ar with a third-party manufacturer to 2023, the Company made payments of $3.6 million and $2.4 million, respectively, on this contract. Estimated minimum future p million, $9.1 million, $10.5 million, and $11.2 million for 2024, 2025, 2026, and 2027, respectively. We had no other material contractual purchase certain ass manufacture fan wheels for the purchase price obligations as of $6.5 million. As of September 30, 2023, we have paid approximately $3.5 million related to this is included in other long-term assets and property, plant and equipment, with the remaining $3.0 million included in accounts payable and other long-te consolidated balance sheets. The final payment was made on October 30, 2023 March 31, 2024.

Critical Accounting Policies

There have been no material changes in the Company's critical accounting policies during the nine three months ended September 30, 2023 March 31, 2024.

Recent Accounting Pronouncements

See Note 1 of the Notes to the Consolidated Financial Statements for a discussion of recent accounting pronouncements.

Forward-Looking Statements

This Quarterly Report on Form 10-Q (or statements otherwise made by the Company or on the Company's behalf from time to time in other reports, filings with Exchange Commission ("SEC"), news releases, conferences, website postings, presentations or otherwise) includes "forward-looking statements" within the mea Securities Litigation Reform Act of 1995. Any statements contained herein that are not historical facts are forward-looking statements and involve risks and unce these forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the U.S. Private Securities Litigation R Words such as "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", "confident", "outlook", "project", "should", "will", and variations of suc words of similar meaning or similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future perfor certain risks, uncertainties and assumptions, which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is express such forward-looking statements. Important factors that could cause results to differ materially from those in the forward-looking statements include, among other

- market conditions and customer demand for our products;
- the timing and extent of changes in raw material and component prices;

- naturally-occurring events, pandemics, and other disasters causing disruption to our manufacturing operations, product deliveries and production capacit
- the impact caused by inflationary cost pressures, national or global health issues, such as the coronavirus pandemic ("COVID-19"), any variants or (including the response thereto) and their effects on, among other things, demand for our products, supply chain disruptions, our liquidity and financial operations, stock price, payment of dividends, our ability to secure new orders, our ability to convert backlog to revenue and impacts to the operat facilities;
- natural disasters and extreme weather conditions, including, without limitation, their effects on locations where our products are manufactured;
- the effects of fluctuations in the commercial/industrial new construction market;
- the timing of introduction and market acceptance of new products;
- the timing and extent of changes in interest rates, as well as other competitive factors during the year;
- general economic, market or business conditions;
- tightening of labor markets and the ability to hire employees for continued growth
- creditworthiness of our customers and their access to capital;
- changing technologies;
- the material failure, interruption of service, compromised data or information technology security, phishing emails, cybersecurity breaches or oth information technology and related systems and networks (including any of the foregoing of third-party vendors and other contractors who provide infor or other services);
- costs and results of litigation, including trial and appellate costs;
- economic, market or business conditions in the specific industry and market in which our businesses operate;
- future levels of capital expenditures, research and development and indebtedness, including, without limitation, our ability to reduce indebtedness an with the same;
- legal, regulatory, and environmental issues, including, without limitation, compliance of our products with mandated standards and specifications; and
- integration of acquired businesses and our ability to realize synergies and cost savings.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. Except as r securities laws, we undertake no obligation to update any forward-looking statement to reflect events, occurrences or developments after the date on which made. For a discussion of risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, please s Factors" included in our Annual Report on Form 10-K, and as otherwise disclosed from time to time in our other filings with the SEC.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Commodity Price Risk

We are exposed to volatility in the prices of commodities used in some of our products and we may use cancellable and non-cancellable contracts with our r periods of six to 18 months to manage this exposure.

Interest Rate Risk

We are exposed to changes in interest rates related to our outstanding debt. As of September 30, 2023 March 31, 2024, we had an no outstanding balance of each one percentage point increase in the interest rate applicable to on our outstanding debt, our annual income before taxes would decrease by a million. Revolver.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation, under the supervision and with the participation of including our Chief Executive Officer and Chief Financial Officer with the oversight of the Audit Committee, regarding the effectiveness of the design and disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended). Based upon that eva

Executive Officer and Chief Financial Officer have concluded, as of the end of the period covered by this Quarterly Report, that our disclosure controls and effective.

(c) Changes in Internal Control over Financial Reporting

There have been no changes in internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are re materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

See Note 17 of the Notes to the Consolidated Financial Statements.

Item 1A. Risk Factors.

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Rep for the year ended December 31, 2022 December 31, 2023. The risk factors described in our Annual Report could materially adversely affect our business, fina future results. There have been no material changes to the risk factors included in our 2022 2023 Annual Report. Report except as follows:

Risks Related to Governmental Regulation and Policies

We are subject to climate-related risks.

As climate change continues to be a challenge across the globe, AAON recognizes there are risks specifically related to climate. As mentioned before, there coul regulations on refrigerants, energy efficiency, and the use of fossil fuels. The price of electricity could increase, or the Company's operations could be affected by related weather events or water shortages. These risks could impact the Company on a short-term or long-term basis.

Item 2. Unregistered Sales of Equity and Securities and Use of Proceeds.

Stock Repurchases

The Company may repurchase AAON, Inc. stock on the open market from time to time. From inception through September 30, 2023 March 31, 2024, we have re of approximately 6.9 million shares (at current market prices) under the various open market stock buyback programs for an aggregate price of $106.6 million, or of $15.47 per share. The Board must authorize the timing and amount of these purchases and all repurchases are in accordance with the rules and regula allowing the Company to repurchase shares from the open market. On November 3, 2022, the Board of Directors approved an updated stock repurchase plan under the plan not to exceed $50.0 million. The current repurchase plan will expire at the Board of Directors discretion.

The Company repurchases shares of AAON, Inc. stock from employees for payment of statutory tax withholdings on stock transactions. All other repurchases employees are contingent upon Board approval. All repurchases approval and all shares are done repurchased at current market prices. From inception throu 2023 March 31, 2024, we repurchased approximately 3.1 million shares (at current market prices) for an aggregate price of $24.6 million $27.7 million, or an $7.95 $8.86 per share.

Lastly, the Company also had a stock repurchase arrangement by which employee-participants in our 401(k) Plan were entitled to have shares of AAON, accounts sold to the Company. The 401(k) Plan was amended in June 2022 to discontinue this program. From inception through September 30, 2023 Ma repurchased approximately 12.5 million shares (at current market prices) for an aggregate price of $171.8 million, or an average price of $13.78 per share.

Repurchases during the third first quarter of 2023 2024 were as follows:

			ISSUER PURCHASES OF EQUITY SECURITIES
Period	(a) Total Number of Shares (or Units) Purchased[1]	(b) Average Price Paid Per Share (or Unit)[1]	(c) Total Number of Shares (or Units) Purchased as part of
			ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased[1]	(b) Average Price Paid Per Share (or Unit)[1]	(c) Total Number of Shares (or Units) Purchased as part of Publicly Announced Plans or Programs[1]	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that may yet be Purchased under the Plans or Programs
July 2023 January 2024	177 610	$67.30 71.22	177 610	—
August 2023 February 2024	403,187 13,165	62.07 86.09	403,187 13,165	—
September 2023 March 2024	258 23,085	61.49 80.75	258 23,085	—
Total	403,622 36,860	$61.95 82.50	403,622 36,860	—

[1] Reflects three-for-two stock split effective August 16, 2023.

Contingent Shares Issued in BASX Acquisition

As discussed in Note 15, the Company declared a three-for-two stock split effective August 16, 2023. All share and per share information has been updated to reflect the effect of this stock split.

In December 2021, we closed on the acquisition of BASX. Under the MIPA Agreement, we committed to $78.0 million in the aggregate of contingent consideration to the former owners of BASX, which is payable in approximately 1.56 million shares of the Company's common stock, par value $0.004 per share. The shares do not accrue dividends.

Under the MIPA Agreement, the potential future issuance of shares to the shares is former owners of BASX was contingent upon BASX meeting certain post-closing earn-out milestones during each of the years ended 2021, 2022, and 2023. Based on In March 2024, we issued the final allocation of the consideration paid, we estimated the fair value of contingent consideration related to these shares to be approximately $60.0 million, which is included in additional paid-in capital on the consolidated balance sheets. As of September 30, 2023, 0.58 million shares and 0.73 remaining 0.24 million shares related to the earn-out milestones milestone for the years year ended 2022 2023. As a result of the shares issued in March 2024, the tax basis exceeded the book basis for consideration paid resulting in a deferred tax asset and 2021, an increase to additional paid-in capital of $6.4 million, respectively, on our consolidated balance sheet. The deferred tax asset is expected to be amortized over fifteen years. We previously issued 0.58 million shares in March 2023, related to the earn-out milestone for the year ended 2022. All shares have been issued to the former owners of BASX as private placements exempt from registration with the SEC under Rule 506(b), which and are included in common stock on the consolidated statements of stockholders' equity.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 4A. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

Rule 10b5-1 Trading Arrangements

The following table describes contracts, instructions or written plans for the purchase or sale of our securities intended to satisfy the affirmative defense conditions of Rule 10b5-1(c).

Name and Title of Director or Officer	Date of Adoption of Arrangement	Duration of the Arrangement		Aggregate Number of Securities to be Purchased or Sold Pursuant to the Arrangement
Stephen E. Wakefield *Vice President and Chief Operating Officer*	November 23, 2022	Terminated May 17, 2023		95,788
Stephen E. Wakefield *Vice President and Chief Operating Officer*	September 13, 2023	Terminated December 27, 2023	Expires August 30, 2024	181,000
Stephen E. Wakefield *Vice President*	March 14, 2024	March 14, 2025		29,946

Item 6. Exhibits.

Exhibit #	Description
3.2	Amended and Restated Bylaws of AAON, Inc. effective March 9, 2023 (i)
31.1	Certification by Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by Chief Executive Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by Chief Financial Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Interactive data files pursuant to Rule 405 of Regulation S-T formatted in iXBRL (Inline Extensible Business Reporting Language): (i) our Consolidated Balance Sheets as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023; (ii) our Consolidated Statements of Income for the nine three months ended September 30, 2023 March 31, 2024 and 2022; 2023; (iii) our Consolidated Statements of Stockholders' Equity for the nine three months ended September 30, 2023 March 31, 2024 and 2022; 2023; (iv) our Consolidated Statements of Cash Flows for the nine three months ended September 30, 2023 March 31, 2024 and 2022; 2023; and (vi) the notes to our Consolidated Financial Statements.
104	Cover Page Interactive Data File pursuant to Rule 406 of Regulation S-T formatted in iXBRL (Inline Extensible Business Reporting Language) and contained in Exhibit 101.
(i)	Incorporated herein by reference to the exhibit to our Form 8-K dated March 9, 2023.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AAON, INC.

Dated: November 06, 2023 May 02, 2024 By: /s/ Gary D. Fields

Gary D. Fields
Chief Executive Officer

Dated: November 06, 2023 May 02, 2024 By: /s/ Rebecca A. Thompson

Rebecca A. Thompson
Chief Financial Officer

Exhibit 31.1

CERTIFICATION

I, Gary D. Fields, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AAON, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal controls over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of

registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 06, 2023 May 02, 2024	/s/ Gary D. Fields
	Gary D. Fields
	Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Rebecca A. Thompson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AAON, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal controls over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	November 06, 2023 May 02, 2024	/s/ Rebecca A. Thompson
		Rebecca A. Thompson
		Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of AAON, Inc. (the "Company"), on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Gary D. Fields, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 06, 2023 May 02, 2024	/s/ Gary D. Fields
	Gary D. Fields Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of AAON, Inc. (the “Company”), on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Rebecca A. Thompson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 06, 2023 May 02, 2024	/s/ Rebecca A. Thompson
	Rebecca A. Thompson Chief Financial Officer

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