



November 29th, 2023

Students: Joseph Ferguson, Susan Liu, Garrett Wallis

Long: AAON, Inc. (NASDAQ: AAON)

Current Price: \$62.78 (11/17/2023) | **1Y Price Target:** \$83.58 (33% Upside)



AAON, Inc. (NASDAQ: AAON) Overview

Premium HVAC Products Provider for Diversified End Markets

Company Description

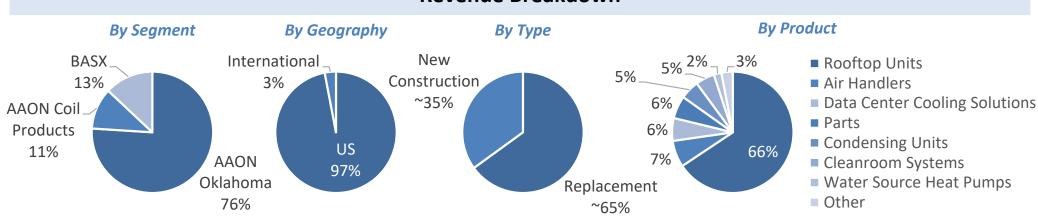
- Manufactures semi-custom and fully custom HVAC equipment primarily in North America
- End markets: manufacturing, data centers, education, office, healthcare, lodging, semiconductors, etc.
- In 2021, acquired BASX, manufacturer of data center cooling solutions, cleanroom systems
- Founded in 1988, headquartered in Tulsa, Oklahoma, and employs ~3,800 employees
- 4 manufacturing facilities with 2.2mm Sq. Ft.

Key Financials and Trading Statistics

(\$mm, unless otherwise stated)

()		- /	
Current Price (\$)	\$62.78	52W High / Low (\$)	\$71.39 / \$46.87
Market Cap	\$5,235	Avg. Volume (mm)	0.40
Enterprise Value	\$5,291	Float (%)	82.5%
'24E Revenue	\$1,296	Short Interest (%)	4.0%
'23-'25 CAGR (%)	11.0%	EV/'24 EBITDA (x)	16.6x
'24E GM (%)	34.4%	'24 P/E (x)	26.3x
'24E EBITDA	\$316	ND / EBITDA (x)	0.4x
EBITDA Margin (%)	24.4%	LTM Q3'23 ROA	15.3%
2024E EPS (\$)	\$2.39	Dividend Yield (%)	0.5%

Revenue Breakdown



Note: HVAC defined as Heating, Ventilation, and Air Conditioning; Projections based on Consensus Estimates Source: S&P Capital IQ, Company Filings, Investor Presentations





Investment Thesis

The Market is Underestimating AAON's Ability to Drive Revenue Growth and Margin Improvement in the Short and Long-Term

1

Top-Line Growth

- Strong tailwinds across AAON's multiple end markets (average 7%+ industry growth)
- Continued market share gains (average 8% going forward) driven by industry leading value proposition and rising competitor costs

2

Margin Expansion

- Continued pricing power (+3% price increases) driven by mission critical products and premium efficiency/durability
- Updated FP&A capabilities

3

Long-Term Value

- Demonstrated commitment to innovation
- Capital allocation as a competitive advantage





Investment Thesis #1 – Top-Line Growth

Industry Tailwinds in the HVAC Space Paired with Growth in Key End Markets will Drive Opportunity for AAON

HVAC Industry Tailwinds

Air Quality and Efficiency

ASHRAE Standards 62.1 & 90.1

New standards cemented focus on air quality/efficiency since COVID, driving an increased need for units drawing outside air and customizations

Electrification





 Effort to improve margins and meet EPA standards has sharpened company focus on decarbonization and emission optimization, driving replacement of legacy HVAC solutions with 100% electric alternatives

Growing End Market Verticals

Manufacturing (Reshoring)



- Chips and Science Act provides incentives to reshore
- \$231B US Semiconductor investments announced
- S&P 500 earnings call mentions of "reshoring" up 128% YoY

Education



- **ESSER I-III** allocated \$190B to schools (~2x DOE FY24 budget)
- Post-COVID focus to improve air quality drives HVAC prioritization
- Schools still have until Sep'24 to allocate funds

Data Centers

- Growing Demand: Accelerating Demand For Computing Power is driving data center growth
- Gross Leasable Area Growing: Consensus estimates for Equinix's GLA forecasted to grow 6% YoY
- Data Centers Growing: Digital Realty Trust consensus Sq. Ft. and enhancement CapEx up 12% and 30%, respectively, YoY

Outpatient Surgical Centers / Vertical Farms

- Growing Healthcare Demand: Less-invasive surgical procedures, supported by expanded # of non-inpatient only procedures has driven surgical center demand (247 ASC and 135+ physician owned centers currently in construction), that need high quality HVAC
- Vertical Farming Insights: "Indoor Farming is a great, growing market...more HVAC intensive than anything on the same scale" – HVAC Sales Rep





Investment Thesis #1 – Top-Line Growth

AAON is Well-Positioned to Continue Gaining Share in its End Markets

What Sets AAON Apart...

Premium Service

- Fast Lead Times: 12–16-week lead times for custom products and increased capacity has enabled exceptional service speed
- Client Focus: "I just had a request from sales channel partner.

 He involved me because it was such a significant project, and he needed 22 weeks. We're talking units that are a single unit on a single tractor trailer truckload...for several of those units, and we were able to meet that" CEO
- The Outcome: "Our lead times is what helps us close more contracts" BASX Cleanroom Sales Application Engineer

Differentiated and Innovative Solutions

- Longer Lasting: AAON Rooftop Units ("RTUs") last 20-25 years, while competitor RTUs last 10-15 years
- Revolutionary Technology: Newly released <u>ALPHA</u>
 <u>Class</u> delivers 100% Electric, ZERO Degree ambient
 temperature, air-source heat pump, expanding TAM of air-source heat pumps to previously un-servable geographies
- Ahead of the Curve: Already manufacturing units above the new ASHRAE minimum standards
- More Resilient and Efficient: AAON's RTU casings are sturdier and provide superior insulation (R-13 vs R-3 of comps)

Market Share Gains to Continue...

Taking Market Share and Ready For More!

- Historical Market Share Gains: From 2017 to 2022, AAON (excl. BASX) achieved a revenue CAGR of 14% vs. 3% for peers
- Primed for More: Preparing for further growth through increasing capacity and maintaining 30% excess capacity
 - o Doubling an earlier 2021 expansion (10% Sq. Ft. increase)
 - Recovered 40%+ space in existing Tulsa Facility
- Matt Tobolski, BASX President, appointed President/COO of AAON IN 2023, signaling commitment to growing end markets
- "There is no chip maker in North America or data center operator that is not a client or considering us" – CEO

Competitors Increasing Prices

- Increasing AAON's relative value: "We now believe the price premium of our equipment relative to the competition is in the high single digits, down from 15% to 20% that we were at historically. This is making the value proposition of our equipment even more compelling, helping drive further share gains." CEO
- The Why: Competitors are having to raise prices as their cost of production increases to meet new industry standards that AAON already exceeds
- The Result: Improved relative value accelerates share gains, while maintaining target margins





Investment Thesis #2 – Continued Margin Expansion

Tech-Enabled Financial Planning will Allow AAON to Continue Improving Margins

Tech-Enabled Financial Planning

- **Before:** Unable to forecast the unit economics from raw material volatility and rising SG&A, AAON implemented reactive and significant price hikes that drove higher backlog at sub-par margins as demand was pulled forward to lock in pre-hike prices
- What's New: New FP&A technology and team (built out over last 2-3 years) provides better modeling and forecasting capabilities, allowing AAON to better understand the impacts of price increases and plan more effectively
- The Result: AAON can recognize more clearly when price increases will flow through production and can proactively increase prices, increasing the value of their backlog rather than driving backlog increases at lower margins

"So, we're not going to be reactive. We're going to be proactive. So, before we see a decline in margins, we will begin to hit it with the soft increases. And our sales channel really appreciated our approach... if you lead those in soon enough, then you won't have any margin degradation that you're trying to recover from by putting a big lump in." — CEO, Gary Fields

Target Margins are Increasing

Favorable Mix Shift: Parts is a higher margin product (GM: ~45%) and is becoming a greater part of the mix

"Sales grew 14%...we continue to target a strong double-digit annual growth in parts and expect to increase the business by 2x to 3x in the next 5 years" - CEO, Gary Fields

New Normal for Target Margins: CEO comments on go forward gross margins, "Our target range has risen. The 28% to 32% is no longer a target range for us...we've monitored our market position versus our competitors and what our value proposition is...it will allow us a margin a bit stronger than historically"

Global Supply Chain Issues Easing

- Impact to Efficiency: Easing supply chain can drive 10-15% enhanced production efficiency
- Resilient vs Competitors: In a downside scenario AAON can weather the storm better than competitors – during peak supply chain issues AAON went from 12 to 22-week lead times. Competitors went from 12 weeks to 50-60 weeks.







Investment Thesis #3 – Long-Term Value

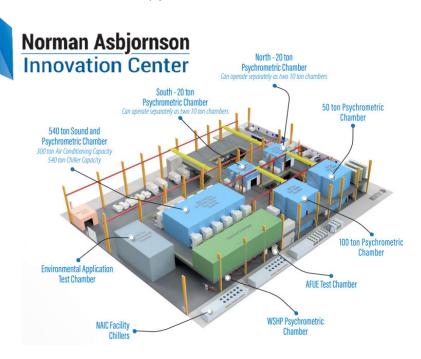
Innovation is in AAON's DNA, Driving Continued Outperformance

Pioneering Innovation

In 2019, AAON opened their Norman Asbjornson Innovation Center. This lab is state-of-the-art and a one of its kind research center, specializing in acoustic and thermal testing

Benefits of testing include:

- Verify capacity and efficiency before installation
- Verify acoustical performance in actual conditions
- Eliminate risk and costly job site modifications



1

Differentiated Products

- Simulated Conditions: Chambers to simulate weather conditions from -20 to 130 degrees, 8 in. of rain or 2 in. of snow an hour, and 50 MPH winds
- The Result: Allowed AAON to create Cold Climate Air Source Heat Pumps, a product previously unable to be deployed in colder areas of the US, expanding geographic reach of AAON products

2

RFP Success

 Innovation Center and Showroom: AAON can present their products side-by-side with competitors for customers to realize "seeing is believing", translating to RFP success

3

Skilled Workforce Pipeline

- Engineer Pipeline: Research center has been a signal to top tier engineers, reinforcing a pipeline for top talent
- Strong Incentives: Recognizing the company's future success is driven by the effort of its team, AAON has implemented a Profit-Sharing mechanism for employees
- Note: Unlike its competitors, AAON has no union representation amongst its employee base





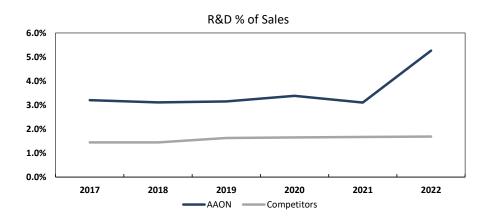
Source: Company Filings

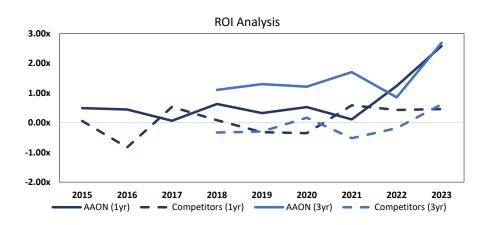
Investment Thesis #3 – Long-Term Value

AAON's Innovation has Translated to Tangible Outcomes and its Balance Sheet Allows AAON to Continue to Make Strategic Investments

Tangible Outcomes of Strategic Investments

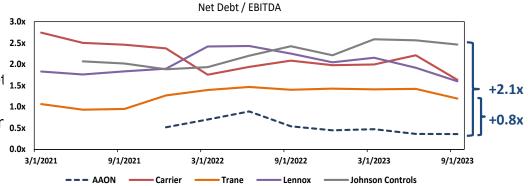
- Historical Focus on R&D: AAON has outspent competitors on R&D as a % of Sales by over 100 bps annually since 2017
- Stronger & Increasing ROI: AAON's ROI (Incremental Revenue / SG&A + R&D + Capex) of 2.6x surpasses comp ROI of 0.5x
- Impact: Demonstrated ability to invest capital more efficiently, driving greater incremental revenue growth per \$ invested





Financial Foundation for Continuous Innovation

- Attractive Leverage Profile: AAON maintains minimal debt (Net Debt / EBITDA: 0.36x) allowing for incremental cash flow to be devoted to further investment in the business
- Ahead of Competitors: Competitors carry greater debt (Avg. Net 1.5x
 Debt / EBITDA: 1.72x)
- The Impact: Carrier & Lennox have billions in fixed debt to roll ir 0.5x the next 1-2 years in a higher rate environment, increasing interest expense and limiting their ability reinvest in the firm







How Does Our Thesis Impact Earnings?

AAON's Positioning Results in Top-Line Growth and Margin Improvement

Revenue Growth Growing End Markets ~7%

Market Share Gains ~8%

Pricing Power ~3%

~18%

YoY Revenue Growth

Margin Improvement Improved FP&A

Increased Productivity

Product Mix Shift

~35%

Gross Margins





Valuation Summary – Overview

12-Month Price Target of \$83.58 in the Base Case with 33% Upside

Valuation Approach

We used **3 different approaches** for valuation (P/E Multiple, EV/EBITDA Multiple, and a DCF), and we **averaged the** results to determine price targets across our Bear, Base, and Bull cases

P/E based on current multiple

EV/EBITDA based on current multiple

DCF 5-year, 3-stage

	Valuation Summary: 2	024 Target	Price	
		Base	Bull	Bear
P/E	2025 EPS	\$3.25	\$3.50	\$2.43
Multiple	Forward P/E	26.0x	26.0x	22.0x
within	Target Price	\$84.44	\$91.05	\$53.51
	_	!!!		
	2025 EBITDA	411	438	318
	Forward EV/EBITDA	17.0x	17.0x	14.0x
	Enterprise Value	6,981	7,439	4,447
EV/EBITDA	Debt	(72)	(72)	(72)
Multiple	Cash	61	66	79
	Equity	6,970	7,433	4,453
	Shares O/S	83	83	83
	Target Price	\$84.16	\$89.75	\$53.77
	_			
DCF	Target Price	\$82.13	\$102.59	\$56.24
		1 1		
	Avg. Target Price	\$83.58	\$94.46	\$54.51
	Upside/(Downside)	33%	50%	(13%)

	Fo	recast vs. Co	nsensus ((Base Case)							
		2023			2024						
	Forecast	Consensus	% Diff.	Forecast	Consensus	% Diff.					
Revenue	1,155	1,156	(0.1%)	1,361	1,296	5.0%					
% growth	30.0%	30.1%		17.8%	6 12.1%						
Gross Profit	393	392	0.2%	476	442	7.8%					
% margin	34.0%	33.9%		35.0%	34.1%						
EBITDA	270	274	(1.4%)	340	313	8.7%					
% margin	23.4%	23.7%		25.0%	24.2%						
EPS	\$2.03	\$2.10	(3.5%)	\$2.6	6 \$2.39	11.2%					

Forecast	t Assumpti	ons	
	Base	Bull	Bear
Discount Rate	10.0%	10.0%	10.0%
Stage 2 Growth Rate	7.0%	7.0%	6.0%
Terminal Growth Rate	7.0%	7.0%	5.0%
'23-27 Rev. CAGR	17.9%	20.0%	10.4%
'23-27 avg. GM %	34.8%	35.0%	34.6%
'23-27 avg. EBITDA %	25.3%	25.7%	23.8%



Valuation Summary – Substantiating the Multiples

AAON's Fundamentals Support Multiples in Excess of Peers

Company	Mkt Cap	Forward	d P/E	Forward EV	/EBITDA	GM%	ROA	ROC	ROE	Hist. 3yr	Fwd. 2yr	N	ND/
Company	(\$MM)	2024	2025	2024	2025	GIVI /0	KUA	KUC	KOE	Rev. CAGR	EPS CAGR	EB	SITDA
Trane Technologies	51,362	22.9x	20.6x	16.2x	15.1x	32%	9%	15%	32%	12%	17%		1.19x
Carrier Global Corporation	43,924	18.5x	17.1x	12.5x	11.6x	28%	6%	10%	16%	8%	11%		1.63x
Johnson Controls International	35,288	13.3x	11.8x	10.4x	9.7x	34%	4%	6%	13%	6%	15%		2.46x
Lennox International Inc.	14,345	20.9x	18.9x	16.0x	14.8x	30%	18%	29%	nmf	11%	nmf	2	1.60x
Median	39,606	19.7x	18.0x	14.2x	13.2x	31%	8%	12%	16%	10%	15%		1.62x
AAON, Inc.	5,180	26.3x	23.9x	16.6x	15.1x	33%	15%	19%	28%	29%	36%	\Box	0.36x

	Forwar	d P/E		//EBITDA
AAON Valuation Premium	2024	2025	2024	2025
Multiple Premium vs. Comps	33%	33%	17%	14%

Rationale for Premium Multiple:

Higher ROA
15% vs 8% of Peers

Lower Leverage 0.36x vs 1.62x Growth Potential
Continued market share gains

AAON, Where Growth Meets Value!

Source: Capital IQ



Risks to Valuation

While There Exist Key Risks to Valuation, AAON is Protected

Construction
Weaker than
Expected in End
Markets

- Risk: Demand for products within the HVAC industry are sensitive to inherently cyclical construction markets and seasonal influences on construction activity, including weather
- Mitigant: Relative to other end-markets, AAON's target end markets are resilient to the end-of-cycle construction headwinds, and 65% of revenue is replacement

Moderate

Reliance on Metals in Input Processes

- Risk: Volatility in raw material prices can result in higher input cost for manufacturing driving lower profitability.
- Mitigant: AAON's FP&A capabilities and pricing power in the market should allow for significant neutralization of these headwinds while maintaining competitive position in the market.

Moderate

Warranties

- Risk: AAON offers a variety of warranties ranging from 1-25 years. Under-accrued expenses or product failure could result in additional accrual charges or legal liabilities.
- Mitigant: AAON's long-ranging warranties are a key selling point to their customers, and their longer-lasting product protects them in this regard vs their competitors.

Low







Appendix

Appendix: Value Added Research Summary



Expert Interviews (Performed by the Team)

- Insight Partners, Sales Representative
- Texas AirSystems, Sales Representative
- BasX, Cleanroom Sales Application Engineer

Tegus Transcripts

- HVAC Industry Consultant
- Former Co-Founder & CEO of GIGA Data Centers
- President & CEO of HVAC Distributors, Inc.

Client Channel Checks

- Industrial Construction Project Manager
- Chief Engineering Technician at The Lexington Hotel

Media

- YouTube 10+ Videos, including CEO Interview, HVAC Education, AAON Marketing, and Sales Rep Interviews
- TikTok HVAC TV, as well as TikToks by technicians
- Facebook HVAC Technicians Group Testimonials & Comments
- Podcast Innovate That, an Oklahoma podcast featuring innovative people and companies, including AAON

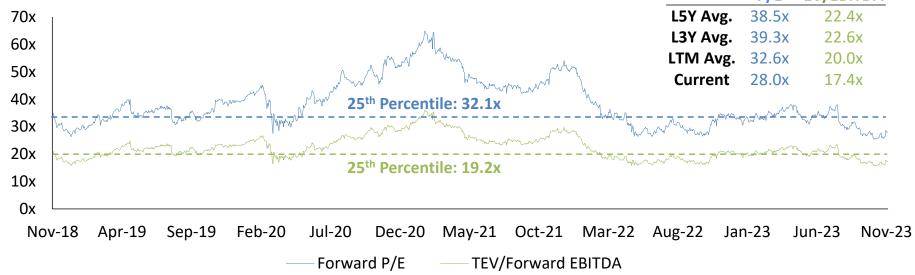
Appendix: 5-Year Trading History











Source: S&P Capital IQ



Appendix: AAON Unique Product Differentiation

Not All SEER Ratings are Created Equal

Cooling efficiency is about more than just production efficiency. AAON can keep cool air cooler for longer, given its R-13 casing rating vs competitor casing rating of R-3









Appendix: Key Management Overview

In Progress since 2018 and Near Completion, Leadership Re-alignment for "One AAON" Positions it Well to Pursue Continued Growth with More Efficiency and Structure













Gary Fields CEO / Director CEO since 2020 8 years at AAON ~33 years in industry Ex-Texas AirSystems HVAC equipment sales representative





Andrew Edmondson Executive Director of Sales & Marketing 1 year at AAON 23 years in industry Ex-Johnson Controls sales New hire to

shape marketing strategy

Stephen Wakefield EVP, AAON

Oklahoma 20 years at **AAON**

Doug Wichman

President, AAON Coil Products

> 10 years at **AAON**

President, BASX

Dave Benson

2 years at AAON Co-Founder / Ex-Chairman of BASX since 2014

> ~35 years in industry

Key management has long history with AAON / the HVAC industry



Appendix: Management Compensation

AAON Introduced PSUs Based on 3-Year TSR in 2021

Summary Compensation Table

Name and Principal Position ⁽⁸⁾	Year	Salary (\$)	Bonus (\$)	Restricted Stock Awards ⁽¹⁾ (\$)	Awards ⁽¹⁾ (\$)	Performance Share Units(1) (\$))	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)		Total (\$)
	2022	720,192	144,343	418,216	419,259	690,696	iΤ	962,283	46,473	(2)	3,401,462
Gary D. Fields President and CEO	2021	676,923	_	417,035	623,176	397,117	ii.	722,700	75,157	(2)	2,912,108
	2020	532,098	_	272,071	1,038,471	_	н	487,036	57,997	(2)	2,387,673
Rebecca A. Thompson	2022	341,154	_	86,128	86,312	142,184	н	296,291	35,793	(3)	987,862
Vice President, Finance, Chief Financial Officer, and Treasurer	2021	296,731	_	93,393	178,033	113,500	11	188,887	36,217	(3)	906,761
Tindival Cilion, and Troubard	2020	248,092	_	79,756	320,907	_	${\bf H}$	124,208	34,453	(3)	807,416
				I			H				
Larry G. Stewart Former Vice	2022	240,855	_	81,190	81,380	134,086	H	-	416,641	(4)	954,152
President, President of AAON Coil Products	2021	255,770	_	76,925	146,805	93,486	in.	16.3.840	35,031	(4)	771,947
	2020	201,638	_	43,941	193,170	_	н	102,602	26,973	(4)	568,324
Stephen E. Wakefield	2022	312,115	_	77,473	77,681	128,001	ii.	280,453	36,096	(5)	911,819
Vice President, Chief Operating Officer	2021	287,308	_	139,982	267,050	170,118	11	199,379	22,387	(5)	1,086,224
Ollicei	2020	238,058	_	121,553	490,104	_	ii.	152,388	34,271	(5)	1,036,374
Casey R. Kidwell Vice President, Administration	2022	238,246	-	63,350	70,111	127,062		164,675	36,224	(6)	699,668
Gordon D. Wichman, Vice	2022	250,000	25,920	55,330	55,486	91,404	ij	172,799	39,702	(7)	690,641

Gordon D. Wichman, Vice President, Executive Vice President of AAON Coil Products

> Equity: 45% of total 2022 CEO Pay PSUs: 20% of total

> > 2022 CEO Pay

Source: Company Proxy

Equity Incentives:

- In 2021, company introduced PSUs
- Changed equity award mix in 2021 to be 50% stock options, 25% restricted shares, 25% PSUs, then in 2022 changed to 50% PSUs, 25% restricted shares and 25% stock options in 2022
- Also changed vesting of other equity awards to be 3 years to align with PSUs
- PSUs based on AAON's <u>3-year Total Shareholder Return</u>
 (TSR) vs. S&P 600 SmallCap Capital Goods Industry Group
- 30th Percentile yields 50% payout, 55th Percentile yields 100% payout, 80th+ Percentile yields 200% payout

28% of total 2022 CEO Pay

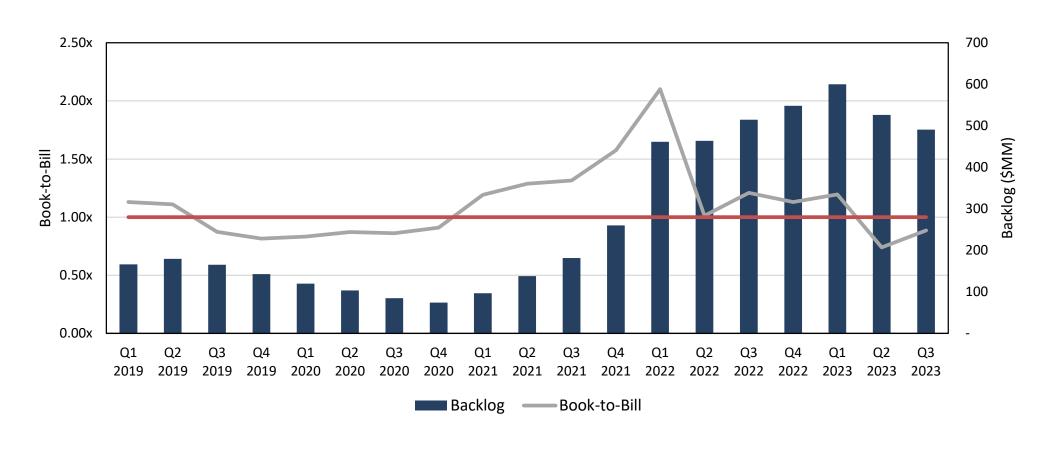
"At Risk" Annual Cash Incentive Bonuses:

- Based on achieving the Company's annual "Opportunity Budget"
- Weighted <u>67% operating profit and 33%</u> net sales
- Actual performance threshold: 80% for operating profit, 95% for net sales

AAON





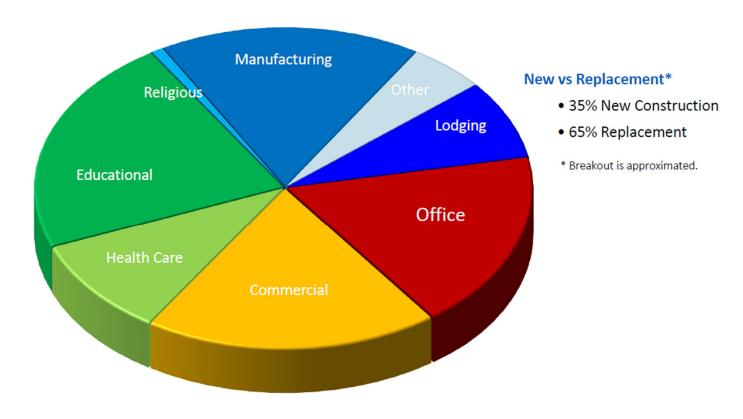


Book-to-Bill = Net Bookings / Sales

AAON







Note: May not add up to 100% due to rounding



Appendix: Segment & Facilities Overview

	l l		
	AAON Oklahoma	AAON Coil Products ("ACP")	BASX
% of 2022 Sales	75%	12%	13%
2022 Gross Margin (%)	26.1%	31.0%	26.6%
Employees	2,474 (67% of total)	681 (19% of total)	511 (14% of total)
Operations	 1.5mm sq. ft. flagship manufacturing in Tulsa Oklahoma NAIC laboratory and Customer Exploration Center 	0.5M sq. ft. in Longview, TexasUnit production & coil shopAcquired in 1991	260K sq. ft. in Redmond, OregonAcquired in 2021
Products	 All rooftop units: RQ Series (2-6 tons) RN Series (6-140 tons) RZ Series (45-261 tons) Parts 	CondensersAir HandlersSelf-Contained UnitsCoil ComponentsBASX products	 Custom engineered air handling systems serving data center, cleanroom and commercial/industrial owners

Location







Appendix: Products Overview



Outdoor Air Handling Units

(800 - 72,000 + cfm)







Condensing Units (2-70 tons)





Chillers (4-55 tons)



Self-Contained Units

(3-70 tons)







Indoor Air Handling Units

(800 - 50,000 + cfm)









Water-Source Heat Pumps (½ - 230 tons)













Packaged Rooftop Units

(2-240 tons)







Controls

(WSHP, RTU, SELF-CONTAINED, SPLIT SYSTEM, & CHILLER)



VCCX-2



Pioneer Gold



Pioneer Silver

BasX Solutions







Data Center Cooling Systems



Modular Cleanrooms



ALPHA CHALLENGE The University of North Carolina

Appendix: Multi-Media Market Research



A/C Air Conditioning & Heating - HVAC&R help questions & answers >

Joined ▼



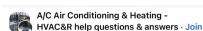
Group activity

22 new posts today

128.5K members

+1,619 in the last week

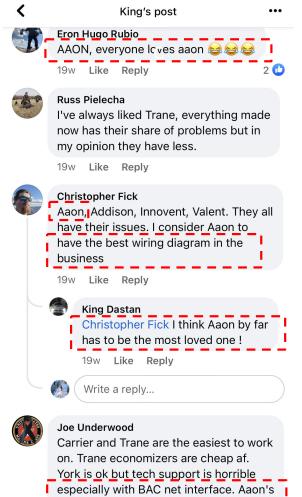
Created 2 years ago



King Dastan · Jun 26 · €

This for the commercial guys in the HVAC trade, which brands do you guys like the most to work on?, and why?





are probably built the best.









Air Conditioning | Heating | Refrigeration





Appendix: Revenue Build

			Segmen	t Revenue B	Build (Base	Case)		
]	Historical				Forecast		
	2020	2021	2022	2023	2024	2025	2026	2027
AAON Oklahoma	459	464	664	870	1,018	1,191	1,393	1,630
Rev Growth %		1%	43%	31%	17%	17%	17%	17%
Market Growth					6%	6%	6%	6%
Share Gain					8%	8%	8%	8%
Price Inc.					3%	3%	3%	3%
AAON Coil	56	67	107	125	146	171	200	234
Rev Growth %		20%	61%	17%	17%	17%	17%	17%
Market Growth					6%	6%	6%	6%
Share Gain					8%	8%	8%	8%
Price Inc.					3%	3%	3%	3%
BasX	-	4	118	160	197	242	298	366
Rev Growth %			2782%	36%	23%	23%	23%	23%
Market Growth					12%	12%	12%	12%
Share Gain					8%	8%	8%	8%
Price Inc.					3%	3%	3%	3%
Total Revenue	515	535	889	1,155	1,361	1,604	1,891	2,231
Rev Growth %		3.9%	66.3%	30.0%	17.8%	17.9%	17.9%	17.9%



Valuation Summary – Operating Model Details

			Base					Bull				Bear			
	2023	2024	2025	2026	2027	2023	2024	2025	2026	2027	2023	2024	2025	2026	2027
Revenue	1,155	1,361	1,604	1,891	2,231	1,155	1,387	1,664	1,997	2,396	1,155	1,213	1,335	1,495	1,719
growth	30.0%	17.8%	17.9%	17.9%	17.9%	30.0%	20.0%	20.0%	20.0%	20.0%	30.0%	5.0%	10.0%	12.0%	15.0%
COGS	762	885	1,043	1,229	1,450	763	897	1,076	1,292	1,550	763	792	871	976	1,122
Gross Profit	393	476	561	662	781	393	489	587	705	846	393	421	463	519	596
margin	34.0%	35.0%	35.0%	35.0%	35.0%	34.0%	35.3%	35.3%	35.3%	35.3%	34.0%	34.7%	34.7%	34.7%	34.7%
SG&A	122	136	151	170	192	122	136	150	174	201	122	135	145	160	180
EBITDA	270	340	411	492	589	270	354	438	531	644	270	286	318	359	416
margin	23.4%	25.0%	25.6%	26.0%	26.4%	23.4%	25.5%	26.3%	26.6%	26.9%	23.4%	23.6%	23.8%	24.0%	24.2%
D&A	43	45	53	61	71	43	45	53	61	71	43	44	48	52	56
EBIT	227	295	358	431	518	227	308	385	470	574	227	242	269	306	360
margin	19.7%	21.7%	22.3%	22.8%	23.2%	19.7%	22.2%	23.1%	23.5%	23.9%	19.7%	20.0%	20.2%	20.5%	20.9%
Interest Exp.	6	5	5	5	5	6	4	4	4	4	6	5	5	5	5
Other Inc./Exp.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	- '
Taxes	53	70	85	102	123	53	73	91	112	137	53	57	63	72	85
Net Income	168	220	268	323	390	168	231	289	354	433	168	180	201	229	269
margin	14.6%	16.2%	16.7%	17.1%	17.5%	14.6%	16.7%	17.4%	17.7%	18.1%	14.6%	14.9%	15.1%	15.3%	15.7%
Shares O/S	83	83	83	82	82	83	83	83	82	82	83	83	83	82	82
Diluted EPS	\$2.03	\$2.66	\$3.25	\$3.93	\$4.74	\$2.03	\$2.79	\$3.50	\$4.30	\$5.26	\$2.03	\$2.18	\$2.43	\$2.78	\$3.28
Eff. Tax Rate	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%



Appendix: Top Shareholders

Latest Holders														
Holder ▽		Common Stock Equivalent Held ▽	<u>% of cso</u> ▽	Market Value (USD in mm)	Change in Shares ▽	% Change ▽	Position Date	Source 7	Portfolio Turnover Category	Portfolio Turnover √ (%) ∨	Investment Orientation	Calculated Investment Style	Market Cap Emphasis	⊘ <u>Owner Type</u> ▽
Asbjornson, Norman H. Founder, Consultant & Director	~	13,807,278	16.995	810.6	(37,220)	(0.27)	Sep-26-2023	Form 4	-	-	-	-	-	Individuals/Inside
BlackRock, Inc. (NYSE:BLK)	~	11,076,330	13.633	650.3	1,162,899	11.73	Jun-30-2023	13F	Very Low	8.03	Passive	Growth	Large cap	Traditional Investment Managers
The Vanguard Group, Inc.	~	7,145,791	8.795	419.5	129,987	1.85	Jun-30-2023	13F	Very Low	3.02	Passive	Growth	Large cap	Traditional Investment Managers
Kayne Anderson Rudnick Investment Management, LLC	~	4,385,306	5.398	257.5	(121,526)	(2.70)	Sep-30-2023	13F	Very Low	17.43	Active	Growth	Multi cap	Traditional Investment Managers
Conestoga Capital Advisors, LLC	~	3,329,064	4.098	195.4	16,599	0.50	Sep-30-2023	13F	Very Low	13.73	Active	Growth	Mid cap	Traditional Investment Managers
State Street Global Advisors, Inc.	~	2,223,036	2.736	130.5	72,087	3.35	Jun-30-2023	13F	Very Low	5.43	Passive	Growth	Large cap	Traditional Investment Managers
Dimensional Fund Advisors LP	~	1,742,220	2.144	102.3	(136,452)	(7.26)	Sep-30-2023	13F	Very Low	10.90		GARP	Large cap	Traditional Investment Managers
Nationwide Fund Advisors	~	1,688,777	2.079	99.1	(5,186)	(0.31)	Sep-30-2023	13F	Low	25.13		Growth	Large cap	Traditional Investment Managers
Invesco Ltd. (NYSE:IVZ)	~	1,432,886	1.764	84.1	111,614	8.45	Sep-30-2023	13F	Low	26.84		Growth	Large cap	Traditional Investment Managers
Geode Capital Management, LLC	~	1,423,500	1.752	83.6	82,806	6.18	Sep-30-2023	13F	Very Low		Passive	Growth	Large cap	Traditional Investment Managers
JP Morgan Asset Management	~	1,191,408	1.466	69.9	467,541	64.59	Jun-30-2023	13F	Low	20.38		Growth	Large cap	Traditional Investment Managers
Eaton Vance Management	~	1,178,716	1.451	69.2	(589,358)	(33.33)	Sep-30-2023	13F	Very Low		Active	Growth	Large cap	Traditional Investment Managers
Columbia Management Investment Advisers, LLC	~	1,137,829	1.400	66.8	(211,602)	(15.68)	Jun-30-2023	13F	Very Low	19.50		Growth	Large cap	Traditional Investment Managers
Wasatch Advisors LP	~	976,717	1.202	57.3 48.2	(244,626)	(20.03)	Jun-30-2023	13F	Low	31.32		Growth	Mid cap	Traditional Investment Managers
Charles Schwab Investment Management, Inc.	· ·	820,475	1.010	48.2 39.3		40.09	Sep-30-2023	13F	Very Low		Passive	Growth	Large cap	Traditional Investment Managers
Goldman Sachs Asset Management, L.P.	~	669,411	0.824		21,215	3.27	Jun-30-2023	13F	Low	25.52		Growth	Large cap	Traditional Investment Managers
Bank Of Oklahoma, N.A., Asset Management Arm	~	668,298	0.823	39.2	(610)	(0.09)	Jun-30-2023				Active	Growth	Large cap	Banks/Investment Banks
Northern Trust Global Investments	~	643,349	0.792	37.8	(152,522)	(19.16)	Sep-30-2023	13F	Very Low		Active	Growth	Large cap	Traditional Investment Managers
Westfield Capital Management Company, L.P.	~	639,906	0.788	37.6	(171,639)	(21.15)	Sep-30-2023	13F	Low	45.74		Growth	Large cap	Traditional Investment Managers
BNY Mellon Asset Management	~	615,958	0.758	36.2	(5,565)	(0.90)	Sep-30-2023	13F	Very Low	12.30		Growth	Large cap	Traditional Investment Managers
T. Rowe Price Group, Inc. (NasdagGS:TROW)	~	555,939	0.684	32.6	38,528	7.45	Jun-30-2023	13F	Low	23.92		Growth	Large cap	Traditional Investment Managers
Rockefeller & Co. LLC	· ·	509,223	0.627	29.9	(10,344)	(1.99)	Jun-30-2023	13F	Low	22.14		Growth	Large cap	Family Offices/Trusts
Lord, Abbett & Co. LLC	~	495,849	0.610	29.1	495,849	New	Sep-30-2023	13F	Moderate	65.64		Growth	Large cap	Traditional Investment Managers
Morgan Stanley, Investment Banking and Brokerage Investments	~	470,437	0.579	27.6	77,475	19.72	Jun-30-2023	13F	Low		Active	Growth	Large cap	Banks/Investment Banks
Wells Fargo & Company, Securities and Brokerage Investments	~	402,084	0.495	23.6	(18,256)	(4.34)	Jun-30-2023	13F	Very Low	12.35	Active	Growth	Large cap	Banks/Investment Banks

Source: Capital IQ

