



# CEOCFO

## Interviews & News!

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**AAON, Inc. is at the forefront of new refrigerates and has been able to get 20 to 30% improvement in efficiency in moving air compared to the rest of the industry, which is a big issue today**



**Industrial Goods  
General Building Materials  
(AAON-NASDAQ)**

**AAON, Inc.**

**2425 South Yukon  
Tulsa, OK 74107  
Phone: 918-583-2266**



**Norman H. Asbjornson  
President and CEO**

### **BIO:**

**Norman H. Asbjornson**, Chairman, President and CEO of AAON, Inc., formed the company in 1988. In October of 1988, AAON purchased the air-conditioning division of The John Zink Company. Before founding the company, Mr. Asbjornson served in executive, engineering, marketing, and sales positions over a 28-year history with John Zink, Lear-Seigler, Singer and American Standard.

### **Company Profile:**

AAON, Inc. is a manufacturer of air-conditioning and heating equipment consisting of rooftop units, chillers, air-handling units, condensing units and coils. Its products serve the new construction and replacement markets. The Company has successfully gained market share through its "semi-custom" product lines, which offer the customer value, quality, function, serviceability and efficiency.

**Interview conducted by:  
Lynn Fosse, Senior Editor  
CEOCFOinterviews.com**

**CEOCFO:** Mr. Asbjornson, what is the vision for the company and how are you developing it?

**Mr. Asbjornson:** "Our vision from day one has been to look for underserved niches within our marketplace. Because we are a relatively small company compared to our competitors, what to them would not be an interesting sized market is interesting to us. Therefore, we have to define what those markets are and that is what we go in and try to serve. We also endeavored to serve technologically leading concepts in our industry. We basically are considered by most people as a leader technologically in the HVAC industry."

**CEOCFO:** Give us an idea of some of the newer concepts that you are working on.

**Mr. Asbjornson:** "Some of them are ones that are mandated by federal government such as environmentally acceptable refrigerants being used and we initiated the program and made that available over three years ago to the public. A lot of our

major competition is not doing so until the mandated date when it has to occur which is 2010. We have been quite a bit ahead of the curve. Energy is becoming larger and larger component to all of our thinking. We have been innovative in a number of respects on energy advancements in the industry. These are things that people wouldn't have bought before because usually things that make it more efficient also add cost. We have been there for those people who are willing to spend the money now for a return on their investment. As the energy becomes more costly, of course the time element shrinks. Those innovations include energy recovery from waste air, as you bring in outside air to replenish it with fresh outside air, you throw away energy and you can capture the heating or cooling that exists in that air before putting it to the outside air. We have a patented process and have had since 1995 on doing that.

We have been at the forefront on the new refrigerants. We have been on the forefront of just the generalized upswing in how we have manufactured heating and cooling more efficiently. We also are working diligently on the moving of air because many times the energy cost to move the air exceeds the energy used to heat or cool the air and yet that has not been to the forefront in our industry and it is at the forefront in our company. We have gotten 20 to 30% improvement in efficiency in moving air in the way we do compared to what is typical in our industry. Those are the big issues of the day.

There are other issues that will become very prevalent; we as a society are some-

what reactors rather than proactive people. The one that we are reacting to now is in energy, for instance for a number of years we have been working from our reserves of natural gas and oil and we have not been able to replenish them by new finds; therefore we are gradually approaching the point to where we are going to have to make some hard decisions about do we even use natural gas to heat a house. That is coming sooner than most people anticipate and therefore you look around and look for alternatives. Most of them come down to electrical energy generated by many new ways that the energy companies are creating the electricity. On the receiving end, we have converted electricity into efficiently used heating and cooling. A lot of work has been done on the cooling side and very little on the heating side. Yes there are heat pumps, but there are ways technologically that have been around for a long time and have not been worked on seriously. We are starting to work seriously on energy improvement on the heating side. We are working with some national accounts whereby they are hopeful of getting 20 to 30% reduction in their energy bills by the processes we are working with and putting into their buildings. The significant improvements are what people are ignoring because natural gas is still plentiful and cheap.”

**CEOCFO:** How do you reach your customers?

**Mr. Asbjornson:** “We have independent manufacturer representatives. These are independent businessmen who largely are graduate engineers and they represent us and other manufacturers who build product for the heating and air conditioning industry.”

**CEOCFO:** How much business is off the shelf?

**Mr. Asbjornson:** “Almost none of ours is. Off the shelf business is typically selling plain type products and is being served primarily by our competitors. We are servicing a niche portion of the market, which generally requires something more than just off-the-shelf product.”

**CEOCFO:** Do you maintain inventory?

**Mr. Asbjornson:** “We do not maintain a lot of inventory; we do maintain some inventory for some of the off-the-shelf business. We maintain inventory for some national accounts that have specific needs and we keep stock for those people so that they have off-the-shelf answers.”

**CEOCFO:** How is business?

**Mr. Asbjornson:** “Excellent”

**CEOCFO:** What is the financial picture of the company?

**Mr. Asbjornson:** “Last year we have expanded our business 25% and we expanded our bottom line by 49%. In the past 10 years, our stock price has gone up 1166% compared to the NASDAQ, which is around 90%. Whether you look at us on a long-term basis, a 10 year time basis

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or look at it from our inception, which is about 19 years ago, you will find a similar story being told. In the long-term our business plan has worked extremely well.”

**CEOCFO:** Do you work strictly in the US?

**Mr. Asbjornson:** “Yes we are primarily in the US. It is hard to ship our kind of product overseas because it is a large volume product for the amount of dollars involved. Consequently from the other side, we are not into being fit by overseas manufacturers either.”

**CEOCFO:** As you grow, do you need to add personnel; are you able to service your customers now?

**Mr. Asbjornson:** “We have been trying to hire people since January 2, 2007, and have been unsuccessful. Our marketplace is what I would call full-employment. We are right at 4% in this area and that seems to be at that point in time that finding anyone who wants to work for anybody, is quite a struggle. Most of that 4% are people are not wanting to work or are between jobs where they are going to go some place else, which they have already identified. It is a stretch right now trying to find people.”

**CEOCFO:** Do you continue to service the products once they are installed?

**Mr. Asbjornson:** “Only for factory defects or if somebody specifically requests us to. Primarily we are selling to contractors who make a living servicing product and we are not trying to be in competition with them although that is being done by some of our competitors, we think that is an ill-advised step. We have service people throughout the nation but we do not try to compete with the contractors who are specializing in service.”

**CEOCFO:** Why are people choosing AAON products?

**Mr. Asbjornson:** “We are technologically very advanced. The net result has been proved by the fact that most all of the competition has copied us configurationally and performance wise and in many cases they are still running behind because what they are copying is our older technology and they do not know where we are going with the new technology. Therefore, they are not able to copy what isn’t out there yet. Because we are smaller and are willing to address the needs of customers that some of the other people aren’t willing to address, we are the place to go if you have a little unusual requirement.”

**CEOCFO:** Why should potential investors be interested now?

**Mr. Asbjornson:** “I have enumerated what we have done in the past 11 years and what we have done in the past 19 years. We are still going forward very rapidly. That is generally speaking, why I think an investor should be interested;

they can make a good return on their money. We have a long history of doing that for them.”

**CEOCFO:** What surprised you most as the business has developed?

**Mr. Asbjornson:** “That our business plan has worked so well for so long with so little modification to it. We have something very good. It says we have the right

business plan and it has remained very successful. We have done very little to adjust it in order to make it continue to be successful.”

**CEOCFO:** In closing, what should readers remember about AAON?

**Mr. Asbjornson:** “We are not a company that is a quick turnover. In other words, price does not typically bounce up and

down very quickly and we do not typically have dramatic changes, but if one is in a long-term business investment mode, we do extremely well for the people. If somebody is looking for a quick move in their stock, well that generally has not been happening in our business, it has been a long-term consistent improvement in stock performance.”



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