

AAON - Governing Growth Under a New Enterprise Identity

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Decision scope: How AAON should refine enterprise and segment decision rights, capital-allocation criteria, and shared capabilities while retaining distinct AAON and BASX operating brands

Case convention: This is an author-created management decision exercise. The assignment and alternatives are hypothetical; public disclosures are historical. No private deliberations or management intent are represented.

The decision

On 21 August 2026, AAON, Inc. announced that it would operate under the trade name The Aeon Group. The company described the identity as a clearer layer above its two differentiated brands, AAON and BASX, and a framework for governance, capital allocation, shared capabilities and future portfolio growth. It also said the announcement did not change its operating segments, leadership, reporting, ticker, products, services, customer relationships or customer-facing teams. The SEC filing appeared on 28 August; the presentation furnished with it carries an August 10 cover date. [C3, Items 7.01-8.01 and Ex. 99.1; C3, Ex. 99.2 slide 1]

The enterprise identity creates a timely planning question: **what, if anything, should AAON change in the way it assigns decision rights and evaluates new investment across its established segments and brands?**

For this classroom exercise, assume the leadership team is preparing its next operating and capital-planning cycle. Recommend one of three hypothetical approaches:

1. **Keep the current allocation pattern substantially intact.** Preserve segment and brand-level operating discretion, with enterprise review for large commitments.
2. **Expand enterprise-level coordination.** Set more capital envelopes and shared-capability priorities centrally while preserving brand-specific product and customer decisions.
3. **Stage selected changes.** Keep ordinary decisions local, bring major or cross-brand proposals to enterprise review, and expand shared functions or capacity only as evidence gates are met.

These are analyst-created paths, not options announced by AAON. The evidence does not establish a binding capital constraint, a facility bottleneck, or a need to move resources from one brand to another. Your recommendation should name decision owners, explain the strongest counterargument, and identify the evidence that would cause you to change course. Use only information available by 28 August 2026.

Two brands, different routes to customers

AAON engineers and manufactures semi-custom and custom HVAC equipment for commercial and industrial settings, including rooftop units, air handlers and related products. Its 10-Q describes commercial and industrial new-construction, replacement and other end-market drivers. AAON primarily uses independent manufacturers' representatives, which management describes as a solutions-oriented route with a line card of complementary manufacturers. [C1, MD&A p. 33; C3, slides 10-16]

BASX, acquired in 2021, focuses on custom equipment for data centers, cleanrooms and other specialized environments. The company describes a more concentrated customer base and an internal sales/engineering approach for these projects. BASX demand is more exposed to data-center investment. [C1, MD&A p. 33; C3, slides 21-23]

AAON's reporting segments are not identical to its brands. The company reports AAON Oklahoma, AAON Coil Products and BASX. Coil Products makes both AAON- and BASX-branded products, and the company eliminates intersegment sales in consolidated results. BASX production also spans more than one site. Segment results therefore do not reveal complete brand-level or site-level returns. [C1, Note 2 p. 8; Note 21 pp. 29-32; C3, slides 21 and 29]

Existing allocation structure

AAON already has an enterprise allocation mechanism. Its 2025 10-K and Q2 2026 10-Q identify the CEO as the chief operating decision maker, using segment net sales and gross profit to allocate resources and assess segment performance. The company does not evaluate the segments using asset or liability information. Corporate SG&A and corporate expenses are handled at the company level. The company's disclosed system therefore combines segment accountability with enterprise-level decisions; the decision is whether and how to extend it. [C1, MD&A p. 35; C4, Note 23 pp. 79-80]

The disclosed measures may not make capital intensity, site-specific cash needs, working capital or returns visible enough for new decisions. A shared purchasing or commissioning function might help coordinate overlapping operations; added process or reporting requirements might also slow a brand's response or obscure accountability. The public filings do not quantify these effects.

Recent performance and investment

Q2 2026 was a record quarter as AAON increased throughput and converted backlog. Consolidated net sales reached \$626.976 million, up 101.2% year over year. Gross profit was \$152.491 million, while GAAP gross margin was 24.3%, compared with 26.6% a year earlier. [C1, MD&A pp. 34-37; C2, pp. 1-3]

Exhibit 1. Brand and segment snapshots

USD millions, quarter ended 30 June 2026; brand and reporting-segment views are distinct.

Company-reported view	Sales	Change vs. Q2 2025	Notes
AAON-branded products	\$282.2	+39.3%	Company release figure
BASX-branded products	\$345.0	+216.2%	Company release figure
AAON Oklahoma segment	\$262.3	+41.7%	Gross margin 24.3%

Company-reported view	Sales	Change vs. Q2 2025	Notes
AAON Coil Products segment	\$146.7	+150.9%	Gross margin 16.0%; produces both brands
BASX segment	\$218.0	+220.7%	Gross margin 30.0%

Source: [C1], MD&A pp. 34-36 and Note 21; [C2], pp. 1-3. Brand sales and segment sales use different classifications and must not be added together. Segment gross margins are not product-level margins.

The company reported backlog of \$1.971 billion at June 30, 2026-98.0% above the prior-year quarter but 7.4% below March 31. BASX backlog was \$1.430 billion, up 185.4% year over year; AAON-branded backlog was \$540.5 million, up 9.4%. Management attributed the sequential reduction mainly to higher conversion and the timing variability of large BASX awards. Backlog is not a guarantee of revenue, margin or cash, and award/conversion timing can vary. [C1, MD&A p. 34; C2, p. 2]

Exhibit 2. Backlog and financial capacity

USD millions unless noted; company-reported balances and outlook.

Measure	30 Jun. 2025	31 Mar. 2026	30 Jun. 2026
AAON-branded backlog	\$494.2	\$509.8	\$540.5
BASX-branded backlog	\$501.1	\$1,619.6	\$1,430.4
Total backlog	\$995.3	\$2,129.5	\$1,970.8

Additional Q2/H1 measure	Reported amount
H1 2026 capital expenditures	\$97.3m
FY2026 estimated capital expenditures	~\$190.0m
FY2026 sales-growth outlook	55%-60%
FY2026 gross-margin outlook	25%-26%
Cash and restricted cash, 30 June	\$12.7m
Revolver balance, 30 June	\$435.0m
Available revolver borrowings	\$163.7m

Sources: [C1], cash-flow statement p. 5, MD&A pp. 34-44; [C2], pp. 2-4. The outlook is forward-looking. Debt capacity, project-purpose financing, supplier commitments, working capital and existing operations constrain capital flexibility; available borrowing is not the same as uncommitted capital.

Management attributed near-term margin pressure to the ramp of newer facilities, outsourced components, inflation and price-cost timing. It said that pricing, sourcing, productivity and higher utilization were among its planned responses, and projected sequential margin improvement in the second half. Those are management explanations and expectations, not

realized results. [C2, pp. 2-3]

Capacity and operating choices

The August presentation describes more than one million square feet of capacity added since 2024 and a fourfold increase in data-center capacity. It reports estimated BASX-site utilization/status of 60% at Longview, 20% at Memphis and 90% at Redmond, with different optimization, ramp and productivity periods. AAON estimates the added BASX footprint equates to at least \$2 billion in revenue capacity, with upside potential. These are company estimates; they do not establish actual output, order conversion, profitability, fungibility across sites or a systemwide bottleneck. [C3, slides 6 and 29]

The 10-Q reports \$97.3 million of capital expenditures in the first half, principally for the Memphis build-out and Tulsa maintenance, and estimates a \$190 million capital-expenditure program for 2026. Management says many projects may be reviewed and cancelled at the discretion of the CEO and Board without substantial charges. The same filing describes working-capital needs tied to data-center orders and external financing structures, plus raw-material commitments. Reallocation is therefore a question of specific projects and obligations, not a frictionless transfer of a single capital pool. [C1, MD&A pp. 41-44]

Exhibit 3. Management's footprint estimates

BASX site	Reported current status	Company-described next step
Longview, Texas	~60%	Optimize production over 2-3 years
Memphis, Tennessee	~20%	Ramp production over 3-5 years
Redmond, Oregon	~90%	Increase throughput and productivity

Source: [C3], slide 29. The reported percentages and timelines are company estimates; the presentation states that the added footprint represents at least \$2 billion of revenue capacity. None is a verified utilization audit or a forecast for sales/profit.

Market conditions and competitor signals

The 10-Q characterizes BASX as highly dependent on data-center demand. It describes AAON's commercial and industrial markets as softer than in prior years, while reporting strength in replacement products and other areas. The presentation includes company estimates of data-center spending and addressable cooling markets; this case uses them only as management's view, not as independently validated demand. [C1, MD&A p. 33; C3, slides 17, 25-27]

Two competitors' recent disclosures show different scale-up experiences. Modine's July fiscal Q1 release reported that capacity expansion, supply constraints and production inefficiencies temporarily pressured its data-center gross margin. Johnson Controls' July fiscal Q3 release reported growing orders/backlog and margin expansion, but said it had changed order/backlog definitions to include certain equipment-only long-cycle projects. Their segment mix, definitions, scale and periods differ from AAON's. These examples do not establish a relative market position or provide a matched performance benchmark. [C5; C6]

Assignment

Write a two-page leadership memo for the next planning cycle. Choose one of the three hypothetical paths or propose a clear variant. Address:

1. Which decisions should remain with operating segments/brands, and which-if any-should be elevated to enterprise review?
2. Which shared capabilities deserve measurement or investment, and how would you detect coordination costs or loss of local responsiveness?
3. What evidence gates should govern further capacity and capability commitments? Consider customer/project conversion, margin, utilization, delivery/quality, working capital, cash returns and alternative uses of funds.
4. What is the strongest argument against your recommendation, and what evidence would cause you to reverse it?

Do not assume a transfer from AAON to BASX (or the reverse) is required. Any proposed allocation amount, savings, return threshold, demand forecast, capacity bottleneck or unit economics must be labeled as a classroom assumption; the public disclosures do not provide these figures.

Sources

- [C1] AAON, Q2 2026 Form 10-Q, filed 10 Aug. 2026, CIK 824142, accession 0000824142-26-000055. [SEC filing](#).
- [C2] AAON, Q2 2026 results release, furnished 10 Aug. 2026 as 8-K Exhibit 99.1. [SEC exhibit](#).
- [C3] AAON, identity announcement and investor presentation, 8-K filed 28 Aug. 2026 for event 21 Aug. 2026, accession 0000824142-26-000059. [8-K/exhibits](#).
- [C4] AAON, 2025 Form 10-K, Note 23 pp. 79-80. [SEC filing](#).
- [C5] Modine, FY2027 Q1 results, 29 July 2026. [Issuer release](#).
- [C6] Johnson Controls, FY2026 Q3 results, 29 July 2026. [Issuer quarterly results](#).