



## Lennox Reports First Quarter Results and Raises Full Year Profit Guidance

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### Q1 Highlights

(All comparisons are year-over-year, unless otherwise noted)

(Prior-year adjusted results and core revenue exclude European operations that were divested in the 4Q 2023)

- Revenue was \$1.05 billion; core revenue up 6%, including 2% growth from acquisitions
  - GAAP Operating Income \$167 million; adjusted segment profit up 17% to \$167 million
  - GAAP diluted EPS up 26% to \$3.47; adjusted diluted EPS up 23% to \$3.47
  - Raising 2024 EPS guidance range to \$19.00-\$20.00 from prior range of \$18.50-\$20.00
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**DALLAS, April 24, 2024 – Lennox (NYSE: LII)**, a leader in energy-efficient climate-control solutions, today reported first quarter financial results with \$1.05 billion of revenue, a record \$167 million of operating profit and \$3.47 GAAP diluted earnings per share.

Core revenue grew 6% to \$1.05 billion. Adjusted segment profit rose 17% to \$167 million. Adjusted segment margin was up 157 basis points to 15.9%. Adjusted earnings per share rose 23% to \$3.47.

"The Lennox team's unwavering commitment to our self-help transformation plan has resulted in another record quarter despite continued residential destocking," said Chief Executive Officer, Alok Maskara. "We remain cautiously optimistic regardless of end-market uncertainties, particularly given the increased clarity around the industry's upcoming transition to low GWP refrigerant products.

We are focused on areas within our control, including strengthening distribution expertise, elevating customer experience, advancing innovative platforms, executing pricing excellence, and driving productivity. The transformation plan is positioning us for long-term share gain and margin resilience."

In the first quarter, the Home Comfort Solutions segment experienced a revenue decline of 1%, primarily due to ongoing destocking in the two-step distribution channel. Industry destocking is expected to be approaching an end, and the segment's pricing initiatives will expand margin resiliency by offsetting inflation and the impact of volume decline. Additionally, Lennox is investing to enhance distribution capabilities, improve customer experience, and execute an on-schedule refrigerant regulatory transition to meet customer needs.

The Business Climate Solutions segment achieved 21% revenue growth in the first quarter, including 6% growth from acquisitions. The 15% organic growth was driven by improved production volume, enhanced product mix and continued price excellence. Progress is on track for the new factory in Mexico, which will begin production in the second half of the year. This factory will be a key enabler in normalizing lead times and growing emergency replacement revenue.

## FIRST QUARTER 2024 FINANCIAL HIGHLIGHTS

(All comparisons are year-over-year, unless otherwise noted)

**Revenue:** \$1.05 billion was flat and up 6% for core operations, with organic revenue up 4% driven by price and favorable sales volume.

**Operating Income:** \$167 million, up 20%, with operating profit margin of 15.9%, up 264 bps.

Adjusted Segment Profit: \$167 million, up 17%, and adjusted segment profit margin of 15.9%, up 157 basis points. Profit growth was driven by \$40 million of price/mix benefits, \$8 million in organic and inorganic sales volume and \$2 million in product costs. This was partially offset by inflation and investment in SG&A and distribution.

**Net Income:** \$124 million, or \$3.47 per share, compared to \$98 million, or \$2.75 per share, in the prior-year quarter.

Adjusted Net Income: \$124 million, or \$3.47 per share, compared to \$101 million, or \$2.83 per share, in the prior-year quarter.

**Cash:** Operating cash flow used was \$23 million compared to \$79 million in the prior-year quarter. Capital expenditures were \$30 million compared to \$35 million in the prior-year quarter. Total debt at the end of the first quarter was approximately \$1.4 billion. Total cash, cash equivalents and short-term investments were \$58 million at the end of the quarter.

**Home Comfort Solutions:** Business segment revenue was \$675 million, down 1%. Segment profit was \$112 million, up 1%, and segment margin was 16.6%, up 30 basis points. Segment profit increased \$1 million compared to the prior-year quarter. The increase was attributed to \$20 million price/mix benefit partially offset by \$4 million decrease in sales volume and \$15 million impact from inflation and investments in distribution and selling.

**Building Climate Solutions:** Business segment revenue was \$373 million, up 21%. Organic revenue was \$354 million, up 15%. Segment profit was \$78 million, up \$28 million or 56%, and segment margin expanded 480 basis points to 21.0%. This profit improvement was driven by \$20 million of price/mix benefits, \$12 million in organic and inorganic sales volume and \$1 million in product cost productivity. This was partially offset by \$5 million inflationary wage and distribution impacts.

**Corporate and Other:** Corporate expenses were \$24 million, up \$5 million, including \$3 million of expenses previously considered non-core adjustments.

## **FULL YEAR 2024 GUIDANCE**

For full year 2024, we reaffirm revenue guidance of approximately 7%, with 2% of benefit from the AES acquisition.

Earnings per share revised range is \$19.00 to \$20.00 versus the prior range of \$18.50 to \$20.00.

Free Cash Flow is estimated to be within the range of \$500 million to \$600 million.

## **CONFERENCE CALL INFORMATION**

A conference call to discuss the company's first quarter results and 2024 outlook will be held this morning at 8:30 a.m. Central Time. To participate in the earnings conference, please call 800-274-8461 (U.S.) or +1 203-518-9765 (international) at least 10 minutes prior to the scheduled start time and use conference ID LIIQ124. The conference call also will be webcast live on the company's investor relations web site at investor.lennox.com. A replay of the conference call will be available until May 2, 2024, by calling toll-free 800-839-8798 (U.S.) or +1 402-220-6078 (international). The call will also be archived on the company's investor relations website at investor.lennox.com.

## **ABOUT LENNOX**

Lennox (NYSE: LII) is a leader in energy-efficient climate-control solutions. Dedicated to sustainability and creating comfortable and healthier environments for our residential and commercial customers while reducing their carbon footprint, we lead the field in innovation with our cooling, heating, indoor air quality, and refrigeration systems. Additional information on Lennox is available at [www.lennox.com](http://www.lennox.com) or by contacting [investor@lennox.com](mailto:investor@lennox.com).

## **FORWARD-LOOKING STATEMENTS & NON-GAAP FINANCIAL MEASURES**

The statements in this document that are not historical statements, including statements regarding the 2024 full-year outlook and expected consolidated and segment financial results, as well as financial targets for future years, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on information currently available as well as management's assumptions and beliefs today. These statements are subject to numerous risks and uncertainties that could cause actual results to differ materially from the results expressed or implied by the statements, and investors should not place undue reliance on them. Risks and uncertainties that could cause actual results to differ materially from such statements include risks that the North American unitary HVAC and refrigeration markets perform worse than current assumptions. Additional risks include but are not limited to competition in the HVACR business; our ability to successfully develop and market new products or execute our business strategy; our ability to meet and anticipate customer demands; our ability to continue to license or enforce our intellectual property rights; our ability to attract, motivate, develop, and retain our employees, as well as labor relations problems; a decline in new construction activity and related demand for our products and services; the impact of weather on our business; the impact of higher raw material prices and significant supply interruptions; changes in environmental and climate-related legislation or government regulations or policies; changes in tax legislation; the impact of new or increased trade tariffs; warranty, intellectual property infringement, product liability and other claims; litigation risks; general economic conditions in the United States and abroad; extraordinary events beyond our control; foreign currency fluctuations and changes in local government regulation associated with our international operations; cyber attacks and other disruptions or misuse of information systems; our ability to successfully realize, complete and integrate acquisitions; and impairment of the value of our goodwill.

For information concerning these and other risks and uncertainties, see LII's publicly available filings with the Securities and Exchange Commission. LII disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

A reconciliation of non-GAAP financial measures appearing in this document to financial measures prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) are included in the Annex to this document.

This document includes forward-looking statements regarding core revenue, segment profit, adjusted segment profit, adjusted net income, adjusted earnings per share, free cash flow and Debt to EBITDA, which are non-GAAP financial measures. These non-GAAP financial measures are derived by excluding certain amounts from the corresponding financial measures determined in accordance with GAAP. The determination of the amounts excluded is a matter of management judgment and depends upon, among other factors, the nature of the underlying expense or income amounts recognized in a given period and the high variability of certain amounts, such as unusual gains and losses, the ultimate outcome of pending litigation, fluctuations in foreign currency exchange rates, changes in environmental liabilities, the impact and timing of potential acquisitions and divestitures, future restructuring costs, and other structural changes or their probable significance. Core revenue, adjusted segment profit, and adjusted earnings per share exclude net sales and profit/(loss) from our European portfolio, which was sold in 4Q 2023. We are unable to present a quantitative reconciliation of the aforementioned forward-looking non-GAAP financial measures to their most directly comparable forward-looking GAAP financial measures because such information is not available, and management cannot reliably predict the necessary components of such GAAP measures without unreasonable effort or expense. The unavailable information could have a significant impact on LII's full year GAAP financial results.

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES

Consolidated Statements of Operations

(Unaudited)

(Amounts in millions, except per share data)

|  | For the Three Months Ended March 31, |                   |
|--|--------------------------------------|-------------------|
|  | 2024                                 | 2023              |
| <b>Net sales</b>   | <b>\$ 1,047.1</b>                    | <b>\$ 1,049.4</b> |
| Cost of goods sold   | 707.1                                | 742.8             |
| Gross profit   | 340.0                                | 306.6             |
| <b>Operating Expenses:</b>                                     |                                      |                   |
| Selling, general and administrative expenses                   | 170.7                                | 167.5             |
| Losses (gains) and other expenses, net                         | 3.7                                  | 0.3               |
| Income from equity method investments                          | (1.2)                                | (0.7)             |
| <b>Operating income</b>  | <b>166.8</b>                         | <b>139.5</b>      |
| Pension settlements  | —                                    | 0.2               |
| Interest expense, net  | 11.8                                 | 14.2              |
| Other expense (income), net                                    | 0.8                                  | —                 |
| Income before income taxes                                     | 154.2                                | 125.1             |
| Provision for income taxes                                     | 29.9                                 | 27.1              |
| <b>Net income</b>  | <b>\$ 124.3</b>                      | <b>\$ 98.0</b>    |
| <br>   |                                      |                   |
| <b>Earnings per share – Basic:</b>                             | <b>\$ 3.49</b>                       | <b>\$ 2.76</b>    |
| <br>   |                                      |                   |
| <b>Earnings per share – Diluted:</b>                           | <b>\$ 3.47</b>                       | <b>\$ 2.75</b>    |
| <br>   |                                      |                   |
| <b>Weighted Average Number of Shares Outstanding - Basic</b>   | <b>35.6</b>                          | <b>35.5</b>       |
| <b>Weighted Average Number of Shares Outstanding - Diluted</b> | <b>35.8</b>                          | <b>35.6</b>       |

**LENNOX INTERNATIONAL INC. AND SUBSIDIARIES**  
**Segment Net Sales and Profit (Loss)**  
**(Unaudited)**

*(Amounts in millions)*

|  | For the Three Months Ended March 31, |                   |
|--|--------------------------------------|-------------------|
|  | 2024                                 | 2023              |
| <b>Net Sales</b>   |                                      |                   |
| Home Comfort Solutions   | \$ 674.6                             | \$ 681.0          |
| Building Climate Solutions   | 372.5                                | 308.7             |
| Corporate and other <sup>(1)</sup>   | —                                    | 59.7              |
|  | <b>\$ 1,047.1</b>                    | <b>\$ 1,049.4</b> |
| <b>Segment Profit (Loss) <sup>(2)</sup></b>  |                                      |                   |
| Home Comfort Solutions   | \$ 112.1                             | \$ 111.1          |
| Building Climate Solutions   | 78.2                                 | 50.0              |
| Corporate and other  | (23.5)                               | (19.4)            |
| Total segment profit   | 166.8                                | 141.7             |
| <b>Reconciliation to Operating income:</b>   |                                      |                   |
| Items in Losses (gains) and other expenses, net which are excluded from segment profit (loss) <sup>(2)</sup> | —                                    | 2.2               |
| <b>Operating income</b>  | <b>\$ 166.8</b>                      | <b>\$ 139.5</b>   |

<sup>(1)</sup> The Corporate and Other segment included our European portfolio. In the fourth quarter of 2023 we completed the divestiture of our European operations.

<sup>(2)</sup> We define segment profit (loss) as a segment's operating income (loss) included in the accompanying Consolidated Statements of Operations, excluding:

- The following items in Losses (gains) and other expenses, net:
  - Net change in unrealized (gains) losses on unsettled futures contracts,
  - Environmental liabilities and special litigation charges, and;
  - Other items, net

**LENNOX INTERNATIONAL INC. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

*(Amounts in millions, except shares and par values)*

|  | <u>As of March 31, 2024</u> | <u>As of December 31, 2023</u> |
|--|-----------------------------|--------------------------------|
|  | (Unaudited)                 |                                |
| <b>ASSETS</b>  |                             |                                |
| <b>Current Assets:</b>   |                             |                                |
| Cash and cash equivalents  | \$ 45.7                     | \$ 60.7                        |
| Short-term investments   | 11.9                        | 8.4                            |
| Accounts and notes receivable, net of allowances of \$15.4 and \$14.4 in 2024 and 2023, respectively                 | 616.0                       | 594.6                          |
| Inventories, net   | 823.4                       | 699.1                          |
| Other assets   | 67.5                        | 70.7                           |
| <b>Total current assets</b>  | <b>1,564.5</b>              | <b>1,433.5</b>                 |
| Property, plant and equipment, net of accumulated depreciation of \$928.1 and \$910.8 in 2024 and 2023, respectively | 759.1                       | 720.4                          |
| Right-of-use assets from operating leases  | 223.7                       | 213.6                          |
| Goodwill   | 219.9                       | 222.1                          |
| Deferred income taxes  | 60.3                        | 51.8                           |
| Other assets, net  | 157.9                       | 156.9                          |
| <b>Total assets</b>  | <b>\$ 2,985.4</b>           | <b>\$ 2,798.3</b>              |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                             |                                |
| <b>Current Liabilities:</b>  |                             |                                |
| Accounts payable   | \$ 437.8                    | \$ 374.7                       |
| Accrued expenses   | 302.3                       | 416.1                          |
| Income taxes payable   | 28.1                        | 4.2                            |
| Commercial paper   | 250.0                       | 150.0                          |
| Current maturities of long-term debt   | 22.5                        | 12.1                           |
| Current operating lease liabilities  | 56.7                        | 57.5                           |
| <b>Total current liabilities</b>   | <b>1,097.4</b>              | <b>1,014.6</b>                 |
| Long-term debt   | 1,153.7                     | 1,143.1                        |
| Long-term operating lease liabilities  | 174.3                       | 164.6                          |
| Pensions   | 17.5                        | 22.5                           |
| Other liabilities  | 173.7                       | 168.2                          |
| <b>Total liabilities</b>   | <b>2,616.6</b>              | <b>2,513.0</b>                 |
| Commitments and contingencies  |                             |                                |
| <b>Stockholders' equity:</b>   |                             |                                |
| Preferred stock, \$0.01 par value, 25,000,000 shares authorized, no shares issued or outstanding                     | —                           | —                              |
| Common stock, \$0.01 par value, 200,000,000 shares authorized, 87,170,197 shares issued                              | 0.9                         | 0.9                            |
| Additional paid-in capital   | 1,190.6                     | 1,184.6                        |
| Retained earnings  | 3,591.1                     | 3,506.2                        |
| Accumulated other comprehensive loss   | (57.9)                      | (56.9)                         |
| Treasury stock, at cost, 51,548,073 shares and 51,588,103 shares for 2024 and 2023, respectively                     | (4,355.9)                   | (4,349.5)                      |
| <b>Total stockholders' equity</b>  | <b>368.8</b>                | <b>285.3</b>                   |
| <b>Total liabilities and stockholders' equity</b>  | <b>\$ 2,985.4</b>           | <b>\$ 2,798.3</b>              |

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Unaudited)

(Amounts in millions)

|   | For the Three Months Ended March 31, |                |
|---|--------------------------------------|----------------|
|   | 2024                                 | 2023           |
| <b>Cash flows from operating activities:</b>                                  |                                      |                |
| Net income  | \$ 124.3                             | \$ 98.0        |
| Adjustments to reconcile net income to net cash used in operating activities: |                                      |                |
| Income from equity method investments   | (1.2)                                | (0.7)          |
| Provision for credit losses   | 1.8                                  | 2.0            |
| Unrealized losses, net on derivative contracts                                | 4.4                                  | 1.6            |
| Stock-based compensation expense  | 6.6                                  | 6.1            |
| Depreciation and amortization   | 24.0                                 | 19.6           |
| Deferred income taxes   | (9.3)                                | (8.2)          |
| Pension expense   | 0.1                                  | 0.7            |
| Pension contributions   | (5.1)                                | (1.2)          |
| Other items, net  | (0.1)                                | (0.3)          |
| Changes in assets and liabilities, net of effects of acquisitions and         |                                      |                |
| Accounts and notes receivable   | (24.9)                               | (34.9)         |
| Inventories   | (125.4)                              | (150.4)        |
| Other current assets  | (7.7)                                | 1.2            |
| Accounts payable  | 65.0                                 | 22.3           |
| Accrued expenses  | (113.8)                              | (32.5)         |
| Income taxes payable and receivable, net                                      | 34.7                                 | 0.8            |
| Leases, net   | (1.1)                                | 0.1            |
| Other, net  | 4.9                                  | (3.0)          |
| <b>Net cash used in operating activities</b>                                  | <b>(22.8)</b>                        | <b>(78.8)</b>  |
| <b>Cash flows from investing activities:</b>                                  |                                      |                |
| Proceeds from the disposal of property, plant and equipment                   | 0.5                                  | 0.3            |
| Purchases of property, plant and equipment                                    | (29.5)                               | (35.4)         |
| Acquisitions, net of cash   | 1.8                                  | —              |
| (Purchases of) proceeds from short-term investments                           | (3.5)                                | 1.4            |
| <b>Net cash used in investing activities</b>                                  | <b>(30.7)</b>                        | <b>(33.7)</b>  |
| <b>Cash flows from financing activities:</b>                                  |                                      |                |
| Commercial paper payments   | (76.4)                               | —              |
| Commercial paper borrowings   | 176.4                                | —              |
| Asset securitization payments   | —                                    | (53.0)         |
| Long-term debt payments   | (3.5)                                | (3.2)          |
| Borrowings from credit facility   | 127.2                                | 610.5          |
| Payments on credit facility   | (135.2)                              | (414.5)        |
| Proceeds from employee stock purchases  | 1.1                                  | 0.9            |
| Repurchases of common stock to satisfy employee withholding tax               | (8.1)                                | (2.0)          |
| Cash dividends paid   | (39.1)                               | (37.6)         |
| <b>Net cash provided by financing activities</b>                              | <b>42.4</b>                          | <b>101.1</b>   |
| Decrease in cash and cash equivalents   | (11.1)                               | (11.4)         |
| Effect of exchange rates on cash and cash equivalents                         | (3.9)                                | (0.8)          |
| Cash and cash equivalents, beginning of period                                | 60.7                                 | 52.6           |
| <b>Cash and cash equivalents, end of period</b>                               | <b>\$ 45.7</b>                       | <b>\$ 40.4</b> |
| <b>Supplemental disclosures of cash flow information:</b>                     |                                      |                |
| Interest paid   | \$ 21.8                              | \$ 13.0        |
| Income taxes paid (net of refunds)  | \$ 4.0                               | \$ 34.4        |

**LENNOX INTERNATIONAL INC. AND SUBSIDIARIES**  
**Reconciliation to U.S. GAAP (Generally Accepted Accounting Principles) Measures**  
**(Unaudited, in millions, except per share and ratio data)**

**Use of Non-GAAP Financial Measures**

To supplement the Company's consolidated financial statements and segment net sales and profit (loss) presented in accordance with U.S. GAAP, additional non-GAAP financial measures are provided and reconciled in the following tables. In addition to these non-GAAP measures, the Company also provides rates of revenue change at constant currency on a consolidated and segment basis if different than the reported measures. The Company believes that these non-GAAP financial measures, when considered together with the GAAP financial measures, provide information that is useful to investors in understanding period-over-period operating results and enhance the ability of investors to analyze the Company's business trends and operating performance.

**Reconciliation of Net income, a GAAP measure, to Adjusted net income, a Non-GAAP measure**

|   | For the Three Months Ended March 31, |                      |                     |                      |
|---|--------------------------------------|----------------------|---------------------|----------------------|
|   | 2024                                 |                      | 2023                |                      |
|   | Amount after<br>tax                  | Per Diluted<br>Share | Amount after<br>tax | Per Diluted<br>Share |
| <b>Net income, a GAAP measure</b>   | <b>\$ 124.3</b>                      | <b>\$ 3.47</b>       | <b>\$ 98.0</b>      | <b>\$ 2.75</b>       |
| Pension settlements   | —                                    | —                    | 0.2                 | 0.01                 |
| Items in Losses (gains) and other expenses, net which are excluded from segment profit (loss) (a) | —                                    | —                    | 0.9                 | 0.03                 |
| Non-core business results (b)   | —                                    | —                    | 1.4                 | 0.04                 |
| <b>Adjusted net income, a non-GAAP measure</b>  | <b>\$ 124.3</b>                      | <b>\$ 3.47</b>       | <b>\$ 100.5</b>     | <b>\$ 2.83</b>       |

(a) Recorded in Losses (gains) and other expenses, net in the Consolidated Statements of Operations

(b) Non-core business results represent activity related to our business operations in Europe not included elsewhere in the reconciliations. We completed the sale of our European businesses in the fourth quarter of 2023.

**Reconciliation of Net Cash Provided by Operating Activities, a GAAP measure, to Free Cash Flow, a Non-GAAP measure**

|   | For the Three Months Ended March 31, |                   |
|---|--------------------------------------|-------------------|
|   | 2024                                 | 2023              |
| Net cash used in operating activities                       | \$ (22.8)                            | \$ (78.8)         |
| Purchases of property, plant and equipment                  | (29.5)                               | (35.4)            |
| Proceeds from the disposal of property, plant and equipment | 0.5                                  | 0.3               |
| Free cash flow, a Non-GAAP measure                          | <u>\$ (51.8)</u>                     | <u>\$ (113.9)</u> |

**Reconciliation of Net sales, a GAAP measure to Core net sales, a Non-GAAP measure**

|  | For the Three Months Ended March 31, |                 |
|--|--------------------------------------|-----------------|
|  | Corporate and Other                  | Consolidated    |
|  | 2023                                 | 2023            |
| Net sales, a GAAP measure              | \$ 59.7                              | \$ 1,049.4      |
| Net sales from non-core businesses (a) | (59.7)                               | (59.7)          |
| Core net sales, a Non-GAAP measure     | <u>\$ —</u>                          | <u>\$ 989.7</u> |

(a) Non-Core businesses represent our business operations in Europe, which were sold in the fourth quarter of 2023.

**Reconciliation of Segment profit (loss), a Non-GAAP measure to Adjusted Segment profit (loss), a Non-GAAP measure**

|  | For the Three Months Ended March 31, |                 |
|--|--------------------------------------|-----------------|
|  | Corporate and Other                  | Consolidated    |
|  | 2023                                 | 2023            |
| Segment profit (loss), a Non-GAAP measure          | \$ (19.4)                            | \$ 141.7        |
| Profit from non-core businesses (a)                | 0.4                                  | 0.4             |
| Adjusted Segment profit (loss), a Non-GAAP measure | <u>\$ (19.0)</u>                     | <u>\$ 142.1</u> |

(a) Non-Core businesses represent our business operations in Europe, which were sold in the fourth quarter of 2023.