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

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**FORM 10-Q**

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

**For the quarterly period ended June 30, 2021  
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 001-15149

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**LENNOX INTERNATIONAL INC.**

Incorporated pursuant to the laws of the State of Delaware

Internal Revenue Service Employer Identification No. 42-0991521

2140 LAKE PARK BLVD., RICHARDSON, Texas, 75080  
(972-497-5000)

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

Title of each class Common stock, \$0.01 par value per share	Trading Symbol(s) LII	Name of each exchange on which registered New York Stock Exchange
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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 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 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 the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 July 16, 2021, the number of shares outstanding of the registrant's common stock, par value \$0.01 per share, was 37,166,641.

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**LENNOX INTERNATIONAL INC.**  
**FORM 10-Q**  
**For the three and six months ended June 30, 2021**

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**Part I - Financial Information**  
**Item 1. Financial Statements**

**LENNOX INTERNATIONAL INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**

(Amounts in millions, except shares and par values)

	As of June 30, 2021 (Unaudited)	As of December 31, 2020
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 44.5	\$ 123.9
Short-term investments	2.8	5.1
Accounts and notes receivable, net of allowances of \$10.4 and \$9.6 in 2021 and 2020, respectively	692.5	448.3
Inventories, net	433.8	439.4
Other assets	86.8	70.9
Total current assets	1,260.4	1,087.6
Property, plant and equipment, net of accumulated depreciation of \$907.7 and \$880.6 in 2021 and 2020, respectively	476.0	464.3
Right-of-use assets from operating leases	183.3	194.4
Goodwill	186.8	186.9
Deferred income taxes	12.1	13.2
Other assets, net	86.1	86.1
<b>Total assets</b>	<b>\$ 2,204.7</b>	<b>\$ 2,032.5</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>Current Liabilities:</b>		
Current maturities of long-term debt	\$ 265.9	\$ 9.9
Current operating lease liabilities	54.6	55.0
Accounts payable	404.9	340.3
Accrued expenses	332.4	296.1
Total current liabilities	1,057.8	701.3
Long-term debt	977.4	970.7
Long-term operating lease liabilities	131.5	142.8
Pensions	96.9	92.5
Other liabilities	154.4	142.3
<b>Total liabilities</b>	<b>2,418.0</b>	<b>2,049.6</b>
Commitments and contingencies		
<b>Stockholders' deficit:</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	1,128.9	1,113.2
Retained earnings	2,576.6	2,385.8
Accumulated other comprehensive loss	(93.1)	(97.2)
Treasury stock, at cost, 50,006,069 shares and 48,820,969 shares for 2021 and 2020, respectively	(3,826.6)	(3,419.8)
<b>Total stockholders' deficit</b>	<b>(213.3)</b>	<b>(17.1)</b>
<b>Total liabilities and stockholders' deficit</b>	<b>\$ 2,204.7</b>	<b>\$ 2,032.5</b>

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

**LENNOX INTERNATIONAL INC. AND SUBSIDIARIES**  
**Consolidated Statements of Operations**  
(Unaudited)

(Amounts in millions, except per share data)	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Net sales</b>	\$ 1,239.0	\$ 941.3	\$ 2,169.4	\$ 1,665.1
Cost of goods sold	855.8	665.6	1,529.7	1,223.7
Gross profit	383.2	275.7	639.7	441.4
<b>Operating Expenses:</b>				
Selling, general and administrative expenses	167.8	129.5	313.2	260.8
Losses (gains) and other expenses, net	2.3	3.6	2.6	2.3
Restructuring charges	1.2	10.0	1.3	10.5
Loss from natural disasters, net of insurance recoveries	—	1.0	—	2.7
Income from equity method investments	(4.1)	(4.4)	(7.4)	(7.2)
<b>Operating income</b>	<b>216.0</b>	<b>136.0</b>	<b>330.0</b>	<b>172.3</b>
Pension settlement	—	—	0.7	—
Interest expense, net	6.4	6.9	12.3	15.6
Other expense (income), net	0.9	1.1	1.9	2.2
Income from continuing operations before income taxes	208.7	128.0	315.1	154.5
Provision for income taxes	38.7	27.4	60.9	41.4
<b>Income from continuing operations</b>	<b>170.0</b>	<b>100.6</b>	<b>254.2</b>	<b>113.1</b>
<b>Discontinued Operations:</b>				
Loss from discontinued operations before income taxes	—	(0.8)	—	(0.8)
Income tax benefit	—	(0.2)	—	(0.6)
Loss from discontinued operations	—	(0.6)	—	(0.2)
<b>Net income</b>	<b>\$ 170.0</b>	<b>\$ 100.0</b>	<b>\$ 254.2</b>	<b>\$ 112.9</b>
<b>Earnings per share – Basic:</b>				
Income from continuing operations	\$ 4.55	\$ 2.63	\$ 6.74	\$ 2.95
Loss from discontinued operations	—	(0.01)	—	—
Net income	\$ 4.55	\$ 2.62	\$ 6.74	\$ 2.95
<b>Earnings per share – Diluted:</b>				
Income from continuing operations	\$ 4.51	\$ 2.62	\$ 6.70	\$ 2.93
Loss from discontinued operations	—	(0.02)	—	—
Net income	\$ 4.51	\$ 2.60	\$ 6.70	\$ 2.93
<b>Weighted Average Number of Shares Outstanding - Basic</b>	<b>37.4</b>	<b>38.2</b>	<b>37.7</b>	<b>38.3</b>
<b>Weighted Average Number of Shares Outstanding - Diluted</b>	<b>37.7</b>	<b>38.4</b>	<b>38.0</b>	<b>38.6</b>

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

**LENNOX INTERNATIONAL INC. AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
(Unaudited)

<i>(Amounts in millions)</i>	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Net income</b>	<b>\$ 170.0</b>	<b>\$ 100.0</b>	<b>\$ 254.2</b>	<b>\$ 112.9</b>
<b>Other comprehensive income (loss):</b>				
Foreign currency translation adjustments	4.2	2.4	1.6	(17.8)
Net change in pension and post-retirement liabilities	(2.3)	(1.5)	(5.3)	(2.4)
Reclassification of pension and post-retirement benefit losses into earnings	2.1	1.4	4.3	3.0
Pension settlement	—	—	0.7	—
Net change in fair value of cash flow hedges	11.0	6.3	20.6	(8.3)
Reclassification of cash flow hedge (gains) losses into earnings	(9.1)	5.8	(13.5)	7.0
Other comprehensive income (loss) before taxes	5.9	14.4	8.4	(18.5)
Tax benefit (expense)	0.2	(3.0)	(4.3)	0.6
<b>Other comprehensive income (loss), net of tax</b>	<b>6.1</b>	<b>11.4</b>	<b>4.1</b>	<b>(17.9)</b>
<b>Comprehensive income</b>	<b>\$ 176.1</b>	<b>\$ 111.4</b>	<b>\$ 258.3</b>	<b>\$ 95.0</b>

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

**LENNOX INTERNATIONAL INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**  
For the three and six months ended June 30, 2021 and 2020 (Unaudited)  
(In millions, except per share data)

	Common Stock Issued	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock at Cost		Total Stockholders' Deficit
					Shares	Amount	
<i>(For the three months ended June 30, 2021)</i>							
<b>Balance as of March 31, 2021</b>	<b>\$ 0.9</b>	<b>\$ 1,090.3</b>	<b>\$ 2,440.9</b>	<b>\$ (99.2)</b>	<b>49.4</b>	<b>\$ (3,593.6)</b>	<b>\$ (160.7)</b>
Net income	—	—	170.0	—	—	—	170.0
Dividends, \$0.92 per share	—	—	(34.3)	—	—	—	(34.3)
Foreign currency translation adjustments	—	—	—	4.2	—	—	4.2
Pension and post-retirement liability changes, net of tax benefit of \$0.3	—	—	—	0.1	—	—	0.1
Stock-based compensation expense	—	8.9	—	—	—	—	8.9
Change in cash flow hedges, net of tax expense of \$0.1	—	—	—	1.8	—	—	1.8
Treasury shares reissued for common stock	—	(0.3)	—	—	(0.1)	1.2	0.9
Treasury stock purchases	—	30.0	—	—	0.7	(234.2)	(204.2)
<b>Balance as of June 30, 2021</b>	<b>\$ 0.9</b>	<b>\$ 1,128.9</b>	<b>\$ 2,576.6</b>	<b>\$ (93.1)</b>	<b>50.0</b>	<b>\$ (3,826.6)</b>	<b>\$ (213.3)</b>
<i>(For the three months ended June 30, 2020)</i>							
<b>Balance as of March 31, 2020</b>	<b>\$ 0.9</b>	<b>\$ 1,095.2</b>	<b>\$ 2,130.9</b>	<b>\$ (133.1)</b>	<b>48.9</b>	<b>\$ (3,412.2)</b>	<b>\$ (318.3)</b>
Net income	—	—	100.0	—	—	—	100.0
Dividends, \$0.77 per share	—	—	(29.4)	—	—	—	(29.4)
Foreign currency translation adjustments	—	—	—	2.4	—	—	2.4
Pension and post-retirement liability changes, net of tax benefit of \$0.1	—	—	—	(0.1)	—	—	(0.1)
Stock-based compensation expense	—	6.7	—	—	—	—	6.7
Change in cash flow hedges, net of tax expense of \$3.1	—	—	—	9.1	—	—	9.1
Treasury shares reissued for common stock	—	0.5	—	—	—	0.3	0.8
Treasury stock purchases	—	—	—	—	—	(0.1)	(0.1)
<b>Balance as of June 30, 2020</b>	<b>\$ 0.9</b>	<b>\$ 1,102.4</b>	<b>\$ 2,201.5</b>	<b>\$ (121.7)</b>	<b>48.9</b>	<b>\$ (3,412.0)</b>	<b>\$ (228.9)</b>

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

**LENNOX INTERNATIONAL INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**  
For the three and six months ended June 30, 2021 and 2020 (Unaudited)  
(In millions, except per share data)

	Common Stock Issued	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock at Cost		Total Stockholders' Deficit
					Shares	Amount	
<i>(For the six months ended June 30, 2021)</i>							
<b>Balance as of December 31, 2020</b>	\$ 0.9	\$ 1,113.2	\$ 2,385.8	\$ (97.2)	48.8	\$ (3,419.8)	\$ (17.1)
Net income	—	—	254.2	—	—	—	254.2
Dividends, \$1.69 per share	—	—	(63.4)	—	—	—	(63.4)
Foreign currency translation adjustments	—	—	—	1.6	—	—	1.6
Pension and post-retirement liability changes, net of tax expense \$3.2	—	—	—	(3.4)	—	—	(3.4)
Stock-based compensation expense	—	17.5	—	—	—	—	17.5
Change in cash flow hedges, net of tax expense of \$1.2	—	—	—	5.9	—	—	5.9
Treasury shares reissued for common stock	—	(1.8)	—	—	(0.1)	3.4	1.6
Treasury stock purchases	—	—	—	—	1.3	(410.2)	(410.2)
<b>Balance as of June 30, 2021</b>	\$ 0.9	\$ 1,128.9	\$ 2,576.6	\$ (93.1)	50.0	\$ (3,826.6)	\$ (213.3)

	Common Stock Issued	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock at Cost		Total Stockholders' Deficit
					Shares	Amount	
<i>(For the six months ended June 30, 2020)</i>							
<b>Balance as of December 31, 2019</b>	\$ 0.9	\$ 1,093.5	\$ 2,148.7	\$ (103.8)	48.6	\$ (3,309.5)	\$ (170.2)
Cumulative effect adjustment upon adoption of new accounting standard (ASC 2016-13)	—	—	(1.3)	—	—	—	(1.3)
Net income	—	—	112.9	—	—	—	112.9
Dividends, \$1.54 per share	—	—	(58.8)	—	—	—	(58.8)
Foreign currency translation adjustments	—	—	—	(17.8)	—	—	(17.8)
Pension and post-retirement liability changes, net of tax expense of \$0.1	—	—	—	0.5	—	—	0.5
Stock-based compensation expense	—	10.4	—	—	—	—	10.4
Change in cash flow hedges, net of tax benefit of \$0.8	—	—	—	(0.6)	—	—	(0.6)
Treasury shares reissued for common stock	—	(1.5)	—	—	(0.1)	3.1	1.6
Treasury stock purchases	—	—	—	—	0.4	(105.6)	(105.6)
<b>Balance as of June 30, 2020</b>	\$ 0.9	\$ 1,102.4	\$ 2,201.5	\$ (121.7)	48.9	\$ (3,412.0)	\$ (228.9)

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

**LENNOX INTERNATIONAL INC. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
(Unaudited)

(Amounts in millions)

	For the Six Months Ended June 30,	
	2021	2020
<b>Cash flows from operating activities:</b>		
Net income	\$ 254.2	\$ 112.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Income from equity method investments	(7.4)	(7.2)
Dividends from affiliates	3.7	2.5
Restructuring charges, net of cash paid	1.4	5.9
Provision for credit losses	3.5	3.1
Unrealized losses on derivative contracts	0.3	1.1
Stock-based compensation expense	17.5	10.4
Depreciation and amortization	35.6	37.9
Deferred income taxes	(3.6)	6.6
Pension expense	5.4	4.9
Pension contributions	(0.8)	(1.2)
Other items, net	(0.3)	0.7
Changes in assets and liabilities:		
Accounts and notes receivable	(248.2)	(151.5)
Inventories	7.0	43.1
Other current assets	(9.7)	(1.1)
Accounts payable	67.4	(66.2)
Accrued expenses	33.7	(11.9)
Income taxes payable / (receivable), net	1.6	10.2
Leases, net	(0.6)	1.5
Other, net	13.8	4.8
<b>Net cash provided by operating activities</b>	<b>174.5</b>	<b>6.5</b>
<b>Cash flows from investing activities:</b>		
Proceeds from the disposal of property, plant and equipment	0.6	0.3
Purchases of property, plant and equipment	(45.5)	(43.5)
Proceeds from (purchases of) short-term investments	2.3	(1.1)
<b>Net cash used in investing activities</b>	<b>(42.6)</b>	<b>(44.3)</b>
<b>Cash flows from financing activities:</b>		
Short-term debt payments	—	(1.9)
Short-term debt borrowings	—	1.9
Asset securitization borrowings	299.0	91.0
Asset securitization payments	(44.0)	(70.0)
Long-term debt payments	(3.1)	(2.6)
Borrowings from credit facility	753.0	1,060.5
Payments on credit facility	(748.5)	(863.5)
Proceeds from employee stock purchases	1.6	1.6
Repurchases of common stock	(400.0)	(100.0)
Repurchases of common stock to satisfy employee withholding tax obligations	(10.2)	(5.6)
Cash dividends paid	(58.6)	(59.1)
<b>Net cash (used in) provided by financing activities</b>	<b>(210.8)</b>	<b>52.3</b>
(Decrease) increase in cash and cash equivalents	(78.9)	14.5
Effect of exchange rates on cash and cash equivalents	(0.5)	(7.0)
Cash and cash equivalents, beginning of period	123.9	37.3
<b>Cash and cash equivalents, end of period</b>	<b>\$ 44.5</b>	<b>\$ 44.8</b>
<b>Supplemental disclosures of cash flow information:</b>		
Interest paid	\$ 11.8	\$ 16.9
Income taxes paid (net of refunds)	\$ 62.6	\$ 22.8

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



**LENNOX INTERNATIONAL INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. General:**

References in this Quarterly Report on Form 10-Q to "we," "our," "us," "LII," or the "Company" refer to Lennox International Inc. and its subsidiaries, unless the context requires otherwise.

***Basis of Presentation***

The accompanying unaudited Consolidated Balance Sheet as of June 30, 2021, the accompanying unaudited Consolidated Statements of Operations for the three and six months ended June 30, 2021 and 2020, the accompanying unaudited Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2021 and 2020, the accompanying unaudited Consolidated Statements of Stockholders' Deficit for the three and six months ended June 30, 2021 and 2020, and the accompanying unaudited Consolidated Statements of Cash Flows for the six months ended June 30, 2021 and 2020 should be read in conjunction with our audited consolidated financial statements and footnotes included in our Annual Report on Form 10-K for the year ended December 31, 2020.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. The accompanying consolidated financial statements contain all material adjustments, consisting principally of normal recurring adjustments, necessary for a fair presentation of our financial position, results of operations and cash flows. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to applicable rules and regulations, although we believe that the disclosures herein are adequate to make the information presented not misleading. The operating results for the interim periods are not necessarily indicative of the results that may be expected for a full year.

Our fiscal quarterly periods are comprised of approximately 13 weeks, but the number of days per quarter may vary year-over-year. Our quarterly reporting periods usually end on the Saturday closest to the last day of March, June and September. Our fourth quarter and fiscal year ends on December 31, regardless of the day of the week on which December 31 falls. For convenience, the 13-week periods comprising each fiscal quarter are denoted by the last day of the respective calendar quarter.

***Use of Estimates***

The preparation of financial statements requires us to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenues and expenses. Such estimates include the valuation of accounts receivable, inventories, goodwill, intangible assets and other long-lived assets, contingencies, guarantee obligations, indemnifications, and assumptions used in the calculation of income taxes, pension and post-retirement medical benefits, self-insurance and warranty reserves, and stock-based compensation, among others. These estimates and assumptions are based on our best estimates and judgment.

We evaluate these estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. We believe these estimates and assumptions to be reasonable under the circumstances and will adjust such estimates and assumptions when facts and circumstances dictate. Volatile equity, foreign currency and commodity markets combine to increase the uncertainty inherent in such estimates and assumptions. Future events and their effects cannot be determined with precision and actual results could differ significantly from these estimates. Changes in these estimates will be reflected in the financial statements in future periods.

***Impact of COVID-19 Pandemic***

A novel strain of coronavirus ("COVID-19") has surfaced and spread around the world, including to the United States. In March 2020, the World Health Organization declared COVID-19 a pandemic. Currently the COVID-19 pandemic has disrupted our business operations and caused a significant unfavorable impact on our results of operations in 2020. The COVID-19 pandemic is creating supply chain disruptions and higher employee absenteeism in our factories and distribution locations.

As the COVID-19 pandemic continues, health concern risks remain. We cannot predict whether any of our manufacturing, operational or distribution facilities will experience disruptions, or how long such disruptions would last. It also remains

unclear how various national, state, and local governments will react if the distribution of vaccines is slower than expected or new variants of the virus become more dominant. If the COVID-19 pandemic worsens or the pandemic continues longer than presently expected, COVID 19 could impact our results of operations, financial position and cash flows.

### Recently Adopted Accounting Guidance

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. ASU 2019-02, in an effort to reduce complexity in accounting for income taxes, removes certain exceptions for measuring intraperiod tax allocations, foreign subsidiary equity method investments and interim period tax losses. ASU 2019-12 is effective for calendar year-end public business entities on January 1, 2021. The adoption of ASU 2019-12 did not have a material impact on our financial statements.

### 2. Reportable Business Segments:

We operate in three reportable business segments of the heating, ventilation, air conditioning and refrigeration (“HVACR”) industry. Our segments are organized primarily by the nature of the products and services we provide. The following table describes each segment:

Segment	Product or Services	Markets Served	Geographic Areas
Residential Heating & Cooling	Furnaces, air conditioners, heat pumps, packaged heating and cooling systems, indoor air quality equipment, comfort control products, replacement parts and supplies	Residential Replacement; Residential New Construction	United States Canada
Commercial Heating & Cooling	Unitary heating and air conditioning equipment, applied systems, controls, installation and service of commercial heating and cooling equipment, and variable refrigerant flow commercial products	Light Commercial	United States Canada
Refrigeration	Condensing units, unit coolers, fluid coolers, air cooled condensers, air handlers, process chillers, controls, and compressorized racks	Light Commercial; Food Preservation; Non-Food/Industrial	United States Canada Europe

We use segment profit or loss as the primary measure of profitability to evaluate operating performance and to allocate capital resources. We define segment profit or loss as a segment’s income or loss from continuing operations before income taxes included in the accompanying Consolidated Statements of Operations, excluding certain items. The reconciliation in the table below details the items excluded.

Our corporate costs include those costs related to corporate functions such as legal, internal audit, treasury, human resources, tax compliance and senior executive staff. Corporate costs also include the long-term share-based incentive awards provided to employees throughout LII. We record these share-based awards as corporate costs because they are determined at the discretion of the Board of Directors and based on the historical practice of doing so for internal reporting purposes.

Any intercompany sales and associated profit (and any other intercompany items) are eliminated from segment results. There were no significant intercompany eliminations for the periods presented.

## Segment Data

Net sales and segment profit (loss) for each segment, along with a reconciliation of segment profit (loss) to Operating income, are shown below (in millions):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Net sales</b>				
Residential Heating & Cooling	\$ 838.0	\$ 644.8	\$ 1,444.2	\$ 1,086.9
Commercial Heating & Cooling	252.8	188.3	452.0	366.7
Refrigeration	148.2	108.2	273.2	211.5
	<u>\$ 1,239.0</u>	<u>\$ 941.3</u>	<u>\$ 2,169.4</u>	<u>\$ 1,665.1</u>
<b>Segment profit (loss) <sup>(1)</sup></b>				
Residential Heating & Cooling	\$ 189.7	\$ 127.3	\$ 286.1	\$ 159.8
Commercial Heating & Cooling	45.3	35.6	72.6	54.3
Refrigeration	13.5	8.9	21.4	9.6
Corporate and other	(26.9)	(18.8)	(42.9)	(33.1)
Total segment profit	221.6	153.0	337.2	190.6
<b>Reconciliation to Operating income:</b>				
Special product quality adjustments	—	(1.0)	—	(1.0)
Loss from natural disasters, net of insurance recoveries	—	1.0	—	2.7
Items in Losses (gains) and other expenses, net that are excluded from segment profit (loss) <sup>(1)</sup>	4.4	7.0	5.9	6.1
Restructuring charges	1.2	10.0	1.3	10.5
<b>Operating income</b>	<u>\$ 216.0</u>	<u>\$ 136.0</u>	<u>\$ 330.0</u>	<u>\$ 172.3</u>

<sup>(1)</sup> We define segment profit (loss) as a segment's operating income included in the accompanying Consolidated Statements of Operations, excluding:

- The following items in Losses (gains) and other expenses, net:
  - Net change in unrealized losses (gains) on unsettled futures contracts,
  - Special legal contingency charges,
  - Asbestos-related litigation,
  - Environmental liabilities,
  - Charges incurred related to COVID-19 pandemic; and
  - Other items, net,
- Special product quality adjustments
- Loss from natural disasters, net of insurance recoveries; and
- Restructuring charges.

### 3. Earnings Per Share:

Basic earnings per share are computed by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted earnings per share are computed by dividing net income by the sum of the weighted-average number of shares and the number of equivalent shares assumed outstanding, if dilutive, under our stock-based compensation plans.

The computations of basic and diluted earnings per share for Income from continuing operations were as follows (in millions, except per share data):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Net income</b>	\$ 170.0	\$ 100.0	\$ 254.2	\$ 112.9
Exclude: Income from discontinued operations	—	0.6	—	0.2
<b>Income from continuing operations</b>	<u>\$ 170.0</u>	<u>\$ 100.6</u>	<u>\$ 254.2</u>	<u>\$ 113.1</u>
<b>Weighted-average shares outstanding – basic</b>	37.4	38.2	37.7	38.3
Add: Potential effect of dilutive securities attributable to stock-based payments	0.3	0.2	0.3	0.3
<b>Weighted-average shares outstanding – diluted</b>	<u>37.7</u>	<u>38.4</u>	<u>38.0</u>	<u>38.6</u>
<b>Earnings per share – Basic:</b>				
Income from continuing operations	\$ 4.55	\$ 2.63	\$ 6.74	\$ 2.95
Income from discontinued operations	—	(0.01)	—	—
Net income	<u>\$ 4.55</u>	<u>\$ 2.62</u>	<u>\$ 6.74</u>	<u>\$ 2.95</u>
<b>Earnings per share – Diluted:</b>				
Income from continuing operations	\$ 4.51	\$ 2.62	\$ 6.70	\$ 2.93
Income from discontinued operations	—	(0.02)	—	—
Net income	<u>\$ 4.51</u>	<u>\$ 2.60</u>	<u>\$ 6.70</u>	<u>\$ 2.93</u>

The following stock appreciation rights and restricted stock units were outstanding but not included in the diluted earnings per share calculation because the assumed exercise of such rights would have been anti-dilutive (in millions, except for per share data):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Weighted-average number of shares	—	0.5	—	0.5
Price per share	\$—	\$205.53-\$257.08	\$—	\$205.53-\$257.08

#### 4. Commitments and Contingencies:

##### Leases

We determine if an arrangement is a lease at inception. Operating leases are included in our Consolidated Balance Sheets as Right-of-use assets from operating leases, Current operating lease liabilities and Long-term operating lease liabilities. Finance leases are included in Property, plant and equipment, Current maturities of long-term debt and Long-term debt in our Consolidated Balance Sheets. We do not recognize a right-of-use asset and lease liability for leases with a term of 12 months or less. We do not separate non-lease components from lease components to which they relate and have accounted for the combined lease and non-lease components as a single lease component.

Many of our lease agreements contain renewal options; however, we do not recognize right-of-use assets or lease liabilities for renewal periods unless it is determined that we are reasonably certain of renewing the lease at inception or when a triggering event occurs. Some of our lease agreements contain rent escalation clauses (including index-based escalations), rent holidays, capital improvement funding or other lease concessions. We recognize our minimum rental expense on a straight-line basis based on the fixed components of a lease arrangement. We amortize this expense over the term of the lease beginning with the date of initial possession. Variable lease components represent amounts that are not fixed in nature and are not tied to an index or rate, and are recognized as incurred. Under certain of our third-party service agreements, we control a specific space or

underlying asset used in providing the service by the third-party service provider. These arrangements meet the definition under ASC 842 and therefore are accounted for under ASC 842.

In determining our right-of-use assets and lease liabilities, we apply a discount rate to the minimum lease payments within each lease agreement. ASC 842 requires us to use the rate of interest that a lessee would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. When we cannot readily determine the discount rate implicit in the lease agreement, we utilize our incremental borrowing rate. To estimate our specific incremental borrowing rates over various tenors (ranging from 1-year through 30-years), a comparable market yield curve consistent with our credit quality was calibrated to our publicly outstanding debt instruments.

We lease certain real and personal property under non-cancelable operating leases. Approximately 73% of our right-of-use assets and lease liabilities relate to our leases of real estate with the remaining amounts primarily relating to our leases of IT equipment, fleet vehicles and manufacturing and distribution equipment.

### **Product Warranties and Product Related Contingencies**

We provide warranties to customers for some of our products and record liabilities for the estimated future warranty-related costs based on failure rates, cost experience and other factors. We periodically review the assumptions used to determine the product warranty liabilities and will adjust the liabilities in future periods for changes in experience, as necessary.

Liabilities for estimated product warranty costs related to continuing operations are included in the following captions on the accompanying Consolidated Balance Sheets (in millions):

	<u>As of June 30, 2021</u>	<u>As of December 31, 2020</u>
Accrued expenses	\$ 38.8	\$ 37.7
Other liabilities	93.0	82.1
<b>Total warranty liability</b>	<b>\$ 131.8</b>	<b>\$ 119.8</b>

The changes in product warranty liabilities related to continuing operations for the six months ended June 30, 2021 were as follows (in millions):

<b>Total warranty liability as of December 31, 2020</b>	<b>\$ 119.8</b>
Warranty claims paid	(15.5)
Changes resulting from issuance of new warranties	24.0
Changes in estimates associated with pre-existing liabilities	3.5
Changes in foreign currency translation rates and other	—
<b>Total warranty liability as of June 30, 2021</b>	<b>\$ 131.8</b>

We have incurred, and will likely continue to incur, product costs not covered by insurance or our suppliers' warranties, which are not included in the tables immediately above. Also, to satisfy our customers and protect our brands, we have repaired or replaced installed products experiencing quality-related issues, and will likely continue such repairs and replacements. Liabilities for such quality related issues are not material.

### **Litigation**

We are involved in a number of claims and lawsuits incident to the operation of our businesses. Insurance coverages are maintained and estimated costs are recorded for such claims and lawsuits, including costs to settle claims and lawsuits, based on experience involving similar matters and specific facts known.

Some of these claims and lawsuits allege personal injury or health problems resulting from exposure to asbestos that was integrated into certain of our products. We have never manufactured asbestos and have not incorporated asbestos-containing components into our products for several decades. A substantial majority of these asbestos-related claims have been covered by insurance or other forms of indemnity or have been dismissed without payment. The remainder of our closed cases have been resolved for amounts that are not material, individually or in the aggregate. Our defense costs for asbestos-related claims are generally covered by insurance. However, our insurance coverage for settlements and judgments for asbestos-related claims varies depending on several factors and are subject to policy limits. We may have greater financial exposure for future

settlements and judgments. The following table summarizes the expenses, net of probable insurance recoveries, for known and future asbestos-related litigation recorded in Losses (gains) and other expenses, net in the Consolidated Statements of Operations (in millions):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Loss (gain) for asbestos-related litigation, net	\$ 1.7	\$ 1.2	\$ 2.8	\$ (0.5)

It is management's opinion that none of these claims or lawsuits or any threatened litigation will have a material adverse effect on our financial condition, results of operations or cash flows. Claims and lawsuits, however, involve uncertainties and it is possible that their eventual outcome could adversely affect our results of operations for a particular period.

## 5. Stock Repurchases:

Our Board of Directors has authorized a total of \$3.0 billion to repurchase shares of our common stock (collectively referred to as the "Share Repurchase Plans"), including a \$500 million share repurchase authorization in December 2019. Under this program, we may repurchase shares from time to time in open market transactions and in privately negotiated transactions based on business, market, applicable legal requirements and other considerations. The repurchase program does not require the repurchase of a specific number of shares and may be terminated at any time. As of June 30, 2021, \$46 million was available for repurchase under the Share Repurchase Plans.

In July 2021, our Board of Directors authorized an additional \$1.0 billion of share repurchases.

On February 4, 2021, we entered into a fixed dollar accelerated share repurchase transaction (the "ASR Agreement") with Wells Fargo Bank, to effect an accelerated stock buyback of the Company's common stock. Under the ASR Agreement, we paid Wells Fargo Bank \$200.0 million and Wells Fargo Bank delivered to us common stock representing approximately 85% of the shares expected to be purchased under this ASR Agreement. The ASR was completed in April 2021 and Wells Fargo Bank delivered a total of 0.7 million shares of common stock repurchased under this ASR Agreement.

On May 3, 2021, we entered into an ASR Agreement with Bank of America, to effect an accelerated stock buyback of the Company's common stock. Under the ASR Agreement, we paid Bank of America \$200.0 million and Bank of America delivered to us common stock representing approximately 85% of the shares expected to be purchased under this ASR Agreement. The ASR was completed in June 2021 and Bank of America delivered a total of 0.6 million shares of common stock repurchased under this ASR Agreement.

We also repurchased shares for \$10.2 million during the six months ended June 30, 2021 from employees who tendered their shares to satisfy minimum tax withholding obligations upon the vesting and exercise of stock-based compensation awards.

## 6. Revenue Recognition:

The following table disaggregates our revenue by business segment by geography which provides information as to the major source of revenue. See Note 2 for additional information on our reportable business segments and the products and services sold in each segment.

Primary Geographic Markets	For the Three Months Ended June 30, 2021			
	Residential Heating & Cooling	Commercial Heating & Cooling	Refrigeration	Consolidated
United States	\$ 763.0	\$ 228.7	\$ 82.2	\$ 1,073.9
Canada	75.0	23.9	—	98.9
Other international	—	0.2	66.0	66.2
<b>Total</b>	<b>\$ 838.0</b>	<b>\$ 252.8</b>	<b>\$ 148.2</b>	<b>\$ 1,239.0</b>

For the Three Months Ended June 30, 2020					
Primary Geographic Markets	Residential Heating & Cooling	Commercial Heating & Cooling	Refrigeration	Consolidated	
United States	\$ 603.8	\$ 173.1	\$ 61.3	\$ 838.2	
Canada	41.0	15.0	—	56.0	
Other international	—	0.2	46.9	47.1	
<b>Total</b>	<b>\$ 644.8</b>	<b>\$ 188.3</b>	<b>\$ 108.2</b>	<b>\$ 941.3</b>	

For the Six Months Ended June 30, 2021					
Primary Geographic Markets	Residential Heating & Cooling	Commercial Heating & Cooling	Refrigeration	Consolidated	
United States	\$ 1,321.8	\$ 411.0	\$ 157.9	\$ 1,890.7	
Canada	122.4	40.8	—	163.2	
Other international	—	0.2	115.3	115.5	
<b>Total</b>	<b>\$ 1,444.2</b>	<b>\$ 452.0</b>	<b>\$ 273.2</b>	<b>\$ 2,169.4</b>	

For the Six Months Ended June 30, 2020					
Primary Geographic Markets	Residential Heating & Cooling	Commercial Heating & Cooling	Refrigeration	Consolidated	
United States	\$ 1,016.2	\$ 334.3	\$ 120.8	\$ 1,471.3	
Canada	70.7	32.0	—	102.7	
Other international	—	0.4	90.7	91.1	
<b>Total</b>	<b>\$ 1,086.9</b>	<b>\$ 366.7</b>	<b>\$ 211.5</b>	<b>\$ 1,665.1</b>	

**Residential Heating & Cooling** - We manufacture and market a broad range of furnaces, air conditioners, heat pumps, packaged heating and cooling systems, equipment and accessories to improve indoor air quality, comfort control products, replacement parts and supplies and related products for both the residential replacement and new construction markets in North America. These products are sold under various brand names and are sold either through direct sales to a network of independent installing dealers, including through our network of Lennox stores or to independent distributors. For the three months ended June 30, 2021 and 2020, direct sales represented 76% and 76% of revenues, and sales to independent distributors represented the remainder. For the six months ended June 30, 2021 and 2020, direct sales represented 72% and 75% of revenues, and sales to independent distributors represented the remainder. Given the nature of our business, customer product orders are fulfilled at a point in time and not over a period of time.

**Commercial Heating & Cooling** - In North America, we manufacture and sell unitary heating and cooling equipment used in light commercial applications, such as low-rise office buildings, restaurants, retail centers, churches and schools. These products are distributed primarily through commercial contractors and directly to national account customers in the planned replacement, emergency replacement and new construction markets. Revenue for the products sold is recognized at a point in time when control transfers to the customer, which is generally at time of shipment. Lennox National Account Services provides installation, service and preventive maintenance for HVAC national account customers in the United States and Canada. Revenue related to service contracts is recognized as the services are performed under the contract based on the relative fair value of the services provided. For the three months ended June 30, 2021 and 2020, equipment sales represented 85% and 86% of revenues and the remainder of our revenue was generated from our service business. For the six months ended June 30, 2021 and 2020, equipment sales represented 84% and 85% of revenues and the remainder of our revenue was generated from our service business.

**Refrigeration** - We manufacture and market equipment for the global commercial refrigeration markets under the Heatcraft Worldwide Refrigeration name. Our products are used in the food retail, food service, cold storage as well as non-food refrigeration markets. We sell these products to distributors, installing contractors, engineering design firms, original equipment manufacturers and end-users. In Europe, we also manufacture and sell unitary heating and cooling products and applied systems. Substantially all segment revenue was related to these types of equipment and systems and is recognized at a

point in time when control transfers to the customer, which is generally at time of shipment. Less than 1% of segment revenue relates to services for start-up and commissioning activities.

**Variable Consideration** - We engage in cooperative advertising, customer rebate, and other miscellaneous programs that result in payments or credits being issued to our customers. We record these customer discounts and incentives as a reduction of sales when the sales are recorded. For certain cooperative advertising programs, we also receive an identifiable benefit (goods or services) in exchange for the consideration given, and, accordingly, record a ratable portion of the expenditure to Selling, general and administrative (“SG&A”) expenses. All other advertising, promotions and marketing costs are expensed as incurred.

**Other Judgments and Assumptions** - We apply the practical expedient in ASC 606-10-50-14 and do not disclose information about remaining performance obligations that have original expected durations of one year or less. Applying the practical expedient in ASC 340-40-25-4, we recognize the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that we otherwise would have recognized is one year or less. These costs are included in SG&A expenses. ASC 606-10-32-18 allows us to not adjust the amount of consideration to be received in a contract for any significant financing component if we expect to receive payment within twelve months of transfer of control of goods or services. We have elected this expedient as we expect all consideration to be received in one year or less at contract inception. We have also elected not to provide the remaining performance obligations disclosures related to service contracts in accordance with the practical expedient in ASC 606-10-55-18. We recognize revenue in the amount to which the entity has a right to invoice and have adopted this election to not provide the remaining performance obligations related to service contracts.

**Contract Assets** - We do not have material amounts of contract assets since revenue is recognized as control of goods is transferred or as services are performed. There are a small number of installation services that may occur over a period of time, but that period of time is generally very short in duration and right of payment does not exist until the installation is completed. Any contract assets that may arise are recorded in Other assets, net in our Consolidated Balance Sheets.

**Contract Liabilities** - Our contract liabilities consist of advance payments and deferred revenue. Our contract liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period. We classify advance payments and deferred revenue as current or noncurrent based on the timing of when we expect to recognize revenue. Generally all contract liabilities are expected to be recognized within one year and are included in Accrued expenses in our Consolidated Balance Sheets. The noncurrent portion of deferred revenue is included in Other liabilities in our Consolidated Balance Sheets.

Net contract liabilities consisted of the following:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>\$ Change</u>	<u>% Change</u>
Contract liabilities - current	\$ (6.5)	\$ (5.5)	\$ (1.0)	18.2 %
Contract liabilities - noncurrent	(5.7)	(5.6)	(0.1)	1.8 %
<b>Total</b>	<u>\$ (12.2)</u>	<u>\$ (11.1)</u>	<u>\$ (1.1)</u>	

For the three months ended June 30, 2021 and 2020, we recognized revenue of \$0.8 million and \$2.9 million and for the six months ended June 30, 2021 and 2020 we recognized revenue of \$2.4 million and \$4.5 million related to our contract liabilities at January 1, 2021 and 2020, respectively. Impairment losses recognized in our receivables and contract assets were de minimis in 2021 and 2020.



## 7. Other Financial Statement Details:

### Inventories:

The components of inventories are as follows (in millions):

	As of June 30, 2021	As of December 31, 2020
Finished goods	\$ 245.9	\$ 280.1
Work in process	7.2	6.5
Raw materials and parts	242.3	207.8
Subtotal	495.4	494.4
Excess of current cost over last-in, first-out cost	(61.6)	(55.0)
<b>Total inventories, net</b>	<b>\$ 433.8</b>	<b>\$ 439.4</b>

### Goodwill:

The changes in the carrying amount of goodwill in 2021, in total and by segment, are summarized in the table below (in millions):

	Balance at December 31, 2020	Changes in foreign currency translation rates	Balance at June 30, 2021
Residential Heating & Cooling	\$ 26.1	\$ —	\$ 26.1
Commercial Heating & Cooling	61.1	—	61.1
Refrigeration	99.7	(0.1)	99.6
<b>Total Goodwill</b>	<b>\$ 186.9</b>	<b>\$ (0.1)</b>	<b>\$ 186.8</b>

We monitor our reporting units for indicators of impairment throughout the year to determine if a change in facts or circumstances warrants a re-evaluation of our goodwill. We have not recorded any goodwill impairments for the six months ended June 30, 2021.

### Derivatives:

#### *Objectives and Strategies for Using Derivative Instruments*

*Commodity Price Risk* - We utilize a cash flow hedging program to mitigate our exposure to volatility in the prices of metal commodities used in our production processes. Our hedging program includes the use of futures contracts to lock in prices, and as a result, we are subject to derivative losses should the metal commodity prices decrease and gains should the prices increase. We utilize a dollar cost averaging strategy so that a higher percentage of commodity price exposures are hedged near-term and lower percentages are hedged at future dates. This strategy allows for protection against near-term price volatility while allowing us to adjust to market price movements over time.

*Interest Rate Risk* - A portion of our debt bears interest at variable rates, and as a result, we are subject to variability in the cash paid for interest. To mitigate a portion of that risk, we may choose to engage in an interest rate swap hedging strategy to eliminate the variability of interest payment cash flows. We are not currently hedged against interest rate risk.

*Foreign Currency Risk* - Foreign currency exchange rate movements create a degree of risk by affecting the U.S. dollar value of assets and liabilities arising in foreign currencies. We seek to mitigate the impact of currency exchange rate movements on certain short-term transactions by periodically entering into foreign currency forward contracts.

#### *Cash Flow Hedges*

We have foreign exchange forward contracts and commodity futures contracts designated as cash flow hedges that are scheduled to mature through November 2022. Unrealized gains or losses from our cash flow hedges are included in Accumulated other comprehensive loss ("AOCL") and are expected to be reclassified into earnings within the next 18 months

based on the prices of the commodities and foreign currencies at the settlement dates. We recorded the following amounts in AOCL related to our cash flow hedges (in millions):

	<u>As of June 30, 2021</u>	<u>As of December 31, 2020</u>
Unrealized gains on unsettled contracts	\$ (17.6)	\$ (10.5)
Income tax expense	3.5	2.1
Gains included in AOCL, net of tax <sup>(1)</sup>	\$ (14.1)	\$ (8.4)

<sup>(1)</sup> Assuming commodity prices and foreign currency exchange rates remain constant, we expect to reclassify \$12.8 million of derivative gains as of June 30, 2021 into earnings within the next 12 months.

### Stock-Based Compensation:

We issue various long-term incentive awards, including performance share units, restricted stock units and stock appreciation rights under the Lennox International Inc. 2019 Incentive Plan, as amended and restated. Stock-based compensation expense related to continuing operations is included in Selling, general and administrative expenses in the accompanying Consolidated Statements of Operations as follows (in millions):

	<u>For the Three Months Ended June 30,</u>		<u>For the Six Months Ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Stock-based compensation expense <sup>(1)</sup>	\$ 8.9	\$ 6.7	\$ 17.5	\$ 10.4

<sup>(1)</sup> All expense was recorded in our Corporate and Other business segment.

### 8. Pension Benefit Plans:

The components of net periodic benefit cost for pension benefits were as follows (in millions):

	<u>For the Three Months Ended June 30,</u>		<u>For the Six Months Ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Service cost	\$ 1.5	\$ 1.4	\$ 3.1	\$ 2.8
Interest cost	1.5	1.6	3.1	3.3
Expected return on plan assets	(2.7)	(2.0)	(5.5)	(4.2)
Amortization of prior service cost	0.1	—	0.1	0.1
Recognized actuarial loss	2.1	1.4	4.2	2.9
Other	—	—	(0.3)	—
Settlements and curtailments	—	—	0.7	—
<b>Net periodic benefit cost</b>	<b>\$ 2.5</b>	<b>\$ 2.4</b>	<b>\$ 5.4</b>	<b>\$ 4.9</b>

### 9. Income Taxes:

As of June 30, 2021, we had approximately \$3.4 million in total gross unrecognized tax benefits. All of this amount, if recognized, would be recorded through the Consolidated Statements of Operations.

We are currently under examination for our U.S. federal income taxes under the Internal Revenue Service's Compliance Assurance Program for 2020 and are subject to examination by numerous other taxing authorities in the U.S. and in foreign jurisdictions. We are generally no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by taxing authorities for years prior to 2014.

## 10. Lines of Credit and Financing Arrangements:

The following table summarizes our outstanding debt obligations and their classification in the accompanying Consolidated Balance Sheets (in millions):

	As of June 30, 2021	As of December 31, 2020
<b>Current maturities of long-term debt:</b>		
Asset securitization program	\$ 255.0	\$ —
Finance lease obligations	11.0	10.1
Debt issuance costs	(0.1)	(0.2)
Total current maturities of long-term debt	\$ 265.9	\$ 9.9
<b>Long-Term Debt:</b>		
Finance lease obligations	30.3	29.3
Domestic credit facility	4.5	—
Senior unsecured notes	950.0	950.0
Debt issuance costs	(7.4)	(8.6)
Total long-term debt	\$ 977.4	\$ 970.7
<b>Total debt</b>	<b>\$ 1,243.3</b>	<b>\$ 980.6</b>

### Short-Term Debt

#### Foreign Obligations

Through several of our foreign subsidiaries, we have facilities available to assist us in financing seasonal borrowing needs for our foreign locations. We had no outstanding foreign obligations as of June 30, 2021 or December 31, 2020 and there were no borrowings or repayments on these facilities during the six months ended June 30, 2021.

#### Asset Securitization Program

Under the Asset Securitization Program (“ASP”), we are eligible to sell beneficial interests in a portion of our trade accounts receivable to a financial institution for cash. The ASP contains a provision whereby we retain the right to repurchase all of the outstanding beneficial interests transferred. As a result of the repurchase right, the transfer of the receivables under the ASP is not accounted for as a sale. Accordingly, the cash received from the transfer of the beneficial interests in our trade accounts receivable is reflected as secured borrowings in the accompanying Consolidated Balance Sheets and proceeds received are included in Cash flows from financing activities in the accompanying Consolidated Statements of Cash Flows. Our continued involvement with the transferred assets includes servicing, collection and administration of the transferred beneficial interests. The accounts receivable securitized under the ASP are high-quality domestic customer accounts that have not aged significantly. The receivables represented by the retained interest that we service are exposed to the risk of loss for any uncollectible amounts in the pool of receivables transferred under the ASP.

We renewed the ASP in November 2019, extending its term to November 2021 and increasing the maximum securitization amount to a range from \$250.0 million to \$400.0 million, depending on the period. The maximum capacity under the ASP is the lesser of the maximum securitization amount or 100% of the net pool balance less allowances, as defined by the ASP. Eligibility for securitization is limited based on the amount and quality of the qualifying accounts receivable and is calculated monthly. The eligible amounts available and beneficial interests sold were as follows (in millions):

	As of June 30, 2021	As of December 31, 2020
Eligible amount available under the ASP on qualified accounts receivable	\$ 320.0	\$ 279.1
Less: Beneficial interest transferred	(255.0)	—
Remaining amount available	\$ 65.0	\$ 279.1

We pay certain discount fees to use the ASP and to have the facility available to us. These fees relate to both the used and unused portions of the securitization. The used fee is based on the beneficial interests sold and calculated on either the average LIBOR rate or floating commercial paper rate determined by the purchaser of the beneficial interest, plus a program fee of 0.70%. The average rates as of June 30, 2021 and December 31, 2020 were 0.80% and zero%, respectively. The unused fee is

based on 101% of the maximum available amount less the beneficial interest transferred and is calculated at a rate ranging between 0.25% and 0.35%, depending on the available borrowings, throughout the term of the agreement. We recorded these fees in Interest expense, net in the accompanying Consolidated Statements of Operations.

The ASP contains certain restrictive covenants relating to the quality of our accounts receivable and cross-default provisions with our existing credit facility, senior unsecured notes and any other indebtedness we may have over \$75.0 million. The administrative agent under the ASP is also a participant in our existing credit facility. The participating financial institutions have investment grade credit ratings. As of June 30, 2021, we believe we were in compliance with all covenant requirements.

### **Long-Term Debt**

#### *Domestic Credit Facility*

The Seventh Amended and Restated Credit Facility (the "Prior Credit Agreement") consisted of a \$750.0 million unsecured revolving credit facility and was set to mature in August 2022. We had outstanding borrowings of \$4.5 million as well as \$2.2 million committed to standby letters of credit as of June 30, 2021. Subject to covenant limitations, \$743.3 million was available for future borrowings. The Prior Credit Agreement included a subfacility for swingline loans of up to \$65.0 million.

Our weighted average borrowing rate on the facility was as follows:

	<u>As of June 30, 2021</u>	<u>As of December 31, 2020</u>
Weighted average borrowing rate	1.63 %	— %

In July 2021, we entered into a new Credit Agreement (the "Credit Agreement") with JPMorgan Chase Bank, N.A., as administrative agent, and the other lenders party thereto, which refinanced and replaced the Prior Credit Agreement, among the Company, JPMorgan Chase Bank, N.A., as administrative agent, and the other lenders party thereto.

The Credit Agreement provides for revolving credit commitments of \$750 million with sublimits for swingline loans of up to \$65 million, letters of credit up to \$100 million and revolving loans in certain non-U.S. currencies up to the U.S. dollar equivalent of \$40 million. The Credit Agreement will expire and outstanding loans will be required to be repaid in July 2026, unless maturity is extended by the lenders pursuant to two one-year extension options that we may request under the Credit Agreement. At our request and subject to certain conditions, the revolving credit commitments under the Credit Agreement may be increased by up to a total of \$350 million to the extent that existing or new lenders agree to provide additional commitments.

The Credit Agreement is guaranteed by certain of our subsidiaries and contains customary covenants applicable to us and our subsidiaries including limitations on indebtedness, liens, dividends, stock repurchases, mergers and sales of all or substantially all of our assets. In addition, the Credit Agreement contains a financial covenant requiring us to maintain, as of the last day of each fiscal quarter for the four prior fiscal quarters, a Total Net Leverage Ratio of no more than 3.50 to 1.00 (or, at our election, on up to two occasions following a material acquisition, 4.00 to 1.00). The Credit Agreement is subject to customary events of default, including non-payment of principal or other amounts under the Credit Agreement, material inaccuracy of representations and warranties, breach of covenants, cross-default to other indebtedness in excess of \$75 million, judgements in excess of \$75 million, certain voluntary and involuntary bankruptcy events, and the occurrence of a change of control. As of June 30, 2021, we believe we were in compliance with all covenant requirements.

#### *Senior Unsecured Notes*

We issued two series of senior unsecured notes on July 30, 2020 for \$300.0 million each, which will mature on August 1, 2025 (the "2025 Notes") and August 1, 2027 (the "2027 Notes") with interest being paid semi-annually on February and August at 1.35% and 1.70% respectively, per annum. We also issued \$350.0 million of senior unsecured notes in November 2016 (the "2023 Notes," and together with the 2025 Notes and the 2027 Notes, the "Notes") which will mature on November 15, 2023 with interest being paid semi-annually on May 15 and November 15 at 3.00% per annum.

All the Notes are guaranteed, on a senior unsecured basis, by certain of our subsidiaries that guarantee indebtedness under our Credit Agreement. The indenture governing the Notes contains covenants that, among other things, limit our ability and the ability of the subsidiary guarantors to: create or incur certain liens; enter into certain sale and leaseback transactions; and enter into certain mergers, consolidations and transfers of substantially all of our assets. The indenture also contains a cross default provision which is triggered if we default on other debt of at least \$75.0 million in principal which is then accelerated, and such acceleration is not rescinded within 30 days of the notice date. As of June 30, 2021, we believe we were in compliance with all covenant requirements.

## 11. Comprehensive Income (Loss):

The following table provides information on items not reclassified in their entirety from AOCL to Net income in the accompanying Consolidated Statements of Operations (in millions):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,		Affected Line Item(s) in the Consolidated Statements of Operations
	2021	2020	2021	2020	
<b>(Losses) Gains on Cash Flow Hedges:</b>					
Derivatives contracts	\$ 9.1	\$ (5.8)	\$ 13.5	\$ (7.0)	Cost of goods sold; Losses (gains) and other expenses, net
Income tax (expense) benefit	(2.1)	1.5	(3.1)	1.8	Provision for income taxes
Net of tax	\$ 7.0	\$ (4.3)	\$ 10.4	\$ (5.2)	
<b>Defined Benefit Plan items:</b>					
Pension and post-retirement benefit costs	\$ (2.1)	\$ (1.4)	\$ (4.3)	\$ (3.0)	Cost of goods sold; Selling, general and administrative expenses
Pension settlement	—	—	(0.7)	—	Pension settlement
Income tax benefit	0.5	0.3	1.2	0.7	Provision for income taxes
Net of tax	\$ (1.6)	\$ (1.1)	\$ (3.8)	\$ (2.3)	
<b>Total reclassifications from AOCL</b>	<b>\$ 5.4</b>	<b>\$ (5.4)</b>	<b>\$ 6.6</b>	<b>\$ (7.5)</b>	

The following table provides information on changes in AOCL, by component (net of tax), for the six months ended June 30, 2021 (in millions):

	Gains (Losses) on Cash Flow Hedges	Share of equity method investments other comprehensive income	Defined Benefit Pension Plan Items	Foreign Currency Translation Adjustments	Total AOCL
<b>Balance as of December 31, 2020</b>	\$ 8.2	\$ (1.2)	\$ (82.7)	\$ (21.5)	\$ (97.2)
Other comprehensive income (loss) before reclassifications	16.3	—	(7.2)	1.6	10.7
Amounts reclassified from AOCL	(10.4)	—	3.8	—	(6.6)
Net other comprehensive income (loss)	5.9	—	(3.4)	1.6	4.1
<b>Balance as of June 30, 2021</b>	<b>\$ 14.1</b>	<b>\$ (1.2)</b>	<b>\$ (86.1)</b>	<b>\$ (19.9)</b>	<b>\$ (93.1)</b>

## 12. Fair Value Measurements:

### Fair Value Hierarchy

The methodologies used to determine the fair value of our financial assets and liabilities at June 30, 2021 were the same as those used at December 31, 2020.

### Assets and Liabilities Carried at Fair Value on a Recurring Basis

Derivatives were classified as Level 2 and primarily valued using estimated future cash flows based on observed prices from exchange-traded derivatives. We also considered the counterparty's creditworthiness, or our own creditworthiness, as appropriate. Adjustments were recorded to reflect the risk of credit default, however, they were insignificant to the overall value of the derivatives. Refer to Note 7 for more information related to our derivative instruments.

### **Other Fair Value Disclosures**

The carrying amounts of Cash and cash equivalents, Short-term investments, Accounts and notes receivable, net, Accounts payable, and Short-term debt approximate fair value due to the short maturities of these instruments. The carrying amount of our Domestic Credit Facility in Long-term debt also approximates fair value due to its variable-rate characteristics.

The fair value of our senior unsecured notes in Long-term debt, classified as Level 2, was based on the amount of future cash flows using current market rates for debt instruments of similar maturities and credit risk. The following table presents their fair value (in millions):

	<u>As of June 30, 2021</u>	<u>As of December 31, 2020</u>
Senior unsecured notes	\$ 977.2	\$ 971.6

### **13. Subsequent Event:**

On July 8, 2021, Todd M. Bluedorn, our Chairman of the Board and Chief Executive Officer advised our Board of Directors that he intended to resign as Chief Executive Officer and as Chairman and a member of our Board of Directors in mid-2022.

The Board of Directors has commenced a search for our next chief executive officer.

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

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are based on information currently available to management as well as management's assumptions and beliefs as of the date such statements were made. All statements, other than statements of historical fact, included in this Quarterly Report on Form 10-Q constitute forward-looking statements, including but not limited to statements identified by forward-looking terminology, such as the words "may," "will," "should," "plan," "anticipate," "believe," "intend," "estimate" and "expect" and similar expressions. Such statements reflect our current views with respect to future events, based on what we believe are reasonable assumptions; however, such statements are subject to certain risks and uncertainties.

In addition to the specific uncertainties discussed elsewhere in this Quarterly Report on Form 10-Q, the risk factors set forth in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2020, and those set forth in Part II, "Item 1A. Risk Factors" of this report, if any, may affect our performance and results of operations. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may differ materially from those in the forward-looking statements. We disclaim any intention or obligation to update or review any forward-looking statements or information, whether as a result of new information, future events or otherwise, except as required by law.

### **Business Overview**

We operate in three reportable business segments of the heating, ventilation, air conditioning and refrigeration ("HVACR") industry. Our reportable segments are Residential Heating & Cooling, Commercial Heating & Cooling, and Refrigeration. For additional information regarding our reportable segments, see Note 2 in the Notes to the Consolidated Financial Statements.

Our fiscal quarterly periods are comprised of approximately 13 weeks, but the number of days per quarter may vary year-over-year. Our quarterly reporting periods usually end on the Saturday closest to the last day of March, June and September. Our fourth quarter and fiscal year ends on December 31, regardless of the day of the week on which December 31 falls. For convenience, throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations, the 13-week periods comprising each fiscal quarter are denoted by the last day of the respective calendar quarter.

We sell our products and services through a combination of direct sales, distributors and company-owned parts and supplies stores. The demand for our products and services is seasonal and significantly impacted by the weather. Warmer than normal summer temperatures generate demand for replacement air conditioning and refrigeration products and services, and colder than normal winter temperatures have a similar effect on heating products and services. Conversely, cooler than normal summers and warmer than normal winters depress the demand for HVACR products and services. In addition to weather, demand for our products and services is influenced by national and regional economic and demographic factors, such as interest rates, the availability of financing, regional population and employment trends, new construction, general economic conditions, and consumer spending habits and confidence. A substantial portion of the sales in each of our business segments is attributable to replacement business, with the balance comprised of new construction business.

The principal elements of cost of goods sold are components, raw materials, factory overhead, labor, estimated warranty costs, and freight and distribution costs. The principal raw materials used in our manufacturing processes are steel, copper and aluminum. In recent years, pricing volatility for these commodities and related components, including the impact of imposed tariffs on the import of certain of our raw materials and components, has impacted us and the HVACR industry in general. We seek to mitigate the impact of volatility in commodity prices through a combination of price increases, commodity contracts, improved production efficiency and cost reduction initiatives. We also partially mitigate volatility in the prices of these commodities by entering into futures contracts and fixed forward contracts.

### *Impact of COVID-19 Pandemic*

A novel strain of coronavirus ("COVID-19") has surfaced and spread around the world, including to the United States. In March 2020, the World Health Organization declared COVID-19 a pandemic. Currently the COVID-19 pandemic has disrupted our business operations and caused a significant unfavorable impact on our results of operations in 2020. The COVID-19 pandemic is creating supply chain disruptions and higher employee absenteeism in our factories and distribution locations.

As the COVID-19 pandemic continues, health concern risks remain. We cannot predict whether any of our manufacturing, operational or distribution facilities will experience disruptions, or how long such disruptions would last. It also remains

unclear how various national, state, and local governments will react if the distribution of vaccines is slower than expected or new variants of the virus become more dominant. If the COVID-19 pandemic worsens or the pandemic continues longer than presently expected, COVID 19 could impact our results of operations, financial position and cash flows.

## Financial Overview

Results for the second quarter of 2021 were driven by year over year sales and profit increases across all of our business segments. The Residential Heating & Cooling segment saw a 30% increase in net sales and a \$62 million increase in segment profit. The Commercial Heating & Cooling segment had a 34% increase in net sales and a \$10 million increase in segment profit. The Refrigeration segment had a 37% increase in net sales and a \$5 million increase in segment profit.

### Financial Highlights

- Net sales increased \$298 million to \$1,239 million in the second quarter of 2021 driven by net volume increases and favorable price and mix.
- Operating income in the second quarter of 2021 increased \$80 million to \$216 million primarily driven by higher net sales and an improved gross margin percentage partially offset by higher SG&A costs.
- Net income for the second quarter of 2021 increased \$70 million to \$170 million.
- Diluted earnings per share from continuing operations were \$4.51 per share in the second quarter of 2021 compared to \$2.62 per share in the second quarter of 2020.
- For the six months ended June 30, 2021, we returned \$59 million to shareholders through dividend payments and repurchased \$400 million of common stock through our share repurchase program.

## Second Quarter of 2021 Compared to Second Quarter of 2020 - Consolidated Results

The following table provides a summary of our financial results, including information presented as a percentage of net sales:

	For the Three Months Ended June 30,				
	Dollars (in millions)		Percent Change Fav/(Unfav)	Percent of Sales	
	2021	2020		2021	2020
<b>Net sales</b>	<b>\$ 1,239.0</b>	<b>\$ 941.3</b>	<b>31.6 %</b>	<b>100.0 %</b>	<b>100.0 %</b>
Cost of goods sold	855.8	665.6	(28.6)	69.1	70.7
Gross profit	383.2	275.7	39.0	30.9	29.3
Selling, general and administrative expenses	167.8	129.5	(29.6)	13.5	13.8
Losses (gains) and other expenses, net	2.3	3.6	36.1	0.2	0.4
Restructuring charges	1.2	10.0	88.0	0.1	1.1
Loss from natural disasters, net of insurance recoveries	—	1.0	100.0	—	0.1
Income from equity method investments	(4.1)	(4.4)	(6.8)	(0.3)	(0.5)
<b>Operating income</b>	<b>\$ 216.0</b>	<b>\$ 136.0</b>	<b>58.8 %</b>	<b>17.4 %</b>	<b>14.4 %</b>

### Net Sales

Net sales increased 32% in the second quarter of 2021 compared to the second quarter of 2020 driven by higher sales volumes of 27%, favorable combined price and mix of 3% and favorable foreign currency of 2%.

### Gross Profit

Gross profit margin in the second quarter of 2021 increased 160 basis points ("bps") to 30.9% compared to 29.3% in the second quarter of 2020. We saw margin increases of 260 bps from favorable price and mix, and 90 bps from factory productivity, which were partially offset by 120 bps from higher commodity costs, 40 bps from higher other product costs, 10 bps from higher product warranty costs, 10 bps from higher tariff costs, and 10 bps from higher freight and distribution costs.



### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses ("SG&A") increased \$38 million to \$168 million in the second quarter of 2021 compared to \$130 million in the second quarter of 2020 due to higher incentive compensation and other employee costs. As a percentage of net sales, SG&A decreased 30 bps to 13.5%. *Losses (gains) and Other Expenses, Net*

Losses (gains) losses and other expenses, net for the second quarter of 2021 and 2020 included the following (in millions):

	<b>For the Three Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
Realized (gains) losses on settled futures contracts	\$ (0.4)	\$ 0.1
Foreign currency exchange gains	(1.3)	(2.1)
Gain on disposal of fixed assets	(0.2)	(0.2)
Other operating income	(0.2)	(1.2)
Net change in unrealized losses (gains) on unsettled futures contracts	0.1	0.8
Special legal contingency charges	0.7	0.7
Asbestos-related litigation	1.7	1.2
Environmental liabilities	0.8	1.1
Charges incurred related to COVID-19 pandemic	0.5	3.4
Other items, net	0.6	(0.2)
Losses (gains) and other expenses, net (pre-tax)	<u>\$ 2.3</u>	<u>\$ 3.6</u>

The net change in unrealized (gains) losses on unsettled futures contracts was due to changes in commodity prices relative to the unsettled futures contract prices. For more information on our futures contracts, see Note 7 in the Notes to the Consolidated Financial Statements. For more information on special legal contingency charges and asbestos-related litigation, see Note 4 in the Notes to the Consolidated Financial Statements. The environmental liabilities related to estimated remediation costs for contamination at some of our facilities.

### *Restructuring Charges*

Restructuring charges were \$1 million in the second quarter of 2021 compared to \$10 million in the second quarter of 2020. Restructuring charges related to ongoing cost reduction actions taken in prior periods.

### *Gains and Losses related to Natural Disasters*

The insignificant charges recorded during 2020 were for continuing costs incurred related to natural disasters that occurred in prior years.

### *Income from Equity Method Investments*

We participate in two joint ventures that are engaged in the manufacture and sale of compressors, unit coolers and condensing units. We exert significant influence over these affiliates based upon our ownership, but do not control them due to venture partner participation. Accordingly, these joint ventures have been accounted for under the equity method and their financial position and results of operations are not consolidated. Income from equity method investments of \$4 million in the second quarter of 2021 was down slightly compared to the second quarter of 2020.

### *Interest Expense, net*

Interest expense, net was down \$1 million to \$6 million in the second quarter of 2021 from \$7 million in the second quarter of 2020 due to lower borrowing costs.

## Income Taxes

Our effective tax rate was 18.6% for the second quarter of 2021 compared to 21.4% for the second quarter of 2020. The rate decreased primarily due to an increase in excess tax benefits from stock based compensation.

We expect our annual effective tax rate in 2021 to be approximately 20%, after excluding the impacts of excess tax benefits recorded under ASU No. 2016-09.

## Second Quarter of 2021 Compared to Second Quarter of 2020 - Results by Segment

### Residential Heating & Cooling

The following table presents our Residential Heating & Cooling segment's net sales and profit for the second quarter of 2021 and 2020 (dollars in millions):

	For the Three Months Ended June 30,		Difference	% Change
	2021	2020		
Net sales	\$ 838.0	\$ 644.8	\$ 193.2	30.0 %
Profit	\$ 189.7	\$ 127.3	\$ 62.4	49.0 %
% of net sales	22.6 %	19.7 %		

Net sales increased 30% in the second quarter of 2021 compared to the second quarter of 2020. Sales volume was 27% higher, price and mix combined improved 2% and foreign currency improved 1%.

Segment profit in the second quarter of 2021 compared to 2020 increased \$62 million primarily due to \$54 million from higher volume, \$18 million from favorable price, \$13 million of higher factory productivity, \$4 million of favorable foreign currency, \$2 million of sourcing and engineering-led cost reductions, and \$1 million of favorable freight and distribution expense. Partially offsetting these increases were \$13 million of higher commodity costs and tariffs, \$13 million of higher SG&A, \$2 million from unfavorable mix and \$2 million of higher product costs and warranties.

### Commercial Heating & Cooling

The following table presents our Commercial Heating & Cooling segment's net sales and profit for the second quarter of 2021 and 2020 (dollars in millions):

	For the Three Months Ended June 30,		Difference	% Change
	2021	2020		
Net sales	\$ 252.8	\$ 188.3	\$ 64.5	34.3 %
Profit	\$ 45.3	\$ 35.6	\$ 9.7	27.2 %
% of net sales	17.9 %	18.9 %		

Net sales increased 34% in the second quarter of 2021 compared to the second quarter of 2020. Sales volume was 29% higher, price and mix combined improved 4%, and foreign currency improved 1%.

Segment profit in the second quarter of 2021 compared to 2020 increased \$10 million primarily due to \$19 million from higher volume and \$4 million from favorable mix. Partially offsetting these increases were \$4 million of higher SG&A, \$3 million of higher other product costs, \$2 million of factory inefficiencies, \$2 million of higher material costs and tariffs, \$1 million of sourcing and engineering-led cost increases and \$1 million of higher freight and distribution expense.

## Refrigeration

The following table presents our Refrigeration segment's net sales and profit for the second quarter of 2021 and 2020 (dollars in millions):

	For the Three Months Ended June 30,		Difference	% Change
	2021	2020		
Net sales	\$ 148.2	\$ 108.2	\$ 40.0	37.0 %
Profit	\$ 13.5	\$ 8.9	\$ 4.6	51.7 %
% of net sales	9.1 %	8.2 %		

Net sales increased 37% in the second quarter of 2021 compared to the second quarter of 2020. Sales volume was 30% higher, foreign currency was 5% favorable, and combined price and mix improved 2%.

Segment profit in the second quarter of 2021 compared to 2020 increased \$5 million compared to 2020 primarily due to \$11 million from higher volume, \$2 million from favorable price, and \$1 million of sourcing and engineering-led cost reductions. Partially offsetting these increases were \$6 million from higher SG&A, \$1 million of higher freight and distribution expense, \$1 million from higher commodity costs, and \$1 million from unfavorable foreign currency exchange.

## Corporate and Other

Corporate and other expenses increased \$8 million to \$27 million in the second quarter of 2021 compared to 2020 primarily due to \$6 million of increased variable compensation costs associated with performance and \$2 million of higher employee costs.

## Year-to-Date through June 30, 2021 Compared to Year-to-Date through June 30, 2020 - Consolidated Results

The following table provides a summary of our financial results, including information presented as a percentage of net sales:

	For the Six Months Ended June 30,				
	Dollars (in millions)		Percent Change Fav/(Unfav)	Percent of Sales	
	2021	2020		2021	2020
<b>Net sales</b>	<b>\$ 2,169.4</b>	<b>\$ 1,665.1</b>	<b>30.3</b>	<b>100.0 %</b>	<b>100.0 %</b>
Cost of goods sold	1,529.7	1,223.7	(25.0)	70.5	73.5
Gross profit	639.7	441.4	44.9	29.5	26.5
Selling, general and administrative expenses	313.2	260.8	(20.1)	14.4	15.7
Losses (gains) and other expenses, net	2.6	2.3	(13.0)	0.1	0.1
Restructuring charges	1.3	10.5	87.6	0.1	0.6
Loss (gain) from natural disasters, net of insurance recoveries	—	2.7	(100.0)	—	0.2
Income from equity method investments	(7.4)	(7.2)	2.8	(0.3)	(0.4)
<b>Operating income</b>	<b>\$ 330.0</b>	<b>\$ 172.3</b>	<b>91.5</b>	<b>15.2 %</b>	<b>10.3 %</b>

## Net Sales

Net sales increased 30% in the six months ended June 30, 2021 compared to the six months ended June 30, 2020 due to higher sales volumes of 26%, favorable combined price and mix of 3%, and a 1% increase due to foreign currency.

## Gross Profit

Gross profit margins for the six months ended June 30, 2021 increased 300 bps to 29.5% compared to 26.5% for the six months ended June 30, 2020. We saw margin increases of 280 bps from favorable price and mix, 100 bps from factory productivity, and 40 bps from sourcing and engineering-led cost reductions which were partially offset by 80 bps from higher

commodity costs and 40 bps from higher other product costs.

#### *Selling, General and Administrative Expenses*

SG&A increased \$52 million to \$313 million for the six months ended June 30, 2021 compared to \$261 million for the six months ended June 30, 2020 primarily due to higher incentive compensation costs and higher other employee related costs. As a percentage of net sales, SG&A decreased 130 bps to 14.4% from 15.7%.

#### *Losses (gains) and Other Expenses, Net*

Losses (gains) and other expenses, net for the six months ended June 30, 2021 and 2020 included the following (in millions):

	<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
Realized (gains) losses on settled futures contracts	\$ (0.6)	\$ 0.2
Foreign currency exchange gains	(1.6)	(2.6)
Gain on disposal of fixed assets	(0.5)	(0.1)
Other operating income	(0.6)	(1.3)
Net change in unrealized (gains) losses on unsettled futures contracts	(0.2)	1.4
Special legal contingency charges	0.9	0.7
Asbestos-related litigation	2.8	(0.5)
Environmental liabilities	1.5	1.3
Charges incurred related to COVID-19 pandemic	1.1	3.4
Other items, net	(0.2)	(0.2)
Losses (gains) and other expenses, net (pre-tax)	<u>\$ 2.6</u>	<u>\$ 2.3</u>

The net change in unrealized losses on unsettled futures contracts was due to changes in commodity prices relative to the unsettled futures contract prices. For more information on our futures contracts, see Note 7 in the Notes to the Consolidated Financial Statements. For more information on special legal contingency charges and asbestos-related litigation, see Note 4 in the Notes to the Consolidated Financial Statements. The environmental liabilities related to estimated remediation costs for contamination at some of our facilities.

#### *Restructuring Charges*

Restructuring charges were \$1 million in the first six months of 2021 and \$11 million for the six months ended June 30, 2020. Charges in prior years related to several cost reduction actions taken in response to the economic impact of the COVID-19 pandemic on our business.

#### *Gains and Losses related to Natural Disasters*

The insignificant charges recorded during 2020 were for continuing costs incurred related to natural disasters that occurred in prior years.

#### *Income from Equity Method Investments*

Income from equity method investments of \$7 million for the six months ended June 30, 2021 was consistent with the amount for the six months ended June 30, 2020.

#### *Interest Expense, net*

Interest expense, net was down \$3 million for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 primarily due to lower borrowing costs.

## Income Taxes

Our effective tax rate decreased to 19.3% for the six months ended June 30, 2021 compared to 26.8% for the six months ended June 30, 2020 primarily due to higher excess tax benefits from stock-based compensation and the recording of a valuation allowance on certain foreign deferred tax assets recorded in the first quarter of 2020.

### Year-to-Date through June 30, 2021 Compared to Year-to-Date through June 30, 2020 - Results by Segment

#### Residential Heating & Cooling

The following table presents our Residential Heating & Cooling segment's net sales and profit for the six months ended June 30, 2021 and 2020 (dollars in millions):

	Six Months Ended June 30,		Difference	% Change
	2021	2020		
Net sales	\$ 1,444.2	\$ 1,086.9	\$ 357.3	32.9 %
Profit	\$ 286.1	\$ 159.8	\$ 126.3	79.0 %
% of net sales	19.8 %	14.7 %		

Net sales increased 33% in the six months ended June 30, 2021 compared to the six months ended June 30, 2020. Sales volume was 29% higher, price and mix combined improved 3%, and foreign currency improved 1%.

Segment profit in the first six months of 2021 compared to 2020 increased \$126 million primarily due to \$100 million from higher volume, \$25 million from favorable price and mix, \$23 million of higher factory productivity, \$7 million of sourcing and engineering-led cost reductions, \$5 million of favorable currency exchange and \$4 million of favorable freight and distribution expense. Partially offsetting these increases were \$16 million from higher commodity costs and tariffs, \$16 million of higher SG&A, and \$6 million of higher warranty and other product costs.

#### Commercial Heating & Cooling

The following table presents our Commercial Heating & Cooling segment's net sales and profit for the six months ended June 30, 2021 and 2020 (dollars in millions):

	Six Months Ended June 30,		Difference	% Change
	2021	2020		
Net sales	\$ 452.0	\$ 366.7	\$ 85.3	23.3 %
Profit	\$ 72.6	\$ 54.3	\$ 18.3	33.7 %
% of net sales	16.1 %	14.8 %		

Net sales increased 23% in the six months ended June 30, 2021 compared to the six months ended June 30, 2020. Sales volume was 22% higher and price and mix combined improved 1%.

Segment profit in the first six months of 2021 compared to 2020 increased \$18 million primarily due to \$27 million from higher volume and \$3 million from favorable price and mix. Partially offsetting these improvements were \$4 million of higher other product costs, \$3 million of higher SG&A, \$3 million of factory inefficiencies, \$1 million of higher material costs and tariffs, and \$1 million of higher freight and distribution expense.

## Refrigeration

The following table presents our Refrigeration segment's net sales and profit for the six months ended June 30, 2021 and 2020 (dollars in millions):

	Six Months Ended June 30,		Difference	% Change
	2021	2020		
Net sales	\$ 273.2	\$ 211.5	\$ 61.7	29.2 %
Profit	\$ 21.4	\$ 9.6	\$ 11.8	122.9 %
% of net sales	7.8 %	4.5 %		

Net sales increased 29% for the six months ended June 30, 2021 compared to the six months ended June 30, 2020. Sales volume was 23% higher, foreign currency improved 4% and combined price and mix was 2% higher.

Segment profit in the first six months of 2021 compared to 2020 increased \$12 million primarily due to \$16 million from higher volume, \$5 million from favorable price and mix, \$2 million from sourcing and engineering-led cost reductions, and \$1 million of higher factory productivity. Partially offsetting these increases were \$8 million of higher SG&A, \$1 million of higher commodity costs, \$1 million of higher freight and distribution expense, \$1 million of higher other product costs, and \$1 million of unfavorable foreign currency exchange

### Corporate and Other

Corporate and other expenses increased \$10 million in the six months ended June 30, 2021 compared to the six months ended June 30, 2020 primarily due to higher incentive compensation costs.

## Liquidity and Capital Resources

Our working capital and capital expenditure requirements are generally met through internally generated funds, bank lines of credit and an asset securitization arrangement. Working capital needs are generally greater in the first and second quarters due to the seasonal nature of our business cycle.

### Statement of Cash Flows

The following table summarizes our cash flow activity for the six months ended June 30, 2021 and 2020 (in millions):

	For the Six Months Ended June 30,	
	2021	2020
Net cash provided by operating activities	\$ 174.5	\$ 6.5
Net cash used in investing activities	(42.6)	(44.3)
Net cash (used in) provided by financing activities	(210.8)	52.3

*Net Cash Provided by Operating Activities* - The change in net cash used in operating activities for the six months ended June, 2021 compared to the same period in 2020 reflects an increase in operating income and favorable changes in working capital.

*Net Cash Used in Investing Activities* - Capital expenditures were \$46 million in the six months ended June 30, 2021 compared to \$44 million in the same period of 2020. Capital expenditures in 2021 were primarily related to the expansion of manufacturing capacity and equipment, and investments in systems and software to support the overall enterprise.

*Net Cash (Used in) provided by Financing Activities* - Net cash (used in) provided by financing activities in the six months ended June 30, 2021 changed to a net use of cash of \$211 million compared to a net cash inflow of \$52 million in the same period of 2020. The change was primarily due to increased share repurchases in the current year compared to the prior year partially offset by increased net borrowings. We repurchased \$400 million of shares for the six months ended June 30, 2021 and returned \$59 million to shareholders through dividend payments. For additional information on share repurchases, refer to Note 5 in the Notes to the Consolidated Financial Statements.

## Debt Position

The following table details our lines of credit and financing arrangements as of June 30, 2021 (in millions):

	<b>Outstanding Borrowings</b>
<b>Current maturities of long-term debt:</b>	
Asset securitization program <sup>(2)</sup>	\$ 255.0
Finance lease obligations	11.0
Debt issuance costs	(0.1)
Total current maturities of long-term debt	\$ 265.9
<b>Long-term debt:</b>	
Finance lease obligations	30.3
Domestic credit facility <sup>(1)</sup>	4.5
Senior unsecured notes	950.0
Debt issuance costs	(7.4)
Total long-term debt	977.4
<b>Total debt</b>	<b>\$ 1,243.3</b>

<sup>(1)</sup> The available future borrowings on our domestic credit facility are \$743.3 million, after being reduced by the outstanding borrowings and \$2.2 million in outstanding standby letters of credit. Refer to Note 10 in the Notes to the Consolidated Financial Statements related to the terms of the Domestic Credit Facility.

<sup>(2)</sup> The maximum securitization amount ranges from \$250.0 million to \$400.0 million, depending on the period. The maximum capacity of the ASP is the lesser of the maximum securitization amount or 100% of the net pool balance less reserves, as defined under the ASP. Refer to Note 10 in the Notes to the Consolidated Financial Statements for more information.

## July 2021 Credit Agreement

In July 2021, we entered into the Credit Agreement (the "Credit Agreement") with JPMorgan Chase Bank, N.A., as administrative agent, and the other lenders party thereto, which refinanced and replaced the Prior Credit Agreement, among the Company, JPMorgan Chase Bank, N.A., as administrative agent, and the other lenders party thereto.

The Credit Agreement provides for revolving credit commitments of \$750 million with sublimits for swingline loans of up to \$65 million, letters of credit up to \$100 million and revolving loans in certain non-U.S. currencies up to the U.S. dollar equivalent of \$40 million. The Credit Agreement will expire and outstanding loans will be required to be repaid in July 2026, unless maturity is extended by the lenders pursuant to two one-year extension options that we may request under the Credit Agreement. At our request and subject to certain conditions, the revolving credit commitments under the Credit Agreement may be increased by up to a total of \$350 million to the extent that existing or new lenders agree to provide additional commitments.

The Credit Agreement is guaranteed by certain of our subsidiaries and contains customary covenants applicable to us and its subsidiaries including limitations on indebtedness, liens, dividends, stock repurchases, mergers and sales of all or substantially all of its assets. In addition, the Credit Agreement contains a financial covenant requiring us to maintain, as of the last day of each fiscal quarter for the four prior fiscal quarters, a Total Net Leverage Ratio of no more than 3.50 to 1.00 (or, at our election, on up to two occasions following a material acquisition, 4.00 to 1.00). The Credit Agreement is subject to customary events of default, including non-payment of principal or other amounts under the Credit Agreement, material inaccuracy of representations and warranties, breach of covenants, cross-default to other indebtedness in excess of \$75 million, judgements in excess of \$75 million, certain voluntary and involuntary bankruptcy events, and the occurrence of a change of control.

## Financial Leverage

We periodically review our capital structure to ensure the appropriate levels of leverage and liquidity. We may access the capital markets, as necessary, based on business needs and to take advantage of favorable interest rate environments or other market conditions. We also evaluate our debt-to-capital and debt-to-EBITDA ratios to determine, among other considerations, the appropriate targets for capital expenditures and share repurchases under our share repurchase programs. Our debt-to-total-capital ratio decreased to 121% at June 30, 2021 from 102% at December 31, 2020.

As of June 30, 2021, our senior credit ratings were Baa2 with a stable outlook, and BBB with a stable outlook, by Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Rating Group ("S&P"), respectively. The security ratings are not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. Each rating should be evaluated independently of any other rating. Our goal is to maintain investment grade ratings from Moody's and S&P to help ensure the capital markets remain available to us.

### *Liquidity*

We believe our cash and cash equivalents of \$45 million, future cash generated from operations and available future borrowings are sufficient to fund operations, planned capital expenditures, future contractual obligations, potential share repurchases and dividends and other needs in the foreseeable future. Included in our cash and cash equivalents of \$45 million as of June 30, 2021 was \$20 million of cash held in foreign locations. Our cash held in foreign locations is used for investing and operating activities in those locations, and we generally do not have the need or intent to repatriate those funds to the United States. An actual repatriation in the future from our non-U.S. subsidiaries could be subject to foreign withholding taxes and U.S. state taxes.

### *Guarantees related to our Debt Obligations*

Our senior unsecured notes were issued by Lennox International Inc. (the "Parent") and are unconditionally guaranteed by certain of our subsidiaries (the "Guarantor Subsidiaries") and are not secured by our other subsidiaries. The Guarantor Subsidiaries are 100% owned and consolidated, all guarantees are full and unconditional, and all guarantees are joint and several.

In connection with the Credit Agreement we entered into in July 2021, Heatcraft Technologies Inc., Lennox National Account Services Inc., Lennox Procurement Company Inc. and Lennox Services LLC became additional guarantors of our debt obligations, guaranteeing the payment when due of all monetary obligations under the Credit Agreement and the Notes. In addition, Lennox Switzerland GmbH was released as a guarantor of all monetary obligations under the Credit Agreement and the Notes. These changes did not result in a material change to the Parent and Guarantor Subsidiaries financial information.

### **Off Balance Sheet Arrangements**

An off-balance sheet arrangement is any transaction, agreement or other contractual arrangement involving an unconsolidated entity under which the company has: (1) made guarantees, (2) a retained or a contingent interest in transferred assets, (3) an obligation under derivative instruments classified as equity or (4) any obligation arising out of a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to us, or that engages in leasing, hedging or research and development arrangements with us. We have no off-balance sheet arrangements that we believe may have a material current or future effect on our financial condition, liquidity or results of operations.

### **Commitments, Contingencies and Guarantees**

For information regarding our commitments, contingencies and guarantees, see Note 4 in the Notes to the Consolidated Financial Statements.

### **Recent Accounting Pronouncements**

See Note 1 in the Notes to the Consolidated Financial Statements for disclosure of recent accounting pronouncements and the potential impact on our financial statements and disclosures.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

For quantitative and qualitative disclosures about market risk affecting LII, see "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A of Part II of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020. Our exposure to market risk has not changed materially since December 31, 2020.



## Item 4. Controls and Procedures

### Disclosure Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, we carried out an evaluation, under the supervision and with the participation of our current management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of June 30, 2021, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

### Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## Part II - Other Information

### Item 1. Legal Proceedings

We are involved in a number of claims and lawsuits incident to the operation of our businesses. Insurance coverages are maintained and estimated costs are recorded for such claims and lawsuits. It is management's opinion that none of these claims or lawsuits will have a material adverse effect, individually or in the aggregate, on our financial position, results of operations or cash flows.

#### Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2020, which could materially affect our business, financial condition or results of operations. There have been no material changes to our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020 and in Form 10-Q for the quarter ended March 31, 2021.

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

In the second quarter of 2021, we purchased shares of our common stock as follows:

	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share (including fees)	Total Number of Shares Purchased As Part of Publicly Announced Plans	Approximate Dollar Value of Shares that may yet be Purchased under our Share Repurchase Plans (in millions) <sup>(2)</sup>
April 1 through May 1	54,038	\$ 302.85	47,932	\$ 246.0
May 2 through May 29	506,054	\$ 340.39	500,029	\$ 46.0
May 30 through June 30	87,685	\$ 340.30	87,680	\$ 46.0
	<u>647,777</u>		<u>635,641</u>	

<sup>(1)</sup> Includes 12,136 shares of common stock we repurchased in April, May and June of 2021 to satisfy employee tax-withholding obligations in connection with the exercise of long-term incentive awards.

<sup>(2)</sup> After \$200.0 million related to the repurchase under the ASR agreement executed in May 2021. The stock repurchase were executed pursuant to a previously announced repurchase plan. In July 2021, the Board of Directors authorized an additional \$1.0 billion of stock repurchases. See Note 5 in the Notes to the Consolidated Financial Statement for further details.

## Item 6. Exhibits

- 1.1 [Underwriting Agreement, dated as of July 22, 2020, by and among the Company, the guarantors party thereto, and J.P. Morgan Securities LLC and Wells Fargo Securities, LLC, as representatives of the several underwriters named therein \(filed as Exhibit 1.1 to LII's Current Report on Form 8-K filed on July 30, 2020, and incorporated herein by reference\).](#)
- 3.1 [Restated Certificate of Incorporation of Lennox International Inc. \("LII"\) \(filed as Exhibit 3.1 to LII's Registration Statement on Form S-1 \(Registration Statement No. 333-75725\) filed on April 6, 1999 and incorporated herein by reference\).](#)
- 3.2 [Amended and Restated Bylaws of LII \(filed as Exhibit 3.1 to LII's Current Report on Form 8-K filed on December 16, 2013 and incorporated herein by reference\).](#)
- 4.1 [Specimen Stock Certificate for the Common Stock, par value \\$.01 per share, of LII \(filed as Exhibit 4.1 to LII's Amendment to Registration Statement on Form S-1/A \(Registration No. 333-75725\) filed on June 16, 1999 and incorporated herein by reference\).](#)
- 4.2 [Indenture, dated as of May 3, 2010, between LII and U.S. Bank National Association, as trustee \(filed as Exhibit 4.3 to LII's Post-Effective Amendment No. 1 to Registration Statement on S-3 \(Registration No. 333-155796\) filed on May 3, 2010, and incorporated herein by reference\).](#)
- 4.3 [Form of Supplemental Indenture among LII, the guarantors party thereto and U.S. Bank National Association, as trustee \(filed as Exhibit 4.11 to LII's Post-Effective Amendment No. 1 to Registration Statement on S-3 \(Registration No. 333-155796\) filed on May 3, 2010, and incorporated herein by reference\).](#)
- 4.4 [Sixth Supplemental Indenture, dated as of November 3, 2016, among LII, each other existing Guarantor under the Indenture, dated as of May 3, 2010, as subsequently supplemented, and US Bank National Association, as trustee \(filed as Exhibit 4.2 to LII's Current Report on Form 8-K filed on November 3, 2016, and incorporated herein by reference\).](#)
- 4.5 [Seventh Supplemental Indenture, dated as of January 23, 2019, among LII Mexico Holdings Ltd., Lennox International Inc., each other existing Guarantor under the Indenture, dated as of May 3, 2010, as subsequently supplemented, and US Bank National Association, as trustee \(filed as Exhibit 2.5 to LII's Annual Report on Form 10-K filed on February 19, 2019 and incorporated herein by reference\).](#)
- 4.6 [Form of 3.000% Notes due 2023 \(filed as Exhibit A in Exhibit 4.2 to LII's Current Report on Form 8-K filed on November 3, 2016, and incorporated herein by reference\).](#)
- 4.7 [Eighth Supplemental Indenture, dated as of May 22, 2020, among Lennox Switzerland GmbH, Lennox International Inc., each other existing Guarantor under the Indenture, dated as of May 3, 2010, as subsequently supplemented, and US Bank National Association, as trustee \(filed as Exhibit 4.7 to LII's Quarterly Report on Form 10-Q filed on July 20, 2020, and incorporated herein by reference\).](#)
- 4.8 [Ninth Supplemental Indenture, dated July 30, 2020, among LII, each existing Guarantor under the Indenture, dated as of May 3, 2010, as subsequently supplemented, and U.S. Bank National Association, as trustee \(filed as Exhibit 4.2 to LII's Current Report on Form 8-K filed on July 30, 2020, and incorporated herein by reference\).](#)
- 4.9 [Form of 1.350% Notes due 2025 \(filed as Exhibit A in Exhibit 4.2 to LII's Current Report on Form 8-K filed on July 30, 2020, and incorporated herein by reference\).](#)
- 4.10 [Form of 1.700% Notes due 2027 \(filed as Exhibit B in Exhibit 4.2 to LII's Current Report on Form 8-K filed on July 30, 2020, and incorporated herein by reference\).](#)
- 10.1 [Seventh Amended and Restated Credit Facility Agreement, dated as of July 30, 2020, among Lennox International Inc., a Delaware corporation, the Lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent \(filed as Exhibit 10.1 to LII's Current Report on Form 8-K filed on July 30, 2020, and incorporated herein by reference\).](#)
- 10.2 [Credit Agreement, dated as of July 14, 2021, among Lennox International Inc., a Delaware corporation, the Banks party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent \(filed as Exhibit 10.1 to LII's Current Report on Form 8-K filed on July 15, 2021, and incorporated herein by reference\).](#)
- 22.1 [List of Guarantor Subsidiaries](#)
- 31.1 [Certification of the principal executive officer \(filed herewith\).](#)
- 31.2 [Certification of the principal financial officer \(filed herewith\).](#)
- 32.1 [Certification of the principal executive officer and the principal financial officer pursuant to 18 U.S.C. Section 1350 \(furnished herewith\).](#)
- 101 INS XBRL Instance Document. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101 SCH Inline XBRL Taxonomy Extension Schema Document
- 101 CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document
- 101 LAB Inline XBRL Taxonomy Extension Label Linkbase Document
- 101 PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document

101	DEF Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

**SIGNATURE**

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.

LENNOX INTERNATIONAL INC.

By: /s/ Joseph W. Reitmeier  
Joseph W. Reitmeier  
Chief Financial Officer  
(on behalf of registrant and as principal financial officer)

Date: July 26, 2021

### List of Guarantor Subsidiaries

The following subsidiaries of Lennox International Inc. (the “Company”) are guarantors with respect to the Company’s (1) 3.00% Notes due 2023, (2) 1.35% Notes due 2025, and (3) 1.70% Notes due 2027:

<b>Guarantor</b>	<b>State or Other Jurisdiction of Formation</b>
Advanced Distributor Products LLC	Delaware
Allied Air Enterprises LLC	Delaware
Heatcraft Inc.	Delaware
Heatcraft Refrigeration Products LLC	Delaware
Heatcraft Technologies Inc.	Delaware
Lennox Global LLC	Delaware
Lennox Industries Inc.	Delaware
Lennox National Account Services Inc.	California
Lennox National Account Services, LLC	Florida
Lennox Procurement Company Inc.	Delaware
Lennox Services, LLC	Delaware
LGL Australia (US) Inc.	Delaware
LGL Europe Holding Co.	Delaware

## CERTIFICATION

I, Todd M. Bluedorn, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lennox International 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(s) 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;
  - (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;
  - (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 control 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(s) 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 the 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: July 26, 2021

/s/ Todd M. Bluedorn  
Todd M. Bluedorn  
Chief Executive Officer

## CERTIFICATION

I, Joseph W. Reitmeier, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lennox International 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(s) 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;
  - (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;
  - (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 control 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(s) 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 the 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: July 26, 2021

/s/ Joseph W. Reitmeier

Joseph W. Reitmeier  
Chief Financial Officer

**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 Lennox International Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, Todd M. Bluedorn, Chief Executive Officer of the Company, and Joseph W. Reitmeier, Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to his or her knowledge:

- (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 results of operations of the Company.

/s/ Todd M. Bluedorn

\_\_\_\_\_  
Todd M. Bluedorn  
Chief Executive Officer

July 26, 2021

/s/ Joseph W. Reitmeier

\_\_\_\_\_  
Joseph W. Reitmeier  
Chief Financial Officer

July 26, 2021

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the report.