

 **LENNOX**

THIRD QUARTER 2024

EARNINGS RELEASE

OCTOBER 23, 2024

FORWARD-LOOKING STATEMENTS & NON-GAAP FINANCIAL MEASURES

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

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

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

Q3 2024 RESULTS HIGHLIGHTS

Record Results | Consistent Execution



Strong Cash Flow



Raising Guidance

2024 FY Earnings Per Share
\$20.75 - \$21.00

Core Revenue*

\$1.5B

+15% YoY

Adjusted Segment Profit*

\$303M

+21% YoY

Adjusted Segment Profit Margin*

20.2%

+90 bps YoY

Adjusted EPS*

\$6.68

+24% YoY

Operating Cash Flow

\$452M

+\$139M YoY

Return On Invested Capital*

47%

Up 4 pt YoY

CHIEF LEGAL OFFICER TRANSITION



John Torres – Outgoing CLO

- Electing to retire effective February 28, 2025, after 16 outstanding years
- Led multiple acquisitions and divestitures
- Strengthened Ethics & Compliance office
- Maintained strong governance principles
- Positioned Lennox for long-term success



Monica Brown – Incoming CLO

- Appointed EVP, Chief Legal Officer and Secretary effective January 1, 2025
- 12 years at Lennox with proven track record across businesses and legal functions
- ~13 years with top law firm prior to Lennox
- Will enhance strong foundation by building future capabilities and digital processes

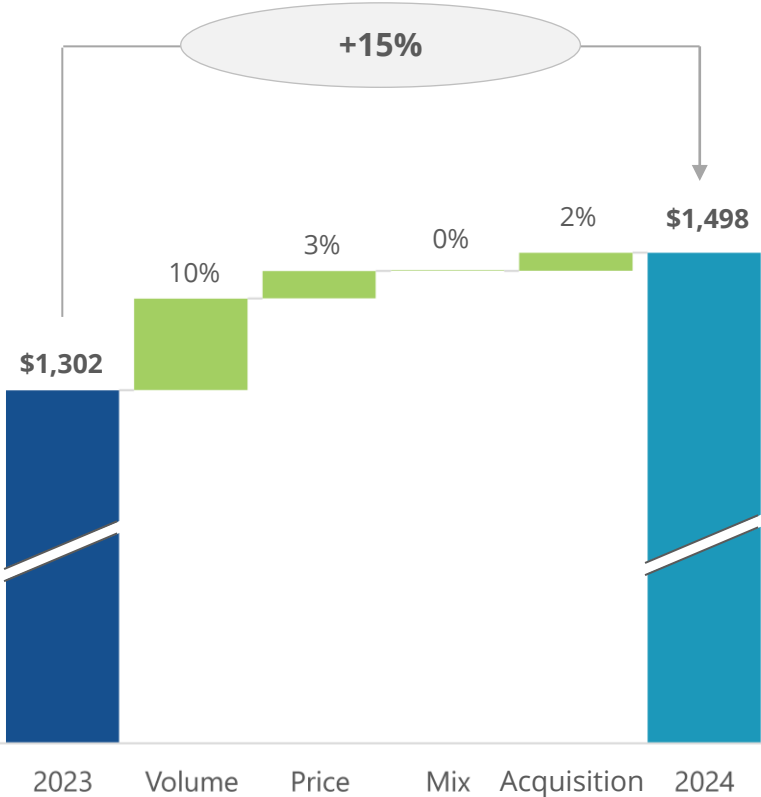


Seamless Transition: Robust Succession Planning

Q3 2024 LENNOX FINANCIAL RESULTS

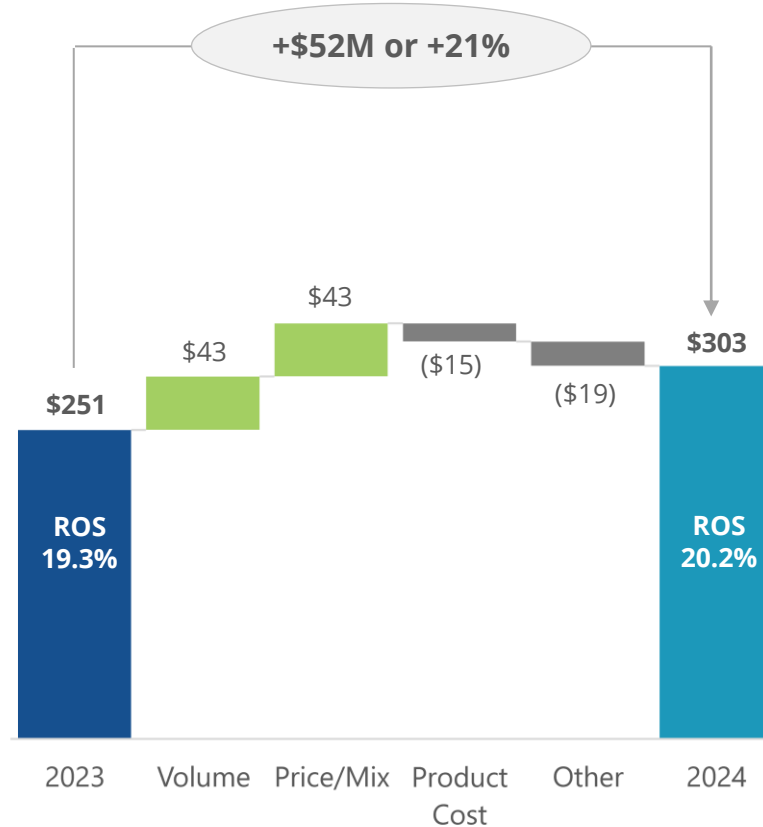
Core Revenue*

(US\$ Millions)



Adjusted Segment Profit*

(US\$ Millions)



Adjusted
EPS*

+24% to
\$6.68



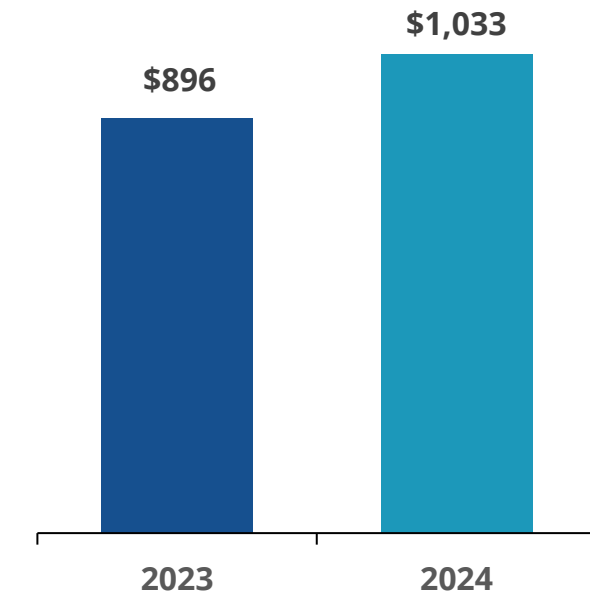
**Driving double-digit
adjusted EPS
growth while investing
for the future**

Seven Consecutive Quarters

Q3 2024 HOME COMFORT SOLUTIONS

Revenue

(US\$ Millions)

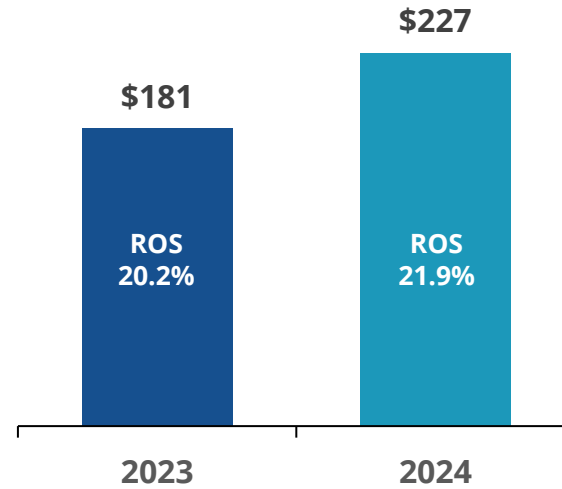


+ 15%

+11%	+4%	flat	flat
Volume	Price	Mix	Other

Segment Profit

(US\$ Millions)



+ \$46*

+\$35	+\$33	(\$6)	(\$16)
Volume	Price/Mix	Product Cost	Other

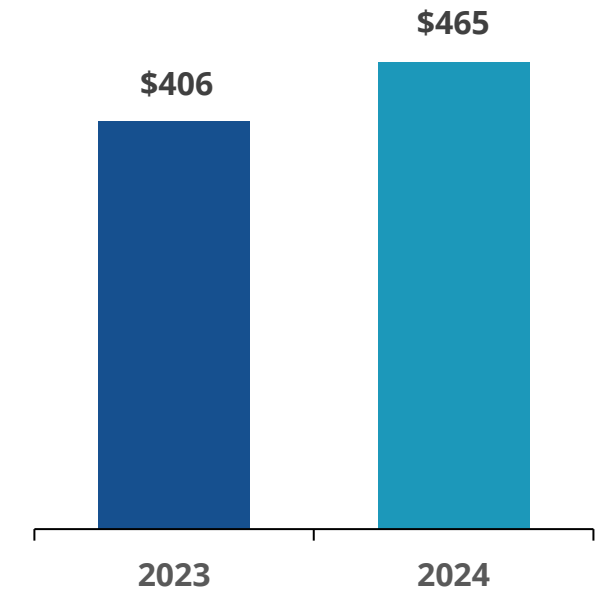


- **Volume:** Distributor channel up 30% and contractor channel up LSD%
- **Price / Mix:** R410-A pricing initiatives achieved, and new R454-B pricing initiatives are progressing well
- **Product Cost:** New refrigerant transition and commodity inflation
- **Other:** Growth investments and inflation

Q3 2024 BUILDING CLIMATE SOLUTIONS

Revenue

(US\$ Millions)

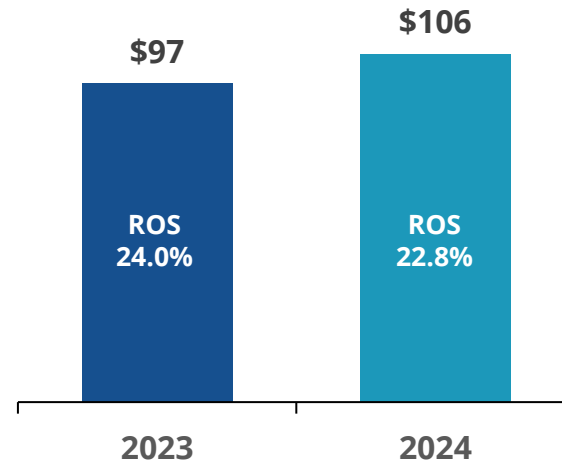


+ 15%

+7%	+2%	flat	+6%
Volume	Price	Mix	Acquisition

Segment Profit

(US\$ Millions)



+ \$9

+\$8	+\$10	(\$8)	(\$1)
Volume	Price/Mix	Product Cost	Other

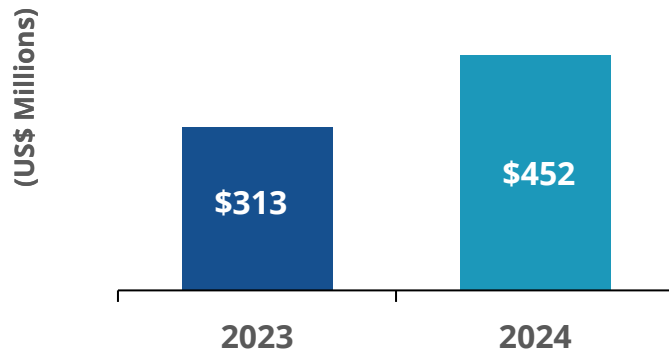


- **Volume:** Consistent, but still not meeting demand
- **Product Cost:** New factory ramp-up and manufacturing inefficiencies
- **Other:** Investments and inflation offset by gain from AES acquisition

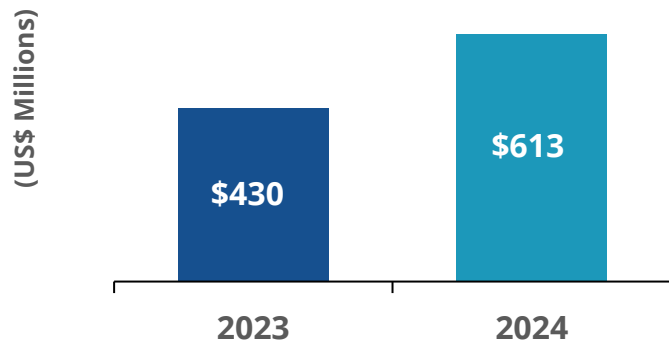
Q3 2024 CASH FLOW AND CAPITAL DEPLOYMENT

Operating Cash Flow

Third Quarter

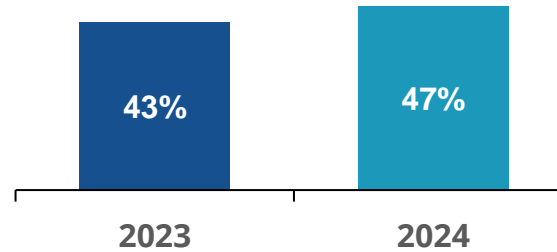


YTD through September



Investing for Growth

ROIC*

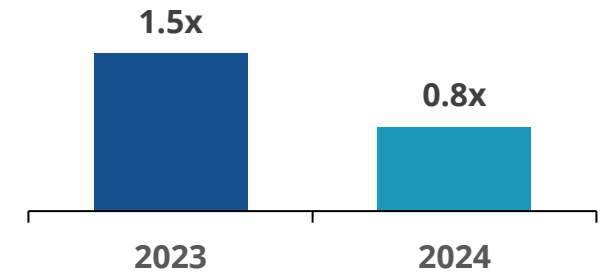


Industry leading ROIC

- Strategic investments for manufacturing, distribution and digital front-end
- Resilient across cycles due to high replacement demand

Leverage

Net Debt to Adjusted EBITDA*



Sustain a healthy balance sheet

- Investment grade rating

Free Cash Flow Deployment

- Grow dividends annually
- M&A opportunities
- Share repurchases

2024 FINANCIAL GUIDANCE

Core Revenue

	Volume	Price / Mix	Acquisition	Total
Home Comfort Solutions	+ MSD	+ MSD		+ ~8%
Building Climate Solutions	+ MSD	+ LSD	+ MSD	+ ~14%
Total LII Revenue Growth	+ MSD	+ LSD	+ LSD	+ ~10%
Prior Guidance	+ LSD	+ MSD	+ LSD	+ ~7%
<i>Segment Profit Incrementals</i>	<i>~ 30%</i>	<i>~ 100%</i>	<i>~20%</i>	

Other Guidance Items

	Current	Prior
Earnings Per Share	\$20.75 - \$21.00	\$19.50 - \$20.25
Free Cash Flow	\$575M - \$650M	\$500M - \$600M

Product & Other Cost Assumptions

- Component inflation LSD partially offset by material cost reduction program
- Year-over-year increases in R410A refrigerant costs
- ~\$20M Factory ramp-up costs and refrigerant conversion costs
- Investments for sales, customer experience, and distribution excellence
- Interest Expense: ~\$45M / Tax Rate: ~20%
- Capital Expenditures: ~\$175M

LOW GWP TRANSITION

Q4 2024

2025

2026+

New Product Launch*

(Expect Minimal 2024 Demand)



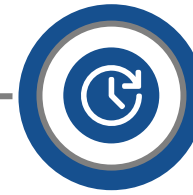
- Limited pre-buy in two-step channel
- R-454B* priced 10%+ above R-410A products
- Transitioning to new Samsung Mini-Split

Demand Grows



- 1H destock of 2024 R-410A pre-buy
- R-454B: ~65% of end market demand
- Low GWP products supports favorable mix

Longer Term Impacts



- R-410A refrigerant pricing will increase
- Expect cost pressure on repairs
- Greater service opportunities

2025 EARLY THINKING

Revenue Growth

Low GWP Mix

- Favorable R454B mix; 10%+ Price
- Competitive gains from execution

Share Gains

- BCS Saltillo and Stuttgart output
- Emergency Replacement
- Samsung JV

End Markets

- Consumer confidence
- Value tier growth
- Repair vs replace

Industry

- Destocking from R-410A pre-buy
- Competitive capacity recovery
- Heat pump incentives

Margin Expansion

Price & Cost

- +30% Incremental on low GWP mix
- Benefit from price / cost excellence

Productivity

- Distribution fill rate and efficiencies
- Factory efficiencies

Investments

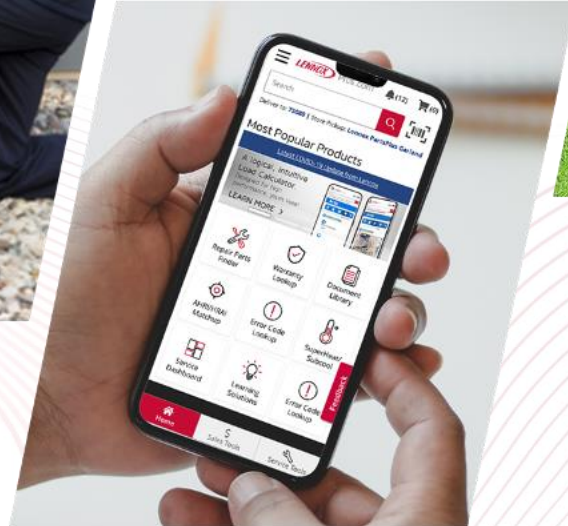
- Front-end digital
- Distribution network

Inflation

- Components & commodities
- Healthcare & Benefits costs

ATTRACTIVE INVESTMENT OPPORTUNITY





LENNOX

APPENDIX

OCTOBER 23, 2024

CORE REVENUE AND ADJUSTED SEGMENT PROFIT

	Q3 2024	Q3 2023	Change Year-over-Year				
			Volume	Price	Mix	Other	Total
Net Sales							
Home Comfort Solutions	\$ 1,033	\$ 896	11%	4%	0%	-	15%
Building Climate Solutions	465	406	7%	2%	0%	6%	15%
Corporate and other (1)	-	65	-	-	-	(100%)	(100%)
Net sales, a GAAP measure	\$ 1,498	\$ 1,366	10%	3%	0%	2%	15%
Net sales from non-core business (1)	-	65	-	-	-	100%	100%
Core net sales, a non-GAAP measure	\$ 1,498	\$ 1,302	10%	3%	0%	2%	15%
Segment Profit					Product		
	Q3 2024	Q3 2023	Volume	Price/Mix	Cost	Other	Total
Home Comfort Solutions	\$ 227	\$ 181	\$ 35	\$ 33	\$ (6)	\$ (16)	\$ 46
Building Climate Solutions	106	\$ 97	8	10	(8)	(1)	8
Corporate and other (1)	(29)	\$ (23)	-	-	-	(6)	(6)
Segment profit, a Non-GAAP measure	\$ 303	\$ 255	\$ 43	\$ 43	\$ (15)	\$ (23)	\$ 49
Profit from non-core business (1)	-	4	-	-	-	(4)	(4)
Adjusted segment profit, a non-GAAP measure	\$ 303	\$ 251	\$ 43	\$ 43	\$ (15)	\$ (19)	\$ 52
Profit from non-core business (1)	-	(4)					
Impairment on assets held for sale	-	63					
Items in Losses (gains) and other expenses, net which are excluded from segment profit (2)	-	5					
Restructuring charges	-	0					
Operating income	\$ 303	\$ 187					

(1) Net sales and segment profit from our European portfolio are included in the Corporate and other segment and are considered non-core. European operations were divested in the fourth quarter of 2023.

(2) Recorded in Losses (gains) and other expenses, net in the Consolidated Statement of Operations

* Totals above may not foot due to rounding

ADJUSTED EPS

	For the Three Months Ended September 30, (Unaudited)			
	2024		2023	
	After Tax Amount	Per Diluted Share	After Tax Amount	Per Diluted Share
Net income, a GAAP measure	\$ 239.0	\$ 6.68	\$ 130.4	\$ 3.65
Restructuring charges	-	-	\$ 0.3	0.01
Pension settlements	-	-	\$ 0.2	0.01
Items in Losses (gains) and other expenses, net which are excluded from segment profit (loss) (a)	-	-	\$ 4.3	0.11
Excess tax expense from share-based compensation (b)	-	-	\$ (2.3)	(0.06)
Impairment on assets held for sale (c)	-	-	\$ 62.0	1.74
Non-core business results (d)	-	-	\$ (3.3)	(0.09)
Adjusted net income, a non-GAAP measure	\$ 239.0	\$ 6.68	\$ 191.6	\$ 5.37

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

(b) Recorded in Provision for income taxes in the Consolidated Statements of Operations

(c) Impairment on assets held for sale related to the divestiture of our European operations that were divested in the fourth quarter of 2023.

(d) Non-core business results represent activity related to our business operations in Europe not included elsewhere in the reconciliations. European operations were divested in the fourth quarter of 2023.

* Totals above may not foot due to rounding

NET DEBT TO EBITDA

	Q4 2023	Q1 2024	Q2 2024	Q3 2024	LTM 2024	Q4 2022	Q1 2023	Q2 2023	Q3 2023	LTM 2023
Income before taxes, a GAAP Measure	\$ 173.4	\$ 154.2	\$ 307.0	\$ 293.9	\$ 928.5	\$ 119.5	\$ 125.1	\$ 263.7	\$ 175.2	\$ 683.5
Items in losses (gains) and other expenses, net before taxes	2.7	-	-	-	2.7	0.1	2.2	4.3	5.6	12.2
Restructuring charges, before tax	2.9	-	-	-	2.9	0.3	-	-	0.3	0.6
Interest expense, net	11.3	11.8	12.5	8.9	44.5	12.7	14.2	15.0	11.2	53.1
Pension settlements, before tax	0.2	-	0.3	0.1	0.6	(0.4)	0.2	0.1	0.3	0.2
Other expense (income), net before tax	0.4	0.8	0.3	0.4	1.9	-	-	-	-	-
Impairment on assets held for sale	-	-	-	-	-	-	-	-	63.2	63.2
Gain on sale from previous dispositions	(14.1)	-	(1.6)	-	(15.7)	-	-	-	-	-
Depreciation and amortization expense	23.7	24.0	25.2	20.4	93.3	21.5	19.1	20.2	20.9	81.7
Adjusted EBITDA, a non-GAAP measure	\$ 200.5	\$ 190.8	\$ 343.7	\$ 323.7	\$ 1,058.7	\$ 153.7	\$ 160.8	\$ 303.3	\$ 276.7	\$ 894.5

Total Debt as of September 30, 2024	\$ 1,140.3	\$ 1,483.2
Less Cash	243.1	132.0
Less Short-term investments	12.6	9.6
Net Debt, a non-GAAP measure	\$ 884.6	\$ 1,341.6
Debt to Adjusted EBITDA ratio	0.8	1.5

FREE CASH FLOW (FCF)

	For the Three Months Ended September 30, (Unaudited)	
	2024	2023
Net Cash provided by operating activities, a GAAP measure	\$ 452.1	\$ 313.2
Purchases of property, plant and equipment	(41.2)	(39.7)
Proceeds from the disposal of property, plant and equipment	0.8	0.1
Free cash flow, a Non-GAAP measure	\$ 411.7	\$ 273.6

* Totals above may not foot due to rounding

RETURN ON INVESTED CAPITAL (ROIC)

	Q4 2023	Q1 2024	Q2 2024	Q3 2024	LTM 2024	Q4 2022	Q1 2023	Q2 2023	Q3 2023	LTM 2023
Operating income, a GAAP Measure	\$ 185.3	\$ 166.8	\$ 320.1	\$ 303.3	\$ 975.5	\$ 131.8	\$ 139.5	\$ 278.8	\$ 186.8	\$ 736.9
Restructuring Charges, before tax	2.9	-	-	-	2.9	0.3	-	-	0.3	0.6
Items in Losses (gains) and other expenses, net before taxes	2.7	-	-	-	2.7	0.1	2.2	4.3	5.6	12.2
Impairment on assets held for sale	-	-	-	-	-	-	-	-	63.2	63.2
Gain on sale from previous dispositions	(14.1)	-	(1.6)	-	(15.7)	-	-	-	-	-
Non-core business results, after tax	(1.6)	-	-	-	(1.6)	(1.0)	0.4	(2.4)	(3.9)	(6.9)
Adjusted Segment profit, a non-GAAP measure	\$ 175.2	\$ 166.8	\$ 318.5	\$ 303.3	\$ 963.8	\$ 131.2	\$ 142.1	\$ 280.7	\$ 252.0	\$ 806.0
Tax on adjusted Segment profit	28.9	32.3	63.4	56.7	181.3	29.9	30.4	49.5	65.1	174.9
Net operating profit after taxes, a non-GAAP measure	\$ 146.3	\$ 134.5	\$ 255.1	\$ 246.6	\$ 782.5	\$ 101.3	\$ 111.7	\$ 231.2	\$ 186.9	\$ 631.1
	Q4 2023	Q1 2024	Q2 2024	Q3 2024	4 Qtr Avg 2024	Q4 2022	Q1 2023	Q2 2023	Q3 2023	4 Qtr Avg 2023
Total assets, a GAAP measure	\$ 2,798.3	\$ 2,985.4	\$ 3,221.9	\$ 3,313.2	\$ 3,079.7	\$ 2,567.6	\$ 2,770.4	\$ 2,981.3	\$ 2,890.1	\$ 2,802.4
Less: Cash	60.7	45.7	47.6	243.1	99.3	52.6	40.4	51.4	132.0	69.1
Short-term investments	8.4	11.9	10.2	12.6	10.8	8.5	7.1	7.2	9.6	8.1
Accounts payable	374.7	437.8	450.8	477.5	435.2	427.3	445.0	470.1	345.8	422.1
Accrued expenses	416.1	302.3	393.0	444.7	389.0	376.9	341.7	425.5	408.7	388.2
Income taxes payable	4.2	28.1	33.1	13.3	19.7	17.6	18.4	21.8	9.0	16.7
Liabilities held for sale	-	-	-	-	-	-	-	-	69.7	17.4
Current operating lease liabilities	57.5	56.7	66.6	67.8	62.2	63.3	63.8	63.2	60.2	62.6
Long-term operating lease liabilities	164.6	174.3	215.2	214.9	192.3	161.8	159.3	159.6	162.5	160.8
Pensions	22.5	17.5	18.1	16.3	18.6	40.1	39.7	39.6	33.9	38.3
Other long-term liabilities	168.2	173.7	179.9	184.4	176.6	158.9	160.8	159.9	157.6	159.3
Invested capital, a non-GAAP measure	\$ 1,521.4	\$ 1,737.4	\$ 1,807.4	\$ 1,638.6	\$ 1,676.2	\$ 1,260.6	\$ 1,494.2	\$ 1,583.0	\$ 1,501.1	\$ 1,459.7
Net operating profit after taxes, a non-GAAP measure	\$ 146.3	\$ 134.5	\$ 255.1	\$ 246.6	\$ 782.5	\$ 101.3	\$ 111.7	\$ 231.2	\$ 186.9	\$ 631.1
Adjusted Invested capital, a non-GAAP measure	\$ 1,521.4	\$ 1,737.4	\$ 1,807.4	\$ 1,638.6	\$ 1,676.2	\$ 1,260.6	\$ 1,494.2	\$ 1,583.0	\$ 1,501.1	\$ 1,459.7
Return on invested capital					47%					43%

* Totals above may not foot due to rounding