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

Form 10-K

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

For the fiscal year ended December 31, 2020

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

LENNOX INTERNATIONAL INC.

(Exact name of Registrant as specified in its charter)

Delaware	**42-0991521**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

2140 Lake Park Blvd. Richardson, Texas 75080
(Address of principal executive offices, including zip code)

(Registrant's telephone number, including area code): **(972) 497-5000**

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.01 par value per share	**LII**	**New York Stock Exchange**

Securities Registered Pursuant to Section 12(g) of the Act: **None**

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [X] No [ ]

Indicate by checkmark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes [ ] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 last 90 days. Yes [X] 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 [X] 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	[X]	Accelerated Filer	[ ]
Non-Accelerated Filer	[ ]	Smaller Reporting Company	☐
		Emerging Growth Company	☐

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report Yes ☒ No ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).Yes ☐ No x

As of June 30, 2020, the aggregate market value of the common stock held by non-affiliates of the registrant was approximately $8.9 billion based on the closing price of the registrant's common stock on the New York Stock Exchange. As of February 5, 2021, there were 37,733,565 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's 2020 Definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with the registrant's 2020 Annual Meeting of Stockholders to be held on May 20, 2021 are incorporated by reference into Part III of this report.

LENNOX INTERNATIONAL INC.
FORM 10-K
For the Fiscal Year Ended December 31, 2020

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PART I

Item 1. *Business*

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

The Company

We are a leading global provider of climate control solutions. We design, manufacture and market a broad range of products for the heating, ventilation, air conditioning and refrigeration ("HVACR") markets. We have leveraged our expertise to become an industry leader known for innovation, quality and reliability. Our products and services are sold through multiple distribution channels under various brand names. The Company was founded in 1895, in Marshalltown, Iowa, by Dave Lennox, the owner of a machine repair business for railroads. He designed and patented a riveted steel coal-fired furnace, which led to numerous advancements in heating, cooling and climate control solutions.

Shown in the table below are our three business segments, the key products, services and well-known product and brand names within each segment and net sales in 2020 by segment. Segment financial data for 2020, 2019 and 2018, including financial information about foreign and domestic operations, is included in Note 3 of the Notes to our Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" and is incorporated herein by reference.

Segment	Products & Services	Product and Brand Names	2020 Net Sales (in millions)
Residential Heating & Cooling	Furnaces, air conditioners, heat pumps, packaged heating and cooling systems, indoor air quality equipment, comfort control products, replacement parts and supplies	Lennox, Dave Lennox Signature Collection, Armstrong Air, Ducane, Air-Ease, Concord, MAGICPAK, ADP Advanced Distributor Products, Allied, Elite Series, Merit Series, Comfort Sync, Humiditrol, Healthy Climate, Healthy Solutions, iComfort and Lennox Stores	$ 2,361.5
Commercial Heating & Cooling	Unitary heating and air conditioning equipment, applied systems, controls, installation and service of commercial heating and cooling equipment, variable refrigerant flow commercial products	Lennox, Allied Commercial, Magic-Pak, Raider, Landmark, Prodigy, Strategos, Energence, Lennox VRF and Lennox National Account Services	800.9
Refrigeration	Condensing units, unit coolers, fluid coolers, air cooled condensers, air handlers, process chillers, controls, compressorized racks.	Heatcraft Worldwide Refrigeration, Lennox (Europe HVAC), Bohn, Larkin, Climate Control, Chandler Refrigeration, Friga-Bohn, HK Refrigeration, Hyfra, IntelliGen and Interlink	471.7
		Total	$ 3,634.1

Products and Services

Residential Heating & Cooling

Heating & Cooling Products. 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 available in a variety of designs and efficiency levels and at a range of price points, and are intended to provide a complete line of home comfort systems. We believe that by maintaining a broad product line marketed under multiple brand names, we can address different market segments and penetrate multiple distribution channels.

The "Lennox" brands are sold directly to a network of approximately 9,000 independent installing dealers, making us one of the largest wholesale distributors of residential heating and air conditioning products in North America. The Allied Air Enterprise brands ("Armstrong Air," "Air-Ease," "Concord," "Ducane," and "Magic-Pak") include a full line of heating and air conditioning products and are sold through independent distributors in North America.

We continue to invest in our network of 220 Lennox Stores across the United States and Canada. These stores provide an easy access solution for contractors and independent dealers to obtain universal service and replacement parts, supplies, convenience items, tools, Lennox equipment and OEM parts.

Our Advanced Distributor Products ("ADP") operation builds evaporator coils and air handlers under the "ADP Advanced Distributor Products" brand and also builds evaporator coils under the "Lennox" brand and Allied Air Enterprise brands. ADP sells ADP-branded evaporator coils to over 300 HVAC wholesale distributors across North America.

Commercial Heating & Cooling

North America. 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. Our product offerings for these applications include rooftop units ranging from 2 to 50 tons of cooling capacity and split system/air handler combinations, which range from 1.5 to 20 tons of cooling capacity. These products are distributed primarily through commercial contractors and directly to national account customers. In 2014, we launched Lennox-branded variable refrigerant flow ("VRF") commercial products through Lennox company-owned distribution. We believe the success of our products is attributable to their efficiency, design flexibility, total cost of ownership, low life-cycle cost, ease of service and advanced control technology.

National Account Services. National Account Service ("NAS") provides installation, service and preventive maintenance for commercial HVAC national account customers in the United States and Canada.

Refrigeration

We manufacture and market equipment for the global commercial refrigeration markets under the Heatcraft Worldwide Refrigeration name. We sell these products to distributors, installing contractors, engineering design firms, original equipment manufacturers and end-users. Our global manufacturing, distribution, sales and marketing footprint serves customers in over 112 countries worldwide.

North America. Our commercial refrigeration products for the North American market include condensing units, unit coolers, fluid coolers, air-cooled condensers, air handlers and refrigeration rack systems. These products preserve food and other perishables in supermarkets, convenience stores, restaurants, warehouses and distribution centers. In addition, our products are used to cool a wide variety of industrial processes, including data centers, machine tooling, and other critical cooling applications. We routinely provide application engineering for consulting engineers, contractors, store planners, end customers and others to support the sale of commercial refrigeration products.

International. In Europe, we manufacture and sell unitary HVAC products, which range from 2 to 70 tons of cooling capacity, and applied systems with up to 200 tons of cooling capacity. Our European products consist of small package units, rooftop units, chillers, air handlers and fan coils that serve medium-rise commercial buildings, shopping malls, other retail and entertainment buildings, institutional applications and other field-engineered applications. We manufacture heating and cooling products in several locations in Europe and market these products through both direct and indirect distribution channels in Europe, the United Kingdom, Russia, Turkey, Africa, and the Middle East.

We also manufacture and market refrigeration products including condensing units, unit coolers, air-cooled condensers, fluid coolers, compressor racks and industrial process chillers. We have manufacturing locations in Germany, France and Spain. In addition, we own a 50% common stock interest in a joint venture in Mexico that produces unit coolers, air-cooled condensers, condensing units, compressors and compressorized racks of the same design and quality as those manufactured by our U.S. business. This joint venture product line is complemented with imports from the U.S., which are sold through the joint venture's distribution network.

Business Strategy

Our business strategy is to sustain and expand our premium market position by offering a full spectrum of products to meet our customers' needs. We plan to expand our market position through organic growth while maintaining our focus on cost reductions to drive margin expansion. This strategy is supported by the following four strategic priorities:

Innovative Product and System Solutions. In all of our markets, we are building on our heritage of innovation by developing residential, commercial and refrigeration products that give families and business owners more precise control over more aspects of their indoor environments, while significantly lowering their energy costs.

Manufacturing and Sourcing Excellence. We maintain our commitment to manufacturing and sourcing excellence by maximizing factory efficiencies and leveraging our purchasing power and sourcing initiatives to expand the use of lower-cost components that meet our high-quality requirements.

Distribution Excellence. By investing resources in expanding our distribution network, we are making products available to our customers in a timely, cost-efficient manner. Additionally, we provide enhanced dealer support through the use of technology, training, advertising and merchandising.

Expense Reduction. Through our cost management initiatives, we are optimizing operating, manufacturing and administrative costs.

Marketing and Distribution

We utilize multiple channels of distribution and offer different brands at various price points in order to better penetrate the HVACR markets. Our products and services are sold through a combination of direct sales, distributors and company-owned parts and supplies stores. Dedicated sales forces and manufacturers' representatives are deployed across our business segments and brands in a manner designed to maximize our ability to service each distribution channel. To optimize enterprise-wide effectiveness, we have active cross-functional and cross-organizational teams coordinating approaches to pricing, product design, distribution and national account customers.

The North American residential heating and cooling market provides an example of the competitive strength of our marketing and distribution strategy. We use three distinct distribution approaches in this market: the company-owned distribution system, the independent distribution system and direct sales to end-users. We distribute our "Lennox" brands in a company-owned process directly to independent dealers that install these heating and cooling products. We distribute our "Armstrong Air," "Ducane," "Air-Ease," "Concord," "MAGICPAK" and "ADP Advanced Distributor Products" brands through the traditional independent distribution process pursuant to which we sell our products to distributors who, in turn, sell the products to installing contractors. We also sell our products directly to customers through our Lennox Stores.

Manufacturing

We operate manufacturing facilities worldwide and utilize the best available manufacturing techniques based on the needs of our businesses, including the use of lean manufacturing and principles of Six Sigma, a disciplined, data-driven approach and methodology for improving quality. We use numerous metrics to track and manage annual efficiency improvements. Some facilities are impacted by seasonal production demand, and we manufacture both heating and cooling products in those facilities to balance production and maintain a relatively stable labor force. We may also hire temporary employees to meet changes in demand.

Strategic Sourcing

We rely on various suppliers to furnish the raw materials and components used in the manufacturing of our products. To maximize our buying effectiveness in the marketplace, we have a central strategic sourcing group that consolidates purchases of certain materials, components and indirect items across business segments. The goal of the strategic sourcing group is to develop global strategies for a given component group, concentrate purchases with three to five suppliers and develop long-term relationships with these vendors. By developing these strategies and relationships, we seek to leverage our material needs to reduce costs and improve financial and operating performance. Our strategic sourcing group also works with selected suppliers to reduce costs, improve quality and delivery performance by employing lean manufacturing and Six Sigma.

Compressors, motors and controls constitute our most significant component purchases, while steel, copper and aluminum account for the bulk of our raw material purchases. We own a minority equity interest in a joint venture that manufactures compressors. This joint venture provides us with compressors for our residential and commercial heating and cooling, and refrigeration businesses.

Research and Development and Technology

Research and development is a key pillar of our growth strategy. We operate a global engineering and technology organization that focuses on new technology invention, product development, product quality improvements and process enhancements, including our development of next-generation control systems as well as heating and cooling products that include some of the most efficient products in their respective categories. We leverage intellectual property and innovative

designs across our businesses. We also leverage product development cycle time improvements and product data management systems to commercialize new products to market more rapidly. We use advanced, commercially available computer-aided design, computer-aided manufacturing, computational fluid dynamics and other sophisticated design tools to streamline the design and manufacturing processes. We use complex computer simulations and analyses in the conceptual design phase before functional prototypes are created. We also operate a full line of prototype machine equipment and advanced laboratories certified by applicable industry associations.

Seasonality

Our sales and related segment profit tend to be seasonally higher in the second and third quarters of the year because summer is the peak season for sales of air conditioning equipment and services in the U.S. and Canada. For the same reason, our working capital needs are generally greater in the first and second quarters, and we generally have higher operating cash inflows in the third and fourth quarters.

HVAC markets are driven by seasonal weather patterns. HVAC products and services are sold year round, but the volume and mix of product sales and service change significantly by season. The industry generally ships roughly twice as many units during June as it does in December. Overall, cooling equipment represents a substantial portion of the annual HVAC market. Between the heating season (roughly November through February) and cooling season (roughly May through August) are periods commonly referred to as “shoulder seasons” when the distribution channel transitions its buying patterns from one season to the next. These seasonal fluctuations in mix and volume drive our sales and related segment profit, resulting in somewhat higher sales in the second and third quarters due to the higher volume in the cooling season relative to the heating season.

Patents and Trademarks

We hold numerous patents that relate to the design and use of our products. We consider these patents important, but no single patent is material to the overall conduct of our business. We proactively obtain patents to further our strategic intellectual property objectives. We own or license several trademarks and service marks we consider important in the marketing of our products and services, and we protect our marks through national registrations and common law rights.

Competition

Substantially all markets in which we participate are competitive. The most significant competitive factors we face are product reliability, product performance, service and price, with the relative importance of these factors varying among our businesses. The following are some of the companies we view as significant competitors in each of our three business segments, with relevant brand names, when different from the company name, shown in parentheses. The marks below may be the registered or unregistered trademarks or trade names of their respective owners.

- Residential Heating & Cooling - Carrier Global Corporation (Carrier, Bryant, Payne, Tempstar, Comfortmaker, Heil, Arcoaire, KeepRite, Day & Night); Trane Technologies plc (Trane, American Standard, Ameristar); Paloma Industries, Inc. (Rheem, Ruud, Weather King); Johnson Controls, Inc. (York, Luxaire, Coleman); Daikin Industries, Ltd. (Daikin, Goodman, Amana, GMC); and Melrose Industries PLC (Maytag, Westinghouse, Frigidaire, Tappan, Philco, Kelvinator, Gibson, Broan, NuTone).

- Commercial Heating & Cooling - Carrier Global Corporation (Carrier, ICP Commercial); Trane Technologies plc (Trane); Paloma Industries, Inc. (Rheem, Ruud); Johnson Controls, Inc. (York); Daikin Industries, Ltd. (Goodman, McQuay); Melrose Industries PLC (Mammoth); and AAON, Inc.

- Refrigeration - Hussmann Corporation; Paloma Industries, Inc. (Rheem Manufacturing Company (Heat Transfer Products Group)); Emerson Electric Co. (Copeland); Carrier Global Corporation (Carrier); GEA Group (Kuba, Searle, Goedhart); Alfa Laval; Guntner GmbH; and Panasonic Corp. (Sanyo).

Human Capital Management

Lennox's success, in large part, relies on the character of our people. That character is reflected in Lennox's core values of integrity, respect and excellence. Our continued success depends on our ability to attract, motivate, develop and retain employees who embody our core values.

Management strives to maintain the right number of employees with the necessary skills to match the expected demand for the products we manufacture and distribute. As of December 31, 2020, we employed approximately 10,300 people. Of these employees, approximately 4,500 were salaried and 5,800 were hourly. The number of hourly workers varies in order to match our labor needs during periods of fluctuating demand.

Approximately 2,700 of our employees, including international locations, are represented by unions. We believe we have good relationships with our employees and with the unions representing our employees. We currently do not anticipate any material adverse consequences resulting from negotiations to renew any collective bargaining agreements.

We have identified priorities we believe are critical to our success in attracting, motivating, developing, and retaining employees. These include among other things: (1) providing competitive compensation and benefit programs, (2) providing career development programs, (3) promoting health and safety, and (4) championing a diverse and inclusive work environment. Our senior managers, together with our human resources team are devoted to promoting these priorities to ensure we remain an employer of choice. We regularly conduct anonymous surveys to seek feedback from our employees on a variety of subjects, including safety, communications, diversity and inclusion, management support to succeed within our company, and career growth. We found this especially useful in 2020 to understand and respond to the impact of COVID-19 on our workforce, both our onsite essential workers and our remote workers.

Compensation and Benefit Programs. We are committed to providing our employees with a competitive compensation package that rewards performance and achievement of desired business results. Our compensation package consists of three primary benefits: pay (base pay and incentive programs), health and welfare benefits, and retirement contributions. We analyze our compensation and benefits programs annually to ensure we remain competitive and make changes as necessary.

Career Development Programs. To help our employees succeed in their roles and grow their careers at Lennox, we provide numerous training and development programs. One example is our "Career Journey" program which provides employees with engaging tools enabling them to reflect on skills and interests, and explore a variety of potential career paths. Career Journey allows employees to have more meaningful career development conversations with their manager. In addition to training and development programs we have a robust performance review and goal setting process for all employees. We believe this helps ensure that employees meet expectations throughout the year while continuing development of their long-term careers at Lennox.

Employee Health and Safety. As part of our effort to attract and retain a competitive workforce, we are committed to ensuring that every employee returns home safe at the end of each day. Safety is our top priority and our safety programs are succeeding to reduce risks across our operations. In response to the COVID-19 pandemic, we have taken extensive actions that are aligned with the World Health Organization and Centers for Disease Control and Prevention to protect the health and safety of our workers.

Diversity and Inclusion. We are committed to a diverse workforce built on a foundation of respect and value for people of different backgrounds, experiences, and perspectives. In 2020 we enhanced our diversity and inclusion programs by providing extensive unconscious bias training, increasing the focus on diversity and inclusion during our hiring processes, and expanding employee resource groups. Our commitment to diversity and inclusion enables all employees to be creative, feel challenged, and thrive, which allows us to leverage the unique strengths of our employees to deliver innovative products and solutions for our customers.

Environmental Regulation

Our operations are subject to evolving and often increasingly stringent international, federal, state and local laws and regulations concerning the environment. Environmental laws affect or could affect our domestic operations. We believe we are in substantial compliance with such existing environmental laws and regulations.

Energy Efficiency. The U.S. Department of Energy has numerous active energy conservation rulemakings that impact residential and commercial heating, air conditioning and refrigeration equipment. We are actively involved in U.S. Department of Energy and Congressional activities related to energy efficiency. We are prepared to have compliant products in place in advance of the effective dates of all such regulations being considered by the U.S. Department of Energy.

Refrigerants. The use of hydroflurocarbons ("HFCs") as refrigerants for air conditioning and refrigeration equipment is

common practice in the HVACR industry and is regulated. We believe we have complied with applicable rules and regulations in various countries governing the use of HFCs. We are an active participant in the ongoing international and domestic dialogue on this subject and are well positioned to react in a timely manner to changes in the regulatory landscape.

Remediation Activity. In addition to affecting our ongoing operations, applicable environmental laws can impose obligations to remediate hazardous substances at our properties, at properties formerly owned or operated by us and at facilities to which we have sent or send waste for treatment or disposal. We are aware of contamination at some of our facilities; however, based on facts presently known, we do not believe that any future remediation costs at such facilities will be material to our results of operations. For more information, see Note 5 in the Notes to our Consolidated Financial Statements.

In the past, we have received notices that we are a potentially responsible party along with other potentially responsible parties in Superfund proceedings under the Comprehensive Environmental Response, Compensation and Liability Act for cleanup of hazardous substances at certain sites to which the potentially responsible parties are alleged to have sent waste. Based on the facts presently known, we do not believe environmental cleanup costs associated with any Superfund sites about which we have received notice that we are a potentially responsible party will be material.

E-Waste and Related Compliance. Many countries around the world as well as many states in the US have enacted directives, laws, and regulations directed at preventing electrical and electronic equipment waste by encouraging reuse and recycling as well as restricting the use of hazardous products in electrical and electronic equipment. All HVACR products and certain components of such products are potentially subject to these types of requirements. We are not uniquely affected as compared to other manufacturers. We actively monitor the development and evolution of such requirements and believe we are well positioned to comply with such directives in the required time frames.

Available Information

Our web site address is www.lennoxinternational.com. We make available, free of charge through our web site, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, including exhibits, and amendments to those reports filed or furnished pursuant to the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as soon as reasonably possible after such material is electronically filed with, or furnished to, the Securities and Exchange Commission. The information on our web site is not a part of, or incorporated by reference into, this Annual Report on Form 10-K.

The Securities and Exchange Commission maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers, including Lennox International, that file electronically with the Securities and Exchange Commission.

Information about our Executive Officers

Our executive officers, their present positions and their ages are as follows as of February 5, 2021:

Name	Age	Position
Todd M. Bluedorn	57	Chairman of the Board and Chief Executive Officer
Joseph W. Reitmeier	56	Executive Vice President, Chief Financial Officer
Douglas L. Young	58	Executive Vice President, President and Chief Operating Officer, Residential Heating & Cooling
Gary S. Bedard	56	Executive Vice President, President and Chief Operating Officer, Worldwide Refrigeration
Prakash Bedapudi	54	Executive Vice President, Chief Technology Officer
Daniel M. Sessa	56	Executive Vice President, Chief Human Resources Officer
John D. Torres	62	Executive Vice President, Chief Legal Officer and Secretary
Elliot Zimmer	44	Executive Vice President, President and Chief Operating Officer, North America Commercial Heating & Cooling
Chris A. Kosel	54	Vice President, Chief Accounting Officer and Controller

Todd M. Bluedorn was appointed Chief Executive Officer and was elected to our Board of Directors in April 2007. Mr. Bluedorn was elected Chairman of the Board of Directors in May 2012. Prior to joining Lennox International, Mr. Bluedorn served in numerous senior management positions for United Technologies since 1995, including President, Americas - Otis Elevator Company; President, North America - Commercial Heating, Ventilation and Air Conditioning for Carrier Corporation; and President, Hamilton Sundstrand Industrial. He began his professional career with McKinsey & Company in 1992. A graduate of the United States Military Academy at West Point with a bachelor of science in electrical engineering, Mr. Bluedorn is Ranger qualified and served in the U.S. Army as a Combat Engineer officer from 1985 to 1990. He received his MBA from Harvard University School of Business in 1992. Mr. Bluedorn also serves on the Board of Directors of Texas Instruments Incorporated, a global designer and manufacturer of semiconductors, and on the Board of Trustees of Washington University in St. Louis. Mr. Bluedorn served on the Board of Directors of Eaton Corporation, a diversified industrial manufacturer from 2010 to 2020. Mr. Bluedorn possesses considerable industry knowledge and executive leadership experience. Mr. Bluedorn's extensive knowledge of our Company and its business, combined with his drive for excellence and innovation, position him well to serve as CEO and a director of our Company.

Joseph W. Reitmeier was appointed Executive Vice President, Chief Financial Officer in July 2012. He had served as Vice President of Finance for the Company's Commercial Heating & Cooling segment since 2007 and as Director of Internal Audit from 2005 to 2007. Before joining the Company, he held financial leadership roles at Cummins Inc. and PolyOne Corporation. He is a director of Watts Water Technologies, Inc., a global provider of plumbing, heating and water quality solutions for residential, industrial, municipal and commercial settings. Mr. Reitmeier holds a bachelor's degree in accounting from the University of Akron and an MBA from Case Western Reserve University. He is also a Certified Public Accountant.

Douglas L. Young was appointed Executive Vice President, President and Chief Operating Officer of the Company's Residential Heating & Cooling segment in October 2006. Mr. Young had previously served as Vice President and General Manager of North American Residential Products since 2003 and as Vice President and General Manager of Lennox North American Residential Sales, Marketing, and Distribution from 1999 to 2003. Prior to his career with the Company, Mr. Young was employed in the Appliances division of GE, where he held various management positions before serving as General Manager of Marketing for GE Appliance division's retail group from 1997 to 1999 and as General Manager of Strategic Initiatives in 1999. He holds a BSBA from Creighton University and a master's of science in management from Purdue University. Mr. Young serves on the Board of Directors of Beacon Roofing Supply, a general building material distributor and is a past Chairman of the Board of Directors of AHRI (the Air-Conditioning, Heating, and Refrigeration Institute), the trade association for the HVACR and water heating equipment industries.

Gary S. Bedard was appointed Executive Vice President, President and Chief Operating Officer of the Company's Worldwide Refrigeration business in October 2017. From 2005 through 2017, Mr. Bedard served as Vice President and General Manager for the Company's Lennox-branded Residential business. He has also held the positions of Vice President, Residential Sales, Vice President Residential Product Management, Director of Brand and Product Management, and District Manager for Lennox Industries' New York District. Prior to joining the Company in 1998, Mr. Bedard spent eight years at York International in product management and sales leadership roles for commercial applied and unitary systems as well as residential systems. Mr. Bedard has a bachelor's degree in engineering management from the United States Military Academy at West Point.

Prakash Bedapudi was appointed Executive Vice President, Chief Technology Officer in July 2008. He had previously served as Vice President, Global Engineering and Program Management for Trane Inc. Commercial Systems from 2006 through 2008, and as Vice President, Engineering and Technology for Trane's Residential Systems division from 2003 through 2006. Prior to his career at Trane, Mr. Bedapudi served in senior engineering leadership positions for GE Transportation Systems, a division of General Electric Company, and for Cummins Engine Company. He holds a bachelor of science in mechanical/automotive engineering from Karnataka University, India and a master's of science in mechanical/aeronautical engineering from the University of Cincinnati.

Daniel M. Sessa was appointed Executive Vice President, Chief Human Resources Officer in June 2007. He had previously served in numerous senior human resources and legal leadership positions for United Technologies Corporation since 1996, including Vice President, Human Resources for Otis Elevator Company - Americas from 2005 to 2007, Director, Employee Benefits and Human Resources Systems for United Technologies Corporation from 2004 to 2005, and Director, Human Resources for Pratt & Whitney from 2002 to 2004. He holds a bachelor of arts in law and society from the State University of New York at Binghamton and a juris doctor from the Hofstra University School of Law.

John D. Torres was appointed Executive Vice President, Chief Legal Officer and Secretary in December 2008. He had previously served as Senior Vice President, General Counsel and Secretary for Freescale Semiconductor, a semiconductor

manufacturer that was originally part of Motorola. He joined Motorola's legal department as Senior Counsel in 1996 and was appointed Vice President, General Counsel of the company's semiconductor business in 2001. Prior to joining Motorola, Mr. Torres was in private practice in Phoenix, specializing in commercial law, for 13 years. He holds a bachelor of arts from Notre Dame and a juris doctor from the University of Chicago.

Elliot Zimmer was appointed Executive Vice President, President and Chief Operating Officer of the Company's Commercial Heating & Cooling segment in November 2019. He previously served as Vice President and General Manager, Lennox North America Commercial Equipment business from 2016 to 2019; Vice President, Worldwide Sourcing from 2011 to 2016; and Director of Business Development from 2010 to 2011. Prior to joining the Company, Mr. Zimmer led a variety of supply chain functions at Dr. Pepper Snapple. He began his professional career with McKinsey & Company in 2006. Mr. Zimmer holds a bachelor of science degree in systems engineering from the United States Military Academy, served as a Captain in the United States Army and received an MBA from the Harvard Business School.

Chris A. Kosel was appointed Vice President, Chief Accounting Officer and Controller in May 2017. He had previously served as Vice President, Business Analysis and Planning for the Company since 2016. He also had served as Vice President, Finance and Controller / Director, Finance for the Company's North America Commercial Business from 2015 - 2016 and Director, Financial Planning and Analysis for the Company's Residential Business Unit from 2014 to 2015. Prior to 2014 he had served as Director, Finance for the Company's Lennox Stores business and Director of the Company's Financial Shared Services function. Prior to joining Lennox, he worked for Ernst & Young. He holds a bachelor's degree in accounting from Texas A&M University. He is also a Certified Public Accountant.

Item 1A. *Risk Factors*

Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act that are based on information currently available to management as well as management's assumptions and beliefs as of the date hereof. All statements, other than statements of historical fact, included in this Annual Report on Form 10-K constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the words "may," "will," "should," "plan," "predict," "anticipate," "believe," "intend," "estimate" and "expect" and similar expressions. Statements that are not historical should also be considered forward-looking statements. Such statements reflect our current views with respect to future events. Readers are cautioned not to place undue reliance on these forward-looking statements. We believe these statements are based on reasonable assumptions; however, such statements are inherently subject to risks and uncertainties, including but not limited to the specific uncertainties discussed elsewhere in this Annual Report on Form 10-K and the risk factors set forth in Item 1A. Risk Factors in this Annual Report on Form 10-K. These risks and uncertainties 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 unless required by law.

Risk Factors

The following risk factors and other information included in this Annual Report on Form 10-K should be carefully considered. We believe these are the principal material risks currently facing our business; however, additional risks and uncertainties not presently known to us or that we presently deem less significant may also impair our business operations. If any of the following risks or those disclosed in our other SEC filings occurs, our business, financial condition or results of operations could be materially adversely affected.

Business and Operational Risks

We May Not be Able to Compete Favorably in the Competitive HVACR Business.

Substantially all of the markets in which we operate are competitive. The most significant competitive factors we face are product reliability, product performance, reputation of our company and brands, service and price, with the relative importance of these factors varying among our product lines. Other factors that affect competition in the HVACR market include the development and application of new technologies, an increasing emphasis on the development of more efficient HVACR products and new product introductions. We may not be able to adapt to market changes as quickly or effectively as our current

and future competitors. Also, the establishment of manufacturing operations in low-cost countries could provide cost advantages to existing and emerging competitors. Some of our competitors may have greater financial resources than we have, allowing them to invest in more extensive research and development and/or marketing activity and making them better able to withstand adverse HVACR market conditions. Current and future competitive pressures may cause us to reduce our prices or lose market share, or could negatively affect our cash flow, all of which could have a material adverse effect on our results of operations.

If We Cannot Successfully Execute our Business Strategy, Our Results of Operations Could be Adversely Impacted

Our future success depends on our continued investment in research and new product development as well as our ability to commercialize new HVACR technological advances in domestic and global markets. If we are unable to continue to timely and successfully develop and market new products, achieve technological advances or extend our business model and technological advances into international markets, our business and results of operations could be adversely impacted.

We are engaged in various manufacturing rationalization actions designed to achieve our strategic priorities of manufacturing, sourcing and distribution excellence and of lowering our cost structure. For example, we are continuing to reorganize our North American distribution network in order to better serve our customers' needs by deploying parts and equipment inventory closer to them and are expanding our sourcing activities outside of the U.S. We also continue to rationalize and reorganize various support and administrative functions in order to reduce ongoing selling and administrative expenses. If we cannot successfully implement such distribution and restructuring strategies or other cost savings plans, we may not achieve our expected cost savings in the time anticipated, or at all. In such case, our results of operations and profitability may be negatively impacted, making us less competitive and potentially causing us to lose market share.

Our Ability to Meet Customer Demand may be Limited by Our Single-Location Production Facilities, Reliance on Certain Key Suppliers and Unanticipated Significant Shifts in Customer Demand.

We manufacture many of our products at single-location production facilities. In certain instances, we heavily rely on suppliers who also may concentrate production in single locations or source unique, necessary products from only one supplier. Any significant interruptions in production at one or more of our facilities, or at a facility of one of our key suppliers, could negatively impact our ability to deliver our products to our customers. We experienced such an event in July 2018, when our manufacturing facility in Marshalltown, Iowa was severely damaged by a tornado and when suppliers experienced disruptions due to COVID-19.

Further, even with all of our facilities running at full production, we could potentially be unable to fully meet demand during an unanticipated period of exceptionally high demand. Our inability to meet our customers' demand for our products could have a material adverse effect on our business, financial condition and results of operations.

Our Results of Operations May Suffer if We Cannot Continue to License or Enforce the Intellectual Property Rights on Which Our Businesses Depend or if Third Parties Assert That We Violate Their Intellectual Property Rights.

We rely upon patent, copyright, trademark and trade secret laws and agreements to establish and maintain intellectual property rights in the products we sell. Our intellectual property rights could be challenged, invalidated, infringed, circumvented, or be insufficient to permit us to take advantage of current market trends or to otherwise provide competitive advantages. Further, the laws of certain countries do not protect proprietary rights to the same extent as the laws of the United States.

Third parties may also claim that we are infringing upon their intellectual property rights. If we do not license infringed intellectual property or if we are required to substitute similar technology from another source, our operations could be adversely affected. Even if we believe that intellectual property claims are without merit, they can be time consuming, require significant resources and be costly to defend. Claims of intellectual property infringement also might require us to redesign affected products, pay costly damage awards, or face injunction prohibiting us from manufacturing, importing, marketing or selling certain of our products. Even if we have agreements to indemnify us, indemnifying parties may be unable or unwilling to do so.

Because a Significant Percentage of Our Workforce is Unionized in Certain Manufacturing Facilities, We Face Risks of Work Stoppages and Other Labor Relations Problems.

As of February 5, 2021, approximately 26% of our workforce, including international locations, was unionized. The results of future negotiations with these unions and the effects of any production interruptions or labor stoppages could have a material adverse effect on our results of operations.

Volatility in Capital Markets Could Necessitate Increased Cash Contributions by Us to Our Pension Plans to Maintain Required Levels of Funding.

Volatility in the capital markets may have a significant impact on the funding status of our defined benefit pension plans. If the performance of the capital markets depresses the value of our defined benefit pension plan assets or increases the liabilities, we would be required to make additional contributions to the pension plans. The amount of contributions we may be required to make to our pension plans in the future is uncertain and could be significant, which may have a material adverse effect on our results of operations.

Industry Risks

Our Financial Performance Is Affected by the Conditions of the U.S. Construction Industry.

Our business is affected by the performance of the U.S. construction industry. Our sales in the residential and commercial new construction markets correlate to the number of new homes and buildings that are built, which in turn is influenced by cyclical factors such as interest rates, inflation, availability of financing, consumer spending habits and confidence, employment rates and other macroeconomic factors over which we have no control. Our sales may not improve, or improvement may be limited or lower than expected.

Cooler than Normal Summers and Warmer than Normal Winters May Depress Our Sales.

Demand for our products and for our services is seasonal and strongly affected by the weather. Cooler than normal summers depress our sales of replacement air conditioning and refrigeration products and services. Similarly, warmer than normal winters have the same effect on our heating products and services.

Price Volatility for Commodities and Components We Purchase or Significant Supply Interruptions Could Have an Adverse Effect on Our Cash Flow or Results of Operations.

We depend on raw materials, such as steel, copper and aluminum, and components purchased from third parties to manufacture our products. Some of these third-party suppliers are located outside of the United States. We generally concentrate purchases for a given raw material or component with a small number of suppliers. If a supplier is unable or unwilling to meet our supply requirements, including suffering any disruptions at its facilities or in its supply chain, we could experience supply interruptions or cost increases, either of which could have an adverse effect on our results of operations. Similarly, suppliers of components that we purchase for use in our products may be affected by rising material costs and pass these increased costs on to us. Although we regularly pre-purchase a portion of our raw materials at fixed prices each year to hedge against price increases, an increase in raw materials prices not covered by our fixed price arrangements could significantly increase our cost of goods sold and negatively impact our margins if we are unable to effectively pass such price increases on to our customers. Alternatively, if we increase our prices in response to increases in the prices or quantities of raw materials or components or if we encounter significant supply interruptions, our competitive position could be adversely affected, which may result in depressed sales and profitability.

In addition, we use derivatives to hedge price risk associated with forecasted purchases of certain raw materials. Our hedged prices could result in paying higher or lower prices for commodities as compared to the market prices for those commodities when purchased.

Legal, Tax and Regulatory Risks

Changes in Legislation or Government Regulations or Policies Could Have an Adverse Effect on Our Results of Operations.

The sales, gross margins and profitability for each of our segments could be directly impacted by changes in legislation or government regulations or policies. Specifically, changes in environmental and energy efficiency standards and regulations related to global climate change are being implemented to curtail the use of hydrofluorocarbons which are used in refrigerants that are essential to many of our products. For example, in 2016, the Montreal Protocol was amended to phase down the use of hydrofluorocarbons, which may particularly have a significant impact on the types of products that we are allowed to develop and sell. Our inability or delay in developing or marketing products that match customer demand while also meeting applicable efficiency and environmental standards may negatively impact our results.

Future legislation or regulations relating to environmental policies, product certification, product liability, taxes, amount and availability of tax incentives and other matters, may impact the results of each of our operating segments and our consolidated results.

Changes in U.S. Trade Policy, Including the Imposition of Tariffs and the Resulting Consequences, Could Have an Adverse Effect on our Results of Operations.

The U.S. government has made changes in U.S. trade policy over the past several years. These changes include renegotiating and terminating certain existing bilateral or multi-lateral trade agreements, such as the North American Free Trade Agreement, and initiating tariffs on certain foreign goods from a variety of countries and regions, most notably China. These changes in U.S. trade policy have resulted in, and may continue to result in, one or more foreign governments adopting responsive trade policies that make it more difficult or costly for us to do business in or import our products or components from those countries. The sales, gross margins and profitability for each of our segments could be directly impacted by changes in tariffs and trade agreements.

We cannot predict the extent to which the U.S. or other countries will impose new or additional quotas, duties, tariffs, taxes or other similar restrictions upon the import or export of our products in the future, nor can we predict future trade policy or the terms of any renegotiated trade agreements and their impact on our business. The continuing adoption or expansion of trade restrictions, the occurrence of a trade war, or other governmental action related to tariffs or trade agreements or policies has the potential to adversely impact demand for our products, our costs, our customers, our suppliers, and the U.S. economy, which in turn could have a material adverse effect on our business, operating results and financial condition.

We May Incur Substantial Costs as a Result of Claims Which Could Have an Adverse Effect on Our Results of Operations.

The development, manufacture, sale and use of our products involve warranty, intellectual property infringement, product liability claim and other risks. In some cases, we may incur liability claims for the installation and service of our products. Our product liability insurance policies have limits that, if exceeded, may result in substantial costs that would have an adverse effect on our results of operations. In addition, warranty claims are not covered by our product liability insurance and certain product liability claims may also not be covered by our product liability insurance.

For some of our HVAC products, we provide warranty terms ranging from one to 20 years to customers for certain components such as compressors or heat exchangers. For certain limited products, we provided lifetime warranties. Warranties of such extended lengths pose a risk to us as actual future costs may exceed our current estimates of those costs. Warranty expense is recorded on the date that revenue is recognized and requires significant assumptions about what costs will be incurred in the future. We may be required to record material adjustments to accruals and expense in the future if actual costs for these warranties are different from our assumptions.

We are Subject to Litigation and Tax, Environmental and Other Regulations that Could Have an Adverse Effect on Our Results of Operations.

We are involved in various claims and lawsuits incidental to our business, including those involving product liability, labor relations, alleged exposure to asbestos-containing materials and environmental matters, some of which claim significant

damages. Estimates related to our claims and lawsuits, including estimates for asbestos-related claims and related insurance recoveries, involve numerous uncertainties. Given the inherent uncertainty of litigation and estimates, we cannot be certain that existing claims or litigation or any future adverse legal developments will not have a material adverse impact on our financial condition. In addition, we are subject to extensive and changing federal, state and local laws and regulations designed to protect the environment. These laws and regulations could impose liability for remediation costs and civil or criminal penalties in cases of non-compliance. Compliance with environmental laws increases our costs of doing business. Because these laws are subject to frequent change, we are unable to predict the future costs resulting from environmental compliance.

General Risk Factors

The COVID-19 pandemic has disrupted our business operations and results of operations.

A novel strain of coronavirus or, COVID-19, surfaced in late 2019 and has spread around the world. In 2020, the spread of COVID-19 and the developments surrounding the global pandemic disrupted our business operations and affected our results of operations. For example, in response to the COVID-19 pandemic, various national, state, and local governments where we, our suppliers, and our customers operate issued decrees prohibiting certain businesses from continuing to operate and certain classes of workers from reporting to work. Those decrees resulted in supply chain disruption and higher absenteeism in our factories. Additionally, certain of our manufacturing facilities experienced short-term suspensions of operations for COVID-19 employee health concerns. We implemented several cost reduction actions in the second quarter of 2020, including employee terminations, temporary facility closures and cancellations of certain sales and marketing activities, and revised our financial outlook downward to account for COVID-19's expected economic impact on our Company and future uncertainty.

By the end of 2020, numerous countries including, the United States, Canada, United Kingdom, European Union, and Mexico had approved various forms of a vaccine for COVID-19 and began distributing them to their citizens in hope of slowing the spread of COVID-19. The timing of any positive impact from the vaccines is uncertain. Additionally, it is unknown if current vaccines will work on the new strains of the coronavirus which have been reported in numerous countries, including the United Kingdom and United States.

As the COVID-19 pandemic continues, health concern risks remain, and 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.

If the COVID-19 pandemic worsens or the pandemic continues longer than presently expected, COVID 19 would continue to impact our results of operations, financial position and cash flows.

Global General Business, Economic and Market Conditions Could Adversely Affect Our Financial Performance and Limit our Access to the Capital Markets.

Future disruptions in U.S. or global financial and credit markets or increases in the costs of capital might have an adverse impact on our business. The tightening, unavailability or increased costs of credit adversely affects the ability of our customers to obtain financing for significant purchases and operations, which could result in a decrease in sales of our products and services and may impact the ability of our customers to make payments to us. Similarly, tightening of credit may adversely affect our supplier base and increase the potential for one or more of our suppliers to experience financial distress or bankruptcy. Our business may also be adversely affected by future decreases in the general level of economic activity and increases in borrowing costs, which may cause our customers to cancel, decrease or delay their purchases of our products and services.

If financial markets were to deteriorate, or costs of capital were to increase significantly due to a lowering of our credit ratings, prevailing industry conditions, the volatility of the capital markets or other factors, we may be unable to obtain new financing on acceptable terms, or at all. A deterioration in our financial performance could also limit our future ability to access amounts currently available under our domestic credit facility. In addition, availability under our asset securitization agreement may be adversely impacted by credit quality and performance of our customer accounts receivable. The availability under our asset securitization agreement is based on the amount of accounts receivable that meet the eligibility criteria of the asset securitization agreement. If receivable losses increase or credit quality deteriorates, the amount of eligible receivables could decline and, in turn, lower the availability under the asset securitization.

We cannot predict the likelihood, duration or severity of any future disruption in financial markets or any adverse economic conditions in the U.S. and other countries.

Our International Operations Subject Us to Risks Including Foreign Currency Fluctuations, Regulations and Other Risks.

We earn revenue, pay expenses, own assets and incur liabilities in countries using currencies other than the U.S. dollar. Our Consolidated Financial Statements are presented in U.S. dollars and we translate revenue, income, expenses, assets and liabilities into U.S. dollars at exchange rates in effect during or at the end of each reporting period. Therefore, increases or decreases in the value of the U.S. dollar relative to other currencies may affect our net operating revenues, operating income and the value of balance sheet items denominated in foreign currencies. Because of the geographic diversity of our operations, weaknesses in some currencies might be offset by strengths in others over time. However, we cannot assure that fluctuations in foreign currency exchange rates, particularly the strengthening of the U.S. dollar against major currencies, would not materially affect our financial results.

In addition to the currency exchange risks inherent in operating in foreign countries, our international sales and operations, including purchases of raw materials from international suppliers, are subject to risks associated with local government laws, regulations and policies (including those related to tariffs and trade barriers, investments, taxation, exchange controls, employment regulations and changes in laws and regulations). Our international sales and operations are also sensitive to changes in foreign national priorities, including government budgets, as well as to geopolitical and economic instability. International transactions may involve increased financial and legal risks due to differing legal systems and customs in foreign countries, as well as compliance with anti-corruption laws such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act. The ability to manage these risks could be difficult and may limit our operations and make the manufacture and sale of our products internationally more difficult, which could negatively affect our business and results of operations.

Conflicts, wars, natural disasters, infectious disease outbreaks or terrorist acts could also cause significant damage or disruption to our operations, employees, facilities, systems, suppliers, supply chain, distributors, resellers or customers in the United States and internationally for extended periods of time and could also affect demand for our products.

Net sales outside of the United States comprised 13.0% of our net sales in 2020.

Security Breaches and Other Disruptions or Misuse of Information Systems We Rely Upon Could Affect Our Ability to Conduct Our Business Effectively.

Our information systems and those of our business partners are important to our business activities. We also outsource various information systems, including data management, to third-party service providers. Despite our security measures as well as those of our business partners and third-party service providers, the information systems we rely upon may be vulnerable to interruption or damage from computer hackings, computer viruses, worms or other destructive or disruptive software, process breakdowns, denial of service attacks, malicious social engineering or other malicious activities, or any combination thereof. Attempts have been made to attack our information systems, but no material harm has resulted. While we have implemented controls and taken other preventative actions to strengthen these systems against future attacks, we can give no assurance that these controls and preventative actions will be effective. Any breach of data security could result in a disruption of our services or improper disclosure of personal data or confidential information, which could harm our reputation, require us to expend resources to remedy such a security breach or defend against further attacks or subject us to liability under laws that protect personal data, resulting in increased operating costs or loss of revenue.

We May Not be Able to Successfully Integrate and Operate Businesses that We May Acquire nor Realize the Anticipated Benefits of Strategic Relationships We May Form.

From time to time, we may seek to complement or expand our businesses through strategic acquisitions, joint ventures and strategic relationships. The success of these transactions will depend, in part, on our ability to timely identify those relationships, negotiate and close the transactions and then integrate, manage and operate those businesses profitably. If we are unable to successfully do those things, we may not realize the anticipated benefits associated with such transactions, which could adversely affect our business and results of operations.

Any Future Determination that a Significant Impairment of the Value of Our Goodwill Intangible Asset Occurred Could Have an Adverse Effect on Our Results of Operations.

As of December 31, 2020, we had goodwill of $186.9 million on our Consolidated Balance Sheet. Any future determination that an impairment of the value of goodwill occurred would require a write-down of the impaired portion of goodwill to fair

value and would reduce our assets and stockholders’ equity and could have a material adverse effect on our results of operations.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

The following chart lists our principal domestic and international manufacturing, distribution and office facilities as of December 31, 2020 and indicates the business segment that uses such facilities, the approximate size of such facilities and whether such facilities are owned or leased. Also included in the chart are large warehouses that hold significant inventory balances.

Location	Segment	Type or Use of Facility	Approx. Sq. Ft. (In thousands)	Owned/Leased
Marshalltown, IA	Residential Heating & Cooling	Manufacturing & Distribution	1,000	Owned & Leased
Orangeburg, SC	Residential Heating & Cooling	Manufacturing & Distribution	900	Owned & Leased
Saltillo, Mexico	Residential Heating & Cooling	Manufacturing & Distribution	638	Owned
Grenada, MS	Residential Heating & Cooling	Manufacturing & Distribution	395	Owned & Leased
Romeoville, IL	Residential Heating & Cooling	Distribution & Office	697	Leased
McDonough, GA	Residential Heating & Cooling	Distribution	254	Leased
Grove City, OH	Residential Heating & Cooling	Distribution	279	Leased
Pittston, PA	Residential Heating & Cooling	Distribution	144	Leased
Concord, NC	Residential Heating & Cooling	Distribution	123	Leased
Eastvale, CA	Residential & Commercial Heating & Cooling	Distribution	377	Leased
Carrollton, TX	Residential & Commercial Heating & Cooling	Distribution	252	Leased
Brampton, Canada	Residential & Commercial Heating & Cooling	Distribution	251	Leased
Houston, TX	Residential & Commercial Heating & Cooling	Distribution	204	Leased
Orlando, FL	Residential & Commercial Heating & Cooling	Distribution	173	Leased
Middletown, PA	Residential & Commercial Heating & Cooling	Distribution	166	Leased
Lenexa, KS	Residential & Commercial Heating & Cooling	Distribution	147	Leased
East Fife, WA	Residential & Commercial Heating & Cooling	Distribution	112	Leased
Calgary, Canada	Residential & Commercial Heating & Cooling	Distribution	145	Leased
Stuttgart, AR	Commercial Heating & Cooling	Manufacturing	750	Owned
Jessup, PA	Commercial Heating & Cooling	Distribution	130	Leased
Longvic, France	Refrigeration	Manufacturing	142	Owned
Longvic, France	Refrigeration	Distribution	133	Owned
Burgos, Spain	Refrigeration	Manufacturing	140	Owned
Mions, France	Refrigeration	Research & Development	129	Owned
Genas, France	Refrigeration	Manufacturing, Distribution & Offices	111	Owned
Tifton, GA	Refrigeration	Manufacturing & Distribution	738	Owned & Leased
Stone Mountain, GA	Refrigeration	Manufacturing & Business Unit Headquarters	139	Owned
Richardson, TX	Corporate and other	Corporate Headquarters	356	Owned & Leased
Carrollton, TX	Corporate and other	Research & Development	294	Owned
Chennai, India	Corporate and other	Research & Development & Office	67	Leased

In addition to the properties described above, we lease numerous facilities in the U.S. and worldwide for use as sales offices, service offices, district and regional warehouses, and Lennox Stores. We routinely evaluate our facilities to ensure adequate capacity, effective cost structure, and consistency with our business strategy. We believe that our properties are in good condition, suitable and adequate for their present requirements and that our principal manufacturing plants are generally adequate to meet our production needs.

Item 3. ***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. For more information, see Note 5 in the Notes to the Consolidated Financial Statements.

Item 4. ***Mine Safety Disclosures***

Not applicable.

PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Market Information for Common Stock

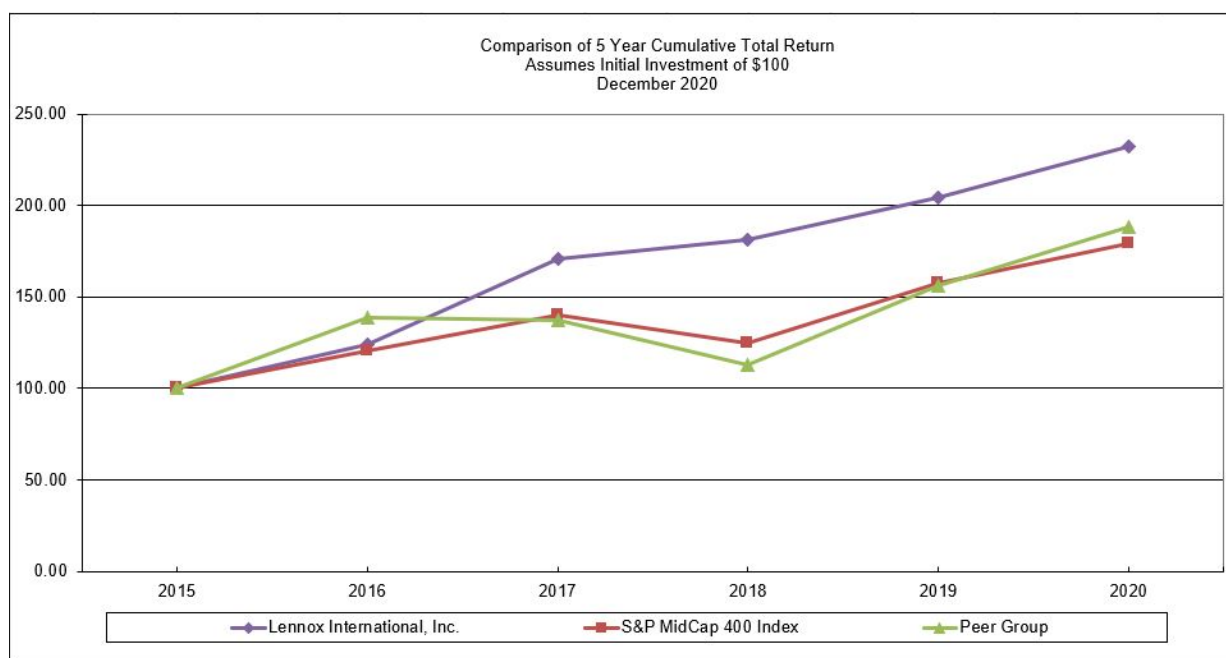
Our common stock is listed for trading on the New York Stock Exchange under the symbol "LII."

Holders of Common Stock

As of the close of business on February 5, 2021, approximately 573 holders of record held our common stock.

Comparison of Total Stockholder Return

The following graph compares the cumulative total returns of LII's common stock with the cumulative total returns of the Standards & Poor's Midcap 400 Index, a broad index of mid-size U.S. companies of which the Company is a part, and with a peer group of U.S. industrial manufacturing and service companies in the HVACR businesses. The graph assumes that $100 was invested on December 31, 2015, with dividends reinvested. Our peer group includes AAON, Inc., Comfort Systems USA, Inc., Johnson Controls Inc., and Watsco, Inc. Peer group returns are weighted by market capitalization. Two companies previously included in the peer group index, Ingersoll-Rand plc and United Technologies Corporation, were removed due to their spin-off transactions during 2020.



This performance graph and other information furnished under this Comparison of Total Stockholder Return section shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act.

Our Purchases of Company Equity Securities

Our Board of Directors has authorized a total of $3 billion to repurchase shares of our common stock (collectively referred to as the "Share Repurchase Plans"), including an incremental $500 million share repurchase authorization in December 2019. The Share Repurchase Plans authorize open market repurchase transactions and do not have a stated expiration date. As of December 31, 2020, $446 million is available to repurchase shares under the Share Repurchase Plans.

In the fourth quarter of 2020, we purchased shares of our common stock as follows:

	Total Shares Purchased [1]	Average Price Paid per Share (including fees)	Shares Purchased As Part of Publicly Announced Plans	Approximate Dollar Value of Shares that may yet be Purchased Under the Plans (in millions)
October 1 through October 31	3,991	$ 284.87	—	446.0
November 1 through November 27	6,089	301.55	—	446.0
November 28 through December 31	17,515	280.11	—	446.0
	27,595		—	

[1] These shares of common stock were surrendered to LII to satisfy employee tax-withholding obligations in connection with the exercise of long-term incentive awards.

Item 6. *Selected Financial Data*

The following table presents selected financial data for each of the five years ended December 31, 2020 to 2016 (in millions, except per share data):

	For the Years Ended December 31,				
	2020	2019	2018	2017	2016
Statements of Operations Data:					
Net Sales	$ 3,634.1	$ 3,807.2	$ 3,883.9	$ 3,839.6	$ 3,641.6
Operating Income	478.5	656.9	509.9	494.5	429.4
Income From Continuing Operations	357.1	408.8	360.3	307.1	278.6
Net Income	356.3	408.7	359.0	305.7	277.8
Basic Earnings Per Share From Continuing Operations	9.32	10.49	8.87	7.28	6.41
Diluted Earnings Per Share From Continuing Operations	9.26	10.38	8.77	7.17	6.34
Cash Dividends Declared Per Share	3.08	2.95	2.43	1.96	1.65
Other Data:					
Capital Expenditures	$ 78.5	$ 105.6	$ 95.2	$ 98.3	$ 84.3
Research and Development Expenses	66.8	69.9	72.2	73.6	64.6
Balance Sheet Data at Period End:					
Total Assets	$ 2,032.5	$ 2,034.9	$ 1,817.2	$ 1,891.5	$ 1,760.3
Total Debt	980.6	1,171.2	1,041.3	1,004.0	868.2
Stockholders' (Deficit) Equity	(17.1)	(170.2)	(149.6)	50.1	38.0

Information in the table above is not necessarily indicative of results of future operations. To understand the factors that may affect comparability, the financial data should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the Consolidated Financial Statements and the related Notes to the Consolidated Financial Statements in Item 8, "Other Financial Statement Details," of this Annual Report on Form 10-K.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion should be read in conjunction with the other sections of this report, including the Consolidated Financial Statements and related Notes to the Consolidated Financial Statements in Item 8, "Other Financial Statement Details," of this Annual Report on Form 10-K.

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 more detailed information regarding our reportable segments, see Note 3 in the Notes to the Consolidated Financial Statements.

We sell our products and services through a combination of direct sales, distributors and company-owned 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 costs of warranty expense 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 has impacted us and the HVACR industry in general. We seek to mitigate the impact of commodity price volatility through a combination of pricing actions, vendor 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 and the Resulting Changes to our 2020 Financial Performance

A novel strain of coronavirus or, COVID-19, surfaced in late 2019 and has spread around the world. In 2020, the spread of COVID-19 and the developments surrounding the global pandemic disrupted our business operations and affected our results of operations. For example, in response to the COVID-19 pandemic, various national, state, and local governments where we, our suppliers, and our customers operate issued decrees prohibiting certain businesses from continuing to operate and certain classes of workers from reporting to work. Those decrees resulted in supply chain disruption, higher absenteeism in our factories, and negatively impacted net sales for our Commercial and Refrigeration segments. Additionally, certain of our manufacturing facilities experienced short-term suspensions of operations for COVID-19 employee health concerns. We implemented several cost reduction actions in the second quarter of 2020, including employee terminations, temporary facility closures and cancellations of certain sales and marketing activities, and revised our financial outlook downward to account for COVID-19's expected economic impact on our Company and future uncertainty.

As the COVID-19 pandemic continues, health concern risks remain, and 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.
If the COVID-19 pandemic worsens or the pandemic continues longer than presently expected, COVID 19 would continue to impact our results of operations, financial position and cash flows.

Financial Highlights

- Net sales decreased $173 million, or 5%, to $3,634 million in 2020 from $3,807 million in 2019.
- Operating income in 2020 was $479 million compared to $657 million in 2019, which included $179 million net gain from insurance recoveries.
- Net income in 2020 decreased to $356 million from $409 million in 2019.
- Diluted earnings per share from continuing operations were $9.26 per share in 2020 compared to $10.38 per share in 2019.
- We generated $612 million of cash flow from operating activities in 2020 compared to $396 million in 2019. The

increase was primarily due to a decrease in working capital.

- In 2020, we returned $118 million to shareholders through dividend payments and we used $100 million to purchase 0.4 million shares of stock under our Share Repurchase Plans.

Overview of Results

Results for the year were mixed and adversely impacted by the economic downturn caused by the COVID-19 pandemic. The Residential Heating & Cooling segment performed well in 2020, with a 3% increase in net sales and a $36 million decrease in segment profit compared to 2019 primarily due to the insurance proceeds received for lost profits in 2019. Our Commercial Heating & Cooling segment saw a decrease in net sales of 15% and a $29 million decrease in segment profit compared to 2019 primarily due to lower sales volumes. Sales in our Refrigeration segment decreased 17% and segment profit decreased $29 million compared to 2019 primarily due to lower sales volume and the loss of sales volume from our divested Kysor Warren business.

Results of Operations

The following table provides a summary of our financial results, including information presented as a percentage of net sales (dollars in millions):

	For the Years Ended December 31,					
	2020		2019		2018	
	Dollars	Percent	Dollars	Percent	Dollars	Percent
Net sales	$ 3,634.1	100.0 %	$ 3,807.2	100.0 %	$ 3,883.9	100.0 %
Cost of goods sold	2,594.0	71.4 %	2,727.4	71.6 %	2,772.7	71.4 %
Gross profit	1,040.1	28.6 %	1,079.8	28.4 %	1,111.2	28.6 %
Selling, general and administrative expenses	555.9	15.3 %	585.9	15.4 %	608.2	15.7 %
Losses (gains) and other expenses, net	7.4	0.2 %	8.3	0.2 %	13.4	0.3 %
Restructuring charges	10.8	0.3 %	10.3	0.3 %	3.0	0.1 %
Loss (gain), net on sale of businesses and related property	—	— %	10.6	0.3 %	27.0	0.7 %
Loss (gain) from natural disasters, net of insurance recoveries	3.1	0.1 %	(178.8)	(4.7)%	(38.3)	(1.0)%
Income from equity method investments	(15.6)	(0.4)%	(13.4)	(0.4)%	(12.0)	(0.3)%
Operating income	$ 478.5	13.2 %	$ 656.9	17.3 %	$ 509.9	13.1 %
Loss from discontinued operations	(0.8)	— %	(0.1)	— %	(1.3)	— %
Net income	$ 356.3	9.8 %	$ 408.7	10.7 %	$ 359.0	9.2 %

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019 - Consolidated Results

Net Sales

Net sales decreased 5% in 2020 compared to 2019, driven by lower sales volumes of 5% and a 1% decline related to the sale of our Kysor Warren business in the first quarter of 2019, partially offset by improved combined price and mix of 1%. The decrease in sales volume was primarily due to the impact of the COVID-19 pandemic on our Commercial and Refrigeration segments.

Gross Profit

Gross profit margins for 2020 increased 20 basis points (“bps”) to 28.6% compared to 28.4% in 2019. We saw margin increases of 90 bps from engineering and sourcing led cost reductions, 70 bps from lower commodity costs, and 20 bps from lower freight and distribution costs. These were partially offset by 120 bps from unfavorable combined price and mix, 30 bps from higher product warranties, and 10 bps from other product costs.

Selling, General and Administrative Expenses

SG&A expenses decreased by $30 million in 2020 compared to 2019. As a percentage of net sales, SG&A expenses decreased 10 bps from 15.4% to 15.3% in the same periods primarily due to lower discretionary expenditures.

Losses (Gains) and Other Expenses, Net

Losses (gains) and other expenses, net for 2020 and 2019 included the following (in millions):

	For the Years Ended December 31,	
	2020	2019
Realized losses on settled futures contracts	$ 0.1	$ 0.4
Foreign currency exchange losses	(3.6)	(1.5)
Loss on disposal of fixed assets	(0.2)	(0.2)
Net change in unrealized (gains) losses on unsettled futures contracts	(0.3)	(0.5)
Other operating (gains) losses, net	(2.2)	(1.7)
Special legal contingency charges	1.1	1.2
Asbestos charges	5.6	3.1
Environmental liabilities	(1.4)	5.7
Losses from pandemic	8.3	—
Other items, net	—	1.8
Losses (gains) and other expenses, net	$ 7.4	$ 8.3

The charges incurred related to the COVID-19 pandemic related primarily to facility cleaning costs and sanitization supplies to ensure the health and safety of our employees. 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 derivatives, see Note 10 in the Notes to the Consolidated Financial Statements.

Foreign currency exchange gains increased in 2020 primarily due to strengthening in foreign exchange rates in our primary markets. The special legal contingency charges in 2020 relate to outstanding legal settlements. The asbestos-related litigation relates to known and estimated future asbestos matters. The environmental liabilities relate to estimated remediation costs for contamination at some of our facilities. Refer to Note 5 in the Notes to the Consolidated Financial Statements for more information on litigation, including the asbestos-related litigation, and the environmental liabilities.

Restructuring Charges

Restructuring charges were $10.8 million in 2020 compared to $10.3 million in 2019. The charges in 2020 related primarily to several cost reduction actions taken in response to the economic impact of the COVID-19 pandemic on our business. These actions consisted of employee terminations for positions that were no longer needed to support the business, selective facility closures, and cancellations of certain sales and marketing activities. For more information on our restructuring activities, see Note 8 in the Notes to the Consolidated Financial Statements.

Goodwill

We performed a qualitative impairment analysis and noted no indicators of goodwill impairment for the year ended December 31, 2020. We did not record any goodwill impairments in 2019 or 2020. Refer to Note 10 in the Notes to the Consolidated Financial Statements for more information on goodwill.

Asset Impairments

We did not have any impairments of assets related to continuing operations in 2020 or 2019.

Pension Settlement

In the second and fourth quarters of 2019, we entered into agreements to purchase group annuity contracts and transfer certain pension assets and related pension benefit obligations to Pacific Life Insurance Company. We recognized $99.2 million of pension settlement charges related to these transactions. We did not have significant pension buyout activity in 2020. Refer to Note 11 in the Notes to the Consolidated Financial Statements for more information on pensions and employee benefit plans.

Income from Equity Method Investments

Investments over which we do not exercise control but have significant influence are accounted for using the equity method of accounting. Income from equity method investments was $16 million in 2020 compared to $13 million in 2019. The increase is due to improved operating performance at the joint ventures.

Interest Expense, net

Net interest expense of $28 million in 2020 decreased from $48 million in 2019 primarily due to lower borrowing and lower borrowing costs.

Income Taxes

The income tax provision was $88 million in 2020 compared to $99 million in 2019, and the effective tax rate was 19.8% in 2020 compared to 19.5% in 2019. The 2020 and 2019 effective tax rates differ from the statutory rate of 21% primarily due to state and foreign taxes. Refer to Note 13 in the Notes to the Consolidated Financial Statements for more information on income taxes.

Loss from Discontinued Operations

Losses from discontinued operations were $1 million in 2020 which primarily relate to changes in retained product liabilities and general liabilities for the Service Experts business sold in 2013 and the Hearth business sold in 2012.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019 - Results by Segment

Residential Heating & Cooling

The following table presents our Residential Heating & Cooling segment's net sales and profit for 2020 and 2019 (dollars in millions):

	For the Years Ended December 31,			
	2020	2019	Difference	% Change
Net sales	$ 2,361.5	$ 2,291.1	$ 70.4	3%
Profit	$ 428.5	$ 464.6	$ (36.1)	(8)%
% of net sales	18.1 %	20.3 %		

Residential Heating & Cooling net sales increased 3% in 2020 compared to 2019. Sales volume increased 2% and price and mix combined increased 1%.

Segment profit in 2020 declined $36 million compared to 2019 due to $99 million of non-recurring insurance proceeds for lost profits related to the Marshalltown tornado, $10 million of higher warranty and other product costs, $5 million of higher tariffs on Chinese imports, $3 million of combined price and mix, and $1 million of factory inefficiency. Partially offsetting these declines was $25 million of lower SG&A, $25 million of engineering and sourcing led cost reductions, $17 million from lower commodity costs, $8 million of lower freight and distribution expense, $5 million of higher sales volume, and $2 million of higher income from equity method investments.

Commercial Heating & Cooling

The following table presents our Commercial Heating & Cooling segment's net sales and profit for 2020 and 2019 (dollars in millions):

	For the Years Ended December 31,					
		2020		2019		Difference	% Change
Net sales	$	800.9	$	947.4	$	(146.5)	(15)%
Profit	$	136.9	$	165.4	$	(28.5)	(17)%
% of net sales		17.1 %		17.5 %			

Commercial Heating & Cooling net sales decreased 15% in 2020 compared to 2019. Sales volume was 14% lower and price and mix combined decreased 1%.

Segment profit in 2020 decreased $29 million compared to 2019 due to $47 million of lower sales volume and $10 million of unfavorable mix. Partially offsetting these declines was $9 million of lower SG&A, $7 million of engineering and sourcing led cost reductions, $6 million from lower commodity costs, $2 million of factory productivity, $2 million of other product costs, $1 million of lower tariffs on Chinese imports, and $1 million of favorable foreign currency exchange rates.

Refrigeration

The following table presents our Refrigeration segment's net sales and profit for 2020 and 2019 (dollars in millions):

	For the Years Ended December 31,						
		2020		2019		Difference	% Change
Net sales	$	471.7	$	568.7	$	(97.0)	(17)%
Profit	$	32.8	$	61.3	$	(28.5)	(46)%
% of net sales		7.0 %		10.8 %			

Net sales decreased 17% in 2020 compared to 2019. Sales volume was 13% lower and the loss of sales from our divested Kysor Warren business contributed 6% which was partially offset by 1% of favorable combined price and mix and 1% from favorable foreign currency exchange rates.

Segment profit in 2020 decreased $29 million compared to 2019 due to $26 million of lower sales volumes, $10 million of factory inefficiency, $5 million of other product costs and warranty, $2 million from non-recurring European refrigerant quota sales, $1 million of combined price and mix, and $1 million from lower income from equity method investments. Partially offsetting these declines was $5 million from lower commodity costs, $4 million of engineering and sourcing led cost reductions, $4 million lower SG&A, $1 million lower freight and distribution expense, $1 million of higher profit due to the divestiture of the Kysor Warren business, and $1 million of favorable foreign currency exchange rates.

Corporate and Other

Corporate and other expenses increased by $9 million in 2020 compared to 2019 primarily due to short-term and long-term stock-based incentive compensation.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018 - Consolidated Results

Net Sales

Net sales decreased 2.0% in 2019 compared to 2018, driven by a 5% decline related to the divestitures of our Australia, Asia, South America, and Kysor Warren businesses, partially offset by 1% volume growth and 2% from favorable price and mix combined. The increase in volume was primarily due to market growth in our Residential Heating & Cooling and Commercial Heating & Cooling segments, and the favorable price and mix combined was attributable to all three of our business segments.

Gross Profit

Gross profit margins for 2019 decreased 20 basis points ("bps") to 28.4% compared to 28.6% in 2018. We saw margin decreases of 30 bps from higher commodity costs, 80 bps from higher freight and distribution costs, 70 bps from lower factory productivity, and 50 bps from other product costs. These decreases were offset by increases of 100 bps from favorable price and mix, 50 bps from sourcing and engineering-led cost reductions, and 60 bps from our divested Australia, Asia, South America, and Kysor Warren businesses which collectively had lower margins.

Selling, General and Administrative Expenses

SG&A expenses decreased by $22 million in 2019 compared to 2018. As a percentage of net sales, SG&A expenses decreased 30 bps from 15.7% to 15.4% in the same periods. SG&A decreased primarily due to the sale of our divested Australia, Asia, South America, and Kysor Warren businesses.

Losses (Gains) and Other Expenses, Net

Losses (gains) and other expenses, net for 2019 and 2018 included the following (in millions):

	For the Years Ended December 31,	
	2019	**2018**
Realized losses (gains), net on settled futures contracts	$ 0.4	$ (0.4)
Foreign currency exchange (gains) losses, net	(1.5)	1.7
(Gains) losses on disposal of fixed assets	(0.2)	0.7
Other operating (gains) losses	(1.7)	—
Change in unrealized (gains) losses, net of unsettled futures contracts	(0.5)	1.5
Asbestos-related litigation	3.1	4.0
Special legal contingency charges	1.2	1.9
Environmental liabilities	5.7	2.2
Other items, net	1.8	1.8
Losses (gains) and other expenses, net	$ 8.3	$ 13.4

The realized gains on settled futures contracts in 2018 were attributable to changes in commodity prices relative to our settled futures contract prices, as commodity prices have increased in 2018 relative to 2017. Additionally, the change in unrealized losses, net on unsettled futures contracts was due to lower commodity prices relative to the unsettled futures contract prices. For more information on our derivatives, see Note 10 in the Notes to the Consolidated Financial Statements.

Foreign currency exchange losses increased in 2018 primarily due to weakening in foreign exchange rates in our primary markets. The special legal contingency charges decreased primarily due to lower legal costs associated with outstanding legal settlements. The asbestos-related litigation relates to known and estimated future asbestos matters. The environmental liabilities relate to estimated remediation costs for contamination at some of our facilities. Refer to Note 5 in the Notes to the Consolidated Financial Statements for more information on litigation, including the asbestos-related litigation, and the environmental liabilities.

Restructuring Charges

Restructuring charges were $10.3 million in 2019 compared to $3.0 million in 2018. The charges in 2019 related primarily to activities in the Residential Heating & Cooling segment to close certain Lennox Stores and reduce management and support staff, and activities in the Commercial Heating & Cooling segments to re-align resources and its product portfolio. The charges in 2018 were primarily for projects to realign resources and enhance manufacturing and distribution capabilities. For more information on our restructuring activities, see Note 8 in the Notes to the Consolidated Financial Statements.

Goodwill

We performed a qualitative impairment analysis and noted no indicators of goodwill impairment for the year ended

December 31, 2019. We did not record any goodwill impairments in 2018 or 2019. Refer to Note 10 in the Notes to the Consolidated Financial Statements for more information on goodwill.

Asset Impairment

We did not have any impairments of assets related to continuing operations in 2019 or 2018.

Pension Settlement

In the second and fourth quarters of 2019, we entered into agreements to purchase group annuity contracts and transfer certain pension assets and related pension benefit obligations to Pacific Life Insurance Company. We recognized $99.2 million of pension settlement charges related to these transactions. We did not have significant pension buyout activity in 2018. Refer to Note 11 in the Notes to the Consolidated Financial Statements for more information on pensions and employee benefit plans.

Income from Equity Method Investments

Investments over which we do not exercise control but have significant influence are accounted for using the equity method of accounting. Income from equity method investments was $13 million in 2019 compared to $12 million in 2018. The increase is due to improved operating performance at the joint ventures.

Interest Expense, net

Net interest expense of $48 million in 2019 increased from $38 million in 2018 primarily due to an increase in our average borrowings.

Income Taxes

The income tax provision was $99 million in 2019 compared to $108 million in 2018, and the effective tax rate was 19.5% in 2019 compared to 23.0% in 2018. The 2019 and 2018 effective tax rates differ from the statutory rate of 21% primarily due to state and foreign taxes. Refer to Note 13 in the Notes to the Consolidated Financial Statements for more information on pensions and employee benefit plans. We expect our effective tax rate will be between 21% and 22% in future years, excluding the impact of excess tax benefits. Refer to Note 13 in the Notes to the Consolidated Financial Statements for more information on the impact of recent changes in tax legislation.

Loss from Discontinued Operations

There were no significant losses from discontinued operations in 2019. The $1 million of pre-tax income in 2018 primarily related to changes in retained product liabilities and general liabilities for the Service Experts business sold in 2013 and the Hearth business sold in 2012.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018 - Results by Segment

Residential Heating & Cooling

The following table presents our Residential Heating & Cooling segment's net sales and profit for 2019 and 2018 (dollars in millions):

	For the Years Ended December 31,			
	2019	2018	Difference	% Change
Net sales	$ 2,291.1	$ 2,225.0	$ 66.1	3%
Profit	$ 464.6	$ 399.4	$ 65.2	16%
% of net sales	20.3 %	18.0 %		

Residential Heating & Cooling net sales increased 3% in 2019 compared to 2018. Sales volume increased 1% and price and mix combined increased 2%.

Segment profit in 2019 increased $65 million compared to 2018 due to an incremental $72 million of insurance proceeds for lost profits related to the Marshalltown tornado, $53 million of favorable price, $14 million of sourcing and engineer-led cost reductions, $8 million of lower warranty costs, and $2 million of higher sales volume. Partially offsetting these increases is $28 million of higher freight and distribution expense, $16 million from lower factory efficiency, $12 million of higher SG&A, $11 million of unfavorable mix, $10 million of higher other product costs, $6 million of higher commodities, and $1 million of unfavorable foreign exchange rates.

Commercial Heating & Cooling

The following table presents our Commercial Heating & Cooling segment's net sales and profit for 2019 and 2018 (dollars in millions):

	For the Years Ended December 31,			
	2019	2018	Difference	% Change
Net sales	$ 947.4	$ 900.7	$ 46.7	5%
Profit	$ 165.4	$ 157.5	$ 7.9	5%
% of net sales	17.5 %	17.5 %		

Commercial Heating & Cooling net sales increased 5% in 2019 compared to 2018. Sales volume increased 2% and price and mix combined increased 3%.

Segment profit in 2019 increased $8 million compared to 2018 due to $23 million of higher price and mix combined, $7 million of higher sales volume, and $6 million from sourcing and engineering-led cost reductions. Partially offsetting these increases was $7 million of lower factory efficiency, $6 million of higher warranty and other product costs, $5 million of higher commodities, $4 million of higher freight and distribution expense, $3 million of higher SG&A expense, and $3 million of higher tariffs on Chinese imports.

Refrigeration

The following table presents our Refrigeration segment's net sales and profit for 2019 and 2018 (dollars in millions):

	For the Years Ended December 31,			
	2019	2018	Difference	% Change
Net sales	568.7	758.2	$ (189.5)	(25)%
Profit	61.3	68.1	$ (6.8)	(10)%
% of net sales	10.8 %	9.0 %		

Net sales decreased 25% in 2019 compared to 2018. The loss of sales from the divested Australia, Asia, South America and Kysor Warren businesses contributed 24% and unfavorable foreign currency exchange rates contributed 2%, partially offset by 1% favorable price and mix combined.

Segment profit in 2019 decreased $7 million compared to 2018 due to $5 million of lower factory efficiency, $2 million of higher commodities, $3 million of lower sales of refrigerant allocations in Europe, $3 million of higher warranty and other product costs, $3 million of higher SG&A expenses, $1 million unfavorable foreign currency exchange rates, and $1 million of higher tariffs on Chinese imports. Partially offsetting these decreases was $4 million from higher price and mix combined, $5 million of sourcing and engineering-led cost reductions, and $2 million of higher profit due to the divestiture of Kysor Warren.

Corporate and Other

Corporate and other expenses decreased by $2 million in 2019 compared to 2018 primarily due to lower short-term and long-term incentive compensation.

Accounting for Futures Contracts

Realized gains and losses on settled futures contracts are a component of segment profit (loss). Unrealized gains and losses on unsettled futures contracts are excluded from segment profit (loss) as they are subject to changes in fair value until their settlement date. Both realized and unrealized gains and losses on futures contracts are a component of Losses (gains) and other expenses, net in the accompanying Consolidated Statements of Operations. See Note 10 of the Notes to Consolidated Financial Statements for more information on our derivatives and Note 3 of the Notes to the Consolidated Financial Statements for more information on our segments and for a reconciliation of segment profit to operating income.

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 years ended December 31, 2020, 2019 and 2018 (in millions):

	2020	2019	2018
Net cash provided by operating activities	$ 612.4	$ 396.1	$ 495.5
Net cash (used in) provided by investing activities	(79.7)	15.9	30.5
Net cash used in financing activities	$ (441.8)	$ (423.4)	$ (537.8)

Net Cash Provided by Operating Activities - Net cash provided by operating activities increased $216 million to $612 million in 2020 compared to $396 million in 2019. The increase was primarily attributable to a decrease in working capital partially offset by a decrease in net income.

Net Cash (Used in) Provided by Investing Activities - The net change in investing activities of $96 million were attributable to absence of cash inflows from insurance proceeds of $80 million to fund capital expenditures for the reconstruction of our Marshalltown facility and $44 million of proceeds for the sales of our Kysor Warren business in 2019. Capital expenditures were $79 million, $106 million and $95 million in 2020, 2019 and 2018, respectively. Capital expenditures in 2020 were primarily related to the expansion of our manufacturing capacity and equipment and investments in systems and software to support the overall enterprise.

Net Cash Used in Financing Activities - Net cash used in financing activities increased to $442 million in 2020 from $423 million in 2019. The increase is due to a decrease in borrowings and an increase in payments on our debt facilities, partially offset by lower share repurchases in 2020. During 2020 we repurchased $100 million of shares compared to $400 million of shares in 2019. We also returned $118 million to shareholders through dividend payments in 2020. For additional information on share repurchases, refer to Note 6 in the Notes to the Consolidated Financial Statements.

Debt Position

The following table details our lines of credit and financing arrangements as of December 31, 2020 (in millions):

		Outstanding Borrowings
Current maturities of long-term debt:		
Asset Securitization Program [(1)]	$	—
Capital lease obligations		10.1
Domestic credit facility [(2)]		—
Debt issuance costs		(0.2)
Total current maturities of long-term debt	$	9.9
Long-term debt:		
Capital lease obligations	$	29.3
Domestic credit facility [(2)]		—
Senior unsecured notes		950.0
Debt issuance costs		(8.6)
Total long-term debt		970.7
Total debt	$	980.6

[(1)] The maximum securitization amount ranges from $250.0 million to $400.0 million, depending on the period. The maximum capacity of the Asset Securitization Program ("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 14 in the Notes to the Consolidated Financial Statements for more details.

[(2)] The total capacity on the facility is $750.0 million. The amount available future borrowings on our domestic credit facility are $748 million after being reduced by the outstanding borrowings and $2 million in outstanding standby letters of credit as of December 31, 2020.

Financial Leverage

We periodically review our capital structure, including our primary bank facility, to ensure the appropriate levels of liquidity and leverage and to take advantage of favorable interest rate environments or other market conditions. We consider various other financing alternatives and may, from time to time, access the capital markets.

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 Plans. Our debt-to-total-capital ratio increased to 102% at December 31, 2020 compared to 117% at December 31, 2019. The decrease in the ratio in 2020 is primarily due to the decrease in total debt.

As of December 31, 2020, our senior credit ratings were Baa3 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 $124 million, future cash generated from operations and available future borrowings are sufficient to fund our operations, planned capital expenditures, future contractual obligations, share repurchases, anticipated dividends and other needs in the foreseeable future. Included in our cash and cash equivalents as of December 31, 2020 was $59 million of cash held in foreign locations, although that amount can fluctuate significantly depending on the timing of cash receipts and payments. 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.

No contributions are required to be made to our U.S. defined benefit plans in 2021. We made $3 million in total contributions to pension plans in 2020.

Dividend payments were $118 million in 2020 compared to $111 million in 2019. On May 22, 2019, our Board of Directors approved a 20% increase in our quarterly dividend on common stock from $0.64 to $0.77 per share effective with the July 2019 dividend payment. The quarterly dividend on common stock was $0.77 for all payments during 2020.

We also continued to increase shareholder value through our Share Repurchase Plans. We returned $100 million to our investors through share repurchases in 2020. Our Board of Directors authorized an incremental $500 million of share repurchases in December 2019, and we had $446 million of repurchases available under the Share Repurchase Plans at December 31, 2020. We expect to repurchase $400 million of shares in 2021.

We expect capital expenditures of approximately $135 million in 2021.

Financial Covenants related to our Debt

Our domestic credit facility is guaranteed by certain of our subsidiaries and contains financial covenants relating to leverage and interest coverage. Other covenants contained in the domestic credit facility restrict, among other things, certain mergers, asset dispositions, guarantees, debt, liens, and affiliate transactions. The financial covenants require us to maintain a defined Consolidated Indebtedness to Adjusted EBITDA Ratio and a Cash Flow (defined as EBITDA minus capital expenditures) to Interest Expense Ratio. The required ratios under our domestic credit facility are detailed below:

Consolidated Indebtedness to Adjusted EBITDA Ratio no greater than	3.5 : 1.0
Cash Flow to Interest Expense Ratio no less than	3.0 : 1.0

Our domestic credit facility contains customary events of default. These events of default include nonpayment of principal or other amounts, material inaccuracy of representations and warranties, breach of covenants, default on certain other indebtedness or receivables securitizations (cross default), certain voluntary and involuntary bankruptcy events and the occurrence of a change in control. A cross default under our credit facility could occur if:

- We fail to pay any principal or interest when due on any other indebtedness or receivables securitization exceeding $75.0 million; or
- We are in default in the performance of, or compliance with any term of any other indebtedness or receivables securitization in an aggregate principal amount exceeding $75.0 million, or any other condition exists which would give the holders the right to declare such indebtedness due and payable prior to its stated maturity.

Each of our major debt agreements contains provisions by which a default under one agreement causes a default in the others (a cross default). If a cross default under our domestic credit facility, our senior unsecured notes, or our ASP were to occur, it could have a wider impact on our liquidity than might otherwise occur from a default of a single debt instrument or lease commitment.

If any event of default occurs and is continuing, the administrative agent, or lenders with a majority of the aggregate commitments may require the administrative agent to, terminate our right to borrow under our domestic credit facility and accelerate amounts due under our domestic credit facility (except for a bankruptcy event of default, in which case such amounts will automatically become due and payable and the lenders' commitments will automatically terminate).

In the event of a credit rating downgrade below investment grade resulting from a change of control, holders of our senior unsecured notes will have the right to require us to repurchase all or a portion of the senior unsecured notes at a repurchase price equal to 101% of the principal amount of the notes, plus accrued and unpaid interest, if any. The notes are guaranteed, on a senior unsecured basis, by each of our subsidiaries that guarantee payment by us of any indebtedness under our domestic credit facility. 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; enter into certain mergers, consolidations and transfers of substantially all of our assets; and transfer certain properties. The indenture also contains a cross default provision which is triggered if we default on other debt of at least $75 million in principal which is then accelerated, and such acceleration is not rescinded within 30 days of the notice date.

As of December 31, 2020, we believe we were in compliance with all covenant requirements. Delaware law limits the ability to pay dividends to surplus or, if there is no surplus, out of net profits for the fiscal year in which the dividend is declared

and/or the preceding fiscal year. In addition, stock repurchases can only be made out of surplus and only if our capital would not be impaired.

Leasing Commitments

Refer to Note 5 in the Notes to the Consolidated Financial Statements for more details on our leasing commitments.

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.

The following combined Parent and Guarantor Subsidiaries financial information is presented as of and for the years ended December 31, 2020 and 2019 (in millions):

	As of December 31, 2020	As of December 31, 2019
Current assets	$ 538.1	$ 594.5
Non-current assets	$ 2,975.5	$ 2,297.8
Current liabilities	$ 588.0	$ 619.7
Non-current liabilities	$ 1,318.7	$ 1,169.4
Amounts due to non-guarantor subsidiaries	$ (303.8)	$ (339.2)

	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Net sales	$ 3,358.0	$ 3,479.8
Gross profit	$ 981.5	$ 966.6
Income from continuing operations	$ 721.7	$ 828.4
Net income	$ 721.7	$ 828.4
Net sales to non-guarantor subsidiaries	$ 245.5	$ 228.3

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.

Contractual Obligations

Summarized below are our contractual obligations as of December 31, 2020 and their expected impact on our liquidity and cash flows in future periods (in millions):

	Payments Due by Period				
	Total	1 Year or Less	1 - 3 Years	3 - 5 Years	More than 5 Years
Total long-term debt obligations [1]	$ 989.4	$ 10.1	$ 364.2	$ 303.4	$ 311.7
Estimated interest payments on existing debt obligations [2]	83.1	20.1	38.3	16.6	8.1
Operating leases	210.4	59.8	94.1	39.7	16.8
Purchase obligations [3]	37.8	37.8	—	—	—
Total contractual obligations	$ 1,320.7	$ 127.8	$ 496.6	$ 359.7	$ 336.6

(1) Contractual obligations related to finance leases are included as part of long-term debt. See Note 14 for more information related to our long-term debt.
(2) Estimated interest payments are based on current contractual requirements and do not reflect seasonal changes in the balance of our domestic credit facility.
(3) Purchase obligations consist of inventory that is part of our third party logistics programs.

The table above does not include pension, post-retirement benefit and warranty liabilities because it is not certain when these liabilities will be funded. For additional information regarding our contractual obligations, see Note 5 of the Notes to the Consolidated Financial Statements. See Note 11 of the Notes to the Consolidated Financial Statements for more information on our pension and post-retirement benefits obligations.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date and requires consideration of our creditworthiness when valuing certain liabilities. Our framework for measuring fair value is based on a three-level hierarchy for fair value measurements.

The three-level fair value hierarchy for disclosure of fair value measurements is defined as follows:

Level 1 - Quoted prices for *identical* instruments in active markets at the measurement date.

Level 2 - Quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are *observable* in active markets at the measurement date and for the anticipated term of the instrument.

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are *unobservable* inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Where available, the fair values were based upon quoted prices in active markets. However, if quoted prices were not available, then the fair values were based upon quoted prices for similar assets or liabilities or independently sourced market parameters, such as credit default swap spreads, yield curves, reported trades, broker/dealer quotes, interest rates and benchmark securities. For assets and liabilities without observable market activity, if any, the fair values were based upon discounted cash flow methodologies incorporating assumptions that, in our judgment, reflect the assumptions a marketplace participant would use. Valuation adjustments to reflect either party's creditworthiness and ability to pay were incorporated into our valuations, where appropriate, as of December 31, 2020 and 2019, the measurement dates. See Note 17 of the Notes to the Consolidated Financial Statements for more information on the assets and liabilities measured at fair value.

Market Risk

Commodity Price Risk

We enter into commodity futures contracts to stabilize prices expected to be paid for raw materials and parts containing high copper and aluminum content. These contracts are for quantities equal to or less than quantities expected to be consumed in future production. Fluctuations in metal commodity prices impact the value of the futures contracts that we hold. When metal commodity prices rise, the fair value of our futures contracts increases. Conversely, when commodity prices fall, the fair value of our futures contracts decreases. Information about our exposure to metal commodity price market risks and a sensitivity analysis related to our metal commodity hedges is presented below (in millions):

Notional amount (pounds of aluminum and copper)		56.9
Carrying amount and fair value of net asset	$	10.5
Change in fair value from 10% change in forward prices	$	9.2

Refer to Note 10 of the Notes to the Consolidated Financial Statements for additional information regarding our commodity futures contracts.

Interest Rate Risk

Our results of operations can be affected by changes in interest rates due to variable rates of interest on our debt facilities, cash, cash equivalents and short-term investments. A 10% adverse movement in the levels of interest rates across the entire yield curve would have resulted in an increase to pre-tax interest expense of approximately $1.3 million, $3.9 million and $2.7 million for the years ended December 31, 2020, 2019 and 2018, respectively.

From time to time, we may use an interest rate swap hedging strategy to eliminate the variability of cash flows in a portion of our interest payments. This strategy, when employed, allows us to fix a portion of our interest payments while also taking advantage of historically low interest rates. As of December 31, 2020 and 2019, no interest rate swaps were in effect.

Foreign Currency Exchange Rate Risk

Our results of operations are affected by changes in foreign currency exchange rates. Net sales and expenses in foreign currencies are translated into U.S. dollars for financial reporting purposes based on the average exchange rate for the period. During 2020, 2019 and 2018, net sales from outside the U.S. represented 13.0%, 13.2% and 18.5% , respectively, of our total net sales. For the years ended December 31, 2020, 2019, and 2018, foreign currency transaction gains and losses did not have a material impact to our results of operations. A 10% change in foreign exchange rates would have had an estimated $0.6 million, $4.2 million and $2.1 million impact to net income for the years ended December 31, 2020, 2019 and 2018, respectively.

We seek to mitigate the impact of currency exchange rate movements on certain short-term transactions by periodically entering into foreign currency forward contracts. By entering into forward contracts, we lock in exchange rates that would otherwise cause losses should the U.S. dollar appreciate and gains should the U.S. dollar depreciate. Refer to Note 10 of the Notes to the Consolidated Financial Statements for additional information regarding our foreign currency forward contracts.

Critical Accounting Estimates

A critical accounting estimate is one that requires difficult, subjective or complex estimates and assessments and is fundamental to our results of operations and financial condition. The following describes our critical accounting estimate related to product warranties and product-related contingencies and how we develop our judgments, assumptions and estimates about future events and how such policies can impact our financial statements. This discussion and analysis should be read in conjunction with our Consolidated Financial Statements and related Notes in “Item 8. Financial Statements and Supplementary Data.”

Product Warranties and Product-Related Contingencies

The estimate of our liability for future warranty costs requires us to make assumptions about the amount, timing and nature of future product-related costs. Some of the warranties we issue extend 10 years or more in duration and a relatively small adjustment to an assumption may have a significant impact on our overall liability.

From time to time, we may also incur costs to repair or replace installed products experiencing quality issues in order to satisfy our customers and protect our brand. These product-related costs may not be covered under our warranties and are not covered by insurance.

We periodically review the assumptions used to determine the liabilities for product warranties and product-related contingencies and we adjust our assumptions based upon factors such as actual failure rates and cost experience. Numerous factors could affect actual failure rates and cost experience, including the amount and timing of new product introductions, changes in manufacturing techniques or locations, components or suppliers used. Should actual costs differ from our estimates, we may be required to adjust the liabilities and to record expense in future periods. See Note 5 in the Notes to the Consolidated Financial Statements for more information on our product warranties and product-related contingencies.

Recent Accounting Pronouncements

See Note 2 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 7A. *Quantitative and Qualitative Disclosures About Market Risk*

The information required by this item is included under the caption “Market Risk” in Item 7 above.

Item 8. ***Financial Statements and Supplementary Data***

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. As defined by the Securities and Exchange Commission, internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Consolidated Financial Statements in accordance with U.S. generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, including our Chief Executive Officer and Chief Financial Officer, has undertaken an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included an evaluation of the design of the Company's internal control over financial reporting and testing of the operational effectiveness of those controls.

Based on this assessment, management concluded that as of December 31, 2020, the Company's internal control over financial reporting was effective.

KPMG LLP, the independent registered public accounting firm that audited the Company's Consolidated Financial Statements, has issued an audit report including an opinion on the effectiveness of our internal control over financial reporting as of December 31, 2020, a copy of which is included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
Lennox International Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Lennox International Inc. and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive (loss) income, stockholders' (deficit) equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes and Schedule II – Valuation and Qualifying Accounts and Reserves (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for leases as of January 1, 2019 due to the adoption of Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, as amended.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and

expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgment. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Evaluation of the product warranty liability

As discussed in Notes 2 and 5 to the consolidated financial statements, the Company provides a product warranty for certain of its products with the warranty period generally ranging from one to 20 years. The product warranty liability is estimated by product category based on the estimated future costs to repair or replace the products under warranty. The Company's product warranty liability was $120 million as of December 31, 2020. We identified the evaluation of the product warranty liability as a critical audit matter. Assessing the assumptions used to estimate the product warranty liability, specifically, the estimated failure rates by product by year, and estimated cost per failure, involved subjective and complex auditor judgment.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's estimate of the future failure rates by product category and controls to estimate the cost of failures by product category for products subject to warranty. We assessed the estimated future failure rates by product category and the estimated cost per failure by product category used in the estimation of the product warranty liability by comparing them to the Company's underlying historical data. We tested a sample of the historical data used as the basis for these assumptions by comparing to the relevant underlying documentation.

/s/ KPMG LLP

We have served as the Company's auditor since 2002.

Dallas, Texas
February 16, 2021

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In millions, except shares and par values)

	As of December 31,	
	2020	2019
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 123.9	$ 37.3
Short-term investments	5.1	2.9
Accounts and notes receivable, net of allowances of $9.6 and $6.1 in 2020 and 2019, respectively	448.3	477.8
Inventories, net	439.4	544.1
Other assets	70.9	58.8
Total current assets	1,087.6	1,120.9
Property, plant and equipment, net of accumulated depreciation of $880.6 and $824.3 in 2020 and 2019, respectively	464.3	445.4
Right-of-use assets from operating leases	194.4	181.6
Goodwill	186.9	186.5
Deferred income taxes	13.2	21.5
Other assets, net	86.1	79.0
Total assets	$ 2,032.5	$ 2,034.9
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Current maturities of long-term debt	9.9	321.9
Current operating lease liabilities	55.0	52.7
Accounts payable	340.3	372.4
Accrued expenses	296.1	255.7
Total current liabilities	701.3	1,002.7
Long-term debt	970.7	849.3
Long-term operating lease liabilities	142.8	131.0
Pensions	92.5	87.4
Other liabilities	142.3	134.7
Total liabilities	2,049.6	2,205.1
Commitments and contingencies		
Stockholders' deficit:		
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	1,113.2	1,093.5
Retained earnings	2,385.8	2,148.7
Accumulated other comprehensive loss	(97.2)	(103.8)
Treasury stock, at cost, 48,820,969 shares and 48,575,901 shares for 2020 and 2019, respectively	(3,419.8)	(3,309.5)
Total stockholders' deficit	(17.1)	(170.2)
Total liabilities and stockholders' deficit	$ 2,032.5	$ 2,034.9

The accompanying notes are an integral part of these Consolidated Financial Statements.

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data)

	For the Years Ended December 31,		
	2020	**2019**	**2018**
Net sales	**$ 3,634.1**	**$ 3,807.2**	**$ 3,883.9**
Cost of goods sold	2,594.0	2,727.4	2,772.7
Gross profit	1,040.1	1,079.8	1,111.2
Operating expenses:			
Selling, general and administrative expenses	555.9	585.9	608.2
Losses (gains) and other expenses, net	7.4	8.3	13.4
Restructuring charges	10.8	10.3	3.0
Loss (gain), net on sale of businesses and related property	—	10.6	27.0
Loss (gain) from natural disasters, net of insurance recoveries	3.1	(178.8)	(38.3)
Income from equity method investments	(15.6)	(13.4)	(12.0)
Operating income	**478.5**	**656.9**	**509.9**
Pension settlements	0.6	99.2	0.4
Interest expense, net	28.3	47.5	38.3
Other expense (income), net	4.4	2.3	3.3
Income from continuing operations before income taxes	445.2	507.9	467.9
Provision for income taxes	88.1	99.1	107.6
Income from continuing operations	357.1	408.8	360.3
Discontinued operations:			
(Loss) income from discontinued operations before income taxes	(1.5)	(0.1)	0.8
Income tax (benefit) expense	(0.7)	—	2.1
Loss from discontinued operations	(0.8)	(0.1)	(1.3)
Net income	**$ 356.3**	**$ 408.7**	**$ 359.0**
Earnings per share – Basic:			
Income from continuing operations	$ 9.32	$ 10.49	$ 8.87
Loss from discontinued operations	(0.02)	—	(0.03)
Net income	$ 9.30	$ 10.49	$ 8.84
Earnings per share – Diluted:			
Income from continuing operations	$ 9.26	$ 10.38	$ 8.77
Loss from discontinued operations	(0.02)	—	(0.03)
Net income	$ 9.24	$ 10.38	$ 8.74
Weighted Average Number of Shares Outstanding - Basic	38.3	39.0	40.6
Weighted Average Number of Shares Outstanding - Diluted	38.6	39.4	41.1

The accompanying notes are an integral part of these Consolidated Financial Statements.

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(In millions)

	For the Years Ended December 31,		
	2020	**2019**	**2018**
Net income	$ 356.3	$ 408.7	$ 359.0
Other comprehensive income (loss):			
Foreign currency translation adjustments	0.8	3.7	(16.9)
Reclassification of foreign currency translation adjustments into earnings	—	2.1	27.9
Net change in pension and post-retirement benefit liabilities	(8.7)	(7.1)	(14.2)
Net change in fair value of cash flow hedges	7.0	1.3	(13.6)
Reclassification of pension and post-retirement benefit losses into earnings	5.9	5.7	9.3
Pension settlements	0.6	99.2	0.4
Change in fair value of available-for-sale marketable equity securities	—	—	(1.8)
Share of equity method investments other comprehensive income	(1.2)	—	—
Reclassification of cash flow hedge losses into earnings	3.7	6.9	(6.1)
Other comprehensive income (loss) before taxes	$ 8.1	$ 111.8	$ (15.0)
Tax expense	(1.5)	(26.8)	(16.4)
Other comprehensive income (loss), net of tax	6.6	85.0	(31.4)
Comprehensive income	$ 362.9	$ 493.7	$ 327.6

The accompanying notes are an integral part of these Consolidated Financial Statements.

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY
For the Years Ended December 31, 2020, 2019 and 2018
(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) Equity
					Shares	Amount	
Balance as of December 31, 2017	$ 0.9	$ 1,061.5	$ 1,575.9	$ (157.4)	45.4	$ (2,430.8)	$ 50.1
Cumulative effect adjustment upon adoption of new accounting standards (ASU 2016-16, ASU 2018-02 and ASC 606)	—	—	16.5	(22.7)	—	—	(6.2)
Net income	—	—	359.0	—	—	—	359.0
Dividends, $2.43 per share	—	—	(98.2)	—	—	—	(98.2)
Foreign currency translation adjustments	—	—	—	11.0	—	—	11.0
Pension and post-retirement liability changes, net of tax benefit of $1.6	—	—	—	(2.8)	—	—	(2.8)
Sale of marketable equity securities	—	—	1.8	(1.8)	—	—	—
Stock-based compensation expense	—	26.3	—	—	—	—	26.3
Change in cash flow hedges, net of tax benefit of $4.7	—	—	—	(15.1)	—	—	(15.1)
Treasury shares reissued for common stock	—	(9.0)	—	—	(0.4)	12.4	3.4
Treasury stock purchases	—	—	—	—	2.3	(477.1)	(477.1)
Balance as of December 31, 2018	0.9	1,078.8	1,855.0	(188.8)	47.3	(2,895.5)	(149.6)
Cumulative effect adjustment upon adoption of new accounting standard (ASC 842)			(0.3)				(0.3)
Net income	—	—	408.7	—	—	—	408.7
Dividends, $2.95 per share	—	—	(114.7)	—	—	—	(114.7)
Foreign currency translation adjustments	—	—	—	5.8	—	—	5.8
Pension and post-retirement liability changes, net of tax expense of $24.8	—	—	—	73.0	—	—	73.0
Stock-based compensation expense	—	21.3	—	—	—	—	21.3
Change in cash flow hedges, net of tax expense of $2.0	—	—	—	6.2	—	—	6.2
Treasury shares reissued for common stock	—	(6.6)	—	—	(0.3)	10.0	3.4
Treasury stock purchases	—	—	—	—	1.6	(424.0)	(424.0)
Balance as of December 31, 2019	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 (ASU 2016-13)	—	—	(1.3)	—	—	—	(1.3)
Net income	—	—	356.3	—	—	—	356.3
Dividends, $3.08 per share	—	—	(117.9)	—	—	—	(117.9)
Foreign currency translation adjustments	—	—	—	0.8	—	—	0.8
Pension and post-retirement liability changes, net of tax benefit of $1.0	—	—	—	(1.2)	—	—	(1.2)
Share of equity method investments other comprehensive income	—	—	—	(1.2)	—	—	(1.2)
Stock-based compensation expense	—	24.3	—	—	—	—	24.3
Change in cash flow hedges, net of tax expense of $2.5	—	—	—	8.2	—	—	8.2
Treasury shares reissued for common stock	—	(4.6)	—	—	(0.3)	7.6	3.0
Treasury stock purchases	—	—	—	—	0.5	(117.9)	(117.9)
Balance as of December 31, 2020	$ 0.9	$ 1,113.2	$ 2,385.8	$ (97.2)	48.8	$ (3,419.8)	$ (17.1)

The accompanying notes are an integral part of these Consolidated Financial Statements.

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020, 2019 and 2018
(In millions)

	2020	2019	2018
Cash flows from operating activities:			
Net income	$ 356.3	$ 408.7	$ 359.0
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss on sale of business	—	10.6	27.0
Insurance recoveries received for property damage incurred from natural disaster	—	(79.6)	(10.9)
Income from equity method investments	(15.6)	(13.4)	(12.0)
Dividends from affiliates	12.3	12.3	9.6
Restructuring expenses, net of cash paid	3.4	6.8	1.3
Provision for bad debts	8.1	4.5	4.7
Unrealized losses (gains), net on derivative contracts	0.3	(0.5)	1.3
Stock-based compensation expense	24.3	21.3	26.3
Depreciation and amortization	72.6	71.1	66.0
Deferred income taxes	7.2	16.6	25.2
Pension expense	10.5	106.1	8.8
Pension contributions	(3.3)	(1.8)	(20.6)
Other items, net	0.2	(0.4)	5.1
Changes in assets and liabilities, net of effects of acquisitions and divestitures:			
Accounts and notes receivable	26.5	(33.1)	(9.9)
Inventories	110.3	(63.9)	(84.2)
Other current assets	5.3	2.8	(0.2)
Accounts payable	(31.7)	(56.1)	102.2
Accrued expenses	35.4	(5.6)	5.9
Income taxes payable and receivable	(5.7)	(1.9)	(5.5)
Leases, net	2.1	2.1	—
Other, net	(6.1)	(10.5)	(3.6)
Net cash provided by operating activities	612.4	396.1	495.5
Cash flows from investing activities:			
Proceeds from the disposal of property, plant and equipment	1.0	1.3	0.1
Purchases of property, plant and equipment	(78.5)	(105.6)	(95.2)
Purchases of short-term investments	(2.2)	(2.9)	—
Net proceeds from sale of business	—	43.5	114.7
Insurance recoveries received for property damage incurred from natural disaster	—	79.6	10.9
Net cash (used in) provided by investing activities	(79.7)	15.9	30.5
Cash flows from financing activities:			
Short-term debt payments	(4.6)	(5.3)	(40.3)
Short-term debt proceeds	4.6	5.3	40.3
Asset securitization borrowings	91.0	184.5	155.0
Asset securitization payments	(376.0)	(167.5)	(163.0)
Long-term debt borrowings	600.0	—	—
Long-term debt payments	(10.8)	(6.4)	(3.0)
Borrowings from credit facility	1,576.0	2,367.0	2,435.9
Payments on credit facility	(2,081.5)	(2,269.5)	(2,395.0)
Payments of deferred financing costs	(7.5)	(0.3)	—
Proceeds from employee stock purchases	3.0	3.3	3.3
Repurchases of common stock	(100.0)	(400.0)	(450.2)
Repurchases of common stock to satisfy employee withholding tax obligations	(17.9)	(24.0)	(26.9)
Cash dividends paid	(118.1)	(110.5)	(93.9)
Net cash used in financing activities	(441.8)	(423.4)	(537.8)
Increase (decrease) in cash and cash equivalents	90.9	(11.4)	(11.8)
Effect of exchange rates on cash and cash equivalents	(4.3)	2.4	(10.1)
Cash and cash equivalents, beginning of year	37.3	46.3	68.2
Cash and cash equivalents, end of year	$ 123.9	$ 37.3	$ 46.3
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest, net	$ 25.3	$ 46.8	$ 38.7
Income taxes (net of refunds)	$ 90.3	$ 83.0	$ 90.0
Insurance recoveries received	$ —	$ 243.2	$ 124.3

The accompanying notes are an integral part of these Consolidated Financial Statements.

1. Nature of Operations:

Lennox International Inc., a Delaware corporation, through its subsidiaries (referred to herein as “we,” “our,” “us,” “LII,” or the “Company”), is a leading global provider of climate control solutions. We design, manufacture, market and service a broad range of products for the heating, ventilation, air conditioning and refrigeration (“HVACR”) markets and sell our products and services through a combination of direct sales, distributors and company-owned parts and supplies stores. We operate in three reportable business segments: Residential Heating & Cooling, Commercial Heating & Cooling, and Refrigeration. See Note 3 for financial information regarding our reportable segments.

2. Summary of Significant Accounting Policies:

Principles of Consolidation

The consolidated financial statements include the accounts of Lennox International Inc. and our majority-owned subsidiaries. All intercompany transactions, profits and balances have been eliminated.

Cash and Cash Equivalents

We consider all highly liquid temporary investments with original maturity dates of three months or less to be cash equivalents. Cash and cash equivalents consisted primarily of bank deposits.

Short term Investments

Short-term investments include all investments, exclusive of cash equivalents, with a stated maturity date of one year or less from the balance sheet date and are expected to be used in current operations.

Accounts and Notes Receivable

Accounts and notes receivable are shown in the accompanying Consolidated Balance Sheet, net of allowance for doubtful accounts. The allowance for doubtful accounts is generally established during the period in which receivables are recognized and is based on the age of the receivables and management’s judgment on our ability to collect. Management considers the historical trends of write-offs and recoveries of previously written-off accounts, the financial strength of customers and projected economic and market conditions. We determine the delinquency status of receivables predominantly based on contractual terms and we write-off uncollectible receivables after management’s review of our ability to collect, as noted above. We have no significant concentrations of credit risk within our accounts and notes receivable.

Inventories

Inventory costs include material, labor, depreciation and plant overhead. Inventories of $280.5 million and $360.7 million as of December 31, 2020 and 2019, respectively, were valued at the lower of cost or net realizable value using the last-in, first-out (“LIFO”) cost method. The remainder of inventory is valued at the lower of cost or net realizable value with cost determined primarily using either the first-in, first-out (“FIFO”) or average cost methods.

We elected to use the LIFO cost method for our domestic manufacturing companies in 1974 and continued to elect the LIFO cost method for new operations through the late 1980s. The types of inventory costs that use LIFO include raw materials, purchased components, work-in-process, repair parts and finished goods. Since the late 1990s, we have adopted the FIFO cost method for all new domestic manufacturing operations (primarily acquisitions). Our operating entities with a previous LIFO election continue to use the LIFO cost method. We use the FIFO cost method for our foreign-based manufacturing facilities. See Note 10 for more information on our inventories.

Property, Plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation. Expenditures that increase the utility or extend the useful lives of fixed assets are capitalized while expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements:	
Buildings and improvements	2 to 40 years
Leasehold improvements	1 to 39 years
Machinery and equipment:	
Computer hardware	3 to 5 years
Computer software	3 to 10 years
Factory machinery and equipment	1 to 15 years
Research and development equipment	3 to 5 years
Vehicles	3 to 10 years

We periodically review long-lived assets for impairment as events or changes in circumstances indicate that the carrying amount of such assets might not be recoverable. To assess recoverability, we compare the estimated expected future undiscounted cash flows identified with each long-lived asset or related asset group to the carrying amount of such assets. If the expected future cash flows do not exceed the carrying value of the asset or assets being reviewed, an impairment loss is recognized based on the excess of the carrying amount of the impaired assets over their fair value. See Note 10 for additional information on our property, plant and equipment.

Goodwill

Goodwill represents the excess of cost over fair value of assets from acquired businesses. Goodwill is not amortized, but is reviewed for impairment annually and whenever events or changes in circumstances indicate the asset may be impaired. See Note 10 for additional information on our goodwill.

The provisions of the accounting standard for goodwill allow us to first assess qualitative factors to determine whether it is necessary to perform a quantitative goodwill impairment test. As part of our qualitative assessment, we monitor economic, legal, regulatory and other factors, industry trends, our market capitalization, recent and forecasted financial performance of our reporting units and the timing and nature of our restructuring activities for LII as a whole and for each reporting unit.

If a quantitative goodwill impairment test is determined to be necessary, we estimate reporting unit fair values using a combination of the discounted cash flow approach and a market approach. The discounted cash flows used to estimate fair value are based on assumptions regarding each reporting unit's estimated projected future cash flows and the estimated weighted-average cost of capital that a market participant would use in evaluating the reporting unit in a purchase transaction. The estimated weighted-average cost of capital is based on the risk-free interest rate and other factors such as equity risk premiums and the ratio of total debt to equity capital. In performing these impairment tests, we take steps to ensure that appropriate and reasonable cash flow projections and assumptions are used. We reconcile our estimated enterprise value to our market capitalization and determine the reasonableness of the cost of capital used by comparing to market data. We also perform sensitivity analyses on the key assumptions used, such as the weighted-average cost of capital and terminal growth rates. The market approach is based on objective evidence of market values.

Intangible Assets

We amortize intangible assets and other assets with finite lives over their respective estimated useful lives to their estimated residual values, as follows:

Asset	**Useful Life**
Customer relationships	Straight-line method up to 12 years
Patents and others	Straight-line method up to 20 years

We periodically review intangible assets with estimable useful lives for impairment as events or changes in circumstances indicate that the carrying amount of such assets might not be recoverable. We assess recoverability by comparing the estimated expected undiscounted future cash flows identified with each intangible asset or related asset group to the carrying amount of such assets. If the expected future cash flows do not exceed the carrying value of the asset or assets being reviewed, an impairment loss is recognized based on the excess of the carrying amount of the impaired assets over their fair value. In

assessing the fair value of these intangible assets, we must make assumptions that a market participant would make regarding estimated future cash flows and other factors to determine the fair value of the respective assets. If these estimates or the related assumptions change, we may be required to record impairment charges for these assets in the future.

We review our indefinite-lived intangible assets for impairment annually in the fourth quarter and whenever events or changes in circumstances indicate the asset may be impaired. The provisions of the accounting standard for indefinite-lived intangible assets allow us to first assess qualitative factors to determine whether it is necessary to perform a quantitative impairment test. As part of our qualitative assessment, we monitor economic, legal, regulatory and other factors, industry trends, recent and forecasted financial performance of our reporting units and the timing and nature of our restructuring activities for LII as a whole and as they relate to the fair value of the assets.

Product Warranties

For some of our heating, ventilation and air conditioning ("HVAC") products, we provide warranty terms ranging from one to 20 years to customers for certain components such as compressors or heat exchangers. For select products, we also provide limited lifetime warranties. A liability for estimated warranty expense is recorded on the date that revenue is recognized. Our estimates of future warranty costs are determined by product category. The number of units we expect to repair or replace is determined by applying an estimated failure rate, which is generally based on historical experience, to the number of units that were sold and are still under warranty. In most cases, the estimated units to be repaired under warranty are multiplied by the estimated cost of replacement parts to determine the estimated future warranty cost. We do not discount product warranty liabilities as the amounts are not fixed and the timing of future cash payments is neither fixed nor reliably determinable. We also provide for specifically-identified warranty obligations. Estimated future warranty costs are subject to adjustment depending on changes in actual failure rate and cost experience. Subsequent costs incurred for warranty claims serve to reduce the accrued product warranty liability. See Note 5 for more information on our estimated future warranty costs.

Pensions and Post-retirement Benefits

We provide pension and post-retirement medical benefits to eligible domestic and foreign employees and we recognize pension and post-retirement benefit costs over the estimated service life or average life expectancy of those employees. We also recognize the funded status of our benefit plans, as measured at year-end by the difference between plan assets at fair value and the benefit obligation, in the Consolidated Balance Sheet. Changes in the funded status are recognized in the year in which the changes occur through Accumulated other comprehensive loss ("AOCL"). Actuarial gains or losses are amortized into net period benefit cost over the estimated service life of covered employees or average life expectancy of participants depending on the plan.

The benefit plan assets and liabilities reflect assumptions about the long-range performance of our benefit plans. Should actual results differ from management's estimates, revisions to the benefit plan assets and liabilities would be required. See Note 11 for information regarding those estimates and additional disclosures on pension and post-retirement medical benefits.

Self-Insurance

Self-insurance expense and liabilities were actuarially determined based primarily on our historical claims information, industry factors, and trends. The self-insurance liabilities as of December 31, 2020 represent the best estimate of the future payments to be made on reported and unreported losses for 2020 and prior years. The amounts and timing of payments for claims reserved may vary depending on various factors, including the development and ultimate settlement of reported and unreported claims. To the extent actuarial assumptions change and claims experience rates differ from historical rates, our liabilities may change. See Note 5 for additional information on our self-insured risks and liabilities.

Derivatives

We use futures contracts, forward contracts and fixed forward contracts to mitigate our exposure to volatility in metal commodity prices and foreign exchange rates. We hedge only exposures in the ordinary course of business and do not hold or trade derivatives for profit. All derivatives are recognized in the Consolidated Balance Sheet at fair value and the classification of each derivative instrument is based upon whether the maturity of the instrument is less than or greater than 12 months. See Note 10 for more information on our derivatives.

Income Taxes

We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. Unrecognized tax benefits are accounted for as required by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 740. See Note 13 for more information related to income taxes.

Revenue Recognition

Our revenue recognition practices for the sale of goods depend upon the shipping terms for each transaction. Shipping terms are primarily FOB Shipping Point and, therefore, revenue is recognized for these transactions when products are shipped to customers and title and control passes. Certain customers in our smaller operations, primarily outside of North America, have shipping terms where risks and rewards of ownership do not transfer until the product is delivered to the customer. For these transactions, revenue is recognized on the date that the product is received and accepted by such customers. We experience returns for miscellaneous reasons and record a reserve for these returns at the time we recognize revenue based on historical experience. Our historical rates of return are insignificant as a percentage of sales. We also recognize revenue net of sales taxes. We have elected to recognize the revenue and cost for freight and shipping when control over the sale of goods passes to our customers. See Note 9 for more information on our revenue recognition practices.

Cost of Goods Sold

The principal elements of cost of goods sold are components, raw materials, factory overhead, labor, estimated costs of warranty expense, and freight and distribution costs.

Selling, General and Administrative Expenses

SG&A expenses include payroll and benefit costs, advertising, commissions, research and development, information technology costs, and other selling, general and administrative related costs such as insurance, travel, non-production depreciation, and rent.

Stock-Based Compensation

We recognize compensation expense for stock-based arrangements over the required employee service periods. We measure stock-based compensation costs based on the estimated grant-date fair value of the stock-based awards that are expected to ultimately vest and we adjust expected vesting rates to actual rates as additional information becomes known. For stock-based arrangements with performance conditions, we periodically adjust performance achievement rates based on our best estimates of those rates at the end of the performance period. See Note 16 for more information.

Translation of Foreign Currencies

All assets and liabilities of foreign subsidiaries and joint ventures are translated into U.S. dollars using rates of exchange in effect at the balance sheet date. Revenue and expenses are translated at weighted average exchange rates during the year. Unrealized translation gains and losses are included in AOCL in the accompanying Consolidated Balance Sheets. Transaction gains and losses are included in Losses (gains) and other expenses, net in the accompanying Consolidated Statements of Operations.

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 revenue and expenses. Such estimates include the valuation of accounts receivable, inventories, goodwill, intangible assets and other long-lived assets, contingencies, product warranties, guarantee obligations, indemnifications, and assumptions used in the calculation of income taxes, pension and post-retirement medical benefits, 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 and uncertain future economic conditions 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 resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

Impact of COVID-19 Pandemic

COVID-19 surfaced in late 2019 and has spread around the world, including to the United States. In March 2020, the World Health Organization declared COVID-19 a pandemic. The COVID-19 pandemic has disrupted our business operations and caused a significant unfavorable impact on our results of operations.

In response to the COVID-19 pandemic, various national, state, and local governments where we, our suppliers, and our customers operate issued decrees prohibiting certain businesses from continuing to operate and certain classes of workers from reporting to work. Those decrees have resulted in supply chain disruption and higher employee absenteeism in our factories. Additionally, certain of our manufacturing facilities experienced short-term suspensions of operations for COVID-19 employee health concerns.

As the COVID-19 pandemic continues, health concern risks remain, and 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. If the COVID-19 pandemic worsens or the pandemic continues longer than presently expected, COVID 19 would continue to impact our results of operations, financial position and cash flows.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("*ASC 842*"). This accounting standard requires lessees to recognize a lease liability and a right-of-use ("ROU") asset on the balance sheet for operating leases. Accounting for finance leases is substantially unchanged. ASC 842 is effective for fiscal years beginning after December 15, 2018 and we adopted the standard effective January 1, 2019.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to estimate credit losses. ASU 2016-13 is effective for SEC filers for interim and annual periods beginning after December 15, 2019. We adopted ASU 2016-13 using the modified retrospective method for all financial assets measured at amortized cost. Results for periods after January 1, 2020 are presented under ASU 2016-13 while prior period amounts continue to be reported under previously applicable accounting standards. We recorded a $1.3 million net decrease to retained earnings as of January 1, 2020 for the cumulative effect of adopting ASU 2016-13.

In January 2017, the FASB issued ASU No. 2017-04, *Intangible - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. ASU 2017-04 eliminates step two of the goodwill impairment test and specifies that goodwill impairment should be measured by comparing the fair value of a reporting unit with its carrying amount. Additionally, the amount of goodwill allocated to each reporting unit with a zero or negative carrying amount of net assets should be disclosed. ASU 2017-04 is effective for annual or interim goodwill impairment tests performed in fiscal years beginning after December 15, 2019. The adoption of ASU 2017-04 did not have a material impact on our consolidated results of operations, cash flows, or statement of financial position.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles – Internal-Use Software (Topic 350-40): Customer's Accounting for Implementation Costs incurred in a Cloud Computing Arrangement That is a Service Contract*. ASU 2018-15 provides guidance to determine how implementation costs associated with cloud computing arrangements that are incurred to develop or obtain internal-use software should be capitalized or expensed as incurred. ASU 2018-15 is effective for fiscal years beginning after December 15, 2019. The adoption of ASU 2018-15 did not have a material impact on our consolidated results of operations, cash flows, or statement of financial position.

Changes in Accounting Standards Effective for Future Reporting Periods

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. We are currently assessing the impact of ASU 2019-12, but do not expect it to have a material impact on our financial statements.

3. Reportable Business Segments:

Description of Segments

We operate in three reportable business segments of the HVACR industry. Our segments are organized primarily by the nature of the products and services we provide. The following table describes each segment:

Segment	Products 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, variable refrigerant flow commercial products	Light Commercial	United States Canada
Refrigeration[2]	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[1]

[1] Effective January 1, 2019, we realigned our segment structure. We shifted financial reporting of the European Commercial HVAC business from our Commercial Heating & Cooling segment to our Refrigeration segment as we manage both our commercial HVAC and refrigeration operations in Europe together. We have revised our historical segment results to present them on a comparable basis.

[2] Descriptions of the products, services, markets and geographic areas of divested businesses were excluded from this table. Refer to Note 7 for details regarding the divestitures of our Australia, Asia, South America and Kysor Warren businesses.

Segment Data

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 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 our business. We recorded 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 included in the results presented in the table below.

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

	For the Years Ended December 31,		
	2020	2019	2018
Net Sales [1]			
Residential Heating & Cooling	$ 2,361.5	$ 2,291.1	$ 2,225.0
Commercial Heating & Cooling	800.9	947.4	900.7
Refrigeration	471.7	568.7	758.2
	$ 3,634.1	$ 3,807.2	$ 3,883.9
Segment profit (loss) [2]			
Residential Heating & Cooling	$ 428.5	$ 464.6	$ 399.4
Commercial Heating & Cooling	136.9	165.4	157.5
Refrigeration	32.8	61.3	68.1
Corporate and other	(91.5)	(82.4)	(84.4)
Total segment profit	506.7	608.9	540.6
Reconciliation to Operating income:			
Special product quality adjustments	1.0	(0.6)	—
Special inventory write down	—	—	0.2
Loss (gain), net on sale of businesses and related property	—	10.6	27.0
Loss (gain) from natural disasters, net of insurance recoveries	3.1	(79.6)	(10.9)
Items in Losses (gains) and other expenses, net that are excluded from segment profit (loss) [2]	13.3	11.3	11.4
Restructuring charges	10.8	10.3	3.0
Operating income	**$ 478.5**	**$ 656.9**	**$ 509.9**

[1] On a consolidated basis, no revenue from transactions with a single customer were 10% or greater of our consolidated net sales for any of the periods presented.

[2] 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,
  - Other items, net,
- Special inventory write down,
- Special product quality adjustments
- Loss (gain), net on sale of businesses and related property,
- Loss (gain) from natural disasters, net of insurance recoveries, and
- Restructuring charges.

Total assets by segment are shown below (in millions):

	As of December 31,		
	2020	2019	2018
Total Assets:			
Residential Heating & Cooling	$ 1,034.6	$ 1,055.7	$ 837.4
Commercial Heating & Cooling	366.5	409.0	349.5
Refrigeration	387.9	393.3	462.9
Corporate and other	243.5	176.9	167.4
Total assets	$ 2,032.5	$ 2,034.9	$ 1,817.2

The assets in the Corporate and other segment primarily consist of cash, short-term investments and deferred tax assets. Assets recorded in the operating segments represent those assets directly associated with those segments.

Total capital expenditures by segment are shown below (in millions):

	For the Years Ended December 31,		
	2020	**2019**	**2018**
Capital Expenditures:			
Residential Heating & Cooling	$ 44.0	$ 59.2	$ 45.2
Commercial Heating & Cooling	5.9	11.3	12.5
Refrigeration	9.2	9.4	9.3
Corporate and other	19.4	25.7	28.2
Total capital expenditures	$ 78.5	$ 105.6	$ 95.2

Depreciation and amortization expenses by segment are shown below (in millions):

	For the Years Ended December 31,		
	2020	**2019**	**2018**
Depreciation and Amortization:			
Residential Heating & Cooling	$ 28.5	$ 30.0	$ 26.6
Commercial Heating & Cooling	13.5	12.5	8.6
Refrigeration	7.8	7.9	8.9
Corporate and other	22.8	20.7	21.9
Total depreciation and amortization	$ 72.6	$ 71.1	$ 66.0

The equity method investments are shown below (in millions):

	For the Years Ended December 31,		
	2020	**2019**	**2018**
Income from Equity Method Investments:			
Residential Heating & Cooling	$ 11.4	$ 8.8	$ 8.5
Commercial Heating & Cooling	2.3	1.7	1.4
Refrigeration	1.9	2.9	2.1
Total income from equity method investments	$ 15.6	$ 13.4	$ 12.0

Geographic Information

Property, plant and equipment, net for each major geographic area in which we operate, based on the domicile of our operations, are shown below (in millions):

	As of December 31,		
	2020	**2019**	**2018**
Property, Plant and Equipment, net:			
United States	$ 352.9	$ 333.6	$ 293.3
Mexico	79.2	82.0	86.7
Canada	2.2	2.2	1.7
Other international	30.0	27.6	26.6
Total Property, plant and equipment, net	$ 464.3	$ 445.4	$ 408.3

4. 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 Years Ended December 31,		
	2020	2019	2018
Net income	$ 356.3	$ 408.7	$ 359.0
Add: Loss from discontinued operations	0.8	0.1	1.3
Income from continuing operations	$ 357.1	$ 408.8	$ 360.3
Weighted-average shares outstanding – basic	38.3	39.0	40.6
Add: Potential effect of diluted securities attributable to stock-based payments	0.3	0.4	0.5
Weighted-average shares outstanding – diluted	38.6	39.4	41.1
Earnings per share - Basic:			
Income from continuing operations	$ 9.32	$ 10.49	$ 8.87
Loss from discontinued operations	(0.02)	—	(0.03)
Net income	$ 9.30	$ 10.49	$ 8.84
Earnings per share - Diluted:			
Income from continuing operations	$ 9.26	$ 10.38	$ 8.77
Loss from discontinued operations	(0.02)	—	(0.03)
Net income	$ 9.24	$ 10.38	$ 8.74

An insignificant number of 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.

5. Commitments and Contingencies:

Leases

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 relating to our leases of IT equipment, fleet vehicles and manufacturing and distribution equipment.

The components of lease expense were as follows (in millions):

	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Finance lease cost:		
Amortization of right-of-use assets	$ 10.3	$ 7.6
Interest on lease liabilities	0.7	0.9
Operating lease cost	62.7	59.7
Short-term lease cost	4.0	4.3
Variable lease cost	20.3	19.9
Total lease cost	**$ 98.0**	**$ 92.4**
Other information		
Cash paid for amounts included in the measurement lease liabilities:		
Operating cash flows from operating leases	$ 61.6	$ 58.1
Financing cash flows from finance leases	$ 10.8	$ 6.4
Right-of-use assets obtained in exchange for new finance lease liabilities	$ 15.4	$ 13.4
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 67.6	$ 51.5

	As of December 31, 2020	As of December 31, 2019
Finance lease right-of-use assets[1]	$ 33.6	$ 28.4
Operating lease right-of-use assets	$ 194.4	$ 181.6
Finance lease liability, current[2]	$ 10.1	$ 7.8
Finance lease liability, non-current[3]	$ 29.3	$ 25.9
Operating lease liability, current	$ 55.0	$ 52.7
Operating lease liability, non-current	$ 142.8	$ 131.0
Weighted-average remaining lease term - finance leases	4.3 years	4.9 years
Weighted-average remaining lease term - operating leases	4.4 years	4.5 years
Weighted-average discount rate - finance leases	1.91 %	2.71 %
Weighted-average discount rate – operating leases	2.81 %	3.69 %

(1) Recorded in Property, plant and equipments in Consolidated Balance Sheet

(2) Recorded in Current maturities of long-term debt in Consolidated Balance Sheet

(3) Recorded in Long-term debt in Consolidated Balance Sheet

Future annual minimum lease payments and finance lease commitments as of December 31, 2020 were as follows (in millions):

	Operating Leases	Finance Leases
2021	$ 59.8	$ 10.5
2022	50.8	8.7
2023	43.3	5.8
2024	26.3	2.6
2025	13.4	0.8
Thereafter	16.8	11.8
Total minimum lease payments	$ 210.4	$ 40.2
Less imputed interest	(12.6)	(0.8)
Present value of minimum payments	$ 197.8	$ 39.4

On March 1, 2019, we entered into an agreement with a financial institution to renew the lease of our corporate headquarters in Richardson, Texas for a term of five years through March 1, 2024 (the “Lake Park Renewal”). The leased property consists of an office building of approximately 192,000 square feet, land and related improvements. During the lease term, we are obligated to pay base rent in quarterly installments, payable in arrears. At the end of the lease term, we must do one of the following: (i) purchase the property for $41.2 million; (ii) vacate the property and return it in good condition; (iii) arrange for the sale of the leased property to a third party; or (iv) renew the lease under mutually agreeable terms. If we elect to sell the property to a third party and the sales proceeds are less than the lease balance of $41.2 million, we must pay any such deficit to the financial institution. Any such deficit payment cannot exceed 87% of the lease balance. The headquarters lease is classified as an operating lease and its future annual minimum lease payments are included in the table above.

Our obligations under the Lake Park Renewal are secured by a pledge of our interest in the leased property. The Lake Park Renewal contains customary lease covenants and events of default as well as events of default if (i) indebtedness of $75 million or more is not paid when due, (ii) there is a change of control or (iii) we fail to comply with certain covenants incorporated from our existing credit facility agreement. We believe we were in compliance with these financial covenants as of December 31, 2020.

Environmental

Environmental laws and regulations in the locations we operate can potentially impose obligations to remediate hazardous substances at our properties, properties formerly owned or operated by us, and facilities to which we have sent or send waste for treatment or disposal. We are aware of contamination at some facilities; however, we do not believe that any future remediation related to those facilities will be material to our results of operations. Total environmental accruals are included Accrued expenses and Other liabilities on the accompanying Consolidated Balance Sheets. Future environmental costs are estimates and may be subject to change due to changes in environmental remediation regulations, technology or site-specific requirements.

Product Warranties and Product Related Contingencies

We incur the risk of liability for claims related to the installation and service of heating and air conditioning products, and we maintain liabilities for those claims that we self-insure. We are involved in various claims and lawsuits related to our products. Our product liability insurance policies have limits that, if exceeded, may result in substantial costs that could have an adverse effect on our results of operations. In addition, warranty claims and certain product liability claims are not covered by our product liability insurance.

Total product warranty liabilities related to continuing operations are included in the following captions on the accompanying Consolidated Balance Sheets (in millions):

	As of December 31,	
	2020	**2019**
Accrued expenses	$ 37.7	$ 38.2
Other liabilities	82.1	74.6
Total product warranty liabilities	$ 119.8	$ 112.8

The changes in product warranty liabilities related to continuing operations for the years ended December 31, 2020 and 2019 were as follows (in millions):

Total warranty liability as of December 31, 2018	**$**	**111.6**
Payments made in 2019		(34.9)
Changes resulting from issuance of new warranties		44.1
Changes in estimates associated with pre-existing liabilities		(7.6)
Changes in foreign currency translation rates and other		—
Warranty liability from divestitures		(0.4)
Total warranty liability as of December 31, 2019	**$**	**112.8**
Payments made in 2020		(35.5)
Changes resulting from issuance of new warranties		41.7
Changes in estimates associated with pre-existing liabilities		0.2
Changes in foreign currency translation rates and other		0.6
Total warranty liability as of December 31, 2020	**$**	**119.8**

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 table 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.

Self-Insurance

We use a combination of third-party insurance and self-insurance plans to provide protection against claims relating to workers' compensation/employers' liability, general liability, product liability, auto liability, auto physical damage and other exposures. We use large deductible insurance plans, written through third-party insurance providers, for workers' compensation/employers' liability, general liability, product liability and auto liability. We also carry umbrella or excess liability insurance for all third-party and self-insurance plans, except for directors' and officers' liability, property damage and certain other insurance programs. For directors' and officers' liability, property damage and certain other exposures, we use third-party insurance plans that may include per occurrence and annual aggregate limits. We believe the deductibles and liability limits for all of our insurance policies are appropriate for our business and are adequate for companies of our size in our industry.

We maintain safety and manufacturing programs that are designed to remove risk, improve the effectiveness of our business processes and reduce the likelihood and significance of our various retained and insured risks. In recent years, our actual claims experience has collectively trended favorably and, as a result, both self-insurance expense and the related liability have decreased.

Total self-insurance liabilities were included in the following captions on the accompanying Consolidated Balance Sheets (in millions):

	As of December 31,	
	2020	**2019**
Accrued expenses	$ 3.6	$ 5.2
Other liabilities	16.0	19.4
Total self-insurance liabilities	$ 19.6	$ 24.6

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 vary depending on several factors, and are subject to policy limits, so we may have greater financial exposure for future settlements and judgments. For the years ended December 31, 2020 and 2019, we estimated our probable liability for known cases at $10.1 million and $10.2 million, respectively, and these amounts were recorded in Accrued expenses in the Consolidated Balance Sheets. For the years ended December 31, 2020 and 2019, we estimated future asbestos-related litigation cases to be $27.9 million and $22.1 million, respectively, before consideration of probable insurance recoveries and these amounts were recorded in Other liabilities in the Consolidated Balance Sheets. For the years ended December 31, 2020, 2019 and 2018, we recorded expense of $5.6 million, $3.1 million and $4.0 million, respectively, net of probable insurance recoveries, for known and future asbestos-related litigation and is recorded in Losses (gains) and other expenses, net in the Consolidated Statements of Operations.

It is management's opinion that none of these claims or lawsuits or any threatened litigation will have a material adverse effect, individually or in the aggregate, 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 in a future period.

Natural Disasters and Recovery

On July 19, 2018, our manufacturing facility in Marshalltown, Iowa was severely damaged by a tornado. On August 10, 2020, the Marshalltown facility was partially damaged by a derecho wind storm. The costs and losses incurred as well as any insurance recoveries for both of these natural disasters are shown in Loss (gain) from natural disasters, net of insurance recoveries in the Consolidated Statements of Operations.

The following table summarizes the components of Loss (gain) from natural disasters, net of insurance recoveries (in millions):

	For the Year Ended December 31,		
	2020	**2019**	**2018**
Marshalltown tornado	$ (3.0)	$ 178.8	$ 38.3
Marshalltown wind storm	(0.1)	—	—
(Loss) gain from natural disasters, net of insurance recoveries	**$ (3.1)**	**$ 178.8**	**$ 38.3**

Marshalltown Tornado

Insurance covered the repair or replacement of our assets that suffered damage or loss, and business interruption costs, including lost profits, and reimbursement for other expenses and costs that have been incurred relating to the damages and losses suffered. In December 2019, we reached a final settlement with our insurance carriers for a total cumulative insurance recovery of $367.5 million, for the losses we incurred and will incur from the tornado. All recoveries related to the final settlement were received in 2018 and 2019. The following table summarizes the Loss (gain) from natural disasters, net of insurance recoveries relating to the tornado (in millions):

(Amounts in millions)	For the Year Ended December 31,		
	2020	2019	2018
Insurance recoveries received	**$ —**	**$ 243.2**	**$ 124.3**
Less losses and expenses incurred:			
Site clean-up and remediation	—	20.4	50.9
Factory inefficiencies due to lower productivity	—	9.3	7.4
Write-off of property, plant and equipment	—	—	4.2
Write-off of inventory	—	—	5.8
Other	3.0	34.7	17.7
Total losses and expenses	**$ 3.0**	**$ 64.4**	**$ 86.0**
(Loss) gain from natural disasters, net of insurance recoveries	**$ (3.0)**	**$ 178.8**	**$ 38.3**
Components of (Loss) gain from natural disasters, net of insurance recoveries:			
Insurance proceeds for lost profits	—	99.2	27.4
(Loss) gain from property damage, net of insurance recoveries	(3.0)	79.6	10.9

Marshalltown Wind Storm

Insurance covered the repair or replacement of our assets that suffered damage or loss, and business interruption costs including lost profits, and reimbursement for other expenses and costs that have been incurred relating to damages and losses suffered. In December 2020, we reached a settlement with our insurance carriers for a total cumulative insurance recovery of $6.6 million. As of December 31, 2020, we recorded a receivable of $6.6 million for the insurance proceeds. All of the proceeds have been collected in January 2021. The following table summarizes the Loss (gain) from natural disasters, net of insurance recoveries relating to the wind storm (in millions):

	For the Year Ended December 31,
	2020
Insurance recoveries receivable	**6.6**
Inventory write-offs	$ 0.1
Site clean-up and remediation	1.7
Building repairs	3.0
Factory inefficiencies due to lower productivity	0.2
Other	1.7
Total losses and expenses	**$ 6.7**
Components of Marshalltown wind storm in Loss (gain) from natural disasters, net of insurance recoveries:	
Loss from natural disaster, net of insurance recoveries	$ (0.1)

6. Stock Repurchases:

Our Board of Directors have authorized a total of $3 billion to repurchase shares of our common stock, including an incremental $500 million share repurchase authorization in December 2019, under our Share Repurchase Plans. The Share Repurchase Plans allow us to 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 Share Repurchase Plans do not require the repurchase of a specific number of shares and may be terminated at any time. As of December 31, 2020, $446 million of shares is available to repurchase shares under the Share Repurchase Plans.

On February 13, 2020, we entered into a Fixed Dollar Accelerated Share Repurchase Transaction (the "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 $100.0 million and Bank of America delivered to us common stock representing approximately 85% of the shares expected to be purchased under the ASR Agreement. The ASR was completed in March 2020 and Bank of America delivered a total of 0.4 million shares of common stock repurchased under this ASR Agreement.

We also repurchased 0.1 million shares for $17.9 million, 0.1 million shares for $24.0 million, and 0.1 million shares for $26.9 million for the years ended December 31, 2020, 2019, and 2018, respectively, from employees who tendered their shares to satisfy minimum tax withholding obligation upon the vesting of stock-based compensation awards.

7. Divestitures:

2019 Divestiture:

During the first quarter of 2019, we obtained Board of Directors' approval and signed an agreement with EPTA S.p.A., a private Italian company, for the sale of our Kysor Warren business. The sale was completed on March 29, 2019 and the following table summarizes the net loss recognized in connection with this divestiture. There were no gains or losses on the sale of this business for the year ended December 31, 2020.

(Amounts in millions)	**For the Year Ended December 31, 2019**
Cash received from the buyer	$ 49.0
Net assets sold	(52.0)
AOCI reclassification adjustments, primarily foreign currency translation	(2.1)
Direct costs to sell	(5.5)
Loss on sale of business	**$ (10.6)**

2018 Divestitures:

Australia and Asia Divestiture

During the first quarter of 2018, we obtained Board of Directors' approval and signed an agreement with Beijer Ref AB, a Stockholm Stock Exchange-listed company, for the sale of our Australia and Asia business except for the Milperra property. The Milperra property was sold to another purchaser during the second quarter of 2018. We completed the sale to Beijer Ref AB in the second quarter of 2018 with the final post-completion adjustment being recorded in the third quarter of 2018. The following table summarizes the net loss recognized in connection with this divestiture:

(Amounts in millions)	**For the Year Ended December 31, 2018**
Cash received from the buyer	$ 82.9
Net assets sold [(1)]	(87.2)
AOCL reclassification adjustments, primarily foreign currency translation	(3.2)
Direct costs to sell	(5.8)
Loss on sale of business	**$ (13.3)**

[(1)] Includes $10.3 million of net assets that were written down during the quarter ended March 31, 2018 based on the expected proceeds from the sale, net of selling costs for the sale for our Australia and Asia business.

The Milperra property was sold during the quarter ended June 30, 2018. We received net cash proceeds of $37.2 million net of direct costs to sell of $1.5 million. The net gain recognized in connection with this sale was $23.8 million.

South America Divestiture

During the second quarter of 2018, we obtained Board of Directors' approval and signed an agreement with Elgin SA, a private Brazilian company, for the sale of our South America business. The sale was subject to Brazilian antitrust approval. We obtained antitrust approval and completed the sale to Elgin SA in the third quarter of 2018. The following table summarizes the net loss recognized in connection with this divestiture:

(Amounts in millions)	For the Year Ended December 31, 2018	
Cash received from the buyer	$	4.2
Net assets sold [2]		(14.1)
AOCL reclassification adjustments, primarily foreign currency translation		(24.7)
Direct costs to sell		(2.9)
Loss on sale of business	**$**	**(37.5)**

[2] Includes $1.2 of net assets that were written down during the quarter ended June 30, 2018 based on the expected proceeds from the sale, net of selling costs for the sale for our South America business.

The total Loss (gain), net on sale of businesses and related property in our Consolidated Statements of Operations of $10.6 million for the year ended December 31, 2019 is comprised of the loss on the sale of the Kysor Warren business. The total Loss (gain), net on sale of businesses and related property for the year ended December 31, 2018 of $27.0 million is comprised of the $13.3 million loss on the sale of our Australia and Asia business, the $23.8 million gain on the sale of our Milperra property, and the $37.5 million loss on the sale of our South America business.

8. Restructuring Charges:

We record restructuring charges associated with management-approved restructuring plans to reorganize or to remove duplicative headcount and infrastructure within our businesses. Restructuring charges include severance costs to eliminate a specified number of employees, infrastructure charges to vacate facilities and consolidate operations, contract cancellation costs and other related activities. The timing of associated cash payments is dependent upon the type of restructuring charge and can extend over a multi-year period. Restructuring charges are not included in our calculation of segment profit (loss), as more fully explained in Note 3.

Restructuring Activities in 2020

Due to the economic impact of COVID-19 on our business, we implemented several cost reduction actions in the second quarter of 2020. We recorded $10.1 million of restructuring charges for the year ended December 31, 2020 for these actions, which consisted of employee terminations for positions that were no longer needed to support the business, selective facility closures, and cancellations of certain sales and marketing activities.

Information regarding the restructuring charges for all ongoing activities, including actions initiated in 2019, is presented in the following table (in millions):

	Incurred in 2020		Aggregate Incurred Through 12/31/2020		Total Expected to be Incurred	
Severance and related expense	$	4.9	$	6.2	$	6.9
Asset write-offs and accelerated depreciation		2.0		3.6		3.6
Accelerated depreciation on right-of-use assets from operating leases		(0.1)		1.0		1.0
Other		4.0		4.6		5.1
Total	$	10.8	$	15.4	$	16.6

While restructuring charges are excluded from our calculation of segment profit (loss), the table below presents the restructuring charges associated with each segment (in millions):

	Incurred in 2020	Aggregate Incurred Through 12/31/2020	Total Expected to be Incurred
Residential Heating & Cooling	$ 6.5	$ 9.4	$ 9.4
Commercial Heating & Cooling	1.6	3.3	3.8
Refrigeration	1.5	1.5	2.2
Corporate & Other	1.2	1.2	1.2
Total	$ 10.8	$ 15.4	$ 16.6

Restructuring accruals are included in Accrued expenses in the accompanying Consolidated Balance Sheets.

9. Revenue Recognition:

The following table disaggregates our revenue by business segment by geography which provides information as to the major sources of revenue. See Note 3 for additional description of our reportable business segments and the products and services being sold in each segment.

	For the Year Ended December 31, 2020			
Primary Geographic Markets	**Residential Heating & Cooling**	**Commercial Heating & Cooling**	**Refrigeration**	**Consolidated**
United States	$ 2,181.8	$ 721.1	$ 257.9	$ 3,160.8
Canada	179.7	77.6	—	257.3
International	—	2.2	213.8	216.0
Total	**$ 2,361.5**	**$ 800.9**	**$ 471.7**	**$ 3,634.1**

	For the Year Ended December 31, 2019			
Primary Geographic Markets	**Residential Heating & Cooling**	**Commercial Heating & Cooling**	**Refrigeration**	**Consolidated**
United States	$ 2,135.6	$ 847.1	$ 321.9	$ 3,304.6
Canada	155.5	98.5	0.7	254.7
International	—	1.8	246.1	247.9
Total	**$ 2,291.1**	**$ 947.4**	**$ 568.7**	**$ 3,807.2**

	For the Year Ended December 31, 2018			
Primary Geographic Markets	**Residential Heating & Cooling**	**Commercial Heating & Cooling**	**Refrigeration**	**Consolidated**
United States	$ 2,066.7	$ 805.4	$ 403.2	$ 3,275.3
Canada	158.3	92.7	4.5	255.5
International	—	2.6	350.5	353.1
Total	**$ 2,225.0**	**$ 900.7**	**$ 758.2**	**$ 3,883.9**

Our revenue recognition practices for the sale of goods depend upon the shipping terms for each transaction. Shipping terms are primarily FOB Shipping Point and, therefore, revenue is recognized for these transactions when products are shipped to customers and title and control passes. Certain customers in our smaller operations, primarily outside of North America, have shipping terms where risks and rewards of ownership do not transfer until the product is delivered to the customer. For these transactions, revenue is recognized on the date that the product is received and accepted by such customers. We experience returns for miscellaneous reasons and record a reserve for these returns at the time we recognize revenue based on historical experience. Our historical rates of return are insignificant as a percentage of sales. We also recognize revenue net of sales

taxes. We have elected to recognize the revenue and cost for freight and shipping when control over the sale of goods passes to our customers.

For our businesses that provide services, revenue is recognized at the time services are completed. Our Commercial Heating & Cooling segment also provides sales, installation, maintenance and repair services under fixed-price contracts. Revenue for services is recognized as the services are performed under the contract based on the relative fair value of the services provided. We allocate a portion of the revenue for extended labor warranty obligations and recognize the revenue over the term of the extended warranty. Revenue from extended warranties is insignificant. See Note 5 for more information on product warranties.

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 years ended December 31, 2020, 2019 and 2018, direct sales represented 75%, 75% and 76% of revenues, respectively, 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 years ended December 31, 2020, 2019 and 2018, equipment sales represented 85%, 86% and 86% of revenues, respectively, 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. Approximately 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 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 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 Sheet. The noncurrent portion of deferred revenue is included in Other liabilities in our Consolidated Balance Sheets.

Net contract assets (liabilities) consisted of the following:

	December 31, 2020	December 31, 2019	$ Change	% Change
Contract liabilities - current	(5.5)	(8.4)	2.9	(35.2)%
Contract liabilities - noncurrent	(5.6)	(5.9)	0.3	(5.1)%
Total	$ (11.1)	$ (14.3)	$ 3.2	

For the years ended December 31, 2020, 2019, and 2018 we recognized revenue of $7.2 million, $3.3 million and $4.8 million related to our contract liabilities at January 1, 2020, 2019 and 2018, respectively. Impairment losses recognized in our receivables and contract assets were de minimis in 2020, 2019 and 2018.

10. Other Financial Statement Details:

Inventories

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

	As of December 31,	
	2020	2019
Finished goods	$ 280.1	$ 402.9
Work in process	6.5	6.0
Raw materials and parts	207.8	198.8
Total	494.4	607.7
Excess of current cost over last-in, first-out cost	(55.0)	(63.6)
Total inventories, net	$ 439.4	$ 544.1

The Company recorded a pre-tax gain of $0.7 million and $0.2 million in 2020 and 2019, respectively, and no pre-tax gains or losses in 2018 from LIFO inventory liquidations. Reserves for obsolete and slow-moving inventories were $24.6 million and $19.2 million at December 31, 2020 and December 31, 2019, respectively.

Goodwill

The changes in the carrying amount of goodwill in 2020 and 2019, in total and by segment, are summarized in the table below (in millions):

Segment:	Balance at December 31, 2018 (1)	Goodwill Reallocation (2)	Changes in foreign currency translation rates	Balance at December 31, 2019	Changes in foreign currency translation rates	Balance at December 31, 2020
Residential Heating & Cooling	$ 26.1	$ —	$ —	$ 26.1	$ —	$ 26.1
Commercial Heating & Cooling	61.4	(0.3)	—	61.1	—	61.1
Refrigeration	99.1	0.3	(0.1)	99.3	0.4	99.7
	$ 186.6	$ —	$ (0.1)	$ 186.5	$ 0.4	$ 186.9

(1) The goodwill balances in the table above are presented net of accumulated impairment charges of $32.7 million, all of which relate to impairments in periods prior to 2018.

(2) In 2019, we reorganized our external financial reporting structure by moving our European Commercial HVAC business from our Commercial segment to our Refrigeration segment as we manage both our commercial HVAC and refrigeration operations in Europe together. See Note 3 for additional information.

A qualitative review of impairment indicators was performed in 2020 for the Residential Heating & Cooling, the Commercial Heating & Cooling, and the Refrigeration segments. We did not record any goodwill impairments in 2020 or 2019. In 2018, we de-recognized $11.5 million of goodwill as a part of the completed sales of our Australia, Asia, and South America businesses as discussed further in Note 7.

Property, Plant and Equipment

Components of Property, plant and equipment, net were as follows (in millions):

	As of December 31,	
	2020	2019
Land	$ 24.0	$ 23.7
Buildings and improvements	266.1	242.9
Machinery and equipment	928.0	883.4
Finance leases	57.1	47.2
Construction in progress and equipment not yet in service	69.7	72.5
Total	1,344.9	1,269.7
Less accumulated depreciation	(880.6)	(824.3)
Property, plant and equipment, net	$ 464.3	$ 445.4

No impairment charges were recorded in 2020 or 2019. In 2018, we impaired $4 million of property, plant and equipment at our Marshalltown facility that was damaged by a tornado. Refer to Note 5 for more information on the damage to our Marshalltown facility.

Accrued Expenses

The significant components of Accrued expenses are presented below (in millions):

	As of December 31,	
	2020	2019
Accrued compensation and benefits	$ 96.6	$ 70.4
Accrued rebates and promotions	81.9	70.1
Accrued warranties	37.7	38.2
Accrued sales, use, property and VAT taxes	20.3	18.6
Accrued asbestos reserves	10.1	10.2
Deferred income	5.5	8.4
Self insurance reserves	3.6	5.2
Derivative contracts	2.2	2.9
Other	38.2	31.7
Total Accrued expenses	$ 296.1	$ 255.7

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 with lower percentages 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 interest 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 commodity futures contracts and foreign exchange forward contracts designated as cash flows hedges that are scheduled to mature through May 2022 and January 2022, respectively. Unrealized gains or losses from our cash flow hedges are included in 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 related to our cash flow hedges in AOCL (in millions):

	As of December 31,	
	2020	**2019**
Unrealized (losses) gains, net on unsettled contracts	$ (10.5)	$ 0.2
Income tax benefit (expense)	2.3	(0.2)
Losses included in AOCL, net of tax [(1)]	$ (8.2)	$ —

[(1)] Assuming commodity and foreign currency prices remain constant, we expect to reclassify $7.7 million of derivative losses into earnings within the next 12 months.

Expenses included in our Consolidated Statements of Operations

Below is information about expenses included in Selling, general and administrative expenses in our Consolidated Statements of Operations (in millions):

	For the Years Ended December 31,		
	2020	**2019**	**2018**
Research and development	$ 66.8	$ 69.9	$ 72.2
Advertising, promotions and marketing [(1)]	26.5	43.7	42.5
Cooperative advertising expenditures	22.2	21.3	16.8

[(1)] Cooperative advertising expenditures were not included in these amounts.

Interest Expense, net

The components of Interest expense, net in our Consolidated Statements of Operations were as follows (in millions):

	For the Years Ended December 31,		
	2020	**2019**	**2018**
Interest expense, net of capitalized interest	$ 29.7	$ 48.6	$ 39.1
Less: Interest income	1.4	1.1	0.8
Interest expense, net	$ 28.3	$ 47.5	$ 38.3

Losses (Gains) and Other Expenses, net

Losses (gains) and other expenses, net in our Consolidated Statements of Operations were as follows (in millions):

	For the Years Ended December 31,		
	2020	2019	2018
Realized losses (gains) on settled futures contracts	$ 0.1	$ 0.4	$ (0.4)
Foreign currency exchange (gains) losses	(3.6)	(1.5)	1.7
(Gains) losses on disposal of fixed assets	(0.2)	(0.2)	0.7
Other operating (gains) losses, net	(2.2)	(1.7)	—
Net change in unrealized (gains) losses on unsettled futures contracts	(0.3)	(0.5)	1.5
Asbestos-related litigation	5.6	3.1	4.0
Special legal contingency charges	1.1	1.2	1.9
Environmental liabilities	(1.4)	5.7	2.2
Losses from pandemic	8.3	—	—
Other items, net	—	1.8	1.8
Losses (gains) and other expenses, net	$ 7.4	$ 8.3	$ 13.4

11. Employee Benefit Plans:

Many of our defined benefit pension and profit sharing plans have been frozen and replaced with defined contribution plans. We have a liability for the benefits earned under these inactive plans prior to the date the benefits were frozen. We also have several active defined benefit plans that provide benefits based on years of service. Our defined contribution plans generally include both company and employee contributions which are based on predetermined percentages of compensation earned by the employee.

In addition to freezing the benefits of our defined benefit pension plans, we have also eliminated nearly all of our post-retirement medical benefits.

Defined Contribution Plans

We recorded the following contributions to the defined contribution plans (in millions):

	For the Years Ended December 31,		
	2020	2019	2018
Contributions to defined contribution plans	$ 17.8	$ 19.1	$ 18.8

Pension and Post-retirement Benefit Plans

Pension Settlement Activity in 2019

On April 3, 2019, we entered into an agreement with Pacific Life Insurance Company to purchase a group annuity contract and transfer $100 million of our pension plan assets and $105.6 million of related pension benefit obligations. In the second quarter of 2019, we recognized a $60.6 million pension settlement charge in the Statement of Operations and reclassified $5.6 million of pension benefit obligations to AOCL as a result of this transaction.

On October 15, 2019, we entered into an agreement with Pacific Life Insurance Company to purchase a group annuity contract and transfer $73.5 million of our pension plan assets and $77.9 million of related benefit obligations. In the fourth quarter of 2019, we recognized a $38.6 million pension settlement charge in the Statement of Operations and reclassified $4.4 million of pension benefit obligations to AOCL as a result of this transaction.

Benefit Obligations, Fair Value of Plan Assets, Funded Status, and Balance Sheet Position

The following tables set forth amounts recognized in our financial statements and the plans' funded status for our pension and post-retirement benefit plans (dollars in millions):

	Pension Benefits	
	2020	2019
Accumulated benefit obligation	$ 273.2	$ 237.3
Changes in projected benefit obligation:		
Benefit obligation at beginning of year	$ 241.5	$ 371.9
Service cost	5.5	4.9
Interest cost	6.6	10.2
Amendments	0.1	—
Actuarial (gain) loss	27.2	38.9
Effect of exchange rates	2.2	1.1
Settlements	(1.3)	(173.5)
Benefits paid	(5.6)	(12.0)
Benefit obligation at end of year	$ 276.2	$ 241.5
Changes in plan assets:		
Fair value of plan assets at beginning of year	$ 154.3	$ 291.0
Actual gain (loss) return on plan assets	27.3	45.7
Employer contributions	3.4	1.8
Effect of exchange rates	1.6	1.3
Plan settlements	(1.3)	(173.5)
Benefits paid	(5.6)	(12.0)
Fair value of plan assets at end of year	179.7	154.3
Funded status / net amount recognized	$ (96.5)	$ (87.2)
Net amount recognized consists of:		
Non-current assets	$ 5.0	$ 3.5
Current liability	(9.0)	(3.3)
Non-current liability	(92.5)	(87.4)
Net amount recognized	$ (96.5)	$ (87.2)

Plans with Benefit Obligations in Excess of Plan Assets

	For the Years Ended December 31,	
	2020	2019
Pension plans with a benefit obligation in excess of plan assets:		
Projected benefit obligation	$ 236.6	$ 204.5
Accumulated benefit obligation	233.3	200.5
Fair value of plan assets	135.2	113.9

Net Periodic Benefit Cost

Our U.S.-based pension plans comprised approximately 82% of the projected benefit obligation and 75% of plan assets as of December 31, 2020.

	Pension Benefits		
	2020	2019	2018
Components of net periodic benefit cost as of December 31:			
Service cost	$ 5.5	$ 4.9	$ 5.3
Interest cost	6.6	10.2	12.3
Expected return on plan assets	(8.2)	(13.4)	(18.8)
Amortization of prior service costs	0.2	0.1	0.1
Recognized actuarial loss	5.8	5.6	9.2
Settlements	0.6	99.2	0.4
Other	—	(0.5)	0.3
Net periodic benefit cost	$ 10.5	$ 106.1	$ 8.8

Amounts recognized in AOCL and Other Comprehensive Income

The following table sets forth amounts recognized in AOCL and Other comprehensive income (loss) in our financial statements for 2020 and 2019 (in millions):

	Pension Benefits	
	2020	2019
Amounts recognized in AOCL:		
Prior service costs	$ (0.7)	$ (0.8)
Actuarial loss	(103.8)	(101.6)
Subtotal	(104.5)	(102.4)
Deferred taxes	25.6	24.7
Net amount recognized	$ (78.9)	$ (77.7)
Changes recognized in other comprehensive loss:		
Current year actuarial loss (gain)	8.1	(5.1)
Effect of exchange rates	0.5	0.5
Amortization of prior service costs	(0.2)	(0.1)
Amortization of actuarial loss, including settlements	(6.4)	(93.1)
Total recognized in other comprehensive income (loss)	$ 2.0	$ (97.8)
Total recognized in net periodic benefit cost and other comprehensive income	$ 12.5	$ 8.3

The estimated prior service costs and actuarial losses for pension benefits that will be amortized from AOCL in 2021 are $0.2 million and $6.9 million, respectively.

Assumptions

The following tables set forth the weighted-average assumptions used to determine Benefit obligations and Net periodic benefit cost for the U.S.-based plans in 2020 and 2019:

	Pension Benefits	
	2020	2019
Weighted-average assumptions used to determine benefit obligations as of December 31:		
Discount rate	2.40 %	3.19 %
Rate of compensation increase	4.13 %	4.23 %

	Pension Benefits		
	2020	2019	2018
Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:			
Discount rate - service cost	2.89 %	3.96 %	3.48 %
Discount rate - interest cost	2.99 %	3.67 %	3.22 %
Expected long-term return on plan assets	6.50 %	6.50 %	6.50 %
Rate of compensation increase	4.23 %	4.23 %	4.23 %

The following tables set forth the weighted-average assumptions used to determine Benefit obligations and Net periodic benefit cost for the non-U.S.-based plans in 2020 and 2019:

	Pension Benefits	
	2020	2019
Weighted-average assumptions used to determine benefit obligations as of December 31:		
Discount rate	1.48 %	2.15 %
Rate of compensation increase	3.17 %	3.20 %

	Pension Benefits		
	2020	2019	2018
Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:			
Discount rate - service cost	0.73 %	1.60 %	1.32 %
Discount rate - interest cost	2.30 %	2.98 %	2.67 %
Expected long-term return on plan assets	3.31 %	3.92 %	4.19 %
Rate of compensation increase	3.20 %	3.77 %	3.62 %

To develop the expected long-term rate of return on assets assumption for the U.S. plans, we considered the historical returns for each asset category, as well as the target asset allocation of the pension portfolio and the effect of periodic balancing. These results were adjusted for the payment of reasonable expenses of the plan from plan assets. This resulted in the selection of the 6.50% long-term rate of return on assets assumption. A similar process was followed for the non-U.S.-based plans.

To select a discount rate for the purpose of valuing the plan obligations for the U.S. plans, we performed an analysis in which the projected cash flows from defined benefit and retiree healthcare plans was matched with a yield curve based on the appropriate universe of high-quality corporate bonds that were available. We used the results of the yield curve analysis to select the discount rate for each plan. The analysis was completed separately for each U.S. pension and OPEB plan. A similar process was followed for the non-U.S.-based plans with sufficient corporate bond information. In other countries, the discount rate was selected based on the approximate duration of plan obligations.

Assumed health care cost trend rates have an effect on the amounts reported for our healthcare plan. The following table sets forth the healthcare trend rate assumptions used:

	2020	2019
Assumed health care cost trend rates as of December 31:		
Health care cost trend rate assumed for next year	6.00 %	6.50 %
Rate to which the cost rate is assumed to decline (the ultimate trend rate)	5.00 %	5.00 %
Year that the rate reaches the ultimate trend rate	2023	2022

Expected future benefit payments are shown in the table below (in millions):

	For the Years Ended December 31,					
	2021	2022	2023	2024	2025	2026-2030
Pension benefits	$ 12.0	$ 5.8	$ 6.8	$ 11.9	$ 33.1	$ 75.1

Composition of Pension Plan Assets

We believe asset returns can be optimized at an acceptable level of risk by adequately diversifying the plan assets between equity and fixed income. In the fourth quarter of 2019, we changed the targeted allocations for our plan assets. The targeted allocation for fixed income and cash investments was changed to 50%, and the targeted allocation for equity investments was changed to 50%. Our targeted exposure to International equity including emerging markets was changed to 6.0% of total assets and our exposure to domestic equity was changed to 44.0%. Our U.S. pension plan represents 75%, our Canadian pension plan 11%, and our United Kingdom ("U.K.") pension plan 14% of the total fair value of our plan assets as of December 31, 2020.

Our U.S. pension plans' weighted-average asset allocations as of December 31, 2020 and 2019, by asset category, were as follows:

	Plan Assets as of December 31,	
Asset Category:	**2020**	**2019**
U.S. equity	34.8 %	44.6 %
International equity	17.0 %	7.3 %
Fixed income	48.0 %	48.0 %
Money market/cash	0.2 %	0.1 %
Total	100.0 %	100.0 %

Our U.S. pension plans' assets were invested according to the following targets:

Asset Category:	**Target**
U.S. equity	44.0 %
International equity	6.0 %
Fixed income	50.0 %

Our Canadian pension plans were invested approximately 82% in Canadian bonds and 18% in international equities. Our U.K. pension plan was invested in fixed income securities, including corporate and government bonds.

The fair values of our pension plan assets, by asset category, were as follows (in millions):

	Fair Value Measurements as of December 31, 2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset Category:				
Cash and cash equivalents	$ 0.4	$ —	$ —	$ 0.4
Commingled pools / Collective Trusts:				
U.S. equity [(1)]	—	47.0	—	47.0
International equity [(2)]	—	23.0	—	23.0
Fixed income [(3)]	—	64.9	—	64.9
Balanced pension trust: [(4)]				
International equity	—	5.1	—	5.1
Fixed income	—	14.1	—	14.1
Pension fund:				
Fixed income [(6)]	—	25.2	—	25.2
Total	$ 0.4	$ 179.3	$ —	$ 179.7

	Fair Value Measurements as of December 31, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset Category:				
Cash and cash equivalents	$ 0.2	$ —	$ —	$ 0.2
Commingled pools / Collective Trusts:				
U.S. equity [(1)]	—	50.8	—	50.8
International equity [(2)]	—	8.3	—	8.3
Fixed income [(3)]	—	54.6	—	54.6
Balanced pension trust: [(4)]				
International equity	—	4.8	—	4.8
Fixed income	—	13.6	—	13.6
Pension fund:				
Fixed income [(5)]	—	22.0	—	22.0
Total	$ 0.2	$ 154.1	$ —	$ 154.3

Additional information about assets measured at Net Asset Value ("NAV") per share (in millions):

	As of December 31, 2020		
	Fair Value	Redemption Frequency (if currently eligible)	Redemption Notice Period
Asset Category:			
Commingled pools / Collective Trusts:			
U.S. equity [1]	$ 47.0	Daily	5 days
International equity [2]	23.0	Daily	5 days
Fixed income [3]	64.9	Daily	5-15 days
Balanced pension trust: [4]			
International equity	5.1	Daily	3-5 days
Fixed income	14.1	Daily	3-5 days
Pension fund:			
Fixed income [5]	25.2	Daily	3 days
Total	$ 179.3		

	As of December 31, 2019		
	Fair Value	Redemption Frequency (if currently eligible)	Redemption Notice Period
Asset Category:			
Commingled pools / Collective Trusts:			
U.S. equity [1]	$ 50.8	Daily	5 days
International equity [2]	8.3	Daily	5 days
Fixed income [3]	54.6	Daily	5-15 days
Balanced pension trust: [4]			
International equity	4.8	Daily	3-5 days
Fixed income	13.6	Daily	3-5 days
Pension fund:			
Fixed income [5]	22.0	Daily	1-3 days
Total	$ 154.1		

(1) This category includes investments primarily in U.S. equity securities that include large, mid and small capitalization companies.

(2) This category includes investments primarily in international equity securities that include large, mid and small capitalization companies in large developed markets as well as emerging markets equities.

(3) This category includes investments in U.S. investment grade and high yield fixed income securities, international fixed income securities and emerging markets fixed income securities.

(4) The investment objectives of the plan are to provide long-term capital growth and income by investing primarily in a well-diversified, balanced portfolio of Canadian common stocks, bonds and money market securities. The plan also holds a portion of its assets in international equities, a portion of which may be invested in U.S. securities.

(5) This category includes investments in U.K. government index-linked securities (index-linked gilts) that have maturity periods of 5 years or longer with a derivatives overlay and investment grade corporate bonds denominated in sterling.

The majority of our commingled pool/collective trusts, mutual funds, balanced pension trusts and pension funds are managed by professional investment advisors. The NAVs per share are furnished in monthly and/or quarterly statements received from the investment advisors and reflect valuations based upon their pricing policies. We assessed the fair value classification of these investments as Level 2 for commingled pool/collective trusts, balanced pension trusts and pension funds based on an examination of their pricing policies and the related controls and procedures. The fair values we report are based on the pool, trust or fund's NAV per share. The NAVs per share are calculated periodically (daily or no less than one time per month) as the aggregate value of each pool or trust's underlying assets divided by the number of units owned. See Note 17 for information about our fair value hierarchies and valuation techniques.

12. Joint Ventures and Other Equity Investments:

We participate in two joint ventures, the largest located in the U.S. and the other in Mexico, 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 respective 25% and 50% 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.

The combined balance of equity method investments included in Other assets, net totaled (in millions):

	As of December 31,	
	2020	2019
Equity method investments	$ 37.0	$ 38.6

We purchase compressors from our U.S. joint venture for use in certain of our products. The amounts of purchases included in Cost of goods sold in the Consolidated Statements of Operations were as follows (in millions):

	For the Years Ended December 31,		
	2020	2019	2018
Purchases of compressors from joint venture	$ 123.1	$ 123.1	$ 103.1

13. Income Taxes:

Our Provision for income taxes from continuing operations consisted of the following (in millions):

	For the Years Ended December 31,		
	2020	2019	2018
Current:			
Federal	$ 61.7	$ 55.9	$ 59.5
State	14.1	14.2	17.8
Foreign	4.8	9.3	4.6
Total current	80.6	79.4	81.9
Deferred:			
Federal	(0.7)	15.0	23.2
State	1.1	3.9	1.0
Foreign	7.1	0.8	1.5
Total deferred	7.5	19.7	25.7
Total provision for income taxes	$ 88.1	$ 99.1	$ 107.6

Income from continuing operations before income taxes was comprised of the following (in millions):

	For the Years Ended December 31,		
	2020	2019	2018
Domestic	$ 268.4	$ 383.2	$ 428.7
Foreign	176.8	124.7	39.2
Total	$ 445.2	$ 507.9	$ 467.9

The difference between the income tax provision from continuing operations computed at the statutory federal income tax rate and the financial statement Provision for income taxes is summarized as follows (in millions):

	For the Years Ended December 31,		
	2020	2019	2018
Provision at the U.S. statutory rate of 21%	$ 93.5	$ 106.7	$ 98.3
Increase (reduction) in tax expense resulting from:			
State income tax, net of federal income tax benefit	10.8	13.2	15.5
Tax credits, net of unrecognized tax benefits	(7.8)	(13.8)	(2.5)
Change in unrecognized tax benefits	0.2	3.1	0.4
Change in valuation allowance	7.8	1.9	5.0
Foreign taxes at rates other than U.S. statutory rate	(33.6)	(20.7)	(3.2)
Deemed inclusions	9.2	8.3	3.9
Global intangible low-taxed income	10.3	9.5	0.7
Change in rates from the Tax Act & other law changes	0.7	(0.8)	1.9
Excess tax benefits from stock-based compensation	(4.2)	(10.9)	(10.5)
Miscellaneous other	1.2	2.6	(1.9)
Total provision for income taxes	$ 88.1	$ 99.1	$ 107.6

Deferred income taxes reflect the tax consequences on future years of temporary differences between the tax basis of assets and liabilities and their financial reporting basis and depending on the classification of the asset or liability generating the deferred tax. The deferred tax provision for the periods shown represents the effect of changes in the amounts of temporary differences during those periods.

Deferred tax assets (liabilities) were comprised of the following (in millions):

	As of December 31,	
	2020	2019
Gross deferred tax assets:		
Warranties	$ 29.2	$ 27.8
Loss carryforwards (foreign, U.S. and state)	26.8	23.2
Post-retirement and pension benefits	24.8	22.4
Inventory reserves	7.3	5.6
Receivables allowance	3.8	3.1
Compensation liabilities	10.2	6.2
Insurance liabilities	—	1.6
Legal reserves	10.1	8.5
Tax credits, net of federal effect	11.1	11.4
Other	8.0	7.1
Total deferred tax assets	131.3	116.9
Valuation allowance	(37.0)	(24.9)
Total deferred tax assets, net of valuation allowance	94.3	92.0
Gross deferred tax liabilities:		
Depreciation	(58.7)	(52.5)
Intangibles	(15.2)	(15.1)
Insurance liabilities	(1.0)	—
Other	(6.2)	(2.9)
Total deferred tax liabilities	(81.1)	(70.5)
Net deferred tax assets	$ 13.2	$ 21.5

As of December 31, 2020 and 2019, we had zero and $0.1 million in tax-effected state net operating loss carryforwards, respectively, and $18.6 million and $14.9 million in tax-effected foreign net operating loss carryforwards, respectively. The deferred tax asset valuation allowance relates primarily to the operating loss carryforwards in European tax jurisdictions. The remainder of the valuation allowance relates to state tax credits.

In assessing whether a deferred tax asset will be realized, we consider whether it is more likely than not that some portion or all of the deferred tax asset will not be realized. We consider the reversal of existing taxable temporary differences, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, we believe it is more likely than not we will realize the benefits of these deductible differences, net of the existing valuation allowances, as of December 31, 2020.

No provision was made for income taxes which may become payable upon distribution of our foreign subsidiaries' earnings. An actual repatriation in the future from our non-U.S. subsidiaries could still be subject to foreign withholding taxes and U.S. state taxes, but we expect any amounts to be immaterial.

We are currently under examination for our U.S. federal income taxes for 2020 and 2019 and are subject to examination by numerous other taxing authorities in the U.S. and foreign jurisdictions. We are generally no longer subject to U.S., state and local or non-U.S. income tax examinations by taxing authorities for years before 2013.

14. Lines of Credit and Financing Arrangements:

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

	As of December 31,	
	2020	2019
Current maturities of long-term debt:		
Asset securitization program	$ —	$ 285.0
Finance lease obligations	10.1	7.8
Domestic credit facility	—	30.0
Debt issuance costs	(0.2)	(0.9)
Total current maturities of long-term debt	$ 9.9	$ 321.9
Long-Term Debt:		
Finance lease obligations	29.3	25.9
Domestic credit facility	—	475.5
Senior unsecured notes	950.0	350.0
Debt issuance costs	(8.6)	(2.1)
Total long-term debt	$ 970.7	$ 849.3
Total debt	$ 980.6	$ 1,171.2

As of December 31, 2020, the aggregate amounts of required principal payments on total debt excluding finance lease obligations (see Note 5) were as follows (in millions):

2021	$ —
2022	—
2023	350.0
2024	—
2025	300.0
Thereafter	300.0

Short-Term Debt

Foreign Obligations

Through several of our foreign subsidiaries, we have facilities available to assist in financing seasonal borrowing needs for our foreign locations. As of December 31, 2020 or 2019, we did not have any outstanding short-term foreign obligations. Proceeds and repayments from these facilities were $4.6 million, $5.3 million and $40.3 million during the years ended December 31, 2020, 2019 and 2018, respectively.

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 Sheet 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 December 31,	
	2020	**2019**
Eligible amount available under the ASP on qualified accounts receivable	$ 279.1	$ 320.0
Less: Beneficial interest transferred	—	(285.0)
Remaining amount available	$ 279.1	$ 35.0

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 interest 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 December 31, 2020 and 2019 were 0.00% as there were no outstanding borrowings and 2.51%, respectively. The unused fee is based on 101% of the maximum available amount less the beneficial interest transferred and is calculated at rate ranging between 0.25% and 0.35%, depending on 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 Seventh Amended and Restated Credit Facility Agreement ("Domestic 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 Domestic Credit Facility. The participating financial institutions have investment grade credit ratings. As of December 31, 2020, we believe we were in compliance with all covenant requirements.

Long-Term Debt

Domestic Credit Facility

On July 30, 2020, we amended our Domestic Credit Facility to extend the term of our revolving credit facility by one year and to provide for a $250.0 million decrease in revolving commitments. The amended Domestic Credit Facility currently consists of a $750.0 million unsecured revolving credit facility that matures in August 2022 (the "Maturity Date"). The previously outstanding unsecured term loan was fully repaid in September 2020.

Under our Domestic Credit Facility, we had outstanding borrowings of $0.0 million as well as $2.2 million committed to standby letters of credit as of December 31, 2020. Subject to covenant limitations, $747.8 million was available for future borrowings. The revolving credit facility includes a subfacility for swingline loans of up to $65.0 million.

Our weighted average borrowing rate on the facility was 0% as of December 31, 2020 as there were no outstanding borrowings. Below is a summary of the weighted average interest rate for both December 31, 2020 and 2019:

	As of December 31,	
	2020	2019
Weighted average borrowing rate	— %	2.93 %

Our Domestic Credit Facility is guaranteed by certain of our subsidiaries and contains financial covenants relating to leverage and interest coverage. Other covenants contained in the Domestic Credit Facility restrict, among other things, certain mergers, asset dispositions, guarantees, debt, liens, and affiliate transactions. The financial covenants require us to maintain a defined Consolidated Indebtedness to Adjusted EBITDA Ratio and a Cash Flow (defined as EBITDA minus capital expenditures) to Interest Expense Ratio. The required ratios under our Domestic Credit Facility are detailed below:

Consolidated Indebtedness to Adjusted EBITDA Ratio no greater than	3.5 : 1.0
Cash Flow to Interest Expense Ratio no less than	3.0 : 1.0

Our Domestic Credit Facility contains customary events of default. These events of default include nonpayment of principal or interest, breach of covenants or other restrictions or requirements, default on certain other indebtedness or receivables securitizations (cross default), and bankruptcy. A cross default under our Domestic Credit Facility could occur if:

- We fail to pay any principal or interest when due on any other indebtedness or receivables securitization exceeding $75.0 million; or
- We are in default in the performance of, or compliance with any term of any other indebtedness or receivables securitization in an aggregate principal amount exceeding $75.0 million or any other condition exists which would give the holders the right to declare such indebtedness due and payable prior to its stated maturity.

Each of our major debt agreements contains provisions by which a default under one agreement causes a default in the others (a “cross default”). If a cross default under the Domestic Credit Facility, our senior unsecured notes, our lease of our corporate headquarters in Richardson, Texas (recorded as an operating lease), or our ASP were to occur, it could have a wider impact on our liquidity than might otherwise occur from a default of a single debt instrument or lease commitment.

If any event of default occurs and is continuing, the administrative agent, or lenders with a majority of the aggregate commitments may require the administrative agent to, terminate our right to borrow under our Domestic Credit Facility and accelerate amounts due under our Domestic Credit Facility (except for a bankruptcy event of default, in which case such amounts will automatically become due and payable and the lenders’ commitments will automatically terminate). As of December 31, 2020, 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 Domestic Credit Facility. 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 million in principal which is then accelerated, and such acceleration is not rescinded within 30 days of the notice date. As of December 31, 2020, we believe we were in compliance with all covenant requirements.

15. Comprehensive Income:

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):

AOCL Component	For the Years Ended December 31, 2020	2019	Affected Line Item(s) in the Consolidated Statements of Operations
Gains/(Losses) on cash flow hedges:			
Derivative contracts	$ (3.7)	$ (6.9)	Cost of goods sold and Losses (gains) and other expenses, net.
Income tax benefit	0.9	1.6	Provision for income taxes
Net of tax	$ (2.8)	$ (5.3)	
Defined Benefit Plan Items:			
Pension and post-retirement benefits costs	$ (5.9)	$ (5.7)	Cost of goods sold; Selling, general, administrative expenses and Other (income) expense, net
Pension settlements	(0.6)	(99.2)	Pension settlements
Income tax benefit	1.6	26.2	Provision for income taxes
Net of tax	$ (4.9)	$ (78.7)	
Foreign currency translation adjustments:			
Foreign currency adjustments on sale of business	$ —	$ (2.1)	Loss (gain), net on sale of businesses and related property
Income tax benefit	—	—	Provision for income taxes
Net of tax	$ —	$ (2.1)	
Total reclassifications from AOCL	$ (7.7)	$ (86.1)	

The following tables provide information on changes in AOCL, by component (net of tax), for the years ended December 31, 2020 and 2019 (in millions):

	Gains (Losses) on Cash Flow Hedges	Share of equity method investments other comprehensive income	Defined Benefit Plan Items	Foreign Currency Translation Adjustments	Total AOCL
Balance as of December 31, 2019	$ —	$ —	$ (81.5)	$ (22.3)	$ (103.8)
Other comprehensive income (loss) before reclassifications	5.4	(1.2)	(6.1)	0.8	(1.1)
Amounts reclassified from AOCL	2.8	—	4.9	—	7.7
Net other comprehensive income (loss)	8.2	(1.2)	(1.2)	0.8	6.6
Balance as of December 31, 2020	$ 8.2	$ (1.2)	$ (82.7)	$ (21.5)	$ (97.2)

	Gains (Losses) on Cash Flow Hedges	Share of equity method investments other comprehensive income	Defined Benefit Plan Items	Foreign Currency Translation Adjustments	Total AOCL
Balance as of December 31, 2018	$ (6.2)	$ —	$ (154.5)	$ (28.1)	$ (188.8)
Other comprehensive income (loss) before reclassifications	0.9	—	(5.7)	3.7	(1.1)
Amounts reclassified from AOCI	5.3	—	78.7	2.1	86.1
Net other comprehensive income (loss)	6.2	—	73.0	5.8	85.0
Balance as of December 31, 2019	$ —	$ —	$ (81.5)	$ (22.3)	$ (103.8)

16. Stock-Based Compensation:

Stock-based compensation expense related to continuing operations was included in Selling, general and administrative expenses in the accompanying Consolidated Statements of Operations as follows (in millions):

	For the Years Ended December 31,		
	2020	2019	2018
Compensation expense[1]	$ 24.3	$ 21.3	$ 26.3

[1] Stock-based compensation expense was recorded in our Corporate and other business segment.

Incentive Plan

Under the Lennox International Inc. 2019 Equity and Incentive Plan Compensation Plan, we are authorized to issue awards for 1.5 million shares of common stock. The plan provides for various long-term incentive awards, including performance share units, restricted stock units and stock appreciation rights. A description of these long-term incentive awards and related activity within each award category is provided below.

As of December 31, 2020, awards for 0.1 million shares of common stock had been granted, net of cancellations and repurchases, and there were 1.4 million shares available for future issuance.

Performance Share Units

Performance share units are granted to certain employees at the discretion of the Board of Directors with a three-year performance period beginning January 1st of each year. Upon meeting the performance and vesting criteria, performance share units are converted to an equal number of shares of our common stock. Performance share units vest if, at the end of the three-year performance period, at least the threshold performance level has been attained. To the extent that the payout level attained is less than 100%, the difference between 100% and the units earned and distributed will be forfeited. Eligible participants may also earn additional units of our common stock, which would increase the potential payout up to 200% of the units granted, depending on LII's performance over the three-year performance period.

Performance share units are classified as equity awards. Compensation expense is recognized on an earnings curve over the period and is based on the expected number of units to be earned and the fair value of the stock at the date of grant. The fair value of units is calculated as the average of the high and low market price of the stock on the date of grant discounted by the expected dividend rate over the service period. The number of units expected to be earned will be adjusted in future periods as necessary to reflect changes in the estimated number of award to be issued and, upon vesting, the actual number of units awarded. Our practice is to issue new shares of common stock or utilize treasury stock to satisfy performance share unit distributions.

The following table provides information on our performance share units:

	For the Years Ended December 31,		
	2020	2019	2018
Compensation expense for performance share units (in millions)	$ 8.9	$ 6.8	$ 12.3
Weighted-average fair value of grants, per share	$ 265.96	$ 245.06	$ 204.64
Payout ratio for shares paid	132.7 %	157.2 %	173.2 %

A summary of the status of our undistributed performance share units as of December 31, 2020, and changes during the year then ended, is presented below (in thousands, except per share data):

	Shares	Weighted- Average Grant Date Fair Value per Share
Undistributed performance share units as of December 31, 2019	202.3	$ 191.14
Granted	33.6	$ 265.96
Distributed	(72.0)	$ 150.21
Forfeited	(4.5)	$ 205.99
Undistributed performance share units as of December 31, 2020 [1]	159.4	$ 224.95

[1] Undistributed performance share units include approximately 114.5 thousand units with a weighted-average grant date fair value of $235.71 per share that had not yet vested and 44.9 thousand units that have vested but were not yet distributed.

As of December 31, 2020, we had $16.6 million of total unrecognized compensation cost related to non-vested performance share units that is expected to be recognized over a weighted-average period of 2.3 years. Our weighted-average estimated forfeiture rate for these performance share units was 9.4% as of December 31, 2020.

The total fair value of performance share units distributed and the resulting tax deductions to realized tax benefits were as follows (in millions):

	For the Years Ended December 31,		
	2020	2019	2018
Fair value of performance share units distributed	$ 15.1	$ 20.2	$ 21.1
Realized tax benefits from tax deductions	$ 0.7	$ 5.1	$ 5.3

Restricted Stock Units

Restricted stock units are issued to attract and retain key employees. Generally, at the end of a three-year retention period, the units will vest and be distributed in shares of our common stock to the participant. Our practice is to issue new shares of common stock or utilize treasury stock to satisfy restricted stock unit vestings. Restricted stock units are classified as equity awards. The fair value of units granted is the average of the high and low market price of the stock on the date of grant discounted by the expected dividend rate over the service period. Units are amortized to compensation expense ratably over the service period.

The following table provides information on our restricted stock units (in millions, except per share data):

	For the Years Ended December 31,		
	2020	2019	2018
Compensation expense for restricted stock units	$ 10.4	$ 9.7	$ 9.2
Weighted-average fair value of grants, per share	$ 265.96	$ 247.02	$ 204.64

A summary of our non-vested restricted stock units as of December 31, 2020 and changes during the year then ended is presented below (in thousands, except per share data):

	Shares	Weighted- Average Grant Date Fair Value per Share
Non-vested restricted stock units as of December 31, 2019	157.0	$ 216.07
Granted	40.9	$ 265.96
Vested	(54.0)	$ 200.27
Forfeited	(7.9)	$ 213.40
Non-vested restricted stock units as of December 31, 2020 [1]	136.0	$ 237.45

[(1)] As of December 31, 2020, we had $19.2 million of total unrecognized compensation cost related to non-vested restricted stock units that is expected to be recognized over a weighted-average period of 2.3 years. Our estimated forfeiture rate for restricted stock units was 14.3% as of December 31, 2020.

The total fair value of restricted stock units vested and the resulting tax deductions to realized tax benefits were as follows (in millions):

	For the Years Ended December 31,		
	2020	2019	2018
Fair value of restricted stock units vested	$ 15.0	$ 10.9	$ 9.7
Realized tax benefits from tax deductions	2.7	2.7	2.4

Stock Appreciation Rights

Stock appreciation rights are issued to certain key employees. Each recipient is given the “right” to receive compensation, paid in shares of our common stock, equal to the future appreciation of our common stock price. Stock appreciation rights generally vest in one-third increments beginning on the first anniversary date after the grant date and expire after seven years . Our practice is to issue new shares of common stock or utilize treasury stock to satisfy the exercise of stock appreciation rights.

The following table provides information on our stock appreciation rights (in millions, except per share data):

	For the Years Ended December 31,		
	2020	2019	2018
Compensation expense for stock appreciation rights	$ 5.0	$ 4.8	$ 4.8
Weighted-average fair value of grants, per share	$ 55.21	$ 39.40	$ 35.57

Compensation expense for stock appreciation rights is based on the fair value on the date of grant, estimated using the Black-Scholes-Merton valuation model, and is recognized over the service period. We used historical stock price data to estimate the expected volatility. We determined that the recipients of stock appreciation rights can be combined into one employee group that has similar historical exercise behavior and we used our historical pattern of award exercises to estimate the expected life of the awards for the employee group. The risk-free interest rate was based on the zero-coupon U.S. Treasury yield curve with a maturity equal to the expected life of the awards at the time of grant.

The fair value of the stock appreciation rights granted in 2020, 2019 and 2018 were estimated on the date of grant using the following assumptions:

	2020	2019	2018
Expected dividend yield	1.64 %	1.77 %	1.76 %
Risk-free interest rate	0.27 %	1.59 %	2.71 %
Expected volatility	29.70 %	21.23 %	20.60 %
Expected life (in years)	3.95	3.96	3.93

A summary of our stock appreciation rights as of December 31, 2020, and changes during the year then ended, is presented below (in thousands, except per share data):

	Shares	Weighted-Average Exercise Price per Share
Outstanding stock appreciation rights as of December 31, 2019	796.7	$ 181.15
Granted	92.4	$ 278.00
Exercised	(191.0)	$ 130.35
Forfeited	(18.6)	$ 225.82
Outstanding stock appreciation rights as of December 31, 2020	679.5	$ 205.41
Exercisable stock appreciation rights as of December 31, 2020	458.0	$ 182.99

The following table summarizes information about stock appreciation rights outstanding as of December 31, 2020 (in millions, except per share data and years; shares in thousands):

Range of Exercise Prices	Stock Appreciation Rights Outstanding			Stock Appreciation Rights Exercisable		
	Shares	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value	Shares [1]	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
$99.64 to $156.94	200.3	2.39	$ 28.4	200.3	1.28	$ 27.0
$205.53 to $214.63	256.0	4.49	$ 16.4	214.0	4.39	$ 13.9
$257.08 to $278.00	223.2	6.41	$ 2.2	43.7	6.00	$ 0.7

[1] Share amounts are rounded but the balance accurately reflects the actual amount of exercisable stock appreciation rights as of December 31, 2020.

As of December 31, 2020, we had $9.2 million of unrecognized compensation cost related to non-vested stock appreciation rights that is expected to be recognized over a weighted-average period of 2.3 years. Our estimated forfeiture rate for stock appreciation rights was 11.8% as of December 31, 2020.

The total intrinsic value of stock appreciation rights exercised and the resulting tax deductions to realize tax benefits were as follows (in millions):

	For the Years Ended December 31,		
	2020	2019	2018
Intrinsic value of stock appreciation rights exercised	$ 26.7	$ 37.1	$ 35.9
Realized tax benefits from tax deductions	$ 6.7	$ 9.3	$ 8.9

Employee Stock Purchase Plan

Under the 2012 Employee Stock Purchase Plan ("ESPP"), all employees who meet certain service requirements are eligible to purchase our common stock through payroll deductions at the end of three month offering periods. The purchase price for such shares is 95% of the fair market value of the stock on the last day of the offering period. A maximum of 2.5 million shares is authorized for purchase until the ESPP plan termination date of May 10, 2022, unless terminated earlier at the discretion of the Board of Directors. Employees purchased approximately 12,700 shares under the ESPP during the year ended December 31, 2020. Approximately 2.4 million shares remain available for purchase under the ESPP as of December 31, 2020.

17. Fair Value Measurements:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date and requires consideration of our creditworthiness when valuing certain liabilities. Our framework for measuring fair value is based on the following three-level hierarchy for fair value measurements:

Level 1 - Quoted prices for *identical* instruments in active markets at the measurement date.

Level 2 - Quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are *observable* in active markets at the measurement date and for the anticipated term of the instrument.

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are *unobservable* inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Where available, the fair values were based upon quoted prices in active markets. However, if quoted prices were not available, then the fair values were based upon quoted prices for similar assets or liabilities or independently sourced market parameters, such as credit default swap spreads, yield curves, reported trades, broker/dealer quotes, interest rates and benchmark securities. For assets and liabilities without observable market activity, if any, the fair values were based upon discounted cash flow methodologies incorporating assumptions that, in our judgment, reflect the assumptions a marketplace participant would use. Valuation adjustments to reflect either party's creditworthiness and ability to pay were incorporated into our valuations, where appropriate, as of December 31, 2020 and 2019, the measurement dates.

The methodologies used to determine the fair value of our financial assets and liabilities as of December 31, 2020 were the same as those used as of December 31, 2019.

Fair values are estimates and are not necessarily indicative of amounts for which we could settle such instruments currently nor indicative of our intent or ability to dispose of or liquidate them.

Assets and Liabilities Carried at Fair Value on a Recurring Basis

Derivatives

Derivatives, classified as Level 2, were 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, but they were insignificant to the overall value of the derivatives. Refer to Note 10 for more information related to our derivative instruments.

Other Fair Value Disclosures

The carrying amounts of Cash and cash equivalents, Accounts and notes receivable, net, Accounts payable, Other current liabilities, 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 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 the fair value for our senior unsecured notes in Long-term debt (in millions):

	As of December 31,	
	2020	**2019**
Quoted Prices in Active Markets for Similar Instruments (Level 2):		
Senior unsecured notes	$ 971.6	$ 356.8

18. Selected Quarterly Financial Information (unaudited):

The following tables provide information on Net sales, Gross profit, Net income, Earnings per share and Cash dividends declared per share by quarter (in millions, except per share data):

	Net Sales [1]		**Gross Profit** [1]		**Net Income** [1]	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
First Quarter	$ 723.8	$ 790.3	$ 165.7	$ 201.6	$ 12.9	$ 69.3
Second Quarter	$ 941.3	$ 1,099.1	$ 275.7	$ 332.1	$ 100.0	$ 110.7
Third Quarter	$ 1,055.0	$ 1,032.9	$ 323.3	$ 298.3	$ 131.7	$ 114.7
Fourth Quarter	$ 914.0	$ 885.0	$ 275.3	$ 247.8	$ 111.7	$ 114.0

	Basic Earnings per Share [2]		**Diluted Earnings per Share** [2]		**Cash Dividends per Common Share**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
First Quarter	$ 0.34	$ 1.75	$ 0.33	$ 1.73	$ 0.77	$ 0.64
Second Quarter	$ 2.62	$ 2.83	$ 2.60	$ 2.80	$ 0.77	$ 0.77
Third Quarter	$ 3.44	$ 2.97	$ 3.42	$ 2.94	$ 0.77	$ 0.77
Fourth Quarter	$ 2.92	$ 2.96	$ 2.89	$ 2.93	$ 0.77	$ 0.77

[1] The sum of the quarterly results for each of the four quarters may not equal the full year results due to rounding.

[2] EPS for each quarter is computed using the weighted-average number of shares outstanding during that quarter, while EPS for the fiscal year is computed using the weighted-average number of shares outstanding during the year. Thus, the sum of the EPS for each of the four quarters may not equal the EPS for the fiscal year.

Summary of 2020 Quarterly Results

The following unusual or infrequent pre-tax items were included in the 2020 quarterly results:

1st Quarter. The worldwide outbreak of COVID-19 , which was declared a pandemic by the World Health Organization on March 11, 2020, had impacted and may continue to impact our business operations.

2nd Quarter. Due to the economic impact of the COVID-19 pandemic on our business, we implemented cost reduction actions in April 2020 to realize SG&A savings for the balance of the year. Refer to Note 8 for details related to restructuring.

3rd Quarter. Our manufacturing facility in Marshalltown, Iowa was damaged by a wind storm. Refer to Note 5 for details related to the wind storm damage.

4th Quarter. We recognized a $6.6 million receivable from insurance recoveries related to our Marshalltown facility, refer to Note 5 for further details.

Summary of 2019 Quarterly Results

The following unusual or infrequent pre-tax items were included in the 2019 quarterly results:

1st Quarter. We signed an agreement with EPTA S.p.A., a private Italian company, for the sale of our Kysor Warren business. Refer to Note 7 for details regarding the divestiture. We also recorded gains of $46.4 million from insurance recoveries related to our Marshalltown facility; refer to Note 5 for details.

2nd Quarter. We entered into an agreement with Pacific Life Insurance Company to purchase a group annuity contract and transfer our pension plan assets and related pension benefit obligations. Refer to Note 11 for details regarding the transaction. We also recorded gains of $31.9 million from insurance recoveries related to our Marshalltown facility; refer to Note 5 for details.

3rd Quarter. We recorded gains of $7.1 million from insurance recoveries related to our Marshalltown facility; refer to Note 5 for details.

4th Quarter. We entered into a second agreement with Pacific Life Insurance Company to purchase a group annuity contract and transfer our pension plan assets and related pension benefit obligations. Refer to Note 11 for details regarding the transaction. We also reached a final settlement with our insurance carriers for the losses incurred from tornado damage at our Marshalltown facility. We recorded gains of $93.4 million for the settlement and receipt of insurance recoveries; refer to Note 5 for further details.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***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, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2020, 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.

Management's Annual Report on Internal Control Over Financial Reporting

See "Management's Report on Internal Control Over Financial Reporting" included in Item 8 "Financial Statements and Supplementary Data."

Attestation Report of the Independent Registered Public Accounting Firm

See "Report of Independent Registered Public Accounting Firm" included in Item 8 "Financial Statements and Supplementary Data."

Changes in Internal Control Over Financial Reporting

There were no changes during the year ended December 31, 2020 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. ***Other Information***

None.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

Incorporated herein by reference from the Company's definitive proxy statement, which will be filed no later than 120 days after December 31, 2019. Also, refer to Part I, Item 1 "Business - Information about our Executive Officers " of this Annual Report on Form 10-K, which identifies our executive officers and is incorporated herein by reference.

Item 11. ***Executive Compensation***

Incorporated herein by reference from the Company's definitive proxy statement, which will be filed no later than 120 days after December 31, 2020.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

Incorporated herein by reference from the Company's definitive proxy statement, which will be filed no later than 120 days after December 31, 2020. Also, refer to Note 16 in the Notes to the Consolidated Financial Statements for additional information about our equity compensation plans.

Item 13. ***Certain Relationships and Related Transactions and Director Independence***

Incorporated herein by reference from the Company’s definitive proxy statement, which will be filed no later than 120 days after December 31, 2020.

Item 14. ***Principal Accounting Fees and Services***

Incorporated herein by reference from the Company’s definitive proxy statement, which will be filed no later than 120 days after December 31, 2020.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

Financial Statements

The following financial statements are included in Part II, Item 8 of the Annual Report on Form 10-K:

- Report of Independent Registered Public Accounting Firm
- Consolidated Balance Sheets as of December 31, 2020 and 2019
- Consolidated Statements of Operations for the Years Ended December 31, 2020, 2019 and 2018
- Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2020, 2019 and 2018
- Consolidated Statements of Stockholders’ (Deficit) Equity for the Years Ended December 31, 2020, 2019 and 2018
- Consolidated Statements of Cash Flows for the Years Ended December 31, 2020, 2019 and 2018
- Notes to the Consolidated Financial Statements for the Years Ended December 31, 2020, 2019 and 2018

Financial Statement Schedules

The financial statement schedule included in this Annual Report on Form 10-K is Schedule II - Valuation and Qualifying Accounts and Reserves for the Years Ended December 31, 2020, 2019 and 2018 (see Schedule II immediately following the signature page of this Annual Report on Form 10-K).

Financial statement schedules not included in this Annual Report on Form 10-K have been omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or Notes thereto.

Exhibits

A list of the exhibits required to be filed or furnished as part of this Annual Report on Form 10-K is set forth in the Index to Exhibits, which immediately precedes such exhibits, and is incorporated herein by reference.

INDEX TO EXHIBITS

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).
4.2	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	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).
4.4	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).
4.5	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).
4.6	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).
4.7	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).
4.8	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).
4.9	Description of Securities (filed herewith)
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	Form of Seventh Amended and Restated Subsidiary Guaranty Agreement for the Seventh Amended and Restated Credit Facility dated as of July 30, 2020 signed by Allied Air Enterprises LLC, Advanced Distributor Products LLC, Heatcraft Inc., Heatcraft Refrigeration Products LLC, Lennox Global LLC, Lennox Industries Inc., LGL Australia (US) Inc., Lennox National Account Services LLC, LGL Europe Holding Co. and Lennox Switzerland GmbH (filed as Exhibit C in Exhibit 10.1 to LII's Current Report on Form 8-K filed on July 30, 2020 and incorporated herein by reference)
10.3	Amendment No. 10 to Amended and Restated Receivables Purchase Agreement, dated as of November 13, 2019, among LPAC Corp., as the Seller, Lennox Industries Inc., as the Master Servicer, Lennox International Inc., Victory Receivables Corporation, as a Purchaser, MUFG Bank, Ltd., formerly known as The Bank of Tokyo-Mitsubishi UFJ, Ltd., as administrative agent for the Investors, the purchaser agent for the MUFG Purchaser Group and a MUFG Liquidity Bank, Wells Fargo Bank, N.A., as the purchaser agent for the WFB Purchaser Group and a WFB Liquidity Bank, and PNC Bank, N.A., as the purchaser agent for the PNC Purchaser Group and a PNC Liquidity Bank, including attachments (filed as Exhibit 10.1 to LII’s Current Report on Form 8-K filed on November 19, 2019, and incorporated herein by reference).
10.4*	Lennox International Inc. 2019 Equity and Incentive Compensation Plan (filed as Exhibit 10.1 to LII’s Current Report on Form 8-K filed on May 24, 2019, and incorporated herein by reference).
10.5*	Form of Long-Term Incentive Award Agreement for U.S. Employees - Vice President and Above (for use under the 2019 Incentive Plan) (filed as Exhibit 10.18 to LII’s Annual Report on Form 10-K filed on February 18,2020 and incorporated herein by reference).
10.6*	Form of Restricted Stock Unit Award Agreement for Non-Employee Directors (for use under the 2019 Incentive Plan) (filed as Exhibit 10.19 to LII’s Annual Report on Form 10-K filed on February 18,2020 and incorporated herein by reference).
10.7*	Form of Short-Term Incentive Program for Lennox International Inc. and its Subsidiaries (filed as Exhibit 10.20 to LII’s Annual Report on Form 10-K filed on February 18,2020 and incorporated herein by reference).

10.8*	Lennox International Inc. Profit Sharing Restoration Plan, as amended and restated as of January 1, 2009 (filed as Exhibit 10.3 to LII's Current Report on Form 8-K filed on December 17, 2008 and incorporated herein by reference).
10.9*	Lennox International Inc. Supplemental Retirement Plan, as amended and restated as of January 1, 2009 (filed as Exhibit 10.2 to LII's Current Report on Form 8-K filed on December 17, 2008 and incorporated herein by reference).
10.10*	Amendment Number One to the Lennox International Inc. Supplemental Retirement Plan, as amended and restated as of January 1, 2009, dated December 28, 2018 (filed as Exhibit 10.23 to LII's Annual Report on Form 10-K filed on February 19,2019 and incorporated herein by reference).
10.11*	Lennox International Inc. Supplemental Restoration Retirement Plan, effective as of January 1, 2019, dated December 28, 2018 (filed as Exhibit 10.24 to LII's Annual Report on Form 10-K filed on February 19,2019 and incorporated herein by reference).
10.12*	Form of Indemnification Agreement entered into between LII and certain executive officers and directors of LII (filed as Exhibit 10.15 to LII's Registration Statement on Form S-1 (Registration No. 333-75725) filed on April 6, 1999 and incorporated herein by reference).
10.13*	Form of Employment Agreement entered into between LII and certain executive officers of LII (filed as Exhibit 10.30 to LII's Annual Report on Form 10-K filed on February 27, 2007 and incorporated herein by reference).
10.14*	Form of Amendment to Employment Agreement entered into between LII and certain executive officers of LII (filed as Exhibit 10.2 to LII's Current Report on Form 8-K filed on December 12, 2007 and incorporated herein by reference).
10.15*	Form of Change of Control Agreement entered into between LII and certain executive officers of LII (filed as Exhibit 10.1 to LII's Current Report on Form 8-K filed on July 17, 2012 and incorporated herein by reference).
10.16*	Form of Change of Control Employment Agreement entered into between LII and certain executive officers of LII (filed as Exhibit 10.1 to LII's Current Report on Form 8-K filed on December 17, 2008 and incorporated herein by reference).
10.17*	Lennox International Inc. Directors' Retirement Plan (as Amended and Restated as of January 1, 2010) (filed as Exhibit 10.1 to LII's Current Report on Form 8-K filed on December 16, 2009 and incorporated herein by reference).
21.1	Subsidiaries of LII (filed herewith).
22.1	List of Guarantor Subsidiaries
23.1	Consent of KPMG LLP (filed herewith).
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	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)

* Management contract or compensatory plan or arrangement.

Item 16. ***Form 10-K Summary***

None.

SIGNATURES

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

February 16, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ TODD M. BLUEDORN Todd M. Bluedorn	Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	February 16, 2021
/s/ JOSEPH W. REITMEIER Joseph W. Reitmeier	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 16, 2021
/s/ CHRIS A. KOSEL Chris A. Kosel	Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)	February 16, 2021
/s/ TODD J. TESKE Todd J. Teske	Lead Director	February 16, 2021
/s/ SHERRY L. BUCK Sherry L. Buck	Director	February 16, 2021
/s/ JANET K. COOPER Janet K. Cooper	Director	February 16, 2021
/s/ JOHN E. MAJOR John E. Major	Director	February 16, 2021
/s/ MAX H. MITCHELL Max H. Mitchell	Director	February 16, 2021
/s/ JOHN W. NORRIS, III John W. Norris, III	Director	February 16, 2021
/s/ KAREN H. QUINTOS Karen. H. Quintos	Director	February 16, 2021
/s/ KIM K.W. RUCKER Kim K.W. Rucker	Director	February 16, 2021
/s/ GREGORY T. SWIENTON Gregory T. Swienton	Director	February 16, 2021
/s/ SHANE D. WALL Shane D. Wall	Director	February 16, 2021

LENNOX INTERNATIONAL INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

For the Years Ended December 31, 2020, 2019 and 2018

(In millions)

	Balance at beginning of year	Additions charged to cost and expenses	Write-offs	Recoveries	Other	Balance at end of year
2018						
Allowance for doubtful accounts	$ 5.9	$ 4.8	$ (3.7)	$ 0.6	$ (1.3)	$ 6.3
2019						
Allowance for doubtful accounts	$ 6.3	$ 4.5	$ (4.9)	$ 1.6	$ (1.4)	$ 6.1
2020						
Allowance for doubtful accounts	$ 6.1	$ 8.1	$ (4.2)	$ 1.2	$ (1.6)	$ 9.6

Exhibit 4.[9]

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES AND EXCHANGE ACT OF 1934

As of February 7, 2021, Lennox International Inc. has the following classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): (1) our Common Stock, (2) our 3.000% Notes due 2023, (3) our 1.350% Notes due 2025, and (4) our 1.700% Notes due 2027.

Description of Common Stock

The following summary of our capital stock is based on and qualified by our Restated Certificate of Incorporation and Amended and Restated Bylaws. For a complete description of the terms and provisions of our Capital Stock, refer to our Restated Certificate of Incorporation and Amended and Restated Bylaws, both of which are filed as exhibits to this Annual Report on Form 10-K.

Authorized Capital Stock

Our authorized capital stock consists of 200,000,000 shares of common stock, par value $0.01 per share ("Common Stock"), and 25,000,000 shares of preferred stock, par value $0.01 per share ("Preferred Stock"). The outstanding shares of our Common Stock are legally issued, fully paid and nonassessable. There are no shares of Preferred Stock currently outstanding.

Voting Rights

The holders of our Common Stock are entitled to one vote per share on all matters to be voted on by stockholders. Generally, all matters to be voted on by stockholders must be approved by a majority (or, in the case of a contested election of directors, by a plurality) of the votes entitled to be cast by all shares of Common Stock present in person or represented by proxy, voting together as a single class, except as may be required by law and subject to any voting rights granted to holders of any Preferred Stock. However, the removal of a director from office for cause, the approval and authorization of specified business combinations and amendments to specified provisions of our certificate of incorporation and bylaws each require the approval of not less than 80% of our voting stock, voting together as a single class. The Common Stock does not have cumulative voting rights.

Dividend Rights

Subject to the prior rights of the holders of any shares of our Preferred Stock, the holders of shares of our Common Stock shall be entitled to receive, to the extent permitted by law, such dividends as may be declared from time to time by our board of directors.

Liquidation Rights

On our liquidation, dissolution or winding up, after payment in full of the amounts required to be paid to holders of Preferred Stock, if any, all holders of shares of Common Stock are entitled to share ratably in any assets available for distribution to holders of shares of Common Stock.

Anti-Takeover Provisions

Classified Board of Directors; Removal; Number of Directors; Filling Vacancies

Our certificate of incorporation and bylaws provide that our board of directors shall be divided into three classes, with the classes to be as nearly equal in number as possible. The term of office of each class shall expire at the third annual meeting of stockholders for the election of directors following the election of such class. Each director is to hold office until his or her successor is duly elected and qualified, or until his or her earlier resignation or removal.

Our bylaws provide that any vacancies will be filled only by the affirmative vote of a majority of the remaining directors, even if less than a quorum. Accordingly, absent an amendment to the bylaws, our board of directors could prevent any stockholder from enlarging our board of directors and filling the new directorships with such stockholder's own nominees. Moreover, our certificate of incorporation and bylaws provide that directors may be removed only for cause and only upon the affirmative vote of holders of at least 80% of our voting stock at a special meeting of stockholders called expressly for that purpose.

The classification of directors could have the effect of making it more difficult for stockholders to change the composition of our board of directors. The classification provisions could also have the effect of discouraging a third party from initiating a proxy contest, making a tender offer or otherwise attempting to obtain control of us, even though such an attempt might be beneficial to us and our stockholders.

No Stockholder Action by Written Consent; Special Meetings

Our certificate of incorporation and bylaws provide that stockholder action can be taken only at an annual or special meeting of stockholders and stockholder action may not be taken by written consent in lieu of a meeting. Special meetings of stockholders can be called only by our board of directors by a resolution adopted by a majority of our board of directors, or by the chairman of the board, vice chairman or the president.

Our certificate of incorporation and bylaws prohibit stockholder action by written consent and permit special meetings to be called only by the chairman, vice chairman or president, or at the request of a majority of our board or directors, may have the effect of delaying consideration of a stockholder proposal until the next annual meeting.

Other Rights and Preferences

The Common Stock has no sinking fund or redemption provisions and does not have any preemptive, subscription or conversion rights. Additional shares of authorized common stock may be issued, as authorized by our board of directors from time to time, without stockholder approval, except as may be required by applicable stock exchange requirements.

Listing

Our Common Stock is listed on the New York Stock Exchange under the symbol "LII."

Description of Notes

The following description of our 3.000% Notes due 2023 (the "2023 notes"), our 1.350% Notes due 2025 (the "2025 notes"), and our 1.700% Notes due 2027 (the "2027 notes," and together with the 2023 notes and the 2025 notes, the "notes"), is only a summary of the material provisions of the notes and the base indenture dated as of May 3, 2010 between Lennox and U.S. Bank National Association, as trustee (the "base indenture"), as supplemented in the case of the 2023 notes by the sixth supplemental indenture dated as of November 3, 2016 (the "sixth supplemental indenture") and the eighth supplemental indenture dated as of May 22, 2020 (the "eighth supplemental indenture"), and as supplemented in the case of the 2025 notes and the 2027 notes by the ninth supplemental indenture dated as of July 30, 2020 (the "ninth supplemental indenture," and together with the base indenture, the sixth supplemental indenture and the eighth supplemental indenture, the "indenture"). This summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the Trust Indenture Act of 1939 (the "TIA"), and to all of the provisions of the indenture and those terms made a part of the indenture by reference to the TIA. Reference is made to the indenture for a complete description of the terms and provisions of the notes, as well as any other capitalized terms used herein for which no definition has been provided.

General

The 2023 notes were issued in an initial aggregate principal amount of $350,000,000 and will mature on November 15, 2023. The 2025 notes were issued in an initial aggregate principal amount of $300,000,000 and will mature on August 1, 2025. The 2027 notes were issued in an initial aggregate principal amount of $300,000,000 and will mature on August 1, 2027.

The notes were issued only in fully registered form without coupons in minimum denominations of $2,000 and integral multiples of $1,000 above that amount. The notes are not entitled to any sinking fund. The indenture does not limit the amount of notes that we may issue nor does it limit our ability, or the ability of our subsidiaries, to incur or guarantee additional unsecured indebtedness.

The notes are, and will be, our senior unsecured obligations and are, and will, rank equally in right of payment to all of our existing and future senior unsecured and unsubordinated indebtedness and are, and will be, effectively subordinated to all of our existing and future secured indebtedness to the extent of the value of our assets and the assets of our subsidiaries securing such indebtedness.

Interest

Interest on the 2023 notes accrues at a rate of 3.000%, payable semi-annually on May 15 and November 15 of each year, to the persons in whose names the 2023 notes are registered in the security register at the close of business on the May 1 or November 1 preceding the relevant interest payment date.

Interest on the 2025 notes accrues at a rate of 1.350%, payable semi-annually on February 1 and August 1 of each year, to the persons in whose names the 2025 notes are registered in the security register at the close of business on the January 15 or July 15 preceding the relevant interest payment date.

Interest on the 2027 notes accrues at a rate of 1.700%, payable semi-annually on February 1 and August 1 of each year, to the persons in whose names the 2027 notes are registered in the security register at the close of business on the January 15 or July 15 preceding the relevant interest payment date.

Interest is computed on the notes on the basis of a 360-day year of twelve 30-day months.

Optional Redemption

If any of the 2023 notes, 2025 notes and 2027 notes are redeemed prior to September 15, 2023, July 1, 2025 or June 1, 2027, respectively, the 2023 notes, the 2025 notes and the 2027 notes are redeemable at a redemption price, to be calculated by us, equal to the greater of (1) 100% of the principal amount of the notes to be redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed (not including interest accrued to the date of redemption), discounted to the applicable redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 25 basis points, 20 basis points and 20 basis points, respectively, plus, in each case, accrued and unpaid interest on the applicable notes to be redeemed to the date of redemption.

If the 2023 notes, 2025 notes or 2027 notes are redeemed on or after September 15, 2023, July 1, 2025 or June 1, 2027, respectively, the notes are redeemable at a redemption price equal to 100% of the principal amount of such notes to be redeemed plus accrued and unpaid interest thereon to, but excluding, the applicable redemption date.

"*Comparable Treasury Issue*" means the United States Treasury security selected by an Independent Investment Banker that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the notes to be redeemed.

"*Comparable Treasury Price*" means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (2) if we obtain fewer than four such Reference Treasury Dealer Quotations, the average of all Quotations obtained.

"*Independent Investment Banker*" means one of the Reference Treasury Dealers appointed by us.

"*Reference Treasury Dealer*" means each of J.P. Morgan Securities LLC and Wells Fargo Securities, LLC and their respective successors and two other nationally recognized investment banking firms that are Primary Treasury

Dealers (as defined below) specified from time to time by us, except that if any of the foregoing ceases to be a primary U.S. government securities dealer in the United States (a "Primary Treasury Dealer"), we will substitute another nationally recognized investment banking firm that is a Primary Treasury Dealer.

"*Reference Treasury Dealer Quotations*" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by us, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to us by such Reference Treasury Dealer as of 3:30 p.m., New York City time, on the third business day preceding such redemption date.

"*Treasury Rate*" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity (computed as of the third business day immediately preceding such redemption date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

On and after any redemption date, interest will cease to accrue on the notes called for redemption. Prior to any redemption date, we are required to deposit with a paying agent money sufficient to pay the redemption price of and accrued interest on the notes to be redeemed on such date. If we are redeeming less than all the notes, (a) if the notes are represented by global notes, interests in the global notes will be selected for redemption in accordance with the customary procedures of The Depository Trust Company ("DTC"), or (b) if the notes are represented by notes in certificated form, the trustee under the indenture must select the notes to be redeemed by such method as the trustee deems fair and appropriate in accordance with methods generally used at the time of selection by fiduciaries in similar circumstances.

Change of Control Triggering Event

Upon the occurrence of a Change of Control Triggering Event, unless we have exercised our right to redeem the notes as described under "—Optional Redemption" by giving irrevocable notice to the trustee in accordance with the indenture, each holder of notes will have the right to require us to purchase all or a portion of such holder's notes pursuant to the offer described below (the "Change of Control Offer"), at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase (the "Change of Control Payment"), subject to the rights of holders of notes on the relevant record date to receive interest due on the relevant interest payment date.

Unless we have exercised our right to redeem the notes, within 30 days following the date upon which the Change of Control Triggering Event occurs with respect to the notes, or at our option, prior to any Change of Control but after the public announcement of the pending Change of Control, we will be required to send a notice to each holder of notes, with a copy to the trustee, which notice will govern the terms of the Change of Control Offer. Such notice will state, among other things, the purchase date, which must be no earlier than 30 days nor later than 60 days from the date such notice is sent, other than as may be required by law (the "Change of Control Payment Date"). The notice, if sent prior to the date of consummation of the Change of Control, will state that the Change of Control Offer is conditioned on the Change of Control being consummated on or prior to the Change of Control Payment Date.

On the Change of Control Payment Date, we will, to the extent lawful:

- accept or cause a third party to accept for payment all notes or portions of notes properly tendered pursuant to the Change of Control Offer;

- deposit or cause a third party to deposit with the paying agent an amount equal to the Change of Control Payment in respect of all notes or portions of notes properly tendered; and

- deliver or cause to be delivered to the trustee the notes properly accepted together with an officers' certificate stating the aggregate principal amount of notes or portions of notes being repurchased and that all conditions precedent to the Change of Control Offer and to the repurchase by us of notes pursuant to the Change of Control Offer have been complied with.

We will not be required to make a Change of Control Offer with respect to the notes if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for such an offer made by us and such third party purchases all the notes properly tendered and not withdrawn under its offer.

We will comply in all material respects with the requirements of Rule 14e-1 under the Exchange Act, and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any such securities laws or regulations conflict with the Change of Control Offer provisions of the notes, we will comply with those securities laws and regulations and will not be deemed to have breached our obligations under the Change of Control Offer provisions of the notes by virtue of any such conflict.

Certain Covenants

Limitation on Consolidation, Merger, Conveyance or Transfer

The indenture provides that we may not consolidate with or merge into any other Person in a transaction in which we are not the surviving corporation, or sell, convey, transfer or lease all or substantially all of our assets (on a consolidated basis) to any Person, unless:

- the successor entity, if any, is a U.S. corporation, limited liability company, partnership or trust (subject to certain exceptions provided for in the indenture);

- the successor entity expressly assumes our obligations on each series of notes then outstanding and under the indenture;

- immediately after giving effect to the transaction, no event of default, and no event, that after notice or lapse of time, or both, would become an event of default, has occurred and is continuing under the indenture; and

- certain other conditions under the indenture are met.

In such event, we will be discharged from all obligations and covenants under the indenture and each series of notes and may be liquidated and dissolved. The successor Person formed by such consolidation or into which we are merged or to which such sale, conveyance, transfer or lease is made will succeed to, and be substituted for, and may exercise all of our rights and powers under the indenture with the same effect as if such successor had been named as the Company in the indenture.

Limitations on Liens

We will not, and will not permit any Material Subsidiary to, create, assume or guarantee any indebtedness for money borrowed that is secured by Liens on any Principal Property without making effective provision for securing the notes equally and ratably with such indebtedness, except that the foregoing restrictions will not apply to:

- Liens on Principal Property existing at the time we or a Material Subsidiary acquired or leased the Principal Property, including Principal Property owned by us or a Material Subsidiary through a merger or similar transaction;

- Liens on any Principal Property acquired, constructed or improved by us or any Material Subsidiary after the date of the applicable supplemental indenture, which Liens are created or assumed contemporaneously with, or within 180 days of, such acquisition, construction or improvement and which are created to secure, or provide for the payment of, all or any part of the cost of such acquisition, construction or improvement;

- Liens on property of any Person existing at the time such Person becomes a Material Subsidiary;

- any Permitted Credit Agreement Lien;

- any Lien renewing, extending, refinancing or replacing any Lien referred to above; or

- any other Liens on any of our or our subsidiaries' assets or properties that secure indebtedness, liabilities and obligations of us or our subsidiaries in an aggregate outstanding amount which, together with all Attributable Debt of ours and any of our subsidiaries then outstanding in respect of Sale and Leaseback Transactions that are entered into pursuant to the final paragraph under "—Limitations on Sale and Leaseback Transactions" below and are still in existence, does not exceed 15% of our Consolidated Net Tangible Assets.

Limitations on Sale and Leaseback Transactions

We will not, and will not permit any of our Material Subsidiaries to, enter into any arrangement with any person providing for the leasing by us or any Material Subsidiary of any Principal Property that has been or is to be sold or transferred by us or such Material Subsidiary to such person with the intention of taking back a lease of such property (a "Sale and Leaseback Transaction"), unless:

- we or such Material Subsidiary would be entitled to incur indebtedness at least equal in amount to the Attributable Debt with respect to such Sale and Leaseback Transaction secured by a Lien on such Principal Property under one of the exceptions for Liens set forth in the first five bullet points under "—Limitations on Liens" above without equally and ratably securing the notes;

- an amount equal to the greater of (1) the net proceeds of the sale or transfer and (2) the Attributable Debt of the Principal Property sold (as determined by us) is applied within 180 days to the voluntary retirement of notes or other indebtedness of the Company (other than indebtedness subordinated to the notes) or a Material Subsidiary, for money borrowed, maturing more than 12 months after the voluntary retirement;

- the lease is executed at the time of, or within 12 months after the latest of, the acquisition, the completion of construction or improvement or the commencement of substantial commercial operation of the applicable Principal Property;

- the lease payment in such Sale and Leaseback Transaction is created in connection with a project financed with, and such obligation constitutes, a Nonrecourse Obligation;

- the lease is for a period not exceeding three years; or

- the lease is with us or another Material Subsidiary.

Notwithstanding the foregoing, we or any of our subsidiaries may enter into a Sale and Leaseback Transaction that would otherwise be subject to the foregoing restrictions if, after giving effect thereto and at the time of determination, the sum of (A) the aggregate principal amount of our and our subsidiaries' indebtedness secured by Liens permitted solely pursuant to the exception described in the last bullet point under "—Limitations on Liens" above and (B) our and our subsidiaries' Attributable Debt with respect to such Sale and Leaseback Transaction and all other Sale and Leaseback Transactions entered into pursuant to this paragraph does not exceed 15% of our Consolidated Net Tangible Assets.

Definitions Relating to Restrictive Covenants

For purposes of the foregoing discussion of the restrictive covenants under the indenture, the following definitions are applicable:

"*Attributable Debt*" with regard to a Sale and Leaseback Transaction with respect to any Principal Property means, at the time of determination, the present value of the total net amount of rent required to be paid under the lease during the remaining term thereof (including any period for which the lease has been extended), discounted at the rate of interest set forth or implicit in the terms of the lease (or, if not practicable to determine the rate, the weighted average interest rate per annum borne by the notes then outstanding under the indenture) compounded semi-annually. In the case of any lease that is terminable by the lessee upon the payment of a penalty, the net amount of rent will be the lesser of (x) the net amount determined assuming termination upon the first date the lease may be terminated (in which case the net amount will also include the amount of the penalty, but will not include any rent that would be required to be paid under the lease subsequent to the first date upon which it may be so terminated) or (y) the net amount determined assuming no such termination.

"*Capital Lease Obligations*" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"*Consolidated Net Tangible Assets*" means the aggregate amount of assets (less applicable reserves and other properly deductible items) after deducting therefrom (a) all current liabilities (excluding any indebtedness for money borrowed having a maturity of less than 12 months from the date of our most recent consolidated balance sheet but which by its terms is renewable or extendable beyond 12 months from such date at our option) and (b) all goodwill, trade names, patents, unamortized debt discount and expense and any other like intangibles, all as set forth on our most recent consolidated balance sheet and determined in accordance with GAAP.

"*Credit Agreement*" means the Seventh Amended and Restated Credit Facility Agreement, dated as of July 30, 2020, among the Company, JPMorgan Chase Bank, N.A., as administrative agent, Bank of America, N.A., Wells Fargo Bank, N.A., MUFG BANK, LTD. (formerly known as The Bank of Tokyo-Mitsubishi UFJ, LTD.) and U.S. Bank National Association, as syndication agents, and the lenders party thereto, as it may be amended, supplemented or otherwise modified from time to time.

"*Excluded Foreign Subsidiary*" means any Foreign Subsidiary in respect of which guaranteeing the notes would result in an adverse tax consequence to us.

"*Foreign Subsidiary*" means any subsidiary that is organized under the laws of a jurisdiction other than the United States of America or any State thereof or the District of Columbia.

"*GAAP*" means generally accepted accounting principles as in effect from time to time in the United States.

"*Liens*" means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or capital lease, upon or with respect to any property or asset of such Person.

"*Material Subsidiary*" means each subsidiary guarantor and any other subsidiary of Lennox (except LPAC Corp. and any Excluded Foreign Subsidiary) (i) the book value (determined in accordance with GAAP) of whose total assets equals or exceeds ten percent (10%) of the book value of our consolidated total assets as determined as of the last day of our most recent fiscal quarter or (ii) which owns a Principal Property.

"*Nonrecourse Obligation*" means indebtedness for borrowed money or lease payment obligations related to (i) the acquisition of a Principal Property not previously owned by the Company or any subsidiary or (ii) the financing of a project involving the development or expansion of any Principal Property owned by the Company or any subsidiary, as to which the obligee with respect to such indebtedness or obligation has no recourse to the Company or any subsidiary or any of the Company's or its subsidiaries' assets other than such Principal Property so acquired, developed or expanded, as applicable.

"*Permitted Credit Agreement Liens*" means:

- any Lien on our headquarters building located at 2140 Lake Park Blvd., Richardson, Texas;

- any Lien existing on any fixed or capital asset (including equipment) prior to the acquisition thereof by us or any of our subsidiaries or existing on any property or asset of any Person that becomes a subsidiary after the date hereof prior to the time such Person becomes a subsidiary; provided that (i) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a subsidiary, as the case may be, (ii) such Lien shall not apply to any other of our assets or of the assets of any of our subsidiaries, (iii) such Lien shall secure only those obligations which it secures on the date of such acquisition or the date such Person becomes a subsidiary, as the case may be, and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof, and (iv) the aggregate principal amount of all indebtedness secured by Liens permitted by this clause shall not at any time exceed $50,000,000;

- Liens on fixed or capital assets (including equipment), or other assets acquired with purchase money indebtedness, in each case acquired, constructed or improved by us or any of our subsidiaries; provided that (i) such security interests secured indebtedness permitted by the Credit Agreement, including Capital Lease Obligations, (ii) such security interests and the indebtedness secured thereby are incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement, (iii) the indebtedness secured thereby does not exceed 100% of the cost of acquiring, constructing or improving such fixed or capital assets and (iv) such security interests shall not apply to any other of our property or assets or of any of our subsidiaries;

- (i) Liens on our property or the property of any of our subsidiaries securing indebtedness owing to us or a guarantor permitted by the Credit Agreement and (ii) Liens on property of any subsidiary that is not a Material Subsidiary securing Indebtedness owing to any other subsidiary that is not a Material Subsidiary permitted by the Credit Agreement;

- Liens securing indebtedness of Foreign Subsidiaries permitted by the Credit Agreement provided that such Liens encumber only assets of the Foreign Subsidiaries;

- Liens granted in connection with any Receivable Securitization Facility permitted under the Credit Agreement on the receivables sold pursuant thereto (together with all collections and other proceeds thereof and any collateral securing the payment thereof), all right, title and interest in and to the lockboxes and other collection accounts in which proceeds of such receivables are deposited, the rights under the documents executed in connection with such Receivable Securitization Facility and in the equity interests issued by any special purpose entity organized to purchase the receivables thereunder;

- Liens on cash securing indebtedness arising in connection with Swap Agreements permitted by the Credit Agreement;

- Liens on materials, supplies, components or equipment acquired with purchase money indebtedness permitted to be incurred under the Credit Agreement, so long as (i) such security interests and the indebtedness secured thereby are incurred prior to or within 90 days after such acquisition, (ii) the indebtedness secured thereby does not exceed 100% of the cost of acquiring such materials, supplies, components or equipment and (iii) such security interests shall not apply to any other of our property or assets or the property or assets of any of our subsidiaries; and

- customary call, buy-sell or similar rights negotiated on an arm’s length basis and granted to third-party joint venture partners in respect of equity interests of the applicable joint venture.

“*Principal Property*” means any manufacturing plant, warehouse, office building or parcel of real property, including fixtures but excluding leases and other contract rights which might otherwise be deemed real property, owned by us or any of our Material Subsidiaries, whether owned on the date of the supplemental indenture or thereafter acquired, that has a book value (determined in accordance with GAAP) in excess of 2% of the Consolidated Net Tangible Assets of us and our consolidated subsidiaries. Any plant, warehouse, office building or parcel of real property or portion thereof which our board of directors or the board of directors (or the members, for limited liability companies) of the relevant Material Subsidiary determines is not of material importance to the business conducted by us and our subsidiaries taken as a whole will not be a Principal Property.

“*Receivable Securitization Facility*” means, with respect to us or any subsidiary, a transaction or group of transactions typically referred to as a securitization in which we or such subsidiary sells its accounts receivable in a

transaction accounted for as a true sale to a special purpose bankruptcy remote entity that obtains debt financing to finance the purchase price.

"*subsidiary*" means any corporation, partnership or other legal entity (a) the accounts of which are consolidated with ours in accordance with GAAP and (b) of which, in the case of a corporation, more than 50% of the outstanding voting stock is owned, directly or indirectly, by us or by one or more other subsidiaries, or by us and one or more other subsidiaries or, in the case of any partnership or other legal entity, more than 50% of the ordinary equity capital interests is, at the time, directly or indirectly owned or controlled by us or by one or more of the subsidiaries or by us and one or more of the subsidiaries.

"*Swap Agreement*" means any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of us or our subsidiaries shall be a Swap Agreement. For the avoidance of doubt, agreements relating to accelerated share repurchase programs, and similar programs or arrangements, shall not be considered Swap Agreements.

Events of Default

You will have special rights if an event of default occurs and is not cured. With respect to the notes, the term "event of default" means any of the following:

- our default in the payment of principal or premium on the notes when due and payable whether at maturity, upon acceleration, redemption, or otherwise;

- default in the payment of interest on the notes when due and payable; if that default continues for a period of 30 days;

- default in the performance of or breach of any of our other covenants or agreements in the indenture, and that default or breach continues for a period of 90 consecutive days after we receive written notice from the trustee or from the holders of 25% or more in aggregate principal amount of the notes;

- any guarantee by a Material Subsidiary ceases for any reason to be, or is asserted in writing by us or such Material Subsidiary not to be, in full force and effect and enforceable in accordance with its terms except to the extent contemplated by the indenture and any such guarantee;

- an event of default, as defined in the indenture or instrument under which we or any Material Subsidiary have outstanding at least $75,000,000 aggregate principal amount of indebtedness for money borrowed, occurs and is continuing and such indebtedness, as a result thereof, is accelerated so that the same is or becomes due and payable prior to the date on which the same would otherwise have become due and payable, and such acceleration is not rescinded or annulled within 30 days after notice thereof has been given, by registered or certified mail, to us by the trustee, or to us and the trustee by the holders of at least 25% in aggregate principal amount of the notes at the time outstanding;

- a court having jurisdiction enters a decree or order for:

- relief in respect of us or a Material Subsidiary in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect;
- appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of us or a Material Subsidiary or for all or substantially all of our or a Material Subsidiary's property and assets; or
- the winding up or liquidation of our or a Material Subsidiary's affairs and such decree or order remains unstayed and in effect for a period of 60 consecutive days; or

- we or a Material Subsidiary:
  - commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law;
  - consent to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of all or substantially all of our or a Material Subsidiary's property and assets; or
  - effect any general assignment for the benefit of creditors.

Certain Additional Payments

Under certain circumstances, we may become obligated to make payments on the notes in excess of stated principal and interest. Treasury regulations provide special rules for contingent payment debt instruments which, if applicable, could cause the timing, amount and character of a holder's income, gain or loss with respect to the notes to be different from the consequences discussed below. For purposes of determining whether a debt instrument is a contingent payment debt instrument, remote or incidental contingencies are ignored. We intend to treat the possibility of our making the above payments as remote or to treat the amount of such payments as incidental. Accordingly, we do not intend to treat the notes as contingent payment debt instruments. Our treatment will be binding on all holders, except a holder that discloses its differing treatment in a statement attached to its timely filed U.S. federal income tax return for the taxable year during which the note was acquired. However, our treatment is not binding on the IRS. If the IRS were to challenge our treatment, a holder might be required to accrue income on the notes in excess of stated interest and to treat as ordinary income, rather than capital gain, any gain recognized on the disposition of the notes before the resolution of the contingencies. In any event, if we actually make any such payment, the timing, amount and character of a holder's income, gain or loss with respect to the notes may be affected.

Defeasance and Discharge

Defeasance

The term defeasance means we (and to the extent applicable, the subsidiary guarantors) are discharged from some or all of our obligations under the indenture. If we deposit in trust with the trustee under the indenture any combination of money or government securities in an amount sufficient to make payments on the notes under the indenture on the dates those payments are due, then, at our option:

- we will be discharged from any and all obligations with respect to the notes ("legal defeasance"); or

- we will no longer have any obligation to comply with any specified restrictive covenants with respect to the notes and other specified covenants under the indenture, and the related events of default will no longer apply ("covenant defeasance").

If the notes are defeased, the holders of the notes will not be entitled to the benefits of the indenture, except for obligations to register the transfer or exchange of notes, replace stolen, lost or mutilated notes or maintain paying agencies and hold money for payment in trust.

In the event that we exercise our legal defeasance option or our covenant defeasance option with respect to the notes, each subsidiary guarantor will be released from all of its obligations with respect to its guarantee of the notes.

We will be required to deliver to the trustee an opinion of counsel that the deposit and related defeasance would not cause the beneficial owners of the notes to recognize income, gain or loss for U.S. federal income tax purposes and that the beneficial owners would be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if the deposit and related defeasance had not occurred. If we elect legal defeasance, the opinion of counsel must be based upon a ruling from the U.S. Internal Revenue Service or a change in law to that effect.

Satisfaction and Discharge

In addition, we may discharge our obligations and, to the extent applicable, the obligations of the subsidiary guarantors with respect to the notes and the indenture when:

- we pay or cause to be paid, as and when due and payable, the principal of and any interest on all of the notes outstanding under the indenture;

- all of the notes previously authenticated and delivered (subject to certain exceptions) have been delivered to the trustee for cancellation and we have paid all amounts payable by us under the indenture; or

- all of the notes are to be called for redemption within one year under arrangements satisfactory to the trustee, and we irrevocably deposit in trust with the trustee, solely for the benefit of the holders, cash or government securities (maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient cash) that, after payment of all federal, state and local taxes and other charges and assessments in respect thereof payable by the trustee, will be sufficient to pay the principal of and any interest on the notes to maturity or redemption, as the case may be, and to pay all other amounts payable by us under the indenture.

With respect to the first and second bullet points above, only our obligations to compensate and indemnify the trustee and our right to recover unclaimed money held by the trustee under the indenture will survive. With respect to the third bullet point, certain rights and obligations under the indenture (such as our obligation to maintain an office or agency, to have moneys held for payment in trust, to register the transfer or exchange of the notes, to deliver the notes for replacement or to be canceled, to compensate and indemnify the trustee and to appoint a successor trustee, and our right to recover unclaimed money held by the trustee) will survive until the notes are no

longer outstanding. Thereafter, only our obligations to compensate and indemnify the trustee and our right to recover unclaimed money held by the trustee will survive.

EXHIBIT 21.1
Lennox International Inc. Subsidiaries

The following are the subsidiaries of Lennox International Inc., as of February 7, 2021, and the states or jurisdictions in which they are organized. Subsidiaries are indented below their immediate parent entity. The names of certain subsidiaries have been omitted because, considered in the aggregate as a single subsidiary, they would not constitute, as of the end of the year covered by this report, a “significant subsidiary” as that term is defined in Rule 1-02(w) of Regulation S-X under the Securities Exchange Act of 1934.

Name	Ownership	Jurisdiction
Lennox Industries Inc. (See Annex A)	100%	Delaware
Heatcraft Inc.	100%	Delaware
Bohn de Mexico S.A. de C.V.	50%	Mexico
Frigus-Bohn S.A. de C.V.	50%	Mexico
Advanced Distributor Products LLC	100%	Delaware
Heatcraft Refrigeration Products LLC	100%	Delaware
Advanced Heat Transfer LLC	50%	Delaware
Heatcraft Technologies Inc.	100%	Delaware
Alliance Compressor LLC	24.5%	Delaware
Lennox Procurement Company Inc.	100%	Delaware

ANNEX A
TO
EXHIBIT 21.1

Lennox Industries Inc. Subsidiaries

Name	Ownership	Jurisdiction
Allied Air Enterprises LLC	100%	Delaware
LPAC Corp.	100%	Delaware
Lennox Global LLC (See Annex B)	100%	Delaware
LGL Europe Holding Co. (See Annex C)	53.2%	Delaware
Lennox National Account Services Inc.	100%	California
Lennox Services LLC	100%	Delaware
Lennox National Account Services LLC	100%	Florida

ANNEX B
TO
EXHIBIT 21.1

Lennox Global LLC Subsidiaries

Name	Ownership	Jurisdiction
Lennox (Shanghai) Refrigeration Technology Consulting Co Ltd.	100%	China
LGL Europe Holding Co. (See Annex C)	46.8%	Delaware
LGL Australia (US) Inc.	100%	Delaware
Lennox India Technology Centre Private Ltd.	0.0005%	India
LII Comercial de Mexico,S. de R.L. de C.V.	99.97%	Mexico

ANNEX C
TO
EXHIBIT 21.1

LGL Europe Holding Co. Subsidiaries

Name	Ownership	Jurisdiction
LGL Holland B.V.	100%	Netherlands
Lennox Benelux N.V./S.A.	0.024%	Belgium
Lennox Industries (Canada) Ltd.	100%	Canada
Lennox Switzerland GmbH		
LII Mexico Holdings Ltd.	100%	UK
LII United Products, S. de R.L. de C.V.	99.99%	Mexico
LII Comercial de Mexico,S. de R.L. de C.V.	0.03%	Mexico
Lennox Mexico Minority Holdings LLC	100%	Delaware
LII United Products, S. de R.L. de C.V.	0.01%	Mexico
Lennox Ukraine LLC	99%	Ukraine
Lennox India Technology Centre Private Ltd.	99.9995%	India
Etablissements Brancher S.A.S.	100%	France
LGL France S.A.S.	100%	France
Lennox Refac, S.A.	0.02%	Spain
LGL Germany GmbH	100%	Germany
Hyfra Ind. GmbH	100%	Germany
Lennox Deutschland GmbH	100%	Germany
LGL Deutschland GmbH	100%	Germany
Lennox Global Spain S.L.	100%	Spain
LGL Refrigeration Spain S.A.	100%	Spain
Lennox Refac, S.A.	99.98%	Spain
Lennox Portugal Lda	100%	Portugal
Lennox Polska sp. z.o.o.	100%	Poland
Lennox Benelux B.V.	100%	Netherlands
Lennox Benelux N.V./S.A.	99.976%	Belgium
Lennox NAO	0.5%	Russia
Lennox Ukraine LLC	1%	Ukraine
HCF-Lennox Limited	100%	United Kingdom
Lennox Industries	100%	United Kingdom
Lennox NAO	99.5%	Russia

Exhibit 22.1

List of Guarantor Subsidiaries

The following subsidiaries of Lennox International Inc. (the “Company”) are guarantors with respect to the Company’s 3.00% Notes due 2023:

Guarantor	**State or Other Jurisdiction of Formation**
Advanced Distributor Products LLC	Delaware
Allied Air Enterprises LLC	Delaware
Heatcraft Inc.	Delaware
Heatcraft Refrigeration Products LLC	Delaware
Lennox Global LLC	Delaware
Lennox Industries Inc.	Delaware
Lennox National Account Services LLC	Florida
LGL Australia (US) Inc.	Delaware
LGL Europe Holding Co.	Delaware
Lennox Switzerland GmbH	Switzerland

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors

Lennox International Inc.:

We consent to the incorporation by reference in the registration statements on Form S-8 (Nos. 333-231762 and 333-181369) and Form S-3 (No. 333-234283) of Lennox International Inc. and subsidiaries of our report dated February 16, 2021, with respect to the consolidated balance sheets of Lennox International Inc. and subsidiaries as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive (loss) income, stockholders' (deficit) equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes and Schedule II – Valuation and Qualifying Accounts and Reserves (collectively, the consolidated financial statements), and the effectiveness of internal control over financial reporting as of December 31, 2020, which report appears in the December 31, 2020 annual report on Form 10-K of Lennox International Inc. Our report refers to the adoption of Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842).

(signed) KPMG LLP

Dallas, Texas

February 16, 2021

Exhibit 31.1

CERTIFICATION

I, Todd M. Bluedorn, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 16, 2021

/s/ Todd M. Bluedorn

Todd M. Bluedorn
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Joseph W. Reitmeier, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 16, 2021

/s/ Joseph W. Reitmeier

Joseph W. Reitmeier
Chief Financial Officer

Exhibit 32.1

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-K for the fiscal year ended December 31, 2020 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

February 16, 2021

/s/ Joseph W. Reitmeier
Joseph W. Reitmeier
Chief Financial Officer

February 16, 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.