

# FIRST QUARTER 2024

## EARNINGS RELEASE

APR 24, 2024

# FORWARD-LOOKING STATEMENTS & NON-GAAP FINANCIAL MEASURES

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

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

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

# Q1 2024 HIGHLIGHTS

## Record Margins: Management Execution Continues Performance Momentum



### Raising Full Year Profit Guidance

**Adjusted  
Earnings Per Share\***  
**\$19.00 - \$20.00**

#### Core Revenue\*

**\$1.0B**

**+6% YoY**

#### Adjusted Segment Profit\*

**\$167M**

**+17% YoY**

#### Adjusted Segment Profit Margin\*

**15.9%**

**+157 bps YoY**

#### Adjusted EPS\*

**\$3.47**

**+23% YoY**

#### Operating Cash Flow

**(\$23M)**

**+\$56M YoY**

#### Return On Invested Capital\*

**46%**

**Up 4 pts YoY**

# REFRIGERANT TRANSITION UPDATE

2024

2025

**Transition Ready:**  
Design, Manufacturing,  
And Contractor Training



- All elements of transition on-schedule
- Have begun to train and inform contractors and distributors

**Launch New Product\***  
*(Expect Minimal Residential Demand)*



- Expect EPA clarity on repair components
- New product\* priced >10% above R-410A products
- Manufacturing transition cost headwinds

**Demand Grows**



- Expect 50% to 65% of end market / sell through demand for new low GWP products
- Adoption of low GWP products supports favorable mix



# STRENGTHENING DISTRIBUTION NETWORK



## Organization, Talent, Expertise and Culture

- Regional P&L with aligned sales and distribution
- Invest in field sales, revenue ops, pricing excellence
- Renewed parts and supplies P&L focus

Share & Margin

## Distribution Network and Digital Processes

- Digital twin design to improve fill rate and costs
- End to end demand and deployment planning
- Offshore analytical and admin support

Growth Capacity

## Building Customer Loyalty

- Net Promoter Score and customer segmentation
- Refresh and improve brand perception
- Customer charters to increase retention

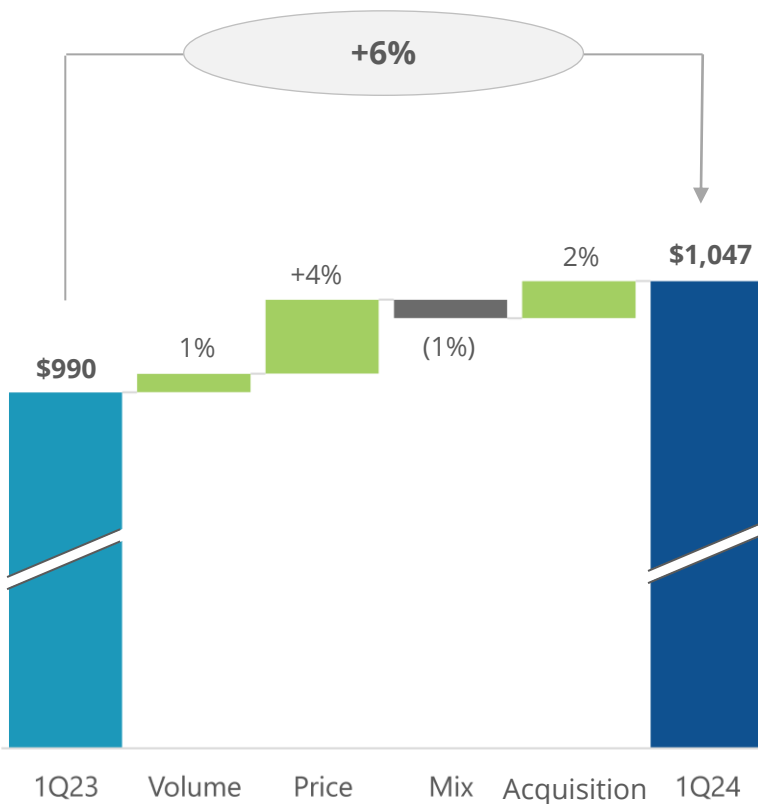
Net Promoter Score

Enhancing Customer Experience

# Q1 2024 LENNOX FINANCIAL RESULTS

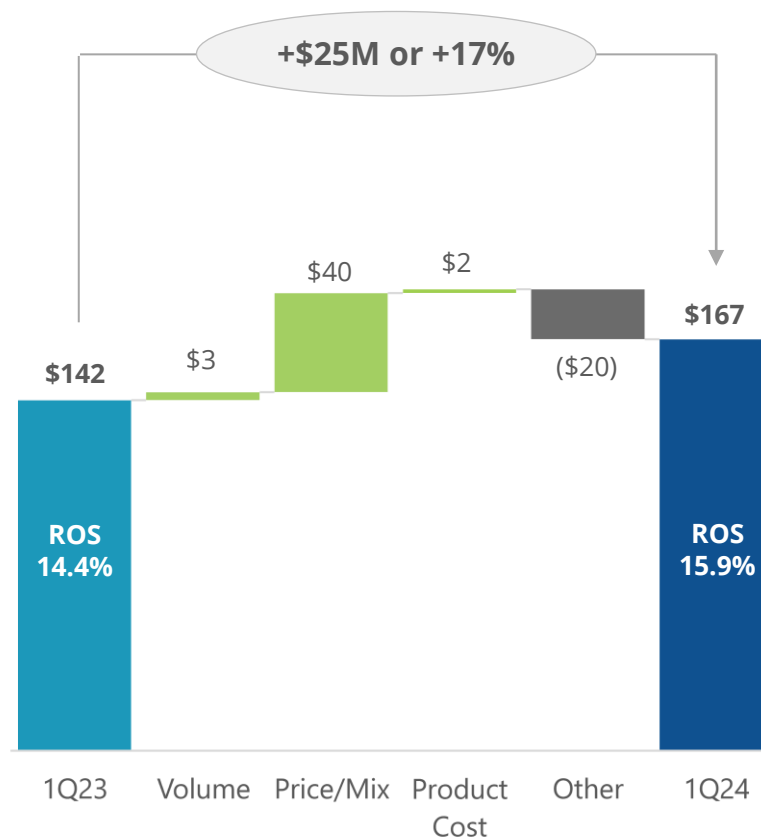
## Core Revenue\*

(US\$ Millions)



## Adjusted Segment Profit\*

(US\$ Millions)



Adjusted  
EPS\*

**+23% to  
\$3.47**

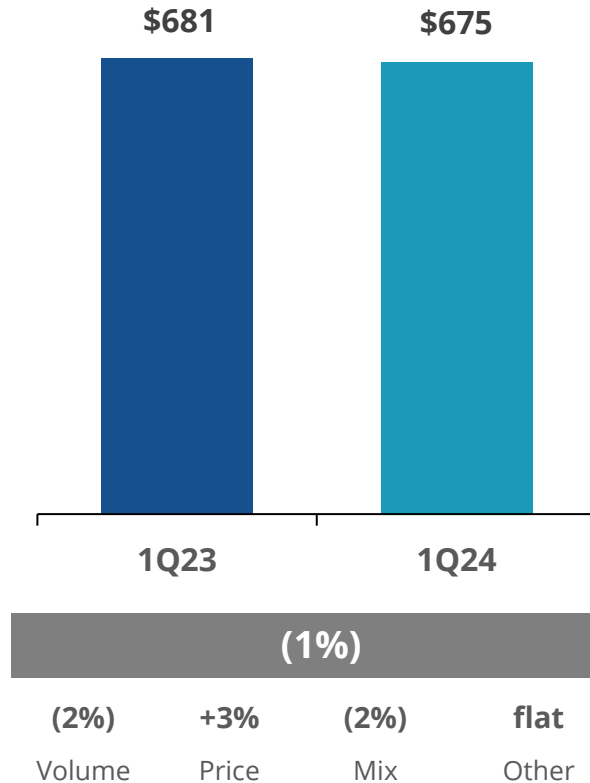


- **Volume:** Challenging HCS end markets, stable orders in BCS
- **Price:** Continued pricing excellence
- **Mix:** New Construction home starts rebounding

# Q1 2024 HOME COMFORT SOLUTIONS

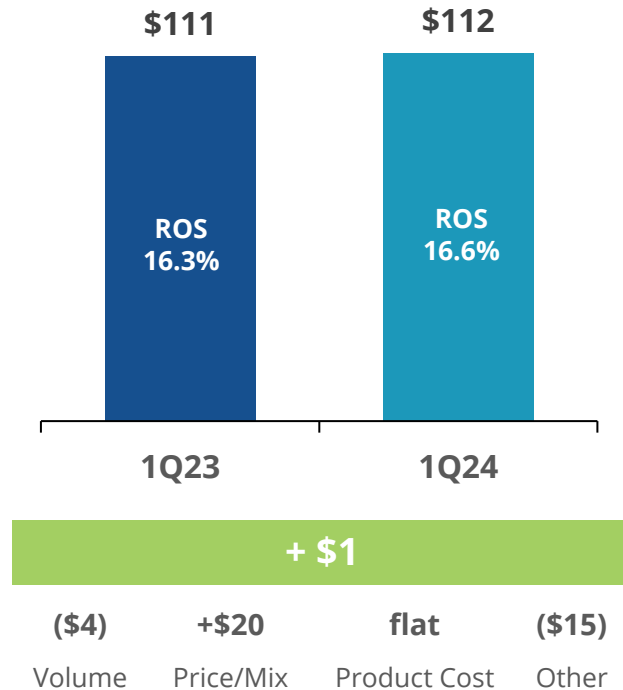
## Revenue

(US\$ Millions)



## Segment Profit

(US\$ Millions)

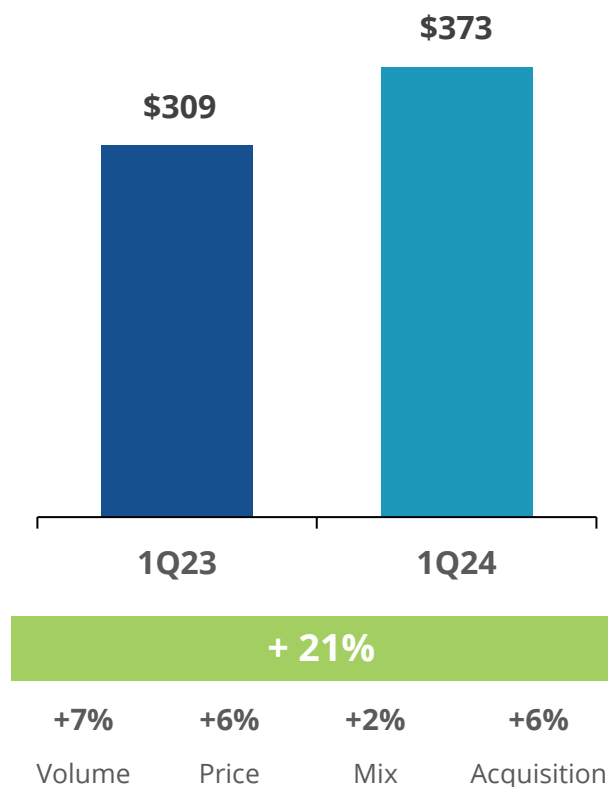


- **Volume:** Industry destocking is concluding
- **Price:** Pricing initiatives progressing well
- **Other Cost:** Wages, rent inflation, consulting and investments in distribution and selling

# Q1 2024 BUILDING CLIMATE SOLUTIONS

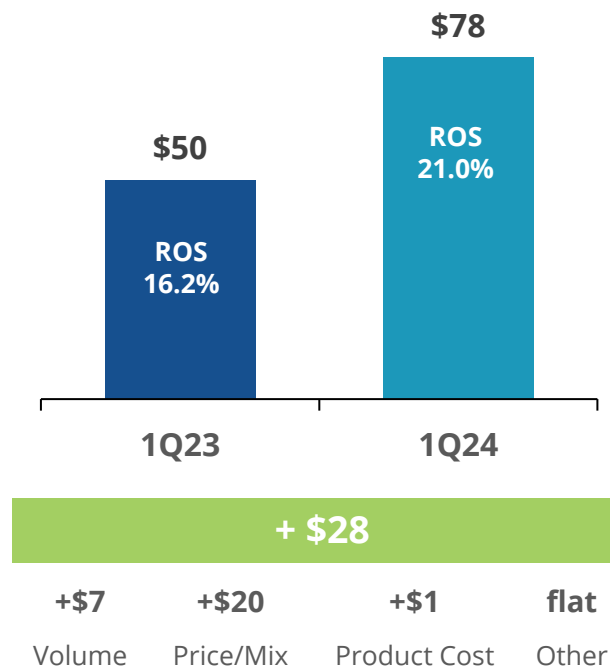
## Revenue

(US\$ Millions)



## Segment Profit

(US\$ Millions)

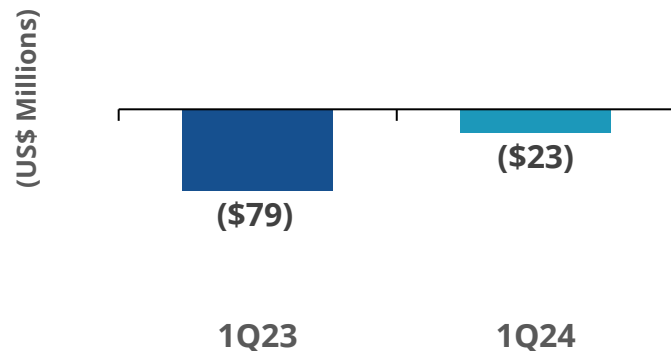


- **Volume:** Production challenged, but consistently improving
- **Product Cost:** Productivity offset by new factory ramp-up
- **Other:** SG&A investments and inflation offset with profit gain from AES acquisition



# CASH FLOW AND CAPITAL DEPLOYMENT

## Operating Cash Flow

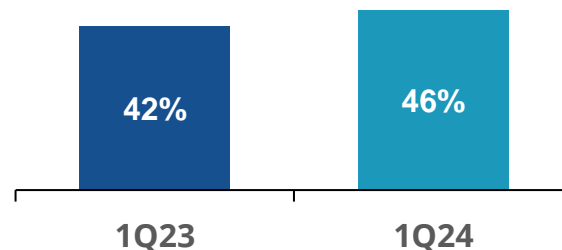


**Cash conversion continues to improve**

- Inventories
  - Temporary build in 2H
- Accounts receivable & Accounts Payable
  - Focused on efficiencies

## Investing for Growth

ROIC\*

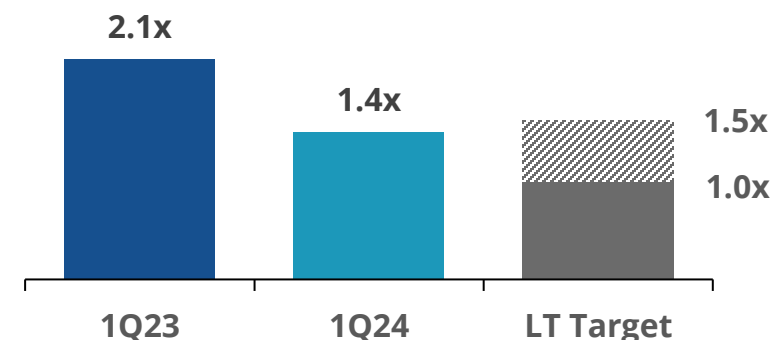


**Industry leading ROIC**

- New commercial factory will enable emergency replacement share gain
- A2L conversion investments on track
- M&A opportunities

## Capital

Net Debt to Adjusted EBITDA\*



**Sustain a healthy balance sheet**

- Grow dividends with earnings
- Share repurchases to offset dilution
- Maintain investment grade rating

# 2024 FINANCIAL GUIDANCE

## Core Revenue

|                                    | Volume        | Price / Mix  | Acquisition  | Total        |
|------------------------------------|---------------|--------------|--------------|--------------|
| Home Comfort Solutions             | Flat          | + MSD        |              | + ~6%        |
| Building Climate Solutions         | + LSD         | + MSD        | + MSD        | + ~10%       |
| <b>Total LII Revenue Growth</b>    | <b>~ Flat</b> | <b>+ MSD</b> | <b>+ LSD</b> | <b>+ ~7%</b> |
| <b>Prior Guidance</b>              | <b>~ Flat</b> | <b>+ MSD</b> | <b>+ LSD</b> | <b>+ ~7%</b> |
| <i>Segment Profit Incrementals</i> | <i>~ 30%</i>  | <i>~ 90%</i> | <i>~15%</i>  |              |

## Other Guidance Items

|                       | Current                  | Prior                    |
|-----------------------|--------------------------|--------------------------|
| <b>Adjusted EPS</b>   | <b>\$19.00 - \$20.00</b> | <b>\$18.50 - \$20.00</b> |
| <b>Free Cash Flow</b> | <b>\$500M - \$600M</b>   | <b>\$500M - \$600M</b>   |

## Product & Other Cost Assumptions

- Component inflation up MSD with partial offset from material cost reduction programs
- Expect R410A refrigerant cost up significantly
- Commercial Factory ramp-up costs (~\$10M) & Residential A2L manufacturing inefficiencies (\$5-10M)
- Investments in information systems, distribution strengthening, customer experience initiatives, and inflation impact on SG&A
- Front end investments for sales and marketing excellence
- Interest Expense: ~\$50M / Tax Rate: ~20%
- Capital Expenditures: ~\$175M

# DRIVERS OF 2024 BUSINESS SUCCESS



## Home Comfort Solutions

### End Market

- New construction growth recovery
- Uncertain repair vs replace trends
- Channel inventory levels near normal
- EPA rule creates inventory complexity
- 2024 mostly R-410A with limited R-454B

### LII Share Opportunity

- Successful refrigerant transition
- Improving fulfillment rate
- Go-To-Market excellence

## Building Climate Solutions

### End Market

- Slowing new construction, project delays
- Order rates and backlog remain strong
- Pent up replacement demand
- National account full lifecycle demand

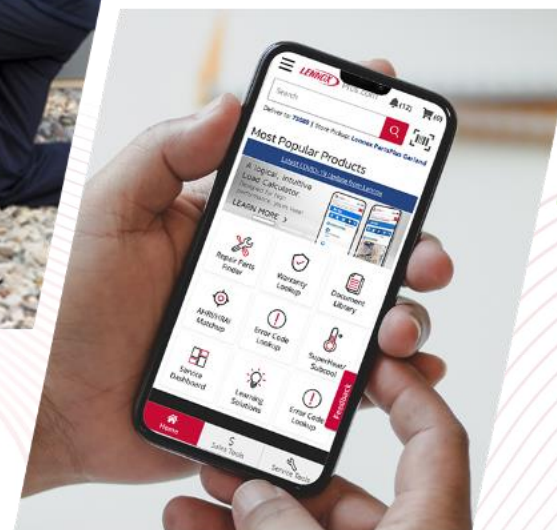
### LII Share Opportunity

- On-track Mexico production
- Emergency replacement growth
- National account wins with AES

# ATTRACTIVE INVESTMENT OPPORTUNITY







# LENNOX

## APPENDIX

APR 24, 2024



# CORE REVENUE AND ADJUSTED SEGMENT PROFIT

|   | Q1 2024         | Q1 2023         | Change Year-over-Year |              |              |                |              |
|---|-----------------|-----------------|-----------------------|--------------|--------------|----------------|--------------|
|   |                 |                 | Volume                | Price        | Mix          | Other          | Total        |
| <b>Net Sales</b>  |                 |                 |                       |              |              |                |              |
| Home Comfort Solutions  | \$ 675          | \$ 681          | (2%)                  | 3%           | (2%)         | -              | (1%)         |
| Building Climate Solutions  | 373             | 309             | 7%                    | 6%           | 2%           | 6%             | 21%          |
| Corporate and other (1)   | -               | 60              | -                     | -            | -            | (100%)         | (100%)       |
| Net sales, a GAAP measure   | <b>\$ 1,047</b> | <b>\$ 1,049</b> | <b>1%</b>             | <b>4%</b>    | <b>(1%)</b>  | <b>(4%)</b>    | <b>0%</b>    |
| Net sales from non-core business (1)  | -               | 60              | -                     | -            | -            | 100%           | 100%         |
| Core net sales, a non-GAAP measure  | <b>\$ 1,047</b> | <b>\$ 990</b>   | <b>1%</b>             | <b>4%</b>    | <b>(1%)</b>  | <b>2%</b>      | <b>6%</b>    |
|   |                 |                 |                       |              |              |                |              |
|   | Q1 2024         | Q1 2023         | Volume                | Price/Mix    | Product Cost | Other          | Total        |
| <b>Segment Profit</b>   |                 |                 |                       |              |              |                |              |
| Home Comfort Solutions  | \$ 112          | \$ 111          | \$ (4)                | \$ 20        | \$ 0         | \$ (15)        | \$ 1         |
| Building Climate Solutions  | 78              | \$ 50           | 7                     | 20           | 1            | -              | 28           |
| Corporate and other (1)   | (24)            | \$ (19)         | -                     | -            | -            | (5)            | (5)          |
| Segment profit, a Non-GAAP measure  | <b>\$ 167</b>   | <b>\$ 142</b>   | <b>\$ 3</b>           | <b>\$ 40</b> | <b>\$ 2</b>  | <b>\$ (20)</b> | <b>\$ 25</b> |
| Profit from non-core business (1)   | -               | (0)             | -                     | -            | -            | (0)            | (0)          |
| Adjusted segment profit, a non-GAAP measure   | <b>\$ 167</b>   | <b>\$ 142</b>   | <b>\$ 3</b>           | <b>\$ 40</b> | <b>\$ 2</b>  | <b>\$ (20)</b> | <b>\$ 25</b> |
| Profit from non-core business (1)   | -               | 0               |                       |              |              |                |              |
| Items in Losses (gains) and other expenses,<br>net which are excluded from segment profit (2) | -               | 2               |                       |              |              |                |              |
| Operating income  | <b>\$ 167</b>   | <b>\$ 140</b>   |                       |              |              |                |              |

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

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

\* Totals above may not foot due to rounding

# ADJUSTED EPS

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

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

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

\* Totals above may not foot due to rounding

# NET DEBT TO EBITDA

|  | Q2<br>2023 | Q3<br>2023 | Q4<br>2023 | Q1<br>2024 | LTM<br>2024 | Q2<br>2022 | Q3<br>2022 | Q4<br>2022 | Q1<br>2023 | LTM<br>2023 |
|--|------------|------------|------------|------------|-------------|------------|------------|------------|------------|-------------|
| Income before taxes, a GAAP Measure                          | \$ 263.7   | \$ 175.2   | \$ 173.4   | \$ 154.2   | \$ 766.5    | \$ 217.3   | \$ 174.6   | \$ 119.5   | \$ 125.1   | \$ 636.5    |
| Items in losses (gains) and other expenses, net before taxes | 4.3        | 5.6        | 2.7        | -          | 12.6        | 2.4        | 3.3        | 0.1        | 2.2        | 8.0         |
| Restructuring charges, before tax                            | -          | 0.3        | 2.9        | -          | 3.2         | 0.5        | 0.2        | 0.3        | -          | 1.0         |
| Interest expense, net  | 15.0       | 11.2       | 11.3       | 11.8       | 49.3        | 8.7        | 10.5       | 12.7       | 14.2       | 46.1        |
| Pension settlements, before tax                              | 0.1        | 0.3        | 0.2        | -          | 0.6         | 0.2        | -          | (0.4)      | 0.2        | -           |
| Other expense (income), net before tax                       | -          | -          | 0.4        | 0.8        | 1.2         | 0.7        | 0.7        | -          | -          | 1.4         |
| Impairment on assets held for sale                           | -          | 63.2       | -          | -          | 63.2        | -          | -          | -          | -          | -           |
| Gain on sale of businesses                                   | -          | -          | (14.1)     | -          | (14.1)      | -          | -          | -          | -          | -           |
| Depreciation and amortization expense                        | 20.2       | 20.9       | 23.7       | 24.0       | 88.9        | 18.4       | 17.5       | 21.5       | 19.1       | 76.5        |
| Adjusted EBITDA, a non-GAAP measure                          | \$ 303.3   | \$ 276.7   | \$ 200.5   | \$ 190.8   | \$ 971.4    | \$ 248.2   | \$ 206.8   | \$ 153.7   | \$ 160.8   | \$ 769.5    |

|                                 |            |            |
|---------------------------------|------------|------------|
| Total Debt as of March 31, 2024 | \$ 1,426.2 | \$ 1,667.6 |
| Less Cash                       | 45.7       | 40.4       |
| Less Short-term investments     | 11.9       | 7.1        |
| Net Debt, a non-GAAP measure    | \$ 1,368.6 | \$ 1,620.1 |
| Debt to Adjusted EBITDA ratio   | 1.4        | 2.1        |

# FREE CASH FLOW (FCF)

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

\* Totals above may not foot due to rounding

# RETURN ON INVESTED CAPITAL (ROIC)

|  | Q2<br>2023 | Q3<br>2023 | Q4<br>2023 | Q1<br>2024 | LTM<br>2024 | Q2<br>2022 | Q3<br>2022 | Q4<br>2022 | Q1<br>2023 | LTM<br>2023 |
|--|------------|------------|------------|------------|-------------|------------|------------|------------|------------|-------------|
| <b>Operating income, a GAAP Measure</b>                      | \$ 278.8   | \$ 186.8   | \$ 185.3   | \$ 166.8   | \$ 817.7    | \$ 226.9   | \$ 185.8   | \$ 131.8   | \$ 139.5   | \$ 656.2    |
| Restructuring Charges, before tax                            | -          | 0.3        | 2.9        | -          | 3.2         | 0.5        | 0.2        | 0.3        | -          | 1.0         |
| Items in Losses (gains) and other expenses, net before taxes | 4.3        | 5.6        | 2.7        | -          | 12.6        | 2.4        | 3.3        | 0.1        | 2.2        | 8.1         |
| Impairment on assets held for sale                           | -          | 63.2       | -          | -          | 63.2        | -          | -          | -          | -          | -           |
| Gain on sale of business                                     | -          | -          | (14.1)     | -          | (14.1)      | -          | -          | -          | -          | -           |
| Non-core business results, after tax                         | (2.4)      | (3.9)      | (1.6)      | -          | (7.9)       | 0.6        | 0.4        | (1.0)      | 0.4        | 3.3         |
| <b>Adjusted Segment profit, a non-GAAP measure</b>           | \$ 280.7   | \$ 252.0   | \$ 175.2   | \$ 166.8   | \$ 874.7    | \$ 230.4   | \$ 189.7   | \$ 131.2   | \$ 142.1   | \$ 693.4    |
| Tax on adjusted Segment profit                               | 49.5       | 65.1       | 28.9       | -          | 143.5       | 43.2       | 33.8       | 29.9       | 30.4       | 137.3       |
| <b>Net operating profit after taxes, a non-GAAP measure</b>  | \$ 231.2   | \$ 186.9   | \$ 146.3   | \$ 166.8   | \$ 731.2    | \$ 187.2   | \$ 155.9   | \$ 101.3   | \$ 111.7   | \$ 556.1    |

|   | Q2<br>2023 | Q3<br>2023 | Q4<br>2023 | Q1<br>2024 | 4 Qtr Avg<br>2024 | Q2<br>2022 | Q3<br>2022 | Q4<br>2022 | Q1<br>2023 | 4 Qtr Avg<br>2023 |
|---|------------|------------|------------|------------|-------------------|------------|------------|------------|------------|-------------------|
| <b>Total assets, a GAAP measure</b>         | \$ 2,981.3 | \$ 2,928.4 | \$ 2,798.3 | \$ 2,985.4 | \$ 2,923.4        | \$ 2,659.0 | \$ 2,625.8 | \$ 2,567.6 | \$ 2,770.4 | \$ 2,655.7        |
| Less: Cash                                  | 51.4       | 132.0      | 60.7       | 45.7       | 72.5              | 57.4       | 40.7       | 52.6       | 40.4       | 47.8              |
| Short-term investments                      | 7.2        | 9.6        | 8.4        | 11.9       | 9.3               | 5.3        | 7.5        | 8.5        | 7.1        | 7.1               |
| Accounts payable                            | 470.1      | 345.8      | 374.7      | 437.8      | 407.1             | 485.6      | 430.5      | 427.3      | 445.0      | 447.1             |
| Accrued expenses                            | 425.5      | 408.7      | 416.1      | 302.3      | 388.2             | 384.8      | 409.6      | 376.9      | 341.7      | 378.3             |
| Income taxes payable                        | 21.8       | 9.0        | 4.2        | 28.1       | 15.8              | 26.0       | 19.2       | 17.6       | 18.4       | 20.3              |
| Liabilities held for sale                   | -          | 69.7       | -          | -          | 17.4              | -          | -          | -          | -          | -                 |
| Current operating lease liabilities         | 63.2       | 60.2       | 57.5       | 56.7       | 59.4              | 59.5       | 61.3       | 63.3       | 63.8       | 62.0              |
| Long-term operating lease liabilities       | 159.6      | 162.5      | 164.6      | 174.3      | 165.3             | 149.7      | 143.6      | 161.8      | 159.3      | 153.6             |
| Pensions                                    | 39.6       | 33.0       | 22.5       | 17.5       | 28.2              | 85.6       | 86.5       | 40.1       | 39.7       | 63.0              |
| Other long-term liabilities                 | 159.9      | 157.6      | 168.2      | 173.7      | 164.9             | 175.8      | 175.8      | 158.9      | 160.8      | 167.8             |
| <b>Invested capital, a non-GAAP measure</b> | \$ 1,583.0 | \$ 1,540.3 | \$ 1,521.4 | \$ 1,737.4 | \$ 1,595.5        | \$ 1,229.3 | \$ 1,251.1 | \$ 1,260.6 | \$ 1,494.2 | \$ 1,308.8        |

|   |            |            |            |            |            |            |            |            |            |            |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| <b>Net operating profit after taxes, a non-GAAP measure</b> | \$ 231.2   | \$ 186.9   | \$ 146.3   | \$ 166.8   | \$ 731.2   | \$ 187.2   | \$ 155.9   | \$ 101.3   | \$ 111.7   | \$ 556.1   |
| <b>Adjusted Invested capital, a non-GAAP measure</b>        | \$ 1,583.0 | \$ 1,540.3 | \$ 1,521.4 | \$ 1,737.4 | \$ 1,595.5 | \$ 1,229.3 | \$ 1,251.1 | \$ 1,260.6 | \$ 1,494.2 | \$ 1,308.8 |
| <b>Return on invested capital</b>                           |            |            |            |            | 46%        |            |            |            |            | 42%        |

\* Totals above may not foot due to rounding