



Lennox International Announces 2019 Financial Guidance and Updates 2018 Guidance for Earlier Timing of Insurance Proceeds

December 12, 2018

DALLAS, Dec. 12, 2018 /PRNewswire/ -- Lennox International Inc. (NYSE: LII) today announced 2019 financial guidance and updated 2018 guidance to reflect the earlier receipt of insurance proceeds than in previous guidance. The insurance proceeds relate to the July 2018 tornado that damaged the company's Iowa manufacturing facility and disrupted operations. Summary charts of the changes discussed below are available in the company's 2018 Investment Community Meeting presentation at www.lennoxinternational.com.

Overall for 2018 and 2019, the company expects to receive approximately \$347 million in insurance proceeds, including approximately \$124 million in 2018 and \$223 million in 2019. On a GAAP basis, the company expects a pre-tax gain of approximately \$132 million in non-core earnings over 2018 and 2019 due to the difference in book and replacement value of assets.

For 2018 on a non-core basis – which includes tornado site clean-up costs, asset write-offs, and factory-inefficiency costs -- the company has received \$97 million in insurance proceeds, compared to previous guidance for \$80 million, for an incremental \$17 million or \$0.32 per share to the prior 2018 GAAP guidance.

For 2019 on a non-core basis, the company now expects approximately \$35 million of tornado impact, compared to \$15 million previously, and insurance proceeds of approximately \$150 million compared to more than \$15 million previously – incremental to 2019 GAAP guidance by approximately \$2.30 per share.

For 2018 on a core basis for the Residential business segment, the company received \$27 million, or \$0.51 per share, of insurance proceeds in the fourth quarter to cover lost profits from business interruption in the third quarter of 2018; these proceeds were previously expected in 2019. The core impact for lost profits in 2018 still to be offset by insurance recovery in 2019 is now approximately \$38 million compared to prior guidance of \$65 million.

For 2019 on a core basis for the Residential business segment, the company continues to expect approximately \$35 million of tornado impact and now expects approximately \$73 million of insurance recovery after the \$27 million that was paid in 2018, a timing shift of \$0.51 from 2019 to 2018 guidance.

2018 Financial Guidance

- Reiterating 2018 guidance for revenue growth of 2-4% on a GAAP basis and 4-6% on an adjusted basis, which excludes the impact of the divestitures of the company's Australia, Asia and South America Refrigeration businesses in 2018.
- Updating 2018 guidance for GAAP EPS from continuing operations from \$8.11-\$8.51 to \$8.95-\$9.35.
- Updating 2018 guidance for adjusted EPS from continuing operations from \$8.70-\$9.10 to \$9.21-\$9.61.
- Reiterating 2018 guidance for corporate expenses of approximately \$85 million.
- Updating 2018 guidance for the effective tax rate from 22-24% to approximately 23% on an adjusted basis for the full year.
- Updating 2018 guidance for capital expenditures to approximately \$125 million, including \$25 million in 2018 related to the Iowa manufacturing facility, funded by insurance proceeds.
- Completed \$450 million of stock repurchases in 2018.

2019 Financial Guidance

- Revenue growth of 3-7%.
- GAAP EPS from continuing operations of \$14.30-\$14.90.
- Adjusted EPS from continuing operations of \$12.00-\$12.60.
- Corporate expenses of approximately \$90 million.
- Effective tax rate of 22-23% on an adjusted basis for the full year.
- Capital expenditures of approximately \$215 million, including \$115 million in 2019 to complete the reconstruction of the Iowa manufacturing facility, funded by insurance proceeds.
- \$350 million of stock repurchases in 2019.

As previously announced, Lennox International is hosting an investment community meeting in New York City today, starting at 9:00 a.m. Eastern time. The company will discuss strategic, operational, and financial information, including the company's outlook for 2019 and beyond. The presentation will be webcast and presentation materials will be accessible on the company's website at www.lennoxinternational.com.

Lennox International Inc. is a global leader in the heating, air conditioning, and refrigeration markets. Lennox International stock is listed on the New York Stock Exchange and traded under the symbol "LII". Additional information is available at: www.lennoxinternational.com or by contacting Steve Harrison, Vice President, Investor Relations, at 972-497-6670.

FORWARD-LOOKING STATEMENTS

The statements in this news release that are not historical statements, including statements regarding the 2018 and 2019 full-year outlook, expected consolidated and segment financial results, the financial and operational impact of the tornado damage to LII's manufacturing facility in Marshalltown,

lowa, and expected share repurchases, 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, but are not limited to: the impact of higher raw material prices, the impact of new trade tariffs, LII's ability to implement price increases for its products and services, economic conditions in our markets, regulatory changes, the impact of unfavorable weather, and a decline in new construction activity and related demand for LII's products and services. With respect to financial and operational impact of the tornado, the risks and uncertainties include, but are not limited to: (1) the impact on LII's operations, results of operations and financial condition resulting from the tornado damage, (2) the cost and timing to rebuild the Marshalltown manufacturing facility and to repair or replace the necessary manufacturing equipment, (3) the timing of the receipt of insurance proceeds for property damage and business interruption losses and the dollar amount of these proceeds, and (4) the accounting treatment and related financial statement impact resulting from the tornado damage and insurance recoveries. 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.



 View original content to download multimedia:<http://www.prnewswire.com/news-releases/lennox-international-announces-2019-financial-guidance-and-updates-2018-guidance-for-earlier-timing-of-insurance-proceeds-300763730.html>

SOURCE Lennox International Inc.