



Lennox International Inc. Announces Record Third Quarter Net Income; EPS of \$0.64 on 26 Percent Sales Growth

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DALLAS, Oct. 27 /PRNewswire/ -- Lennox International Inc. (NYSE: LII) announced today that 1999 third quarter net income increased 11 percent to a record \$27.3 million from \$24.6 million in third quarter 1998.

Sales also achieved record levels for the quarter, increasing 26 percent to \$669.1 million, up from \$529.2 million in the third quarter of 1998. Operating income for the quarter increased 22 percent to \$54.6 million from \$44.9 million last year.

The company reported diluted earnings per share for the quarter of \$0.64. On a pro forma basis, assuming that the company's initial public offering had occurred at January 1st of each year, diluted per share earnings for the quarter increased to \$0.61 this year from \$0.59 last year.

"In a time of unprecedented change in our industry, we believe we are successfully executing strategies to take advantage of the opportunities being presented to us," said John Norris, Jr., Chairman and Chief Executive Officer. "In particular, the successful implementation of our dealer acquisition strategy is driving strong growth in our North American Residential business segment." The company reported that to date 80 dealers, representing run rate annual revenues of \$359 million, have been acquired for a total purchase price of approximately \$175 million.

Norris was also pleased by the company's overseas performance. "Our new management team in Europe has made a significant contribution by implementing several important operational improvements. Also, our recent acquisitions in the Asia Pacific region have provided the critical mass we need to be profitable in that area."

Domestic sales, in the US and Canada, increased 21 percent over the same period last year and represented 82 percent of total company revenues for the quarter. International sales, accounting for 18 percent of total revenues in the quarter, increased by 58 percent.

Segment Performance

North American Residential operating income increased 9 percent to \$44.8 million on revenue growth of 28 percent. Growth due to acquisitions was fueled primarily by dealer acquisitions and hearth products. Organic growth, adjusted for the elimination of sales to dealers that were not owned last year, was 5 percent supported by favorable summer weather. Segment operating margins declined to 11.6 percent from 13.7 percent last year due primarily to the integration of lower margin acquired businesses. Higher information technology, freight, advertising and promotion expenditures reduced margins by approximately 50 basis points.

Commercial Air Conditioning operating income improved from \$1.8 million to \$5.1 million on revenue growth of 14 percent fueled by double-digit growth in Europe. Increased management focus has resulted in significant operating improvements, both domestically and internationally, contributing to operating margins improving to 4.0 percent this year from 1.6 percent last year.

Commercial Refrigeration operating income grew by 8 percent to \$9.9 million on revenue growth of 41 percent. Acquired businesses in Asia Pacific accounted for nearly all third quarter sales growth. While operating margins improved in both domestic and international organic businesses, integration of lower margin acquired businesses resulted in operating margins declining from 13.7 percent last year to 10.5 percent this year. Margin erosion in Brazil, caused largely by the recent currency devaluation, reduced segment operating margins by approximately 30 basis points.

Heat Transfer operating income was \$2.9 million on sales of \$60.8 million. Acquisitions in Asia Pacific provided virtually all increase in revenues. Organic sales and income were impacted by a one week shut down in domestic production to allow the successful implementation of SAP at the Grenada, MS production facility.

Nine Month Performance

For the nine months ending September 30, 1999, reported diluted earnings per share were \$1.48. Pro forma for a January 1st initial public offering, earnings per share increased to \$1.34 for the first nine months of 1999, compared with \$1.23 for the same period in 1998. Total Lennox International sales increased by 28 percent to \$1,750.0 million from \$1,364.8 million a year ago. Operating income rose 25 percent to \$121.3 million from \$96.8 million in the first nine months of 1998. Net income increased 15 percent to \$57.5 million from \$50.0 million over the same period.

Selling heating, ventilation, air conditioning, heat transfer and refrigeration equipment in over 70 countries worldwide, Lennox International Inc. is one of the world's leading companies specializing in climate control solutions. It is the parent company of Lennox Industries Inc., Armstrong Air Conditioning Inc., Heatcraft Inc., and Lennox Global Ltd. Lennox International stock is traded on the New York Stock Exchange under the symbol "LII." Additional information about Lennox International is available at: www.lennoxinternational.com.

This news release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are subject to numerous risks and uncertainties that could cause actual results to differ materially from such statements. For information concerning these risks and uncertainties, see Lennox' publicly available filings with the Securities and Exchange Commission. Lennox disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME

For the Three Months and Nine Months Ended September 30, 1999 and 1998
(Unaudited, in thousands, except per share data)

For the Three Months Ended For the
Three Months Ended Nine Months Ended

	September 30,		September 30,	
	1999	1998	1999	1998
NET SALES	\$669,053	\$529,169	\$1,749,953	\$1,364,799
COST OF GOODS SOLD	456,611	359,663	1,199,611	930,464
Gross Profit	212,442	169,506	550,342	434,335
OPERATING EXPENSES:				
Selling, general and administrative	154,735	125,676	422,529	331,294
Other operating expenses, net	3,078	(1,044)	6,486	6,247
Income from operations	54,629	44,874	121,327	96,794
INTEREST EXPENSE, net	9,093	4,437	24,193	10,903
OTHER	378	754	(403)	1,286
MINORITY INTEREST	832	205	212	(583)
Income before income taxes	44,326	39,478	97,325	85,188
PROVISION FOR INCOME TAXES	17,042	14,884	39,840	35,220
Net income	\$27,284	\$24,594	\$57,485	\$49,968

REPORTED EARNINGS PER SHARE (A):

Basic	\$0.65	\$0.70	\$ 1.52	\$1.44
Diluted	\$0.64	\$0.68	\$ 1.48	\$1.40

PRO FORMA EARNINGS PER SHARE (B):

Diluted	\$0.61	\$0.59	\$ 1.34	\$1.23
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(A) 8,088,490 additional shares issued in Lennox IPO August 3, 1999

(B) Pro forma EPS assumes IPO occurred January 1, each fiscal year.
(Interest expense, income tax, and number of shares have been adjusted.) [

	For the		For the	
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	1999	1998	1999	1998
Net Sales				
North American residential	\$386,108	\$300,667	\$1,009,411	\$764,124
Commercial air conditioning	127,922	112,364	337,985	286,209
Commercial refrigeration	94,176	67,049	238,351	176,058
Heat transfer	60,847	49,089	164,206	138,408
	\$669,053	\$529,169	\$1,749,953	\$1,364,799

	For the		For the	
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	1999	1998	1999	1998
Income (Loss) from Operations				
North American residential	\$44,790	\$41,188	\$109,441	\$100,683
Commercial air conditioning	5,138	1,787	6,285	(3,303)
Commercial refrigeration	9,925	9,164	19,095	17,092
Heat transfer	2,851	4,377	10,308	11,274
Corporate and other	(8,075)	(11,642)	(23,802)	(28,952)
	\$54,629	\$44,874	\$121,327	\$96,794

LENNOX INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of September 30, 1999 and December 31, 1998
(In thousands, except share data)

	ASSETS [September 30, 1999 (unaudited) [December 31, 1998
CURRENT ASSETS:			
Cash and cash equivalents		\$41,122	\$28,389
Accounts and notes receivable, net		484,420	318,858
Inventories		327,067	274,679
Deferred income taxes		38,406	37,426
Other assets		40,081	36,183
Total current assets		931,096	695,535
INVESTMENTS IN JOINT VENTURES		12,479	17,261
PROPERTY, PLANT AND EQUIPMENT, net		302,285	255,125
GOODWILL, net		323,103	155,290
OTHER ASSETS		40,471	29,741
TOTAL ASSETS		\$1,609,434	\$1,152,952
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Short-term debt		\$157,270	\$56,070
Current maturities of long-term debt		25,424	18,778
Accounts payable		200,088	149,824
Accrued expenses		206,882	207,040
Income taxes payable		9,271	534
Total current liabilities		598,935	432,246
LONG-TERM DEBT		309,467	242,593
DEFERRED INCOME TAXES		12,726	11,628
POSTRETIREMENT BENEFITS, OTHER THAN PENSIONS		15,735	16,511
OTHER LIABILITIES		70,336	60,845
Total liabilities		1,007,199	763,823
MINORITY INTEREST		15,213	12,689
COMMITMENTS AND CONTINGENCIES			
STOCKHOLDERS' EQUITY:			
Preferred stock, \$.01 par value, 25,000,000 shares authorized, No shares issued or outstanding		---	---
Common stock, \$.01 par value, 200,000,000 shares authorized, 44,958,240 shares and 35,546,940 shares issued and outstanding for 1999 and 1998, respectively		450	355
Additional paid-in capital		199,302	32,889
Retained earnings		398,412	350,851
Currency translation adjustments		(11,142)	(7,655)
Total stockholders' equity		587,022	376,440
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		\$1,609,434	\$1,152,952

SOURCE Lennox International Inc.

Web site: <http://www.lennoxinternational.com>

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