



Lennox International Announces Record Earnings for 1999

February 28, 2000

DALLAS, Feb. 28 /PRNewswire/ -- Lennox International Inc. (NYSE: LII) announced today that 1999 net income increased 39% to a record \$73.2 million, up from \$52.5 million in 1998. Earnings per share were \$1.81, a 23% gain over \$1.47 in 1998. The pro forma calculation, assuming a January 1 initial public offering (IPO), shows earnings per share increased 28% to \$1.69 in 1999 from \$1.32 the previous year.

Sales for 1999 increased 30% to a record \$2.36 billion from \$1.82 billion in 1998. Company-wide organic growth for 1999 was 7%, adjusted for sales to company-owned dealers.

1999 operating income was \$156 million, a 46% increase from the previous year. Operating margins expanded 70 basis points, from 5.9% in 1998 to 6.6%.

"We are pleased with our outstanding overall performance in 1999," said John Norris, chairman and CEO. "In spite of unseasonably warm weather, strong performance was also evident in our results for fourth quarter 1999."

Fourth Quarter 1999 Revenues Up 34%

Total consolidated company sales for the fourth quarter 1999 increased by 34% to \$612 million, up from \$457 million in the fourth quarter 1998.

Operating income for the quarter more than tripled to \$34.6 million from \$9.8 million the previous year. Operating margins were 5.7%, compared with 2.1% in the fourth quarter of 1998.

1999 fourth quarter net income increased over six times to \$15.7 million from \$2.6 million in the fourth quarter. Diluted earnings per share were \$0.35. On a pro forma basis, assuming a January 1 IPO, diluted earnings per share for the same quarter in 1998 were \$0.09.

International revenues grew by 67% in the quarter. "Our combined international operations moved from an operating loss in the last quarter of 1998 to profitability in the fourth quarter of 1999," Norris said.

Fourth Quarter 1999 Results: Segment Performance

North American residential products revenues grew 41% in the fourth quarter of 1999 to \$352 million. Adjusting for sales to company-owned dealerships and for product now produced by a joint venture with Fairco in Argentina (product previously purchased from Lennox), organic growth was 2%. Segment operating income increased 22% to \$27.8 million. Operating margins in the organic business increased by approximately 150 basis points. Newly-acquired retail dealerships and distributors, as well as Excel Comfort Systems, formerly Ducane's heating, ventilation and air conditioning (HVAC) operations, initially have lower margins. As a result, segment operating margins for the quarter declined to 7.9% from 9.1% in 1998.

Worldwide commercial air conditioning revenue increased 8% in the quarter to \$115 million, all of which was organic growth. Operating income improved from a quarterly loss of \$3.3 million last year to a profit of \$4.2 million this year. The increase was supported by significant operating improvements in North America and Europe, with improved absorption from higher sales volumes. Segment operating margins improved to 3.6% in 1999 from (3.1%) last year.

Worldwide commercial refrigeration revenue grew by 45% in the quarter to \$89 million. Domestic organic growth of 8% was offset by declines in Europe as supermarket consolidations delayed expansion plans, and by declines in Brazil resulting from currency devaluation. Segment operating income more than doubled to \$6.8 million. Operating margins for the quarter improved to 7.7% from 5.4% a year ago. Margin expansion occurred both in the organic business and as a result of Australian acquisitions.

Worldwide heat transfer sales increased 38% to \$56 million. Domestic organic growth of 6% was offset by declines in Europe, where many customers are OEM refrigeration manufacturers and supermarket demand for commercial refrigeration product has been soft. Segment operating income increased 60% to \$2.3 million. Operating margins for the quarter expanded to 4.1% from 3.5% in 1998, driven largely by strong performances from acquisitions.

Outlook for 2000

The most significant impact on 2000 revenues, according to Norris, will be the retail sales initiative which is expected to generate about \$1 billion in 2000. "We're confident the Service Experts dealer operations we purchased strengthen our retail strategy," he said. "For this year, we are taking a more conservative outlook for retail than previously projected, based on Service Experts' performance in the fourth quarter as well as certain other considerations." While Norris said he now believes Service Experts could have a dilutive impact in the range of \$0.05-\$0.10 in 2000, he also emphasized Lennox total retail operations are expected to be modestly accretive to earnings.

Norris said that even with a more conservative market and economic outlook, a more detailed appraisal of the integration timetable for acquired businesses, and higher interest expenses, Lennox is projecting net income growth of approximately 30%. However, he said, the larger number of shares outstanding will produce a mid-single digit EPS growth for 2000.

"Lennox International had terrific performance in 1999, with earnings increasing by 39%," Norris said. "Our Retail and North American Residential operations have grown very rapidly through acquisition in the past year, and our attention in 2000 will be focused on integrating and strengthening these operations. Our traditional businesses are strong and are providing us with a solid foundation to take advantage of growth opportunities worldwide."

Selling heating, ventilation, air conditioning, and refrigeration (HVACR) equipment in over 70 countries worldwide, Lennox International Inc. is a world leader 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 or by contacting Bill Moltner, Director, Investor Relations, at 972-497-6670.

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 Twelve Months Ended December 31, 1999 and 1998

(Unaudited, in thousands, except per share data)

	For the Three Months Ended December 31,		For the Twelve Months Ended December 31,	
	1999	1998	1999	1998
NET SALES	\$ 611,714	\$ 457,037	\$ 2,361,667	\$ 1,821,836
COST OF GOODS SOLD	417,721	315,159	1,617,332	1,245,623
Gross Profit	193,993	141,878	744,335	576,213
OPERATING EXPENSES:				
Selling, general and administrative	159,373	132,069	588,388	469,610
Income from operations	34,620	9,809	155,947	106,603
INTEREST EXPENSE, net	8,903	5,281	33,096	16,184
OTHER	116	316	(287)	1,602
MINORITY INTEREST	(312)	(286)	(100)	(869)
Income before income taxes	25,913	4,498	123,238	89,686
PROVISION FOR INCOME TAXES	10,244	1,941	50,084	37,161
Net income	\$ 15,669	\$ 2,557	\$ 73,154	\$ 52,525
REPORTED EARNINGS PER SHARE (A):				
Basic	\$ 0.36	\$ 0.07	\$ 1.85	\$ 1.50
Diluted	\$ 0.35	\$ 0.07	\$ 1.81	\$ 1.47
PRO FORMA EARNINGS PER SHARE (B):				
Diluted	\$ 0.35	\$ 0.09	\$ 1.69	\$ 1.32

(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 Three Months Ended December 31,		For the Twelve Months Ended December 31,	
	1999	1998	1999	1998
Net Sales				
North American				

residential	\$ 352,192	\$ 249,623	\$ 1,361,603	\$ 1,013,747
Commercial air conditioning	114,818	105,844	452,803	392,053
Commercial [refrigeration	88,915	61,206	327,266	237,264
Heat transfer	55,789	40,364	219,995	178,772
	\$ 611,714	\$ 457,037	\$ 2,361,667	\$ 1,821,836

	For the Three Months Ended December 31,		For the Twelve Months Ended December 31,	
Income (Loss) from Operations	1999	1998	1999	1998
North American residential	\$27,805	\$22,743	\$137,246	\$123,426
Commercial air conditioning	4,150	(3,276)	10,435	(6,579)
Commercial refrigeration	6,820	3,291	25,915	20,383
Heat transfer	2,284	1,426	12,592	12,700
Corporate and other	(6,439)	(14,375)	(30,241)	(43,327)
	\$34,620	\$ 9,809	\$155,947	\$106,603

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

ASSETS [

	December 31, 1999 (unaudited) [December 31, 1998
CURRENT ASSETS:		
Cash and cash equivalents	\$ 29,174	\$ 28,389
Accounts and notes receivable, net	443,107	318,858
Inventories	345,424	274,679
Deferred income taxes	25,367	37,426
Other assets	44,526	36,183
Total current assets	887,598	695,535
INVESTMENTS IN JOINT VENTURES	12,434	17,261
PROPERTY, PLANT AND EQUIPMENT, net	329,966	255,125
GOODWILL, net	394,252	155,290
OTHER ASSETS	59,423	28,358
TOTAL ASSETS	\$ 1,683,673	\$ 1,151,569

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Short-term debt	\$ 22,219	\$ 56,070
Current maturities of long-term debt	34,554	18,778
Accounts payable	196,143	149,824
Accrued expenses	200,221	207,040
Income taxes payable	9,859	534
Total current liabilities	462,996	432,246
LONG-TERM DEBT	520,276	242,593
DEFERRED INCOME TAXES	928	11,102
POSTRETIREMENT BENEFITS, OTHER THAN PENSIONS	15,125	16,511
OTHER LIABILITIES	72,377	60,845
Total liabilities	1,071,702	763,297
MINORITY INTEREST	14,075	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, 46,161,607 shares and 35,546,940 shares issued for 1999 and 1998, respectively	462	355
Additional paid-in capital	215,523	32,889
Retained earnings	409,851	350,851
Accumulated other comprehensive loss	(12,706)	(8,512)
Deferred compensation	(2,848)	---
Treasury stock, at cost, 1,172,200 shares for 1999	(12,386)	---
Total stockholders' equity	597,896	375,583
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,683,673	\$ 1,151,569

SOURCE Lennox International, Inc.

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

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