



Lennox International Reports Q4 and Full Year 2000 Earnings in Line With Previously Issued Guidance

February 13, 2001

DALLAS, Feb. 13 /PRNewswire/ -- Lennox International Inc. (NYSE: LII) announced today its full-year 2000 and fourth quarter 2000 earnings, in line with previously issued guidance.

Full-year 2000 results

Sales for full-year 2000 increased 38% to a record \$3.25 billion from \$2.36 billion in 1999. Company-wide organic growth for 2000 was 3%, adjusted for currency differences and sales to company-owned dealers. Sales outside the U.S. and Canada accounted for 13% of total revenues.

Operating income in 2000 increased 2% to \$159 million versus the previous year. Operating margins as a percent of sales decreased from 6.6% in 1999 to 4.9% in 2000, due to unfavorable summer weather and the process of integrating the company's retail and hearth products businesses. Earnings before interest, taxes, depreciation, and amortization (EBITDA) for the full year was \$242 million, up 13% from 1999.

The company's working capital management and focus on capital spending was evident in strong free cash flow numbers. Free cash flow, defined as cash from operations, excluding proceeds from asset securitizations, less capital expenditures and before dividends was \$57 million for the full year 2000 compared with a usage of \$6 million in 1999.

Additional borrowing to fund acquisitions increased full-year interest expenses by \$23 million and impacted net income. 2000 net income was \$59 million, compared with \$73 million in 1999. Earnings per share in 2000 were \$1.10 before a one-time restructuring charge in third quarter, compared with \$1.69 the previous year, assuming a January 1 initial public offering (IPO).

"Our financial results are in line with the outlook we provided last October," said Bob Schjerven, chief executive officer. "We grew revenues in every one of our five business segments and expanded operating margin percentages in three of our five segments. Unfortunately, earnings in our North American residential and North American retail segments were impacted by the weather and business integration issues. Solid performances in our commercial refrigeration, commercial air conditioning, and heat transfer segments could not make up the difference. Still, we made significant progress in implementing our long-range growth strategies during 2000."

Fourth Quarter 2000 Revenues Up 27%

Total consolidated company sales for the fourth quarter 2000 increased by 27% to \$779 million, up from \$612 million in the fourth quarter 1999.

Operating income for the quarter declined to \$30 million from \$35 million the previous year. Operating margins were 3.8%, compared with 5.7% in the fourth quarter of 1999. EBITDA was \$48 million, a 4% decrease from the EBITDA in the same quarter a year ago.

2000 fourth quarter net income was impacted by an increase in interest expense of more than \$5 million. Net income for the quarter decreased to \$8.7 million from \$15.7 million in the year ago period. Diluted earnings per share were \$0.16, compared with \$0.35 last year.

Fourth Quarter 2000 Results: Segment Performance

North American residential products revenues increased 4% in the fourth quarter of 2000 to \$268 million. "Organic sales in this segment increased 3% and we achieved some market share growth during the quarter and the full year," said Rick Smith, chief financial officer. Segment operating income decreased 3% to \$22.4 million from \$23.0 million last year, with operating margins declining to 8.4% from 9.0% in 1999. The decline was attributed to Lennox' hearth products business, where declining housing starts and production delays on new product lines impacted both sales volumes and earnings.

North American retail revenues more than doubled to \$281 million. "While this dramatic growth was achieved primarily through our acquisition of Service Experts, we are also encouraged by an 11% growth in organic retail sales," Smith said. The retail segment finished the quarter with an operating loss of \$2.5 million, or 0.9% of sales. "Operational issues, which are being addressed, and sales skewed to less profitable commercial and new construction work impacted segment performance," Smith explained. "We feel we are making steady progress in addressing the remaining business integration and operational issues, primarily through the implementation of an operations accountability program and an integrated information technology system."

Worldwide commercial air conditioning revenue stayed flat at \$115 million. Adjusting for currency exchange, sales grew 5% when compared to 4th quarter 1999. Operating income increased to \$4.7 million, a 14% gain. Segment operating margins improved 50 basis points to 4.1%. "Domestic sales continue to benefit from the expansion of our commercial-focused sales districts and the addition of a new product line that services the sizeable replacement market," Smith said.

Worldwide commercial refrigeration revenue declined by 5% in the quarter to \$84 million, but adjusted for currency exchange was up 3%. Segment operating income was \$6.4 million compared to \$6.8 million a year ago, driven entirely by currency fluctuations.

Worldwide heat transfer sales decreased 1% to \$55 million but, when adjusted for currency exchange, were up 3%. Segment operating income decreased marginally to \$2.2 million, also driven by currency fluctuations. Operating margins for the quarter were 3.9% in 2000 versus 4.1% last year.

Outlook for 2001

Schjerven said no new acquisitions are planned for 2001 and that the company is focused on realizing the potential in the business portfolio it has assembled. "We project earnings per share will grow by more than 25% in 2001," he said. "We also project the economic downturn we are currently seeing will result in softness in many of our end markets, and expect that our total corporate revenue growth will be in the low single digits. Given the seasonality of our business, lagging effects of last year's industry slowdown, and our timetable for realizing improvements in our retail and hearth products businesses, we anticipate the bulk of the improvement will be in the second half of the year." Schjerven said he anticipates earnings in the first quarter of 2001 could break even.

"We are focused on free cash flow generation and will see improvements next year through a very disciplined approach to capital expenditures and working capital management," Schjerven said. "We expect free cash flow to be approximately \$100 million for the full year 2001, which we will primarily

use to retire long-term debt, de-leveraging our balance sheet and reducing interest expense.

"Our plans to improve profitability are in place, guided by a highly experienced and totally dedicated management team. We will see improvement in 2001."

Lennox has scheduled a conference call to discuss financial results for the fourth quarter and full year 2000 on Wednesday, February 14 at 9:30 a.m. Central time. All interested parties are invited to listen as Bob Schjerven, CEO and Rick Smith, CFO comment on the company's results. To listen, please call the conference call line at 612-332-0226 or 612-332-0107 ten minutes prior to the scheduled start time and use reservation number 567732. The number of connections for this call is limited to 200.

This conference call will also be broadcast live on the Internet. A link to the broadcast can be found on the company's web site at <http://www.lennoxinternational.com>, or the call can be accessed through Vcall's web site at <http://www.vcall.com>. If you are unable to participate in this conference call, a replay will be available through February 21, 2000 on the Internet or by dialing 320-365-3844, access code 567732.

Selling heating, ventilation, air conditioning, and refrigeration equipment in over 70 countries, Lennox International Inc. is a global leader in climate control solutions. Lennox operates in five key business segments: North American residential, North American retail, worldwide commercial refrigeration, worldwide commercial air conditioning, and worldwide heat transfer. Lennox International stock is traded on the New York Stock Exchange under the symbol "LI". Additional information 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, 2000 and 1999
(In thousands, except per share data)

	For the Three Months Ended December 31,		For the Twelve Months Ended December 31,	
	2000	1999	2000	1999
NET SALES	\$779,215	\$611,714	\$3,247,357	\$2,361,667
COST OF GOODS SOLD	539,926	417,721	2,206,968	1,617,332
Gross Profit	239,289	193,993	1,040,389	744,335
OPERATING EXPENSES:				
Selling, general and administrative	209,614	159,373	881,778	588,388
Income from operations	29,675	34,620	158,611	155,947
INTEREST EXPENSE, net	14,233	8,903	56,193	33,096
OTHER	599	116	1,842	(287)
MINORITY INTEREST	53	(312)	(374)	(100)
Income before income taxes	14,790	25,913	100,950	123,238
PROVISION FOR INCOME TAXES	6,135	10,244	41,892	50,084
Net income	\$8,655	\$15,669	\$59,058	\$73,154
REPORTED EARNINGS PER SHARE (A) :				
Basic	\$0.16	\$0.36	\$1.06	\$1.85
Diluted	\$0.16	\$0.35	\$1.05	\$1.81
DILUTED EARNINGS PER SHARE BEFORE RESTRUCTURING (B)	\$0.16	\$0.35	\$1.10	\$1.81

(In thousands, except share data)

	December 31, 2000	December 31, 1999
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$40,633	\$29,174
Accounts and notes receivable, net	399,136	443,107
Inventories	359,531	345,424
Deferred income taxes	47,063	25,367
Other assets	54,847	44,526
Total current assets	901,210	887,598
INVESTMENTS IN JOINT VENTURES	11,655	12,434
PROPERTY, PLANT AND EQUIPMENT, net	354,172	329,966
GOODWILL, net	739,468	394,252
OTHER ASSETS	48,526	59,423
TOTAL ASSETS	\$2,055,031	\$1,683,673
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term debt	\$31,467	\$22,219
Current maturities of long-term debt	31,450	34,554
Accounts payable	260,208	196,143
Accrued expenses	242,347	200,221
Income taxes payable	24,448	9,859
Total current liabilities	589,920	462,996
LONG-TERM DEBT	627,550	520,276
DEFERRED INCOME TAXES	941	928
POSTRETIREMENT BENEFITS, OTHER THAN PENSIONS	14,284	15,125
OTHER LIABILITIES	77,221	72,377
Total liabilities	1,309,916	1,071,702
MINORITY INTEREST	2,058	14,075
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, 60,368,599 shares and 46,161,607 shares issued for 2000 and 1999, respectively	604	462
Additional paid-in capital	372,690	215,523
Retained earnings	447,377	409,851
Accumulated other comprehensive loss	(37,074)	(12,706)
Deferred compensation	(6,457)	(2,848)
Treasury stock, at cost, 3,332,784 and 1,172,200 shares for 2000 and 1999, respectively	(34,083)	(12,386)
Total stockholders' equity	743,057	597,896
TOTAL LIABILITIES AND STOCKHOLDERS'		

EQUITY

\$2,055,031

\$1,683,673

SOURCE Lennox International Inc.

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

Company News On-Call: <http://www.prnewswire.com/comp/140632.html> or fax, 800-758-5804, ext. 140632

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