

FOURTH QUARTER & FULL YEAR 2023

EARNINGS RELEASE

JAN 31, 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 execute our business strategy; our ability to meet customer demand; a decline in new construction activity and related demand for products and services; the impact of unfavorable weather; the impact of higher raw material prices and supply interruptions; regulatory or tax changes; the impact of new or increased trade tariffs; general economic conditions; and extraordinary events beyond our control, such as natural disasters and public health crises. 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 presentation to financial measures prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) are included in the Appendix of this presentation.

This presentation includes forward-looking statements regarding core revenue, segment profit, adjusted segment profit, adjusted net income, adjusted earnings per share, free cash flow and Net Debt to adjusted 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.

Q4 | FY 2023 FINANCIAL SUMMARY



Record Financial Results



Industry leading ROIC of 44%



2024 EPS guide of \$18.50-\$20.00



Increasing 2026 financial targets

Q4 2023

Core Revenue*

\$1.1B

+7% YoY

Adjusted Segment Profit Margin*

15.9%

+320 bps YoY

Adjusted EPS*

\$3.63

+41% YoY

Operating Cash Flow

\$306M

+\$174M YoY

FY 2023

Core Revenue*

\$4.7B

+6% YoY

Adjusted Segment Profit Margin*

17.9%

+300 bps YoY

Adjusted EPS*

\$17.96

+27% YoY

Operating Cash Flow

\$736M

+\$434M YoY

SELF HELP TRANSFORMATION: 2023 HIGHLIGHTS



Growth Acceleration

- Building the foundation for HVAC distribution growth
- Share gain through successful navigation of regulatory SEER changes
- Sales and distribution investments drove revenue growth



Recovered Profit Margins

- Launched pricing excellence programs
- Restoring factory output and productivity
- Recovering high-end product mix

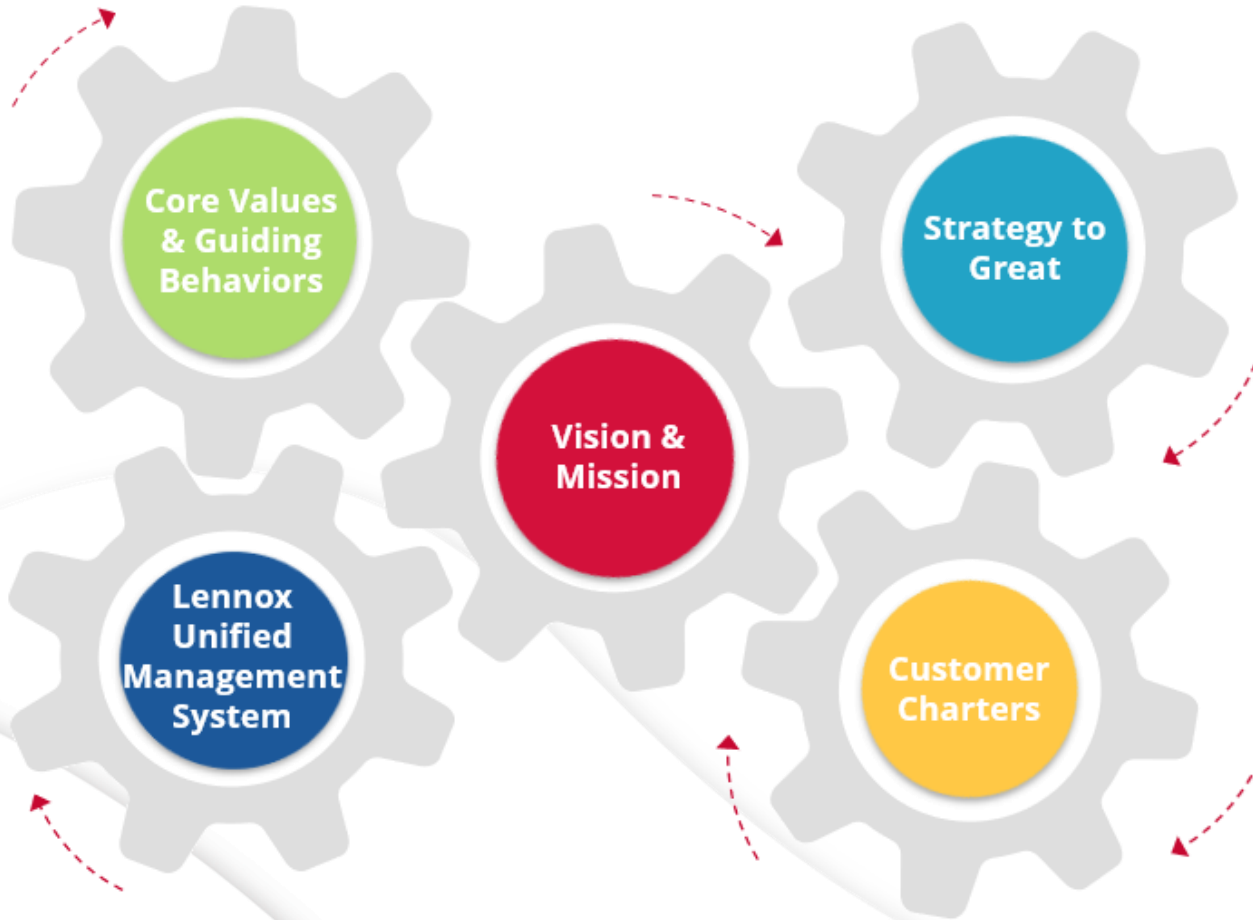


Execution Management

- Drove accountability through Lennox Unified Management System
- Enhanced portfolio by divesting Europe and acquiring AES service

Advanced HVAC Technology Company with High Performance Culture

LENNOX ENGINE FOR SUCCESS



Strategy to Great

- Growth Acceleration
- Resilient Margins
- Execution Consistency
- Advanced Technology
- Talent & Culture

Customer Charters

- Partner of Choice
- Exceptional Experience
- Quality Solutions

Lennox Unified Management System

- Balanced Scorecard for Accountability
- Standard Processes & Best Practices
- Disciplined Operating Cadence

Core Values & Guiding Behaviors

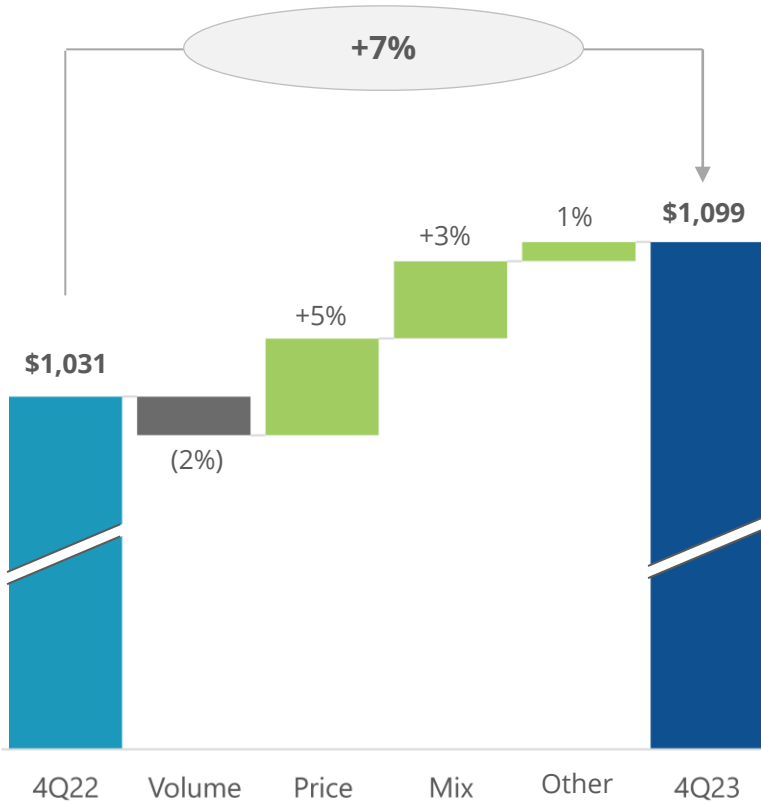
- Integrity | Respect | Excellence
- 9 Guiding Behaviors

Sustainable Transformation Momentum

Q4 2023 LENNOX FINANCIAL RESULTS

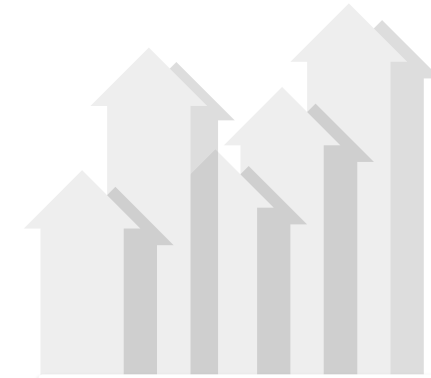
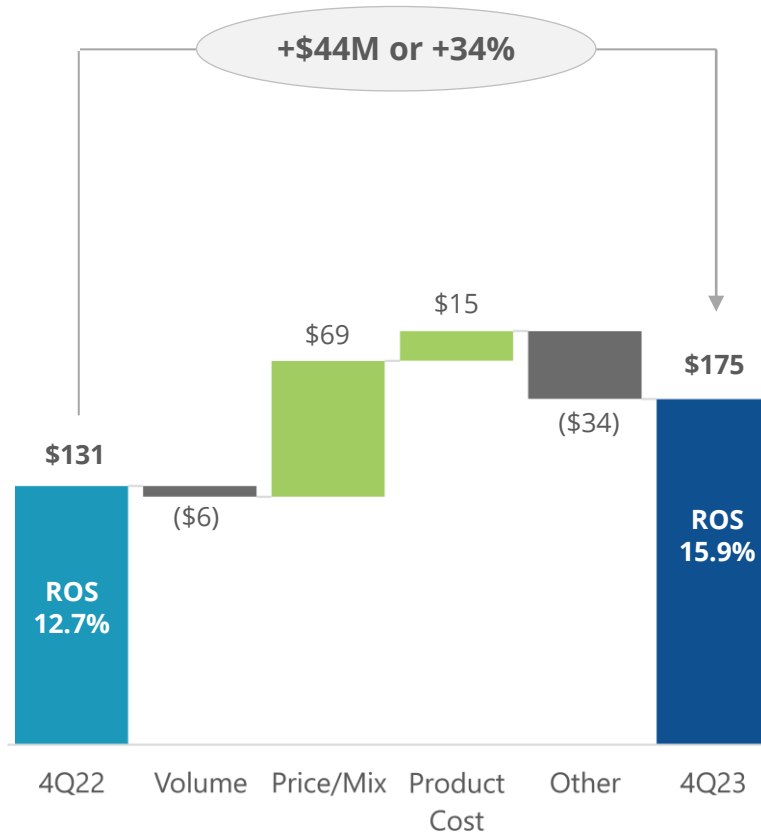
Core Revenue*

(US\$ Millions)



Adjusted Segment Profit*

(US\$ Millions)



Adjusted
EPS*
+41% to
\$3.63

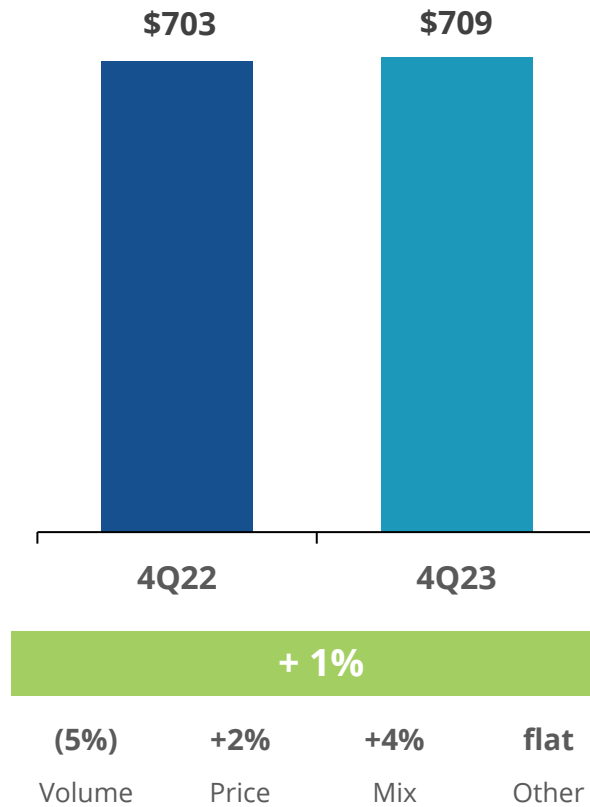
- **Volume:** Challenging Residential end markets
- **Price:** Continued pricing excellence
- **Mix:** SEER transition and premium products
- **Other Costs:** Inflation effects on wages, distribution and growth investments

Q4 2023 HOME COMFORT SOLUTIONS

FORMERLY KNOWN AS RESIDENTIAL SEGMENT

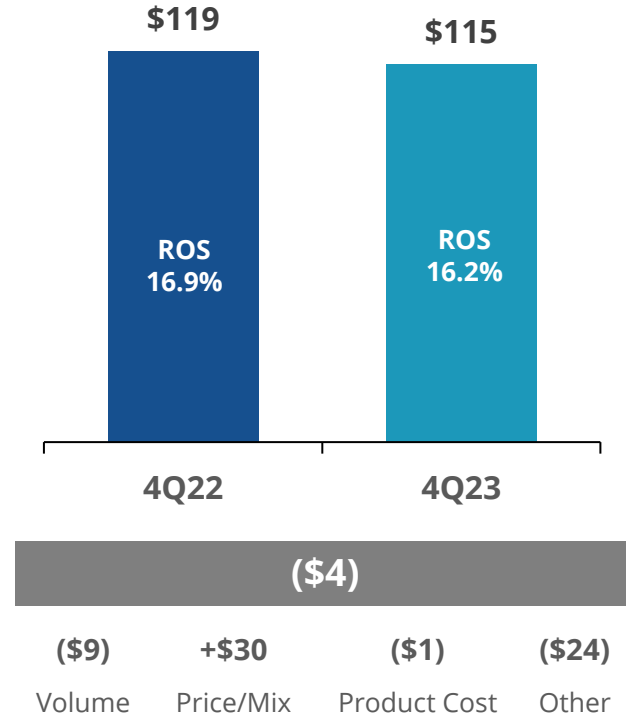
Revenue

(US\$ Millions)



Segment Profit

(US\$ Millions)



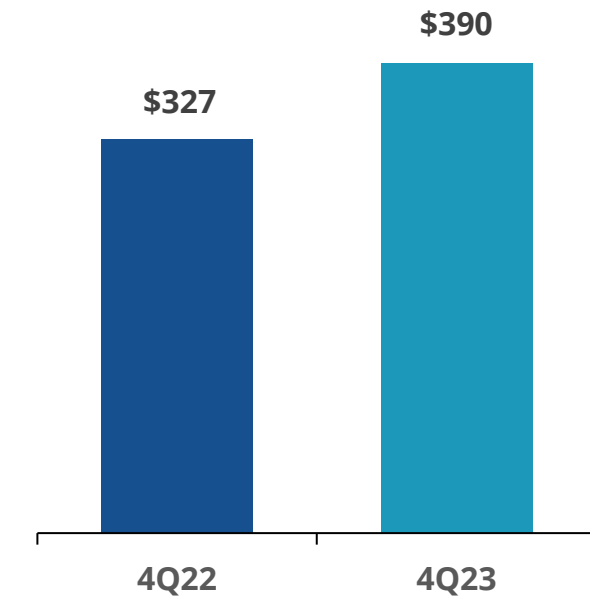
- **Volume:** Continued industry destocking
- **Mix:** Benefiting from new minimum efficiency standards and richer mix of premium products
- **Other Cost:** Wages, rent inflation, consulting and investments in distribution and selling

Q4 2023 BUILDING CLIMATE SOLUTIONS

FORMERLY KNOWN AS COMMERCIAL SEGMENT

Revenue

(US\$ Millions)

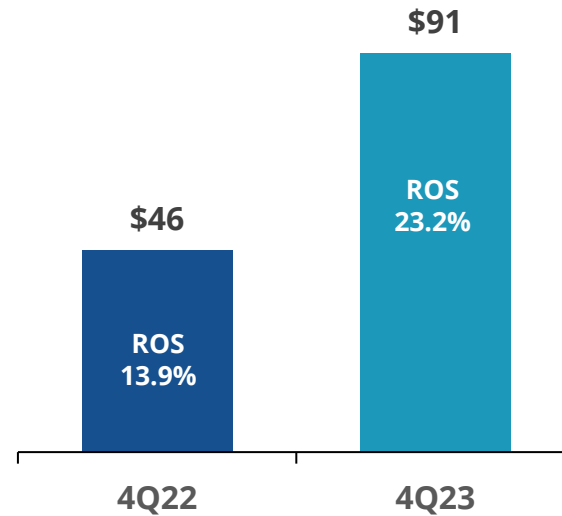


+ 19%

+5%	+11%	flat	+3%
Volume	Price	Mix	Other

Segment Profit

(US\$ Millions)



+ \$45

+\$3	+\$39	+\$16	(\$13)
Volume	Price/Mix	Product Cost	Other

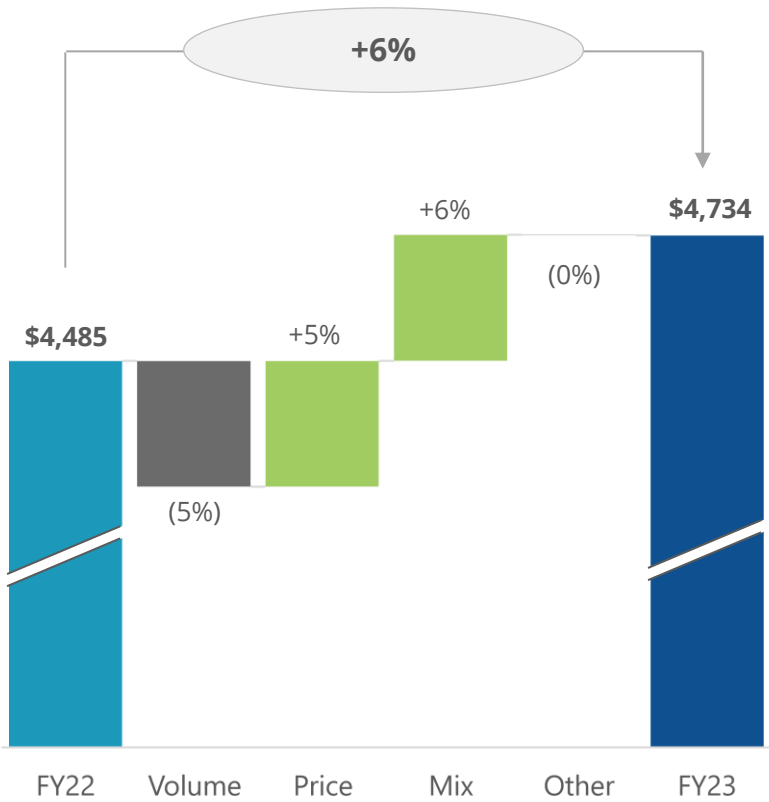


- **Volume:** Factory output remains constrained, but has improved
- **Product Cost:** Factory absorption timing and efficiencies, along with commodity tailwind
- **Orders:** Replacement demand remains solid, new construction softening

FULL YEAR 2023 LII RESULTS

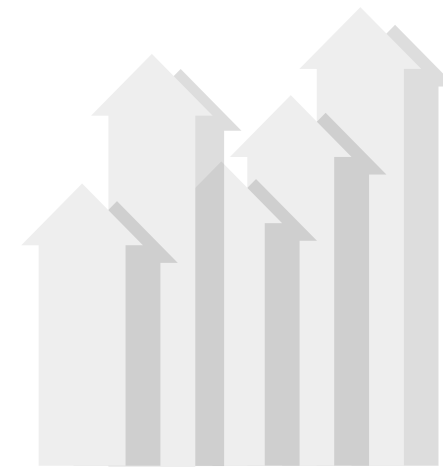
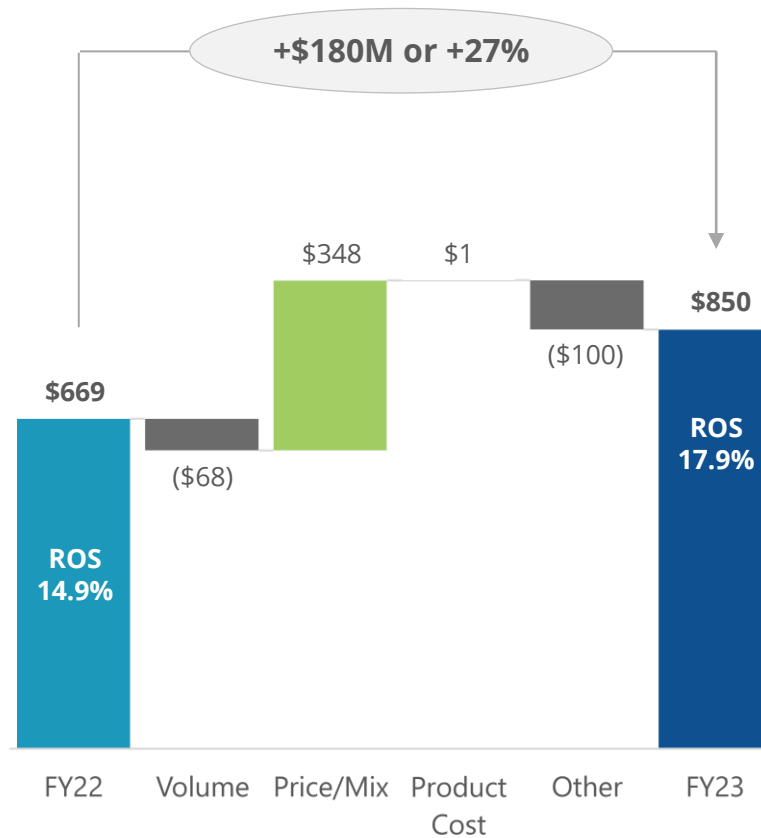
Core Revenue*

(US\$ Millions)



Adjusted Segment Profit*

(US\$ Millions)

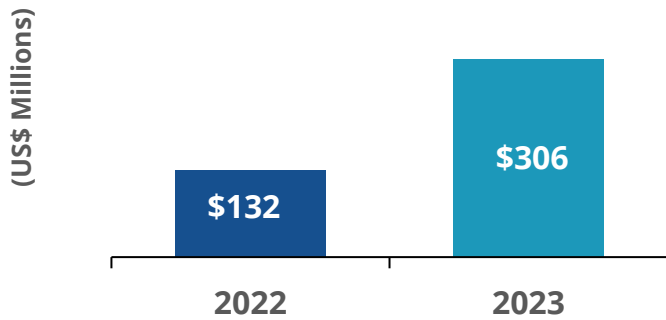


Adjusted
EPS*
+27% to
\$17.96

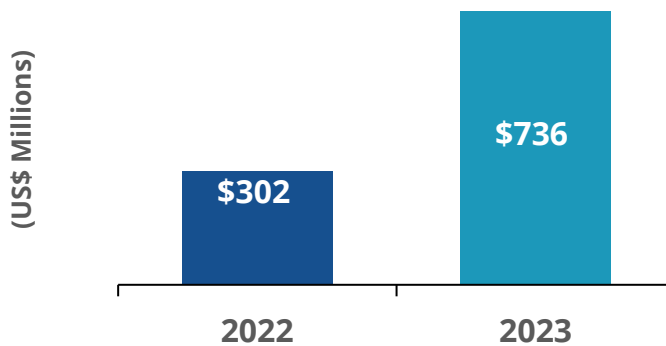
CASH FLOW AND CAPITAL DEPLOYMENT

Operating Cash Flow

Fourth Quarter

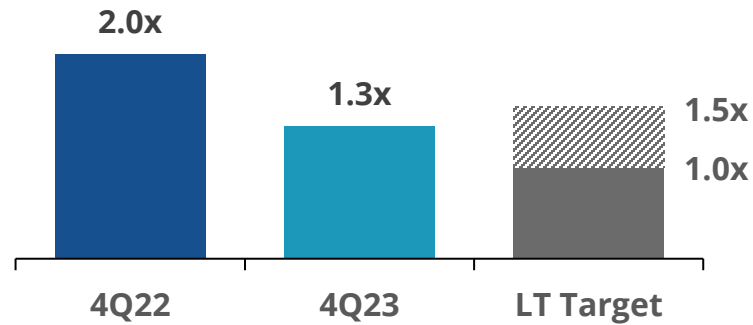


Full Year



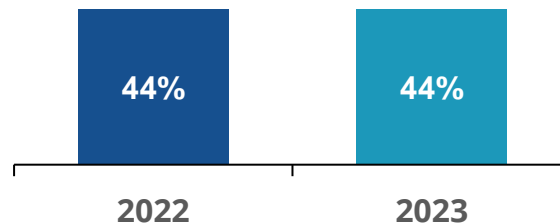
Investing for Growth

Net Debt to Adjusted EBITDA*



ROIC*

Investing for growth and focused on maintaining industry leading ROIC



Commercial New Factory



- 2024**
 - Ramp up - P&L inefficiencies
 - Temporary working capital build
- 2025**
 - Fully ramped up by 2nd half
 - Realize cost productivity

2024 FINANCIAL GUIDANCE

Core Revenue

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

Product & Other Cost Items

- 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
- Investments in information systems, distribution and customer experience initiatives, and inflation impact on SG&A
- Front end investments for sales and marketing excellence
- Interest Expense: ~\$50M / Tax Rate: 20%-21%
- FCF: \$500M - \$600M, including Capex of ~\$175M

EPS \$18.50 to \$20.00 - Free Cash Flow \$500M to \$600M

2024 BUSINESS CONDITIONS OUTLOOK



Home Comfort Solutions

End Market

- Repair vs replace uncertainty driven by health of the consumer
- EPA ruling creates uncertainty for industry inventories
- Independent distributors to normalize inventory
- Positive pricing discipline and beginning of R454B favorable mix

Share Opportunity

- Successful refrigerant transition

Building Climate Solutions

End Market

- Pent-up demand from higher age of installed units.
- Some customers may elect to delay for R454B product in '25
- Commercial New Construction may soften

Share Opportunity

- Mexico production supports Emergency Replacement growth
- National Account wins with AES acquisition and premium products

2024: SELF HELP TRANSFORMATION PRIORITIES

Self-Help Transformation Plan

2022 - 2024

Recover & Invest

2025 - 2026

Growth Acceleration

2026+

Expansion



Differentiated Growth

- Invest in sales to expand customer touch points
- Improve customer experience with digital
- Commercial output up and new factory build
- Increase attachment rate for parts and accessories



Resilient Profit Margins

- Maintain pricing excellence
- Productivity from volume recovery
- Material cost reduction
- Net positive low GWP transition



Execution Management

- Build up Lennox Unified Management System
- Clear priorities and focused strategy
- Investments for heat pump growth
- Distribution network improvements to improve fill rate and cost

2026 LONG TERM TARGET UPDATE

Execution of Strategic Objectives Will Deliver...

\$5.4B - \$6.0B
Revenue

Previous Target
\$5.0B - \$5.5B

19% - 21%
ROS*

Home Comfort
20% - 22%

Building Climate
22% - 24%

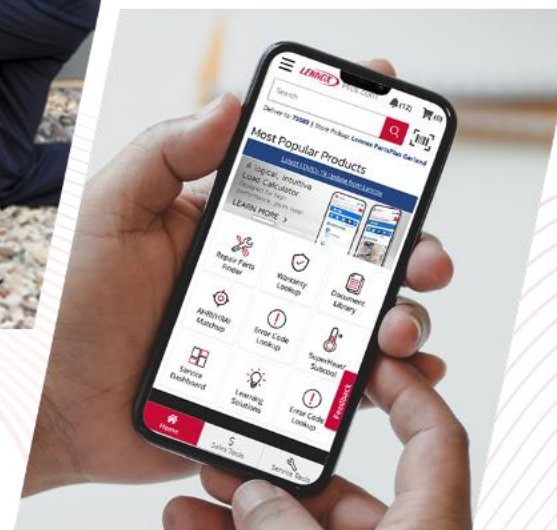
Previous Target
Total 18% - 20%
HCS 19-21% | BSC 19-21%

**~90% of Net
Income**
Free Cash Flow

Previous Target
~90% of Net Income

ATTRACTIVE INVESTMENT OPPORTUNITY





LENNOX

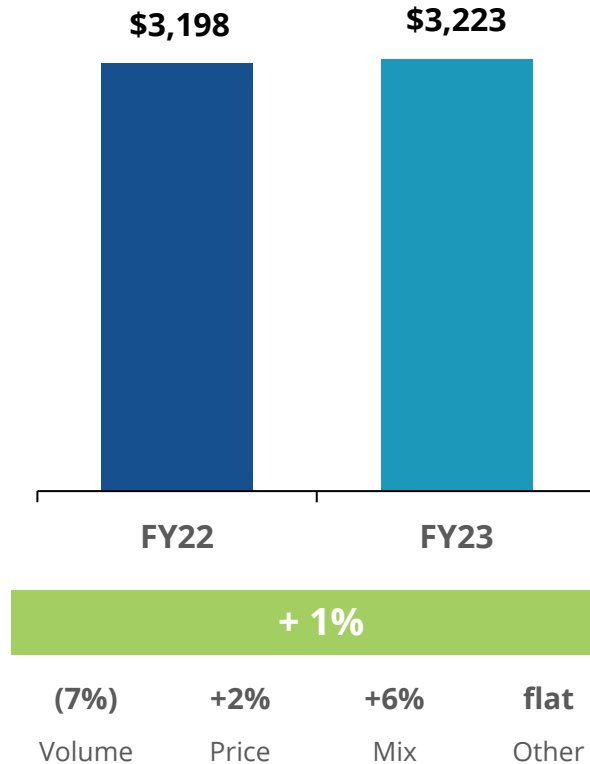
APPENDIX

JAN 31, 2024

FULL YEAR 2023 HOME COMFORT SOLUTIONS

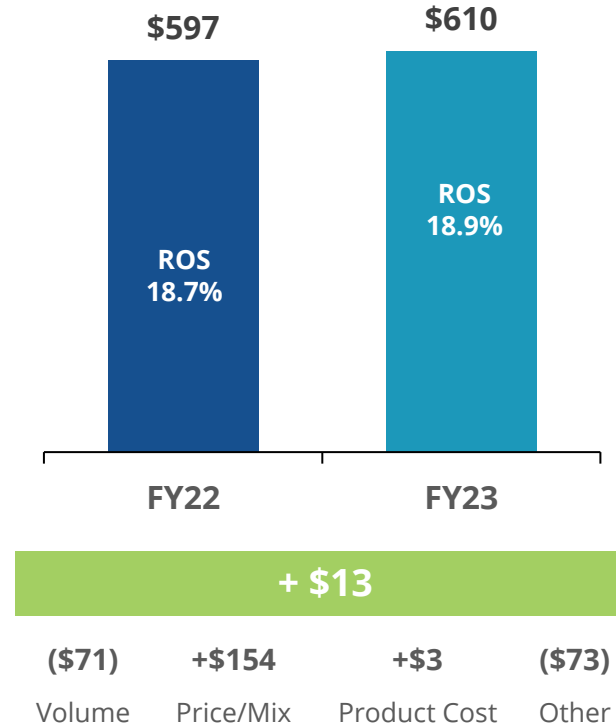
Revenue

(US\$ Millions)



Segment Profit

(US\$ Millions)

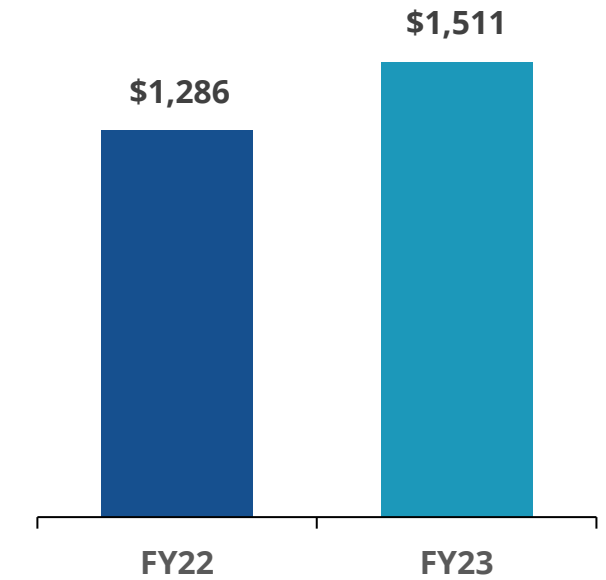


- **Volume:** Significant destocking on ~25% of business that flows through independent distribution
- **Price/Mix:** Profit and ROS grew through successful execution, overcoming volume declines, inflation and investments

FULL YEAR 2023 BUILDING CLIMATE SOLUTIONS

Revenue

(US\$ Millions)

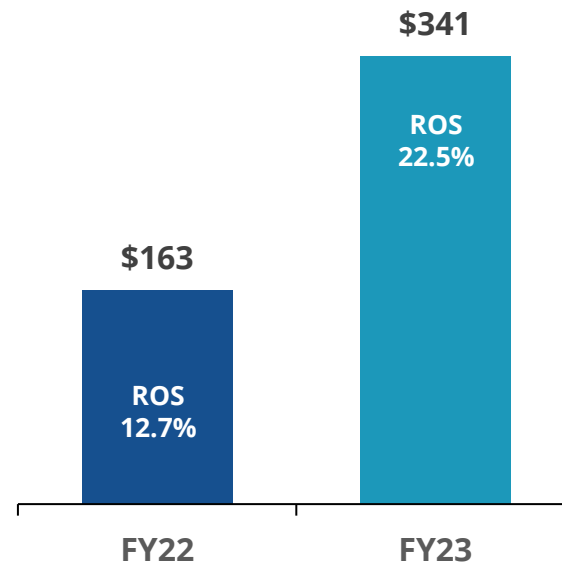


+ 18%

+2%	+11%	+4%	+1%
Volume	Price	Mix	Other

Segment Profit

(US\$ Millions)



+ \$178

+\$3	+\$194	(\$2)	(\$17)
Volume	Price/Mix	Product Cost	Other



- **Volume:** First half declined but second half grew
- **Price:** Actions restored previously depressed profit margins
- **Mix:** New minimum SEER product

CORE REVENUE AND ADJUSTED SEGMENT PROFIT

			Change Year-over-Year							Change Year-over-Year				
	Q4 2023	Q4 2022	Volume	Price	Mix	Other	Total	YTD 2023	YTD 2022	Volume	Price	Mix	Other	Total
Net Sales														
Home Comfort Solutions	\$ 709	\$ 703	(5%)	2%	4%	0%	1%	\$ 3,223	\$ 3,198	(7%)	2%	6%	0%	1%
Building Climate Solutions	390	327	5%	11%	0%	3%	19%	1,511	1,286	2%	11%	4%	1%	18%
Corporate and other (1)	55	63	0%	0%	-	(12%)	(12%)	248	234	1%	7%	-	(1%)	7%
Net sales, a GAAP measure	\$ 1,155	\$ 1,094	(2%)	4%	3%	0%	6%	\$ 4,982	\$ 4,718	(4%)	5%	5%	0%	6%
Net sales from non-core business (1)	55	63	0%	0%	-	(12%)	(12%)	248	234	1%	7%	-	(1%)	7%
Core net sales, a non-GAAP measure	\$ 1,099	\$ 1,031	(2%)	5%	3%	1%	7%	\$ 4,734	\$ 4,485	(5%)	5%	6%	0%	6%
Segment Profit					Product						Product			
	Q4 2023	Q4 2022	Volume	Price/Mix	Cost	Other	Total	YTD 2023	YTD 2022	Volume	Price/Mix	Cost	Other	Total
Home Comfort Solutions	\$ 115	\$ 119	\$ (9)	\$ 30	\$ (1)	\$ (24)	\$ (4)	\$ 610	\$ 597	\$ (71)	\$ 154	\$ 3	\$ (73)	\$ 13
Building Climate Solutions	\$ 91	\$ 46	3	39	16	(13)	45	\$ 341	163	3	194	(2)	(17)	178
Corporate and other (1)	\$ (29)	\$ (33)	-	-	-	4	4	\$ (94)	(94)	1	18	(5)	(14)	0
Segment profit, a Non-GAAP measure	\$ 177	\$ 132	\$ (6)	\$ 69	\$ 15	\$ (34)	\$ 45	\$ 857	\$ 666	\$ (67)	\$ 365	\$ (4)	\$ (103)	\$ 191
Profit from non-core business (1)	2	1	-	-	-	-	1	\$ 8	(3)	1	18	(5)	(3)	11
Adjusted segment profit, a non-GAAP measure	\$ 175	\$ 131	\$ (6)	\$ 69	\$ 15	\$ (34)	\$ 44	\$ 850	\$ 669	\$ (68)	\$ 348	\$ 1	\$ (100)	\$ 181
Profit from non-core business (1)	(2)	(1)						(8)	3					
Impairment on assets held for sale	-	-						63	-					
Gain on sale of businesses	(14)	-						(14)	-					
Items in Losses (gains) and other expenses, net which are excluded from segment profit (2)	3	-						15	8					
Restructuring charges	3	-						3	2					
Operating income	\$ 185	\$ 132						\$ 790	\$ 656					

(1) Net sales and segment profit from our European portfolio are included in the Corporate and other segment and are considered non-core

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

Note: Totals above may not foot due to rounding

ADJUSTED EPS

	For the Three Months Ended December 31, (Unaudited)				For the Twelve Months Ended December 31, (Unaudited)			
	2023		2022		2023		2022	
	After Tax Amount	Per Diluted Share	After Tax Amount	Per Diluted Share	After Tax Amount	Per Diluted Share	After Tax Amount	Per Diluted Share
Net income, a GAAP measure	\$ 144.5	\$ 4.04	\$ 94.4	\$ 2.65	\$ 590.1	\$ 16.54	\$ 497.1	\$ 13.88
Restructuring charges	2.2	0.06	0.2	0.01	2.4	0.07	1.2	0.03
Pension settlements	-	-	(0.3)	(0.01)	0.3	0.01	(0.1)	-
Items in Losses (gains) and other expenses, net which are excluded from segment profit (loss) (a)	1.5	0.05	-	-	11.1	0.31	6.6	0.19
Excess tax expense from share-based compensation (b)	(2.8)	(0.08)	(0.9)	(0.03)	(5.2)	(0.15)	(0.6)	(0.02)
Impairment on assets held for sale	-	-	-	-	62.0	1.74	-	-
Gain on sale of businesses	(11.1)	(0.31)	-	-	(11.1)	(0.31)	-	-
Other tax items, net (b)	(4.1)	(0.11)	0.2	0.01	(3.7)	(0.10)	(0.5)	(0.01)
Non-core business results (c)	(0.6)	(0.02)	(1.9)	(0.05)	(5.4)	(0.15)	4.3	0.11
Adjusted net income, a non-GAAP measure	\$ 129.6	\$ 3.63	\$ 91.7	\$ 2.58	\$ 640.5	\$ 17.96	\$ 508.0	\$ 14.18

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

(b) Recorded in Provision for income taxes in the Consolidated Statements of Operations

(c) Non-core business results represent activity related to our business operations in Europe non included elsewhere in the reconciliations

NET DEBT TO ADJUSTED EBITDA

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
Income before taxes, a GAAP Measure	\$ 125.1	\$ 263.7	\$ 175.2	\$ 173.4	\$ 737.5	\$ 104.4	\$ 217.3	\$ 174.6	\$ 119.5	\$ 615.8
Items in losses (gains) and other expenses, net before taxes	2.2	4.3	5.6	2.7	14.8	2.2	2.4	3.3	0.1	8.1
Restructuring charges, before tax	-	-	0.3	2.9	3.1	0.5	0.5	0.2	0.3	1.5
Interest expense, net	14.2	15.0	11.2	11.3	51.7	6.8	8.7	10.5	12.7	38.7
Pension settlements, before tax	0.2	0.1	0.3	0.2	0.8	0.1	0.2	-	(0.4)	(0.2)
Other expense (income), net before tax	-	-	-	0.4	0.1	0.6	0.7	0.7	-	1.9
Impairment on assets held for sale	-	-	63.2	-	63.2	-	-	-	-	-
Gain on sale of businesses	-	-	-	(14.1)	(14.1)	-	-	-	-	-
Depreciation and amortization expense	19.1	20.2	20.9	23.7	84.0	18.3	18.4	17.5	21.5	75.7
Adjusted EBITDA, a non-GAAP measure	\$ 160.8	\$ 303.3	\$ 276.7	\$ 200.5	\$ 941.4	\$ 132.9	\$ 248.2	\$ 206.8	\$ 153.7	\$ 741.6

Total Debt as of December 31, 2023	\$ 1,305.2	\$ 1,524.8
Less Cash:	60.7	52.6
Less Short-term investments	8.4	8.5
Net Debt, a non-GAAP measure	\$ 1,236.1	\$ 1,463.7
Debt to Adjusted EBITDA ratio	1.3	2.0

FREE CASH FLOW (FCF)

	For the Three Months Ended December 31, (Unaudited)		For the Twelve Months Ended December 31, (Unaudited)	
	2023	2022	2023	2022
Net Cash provided by operating activities, a GAAP measure	\$ 306.3	\$ 132.2	\$ 736.2	\$ 302.3
Purchases of property, plant and equipment	(125.2)	(34.1)	(250.2)	(101.1)
Proceeds from the disposal of property, plant and equipment	0.5	0.4	2.1	1.6
Free cash flow, a Non-GAAP measure	\$ 181.6	\$ 98.5	\$ 488.1	\$ 202.8

RETURN ON INVESTED CAPITAL (ROIC)

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
Operating income, a GAAP Measure	\$ 139.5	\$ 278.8	\$ 186.8	\$ 185.3	\$ 790.1	\$ 111.9	\$ 226.9	\$ 185.8	\$ 131.8	\$ 656.2
Restructuring Charges, before tax	-	-	0.3	2.9	3.1	0.5	0.5	0.2	0.3	1.5
Items in Losses (gains) and other expenses, net before taxes	2.2	4.3	5.6	2.7	14.8	2.2	2.4	3.3	0.1	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	0.4	(2.4)	(3.9)	(1.6)	(7.6)	3.4	0.6	0.4	(1.0)	3.3
Adjusted Segment profit, a non-GAAP measure	\$ 142.1	\$ 280.7	\$ 252.0	\$ 175.2	\$ 850.1	\$ 118.0	\$ 230.4	\$ 189.7	\$ 131.2	\$ 669.3
Tax on adjusted Segment profit	30.4	49.5	65.1	28.9	173.9	22.2	43.2	33.8	29.9	129.0
Net operating profit after taxes, a non-GAAP measure	\$ 111.7	\$ 231.2	\$ 186.9	\$ 146.3	\$ 676.1	\$ 95.8	\$ 187.2	\$ 155.9	\$ 101.3	\$ 540.3

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	4 Qtr Avg 2023	Q1 2022	Q2 2022	Q3 2022	Q4 2022	4 Qtr Avg 2022
Total assets, a GAAP measure	\$ 2,770.4	\$ 2,981.3	\$ 2,928.4	\$ 2,798.3	\$ 2,869.6	\$ 2,456.9	\$ 2,659.0	\$ 2,625.8	\$ 2,567.6	\$ 2,577.3
Less: Cash	40.4	51.4	132.0	60.7	71.1	34.3	57.4	40.7	52.6	46.3
Short-term investments	7.1	7.2	9.6	8.4	8.1	5.7	5.3	7.5	8.5	6.8
Accounts payable	445.0	470.1	345.8	374.7	408.9	457.3	485.6	430.5	427.3	450.2
Accrued expenses	341.7	425.5	408.7	416.1	398.0	325.1	384.8	409.6	376.9	374.1
Income taxes payable	18.4	21.8	9.0	4.2	13.4	6.4	26.0	19.2	17.6	17.3
Liabilities held for sale	-	-	69.7	-	17.4	-	-	-	-	-
Current operating lease liabilities	63.8	63.2	60.2	57.5	61.2	58.8	59.5	61.3	63.3	60.7
Long-term operating lease liabilities	159.3	159.6	162.5	164.6	161.5	157.4	149.7	143.6	161.8	153.1
Pensions	39.7	39.6	33.0	22.5	33.7	84.3	85.6	86.5	40.1	74.1
Other long-term liabilities	160.8	159.9	157.6	168.2	161.6	166.5	175.8	175.8	158.9	169.3
Invested capital, a non-GAAP measure	\$ 1,494.2	\$ 1,583.0	\$ 1,540.3	\$ 1,521.4	\$ 1,534.7	\$ 1,161.1	\$ 1,229.3	\$ 1,251.1	\$ 1,260.6	\$ 1,225.5
Net operating profit after taxes, a non-GAAP measure	\$ 111.7	\$ 231.2	\$ 186.9	\$ 146.3	\$ 676.1	\$ 95.8	\$ 187.2	\$ 155.9	\$ 101.3	\$ 540.3
Adjusted Invested capital, a non-GAAP measure	\$ 1,494.2	\$ 1,583.0	\$ 1,540.3	\$ 1,521.4	\$ 1,534.7	\$ 1,161.1	\$ 1,229.3	\$ 1,251.1	\$ 1,260.6	\$ 1,225.5
Return on invested capital					44%					44%

Note: Totals above may not foot due to rounding