



Second Quarter 2022 Earnings Conference Call

July 28, 2022



FORWARD-LOOKING STATEMENTS

The statements in this presentation that are not historical statements, including statements regarding the 2022 full-year outlook and expected consolidated and segment financial results for 2022, 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: the impact of higher raw material prices, availability and timely delivery of raw materials and other components, the impact of new or increased 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, a decline in new construction activity and related demand for products and services, and any resurgence of the Covid-19 pandemic and its economic impact on the company and its employees and customers. 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.

Use of Non-GAAP Financial Measures

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 Annex to this presentation and the company's SEC filings.

EXECUTIVE SUMMARY

Record Quarterly Results	Residential and Refrigeration Drove Record Results <ul style="list-style-type: none">• Record \$1.37B Revenue up 10%; Record Core EPS of \$5.00• Strong Growth in Residential & Refrigeration Due to Price and Demand• Sequential Improvement in Commercial; Demand Exceeds Capacity
Disciplined Capital Allocation	Regular Cash Flow Seasonality <ul style="list-style-type: none">• Q2 Cash from Operations was \$97M as Inventory is Being Replenished• Repurchased \$100M Stock and Paid \$33M in Dividends in Q2
Advancing Strategic Priorities	Innovation and ESG Focus <ul style="list-style-type: none">• First to Complete DOE Cold Climate Heat Pump Challenge• Published 2021 ESG Report with Science-Based Targets
Updating Full-Year Guidance	Raising Bottom End of EPS Range and Revenue Guidance <ul style="list-style-type: none">• FY Revenue to be up 10% to 15% vs. Prior Range of 7% to 11%• FY EPS \$13.80 to \$14.50 vs. Prior Range of \$13.50 to \$14.50

Record Quarter | Opportunities Remain

INNOVATION: COLD CLIMATE HEAT PUMP

Lennox's participation in the DOE challenge to accelerate deployment of cold climate heat pump demonstrates our dedication to product innovation for delivering energy efficiency and reducing greenhouse gas emission.



Lennox: First to Complete DOE Cold Climate Heat Pump Challenge

ENVIRONMENTAL SOCIAL GOVERNANCE UPDATE

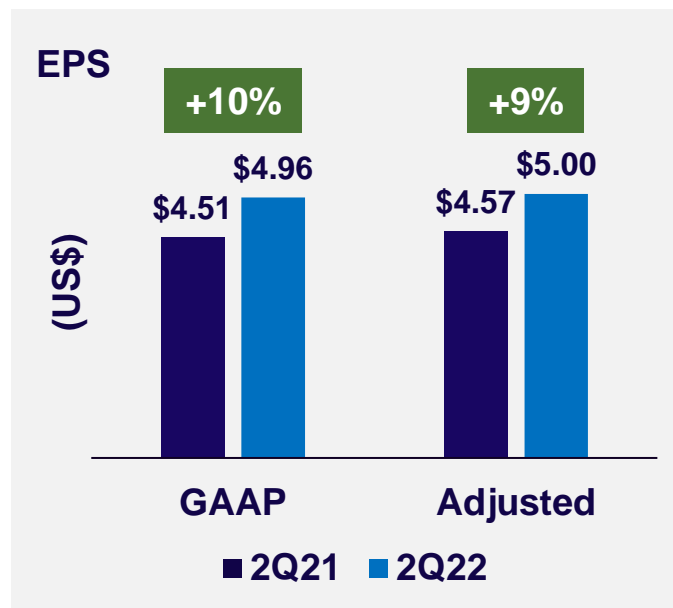
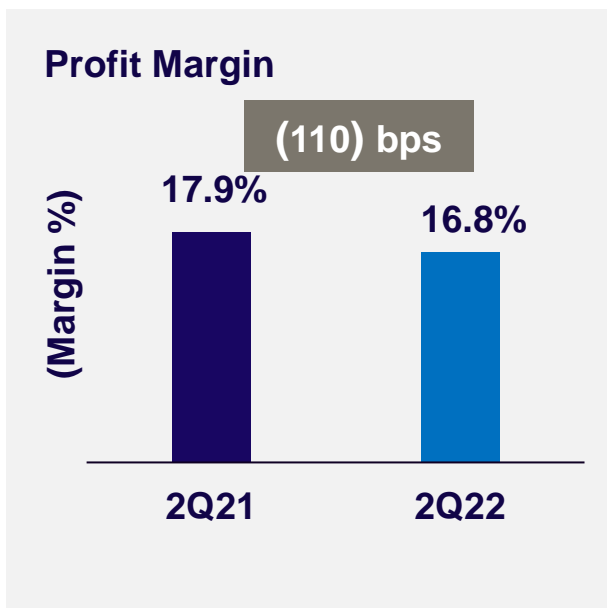
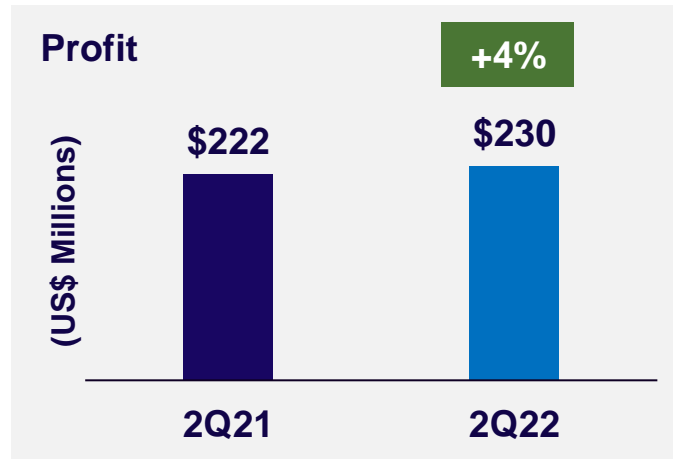
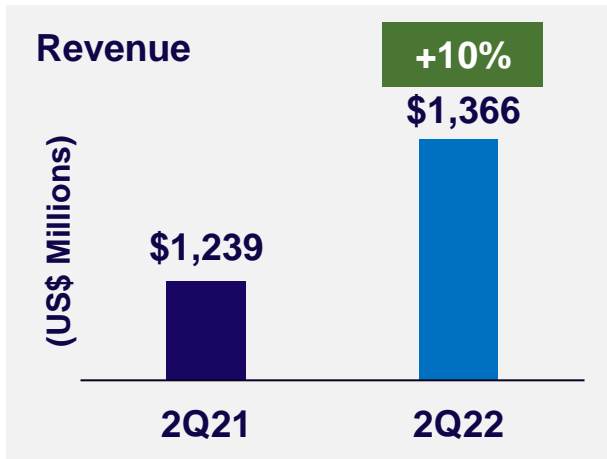


2021 ESG Report Highlights

- Science-Based Targets
- Meeting or Exceeding Improvement Targets
- Leadership in Heat Pumps and Decarbonization
- Continually Improving Diversity and Inclusion

Maintaining ESG Goals

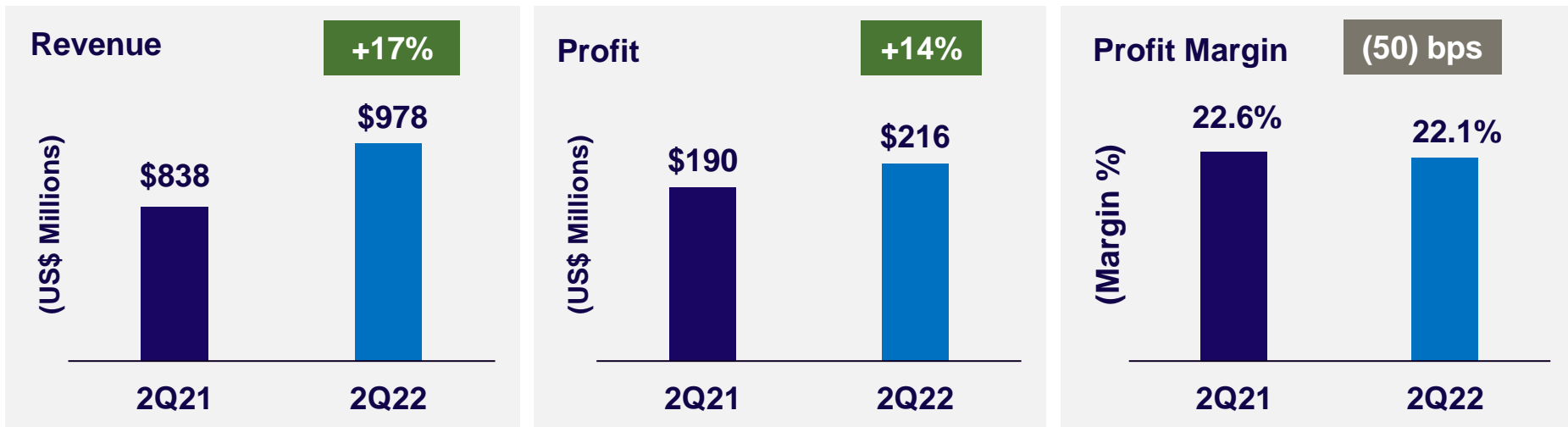
2Q22 LII FINANCIAL RESULTS



Key Messages

- Quarterly Record Revenue and Earnings
- Steady Demand Continues Across Portfolio
- Strong Price Yield to Combat Inflation
- Continuing to Navigate Supply Chain Disruptions
- Effectively Managing Supply Related Factory Disruptions
- Commercial Recovery Progressing
- Continued Investments in Distribution and Innovative Solutions
- Capital Deployment Remains Disciplined

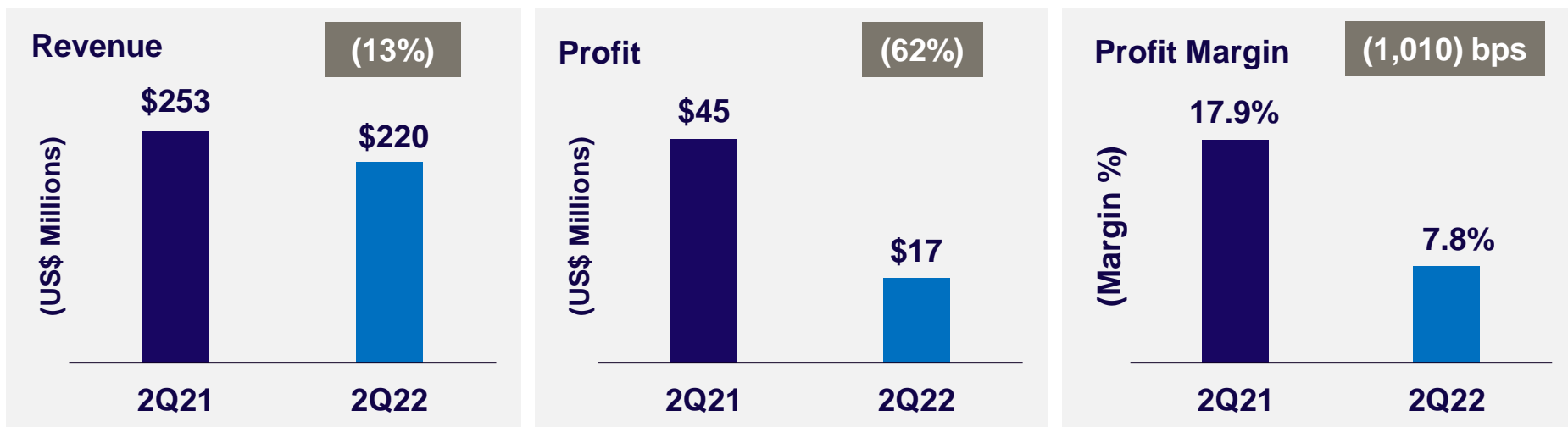
2Q22 RESIDENTIAL SEGMENT RESULTS



Key Drivers

- Record Revenue and Profit
- Replacement Revenue Up Mid-Teens and New Construction Revenue Up High-Teens
- Strong Top-Line Growth Against Tough 30% Prior-Year Growth Comparison
- Cooling Degree Days +6% Driven by Heat in Southeast and Portions of Southwestern U.S.
- High-End Products Still Supply Constrained
- We Now Have 235 Lennox Stores Open With 4 Openings in 1st Half of 2022

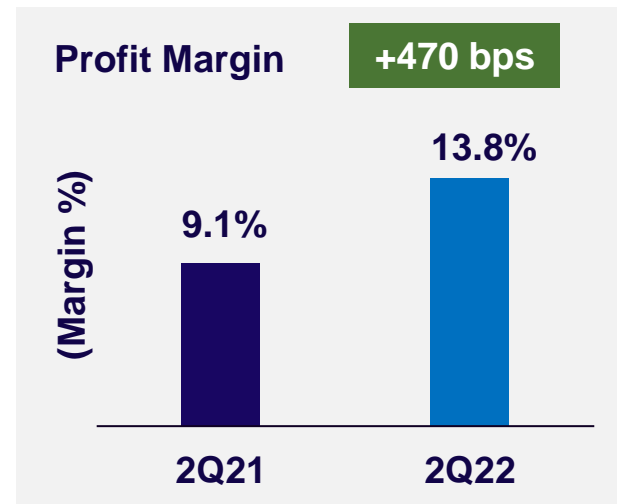
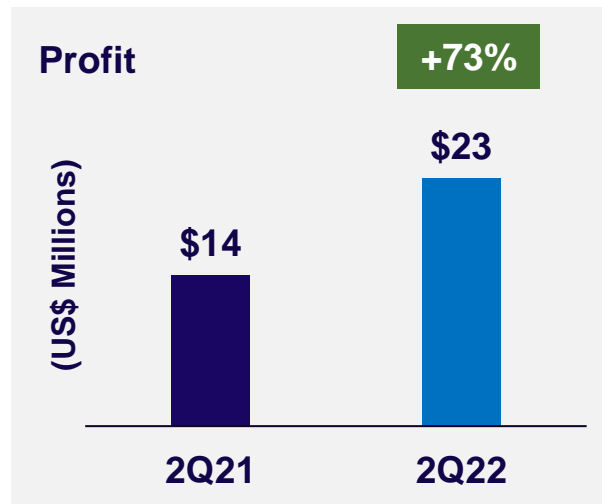
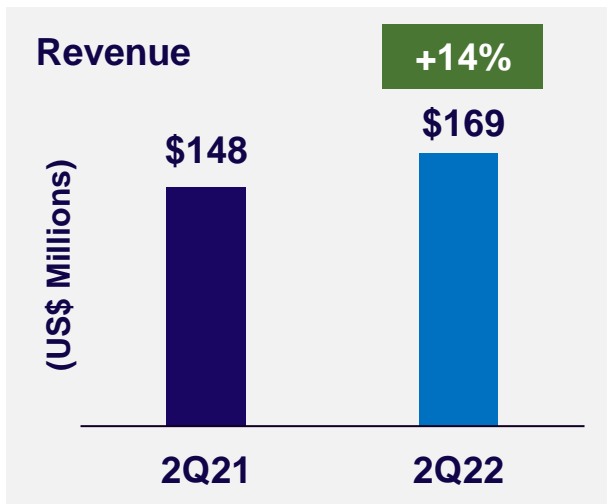
2Q22 COMMERCIAL SEGMENT RESULTS



Key Drivers

- Ongoing Supply Chain Challenges
- Stuttgart Transformation Underway
- Driving Price to Offset Cost
- DOE Product Development Efforts on Track
- Customer Demand & Backlog Remain Strong

2Q22 REFRIGERATION SEGMENT RESULTS



Key Messages

- Order Rates and Backlog Remain Strong
- North American Sales Up +30%
- European Refrigeration Up High-Single Digits at Constant Currency
- European HVAC Up Mid-Single Digits at Constant Currency
- Geopolitical Environment and Supply Chain Disruptions Impacting European Operations

LII FULL-YEAR GUIDANCE UPDATE

2022 Revenue & Earnings

Revenue Growth

10% - 15%

GAAP and Adjusted EPS

\$13.80 - \$14.50

Other Guidance Points

Free Cash Flow

~ \$400M

Capital Expenditures

~ \$125M

Tax Rate

18% - 20%

Corporate Expenses

~ \$95M

FX Impact

Neutral

Share Repurchases

~ \$400M

Share Count

~ 36M

Interest & Pension Expense

\$35M

Full-Year Assumptions

- North American Residential HVAC End Market Growth +LSD%
- North American Commercial and Refrigeration End Market Growth +MSD%
- Price of \$400M a ~ 9.5% Yield
- Residential Mix \$25M Headwind
- Material and Component Cost Inflation of \$100M (Including LIFO)
- Commodity Cost Inflation of \$130M
- Supply Related Factory Disruptions are a \$15M Headwind
- Freight Costs \$20M Headwind

KEY DRIVERS OF SECOND HALF OUTLOOK

HEADWINDS

- Potential Decline in Residential New Construction and/or Slowdown of U.S. Economy
- Inflationary Effects
- Supply Chain Constraints
- Factory Inefficiencies and Output, Especially in our Commercial Business

TAILWINDS

- Strong Backlog and Order Rates Across Residential, Commercial and Refrigeration
- Slight Easing of Commodity Inflation
- Impact of Productivity and Material Cost Reduction Initiatives
- Share Gain Opportunities

Reliable Execution During Uncertain Macro Conditions

LII: FOUNDATION TO ENHANCE SHAREHOLDER VALUE

High Growth End Market with Strong Replacement Demand



LII is a Leader in Delivering Energy Efficient Climate Control Solutions



Innovative Products with Direct-to-Dealer Network

Narrowly Focused on HVACR with ESG Mindset



Robust Execution and Disciplined Capital Deployment

We Believe LII is a Compelling Investment Opportunity





Second Quarter 2022 Earnings Conference Call

July 28, 2022





APPENDICES

Reconciliation of earnings per share – diluted, a GAAP measure, to adjusted earnings per share – diluted, a non-GAAP measure

	For the Three Months Ended June 30,					
	(Unaudited)					
	2022			2021		
	Pre-Tax	Tax Impact (d)	After Tax	Pre-Tax	Tax Impact (d)	After Tax
Net income, a GAAP measure	\$ 217.3	\$ (40.1)	\$ 177.2	\$ 208.7	\$ (38.7)	\$ 170.0
Restructuring charges	0.5	(0.1)	0.4	1.2	(0.2)	1.0
Pension settlements	0.2	(0.1)	0.1	—	—	—
Items in Losses (gains) and other expenses, net which are excluded from segment profit (loss) (a)	2.4	(0.4)	2.0	4.4	(1.0)	3.4
Excess tax expense (benefits) from share-based compensation (b)	—	0.1	0.1	—	(2.5)	(2.5)
Other tax items, net (b)	—	(1.4)	(1.4)	—	0.1	0.1
Adjusted net income, a non-GAAP measure	\$ 220.4	\$ (42.0)	\$ 178.4	\$ 214.3	\$ (42.3)	\$ 172.0
Earnings per share - diluted, a GAAP measure			\$ 4.96			\$ 4.51
Restructuring charges			0.01			0.03
Pension settlements			—			—
Items in Losses (gains) and other expenses, net which are excluded from segment profit (loss) (a)			0.06			0.09
Excess tax expense (benefits) from share-based compensation (b)			—			(0.07)
Other tax items, net (b)			(0.03)			—
Change in share counts from share-based compensation (c)			—			0.01
Adjusted earnings per share - diluted, a non-GAAP measure			\$ 5.00			\$ 4.57
(a) Recorded in Losses (gains) and other expenses, net in the Consolidated Statements of Operations						
(b) Recorded in Provision for income taxes in the Consolidated Statements of Operations						
(c) The impact of excess tax expense (benefits) from the change in share-based compensation also impacts the Company's diluted share counts. The reconciliation of average outstanding diluted shares on a GAAP and non-GAAP basis is included in this amount.						
(d) Tax impact based on the applicable tax rate relevant to the location and nature of the adjustment.						

Reconciliation of segment profit (loss), a non-GAAP measure, to operating income, a GAAP measure

(Unaudited)

(Amounts in millions)

	For the Three Months Ended June 30,	
	2022	2021
Net Sales		
Residential Heating & Cooling	\$ 977.5	\$ 838.0
Commercial Heating & Cooling	219.6	252.8
Refrigeration	169.2	148.2
	<u>\$ 1,366.3</u>	<u>\$ 1,239.0</u>
Segment Profit (Loss)⁽¹⁾		
Residential Heating & Cooling	\$ 216.3	\$ 189.7
Commercial Heating & Cooling	17.2	45.3
Refrigeration	23.4	13.5
Corporate and other	(27.1)	(26.9)
Total segment profit	229.8	221.6
Reconciliation to Operating Income:		
Items in Losses (gains) and other expenses, net which are excluded from segment profit (loss) ⁽¹⁾	2.4	4.4
Restructuring charges	0.5	1.2
Operating income	<u>\$ 226.9</u>	<u>\$ 216.0</u>

⁽¹⁾ We define segment profit (loss) as a segment's operating income included in the accompanying Consolidated Statements of Operations, excluding:

- The following items in Losses (gains) and other expenses, net:
 - Net change in unrealized losses (gains) on unsettled futures contracts,
 - Environmental liabilities and special litigation charges,
 - Charges incurred related to COVID-19 pandemic;
 - Other items, net,
- Special product quality adjustments; and
- Restructuring charges.

Reconciliation of cash provided by operating activities, a GAAP measure, to free cash flow, a non-GAAP measure

	<u>2022E</u>
Net cash provided by operating activities, a GAAP measure	~\$524
Proceeds from the disposal of property, plant and equipment	1
Purchase of property, plant and equipment	<u>(125)</u>
Free cash flow	~\$400