

# JEFFERIES CONFERENCE

SEPTEMBER 6, 2023

# DRIVEN BY OUR CORE VALUES

## INTEGRITY

### Accountability

We deliver on our commitments.

### Positive Engagement

We energize and motivate others.

### Trust

We are honest, ethical and safe.

## RESPECT

### Customer Experience

We earn the loyalty of our customers.

### Sustainability

We care for our community and planet.

### Talent

We foster belonging  
and create opportunities to grow.

## EXCELLENCE

### Innovation

We embrace original ideas and  
creative solutions.

### Quality

We strive for continuous improvements.

### Results

We prioritize superior outcomes for  
our stakeholders.

# CAUTIOUSLY OPTIMISTIC OUTLOOK

## Residential Segment

**Regulatory Changes**

**Share Gains**

**Positive Price**

**Mortgage Rates**

**Macroeconomic / Political  
Uncertainty**

## Commercial Segment

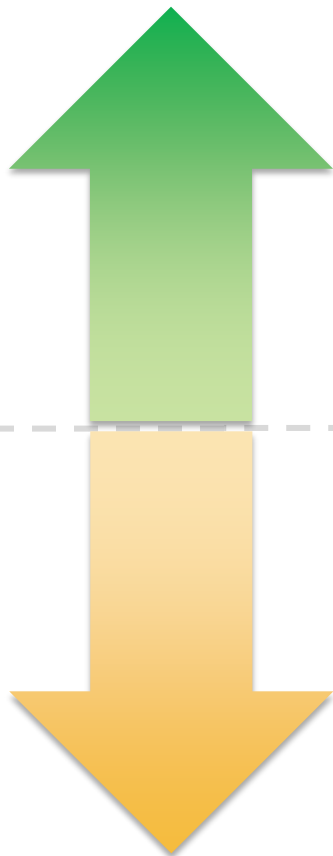
**Pent Up Demand**

**Improved Factory Production**

**Sustainability Initiatives**

**Commercial New Construction**

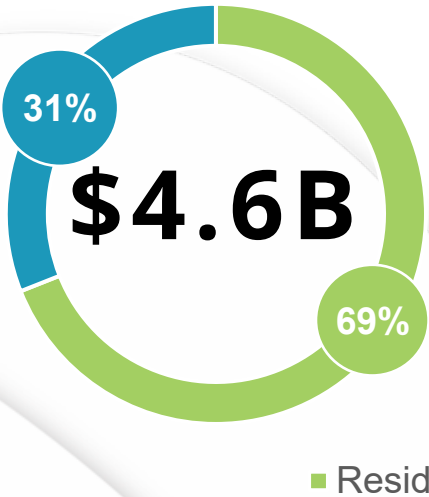
**Macroeconomic / Political  
Uncertainty**



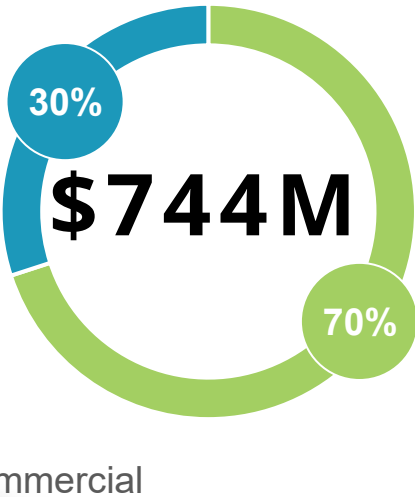
# LENNOX AT A GLANCE (NYSE: LII)

Employees	Market Cap <sup>1</sup>	Core Revenue	Adj Segment Profit Margin	Operating Cash Flow	Debt to EBITDA	ROIC
13 K	\$13.3 B <small>+56% YoY</small>	\$4.6B <small>+9% YoY</small>	16.3 % <small>+160 bps YoY</small>	\$420 M <small>+23% YoY</small>	1.9 x <small>Down 0.6x YoY</small>	43 % <small>Down 6 pts YoY</small>

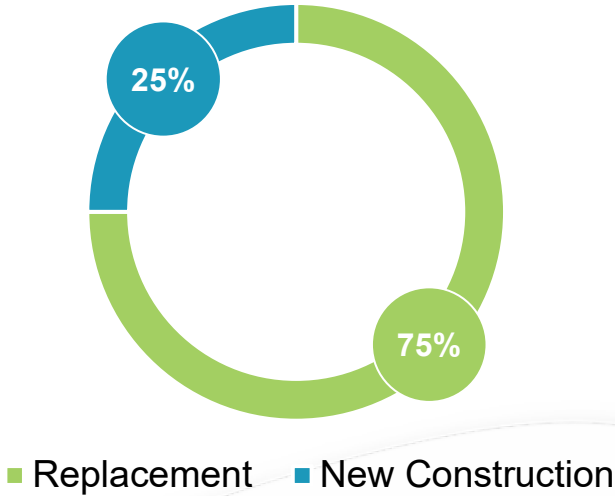
CORE REVENUE BY SEGMENT



ADJ PROFIT BY SEGMENT



CORE REVENUE BY APPLICATION



Note: All figures LTM as of June 30, 2023 unless otherwise noted; <sup>1</sup>As of Aug. 1, 2023, compared to Aug 31, 2022

Source: Management estimates from internal reporting

# LENNOX TRANSFORMATION PATH

2022 - 2024

2025 - 2026

2026 +

## Self Help

*Execution Consistency*

- Portfolio and Organization Simplification
- Commercial Recovery
- Pricing Excellence
- Refresh Talent and Culture

## Growth Acceleration

*Advanced Technology and Sales*

- Strengthen Dealer Network and Improve Customer Experience
- Win Regulatory Transition
- Cold Climate Heat Pump
- Digital Connected Products






## Expansion

*Distribution and Service Focus*

- Expand Distribution Network
- Expand Commercial Service
- Expand Attachment Rate for Parts, Accessories, and Other Products Used by HVAC Dealers



# LII: VALUE CREATION FRAMEWORK

-  **Growth Acceleration** with strong focus on Sales go-to-market effectiveness, Brand customer experience and Growth capacity investments to address market demand
-  **Resilient Margins** Expand Margins through Pricing excellence, Commercial margin recovery, Materials, Labor and SG&A Productivity
-  **Execution Consistency** with Scorecard based operating system, Dual sourced supply chain and Digital processes (e.g., SIOP)
-  **Advanced Technology Portfolio** in building sustainable innovative solutions to address megatrends and gain market share with 100% focus on North American end markets by divesting our European operations and exploring bolt-on M&A pipeline
-  **Talent and Culture** built on strong Core Values and guiding behaviors, Succession planning, Compensation aligned for value creation

## 2026 TARGETS

**Revenue**  
\$5.0B - \$5.5B

**Segment Profit Margin**  
18 - 20%

**Free Cash Flow**  
Committed to 90% - 100% cash conversion with disciplined capital deployment

# FORWARD-LOOKING STATEMENTS & NON-GAAP FINANCIAL MEASURES

The statements in this presentation that are not historical statements, including statements regarding the 2023 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 the impact of higher raw material prices, availability and timely delivery of raw materials and other components, competition in the HVACR business, ability to meet customer demand, the impact of new or increased trade tariffs, LII's ability to successfully execute its business strategy including implementing price increases for its products and services, economic conditions in our markets, regulatory changes, the impact of unfavorable weather, and a decline in new construction activity and related demand for products and services. 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 Debt to 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 earnings per share exclude net sales and profit/(loss) from our European portfolio, which we plan to divest. 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.

# CORE REVENUE AND ADJUSTED SEGMENT PROFIT

	LTM 2Q22	LTM 2Q23
<b>Net sales, a GAAP measure</b>	<b>\$ 4,404.4</b>	<b>\$ 4,799.3</b>
Net sales from non-core businesses (a)	227.5	247.9
<b>Adjusted net sales, a non-GAAP measure</b>	<b>\$ 4,176.9</b>	<b>\$ 4,551.4</b>
<b>Segment profit, a non-GAAP measure</b>	<b>\$ 611.1</b>	<b>\$ 746.3</b>
(Loss) gain from non-core businesses (a)	(4.2)	2.8
<b>Adjusted segment profit, a non-GAAP measure</b>	<b>\$ 615.3</b>	<b>\$ 743.5</b>

## DEBT TO EBITDA RATIO

	LTM 2Q23	LTM 2Q23
<b>Income from continuing operations before taxes, a GAAP Measure</b>	<b>\$ 566.6</b>	<b>\$ 682.9</b>
Items in losses (gains) and other expenses, net before taxes	12.9	9.9
Special product quality adjustments, before tax	(2.5)	-
Restructuring charges, before tax	1.5	0.5
Interest expense, net	28.3	52.4
Pension settlements, before tax	0.7	(0.1)
Other expense (income), net before tax	3.3	0.7
Depreciation and amortization expense	72.3	78.3
<b>Adjusted EBITDA, a non-GAAP measure</b>	<b>\$ 683.1</b>	<b>\$ 824.6</b>
<b>Total Debt at June 30, 2023</b>	<b>\$1,693.3</b>	<b>\$1,579.0</b>
<b>Total Debt to Adjusted EBITDA ratio</b>	<b>2.5x</b>	<b>1.9x</b>



# RETURN ON INVESTED CAPITAL (ROIC)

	LTM 2Q22	LTM 2Q23
<b>Operating income, a GAAP Measure</b>	<b>\$ 599.1</b>	<b>\$ 735.9</b>
Restructuring Charges, before tax	1.5	0.5
Special product quality adjustments, before tax	(2.5)	-
Items in Losses (gains) and other expenses, net before taxes	13.0	9.9
Non-core business results, after tax	5.8	(2.6)
<b>Adjusted Segment profit, a non-GAAP measure</b>	<b>\$ 616.9</b>	<b>\$ 743.7</b>
Tax on adjusted Segment profit	104.4	143.7
<b>Net operating profit after taxes, a non-GAAP measure</b>	<b>\$ 512.5</b>	<b>\$ 600.0</b>

	4 Qtr Avg 2023	4 Qtr Avg 2023
<b>Total assets, a GAAP measure</b>	<b>\$ 2,352.8</b>	<b>\$ 2,736.3</b>
Less: Cash	40.5	46.3
Short-term investments	5.4	7.6
Accounts payable	436.7	443.2
Accrued expenses	353.2	388.4
Income taxes payable	8.1	19.3
Current operating lease liabilities	56.8	62.9
Long-term operating lease liabilities	144.6	156.1
Pensions	88.1	51.5
Other long-term liabilities	164.0	163.9
<b>Invested capital, a non-GAAP measure</b>	<b>\$ 1,055.5</b>	<b>\$ 1,397.2</b>
<b>Net operating profit after taxes, a non-GAAP measure</b>	<b>\$ 512.5</b>	<b>\$ 600.0</b>
<b>Return on invested capital</b>	<b>49%</b>	<b>43%</b>