

# WILLIAM BLAIR CONFERENCE

JUNE 5, 2024

# 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.

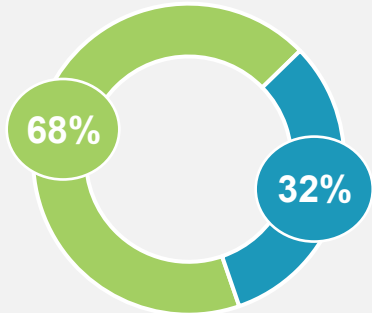
### Results

We prioritize superior outcomes for our stakeholders.

# FY 2023 FINANCIAL SUMMARY



## Core Revenue\*



- Home Comfort Solutions
- Building Climate Solutions

## 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

## Key Markets

### Home Comfort Solutions

With high-efficiency ratings and the latest innovative, mobile technology, our home heating and cooling equipment for the residential replacement and new construction markets in the United States and Canada provide the ultimate in comfort and climate control. Our product lines include air conditioners, furnaces, heat pumps, comfort controls, and indoor air quality equipment.



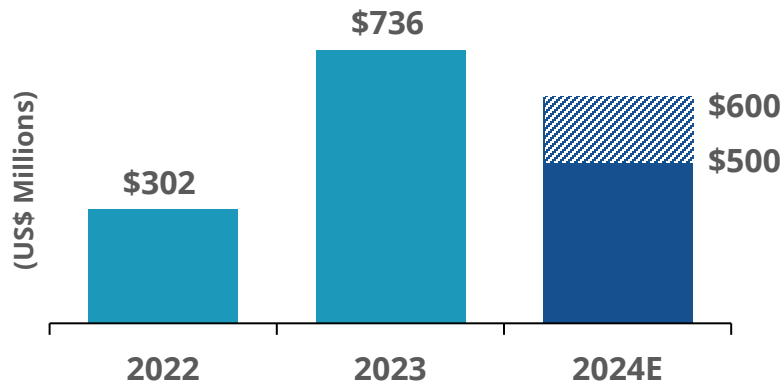
### Building Climate Solutions

We provide indoor comfort solutions and services plus refrigeration systems for office buildings, schools, supermarkets restaurants, retail establishments, and other light commercial applications in North America. Products include packaged rooftop units, curb adaptors, split systems, chillers, commercial controls, indoor air quality systems, coolers, condensing units, packaged systems, and related equipment.



# CASH FLOW AND CAPITAL DEPLOYMENT

## Operating Cash Flow

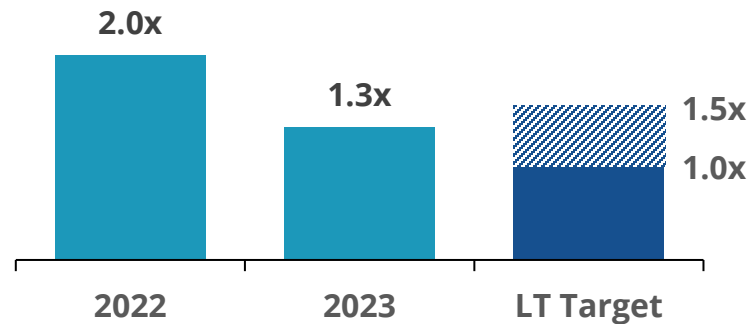


### Cash conversion continues to improve

- Inventory levels normalizing
  - Temporary build in 2H 2024
- Accounts receivable & Accounts Payable
  - Focused on 2024 efficiencies

## Debt Profile

### Net Debt to Adjusted EBITDA\*

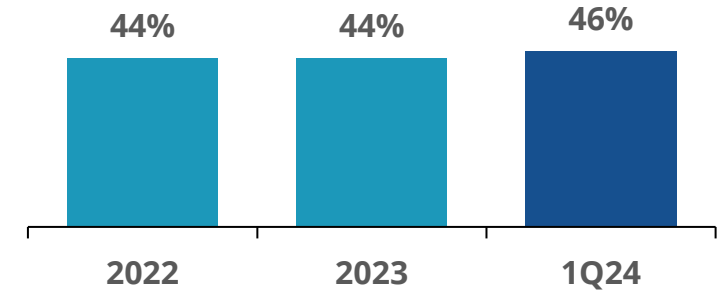


### Sustain a healthy balance sheet

- Grow dividends with earnings
- Share repurchases to offset dilution
- Maintain investment grade rating

## Investing for Growth

### Return On Invested Capital<sup>1</sup>



### Industry leading ROIC

- New commercial factory will enable emergency replacement share gain
- A2L conversion investments on track
- M&A opportunities

# 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

# STRENGTHENING DISTRIBUTION NETWORK



**CUSTOMER EXPERIENCE**

## Organization, Talent, Expertise and Culture

- Regional P&L with aligned sales and distribution
- Invest in field sales, revenue ops, pricing excellence
- Renewed parts and supplies P&L focus

**Share & Margin**

## Distribution Network and Digital Processes

- Digital twin design to improve fill rate and costs
- End to end demand and deployment planning
- Offshore analytical and admin support

**Growth Capacity**

## Building Customer Loyalty

- Net Promoter Score and customer segmentation
- Refresh and improve brand perception
- Customer charters to increase retention

**Net Promoter Score**

**Enhancing Customer Experience**

# HEAT PUMP GROWTH ACCELERATION



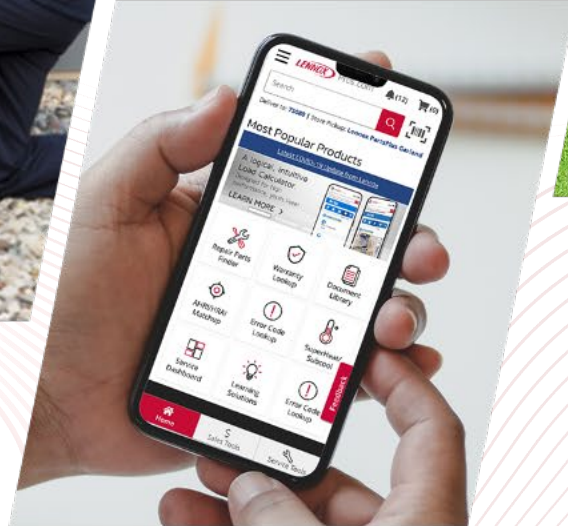
Powered by  
**SAMSUNG**

New Joint Venture focused on ductless applications

# ATTRACTIVE INVESTMENT OPPORTUNITY







# LENNOX

## APPENDIX

MAY 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 develop and market new products or execute our business strategy; our ability to meet and anticipate customer demands; our ability to continue to license or enforce our intellectual property rights; our ability to attract, motivate, develop, and retain our employees, as well as labor relations problems; a decline in new construction activity and related demand for our products and services; the impact of weather on our business; the impact of higher raw material prices and significant supply interruptions; changes in environmental and climate-related legislation or government regulations or policies; changes in tax legislation; the impact of new or increased trade tariffs; warranty, intellectual property infringement, product liability and other claims; litigation risks; general economic conditions in the United States and abroad; extraordinary events beyond our control; foreign currency fluctuations and changes in local government regulation associated with our international operations; cyber attacks and other disruptions or misuse of information systems; our ability to successfully realize, complete and integrate acquisitions; and impairment of the value of our goodwill. 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 document to financial measures prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) are included in the Annex to this document.

This document 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 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.

# 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
<b>Net Sales</b>														
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%
<b>Segment Profit</b>					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

# 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
<b>Net income, a GAAP measure</b>	<b>\$ 144.5</b>	<b>\$ 4.04</b>	<b>\$ 94.4</b>	<b>\$ 2.65</b>	<b>\$ 590.1</b>	<b>\$ 16.54</b>	<b>\$ 497.1</b>	<b>\$ 13.88</b>
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
<b>Adjusted net income, a non-GAAP measure</b>	<b>\$ 129.6</b>	<b>\$ 3.63</b>	<b>\$ 91.7</b>	<b>\$ 2.58</b>	<b>\$ 640.5</b>	<b>\$ 17.96</b>	<b>\$ 508.0</b>	<b>\$ 14.18</b>

(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
<b>Income before taxes, a GAAP Measure</b>	\$ 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
<b>Adjusted EBITDA, a non-GAAP measure</b>	<b>\$ 160.8</b>	<b>\$ 303.3</b>	<b>\$ 276.7</b>	<b>\$ 200.5</b>	<b>\$ 941.4</b>	<b>\$ 132.9</b>	<b>\$ 248.2</b>	<b>\$ 206.8</b>	<b>\$ 153.7</b>	<b>\$ 741.6</b>

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

# FREE CASH FLOW (FCF)

	For the Three Months Ended December 31, (Unaudited)		For the Twelve Months Ended December 31, (Unaudited)	
	2023	2022	2023	2022
<b>Net Cash provided by operating activities, a GAAP measure</b>	\$ 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
<b>Free cash flow, a Non-GAAP measure</b>	<b>\$ 181.6</b>	<b>\$ 98.5</b>	<b>\$ 488.1</b>	<b>\$ 202.8</b>

# 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
<b>Operating income, a GAAP Measure</b>	\$ 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
<b>Adjusted Segment profit, a non-GAAP measure</b>	\$ 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
<b>Net operating profit after taxes, a non-GAAP measure</b>	\$ 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
<b>Total assets, a GAAP measure</b>	\$ 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
<b>Invested capital, a non-GAAP measure</b>	\$ 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

<b>Net operating profit after taxes, a non-GAAP measure</b>	\$ 111.7	\$ 231.2	\$ 186.9	\$ 146.3	\$ 676.1	\$ 95.8	\$ 187.2	\$ 155.9	\$ 101.3	\$ 540.3
<b>Adjusted Invested capital, a non-GAAP measure</b>	\$ 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
<b>Return on invested capital</b>					44%					44%

Note: Totals above may not foot due to rounding

# Q1 2024 RETURN ON INVESTED CAPITAL (ROIC)

	Q2 2023	Q3 2023	Q4 2023	Q1 2024	LTM 2024	Q2 2022	Q3 2022	Q4 2022	Q1 2023	LTM 2023
<b>Operating income, a GAAP Measure</b>	\$ 278.8	\$ 186.8	\$ 185.3	\$ 166.8	\$ 817.7	\$ 226.9	\$ 185.8	\$ 131.8	\$ 139.5	\$ 656.2
Restructuring Charges, before tax	-	0.3	2.9	-	3.2	0.5	0.2	0.3	-	1.0
Items in Losses (gains) and other expenses, net before taxes	4.3	5.6	2.7	-	12.6	2.4	3.3	0.1	2.2	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	(2.4)	(3.9)	(1.6)	-	(7.9)	0.6	0.4	(1.0)	0.4	3.3
<b>Adjusted Segment profit, a non-GAAP measure</b>	\$ 280.7	\$ 252.0	\$ 175.2	\$ 166.8	\$ 874.7	\$ 230.4	\$ 189.7	\$ 131.2	\$ 142.1	\$ 693.4
Tax on adjusted Segment profit	49.5	65.1	28.9	-	143.5	43.2	33.8	29.9	30.4	137.3
<b>Net operating profit after taxes, a non-GAAP measure</b>	\$ 231.2	\$ 186.9	\$ 146.3	\$ 166.8	\$ 731.2	\$ 187.2	\$ 155.9	\$ 101.3	\$ 111.7	\$ 556.1

	Q2 2023	Q3 2023	Q4 2023	Q1 2024	4 Qtr Avg 2024	Q2 2022	Q3 2022	Q4 2022	Q1 2023	4 Qtr Avg 2023
<b>Total assets, a GAAP measure</b>	\$ 2,981.3	\$ 2,928.4	\$ 2,798.3	\$ 2,985.4	\$ 2,923.4	\$ 2,659.0	\$ 2,625.8	\$ 2,567.6	\$ 2,770.4	\$ 2,655.7
Less: Cash	51.4	132.0	60.7	45.7	72.5	57.4	40.7	52.6	40.4	47.8
Short-term investments	7.2	9.6	8.4	11.9	9.3	5.3	7.5	8.5	7.1	7.1
Accounts payable	470.1	345.8	374.7	437.8	407.1	485.6	430.5	427.3	445.0	447.1
Accrued expenses	425.5	408.7	416.1	302.3	388.2	384.8	409.6	376.9	341.7	378.3
Income taxes payable	21.8	9.0	4.2	28.1	15.8	26.0	19.2	17.6	18.4	20.3
Liabilities held for sale	-	69.7	-	-	17.4	-	-	-	-	-
Current operating lease liabilities	63.2	60.2	57.5	56.7	59.4	59.5	61.3	63.3	63.8	62.0
Long-term operating lease liabilities	159.6	162.5	164.6	174.3	165.3	149.7	143.6	161.8	159.3	153.6
Pensions	39.6	33.0	22.5	17.5	28.2	85.6	86.5	40.1	39.7	63.0
Other long-term liabilities	159.9	157.6	168.2	173.7	164.9	175.8	175.8	158.9	160.8	167.8
<b>Invested capital, a non-GAAP measure</b>	\$ 1,583.0	\$ 1,540.3	\$ 1,521.4	\$ 1,737.4	\$ 1,595.5	\$ 1,229.3	\$ 1,251.1	\$ 1,260.6	\$ 1,494.2	\$ 1,308.8

<b>Net operating profit after taxes, a non-GAAP measure</b>	\$ 231.2	\$ 186.9	\$ 146.3	\$ 166.8	\$ 731.2	\$ 187.2	\$ 155.9	\$ 101.3	\$ 111.7	\$ 556.1
<b>Adjusted Invested capital, a non-GAAP measure</b>	\$ 1,583.0	\$ 1,540.3	\$ 1,521.4	\$ 1,737.4	\$ 1,595.5	\$ 1,229.3	\$ 1,251.1	\$ 1,260.6	\$ 1,494.2	\$ 1,308.8
<b>Return on invested capital</b>					46%					42%

\* Totals above may not foot due to rounding