



William Blair
40th Annual Growth Stock Conference

June 2020

FORWARD-LOOKING STATEMENTS

This presentation 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. Such risks and uncertainties include, but are not limited to, the economic impact of the COVID-19 pandemic on the company and its employees, customers and suppliers; risks that the decline in the North American unitary HVAC and refrigeration market will be greater than our current assumption of 20 percent. Additional statements include, but are not limited to: the impact of higher raw material prices, 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, 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.

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.

COVID-19 Financial Response

LII Overview

Business Segment Review

Financial Guidance

2020 Financial Response to COVID-19 Pandemic

- Assuming Residential Market Down ~15%
- Assuming Commercial and Refrigeration Markets Down ~25%
- Targeting 25% Decremental EBIT Margin at These Market Levels
- Executed \$115M of SG&A Cost Savings to Benefit 2Q20-4Q20
 - 40% from Discretionary Spending Reductions
 - 40% from Temporary Pay Reductions
 - 20% from Salaried Headcount Reduction
- Targeting \$340M of Free Cash Flow
 - Working Capital Requirements Shrink
 - Capital Expenditure Guidance Reduced from \$153M to \$120M
- Paused \$300M Remaining 2020 Stock Repurchase Program in Second Quarter and Will Reassess for Third and Fourth Quarters
- Maintaining Dividend

Lennox International

...is capitalizing on long-term growth markets

...is well-positioned for long-term margin expansion

**...is winning in the market place with investments
in products & distribution**

**...is driving shareholder value with a disciplined
use of free cash flow**

COVID-19 Financial Response

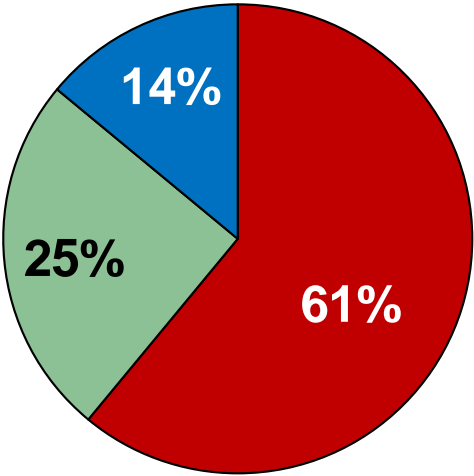
LII Overview

Business Segment Review

Financial Guidance

Focus on Three Related Businesses

2019 Revenue¹



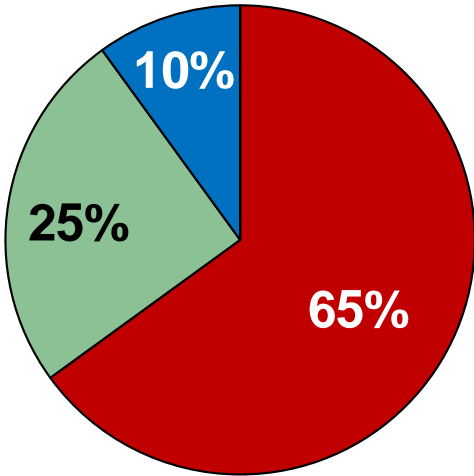
 Residential Heating & Cooling



 Commercial Heating & Cooling



2019 Segment Profit^{1, 2}



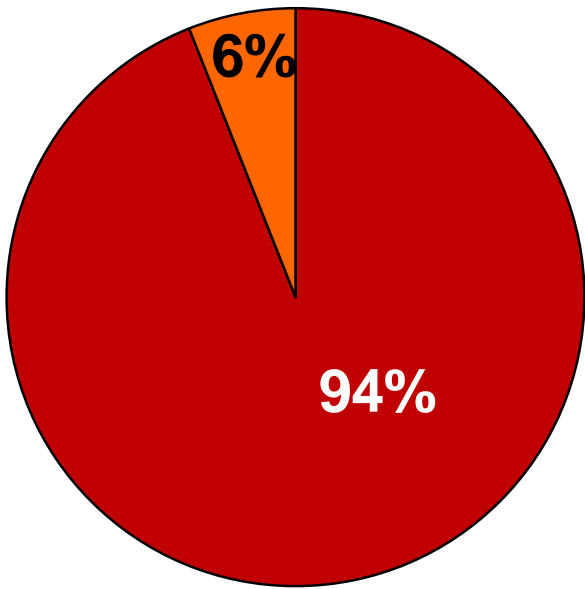
 Refrigeration



¹ Adjusted to exclude revenue from the Kysor Warren Refrigeration business divested in 2019.

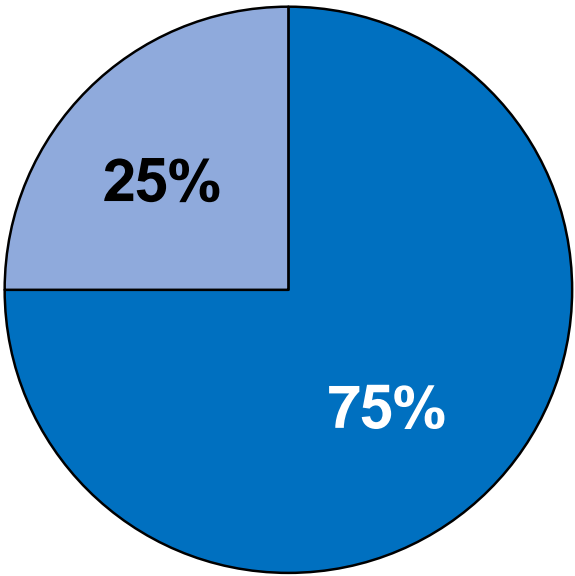
² Excludes eliminations, unallocated corporate expense, and \$40M of insurance proceeds for 2018 lost profit.

Business Mix



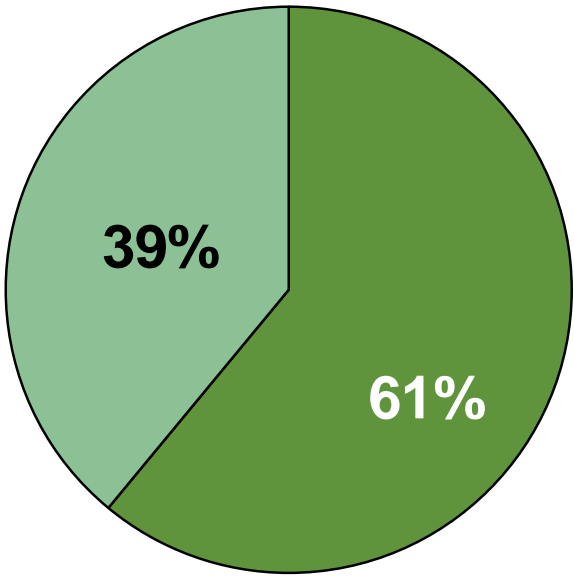
Geography

- North America
- Europe



End Market

- Replacement
- New Construction

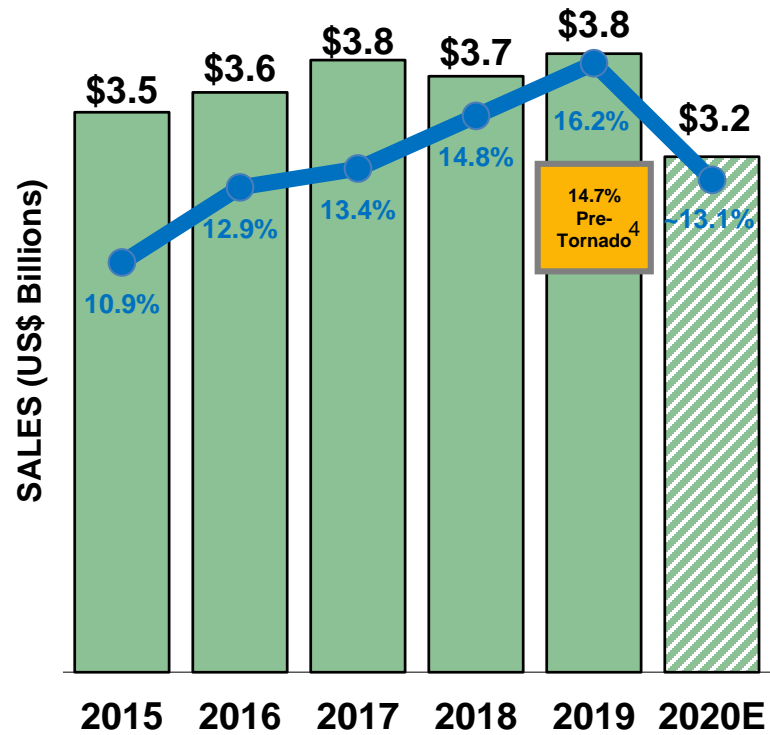


Customer

- Residential
- Commercial

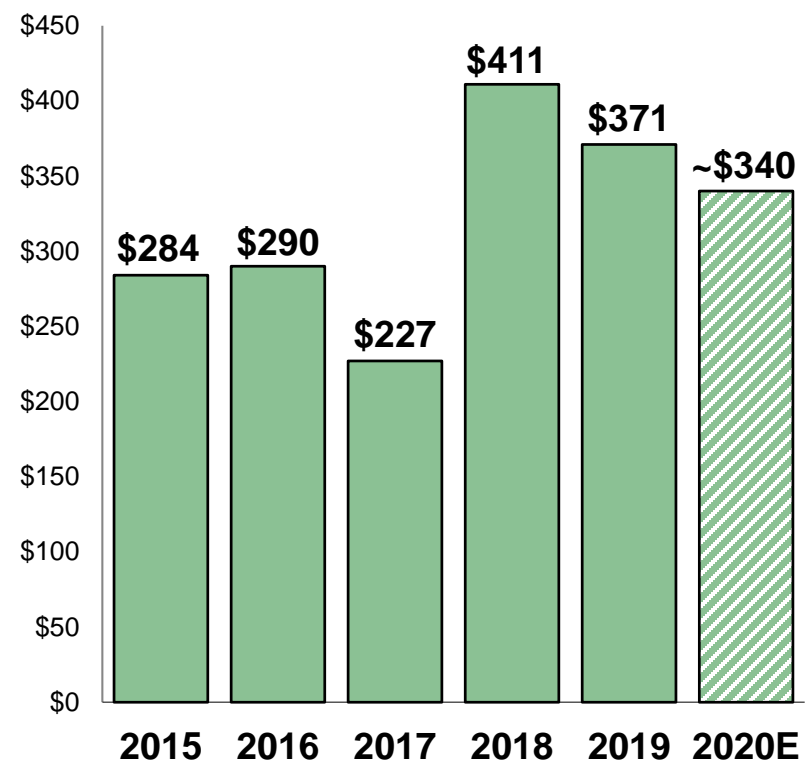
Sales, Earnings, and Cash Flow

Revenue & ROS¹



GAAP EPS	\$4.11	\$6.34	\$7.17	\$8.77	\$10.38 ^{2,3}	\$7.07- \$8.07
Core EPS	\$5.14	\$6.95	\$7.92	\$9.52	\$11.19 ²	\$7.50- \$8.50

Free Cash Flow
(\$Millions)



FCF % NI ⁵	152%	104%	74%	114%	91%	~115%
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¹ 2018-2019 revenue, ROS, and Core EPS reflect the 2018-2019 Refrigeration divestitures; 2015-2017 not restated.

² Includes benefit of \$40M to EBIT and \$0.75 to EPS in 2019 from insurance proceeds for Q4 2018 lost profits.

³ Includes non-cash pension settlement charges of \$1.89 to EPS in 2019.

⁴2019 Pre-Tornado ROS % adjusts for \$110M of lost revenue and \$40M of insurance proceeds received in Q1 2019 for the Q4 2018 lost profits.

⁵Free cash flow as a percent of GAAP net income.

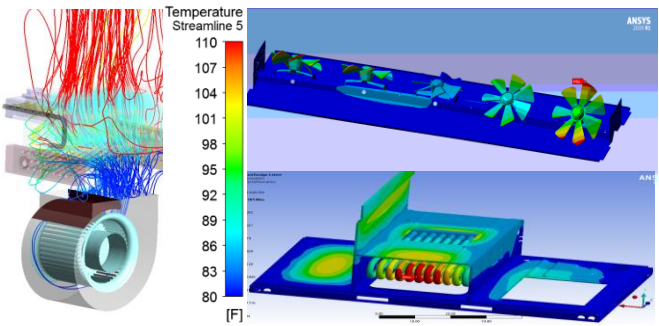
LII Material Cost Reduction

Low Cost Sources



Expansion to South Asia

Capability & Capacity



Computational Analytics



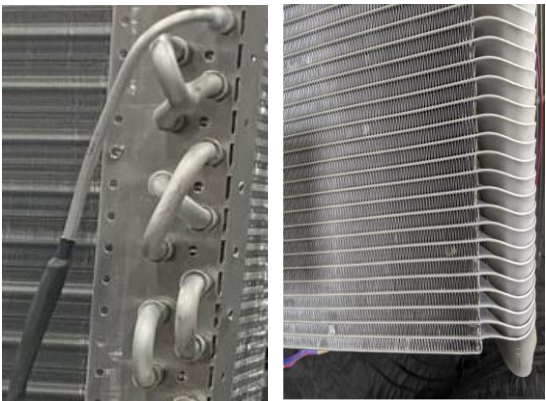
Accelerated Life Qualification



Chennai, India

Dallas, Texas

“Designed Out” Costs



Optimizing Key Components for Cost & Performance



Lennox Designed Controls



Leveraging Digital Investments

E-commerce



Residential e-com Portal



Refrigeration e-Tools



Commercial CRM Tools

Controls



Residential Control



Commercial Control



Refrigeration Control

Factory Productivity



ETO Automation



Robotic Assembly

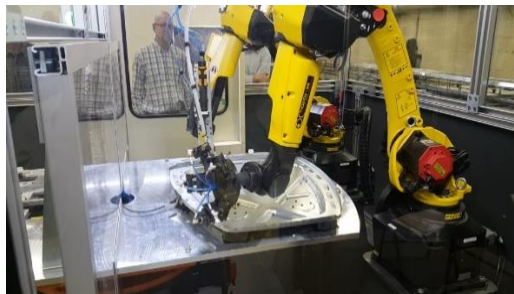


Laser Sheet Metal Cutting

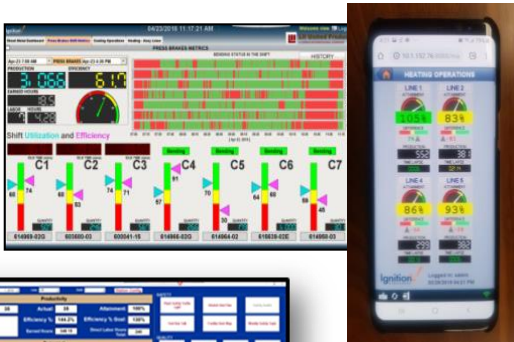
LII Factory Productivity Initiatives



Labor Management



Automation



Information Flow

COVID-19 Financial Response

LII Overview

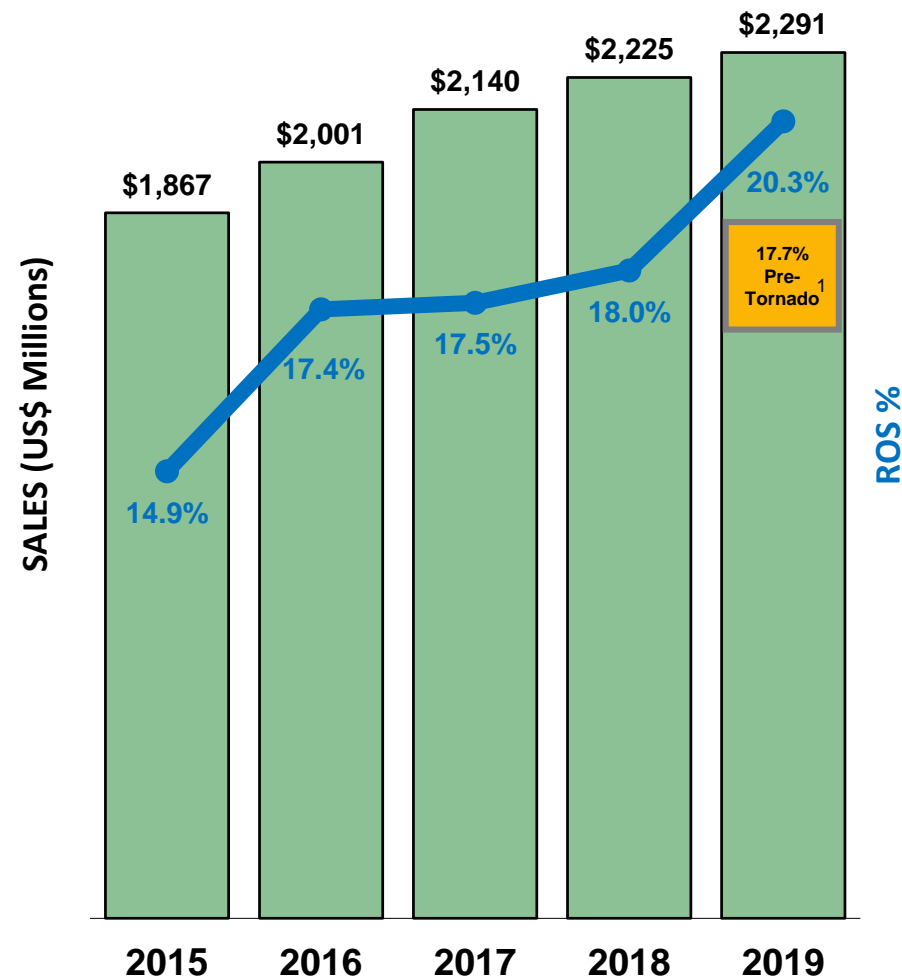
Business Segment Review

Financial Guidance

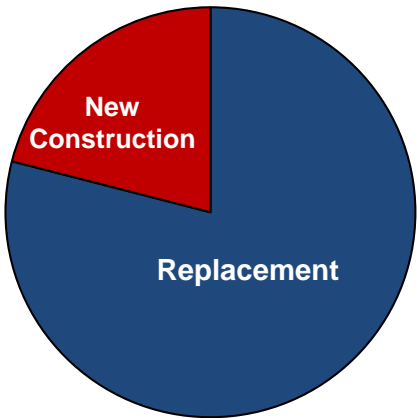


Residential Heating & Cooling

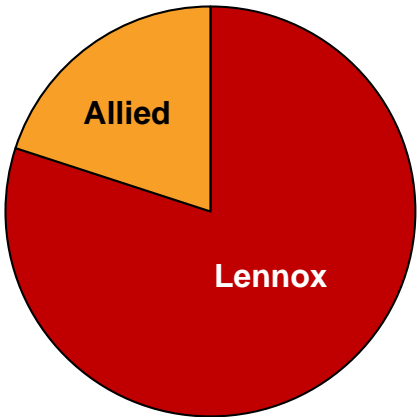
Segment Revenue & ROS



LII Residential Sales



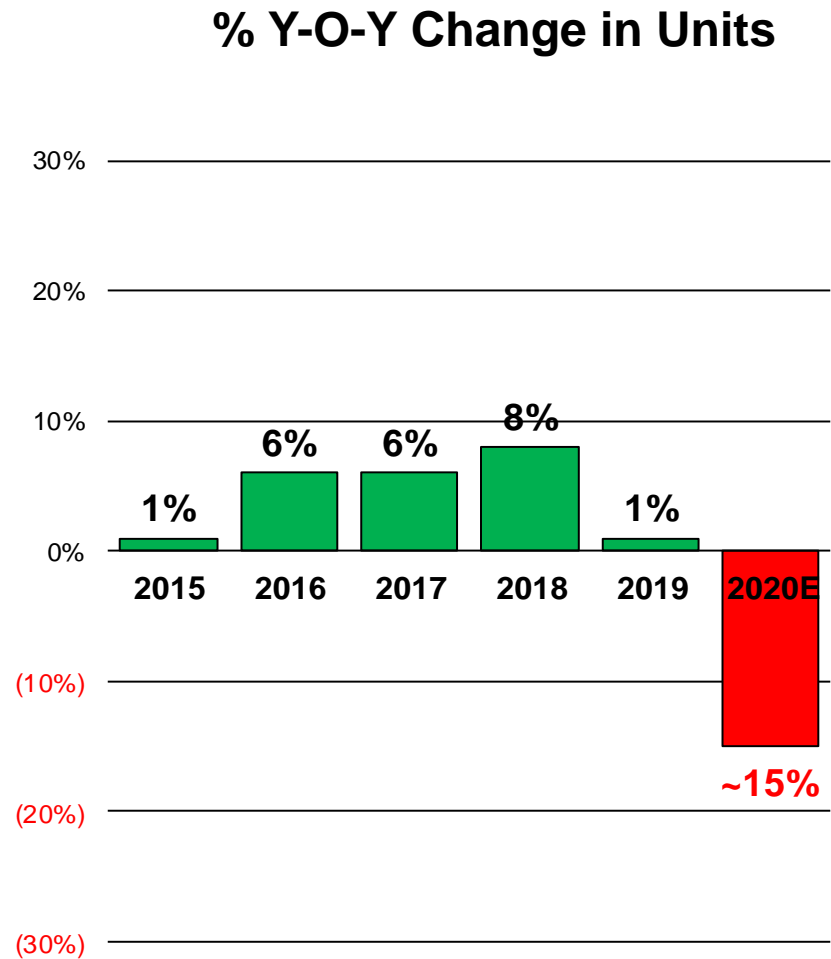
% HVAC Sales



% HVAC Sales

¹2019 Pre-Tornado ROS % adjusts for \$110M of lost revenue and \$40M of insurance proceeds received in Q1 2019 for the Q4 2018 lost profits.

North America Residential Market



Source: Industry data and company estimates



- Seasoned HVAC Management Team
- Weather Bounce Back
- Positive Price

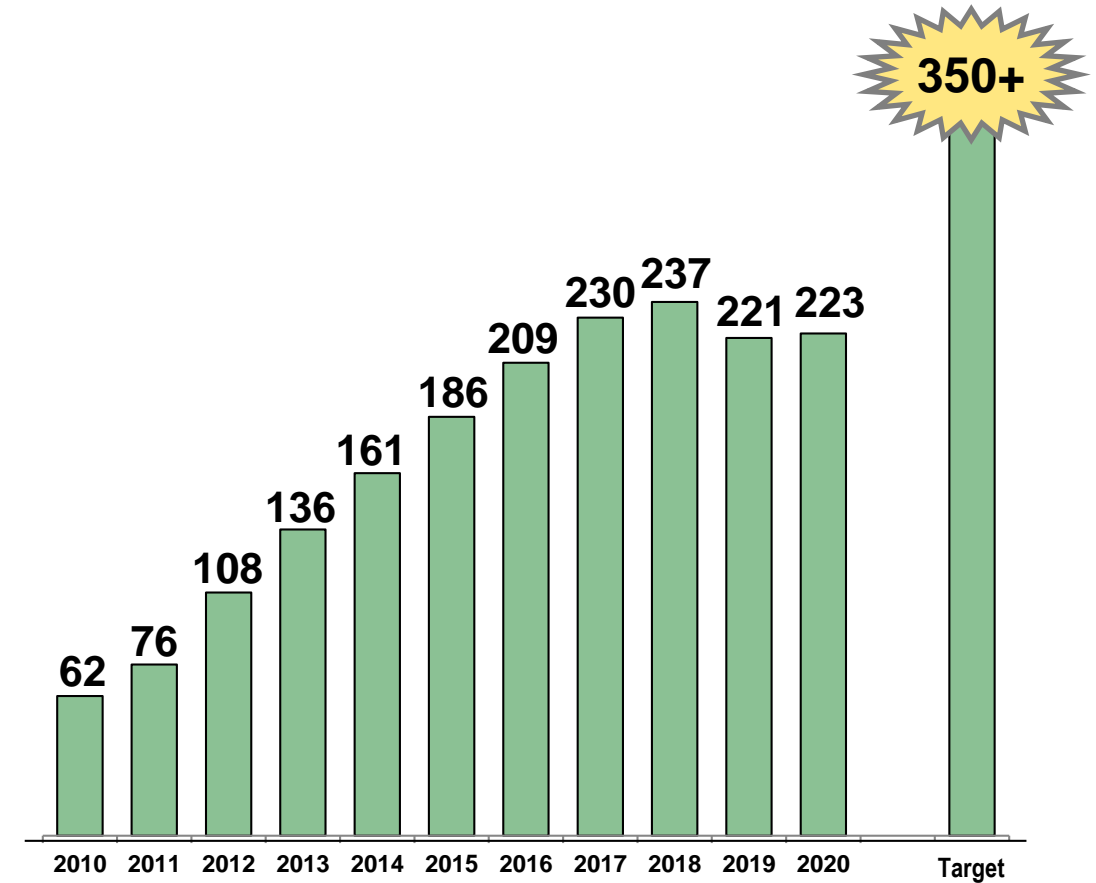


- COVID-19 Pandemic
- Macroeconomic / Political Uncertainty

Residential – Lennox Stores Strategy



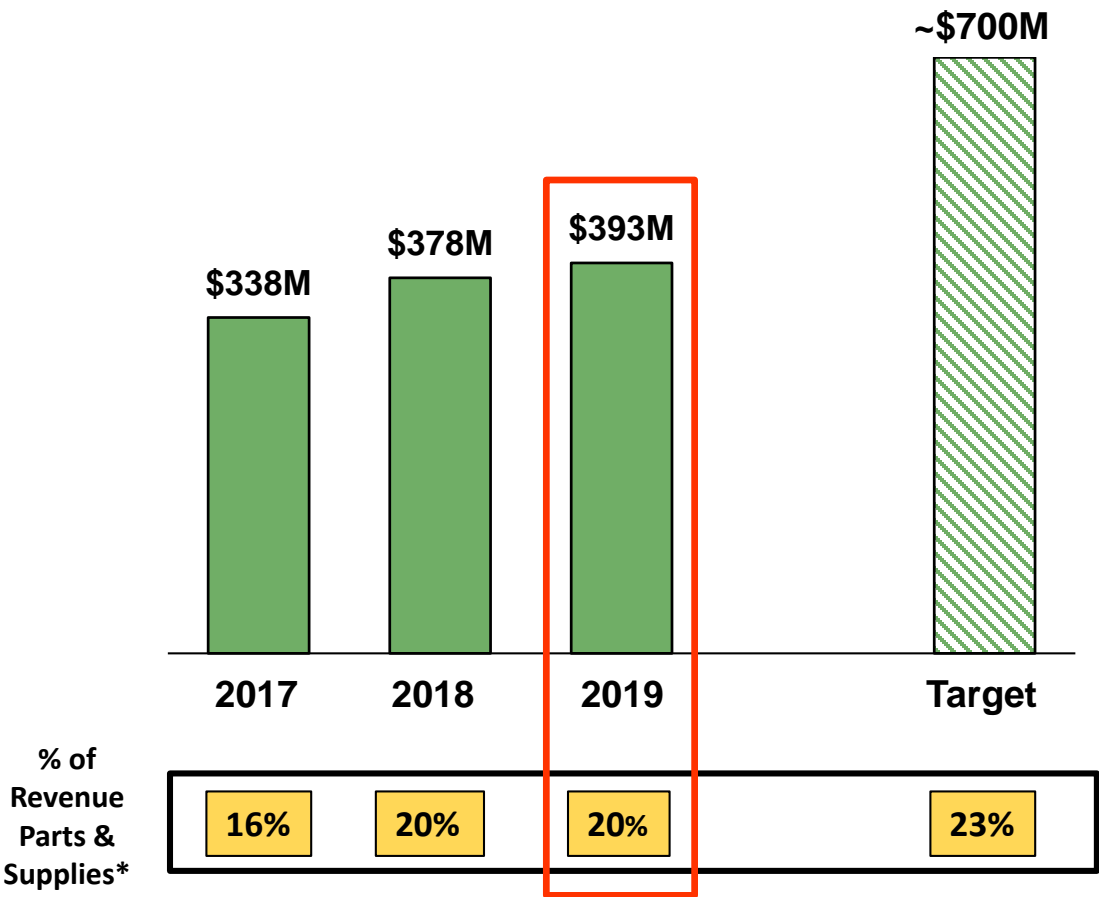
Number of Lennox Stores



**New Store Expansion Currently on Hold Due to COVID-19 Pandemic.
Focused on Driving Same Store Sales.**

Same Store Sales Growth / Parts & Supplies

Lennox NA HVAC Parts & Supplies Revenue



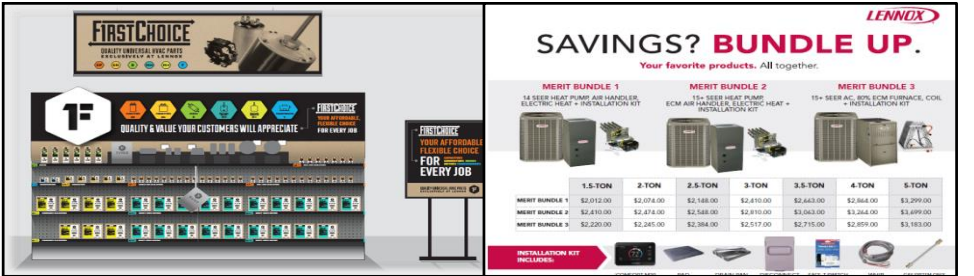
* Does not include Commercial National Accounts



Breadth / Depth of SKUs



Counter Knowledge



Merchandising / Bundles

Residential Digitization

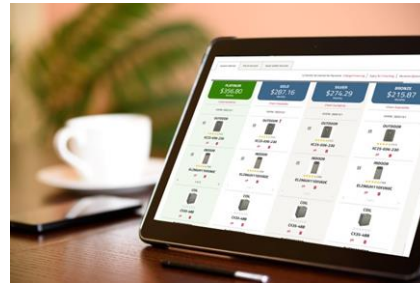
Key Metrics

eCommerce



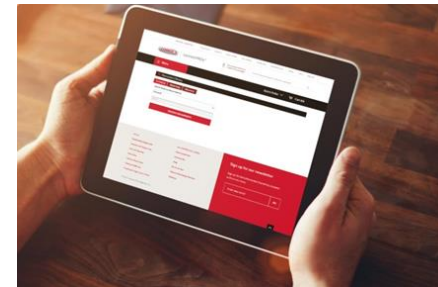
% Revenue
Online
~40%

Sales Tools



Site Visits
(Millions)
~4.0M

Technical Tools

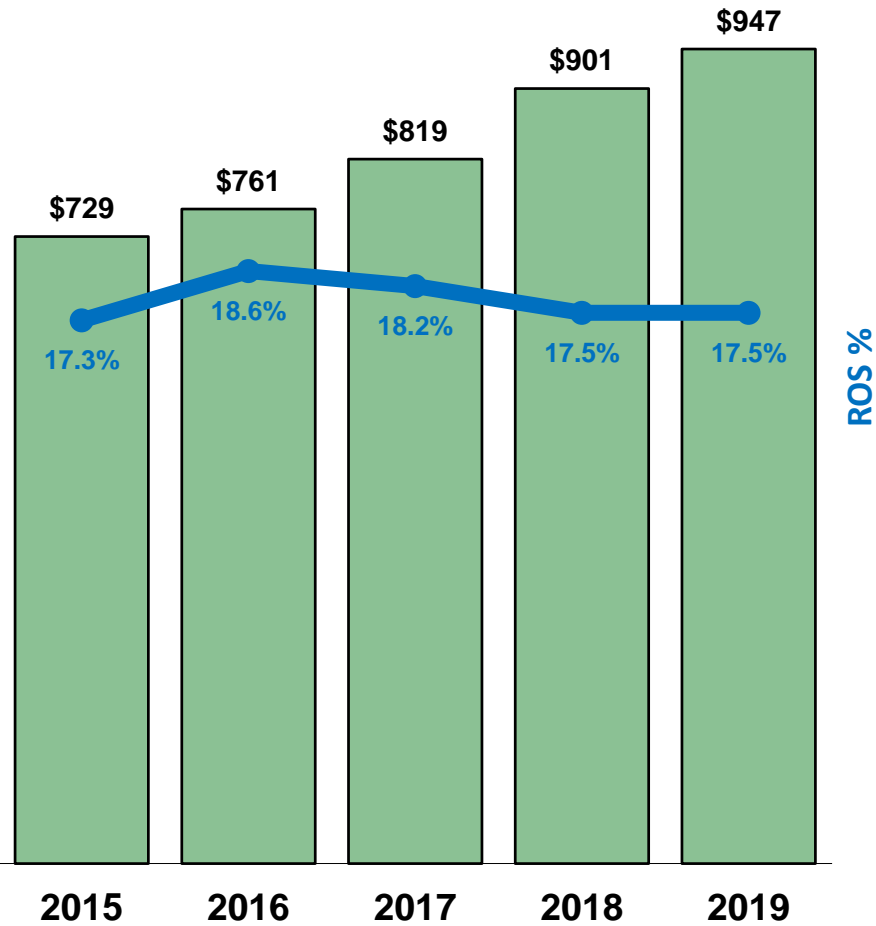


Site Visits
(Millions)
~4.0M



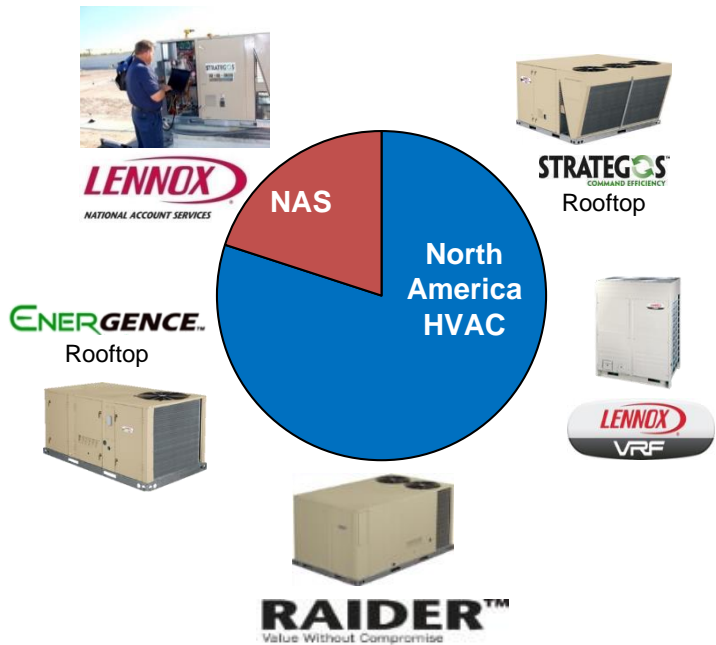
Commercial Heating & Cooling

Segment Revenue & ROS*

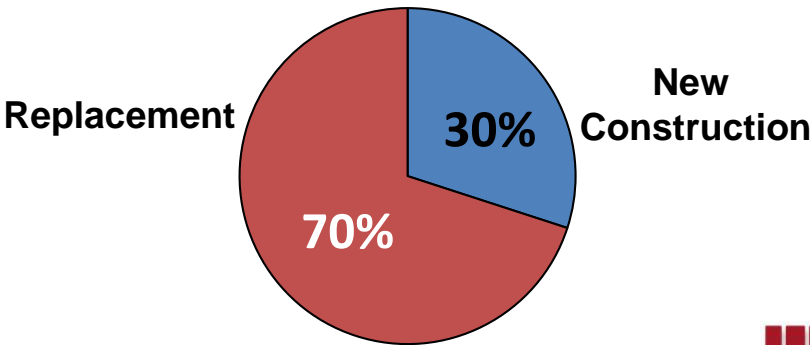


* Amounts have been adjusted for the reclassification of the Europe HVAC business from Commercial to the Refrigeration segment.

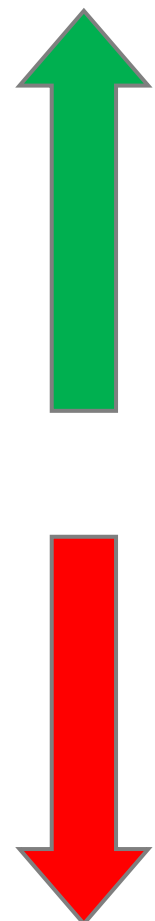
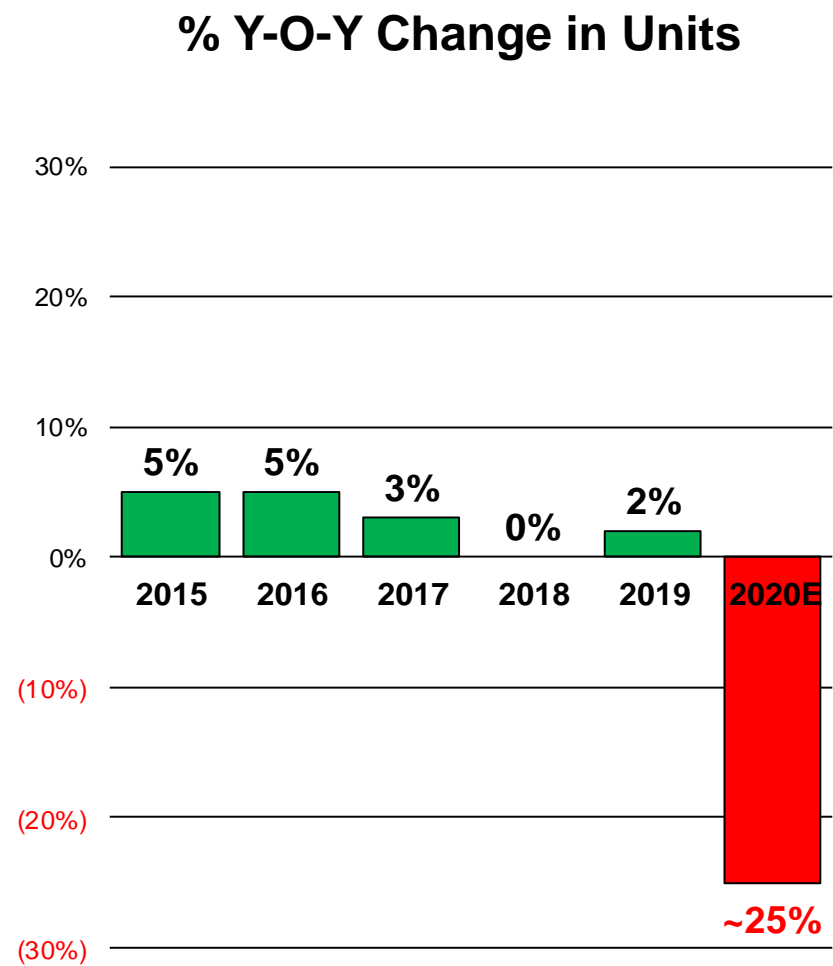
LII Commercial Sales



2019 Sales Mix



North America Commercial Unitary Market



- Seasoned HVAC Management Team
- Positive Price
- COVID-19 Pandemic
- Macroeconomic / Political Uncertainty

Source: Industry data and company estimates

Leading in National Accounts



ENERGENGE
Saving Energy with Intelligence



**Customers Demand Low
Operating Costs & Flexibility**

LENNOX National Accounts



SUPERMARKETS



DIY



CONVENIENCE



DISTRIBUTION



ENTERTAINMENT



RESTAURANTS

**Diversification
in National Account Verticals**

National Account Services

Key Capabilities / Differentiators

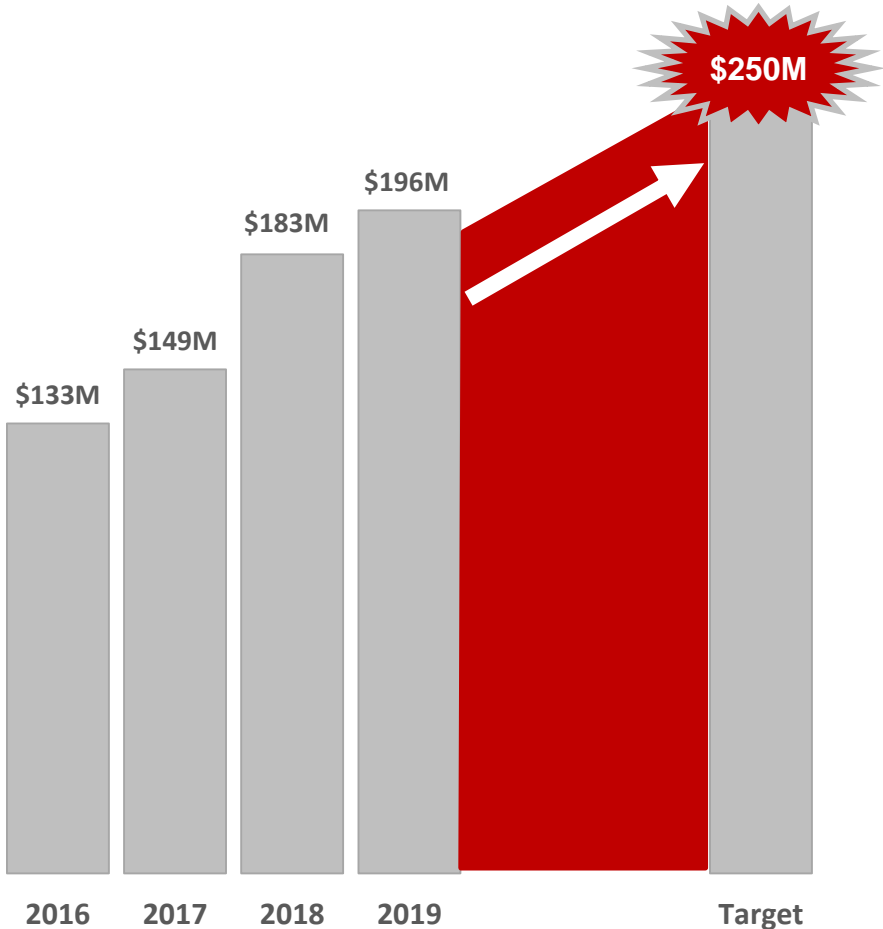
 <p>Nationwide Consistency</p>	 <p>Preventive Maintenance</p>	 <p>Asset Management</p>
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National Account Relationships



LENNOX National Accounts

Revenue*



* Revenue includes equipment sales by the National Account Services team.

Growing “Local / Regional” Share



Product/Controls



Parts/Supplies



Schools



Office



Local Availability



Field Support



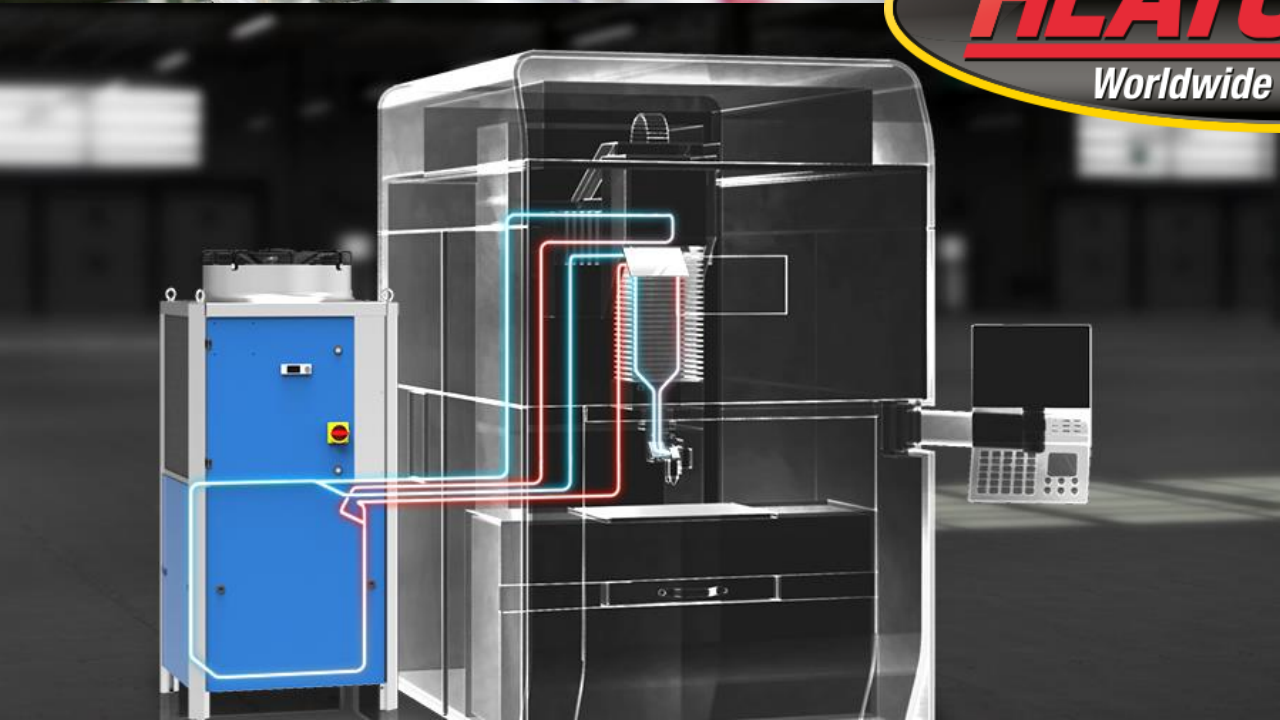
**Mixed Use
Development**



**Emergency
Replacement**

Lennox enables the local contractor...

**... to win in a variety of job types
in their markets**



 **HYFRA** A LENNOX INTERNATIONAL COMPANY  **LENNOX**  **BOHN**  **FRIGA-BOHN**

 **CHANDLER**
REFRIGERATION

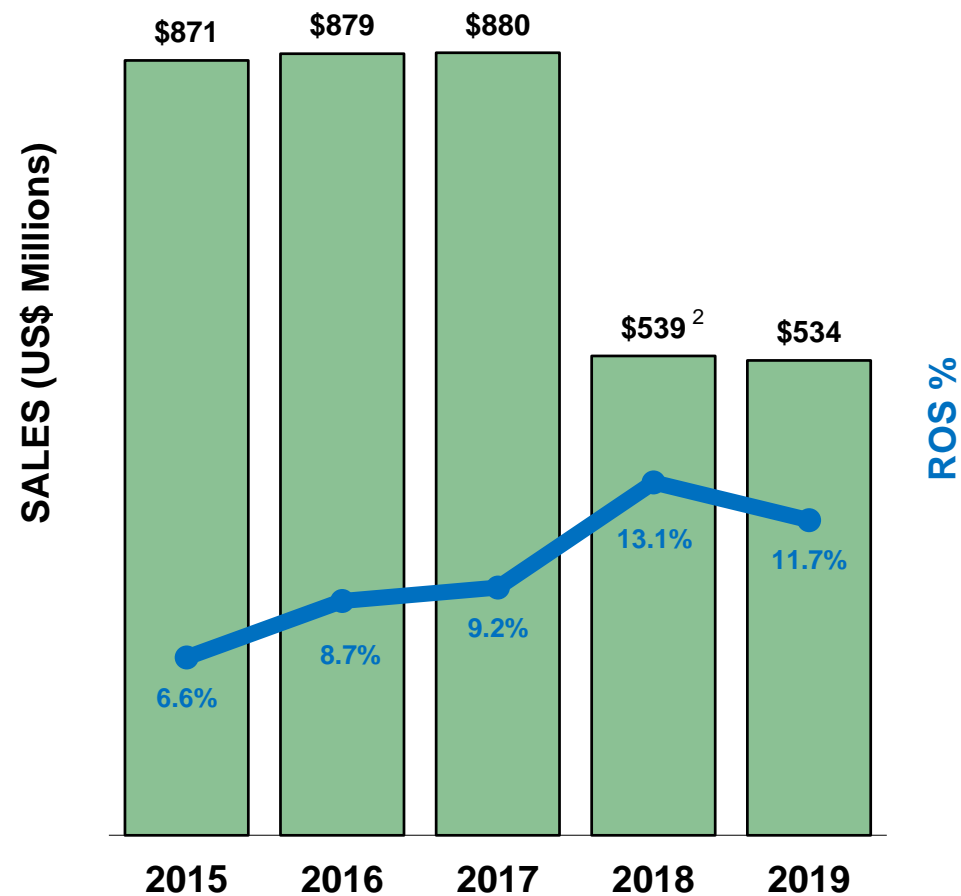


 **HK** REFRIGERATION

 **CLIMATE**
CONTROL

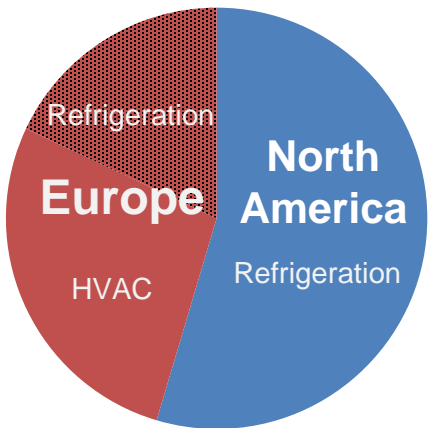
Refrigeration

Segment Revenue & ROS¹



¹ Adjusted for the reclassification of the Europe HVAC business from Commercial to the Refrigeration segment.
² 2018 excludes revenue of \$336M and profit of \$3M from the 2018-2019 divestitures.

LII Refrigeration Sales

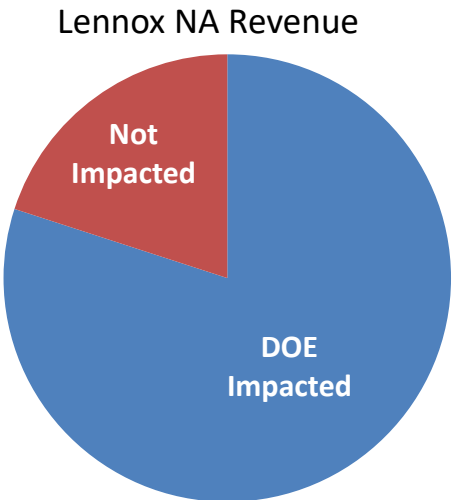


LII Refrigeration Markets



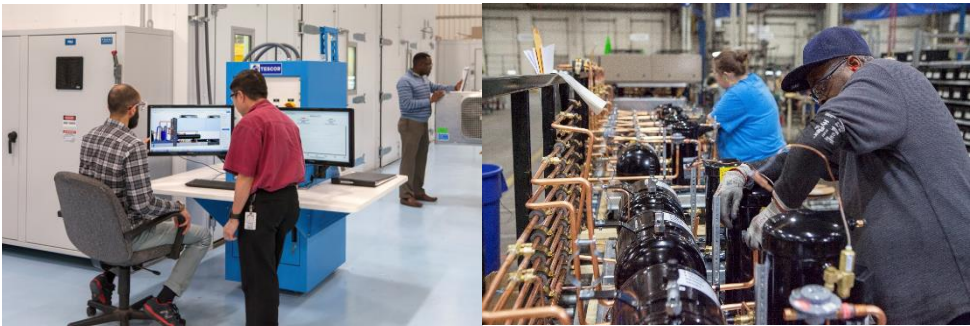
DOE Regulation: Landscape Change = Opportunity

Far-reaching Product Redesign

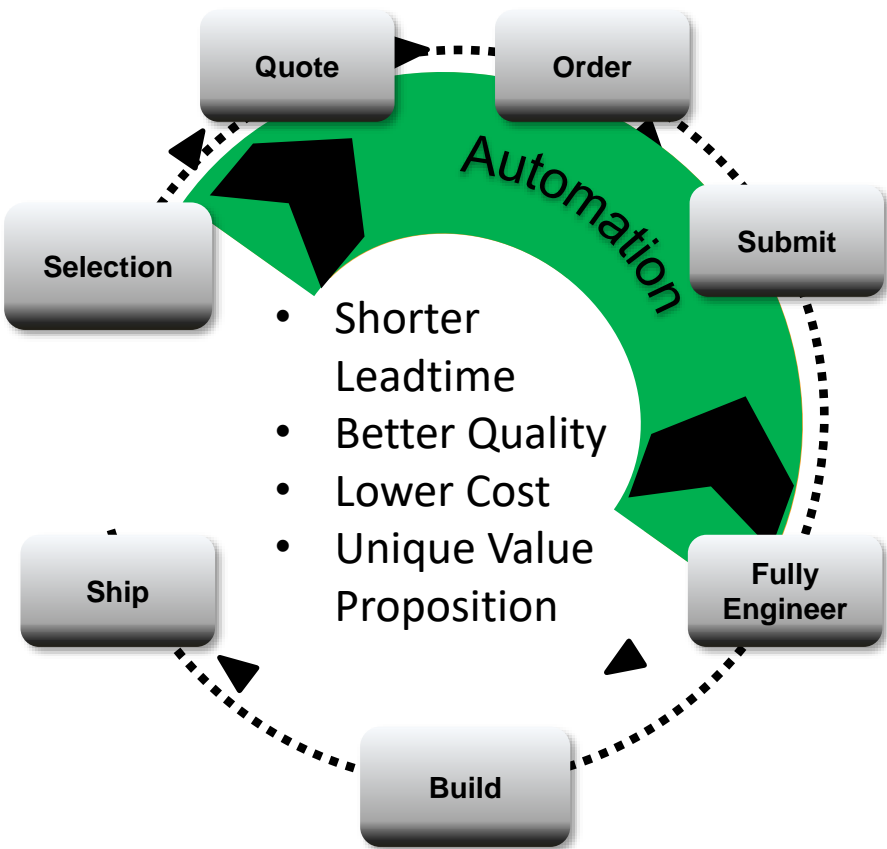


Compliance Dates
January 2020
July 2020

Efficiency Gains
From 10 – 40%
Average ~ 20%



...with End-to-End Process Redesign

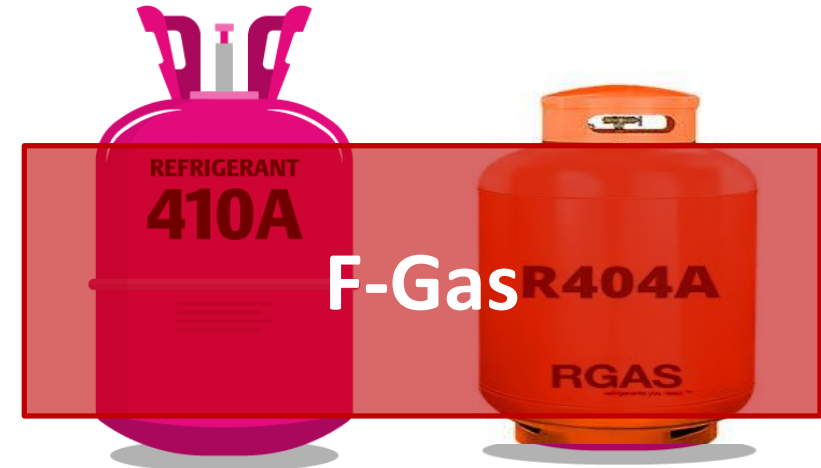


Lennox Refrigeration Uniquely Positioned to Win in Transition

Apply Same Approach in Europe



HVAC Efficiency Regulations



Rapid Refrigerant Transition

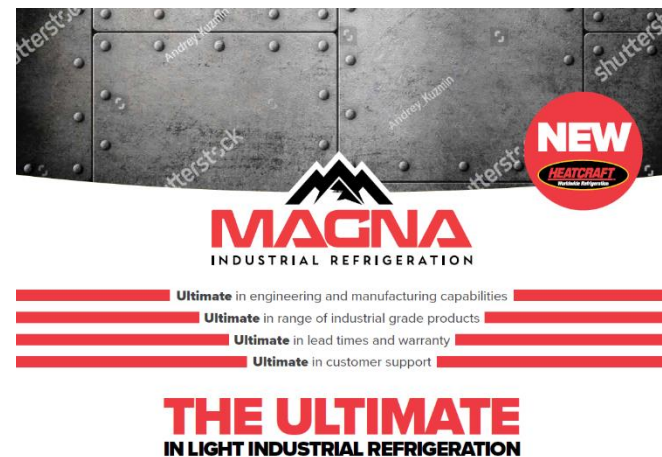


Similar Customized Business Models



Cross-National Complexity

Expanding Market Penetration



NA Light Industrial Refrigeration



Expanded CO₂ Offering & New Distribution



Europe Chiller Growth



Grow Low-Share Geographies

COVID-19 Financial Response

LII Overview

Business Segment Review

Financial Guidance

2020 Overview

+

SG&A Cost Reductions

Sourcing Savings

Commodities & Freight

Price

-

COVID-19 Pandemic

Macroeconomic Damage

Political Uncertainty

Tornado “Recovery Margin”

2020 Full Year Guidance

- Revenue Down 11-17%
- GAAP EPS from Continuing Operations \$7.07-\$8.07
- Adjusted EPS from Continuing Operations \$7.50-\$8.50
- Corporate Expenses of ~\$75M
- Effective Tax Rate 21-22% on Adjusted Basis
- Capital Expenditures of \$120M
- Repurchased \$100M of Stock of \$400M Planned; On Hold in 2Q20

Long-Term Cash Deployment Philosophy

- **Drive Cash Conversion that Approximates Net Income**
- **Target Debt-to-EBITDA Ratio of 2**
- **Continue Investments in the Business**
 - **Projects to Drive Organic Growth**
 - **Projects that Deliver Productivity**
 - **Execute Strategic Acquisitions**
- **Return Cash to Shareholders**
 - **Dividend that Grows Steadily with Earnings**
 - **Excess Free Cash Flow used for Share Repurchases**

Lennox International

...is capitalizing on long-term growth markets

...is well-positioned for long-term margin expansion

**...is winning in the market place with investments
in products & distribution**

**...is driving shareholder value with a disciplined
use of free cash flow**



GAAP / Non-GAAP Reconciliations

Earnings & EPS Reconciliation

(\$US in Millions, except per share amounts)

	2016		2017		2018		2019	
	Amount	Per Diluted Share	Amount	Per Diluted Share	Amount	Per Diluted Share	Amount	Per Diluted Share
Income from continuing operations, a GAAP Measure	\$ 278.6	\$ 6.34	\$ 307.1	\$ 7.17	\$ 360.3	\$ 8.77	\$ 408.8	\$ 10.38
Special quality adjustments, after tax	(0.3)	(0.01)	3.5	0.08	-	-	(0.5)	(0.01)
Restructuring charges, after tax	1.2	0.03	2.1	0.05	2.3	0.06	7.7	0.20
Goodwill and Asset impairment, after tax	-	-	-	-	-	-	-	-
Excess tax benefits from share-based compensation, including impact on share count, after tax	-	-	(23.6)	(0.52)	(10.5)	(0.23)	(10.9)	(0.27)
Tax legislation impact and other tax items, after tax	-	-	40.2	0.94	5.8	0.14	3.9	0.10
Items in losses (gains) and other expenses, including pension settlements, net after tax	22.0	0.50	6.3	0.15	7.4	0.19	80.9	2.05
Asbestos-related litigation, after tax	4.1	0.09	2.3	0.05	2.9	0.07	2.3	0.06
Loss (gain), net on sale of businesses and related property	-	-	-	-	26.0	0.63	6.5	0.17
Non-core business results, after tax	-	-	-	-	3.5	0.09	1.0	0.03
Gain from insurance recoveries, net of losses incurred, after tax	-	-	-	-	(8.2)	(0.20)	(59.8)	(1.52)
One time inventory write-down, after tax	-	-	-	-	0.2	-	-	-
Adjusted ("Core") income from continuing operations	\$ 305.6	\$ 6.95	\$ 337.9	\$ 7.92	\$ 389.7	\$ 9.52	\$ 439.9	\$ 11.19

2018-2019 income from continuing operations and EPS reflect the 2018-2019 Refrigeration divestitures; 2016-2017 not restated.

Free Cash Flow

\$US in Millions

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020E</u>
Net cash provided by operating activities, a GAAP measure	\$373.9	\$325.1	\$495.5	\$396.1	~\$460
Proceeds for the disposal of property, plant and equipment	0.2	0.2	0.1	1.3	-
Insurance proceeds for Marshalltown reconstruction	-	-	10.9	79.6	-
Purchase of property, plant and equipment	<u>(84.3)</u>	<u>(98.3)</u>	<u>(95.2)</u>	<u>(\$105.6)</u>	<u>(\$120)</u>
Free cash flow	\$289.8	\$227.0	\$411.3	\$371.4	~\$340