



December 5, 2024

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Long: Lennox International (NYSE:LII)

Current Price: \$625 | **1Y Price Target:** \$766 (+23% upside)

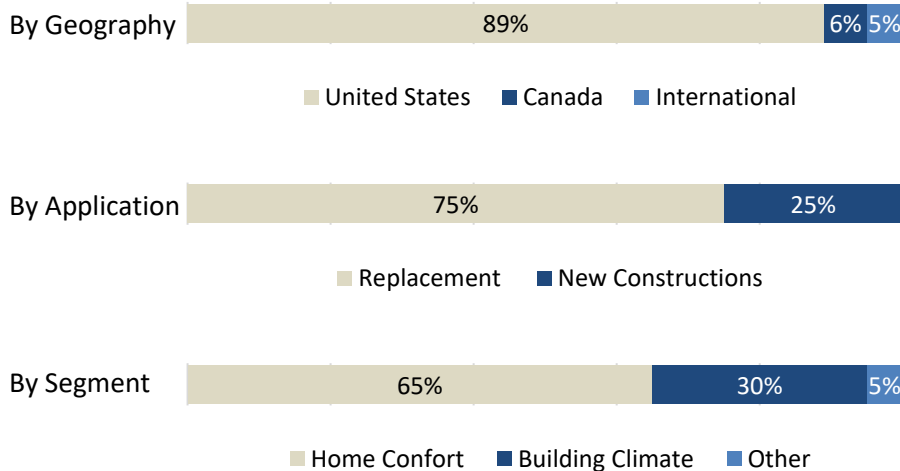
Lennox International (NYSE: LII) Overview

Industry Leading Provider of Construction Solutions for Residential and Commercial Markets

Company Description

- Leader in residential HVAC, top-tier growth and ROIC profile
- Offer top-tier solutions through various brand names: Lennox, Dave Lennox Signature, Armstrong, Ducane, Airease and others
- Two business segments: 15% market share in residential HVAC and 10% market share in commercial HVAC
- A unique channel strategy: self-owned distributor network of 245 Lennox Stores across the United States and Canada
- Founded in 1895, headquartered in Richardson, TX and employs ~12,500 employees

Revenue Breakdown

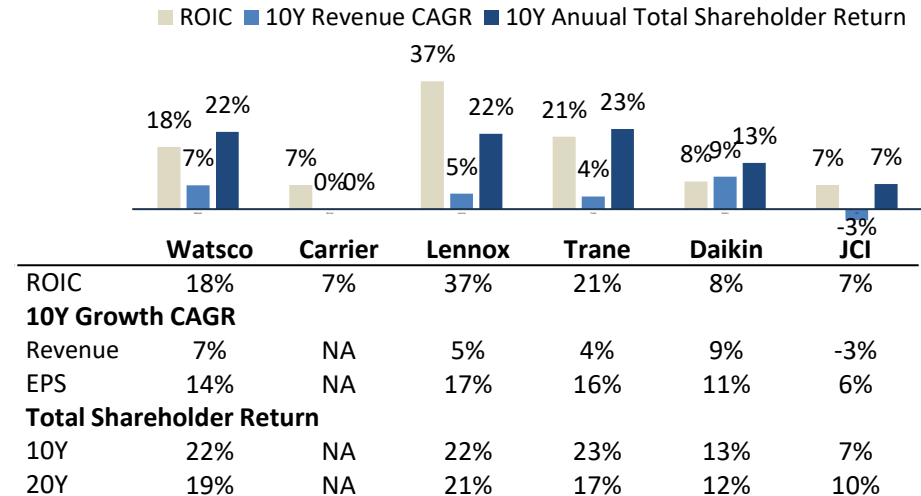


Key Financials and Trading Statistics

(\$ in millions, unless otherwise stated)

Current Price	\$625.35	52 Week Range	\$397 - \$653
Market Cap	\$22,277	25 P/E (x)	25x
Enterprise Value	\$23,444	EV/25 EBITDA (x)	19x
25E Revenue	\$5,592	Dividend Yield (%)	0.7%
25E NI	\$872	FCF Yield (%)	2.8%
ROE (%)	508%	Net Leverage (x)	1.1x
ROIC (%)	37%	Avg. Volume (mm)	0.27
25E GM (%)	33.0%	Float (%)	89.6%
EBITDA Margin (%)	21.0%	Short Interest (%)	2.9%

An Outlier in HVAC: LT High Quality Growth



Investment Overview

Lennox is best positioned HVAC player to expand market share and profitability

Investment Theses

Thesis 1: Competitive advantage as both an OEM and distributor enables outsized market share gain

- ✓ Lennox is best positioned as both an OEM and a distributor to further capture share through stronger customer relationships and insights into contractor demand
- ✓ Expanding production and e-commerce capacity to capture fickle lower tier customers who prioritize availability
- ✓ Superior customer service to capture and retain higher end sticky customers

Thesis 2: Expanding product offering to drive price and volume

- ✓ Expanding SKU potential for both 3rd party offerings and Lennox brand to offset weakening demand for next year and boost topline growth
- ✓ Representing \$400-\$600mm opportunity in sales growth and higher incremental margins
- ✓ Partnership with Samsung to enhance end user experience, particularly for signature and elite products

Thesis 3: Strong upside potential in commercial HVAC market

- ✓ Business Climate Solutions segment will continue to increase as a share of total revenue
- ✓ Ramp up of Saltillo factory in 2025 will alleviate supply constraints and increase order fill rates
- ✓ Emergency replacement service is a significant growth opportunity

Thesis 1: Competitive Advantage as Both an OEM and A Distributor

Lennox is Best Positioned as Both an OEM and a Distributor in the Highly Attractive Residential HVAC Industry

Resi HVAC Industry Highly Attractive

Growing End Markets, Highly stable and Recurring revenue

- ✓ HVAC industry driven by **growing installation base** (2-3% unit volume growth in US over past 50 years and 2% price capture)
- ✓ Growth tied to **growing number of US households, increasing A/C square footage of homes** from applying mini-splits to basement/attic at current 90% household penetration ratio
- ✓ Majority of volumes sold are for replacement: **80% replacement / 20% new construction**); Current install base of 110mm units with 12 to 15 year average life of unit. **8mm units replaced each year**

Strong Pricing Power from Product and Service Nature

- ✓ **Pricing power:** Unit Selling by over 30% from 2019 to 2023
- ✓ **Easy price pass-throughs:** End customers pay the lump sum of labor and HVAC systems, thus insensitive to price
- ✓ **Important:** Homeowners prioritize a functioning HVAC
- ✓ **Service & warranty:** High urgency to repair/replace HVAC, especially during summer and winter

HVAC Value Chain Overview (Residential): Lennox Uniquely Positioned as Both an OEM and a Distributor

We see long-term compounders arising from both OEM and distributors, both delivering excellent return profile with outstanding growth and quality. OEM benefits from the relative higher entry barrier aroused from economics of scale in manufacturing, resulting in a more concentrated landscape and much higher growth potential. Among them, Lennox is uniquely positioned because of a direct channel strategy

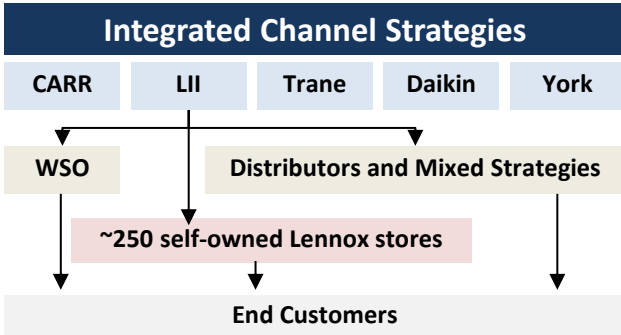
(USD Bn)

	Resi OEM					Distributors	Contractors Technicians	Homeowners Businesses		
Resi OEM	OEM	Carrier	Daikin	Trane	JCI	OEM + Distributor Lennox	Distributor Watsco	Distributor		
Market Share	Revenue	\$22.0	\$29.0	\$17.7	\$26.8	Revenue	\$5.0	Revenue	\$7.3	Market Share
Carrier 21%	Market Cap	\$56.7	\$43.0	\$73.3	\$47.2	Market Cap	\$19.2	Market Cap	\$17.8	Watsco 11%
Daikin 20%	Resi Mkt Share	21%	20%	14%	13%	Resi Mkt Share	15%	Resi Mkt Share	11%	OEMs 11%
Lennox 15%	ROE	13%	11%	34%	11%	ROE	508%	ROE	23%	Johnstone 6%
Trane 14%	ROIC	7%	8%	21%	7%	ROIC	37%	ROIC	18%	Ferguson 5%
JCI(York) 13%	ROA	4%	5%	10%	4%	ROA	19%	ROA	11%	Others 67%
Others 10%	GM%	29%	34%	33%	34%	GM%	31%	GM%	27%	
Mkt Concentration	NI%	6%	6%	12%	7%	NI%	12%	NI%	9%	Mkt Concentration
Top1 21%	Sales 10Y CAGR	-1%	9%	4%	-3%	Sales 10Y CAGR	5%	Sales 10Y CAGR	7%	Top1 11%
Top3 56%	EPS 10Y CAGR	N/A	11%	16%	6%	EPS 10Y CAGR	17%	EPS 10Y CAGR	14%	Top3 28%
Top5 83%	TSR 10Y CAGR	N/A	13%	23%	7%	TSR 10Y CAGR	22%	TSR 10Y CAGR	22%	Top5 36%

Thesis 1: Competitive Advantage as Both an OEM and A Distributor

Lennox Sets Up Well to Further Capture Share Through Stronger Relationships, Service, and Insights Into Contractors

As an OEM and distributor, Lennox can leverage two-way communication between factories and customers to boost efficiency in inventory management while meeting customer demand.

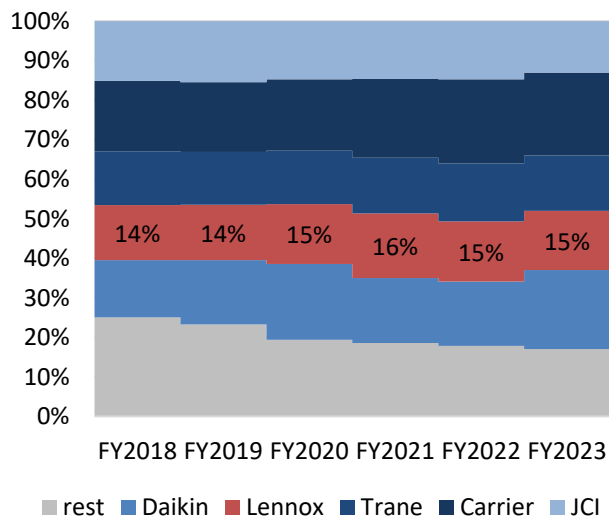


- Share Gain Through End-to-End Insights**
- ✓ **End customer insights & relationships:** Transparency on product availability, enhanced by partnership with Contractor Commerce
 - ✓ **Higher manufacturing efficiency:** with insights, contribute to margin expansion
 - ✓ **Better Inventory & distribution:** higher distribution fill rates through investments in digital inventory and distribution planning

- Channel Check Findings**
- Conversations with distribution site employees, customers and competitors highlight Lennox's exceptional service, ability to capture and retain sticky customers
- Observations:**
- Lennox is a **service driven** business
 - **For contractors:** client service and reliability are as important as price
 - One new customer can result in **10% growth** for a Lennox store.
 - Customers are loyal & know employees **on a first name basis**
 - **Higher end** customers are **stickier**
- Commentary:**
- One contractor who covers New York, New Jersey and Pennsylvania goes out of his way to work with one specific Lennox distribution center specifically **because of their superior customer service**
 - Employees note that a significant number of their customers **moved over from Trane because of poor customer service** or from Carrier because of supply chain issues

- Lennox-Contractor Commerce Partnership**
- ✓ **Premier Dealer network:** Exclusive e-commerce capabilities, including transparent pricing for HVAC systems and filter subscription services that benefit both homeowners and dealers
 - ✓ **Customers:** Purchase Lennox filters and subscribe to regular deliveries, ensuring the right filter is available at the right time
 - ✓ **Homeowners:** will also be able to look up system estimates, allowing dealers to display their own individual pricing, enabling consumers to compare options and purchase directly from dealers' websites or online filter stores.

LII Steadily Gained Share Organically



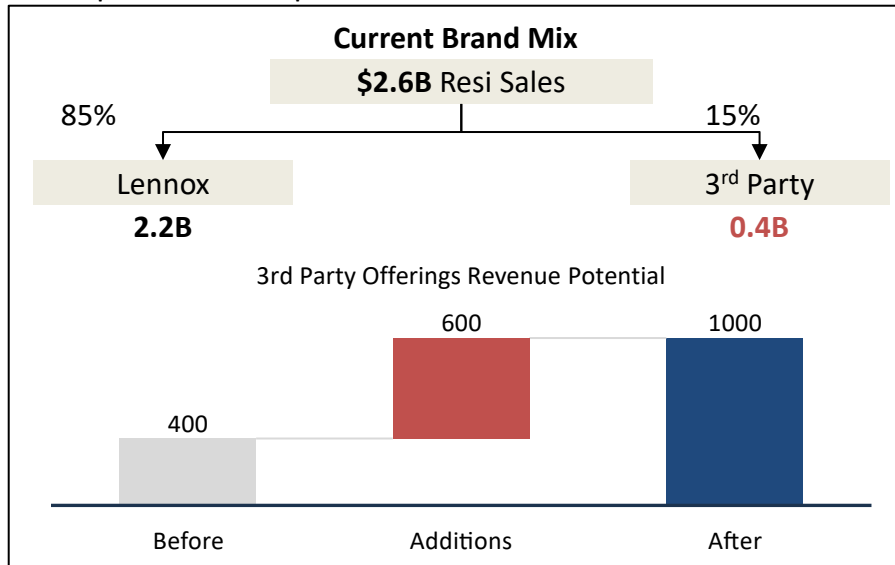
Thesis 2: Expanding Product Offerings to Boost Sales and Margins

Expanding 3rd Party SKU Offerings and Lennox Brand to Offset Weakening Demand for Next Year

Expanding 3rd Party Product Offerings within Channel

With better customer loyalty, further cross-selling opportunity of 3rd party offerings to expand asset utilization and drive sales volume and incremental margins

- ✓ Lennox owns ~250 distribution centers from which it derives ~75% of residential sales (~\$2.6bn)
- ✓ ~85% of the products sold are Lennox branded
- ✓ Management will expand its 3rd party SKU offering to 30% to 40% similar to other premier distribution companies, representing a \$400-\$600mm revenue opportunity
- ✓ Third parties benefit from Lennox's leading distribution capabilities and presence

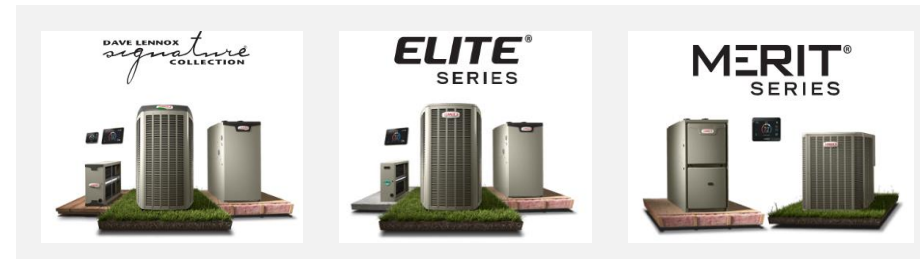


Strategic Partnership to Drive Product Innovation

Strategic partnership to drive product innovation

- Joint venture with Samsung to deliver its ductless products in North America as well as “Lennox powered by Samsung”-branded products, which will be sold through Lennox stores and direct-to-dealer network.
- Samsung expects the joint venture will help the company to strengthen its position in the North American HVAC market by adding Lennox’s distribution channels, while Lennox is expected to reinforce its business by **expanding the product lineup of innovative ductless systems**
- Homeowners can monitor power consumption and on save energy consumption

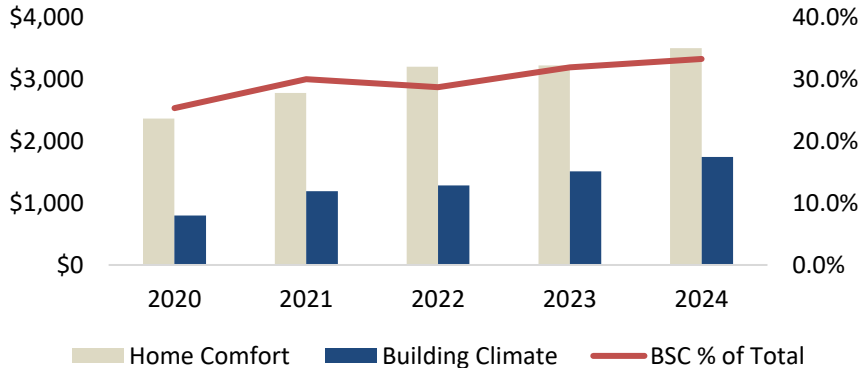
Lennox Product Lines



Thesis 3: Strong Topline Potential in Commercial HVAC Market

Management's Strategic Initiatives and Ability to Execute will Bolster Lennox's Commercial Business

Lennox Revenue Breakdown (\$MM)



	2yr CAGR	4yr CAGR
Home Comfort	4.58%	10.32%
Building Climate	16.42%	21.47%

- ✓ **Business Climate Solutions segment will continue to increase as a share of total revenue**
- ✓ **Lennox's largest factory is set to fully ramp up in 2025 with a focus on its commercial products**
 - ✓ Relieve supply constraints and increase order fill rates
- ✓ **Emergency replacement service is a significant growth opportunity**
 - ✓ Lennox's commercial business consists of 90% key accounts / 10% emergency replacement vs. 60% / 40% split across the industry

2023 Acquisition of AES

Key Capabilities



Installation Services

Increases capacity for **National Account turn-key installations** and enhances **cross-selling**



Refrigerant Reclaim & Recycle Materials

Provides **new services** to facilitate product life cycle decommissioning



Replacement Accessories

Vertically integrated **curb manufacturing** enables share gain and margin improvements

2025 Ramp of Lennox's Largest Factory



Conclusion

12-Month Price Target of \$766 in Base Case with +23% Upside

Valuation Summary: 2025 Target Price

		Base	Bull	Bear
PE Multiple	2026 EPS	\$28.01	\$32.78	\$24.56
	Forward P/E	26.5x	26.5x	22.5x
	Target Price	\$742.35	\$868.77	\$552.55
EV/EBITDA Multiple	2026 EBITDA	\$1,366	\$1,575	\$1,214
	Forward EV/EBITDA	20.0x	20.0x	16.5x
	Enterprise Value	\$27,322	\$31,495	\$20,028
	Debt	\$1,342	\$1,347	\$1,340
	Cash	\$623	\$549	\$591
	Market Cap	\$28,042	\$32,293	\$20,776
	FDSO	35.5	35.4	35.5
	Target Price	\$789.87	\$913.45	\$585.21
Returns	Avg. Target Price	\$766.11	\$891.11	\$568.88
	Current Price	\$625.35	\$625.35	\$625.35
	Upside/(Downside)	22.5%	42.5%	(9.0%)
	(+) Dividends	\$4.83	\$4.95	\$4.72
	Total Return	23.3%	43.3%	(8.3%)

- ✓ Valuation applies forward P/E and EV/EBITDA and multiples determine price targets across the three different cases
- ✓ **Base case incorporates:**
 - 20.0x 2026 EBITDA of \$1,366mm, above its 10-year average of 15.2x.
 - 1.3x relative EBITDA multiple, in-line with its 10-yr average
 - 26.5x 2026 EPS of \$28.01, above its 10-year average of 21.0x
 - 1.19x relative P/E multiple, in-line with its 10-yr average
- ✓ Price target supported by DCF which incorporates 9% WACC, 5% growth, and 20x exit multiple

Comparison to Consensus

	2024			2025			2026		
	Forecast	Consensus	% Diff.	Forecast	Consensus	% Diff.	Forecast	Consensus	% Diff.
Revenue	\$5,263	\$5,219	0.8%	\$5,643	\$5,585	1.0%	\$6,121	\$5,945	3.0%
% Growth	5.6%	4.8%		7.2%	7.0%		8.5%	6.5%	
Gross Profit	\$1,735	\$1,710	1.5%	\$1,862	\$1,841	1.1%	\$2,035	\$2,002	1.7%
% Margin	33.0%	32.8%	0.2%	33.0%	33.0%	0.0%	33.3%	33.7%	(0.4%)
EBIT	\$1,016	\$986	3.0%	\$1,122	\$1,085	3.4%	\$1,256	\$1,191	5.4%
% Margin	19.3%	18.9%	0.4%	19.9%	19.4%	0.5%	20.5%	20.0%	0.5%
EBITDA	\$1,109	\$1,074	3.2%	\$1,224	\$1,171	4.5%	\$1,366	\$1,275	7.1%
% Margin	21.1%	20.6%	0.5%	21.7%	21.0%	0.7%	22.3%	21.4%	0.9%
EPS	\$21.90	\$21.06	4.0%	\$24.57	\$23.36	5.2%	\$28.01	\$25.90	8.2%

Appendix

Appendix – Forecast Detail

\$ in Millions	Base Case						Bull Case					Bear Case				
	2024	2025	2026	2027	2028	CAGR	2025	2026	2027	2028	CAGR	2025	2026	2027	2028	CAGR
Revenue	5,263	5,643	6,121	6,564	7,073	7.7%	5,958	6,821	7,724	8,786	13.7%	5,485	5,785	6,030	6,317	4.7%
% Growth	5.6%	7.2%	8.5%	7.2%	7.8%		13.2%	14.5%	13.2%	13.7%		4.2%	5.5%	4.2%	4.8%	
COGS	3,528	3,781	4,086	4,381	4,703	7.4%	3,992	4,536	5,136	5,820	13.3%	3,702	3,934	4,100	4,295	5.0%
Gross Profit	1,735	1,862	2,035	2,182	2,369	8.1%	1,966	2,285	2,587	2,965	14.3%	1,783	1,851	1,930	2,021	3.9%
% Margin	33.0%	33.0%	33.3%	33.3%	33.5%		33.0%	33.5%	33.5%	33.8%		32.5%	32.0%	32.0%	32.0%	
Opex	626	639	669	691	727	3.8%	649	710	752	814	6.8%	628	638	673	709	3.2%
EBITDA	1,109	1,224	1,366	1,491	1,643	10.3%	1,318	1,575	1,836	2,151	18.0%	1,154	1,214	1,256	1,313	4.3%
% Margin	21.1%	21.7%	22.3%	22.7%	23.2%		22.1%	23.1%	23.8%	24.5%		21.0%	21.0%	20.8%	20.8%	
D&A	92	102	110	118	127	8.3%	107	123	139	158	14.4%	99	104	109	114	5.3%
EBIT	1,016	1,122	1,256	1,373	1,515	10.5%	1,210	1,452	1,697	1,993	18.3%	1,056	1,110	1,148	1,199	4.2%
% Margin	19.3%	19.9%	20.5%	20.9%	21.4%		20.3%	21.3%	22.0%	22.7%		19.2%	19.2%	19.0%	19.0%	
Interest Exp.	42	39	35	32	28	(9.5%)	39	35	32	28	(9.5%)	39	35	32	28	(9.5%)
Taxes & Other	190	211	237	261	289	11.0%	228	275	323	381	18.9%	198	209	217	228	4.6%
Net Income	784	872	983	1,081	1,198	11.2%	944	1,142	1,342	1,584	19.2%	819	865	899	943	4.7%
% Margin	14.9%	15.5%	16.1%	16.5%	16.9%		15.8%	16.7%	17.4%	18.0%		14.9%	15.0%	14.9%	14.9%	
FDSO	36	36	35	35	34	(1.2%)	35	35	34	34	(1.6%)	36	35	35	35	(0.7%)
Diluted Eps	21.90	24.57	28.01	31.22	35.14	12.6%	26.69	32.78	39.21	47.16	21.1%	23.06	24.56	25.68	27.11	5.5%
Capex	136	149	161	173	186	8.1%	157	180	204	232	14.1%	145	152	159	167	5.1%
Free Cash Flow ⁽¹⁾	782	864	968	1,058	1,167	10.5%	933	1,120	1,309	1,539	18.4%	812	852	880	919	4.1%
% Conversion	70.5%	70.6%	70.8%	70.9%	71.1%		70.8%	71.1%	71.3%	71.5%		70.3%	70.2%	70.1%	70.0%	
Dividends	160	172	179	185	192	4.6%	176	186	197	208	6.7%	168	171	174	177	2.5%

(1) FCF equals EBITDA minus taxes minus capex.

Appendix – Discounted Cash Flow

	Company data (\$M, FY-end Dec)									
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Revenue	3,634	4,194	4,718	4,982	5,263	5,643	6,121	6,564	7,073	7,775
<i>y/y growth</i>	-3.7%	15.4%	12.5%	5.6%	5.6%	7.2%	8.5%	7.2%	7.8%	9.9%
Gross Profit	1,040	1,189	1,285	1,548	1,735	1,862	2,035	2,182	2,369	2,605
<i>margin</i>	28.6%	28.3%	27.2%	31.1%	33.0%	33.0%	33.3%	33.3%	33.5%	33.5%
Operating Income (EBIT)	506	604	666	857	1,016	1,122	1,256	1,373	1,515	1,711
<i>margin</i>	13.9%	14.4%	14.1%	17.2%	19.3%	19.9%	20.5%	20.9%	21.4%	22.0%
Taxes	-90	-103	-122	-148	-188	-209	-235	-259	-287	-325
NOPAT	416	501	545	709	828	913	1,021	1,115	1,229	1,386
+ D&A	73	72	78	86	92	102	110	118	127	140
- Capex	-79	-107	-101	-250	-136	-149	-161	-173	-186	-205
+ / - Changes to working capital	142	-66	-269	-14	-107	-41	-55	-56	-41	-75
Unlevered FCF	268	532	790	559	892	907	1,024	1,116	1,210	1,396

Perpetuity Growth Method	
Weighted average cost of capital	8.9%
Net present value of free cash flow	\$5,650.12
Growth rate of FCF after 2029	5%
Terminal value	\$37,196
Present value of terminal value	\$24,242
Enterprise value	\$29,892
Less net debt	\$1,115
Equity value	\$28,777
Diluted shares	35.8
Equity value per share	\$803.83
% upside / downside	28.54%

Multiple Method	
Weighted average cost of capital	8.9%
Net present value of free cash flow	\$5,650.12
Exit Multiple	20.0x
Terminal value	\$34,223
Present value of terminal value	\$22,304
Enterprise value	\$27,954
Less net debt	\$1,115
Equity value	\$26,839
Diluted shares	35.8
Equity value per share	\$749.69
% upside / downside	19.88%

(1) FCF equals EBITDA minus taxes minus capex.

1. Volumes decline as end-market demand weakens

- ✓ **Mitigant:** Lennox's strategic initiatives position the company to continue to grow on both an absolute and relative basis. As Lennox expands its 3rd party SKU offers, it will enhance volume on the residential side despite expected volume declines across the industry. Lennox is less exposed to the commercial end market relative to peers and is experiencing supply constraints that will be alleviated next year, bolstering growth within the commercial segment.

2. Share gain reversal

- ✓ **Mitigant:** Lennox saw recent share gain partly as a result of good inventory management during the refrigerator transition. Lennox will retain these customers because of its superior client service and e-commerce initiative to improve meeting demand in a timely manner, particularly for fickle customers. Contractors can often take years before switching lead providers, and as Lennox improves on fill rates it will retain these customers.

3. Supply constraints, particularly on the commercial side, are prolonged

- ✓ **Mitigant:** Lennox is focused on fully ramping its new Saltillo factory to address demand within the commercial end-market. Lennox is on track to overcome inefficiencies and have this facility fully operational in 2025.

Appendix – Value Added Research Summary

Expert Calls/Tegus

- Former director, field marketing at Lennox
- Former head of marketing at Lennox
- Former member of European executive committee at Lennox
- Former VP of Lennox stores, NA
- President and CEO HVAC Distributors

Channel Checks

- Lennox store located in New Jersey
- Trane store located in New Jersey
- Two independent contractors with over 20 years of experience



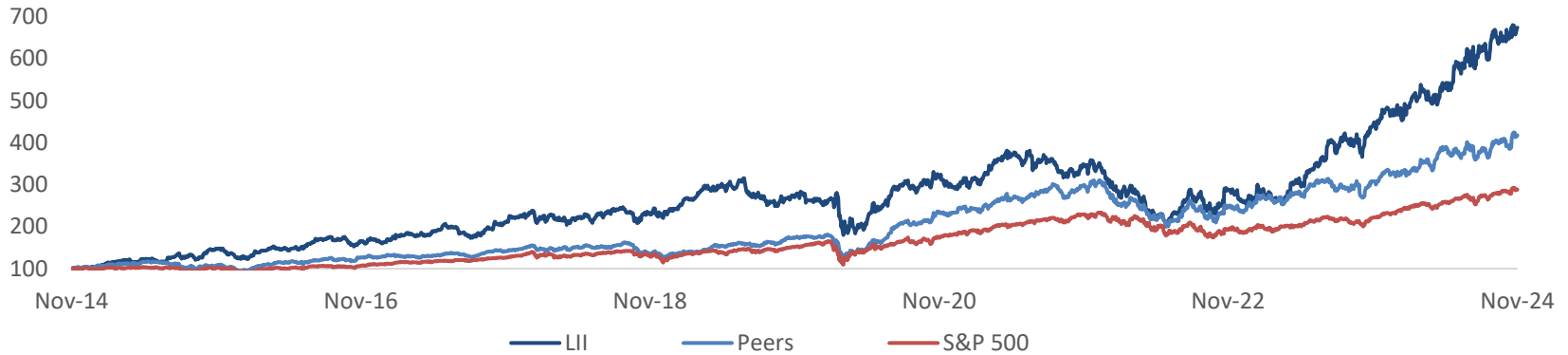
Valuation Summary – Multiples Today

	Market Cap	Enterprise Value	Forward PE		Forward EV/EBITDA		Gross Margin	EBITDA Margin	Operating		Hist 3yr Rev. Growth	FWD. 2yr EPS Growth	Price/FCF	Net Leverage (x)	
			2025	2026	2025	2026			Margin	ROIC					ROA
Trane Technologies plc	92,521	95,885	32.5x	29.0x	22.8x	20.8x	35.3%	19.0%	17.3%	19.5%	11.0%	11.7%	12.8%	36.1x	1.4x
Carrier Global Corporation	66,843	77,844	24.6x	21.3x	16.4x	15.3x	28.3%	13.4%	9.0%	7.8%	4.9%	3.0%	18.0%	na	2.8x
Johnson Controls International plc	54,948	66,308	23.8x	20.1x	17.6x	15.8x	35.2%	14.3%	10.7%	8.0%	3.5%	4.9%	6.0%	34.3x	2.4x
Daikin Industries,Ltd.	34,503	34,651	20.3x	18.2x	8.4x	7.9x	34.0%	13.6%	8.6%	8.6%	5.9%	7.9%	6.4%	45.1x	1.5x
Ferguson Enterprises Inc.	40,698	45,644	20.7x	18.3x	14.9x	13.5x	30.5%	10.0%	8.9%	18.9%	10.7%	9.3%	7.4%	23.0x	1.8x
Watsco, Inc.	20,004	20,348	36.3x	32.5x	22.1x	20.0x	26.7%	10.2%	9.7%	21.8%	17.6%	6.2%	11.8%	34.3x	0.5x
Peer Group Average.	51,586	56,780	26.4x	23.2x	17.0x	15.5x	31.7%	13.4%	10.7%	14.1%	8.9%	7.2%	10.4%	34.5x	1.7x
Peer Group Median	47,823	55,976	24.2x	20.7x	17.0x	15.5x	32.3%	13.5%	9.3%	13.7%	8.3%	7.0%	9.6%	34.3x	1.6x
Lennox International Inc.	22,277	23,444	26.8x	24.2x	20.0x	18.7x	32.4%	20.5%	18.7%	44.0%	22.0%	7.6%	10.9%	36.1x	1.3x

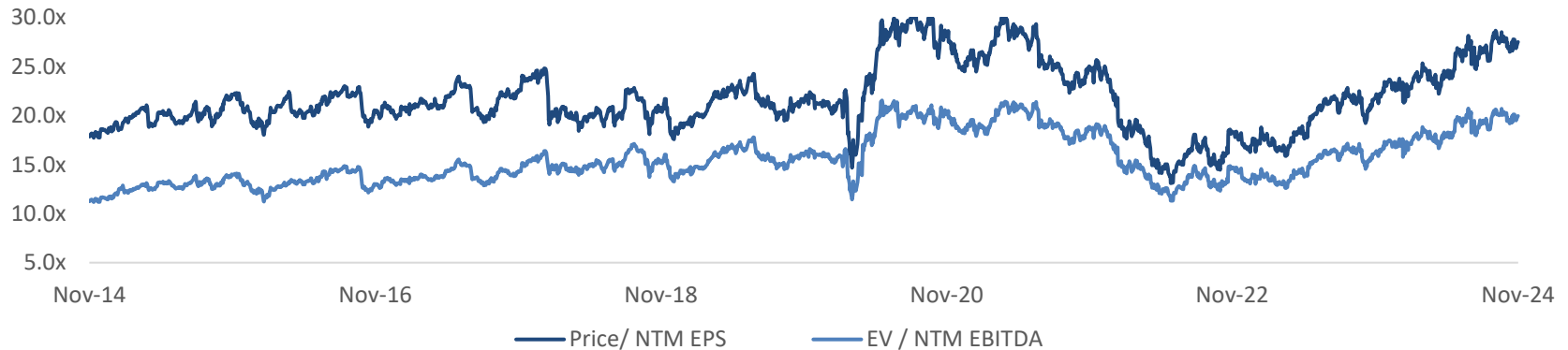
Lennox trades at a slightly premium to peer set which is justified by its higher margins and stronger operating metrics

Appendix - Trading History

Share Price Performance
(Indexed to 100)



Forward Trading Multiples
(P/EPS & EV/EBITDA)



	Price / NTM EPS					EV / NTM EBITDA				
	Current	LTM.	L3Y	L5Y	LY10	Current	LTM.	L3Y	L5Y	LY10
LII	\$27.51	\$24.92	\$20.67	\$22.60	\$21.69	\$19.95	\$18.37	\$15.87	\$16.97	\$15.54
Peer Group	\$26.72	\$23.57	\$20.48	\$22.09	\$19.51	\$17.11	\$15.10	\$13.87	\$14.30	\$12.30
<i>SSD Prem/(Disc)</i>	3.0%	5.7%	0.9%	2.3%	11.2%	16.6%	21.6%	14.4%	18.6%	26.3%
S&P 500	\$22.71	\$21.43	\$19.62	\$20.55	\$18.94	\$15.08	\$14.21	\$12.94	\$13.22	\$11.81
<i>SSD Prem/(Disc)</i>	21.2%	16.3%	5.4%	10.0%	14.6%	32.3%	29.3%	22.7%	28.4%	31.6%

Source: Capital IQ. Pricing as of 11/20/2024.
 Note: Peers reflect group on previous page.

Appendix – Key Management Overview



Alok Maskara - CEO

- Only the eighth CEO of Lennox since the company was founded in 1895
- Prior to his role as Lennox, Alok served as CEO of Luxfer Holdings, an international industrial company focused on advanced materials
- Over 25 years of global leadership in manufacturing and technology to Lennox



Prakash Bedapudi - CTO

- Appointed Executive Vice President, Chief Technology Officer in July 2008
- Previously served as Vice President, Global Engineering and Program Management for Trane Inc.



Gary Bedard – EVP, Home Comfort Solutions

- Appointed Executive Vice President & President of the Lennox Home Comfort Solutions business in January 2023
- Recently, he served as Executive Vice President & President of the Lennox Worldwide Refrigeration business, a position he held since October 2017



Mary Ellen Mond – VP, Marketing/Comm.

- Joined Lennox as Vice President, Marketing and Communications in December 2022
- After starting her career in consulting with Booz Allen Hamilton, Ms. Mond spent 10 years at Emerson Electric working in several marketing roles eventually serving as Vice President, Marketing Communications & Digital Experience



Joe Nassab – EVP, Building Climate Solutions

- Appointed Executive Vice President and President and the Lennox Building Climate Solutions business on May 4, 2022
- Joined Lennox in 2010 as Vice President and General Manager of Allied Air



Michael Quenzer – CFO

- Appointed Executive Vice President and Chief Financial Officer in January 2024
- Joined Lennox in 2004 and has held key leadership roles including Vice President, Investor Relations and Financial Planning Analysis and Vice President of Finance for the Lennox Building Climate Solutions (Commercial) business segment

Appendix – Key Management Compensation Overview



Name and Principal Position	Year	Salary (\$)	Bonus \$(1)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change In Pension Value and Nonqualified Deferred Compensation Earnings \$(2)	All Other Compensation \$(3)	Total (\$)
Alok Maskara	2023	1,064,750	—	—	—	2,729,934	—	1,188,979	4,983,663
President and Chief Executive Officer	2022	667,792	1,000,000	6,708,818	971,133	472,476	—	277,560	10,097,779
Joseph W. Reitmeyer	2023	607,500	—	—	—	973,488	558,393	49,800	2,189,181
Executive Vice President and Chief Financial Officer	2022	580,000	—	1,150,071	291,334	248,141	—	48,319	2,317,865
Joseph F. Nassab	2021	560,000	—	1,394,261	215,660	816,614	644,276	47,476	3,678,287
Executive Vice President and President, Building Climate Solutions	2023	531,250	—	—	—	873,893	—	184,994	1,590,137
	2022	471,319	—	1,206,134	184,520	321,419	—	166,492	2,349,884
Daniel M. Sessa	2023	566,250	—	—	—	907,387	253,146	49,800	1,776,583
Executive Vice President and Chief Human Resources Officer	2022	551,250	—	861,746	223,373	304,703	—	48,324	2,009,396
John D. Torres	2021	536,250	—	1,394,261	215,660	781,981	338,549	62,967	3,329,668
Executive Vice President, Chief Legal Officer and Corporate Secretary	2023	547,500	—	—	—	877,341	273,516	49,800	1,748,157
Douglas L. Young	2022	536,250	—	843,238	213,627	237,130	—	48,418	1,878,663
Former Executive Vice President and President, Residential Heating & Cooling	2021	521,250	—	1,394,261	215,660	760,108	384,065	47,443	3,322,787
	2023	325,000	2,500,000	—	—	403,163	—	34,800	3,262,963
	2022	635,000	—	996,777	252,480	403,622	—	48,300	2,336,179
	2021	615,000	—	1,044,005	254,858	958,000	—	54,769	2,926,632

Name	2023 Summary Compensation Table Values				2023 "Normalized" Compensation	
	Salary	Short-term Incentive	2023 Long-Term Incentive	Total Compensation (1)	February 2024 Long-Term Incentive	Total Compensation (1)
Alok Maskara	\$ 1,064,750	\$ 2,729,934	\$ 0	\$ 4,983,663	\$ 5,700,000	\$ 10,683,663

- Short Term Incentive (“STI”) amounts are determined by Company performance against the net income (50%), cash flow (30%), and revenue(20%), as approved by the Committee
- Long Term Incentive (“LTI”) amounts 70% performance based and 30% timing based and are 50% ROIC and 50% Net Income
- Stock ownership guidelines for NEOs that mandate certain multiple of base salary (CEO 6x base salary, all others 3x base salary)
- In 2023, LII moved the LTI grant date to after the Q4 earnings release in the following year. This change is intended to align all of the comp discussions and further maximize our pay for performance philosophy – As such, no LTI’s were granted during 2023
- “Normalized” 2023 CEO comp reflects ~53% of total CEO comp in stock awards

Appendix – Products Overview

Residential HVAC

HEATING & COOLING

Furnaces
 View a complete line of Gas and Oil Furnaces engineered for perfect warmth and efficiency.



Air Conditioners
 See why Lennox® Air Conditioners are among the quietest and most energy-efficient units you can buy.




Heat Pumps
 Enjoy innovation in every season with precise, quietly efficient Lennox® Heat Pumps.



Packaged Units
 Choose Lennox® Packaged Units when you need a self-contained heating and cooling system that installs outside.




Air Handlers
 See why Lennox® Air Handlers are among the most efficient and quietest you can buy.



Boilers
 Browse our selection of Boilers, designed to integrate easily with existing radiator or under-floor heating systems.



Garage Heaters
 Explore solutions for making your garage or workspace more comfortable.



Mini-Split Systems
 Explore the versatility of Mini-Split Systems, ideal for spaces like add-on rooms.



INDOOR AIR QUALITY

Air Purification
 Control allergens and other contaminants with air purification and filtration systems.



Humidity Control
 Keep humidity at a comfortable level, usually between 30% and 60%, with whole-home humidifiers and dehumidifiers.




Ventilation
 Choose a whole-home ventilation system to bring fresh air into your living spaces, without wasting energy.



COMFORT CONTROLS

Thermostats
 Choose from a complete line of programmable and smart thermostats—all designed to maximize the efficiency of Lennox® heating and cooling systems.



Zoning
 Explore zoning systems that save you the expense of heating or cooling areas of your home that are rarely used.



Commercial HVAC



Model L™



Elite® Series Large Split Systems ELXC/ELXP



Elite® Series Large Air Handler ELXA



VRB Heat Recovery



VPB Heat Pump



Single-Zone Heat Pump



Multi-Zone Heat Pump

Appendix – Top Shareholders

Latest Holders														
Holder	Common Stock Equivalent Held	% Of CSO	Market Value (USD in mm)	Change in Shares	% Change	Position Date	Source	Portfolio Turnover Category	Portfolio Turnover (%)	Investment Orientation	Calculated Investment Style	Market Cap Emphasis	Owner Type	
BlackRock, Inc. (NYSE:BLK)	3,702,419	10.393	2,293.1	-	0.00	Jun-30-2024	13F	Very Low	5.86	Passive	Growth	Large cap	Traditional Investment Managers	
The Vanguard Group, Inc.	3,239,543	9.094	2,006.4	(14,878)	(0.46)	Sep-30-2024	13F	Very Low	2.48	Passive	Growth	Large cap	Traditional Investment Managers	
Norris Family Limited Partnership	2,545,105	7.145	1,576.3	-	0.00	Nov-12-2024	Form 4	-	-	-	Unclassified	Unclassified	Corporations (Private)	
Kayne Anderson Rudnick Investment Management, LLC	1,702,997	4.781	1,054.7	38,412	2.31	Sep-30-2024	13F	Very Low	15.87	Active	Growth	Multi cap	Traditional Investment Managers	
Eaton Vance Management	1,221,216	3.428	756.3	-	0.00	Sep-30-2024	Aggregated 13F	Very Low	10.20	Active	Growth	Large cap	Traditional Investment Managers	
State Street Global Advisors, Inc.	1,204,620	3.382	746.1	-	0.00	Jun-30-2024	13F	Very Low	4.15	Passive	Growth	Large cap	Traditional Investment Managers	
Capital Research and Management Company	771,570	2.166	477.9	65,790	9.32	Sep-30-2024	Aggregated 13F	Very Low	18.37	Active	Growth	Large cap	Traditional Investment Managers	
Norges Bank Investment Management	574,129	1.612	355.6	-	0.00	Jun-30-2024	13F	Very Low	8.38	Active	Growth	Large cap	Government Pension Sponsors	
Geode Capital Management, LLC	571,095	1.603	353.7	12,183	2.18	Sep-30-2024	13F	Very Low	2.17	Passive	Growth	Large cap	Traditional Investment Managers	
Fisher Asset Management, LLC	535,171	1.502	331.5	27,306	5.38	Sep-30-2024	13F	Very Low	14.64	Active	Growth	Large cap	Traditional Investment Managers	
Wellington Management Group LLP	532,906	1.496	330.1	-	0.00	Jun-30-2024	13F	Low	22.52	Active	Growth	Large cap	Traditional Investment Managers	
The London Company of Virginia, LLC	379,452	1.065	235.0	-	0.00	Jun-30-2024	13F	Very Low	10.31	Active	Growth	Large cap	Traditional Investment Managers	
BNY Asset Management	296,804	0.833	183.8	(41,177)	(12.18)	Sep-30-2024	13F	Very Low	8.24	Active	Growth	Large cap	Traditional Investment Managers	
Wells Fargo & Company, Securities and Brokerage Investments	286,182	0.803	177.2	8,718	3.14	Sep-30-2024	13F	Very Low	11.77	Active	Growth	Large cap	Banks/Investment Banks	
Millennium Management LLC	273,632	0.768	169.5	-	0.00	Jun-30-2024	Aggregated 13F	High	127.61	Active	Growth	Large cap	Hedge Fund Managers (<5% stake)	
Dimensional Fund Advisors LP	272,393	0.765	168.7	13,333	5.15	Sep-30-2024	13F	Very Low	8.63	Active	GARP	Large cap	Traditional Investment Managers	
UBS Asset Management AG	271,236	0.761	168.0	-	0.00	Jun-30-2024	Aggregated 13F	Very Low	14.40	Active	Growth	Large cap	Traditional Investment Managers	
AllianceBernstein L.P.	264,931	0.744	164.1	-	0.00	Jun-30-2024	13F	Very Low	18.32	Active	Growth	Large cap	Traditional Investment Managers	
Seven Post Investment Office LP	247,076	0.694	153.0	-	0.00	Sep-30-2024	13F	Very Low	5.16	Active	Growth	Large cap	Traditional Investment Managers	
Northern Trust Global Investments	246,692	0.693	152.8	(10,933)	(4.24)	Sep-30-2024	13F	Very Low	4.73	Active	Growth	Large cap	Traditional Investment Managers	
Kodal Capital Management, L.P.	246,108	0.691	152.4	-	0.00	Jun-30-2024	13F	-	-	-	Growth	Large cap	Hedge Fund Managers (<5% stake)	