Lennox International (LII)

Updated July 24th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	$661	**5 Year CAGR Estimate:**	8.6%	**Market Cap:**	$23.5 B
Fair Value Price:	$570	**5 Year Growth Estimate:**	11.0%	**Ex-Dividend Date:**	09/30/25[1]
% Fair Value:	116%	**5 Year Valuation Multiple Estimate:**	-2.9%	**Dividend Payment Date:**	10/15/25
Dividend Yield:	0.8%	**5 Year Price Target**	$960	**Years Of Dividend Growth:**	17
Dividend Risk Score:	A	**Sector:**	Industrials	**Rating:**	Hold

Overview & Current Events

Lennox International is a leading HVAC (heating, ventilation, and air conditioning) manufacturer and distributor, with 100% of its sales now coming from North America following the divestiture of its European operations in 2023. The U.S. accounts for 94% of revenue, while 6% comes from Canada. Lennox operates through two segments: Home Comfort Solutions and Building Climate Solutions. With about 75% of sales powered by replacements and only 25% related to new construction, Lennox is less reliant on new home sales than many of its competitors. The company generated $5.3 billion in total revenues last year, and currently trades at a market cap of $23.5 billion.

On May 22nd, 2025, Lennox International raised its dividend by 13% to a quarterly rate of $1.30.

On July 23rd, 2025, Lennox International reported Q2 results for the period ending June 30th, 2025. For the quarter, revenue was $1.5 billion, up 3% year-over-year. Revenue growth was mainly driven by favorable mix and price benefits.

More specifically, Home Comfort Solutions revenue grew 3%, supported by favorable mix and growth initiatives. Profit margins expanded 200 basis points, as strong mix and price performance more than offset the impact of softer sales volumes and inflationary pressures, including tariffs. Building Climate Solutions revenue increased 5%, with segment margins up 60 basis points as favorable mix and price more than offset softer volumes and inflationary headwinds.

Adjusted operating income landed at $354 million, up 11% compared to last year, with segment operating margin at 23.6%, a 170 bps expansion. Thus, Lennox earned $7.82 in adjusted EPS in the quarter, which was up 14% year-over-year.

Management updated their full-year guidance, increasing the revenue growth outlook to 3% and raising the adjusted EPS range to $23.25 to $24.25, reflecting continued pricing execution offsetting inflationary and volume pressures. The new midpoint of $23.75 is up ~5% compared to last year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$5.14	$6.95	$7.92	$9.42	$11.19	$9.94	$12.60	$14.18	$17.96	$22.58	***$23.75***	***$40.02***
DPS	$1.32	$1.58	$1.88	$2.43	$2.82	$3.08	$3.53	$4.10	$4.36	$4.55	***$5.20***	***$8.76***
Shares	43	43	42	40	39	38	37	36	36	36	***36***	***33***

Over the past decade, Lennox International has seen adjusted earnings-per-share grow at an average annualized rate of 17.9%, and over the past five years, the business has seen the same metric grow at 18.0% annually. For FY2025, Lennox should earn about $22.88 in earnings-per-share. We forecast that the business will continue to grow earnings-per-share at 11% annually from 2025 to 2030, which guides our 2030 earnings-per-share estimate of $40.02.

Over the past ten years, the Lennox International has grown dividends at 14.7% annually, and over the past five years, the company has grown dividends at 8.4% annually. Over the next 5 years, we forecast that the business will grow dividends at 11% annually. Lennox International has increased its dividend payments for 17 consecutive years.

---

[1] Estimates dates based on past dividend dates.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

Lennox International (LII)

Updated July 24th, 2025 by Nikolaos Sismanis

We expect the business to leverage its investments in e-commerce and in more streamlined factory operations as the business continues to focus on growing its higher-margin Residential Heating & Cooling business. Recent improvements in Lennox's distribution network should keep improving fill rates and costs, though remain cautious regarding tariffs.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	22.4	20.5	22.2	22.3	22.8	24.7	25.2	17.0	17.9	21.7	***27.8***	***24.0***
Avg. Yld.	1.1%	1.1%	1.1%	1.2%	1.1%	1.3%	1.1%	1.7%	1.5%	0.9%	***0.8%***	***0.9%***

Over the past 10 years, Lennox International has averaged a P/E ratio of 21.7. We have set our fair P/E ratio at 24.0 due to Lennox continuing to grow earnings-per-share at a fast clip balanced with rather elevated interest rates. Shares are currently trading at a P/E of 27.8, implying a modest premium. The stock offers a low dividend yield of about 0.8%, but investors might be more interested in this business's expected earnings and dividend growth.

Safety, Quality, Competitive Advantage, & Recession Resiliency

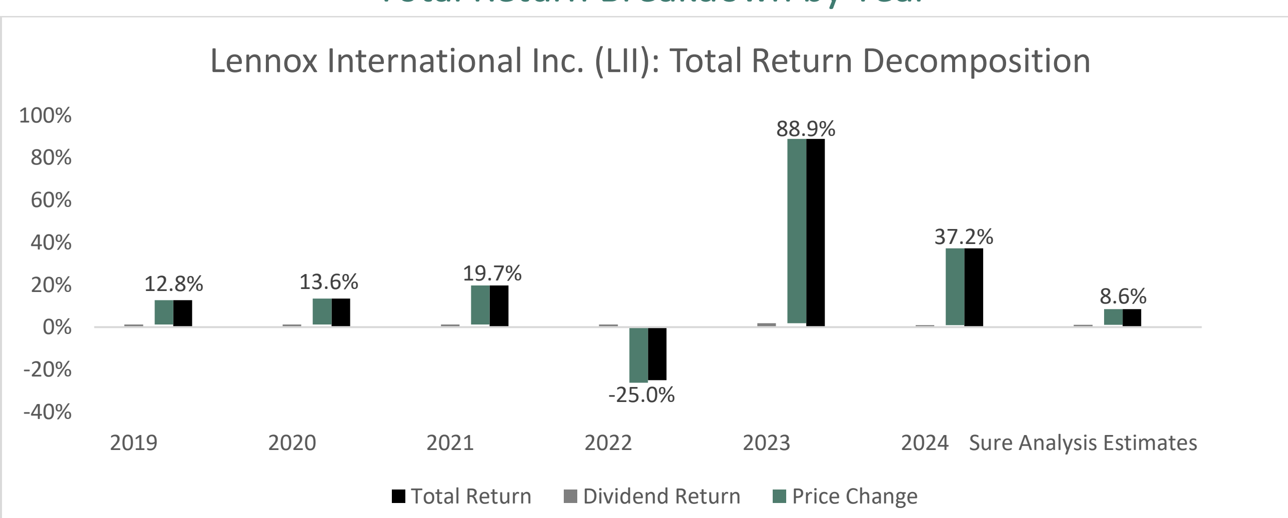
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	26%	23%	24%	26%	25%	31%	28%	29%	24%	20%	***22%***	***22%***

The business has averaged a very low payout ratio of 26% since 2015. We believe that the dividend is safe today and will continue to be over the intermediate term. The business doesn't have the strongest balance sheet because they have a lot of debt. The business has a negative shareholders' equity, but this really shouldn't be too concerning for investors, because the company has ample liquidity to pay off current liabilities, and the business can manage its long-term debt. The business has competitive advantages, including having a national presence and being a leader across many different industry verticals (including supermarkets, restaurants, discount stores, etc.) in the commercial space.

Final Thoughts & Recommendation

Lennox International offers investors an opportunity to invest in a growing business that serves an evergreen and ever-expanding market. Since the bulk of the company's revenue comes from replacing residential HVAC systems, they are not directly tied to new home sales, and they serve an industry that will always be in demand. At today's price, we rate the stock as a hold coming from a Dividend Risk score of "A" and our total return estimate per annum of 8.6% through 2030. Total return prospects are derived from earnings-per-share growth of 11% annually and the 0.8% yield, offset by a 2.9% annual valuation headwind.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

Lennox International (LII)

Updated July 24th, 2025 by Nikolaos Sismanis

Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	3,467	3,642	3,840	3,884	3,807	3,634	4,194	4,718	4,982	5,341
Gross Profit	947	1,077	1,125	1,111	1,080	1,040	1,188	1,285	1,548	1,772
Gross Margin	27.3%	29.6%	29.3%	28.6%	28.4%	28.6%	28.3%	27.2%	31.1%	33.2%
SG&A Exp.	581	621	638	608	586	556	599	627	706	731
D&A Exp.	63	58	65	66	71	73	72	78	86	95
Operating Profit	364	455	487	503	496	486	591	686	844	1,041
Op. Margin	10.5%	12.5%	12.7%	13.0%	13.0%	13.4%	14.1%	14.5%	16.9%	19.5%
Net Profit	187	278	306	359	409	356	464	497	590	807
Net Margin	5.4%	7.6%	8.0%	9.2%	10.7%	9.8%	11.1%	10.5%	11.8%	15.1%
Free Cash Flow	284	290	227	400	291	534	409	201	486	782
Income Tax	95	124	157	108	99	88	96	119	147	187

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,677	1,760	1,892	1,817	2,035	2,033	2,172	2,568	2,798	3,472
Cash & Equivalents	39	50	68	46	37	124	31	53	61	415
Acc. Receivable	423	470	507	473	478	448	508	609	595	661
Inventories	419	419	484	510	544	439	511	753	699	705
Goodwill & Int.	201	202	201	187	187	187	187	186	222	220
Total Liabilities	1,576	1,722	1,841	1,967	2,205	2,050	2,441	2,771	2,513	2,622
Accounts Payable	320	361	349	433	372	340	402	427	375	490
Long-Term Debt	741	852	989	1,022	1,138	941	1,198	1,485	1,260	1,093
Total Equity	101	38	50	(150)	(170)	(17)	(269)	(203)	285	850
LTD/E Ratio	7.32	22.67	19.74	(6.83)	(6.68)	(55.0)	(4.45)	(7.31)	4.42	1.29

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	10.8%	16.2%	16.7%	19.4%	21.2%	17.5%	22.1%	21.0%	22.0%	25.7%
Return on Equity	341%	400%	697%	---	---	---	---	---	1440%	142.%
ROIC	21.2%	32.1%	31.7%	37.6%	44.4%	37.7%	50.1%	45.0%	41.7%	46.3%
Shares Out.	43	43	42	40	39	38	37	35.8	35.7	35.8
Revenue/Share	76.04	82.76	89.71	94.50	96.63	94.15	111.84	131.80	139.55	149.20
FCF/Share	6.22	6.58	5.30	9.74	7.37	13.83	10.90	5.62	13.61	21.85

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.