Lennox International (LII)

Updated October 22nd, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	$525	**5 Year Annual Expected Total Return:**	13.0%	**Market Cap:**	$18.5 B
Fair Value Price:	$552	**5 Year Growth Estimate:**	11.0%	**Ex-Dividend Date:**	12/31/25[1]
% Fair Value:	95%	**5 Year Valuation Multiple Estimate:**	1.0%	**Dividend Payment Date:**	01/15/26
Dividend Yield:	1.0%	**5 Year Price Target**	$930	**Years Of Dividend Growth:**	17
Dividend Risk Score:	A	**Sector:**	Industrials	**Rating:**	Buy

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 $18.5 billion.

On October 22nd, 2025, Lennox International reported Q3 results for the period ending September 30th, 2025. For the quarter, revenue was $1.4 billion, down 5% year-over-year, primarily reflecting lower sales volumes. Segment profit increased 2% to $310 million, with segment margins up 150 basis points to 21.7%, driven by $118 million in mix and price benefits that more than offset volume declines and inflationary costs.

Home Comfort Solutions revenue declined 12%, reflecting channel destocking and a weak summer selling season amid continued macroeconomic uncertainty. Nonetheless, segment margins expanded by 30 basis points as cost reduction initiatives and favorable mix and price more than offset lower volumes and cost inflation. Building Climate Solutions revenue grew 10%, supported by higher manufacturing output, lower lead times, and double-digit growth in commercial services and Heatcraft. Segment margins improved 330 basis points to 26.1%, aided by strong pricing, mix, and factory efficiencies at the new Saltillo facility.

Adjusted operating income landed at $310 million, up 2% year-over-year, and segment operating margin was 21.7%, up 150 basis points. Lennox earned $6.98 in adjusted EPS in the quarter, a 4% increase compared to last year.

Management updated its full-year guidance, now expecting revenue to decline about 1% and adjusted EPS to range from $22.75 to $23.25, reflecting ongoing pricing execution amid inflationary and volume pressures. The new midpoint of $23.00 represents a modest decrease from prior expectations but maintains strong profitability and cash flow discipline heading into 2026.

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	***$23.00***	***$38.76***
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	***35***	***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 18.3% 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 $38.76.

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[1] Estimates dates based on past dividend dates.

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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.

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	***22.8***	***24.0***
Avg. Yld.	1.1%	1.1%	1.1%	1.2%	1.1%	1.3%	1.1%	1.7%	1.5%	0.9%	***1.0%***	***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 22.8, implying a modest discount. The stock offers a low dividend yield of just 1.0%, but investors might be more interested in this business's expected earnings and dividend growth.

Safety, Quality, Competitive Advantage, & Recession Resiliency

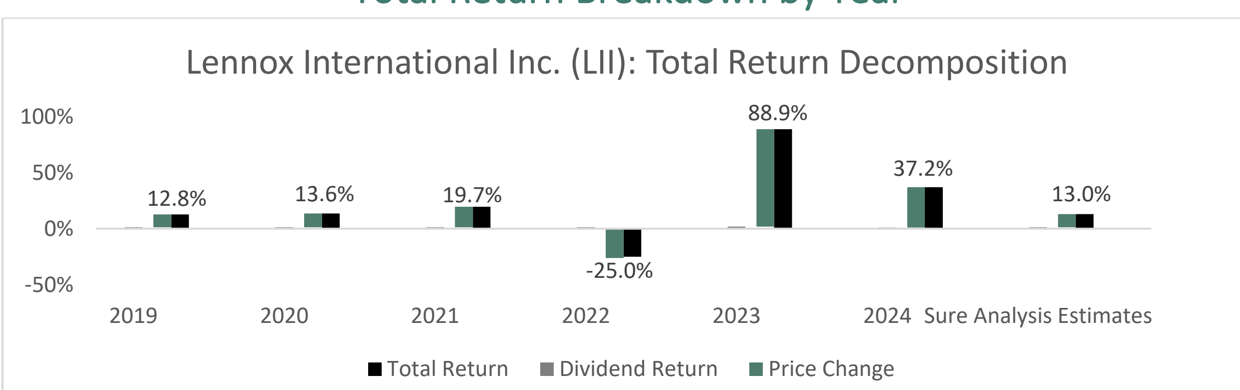
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	26%	23%	24%	26%	25%	31%	28%	29%	24%	20%	***23%***	***23%***

The business has averaged a very low payout ratio of 23% 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 buy coming from a Dividend Risk score of "A" and our total return estimate per annum of 13.0% through 2030. Total return prospects are derived from earnings-per-share growth of 11% annually, the 1.0% yield, and a 1.0% annual valuation tailwind.

Total Return Breakdown by Year



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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.