Lennox International (LII)

Updated January 30th, 2026, by Nikolaos Sismanis

Key Metrics

Current Price:	$496	**5 Year Annual Expected Total Return:**	15.4%	**Market Cap:**	$17.4 B
Fair Value Price:	$582	**5 Year Growth Estimate:**	11.0%	**Ex-Dividend Date:**	04/30/26[1]
% Fair Value:	85%	**5 Year Valuation Multiple Estimate:**	3.2%	**Dividend Payment Date:**	05/15/26
Dividend Yield:	1.0%	**5 Year Price Target**	$981	**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 $5.2 billion in total revenues last year, and currently trades at a market cap of $17.4 billion.

On January 28th, 2026, Lennox International reported its Q4 and full-year results for the period ending December 31st, 2025. For the quarter, revenue was $1.2 billion, down 11% year-over-year, primarily reflecting significant sales volume declines. Segment profit decreased 16% to $212 million, with segment margins down 110 basis points to 17.7%. This included $84 million in mix and price benefits, which were unable to fully offset the sharp volume declines and inflationary impacts.

Home Comfort Solutions revenue fell 21% to $700 million due to channel destocking, weak residential construction, and deferred replacements, with margins down 220 bps to 19.6% from under-absorbed manufacturing costs. Building Climate Solutions revenue rose 8% to $495 million on steady parts and services demand, and margins improved 50 bps to 23.1% on favorable mix and higher productivity.

Adjusted operating income (segment profit) landed at $212 million, down 16% year-over-year, and the total segment operating margin was 17.7%, down 110 basis points. Lennox earned $4.45 in adjusted EPS for the quarter, a 22% decrease compared to the prior year. Notably, the quarter also marked a transition in accounting methodology from LIFO to FIFO.

Management initiated its full-year 2026 guidance, projecting a return to growth with revenue expected to increase 6% to 7% and adjusted EPS ranging from $23.50 to $25.00, as channel destocking is anticipated to conclude by mid-year.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$6.95	$7.92	$9.42	$11.19	$9.94	$12.60	$14.18	$17.96	$22.70	$23.16	***$24.25***	***$40.86***
DPS	$1.58	$1.88	$2.43	$2.82	$3.08	$3.53	$4.10	$4.36	$4.55	$5.05	***$5.20***	***$8.76***
Shares	43.0	42.0	40.0	39.0	38.0	37.0	35.7	35.6	35.6	35.2	***35.2***	***33.0***

Over the past decade, Lennox International has seen adjusted earnings-per-share grow at an average annualized rate of 14.3%, and over the past five years, the business has seen the same metric grow at 14.0% annually. For FY2026, Lennox should earn about $24.25 in adjusted earnings-per-share. We forecast that the business will continue to grow earnings-per-share at 11% annually from 2026 to 2031, which guides our 2031 earnings-per-share estimate of $40.86.

[1] Estimates dates based on past dividend dates.

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Over the past ten years, the Lennox International has grown dividends at 13.8% annually, and over the past five years, the company has grown dividends at 8.1% 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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	20.5	22.2	22.3	22.8	24.7	25.2	17.0	17.9	21.7	23.3	***20.5***	***24.0***
Avg. Yld.	1.1%	1.1%	1.2%	1.1%	1.3%	1.1%	1.7%	1.5%	0.9%	0.9%	***1.0%***	***0.9%***

Over the past 10 years, Lennox International has averaged a P/E ratio of 21.8. 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 20.5, implying a 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

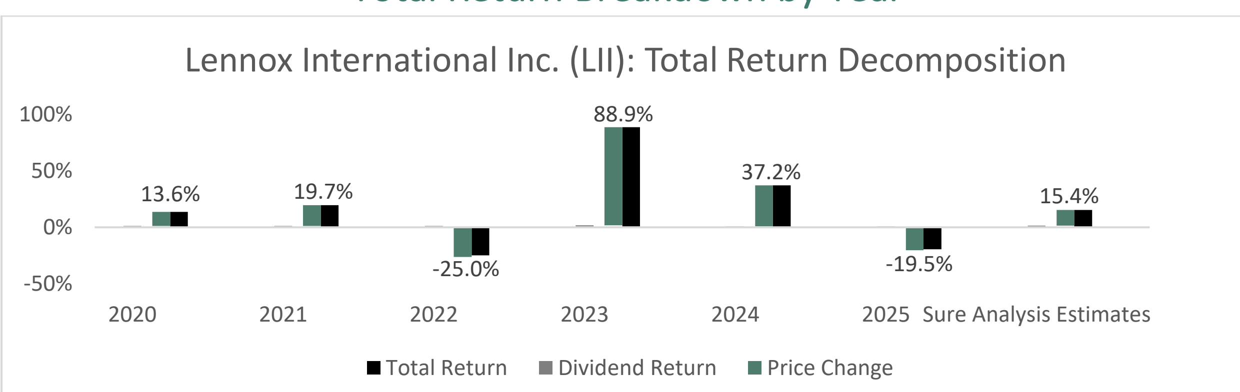
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	23%	24%	26%	25%	31%	28%	29%	24%	20%	22%	***21%***	***21%***

The business has averaged a very low payout ratio of 25% since 2016. 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 15.4% through 2031. Total return prospects are derived from earnings-per-share growth of 11% annually, the 1.0% yield, and a 3.2% 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.