Lennox International (LII)

Updated April 30th, 2026, by Nikolaos Sismanis

Key Metrics

Current Price:	$544	**5 Year Annual Expected Total Return:**	13.3%	**Market Cap:**	$18.0 B
Fair Value Price:	$582	**5 Year Growth Estimate:**	11.0%	**Ex-Dividend Date:**	06/30/26[1]
% Fair Value:	93%	**5 Year Valuation Multiple Estimate:**	1.4%	**Dividend Payment Date:**	07/15/26
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 revenue last year, and currently trades at a market cap of $18.0 billion.

On April 29th, 2026, Lennox International reported its Q1 results for the period ending March 31st, 2026. For the quarter, revenue was $1.1 billion, up 6% year-over-year, driven by revenue from completed acquisitions. Segment profit fell 3% to $164 million, with segment margins down 130 basis points to 14.4%. This included $63 million in mix and price benefits and $9 million from acquisitions, partially offset by lower volumes, inflation, and factory under-absorption.

Home Comfort Solutions revenue fell 10% to $650 million, an improvement from Q4's 21% decline, while profit fell 30% to $87 million and margins declined 390 bps to 13.3% on lower volumes, inflation, and unfavorable absorption. Building Climate Solutions revenue rose 38% to $485 million, including 26% organic growth and 12% from acquisitions, with margins up 300 bps to 19.7% on higher volumes, mix/price, national accounts, and acquisition contributions.

Adjusted operating income was $164 million, down 3%, with segment margin down 130 bps to 14.4%. Adjusted EPS fell 8% to $3.35, with 2025 comparisons adjusted for the Q4 2025 LIFO-to-FIFO accounting change. Management affirmed its full-year 2026 adjusted EPS guidance range of $23.50 to $25.00 and free cash flow guidance of $750 million to $850 million, while updating revenue growth guidance to about 8%, including a 4% benefit from completed acquisitions.

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.

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.

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[1] Estimates dates based on past dividend dates.

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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	***22.4***	***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 22.4, 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

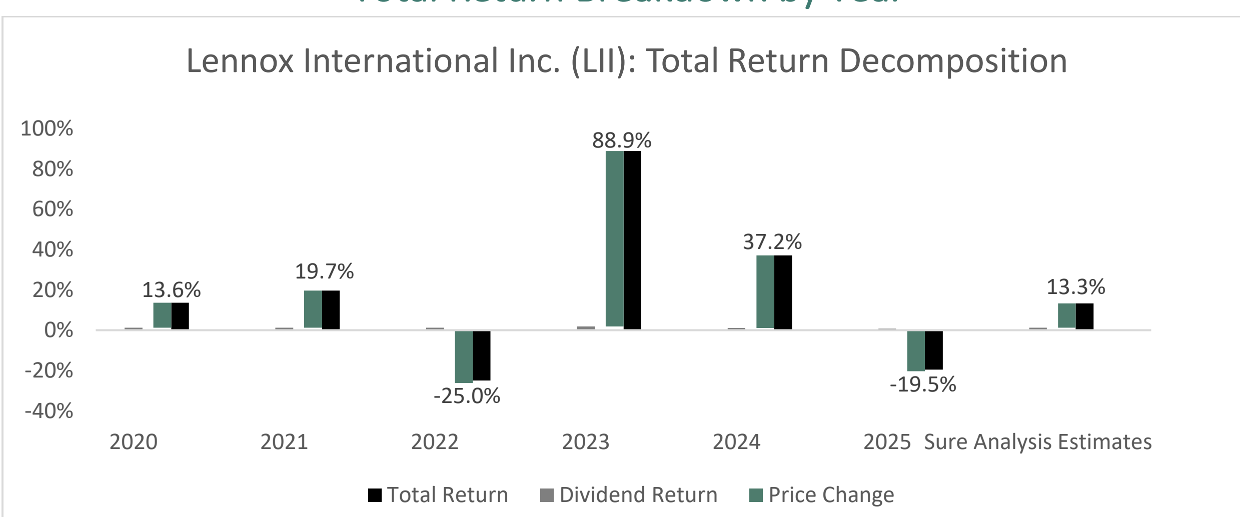
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	23%	24%	26%	25%	31%	28%	29%	24%	20%	22%	***21%***	***21%***

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 13.3% through 2031. Total return prospects are derived from earnings-per-share growth of 11% annually, the 1.0% yield, and a 1.4% annual valuation tailwind.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	3,642	3,840	3,884	3,807	3,634	4,194	4,718	4,982	5,341	5,195
Gross Profit	1,077	1,125	1,111	1,080	1,040	1,188	1,285	1,548	1,772	1,735
Gross Margin	29.6%	29.3%	28.6%	28.4%	28.6%	28.3%	27.2%	31.1%	33.2%	33.4%
SG&A Exp.	621	638	608	586	556	599	627	706	731	681
D&A Exp.	58	65	66	71	73	72	78	86	95	113
Operating Profit	455	487	503	496	486	591	686	844	1,041	1,053
Op. Margin	12.5%	12.7%	13.0%	13.0%	13.4%	14.1%	14.5%	16.9%	19.5%	20.3%
Net Profit	278	306	359	409	356	464	497	590	807	806
Net Margin	7.6%	8.0%	9.2%	10.7%	9.8%	11.1%	10.5%	11.8%	15.1%	15.5%
Free Cash Flow	290	227	400	291	534	409	201	486	782	639
Income Tax	124	157	108	99	88	96	119	147	187	191

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	1,760	1,892	1,817	2,035	2,033	2,172	2,568	2,798	3,472	4,082
Cash & Equivalents	50	68	46	37	124	31	53	61	415	35
Acc. Receivable	470	507	473	478	448	508	609	595	661	579
Inventories	419	484	510	544	439	511	753	699	705	1,153
Goodwill & Int.	202	201	187	187	187	187	186	222	220	770
Total Liabilities	1,722	1,841	1,967	2,205	2,050	2,441	2,771	2,513	2,622	2,919
Accounts Payable	361	349	433	372	340	402	427	375	490	438
Long-Term Debt	852	989	1,022	1,138	941	1,198	1,485	1,260	1,093	1,456
Total Equity	38	50	(150)	(170)	(17)	(269)	(203)	285	850	1,163
LTD/E Ratio	22.67	19.74	(6.83)	(6.68)	(55.0)	(4.45)	(7.31)	4.42	1.29	1.52

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	16.2%	16.7%	19.4%	21.2%	17.5%	22.1%	21.0%	22.0%	25.7%	20.9%
Return on Equity	400%	697%	---	---	---	---	---	1440%	142.%	75.8%
ROIC	32.1%	31.7%	37.6%	44.4%	37.7%	50.1%	45.0%	41.7%	46.3%	29.9%
Shares Out.	43	42	40	39	38	37	35.8	35.7	35.8	35.4
Revenue/Share	82.76	89.71	94.50	96.63	94.15	111.84	131.80	139.55	149.20	146.76
FCF/Share	6.58	5.30	9.74	7.37	13.83	10.90	5.62	13.61	21.85	18.05

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