Lennox International

Investment Thesis 2026 02 24

Lennox International is a leader in energy-efficient climate-control solutions, designing, manufacturing, and marketing products across the heating, ventilation, air conditioning, and refrigeration (HVACR) markets. The company was founded in 1895 and operates through two business segments: Home Comfort Solutions ($3,343M net sales in 2025), which serves the North American residential replacement and new construction markets, and Building Climate Solutions ($1,852M net sales in 2025), which addresses light commercial markets in North America (offices, restaurants, retail, schools) and the commercial refrigeration industry.

Lennox is the largest wholesale distributor of residential heating, ventilation, and air conditioning products in North America. Over the last couple years, Lennox sold its European business, purchased AES (a company dedicated to the light commercial markets across North America), purchased Duro Dyne and Supco (manufacturers and distributors of HVAC parts and supplies that complement, in the case of Supco, Lennox's existing residential business and, in the case of Duro Dyne, Lennox's commercial offerings). These moves have refocused the company squarely on the North American market and have broadened out the company's product line to serve customers with whatever HVAC needs they might have from parts to whole systems. In addition, to expand product offerings in the North American market, Lennox has entered into two joint ventures: one with Ariston Group to distribute their water heaters in North America and one with Samsung to distribute Samsung ductless AC and heat pump products in the U.S. and Canada as well as "Lennox powered by Samsung" branded products. Lennox holds a 49.9% interest in both joint ventures.

2025 results were down, driven primarily by a decrease in sales in the residential home market. This was offset somewhat by an increase in sales in the light commercial market. Despite weakness in sales, operating income and net income were pretty close to flat. When and if the housing market turns, Lennox should do well.

Prospects over the next 9 to 12 months

Across sources, the average price target for Lennox generally falls in the $555–$596 range, the high target is around $667–$750, and the low is around $450. My fair price is $603.49. It is based on an EPS of $23.00, a growth rate of 12%, and a PE of 20. The stock price has risen since I bought it at $482. At the time I'm writing this the price is $562 and is still undervalued. If it were to fall below $500, I would add to the position.

🏛 LENNOX INTERNATIONAL INC. (XNYS:LII)	$ 562.86	93.27%													
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**TTM**	**10 year**	**5 year**	**1 year**	**current trend**
Revenue Mil	3,642	3,840	3,884	3,807	3,634	4,194	4,718	4,982	5,341	5,195	5,195	4%	5%	-3%	0.00%
Net Income	278	306	359	409	356	464	497	591	811	806	806	13%	15%	-1%	0.00%
Earnings Per Share USD	6.34	7.17	8.77	10.38	9.26	12.39	13.88	16.54	22.54	22.79	22.79	15%	16%	1%	0.00%
Operating Income	455	487	503	496	486	591	659	845	1,046	1,053	1,053	10%	16%	1%	0.00%
Operating Income Per Share	10.34	11.33	12.27	12.72	12.46	15.55	18.31	23.47	29.06	30.09	30.09	13%	18%	4%	0.00%
Book Value Per Share USD	0.55	0.77	-2.18	-7.19	-3.02	-9.14	-8.60	4.48	21.18	30.75	33.42	56%		45%	8.68%
Free Cash Flow USD Mil	290	227	400	291	534	409	201	486	782	639	639	9%	12%	-18%	0.00%
Free Cash Flow Per Share	6.59	5.28	9.76	7.46	13.69	10.76	5.58	13.50	21.72	18.26	18.26	12%	14%	-16%	0.00%
Working Capital	117	483	81	118	386	348	-99	419	719	712	712	22%	20%	-1%	0.00%
Return on Assets %	16.2	16.7	19.4	21.2	17.5	22.1	21.0	22.0	25.3	20.9	21.3	20.2	22.3	23.1	21.1
Return on Equity %	400.3	697.2						1,438.4	130.1	75.8	80.1	548.4	548.1	103.0	78.0
Operating Margin %	12.5	12.7	13.0	13.0	13.4	14.1	14.0	17.0	19.6	20.3	20.3	15.0	17.0	20.0	20.3
Shares	44	43	41	39	39	38	36	36	36	35	35	-3%	-2%	-3%	0.00%

$71.43	Future EPS
$1,428.69	Future price
$603.49	Sticker price
$362.10	40% discount