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EDITED TRANSCRIPT

LECO.OQ - Lincoln Electric Holdings Inc at Morgan Stanley Laguna Conference

EVENT DATE/TIME: SEPTEMBER 12, 2024 / 8:25PM GMT

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(audio in progress)

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Before that, we just left to start, Gabe, with overview of Lincoln Electric. So for those that don't know the business as well that aren't as familiar, just let's start that.

Gabriel Bruno - *Lincoln Electric Holdings Inc - Executive Vice President, Chief Financial Officer and Treasurer*

Thanks. So we are a global leader in arc welding and we're also differentiated by having the leading platform and automation within the industry. So we like to lead with technology. So you hear us emphasize the broad portfolio of products and solutions, very much focused on the technology and the growth of our business surrounding solutions.

We've got elements in our strains that are focused on growth. When we think about growth, you think about organic growth and how do we innovate and differentiate our solutions. And then we also think about shaping our model throughout the cycle. So you've seen us consistently expand the operating margins of our business and a very healthy return on investment capital type of focus, so market-leading growth, innovation solutions, and into our margins and returns to the company.

QUESTIONS AND ANSWERS

Angel Castillo Malpica - *Morgan Stanley & Co LLC - Analyst*

Great. That's very helpful. And one of the areas that we've been getting at least the most kind of questions has been some of the comments you made last week, obviously, a tough macro environment. So I won't make you repeat it all over again. But I did want to hone in on some of the aspects of what you discussed, right? Because I think what was a little bit more surprising to me or maybe it stood out was you made some comments about perhaps some customers indicating that 2025 don't expect any change from the current levels.

One, that's interesting because of you have a short cycle consumables business, where the low visibility tends to be pretty limited. So even just that degree of kind of indication was surprising to me, but just broadly, what is your customer on where are you here and that? Who's -- if not who, what end market are you hearing that in? And just if you could talk about that dynamic.

Gabriel Bruno - *Lincoln Electric Holdings Inc - Executive Vice President, Chief Financial Officer and Treasurer*

So think about -- you're right, about 80% of our business is short cycle and that's standard equipment, that's consumables largely. And the visibility we have generally is from what we see as incoming orders, activity levels, plus the level of insights we get from our customers, and we've got a

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pretty broad-based commercial team and industry segment leaders that are working within the markets to give us insights on what our customers are saying.

And then what you see and what we see in the marketplace and what are our customers saying about their own business. And so the comments that I made last week were the areas that we know that there are extended destocking or actions that are going on, particularly in heavy industry, that our customers are talented, it will take some time to work through that. So expect that kind of profile. And what we would look at short-cycle business consumable activity within their own production cycle.

So it's based on the visibility that we have. Our heavy industry consumables activity was down low double digits in the second quarter. And so we just expect more of the same, and we don't see that dynamic changing based on those insights we've got from customers.

Angel Castillo Malpica - *Morgan Stanley & Co LLC - Analyst*

Within heavy industry, is there a particular end market that is kind of pointing to that or indicating that more so than others?

Gabriel Bruno - *Lincoln Electric Holdings Inc - Executive Vice President, Chief Financial Officer and Treasurer*

Yeah. So it would be largely driven by ag, to a lesser degree, construction, but largely ag.

Angel Castillo Malpica - *Morgan Stanley & Co LLC - Analyst*

Okay. And maybe just to that now, you mentioned construction. Are you seeing the message from customers there evolve or change in any manner?

Gabriel Bruno - *Lincoln Electric Holdings Inc - Executive Vice President, Chief Financial Officer and Treasurer*

No. All of our updates that we provided last week were more of the choppiness, uncertainty in what you see short cycle demand, so it's more the same of what we saw in the second quarter. But we saw a little bit more pressure demand within short-cycle automation, and also, decision points on capital investment on the automotive side of automation. So we estimate about 15% of our automation business to be short cycle.

This is like coal bots or pre-engineered systems, that would be servicing more so the small to midsized fabricator. And so those are drivers to kind of how we see the automation progression and demand and then how that translates into our own business dynamics. So that was the pressure point that we saw the move from mid-single digit down to mid- to high-single digit down in organic trends.

Angel Castillo Malpica - *Morgan Stanley & Co LLC - Analyst*

Got it. And that's actually a good -- sorry, I wanted to ask about -- so on the automation side that has more visibility. I think in the past, you've said you have six-month type of visibility versus your short cycle being much narrower than that. So given these trends, the backlog, is it still giving you kind of 6 months of visibility? Or is it a little more limited? How is that kind of evolving?

Gabriel Bruno - *Lincoln Electric Holdings Inc - Executive Vice President, Chief Financial Officer and Treasurer*

So the visibility on the automation side is tied to quote to order. And then we have percentage completion, sales recognition, revenue recognition on that once the projects are booked and we're starting to work, so you pull out the short cycle side. What we've seen is the time it takes to quote to order the decision points have been extended typically around six months to nine months.

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So that's been key for us in looking at what's our -- the book of business. Our backlog is still strong. Quoting activity is still very strong, but we haven't seen that translate into orders. So but that not translated into orders and you have the timing it takes to recognize revenue on that. That's outside of the short cycle part of our business. But that's generally what's going on on the automation side.

Angel Castillo Malpica - *Morgan Stanley & Co LLC - Analyst*

What do your customers tell you about why that quoting activity is taking -- why that time line is stretching out?

Gabriel Bruno - *Lincoln Electric Holdings Inc - Executive Vice President, Chief Financial Officer and Treasurer*

So think about automation being the mix now, 45% automotive, 25% general industry, 30% heavy industry.

On the automotive side is the whole decision-making process surrounding --w are we going to continue on with an EV program and platform or is that going to change and how we're looking at investing in ICE or hybrid. So it's been a pause in the decision-making process across the industry on kind of what direction they're going.

And so we think about the program launches in 2026 and 2027 have a clear picture of kind of where the industry is going. And there's just been a pause in decision-making, we call it an air pocket in that. But we're hopeful that by the fourth quarter, they'll get -- we have more insights into where is the industry going. And then the -- typically up to an 18-month type of trajectory to be ready for those program launches, 2026, 2027.

Angel Castillo Malpica - *Morgan Stanley & Co LLC - Analyst*

Got it. That's helpful. And again, I just want to remind the audience, if anyone has any questions, just raise your hand, and we'll get a mic too. But if not, I want to move forward with the kind of actual updated guidance, right?

So you talked about, I think, a decline of mid-single digit, high single digits on an organic growth basis. Can you just talk about that range of outcomes? Like, what are you kind of contemplating at the low end of that at the high end of that? You mentioned maybe more of the same of what we've been kind of seeing. But how does that kind of differ within that range?

Gabriel Bruno - *Lincoln Electric Holdings Inc - Executive Vice President, Chief Financial Officer and Treasurer*

Yeah. So core welding, the activity, we saw that. It's been more the same, a little bit more choppy, always difficult coming out of August to get a clear picture, where the demand curve is going, particularly in markets like Europe. The vacation schedules, the typical shutdowns that are planned during the summer month is a little bit unclear picture. It's real demand activity.

But enough for us to say, what we've seen with short cycle automation, some of the lack of decision making on projects and that within automation leads us to move slightly from mid single digits down. And my comments on our second quarter earnings was that, we thought that would be on the higher end of the unfavorable range, which implies so.

So we moved that slightly because of those dynamics, and what we're seeing in our business, and not having the conviction that we're actually turning into a more positive trajectory.

Angel Castillo Malpica - *Morgan Stanley & Co LLC - Analyst*

Got it. And maybe just pivoting to a little bit longer term, right? So kind of putting all this aside for a second, you have a new CEO, and you're coming up at the end of your kind of typical five-year plan that you tend to lay out, right?

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So we were talking about, again, pretty good performance historically there. So I'd imagine internally, you're working on a lot of that kind of next five-year internal planning, some open -- you'll front run all of that and give us an insight into it.

But yeah, if you could just talk about your portfolio that you have today, the capabilities to deliver on the next five years. Is it something similar to what was laid out in terms of continuing that CAGR of growth? Any step changes as you think about versus this current five-year plan? Just early insights into it.

Gabriel Bruno - *Lincoln Electric Holdings Inc - Executive Vice President, Chief Financial Officer and Treasurer*

Okay. Well, our CEO, he's new in his role, but he's been with us for a long time. So he's been in strategic roles. He's been leading our businesses. So don't be surprised if we're emphasizing growth as we have been.

And the growth make with innovation, technology. We're going to continue to align with the accelerated growth trajectory of automation, organic growth. We're going to continue to look at acquisitions. So we're postured to continue to drive growth, and on top of that, in the acquisition strategy that will yield 300 to 400 basis points of CAGR and you've seen us do that more the same.

This year, we just closed on three acquisitions, so we'll continue to have that we're ahead of that CAGR in the current year. We'll continue to look at shaping our operating model. You've seen historically, we've been consistent throughout every cycle of expanding our operating margins 200 basis points. We continue to see opportunities on automation and international.

And some of what you've seen us do, some of our sensor-led corporate initiatives. We've just brought in a Chief Procurement Officer, who's leveraging capabilities across all of our segments and buying direct materials and direct materials. We see that as an opportunity.

We announced a Chief Transformation Officer that's looking at across our segments, what are some of the best practices and capabilities that we should be leveraging. So think about 2030, probably going to have an emphasis on continuing shaping our operating model. So we have that.

And then we're very disciplined around capital allocation, top quartile tight performance on return on invested capital. It's a key differentiator for us. We're going to emphasize growth, organic growth, internal investment, and growth, but also through acquisitions. Our priorities are growth and returning cash to shareholders through dividend rate increases.

We've increased our dividend rate every year since our initial public offering in 1995. And then we'll return excess cash to shareholders on the share repurchases.

But that's the core of how we look at our business. We want to be driving growth. We want to expanding our margins and our operating model. And we have identified areas that we continue to drive it.

Angel Castillo Malpica - *Morgan Stanley & Co LLC - Analyst*

Perfect. And I wanted to touch base on that 300 to 400 basis points, right? So you mentioned automation. Can you just kind of expand a little bit more, like what does that pipeline look like? Where are you looking from a technology perspective? What perhaps what might be some gaps that you might be looking to fill, as well as just international or regional? Is there some aspects that are more interest or less interest than others?

Gabriel Bruno - *Lincoln Electric Holdings Inc - Executive Vice President, Chief Financial Officer and Treasurer*

Yeah. So when you think about what we've identified as a TAM that we go after an acquisition, $60 billion, $35 billion in the automation space, $25 billion in core welding.

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On the automation side, very fragmented market. So we think there's a lot of opportunities there to look at $50 million, $75 million-type bolt-on opportunities. When you look at the cool welding business, you take out the big three and some of the regional players, a lot of fragmentation.

So then when you start to shape what does that mean into our strategy in terms of our portfolio, you've seen on the automation space that we've been building out capabilities, surrounding providing productivity, automation, quality within our customer base. And 55% now of our capabilities are tied to our or laser cutting automation. And then we've got non-welding components of capabilities.

So we're going to continue developing our footprint in providing factory automation. The acquisition we had completed in April was tied to material handling, broadening the offering around AGVs, and other manufacturing execution systems.

Then the acquisition we had done in June is building our vision capabilities and technology that just complements what we see today in long term, in automation capabilities from a vision standpoint. The acquisition we've completed in July ties into our core equipment business in core welding.

So we're looking [camming] all different opportunities to make you tie strategically, typically bolt-on strategies. It's got to pass through our assessment where we can create value in a very disciplined way with returning mid-teens type of returns in the long term.

So that's kind of how we think about it. Very active pipeline is something we constantly are thinking about.

Angel Castillo Malpica - *Morgan Stanley & Co LLC - Analyst*

Yeah. Now I was going to ask about that. So to the level of activity, to your point, you've a number of small tuck-ins. As you think about the appetite to continue to do that despite the kind of uncertainty in the macro -- would you say that, that's kind of unchanged. It's not really impacting your degree?

Gabriel Bruno - *Lincoln Electric Holdings Inc - Executive Vice President, Chief Financial Officer and Treasurer*

Yeah, it doesn't change how we think about it. We are a strong cash-generating business. We've just completed refinancing at the end of June. We've got a lot of flexibility, and we're very focused on the strategy in the long term. So very actively evaluating options and acquisitions.

Angel Castillo Malpica - *Morgan Stanley & Co LLC - Analyst*

Would you consider something larger or not so much a bolt-on in terms of the pipeline?

Gabriel Bruno - *Lincoln Electric Holdings Inc - Executive Vice President, Chief Financial Officer and Treasurer*

I mean, if it makes sense to us, we'd look at it. But in general, it's both on type strategy.

Angel Castillo Malpica - *Morgan Stanley & Co LLC - Analyst*

Got it. Maybe switching over to the organic investments. So one of the areas that I think you had been investing in was the DC chargers. Obviously, there's been a lot of kind of volatility or maybe shift in sentiment around EVs, right? So can you talk about some of those maybe organic opportunities that you're seeing within your business to invest in and to grow organically?

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Gabriel Bruno - *Lincoln Electric Holdings Inc - Executive Vice President, Chief Financial Officer and Treasurer*

Yeah. So I'll point to the DC fast chargers as well as the additive business that we're developing. So both those businesses, we like to call them incubator type opportunities where they're leveraging core technologies with modest, low level of investment, low risk, but potentially higher opportunity for us for growth and expansion and accretive to our margin profile.

So on the DC fast chargers, one of the important things as we thought through that, there are three elements of our strategy. One is operational. And operationally means that we're leveraging all of our facilities, our people, our capabilities, power electronics to be able to get a capacity level that we can serve the markets and how we define it.

And then we've got commercialization, which is how we're working with ChargePoint operators or fleet managers to introduce charging capabilities into the space.

And then lastly, the products. So the product design is leveraging core capabilities in power electronics, our engineering team looks at this as another product introduction, so it's leveraging what we have. But there's been changes in how the market is defining what kind of capacity to launch.

So we had anchored on a 150-kilowatt NEVI standard. We've done that. And then the market is saying, you know what, not fast enough, not enough power in the long term that we want to anchor investment in. So they've moved that now to more of the 300- to 400-type kilowatt capability, looking at power distribution as a way to drive more efficiency in their charging operations.

So we've had a regroup on that. So we're looking at leveraging all what we've done and taken to the next level of what we already contemplated in building out capacity and then be able to introduce an updated product offering that would make sense for investing in the long term. So it's leveraging all of our key capabilities without being a distraction to our core strategy to be able to drive accelerated growth.

Same thing on the additive side. The additive side, leveraging our automation capabilities, software, or wire-based drawing capabilities. And then using that as a platform for introducing accelerated growth in large parts. And that's interesting in energy, interesting in the military, and we're starting to see that now develop into a model that were very interesting for us.

Both of these initiatives provide us a lot of upside with modest investment and the additive side, we're looking to breakeven. So it was an investment, operating investment upwards of $6 million per year now let's look at the breakeven. The EV's more of the same. So we can be patient nurture the development of these capabilities, leveraging our own technologies and then be able to look at upside here without distracting or being taken away from our focus on core welding and automation.

Angel Castillo Malpica - *Morgan Stanley & Co LLC - Analyst*

Core business, yeah. So maybe we can switch -- use that to kind of search to the core business, right? So one area that I think about for the Americas welding business, in particular it tends to be pretty stable despite or historically has been pretty stable. And also given the oligopoly kind of nature, you essentially have pretty strong pricing power.

So can you talk about maybe how you're seeing that in this environment, right, in terms of some of the weakness that we've seen in production from some of the customers heavy industry, general industry, how that pricing power or pricing dynamic has kind of evolved?

Gabriel Bruno - *Lincoln Electric Holdings Inc - Executive Vice President, Chief Financial Officer and Treasurer*

In the Americas side, our postures to maintain price cost neutral positioning, when you look at the overall business while we're talking about mid- to high-single digits down organic, we expect overall to be positive on price. So I look at 50 to 100 basis points positive on price.

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The Americas side in the short term, a couple of dynamics that you'll see in the margin profile is, one, the automation mix. 80% of our automation business is within the Americas. In that business, we get higher fixed cost structure. So when we see some pullback on demand, we have higher incrementals on the upside but also higher decrementals on the downside.

So you've got mid- to high-20s decrementals on top of that, plus the acquisitions that we've introduced within the Americas side. So we'll see some compression, still very healthy.

We're talking about in the short term in this quarter, next maybe 17%-, 18%-type range in the Americas. It's still very healthy and just walking through kind of the dynamics of acquisitions and automation.

In the meanwhile, I mentioned this last week, we're pulling our playbook the core welding business within the Americas as a variable-based model. And typically, the decrementals there are going to be in the mid- to high teens, so very healthy. And we'll be looking at actions temporary, permanent wise to make sure we're protecting the margin on this downside pressure. But outside of that very strong business.

Angel Castillo Malpica - *Morgan Stanley & Co LLC - Analyst*

Yeah. And the market, seems like every other week changes its mind, whether we're going to a recession or having a soft landing. So as you think about this automation business that has perhaps a little bit of -- again, you mentioned fixed cost absorption or fixed cost in nature to it, how does that change the volatility or the variability in your margins? You mentioned some of the decrementals in a recessionary environment versus what we've seen in the past, given that your automation business has grown so quickly.

Gabriel Bruno - *Lincoln Electric Holdings Inc - Executive Vice President, Chief Financial Officer and Treasurer*

Yeah. So that's an important consideration long term, because we're not going to do anything that's going to take away from our long-term positioning. When I talk about fixed cost structure within our automation business, we're talking about heavy engineering, technical content. I mean, that business is driven on a model that's engineering, technical capabilities, and then a broad footprint.

We want to make sure we don't do anything that's going to take away from our ability to meet the long-term trajectory of growth that we expect in automation. In a short-term cycle, you're going to see a little bit higher impact because of the decrementals, but we'll navigate that we know how to manage through cycles but without impacting the long-term strength of our model. So that's kind of how we look at automation.

In the meanwhile, we'll deal with temporary actions to soften the impact on margins and pull ahead any permanent structural changes that we think are opportunities for us.

Angel Castillo Malpica - *Morgan Stanley & Co LLC - Analyst*

Perfect. Could you expand on that in terms of the cost management. To the extent that you are able to flex your business a little bit to adjust for the kind of current level of demand? What are some of those initiatives that you're kind of looking at in terms of managing that price cost equation? And as we get into 2025, can you quantify or help us understand what those might be?

Gabriel Bruno - *Lincoln Electric Holdings Inc - Executive Vice President, Chief Financial Officer and Treasurer*

Yeah. So in general, think about the largest lever to be temporary cost reduction actions. And we pulled this playbook time and time again, we've been in the business. And through each cycle, we're managing to the cost lever.

So temporary cost actions include obvious things, like pulling back on travel and meals, entertainment and supplies or contractors, and pulling those levers hard by offsetting some of that discretionary spending, we're going to offset some of the impact on margins.

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We looked at the organizational alignment and our variable cost model within the Americas, we're looking at schedules, we've got elements of piece work that are -- we have production workers in our 3,000 core business in our Cleveland operation that we'll look at the schedules and production and seeing whether or not that aligns and pull back in real production to meet the demand curve, which translates into reduced costs.

So we'll be pretty aggressive on the temporary side. We won't restore those costs until we see meaningful improvement in demand.

So we've done this time and time again, we'll pull really hard in the levers. We'll hold line until we see improvements in demand. In the meanwhile, we shape permanent or structural savings, which are part of our ongoing work in shaping our model, and we'll see if we have opportunities to accelerate any actions.

And that's all part of how we manage through the cycle typically as we exit the cycle and as we reposition strategically, resource we typically exit stronger. And you'll see time and time again, it goes back to look at each of the cycles, what has the operating margin profile done improved 200 basis points through every cycle.

And we know how to manage through cycles. Cycles are part of what we do every day, and you just got to manage to do that, understanding the trade-offs.

Angel Castillo Malpica - *Morgan Stanley & Co LLC - Analyst*

Great. And any questions from the audience?

I'll continue, I guess, on that line. I guess to the extent that, let's say, January 1 comes along, the customers that are telling you don't expect any change in 2025, all of a sudden feeling a lot better about the world that we're in. How quickly can you get back to kind of providing any kind of incremental level of growth or production requirements.

Gabriel Bruno - *Lincoln Electric Holdings Inc - Executive Vice President, Chief Financial Officer and Treasurer*

Look, we're pretty transparent on kind of where we see our business. And we want to be positioned to drive growth and continuing to shape our operating model. So short cycle, I mean we have visibility as we just talked about. And it's short, it's days, weeks inherently. There are different components of that when you deal in by industry.

So heavy industry may have a different shaping automotive, different shaping. But we want to be in a position to be able to capture the demand curve as it improves. And so we don't want to sacrifice anything long term for short-term dynamics.

Angel Castillo Malpica - *Morgan Stanley & Co LLC - Analyst*

Maybe can you talk about -- we've talked a lot about kind of America as well. Can you talk about international side? What are you seeing across the various regions and just also the price cost dynamic as well?

Gabriel Bruno - *Lincoln Electric Holdings Inc - Executive Vice President, Chief Financial Officer and Treasurer*

Yeah. So on the international side, we like to point to when we develop the long-term targets and the EBIT, 12% to 14%, and we've been operating below that is what is our operating model internationally. But we believe that our operating model does yield that kind of margin profile. But we need a little bit more demand, some demand, to be able to see modest demand, to be able to get to the higher end of the range. When you look at what has progressed internationally, EMEA has been a pressure point.

I mean just nothing frankly exciting in terms of the industrial production trends, the sentiment within the European market.

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So we haven't seen that change. However, positive Middle East, India, some of the emerging markets, Southeast Asia, positive. The energy markets have been positive. Some of the project type work has been positive. So it truly is a mix between what's going on in the core European markets.

China has -- it's a smaller part of our business, but China hasn't been very exciting either. So pockets of strength, energy, some structural, but a lot of pressure on the EMEA side, and not much to talk about in China.

Angel Castillo Malpica - *Morgan Stanley & Co LLC - Analyst*

Yeah. And when you talk about EMEA, is that more so kind of the -- is it just the market that you're seeing right now or also just kind of structurally longer term? I know there's a lot of questions a few years back as to chemical production or other facilities, has that become unaffordable in some of those regions?

Gabriel Bruno - *Lincoln Electric Holdings Inc - Executive Vice President, Chief Financial Officer and Treasurer*

Yeah. No, it's a fair observation. I mean, what we're talking about now is more short-term dynamics. But you do have the longer-term trajectory is like where is the industrial base going in the European market. So something we pay attention to. And so that's going to put a lot more pressure on and make sure we've got an efficient model in place and agile enough to manage through different demand cycles.

I didn't talk about pricing. But pricing, you saw we had a little bit of a contraction in the second quarter. I think overall, I mean we expect to be price positive. We'll probably end up continuing into a slightly down pricing trajectory in the international markets. And that's just a function of working through OEMs and spot types of contracts within the --

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Angel Castillo Malpica - *Morgan Stanley & Co LLC - Analyst*

That's for fiscal year '24?

Gabriel Bruno - *Lincoln Electric Holdings Inc - Executive Vice President, Chief Financial Officer and Treasurer*

'24, yes.

Angel Castillo Malpica - *Morgan Stanley & Co LLC - Analyst*

Got it. And then maybe, Harris, just to kind of round out the businesses. How are you seeing there, particularly as you think about the retail side of the business, what you're seeing kind of in that evolution?

Gabriel Bruno - *Lincoln Electric Holdings Inc - Executive Vice President, Chief Financial Officer and Treasurer*

Harris, first of all, I'm very proud of our team. I mean you see how we've been shaping the model there. I mean we had established a target of EBIT 13% to 15%. They were in excess of 18% in the second quarter with still some pressure on their and overall demand (inaudible) comps will be a little bit more challenging third quarter on the retail side. Consumer sentiment still not as exciting.

We can think of the big boxes and what they're saying about their own consumer profile. More positive on HVAC, sort of seeing a little bit more activity there. It's about one-third of the Harris business, so that can lead to some demand expansion on the Harris side. But we're looking at an EBIT profile now between the 16% 17%. Now Harris, which exceeds our 13% to 15%.

So we're really proud of the hair team and what we've done there to shape the model.

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Angel Castillo Malpica - *Morgan Stanley & Co LLC - Analyst*

Just one quick one on the HVAC side. I think that was an area that maybe there was a little bit of kind of destocking or pressure from an inventory perspective. When you say a little bit more positivity there around that business, is it just abatement of the destocking is a demand improvement? What are --?

Gabriel Bruno - *Lincoln Electric Holdings Inc - Executive Vice President, Chief Financial Officer and Treasurer*

Actually more demand improvement, less about restocking and that destocking, and more so just seeing just more activity, more demand, that would be healthy.

Angel Castillo Malpica - *Morgan Stanley & Co LLC - Analyst*

Got it. Perfect. That's helpful. And then maybe one last one for me. Anything as you think about international businesses or just even your Americas business, but a lot of going around, around tariffs or other implications? Anything to kind of consider there for --?

Gabriel Bruno - *Lincoln Electric Holdings Inc - Executive Vice President, Chief Financial Officer and Treasurer*

So we'll be very disciplined on how we manage tariffs. We've been through this before. Generally, we put surcharges in place to be protecting our business model and just navigating to whatever we see. So we've done this before doing the 2017, 2018 time frame. A lot of the talk we're ready for it.

And we've been -- we may make sure our teams understand the implications that we'll deal with it like we've done before, charge surcharges in place to have a temporary offset to whatever tariff, how that progresses.

Angel Castillo Malpica - *Morgan Stanley & Co LLC - Analyst*

Any particular way or way to kind of quantify the degree of exposure to?

Gabriel Bruno - *Lincoln Electric Holdings Inc - Executive Vice President, Chief Financial Officer and Treasurer*

No, it's anything that we see tariffs on we're going to be putting surcharges in place. So whether it's Mexico or China, wherever it is.

Angel Castillo Malpica - *Morgan Stanley & Co LLC - Analyst*

That is there.

Gabriel Bruno - *Lincoln Electric Holdings Inc - Executive Vice President, Chief Financial Officer and Treasurer*

We manage supply chain, so we'll make sure we've got sourcing alternatives first. But then we'll look to -- if we got to manage surcharges and tariffs, we will do that.

Angel Castillo Malpica - *Morgan Stanley & Co LLC - Analyst*

Perfect. Well, that brings us to the end of time. So again, Gabe really appreciate your time.

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Gabriel Bruno - *Lincoln Electric Holdings Inc - Executive Vice President, Chief Financial Officer and Treasurer*

Thank you, Angel.

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