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EDITED TRANSCRIPT

LECO.OQ - Lincoln Electric Holdings Inc at Jefferies Industrials Conference

EVENT DATE/TIME: SEPTEMBER 05, 2024 / 12:05PM GMT

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CORPORATE PARTICIPANTS

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

CONFERENCE CALL PARTICIPANTS

Saree Boroditsky *Jefferies - Analyst*

PRESENTATION

Saree Boroditsky - *Jefferies - Analyst*

Good morning. Thanks for joining us today. My name is Saree Boroditsky. I cover multi-industrials here at Jefferies. We're very excited to have Lincoln Electric, including Gabe Bruno, CFO with us today, and we're going to dive into some fireside chat questions.

If you have any questions, please feel free to raise your hand at any time. So thank you for joining us.

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

Thank you for having me.

QUESTIONS AND ANSWERS

Saree Boroditsky - *Jefferies - Analyst*

So I sent a bunch of questions like two weeks ago that we're throwing out the window. And let's talk about some of the recent environment and what you're seeing. You kind of updated the guidance to down mid- to high single digits. So maybe just what you're seeing in the market that kind of caused this change?

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

Yeah. So just in general, we have been pointing to some of the softer elements of the markets. We knew that heavy industries driven by ag, some construction, general industries just being -- have a lot of pressure in general industries. And then we had talked about the automotive industry and the implications in our automation business as well as short-cycle activity on the automation side. So we've seen more of the same.

And we had pointed in our earnings call that we'd be pushing the higher unfavorable end of the range of mid-single digits, so that's more like the 6%. So as we saw activity continue into August. August is always a tough month because you've got a lot of vacation schedules and plant shutdowns that are typical and planned during the season. But we just see continuation of softness.

You saw the grow reports on PMI and the like. So we see that as well. So that's a pointing us to think -- what we're seeing is more in line to mid-single-digits down in organic demand. Somewhat the same, but a little bit more softer.

Saree Boroditsky - *Jefferies - Analyst*

And maybe just thinking about like what's the visibility here? Because if I remember correctly, and Amanda is in the audience can correct me, but I think it was from November 2014 was the last time you guys preannounced negative. Now it's kind of 2 times in a row. So just like what's going on in the environment that makes this visibility a little bit more different than other years?

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

Yeah. I was just saying that the short-cycle component of our business continues to remain soft and no real change in the macros. We also have the element of the automation business. That is a much larger portion of our business today than it was in 2015, 2016. And the short-cycle component of that business is about 15% overall run rate in automation.

But we're just seeing a pause in capital investment and what it means into new projects on the automotive side, even on heavy industries. We've seen a little pressure there in general industry. So we're seeing -- that's the biggest difference in our business, automation and what that means into short cycle as well as how we see the progression in the next quarter or so.

Saree Boroditsky - *Jefferies - Analyst*

And I think in your prior commentary, you talked about 2025 kind of heavy industries production, maybe being a little bit flattish. So not seeing maybe a recovery there. How do we think about that from an equipment versus consumable side? And how does your business, I think, change versus the heavy?

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

It's interesting. You mentioned consumable equipment on heavy industries. Think about consumables tied to production. So that's the first area to see softening demand should production levels slow. Equipment was actually up.

So there's still that level of investment in some of the long-term drivers of capacity and productivity. But we saw consumables. Consumables was down almost double digits in the second quarter in heavy industries. I mean, that's again, largely tied to ag, but there's also some elements of construction there. So we just don't see much upside in the short term in heavy industries. You see that continue on probably deep into 2025.

Saree Boroditsky - *Jefferies - Analyst*

And then so consumables heavy industry may be flattish? And then how do we think about a recovery in capital investment? Because that's one of the areas that you highlighted as being a little bit softer on the automation side.

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

Yes. The visibility is pretty tough to see. I mean we know that, for example, the automation business is a good bellwether of capital investment and lots of quoting activity, pretty high-level quoting activity, just not turning the corner in actual investments. I've seen that in orders. So when there's more confidence in the markets, when our customers are seeing more confidence in the build-up of capacity and opportunities to drive productivity.

We'll see more capital investment. We just haven't seen that turn into orders in the short term.

Saree Boroditsky - *Jefferies - Analyst*

And again, if you have any questions, please just feel free to raise your hand. I think one of the bright spots you talked about was energy. Maybe are you seeing that continue? And what's kind of the growth trajectory there? .

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

Yes. So energy continues to be strong, mainly driven by oil and gas, renewable energy opportunities and strengthening in the Middle East, for example, in India. And when we see that momentum continuing through the balance of the year and we've got some applications that are tied to that part of the end market and so we're pretty confident that should -- that momentum should continue.

Saree Boroditsky - *Jefferies - Analyst*

Maybe turning to the margins. I think it has been one area that has been a bright spot despite the lower volumes. Given kind of the weaker environment you're seeing as you even get through 2025, does that change how you're thinking of cost cutting? And how would you start thinking about that as we go forward? .

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

Yeah. So margins have been a great story for us. In our strategy, we're focused on driving a 200-basis-point improvement in the overall margin -- average operating margin profile, and we're on top of that. And if you look back some of the historical cycles where you're seeing declines in demand, we're ahead of that about 250 basis points on average. So we're really pleased with how the team has developed our business model, whether it's in the Americas, automation, international, Harris, and I feel that we're very well positioned in managing through this cycle as we've done it many times before.

Now that said, we did point to in our updates yesterday, probably 50-basis-point-ish impact and what we're seeing in short term. If you remember, we talked about our operating margins this year about 17.5%, excluding acquisitions, about a 30-basis-point impact on acquisitions. So just take 50 basis points on top of that. We do expect more of that pressure into this third quarter. We have a traditional playbook as the market knows that we're pretty disciplined in executing.

And as we're deploying actions, both temporary -- and we'll look for opportunities on structural part of our business. But it takes a little bit of time to ramp up. We're very much focused on protecting the operating margin profile of our business. We typically exit these types of environments stronger in terms of the operating margin profile of our business. And so we're putting together a playbook, taking actions to drive the temporary cost side of our business.

We do expect, again, short term, some impact to 50 basis points, but more so third quarter start to project ourself more subsea impacts in the fourth quarter.

Saree Boroditsky - *Jefferies - Analyst*

The decrementals have still been pretty good on this business. And I guess, as I think about comparing its past levels, I would have thought they would have been worse given more of the fixed cost automation business keep getting larger. So what's the offset there?

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

Well, you've got across the board improvements in the Americas and International and Harris. The automation component of our business does have a higher fixed cost nature in our model. And you had a lot more engineering and technical capacities. We have a 2,100-employee-team that's in servicing the markets from an automation standpoint and then all the facilities. So heavier fixed cost.

That generally means higher incrementals and higher decrementals and we think of higher incrementals being into the 30s. On the decremental side into the mid- to high 20s.

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So you've got that dynamic that puts pressure. Our decrementals overall, we expect to be in the mid-20s under this kind of profile of our demand -- organic demand profile as well as the acquisitions. But it's just all the work we've done across all of our businesses to respond to changing demand patterns and then also a continuous improvement in shaping our model.

Saree Boroditsky - *Jefferies - Analyst*

Kind of diving into those a little bit more. You've been trending at the high end of your long-term algorithm for Americas. Are we already at a higher sustainable margin rate or put a different way, like what would it take to get back to a 17% margin there?

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

Yes. So you're right that we're at the higher level of performance, and we expect the model performs that way. In a down cycle and with the mix of automation, we do expect pressure on the Americas side, still within the range, maybe pushing closer to that 17% to 18% range because of decrementals within the automation space, but still very healthy. The model is positioned to perform at the higher level, and we've been performing in excess of that. And we'll expect that as we navigate through this environment, we'll continue to perform at a high level.

Saree Boroditsky - *Jefferies - Analyst*

Another business that has been outperforming is Harris. I think they're well above their long-term targets at this point. So what are some of the structural changes in this business that have led to that margin improvement? And is there additional opportunities to bring these margins closer to Americas?

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

Yes. So in general, our team has done just a lot of work in the business model. And we had an acquisition a couple of years back that we had to do a lot of shaping, which is a typical framing of how we look at acquisitions. Typically, the acquisitions we have are a little bit lower at margin base, and we apply a lot of our business systems surrounding the targets, and then we built them into our established model. So we've been a lot of improvements in the business model, including the integration of acquisitions.

We also have at Harris, a very disciplined price cost work that we do because of the silver and the copper content we have in that business. So very disciplined price cost actions and continuously looking at opportunities to leverage within the model.

We've been performing excess of that 13% to 15% target, as you mentioned, Saree, we're probably in that 16%, 17% type range, as we mentioned in the call. We still are confident in the execution there. And that's kind of how we see the business today. And as we think about 2030, in general, we look to continually shaping each of our segments. So you can expect for a continuous improvement mindset and that mindset includes 200 basis points of consistent improvement in the operating profile, and we see that with Harris for sure.

Saree Boroditsky - *Jefferies - Analyst*

I'll just open up to questions. Do you have any? Okay. International margins has been a little bit weaker than the other segments. So what do you need to see from a demand or a self-help perspective in that segment to get margins at the high end of the target range like you've seen in the other businesses?

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

Yes. The international story really -- 75% of our international business is EMEA and it has been tough macros in the European market. So we need a modest level of demand. We believe that the business model is shaped to operate within that 12% to 14% range. And at the higher end, just a modest level of demand, some more stability in the macros within European markets.

Internationally, we still see a lot of opportunity in the Middle East, certain pockets within Asia and India, those are some growth drivers. But overall, we need to see improvement in the EMEA demand profile and the macros there.

Saree Boroditsky - *Jefferies - Analyst*

What's the difference structurally in your -- the rest of the world, that means that margins can't get to America's levels? And what would you need to see like over time to get those margins closer to Americas? .

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

Well, we expect to always see a gap. I mean the competitive environment in the international markets and the structural differences, fixed cost structure in many of the -- for example, the mini markets are not going to drive the same profile we have in the Americas. So each of our teams will be driven to improving the margin profile and you look at the international business, it's more than doubled over the last 5 years or so.

But because of the inherent competitive and fixed cost structure, we'll see a gap. The Americas side will continue to drive improvement. We remind you that 80% of our automation business is in the Americas region. So we're continuing to work on improving the automation profile to our targeted mid-teens our corporate average on margins. We're not there yet.

We've got a few hundred basis points to work through that. But we expect Americas to continue to improve, and we also expect each of the Harris, International business models improve, but still a gap in the structural differences in the businesses.

Saree Boroditsky - *Jefferies - Analyst*

You mentioned automation margin, so I have to slide one in here. Why can't those margins be higher because you are offering a return on investment to your customers? So just how do you think about pricing those solutions? .

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

The automation approach to pricing is different than standard products out of consumables or equipment. It's really driven by the value proposition that we offer and you mentioned returns, very good returns. But they're driven by the project proposal and what we do from quoting to execution. And that has been the most significant part of how we've improved the margins. So we competitively position our value proposition, drive productivity, efficiency and alike, but then continuously think about what are the cost drivers, what's the engineering content and how disciplined are we in executing to that.

So a lot of what we see in the improvement of the automation margins is about how are we driving in a more efficient business model. So we think that's the path to get to our corporate average and continue driving improvement on the automation model.

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Saree Boroditsky - *Jefferies - Analyst*

Innovation has been key to your equipment portfolio. And I think you even mentioned that equipment in heavy industries was one of the bright spots. So I think you've launched over 50 new products last year. How do you see that rate of new product introductions going forward? And does that help you gain market share?

Or is that something you just need to be able to compete?

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

Well, there's definitely a defensive posture in looking at the velocity of introducing technology, but there's also market share. I mean, definitely an opportunity for us to drive accelerated growth. When we think strategically, our whole strategy is around innovation, technology, providing solutions to our customers, and that means that we're introducing new technologies that are inherently going to create opportunities to our productivity, quality and a more safe experience for our customers. So we're very much focused on innovation. .

I'd like to point to our equipment Vitality Index gives you a sense of velocity of the introduction of new products within the market. In 2023, 57% of our sales in equipment were from new products introduced in the last five years. So it gives you the sense of the velocity of new technology introduction. We have an upcoming industry trade show, FABTECH in October. We'll have up to 20 new products, very much focused on the development, introducing new technologies, but also introducing how the acquisitions we've have just made also provided more capabilities from a technology standpoint.

So innovation is very key to our growth drivers, and we think long term, it's a very competitive market and maybe we can write investments to stay in the lead and be the market leader we are in welding.

Saree Boroditsky - *Jefferies - Analyst*

So I mean do you think you continue to outperform on the equipment side? And like what would the ultimate share of revenue be? Because I think you have increased this over time in the last few years? And how does this impact margins?

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

So when you look at standard equipment and consumables, their margin profiles is similar. The automation business is where we're looking to improve our margin profile within that. But you're right, when you look at the mix of our business, we have continuously shifted about 50 to 100 basis points of business into equipment. So the mix of our business has been more heavily equipment over the last few years. So now we are 53% consumables, 47% equipment.

The automation component of our business is also within our equipment measurements from a product standpoint, and that has also been accelerated growth. So we don't have a perfect mix, but we know the growth drivers are going to continue to accelerate in automation. We'll continue to see the mix evolve between consumables and equipment because of that. But we don't have a perfect mix of that, but the margin drivers are going to be largely an improving automation component of our business.

Saree Boroditsky - *Jefferies - Analyst*

When I look at average organic volume growth in Americas since 2019, I think it's relatively flattish. So how has the welding market performed relative to that? And how do you think about welding market demand versus your growth going forward?

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

When we think about overall market, 2019 is a good gauge. The flattish would lead you to take away that the overall welding market has underperformed because a lot of the acceleration, which has been growth, but also pure organic growth, but also market share in automation part of the equipment side. So it has been a tough couple of years in looking at 2019, 2020 with COVID, seeing some growth the last year or so in overall organic trends have been a bit more challenged. So we see more accelerated growth coming through automation and in introducing new technologies and just monitoring the progression of overall industrial production, PMI trends around the globe.

Saree Boroditsky - *Jefferies - Analyst*

And so my question on international, where do you expect organic volumes to come from in the medium to long term? By region, by market? can I see that mix there?

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

Well, definitely more strength around the Middle East, India, some of the emerging markets, pockets of Asia. EMEA, continue -- we continue to see pressure there. And the long-term dynamics of where is the industrial base progressing in Europe? Still pretty bullish about heavy industries and automotive industries within the European markets, but there is pressure long term on where is the industrial base progressing in EMEA with opportunities to introduce new technologies, applications within the markets and see more upside within the Middle East and some of the emerging markets.

Saree Boroditsky - *Jefferies - Analyst*

Kind of going to automation a little bit. We talked about it somewhat. But you talked about the TAM. I think it's a $35 billion plus market. What does that include?

And what's the TAM of the areas that you're currently exposed to?

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

Yes. So we talked about, I think, in our first quarter call, the mix of business within the automation space. And you've got the arc welding, the cutting, the laser, but you also have the non-welding parts of our automation business that have been growing. So we're split currently between 55% welding-related types of applications and then 45% gets into material handling, AGVs, for example, and of blind testing and other capabilities.

So when we think about the $35 billion TAM, our team has framed up opportunities to not only drive organic growth with continuously broadening out our capabilities, but that also provides a lot of fragmentation and looking at acquisition opportunities. When you think about acquisition opportunities, you've seen our history, a lot of $50 million to $75 million types of size businesses, the integrators that fit well within our bolt-on strategy in automation. And so we think about that TAM is framing up a lot of opportunities, broad-based, core welding, some of the periphery and other applications that tie into that immaterially and otherwise.

Saree Boroditsky - *Jefferies - Analyst*

I asked an earlier question on automation margins. But just kind of building on that, obviously, your targets mid-teens. Within an automation project, how much is Lincoln equipment versus outside equipment? And how does that impact your margins there?

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

Yes. So that's a great question. We get that quite often. So we estimate about 80% of all the content within the project is from Lincoln-sourced materials and Lincoln internal sources. So when you look at the mix of robots and other components that we source, those aren't the drivers to the margin profile of our business.

It truly is what is the value proposition the project. How well are we quoting? What's the engineering content? How are we executing on those projects? But that's not a driver to the margin profile of our business.

Saree Boroditsky - *Jefferies - Analyst*

Is there opportunity to expand that? Are you interested in expanding that, the 80% to a large component?

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

That's -- there hasn't been a focus strategically. I mean, what we think is there are opportunities because of our internal content and looking at how we're sourcing materials, how well are we executing to our engineering estimates. So that helps shape the long-term view of the margin expectation within automation, but it just gives you a sense of it's really a Lincoln driven type of opportunity, not driven by other sources.

Saree Boroditsky - *Jefferies - Analyst*

You mentioned within automation, the welding component and the non-welding component. Do those growth rates differ? And when you're delivering a larger project, are you usually delivering both aspects of that?

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

Yes. I'm not aware of anything significantly differentiated between looking at material handling opportunities. They're extending off where our customer needs are. So it's driven by the growth rates of our customers. We know what are the investment expectations from our customer.

And when we gain the confidence in being able to execute on a pretty higher risk type of projects that get into the tens of millions, then you continue to build out the capabilities and offering that drive productivity and efficiency within our customer base. So it's truly about broadening our footprint within our customer base and gaining the confidence to extend into other areas of automation within their business. .

Saree Boroditsky - *Jefferies - Analyst*

You guys have taken kind of a differentiated approach to automation than some of the competitors. How is the competitive environments within the automation specifically?

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

Yes. So when you think about 80% of our business being in the Americas. The North American business, particularly is much different than the international markets. The North American market is driven by a lot of small, midsized integrators. And those are opportunities for us as you've seen from an acquisition standpoint.

Versus, when you think about the international market, you see a lot more of the robotic manufacturers much more in the integration process internationally.

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The Fori acquisition, as we mentioned a couple of years ago now, provided additional access into the South Korean and the India and Chinese markets. That's an opportunity for us to drive growth. We have also acquired businesses, which are specialized into automation, like the Zeman acquisition we have done. So the international market space is different, and we're focused on opportunities to go through either specialized automation capabilities and cutting a structural fabrication versus looking at some of the integration processes at different of the market, but it's a different market space in international, an opportunity for growth.

Saree Boroditsky - *Jefferies - Analyst*

Maybe let's just switch and talk about the Charger initiative a little bit. Expectations for those revenues have been pushed out on different technology as -- do you think the technology changes here are going to continue to be challenging, continue to kind of mix different than expectations? And does that make it -- that -- is it still an attractive market for you?

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

Look, in terms of attractiveness, it's -- for us, it's a low investment, low cost, high upside. It's early stages in the market's development, and you've seen a lot of disruption, seen some of the recent announcements for some other players in the market is have to do a lot of retrenching in what they've seen.

We've developed our product offering into the NEVI specs, very much focused in the US market. A lot of our customers see our product is attractive. We've launched it. But they're starting to move into more capacity, more charging capacity.

So we've taken our modular approach, which is a 50-kilowatt modular design that ties into a 150-kilowatt NEVI design and now have to reposition to get into a higher level of charging capacity to 300 kilowatt or 400 kilowatt. So we see that regrouping necessary to be able to tie in to where the market is going.

A lot of disruption in the market, but it's -- for us, it's a lower cost opportunity. We've developed the products. We continue to broaden our offering. The operating model is pretty much set. We're developing capabilities to commercialize and engage in the market.

So we'll continue to think it's a nice opportunity for us.

Saree Boroditsky - *Jefferies - Analyst*

Thinking about some of those kind of high-growth opportunities, low investment, and your additive remains pretty small, but you talked about some enthusiasm from customers on the last call. So what's that long-term opportunity? And what does that look like over the next several years?

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

Yes. So we got a lot of interest on the additive side, particularly on the energy markets and military as well. And that's all about significantly reducing the supply chain for our customers there. But it does go through a lot of coding standardization industry review and specifications that need to be tied to what the requirements are. But we're excited about -- we're starting to turn the corner on that.

We had talked about a $6 million operating investment over the years per year. We're looking to break even. So as we're starting to develop reliable, consistent revenue streams, starting to get to a point of breakeven. And we believe that we're at a point where depending on where the energy and the military markets go for us and the customer base and investment, that could be a nice growth trajectory over the next couple of years.

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Saree Boroditsky - *Jefferies - Analyst*

Acquisitions are expected to add 3% to 4% to top line over time. I think you framed this as a $60 billion TAM opportunity. What does that include? And how does that pipeline look currently?

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

Yeah. So we've been pretty active in acquisitions. We've had three in the last few months. That $60 billion TAM is split between the $35 billion we talked about on the automation side and $25 billion in core welding. And we think a lot of opportunities for acquisitions on the automation space when you break and peel the onion, as we just went through on the automation side.

But also in core welding, the Vanair transaction that we just completed is part of that. So when you take out the large three players in the welding industry, some of the regional players, there's a lot of fragmentation still within the core welding business. So that all shapes on how we think about the opportunities to continue to drive 300 to 400 basis points of CAGR from an acquisition standpoint.

Saree Boroditsky - *Jefferies - Analyst*

One of the things we're doing is we're asking all of our companies about some of the policies. Obviously, it's a US election year. We're not asking you about candidates, but maybe think a little bit about some of the policies that have been out there, what's beneficial to Lincoln and what could be a little bit less beneficial?

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

Yeah. So we like to emphasize is no matter what administration is in, we'll have to navigate whatever policies there are. But we're anchored on the long-term themes, whether it's a labor dynamic and welding -- welder shortages or near-shoring opportunities or onshoring opportunities. So we'll continue to manage our business no matter what policy drivers progress and really think about the long-term things for growth.

Saree Boroditsky - *Jefferies - Analyst*

We talked a little bit earlier, right, about some customer cautiousness and maybe you typically see that around election year. But when we ask the company like we're focused on long term. So is there anything that you're doing today that you're kind of holding off from an investment standpoint as you think about what could -- what a different candidate could mean in the US?

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

I'm really not focused on the candidates, then really thinking about what are the long-term drivers for growth and investment. Confidence in the economy, obviously, that's a big driver. And in the short term, you have the implications on the cycle, but you also have in the long term, what it means in real capital investment, whether it's change in interest rates or just general confidence in the growth trajectory and a lot of the end market stream.

So it's -- we look to the confidence that the industrial private community has in building out capacity, and that would trigger more investment on the capital side and give more confidence in the short cycle.

Saree Boroditsky - *Jefferies - Analyst*

And then, I guess, last question, what's one of the most misunderstood parts of Lincoln Electric that investors or sell-side have?

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

No. I think what you've seen in our industry and in our business particularly is how much technology is embedded in our offering. In our core welding, when I mentioned the Vitality Index and the kind of development that's feeding our productivity and quality within our offering. And then think about the leverage opportunities we've had with EV chargers and additive, it's all about technology and our capabilities. So it's a higher technology type of industry in our business.

We're leveraging capabilities with the key differentiators we have, whether it's power electronics or software or technology. So I think that stands out within our industry. It has been a differentiator.

Saree Boroditsky - *Jefferies - Analyst*

Well, thank you for joining us.

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