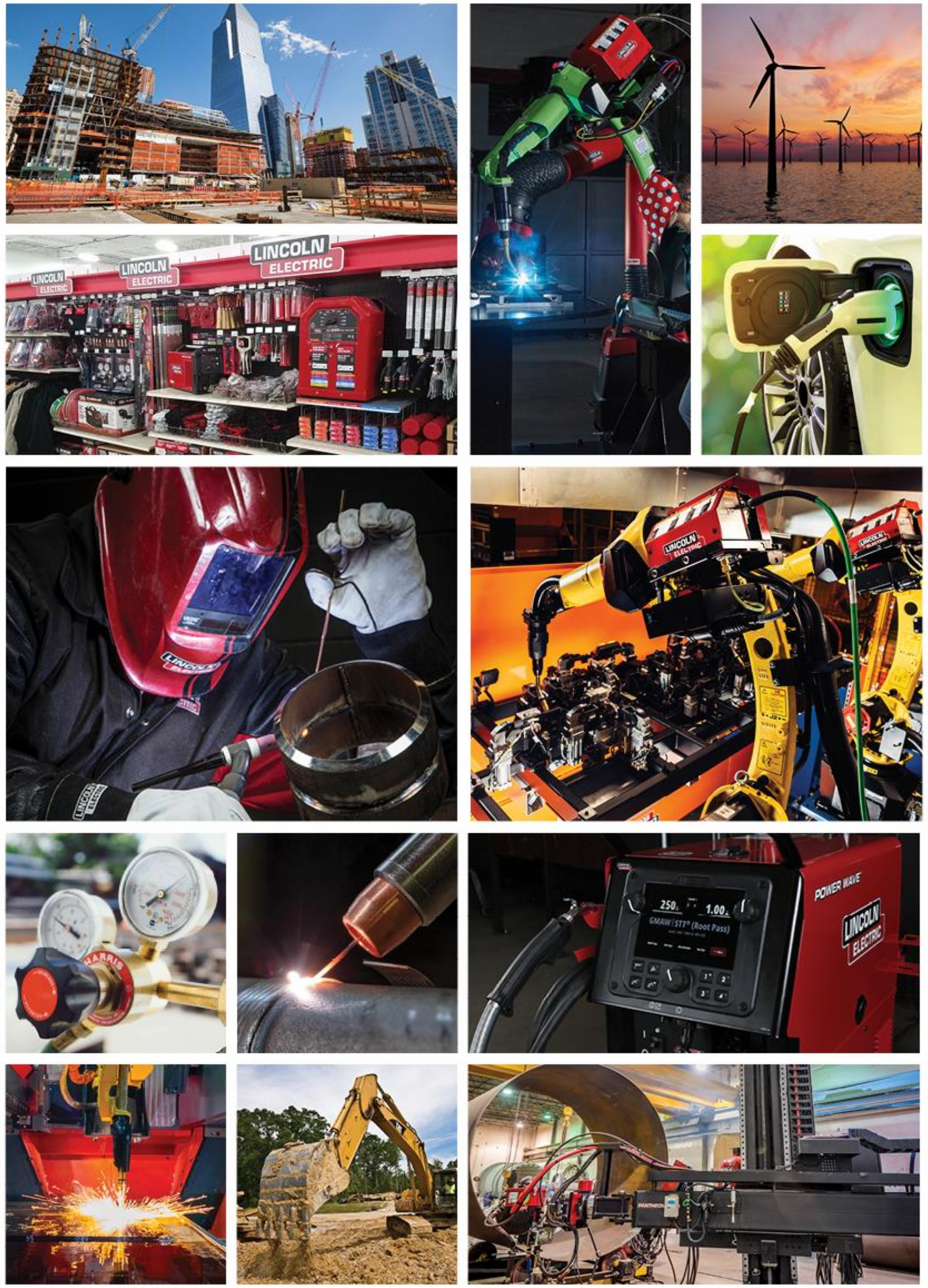
April 28, 2022

**LINCOLN ELECTRIC HOLDINGS, INC.**

# Q1 2022 Earnings



# Safe Harbor and Regulation G Disclosures

## Forward-Looking Statements:

Statements made during this presentation which are not historical facts may be considered forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual events or results to differ materially from those expressed or implied. Forward-looking statements generally can be identified by the use of words such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “forecast,” “guidance” or words of similar meaning. For further information concerning issues that could materially affect financial performance related to forward-looking statements, please refer to Lincoln Electric’s quarterly earnings releases and periodic filings with the Securities and Exchange Commission, which can be found on www.sec.gov or on www.lincolnelectric.com.

## Non-GAAP Measures:

Our management uses non-GAAP financial measures in assessing and evaluating the Company’s performance, which exclude items we consider unusual or special items. We believe the use of such financial measures and information may be useful to investors. Non-GAAP financial measures should be read in conjunction with the GAAP financial measures, as non-GAAP measures are a supplement to, and not a replacement for, GAAP financial measures.  Please refer to the attached schedule for a reconciliation of non-GAAP financial measures to the related GAAP financial measures.

# Q1 2022 Highlights:

Record Sales, Adjusted Operating Income Margin, Adjusted EPS & ROIC due to strong underlying demand, favorable mix and solid execution under challenging operating conditions

## $925.4M

**Record Q1 sales** of $925.4 million, +22.2%; Organic sales +22.1%

## 25.0%

**Record ROIC** of 25.0%; +610 bps vs. prior year

## 17.6%

**Record Q1 Adjusted Operating Income Margin** +320 bps to 17.6%

## $43M

**Cash flow from operations** of $43 million

## $2.10

**Record Q1 Adjusted EPS** of $2.10, +53.3%

## $138M

**Returned $138 million to shareholders** (dividends and share repurchases)

# Solid Q1 Organic Sales Momentum

## Q1 Organic sales increased 22% with record backlogs

### All regions and product areas grew

Consumables up mid-20 percent

Equipment up mid-teens percent

Automation up mid-20 percent

## Q1 global end sector performance[1]

### All end market sectors grew

Construction/Infrastructure sector increased high-20 percent

Automotive/Transportation and General Industries increased approx. 20 percent

Heavy Industries and Energy increased low-teens and high-teens percent, respectively

[1] End sector performance reflects direct channel organic sales trends and excludes automation.

# Income Statement – Q1 2022

| $ in Millions | Q1 2022 | % of Sales | Q1 2021 | % of Sales | YoY % Change *Fav/ (Unfav)* |
|---|---|---|---|---|---|
| **Net Sales** | $ **925.4** | | $ **757.0** | | 22.2% |
| **Gross Profit** | **329.8** | 35.6% | **253.8** | 33.5% | 30.0% |
| **SG&A** | **166.7** | 18.0% | **145.7** | 19.2% | (14.4)% |
| **Operating Income** | **161.2** | 17.4% | **103.9** | 13.7% | 55.1% |
| Special item charges[1,2] | 1.9 | 0.2% | 4.2 | 0.5% | 54.7% |
| **Adjusted Operating Income**[1] | $ **163.1** | 17.6% | $ **109.2** | 14.4% | 49.3% |
| **Interest Expense, net**[3] | **6.2** | 0.7% | **5.4** | 0.7% | (15.7)% |
| **Effective Tax Rate** | **21.1** % | | **23.7** % | | 260 bps |
| **Adjusted Effective Tax Rate**[4] | **20.7** % | | **22.9** % | | 220 bps |
| **Net Income** | $ **126.0** | 13.6% | $ **74.1** | 9.8% | 69.9% |
| Special Items[5] | (1.3) | (0.1)% | 8.6 | 1.1% | 115.7% |
| **Adjusted Net Income**[1] | $ **124.7** | 13.5% | $ **82.8** | 10.9% | 50.6% |
| **Diluted EPS** | $ **2.13** | | $ **1.23** | | 73.2% |
| **Adjusted Diluted EPS**[1] | $ **2.10** | | **1.37** | | 53.3% |

## Q1 2022 SALES MIX[6]

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Volume** | 3.2% | **Price** | 18.9% | **Acq/Div** | 4.6% | **FX** | (4.4)% |
| **TOTAL** | **22.2%** | | | | | | |

[1] Please review the appendix for reconciliation of non-GAAP measures.
[2] Q1 Special items include Rationalization and asset impairment charges of $1.9 million. This compares with Rationalization and asset impairment charges of $4.2 million and transaction costs of $1.1 million in 2021.
[3] Interest Expense, net is defined as interest income earned from investments less interest expense from borrowings.
[4] Q1 Adjusted effective tax rate reflects favorable adjustments of 0.4% in 2022 and 0.8% in 2021 from special items.
[5] Q1 Special items include the charges noted in footnote 2 and a $4.3 million pension settlement gain and a $1.0 million tax effect of Special items in 2022 and a $4.9 million pension settlement charge and $1.6 million tax effect of Special items in 2021.
[6] Figures may not sum due to rounding.

# Americas Welding Segment

| ($ in Millions) | Q1 2022 | Q1 2021 | % YoY Change |
|---|---|---|---|
| **Net Sales** | $ 534.1 | $ 425.2 | 25.6% |
| **Adjusted EBIT** | $ 111.6 | $ 76.6 | 45.6% |
| **Adjusted EBIT Margin**[2] | 19.8% | 16.7% | +310 bps |

**Q1 2022 SALES MIX**[1]

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Volume** | 5.2% | **Price** | 19.8% | **Acq/Div** | 0.4% | **FX** | 0.2% |
| **TOTAL** | **25.6%** | | | | | | |

**Volumes higher as end markets recover with growth across all product areas.**

**Price reflects actions taken to mitigate inflation.**

**Margin expands on volumes, price management and operational improvements in automation.**



[1] Figures may not sum due to rounding.
[2] Adjusted EBIT Margin is calculated using Total Sales, which includes Inter-segment sales.

# International Welding Segment

| ($ in Millions) | Q1 2022 | Q1 2021 | % YoY Change |
|---|---|---|---|
| **Net Sales** | $ 258.0 | $ 223.1 | 15.7% |
| **Adjusted EBIT** | $ 37.1 | $ 18.8 | 97.1% |
| **Adjusted EBIT Margin**[2] | 14.0% | 8.3% | +570 bps |

| Q1 2022 SALES MIX[1] | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Volume** | (0.5)% | **Price** | 23.4% | **Acq/Div** | 7.9% | **FX** | (15.2)% |
| **TOTAL** | **15.7%** | | | | | | |

Volumes reflect lower Chinese industrial activity.

Price reflects actions taken to mitigate inflation and the devaluation of the Turkish lira.

Margin increases substantially from mix, price management and benefits of structural improvements to the business.



[1] Figures may not sum due to rounding.
[2] Adjusted EBIT Margin is calculated using Total Sales, which includes Inter-segment sales.

# The Harris Products Group

| ($ in Millions) | Q1 2022 | Q1 2021 | % YoY Change |
|---|---|---|---|
| **Net Sales** | $ 133.4 | $ 108.7 | 22.7% |
| **Adjusted EBIT** | $ 19.6 | $ 18.7 | 4.8% |
| **Adjusted EBIT Margin**[2] | 14.4% | 16.9% | (250) bps |

| Q1 2022 SALES MIX[1] | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Volume** | 2.9% | **Price** | 6.2% | **Acq/Div** | 14.2% | **FX** | (0.6)% |
| **TOTAL** | **22.7%** | | | | | | |

**Volumes higher on industrial sector and specialty gas demand.**

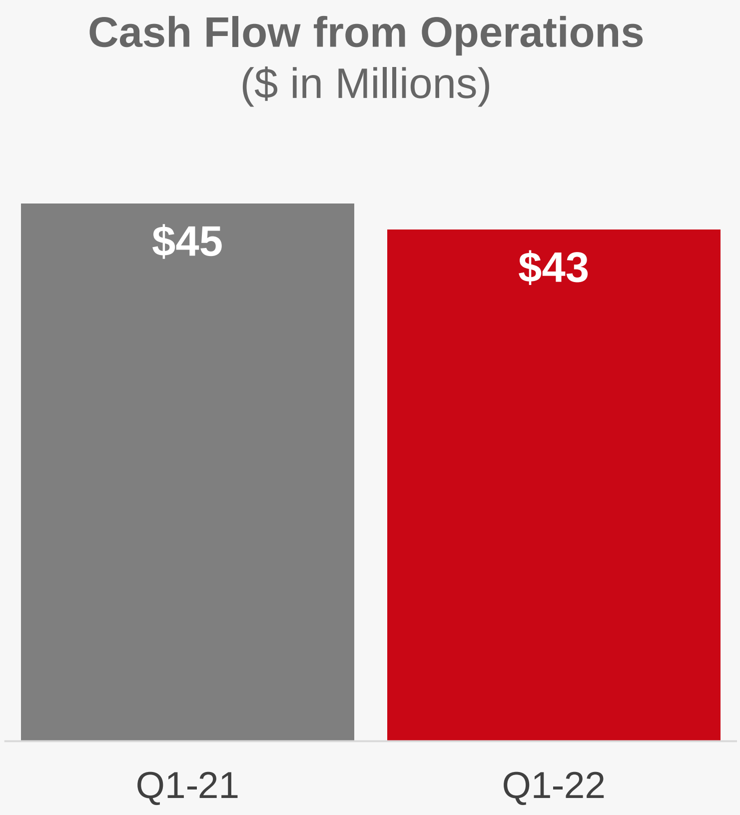
**Price reflects actions taken to mitigate inflation.**

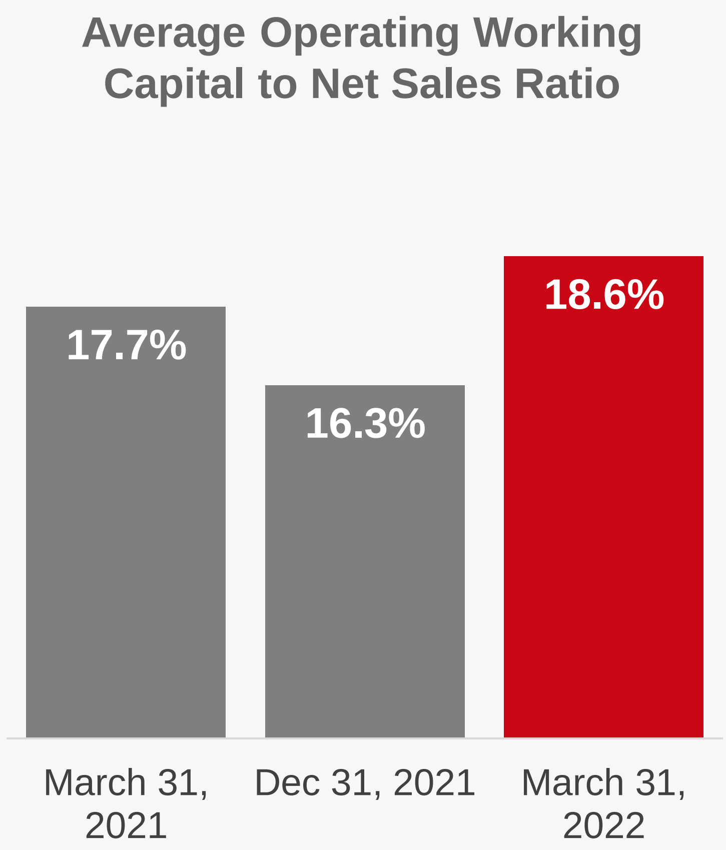
**Margin declines on a challenging prior year comparison, but improves sequentially by 150 bps on mix and continued integration of acquisitions.**



[1] Figures may not sum due to rounding
[2] Adjusted EBIT Margin is calculated using Total Sales, which includes Inter-segment sales.

# Cash Flow From Operations Metrics



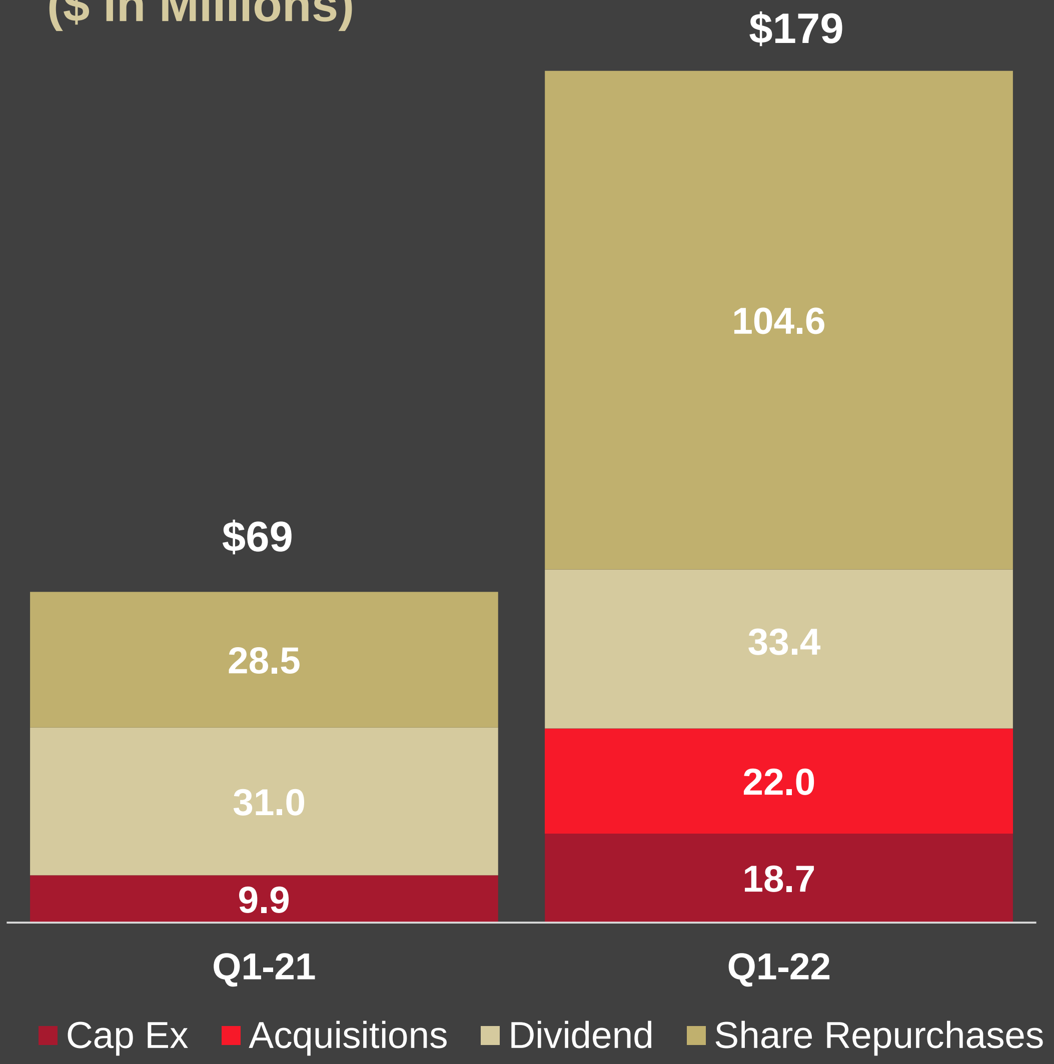




**Solid Q1 cash flow generation with standard seasonality.**

**Working capital remains strategically elevated to service demand and reflects higher sales.**

# Capital Allocation[1]

## ($ in Millions)




[1] Figures may not sum due to rounding

## Q1 Capital Allocation & Returns

- **Growth**: $41 million
- **Return to Shareholders**: $138 million
- **Dividend Rate**: +9.8%
- **Record Return on Invested Capital**: 25.0%

## Capital Allocation Outlook

**Prioritized uses of cash:**

- Growth investments (organic and M&A)
- Dividend
- Share repurchases

# Increasing 2022 Organic Sales & Incremental Margin Assumptions on Solid Demand Momentum and Operational Execution

## Assumptions

Mid-teens % organic sales growth

Effective cost management

Mid-20% incremental margin

Low 20% tax rate

$70 to $80 million in cap-ex

~90% cash conversion

## Risks

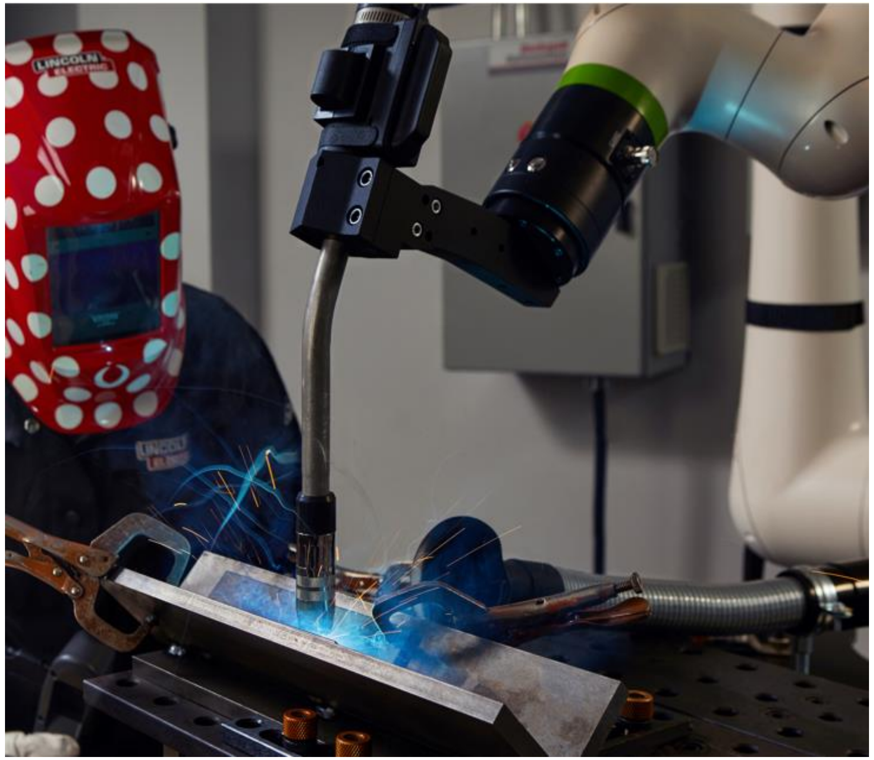
Supply and labor availability

Inflation (raw materials & labor)

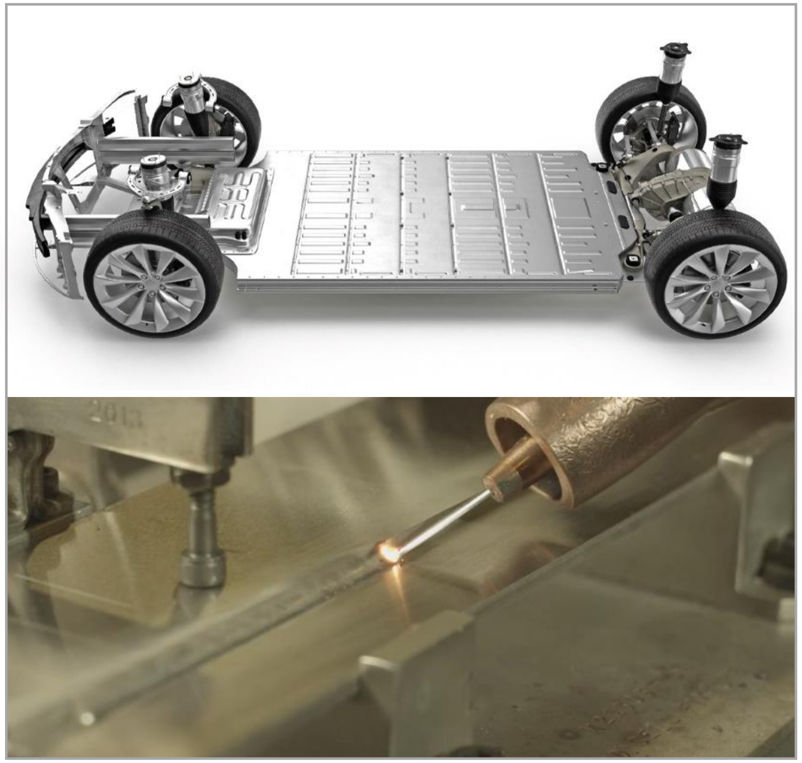
COVID pandemic shutdowns

# Remain Well-Positioned to Capture Growth

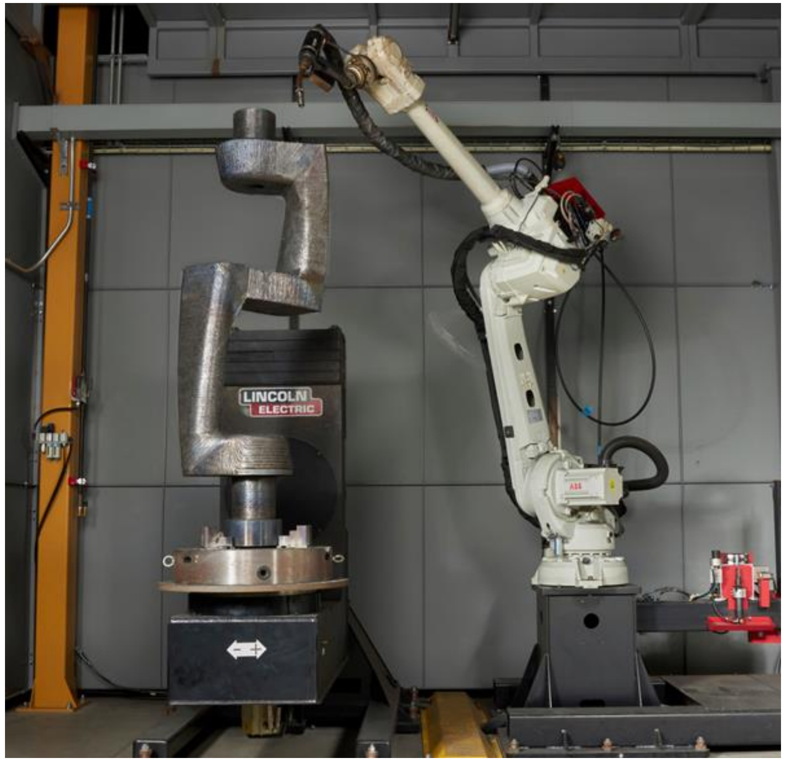
Examples of key innovations serving fast-growing applications



Cobots



Laser hotwire




3D metal printing

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# Non-GAAP Information

Adjusted operating income, Adjusted net income, Adjusted EBIT, Adjusted effective tax rate, Adjusted diluted earnings per share, Adjusted EPS, Organic sales, Cash conversion, and Return on invested capital are non-GAAP financial measures.

Management uses non-GAAP measures to assess the Company's operating performance by excluding certain disclosed special items that management believes are not representative of the Company's core business. Management believes that excluding these special items enables them to make better period-over-period comparisons and benchmark the Company's operational performance against other companies in its industry more meaningfully. Furthermore, management believes that non-GAAP financial measures provide investors with meaningful information that provides a more complete understanding of Company operating results and enables investors to analyze financial and business trends more thoroughly. Non-GAAP financial measures should not be viewed in isolation, are not a substitute for GAAP measures and have limitations including, but not limited to, their usefulness as comparative measures as other companies may define their non-GAAP measures differently.

# Non-GAAP Financial Measures

## Non-GAAP Financial Measures:

**Reconciliation of Operating Income, Net Income, Effective Tax Rate, and EPS to Non-GAAP Adjusted Operating Income, Adjusted Net Income, Adjusted Effective Tax Rate, and Adjusted EPS**

(In thousands, except per share amounts)
(Unaudited)

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Operating income as reported | $ 161,206 | $ 103,928 |
| Special items (pre-tax): | | |
| Rationalization and asset impairment charges (2) | 1,885 | 4,163 |
| Acquisition transaction costs (3) | — | 1,113 |
| Adjusted operating income (1) | $ 163,091 | $ 109,204 |
| As a percent of total sales | 17.6 % | 14.4 % |
| | | |
| Net income as reported | $ 126,030 | $ 74,177 |
| Special items: | | |
| Rationalization and asset impairment charges (2) | 1,885 | 4,163 |
| Acquisition transaction costs (3) | — | 1,113 |
| Pension charges and other net gains (4) | (4,273) | 4,886 |
| Tax effect of Special items (5) | 1,041 | (1,561) |
| Adjusted net income (1) | 124,683 | 82,778 |
| Non-controlling interests in subsidiaries' income (loss) | 1 | (44) |
| Interest expense, net | 6,198 | 5,359 |
| Income taxes as reported | 33,611 | 23,020 |
| Tax effect of Special items (5) | (1,041) | 1,561 |
| Adjusted EBIT (1) | $ 163,452 | $ 112,674 |
| | | |
| Effective tax rate as reported | 21.1 % | 23.7 % |
| Net special item tax impact | (0.4)% | (0.8)% |
| Adjusted effective tax rate (1) | 20.7 % | 22.9 % |
| | | |
| Diluted earnings per share as reported | $ 2.13 | $ 1.23 |
| Special items per share | (0.03) | 0.14 |
| Adjusted diluted earnings per share (1) | $ 2.10 | $ 1.37 |
| | | |
| Weighted average shares (diluted) | 59,272 | 60,299 |

Please see the following slide for corresponding footnotes

# Non-GAAP Financial Measures

(continued)

## Footnotes for Non-GAAP Financial Measures:

## Reconciliation of Operating Income, Net Income, Effective Tax Rate, and EPS to Non-GAAP Adjusted Operating Income, Adjusted Net Income, Adjusted Effective Tax Rate, and Adjusted EPS

1. Adjusted operating income, Adjusted net income, Adjusted EBIT, Adjusted effective tax rate and Adjusted diluted earnings per share are non-GAAP financial measures. Refer to Non-GAAP Information section.
2. Primarily related to severance and gains or losses on the disposal of assets.
3. Related to acquisitions and are included in Selling, general & administrative expenses.
4. Pension settlement charges due to lump sum pension payments and other net gains primarily due to the final settlement associated with the termination of a pension plan and are included in Other income (expense).
5. Includes the net tax impact of Special items recorded during the respective periods. The tax effect of Special items impacting pre-tax income was calculated as the pre-tax amount multiplied by the applicable tax rate. The applicable tax rates reflect the taxable jurisdiction and nature of each Special item.

# Non-GAAP Financial Measures

## Return on Invested Capital (ROIC)

(In thousands)
(Unaudited)

| Return on Invested Capital | Twelve Months Ended March 31, 2022 | Twelve Months Ended March 31, 2021 |
|---|---|---|
| Net income as reported | $ 328,319 | $ 224,730 |
| Rationalization and asset impairment charges | 7,549 | 43,110 |
| Acquisition transaction costs | 810 | 1,113 |
| Pension charges and other net gains | 117,343 | 13,005 |
| Amortization of step up in value of acquired inventories | 5,804 | — |
| Tax effect of Special items (2) | (44,586) | (10,179) |
| Adjusted net income (1) | $ 415,239 | $ 271,779 |
| Plus: Interest expense, net of tax of $6,178 and $5,904 in 2022 and 2021, respectively | 18,364 | 17,550 |
| Less: Interest income, net of tax of $376 and $396 in 2022 and 2021, respectively | 1,113 | 1,184 |
| Adjusted net income before tax-effected interest | $ 432,490 | $ 288,145 |
| | | |
| **Invested Capital** | **March 31, 2022** | **March 31, 2021** |
| Short-term debt | $ 150,560 | $ 3,607 |
| Long-term debt, less current portion | 715,032 | 715,328 |
| Total debt | 865,592 | 718,935 |
| Total equity | 863,060 | 803,408 |
| Invested capital | $ 1,728,652 | $ 1,522,343 |
| | | |
| Return on invested capital (1) | 25.0 % | 18.9 % |

1. Adjusted net income and Return on invested capital are non-GAAP financial measures. Refer to Non-GAAP Information section.
2. Includes the net tax impact of Special items recorded during the respective periods. The tax effect of Special items impacting pre-tax income was calculated as the pre-tax amount multiplied by the applicable tax rate. The applicable tax rates reflect the taxable jurisdiction and nature of each Special item.

# Segment EBIT

**EBIT and Adjusted EBIT Reconciliation – Three Months Ended March 31, 2022**

(In thousands)
(Unaudited)

| | Americas Welding | International Welding | The Harris Products Group | Corporate / Eliminations | Consolidated |
|---|---|---|---|---|---|
| **Three months ended March 31, 2022** | | | | | |
| Net sales | $ 534,055 | $ 258,041 | $ 133,352 | $ — | $ 925,448 |
| Inter-segment sales | 28,156 | 6,228 | 3,062 | (37,446) | — |
| Total sales | $ 562,211 | $ 264,269 | $ 136,414 | $ (37,446) | $ 925,448 |
| | | | | | |
| Net income | | | | | $ 126,030 |
| As a percent of total sales | | | | | 13.6 % |
| | | | | | |
| EBIT [1] | $ 115,303 | $ 35,740 | $ 19,598 | $ (4,801) | $ 165,840 |
| As a percent of total sales | 20.5 % | 13.5 % | 14.4 % | | 17.9 % |
| Special items charges (gains) [3] | (3,735) | 1,347 | — | — | (2,388) |
| Adjusted EBIT [2] | $ 111,568 | $ 37,087 | $ 19,598 | $ (4,801) | $ 163,452 |
| As a percent of total sales | 19.8 % | 14.0 % | 14.4 % | | 17.7 % |
| | | | | | |
| **Three months ended March 31, 2021** | | | | | |
| Net sales | $ 425,242 | $ 223,079 | $ 108,700 | $ — | $ 757,021 |
| Inter-segment sales | 32,748 | 4,285 | 2,147 | (39,180) | — |
| Total sales | $ 457,990 | $ 227,364 | $ 110,847 | $ (39,180) | $ 757,021 |
| | | | | | |
| Net income | | | | | $ 74,177 |
| As a percent of total sales | | | | | 9.8 % |
| | | | | | |
| EBIT [1] | $ 72,177 | $ 14,207 | $ 18,697 | $ (2,569) | $ 102,512 |
| As a percent of total sales | 15.8 % | 6.2 % | 16.9 % | | 13.5 % |
| Special items charges (gains) [4] | 4,440 | 4,609 | — | 1,113 | 10,162 |
| Adjusted EBIT [2] | $ 76,617 | $ 18,816 | $ 18,697 | $ (1,456) | $ 112,674 |
| As a percent of total sales | 16.7 % | 8.3 % | 16.9 % | | 14.9 % |



Please see the following slide for corresponding footnotes

# Non-GAAP Financial Measures

(continued)

## Footnotes for EBIT and Adjusted EBIT Reconciliation – Three Months Ended March 31, 2022

1. EBIT is defined as Operating income plus Other income (expense).
2. The primary profit measure used by management to assess segment performance is Adjusted EBIT. EBIT for each operating segment is adjusted for special items to derive Adjusted EBIT.
3. Special items in 2022 primarily reflect Rationalization and asset impairment charges of $1,885 in International Welding and a $3,735 net gain related to final settlement associated with the termination of a pension plan in Americas Welding.
4. Special items in 2021 reflect pension settlement charges of $4,440 and $446 in Americas Welding and International Welding, respectively. Rationalization and asset impairment charges of $4,163 in International Welding and acquisition transaction costs of $1,113 in Corporate/Eliminations related to an acquisition.