



October 27, 2023 ●
LINCOLN ELECTRIC HOLDINGS, INC.
Q3 2023 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.

Third Quarter 2023 Highlights:

Maintaining record
performance:

Sales

Adjusted Operating Margin

Adjusted EPS

Cash flow from operations

Solid October momentum
with strong Q4 backlog
position



\$1.03B

Record Q3 sales

+10.5% vs. prior year and
+0.4% organic sales

23.6%

Adjusted ROIC performance

17.7%

**Record Q3 Adjusted Operating
Income Margin**

+130bps vs. prior year

\$223M

Record Q3 Cash flow from operations

+71% vs. prior year and 141% cash conversion¹

\$2.40

Record Q3 Adjusted EPS

+18% vs. prior year

\$82M

Returned to shareholders

(dividends and share repurchases)

Q3 organic sales growth reflects fewer shipping days (approximate 230 bps impact)

Reported Q3 Organic sales +0.4%

Equipment up mid-single digit percent

Automation (organic) relatively steady on project timing

Consumables down low-single digit on prior year comparison in HPG (HVAC)

Q3 global end sector performance¹

3 of 5 end markets achieved organic sales growth, led by Energy

Energy up mid-teens percent

Heavy Industries up mid-to-high single digit percent

General Industries up low-single digit percent

Construction/Infrastructure declined mid-to-high single digit percent

Automotive declined mid-teens percent

¹ End sector performance reflects direct channel organic sales trends



Income Statement – Q3 2023

\$ in Millions	Q3 2023	% of Sales	Q3 2022	% of Sales	YoY % Change Fav/ (Unfav)
Net Sales	\$ 1,033.2		\$ 935.2		10.5%
Gross Profit	365.6	35.4%	309.5	33.1%	18.1%
SG&A	187.1	18.1%	159.0	17.0%	(17.6)%
Operating Income	171.4	16.6%	142.1	15.2%	20.6%
Special item charges ^{1,2}	11.9	1.2%	11.1	1.2%	7.6%
Adjusted Operating Income¹	\$ 183.4	17.7%	\$ 153.2	16.4%	19.7%
Interest Expense, net³	10.8	1.0%	8.2	0.9%	(31.7)%
Other Income (expense)	0.8	0.1%	3.6	0.4%	(77.7)%
Effective Tax Rate	19.9 %		20.6 %		70 bps
Adjusted Effective Tax Rate⁴	19.5 %		19.5 %		-
Net Income	\$ 129.3	12.5%	\$ 109.2	11.7%	18.4%
Special Items ⁵	10.1	1.0%	10.3	1.1%	(2.0)%
Adjusted Net Income¹	\$ 139.5	13.5%	\$ 119.6	12.8%	16.6%
Diluted EPS	\$ 2.22		\$ 1.87		18.7%
Adjusted Diluted EPS¹	\$ 2.40		2.04		17.6%

Q3 2023 SALES MIX⁷

Volume	(0.7)% ⁶	Price	1.1%	Acq/Div	8.8%	FX	1.2%
TOTAL	10.5%						

¹ Please review the appendix for reconciliation of non-GAAP measures.

² Q3 Special items include Rationalization and asset impairment charges of \$7.1 million in 2023 as compared with \$8.4 million in 2022; Amortization of step up in the value of acquired inventories of \$4.9 million in 2023 as compared with a \$0.4 million benefit, as well as Acquisition transaction costs of \$3.1 million in 2022.

³ Interest Expense, net is defined as interest expense less interest earned.

⁴ Q3 Adjusted effective tax rates in 2023 and 2022 reflect favorable adjustments from special items.

⁵ Q3 Special items include matters noted in footnote 2 and a \$1.8 million tax effect of Special items in 2023 as compared with \$0.7 million in 2022.

⁶ Q3 volumes and organic sales were unfavorably impacted approximately (230) bps from fewer shipping days.

⁷ Figures may not sum due to rounding.

Americas Welding Segment

(\$ in Millions)		Q3 2023	Q3 2022	% YoY Change			
Net Sales		\$ 665.2	\$ 585.6	13.6%	↑		
Adjusted EBIT		\$ 136.5	\$ 118.8	14.9%	↑		
Adjusted EBIT Margin ²		19.7%	19.1%	+60 bps	↑		
Q3 2023 SALES MIX ¹							
Volume	0.4%	Price	0.6%	Acq/Div	12.3%	FX	0.3%
TOTAL	13.6%						

Sales increase primarily from acquisitions. Organic sales unfavorably impacted approximately (280) bps by fewer shipping days.

Consumable and Equipment volumes higher on a normalized shipping day basis.

Margin performance reflects effective cost management.

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)	Q3 2023	Q3 2022	% YoY Change
Net Sales	\$ 242.0	\$ 216.5	11.8% ↑
Adjusted EBIT	\$ 30.2	\$ 25.2	19.9% ↑
Adjusted EBIT Margin²	12.2%	11.1%	+110 bps ↑
Q3 2023 SALES MIX¹			

Volume	2.9%	Price	0.2%	Acq/Div	4.9%	FX	3.8%
TOTAL	11.8%						

Volumes higher across EMEA and Asia Pacific from strong project activity in Turkey, Middle East and portions of Asia Pacific.

Organic sales unfavorably impacted approximately (160) bps by fewer shipping days.

Margin performance reflects effective cost management.

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)	Q3 2023	Q3 2022	% YoY Change
Net Sales	\$ 126.0	\$ 133.1	(5.4)% ↓
Adjusted EBIT	\$ 20.4	\$ 14.4	41.4% ↑
Adjusted EBIT Margin²	15.9%	10.6%	+530 bps ↑
Q3 2023 SALES MIX¹			

Volume	(11.2)%	Price	4.7%	Acq/Div	-	FX	1.2%
TOTAL	(5.4)%						

Volume performance primarily reflects a challenging prior year comparison in HVAC and moderating demand across most end markets.

Price reflects actions taken to mitigate inflation.

Margin reflects effective cost management, mix, and operational efficiency.

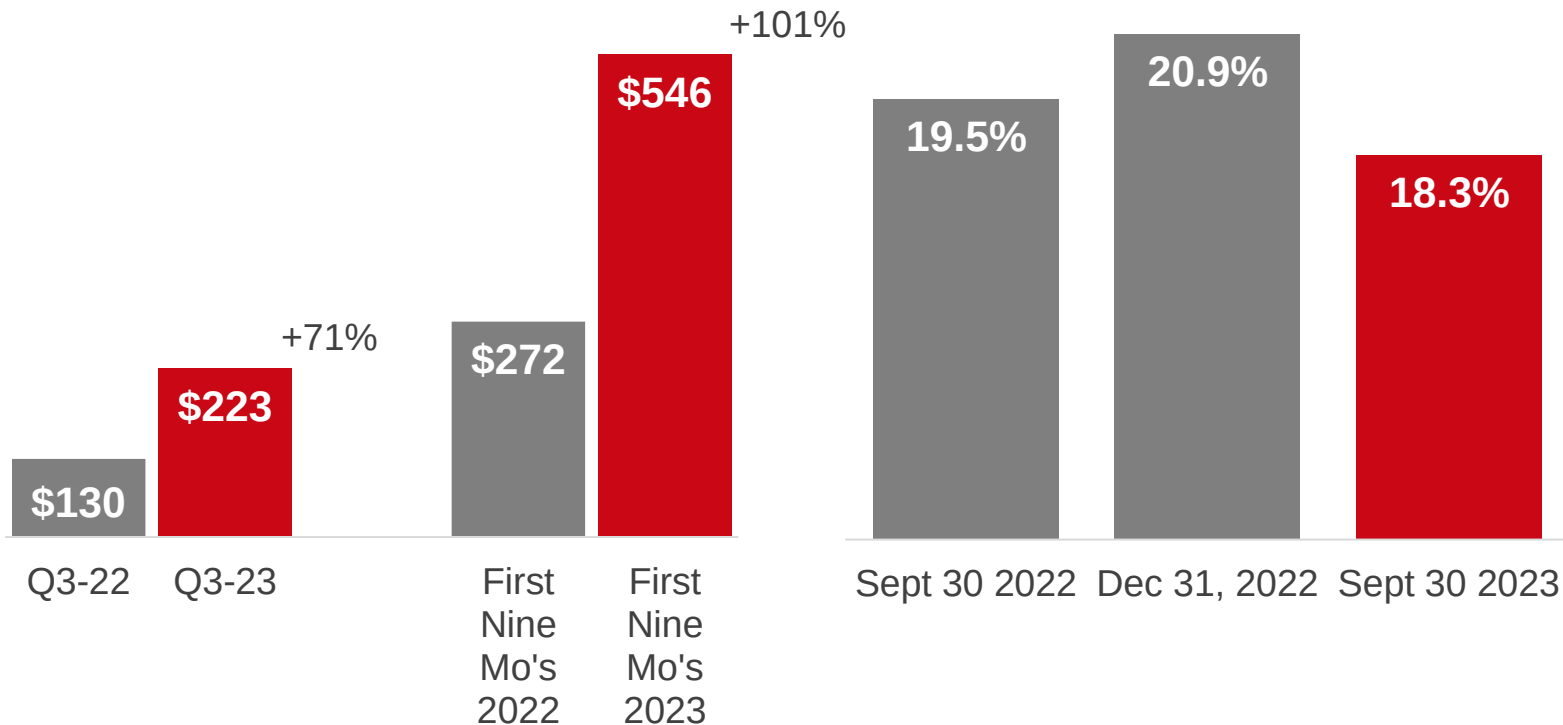
¹ Figures may not sum due to rounding

² Adjusted EBIT Margin is calculated using Total Sales, which includes Inter-segment sales.

Cash Flow From Operations Metrics

Cash Flow from Operations
(\$ in Millions)

Average Operating Working
Capital to Net Sales Ratio



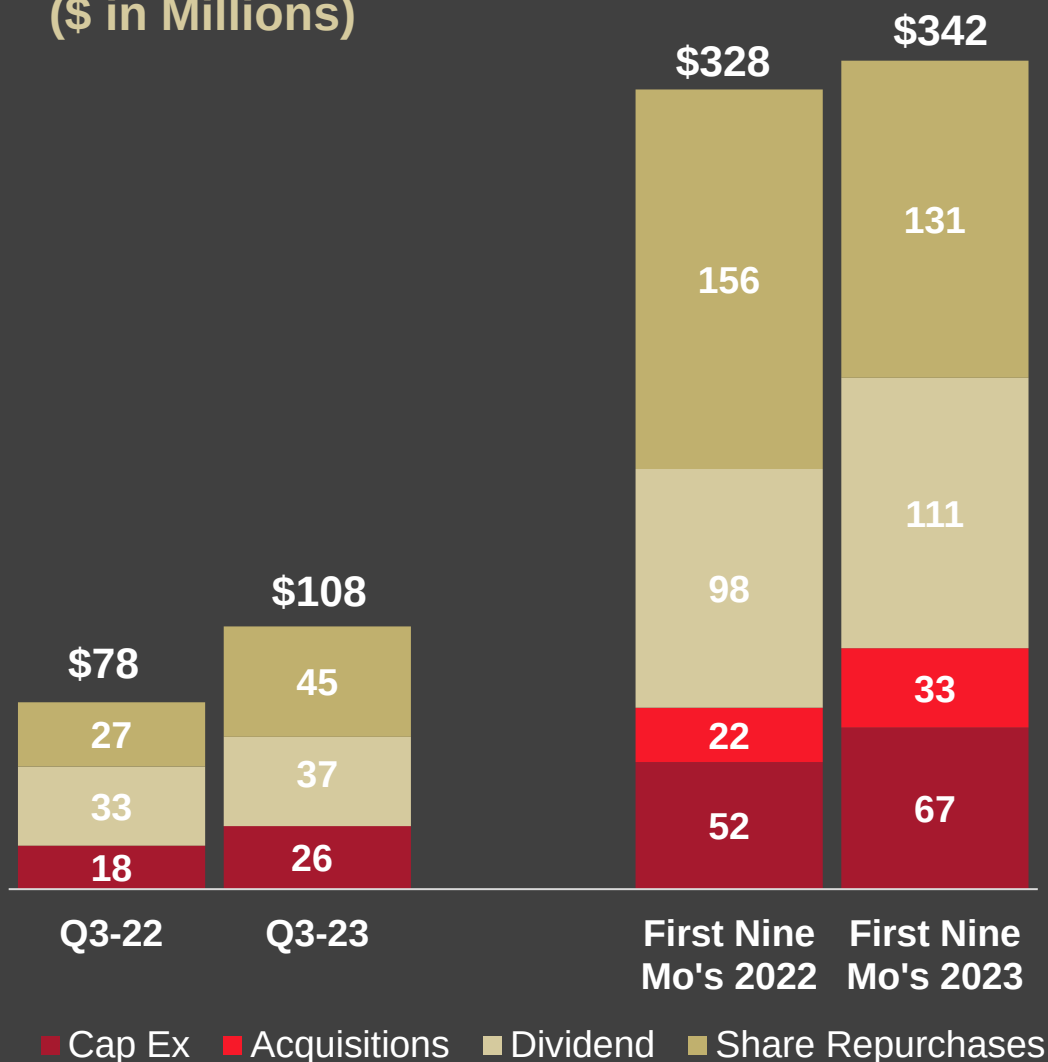
141% cash conversion¹
Q3-2023; 118% First
Nine Months 2023

Achieving greater
working capital
efficiency as operating
conditions improve

¹Cash conversion is defined as Net cash provided by operating activities less Capital expenditures divided by Adjusted Net income.

Capital Allocation¹

(\$ in Millions)



Q3 Capital Allocation & Returns

- Growth: \$26 million
- Return to Shareholders: \$82 million
- Dividend Rate: +14.3%
- Return on Invested Capital: 23.6%

Capital Allocation

Prioritized uses of cash:

- Growth investments (organic and M&A)
- Dividend: Announced +11% 2024 pay out rate
- Share repurchases

¹ Figures may not sum due to rounding

² Adjusted Return on Invested Capital. Please refer to the appendix for reconciliation of Non-GAAP metrics.

Full Year 2023 Assumption Trending

Increasing incremental margin and cash conversion and adjusting organic sales assumptions

Assumptions

Low-double digit % sales growth
(Mid-single digit % organic sales)

Neutral price/cost

High-teens % incremental operating income margin (*High-20 to Low-30% excluding Fori*)

\$45-\$55 million interest expense

Low-20% tax rate (ETR)

\$80-\$100 million in cap-ex

100+% cash conversion

Risks

Economic and geopolitical headwinds

Supply and labor availability

Inflation (raw materials & labor)



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Non-GAAP Information

Adjusted operating income, Adjusted net income, Adjusted EBIT, EBITDA, Adjusted effective tax rate, Adjusted diluted earnings per share, Adjusted EPS, Organic sales, Cash conversion, and Adjusted 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Operating income as reported	\$ 171,441	\$ 142,109	\$ 513,818	\$ 470,848
Special items (pre-tax):				
Rationalization and asset impairment charges ⁽²⁾	7,074	8,364	10,618	9,405
Acquisition transaction costs ⁽³⁾	—	3,068	—	3,068
Amortization of step up in value of acquired inventories ⁽⁴⁾	4,852	(353)	12,252	1,106
Adjusted operating income ⁽¹⁾	\$ 183,367	\$ 153,188	\$ 536,688	\$ 484,427
As a percent of net sales	17.7 %	16.4 %	17.1 %	17.1 %
Net income as reported	\$ 129,343	\$ 109,225	\$ 388,605	\$ 363,078
Special items:				
Rationalization and asset impairment charges ⁽²⁾	7,074	8,364	10,618	9,405
Acquisition transaction costs ⁽³⁾	—	3,068	—	3,068
Pension settlement net gains ⁽⁵⁾	—	—	—	(4,273)
Amortization of step up in value of acquired inventories ⁽⁴⁾	4,852	(353)	12,252	1,106
Gain on asset disposal ⁽⁶⁾	—	—	(1,646)	—
Tax effect of Special items ⁽⁷⁾	(1,780)	(731)	(3,908)	58
Adjusted net income ⁽¹⁾	139,489	119,573	405,921	372,442
Interest expense, net	10,809	8,210	35,708	20,867
Income taxes as reported	32,090	28,262	101,232	93,991
Tax effect of Special items ⁽⁷⁾	1,780	731	3,908	(58)
Adjusted EBIT ⁽¹⁾	\$ 184,168	\$ 156,776	\$ 546,769	\$ 487,242
Effective tax rate as reported	19.9 %	20.6 %	20.7 %	20.6 %
Net special item tax impact	(0.4)%	(1.1)%	(0.1)%	(0.5)%
Adjusted effective tax rate ⁽¹⁾	19.5 %	19.5 %	20.6 %	20.1 %
Diluted earnings per share as reported	\$ 2.22	\$ 1.87	\$ 6.67	\$ 6.17
Special items per share	0.18	0.17	0.30	0.16
Adjusted diluted earnings per share ⁽¹⁾	\$ 2.40	\$ 2.04	\$ 6.97	\$ 6.33

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 EPS are non-GAAP financial measures. Refer to Non-GAAP Information section.
- 2) 2023 charges are primarily related to restructuring activities and impairments within International Welding. 2022 charges are primarily related to severance, gains or losses on the disposal of assets.
- 3) Related to acquisitions and are included in Selling, general & administrative expenses.
- 4) Related to acquisitions and are included in Cost of goods sold.
- 5) Pension net gains primarily due to the final settlement associated with the termination of a pension plan and are included in Other income.
- 6) Gain on asset disposal and included in Other income.
- 7) 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

Adjusted Return on Invested Capital (ROIC)

(In thousands)
(Unaudited)

	Twelve Months Ended September 30,	
	2023	2022
Return on Invested Capital		
Net income as reported	\$ 497,751	\$ 437,505
Plus: Interest expense (after-tax)	36,283	20,732
Less: Interest income (after-tax)	3,104	1,019
Net operating profit after taxes	\$ 530,930	\$ 457,218
Special Items:		
Rationalization and asset impairment charges	13,001	10,955
Acquisition transaction costs	2,935	3,068
Pension settlement charges ⁽²⁾	—	42,131
Amortization of step up in value of acquired inventories	12,253	1,379
Gain on asset disposal	(1,646)	—
Tax effect of Special items ⁽³⁾	(5,159)	(26,393)
Adjusted net operating profit after taxes ⁽¹⁾	\$ 552,314	\$ 488,358
Invested Capital	September 30, 2023	September 30, 2022
Short-term debt	\$ 7,700	\$ 68,375
Long-term debt, less current portion	1,102,858	711,250
Total debt	1,110,558	779,625
Total equity	1,225,582	924,228
Invested capital	\$ 2,336,140	\$ 1,703,853
Return on invested capital as reported	22.7 %	26.8 %
Adjusted return on invested capital ⁽¹⁾	23.6 %	28.7 %

- 1) Adjusted net operating profit after taxes and adjusted ROIC are non-GAAP financial measures. Refer to Non-GAAP Information section.
- 2) Related to lump sum pension payments due to the final settlement associated with the termination of a pension plan.
- 3) 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 September 30, 2023

(In thousands)
(Unaudited)

	Americas Welding	International Welding	The Harris Products Group	Corporate / Eliminations	Consolidated
Three months ended September 30, 2023					
Net sales	\$ 665,228	\$ 242,010	\$ 125,976	\$ —	\$ 1,033,214
Inter-segment sales	28,875	4,896	2,299	(36,070)	—
Total sales	<u>\$ 694,103</u>	<u>\$ 246,906</u>	<u>\$ 128,275</u>	<u>\$ (36,070)</u>	<u>\$ 1,033,214</u>
Net income					\$ 129,343
As a percent of total sales					12.5 %
EBIT ⁽¹⁾	\$ 132,420	\$ 22,369	\$ 20,405	\$ (2,952)	\$ 172,242
As a percent of total sales	19.1 %	9.1 %	15.9 %		16.7 %
Special items charges ⁽³⁾	4,056	7,870	—	—	11,926
Adjusted EBIT ⁽²⁾	<u>\$ 136,476</u>	<u>\$ 30,239</u>	<u>\$ 20,405</u>	<u>\$ (2,952)</u>	<u>\$ 184,168</u>
As a percent of total sales	19.7 %	12.2 %	15.9 %		17.8 %
Three months ended September 30, 2022					
Net sales	\$ 585,628	\$ 216,497	\$ 133,115	\$ —	\$ 935,240
Inter-segment sales	35,353	9,994	2,642	(47,989)	—
Total sales	<u>\$ 620,981</u>	<u>\$ 226,491</u>	<u>\$ 135,757</u>	<u>\$ (47,989)</u>	<u>\$ 935,240</u>
Net income					\$ 109,225
As a percent of total sales					11.7 %
EBIT ⁽¹⁾	\$ 119,157	\$ 16,861	\$ 14,432	\$ (4,753)	\$ 145,697
As a percent of total sales	19.2 %	7.4 %	10.6 %		15.6 %
Special items charges ⁽⁴⁾	(353)	8,364	—	3,068	11,079
Adjusted EBIT ⁽²⁾	<u>\$ 118,804</u>	<u>\$ 25,225</u>	<u>\$ 14,432</u>	<u>\$ (1,685)</u>	<u>\$ 156,776</u>
As a percent of total sales	19.1 %	11.1 %	10.6 %		16.8 %

Non-GAAP Financial Measures

(continued)

**Footnotes for EBIT and
Adjusted EBIT Reconciliation –
Three Months Ended
September 30, 2023**

- 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 2023 primarily reflect amortization of step up in value of acquired inventories of \$3,648 and \$1,204 in Americas and International Welding, respectively, and Rationalization and asset impairment net charges of \$408 and \$6,666 in Americas and International Welding, respectively.
- 4) Special items in 2022 primarily reflect an adjustment to the amortization of step up in value of acquired inventories of \$353 in Americas Welding related to an acquisition, Rationalization and asset impairment charges of 8,364 in International Welding and acquisition transaction costs of \$3,068 in Corporate/Eliminations related to an acquisition.