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OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

Amanda Butler *Lincoln Electric Holdings Inc - Vice President of Investor Relations and Communications*

Steven Hedlund *Lincoln Electric Holdings Inc - Chairman and Chief Executive Officer*

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

CONFERENCE CALL PARTICIPANTS

Bryan Blair *Oppenheimer & Co Inc - Analyst*

Oliver Chang *Morgan Stanley - Analyst*

Mircea Dobre *Baird - Analyst*

Walter Liptak *Seaport Research Partners - Analyst*

Christian Zyla *KeyBanc Capital Markets Inc - Analyst*

PRESENTATION

Operator

Greetings, and welcome to the Lincoln Electric 2026 first-quarter financial results conference call. (Operator Instructions) And this call is being recorded. It is my pleasure to introduce your host, Amanda Butler, Vice President of Investor Relations and Communications. Thank you. You may begin.

Amanda Butler - *Lincoln Electric Holdings Inc - Vice President of Investor Relations and Communications*

Thank you, [Kathleen], and good morning, everyone. Welcome to Lincoln Electric's first-quarter 2026 conference call. We released our financial results earlier today, and you can find our release and this call slide presentation at lincolnelectric.com in the Investor Relations section. Joining me on the call today is Steve Hedlund, Chairman and Chief Executive Officer; and Gabe Bruno, our Chief Financial Officer.

Following our prepared remarks, we're happy to take your questions. But before we start our discussion, please note that certain statements made during this call may be forward-looking and the actual results may differ materially from our expectations due to a number of risk factors and uncertainties, which are provided both in our press release and in our SEC filings on Forms 10-K and 10-Q. And in addition, we do discuss financial measures that do not conform to US GAAP. A reconciliation of non-GAAP measures to the most comparable GAAP measure is found in the financial tables in our earnings release, which again is available in the investor relations section of our website at lincolnelectric.com.

And with that, I'll turn the call over to Steve Hedlund. Steve?

Steven Hedlund - *Lincoln Electric Holdings Inc - Chairman and Chief Executive Officer*

Thank you, Amanda. Good morning, everyone. Turning to slide 3. We achieved solid results led by record quarterly sales and adjusted EPS performance while also navigating heightened operating complexity from geopolitics and evolving trade negotiations. Teamwork exemplified our success this quarter. We remained agile in addressing short-term dynamics while staying customer-focused, investing in long-term growth, and reimagining how work gets done.

The global launch of our new RISE strategy was successful and we celebrated a string of early wins, which include the US launch of our Elite customer program as part of our enterprise-wide spotlight initiative, which raises the bar for customer service in our industry. It enables us to provide superior on-time delivery, hassle-free support, and value-added services to help customers grow their business with us.

In addition, we commissioned a new automated manufacturing line in one of our Harris facilities that triples the line's productivity while significantly improving quality. This investment also showcases the breadth of automated manufacturing solutions we engineer beyond traditional welding robots.

Finally, we launched a new center-led process innovation function in welding consumables to accelerate our speed to market. I am pleased by the speed of progress, and we will work hard to maintain this pace. Turning back to quarterly performance. We are encouraged by improving sales and order momentum in the Americas region through April. This aligns well with three consecutive months of expanding manufacturing PMI data.

In the quarter, we held our adjusted operating income margin steady with prior year. While we targeted a slight margin improvement, our 10% higher price did not fully offset inflation in the quarter. To ensure we achieve our neutral price/cost target this year, we have already announced new price actions across our Welding segments, which go into effect in early May.

Cash flows, while seasonally lower, were further affected by a temporary increase in inventory levels we put in place to maintain high fill rates and service levels while we pursue our spotlight initiative and migrate select products to next-generation versions. We continue to invest in long-term growth through CapEx and R&D and return cash to shareholders through both dividends and share repurchases. ROIC performance remained at top quartile levels at 21.5%.

Turning to slide 4 to spend a few minutes on demand trends. The Americas region continued to outperform other geographies and consumables remain the most resilient product category. This was driven by factory activity and infrastructure investments in energy and data centers which helped offset slower auto production. These same end market drivers, along with an increase in capital spending from off-highway customers supported modest Automation growth in the Americas in the quarter as well.

Globally, our Automation portfolio achieved \$210 million in sales versus \$215 million in the prior year, with compression from international markets where we have a challenging prior-year comparison. We have been encouraged by the continued acceleration in both Equipment and Automation order rates and backlog levels in the Americas through April. This should support modest volume growth in the Americas Welding segment starting in the second quarter with further improvement in the back half of the year if conditions are sustained.

Internationally, we also saw a broad improvement in sales from European customers with organic sales pivoting to growth across Northern, Eastern, and Central Europe, and in Turkey. In addition, India and Australia improved. The headwind in our International business was largely from challenging prior-year comparisons in regional automation and energy projects and, to a lesser extent, the Middle East conflict.

On a consolidated basis, the Middle East represents a relatively small portion of sales, and we estimate an approximate \$8 million sales impact from the conflict as several customers suspended activity. In April, EMEA order rates continue to improve, and we are monitoring for consistency as activity may reflect pre-buying ahead of higher inflation and regional commodity supply concerns.

In the Middle East, we are engaged with regional customers servicing active requests and our global team of welding experts are ready to support their repair and expansion needs as called upon, whether for rapid large-scale metal 3D printing of replacement and spare parts to core welding and automation solutions.

Pivoting to end market performance, we continue to see three of our five end markets achieving flat to higher organic sales growth in the quarter. Most notable is the high-30% growth rate in general fabrication which represented accelerated factory and fabrication activity in the Americas as well as in data center and HVAC projects.

Heavy industries grew in the quarter, led by growth in off-highway globally. Both Construction and [AG] Equipment grew across a broad mix of solutions, including Automation. Energy was steady but was bifurcated between a high-teens percent growth rate in Americas, which was offset internationally. We remain bullish on energy and expect Americas to continue to outperform International with a strong pipeline of pending LNG projects and energy infrastructure projects needed to support data center investments.

With our strong broad presence across oil and gas and power generation applications, including gas turbine, battery, nuclear, and renewables, our energy team is encouraged by the opportunities ahead. Our two challenged end markets, nonresidential structural steel and transportation are both project-oriented and capital intensive, which can result in choppy results quarter-to-quarter.

Nonresidential was largely impacted by International weakness, while transportation was broader and largely driven by lower capital spending versus prior year and a slight decline in production rates. To conclude, before passing the call to Gabe, while we are operating in a more complex environment, we are well positioned to adapt and react effectively to short-term dynamics.

We are financially disciplined, maintained a solid balance sheet profile and continue to generate strong cash flows and manage the business for long-term profitable growth. This is evident in our balanced capital allocation strategy as well as our track record of compounding earnings and increasing shareholder returns through the cycle to deliver superior long-term value.

This is an exciting time at Lincoln Electric with the launch of our new RISE strategy, and the entire team is energized to achieve our mission of being the essential link to help customers build better and execute on our 2030 goals.

And now I will pass the call to Gabe Bruno to cover first quarter financials in more detail.

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

Thank you, Steve. Moving to slide 5. Our first quarter sales increased approximately 12% to \$1.121 billion from approximately 10% higher price, 2% favorable foreign exchange translation, and a 1.6% benefit from the Alloy Steel acquisition. This was partially offset by 2.6% lower volumes.

Gross profit increased approximately 9% to \$399 million, reflecting higher sales. Our gross profit margin declined 80 basis points to 35.6% and due to lower volumes, timing of price/cost recovery, and an approximate \$1 million LIFO charge.

Price/cost was unfavorable 90 basis points in the quarter. We continue to target a neutral price/cost posture and have implemented new pricing actions in our Welding segments, which will go into effect in early May.

Our SG&A expense increased by 7% or \$14 million to \$211 million. The increase was driven by foreign exchange translation, higher discretionary spending, which was largely commercially driven, and from higher employee costs. SG&A as a percent of sales improved 80 basis points to 18.8% on higher sales levels.

On April 1, we implemented our seasonal merit increase, which raises employee costs by approximately \$6 million per quarter on a year-over-year basis. We expect our quarterly SG&A run rate to be at \$215 million for the balance of the year. For analysts reviewing our segment EBIT schedule, our corporate expense of approximately \$1.4 million reflects our decision to allocate additional center-led enterprise investments to our reportable segments.

Looking ahead, we expect corporate expense to be approximately \$1 million to \$2 million per quarter for the balance of the year. Reported operating income increased 13% on higher sales. Excluding special items, adjusted operating income increased 11.5% to \$189 million, and we held our adjusted operating income margin steady year over year at 16.9%, with a 17% incremental margin. Our steady margin performance reflected favorable SG&A leverage, which offset the impact of lower volumes and an unfavorable price/cost position.

First-quarter diluted earnings per share performance increased 18% to \$2.47. On an adjusted basis, earnings per share increased 16% to \$2.50. We recognized a \$0.04 benefit from foreign exchange translation and \$0.05 from share repurchases.

Moving to our reportable segments on slide 6. Americas Welding sales increased approximately 8% in the quarter, driven by nearly 8% higher price and 1% favorable foreign exchange translation. Volume declines narrowed to 40 basis points as orders accelerated through

the quarter across all three product areas on improving demand trends from most end markets. We expect volumes to inflect to modest growth in the second quarter.

First-quarter Americas price marked peak levels in the segment as we started to anniversary last year's actions in the second quarter. The team has recently announced new pricing actions to mitigate rising raw material and logistics costs. We expect Americas Welding to achieve a full-quarter benefit of these new actions starting in the third quarter at 150 basis points per quarter run rate. We will continue to monitor evolving operating conditions and will respond as necessary.

Americas Welding segment's first-quarter adjusted EBIT increased approximately 3% to \$128 million on higher sales. The adjusted EBIT margin declined 100 basis points to 17.2%, primarily due to timing of price/cost recovery and higher corporate expense allocated to the segment. We expect Americas Welding margin to perform in the mid-18% to mid-19% EBIT margin range for the remainder of the year.

Moving to slide 7. The International Welding segment sales increased approximately 4%, primarily from favorable foreign exchange translation and strong sales in our Alloy Steel acquisition, which will anniversary in early August. This increase was partially offset by 10% lower volumes primarily from automation and, to a lesser extent, a temporary decline in customer activity due to the Middle East conflict.

Adjusted EBIT decreased 1.5% to \$23 million. Margin declined 50 basis points to 9.7% as the benefit from Alloy Steel was offset by lower volumes and higher corporate expense allocated to the segment. We now expect International Welding's margins performance to improve sequentially but remain in the 11% range until conditions improve in the Middle East.

Moving to the Harris Products Group on slide 8. First-quarter sales increased 42% led by 41% higher price. The outsized price impact reflects actions taken to mitigate record high metal costs, most notably in silver and copper. The segment effectively managed costs and achieved their neutral price/cost target in the quarter. While metal prices remain elevated, we expect Harris' price to moderate from first quarter record levels based on current metal price trends and prior-year comparisons. Harris' volume compression narrowed benefiting from the growth in the retail channel as well as an improvement in HVAC production activity, which we anticipate will inflect positive by midyear.

Looking ahead to the second quarter, we expect segment volumes to compress due to a challenging comparison from last year's retail channel load-in of a new customer. Volumes are then expected to pivot to growth in the back half of the year. Adjusted EBIT increased approximately 68% to \$41 million and margin improved 330 basis points to 21.2%. The profitability improvement reflects SG&A leverage from higher sales dollars and favorable mix. We expect the Harris segment will operate in the 19% to 20% margin range at current metal prices.

Moving to slide 9. We generated \$102 million in cash flows from operations in the quarter, which was lower due to higher uses of working capital. We strategically increased inventory levels on a short-term basis to ensure high customer service levels while we transition select products to newer models and ensure we capitalize on early strengthening of demand, especially in the Americas. We expect to reduce inventory levels in the second half of the year. The increase in inventories resulted in an 80-basis-point increase in our average operating working capital to sales ratio to 18.6%.

Moving to slide 10. We continued to execute on our capital allocation strategy by investing \$39 million in CapEx and returned \$101 million to shareholders from a combination of our higher dividend payout and from share repurchases. We maintained a solid adjusted return on invested capital ratio of 21.5%.

Moving to slide 11 to discuss our operating assumptions for 2026. We have increased our net sales growth assumption to incorporate recently announced price actions taken to offset rising input costs. We now expect net sales growth to be in the high-single-digit percent range as compared to our initial assumption of mid-single-digit percent growth.

Our organic sales mix is now expected to be three-quarters price at a mid-single digit percent rate and one-quarter volume. Given how early we are in the year and the potential trade-off of strong order rates in Americas offsetting lower sales from the Middle East conflict, we have not changed our original volume growth assumption of a low-single-digit percent growth rate.

We estimate the sales impact from the Middle East conflict to be \$8 million to \$10 million per quarter while the conflict persists, which is split evenly between the Americas and International Welding segments. We also continue to anticipate a 70-basis-point M&A benefit from the Alloy Steel acquisition, which again anniversaries in early August. We're maintaining our other full-year assumptions on operating income margin improvement, a mid-20% incremental margin, interest expense, tax rate, CapEx and cash conversion.

And now, I would like to turn the call over for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Bryan Blair, Oppenheimer.

Bryan Blair - Oppenheimer & Co Inc - Analyst

It would be great to hear a little more on how your team is thinking about cycle positioning here and the prospects for overall demand acceleration and broadening product growth over the coming quarters. Consumables growth has been encouraging since Q2 of last year, obviously, very robust in Q1. Trends have been a bit choppy on the Equipment side, but it sounds like you do expect near-term improvement. Just any additional color on that front would be helpful.

Steven Hedlund - Lincoln Electric Holdings Inc - Chairman and Chief Executive Officer

Yeah, Brian, this is Steve. I would say we're cautiously optimistic, right? We're seeing good order rates in the Americas business. We've got continued strength in the PMI data, conversations with customers are encouraging, but we don't want to get ahead of ourselves, right? We want to see a little bit more consistency month-to-month.

In Europe, there's a lot of choppiness. We're concerned that some of the volume growth we saw there might have been a pull forward around pricing and other regulatory issues in terms of carbon taxes and the like. Don't really have any more clarity than anybody else about what's going to happen in the Middle East and keeping our fingers crossed there. So cautiously optimistic, I guess, is our overall position.

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

Yeah. Bryan, just to add, as we mentioned, in the Americas Welding segment if we look at real volumes, Consumables and Automation were up. And as Steve mentioned as well as I, the progression in the quarter on orders were strengthening through March as well as into April and then also positions for growth on the Equipment side. So Steve mentioned a key word for us has been just cautiously optimistic about what we're seeing in the business.

Bryan Blair - Oppenheimer & Co Inc - Analyst

Okay. That all makes sense. And specific to Automation, sorry if I missed any related detail here, is the expectation that the strategy turns to growth in Q2 as is mid-single-digit range is still a reasonable outlook for 2026. And have you seen any improvements in the scope of quoting outside of the large projects that you cited last quarter?

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

Yeah. So Bryan, we do expect to turn to modest growth on the Automation side as we exit Q2 with an expectation that second half, we see broad volume improvement across the Automation business. Our order intake continues to be strong; backlog level is strong. And the mix, while a lot of project activity, which creates some choppiness, as you saw, particularly on the International side in this first quarter, but we do expect to posture the growth in second half.

Operator

Angel Castillo, Morgan Stanley.

Oliver Chang - *Morgan Stanley - Analyst*

This is Oliver on for Angel this morning. Just a question on your Gen fab end markets. I know you guys were up high [30%] this quarter, can you help us unpack that in terms of how much of that was driven by price versus volume? And then just on the back half of the year, we're seeing some of your customers talk about order numbers that are higher than that even. So just how does that translate in terms of volume growth for you guys in the back half of the year?

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

Yeah. So just high level, our volumes, particularly on consumables in the Americas Welding segment were up low-double digits. So we're pleased with the mix. We do have a significant component of the overall increase tied to automation projects in this first quarter. But overall, we're seeing broad-based strength across general industries. So we're optimistic, cautiously optimistic that, as you know, almost a third of our business is tied to general industries. And so as we see now three months in a row on PMI improving and the flash numbers in April also point to positive, we're tracking that closely because that's a key part of our business.

Oliver Chang - *Morgan Stanley - Analyst*

Got it. That's super helpful. And then maybe just one on automation. Was that a drag on Americas margin this quarter? And then looking forward, how does the margin look in terms of what you signed into your backlog? I know you guys are targeting mid-teens there. So any color there would be helpful.

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

Yes. For the first quarter, we did have some pressure on Automation margins. As you know, that's dilutive to overall business wasn't as a key driver to the overall margin performance in the Americas Welding segment because, as I mentioned, it was driven by price/cost we're trailing a bit there as well as the increase in corporate allocations into the segment, which is about 40 basis points. But we expect improvement in volumes to also track with a high-single-digit type of margin for the Automation business.

Operator

[Mig Dobre], Baird.

Mircea Dobre - *Baird - Analyst*

I just have a couple of points of clarification here. Gabe, I appreciate all the commentary, trying to take notes, but I guess I'm not a fast enough note taker here. In terms of pricing, do you expect to be back to neutral from a price/cost standpoint in Q2, or is that delayed until

later in the year? And as far as the embedded price in the guide, does that reflect the actions that you talked about in the Welding business that occurred in May? Is that embedded in that or not? And how about Harris. Like -- because obviously, I mean, what we saw in Q1 at Harris is just outsized. And I know things are moderating, but at what pace should we expect that to happen?

Steven Hedlund - *Lincoln Electric Holdings Inc - Chairman and Chief Executive Officer*

Yeah. So Mig, let me handle the first part of that, and I'll let Gabe comment more specifically. Obviously, our goal is to be price/cost neutral at the margin level and that we've got a long history of achieving that objective. What you saw was an inflection in input cost for us in the latter part of Q1. And then there's a little bit of a delay for us to be able to announce the pricing to our customers, communicate all that and have it go effective. So I would expect that we're going to recover most of that in Q2 as the pricing goes into effect beginning of May. And then I think our guide for the year on total price reflects that assumption of the pricing we've already announced. .

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

Yeah. So Mig, as Steve mentioned, I would expect price/cost neutral as we enter the third quarter. So the timing of the price increases will have an impact positively in the second quarter, but we'll have the full impact in the third quarter.

In terms of our price assumptions, if you think about the increase between 300 and 400 basis points, the way I think about it is about a quarter of that on a full-year basis, is tied to the new price actions and the balance really tied to the Harris what we've seen throughout Harris. We don't get the full-year impact, obviously, with the new price actions being taken. So if you just think about that 150 basis points that I mentioned, that begins in the third quarter. Think about half of that, and that's really about a quarter of the overall pricing change assumption.

Mircea Dobre - *Baird - Analyst*

Great. That's very helpful. And then my follow-up, going back to International, I'm trying to make sense of the volume decline that you have in there. I understand the Middle East impact, something around 230 basis points. But what about the rest of it? Because at least optically to me, when I'm looking at the prior year, the comparison was not that difficult. I know you talked about tough comps, but volumes were down about 6% last year as well.

So can you unpack what's going on here? And what regions are doing what outside of the Middle East?

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

Yeah. So just real simply the largest driver was the timing of projects within our Automation business. We did see pockets of strength in certain markets within Europe and you had the impact of Middle East, but that was the key driver. On the Asia side, we've seen favorable trends in the likes of India, Australia, and that. But the biggest driver overall was the timing of projects and the tough comps on the Automation side. We were down Automation International was slightly up on the Americas side.

Operator

Nathan Jones, Stifel.

Unidentified Participant

This is Andres on for Nathan. Just moving on to the margin side. Can you maybe talk about some of the cost management actions Lincoln's taking to drive improved margins near term?

Steven Hedlund - *Lincoln Electric Holdings Inc - Chairman and Chief Executive Officer*

Yeah. We have a series of initiatives we're driving under RISE strategy in terms of enterprise-led initiatives. We're focusing a lot on sourcing and trying to get more leverage out of our global spend. We're looking at trying to improve supply chain planning, so we can become more efficient in how we run the factories and servicing our customers with less inventory going forward.

We're looking at SG&A productivity initiatives. And the combination of all those things are reflected in our assumptions around incremental margins over the course of the RISE strategy period.

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

And just to remind you, we talk about our expectations in the operating margins as well as incrementals for 2026. As you know, we're targeting a mid-20s%. When you think about our 2030 targets, we're talking about high 20s%. So we're looking to make a step change and a lot of the investments we're making currently have longer-term implications while we're continuing to improve the short-term margin outlook.

Unidentified Participant

Got you. That's helpful. And just specifically to Harris, I guess, can you walk us through what were the primary margin drivers in Harris. Was it mainly mix related? Maybe just a little bit more color there.

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

Well, mix is certainly favorable. We did have some strengthening across on the retail side as well as but we've seen on HVAC, which was better than expected. And then we also have the pricing impact where we've achieved our price/cost neutral pasture and with the leverage on SG&A. You probably have about low to mid-20s% type of incremental margin on that. So mix a big part of it and in our pricing and strategy as well.

Operator

Walt Liptak, Seaport Research Partners.

Walter Liptak - *Seaport Research Partners - Analyst*

I wanted to talk about the lower International margins, I wanted you to hopefully talk about that a little bit. I think you -- Gabe talked about International margin throughout the year. And I think previously, it was at 11% to 12%. And I wonder if you could help us understand, is this more price/cost? Or is it the Middle East kind of volume overhang? Help us understand what's going on with the International profitability?

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

Yeah. Well, certainly, the volume impact in the first quarter while the 9.9% down had an impact. And we do expect to see more stability in the overall business profile as we enter the second quarter. timing of projects. As I mentioned, auto automation has an impact depending

on how the conflict progresses in the Middle East will continue to see an impact there. But the mix is good from an Alloy Steel acquisition standpoint that will anniversary, as I mentioned, in August, and we expect that to also have a favorable impact. So the impact on volumes had an impact coming into the second quarter, which we expect that to stabilize.

Walter Liptak - *Seaport Research Partners - Analyst*

Okay. Great. And then kind of going back to the earlier questions about some of the general fab markets and just the way the things trended. Was this quarter in line with what you guys were thinking going into it? Or did you see more of a pickup as the quarter went on and into April?

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

Yeah. As I mentioned the level of -- in Americas Welding consumable volumes being up low-double digits. So that was stronger than we would have expected as we spoke in February. So we saw strengthening in real volume activity in general industries. We continue to see that momentum into April. So that's what gives us cautious optimism on the early parts of a recovery, particularly in the Americas Welding side.

Steven Hedlund - *Lincoln Electric Holdings Inc - Chairman and Chief Executive Officer*

Yeah. Walt, I would say the improvement in Gen fab, particularly in the Americas, consumables may be a little bit ahead of what we were anticipating and standard equipment may be a little bit behind what we were anticipating. The consumables is a great barometer of factory activity and with continued strength in the factory activity and hopefully improving confidence, we should see the standard equipment follow in fairly short order.

Operator

Steve Barger, KeyBanc.

Christian Zyla - *KeyBanc Capital Markets Inc - Analyst*

This is Christian Zyla on for Steve Barger. One clarifying question. Just with your earlier comments on the 2Q volume expectations, are you expecting overall margins in 2Q to be somewhat similar to 1Q and then a pretty meaningful step up to get to your full guide of slight improvement. Can you just help us walk through the cadence for the full year?

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

Yeah. No, I expect the second quarter to show a step improvement compared to what we've realized in the first quarter and see that progressively stable as we get full realization of price/cost neutral in the third quarter.

Christian Zyla - *KeyBanc Capital Markets Inc - Analyst*

Got it. And then to follow up on that, is that driven primarily by volume or mix in the back half? Just kind of help us parse that out.

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

Yeah. So for sure, volumes, we do see progressively improving. As we talked prior to the increase in our pricing assumptions for the year, we did point to the mix of price volume to progress into volumes in the back half of the year as we've [anniversaried] then the price actions from that we had taken in 2025. So we have pivoted to volume in the back half of the year. The only comment we made to reinforce mix is that the strengthening of Americas, depending on what progresses within the Middle East conflict could be an offset, which we estimate that impact to be about \$8 million to \$10 million per quarter.

Steven Hedlund - *Lincoln Electric Holdings Inc - Chairman and Chief Executive Officer*

Yeah, Christian. So our expectation is still for continued volume improvement in the second half of the year. We haven't seen anything yet to have us come off of that. But we're cautiously monitoring demand trends to stay on top of that. So -- hence, our cautious optimism.

Christian Zyla - *KeyBanc Capital Markets Inc - Analyst*

Understood. One final one for me is just on the cash flow for the year. I think I understood the comment of the increased working capital or inventory levels. Do you expect that to repeat as we go for the full-year? Or should we expect a similar '26 versus '25 free cash flow, which then would apply about \$140 million, \$50 million per quarter?

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

Yes. No, we expect to -- we're still anchored on a 100% cash conversion. So we expect that while we're investing short term with some product transitions, that would turn around in the back half of the year.

Operator

Mig Dobre, Baird.

Mircea Dobre - *Baird - Analyst*

Still back on International for me. If we're leaving out the Middle East conflict in the drag that you've outlined from that. So excluding this, do you expect to see volume growth in the rest of that business at any point in time in '26? And as far as inflation goes, what is the impact on that flow through in pricing in International wealth?

Steven Hedlund - *Lincoln Electric Holdings Inc - Chairman and Chief Executive Officer*

Yeah, Mig, I would say we're expecting volume growth in the Asia Pacific region of the business. The Western Europe, in particular, in the broader European region, excluding the Middle East, a little more cautious. We were pleased to see a little bit of an uptick this quarter versus the prior quarters, but we're concerned that, that might be pull forward related to pricing actions and also some of the government regulations around the carbon border adjustment mechanism coming into play. And so it's just a little too early to call any bottoming and improvement in Europe at this point in time. But we continue to see growth in Asia Pac and believe that we're investing appropriately to take advantage of that growth.

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

And our posture (inaudible) there in international market is to be price-cost neutral. So take some action to achieve that objective, and that's what drives the improvement as we see from Q1 into that 11%-type EBIT margin profile that we expect from the business.

Operator

And this concludes our question-and-answer session. I would like to turn the call back over to Gabe Bruno for the closing remarks.

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

I would like to thank everyone for joining us on the call today and for your continued interest in Lincoln Electric. We look forward to discussing the progression of our right strategy in the future. Thank you very much.

Operator

Ladies and gentlemen, that concludes today's call. Thank you, everyone, for joining. You may now disconnect.

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