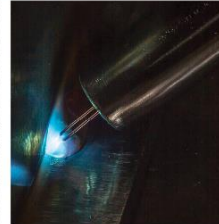




April 27, 2023 ●  
LINCOLN ELECTRIC HOLDINGS, INC.  
Q1 2023 Earnings



# 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](http://www.sec.gov) or on [www.lincolnelectric.com](http://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.

# First Quarter 2023 Highlights:

Record Sales, Adjusted  
EPS and Cash flow from  
operations.

All reportable segments  
achieved solid sequential  
improvement.

Record backlogs into Q2.

**\$1.0B**

**Record Q1 sales**

+12% vs. prior year; Organic sales +9%

**22.4%**

**Adjusted ROIC performance**

**16.3%**

**Adjusted Operating Income Margin**

(130) bps vs. prior year

**\$124M**

**Record Q1 Cash flow from operations**

+188% vs. prior year and 85% cash conversion<sup>1</sup>

**\$2.13**

**Record Q1 Adjusted EPS**

+1% vs. prior year

**\$70M**

**Returned to shareholders**

(dividends and share repurchases)



# Q1 Organic Sales Momentum led by Americas

**Q1 Organic sales increased 8.5%  
led by 16% organic growth in  
Americas Welding**

---

**Strong capital spending generated  
solid organic growth in Equipment  
& Automation**

Equipment up low-teens percent

Automation up high-single digit percent

Consumables up mid-to-high single digit  
percent

**Q1 global end sector performance<sup>1</sup>**

---

**4 of 5 end markets achieved  
organic sales growth**

Energy up high-teens percent

Automotive/Transportation & Heavy  
Industries up low-teens percent

General Industries up mid-single digit  
percent

Construction/Infrastructure declined high-  
twenty percent



<sup>1</sup> End sector performance reflects direct channel organic sales trends

# Income Statement – Q1 2023

\$ in Millions	Q1 2023	% of Sales	Q1 2022	% of Sales	YoY % Change Fav/ (Unfav)
<b>Net Sales</b>	\$ 1,039.3		\$ 925.4		12.3%
<b>Gross Profit</b>	355.4	34.2%	329.8	35.6%	7.8%
<b>SG&amp;A</b>	190.1	18.3%	166.7	18.0%	(14.1)%
<b>Operating Income</b>	164.4	15.8%	161.2	17.4%	2.0%
Special item charges <sup>1,2</sup>	4.7	0.5%	1.9	0.2%	151.1%
<b>Adjusted Operating Income<sup>1</sup></b>	\$ 169.1	16.3%	\$ 163.1	17.6%	3.7%
<b>Interest Expense, net<sup>3</sup></b>	13.2	1.3%	6.2	0.7%	(113.0)%
<b>Effective Tax Rate</b>	21.5 %		21.1 %		(40) bps
<b>Adjusted Effective Tax Rate<sup>4</sup></b>	21.6 %		20.7 %		(90) bps
<b>Net Income</b>	\$ 121.9	11.7%	\$ 126.0	13.6%	(3.3)%
Special Items <sup>5</sup>	2.3	0.2%	(1.3)	0.1%	(268.6)%
<b>Adjusted Net Income<sup>1</sup></b>	\$ 124.2	11.9%	\$ 124.7	13.5%	(0.4)%
<b>Diluted EPS</b>	\$ 2.09		\$ 2.13		(1.4)%
<b>Adjusted Diluted EPS<sup>1</sup></b>	\$ 2.13		2.10		1.4%

## Q1 2023 SALES MIX<sup>6</sup>

<b>Volume</b>	4.2%	<b>Price</b>	4.3%	<b>Acq/Div</b>	5.7%	<b>FX</b>	(1.9)%
<b>TOTAL</b>	<b>12.3%</b>						

<sup>1</sup> Please review the appendix for reconciliation of non-GAAP measures.

<sup>2</sup> Q1 Special items include Rationalization and asset impairment charges of \$0.9 million and Amortization of step up in value of acquired inventories of \$3.9 million. This compares with \$1.9 million of Rationalization and asset impairment charges in 2022.

<sup>3</sup> Interest Expense, net is defined as interest income earned from investments less interest expense from borrowings.

<sup>4</sup> Q1 2023 Adjusted effective tax rate reflects an unfavorable adjustment of 10bps as compared with a 40bps favorable adjustment in 2022 from special items.

<sup>5</sup> Q1 Special items include the charges noted in footnote 2 and

a \$1.6 million gain on asset disposal related to sale of land and an \$0.8 million tax effect of Special items. This compares with a \$1.0 million tax effect of Special items in 2022.

<sup>6</sup> Figures may not sum due to rounding.

# Americas Welding Segment

(\$ in Millions)	Q1 2023	Q1 2022	% YoY Change
<b>Net Sales</b>	\$ 658.6	\$ 534.1	23.3% ↑
<b>Adjusted EBIT</b>	\$ 132.5	\$ 111.6	18.7% ↑
<b>Adjusted EBIT Margin<sup>2</sup></b>	19.2%	19.8%	(60) bps ↓

Q1 2023 SALES MIX <sup>1</sup>							
<b>Volume</b>	11.0%	<b>Price</b>	4.6%	<b>Acq/Div</b>	8.5%	<b>FX</b>	(0.8)%
<b>TOTAL</b>	<b>23.3%</b>						

Volumes higher across all products and in most end markets.

Price primarily reflects benefits of prior pricing actions taken to mitigate inflation.

Margin performance reflects the inclusion of the Fori acquisition.

<sup>1</sup> Figures may not sum due to rounding.

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

# International Welding Segment

(\$ in Millions)	Q1 2023	Q1 2022	% YoY Change
<b>Net Sales</b>	\$ 252.4	\$ 258.0	(2.2)% ↓
<b>Adjusted EBIT</b>	\$ 29.6	\$ 37.1	(20.2)% ↓
<b>Adjusted EBIT Margin<sup>2</sup></b>	11.4%	14.0%	(260) bps ↓

Q1 2023 SALES MIX <sup>1</sup>							
<b>Volume</b>	(5.7)%	<b>Price</b>	5.8%	<b>Acq/Div</b>	2.9%	<b>FX</b>	(5.1)%
<b>TOTAL</b>	<b>(2.2)%</b>						

Volume growth in Asia Pacific was offset by European volume declines primarily due to challenging prior year comparisons.

Price primarily reflects benefits of prior pricing actions taken to mitigate inflation & FX.

FX reflects the Euro and Turkish Lira.

Margin declined on lower cost absorption and timing of pricing actions.

<sup>1</sup> Figures may not sum due to rounding.

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

# The Harris Products Group

(\$ in Millions)	Q1 2023	Q1 2022	% YoY Change
<b>Net Sales</b>	\$ 128.3	\$ 133.4	(3.8)% ↓
<b>Adjusted EBIT</b>	\$ 19.0	\$ 19.6	(3.1)% ↓
<b>Adjusted EBIT Margin<sup>2</sup></b>	14.5%	14.4%	10 bps ↑

Q1 2023 SALES MIX <sup>1</sup>					
<b>Volume</b>	(3.8)%	<b>Price</b>	0.4%	<b>Acq/Div</b>	-
<b>TOTAL</b>	<b>(3.8)%</b>			<b>FX</b>	(0.5)%

Volume growth in specialty gas and HVAC applications was offset by soft retail channel demand.

Price relatively steady.

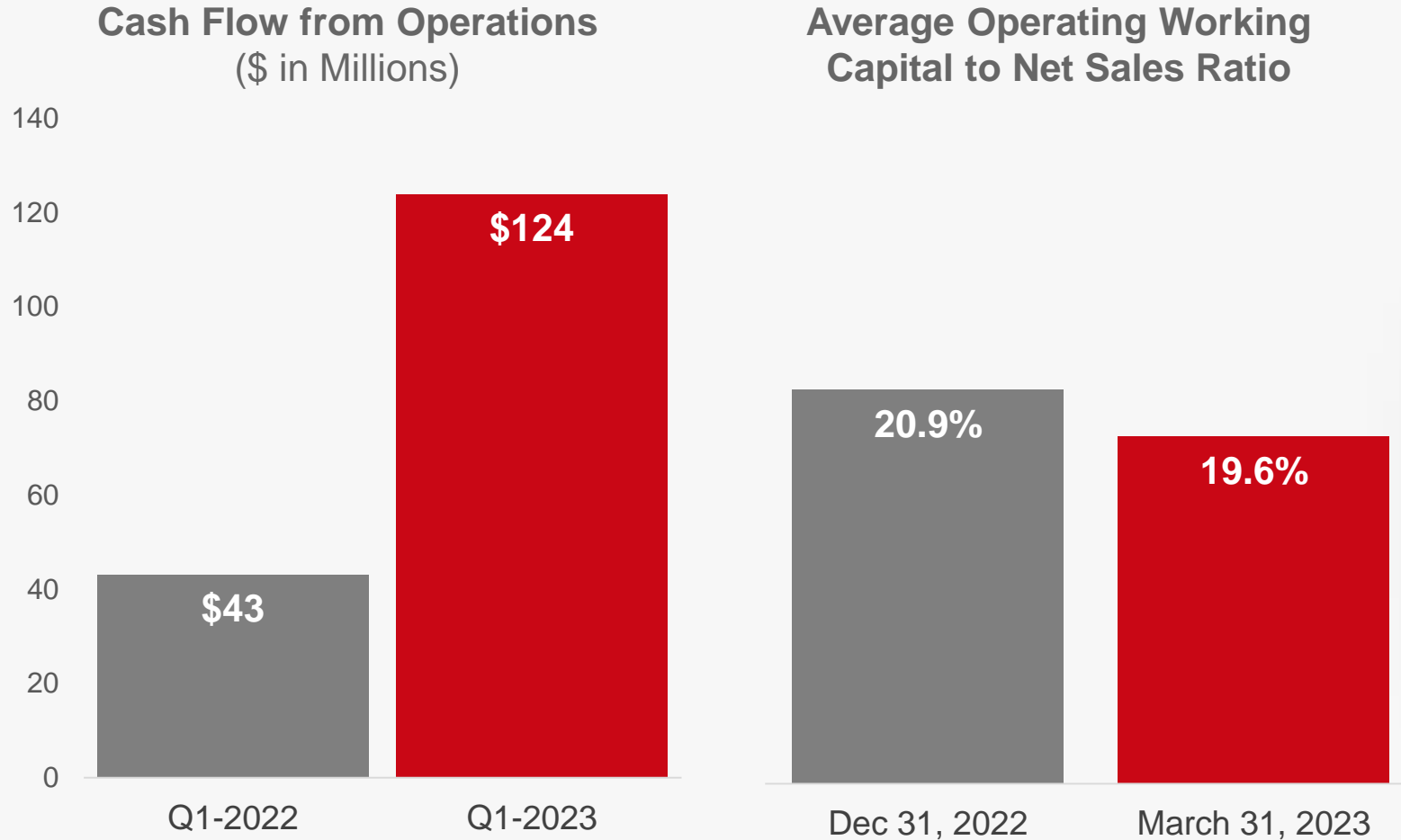
Margin relatively steady on benefits from cost management and operational improvements.

<sup>1</sup> Figures may not sum due to rounding

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



# Cash Flow From Operations Metrics



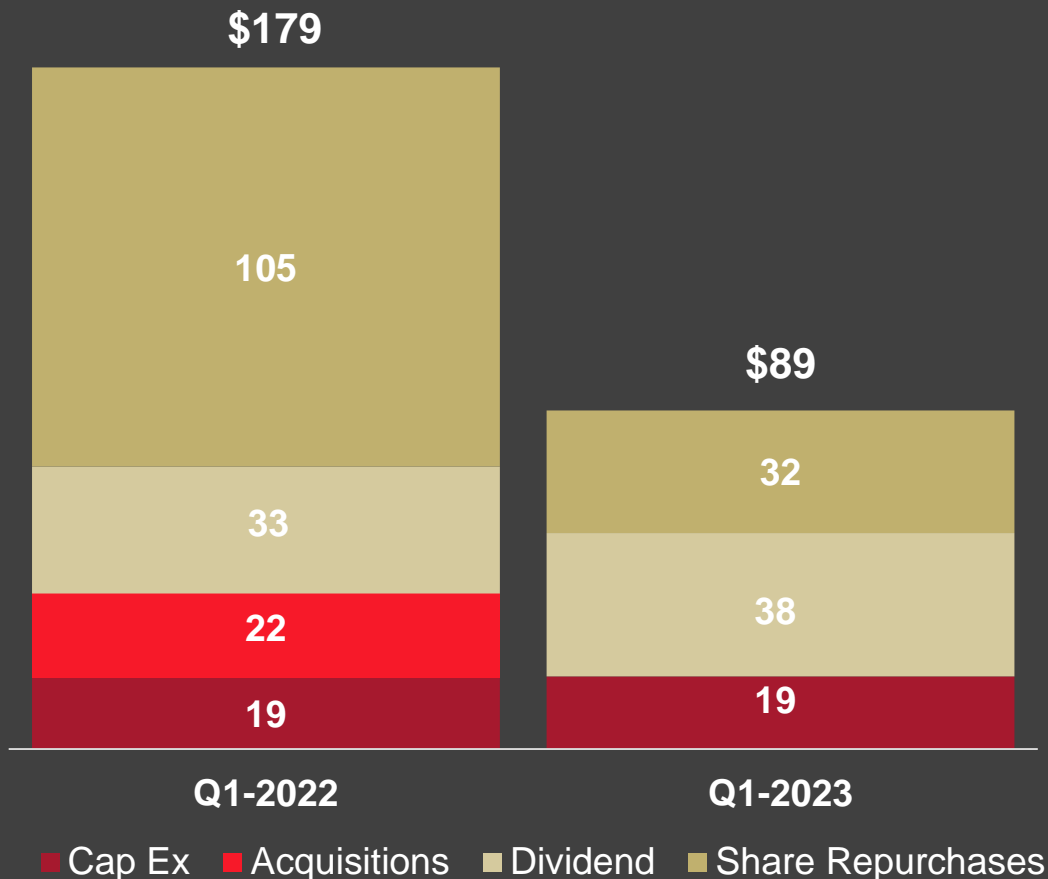
**85% cash conversion<sup>1</sup> in Q1-2023**

**Working capital remains strategically elevated to mitigate supply constraints**

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

# Capital Allocation<sup>1</sup>

(\$ in Millions)



## Q1 Capital Allocation & Returns

- Growth: \$19 million
- Return to Shareholders: \$70 million
- Dividend Rate: +14.3%
- Return on Invested Capital<sup>2</sup>: 22.4%

## Capital Allocation Outlook

### Prioritized uses of cash:

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

<sup>1</sup> Figures may not sum due to rounding

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

# Updating Full Year 2023 Assumptions

Increasing Organic sales and lowering Interest expense assumptions

## Assumptions

---

Low-to-mid teens % sales growth  
(Mid-to-high single digit % organic sales)

Neutral price/cost

Mid-to-high teens % incremental operating  
income margin (*Low-20% excluding Fori*)

\$45-\$55 million interest expense

Low-to-mid 20% tax rate (ETR)

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

>75% cash conversion

## Risks

---

Economic and geopolitical  
headwinds

Supply and labor availability

Inflation (raw materials & labor)



## Contact:

Amanda Butler

*Vice President, Investor Relations & Communications*

✉ [Amanda\\_Butler@lincolnelectric.com](mailto:Amanda_Butler@lincolnelectric.com)

📞 216.383.2534



## 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 March 31,	
	2023	2022
Operating income as reported	\$ 164,364	\$ 161,206
Special items (pre-tax):		
Rationalization and asset impairment charges <sup>(2)</sup>	877	1,885
Amortization of step up in value of acquired inventories <sup>(3)</sup>	3,856	—
Adjusted operating income <sup>(1)</sup>	<u>\$ 169,097</u>	<u>\$ 163,091</u>
As a percent of total sales	16.3 %	17.6 %
Net income as reported	\$ 121,931	\$ 126,030
Special items:		
Rationalization and asset impairment charges <sup>(2)</sup>	877	1,885
Pension settlement net gains <sup>(4)</sup>	—	(4,273)
Amortization of step up in value of acquired inventories <sup>(3)</sup>	3,856	—
Gain on asset disposal <sup>(5)</sup>	(1,646)	—
Tax effect of Special items <sup>(6)</sup>	(818)	1,041
Adjusted net income <sup>(1)</sup>	<u>124,200</u>	<u>124,683</u>
Non-controlling interests in subsidiaries' income (loss)	28	1
Interest expense, net	13,201	6,198
Income taxes as reported	33,413	33,611
Tax effect of Special items <sup>(6)</sup>	818	(1,041)
Adjusted EBIT <sup>(1)</sup>	<u>\$ 171,660</u>	<u>\$ 163,452</u>
Effective tax rate as reported	21.5 %	21.1 %
Net special item tax impact	0.1 %	(0.4)%
Adjusted effective tax rate <sup>(1)</sup>	<u>21.6 %</u>	<u>20.7 %</u>
Diluted earnings per share as reported	\$ 2.09	\$ 2.13
Special items per share	0.04	(0.03)
Adjusted diluted earnings per share <sup>(1)</sup>	<u>\$ 2.13</u>	<u>\$ 2.10</u>
Weighted average shares (diluted)	58,417	59,272



# 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 rationalization plans initiated 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 Cost of goods sold.
- 4) Pension net gains primarily due to the final settlement associated with the termination of a pension plan and are included in Other income (expense).
- 5) Gain on asset disposal and included in Other income (expense).
- 6) 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 March 31,	
	2023	2022
<b>Return on Invested Capital</b>		
Net income as reported	\$ 468,125	\$ 328,319
Plus: Interest expense (after-tax)	28,875	18,364
Less: Interest income (after-tax)	1,560	1,113
Net operating profit after taxes	<u>\$ 495,440</u>	<u>\$ 345,570</u>
Special Items:		
Rationalization and asset impairment charges	10,780	7,549
Acquisition transaction costs <sup>(2)</sup>	6,003	810
Pension settlement charges <sup>(3)</sup>	—	117,343
Amortization of step up in value of acquired inventories	4,962	5,804
Gain on asset disposal	(1,646)	—
Tax effect of Special items <sup>(4)</sup>	(3,051)	(44,586)
Adjusted net operating profit after taxes <sup>(1)</sup>	<u>\$ 512,488</u>	<u>\$ 432,490</u>
<b>Invested Capital</b>	<b>March 31, 2023</b>	<b>March 31, 2022</b>
Short-term debt	\$ 49,340	\$ 150,560
Long-term debt, less current portion	1,110,626	715,032
Total debt	1,159,966	865,592
Total equity	1,125,236	863,060
Invested capital	<u>\$ 2,285,202</u>	<u>\$ 1,728,652</u>
Return on invested capital as reported	<u>21.7 %</u>	<u>20.0 %</u>
Adjusted return on invested capital <sup>(1)</sup>	<u>22.4 %</u>	<u>25.0 %</u>

- 1) Adjusted net operating profit after taxes and adjusted ROIC are non-GAAP financial measures. Refer to Non-GAAP Information section.
- 2) Related to acquisitions and are included in Selling, general & administrative expenses.
- 3) Related to lump sum pension payments due to the final settlement associated with the termination of a pension plan.
- 4) 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, 2023

(In thousands)  
(Unaudited)

	Americas Welding	International Welding	The Harris Products Group	Corporate / Eliminations	Consolidated
<b>Three months ended March 31, 2023</b>					
Net sales	\$ 658,645	\$ 252,416	\$ 128,282	\$ —	\$ 1,039,343
Inter-segment sales	32,318	6,753	2,897	(41,968)	—
Total sales	<u>\$ 690,963</u>	<u>\$ 259,169</u>	<u>\$ 131,179</u>	<u>\$ (41,968)</u>	<u>\$ 1,039,343</u>
Net income					\$ 121,931
As a percent of total sales					11.7 %
EBIT <sup>(1)</sup>	\$ 129,668	\$ 29,296	\$ 18,983	\$ (9,374)	\$ 168,573
As a percent of total sales	18.8 %	11.3 %	14.5 %		16.2 %
Special items charges <sup>(3)</sup>	2,785	302	—	—	3,087
Adjusted EBIT <sup>(2)</sup>	<u>\$ 132,453</u>	<u>\$ 29,598</u>	<u>\$ 18,983</u>	<u>\$ (9,374)</u>	<u>\$ 171,660</u>
As a percent of total sales	19.2 %	11.4 %	14.5 %		16.5 %
<b>Three months ended March 31, 2022</b>					
Net sales	\$ 534,055	\$ 258,041	\$ 133,352	\$ —	\$ 925,448
Inter-segment sales	28,156	6,228	3,062	(37,446)	—
Total sales	<u>\$ 562,211</u>	<u>\$ 264,269</u>	<u>\$ 136,414</u>	<u>\$ (37,446)</u>	<u>\$ 925,448</u>
Net income					\$ 126,030
As a percent of total sales					13.6 %
EBIT <sup>(1)</sup>	\$ 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) <sup>(4)</sup>	(3,735)	1,347	—	—	(2,388)
Adjusted EBIT <sup>(2)</sup>	<u>\$ 111,568</u>	<u>\$ 37,087</u>	<u>\$ 19,598</u>	<u>\$ (4,801)</u>	<u>\$ 163,452</u>
As a percent of total sales	19.8 %	14.0 %	14.4 %		17.7 %

# Non-GAAP Financial Measures

(continued)

**Footnotes for EBIT and  
Adjusted EBIT Reconciliation –  
Three Months Ended  
March 31, 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 \$2,785 and \$1,071 in Americas and International Welding, respectively, Rationalization and asset impairment net charges of \$877 in International Welding, and a gain on asset disposal of \$1,646 in international Welding.
- 4) 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.