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CORPORATE PARTICIPANTS

Amanda H. Butler *Lincoln Electric Holdings, Inc. - Director of IR*

Christopher L. Mapes *Lincoln Electric Holdings, Inc. - Chairman, CEO and President*

Vincent K. Petrella *Lincoln Electric Holdings, Inc. - CFO, EVP and Treasurer*

CONFERENCE CALL PARTICIPANTS

Kenneth H. Newman *KeyBanc Capital Markets Inc., Research Division - Associate*

Liam Dalton Burke *Wunderlich Securities Inc., Research Division - MD*

Matthew A. Trusz *G. Research, LLC - Research Analyst*

Mircea Dobre *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Nathan Hardie Jones *Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst*

Seth Robert Weber *RBC Capital Markets, LLC, Research Division - Analyst*

Thomas Lloyd Hayes *Northcoast Research Partners, LLC - MD & Senior Research Analyst*

Walter Scott Liptak *Seaport Global Securities LLC, Research Division - MD & Senior Industrials Analyst*

PRESENTATION

Operator

Greetings, and welcome to Lincoln Electric's 2017 Second Quarter Financial Results Conference Call. (Operator Instructions) And this call is being recorded. It is now my pleasure to introduce your host, Amanda Butler, Director of Investor Relations. Thank you. You may begin.

Amanda H. Butler *- Lincoln Electric Holdings, Inc. - Director of IR*

Thank you, Nicole, and good morning, everyone. Welcome to Lincoln Electric's 2017 Second Quarter Conference Call. We released our financial results earlier today, and you can find our release as an attachment to this call's slide presentation as well as on the Lincoln Electric website at lincolnelectric.com in the Investor Relations section.

Joining me on the call today is Chris Mapes, Lincoln's Chairman, President and Chief Executive Officer; as well as our Chief Financial Officer, Vince Petrella. Chris will begin the discussion with an overview of the quarter, and Vince will cover the quarter's performance in more detail.

Following our prepared remarks, we're happy to take your questions.

Before we start our discussion, please note that certain statements made during this call may be forward-looking and actual results may differ materially from our expectations due to a number of risks factors. A discussion of some of the risks and uncertainties that may affect our results are provided in our press release within our SEC filings on Forms 10-K and 10-Q. In addition, we discuss financial measures that do not conform to U.S. 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 Chris Mapes. Chris?

Christopher L. Mapes *- Lincoln Electric Holdings, Inc. - Chairman, CEO and President*

Thank you, Amanda. Good morning. I'm pleased to report that we achieved good momentum in the second quarter with sales growth across all 3 business segments in all primary product categories and in most end markets. Excluding Venezuela, we achieved approximately 7% sales growth in the quarter on 4.2% volume growth and 2.7% price contribution. Higher organic sales helped mitigate increasing raw material costs and higher operating expenses in the quarter. This resulted in a 28% adjusted incremental margin, a 12% increase in our adjusted operating income and an 80 basis point increase in our adjusted operating income margin to 14.7%.

EPS increased to $0.92 in the quarter. On an adjusted basis, EPS rose 17% to $0.97, which excludes acquisition and integration-related costs. Operating cash flows remained strong in the quarter, and we achieved good cash flow conversion at 92%.

Moving on to Slide 4. We saw a good momentum in all product categories with consumable demand surpassing equipment growth in the quarter in all of our welding segments. The Harris Products Group business saw strong demand for both retail channel equipment and consumable products.

Geographically, most regions continued to improve. U.S. domestic sales rose 5% and international sales rose 7.3%, excluding Venezuela. With strongest growth in Asia Pacific, especially in China, Australia and India. End markets continued to improve, and we estimate that approximately 90% of our revenue is now exposed to end sector applications that are trending positively.

2 areas of notable strength in our welding businesses are automotive/transportation and energy. This includes most oil and gas-related applications and power generation. This reflects continued development of solutions and key customer expansions. Also, our U.S.-based exports have continued to strengthen on rising demand for our solutions, including our automation systems.

Looking ahead, we continue to expect modest year-over-year sales and margin growth, but against more challenging comparisons in the second half of the year. Our priority is to focus on our development pipeline, commercializing innovative products, identifying opportunities to achieve continuous improvement and driving improved performance through the cycle.

We're also looking forward to the expected close of the Air Liquide Welding acquisition at the end of the month. The combination of our 2 organizations will advance our 2020 Vision and Strategy and better position Lincoln Electric long term as a leader in key international markets.

After several months of integration, planning and assessment, we're confident in how complementary the organizations are, the growth opportunities ahead and the efficiencies we can realize to drive value.

We look forward to updating you on our progress on our October conference call.

And now, I will pass the call to Vince to discuss our second quarter results and uses of cash in more detail.

Vincent K. Petrella - *Lincoln Electric Holdings, Inc. - CFO, EVP and Treasurer*

Thank you, Chris. Looking at our second quarter income statement highlights on Slide 5. Our consolidated sales increased 5.8% compared with the prior year from solid organic sales performance. Volumes rose 3.2%. Price increased 2.6%. And acquisitions contributed 20 basis points to the top line.

Excluding results from our Venezuelan operation in the prior year, second quarter 2017 sales increased 6.9%, primarily from 4.2% higher volumes and 2.7% price. Our second quarter gross profit margin increased 40 basis points to 34.7% compared with 34.3% in the prior year. Higher volumes and price helped to offset rising raw material costs in the quarter. We did incur an approximate $2 million LIFO charge in our Americas Welding segment, reflecting this raw material inflation.

Our SG&A expense increased approximately 8% or $9.3 million, primarily due to higher compensation expenses and acquisition transaction and integration costs related to the proposed acquisition of Air Liquide Welding. Excluding those acquisition-related costs, SG&A expense increased 4% or $5 million and SG&A as a percentage of sales improved by 30 basis points to 20%.

Operating income increased 82% to $87.6 million or 14% of sales. On an adjusted basis, operating income increased 12% to $92.1 million or 14.7% of sales, an 80 basis point improvement versus the prior year period. Higher volumes drove the improvement in operating profits. Our adjusted incremental margin was 28% in the quarter.

Interest expense was $6.3 million in the quarter compared with the prior year interest expense of $4.2 million. We continue to expect annual interest expense of approximately $24 million.

Our second quarter effective tax rate was 27%, which was lower than the prior year rate of 31.6%, reflecting geographical mix of earnings and tax benefits from stock option exercises. Tax deductions related to stock options exercised in the quarter are recognized as an income tax adjustment on the income statement following the adoption of a new accounting standard in the first quarter of this year. The impact from this accounting change was a benefit of $2.9 million or $0.04 per share in the second quarter.

We continue to expect our full year average 2017 effective tax rate to be in the high 20% range. This range is subject to the future mix of earnings, the utilization of U.S. tax credits and the timing and extent of stock option exercise.

Second quarter 2017 diluted earnings per share increased to $0.92. Excluding special items, EPS increased 17% to $0.97 per share, reflecting higher organic sales. Our share repurchase activity contributed a $0.03 benefit to adjusted EPS in the quarter.

Now moving to our reportable segments on Slide 6. Our Americas Welding segment adjusted EBIT margin increased 140 basis points to 17.2% on higher volumes. Sales, excluding Venezuela and results in the prior year, increased 5.9% on 3.3% higher volumes, 2.7% higher price and a 40 basis point improvement from acquisitions.

Demand trends held strong with solid growth in automotive and transportation, heavy industries and portions of the energy sector. Additionally, U.S.-based exports increased approximately 21% in the quarter to $42 million on strong automation export activity. These areas of growth were partially offset by ongoing weakness in offshore and shipbuilding activities.

International Welding segment adjusted EBIT margin decreased 60 basis points to 6.5%, reflecting higher raw material costs and the timing of pricing actions. Organic sales were strong in the quarter at 6.6%, with both volumes and price up 3.3% each.

We achieved strongest volume performance in the Asia Pacific region. European trends improved notably in consumables. European region organic sales increased by low single-digit percentages in the quarter.

The Harris Products group second quarter adjusted EBIT margin decreased 70 basis points to 11.8% on challenging prior year comparisons, unfavorable mix and higher costs. Volumes increased 11.1% from retail channel demand and from our brazing and soldering solutions. Price increased 1% unfavorable, but moderating year-over-year metal cost changes.

Now move to Slide 9. Cash flow from operations was $75 million in the quarter as compared with $102 million in the prior year period, reflecting the impact of increasing sales levels in the quarter. Our operating working capital ratio improved 70 basis points to 16.7% compared with 17.4% in the prior year same quarter.

Capital expenditures held steady at $16 million in the quarter. We are maintaining our full year CapEx spend expectation at $65 million to $75 million for the year. During the second quarter, we paid a cash dividend to shareholders of $23 million, reflecting the 9% higher dividend payout rate in 2017.

Before I open up the call to questions, I would like to comment on our expectations for sales and profitability from the pending Air Liquide Welding acquisition, which again we expect to close by the end of the month. We previously outlined that Air Liquide Welding's annualized sales in 2016 were approximately $400 million. Looking ahead to the close, we would expect sales performance of between $50 million and $60 million for the balance of the third quarter, which reflects seasonal weakness in Europe due to the normal holiday shutdowns in that region.

Given this lower volume activity, we do not anticipate any measurable contribution from the acquired business during the third quarter. In the fourth quarter, we expect more normalized sales of between $90 million and $100 million and modest low single-digit percentage profitability.

As previously discussed, the inclusion of Air Liquide Welding's results will initially compress our consolidated operating profit margin in the near term by approximately 170 to 180 basis points, but will contribute $0.03 per share per quarter in the first full year of operations. We do expect to double the EPS contribution to $0.06 per share per quarter beginning in the second half of 2018.

Now I'd like to turn the call over for questions. Nicole?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Nathan Jones of Stifel.

Nathan Hardie Jones - *Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst*

I'm just going to start unusually, I guess, in the Harris group. On my first quarter call, you guys talked about having challenging comps there for the next couple of quarters and still put up 11.1% volume growth there. Can you talk about what you think drove such strong results in that segment, given a tough comparing the second quarter and what your expectations are going forward?

Christopher L. Mapes - *Lincoln Electric Holdings, Inc. - Chairman, CEO and President*

Yes, our Harris business performed very well from a growth perspective in the quarter. I believe it really is a culmination of couple of items. One is continued investment in the marketing strategy around the retail channel. Retail was very strong for us in the quarter. We also saw some continued improvement in wholesaling as well as the HVAC space that we have for those products. So our Harris business has been advancing the retail strategy with its partners in that space, and we have several new products that are being developed and launching into the HVAC space. And we're starting to see some of those benefits on the top line side for the Harris business.

Nathan Hardie Jones - *Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst*

So despite the challenging comp that you're going to have again in the third quarter, I guess, would you expect to, say, strong, I don't know, mid- to high single-digit growth rate there in the third quarter? Is it -- is this kind of a sustainable level that we're looking at from the first half?

Vincent K. Petrella - *Lincoln Electric Holdings, Inc. - CFO, EVP and Treasurer*

Well, we're certainly expecting the Harris business as we are our other segments to continue to show growth in the back half of the year and would expect the Harris business to be in the mid- to high single-digit growth profile for its business as we we move into the third quarter. So certainly don't believe their growth is an anomaly. Certainly very strong performance in the second quarter that we might not be able to replicate in that low double digits, but certainly expecting mid- to high double digit and continuing to show growth in the Harris business as we move through 2017.

Nathan Hardie Jones - *Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst*

Okay. And I guess, the other number that stuck out to me was the slowing of the volume growth in the Americas, went from 4.1 to 1.7. Can you talk about if there was any particular end markets that drove that, anything -- any anomaly that maybe corrects itself, whether oil price volatility impacted that or just what you think caused this slowdown in volume growth there?

Vincent K. Petrella - *Lincoln Electric Holdings, Inc. - CFO, EVP and Treasurer*

I really can't identify any particular segment. As we stated, our segments across the enterprise are still in an expansion mode, where most of the segments outside of offshore and outside of shipbuilding continue to be in a level of expansion. I would expect part of that is a very, very strong first quarter as we were relative to that particular business, but still believe we're advancing our solutions. And as we stated, we had very strong growth in a couple of segments, especially automotive where I think many participants are wondering whether that particular segment is flattening. But our Americas growth in that particular segment was very strong. So really can't call out particular element, probably a very strong Q1, but continuing to see advancements of growth in the Americas business.

Operator

Our next question comes from the line of Steve Barger of KeyBanc.

Kenneth H. Newman - *KeyBanc Capital Markets Inc., Research Division - Associate*

It's Kenny Newman for Steve. So you mentioned expectations for sales and margin growth in '17. Could you give us some color on how you're thinking about incremental margins ex Air Liquide in the back half of the year?

Vincent K. Petrella - *Lincoln Electric Holdings, Inc. - CFO, EVP and Treasurer*

So ex Air Liquide, we would stay by our previously disclosed view of somewhere between 25% and 30% incremental, depending upon where we end up with top line organic sales performance. So same kind of range that we've -- that we outlined for the second quarter.

Kenneth H. Newman - *KeyBanc Capital Markets Inc., Research Division - Associate*

Got it. And speaking of top line organic, do you think you can post another price increase into the second half? Or should we expect organic growth to come from volumes? Just trying to see expecting organic volumes to be sustainable where we saw this quarter or going to be stronger in 2H?

Vincent K. Petrella - *Lincoln Electric Holdings, Inc. - CFO, EVP and Treasurer*

So the pricing that we saw on the second quarter, I would anticipate that, that would continue in line with those types of year-over-year comparisons. From a pricing strategy perspective, I don't see any significant changes occurring in the second half of the year. Raw material inputs are moderating and flattening out. So our expectation is relatively stable pricing environment as an outlook for the second half.

Operator

Our next question comes from the line of Mig Dobre of Baird.

Mircea Dobre - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

This is Mig Dobre. So if we can go back to a previous point on volume in the Americas, maybe we can unpack this a little more. If we exclude Venezuela, you were looking at 3.3% volume growth. And I'm just wondering here, can we maybe look at equipment versus consumables? You said consumables has grown across the board. I presume that includes Americas?

Vincent K. Petrella - *Lincoln Electric Holdings, Inc. - CFO, EVP and Treasurer*

That's correct, although there's a more modest growth rate in the Americas in equipment. We had a stronger growth profile in consumables in the quarter than equipment, Mig.

Mircea Dobre - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Okay. And I'm trying to kind of square all of this with your comment on the export business, up 21% to $42 million, that's what I recall you said. I guess, this contributed something like 2.2% to organic growth. I presume not all of that was volume. But it seems like the export business was a good chunk of what we have seen here in the quarter. I'm trying to understand in terms of real, call it, North American demand, whether it's equipment or consumables, how things are progressing versus what you've seen in the first quarter and what your expectations for this end market are for the second half of the year?

Vincent K. Petrella - *Lincoln Electric Holdings, Inc. - CFO, EVP and Treasurer*

Yes, so Mig, domestic demand was still strong in the quarter with those sales being up in the mid-single digits. Certainly, export business was stronger with a 21% increase. But we're still seeing steady and strong demand in the quarter, both domestically and from an export perspective.

Mircea Dobre - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

All right. Vince, before I get back in the queue, I guess, my point is this. Every data point that I've looked at through the quarter, whether it's what's happening in the machinery sector, whether it's fabricated metal, you name it, was suggesting that things are really accelerating and picking up in the second quarter versus the first. And I'm just wondering if that's really what you're seeing as well. If there is a lag in your business versus some of these other data points, is that normal? And at what point, in your view, we're going to have some kind of a catch-up?

Vincent K. Petrella - *Lincoln Electric Holdings, Inc. - CFO, EVP and Treasurer*

I think that our second quarter is largely in line with what we saw in the first quarter from demand trends. We view this as a strong environment. We have noted a broadening out of our end market improvements across more than 90% of those markets. I would say, Mig, that the second quarter on a year-over-year basis did have 1 less billing day, which inevitably has some impact on the view of the current quarter versus the prior year's quarter. But we don't see it, in our view, a significant difference in our year-over-year performance in the second versus the first quarter.

Operator

Our next question comes from the line of Walter Liptak of Seaport Global.

Walter Scott Liptak - *Seaport Global Securities LLC, Research Division - MD & Senior Industrials Analyst*

Wanted to ask about, the pricing at 2.6%, that looks pretty good, but the gross margin was still down sequentially. And I guess, there is a LIFO charge in there. Is there anything else in there that depressed it? Or is it gross margin being impacted by the equipment consumables mix that you talked about?

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Vincent K. Petrella - *Lincoln Electric Holdings, Inc. - CFO, EVP and Treasurer*

We had some higher costs that we're fully expecting coming through our segments in the second quarter. We talked about the full restoration of some of our cost-cutting initiatives that we had implemented over the past couple of years. We did have the maturing of the raw material cost increases in -- across our segments. You can see that in the Harris Products Group and International, we gave up a little bit of price cost there, but maintained our position, I would say, rather well in the Americas. So this is fully in line with what our expectations were for the second quarter, seeing these costs come in that we had been predicting at the end of last year and through the first quarter of this year.

Walter Scott Liptak - *Seaport Global Securities LLC, Research Division - MD & Senior Industrials Analyst*

Okay. What are we thinking about for -- what are you thinking about for third quarter for some of those costs as well as for the LIFO charge?

Vincent K. Petrella - *Lincoln Electric Holdings, Inc. - CFO, EVP and Treasurer*

Well, the LIFO charge is in line with what we took in the second quarter. We can expect a similar type of situation in the third quarter, in the second half of the year. Our view on the cost position is that it's relatively mature, that we don't expect any material changes one way or another as we move into the third quarter. So we would expect more of the same. And with the expectations on volumes that we saw in the second quarter and replicating something along those lines in the third quarter, we ought to see some incremental improvement in our overall margin profile in the third quarter.

Walter Scott Liptak - *Seaport Global Securities LLC, Research Division - MD & Senior Industrials Analyst*

Okay, great. Look, if I could do a follow-on then on the energy sector, could you refresh us now -- like how are you thinking of energy, how much of that is the mix of your sales, both direct and indirect? And was it across the board, up, mid, downstream that you're seeing the improvement, any cadence? Just looking for a little bit more info on your energy sector exposure?

Christopher L. Mapes - *Lincoln Electric Holdings, Inc. - Chairman, CEO and President*

So we have continual improvement on a year-over-year basis in our oil and gas end markets. We increased in the second quarter mid-teens in total sales year-over-year. The strongest part of those mid-teens improvement were in upstream and downstream. And the strongest single end market was upstream activity. So we had a strong quarter from the oil and gas perspective. That oil and gas business is also about mid-teens exposure for the total corporation, total energy, including oil and gas is in the high teens.

Christopher L. Mapes - *Lincoln Electric Holdings, Inc. - Chairman, CEO and President*

Yes, it was pretty broad-based outside of the offshore segment of the space. That's what I like about the breadth that we're seeing is that we're seeing some broad improvements, not only across upstream, downstream, but also regionally that gives us some confidence of firming and growth in that space as we move forward.

Walter Scott Liptak - *Seaport Global Securities LLC, Research Division - MD & Senior Industrials Analyst*

Okay. And the price of oil has been kind of volatile over the last month or 2. Were you just seeing improvement throughout the quarter into July in the recovery? Or have you seen the demand for welding products related to oil and gas move around with the price of oil?

Christopher L. Mapes - *Lincoln Electric Holdings, Inc. - Chairman, CEO and President*

Yes, we didn't see necessarily any material change in the quarter. We saw some of the volatility for the oil price within the quarter. But that type of quick movement, usually we don't see that level of impact immediately. So we really didn't see anything within our data within the quarter relative to our demand model.

Operator

And our next question comes from the line of Liam Burke of FBR Capital.

Liam Dalton Burke - *Wunderlich Securities Inc., Research Division - MD*

Chris, could you give us some color on Europe. Volume was up. Was it primarily automation, or was it systems? Or how is that market shaking out from both product and a competitive basis?

Christopher L. Mapes - *Lincoln Electric Holdings, Inc. - Chairman, CEO and President*

Well, I think a couple of comments on Europe. I believe that when we're seeing broad discussions in the marketplace around improvement in the European economy, I believe we're seeing some of that benefit. It wasn't that long ago, 3 or 4 quarters, where there was some real intrepidation relative to Europe. But we've seen over the last couple of quarters firming and slight improvements in those markets. And I would tell you that it's relatively broad-based as it relates to the solutions. There's not any one particular application or category, which is driving that. And again, that gives me more confidence in that region long term and expecting opportunistically that this will also provide us with a catalyst as we're bringing in the Air Liquide business at the end of the month, where they have a lot of density and capabilities within that region.

Operator

Our next question comes from the line of Tom Hayes of Northcoast research.

Thomas Lloyd Hayes - *Northcoast Research Partners, LLC - MD & Senior Research Analyst*

Maybe shifting around the globe to the Asia Pacific business. You said, business there is picking up. Just wondering maybe give us kind of an update where you stand on the profitability levels. I know, before you consolidated or changed the reporting segments profitability and China being bit of a challenge, just maybe kind of an update on where that stands?

Vincent K. Petrella - *Lincoln Electric Holdings, Inc. - CFO, EVP and Treasurer*

So Tom, we're seeing improvements most notably in organic growth in the Asia Pacific region and China and Australia. China first, we continue to gain attraction and developing our business model there. And we've also been aided by upturn in end markets in the -- in our China marketplace, are profitable there and have been consistently profitable for the last several quarters. The business is improving. I would say it's still a bit uneven and volatile, but we're satisfied with the progress that we've there over the past 4 to 6 quarters. Australia is showing some rebound in underlying markets, but perhaps more importantly, we're winning some important discrete business opportunities there that have driven our revenue and margin levels to levels that we haven't seen for the better part of a couple of years there. So we're -- the Asia Pacific region certainly has a good trend line going forward.

Christopher L. Mapes - *Lincoln Electric Holdings, Inc. - Chairman, CEO and President*

Tom, I would add also that I don't think it's accidental. Matter of fact, it's part of the strategy to drive more solutions into that marketplace. The expansion of our technical centers that were developed in Australia and Singapore over the last 18 to 24 months, we've had a multitude of customers, both channel partners as well as OEMs, that have visited us to look at our solutions in those regions. And we're beginning to see some of the benefits of that investment in those markets.

Operator

Our next question comes from Matthew Trusz of Gabelli & Company.

Matthew A. Trusz - *G. Research, LLC - Research Analyst*

Can you provide a little more color on what drove margins down in the International segment despite taking, I guess, even more price than the Americas? Is it something of a function of business mix there having more lower engineered consumables?

Vincent K. Petrella - *Lincoln Electric Holdings, Inc. - CFO, EVP and Treasurer*

It's really related to my previous comments on cost coming into the model and not fully being offset by pricing improvements. So we had a little bit of a deterioration in our margins from that perspective.

Matthew A. Trusz - *G. Research, LLC - Research Analyst*

Okay. And then just going back to the export strength in automation specifically, what end markets are you selling there that, that's driving the growth there? Are there any specific commercial initiatives that you call out?

Vincent K. Petrella - *Lincoln Electric Holdings, Inc. - CFO, EVP and Treasurer*

The export markets that have been attractive have been some in the Middle East. We've had strong exports into China. And then our neighbors in Canada, and particularly Mexico, are up very strongly in exports. So those handful of regions and countries are predominantly the drivers for export improvement.

Operator

Our next question comes from the line of Seth Weber of RBC Capital Markets.

Seth Robert Weber - *RBC Capital Markets, LLC, Research Division - Analyst*

I think this is probably a follow-on to that previous question. But I'm trying to understand if you could parse out some of the strength in the auto markets that you're seeing. Is it possible to parse out how much of that is coming from automation and maybe some of that is this export business you're talking about. And how much of it is just the traditional welding business is continuing to do well, because obviously, this is kind of a hot topic around the space right now? If there is any additional color on the auto strength that you're calling out.

Christopher L. Mapes - *Lincoln Electric Holdings, Inc. - Chairman, CEO and President*

So when we looked at the automotive segment on a global basis and looked at the increase year-over-year, about half of that increase was relative to customer expansion, us doing more business with current customers or some customer acquisition activity. The other half of that growth was relative to some new products and solutions that we have in space, and then just quite frankly, growth in the -- with the customers that we're participating with. So again, about half new customer acquisition and about half new technologies and growth in the space that we're participating.

Seth Robert Weber - *RBC Capital Markets, LLC, Research Division - Analyst*

Okay. But it's fair to characterize that the core welding business is up as well as the automation into auto?

Christopher L. Mapes - *Lincoln Electric Holdings, Inc. - Chairman, CEO and President*

Absolutely.

Seth Robert Weber - *RBC Capital Markets, LLC, Research Division - Analyst*

Okay. And is there any color that you could help with as far as regional auto mix? Does it just kind of mirror the overall company? Or is there some subtleties with the regional autoexposure specifically?

Christopher L. Mapes - *Lincoln Electric Holdings, Inc. - Chairman, CEO and President*

Well, our automotive exposure is certainly greater in the Americas segment than it is in the International segment relative to a density perspective. So we are -- we're slightly heavily more focused in our ability to service that market in the Americas versus International. But we don't break out the amount of density within those 2 segments from an industry perspective. Partially, because quite frankly, it is and always as relatively as one might think at the end of the day, we're continuing to try to drive those solutions broadly across the world, but certainly just have a high density in that particular segment in our Americas space.

Vincent K. Petrella - *Lincoln Electric Holdings, Inc. - CFO, EVP and Treasurer*

Makes sense.

Vincent K. Petrella - *Lincoln Electric Holdings, Inc. - CFO, EVP and Treasurer*

The growth rates were robust in both Americas and International. We had strong growth rates in automotive and transportation globally. And the growth rates in International were certainly higher than what the bills that you might be following in the International arena. So we had good strong growth in across all of our segments in automotive and transportation.

Seth Robert Weber - *RBC Capital Markets, LLC, Research Division - Analyst*

That's helpful, guys. And I guess, just a quick follow-up. I mean, the mix that the company is currently running at consumables equipment, is that kind of the right -- you feel like that's normalized at this point? Or you still think that there's some -- I know in the first quarter, you kind of talked out mix -- you talked about mix was favorable. This quarter you talked about there's a little bit more of a headwind. So is this sort of a normalized level here, or do you think it continues to become more of a headwind going forward?

Vincent K. Petrella - *Lincoln Electric Holdings, Inc. - CFO, EVP and Treasurer*

I don't -- I wouldn't say that mix we expect it to be a headwind going forward. In large part, our consumables and equipment portfolios globally have similar margin profiles. And I would tell you that we expect more out of equipment if this recovery continues to strengthen, and that mix might improve a little bit. But our expectations are that we should not have significant headwinds from mix going forward.

Operator

(Operator Instructions) Our next question comes from the line of Mig Dobre of Baird.

Mircea Dobre - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

I just wanted to clarify something. And if I missed this, I apologize. But I want to make sure that I understand how you're positioning volume growth as in what's kind of behind your comments for the second half of the year for the Americas Welding and International Welding. I understand, Harris, you commented on that, but I want to make sure we're clear in Americas and International. Do you expect volume growth there in spite of comparisons getting progressively more difficult? Or should we be mindful of that comparison as we think about the back half?

Vincent K. Petrella - *Lincoln Electric Holdings, Inc. - CFO, EVP and Treasurer*

We expect there to be, Mig, a continued improvement in year-over-year performance in our global business, which would include both the Americas and International. We talked about, from a consolidated perspective, seeing a low to mid-single-digit organic sales improvement year-over-year. We do, as normally is the case, expect the third quarter to have some seasonality that would result in a sequential decline from the second quarter. But we do expect year-over-year comparisons to improve across our portfolio by a low to mid-single-digit organic amount.

Mircea Dobre - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

In the fourth quarter, you're saying here?

Christopher L. Mapes - *Lincoln Electric Holdings, Inc. - Chairman, CEO and President*

No, no. No, we're talking third.

Mircea Dobre - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

You're talking third. And obviously, your comparisons get tougher in the fourth quarter in both Americas and International. But I don't know if you have visibility to comment at all on what that could look like?

Christopher L. Mapes - *Lincoln Electric Holdings, Inc. - Chairman, CEO and President*

Not at this point.

Mircea Dobre - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Not at this point. Okay? And then -- sure, sure. And then, I guess, the other question I had, if we're looking at automotive versus heavy industries, I'm wondering if, say for instance, down the line the automotive component of the business is slowing down, but we continue to see a pickup in heavy industries. To my knowledge, automotive and heavy industries are pretty similar in terms of overall size. Does that do anything for your overall mix in terms of profitability?

Vincent K. Petrella - *Lincoln Electric Holdings, Inc. - CFO, EVP and Treasurer*

No, I wouldn't say so. I think you're right. Those are 2 largest end market segments, automotive and transportation and heavy fabrication, heavy industries is really not that far behind. But they're clearly the 2 largest. And any rebalancing of those 2 industries would not have a material impact on our margin or profitability profile.

Operator

This concludes our question-and-answer session. I would like to turn the call back over to Vincent Petrella for closing remarks.

Vincent K. Petrella - *Lincoln Electric Holdings, Inc. - CFO, EVP and Treasurer*

Thank you, Nicole, and thank you, everyone, for joining us on the call today and your continued interest in Lincoln Electric. Look forward to talking to you again towards the end of October about our trends in the third quarter and for the full year. Thank you again.

Operator

This concludes today's teleconference. You may now disconnect your lines at this time. Thank you for your participation.
