



# **Lincoln Electric Holdings, Inc.**

**3Q 2012**

**Financial Results Conference Call**

**October 31, 2012**

# Safe Harbor -- 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.*

# Q3 2012 Highlights



- **Excellent operating results**
- **Significant margin expansion**
- **Generated strong operating cash flows**

# Income Statement – Q3 2012



<b>\$ in Millions</b>	<b>Q3 2012</b>	<b>% of Sales</b>	<b>Q3 2011</b>	<b>% of Sales</b>	<b><u>Change</u></b>	
					<b>\$</b>	<b>%</b>
Net Sales	\$ 697.6		\$ 701.6		\$ (4.0)	(0.6%)
Operating Income	\$ 88.7	12.7%	\$ 74.8	10.7%	\$ 13.9	18.5%
Net Income	\$ 64.8	9.3%	\$ 55.5	7.9%	\$ 9.3	16.6%
Diluted EPS	\$ 0.77		\$ 0.66		\$ 0.11	16.7%

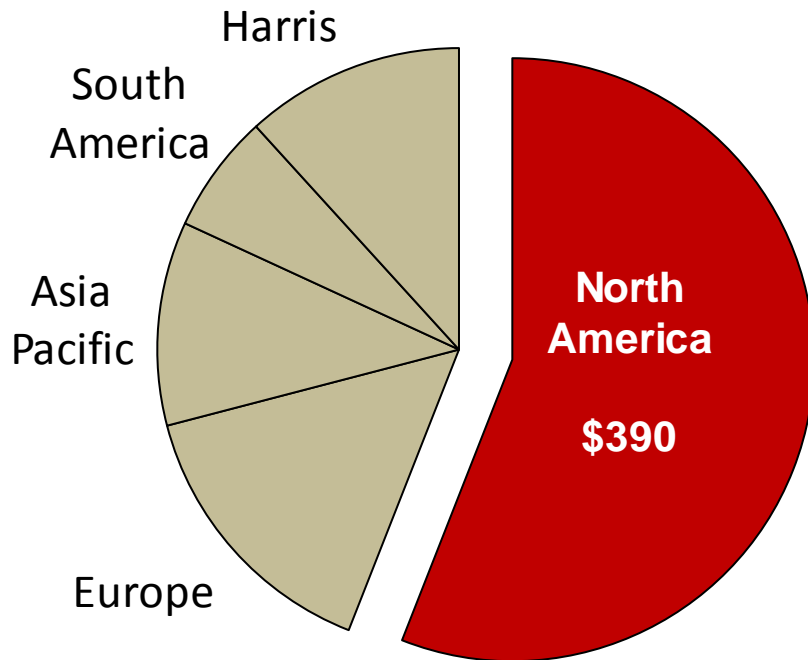
# Industrial Segment Highlights



- **Heavy Fabrication:** Construction equipment industry slowing worldwide. Market slowly starting to reshape and align with expected growth rate. Long-term prospects continue to look very promising.
- **Automotive:** Global demand for light vehicles softening. Exception is the US with strong sales. China slowing but will still show growth for the year. European auto down. Continue to expand automotive customer relationships around the world.
- **Global offshore:** Investment by international majors and nationalized oil companies continues to grow double digits. Activity is led by emerging economies on aggressive path towards energy independence.
- **Pipe Mills:** Training seminars with key customers in all regions. Orders from a number of regional customers increasing. Significant order for Russian pipe mill. Middle East bookings continue strong, large equipment order for U&S.
- **Process and Power Generation:** Successful quarter with key projects across segment. Strong technical expertise gives Lincoln competitive advantage in leveraging sales at large, highly technical projects.

# Sales by Segment – North America

\$ in Millions

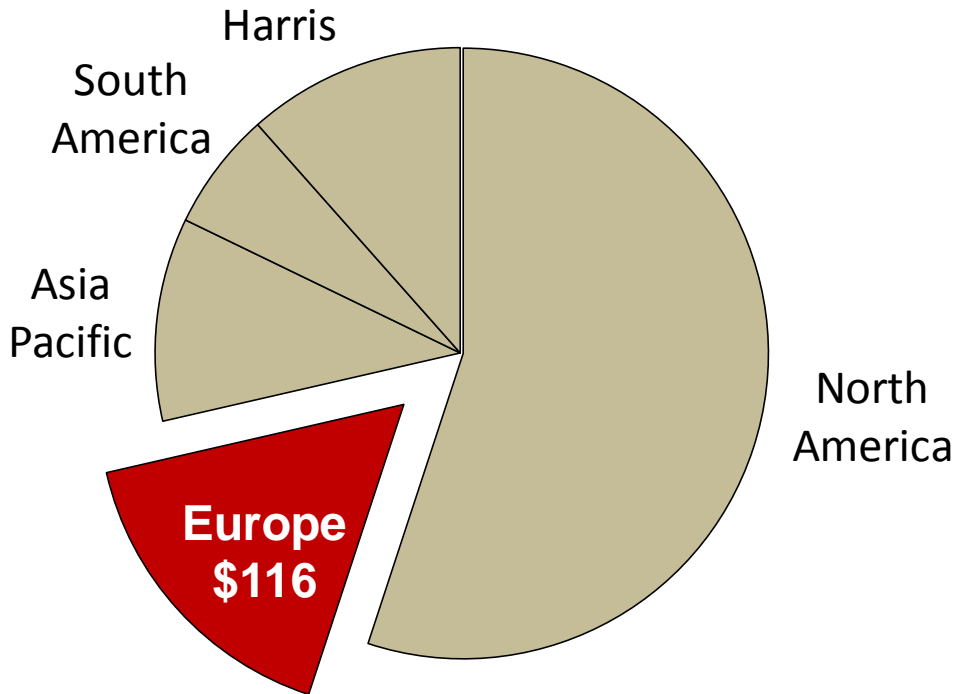


- ▶ Q3 Sales up 13.1% Y-O-Y to \$390 million
- ▶ Significant impact from acquisitions.
  - ▶ Arc Products, Techalloy, Torchmate, Weartech, Wayne Trail
- ▶ Key economic metrics
  - ▶ Industrial production trending up 2.8%; capacity utilization approx. 77%
  - ▶ PMI and Export orders slightly improved in September

# Sales by Segment – Europe



\$ in Millions

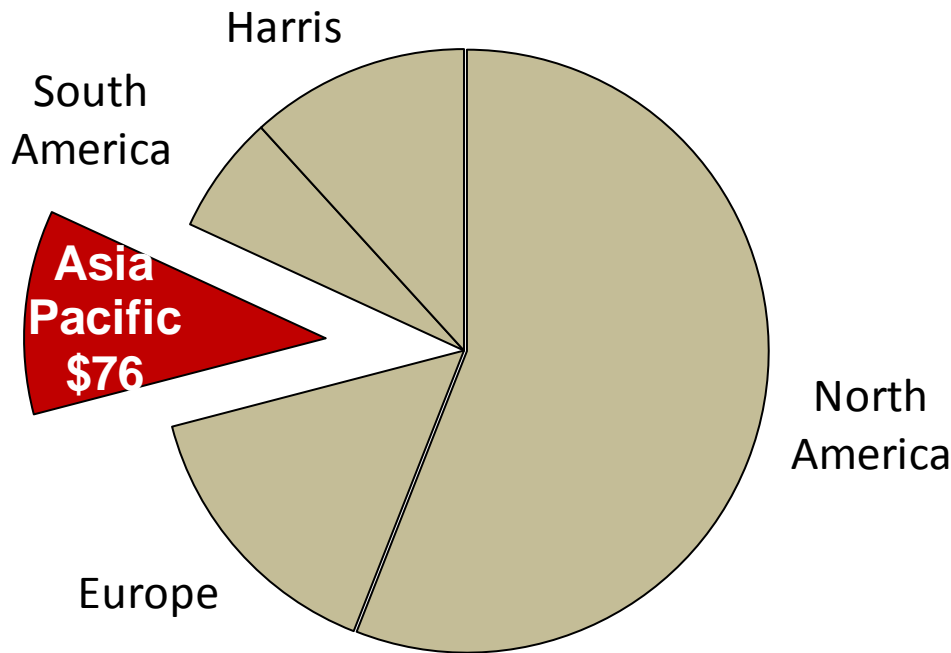


- ▶ Q3 sales down 9.4% to \$116 million, excluding FX.
- ▶ YTD equipment sales up over prior year; Q3 consumables ahead of last year.
- ▶ Russian consolidation continues.
- ▶ Middle East sales, volume and margins above prior year.

Segment: Europe, Russia, the Middle East, Africa

# Sales by Segment – Asia Pacific

\$ in Millions

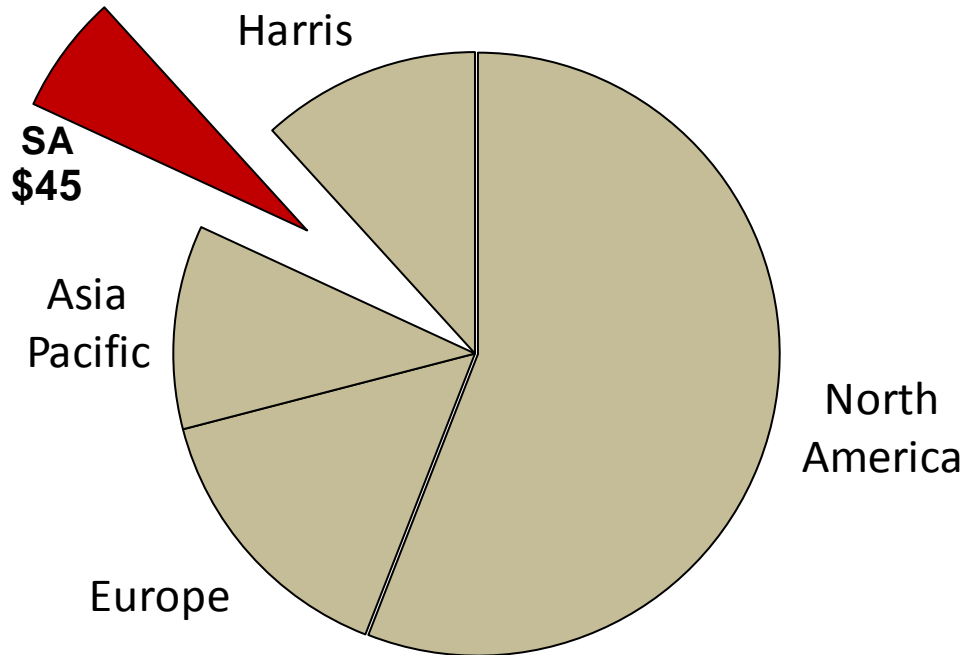


- ▶ Q3 sales at \$76 million
- ▶ Ongoing weakness in several geographies and segments.
- ▶ Restructuring and price management efforts contributed to profitability improvements.
- ▶ China – construction equipment, shipbuilding segments remain weak.
- ▶ Automotive stable; energy and offshore strong in China and Southeast Asia.
- ▶ Progress in reshaping manufacturing operations throughout region and strengthening commercial platform.



# Sales by Segment – South America

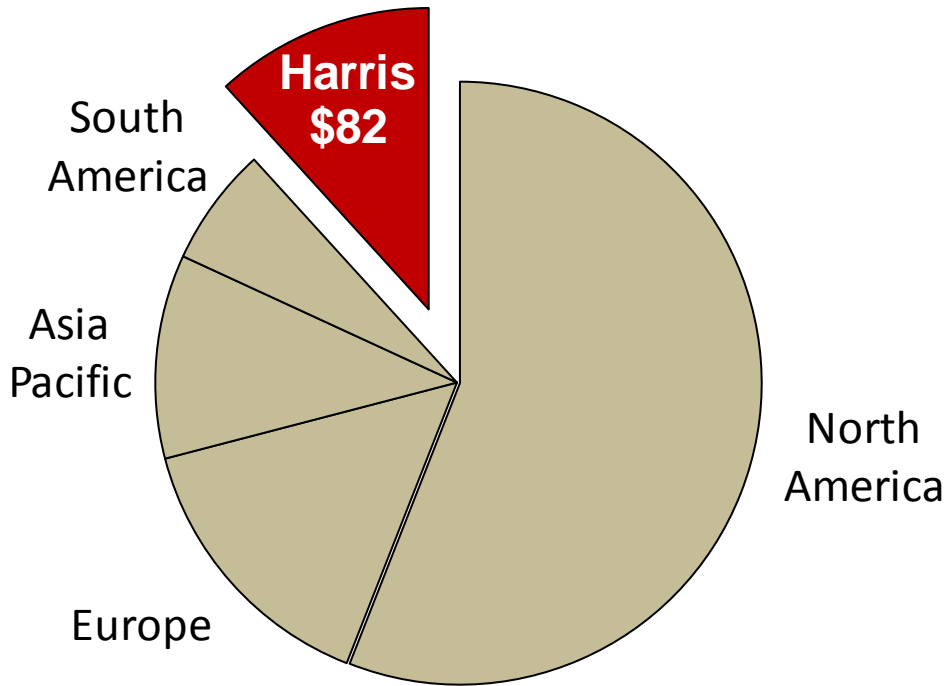
\$ in Millions



- ▶ Q3 sales up 0.9% to \$45 million
- ▶ Strong growth in Venezuela.
- ▶ 2012 GDP growth forecast lowered to 3%
- ▶ Significant growth continues in several key segments – Oil, gas
  - Pipeline projects in Peru and Colombia

# Sales by Segment – Harris Products Group

\$ in Millions



- ▶ Q3 sales down 4.9% to \$82 million.
- ▶ Commodity market changes impact revenue comparisons.
- ▶ International orders from the Middle East and Latin America contributed to 7.8% consumables growth.
- ▶ Harris Mason plant a finalist in Industry Week’s “Best Plants” competition.



# Financials

# Income Statement – Q3 2012

<b>\$ in Millions</b>	<b>Q3 2012</b>	<b>% of Sales</b>	<b>Q3 2011</b>	<b>% of Sales</b>	<b>Change</b>
Net Sales	\$ 697.6		\$ 701.6		(0.6%)
Gross Profit	\$ 213.4	30.6%	\$ 185.5	26.4%	15.0%
SG&A	\$ 121.6	17.4%	\$ 110.6	15.8%	9.9%
Special Items	\$ 3.1	0.4%	\$ -	-	100.0%
Operating Income	\$ 88.7	12.7%	\$ 74.8	10.7%	18.5%
Operating Income, as Adjusted	\$ 91.8	13.2%	\$ 74.8	10.7%	22.6%
Net Income	\$ 64.8	9.3%	\$ 55.5	7.9%	16.6%
Net Income, As Adjusted	\$ 67.5	9.7%	\$ 55.5	7.9%	21.5%
Diluted EPS	\$ 0.77		\$ 0.66		16.7%
Diluted EPS, As Adjusted	\$ 0.80		\$ 0.66		21.2%

<b>Sales Mix</b>	
Volume	(2.2%)
Price	0.8%
Acquisitions	3.8%
Forex	(3.0%)
<b>Total</b>	<b>(0.6%)</b>

# Welding Segment - North America

**\$ in**  
**Millions**

	<b>Q3</b> <b>2012</b>	<b>Q3</b> <b>2011</b>	<b>Change</b>
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Net Sales	\$ 390.3	\$ 345.2	13.1% ↑
Adjusted EBIT *	\$ 70.8	\$ 53.4	32.6% ↑
Adjusted EBIT margin*	16.9%	14.1%	280 bps ↑

## Sales Mix

Volume	2.7%
Price	2.7%
Acquisitions	7.8%
Forex	(0.1%)
<b>Total</b>	<b>13.1%</b>

\* Non-GAAP measure, excluding special items

# Welding Segment – Europe

**\$ in**  
**Millions**

	<b>Q3</b> <b>2012</b>	<b>Q3</b> <b>2011</b>	<b>Change</b>
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Net Sales	\$ 104.5	\$ 128.3	(18.6%) ↓
Adjusted EBIT *	\$ 8.5	\$ 10.3	(17.5%) ↓
Adjusted EBIT margin*	7.9%	7.8%	10 bps ↑

## Sales Mix

Volume	(8.9%)
Price	(0.5%)
Acquisitions	-
Forex	(9.2%)
Total	(18.6%)

\* Non-GAAP measure, excluding special items

# Welding Segment – Asia Pacific

<b>\$ in Millions</b>	<b>Q3 2012</b>	<b>Q3 2011</b>	<b>Change</b>	<b>Sales Mix</b>
Net Sales	\$ 76.3	\$ 97.8	(22.0%) ↓	Volume (19.4%) Price (1.1%)
Adjusted EBIT *	\$ 2.1	\$ 1.9	10.5% ↑	Acquisitions - Forex (1.5%)
Adjusted EBIT margin*	2.6%	1.9%	70 bps ↑	Total (22.0%)

\* Non-GAAP measure, excluding special items

# Welding Segment – South America

<b>\$ in Millions</b>	<b>Q3 2012</b>	<b>Q3 2011</b>	<b>Change</b>	<b>Sales Mix</b>	
Net Sales	\$ 44.5	\$ 44.2	0.9% ↑	Volume	(2.8%)
Adjusted EBIT *	\$ 7.6	\$ 4.0	90.0% ↑	Price	11.6%
Adjusted EBIT margin*	17.0%	9.1%	790 bps ↑	Acquisitions	-
				Forex	(7.9%)
				Total	0.9%

\* Non-GAAP measure, excluding special items



# The Harris Products Group

**\$ in**  
**Millions**

	<b>Q3</b>	<b>Q3</b>	
	<b>2012</b>	<b>2011</b>	<b>Change</b>

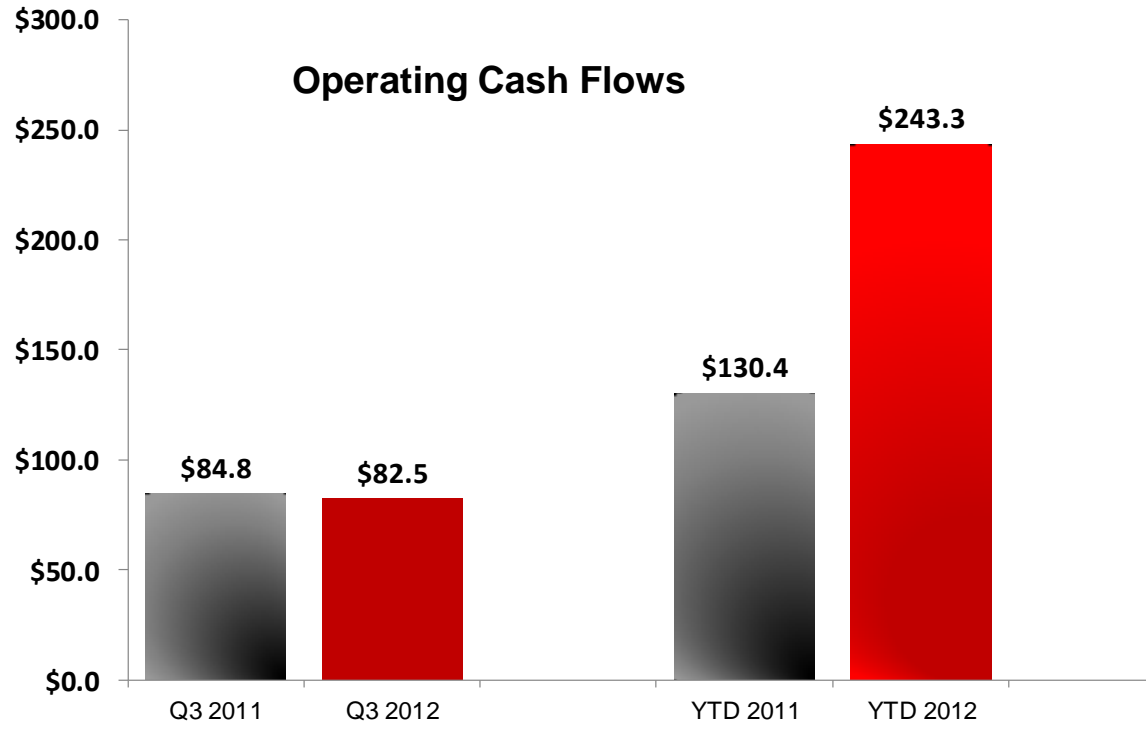
Net Sales	\$ 81.9	\$ 86.2	(4.9%) ↓
Adjusted EBIT *	\$ 7.7	\$ 5.0	54.0% ↑
Adjusted EBIT margin*	9.2%	5.6%	360 bps ↑

## Sales Mix

Volume	7.5%
Price	(8.4%)
Acquisitions	-
Forex	(4.0%)
Total	(4.9%)

\* Non-GAAP measure, excluding special items

# Cash Flow/Net Cash



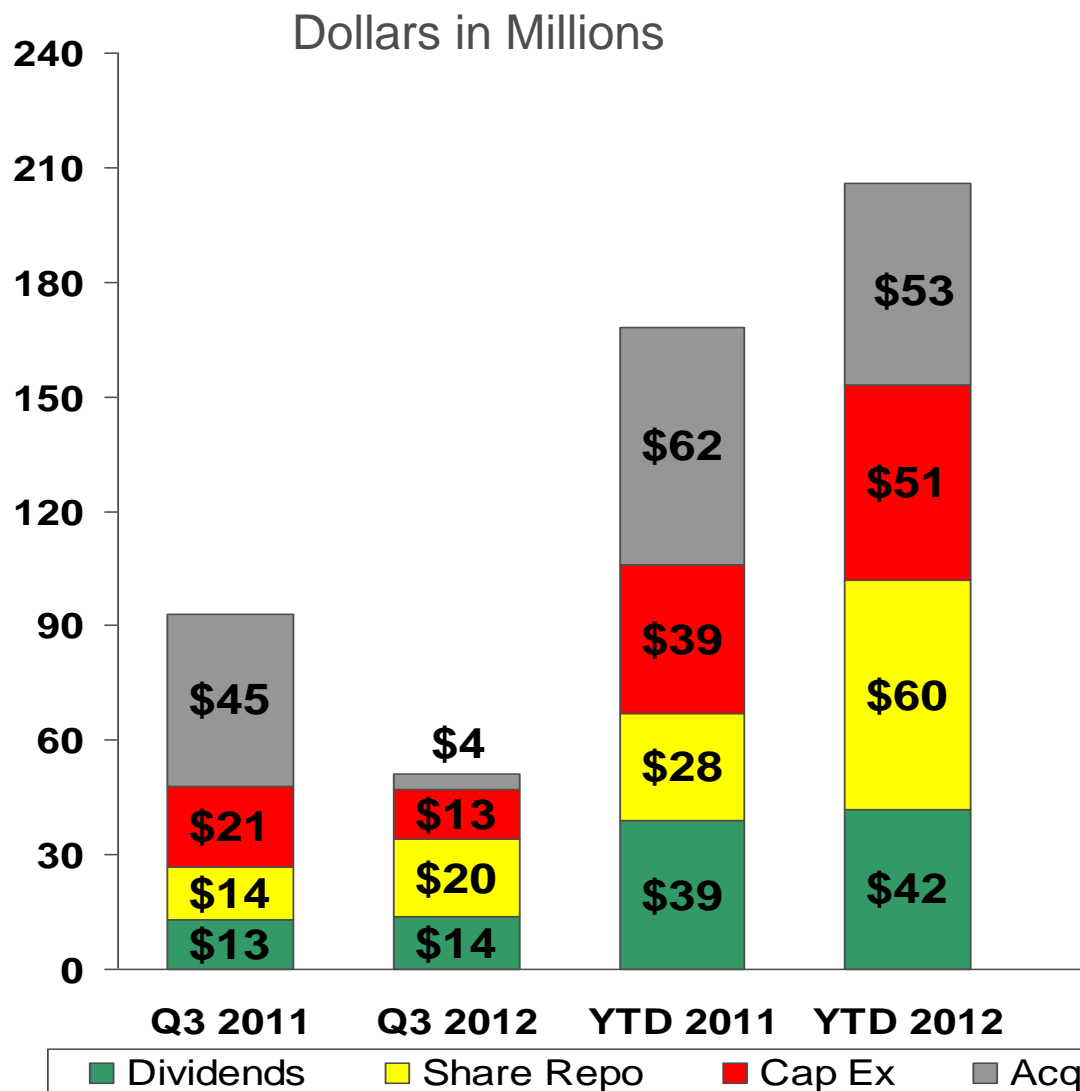
## ► Cash Flow

- Strong operating cash flows
- Improvement in working capital management
- Cash balance \$340.7 million
- Net cash balance \$319.5 million

## ► Debt

- Debt/invested capital ratio 1.6%
- Net cash to total capital 23.5%

# Capital Allocation



- ▶ **Dividends**
  - 8.9% increase from prior year
- ▶ **Capital Expenditures**
  - Focused on cost improvements
- ▶ **Acquisitions**
  - Torchmate, Techalloy, Weartech, Wayne Trail
- ▶ **Return on Invested Capital**
  - 18.7% at Sept. 30, 2012
- ▶ **Share Repurchases**
  - \$20 million for the quarter, \$60 million for YTD
- ▶ **Pension Contributions**
  - \$17.3 million for the quarter and \$53.3 million YTD



# Q & A



**LINCOLN**®  
**ELECTRIC**  
***THE WELDING EXPERTS***®