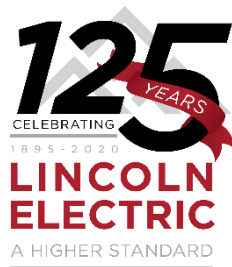


Lincoln Electric Holdings, Inc.

First Quarter 2020 Earnings Call

April 27, 2020



Safe Harbor and Regulation G Disclosures

Forward-Looking Statements:

Statements made during this presentation which are not historical facts may be considered forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual events or results to differ materially from those expressed or implied. Forward-looking statements generally can be identified by the use of words such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “forecast,” “guidance” or words of similar meaning. For further information concerning issues that could materially affect financial performance related to forward-looking statements, please refer to Lincoln Electric’s quarterly earnings releases and periodic filings with the Securities and Exchange Commission, which can be found on www.sec.gov or on www.lincolnelectric.com.

Non-GAAP Measures:

Our management uses non-GAAP financial measures in assessing and evaluating the Company’s performance, which exclude items we consider unusual or special items. We believe the use of such financial measures and information may be useful to investors. Non-GAAP financial measures should be read in conjunction with the GAAP financial measures, as non-GAAP measures are a supplement to, and not a replacement for, GAAP financial measures. Please refer to the attached schedule for a reconciliation of non-GAAP financial measures to the related GAAP financial measures.

Q1 2020 Highlights: We achieved solid margin and return performance operating as an “essential business” serving customers in an increasingly challenging environment

- » **Reported sales decreased 7.5% to \$702 million; Organic sales declined 9.5%**
- » **Adjusted Operating Income declined 10.5% to \$88.4 million; Adjusted Operating Income Margin down 40 bps to 12.6% - reflecting an 18.2% decremental margin**
- » **Diluted EPS of \$0.91, Adjusted EPS of \$1.00**
- » **ROIC of 19.7%**
- » **Cash flow from operations of \$22 million**
- » **Returned \$140 million to shareholders** (\$110 million of share repurchases and \$31 million in dividends)
- » **Investment grade profile balance sheet with 1.85x Total Debt/EBITDA and ample liquidity** (\$163 million in cash & \$314 million in available credit lines)

Operating Under Challenging Conditions

- » **Focused on safety:** Implemented Centers for Disease Control and Prevention (CDC) and World Health Organization (WHO) best practice measures to protect employee health
 - Heightened hygiene and sanitation practices
 - Social distancing
 - Maximized flexible and remote work arrangements

- » **Substantially all Lincoln facilities operated in Q1** as “essential businesses” focused on serving customers and building inventory to maintain high service levels in preparation for the recovery
 - 5 Chinese facilities closed in late-January 2020; resumed full operations in late-February and reached normalized order levels in early-March

- » **Expect a more challenging operating environment in Q2** as the economic impact of COVID-19 significantly effects demand and increases risk of supply chain disruptions

Demand Trends Weakened and Are Expected to Trough in Q2

» Q1 organic sales declined -9.5% YoY on slow industrial demand trends, which significantly decelerated in mid-March

- All regions impacted
- Consumable and automation organic sales declined low double-digit percent, equipment (non-automation) declined mid-single digit percent
- Price declines primarily reflect the mid-2019 removal of surcharges in Americas Welding

» Q1 2020 global end sector performance¹

- General Fabrication increased mid-to-high single digit percent (Predominately due to strength in HVAC applications in Harris)
- Automotive/Transportation, Energy, Heavy Industries and Construction/Infrastructure demand declined

» Significant reduction in Q2 orders:

- Sales orders trending low-40% rate in April month-to-date vs. prior year
- Expecting a Q2 demand trough with an unknown shaped recovery
- Prior peak-to-trough sales declines:
 - Consolidated: -30% (2008-2009)
 - Heavy Industries (18% of sales): -36% (2008-2009)
 - Auto/Transportation (17% of sales): -37% (2007-2009)
 - Oil & Gas (15% of sales): -33% (2014-2016)

Actions Taken to Mitigate Lower Demand

» Cost Reduction Actions

- Reduced work hours, overtime, headcount and contractor use to align with demand
- Reduced discretionary spending and eliminated travel
- Suspended new hiring
- Commenced 3 manufacturing facility rationalizations to align with demand
- Deferring annual wage increases
- Reduced capital investments to cost savings projects and growth initiatives

» Realized \$6.5 million in pre-tax rationalization charges in Q1-2020 and expect an additional \$10 to \$15 million in charges in 2020

» Prepared for further cost reduction actions as quarter progresses

Now expect \$40 to \$45 million of realized cost savings in 2020

Approximately 45% of 2020 cost savings are permanent

Expect to exit 2020 at \$6 to \$7 million in permanent cost savings per quarter

Solid Balance Sheet and Ample Liquidity Position LECO Well for an Extended Macro Down Cycle

» Investment grade profile balance sheet

- Total debt/EBITDA: 1.85x
- Net debt/EBITDA: 1.5x

» Total debt: \$848M // Net debt: \$685M

» Debt Covenant: 3.5x Total Debt/EBITDA¹

» \$700M in private Notes

- 3.3% interest rate with 14-year tenor
- First maturity August, 2025

» \$25M annual interest expense

» Ample Liquidity of \$477M

- Cash: \$163M
- Available lines of credit: \$314M

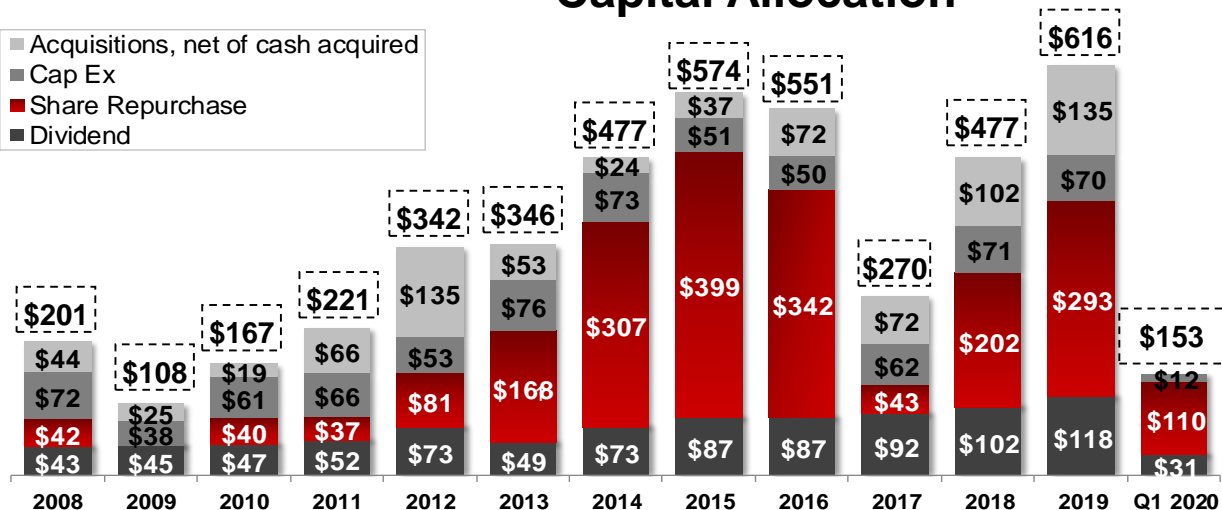
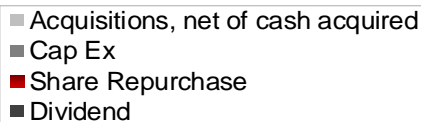
» Expect generation of cash flows from reductions in working capital

» >100% cash conversion

Capital Allocation and 2020 Priority Uses of Cash

(\$ in millions)

Capital Allocation



- » **Cap-ex:** Narrowing spend to cost reduction projects, new products & growth initiatives
- » **M&A:** Opportunistic
- » **Dividend:** Maintaining program
- » **Share repurchases:** Temporarily suspending repurchases

(\$M)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Q1-20
CFO ²	\$257	\$250	\$157	\$194	\$327	\$339	\$402	\$311	\$313	\$335	\$329	\$403	\$22

Cash Flows from Operations Strong Through the Cycle

¹ Q1/2013 dividend paid in Q4/2012

² CFO is defined as Cash Flows from Operations

Income Statement – Q1 2020

\$ in Millions	Q1 2020	% of Sales	Q1 2019	% of Sales	YoY % Change <i>Fav/(Unfav)</i>
Net Sales	\$ 702.0		\$ 759.2		(7.5%)
Gross Profit	237.3	33.8%	258.4	34.0%	(8.2%)
SG&A	149.7	21.3%	160.4	21.1%	6.7%
Special item charges ^{1,2}	7.3	1.0%	4.3	0.6%	(69.4%)
Operating Income	81.1	11.5%	94.5	12.4%	(14.2%)
Adjusted Operating Income¹	88.4	12.6%	98.8	13.0%	(10.5%)
Interest Expense, net³	5.5	0.8%	5.3	0.7%	(2.5%)
Income Taxes⁴	20.4	2.9%	21.5	2.8%	5.0%
Effective Tax Rate⁴	26.8%		23.1%		(370) bps
Net Income	\$ 55.6	7.9%	\$ 71.5	9.4%	(22.3%)
Special Items ⁵	5.4	0.8%	3.5	0.5%	(52.4%)
Adjusted Net Income¹	\$ 60.9	8.7%	\$ 75.0	9.9%	(18.8%)
Diluted EPS	\$ 0.91		\$ 1.12		(18.8%)
Adjusted Diluted EPS¹	\$ 1.00		\$ 1.17		(14.5%)

Sales Mix ⁶	
Volume	(8.6%)
Price	(0.9%)
Acquisitions	3.2%
FX	(1.3%)
TOTAL	(7.5%)

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

² Q1-2020 Special items include Rationalization and asset impairment charges of \$6.5 million and Amortization of step up in value of acquired inventories of \$0.8 million. Q1-2019 special items include \$3.5 million of Rationalization and asset impairment charges and \$0.8 million of Acquisition transaction and integration costs.

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

⁴ Q1 2020 reported and adjusted effective tax rate was 26.8%. Q1-2019 adjusted effective tax rate excluding special items was 22.9%.

⁵ Special items include the charges noted in footnote 2 and a \$2.0 million tax effect of Special items in Q1-2020 and a \$0.8 million tax effect on Special items in Q1-2019. U.S. Tax Act. Please refer to the appendix for further details.

⁶ Figures may not sum due to rounding.

Americas Welding Segment

(\$ in Millions)	Q1 2020	Q1 2019	% YoY Change		Sales Mix ¹
Net Sales	\$ 418.5	\$ 457.7	(8.6%)	↓	Volume (8.2%)
Adjusted EBIT	\$ 70.7	\$ 81.8	(13.5%)	↓	Price (1.2%)
Adjusted EBIT Margin²	15.9%	16.8%	(90) bps	↓	Acq/Div 1.4%
					FX (0.5%)
					Total (8.6%)

Volumes reflect broad deceleration in industrial production and lower capital spending for automation systems which further compressed in mid-March due to customer closures. Price primarily reflects the removal of U.S. tariff surcharges. Margin declined as benefits from positive price/cost, lower employee costs, and discretionary spending were offset by lower volumes and acquisitions.

¹ Figures may not sum due to rounding

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

International Welding Segment

(\$ in Millions)	Q1 2020	Q1 2019	% YoY Change		Sales Mix ¹	
Net Sales	\$ 197.9	\$ 218.1	(9.2%)	↓	Volume	(14.0%)
Adjusted EBIT	\$ 6.6	\$ 13.3	(50.4%)	↓	Price	(0.8%)
Adjusted EBIT Margin²	3.3%	6.0%	(270) bps	↓	Acq/Div	8.4%
					FX	(2.9%)
					Total	(9.2%)

Volume declines primarily reflect a significant deceleration in demand due to COVID-19 which impacted our China business for approximately one month and our European region starting mid-March. Lower margin reflects benefits of cost reduction actions and lower discretionary spending offset by the unfavorable impact of lower volumes.

¹ Figures may not sum due to rounding

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

The Harris Products Group

(\$ in Millions)	Q1 2020	Q1 2019	% YoY Change		Sales Mix ¹
Net Sales	\$ 85.5	\$ 83.4	2.6%	↑	Volume 3.4%
Adjusted EBIT	\$ 12.5	\$ 10.5	18.8%	↑	Price 0.4%
Adjusted EBIT Margin²	14.3%	12.3%	200 bps	↑	Acq/Div -
					FX (1.2%)
					Total 2.6%

**Volumes reflect solid demand in the retail channel.
Strong margin performance due to favorable price/cost and operational efficiencies.**

¹ Figures may not sum due to rounding

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

Positioning the Company to Exit this Challenging Period and Capitalize on Growth

IMMEDIATE ACTIONS:

- » Operating safely to protect employees and serve customers
- » Focused on new product development and using digital platforms to engage customers
- » Rapidly aligned business structure and processes to COVID-19

ONGOING FOCUS:

- » Prepared for additional cost reduction actions over next 30-60 days as warranted
- » Focusing investments on growth initiatives
- » Strong balance sheet and ample liquidity allows us to maintain our balanced use of cash and generate value for shareholders
- » Leading with our values and staying focused on our *Higher Standard 2025 Strategy*

Q&A



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Non-GAAP Information

Adjusted operating income, Adjusted net income, Adjusted EBIT, Adjusted effective tax rate, Adjusted diluted earnings per share, Organic sales, Cash conversion, Return on invested capital and Earnings before interest, taxes, depreciation and amortization ("EBITDA") 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,	
	2020	2019
Operating income as reported	\$ 81,074	\$ 94,478
Special items (pre-tax):		
Rationalization and asset impairment charges ⁽²⁾	6,521	3,535
Acquisition transaction and integration costs ⁽³⁾	—	790
Amortization of step up in value of acquired inventories ⁽⁴⁾	806	—
Adjusted operating income ⁽¹⁾	\$ 88,401	\$ 98,803
As a percent of total sales	12.6%	13.0 %
Net income as reported	\$ 55,562	\$ 71,480
Special items:		
Rationalization and asset impairment charges ⁽²⁾	6,521	3,535
Acquisition transaction and integration costs ⁽³⁾	—	790
Amortization of step up in value of acquired inventories ⁽⁴⁾	806	—
Tax effect of Special items ⁽⁵⁾	(1,976)	(813)
Adjusted net income ⁽¹⁾	60,913	74,992
Non-controlling interests in subsidiaries' loss	(7)	(14)
Interest expense, net	5,458	5,323
Income taxes as reported	20,370	21,452
Tax effect of Special items ⁽⁵⁾	1,976	813
Adjusted EBIT ⁽¹⁾	\$ 88,710	\$ 102,566
Effective tax rate as reported	26.8%	23.1 %
Net special item tax impact	—	(0.2%)
Adjusted effective tax rate ⁽¹⁾	26.8%	22.9 %
Diluted earnings per share as reported	\$ 0.91	\$ 1.12
Special items per share	0.09	0.05
Adjusted diluted earnings per share ⁽¹⁾	\$ 1.00	\$ 1.17
Weighted average shares (diluted)	60,799	63,899



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 earnings per share are non-GAAP financial measures. Refer to Non-GAAP Information section.
- 2) Primarily related to severance, asset impairments and gains or losses on the disposal of assets.
- 3) Related to the acquisition of Air Liquide Welding and are included in Selling, general & administrative expenses.
- 4) Related to an acquisition and are included in Cost of goods sold.
- 5) 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

Return on Invested Capital (ROIC) and Total Debt / EBITDA

(In thousands, except per share amounts)

(Unaudited)

	Twelve Months Ended March 31,	
	2020	2019
Return on Invested Capital		
Net income as reported	\$ 277,191	\$ 297,722
Rationalization and asset impairment charges	18,174	18,645
Acquisition transaction and integration costs	1,014	3,381
Pension settlement charges	—	5,928
Amortization of step up in value of acquired inventories	3,814	—
Gains on asset disposals	(3,554)	—
Gain on change in control	(7,601)	—
Tax effect of Special items ⁽²⁾	(8,549)	(7,328)
Adjusted net income ⁽¹⁾	\$ 280,489	\$ 318,348
Plus: Interest expense, net of tax of \$6,484 and \$6,211 in 2020 and 2019, respectively	19,489	18,666
Less: Interest income, net of tax of \$605 and \$1,605 in 2020 and 2019, respectively	1,818	4,825
Adjusted net income before tax-effected interest	\$ 298,160	\$ 332,189
Invested Capital	March 31, 2020	March 31, 2019
Short-term debt	\$ 132,378	\$ 110
Long-term debt, less current portion	715,950	705,725
Total debt	848,328	705,835
Total equity	667,960	864,665
Invested capital	\$ 1,516,288	\$ 1,570,500
Return on invested capital ⁽¹⁾	19.7%	21.2%

	Twelve Months Ended March 31,	
	2020	2019
Total Debt / EBITDA		
Net income as reported	\$ 277,191	\$ 297,722
Income taxes	74,328	79,741
Interest expense, net	23,550	18,447
Depreciation and amortization	83,614	73,113
EBITDA ⁽¹⁾	\$ 458,683	\$ 469,023
	March 31, 2020	March 31, 2019
Total debt	\$ 848,328	\$ 705,835
Total debt / EBITDA	1.85	1.50

- Adjusted net income, Return on invested capital and EBITDA are non-GAAP financial measures. Refer to Non-GAAP Information section.
- Includes the net tax impact of Special items recorded during the respective periods, including tax benefits of \$4,852 for the settlement of a tax item as well as tax deductions associated with an investment in a subsidiary in the twelve months ended March 31, 2020.

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 March 31, 2020

(In thousands)

(Unaudited)

	Americas Welding	International Welding	The Harris Products Group	Corporate / Eliminations	Consolidated
Three months ended March 31, 2020					
Net sales	\$ 418,535	\$ 197,923	\$ 85,533	\$ —	\$ 701,991
Inter-segment sales	24,783	4,483	1,725	(30,991)	—
Total	<u>\$ 443,318</u>	<u>\$ 202,406</u>	<u>\$ 87,258</u>	<u>\$ (30,991)</u>	<u>\$ 701,991</u>
Net income					\$ 55,562
As a percent of total sales					7.9%
EBIT ⁽¹⁾	\$ 69,512	\$ 478	\$ 12,492	\$ (1,099)	\$ 81,383
As a percent of total sales	15.7%	0.2%	14.3%		11.6%
Special items charges (gains) ⁽³⁾	1,190	6,137	—	—	7,327
Adjusted EBIT ⁽²⁾	\$ 70,702	\$ 6,615	\$ 12,492	\$ (1,099)	\$ 88,710
As a percent of total sales	15.9%	3.3%	14.3%		12.6%
Three months ended March 31, 2019					
Net sales	\$ 457,719	\$ 218,086	\$ 83,369	\$ —	\$ 759,174
Inter-segment sales	29,388	4,209	1,867	(35,464)	—
Total	<u>\$ 487,107</u>	<u>\$ 222,295</u>	<u>\$ 85,236</u>	<u>\$ (35,464)</u>	<u>\$ 759,174</u>
Net income					\$ 71,480
As a percent of total sales					9.4%
EBIT ⁽¹⁾	\$ 80,416	\$ 11,138	\$ 10,519	\$ (3,832)	\$ 98,241
As a percent of total sales	16.5%	5.0%	12.3%		12.9%
Special items charges (gains) ⁽⁴⁾	1,336	2,199	—	790	4,325
Adjusted EBIT ⁽²⁾	\$ 81,752	\$ 13,337	\$ 10,519	\$ (3,042)	\$ 102,566
As a percent of total sales	16.8%	6.0%	12.3%		13.5%

Non-GAAP Financial Measures (continued)

Footnotes for EBIT and Adjusted EBIT Reconciliation – Three Months Ended March 31, 2020

- 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 2020 reflect Rationalization and asset impairment charges of \$1,190 and \$5,331 in Americas Welding and International Welding, respectively, and amortization of step up in value of acquired inventories of \$806 in International Welding related to an acquisition.
- 4) Special items in 2019 reflect Rationalization and asset impairment charges of \$1,336 in Americas Welding and \$2,199 in International Welding and acquisition transaction and integration costs of \$790 in Corporate/Eliminations related to the acquisition of Air Liquide Welding.