

LINCOLN ELECTRIC HOLDINGS INC

Form 10-Q

October 26, 2018

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-1402

LINCOLN ELECTRIC HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Ohio

34-1860551

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

22801 St. Clair Avenue, Cleveland, Ohio

44117

(Address of principal executive offices)

(Zip Code)

(216) 481-8100

(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "small reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Edgar Filing: LINCOLN ELECTRIC HOLDINGS INC - Form 10-Q

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

The number of shares outstanding of the registrant's common shares as of September 30, 2018 was 64,445,633.

1

---

TABLE OF CONTENTS

<u>PART I. FINANCIAL INFORMATION</u>	<u>3</u>
<u>Item 1. Financial Statements</u>	<u>3</u>
<u>CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)</u>	<u>3</u>
<u>CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)</u>	<u>4</u>
<u>CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)</u>	<u>5</u>
<u>CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)</u>	<u>6</u>
<u>NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>7</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>23</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>33</u>
<u>Item 4. Controls and Procedures</u>	<u>33</u>
<u>PART II. OTHER INFORMATION</u>	<u>34</u>
<u>Item 1. Legal Proceedings</u>	<u>34</u>
<u>Item 1A. Risk Factors</u>	<u>34</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>34</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>35</u>
<u>Item 6. Exhibits</u>	<u>35</u>
<u>Signatures</u>	<u>36</u>
<u>EX-31.1</u> <u>Certification of the Chairman, President and Chief Executive Officer (Principal Executive Officer) pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.</u>	
<u>EX-31.2</u> <u>Certification of the Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer) pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.</u>	
<u>EX-32.1</u> <u>Certification of the Chairman, President and Chief Executive Officer (Principal Executive Officer) and Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer) pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>	
EX-101 Instance Document	
EX-101 Schema Document	
EX-101 Calculation Linkbase Document	
EX-101 Label Linkbase Document	
EX-101 Presentation Linkbase Document	
EX-101 Definition Linkbase Document	

Table of Contents

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

LINCOLN ELECTRIC HOLDINGS, INC.  
CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

(In thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Net sales (Note 2)	\$737,099	\$669,491	\$2,284,847	\$1,877,246
Cost of goods sold	485,547	451,610	1,506,625	1,240,391
Gross profit	251,552	217,881	778,222	636,855
Selling, general & administrative expenses	148,129	133,826	473,260	387,820
Rationalization and asset impairment charges (Note 6)	2,636	—	24,353	—
Bargain purchase gain (Note 4)	—	(51,585 )	—	(51,585 )
Operating income	100,787	135,640	280,609	300,620
Interest expense, net	3,969	4,595	13,222	14,984
Other income (expense) (Note 13)	(1,074 )	(403 )	6,818	6,872
Income before income taxes	95,744	130,642	274,205	292,508
Income taxes (Note 14)	25,209	24,531	73,991	69,218
Net income including non-controlling interests	70,535	106,111	200,214	223,290
Non-controlling interests in subsidiaries' earnings (loss)	(4 )	(15 )	(13 )	(32 )
Net income	\$70,539	\$106,126	\$200,227	\$223,322
Basic earnings per share (Note 3)	\$1.09	\$1.61	\$3.07	\$3.40
Diluted earnings per share (Note 3)	\$1.07	\$1.59	\$3.03	\$3.35
Cash dividends declared per share	\$0.39	\$0.35	\$1.17	\$1.05

See notes to these consolidated financial statements.

Table of Contents

LINCOLN ELECTRIC HOLDINGS, INC.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)  
(UNAUDITED)  
(In thousands)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Net income including non-controlling interests	\$70,535	\$106,111	\$200,214	\$223,290
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on derivatives designated and qualifying as cash flow hedges, net of tax of \$390 and \$415 in the three and nine months ended September 30, 2018; \$239 and \$(95) in the three and nine months ended September 30, 2017.	1,416	(684)	1,039	563
Defined benefit pension plan activity, net of tax of \$1,278 and \$1,927 in the three and nine months ended September 30, 2018; \$2,170 and \$2,532 in the three and nine months ended September 30, 2017.	3,855	3,958	5,863	5,384
Currency translation adjustment	(467)	18,931	(31,422)	72,820
Other comprehensive income (loss):	4,804	22,205	(24,520)	78,767
Comprehensive income	75,339	128,316	175,694	302,057
Comprehensive income (loss) attributable to non-controlling interests	(65)	16	(105)	47
Comprehensive income attributable to shareholders	\$75,404	\$128,300		