



# Lincoln Electric Holdings, Inc.

## A Company Welded for What's Ahead

Lincoln Electric Holdings Inc. is a staple in the welding industry, and is highly regarded within the construction industry for its products quality and reliability. Strong financial results in both Q1 and Q2 of 2025 headlined by a nearly 31% increase in EBITDA over the past year and sales growth YOY, compounded with the potential for growth in both product lines and market segments, Lincoln Electric looks to be in a very favorable position. **We initiate a BUY rating and a one-year PT of \$300.**

### Thesis Point 1

Lincoln Electric Holdings Inc. finds itself well-positioned to come out on the other side of United States tariffs very strong. According to CEO Steve Hedlund and CFO Gabriel Bruno, there has been a very large influx of quoting activity from customers regarding the automation lines, but customers are holding off purchases due to Trump's Big Beautiful Bill and tariffs. There is optimism internally that should the timing work out, the company is in a great position to capitalize on such high demand, especially with the new cutting-edge automation technology they announced in September 2025. With that being said, Lincoln Electric has a great opportunity in front of them to grow their market share as government policy begins to take shape.

### Thesis Point 2

Lincoln Electric Holdings Inc. pulls in nearly a quarter of its revenue from its international welding segment, which contains operations in over 20 countries across the world. In the past, this segment has brought in revenues, but has regularly lagged behind the American operations. However, in August of 2025, Lincoln Electric acquired the remaining 65% of Alloy Steel Australia after acquiring 35% in April. CEO Steve Hedlund and CFO Gabriel Bruno in the Q2 earnings call were cautiously optimistic about the potential for international growth, but did say that this new acquisition of Alloy Steel Australia will be profitable from day 1 and the international segment as a whole will be operating at the high end of its margin range moving ahead. If this Australian acquisition goes as well as expected, Lincoln Electric may continue to pour into the international segment over the next 5 years, which could pay off in a big way for the company.

### Company Overview

Lincoln Electric Holdings Inc. is an American manufacturing company that is a global leader in welding/cutting solutions, automation systems, and other welding consumables. Lincoln Electric is headquartered in Cleveland, Ohio, and was founded 125 years ago in 1895. Lincoln Electric's products are segmented into two categories: equipment and consumables. The equipment line features products like welding machines, robotic systems, and power sources; while the consumables line features products more along the lines of welding electrodes, wiring, and even safety equipment.

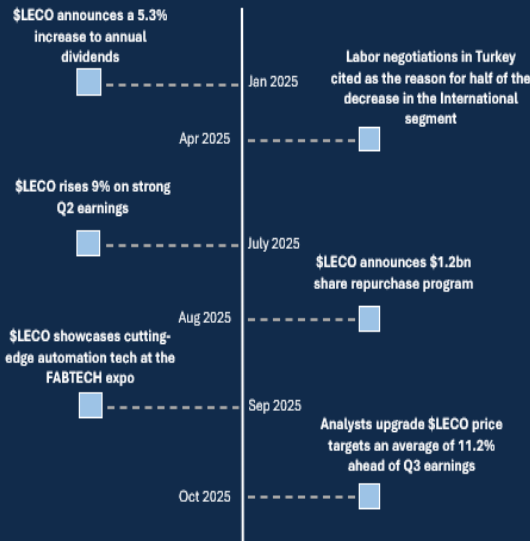
# LINCOLN ELECTRIC

TICKER:	\$LECO
RATING:	BUY
PRICE:	\$242.18
PRICE TARGET:	\$300.00
MARKET CAP:	\$13.2bn
52-W RANGE:	\$161.11 - \$249.19
P/E:	26.6x
IMPLIED UPSIDE:	25%

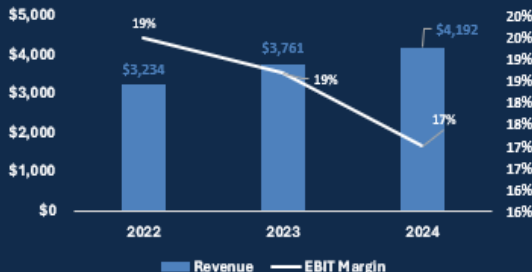
### 1 Year Price History



### Recent Events Timeline



### EBIT Margin with Annual Revenue



**Risk 1:** Automation growth potential is held up by new technologies and the current implied demand for automation products as mentioned by CEO Steve Hedlund. However, if policies do not improve or at least boost consumer confidence in the near future, demand could remain at the current level or even fall. The new technology may help demand in the long run, but only if it meets consumer expectation. Both could hurt short-term share price.

**Risk 2:** Lincoln Electric’s recent Australian acquisition is expected to immediately make an impact across the segment. However, if this new acquisition does not perform at the expected level, it could limit future international projects and ultimately put further pressure on American markets to sustain growth in an uncertain economy. This could hurt both short- and long-term price.

**Catalysts:** Growth potential in both product lines like automation and in segments like international welding, if successful, could compound and provide Lincoln Electric with the opportunity to capitalize on untapped international markets and build on their improvements in technology continue to increase customer demand.

Valuation

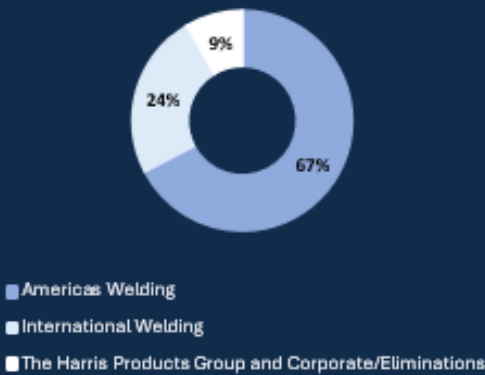
DCF Analysis (\$mm)						
	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
	12/31/2025	12/31/2026	12/31/2027	12/30/2028	12/30/2029	12/31/2030
Stub	0.81	1.81	2.81	3.81	4.81	5.81
Discount Period	0.09	0.69	1.69	2.69	3.69	4.69
Revenue	4,200	4,399	4,611	4,838	5,080	5,339
Revenue Growth	5%	5%	5%	5%	5%	5%
Americas Welding	2,800	2,912	3,028	3,150	3,276	3,407
International Welding	1,025	1,076	1,134	1,199	1,273	1,355
The Harris Products Gro	375	411	449	489	532	577
EBIT	714	770	836	907	984	1,068
EBIT Margin	17%	18%	18%	19%	19%	20%
Tax Expense	137	142	147	152	156	160
Effective Tax Rate	19%	19%	18%	17%	16%	15%
NOPAT	577.00	627.39	688.47	755.17	828.02	907.65
D&A	94	88	92	97	102	107
Capex	94	88	92	97	102	107
Changes in NWC	(15)	44	23	0	(25)	(53)
UFCF	592	583	665	755	853	961
PV of FCF	587	549	573	595	616	634

Our base case 5-year DCF projection is based on steady revenue growth across all segments as well as EBIT margin. The model also projects an exit multiple of 15.5X, which is a moderate to conservative multiple when compared to peers. The projections represent the steady growth of a mature company that is seeking growth opportunities internationally. Lincoln Electric can meet expectations and weather tariff policy, coming out well positioned to grow as the dust settles. Please reference bottom of the appendix on the next page for descriptions of our downside and upside DCF projections.

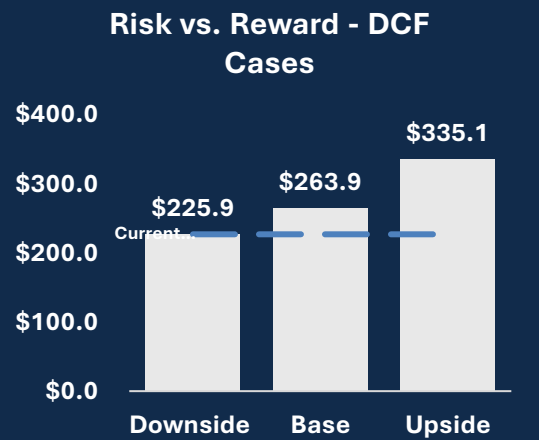
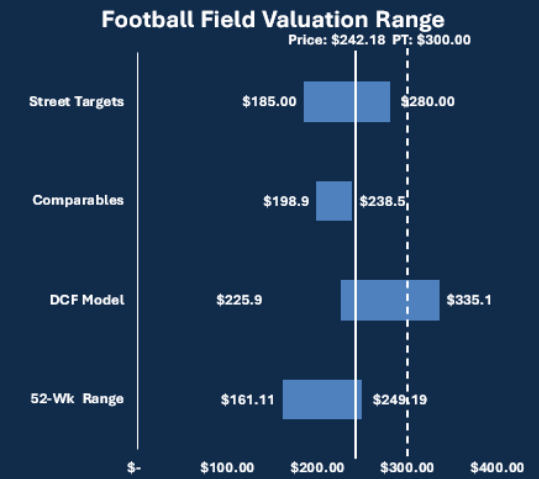
Conclusion

Lincoln Electric gives investors an opportunity to invest in a historically stable company in a time of uncertainty, while also providing a bright future with a lot of growth potential. With that in mind, **we initiate \$LECO with a BUY rating at \$242 with a one-year PT of \$300, which is an upside of 25% in the next year.**

Revenue Segments



Terminal Value	
Exit Multiple Method	
2034 EBITDA	\$1,175
EV/EBITDA Exit Multiple	15.5x
Terminal Value	\$18,206
PV of Terminal Value	\$12,020
PV of Projection Period	\$3,555
PV of Terminal Value	\$12,020
Implied TEV	\$15,575
(-) Debt	\$1,310
(+) Cash	\$299
Implied Equity Value	\$14,565
Diluted Shares Outstanding	55
Implied Share Price	\$263.92
Upside/Downside	9.8%



Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	4,009	4,200	4,460	4,753	5,086	6.1%
EBITDA	787	808	914	1,010	1,119	9.2%
EBIT	699	714	825	915	1,017	9.8%
NOPAT	571	577	672	754	847	10.4%

Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	19.6%	19.2%	20.5%	21.3%	22.0%	20.5%
EBIT Margin	17.4%	17.0%	18.5%	19.3%	20.0%	18.4%
Revenue Growth	-4.4%	4.8%	6.2%	6.6%	7.0%	4.0%
EBIT Growth	-1.9%	2.1%	15.5%	10.9%	11.2%	7.6%

Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	22.7x	22.6x	21.4x	18.4x	15.8x	20.2x
EV/Sales	3.6x	3.4x	3.2x	3.0x	2.8x	3.2x
EV/EBITDA	18.3x	17.8x	15.8x	14.3x	12.9x	15.8x
FCF Yield	4.4%	4.4%	4.7%	5.4%	6.3%	5.1%

#### Comparable Companies

\$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
ESAB Corporation (NYSE:ESAB)	\$7,366	\$8,317	28.8x	\$2,738	\$524
Nordson Corporation (NasdaqGS:NDSN)	\$13,034	\$15,107	29.3x	\$2,784	\$839
IDEX Corporation (NYSE:IEX)	\$12,286	\$13,592	26.4x	\$3,341	\$899
Illinois Tool Works Inc. (NYSE:ITW)	\$72,202	\$7,278	21.8x	\$4,514	\$4,535
<b>Lincoln Electric Holdings Inc.</b>	<b>\$13,161</b>	<b>\$14,172</b>	<b>26.6x</b>	<b>\$4,099</b>	<b>\$793</b>

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	Yr Rev Growth Rate LI
ESAB Corporation (NYSE:ESAB)	15.9x	37.7%	19.1%	16.5%	(1.1%)
Nordson Corporation (NasdaqGS:NDSN)	18.0x	54.6%	30.1%	24.8%	4.5%
IDEX Corporation (NYSE:IEX)	15.1x	44.6%	26.9%	21.1%	4.7%
Illinois Tool Works Inc. (NYSE:ITW)	1.6x	43.7%	28.7%	26.2%	(1.4%)
<b>Lincoln Electric Holdings Inc.</b>	<b>17.9x</b>	<b>36.5%</b>	<b>19.3%</b>	<b>17.1%</b>	<b>0.1%</b>

High	18.01x	54.6%	30.1%	26.2%	4.7%
75th Percentile	17.87x	44.6%	28.7%	24.8%	4.5%
Average	13.70x	43.4%	24.8%	21.1%	1.4%
Median	15.89x	43.7%	0.0%	21.1%	0.1%
25th Percentile	15.12x	37.7%	19.3%	17.1%	-1.1%
Low	1.60x	36.5%	19.1%	16.5%	-1.4%

#### Lincoln Electric Holdings Inc.

Implied Enterprise Value (25th Percentile)	\$	11,988
Implied Enterprise Value (Median)	\$	12,600
Implied Enterprise Value (75th Percentile)	\$	14,172

Implied Share Price (25th Percentile)	\$	198.93
Implied Share Price (Median)	\$	210.02
Implied Share Price (75th Percentile)	\$	238.49

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	4.33%
Beta	1.26
Risk Free Rate	4.39%
Cost of Equity	8.96%
Weighted Average Cost of Debt	4.25%
Tax Rate	18.50%
Cost of Debt	0.31%
Total Equity	\$13,408
Total Debt	\$1,010
Equity/Total Capitalization	91.10%
Debt/Total Capitalization	8.90%
WACC	9.26%

**Downside Case:** Our downside case projects poor revenue growth across all segments in line with an extended lull due to government policy. The multiple used in this assumption is 14.5X, which is bearish compared to competitors, resulting in a downside valuation of \$226.

**Upside Case:** Our upside case projects success across all segments in margins and revenues. It indicates success in international markets because of expansion and continued technological advancements. The exit multiple used is 17.0X, resulting in an upside valuation of \$335.

**Disclosures and Ratings:** Bluegrass Capital Research does not hold any professional relationships with the securities mentioned in this report. Our ratings are defined as follows: **Buy** (expected to outperform the market), **Hold** (expected to perform in line with the market), and **Sell** (expected to underperform the market), typically over a 12-month horizon. This report is for educational and informational purposes only and should not be considered as financial advice.