

LINCOLN ELECTRIC HOLDINGS INC

Form 10-Q

April 21, 2017

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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 March 31, 2017

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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  (Do not check if a smaller reporting company)

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.

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 March 31, 2017 was 65,796,164.

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EX-31.2 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.	
EX-32.1 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.	
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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

LINCOLN ELECTRIC HOLDINGS, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

(In thousands, except per share amounts)

	Three Months Ended March 31,	
	2017	2016
Net sales	\$580,897	\$550,722
Cost of goods sold	377,041	361,620
Gross profit	203,856	189,102
Selling, general & administrative expenses	122,370	113,810
Operating income	81,486	75,292
Other income (expense):		
Interest income	777	430
Equity earnings in affiliates	795	626
Other income	956	661
Interest expense	(6,114 )	(3,827 )
Total other income (expense)	(3,586 )	(2,110 )
Income before income taxes	77,900	73,182
Income taxes (Note 12)	22,052	19,558
Net income including non-controlling interests	55,848	53,624
Non-controlling interests in subsidiaries' income (loss)	4	(14 )
Net income	\$55,844	\$53,638
Basic earnings per share (Note 2)	\$0.85	\$0.77
Diluted earnings per share (Note 2)	\$0.84	\$0.76
Cash dividends declared per share	\$0.35	\$0.32

See notes to these consolidated financial statements.

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

	Three Months Ended March 31,	
	2017	2016
Net income including non-controlling interests	\$55,848	\$53,624
Other comprehensive income (loss), net of tax:		
Unrealized gain (loss) on derivatives designated and qualifying as cash flow hedges, net of tax of \$(431) and \$(203) in the three months ended March 31, 2017 and 2016	1,524	836
Defined benefit pension plan activity, net of tax of \$213 and \$911 in the three months ended March 31, 2017 and 2016	714	1,618
Currency translation adjustment	28,533	24,249
Other comprehensive income (loss):	30,771	26,703
Comprehensive income (loss)	86,619	80,327
Comprehensive income (loss) attributable to non-controlling interests	26	1
Comprehensive income (loss) attributable to shareholders	\$86,593	\$80,326

See notes to these consolidated financial statements.

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LINCOLN ELECTRIC HOLDINGS, INC.  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (In thousands)

	March 31, 2017	December 31, 2016
	(UNAUDITED) (NOTE 1)	
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 401,440	\$ 379,179
Accounts receivable (less allowance for doubtful accounts of \$7,597 in 2017; \$7,768 in 2016)	302,599	273,993
Inventories (Note 6)	281,250	255,406
Other current assets	162,781	135,135
Total Current Assets	1,148,070	1,043,713
Property, plant and equipment (less accumulated depreciation of \$732,499 in 2017; \$716,665 in 2016)	376,120	372,377
Goodwill	233,474	231,919
Other assets	295,013	295,428
<b>TOTAL ASSETS</b>	<b>\$ 2,052,677</b>	<b>\$ 1,943,437</b>
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities		
Short-term debt (Note 10)	\$ 2,136	\$ 1,889
Trade accounts payable	186,253	176,757
Other current liabilities	233,874	209,461
Total Current Liabilities	422,263	388,107
Long-term debt, less current portion (Note 10)	703,378	703,704
Other liabilities	142,912	139,420
Total Liabilities	1,268,553	