

## Proprietary Welding Survey: Decelerating Volume And Pricing Comparisons Should See Welding Outlooks Cut

### Summary

We surveyed 60 North American welding & cutting distributors representing an estimated 11% of industry revenue. Distributors reported 2Q19 sales +3.5%, inventory +0.8%, and price +3.4%. If we view sales as being the sum of volume and price this implies flat volume which is somewhat better than LECO commentary from the Stifel CSI Conference that through May volume was down mid single-digits. Further analysis of our survey results shows an under-weighting in areas which are likely to be showing weakness (e.g. auto) which we think explains the disconnect. Overall, we think domestic volume is likely down low to mid single-digits while organic revenue comparisons are likely to be flat to down low single-digits. Sales, additions to inventory, and price all decelerated relative to our prior survey. While sentiment has deteriorated modestly it is still relatively strong with distributors still expecting low to mid single digit growth over the next year.

### Key Points

#### Takeaways:

- We believe top line welding results are likely to fall short of current consensus expectations in North America for 2Q19 based on our evaluation of survey results coupled with LECO commentary. Based on this we have lowered our estimates for both 2Q19 (except LECO where we lowered in June) and going forward with global macro data slowing and trade frictions creating headwinds for capital spending.
- We think the survey results are likely a little too bullish given the survey has lower exposure to the automotive market (~7% survey vs. ~17% market) which is likely a larger drag on volume trends vs. survey results. We expect carryover pricing comparisons to be positive offset by volume likely down low to mid-single-digit. As the year progresses investors should expect organic growth comparisons to slow, absent a rebound in volume, as companies lap the highest of the pricing comparisons. In the short term, welding companies should see better margins with pricing still positive despite falling steel prices (price give backs should operate with similar lag to realization in 2018) delivering at least half the organic growth and against difficult pricing comparisons from 2018. The most exposed name is LECO given the company's leading position in North America and pure play welding and cutting portfolio. Also exposed in our coverage are ITW (lower percentage of company sales) and CFX (much higher international mix).
- Steel prices have largely declined with U.S. domestic hot rolled coil steel price averages down 11.5% q/q and down 28.2% y/y while N.A. plate steel is down 7.3% q/q and -0.8% y/y (long steel prices would be the best proxy for the welding industry but we do not have access to these prices). How long and how much price will the companies be able to hold on to in a deflationary environment, given the magnitude of price increases in 2018? Lincoln's historical pricing disclosures would tell you that the company (and likely the industry) has the ability to hold on to a significant amount of pricing even in deflationary input cost environments. Softening demand does give us concern on the price/cost dynamic in the short term.
- Distributors reported price increases from suppliers of +340bps in the quarter, which is slightly below last quarter's survey of +380bps. With pricing unchanged over the last 1-2 quarters according to the OEM's we think this is likely a little high and expect price of about 250bps domestically in the quarter. Pricing is likely to decelerate as the industry laps the highest pricing comparisons from 2018 and raw material prices have fallen. We believe distributors sell a mix of products which don't contain the level of steel that welding OEM's do, which led to an underestimating of price in 2018 and should lead to an overestimating of price in the current deflationary environment.
- 87% of distributors reporting price increases is positive given the deflationary picture in steel prices. More broadly on pricing inputs, the recent June Manufacturing ISM report noted the Prices index registered 47.9 in June down 5.3 points from May and indicating raw material prices decreased following one month of increases. The ISM Prices index averaged 50.4 in 2Q19, down 1.4% from the 1Q19 average of 51.1 (62.4 in 4Q18). We expect our welding companies to realize real net pricing benefits as they hold on to price gains from 2018:
  - Lincoln Electric is the only welding company that specifically breaks out its Americas welding segment (includes South America). Volume was +7.5% in 1Q18, +7.7% in 2Q18, 5.8% in 3Q18, -0.1% in 4Q18, and -2.9% in 1Q19. Price increased 4.6% in 1Q18, 5.4% in 2Q18, 9.1% in 3Q18, 8.3% in 4Q18, and 6.3% in 1Q19.

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All relevant disclosures and certifications appear on pages 12 - 15 of this report.

| Symbol | 07/08/19 Price | Rating |      | Target Price |          | 2Q19E  |        | 2019E  |        | 2020E  |        |
|--------|----------------|--------|------|--------------|----------|--------|--------|--------|--------|--------|--------|
|        |                | To     | From | To           | From     | To     | From   | To     | From   | To     | From   |
| CFX    | \$26.73        | Buy    | --   | \$34.00      | \$37.00  | \$0.35 | \$0.36 | \$1.63 | \$1.73 | \$2.09 | \$2.26 |
| ITW    | \$146.24       | Hold   | --   | \$143.00     | \$152.00 | \$1.99 | \$2.00 | \$7.90 | \$7.95 | \$8.39 | \$8.44 |
| LECO   | \$80.56        | Buy    | --   | \$89.00      | \$90.00  | \$1.28 | --     | \$5.12 | \$5.11 | \$5.50 | \$5.66 |

Source: Factset and Stifel estimates

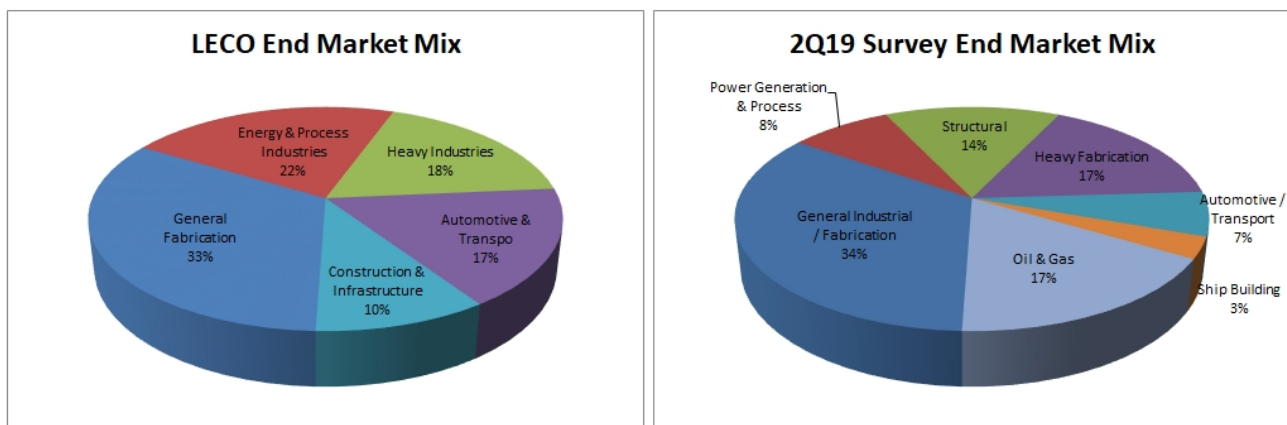
**Survey Results:**

- Last three months sales were reported to be up 3.5% y/y.
- Next three month sales are expected to be up 4.2% y/y.
- Next twelve months sales are expected to be up 4.0% y/y.
- Last three months inventory was reported to be up 0.8% y/y. 27% of distributors reported increasing their inventories, 53% reported maintaining inventories, and 20% reported decreasing inventories. This was below the forecast +1.6% and below the +1.3% reported in 1Q19.
- Next three month inventories are expected to be up 0.6% y/y. 23% of distributors expect to increase their inventories, 60% expect to maintain inventories, and 17% expect to decrease inventories.
- Next twelve month inventories are expected to be up 0.6% y/y. 28% of distributors expect to increase their inventories, 52% expect to maintain inventories, and 20% expect to decrease inventories.
- Last three months price from suppliers was reported to be up 3.4% y/y. 87% of distributors reported price increases, 12% reported flat prices, and 1% reported lower prices.
- Please see the following pages for detailed results of our distributor survey.

**Welding names under coverage:**

- **LECO (Buy, \$80.56) #1 pure-play in the welding industry. Leading global manufacturer of equipment and consumables for the welding, cutting, and brazing market.**
- **CFX (Buy, \$26.73) #2 global player in the welding industry but a fairly distant 3rd place in North America. Global manufacturer of welding & cutting equipment, fans, heat exchangers, compressors/blowers, and medical orthopedic solutions.**
- **ITW (Hold, \$146.24) #3 global player in the welding industry but a clear #2 in sales in North America. ITW is the most diverse company among the major welding players with 89% of revenue coming from non-welding businesses.**

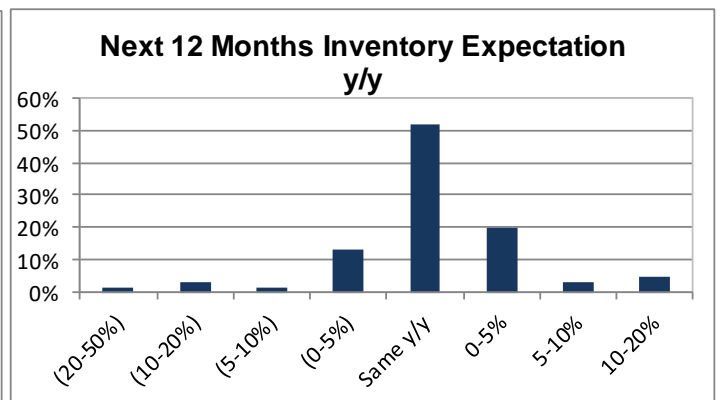
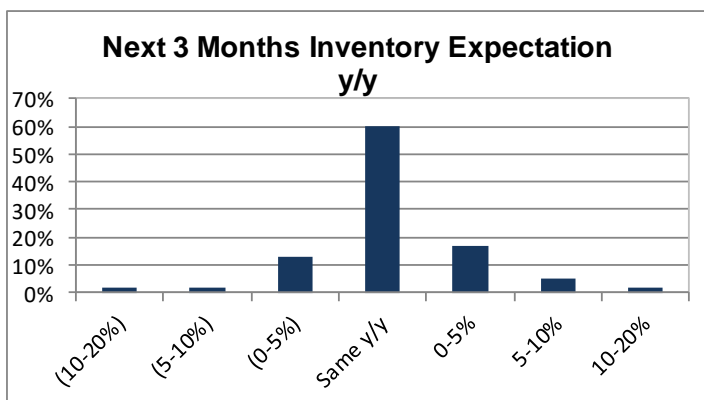
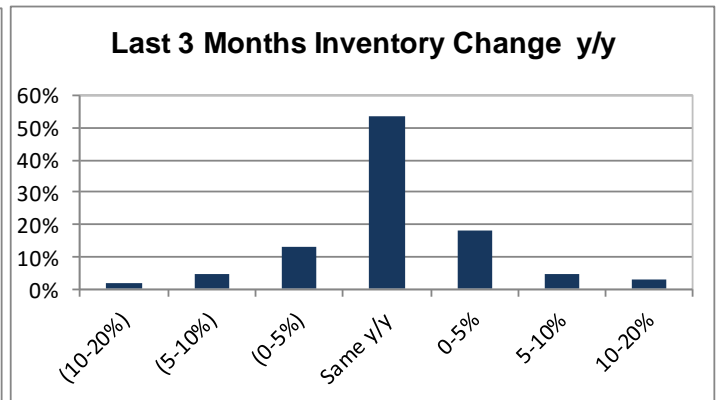
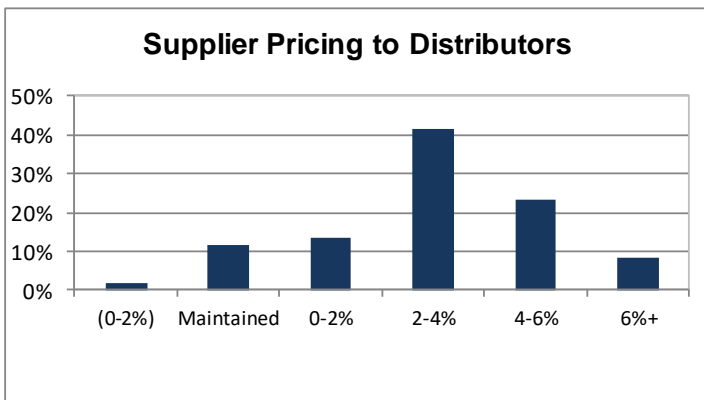
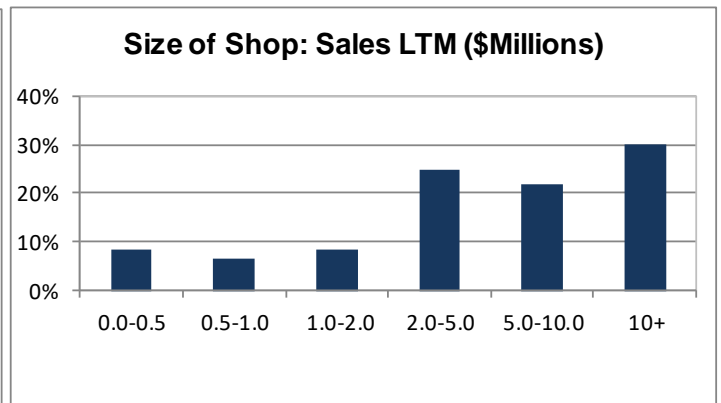
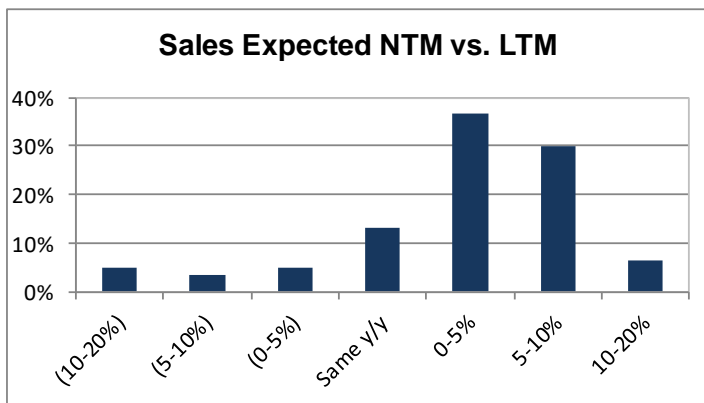
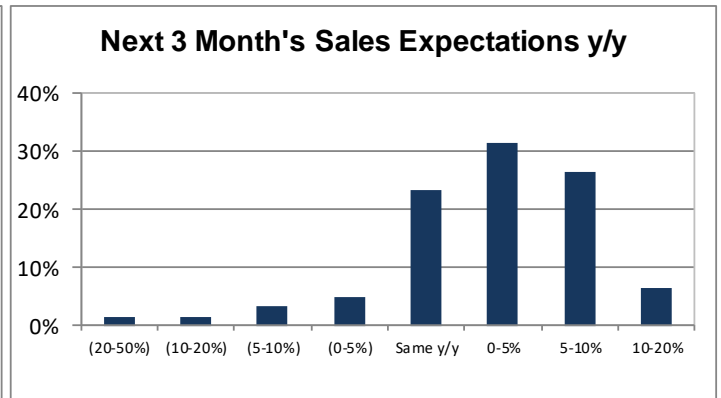
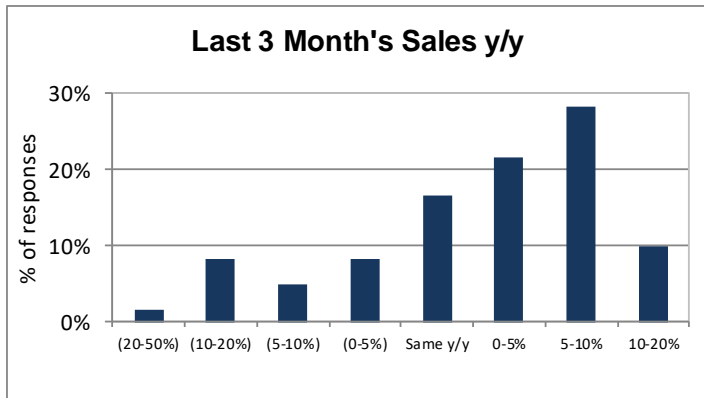
**Exhibit 1: LECO End Market Mix vs. 2Q19 Survey End Market Mix**



Source: Company reports, Stifel estimates

**Analysis of Welding Distributor Survey**

**Exhibit 2: Welding Distributor Survey**



Source: Stifel

**Sales Results** (using a weighted average based on sales):

- Last 3 months sales expected to be up 3.5% y/y
- Next 3 months sales expected to be up 4.2% y/y
- Next 12 months sales expected to be up 4.0% y/y

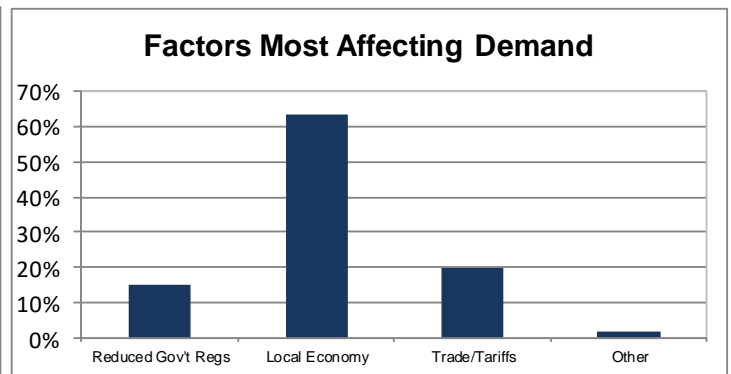
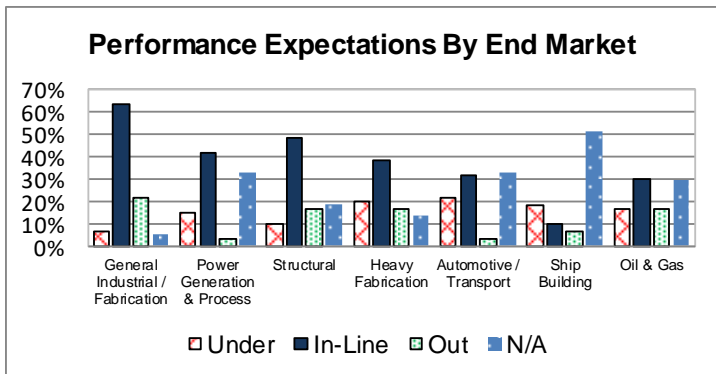
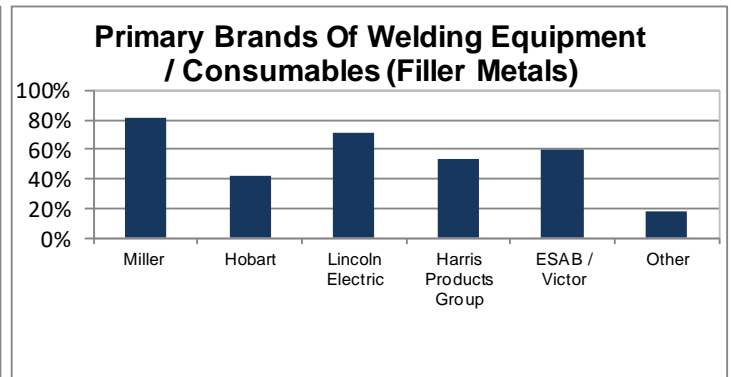
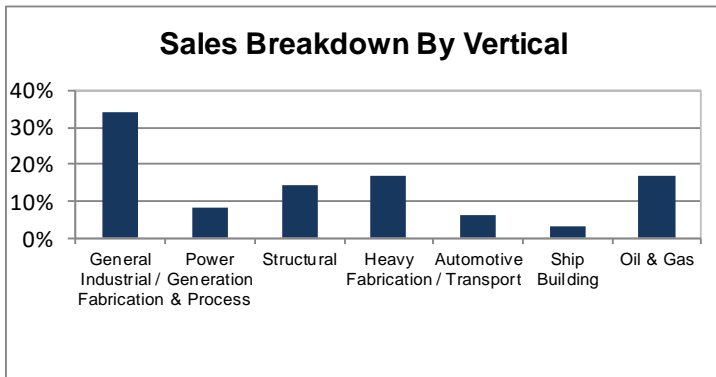
**Inventory Results** (using a weighted average based on sales):

- Last 3 months inventory expected to be up 0.8% y/y
- Next 3 months inventory expected to be up 0.6% y/y
- Next 12 months inventory expected to be up 0.6% y/y

**Pricing Results** (using a weighted average based on sales):

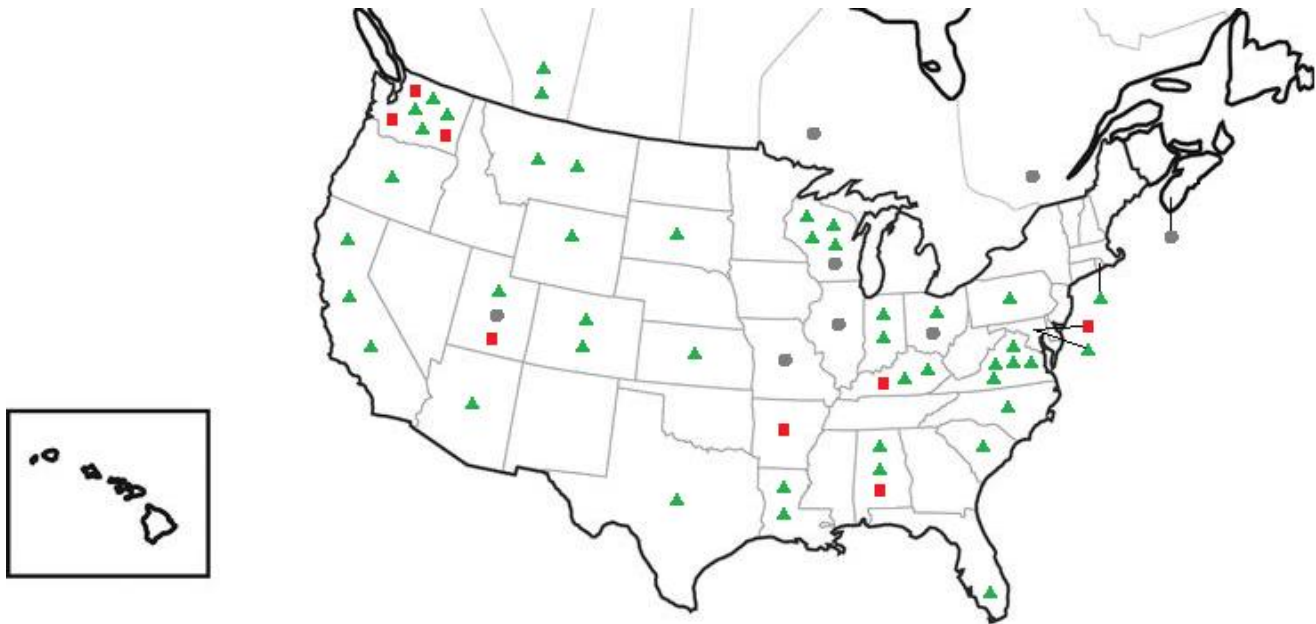
- Last 3 months pricing from suppliers expected to be up 3.4% y/y

**Exhibit 3: Welding Distributor End Markets Survey**



Source: Stifel

**Exhibit 4: U.S. Heat Map of Dealers Surveyed**

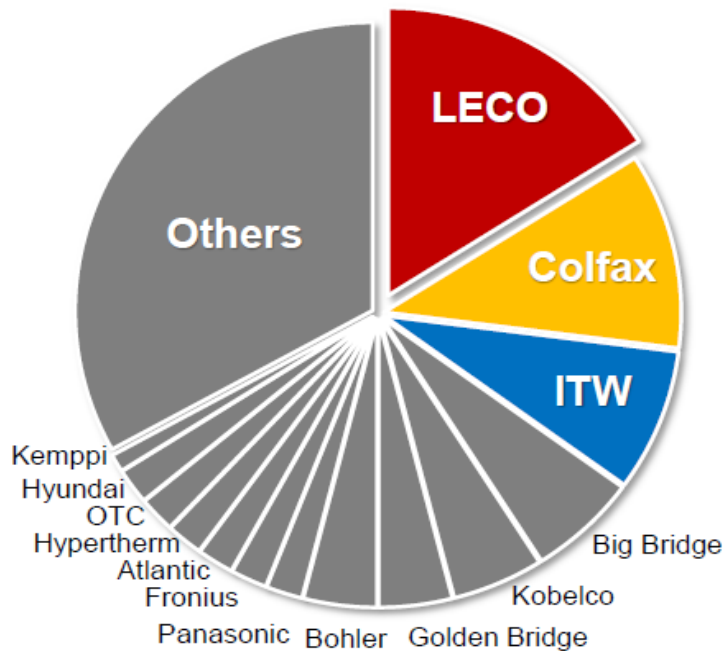


Source: Stifel, Company dealer surveys

- Green Triangles: Expect sales growth over the next 12 months y/y
- Grey Squares: Expect sales to remain flat over the next 12 months y/y
- Red Stars: Expect sales to decline over the next 12 months y/y

**Exhibit 5: Welding, Brazing & Cutting Industry Market Share**

**\$20B Global Arc Welding, Brazing & Cutting Industry Market Share Estimates**



Source: Company reports

Recently, we completed an anonymous survey of 60 welding, brazing, and cutting distributors across the United States and Canada. Over the previous 3 months (April, May, June, or 2Q19) the weighted average (by size of distributor) report was an increase in sales of 3.5% y/y. This compares to our prior forecasts for LECO 2Q19 -2.5% y/y organic growth in the Americas Welding segment and +4.0% y/y organic growth in the Harris Products Group (primarily cutting, soldering, and brazing); ITW Welding prior forecast +2.0% y/y organic growth (76% North America / 24% International split); and CFX Fabrication Technology prior forecast +6.0% y/y organic growth (Colfax has the least revenue from North America, we estimate North America is 15%-20% of Fabrication Technologies revenue). Over the next 3 months, distributors expect sales to increase 4.2% y/y, which compares to our prior forecast for LECO Americas Welding flat y/y organic growth and +3.0% y/y organic growth in the Harris Products Group; ITW Welding prior forecast +6.0% y/y organic growth; and CFX Fabrication Technologies prior forecast +4.0% y/y organic growth.

Over the next 12 months, distributors expect sales to increase 4.0% y/y, which compares to our prior forecast for LECO Americas Welding +1.0% y/y organic growth and +2.4% y/y organic growth in the Harris Products Group; ITW Welding prior forecast +4.0% y/y organic growth; and CFX Fabrication Technologies prior forecast +3.2% y/y organic growth.

Inventory

Over the previous 3 months the weighted average (by size of distributor) change in inventory was up 0.8% y/y. 27% of respondents reported increasing their inventory levels, 53% of respondents reported maintaining their inventory levels, and the remaining 20% were reducing their inventory levels. Over the next 3 months, distributors expect to increase inventories by 0.6% and then increase by 0.6% over the next 12 months respectively.

Price

As seen above in the price trend graphs (Exhibit 1), 87% of distributors reported price increases from suppliers, 12% reported no price change, and the remaining 2% reported price decreases. Over the previous 3 months, on a weighted average basis, price was up 3.4% y/y. Inflationary increases in the welding industry can occur rapidly leading to volatility and choppiness from quarter to quarter. Price increases, especially on consumables (filler metals), is meant to offset this raw material inflation.

**Product Commentary:**

In the past 6 months, new products that have been generating the most sales interest among customers:

**Exhibit 6: Past 6 Months Products**

|                  |  |   |  |   |
|------------------|--|---|--|---|
| Miller           | Welding machines<br>MIG welders<br>Oxyace                | Plasma cutting<br>Power source<br>Miller Multimatic | Weld PAPR's<br>Deltaweld 350 with Pulse<br>Safety wear | Inverter based welding equipment<br>Multi process MIG, TIG, Stick AC/DC<br>Miller 220 |
| Lincoln Electric | C Series welding lens<br>Welding machines<br>Safety wear | Power source<br>Plasma cutting                      | 330 welding unit<br>330 MPX gas drive                  | Inverter based welding equipment<br>Multi process MIG, TIG, Stick AC/DC               |
| ESAB/Victor      | Multi process MIG, TIG, Stick AC/DC                      | ArcAir Gouging Torch                                |  |   |

Source: Stifel

In the next 6 months, new products that are expected to be released:

**Exhibit 7: Next 6 Months Products**

|                  |  |  |                                |                                       |
|------------------|--|--|--------------------------------|---------------------------------------|
| Miller           | Miller welding machines<br>Welding helmets | Insight Core Cloud Weld Monitoring Solution      | 2020 welding machines          | Multiprocess welders                  |
| Lincoln Electric | Inverter welder<br>Aspect 230 TIG welder   | 2020 welding machines<br>New wire feeding system | New welders<br>Welding helmets | Power MIG welder<br>Metal corded wire |
| ESAB/Victor      | Welder AC/DC Rebel                         | New welders                                      | Victor products                |                                       |

Source: Stifel



July 8, 2019

## Investment Thesis

### **Colfax Corporation (CFX)**

Colfax is in the midst of a major portfolio transition with the recent acquisition of DJO and likely sale of the Air & Gas Handling business. On a pro forma sum-of-the-parts basis, the stock is trading at a meaningful discount. We believe the major overhang is the uncertainty around the price realization for the Air & Gas Handling business, and even whether the company can successfully complete the sale. With strong order rates and improving margins, we think the asset will find a new owner and serve as a catalyst to re-rate the multiple higher.

### **Illinois Tool Works Inc. (ITW)**

ITW's Enterprise Strategy has created significant value for shareholders over the past several years and continues to be the cornerstone of how the company does business. ITW earns industry leading margins in virtually all of its business and continues to surprise investors by driving margins even higher. Over time we believe ITW is likely to hit its target of 12%-14% total shareholder returns and that ITW should be a core holding in any industrial portfolio and traded around. At this time we would be equal weighted ITW shares, thus the Hold rating.

### **Lincoln Electric Holdings, Inc. (LECO)**

We view Lincoln Electric as a high quality and well-managed company with differentiated product capabilities and a solid long term growth outlook. A leader in innovation and a disciplined capital allocation strategy differentiates this pure play welding company, in our opinion. A very strong balance sheet provides significant upside from capital deployment.

## Company Description

### **Colfax Corporation (CFX)**

Colfax Corporation engages in designing, manufacturing, and marketing fluid-handling products to commercial marine, oil and gas, power generation, defense, and general industrial sectors worldwide. The company offers rotary positive displacement pumps – including screw, gear, and progressive cavity pumps – and specialty centrifugal pumps. It offers a range of fluid handling systems and controls, including lubrication systems for use in rotating equipment used in oil refineries and other process industries; custom packages for use in crude oil pipeline applications; lubrication and fuel forwarding systems for use in power generation turbines; complete packages for commercial marine engine rooms; and fire suppression systems for naval applications. In addition, the company provides specialty valves primarily for naval applications. Further, Colfax offers repair and retrofit services for products manufactured by other valve suppliers. The company markets its products under the Allweiler, Baric, Fairmount, Houuttuin, Imo, LSC, Portland Valve, Tushaco, Warren, and Zenith brand names. Its products are used for fuel oil transfer, water and waste-water handling, cargo handling, crude oil gathering, pipeline services, unloading and loading, rotating equipment lubrication, lube oil purification, firefighting, fluid control, machinery lubrication, hydraulic elevators, chemical processing, pulp and paper processing, food and beverage processing, and distribution applications. The company markets its products through direct sales and marketing associates and third-party distribution channels. Colfax Corporation was founded in 1860 and is headquartered in Fulton, Maryland.

### **Illinois Tool Works Inc. (ITW)**

Illinois Tool Works is a global manufacturer of industrial products and components serving a diverse group of end markets. The company operates in a highly decentralized fashion and looks to drive costs and improve overall profitability through its 80/20 program. The 80/20 program focuses attention on the 20% of items, costs, customers, etc. that drive 80% of the results. Operations are reported through seven separate business segments: Automotive OEM, Welding, Food Equipment, Construction Products, Polymers Fluids, Specialty Products, and Test & Measurement/Electronics with revenues approximating \$15 billion. Consumable products, equipment and service revenues represent 66%, 20% and 10% of ITW's revenues, respectively. ITW was founded in 1912 and is headquartered in Chicago, Illinois.

### **Lincoln Electric Holdings, Inc. (LECO)**

Lincoln Electric is a global manufacturer and market leader of welding equipment and cutting products. Lincoln has one of the broadest product portfolios in the welding industry and its product portfolio includes arc welding power sources, wire feeding systems, robotic welding packages, fume extraction equipment, and consumable electrodes. We estimate the split between consumables and equipment for the company approximates a 65% to 35% split. Lincoln also enjoys a leading position in the brazing and soldering market through its wholly owned subsidiary, The Harris Products Group.

## Target Price Methodology/Risks

### **Colfax Corporation (CFX)**

Our one-year target price of \$34 is based on 15x our proforma 2020E FCF per share.

Risks to our target price include the following: (1) global GDP growth below our assumption; (2) commodity price risk; (3) weak welding markets; and (4) weak energy markets.

### **Illinois Tool Works Inc. (ITW)**

Our one-year target price of \$143 is based on 17x our 2020E EPS.

Risks to our target price include, but are not limited to, execution risk, integration risks, risks around the global economy, as well as other risks mentioned in the company's 10-K filing.

### **Lincoln Electric Holdings, Inc. (LECO)**

Our one-year target price of \$89 is based on 16x our 2020E EPS.

Risks to achieving our target price include, but are not limited to, weakening/recessionary operating environment, issues relating to acquisitions, litigation risk, and internal execution issues, among other risks mentioned by the company in its Form 10K filing.



Lincoln Electric Holdings, Inc. (LECO)  
Income Statement  
(\$ in mls, except per share data)  
December Fiscal Year End

|   | 2007    | 2008    | 2009    | 2010    | 2011    | 2012    | 2013    | 2014    | 2015    | 2016    | 2017    | 1Q18    | 2Q18    | 3Q18    | 4Q18    | 2018    | 1Q19    | 2Q19    | 3Q19    | 4Q19    | 2019    | 2020    | 2021    | 2022    |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|   | A       | A       | A       | A       | A       | A       | A       | A       | A       | A       | A       | A       | A       | A       | A       | A       | A       | E       | E       | E       | E       | E       | E       | E       |
| Revenues                                    | 2,280.8 | 2,479.1 | 1,729.3 | 2,070.2 | 2,694.6 | 2,853.4 | 2,852.7 | 2,813.3 | 2,535.8 | 2,274.6 | 2,624.4 | 757.7   | 790.1   | 737.1   | 743.8   | 3,028.7 | 759.2   | 779.3   | 757.9   | 768.5   | 3,064.9 | 3,077.9 | 3,139.5 | 3,202.3 |
| <i>y/y growth</i>                           | 15.7%   | 8.7%    | -30.2%  | 19.7%   | 30.2%   | 5.9%    | 0.0%    | -1.4%   | -9.9%   | -10.3%  | 15.4%   | 30.4%   | 26.0%   | 10.1%   | -0.4%   | 15.4%   | 0.2%    | -1.4%   | 2.8%    | 3.3%    | 1.2%    | 0.4%    | 2.0%    | 2.0%    |
| <i>organic y/y growth</i>                   |         |         |         | 14.5%   | 21.7%   | 3.0%    | -2.6%   | -0.2%   | -4.0%   | -8.5%   | 6.6%    | 9.4%    | 9.3%    | 7.5%    | 1.6%    | 6.7%    | 0.9%    | -2.3%   | -0.3%   | -0.3%   | -0.5%   | 0.2%    | 2.0%    | 2.0%    |
| Cost of sales                               | 1,633.2 | 1,759.0 | 1,273.0 | 1,506.4 | 1,957.9 | 1,986.7 | 1,910.0 | 1,864.0 | 1,694.6 | 1,485.3 | 1,744.1 | 501.1   | 519.9   | 485.5   | 493.5   | 2,000.2 | 500.8   | 509.9   | 498.7   | 500.8   | 2,010.2 | 1,996.7 | 2,029.3 | 2,070.8 |
| Gross profit                                | 647.6   | 720.2   | 456.3   | 563.8   | 736.7   | 866.7   | 942.7   | 949.3   | 841.1   | 789.3   | 880.3   | 256.6   | 270.1   | 251.6   | 250.3   | 1,028.5 | 258.4   | 269.4   | 259.2   | 267.7   | 1,054.7 | 1,081.2 | 1,110.2 | 1,131.4 |
| SG&A  | 369.9   | 405.4   | 332.9   | 374.7   | 439.8   | 493.8   | 514.3   | 524.4   | 489.5   | 466.7   | 517.9   | 158.5   | 163.2   | 142.9   | 151.9   | 616.5   | 159.6   | 157.0   | 143.2   | 153.1   | 612.9   | 609.4   | 615.3   | 621.2   |
| Adjusted Operating Income                   | 277.6   | 314.8   | 123.4   | 189.1   | 297.0   | 372.8   | 428.4   | 424.9   | 371.6   | 322.6   | 362.4   | 98.0    | 107.0   | 108.6   | 98.4    | 412.0   | 98.8    | 112.3   | 116.0   | 114.6   | 441.8   | 471.8   | 494.9   | 510.2   |
| EBITDA                                      | 330.2   | 371.7   | 180.0   | 246.5   | 359.0   | 438.2   | 497.2   | 494.5   | 435.6   | 387.7   | 430.5   | 116.2   | 125.2   | 126.2   | 116.8   | 484.4   | 117.7   | 131.2   | 135.0   | 133.6   | 517.5   | 547.5   | 570.7   | 585.6   |
| Interest income                             | 8.3     | 8.8     | 3.5     | 2.4     | 3.1     | 4.0     | 3.3     | 3.1     | 2.7     | 2.1     | 4.8     | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       |
| Equity earnings in affiliates               | 9.8     | 6.0     | (5.0)   | 3.2     | 5.4     | 5.0     | 4.8     | 5.4     | 3.0     | 2.9     | 2.7     | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       |
| Other income                                | 2.8     | 1.7     | 3.6     | 1.8     | 2.8     | 2.7     | 4.2     | 4.0     | 4.2     | 3.2     | 5.2     | 3.5     | 4.4     | (1.1)   | 3.9     | 10.7    | 3.8     | 1.0     | 1.0     | 1.0     | 6.8     | 4.0     | 4.0     | 4.0     |
| Interest expense                            | (11.4)  | (12.2)  | (8.5)   | (6.7)   | (6.7)   | (4.2)   | (2.9)   | (10.4)  | (21.8)  | (19.1)  | (24.2)  | (4.4)   | (4.8)   | (4.0)   | (4.3)   | (17.6)  | (5.3)   | (5.4)   | (5.4)   | (5.5)   | (21.6)  | (21.5)  | (20.8)  | (19.9)  |
| Income before income taxes                  | 287.2   | 319.2   | 116.9   | 189.8   | 301.6   | 380.3   | 437.8   | 427.0   | 359.7   | 311.7   | 350.9   | 97.0    | 106.6   | 103.6   | 97.9    | 405.1   | 97.2    | 107.9   | 111.6   | 110.1   | 426.9   | 454.3   | 478.0   | 494.3   |
| Tax rate                                    | 29.4%   | 27.8%   | 37.1%   | 30.7%   | 29.6%   | 30.2%   | 28.9%   | 28.5%   | 27.7%   | 28.0%   | 28.0%   | 24.5%   | 24.6%   | 23.3%   | 14.7%   | 21.9%   | 22.9%   | 25.0%   | 25.0%   | 25.0%   | 24.5%   | 25.0%   | 25.0%   | 25.0%   |
| Provision for income taxes                  | 84.5    | 88.6    | 43.4    | 58.3    | 89.2    | 114.7   | 126.7   | 121.9   | 99.6    | 87.3    | 98.2    | 23.8    | 26.2    | 24.2    | 14.4    | 88.6    | 22.3    | 27.0    | 27.9    | 27.5    | 104.7   | 113.6   | 119.5   | 123.6   |
| Net income                                  | 202.6   | 230.6   | 73.5    | 131.5   | 212.4   | 265.6   | 311.1   | 305.1   | 260.1   | 224.4   | 252.7   | 73.3    | 80.4    | 79.4    | 83.5    | 316.6   | 75.0    | 80.9    | 83.7    | 82.6    | 322.2   | 340.7   | 358.5   | 370.7   |
| Less: Non controlling interests             | -       | -       | 0.4     | 1.9     | (0.2)   | (0.2)   | (2.1)   | (0.8)   | (0.1)   | (0.0)   | (0.0)   | (0.0)   | (0.0)   | (0.0)   | (0.0)   | (0.1)   | (0.0)   | (0.0)   | (0.0)   | (0.0)   | (0.1)   | (0.1)   | (0.1)   | (0.1)   |
| Net income attributable to common           | 202.6   | 230.6   | 73.1    | 129.6   | 212.6   | 265.8   | 313.2   | 305.9   | 260.2   | 224.5   | 252.7   | 73.3    | 80.4    | 79.4    | 83.5    | 316.6   | 75.0    | 80.9    | 83.7    | 82.6    | 322.3   | 340.7   | 358.6   | 370.8   |
| Adjusted EPS Diluted                        | \$ 2.34 | \$ 2.68 | \$ 0.86 | \$ 1.52 | \$ 2.51 | \$ 3.16 | \$ 3.77 | \$ 3.82 | \$ 3.48 | \$ 3.29 | \$ 3.79 | \$ 1.10 | \$ 1.22 | \$ 1.21 | \$ 1.29 | \$ 4.82 | \$ 1.17 | \$ 1.28 | \$ 1.34 | \$ 1.33 | \$ 5.12 | \$ 5.50 | \$ 5.78 | \$ 5.95 |
| Weighted average diluted shares outstanding | 86.7    | 86.1    | 85.1    | 85.2    | 84.7    | 84.2    | 83.0    | 80.1    | 74.9    | 68.2    | 66.6    | 66.4    | 66.1    | 65.7    | 64.6    | 65.7    | 63.9    | 63.3    | 62.7    | 62.1    | 63.0    | 61.9    | 62.1    | 62.3    |
| Dividends per share                         | \$ 0.44 | \$ 0.50 | \$ 0.54 | \$ 0.56 | \$ 0.62 | \$ 0.88 | \$ 0.60 | \$ 0.92 | \$ 1.16 | \$ 1.28 | \$ 1.40 | \$ 0.39 | \$ 0.39 | \$ 0.39 | \$ 0.47 | \$ 1.64 | \$ 0.47 | \$ 0.47 | \$ 0.47 | \$ 0.47 | \$ 1.88 | \$ 1.88 | \$ 1.88 | \$ 1.88 |
| Gross profit margin                         | 28.4%   | 29.0%   | 26.4%   | 27.2%   | 27.3%   | 30.4%   | 33.0%   | 33.7%   | 33.2%   | 34.7%   | 33.5%   | 33.9%   | 34.2%   | 34.1%   | 33.7%   | 34.0%   | 34.0%   | 34.6%   | 34.2%   | 34.8%   | 34.4%   | 35.1%   | 35.4%   | 35.3%   |
| SG&A as % of sales                          | 16.2%   | 16.4%   | 19.2%   | 18.1%   | 16.3%   | 17.3%   | 18.0%   | 18.6%   | 18.5%   | 20.5%   | 19.7%   | 20.9%   | 20.7%   | 19.4%   | 20.4%   | 20.4%   | 21.0%   | 20.2%   | 18.9%   | 19.9%   | 20.0%   | 19.8%   | 19.6%   | 19.4%   |
| EBITDA margin                               | 14.5%   | 15.0%   | 10.4%   | 11.9%   | 13.3%   | 15.4%   | 17.4%   | 17.6%   | 17.2%   | 17.0%   | 16.4%   | 15.3%   | 15.8%   | 17.1%   | 15.7%   | 16.0%   | 15.5%   | 16.8%   | 17.3%   | 17.4%   | 16.9%   | 17.8%   | 18.2%   | 18.3%   |
| Operating margin                            | 12.2%   | 12.7%   | 7.1%    | 9.1%    | 11.0%   | 13.1%   | 15.0%   | 15.1%   | 14.7%   | 14.2%   | 13.8%   | 12.9%   | 13.5%   | 14.7%   | 13.2%   | 13.6%   | 13.0%   | 14.4%   | 15.3%   | 14.9%   | 14.4%   | 15.3%   | 15.8%   | 15.9%   |
| Net margin                                  | 8.9%    | 9.3%    | 4.2%    | 6.3%    | 7.9%    | 9.3%    | 11.0%   | 10.9%   | 10.3%   | 9.9%    | 9.6%    | 9.7%    | 10.2%   | 10.8%   | 11.2%   | 10.5%   | 9.9%    | 10.4%   | 11.0%   | 10.8%   | 10.5%   | 11.1%   | 11.4%   | 11.6%   |
| Sales growth                                | 15.7%   | 8.7%    | -30.2%  | 19.7%   | 30.2%   | 5.9%    | 0.0%    | -1.4%   | -9.9%   | -10.3%  | 15.4%   | 30.4%   | 26.0%   | 10.1%   | -0.4%   | 15.4%   | 0.2%    | -1.4%   | 2.8%    | 3.3%    | 1.2%    | 0.4%    | 2.0%    | 2.0%    |
| Gross profit growth                         | 17.3%   | 11.2%   | -36.6%  | 23.6%   | 30.7%   | 17.6%   | 8.8%    | 0.7%    | -11.4%  | -6.2%   | 11.5%   | 25.9%   | 24.2%   | 14.6%   | 4.5%    | 16.8%   | 0.7%    | -0.3%   | 3.0%    | 7.0%    | 2.5%    | 2.5%    | 2.7%    | 1.9%    |
| EBITDA growth                               | 17.8%   | 12.8%   | -51.8%  | 36.9%   | 45.7%   | 22.0%   | 13.5%   | -0.5%   | -11.9%  | -11.0%  | 11.0%   | 14.7%   | 15.5%   | 13.9%   | 5.7%    | 12.5%   | 1.3%    | 4.8%    | 6.9%    | 14.4%   | 6.8%    | 5.8%    | 4.2%    | 2.6%    |
| Operating income growth                     | 19.2%   | 13.4%   | -60.8%  | 53.3%   | 57.0%   | 25.5%   | 14.9%   | -0.8%   | -12.5%  | -13.2%  | 12.3%   | 15.2%   | 16.1%   | 17.6%   | 6.0%    | 13.7%   | 0.8%    | 5.0%    | 6.8%    | 16.5%   | 7.2%    | 6.8%    | 4.9%    | 3.1%    |
| Net income growth                           | 15.8%   | 13.8%   | -68.1%  | 78.9%   | 61.5%   | 25.0%   | 17.1%   | -1.9%   | -14.8%  | -13.7%  | 12.6%   | 25.1%   | 24.0%   | 28.6%   | 23.6%   | 25.3%   | 2.3%    | 0.7%    | 5.4%    | -1.0%   | 1.8%    | 5.7%    | 5.2%    | 3.4%    |
| EPS growth                                  | 14.7%   | 14.6%   | -67.9%  | 77.1%   | 65.0%   | 25.8%   | 19.5%   | 1.3%    | -8.0%   | -5.3%   | 15.1%   | 25.4%   | 25.2%   | 30.6%   | 27.5%   | 27.1%   | 6.4%    | 5.2%    | 10.4%   | 2.8%    | 6.1%    | 7.6%    | 5.0%    | 3.0%    |
| GAAP EPS growth                             | 14.7%   | 5.6%    | -77.0%  | 169.2%  | 67.2%   | 19.5%   | 15.9%   | -10.2%  | -46.7%  | 71.8%   | 27.4%   | 9.9%    | 12.4%   | -32.6%  | 271.2%  | 17.7%   | 21.7%   | 23.5%   | 24.9%   | -1.8%   | 15.9%   | 8.6%    | 5.0%    | 3.0%    |

Source: Company reports, S&P estimates

Colfax Corporation - CFX  
Income Statement  
(\$ in mils, except per share data)  
December Fiscal Year End

|  | 2007           | 2008           | 2009           | 2010           | 2011           | 2012           | 2013           | 2014           | 2015           | 2016           | 2017           | 1Q18           | 2Q18           | 3Q18           | 4Q18           | 2018           | 1Q19           | 2Q19           | 3Q19           | 4Q19           | 2019           | 2020           | 2021           | 2022           |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|  | A              | A              | A              | A              | A              | A              | A              | A              | A              | A              | A              | A              | A              | A              | A              | A              | A              | E              | E              | E              | E              | E              | E              | E              |
| Revenues   | 506.3          | 604.9          | 525.0          | 542.0          | 693.4          | 3,913.8        | 4,207.2        | 4,624.5        | 3,967.1        | 3,647.0        | 3,529.4        | 880.9          | 925.3          | 875.4          | 985.2          | 3,666.8        | 1,007.6        | 891.2          | 857.1          | 932.0          | 3,688.0        | 3,581.3        | 3,679.2        | 3,780.0        |
| y/y growth                                       | 28.6%          | 19.5%          | -13.2%         | 3.2%           | 27.9%          | 464.4%         | 7.5%           | 9.9%           | -14.2%         | -8.1%          | -3.2%          | 4.3%           | -4.2%          | 3.7%           | 12.7%          | 3.9%           | 14.4%          | -3.7%          | -2.1%          | -5.4%          | 0.6%           | -2.9%          | 2.7%           | 2.7%           |
| organic y/y growth                               | 13.6%          | 13.9%          | -6.7%          | 3.1%           | 9.0%           | 5.3%           | 2.7%           | -2.1%          | -6.6%          | -5.6%          | -0.5%          | 4.9%           | -0.7%          | 0.6%           | 10.6%          | 3.9%           | 1.6%           | -0.4%          | 1.2%           | 1.2%           | 0.9%           | 31.6%          | 2.7%           | 2.7%           |
| Cost of sales                                    | 330.7          | 387.7          | 339.2          | 350.6          | 453.3          | 2,735.0        | 2,901.0        | 3,145.6        | 2,715.3        | 2,501.4        | 2,417.7        | 610.3          | 637.9          | 604.4          | 681.3          | 2,533.9        | 649.3          | 564.1          | 544.4          | 577.8          | 2,335.6        | 2,245.3        | 2,306.9        | 2,370.9        |
| Gross profit                                     | 175.6          | 217.2          | 185.8          | 191.4          | 240.1          | 1,178.8        | 1,306.2        | 1,478.8        | 1,251.8        | 1,145.7        | 1,111.6        | 270.6          | 287.4          | 270.9          | 303.9          | 1,132.8        | 358.3          | 327.1          | 312.7          | 354.2          | 1,352.4        | 1,336.1        | 1,372.3        | 1,409.1        |
| SG&A   | 98.5           | 125.2          | 114.3          | 119.8          | 150.5          | 859.6          | 861.0          | 1,049.5        | 950.3          | 822.9          | 794.9          | 200.5          | 204.8          | 194.8          | 211.5          | 811.6          | 231.5          | 205.0          | 197.1          | 214.4          | 848.0          | 805.6          | 809.2          | 812.5          |
| R&D  | 4.2            | 5.9            | 5.9            | 6.2            | 5.7            | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              |
| <b>Adjusted Operating income</b>                 | <b>72.9</b>    | <b>86.1</b>    | <b>65.5</b>    | <b>65.4</b>    | <b>83.8</b>    | <b>334.9</b>   | <b>431.4</b>   | <b>467.7</b>   | <b>345.8</b>   | <b>322.8</b>   | <b>316.8</b>   | <b>70.1</b>    | <b>82.7</b>    | <b>76.1</b>    | <b>92.4</b>    | <b>321.2</b>   | <b>126.7</b>   | <b>122.2</b>   | <b>115.6</b>   | <b>139.9</b>   | <b>504.3</b>   | <b>530.5</b>   | <b>563.0</b>   | <b>596.6</b>   |
| <b>EBITDA</b>                                    | <b>88.2</b>    | <b>100.9</b>   | <b>80.6</b>    | <b>81.5</b>    | <b>113.7</b>   | <b>468.0</b>   | <b>550.7</b>   | <b>642.4</b>   | <b>500.4</b>   | <b>466.0</b>   | <b>449.0</b>   | <b>107.1</b>   | <b>117.6</b>   | <b>114.7</b>   | <b>123.6</b>   | <b>463.1</b>   | <b>146.7</b>   | <b>145.9</b>   | <b>139.3</b>   | <b>163.6</b>   | <b>595.6</b>   | <b>653.7</b>   | <b>686.9</b>   | <b>721.5</b>   |
| Interest expense, net                            | 19.2           | 11.8           | 7.2            | 6.7            | 5.9            | 91.6           | 103.6          | 47.7           | 30.0           | 40.9           | 9.6            | 9.7            | 9.9            | 14.9           | 44.1           | 29.1           | 56.3           | 56.1           | 55.8           | 197.4          | 135.6          | 116.8          | 97.0           |                |
| Other  | -              | (0.7)          | (0.7)          | -              | (5.7)          | 9.1            | (26.9)         | 51.3           | (4.7)          | -              | (25.0)         | (20.7)         | (19.4)         | (18.7)         | (23.1)         | (81.8)         | (0.8)          | -              | -              | -              | (0.8)          | -              | -              | -              |
| Equity income                                    | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              |
| Income before income taxes                       | 53.7           | 75.0           | 59.0           | 58.7           | 83.7           | 234.2          | 354.7          | 416.4          | 302.8          | 292.8          | 300.9          | 81.2           | 92.4           | 84.9           | 100.5          | 358.9          | 98.4           | 65.9           | 59.5           | 84.0           | 307.8          | 394.9          | 446.2          | 499.6          |
| Tax rate   | 38.8%          | 36.4%          | 32.0%          | 32.0%          | 30.5%          | 26.2%          | 28.5%          | 27.8%          | 27.5%          | 28.6%          | 26.3%          | 21.1%          | 15.0%          | 20.6%          | 16.8%          | 18.2%          | 24.1%          | 21.5%          | 21.5%          | 21.5%          | 22.3%          | 22.0%          | 22.0%          | 22.0%          |
| Provision for income taxes                       | 20.8           | 27.3           | 18.9           | 18.8           | 25.5           | 61.4           | 101.1          | 115.9          | 83.3           | 83.8           | 79.1           | 17.1           | 13.8           | 17.5           | 16.9           | 65.4           | 23.7           | 14.2           | 12.8           | 18.1           | 68.7           | 86.9           | 98.2           | 109.9          |
| Preferred dividends                              | -              | -              | -              | -              | 19.0           | 5.1            | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              |
| Non controlling interest/Discontinued operations | -              | -              | -              | -              | 22.1           | 30.5           | 28.2           | 19.4           | 17.1           | 18.4           | 4.5            | 3.3            | 3.9            | 2.6            | 14.3           | 4.0            | 3.5            | 4.1            | 2.7            | 14.4           | 15.8           | 17.4           | 19.1           |                |
| Income attributable to participating securities  | -              | -              | -              | -              | 18.0           | 3.7            | -              | -              | -              | 2.1            | (2.8)          | (25.7)         | (2.7)          | (2.9)          | (34.2)         | (3.4)          | -              | -              | -              | (3.4)          | -              | -              | -              |                |
| Preferred Stock conversion inducement pmt        | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              | -              |                |
| Adjusted Net income                              | 32.9           | 47.7           | 40.1           | 39.9           | 58.1           | 113.6          | 214.4          | 272.3          | 200.1          | 191.8          | 205.5          | 59.5           | 75.2           | 63.5           | 81.1           | 279.3          | 70.7           | 48.2           | 42.6           | 63.2           | 224.7          | 292.2          | 330.6          | 370.5          |
| <b>Adjusted EPS ex. discontinued operations</b>  | <b>\$ 0.75</b> | <b>\$ 1.09</b> | <b>\$ 0.93</b> | <b>\$ 0.91</b> | <b>\$ 1.31</b> | <b>\$ 1.24</b> | <b>\$ 2.00</b> | <b>\$ 2.20</b> | <b>\$ 1.60</b> | <b>\$ 1.56</b> | <b>\$ 1.66</b> | <b>\$ 0.48</b> | <b>\$ 0.61</b> | <b>\$ 0.54</b> | <b>\$ 0.69</b> | <b>\$ 2.31</b> | <b>\$ 0.53</b> | <b>\$ 0.35</b> | <b>\$ 0.31</b> | <b>\$ 0.45</b> | <b>\$ 1.63</b> | <b>\$ 2.09</b> | <b>\$ 2.37</b> | <b>\$ 2.66</b> |
| Weighted average diluted shares outstanding      | 44.0           | 43.9           | 43.3           | 43.6           | 44.3           | 91.8           | 112.5          | 124.0          | 124.9          | 123.2          | 124.0          | 124.1          | 123.0          | 118.5          | 117.9          | 120.8          | 134.4          | 139.5          | 139.5          | 139.5          | 138.2          | 139.5          | 139.5          | 139.5          |
| Gross profit margin                              | 34.7%          | 35.9%          | 35.4%          | 35.3%          | 34.6%          | 30.1%          | 31.0%          | 32.0%          | 31.6%          | 31.4%          | 31.5%          | 30.7%          | 31.1%          | 31.0%          | 30.8%          | 30.9%          | 35.6%          | 36.7%          | 36.5%          | 38.0%          | 36.7%          | 37.3%          | 37.3%          | 37.3%          |
| SG&A as % of sales                               | 19.5%          | 20.7%          | 21.8%          | 22.1%          | 21.7%          | 22.0%          | 20.5%          | 22.7%          | 24.0%          | 22.6%          | 22.5%          | 22.8%          | 22.1%          | 22.3%          | 21.5%          | 22.1%          | 23.0%          | 23.0%          | 23.0%          | 23.0%          | 23.0%          | 22.5%          | 22.0%          | 21.5%          |
| EBITDA margin                                    | 17.4%          | 16.7%          | 15.4%          | 15.0%          | 16.4%          | 12.0%          | 13.1%          | 13.9%          | 12.6%          | 12.7%          | 12.7%          | 12.2%          | 12.7%          | 13.1%          | 12.5%          | 12.6%          | 14.6%          | 16.4%          | 16.3%          | 17.6%          | 16.1%          | 18.3%          | 18.7%          | 19.1%          |
| <b>Operating margin</b>                          | <b>14.4%</b>   | <b>14.2%</b>   | <b>12.5%</b>   | <b>12.1%</b>   | <b>12.1%</b>   | <b>8.6%</b>    | <b>10.3%</b>   | <b>10.1%</b>   | <b>8.7%</b>    | <b>8.9%</b>    | <b>9.0%</b>    | <b>8.0%</b>    | <b>8.9%</b>    | <b>8.7%</b>    | <b>9.4%</b>    | <b>8.8%</b>    | <b>12.6%</b>   | <b>13.7%</b>   | <b>13.5%</b>   | <b>15.0%</b>   | <b>13.7%</b>   | <b>14.8%</b>   | <b>15.3%</b>   | <b>15.8%</b>   |
| Net margin                                       | 6.5%           | 7.9%           | 7.6%           | 7.4%           | 8.4%           | 2.9%           | 5.1%           | 5.9%           | 5.0%           | 5.3%           | 5.8%           | 6.8%           | 8.1%           | 7.3%           | 8.2%           | 7.6%           | 7.0%           | 5.4%           | 5.0%           | 6.8%           | 6.1%           | 8.2%           | 9.0%           | 9.8%           |
| Sales growth                                     | 28.6%          | 19.5%          | -13.2%         | 3.2%           | 27.9%          | 464.4%         | 7.5%           | 9.9%           | -14.2%         | -8.1%          | -3.2%          | 4.3%           | -4.2%          | 3.7%           | 12.7%          | 3.9%           | 14.4%          | -3.7%          | -2.1%          | -5.4%          | 0.6%           | -2.9%          | 2.7%           | 2.7%           |
| Gross profit growth                              | 28.4%          | 23.7%          | -14.5%         | 3.0%           | 25.4%          | 391.0%         | 10.8%          | 13.2%          | -15.4%         | -8.5%          | -3.0%          | -3.1%          | -4.4%          | 2.7%           | 13.5%          | 1.9%           | 32.4%          | 13.8%          | 15.4%          | 16.6%          | 19.4%          | -1.2%          | 2.7%           | 2.7%           |
| EBITDA growth                                    | 36.0%          | 14.4%          | -20.1%         | 1.1%           | 39.4%          | 311.7%         | 17.7%          | 16.7%          | -22.1%         | -6.9%          | -3.7%          | 1.7%           | -8.9%          | -0.5%          | 24.6%          | 3.1%           | 37.0%          | 24.0%          | 21.4%          | 32.3%          | 28.6%          | 9.6%           | 5.1%           | 5.0%           |
| Adj. Operating income growth                     | 36.7%          | 18.1%          | -23.9%         | -0.2%          | 28.2%          | 299.4%         | 28.8%          | 8.4%           | -26.1%         | -6.7%          | -1.9%          | -4.4%          | -10.6%         | -7.3%          | 34.1%          | 1.4%           | 80.8%          | 47.8%          | 51.9%          | 51.4%          | 57.0%          | 5.2%           | 6.1%           | 6.0%           |
| Net income growth                                | -16.1%         | 45.2%          | -16.0%         | -0.5%          | 45.7%          | 95.4%          | 88.7%          | 27.0%          | -26.5%         | -4.1%          | 7.1%           | 36.3%          | 39.6%          | 21.8%          | 45.2%          | 35.9%          | 18.7%          | -35.9%         | -32.9%         | -22.0%         | -19.5%         | 30.0%          | 13.2%          | 12.1%          |
| Adjusted EPS growth                              | -16.1%         | 45.5%          | -14.8%         | -1.1%          | 43.6%          | -5.8%          | 61.4%          | 10.0%          | -27.0%         | -2.8%          | 6.4%           | 36.0%          | 40.7%          | 27.6%          | 52.9%          | 39.5%          | 9.6%           | -43.5%         | -43.0%         | -34.1%         | -29.7%         | 28.9%          | 13.2%          | 12.1%          |

Source: Company reports, Stifel estimates

Share count assumes IPO occurred at the beginning of model time frame. 2019 operating income estimates and forward are adjusted EBITA.

Illinois Tool Works, Inc. (ITW)  
Income Statement  
(\$ in mls, except per share data)  
December Fiscal Year End

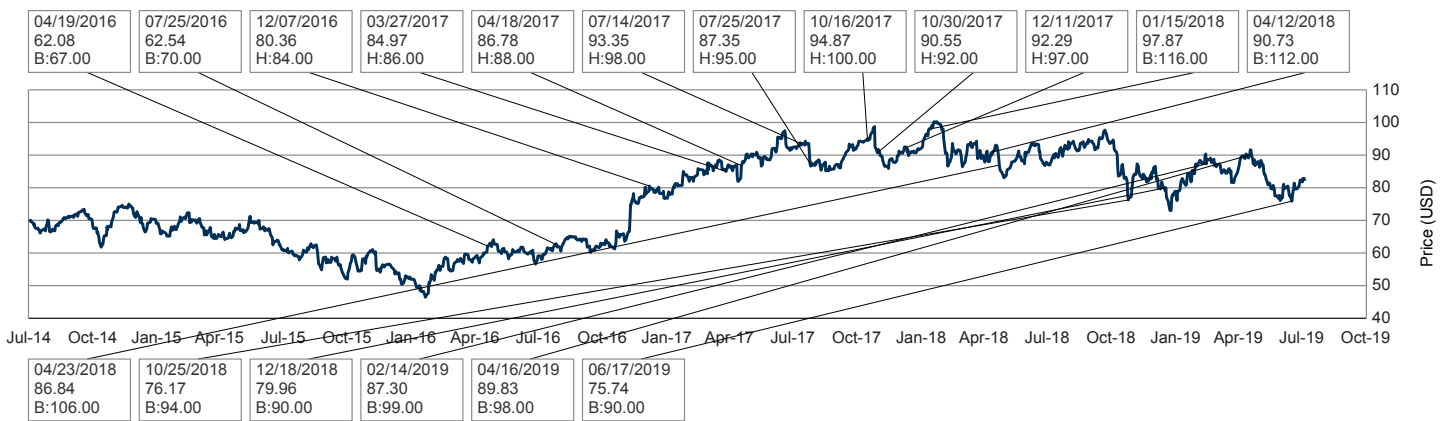
|  | 2007            | 2008            | 2009            | 2010            | 2011            | 2012            | 2013            | 2014            | 2015            | 2016            | 2017            | 1Q18           | 2Q18           | 3Q18           | 4Q18           | 2018            | 1Q19           | 2Q19           | 3Q19           | 4Q19           | 2019            | 2020            | 2021            | 2022            |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|----------------|----------------|-----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|
|  | A               | A               | A               | A               | A               | A               | A               | A               | A               | A               | A               | A              | A              | A              | A              | A               | A              | E              | E              | E              | E               | E               | E               | E               |
| <b>Revenues</b>                                    | <b>16,256.6</b> | <b>17,128.5</b> | <b>13,877.0</b> | <b>15,870.4</b> | <b>17,786.6</b> | <b>17,924.0</b> | <b>14,135.0</b> | <b>14,484.0</b> | <b>13,405.0</b> | <b>13,599.0</b> | <b>14,314.0</b> | <b>3,744.0</b> | <b>3,831.0</b> | <b>3,613.0</b> | <b>3,580.0</b> | <b>14,768.0</b> | <b>3,552.0</b> | <b>3,717.6</b> | <b>3,707.0</b> | <b>3,620.4</b> | <b>14,597.0</b> | <b>14,891.0</b> | <b>15,228.3</b> | <b>15,573.5</b> |
| <i>y/y growth</i>                                  | 17.2%           | 10.6%           | -19.0%          | 14.4%           | 12.1%           | 0.8%            | -4.4%           | 2.5%            | -7.4%           | 1.4%            | 5.3%            | 7.9%           | 6.4%           | -0.1%          | -1.4%          | 3.2%            | -5.1%          | -3.0%          | 2.6%           | 1.1%           | -1.2%           | 2.0%            | 2.3%            | 2.3%            |
| <i>organic y/y growth</i>                          | 1.8%            | -2.4%           | -18.4%          | 10.8%           | 7.5%            | 1.7%            | 0.2%            | 2.6%            | -0.4%           | 1.2%            | 2.9%            | 2.6%           | 3.7%           | 1.5%           | 0.9%           | 2.2%            | -1.5%          | -0.5%          | 3.7%           | 1.6%           | 0.8%            | 2.3%            | 2.3%            | 2.3%            |
| Cost of sales                                      | 10,526.1        | 11,197.6        | 9,144.9         | 10,240.4        | 11,517.9        | 11,455.0        | 8,554.0         | 8,673.0         | 7,888.0         | 7,896.0         | 8,309.0         | 2,181.0        | 2,231.0        | 2,096.0        | 2,096.0        | 8,604.0         | 2,059.0        | 2,165.7        | 2,116.8        | 2,091.6        | 8,433.1         | 8,584.2         | 8,799.2         | 9,014.5         |
| Gross profit                                       | 5,730.5         | 5,930.9         | 4,732.3         | 5,629.9         | 6,268.5         | 6,469.0         | 5,581.0         | 5,811.0         | 5,517.0         | 5,703.0         | 5,994.0         | 1,563.0        | 1,600.0        | 1,517.0        | 1,484.0        | 6,164.0         | 1,493.0        | 1,551.9        | 1,590.2        | 1,528.8        | 6,163.9         | 6,306.8         | 6,429.1         | 6,558.9         |
| SG&A   | 2,940.1         | 3,241.0         | 3,037.4         | 3,059.4         | 3,282.4         | 3,332.0         | 2,815.0         | 2,678.0         | 2,417.0         | 2,415.0         | 2,385.0         | 612.0          | 620.0          | 581.0          | 578.0          | 2,391.0         | 611.0          | 583.1          | 577.6          | 566.4          | 2,338.1         | 2,355.1         | 2,378.0         | 2,400.7         |
| Amortization and impairment of intangible assets   | 161.0           | 189.0           | 203.2           | 212.9           | 255.1           | 288.0           | 250.0           | 242.0           | 231.0           | 224.0           | 210.0           | -              | 48.0           | 48.0           | 47.0           | 189.0           | 43.0           | 40.0           | 40.0           | 40.0           | 163.0           | 142.0           | 124.0           | 111.0           |
| Impairment of goodwill and other intangible assets | -               | 98.7            | 105.6           | 1.0             | -               | 2.0             | 2.0             | 3.0             | 2.0             | -               | -               | -              | -              | -              | -              | -               | -              | -              | -              | -              | -               | -               | -               | -               |
| <b>Operating income</b>                            | <b>2,629.3</b>  | <b>2,402.2</b>  | <b>1,386.0</b>  | <b>2,356.7</b>  | <b>2,731.0</b>  | <b>2,847.0</b>  | <b>2,514.0</b>  | <b>2,888.0</b>  | <b>2,867.0</b>  | <b>3,399.0</b>  | <b>3,399.0</b>  | <b>903.0</b>   | <b>932.0</b>   | <b>889.0</b>   | <b>860.0</b>   | <b>3,584.0</b>  | <b>839.0</b>   | <b>928.9</b>   | <b>972.6</b>   | <b>922.4</b>   | <b>3,662.9</b>  | <b>3,809.7</b>  | <b>3,927.1</b>  | <b>4,047.2</b>  |
| <b>EBITDA</b>                                      | <b>3,154.0</b>  | <b>3,094.1</b>  | <b>2,060.9</b>  | <b>2,905.0</b>  | <b>3,325.0</b>  | <b>3,460.0</b>  | <b>3,127.0</b>  | <b>3,395.0</b>  | <b>3,344.0</b>  | <b>3,534.0</b>  | <b>3,861.0</b>  | <b>1,018.0</b> | <b>1,048.0</b> | <b>1,004.0</b> | <b>975.0</b>   | <b>4,045.0</b>  | <b>949.0</b>   | <b>1,034.9</b> | <b>1,079.0</b> | <b>1,029.0</b> | <b>4,091.8</b>  | <b>4,220.7</b>  | <b>4,324.5</b>  | <b>4,436.4</b>  |
| Interest expense                                   | (102.1)         | (154.5)         | (164.8)         | (175.5)         | (192.2)         | (214.0)         | (239.0)         | (250.0)         | (237.0)         | (260.0)         | (260.0)         | (66.0)         | (64.0)         | (64.0)         | (63.0)         | (257.0)         | (63.0)         | (63.2)         | (63.1)         | (63.1)         | (252.3)         | (251.9)         | (251.3)         | (250.8)         |
| Other income (expense)                             | 91.7            | 4.4             | (7.4)           | 30.8            | 53.9            | 970.0           | 72.0            | 61.0            | 78.0            | 81.0            | 36.0            | 12.0           | 26.0           | 10.0           | 19.0           | 67.0            | 14.0           | 10.0           | 10.0           | 10.0           | 44.0            | 40.0            | 40.0            | 40.0            |
| Income before income taxes                         | 2,618.9         | 2,252.1         | 1,213.8         | 2,212.0         | 2,592.8         | 3,603.0         | 2,347.0         | 2,699.0         | 2,719.0         | 2,908.0         | 3,175.0         | 849.0          | 894.0          | 835.0          | 816.0          | 3,394.0         | 790.0          | 875.7          | 919.5          | 869.3          | 3,454.5         | 3,597.8         | 3,715.7         | 3,836.4         |
| Tax rate   | 28.6%           | 29.1%           | 20.1%           | 31.0%           | 22.2%           | 30.8%           | 30.5%           | 30.0%           | 30.2%           | 30.7%           | 28.0%           | 23.2%          | 25.5%          | 23.6%          | 25.6%          | 24.5%           | 24.4%          | 25.5%          | 25.5%          | 25.5%          | 25.3%           | 25.5%           | 25.5%           | 25.5%           |
| Provision for income taxes                         | 749.9           | 655.2           | 244.3           | 684.8           | 576.4           | 1,108.0         | 717.0           | 809.0           | 820.0           | 893.0           | 889.0           | 197.0          | 228.0          | 197.0          | 209.0          | 831.0           | 193.0          | 223.3          | 234.5          | 221.7          | 872.5           | 917.4           | 947.5           | 978.3           |
| Income from Continuing Operations                  | 1,869.0         | 1,596.9         | 969.5           | 1,527.2         | 2,016.4         | 2,495.0         | 1,630.0         | 1,890.0         | 1,899.0         | 2,015.0         | 2,286.0         | 652.0          | 666.0          | 638.0          | 607.0          | 2,563.0         | 597.0          | 652.4          | 685.0          | 647.6          | 2,582.1         | 2,680.4         | 2,768.2         | 2,858.1         |
| Income (Loss) from Discontinued Operations         | 0.8             | (77.9)          | (22.5)          | -               | 54.5            | 375.0           | 49.0            | 1,056.0         | -               | -               | -               | -              | -              | -              | -              | -               | -              | -              | -              | -              | -               | -               | -               | -               |
| Net income   | 1,869.8         | 1,519.0         | 947.1           | 1,527.2         | 2,070.8         | 2,870.0         | 1,679.0         | 2,946.0         | 1,899.0         | 2,015.0         | 2,286.0         | 652.0          | 666.0          | 638.0          | 607.0          | 2,563.0         | 597.0          | 652.4          | 685.0          | 647.6          | 2,582.1         | 2,680.4         | 2,768.2         | 2,858.1         |
| <b>Adjusted EPS Diluted</b>                        | <b>\$ 3.36</b>  | <b>\$ 3.06</b>  | <b>\$ 1.93</b>  | <b>\$ 3.03</b>  | <b>\$ 4.08</b>  | <b>\$ 5.27</b>  | <b>\$ 3.63</b>  | <b>\$ 4.67</b>  | <b>\$ 5.13</b>  | <b>\$ 5.64</b>  | <b>\$ 6.59</b>  | <b>\$ 1.90</b> | <b>\$ 1.97</b> | <b>\$ 1.90</b> | <b>\$ 1.83</b> | <b>\$ 7.60</b>  | <b>\$ 1.81</b> | <b>\$ 1.99</b> | <b>\$ 2.10</b> | <b>\$ 2.00</b> | <b>\$ 7.90</b>  | <b>\$ 8.39</b>  | <b>\$ 8.83</b>  | <b>\$ 9.28</b>  |
| Adjustments to reach GAAP EPS:                     |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |                |                |                |                |                 |                |                |                |                |                 |                 |                 |                 |
| Discontinued Operations                            | \$ -            | \$ (0.15)       | \$ (0.04)       | \$ -            | \$ 0.11         | \$ 0.79         | \$ 0.11         | \$ 2.61         | \$ -            | \$ (0.04)       | \$ -            |                |                |                |                | \$ -            |                |                |                |                | \$ -            | \$ -            | \$ -            | \$ -            |
| Special Charges                                    | \$ -            | \$ -            | \$ -            | \$ -            | \$ -            | \$ -            | \$ -            | \$ -            | \$ -            | \$ 0.10         | \$ (1.75)       |                |                |                |                | \$ -            |                |                |                |                | \$ -            | \$ -            | \$ -            | \$ -            |
| GAAP net income                                    | 1,869.8         | 1,519.0         | 947.1           | 1,527.2         | 2,070.8         | 2,870.0         | 1,679.0         | 2,946.0         | 1,899.0         | 2,035.0         | 1,687.0         | 652.0          | 666.0          | 638.0          | 607.0          | 2,563.0         | 597.0          | 652.4          | 685.0          | 647.6          | 2,582.1         | 2,680.4         | 2,768.2         | 2,858.1         |
| <b>GAAP EPS Diluted</b>                            | <b>\$ 3.37</b>  | <b>\$ 2.91</b>  | <b>\$ 1.89</b>  | <b>\$ 3.03</b>  | <b>\$ 4.19</b>  | <b>\$ 6.06</b>  | <b>\$ 3.74</b>  | <b>\$ 7.28</b>  | <b>\$ 5.13</b>  | <b>\$ 5.70</b>  | <b>\$ 4.86</b>  | <b>\$ 1.90</b> | <b>\$ 1.97</b> | <b>\$ 1.90</b> | <b>\$ 1.83</b> | <b>\$ 7.60</b>  | <b>\$ 1.81</b> | <b>\$ 1.99</b> | <b>\$ 2.10</b> | <b>\$ 2.00</b> | <b>\$ 7.90</b>  | <b>\$ 8.39</b>  | <b>\$ 8.83</b>  | <b>\$ 9.28</b>  |
| Weighted average diluted shares outstanding        | 555.4           | 521.6           | 501.8           | 503.6           | 494.7           | 473.2           | 449.3           | 404.7           | 370.2           | 357.1           | 346.8           | 342.8          | 338.9          | 335.3          | 331.6          | 337.1           | 329.6          | 327.7          | 325.8          | 323.9          | 326.7           | 319.7           | 313.4           | 308.0           |
| Dividends per share                                | \$ 0.98         | \$ 1.18         | \$ 1.24         | \$ 1.30         | \$ 1.40         | \$ 1.48         | \$ 1.60         | \$ 1.81         | \$ 2.07         | \$ 2.40         | \$ 2.86         | \$ 0.78        | \$ 0.78        | \$ 1.00        | \$ 1.00        | \$ 3.56         | \$ 1.00        | \$ 1.00        | \$ 1.07        | \$ 1.07        | \$ 4.14         | \$ 4.43         | \$ 4.74         | \$ 5.07         |
| Gross profit margin                                | 35.3%           | 34.6%           | 34.1%           | 35.5%           | 35.2%           | 36.1%           | 39.5%           | 40.1%           | 41.2%           | 41.9%           | 41.9%           | 41.7%          | 41.8%          | 42.0%          | 41.5%          | 41.7%           | 42.0%          | 41.7%          | 42.9%          | 42.2%          | 42.2%           | 42.4%           | 42.2%           | 42.1%           |
| SG&A as % of sales                                 | 18.1%           | 18.9%           | 21.9%           | 19.3%           | 18.5%           | 18.6%           | 19.9%           | 18.5%           | 18.0%           | 17.8%           | 16.7%           | 16.3%          | 16.2%          | 16.1%          | 16.1%          | 16.2%           | 17.2%          | 15.7%          | 15.8%          | 15.8%          | 16.0%           | 15.8%           | 15.6%           | 15.4%           |
| EBITDA margin                                      | 19.4%           | 18.1%           | 14.9%           | 18.3%           | 18.7%           | 19.3%           | 22.1%           | 23.4%           | 24.9%           | 26.0%           | 27.0%           | 27.2%          | 27.4%          | 27.8%          | 27.2%          | 27.4%           | 26.7%          | 27.8%          | 29.1%          | 28.4%          | 28.0%           | 28.3%           | 28.4%           | 28.5%           |
| <b>Operating margin</b>                            | <b>16.2%</b>    | <b>14.0%</b>    | <b>10.0%</b>    | <b>14.8%</b>    | <b>15.4%</b>    | <b>15.9%</b>    | <b>17.8%</b>    | <b>19.9%</b>    | <b>21.4%</b>    | <b>22.5%</b>    | <b>23.7%</b>    | <b>24.1%</b>   | <b>24.3%</b>   | <b>24.6%</b>   | <b>24.0%</b>   | <b>24.3%</b>    | <b>23.6%</b>   | <b>25.0%</b>   | <b>26.2%</b>   | <b>25.5%</b>   | <b>25.1%</b>    | <b>25.6%</b>    | <b>25.8%</b>    | <b>26.0%</b>    |
| Net margin   | 11.5%           | 8.9%            | 6.8%            | 9.6%            | 11.6%           | 16.0%           | 11.9%           | 20.3%           | 14.2%           | 14.8%           | 16.0%           | 17.4%          | 17.4%          | 17.7%          | 17.0%          | 17.4%           | 16.8%          | 17.5%          | 18.5%          | 17.9%          | 17.7%           | 18.0%           | 18.2%           | 18.4%           |
| Sales growth                                       | 15.7%           | 5.4%            | -18.0%          | 14.4%           | 12.1%           | 0.8%            | -21.1%          | 2.5%            | -7.4%           | 1.4%            | 5.3%            | 7.9%           | 6.4%           | -0.1%          | -1.4%          | 3.2%            | -5.1%          | -3.0%          | 2.6%           | 1.1%           | -1.2%           | 2.0%            | 2.3%            | 2.3%            |
| Gross profit growth                                | 15.1%           | 3.5%            | -20.2%          | 19.0%           | 11.3%           | 3.2%            | -13.7%          | 4.1%            | -5.1%           | 3.4%            | 5.1%            | 6.5%           | 6.9%           | -0.3%          | -1.7%          | 2.8%            | -4.5%          | -3.0%          | 4.8%           | 3.0%           | 0.0%            | 2.3%            | 1.9%            | 2.0%            |
| EBITDA growth                                      | 10.1%           | -1.9%           | -33.4%          | 41.0%           | 14.5%           | 4.1%            | -9.6%           | 8.6%            | -1.5%           | 5.7%            | 9.3%            | 10.3%          | 7.7%           | 0.7%           | 0.7%           | 4.8%            | -6.8%          | -1.3%          | 7.5%           | 5.5%           | 1.2%            | 3.1%            | 2.5%            | 2.6%            |
| Operating income growth                            | 8.6%            | -8.6%           | -42.3%          | 70.0%           | 15.9%           | 4.2%            | -11.7%          | 14.9%           | -0.7%           | 6.9%            | 10.9%           | 11.6%          | 8.5%           | 0.9%           | 1.2%           | 5.4%            | -7.1%          | -0.3%          | 9.4%           | 7.3%           | 2.2%            | 4.0%            | 3.1%            | 3.1%            |
| Net income growth                                  | 8.9%            | -18.8%          | -37.7%          | 61.3%           | 35.6%           | 38.6%           | -41.5%          | 75.5%           | -35.5%          | 6.1%            | 13.4%           | 21.6%          | 15.6%          | 7.8%           | 4.3%           | 12.1%           | -8.4%          | -2.0%          | 7.4%           | 6.7%           | 0.7%            | 3.8%            | 3.3%            | 3.2%            |
| Adjusted EPS growth                                | 11.6%           | -9.0%           | -36.9%          | 57.0%           | 34.4%           | 29.4%           | -31.2%          | 28.7%           | 9.8%            | 10.0%           | 16.8%           | 23.8%          | 18.6%          | 11.2%          | 7.6%           | 15.3%           | -4.8%          | 1.3%           | 10.5%          | 9.2%           | 3.9%            | 6.1%            | 5.3%            | 5.1%            |
| GAAP EPS growth                                    | 11.7%           | -13.5%          | -35.2%          | 60.7%           | 38.0%           | 44.9%           | -38.4%          | 94.8%           | -29.5%          | 11.1%           | 14.6%           | 23.8%          | 16.3%          | 2.9%           | -924.0%        | 56.3%           | -4.8%          | 1.3%           | 10.5%          | 9.2%           | 3.9%            | 6.1%            | 5.3%            | 5.1%            |

Source: Company reports, Stifel estimates

**Important Disclosures and Certifications**

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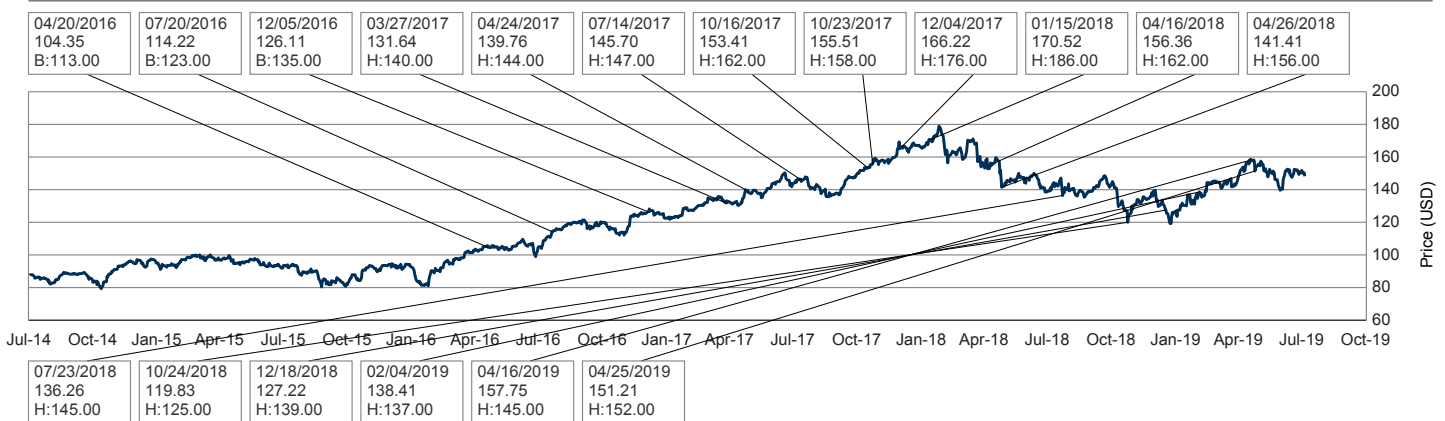
**Lincoln Electric Holdings, Inc. (LECO) as of July 05, 2019 (in USD)**



\*Represents the value(s) that changed.  
 Buy=B; Hold=H; Sell=S; Discontinued=D; Suspended=SU; Discontinued=D; Initiation=I

**For a price chart with our ratings and target price changes for LECO go to**  
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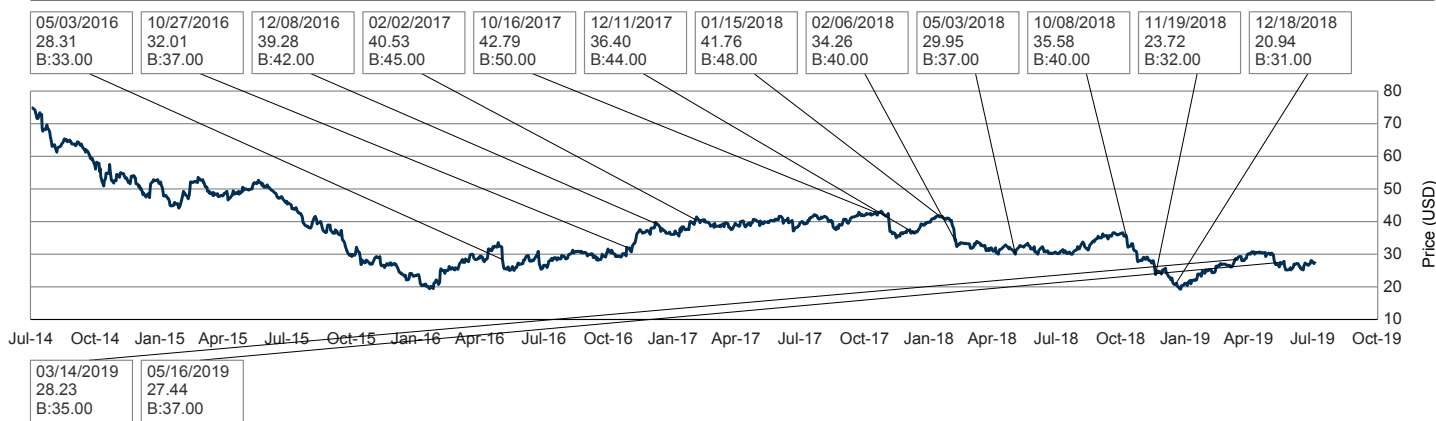
**Illinois Tool Works Inc. (ITW) as of July 05, 2019 (in USD)**



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**Colfax Corporation (CFX) as of July 05, 2019 (in USD)**



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**July 8, 2019**

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