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 29, 2024

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 - 001-41297

ESAB Corporation

(Exact name of registrant as specified in its charter)

Delaware	**87-0923837**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
909 Rose Avenue, 8th Floor North Bethesda, Maryland	**20852**
(Address of principal executive offices)	**(Zip Code)**

(301) 323-9099

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	ESAB	New York Stock Exchange

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 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 such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller 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 ☐

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

As of April 22, 2024, there were 60,424,421 shares of the registrant's common stock, par value $0.001 per share, outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

ESAB CORPORATION
CONSOLIDATED AND CONDENSED STATEMENTS OF OPERATIONS
Dollars in thousands, except per share amounts
(Unaudited)

	Three Months Ended	
	March 29, 2024	March 31, 2023
Net sales	$ 689,744	$ 684,000
Cost of sales	434,717	436,611
Gross profit	255,027	247,389
Selling, general and administrative expense	142,450	147,282
Restructuring and other related charges	1,924	9,444
Operating income	110,653	90,663
Pension settlement loss	12,155	—
Interest expense and other, net	17,091	19,510
Income from continuing operations before income taxes	81,407	71,153
Income tax expense	18,504	37,024
Net income from continuing operations	62,903	34,129
Loss from discontinued operations, net of taxes	(1,309)	(913)
Net income	61,594	33,216
Income attributable to noncontrolling interest, net of taxes	(1,643)	(1,313)
Net income attributable to ESAB Corporation	$ 59,951	$ 31,903
Earnings (loss) per share – basic		
Income from continuing operations	$ 1.01	$ 0.54
Loss on discontinued operations	$ (0.02)	$ (0.02)
Net income per share	$ 0.99	$ 0.52
Earnings (loss) per share – diluted		
Income from continuing operations	$ 1.00	$ 0.54
Loss on discontinued operations	$ (0.02)	$ (0.02)
Net income per share – diluted	$ 0.98	$ 0.52

See Notes to Consolidated and Condensed Financial Statements.

ESAB CORPORATION
CONSOLIDATED AND CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
Dollars in thousands
(Unaudited)

	Three Months Ended	
	March 29, 2024	March 31, 2023
Net income	$ 61,594	$ 33,216
Other comprehensive (loss) income:		
Foreign currency translation, net of tax expense of $1,531 and $45	(25,354)	42,084
Unrealized income (loss) on derivatives designated and qualifying as cash flow hedges, net of tax expense (benefit) of $295 and $(1,045)	1,013	(3,581)
Defined benefit pension and other post-retirement plan activity, net of tax expense of $203 and $66	629	277
Other comprehensive (loss) income	(23,712)	38,780
Comprehensive income	37,882	71,996
Comprehensive income attributable to noncontrolling interest	(1,320)	(1,814)
Comprehensive income attributable to ESAB Corporation	$ 36,562	$ 70,182

See Notes to Consolidated and Condensed Financial Statements.

ESAB CORPORATION
CONSOLIDATED AND CONDENSED BALANCE SHEETS
Dollars in thousands, except share and per share amounts
(Unaudited)

	March 29, 2024	December 31, 2023
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 76,495	$ 102,003
Trade receivables, less allowance for credit osses of $25,424 and $25,477	430,149	385,198
Inventories, net	405,601	392,858
Prepaid expenses	60,415	61,771
Other current assets	70,088	55,890
Total current assets	1,042,748	997,720
Property, plant and equipment, net	290,431	294,305
Goodwill	1,586,943	1,588,331
Intangible assets, net	484,219	499,535
Lease assets - right of use	94,162	95,607
Other assets	328,986	353,131
Total assets	$ 3,827,489	$ 3,828,629
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 338,399	$ 306,593
Accrued liabilities	292,903	313,489
Total current liabilities	631,302	620,082
Long-term debt	992,798	1,018,057
Other liabilities	521,011	542,833
Total liabilities	2,145,111	2,180,972
Equity:		
Common stock - $0.001 par value - 600,000,000 shares authorized, 60,424,421 and 60,295,634 shares outstanding as of March 29, 2024 and December 31, 2023, respectively	60	60
Additional paid-in capital	1,881,534	1,881,054
Retained earnings	406,867	350,557
Accumulated other comprehensive loss	(647,661)	(624,272)
Total ESAB Corporation equity	1,640,800	1,607,399
Noncontrolling interest	41,578	40,258
Total equity	1,682,378	1,647,657
Total liabilities and equity	$ 3,827,489	$ 3,828,629

See Notes to Consolidated and Condensed Financial Statements.

ESAB CORPORATION
CONSOLIDATED AND CONDENSED STATEMENTS OF EQUITY
Dollars in thousands, except share and per share amounts
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
Balance at December 31, 2023	60,295,634	$ 60	$ 1,881,054	$ 350,557	$ (624,272)	$ 40,258	$ 1,647,657
Net income	—	—	—	59,951	—	1,643	61,594
Dividends declared ($0.06 per share)	—	—	—	(3,641)	—	—	(3,641)
Other comprehensive loss, net of tax expense of $2,029	—	—	—	—	(23,389)	(323)	(23,712)
Common stock-based award activity	128,787	—	480	—	—	—	480
Balance at March 29, 2024	60,424,421	$ 60	$ 1,881,534	$ 406,867	$ (647,661)	$ 41,578	$ 1,682,378

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
Balance at December 31, 2022	60,094,725	$ 60	$ 1,865,904	$ 159,231	$ (674,988)	$ 38,251	$ 1,388,458
Net income	—	—	—	31,903	—	1,313	33,216
Dividends declared ($0.05 per share)	—	—	—	(3,033)	—	—	(3,033)
Distributions to noncontrolling owners	—	—	—	—	—	(1,359)	(1,359)
Other comprehensive gain, net of tax benefit of $934	—	—	—	—	38,279	501	38,780
Common stock-based award activity	127,538	—	2,229	—	—	—	2,229
Balance at March 31, 2023	60,222,263	$ 60	$ 1,868,133	$ 188,101	$ (636,709)	$ 38,706	$ 1,458,291

See Notes to Consolidated and Condensed Financial Statements.

ESAB CORPORATION
CONSOLIDATED AND CONDENSED STATEMENTS OF CASH FLOWS
Dollars in thousands
(Unaudited)

	Three Months Ended	
	March 29, 2024	March 31, 2023
Cash flows from operating activities:		
Net income	$ 61,594	$ 33,216
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, and other impairment charges	16,387	21,871
Stock-based compensation expense	4,133	2,994
Deferred income tax	(638)	2,290
Non-cash interest expense	1,062	299
Pension settlement loss	12,155	—
Changes in operating assets and liabilities:		
Trade receivables, net	(48,946)	(21,048)
Inventories, net	(16,078)	(21,611)
Accounts payable	36,196	28,480
Other operating assets and liabilities	(21,398)	(8,424)
Net cash provided by operating activities	44,467	38,067
Cash flows from investing activities:		
Purchases of property, plant and equipment	(7,414)	(7,709)
Proceeds from sale of property, plant and equipment	368	681
Acquisition, net of cash received	(18,067)	(18,721)
Other	(1,501)	—
Net cash used in investing activities	(26,614)	(25,749)
Cash flows from financing activities:		
Proceeds from borrowings on revolving credit facility	115,000	187,000
Repayments of borrowings on term credit facility	(6,250)	—
Repayments of borrowings on revolving credit facility and other	(139,035)	(189,765)
Payment of dividends	(3,635)	(3,033)
Distributions to noncontrolling interest holders	—	(1,249)
Net cash used in financing activities	(33,920)	(7,047)
Effect of foreign exchange rates on Cash and cash equivalents	(9,441)	4,769
(Decrease) increase in Cash and cash equivalents	(25,508)	10,040
Cash and cash equivalents, beginning of period	102,003	72,024
Cash and cash equivalents, end of period	$ 76,495	$ 82,064

See Notes to Consolidated and Condensed Financial Statements.

1. Organization and Basis of Presentation

Founded in 1904, ESAB Corporation ("ESAB" or the "Company") is a focused premier industrial compounder. ESAB provides its partners with fabrication technology advanced equipment, consumables, gas control equipment, robotics, and digital solutions. The Company's rich history of innovative products and workflow solutions and its business system ESAB Business Excellence ("EBX") enables the Company's purpose of *Shaping the world we imagine™*. The Company conducts its operations through two reportable segments. These segments consist of the "Americas," which includes operations in North America and South America, and "EMEA & APAC," which includes Europe, Middle East, India, Africa and Asia Pacific. On April 4, 2022, ESAB Corporation completed its spin-off from Colfax Corporation ("Colfax," "Enovis" or "Former Parent") and became an independent, public-traded company (the "Separation").

The Company's fiscal year ends December 31. The Company's first quarter ends on the last business day of the 13th week after the end of the prior quarter. As used herein, the first quarter results for 2024 and 2023 refer to the 13-week periods ended March 29, 2024 and March 31, 2023, respectively.

Russia and Ukraine Conflict

The invasion of Ukraine by Russia and the sanctions imposed in response have increased the level of economic and political uncertainty. While ESAB continues to closely monitor the situation and evaluate options, the Company is meeting current contractual obligations while addressing applicable laws and regulations. For the three months ended March 29, 2024, Russia represented approximately 5% of the Company's total revenue, and approximately $4 million of its Net income. Russia also has approximately 3% of the Company's total net assets excluding any goodwill allocation as of March 29, 2024. In case of a disposition of the Russia business, a portion of goodwill would need to be allocated and disposed of at the relative fair value attributable to the Russia business. Russia has a cumulative translation loss of approximately $118 million as of March 29, 2024, which could be realized upon a transition out. The Company is closely monitoring developments in Ukraine and Russia. Changes in laws and regulations or other factors impacting the Company's ability to fulfill contractual obligations could have an adverse effect on the results of operations.

Basis of Presentation

The Consolidated and Condensed Financial Statements included herein have been prepared by the Company pursuant to the rules and regulations of the Security and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in the financial statements prepared in accordance with the accounting principles generally accepted in the United States ("U.S. GAAP") have been condensed or omitted pursuant to SEC rules and regulations; however the Company believes that the disclosures are adequate to make the information presented not misleading.

The Consolidated and Condensed Financial Statements reflect, in the opinion of management, all adjustments, which consist solely of normal recurring adjustments, necessary to present fairly the Company's financial position and results of operations as of and for the periods indicated. Intercompany transactions and accounts are eliminated in consolidation.

In the normal course of business, the Company incurs research and development costs related to new product development, which are expensed as incurred and included in Selling, general and administrative expenses on the Company's Consolidated and Condensed Statements of Operations. Research and development costs were $10.1 million and $9.6 million during the three months ended March 29, 2024 and March 31, 2023, respectively. These amounts do not include development and application engineering costs incurred in conjunction with fulfilling customer orders and executing customer projects, nor do they include costs related to securing third party product rights. The Company expects to continue making significant expenditures for research and development to maintain and improve its competitive positions.

The accompanying interim Consolidated and Condensed Financial Statements and the related notes should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023 Form 10-K"), filed with the SEC on February 29, 2024.

2. Discontinued Operations

The Company holds certain asbestos-related contingencies and insurance coverages from divested businesses for which it does not have an interest in the ongoing operations. The Company has classified asbestos-related activity in its Consolidated and Condensed Statements of Operations as part of Loss from discontinued operations, net of taxes. This activity consists primarily of expected settlements, legal and administrative expenses associated with the above liabilities.

For the three months ended March 29, 2024 and March 31, 2023, respectively, loss from discontinued operations, net of taxes was $ 1.3 million and $0.9 million. See Note 14, “Commitments and Contingencies” for further information.

Cash used in operating activities related to discontinued operations for the three months ended March 29, 2024 and March 31, 2023 was $3.7 million and $5.4 million, respectively.

3. Acquisitions

On February 26, 2024, the Company completed the acquisition of Sager S.A., a welding repair and maintenance product and service leader in South America, for $18.1 million, net of cash received.

On January 11, 2023, the Company completed the acquisition of Therapy Equipment Limited, a regional leader in oxygen regulators, for $ 18.7 million, net of cash received.

4. Revenue

The Company provides fabrication technology advanced equipment, consumables, gas control equipment, robotics and digital solutions. The Company’s products are utilized to solve challenges in a wide range of industries. Substantially all revenue is recognized at a point in time. The Company disaggregates its revenue into the following product groups:

	Three Months Ended	
	March 29, 2024	**March 31, 2023**
	(In thousands)	
Equipment	$ 214,860	$ 200,219
Consumables	474,884	483,781
Total	$ 689,744	$ 684,000

The sales mix in the above table is relatively consistent across both reportable segments. The consumables product grouping generally has less production complexity and shorter production cycles than equipment products.

Given the nature of the business, the total amount of unsatisfied performance obligations with an original contract duration of greater than one year as of March 29, 2024 is immaterial. In some circumstances, customers are billed in advance of revenue recognition, resulting in contract liabilities. As of December 31, 2023 and December 31, 2022, total contract liabilities were $31.2 million and $25.9 million, respectively, and were included in Accrued liabilities on the Consolidated and Condensed Balance Sheets. During the three months ended March 29, 2024 and March 31, 2023, revenue recognized that was included in the contract liabilities balance at the beginning of the year was $16.2 million and $11.1 million, respectively. As of March 29, 2024 and March 31, 2023, total contract liabilities were $29.5 million and $28.3 million, respectively, and were included in Accrued liabilities on the Company’s Consolidated and Condensed Balance Sheets.

Allowance for Credit Losses

A summary of the activity in the Company's allowance for credit losses included within Trade receivables in the Consolidated and Condensed Balance Sheets is as follows:

	Three Months Ended March 29, 2024				
	Balance at Beginning of Period	Charged to Expense, net	Write-Offs and Deductions	Foreign Currency Translation	Balance at End of Period
	(In thousands)				
Allowance for credit losses	$ 25,477	$ 651	$ (439)	$ (265)	$ 25,42

5. Earnings per Share from Continuing Operations

The Company has unvested share-based payment awards with a right to receive non-forfeitable dividends, which are considered participating securities. The Company allocates earnings to participating securities and computed earnings per share using the two-class method as follows:

	Three Months Ended	
	March 29, 2024	March 31, 2023
	(In thousands, except share and per share data)	
Computation of earnings per share from continuing operations – basic:		
Income from continuing operations attributable to ESAB Corporation[1]	$ 61,260	$ 32,816
Less: distributed and undistributed earnings allocated to nonvested shares	(365)	(237)
Income from continuing operations attributable to common stockholders	$ 60,895	$ 32,579
Weighted-average shares of Common stock outstanding – basic	60,346,121	60,146,348
Income per share from continuing operations – basic	$ 1.01	$ 0.54
Computation of earnings per share from continuing operations – diluted:		
Income from continuing operations attributable to common stockholders	$ 60,895	$ 32,579
Weighted-average shares of Common stock outstanding – basic	60,346,121	60,146,348
Net effect of potentially dilutive securities[2]	641,836	339,878
Weighted-average shares of Common stock outstanding – dilution	60,987,957	60,486,226
Net income per share from continuing operations – diluted	$ 1.00	$ 0.54

[1] Net income from continuing operations attributable to ESAB Corporation for the respective periods is calculated using Net income from continuing operations, less Income attributable to noncontrolling interest, net of taxes, of $1.6 million for the three months ended March 29, 2024 and $1.3 million for the three months ended March 31, 2023.

[2] Potentially dilutive securities include stock options, performance-based restricted stock units and non-performance-based restricted stock units.

6. Income Taxes

During the three months ended March 29, 2024, Income from continuing operations before income taxes was $ 81.4 million, while Income tax expense was $18.5 million. The effective tax rate was 22.7% for the three months ended March 29, 2024. The effective tax rate differed from the 2024 U.S. federal statutory rate of 21.0% primarily due to withholding taxes.

During the three months ended March 31, 2023, Income from continuing operations before income taxes was $ 71.2 million, while Income tax expense was $37.0 million. The effective tax rate was 52.0% for the three months ended March 31, 2023. The effective tax rate differed from the 2023 U.S. federal statutory rate of 21.0% primarily due to discrete tax expenses in 2023 for dividend withholding taxes and an increase in the liability for uncertain tax positions as discussed below, that do not recur in 2024.

During the three months ended March 31, 2023, the Company changed its indefinite reinvestment assertion on certain undistributed earnings of the Company's foreign subsidiaries, resulting in a total tax expense of $10.9 million, as of March 31, 2023 on such earnings that have not been indefinitely reinvested.

The Company records a liability for certain unrecognized income tax benefits for which it is more likely than not that a tax position will not be sustained upon examination by the respective taxing authority ("uncertain tax positions"). During the three months ended March 31, 2023, due to an adverse court ruling in a tax case in a foreign jurisdiction, the Company increased the related liability for uncertain tax positions by $9.4 million partially offset by changes in other positions.

7. Inventories, Net

Inventories, net consisted of the following:

	March 29, 2024	December 31, 2023
	(In thousands)	
Raw materials	$ 153,072	$ 156,583
Work in process	48,627	43,561
Finished goods	253,643	244,580
	455,342	444,724
LIFO reserve	(4,980)	(4,279)
Allowance for excess, slow-moving and obsolete inventory	(44,761)	(47,587)
	$ 405,601	$ 392,858

At March 29, 2024 and December 31, 2023, 26.0% and 27.4% of total inventories, respectively, were valued using the LIFO method.

8. Accrued and Other Liabilities

Accrued and Other liabilities in the Consolidated and Condensed Balance Sheets consisted of the following:

	March 29, 2024		December 31, 2023	
	Current	Noncurrent	Current	Noncurrent
	(In thousands)			
Accrued taxes and deferred tax liabilities	$ 44,727	$ 144,214	$ 45,681	$ 144,662
Compensation and related benefits	75,906	50,750	97,052	52,589
Asbestos liability	34,111	223,829	32,908	234,796
Contract liabilities	29,548	—	31,248	—
Lease liabilities	22,936	73,995	22,794	76,609
Warranty liability	12,936	—	12,606	—
Third-party commissions	11,224	—	18,711	—
Restructuring liability	4,045	256	5,345	354
Other	57,470	27,967	47,144	33,823
	$ 292,903	$ 521,011	$ 313,489	$ 542,833

Accrued Warranty Liability

A summary of the activity in the Company's warranty liability included in Accrued liabilities in the Company's Consolidated and Condensed Balance Sheets is as follows:

	Three Months Ended	
	March 29, 2024	**March 31, 2023**
	(In thousands)	
Warranty liability, beginning of period	$ 12,606	$ 12,946
Accrued warranty expense	2,457	1,393
Changes in estimates related to pre-existing warranties	727	672
Cost of warranty service work performed	(2,647)	(2,678)
Foreign exchange translation effect	(207)	964
Warranty liability, end of period	$ 12,936	$ 13,297

Accrued Restructuring Liability

The Company's restructuring programs include a series of actions to reduce the structural costs of the Company. A summary of the activity in the Company's restructuring liability included in Accrued and Other liabilities in the Consolidated and Condensed Balance Sheets is as follows:

	Three Months Ended March 29, 2024				
	Balance at Beginning of Period	**Charges**	**Payments**	**Foreign Currency Translation**	**Balance at End of Period**
			(In thousands)		
Restructuring and other related charges:					
Termination benefits[1]	$ 4,595	$ 1,320	$ (1,507)	$ (352)	$ 4,05
Facility closure costs and other[2]	1,104	604	(1,404)	(59)	24
Total	$ 5,699	$ 1,924	$ (2,911)	$ (411)	$ 4,30

[1] Includes severance and other termination benefits, including outplacement services.

[2] Includes the cost of relocating associates, relocating equipment, lease termination expense and other costs in connection with the closure and optimization of facilities and product lines.

9. Benefit Plans

The Company sponsors various defined benefit plans and other post-retirement benefits plans, including health and life insurance, for certain eligible employees or former employees.

During the three months ended March 29, 2024, the Company recognized a non-cash pension settlement loss of $ 12.2 million related to the transfer of plan assets to a third party as part of externalizing the risk associated with a foreign defined benefit plan. This amount is reflected in Pension settlement loss in the Consolidated and Condensed Statements of Operations.

10. Debt

Long-term debt consisted of the following:

	March 29, 2024	December 31, 2023
	(In thousands)	
Term loans	$ 981,250	$ 987,500
Revolving credit facilities	12,000	32,000
Total debt	993,250	1,019,500
Unamortized deferred financing fees	(452)	(1,443)
Long-term debt	$ 992,798	$ 1,018,057

Term Loans and Revolving Credit Facility

On April 4, 2022, the Company entered into a credit agreement (as amended and restated from time-to-time, the “Credit Agreement”) in connection with the Separation. The Credit Agreement initially consisted of the following facilities:

- A $750 million revolving credit facility (the “Revolving Facility”) with a maturity date of April 4, 2027;
- A Term A-1 loan with an initial aggregate principal amount of $400 million (the “Term Loan A-1 Facility”), with a maturity date of April 4, 2027; and
- A $600 million 364-day senior term loan facility (the “Term Loan A-2 Facility”) with a maturity date of April 3, 2023.

The Revolving Facility contains a $300 million foreign currency sublimit and a $50 million swing line loan sub-facility.

On April 4, 2022, the Company drew down $ 1.2 billion available under the credit facilities consisting of (i) $ 200 million under the Revolving Facility, (ii) $400 million under the Term Loan A-1 Facility and (iii) $600 million under the Term Loan A-2 Facility. The Company used these proceeds to make payments to Enovis of $1.2 billion, which was used as part of the consideration for the contribution of certain assets and liabilities to the Company by Enovis in connection with the Separation.

On June 28, 2022, the Company amended and restated the Credit Agreement by entering into Amendment No. 2 to Credit Agreement (“Credit Agreement Amendment”). The Credit Agreement Amendment provides for a $600 million term loan facility (the “Term Loan A-3 Facility” and, together with the Term Loan A-1 Facility, the “Term Facilities”, and together with the Revolving Facility, the “Facilities”) with a maturity date of April 3, 2025 to refinance the Company’s existing Term Loan A-2 Facility. Also on June 28, 2022, the Company borrowed the entire $ 600 million under Term Loan A-3 Facility to fund the repayment of the Term Loan A-2 Facility.

As March 29, 2024, the Credit Agreement consisted of the following facilities:

- A $750 million revolving credit facility (the “Revolving Facility”) with a maturity date of April 4, 2027, of which $ 12 million was drawn;
- A Term A-1 loan with an aggregate principal amount of $393 million (the “Term Loan A-1 Facility”) with a maturity date of April 4, 2027; and
- A Term A-3 loan with an aggregate principal amount of $ 589 million (the “Term Loan A-3 Facility”) with a maturity date of April 3, 2025. Refer to Note 16, “Subsequent Events” for further information.

The draw-down and repayment related to these term facilities are presented net within the Consolidated and Condensed Statements of Cash Flows.

The Credit Agreement contains customary covenants limiting the ability of the Company and its subsidiaries to, among other things, incur debt or liens, merge or consolidate with others, dispose of assets, make investments or pay dividends. In addition, the Credit Agreement contains financial covenants requiring the Company to maintain (i) a maximum total leverage ratio of not more than 4.00:1.00, with step-downs to, commencing with the fiscal quarter ending June 30, 2023, 3.75:1.00, and commencing with the fiscal quarter ending June 30, 2024, 3.50:1.00, and (ii) a minimum interest coverage ratio of 3.00:1.00. The Credit Agreement contains various events of default (including failure to comply with the covenants under the Credit Agreement and related agreements) and upon an event of default the lenders may, subject to various customary cure rights, require the immediate payment of all amounts outstanding under the Term Facilities and the Revolving Facility. Certain United States subsidiaries of the Company have agreed to guarantee the obligations of the Company under the Credit Agreement.

Loans made under the Term Facilities will bear interest, at the election of the Company, at either the base rate (as defined in the Credit Agreement) or at the term Secured Overnight Financing Rate (“SOFR”) rate plus an adjustment (as defined in the Credit Agreement), in each case, plus the applicable interest rate margin. Loans made under the Revolving Facility will bear interest, at the election of the Company, at either the base rate or, (i) in the case of loans denominated in dollars, the term SOFR rate plus an adjustment or the daily simple SOFR plus an adjustment, (ii) in the case of loans denominated in euros, the adjusted Euro Interbank Offered Rate (“EURIBOR”) rate and, (iii) in the case of loans denominated in sterling, Sterling Overnight Index

Average ("SONIA") plus an adjustment (as all such rates are defined in the Credit Agreement Amendment), in each case, plus the applicable interest rate margin. The applicable interest rate margin changes based upon the Company's total leverage ratio (consolidated total debt divided by EBITDA, as defined in the credit agreement and ranging from 1.125% to 1.750% or in the case of the base rate margin, 0.125% to 0.750%). Each swing line loan denominated in dollars will bear interest at the base rate plus the applicable interest rate margin.

To manage exposures to currency exchange rates and interest rates arising in Long-term debt, the Company entered into interest rate and cross currency swap agreements during the year ended December 31, 2022. Refer to Note 11, "Derivatives" for additional information.

As of March 29, 2024, the weighted-average interest rate of borrowings under the Credit Agreement was 5.09%, including the net impact from the interest rate and cross currency swaps and excluding accretion of deferred financing fees, and there was $738 million of borrowing capacity available under the Revolving Facility, subject to meeting financial covenants and other requirements.

Other Indebtedness

In addition to the debt agreements discussed above, the Company also has the ability to incur approximately $ 77 million of indebtedness pursuant to certain uncommitted credit lines, consisting of an uncommitted credit line that the Company has used from time to time in the past for short-term working capital needs.

The Company is party to letter of credit facilities with an aggregate capacity of $ 109.0 million. Total letters of credit of $ 28.3 million were outstanding as of March 29, 2024.

Deferred Financing Fees

The Company had total deferred financing fees of $ 1.3 million included in its Consolidated Balance Sheet as of March 29, 2024, which will be charged to Interest expense and other, net, using the straight-line method. The costs associated with the Term Facilities will be amortized over the contractual term of the Term Facilities and the costs associated with the Revolving Facility will be amortized over the life of the Credit Agreement. Of the $ 1.3 million, $0.8 million of deferred financing fees relating to the Revolving Facility are included in Other assets and $ 0.5 million of deferred financing fees relating to the Term Facilities are recorded as a contra-liability within Long-term debt.

11. Derivatives

The Company uses derivative instruments to manage exposures to currency exchange rates and interest rates arising in connection with Long-term debt and the normal course of business. The Company has established policies and procedures that govern the risk management of these exposures. Both at inception and on an ongoing basis, the derivative instruments that qualify for hedge accounting are assessed as to their effectiveness, when applicable.

The Company is subject to the credit risk of counterparties to derivative instruments. Counterparties include a number of major banks and financial institutions. None of the concentrations of risk with an individual counterparty was considered significant as of March 29, 2024. The Company does not expect any counterparties to fail to meet their obligations. The Company records derivatives in the Consolidated and Condensed Balance Sheets at fair value.

Cash Flow Hedges

On July 14, 2022, the Company entered into two interest rate swap agreements to manage interest rate risk exposure. The aggregate notional amount of these contracts is $600 million and they mature in April 2025. These interest rate swap agreements utilized by the Company effectively modify the Company's exposure to interest rate risk by converting a portion of the Company's floating-rate debt to a fixed rate of 3.293%, plus a spread, thus reducing the impact of interest-rate changes on future interest expense. The applicable spread may vary between 1.125% to 1.750%, depending on the total leverage ratio of the Company.

In March 2024, the Company received $ 5.5 million to settle one of the interest rate swaps associated with the Company's floating-rate debt. The termination of the interest rate swap related to the anticipated repayment of the Term A-3 Facility when completed in April with the proceeds of the April 2024 $ 700 million Senior Note Offering. Refer to Note 16, “Subsequent Events” for further information. As this interest rate swap was designated as a cash flow hedge, $5.5 million was deferred in accumulated other comprehensive income (loss) (“AOCI”) and will be recognized in earnings over the period the originally forecasted hedged transaction impacts earnings. The remaining $300 million swap will continue to be hedged against the remaining floating-rate debt.

For the remaining swap, the spread was 1.250% as of March 29, 2024. This agreement involves the receipt of floating-rate amounts in exchange for fixed-rate interest payments over the life of the agreement without an exchange of the underlying principal amount. This interest rate swap agreement is designated and qualifies as a cash flow hedge and as such, the gain or loss on the derivative instrument due to the change in fair value is reported as a component of AOCI and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. If a derivative is deemed to be ineffective, the change in fair value of the derivative is recognized directly in earnings. The Company did not have any ineffectiveness related to the cash flow hedges during the three months ended March 29, 2024.

The cash inflows and outflows associated with the Company’s interest rate swap agreement designated as cash flow hedges are classified in cash flows from operating activities in the accompanying Consolidated and Condensed Statements of Cash Flows.

The Company expects a gain of $ 4.0 million, net of tax, related to interest rate swap agreements to be reclassified from AOCI to earnings over the next 12 months as the hedged transactions are realized. The expected gain to be reclassified is based on current forward rates in active markets as of March 29, 2024.

The effects of designated cash flow hedges on the Company’s Consolidated and Condensed Statements of Operations consisted of the following:

		Three Months Ended	
Derivative type	**(Gain) recognized in the Consolidated and Condensed Statements of Operations:**	**March 29, 2024**	**March 31, 2023**
		(In thousands)	
Interest rate swap agreements	Interest expense and other, net	$ (2,722)	$ (1,977)

Net Investment Hedges

On July 22, 2022, the Company entered into two cross-currency swap agreements to partially hedge its net investment in its Euro-denominated subsidiaries against adverse movements in exchange rates between the U.S. Dollar and the Euro. In addition, the cross-currency swap agreements include provisions to exchange fixed-rate payments in U.S. Dollar for fixed-rate payments in Euro and are designated and qualify as a net investment hedge. These contracts have a Euro aggregate notional amount of approximately €270 million and a U.S. Dollar aggregate notional amount of $275 million at March 29, 2024, and they mature in April 2025.

The changes in the spot rate of these instruments are recorded in AOCI in equity, partially offsetting the foreign currency translation adjustment of the Company’s related net investment that is also recorded in AOCI. The Company uses the spot method of assessing hedge effectiveness and as such, the initial value of the hedge components excluded from the assessment of effectiveness is recognized in the Interest expense and other, net line item in the Consolidated and Condensed Statement of Operations under a systematic and rational method over the life of the cross-currency swap agreements. Any ineffective portions of net investment hedges are reclassified from AOCI into earnings during the period of change. The Company did not have any ineffectiveness related to net investment hedges during the three months ended March 29, 2024.

The cash inflows and outflows associated with the excluded components of the Company’s cross-currency swap agreements designated as net investment hedges are classified in operating activities in the accompanying Consolidated and Condensed Statements of Cash Flows.

The effects of the excluded components of designated net investment hedges on the Company's Consolidated and Condensed Statements of Operations consisted of the following:

Derivative type	(Gain) recognized in the Consolidated and Condensed Statements of Operations:	Three Months Ended March 29, 2024	Three Months Ended March 31, 2023
		(In thousands)	
Cross currency swap agreements	Interest expense and other, net	$ (1,179)	$ (1,20

The table below shows the fair value of the derivatives recognized in the Consolidated Balance Sheet:

Designated as hedging instruments	March 29, 2024 Other Liabilities	March 29, 2024 Other Assets	December 31, 2023 Other Liabilities	December 31, 2023 Other Assets
	(In thousands)			
Cross currency swap agreements	$ 15,783	$ —	$ 22,232	$ —
Interest rate swap agreements	—	5,174	—	9,522
Total	$ 15,783	$ 5,174	$ 22,232	$ 9,522

Derivatives Not Designated as Hedging Instruments

The Company has certain foreign currency contracts that are not designated as hedges. As of March 29, 2024 and December 31, 2023, the Company had foreign currency contracts related to purchases and sales with notional values of $267.2 million and $232.5 million, respectively.

The table below shows the fair value of derivative instruments not designated in a hedging relationship recognized in the Consolidated Balance Sheet:

Not designated as hedging instruments	March 29, 2024 Accrued Liabilities	March 29, 2024 Other Current Assets	December 31, 2023 Accrued Liabilities	December 31, 2023 Other Current Assets
	(In thousands)			
Foreign currency contracts	$ 431	$ 874	$ 596	$ 1,08

The amounts in the table above as of March 29, 2024 reflect the fair value of the Company's foreign currency contracts on a net basis where allowable under master netting agreements. Had these amounts been recognized on a gross basis, the impact would have been a $0.6 million increase in Other current assets with a corresponding increase in Accrued liabilities.

The Company recognized the following in its Consolidated and Condensed Financial Statements related to its derivative instruments not designated in a hedging relationship:

Foreign currency contracts	Three Months Ended March 29, 2024	Three Months Ended March 31, 2023
	(In thousands)	
Change in unrealized gains (losses)	$ (49)	$ 143
Realized gains (losses)	(394)	1,027

The above gains or losses on foreign currency contracts are usually offset by foreign exchange exposure on cash and intercompany positions, all of which are recognized in Interest expense and other, net, in the Consolidated and Condensed Statements of Operations.

12. Fair Value Measurements

The carrying values of financial instruments, including Trade receivables and Accounts payable, approximate their fair values due to their short-term maturities. The estimated fair values may not represent actual values of the financial instruments that could be realized as of the balance sheet date or that will be realized in the future.

A summary of the Company's assets and liabilities that are measured at fair value for each fair value hierarchy level for the periods presented is as follows:

	March 29, 2024			
	Level One	Level Two	Level Three	Total
	(In thousands)			
Assets:				
Cash equivalents	$ 2,968	$ —	$ —	$ 2,968
Foreign currency contracts - not designated as hedges	—	1,457	—	1,457
Interest rate swap agreements	—	5,174	—	5,174
Deferred compensation plans	—	4,281	—	4,281
	$ 2,968	$ 10,912	$ —	$ 13,880
Liabilities:				
Foreign currency contracts - not designated as hedges	$ —	$ 1,014	$ —	$ 1,014
Cross currency swap agreements	—	15,783	—	15,783
Deferred compensation plans	—	4,281	—	4,281
	$ —	$ 21,078	$ —	$ 21,078

	December 31, 2023			
	Level One	Level Two	Level Three	Total
	(In thousands)			
Assets:				
Cash equivalents	$ 6,027	$ —	$ —	$ 6,027
Foreign currency contracts - not designated as hedges	—	2,261	—	2,261
Interest rate swap agreements	—	9,522	—	9,522
Deferred compensation plans	—	3,488	—	3,488
	$ 6,027	$ 15,271	$ —	$ 21,298
Liabilities:				
Foreign currency contracts - not designated as hedges	$ —	$ 1,769	$ —	$ 1,769
Cross currency swap agreements	—	22,232	—	22,232
Deferred compensation plans	—	3,488	—	3,488
	$ —	$ 27,489	$ —	$ 27,489

The Company measures the fair value of foreign currency contracts, cross currency swap agreements and interest rate swap agreements using Level Two inputs based on observable spot and forward rates in active markets. Additionally, the fair value of derivatives designated in hedging relationships includes a credit valuation adjustment to appropriately incorporate nonperformance risk for the Company and the respective counterparty. For the three months ended March 29, 2024, the impact of the credit valuation adjustment on the Company's derivatives is immaterial. Refer to Note 11, "Derivatives" for additional information.

There were no transfers in or out of Level One, Two or Three during the three months ended March 29, 2024.

13. Equity

Accumulated Other Comprehensive Loss

The following tables present the changes in the balances of each component of AOCI including reclassifications out of AOCI for the three months ended March 29, 2024 and March 31, 2023. All amounts are net of tax and noncontrolling interest, if any.

	Accumulated Other Comprehensive Loss Components				
	Net Unrecognized Pension and Other Post-Retirement Benefit Cost	Foreign Currency Translation Adjustment	Net Investment Hedges	Cash Flow Hedges	Total
	(In thousands)				
Balance at December 31, 2023	$ (59,805)	$ (554,622)	$ (17,215)	$ 7,370	$ (624,272)
Other comprehensive income (loss) before reclassifications:					
Foreign currency translation adjustment	243	(38,265)	4,995	—	(33,027)
Gain on long-term intra-entity foreign currency transactions	—	7,996	—	—	7,996
Unrealized loss on cash flow hedges	—	—	—	3,920	3,920
Other comprehensive income (loss) before reclassifications	243	(30,269)	4,995	3,920	(21,111)
Amounts reclassified from Accumulated other comprehensive loss[1][2]	629	—	—	(2,907)	(2,278)
Net current period Other comprehensive income (loss)	872	(30,269)	4,995	1,013	(23,389)
Balance at March 29, 2024	$ (58,933)	$ (584,891)	$ (12,220)	$ 8,383	$ (647,661)

[1] The amounts on this line within the Net Unrecognized Pension and Other Post-Retirement Benefit Cost column are included in the computation of net periodic benefit cost.

[2] During the three months ended March 29, 2024, the amount within Cash Flow Hedges is a component ofnterest expense and other, net. See Note 11, "Derivatives" for additional details.

	Accumulated Other Comprehensive Loss Components				
	Net Unrecognized Pension and Other Post-Retirement Benefit Cost	Foreign Currency Translation Adjustment	Net Investment Hedges	Cash Flow Hedges	Total
	(In thousands)				
Balance at December 31, 2022	$ (63,847)	$ (613,907)	$ (8,336)	$ 11,102	$ (674,988)
Other comprehensive income (loss) before reclassifications:					
Net actuarial loss	(2)	—	—	—	(2)
Foreign currency translation adjustment	(108)	31,276	(2,086)	—	29,082
Gain on long-term intra-entity foreign currency transactions	—	12,501	—	—	12,501
Unrealized loss on cash flow hedges	—	—	—	(2,051)	(2,051)
Other comprehensive (loss) income before reclassifications	(110)	43,777	(2,086)	(2,051)	39,530
Amounts reclassified from Accumulated other comprehensive loss[1][2]	279	—	—	(1,530)	(1,251)
Net current period Other comprehensive (loss) income	169	43,777	(2,086)	(3,581)	38,279
Balance at March 31, 2023	$ (63,678)	$ (570,130)	$ (10,422)	$ 7,521	$ (636,709)

[1] The amounts on this line within the Net Unrecognized Pension and Other Post-Retirement Benefit Cost column are included in the computation of net periodic benefit cost.

[2] During the three months ended March 31, 2023, the amount within Cash Flow Hedges is a component ofnterest expense and other, net. See Note 11, "Derivatives" for additional details.

14. Commitments and Contingencies

Asbestos Contingencies

Certain entities that became subsidiaries of ESAB Corporation in connection with the Separation are the legal obligor, or owner, for certain asbestos obligations including long-term asbestos insurance assets, long-term asbestos insurance receivables, accrued asbestos liabilities, long-term asbestos liabilities, asbestos indemnity expenses, asbestos-related defense costs and asbestos insurance recoveries related to the asbestos obligations from the Former Parent’s other legacy industrial businesses. As a result, the Company holds certain asbestos-related contingencies and insurance coverages.

These subsidiaries are each one of many defendants in a large number of lawsuits that claim personal injury as a result of exposure to asbestos from products manufactured or used with components that are alleged to have contained asbestos. Such components were acquired from third-party suppliers, and were not manufactured by any of the Company’s, or Former Parent’s, subsidiaries, nor were the subsidiaries, producers or direct suppliers of asbestos. The manufactured products that are alleged to have contained or used asbestos generally were provided to meet the specifications of the subsidiaries’ customers, including the U.S. Navy. The subsidiaries settle asbestos claims for amounts the Company considers reasonable given the facts and circumstances of each claim. The annual average settlement payment per asbestos claimant has fluctuated during the past several years while the number of cases has steadily declined. The Company expects such settlement value fluctuations to continue in the future based upon, among other things, the number and type of claims settled in a particular period and the jurisdictions in which such claims arise. To date, the majority of settled claims have been dismissed for no payment to plaintiffs.

The Company has classified asbestos-related activity in Loss from discontinued operations, net of taxes in the Consolidated and Condensed Statements of Operations. This is consistent with the Former Parent’s classification on the basis that, pursuant to the purchase agreement from the Former Parent’s Fluid Handling business divestiture, the Former Parent retained its asbestos-related contingencies and insurance coverages. However, as the Former Parent did not retain an interest in the ongoing operations of the business subject to the contingencies, asbestos-related activity was classified as part of Loss from discontinued operations, net of taxes in the Condensed Consolidated Statements of Operations of the Former Parent.

The Company has projected each subsidiary’s future asbestos-related liability costs with regard to pending and future unasserted claims based upon the Nicholson methodology. The Nicholson methodology is a standard approach used by experts and has been accepted by numerous courts. Consistent with the Former Parent, it is ESAB’s policy to record a liability for asbestos-related liability costs for the longest period of time that ESAB management can reasonably estimate.

The Company believes that it can reasonably estimate the asbestos-related liability for pending and future claims that will be resolved in the next 15 years and has recorded that liability as its best estimate. While it is reasonably possible that the subsidiaries will incur costs after this period, the Company does not believe the reasonably possible loss or a range of reasonably possible losses is estimable at the current time. Accordingly, no accrual has been recorded for any costs that may be paid after the next 15 years. Defense costs associated with asbestos-related liabilities as well as costs incurred related to efforts to recover insurance from the subsidiaries’ insurers are expensed as incurred.

Each subsidiary has separate insurance coverage acquired prior to Company ownership. The Company estimates the insurance assets for each subsidiary based upon the applicable policy language, expected recoveries and allocation methodologies, and law pertaining to the affected subsidiary’s insurance policies.

Asbestos-related claims activity since December 31 is as follows:

	Three Months Ended	
	March 29, 2024	March 31, 2023
	(Number of claims)	
Claims unresolved, beginning of period	13,648	14,106
Claims filed[1]	1,297	986
Claims resolved[2]	(714)	(749)
Claims unresolved, end of period	14,231	14,343

[1] Claims filed include all asbestos claims for which notification have been received or a file has been opened.

[2] Claims resolved include all asbestos claims that have been settled, dismissed or that are in the process of being settled or dismissed based upon agreements or understandings in place with counsel for the claimants.

The Company's Consolidated Balance Sheet included the following amounts related to asbestos-related litigation:

	March 29, 2024	December 31, 2023
	(In thousands)	
Long-term asbestos insurance asset[1]	$ 213,323	$ 221,489
Long-term asbestos insurance receivable[1]	18,306	17,868
Accrued asbestos liability[2]	34,111	32,908
Long-term asbestos liability[3]	223,829	234,796

[1] Included in Other assets in the Consolidated Balance Sheets.

[2] Represents current accruals for probable and reasonably estimable asbestos-related liability costs that the Company believes the subsidiaries will pay, and unpaid legal costs related to defending themselves against asbestos-related liability claims and legal action against the Company's insurers, which is included in Accrued liabilities in the Consolidated Balance Sheets.

[3] Included in Other liabilities in the Consolidated Balance Sheets.

Management's analyses are based on currently known facts and assumptions. Projecting future events, such as new claims to be filed each year, the average cost of resolving each claim, coverage issues among layers of insurers, the method in which losses will be allocated to the various insurance policies, interpretation of the effect on coverage of various policy terms and limits and their interrelationships, the continuing solvency of various insurance companies, the amount of remaining insurance available, as well as the numerous uncertainties inherent in asbestos litigation could cause the actual liabilities and insurance recoveries to be higher or lower than those projected or recorded that could materially affect the Company's financial condition, results of operations or cash flow.

General Litigation

The Company is involved in various pending legal proceedings arising out of the ordinary course of the Company's business. None of these legal proceedings is expected to have a material adverse effect on the financial condition, results of operations or cash flow of the Company. With respect to these proceedings, and the litigation and claims described in the preceding paragraphs, management of the Company believes that it will either prevail, has adequate insurance coverage or has established appropriate accruals to cover potential liabilities. Legal costs related to proceedings or claims are recorded when incurred. Other costs that management estimates may be paid related to the claims are accrued when the liability is considered probable and the amount can be reasonably estimated. There can be no assurance, however, as to the ultimate outcome of any of these matters, and if all or substantially all of these legal proceedings were to be determined adverse to the Company, there could be a material adverse effect on the financial condition, results of operations or cash flow of the Company.

15. Segment Information

ESAB is a focused premier industrial compounder. ESAB provides its partners with fabrication technology, advanced equipment, consumables, gas control equipment, welding robotics and digital solutions.

The Company conducts its operations through two reportable segments. These segments consist of the "Americas," which includes operations in North America and South America, and "EMEA & APAC," which includes Europe, Middle East, India, Africa and Asia Pacific.

The Company's management evaluates the operating results of each of its reportable segments based upon Net sales and Adjusted EBITDA, which represents Net income from continuing operations excluding the impact of Income tax expense, Interest expense and other, net, Pension settlement (loss), Restructuring and other related charges, acquisition - amortization and other related charges and depreciation and other amortization.

The Company's segment results were as follows:

	Three Months Ended	
	March 29, 2024	March 31, 2023
	(In thousands)	
Net sales:		
Americas	$ 296,047	$ 291,569
EMEA & APAC	393,697	392,431
	$ 689,744	$ 684,000
Adjusted EBITDA[1]:		
Americas	$ 54,098	$ 49,442
EMEA & APAC	75,039	68,547
	$ 129,137	$ 117,989

[1] The following is a reconciliation of Net income from continuing operations to Adjusted EBITDA.

	Three Months Ended	
	March 29, 2024	March 31, 2023
	(In thousands)	
Net income from continuing operations	$ 62,903	$ 34,129
Income tax expense	18,504	37,024
Interest expense and other, net[1]	17,091	19,510
Pension settlement loss	12,155	—
Restructuring and other related charges	1,924	9,444
Acquisition - amortization and other related charges[2]	7,777	9,289
Depreciation and other amortization	8,783	8,593
Adjusted EBITDA	$ 129,137	$ 117,989

[1] Relates to removal of interest expense, net included within the Interest expense and other, net line within the Consolidated and Condensed Statements of Operations.
[2] Includes transaction expenses, amortization of intangibles, fair value charges on acquired inventories and integration expenses.

16. Subsequent Events

On April 9, 2024, the Company completed a $ 700.0 million Senior Note Offering ("the Offering"). The Offering has a contractual interest rate of 6.25% and expected maturity date of April 15, 2029. The Company used the net proceeds from the Offering to repay $588.8 million of borrowings under its Term Loan A-3 Facility and pay fees associated with the Offering. The Company intends to use the remaining proceeds received to repay borrowings under its Revolving Facility and other general corporate purposes. The Offering did not have any material changes to the required financial covenants for the Company.

The dividend of $3.6 million included in Accrued liabilities in the Consolidated Balance Sheet at March 29, 2024 was paid on April 12, 2024 to stockholders of record as of March 29, 2024.

On April 30, 2024, the Company reached an agreement to acquire SUMIG Soluções para Solda e Corte Ltda, a South American light automation and equipment business for approximately $74 million of cash consideration. This acquisition is expected to be completed during the second half of 2024, subject to the receipt of applicable regulatory approvals and customary closing conditions.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the financial condition and results of operations of ESAB Corporation ("ESAB," the "Company," "we," "our" and "us") should be read in conjunction with the Consolidated and Condensed Financial Statements and related footnotes included in Part I. Item 1. "Financial Statements" of this Quarterly Report on Form 10-Q for the quarterly period ended March 29, 2024 (this "Form 10-Q") and the Consolidated and Financial Statements and related footnotes included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the "2023 Form 10-K"). You should review the discussion titled "Special Note Regarding Forward-Looking Statements" for a discussion of forward-looking statements. Our actual results could differ materially from those discussed in the forward looking statements.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Form 10-Q that are not historical facts are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 21E of the Exchange Act. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date this Form 10-Q is filed with the SEC. All statements other than statements of historical fact are statements that could be deemed to be forward-looking statements, including statements regarding: the impact of the war in Ukraine and the resulting escalating geopolitical tensions on our business; projections of revenue, profit margins, expenses, tax provisions and tax rates, earnings or losses from operations, impact of foreign exchange rates, cash flows, pension and benefit obligations and funding requirements, synergies or other financial items; plans, strategies and objectives of our management for future operations, including statements relating to potential acquisitions, compensation plans or purchase commitments; developments, performance or industry or market rankings relating to products or services; future economic conditions or performance, including the impact of inflationary pressures; the outcome of outstanding claims or legal proceedings, including asbestos-related liabilities and insurance coverage litigation; potential gains and recoveries of costs; assumptions underlying any of the foregoing; and any other statements that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future. Forward-looking statements may be, but not always, characterized by terminology such as "believe," "anticipate," "should," "would," "intend," "plan," "will," "expect," "estimate," "project," "positioned," "strategy," "targets," "aims," "seeks," "sees," and similar expressions. These statements are based on assumptions and assessments made by our management as of the filing date of this Form 10-Q in light of their experience and perception of historical trends, current conditions, expected future developments and other factors we believe to be appropriate. These forward-looking statements are subject to a number of risks and uncertainties and actual results or outcomes could differ materially due to numerous factors, including but not limited to the following:

- the wars in Ukraine and the Middle East, escalating geopolitical tensions and the related impact on energy supplies and prices;
- changes in the general economy, including disruptions caused by geopolitical conflicts, as well as the cyclical nature of the markets we serve;
- supply chain constraints and backlogs, including risks affecting raw material, part and component availability, labor shortages and inefficiencies, freight and logistical challenges and inflation in raw material, part, component, freight and delivery costs and our ability to increase our prices to account for increased costs;
- volatility in the commodity markets and certain commodity prices, including oil and steel;
- our ability to identify, finance, acquire and successfully integrate attractive acquisition targets;
- our exposure to unanticipated liabilities resulting from acquisitions;
- significant movements in foreign currency exchange rates or inflation rates;

- the impact of natural or man-made disasters, adverse weather events or conditions, epidemics, pandemics and other global health events;
- our ability and the ability of our customers to access required capital at a reasonable cost;
- our ability to accurately estimate the cost of or realize savings from our restructuring programs;
- the amount of, and our ability to estimate and manage, our asbestos-related liabilities;
- the solvency of our insurers and the likelihood of their payment for asbestos-related costs;
- material disruptions at any of our manufacturing facilities;
- noncompliance with various laws and regulations associated with our international operations, including anti-bribery laws, export control regulations and sanctions and embargoes;
- risks associated with our international operations, including risks from trade protection measures and other changes in trade relations;
- risks associated with the representation of our employees by trade unions and works councils;
- our exposure to product liability claims;
- potential costs and liabilities associated with environmental, health and safety laws and regulations;
- failure to maintain, protect and defend our intellectual property rights;
- our ability to attract and retain our employees, including the loss of key members of our leadership team;
- restrictions in our financing arrangements that may limit our flexibility in operating our business;
- impairment in the value of intangible assets;
- the funding requirements or obligations of our defined benefit pension plans and other postretirement benefit plans;
- new regulations and customer preferences reflecting an increased focus on environmental, social and governance issues, including regulations related to climate change and the use of conflict minerals;
- service interruptions, data corruption, cyber-based attacks or network security breaches affecting our electronic information systems;
- risks arising from changes in technology;
- the competitive environment in our industries;
- changes in our tax rates, realizability of deferred tax assets, or exposure to additional income tax liabilities;
- our ability to manage and grow our business and execution of our business and growth strategies;
- the level of capital investment and expenditures by our customers in our strategic markets;
- our financial performance;
- difficulties and delays in integrating or fully realizing projected cost savings and benefits of our acquisitions; and
- other risks and factors set forth under Item 1A. “Risk Factors” in Part I in our 2023 Form 10-K.

See Part I. Item 1.A. “Risk Factors” in our 2023 Form 10-K and Part II. Item 1.A “Risk Factors” in this Form 10-Q for a further discussion regarding reasons that actual results and outcomes may differ materially from the results, developments and business decisions contemplated by our forward-looking statements. Forward-looking statements speak only as of the date of the report, document, press release, webcast, call materials or other communication in which they are made. We do not assume any obligation to update or revise any forward-looking statement, whether because of new information, future events and developments or otherwise.

Overview

Please see Part I. Item 1. “Business” in our 2023 Form 10-K, for a discussion of ESAB’s objectives and methodologies for deliver ing stockholder value.

General

We are a focused premier industrial compounder. Our rich history of innovative products, workflow solutions and our business system, ESAB Business Excellence (“EBX”), enables our purpose of *Shaping the world we imagine™.*

We conduct our operations through two reportable segments. These segments consist of the “Americas,” which includes operations in North America and South America, and “EMEA & APAC,” which includes Europe, Middle East, India, Africa and Asia Pacific. We serve a global customer base across multiple markets through a combination of direct sales and third-party distribution channels. Our customer base is highly diversified in the industrial end markets.

Integral to our operations is EBX, our business management system. EBX is our culture and includes our values, a comprehensive set of tools, and repeatable, teachable processes that we use to drive continuous improvement and create superior value for our customers, stockholders and associates. We believe that our management team’s access to, and experience in, the application of the EBX methodology is one of our primary competitive strengths.

Outlook

We believe that we are well positioned to grow our businesses organically over the long term by enhancing our product offerings and expanding our customer base. We believe our business mix is well balanced between sales in emerging and developed markets, and equipment and consumables. We intend to continue to utilize our strong global presence and worldwide network of salespeople and distributors to capitalize on growth opportunities by selling regionally-developed and/or marketed products and solutions throughout our served markets. We believe our geographic and end market diversity helps mitigate the effects from cyclical industrial market exposures. Given this balance, management does not use indices other than general economic trends and business initiatives to predict the overall outlook for the Company. Instead, our individual businesses monitor key competitors and customers, including to the extent possible their sales, to gauge relative performance and outlook for the future.

We expect strategic acquisitions to contribute to our growth. We believe that the extensive experience of our leadership team in acquiring and effectively integrating acquisition targets should enable us to capitalize on future opportunities. We believe that the recent acquisitions of Sager S.A. on February 26, 2024 and Therapy Equipment Limited (“Therapy Equipment”) on January 11, 2023 are aligned with this strategic direction. Refer to Note 3, “Acquisitions” in the accompanying Notes contained elsewhere in this Form 10-Q for additional information.

The discussion that follows includes a comparison of our results of operations and liquidity and capital resources for the three months ended March 29, 2024 and March 31, 2023.

Results of Operations

The following discussion of Results of Operations addresses the comparison of the periods presented. Our management evaluates the operating results of each of its reportable segments based upon Net sales, Adjusted EBITDA and Core adjusted EBITDA as defined in the "Non-GAAP Measures" section.

Items Affecting Comparability of Reported Results

The comparability of our operating results for the three months ended March 29, 2024 and March 31, 2023 is affected by the following additional significant items:

Russia and Ukraine conflict

The invasion of Ukraine by Russia and the sanctions and other actions taken by governments in response to this crisis have increased the level of economic and political uncertainty. Refer to Note 1, "Organization and Basis of Presentation" in the accompanying Notes contained elsewhere in this Form 10-Q as well as Part I. Item 1.A. "Risk Factors" section of the 2023 Form 10-K for additional information.

Acquisitions

We complement our organic growth with acquisitions and other investments. Acquisitions can significantly affect our reported results, and we report the change in our Net sales between periods both from existing and acquired businesses. The change in Net sales due to acquisitions for the periods presented in this filing represents the incremental sales as a result of acquisitions.

On February 26, 2024, the Company completed the acquisition of Sager S.A., a welding repair and maintenance product and service leader in South America. For additional information on this acquisition, refer to Note 3, "Acquisitions" in the accompanying Notes contained elsewhere in this Form 10-Q.

During the first quarter of 2023, we completed the acquisition of Therapy Equipment, a regional leader in oxygen regulators. For additional information on this acquisition, refer to Note 3, "Acquisitions" in the accompanying Notes contained elsewhere in this Form 10-Q.

Foreign Currency Fluctuations

A significant portion of our Net sales, 78%, for the three months ended March 29, 2024 are outside the United States, with the majority of those sales denominated in currencies other than the U.S. Dollar. Because much of our manufacturing and employee costs are outside the United States, a significant portion of our costs are also denominated in currencies other than the U.S. Dollar. Changes in foreign exchange rates can impact our results of operations and are quantified when significant.

For the three months ended March 29, 2024 compared to the three months ended March 31, 2023, fluctuations in foreign currencies reduced Net sales by 1.7% and Gross profit by 1.7% and increased Selling, general and administrative expenses by 0.1%.

Seasonality

Our European operations typically experience a slowdown during the July and August vacation seasons.

Non-GAAP Measures

Adjusted EBITDA is a non-GAAP performance measure that we include in this report because it is a key metric used by our management to assess our operating performance. ESAB presents this non-GAAP financial measure including and excluding Russia due to economic and political volatility caused by the Russia and Ukraine conflict, which we believe results in enhanced investor interest in these alternative presentations. Adjusted EBITDA excludes from Net income from continuing operations the effect of Income tax expense, Interest expense and other, net, Pension settlement (loss), Restructuring and other related charges, acquisition-amortization and other related charges and depreciation and other amortization. We also present Adjusted EBITDA margin, which is subject to the same adjustments as Adjusted EBITDA. Further, we present these non-GAAP performance measures on a segment basis, where we exclude the impact of Restructuring and other related charges, acquisition-amortization and other related charges and depreciation and other amortization from operating income. We also present Core adjusted EBITDA and Core adjusted EBITDA margins, which are subject to the same adjustments as Adjusted EBITDA and Adjusted EBITDA margins, respectively, and which removes the impact of Russia for three months ended March 29, 2024 and March 31, 2023. Adjusted EBITDA and Core adjusted EBITDA assist management in comparing our operating performance over time because certain items may obscure underlying business trends and make comparisons of long-term performance difficult, as they are of a nature and/or size that occur with inconsistent frequency or relate to unusual events or discrete restructuring plans and other initiatives that are fundamentally different from our ongoing productivity and core business. Management also believes that presenting these measures allows investors to view our performance using the same measures that we use in evaluating our financial and business performance and trends.

Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information calculated in accordance with U.S. GAAP. Investors are encouraged to review the reconciliation of these non-GAAP measures to their most directly comparable U.S. GAAP financial measures.

The following tables set forth a reconciliation of Net income from continuing operations, the most directly comparable GAAP financial measure, to Adjusted EBITDA, Adjusted EBITDA margin, Core adjusted EBITDA and Core adjusted EBITDA margin by segment for the three months ended March 29, 2024 and March 31, 2023.

	Three Months Ended March 29, 2024		
	Americas	**EMEA & APAC**	**Total**
		(Dollars in millions)[1]	
Net income from continuing operations (GAAP)			$ 62.9
Income tax expense			18.5
Interest expense and other, net			17.1
Pension settlement loss			12.2
Operating income (GAAP)	46.0	64.7	110.7
Adjusted to add:			
Restructuring and other related charges[2]	0.2	1.7	1.9
Acquisition-amortization and other related charges[3]	4.4	3.3	7.7
Depreciation and other amortization	3.5	5.3	8.8
Adjusted EBITDA (non-GAAP)	$ 54.1	$ 75.0	$ 129.1
Adjusted EBITDA attributable to Russia (non-GAAP)[4]	—	5.9	5.9
Core adjusted EBITDA (non-GAAP)	$ 54.1	$ 69.1	$ 123.2
Adjusted EBITDA margin (non-GAAP)	18.3 %	19.1 %	18.7
Core adjusted EBITDA margin (non-GAAP)[5]	18.3 %	19.2 %	18.8

[1] Numbers may not sum due to rounding.

[2] Includes severance and other termination benefits, including outplacement services as well as the cost of relocating associates, relocating equipment, lease termination expenses, impairment of long-lived assets and other costs in connection with the closure and optimization of facilities and product lines.

(3) Includes transaction expenses, amortization of intangibles, fair value charges on acquired inventories and integration expenses.
(4) Numbers calculated following the same definition as Adjusted EBITDA for total Company.
(5) Net sales were $33.6 million relating to Russia for the three months ended March 29, 2024.

	Three Months Ended March 31, 2023		
	Americas	EMEA & APAC	Total
	(Dollars in millions)[1]		
Net income from continuing operations (GAAP)			$ 34.1
Income tax expense			37.0
Interest expense and other, net			19.5
Operating income (GAAP)	39.9	50.8	90.7
Adjusted to add:			
Restructuring and other related charges[2]	0.9	8.5	9.4
Acquisition-amortization and other related charges[3]	5.3	4.0	9.3
Depreciation and other amortization	3.3	5.3	8.6
Adjusted EBITDA (non-GAAP)	$ 49.4	$ 68.5	$ 118.0
Adjusted EBITDA attributable to Russia (non-GAAP)[4]	—	5.3	5.3
Core adjusted EBITDA (non-GAAP)	$ 49.4	$ 63.2	$ 112.7
Adjusted EBITDA margin (non-GAAP)	17.0 %	17.5 %	17.2 %
Core adjusted EBITDA margin (non-GAAP)[5]	17.0 %	17.8 %	17.4 %

(1) Numbers may not sum due to rounding.
(2) Includes severance and other termination benefits, including outplacement services as well as the cost of relocating associates, relocating equipment, lease termination expenses, impairment of long-lived assets and other costs in connection with the closure and optimization of facilities and product lines.
(3) Includes transaction expenses, amortization of intangibles, fair value charges on acquired inventories and integration expenses.
(4) Numbers calculated following the same definition as Adjusted EBITDA for total Company.
(5) Net sales were $37.1 million relating to Russia for the three months ended March 31, 2023.

Total Company

Sales

Net sales increased for the three months ended March 29, 2024 as compared with the three months ended March 31, 2023 . The following table presents the components of changes in our consolidated and condensed Net sales.

	Three Months Ended	
	Net Sales	Change %
	(Dollars in millions)	
For the three months ended March 31, 2023	$ 684.0	
Components of Change:		
Existing businesses (organic sales growth)[1]	16.6	2.4 %
Acquisitions[2]	1.0	0.1 %
Foreign currency translation[3]	(11.9)	(1.7) %
Total sales growth	5.7	0.8 %
For the three months ended March 29, 2024	$ 689.7	

(1) Excludes the impact of acquisitions and foreign exchange rate fluctuations, thus providing a measure of change due to organic growth factors such as price, product mix and volume.
(2) Represents the incremental sales in comparison to the portion of the prior period during which we did not own the business.
(3) Represents the difference between prior year sales valued at the actual prior year foreign exchange rates and prior year sales valued at current year foreign exchange rates.

Net sales from existing businesses increased $16.6 million during the three months ended March 29, 2024, compared to the prior year period, due to an increase in sales volumes of $8.2 million and customer pricing increases of $8.4 million. During the three months ended March 29, 2024, net sales from acquisitions were attributable to Therapy Equipment and Sager S.A. The strengthening of the U.S. Dollar relative to other currencies caused a $11.9 million unfavorable currency translation impact during the three months ended March 29, 2024.

Sales excluding Russia

Sales excluding Russia ("Core Sales") increased for the three months ended March 29, 2024 as compared with the three months ended March 31, 2023. The following table presents the components of changes in our consolidated and condensed Net sales.

	Three Months Ended	
	Core Sales[1][5]	Change %
	(Dollars in millions)	
For the three months ended March 31, 2023	$ 646.9	
Components of Change:		
Existing businesses (core organic sales growth)[2]	13.0	2.0
Acquisitions[3]	1.0	0.2
Foreign currency translation[4]	(4.8)	(0.7)
Total core sales growth	9.2	1.4
For the three months ended March 29, 2024	$ 656.1	

(1) Numbers may not sum due to rounding.

(2) Excludes the impact of acquisitions and foreign exchange rate fluctuations, thus providing a measure of change due to organic growth factors such as price, product mix and volume.

(3) Represents the incremental sales in comparison to the portion of the prior period during which we did not own the business.

(4) Represents the difference between prior year sales valued at the actual prior year foreign exchange rates and prior year sales valued at current year foreign exchange rates.

(5) Net sales relating to Russia were $33.6 million for the three months ended March 29, 2024, and $37.1 million for the three months ended March 31, 2023.

Core Sales from existing businesses for ESAB increased $13.0 million during the three months ended March 29, 2024, compared to the prior year period primarily due to customer pricing increases of $5.3 million and an increase in sales volume of $7.7 million during the three months ended March 29, 2024. During the three months ended March 29, 2024, net sales from acquisitions were attributed to Therapy Equipment and Sager S.A. The changes in foreign exchange rates caused a $4.8 million unfavorable currency translation impact during the three months ended March 29, 2024.

Operating Results

The following table summarizes our results for the comparable periods.

	Three Months Ended	
	March 29, 2024	March 31, 2023
	(Dollars in millions)	
Gross profit	$ 255.0	$ 247.4
Gross profit margin	37.0 %	36.2 %
Selling, general and administrative expense	$ 142.5	$ 147.3
Net income from continuing operations	$ 62.9	$ 34.1
Net income margin from continuing operations	9.1 %	5.0 %
Adjusted EBITDA (non-GAAP)	$ 129.1	$ 118.0
Adjusted EBITDA margin (non-GAAP)	18.7 %	17.2 %
Core adjusted EBITDA (non-GAAP)	$ 123.2	$ 112.7
Core adjusted EBITDA margin (non-GAAP)	18.8 %	17.4 %
Items excluded from Adjusted EBITDA:		
Restructuring and other related charges[1]	$ 1.9	$ 9.4
Acquisition-amortization and other related charges[2]	$ 7.7	$ 9.3
Interest expense and other, net	$ 17.1	$ 19.5
Income tax expense	$ 18.5	$ 37.0
Pension settlement loss	$ 12.2	$ —
Depreciation and other amortization	$ 8.8	$ 8.6
Items excluded from Core adjusted EBITDA:		
Adjusted EBITDA attributable to Russia (non-GAAP)[3]	$ 5.9	$ 5.3

[1] Includes severance and other termination benefits, including outplacement services as well as the cost of relocating associates, relocating equipment, lease termination, impairment of long-lived assets and other costs in connection with the closure of and optimization of facilities and product lines.

[2] Includes transaction expenses, amortization of intangibles, fair value charges on acquired inventories and integration expenses.

[3] Numbers calculated following the same definition as Adjusted EBITDA for total Company.

First Quarter of 2024 Compared to First Quarter of 2023

Gross profit increased $7.6 million in the first quarter of 2024, which resulted in the gross profit margin expanding 80 basis points to 37.0% compared with the prior year period. This increase was primarily attributable to benefits from price and product mix, partially offset by unfavorable currency translation.

Selling, general and administrative expense decreased $4.8 million in the first quarter of 2024, compared to the prior year period. This decrease is primarily driven by savings from restructuring initiatives.

The effective tax rate of 22.7% for the quarter ended March 29, 2024 differed from the effective tax rate of 52.0% for the same period ending March 31, 2023 due to discrete tax adjustments in 2023 for dividend withholding taxes and an increase in unrecognized tax benefits due to an adverse court ruling in a tax case in a foreign jurisdiction that do not recur in 2024.

Net income from continuing operations increased $28.8 million in the first quarter of 2024, compared with the prior year period primarily due to lower restructuring charges, interest expenses and other, net and tax expense partially off set by a pension settlement loss. Net income margin from continuing operations increased due to the items discussed above.

In the first quarter of 2024, Adjusted EBITDA increased $11.1 million and Adjusted EBITDA margin increased by 150 basis points compared to the same period in 2023 benefiting from higher Gross profit and lower Selling, general and administrative expense. Core adjusted EBITDA increased from $112.7 million to $123.2 million, and Core adjusted EBITDA margins expanded 140 basis points from 17.4% to 18.8%.

Business Segments

We formulate, develop, manufacture, and supply consumable products and equipment, including cutting, joining, and welding robotics, as well as gas control equipment. Our products are marketed under several brand names, most notably ESAB, providing a wide range of products with innovative technologies to solve challenges in virtually any industry. ESAB's comprehensive range of welding consumables includes electrodes, cored and solid wires, and fluxes using a wide range of specialty and other materials, and cutting consumables including electrodes, nozzles, shields, and tips. ESAB's equipment ranges from portable welding machines, gas control equipment and customized automated cutting and welding systems. ESAB also offers a range of software and digital solutions to help its customers increase their productivity, remotely monitor their welding operations, and digitize their documentation. Products are sold into a wide range of end markets, including general industry, infrastructure, renewable energy, medical and life sciences, transportation, construction and energy.

We report results in two reportable segments: Americas and EMEA & APAC.

Americas

The following table summarizes selected financial data for our Americas segment:

	Three Months Ended	
	March 29, 2024	**March 31, 2023**
	(Dollars in millions)	
Net sales	$ 296.0	$ 291.6
Gross profit	$ 111.1	$ 105.7
Gross profit margin	37.5 %	36.3 %
Selling, general and administrative expense	$ 64.8	$ 64.9
Adjusted EBITDA (non-GAAP)	$ 54.1	$ 49.4
Adjusted EBITDA margin (non-GAAP)	18.3 %	17.0 %
Items excluded from Adjusted EBITDA:		
Restructuring and other related charges	$ 0.2	$ 0.9
Acquisition- amortization and other related charges	$ 4.4	$ 5.3
Depreciation and other amortization	$ 3.5	$ 3.3

First Quarter of 2024 Compared to First Quarter of 2023

Net sales in our Americas segment increased $4.4 million in the first quarter of 2024, compared with the prior year period. Net sales from existing business increased $8.9 million partially offset by $5.3 million in unfavorable currency translation. The increase in Net sales from existing business was mainly due to pricing increases partially offset by a decrease in sales volumes due to fewer trading days from adverse weather in January in North America and the timing of Easter holidays versus the prior year. The acquisition of Sager S.A. contributed to $0.9 million of the overall sales increase. Gross profit increased $5.4 million due to price increases, partially offset by inflation-related cost increases and an unfavorable currency impact. Gross profit margin expanded 120 basis points to 37.5%, due to price increases, partially offset by inflation. Adjusted EBITDA increased $4.7 million to $54.1 million and margins expanded 130 basis points to 18.3% primarily because of the aforementioned factors.

EMEA & APAC

The following table summarizes the selected financial data for our EMEA & APAC segment:

	Three Months Ended	
	March 29, 2024	March 31, 2023
	(Dollars in millions)	
Net sales	$ 393.7	$ 392.4
Gross profit	$ 144.0	$ 141.7
Gross profit margin	36.6 %	36.1 %
Selling, general and administrative expense	$ 77.7	$ 82.4
Adjusted EBITDA (non-GAAP)	$ 75.0	$ 68.5
Adjusted EBITDA margin (non-GAAP)	19.1 %	17.5 %
Core adjusted EBITDA (non-GAAP)	$ 69.1	$ 63.2
Core adjusted EBITDA margin (non-GAAP)	19.2 %	17.8 %
Items excluded from Adjusted EBITDA:		
Restructuring and other related charges	$ 1.7	$ 8.5
Acquisition- amortization and other related charges	$ 3.3	$ 4.0
Pension settlement loss	$ 12.2	$ —
Depreciation and other amortization	$ 5.3	$ 5.3
Items excluded from Core adjusted EBITDA:		
Adjusted EBITDA attributable to Russia (non-GAAP)	$ 5.9	$ 5.3

First Quarter of 2024 Compared to First Quarter of 2023

Net sales increased for our EMEA & APAC segment by $1.3 million in the first quarter of 2024, compared with the prior year period. Net sales from existing business increased $7.7 million offset by $6.6 million in unfavorable currency translation. The increase in Net sales from existing business was primarily due to an increase in sales volumes. Gross profit increased $2.3 million in the first quarter of 2024 compared with the prior yea r period primarily due to an increase in sales volumes and improved product mix. Gross profit margin expanded 50 basis points compared to the same period in 2023 due to the increase in sales as mentioned above. Selling, general and administrative expense decreased compared to the same period in 2023 due to savings from restructuring initiatives. Core adjusted EBITDA increased from $63.2 million to $69.1 million and the related Core adjusted EBITDA margins expande d 140 basis points from 17.8% to 19.2% primarily because of the aforementioned factors.

Liquidity and Capital Resources

Overview

We expect to finance our working capital requirements through cash flows from operating activities. We expect that our primary ongoing requirements for cash will be for working capital, funding of acquisitions, capital expenditures and restructuring related cash outflows, asbestos-related cash outflows, and debt service and required amortization of principal and, pending Board approval, payment of cash dividends.

In conjunction with the Separation on April 4, 2022, we drew down $1.2 billion under the Credit Agreement and used these proceeds to make payments to Enovis of $1.2 billion, which was used as part of the consideration for the contribution of certain assets and liabilities to us by Enovis in connection with the Separation.

On June 28, 2022, we amended and restated the Credit Agreement by entering into Amendment No. 2 to Credit Agreement ("Credit Agreement Amendment"). The Credit Agreement Amendment provides for a $600 million Term Loan A-3 Facility with a maturity date of April 3, 2025 to refinance our existing Term Loan A-2 Facility (the "Term Loan A-3 Facility" and together with the Term Loan A-1 Facility, the "Term Loans"). Also on June 28, 2022, we borrowed the entire $600 million under the Term Loan A-3 Facility to fund the repayment of the Term Loan A-2 Facility. The Company's total borrowing capacity under the Credit Agreement remained unchanged.

As of March 29, 2024, we were in compliance with the covenants under the Credit Agreement. As of March 29, 2024, the weighted average interest rate of borrowings under the Credit Agreement was 5.09%, excluding accretion of deferred financing fees. Refer to Note 11, "Derivatives" in the accompanying Notes contained elsewhere in this Form 10-Q for more information related to swap agreements.

After the quarter ended March 29, 2024, on April 9, 2024, the Company completed a $700.0 million Senior Note Offering (the "Offering"). The Offering has a contractual interest rate of 6.25% and expected maturity date of April 15, 2029. The Company used the net proceeds from the Offering to repay $588.8 million of borrowings under its Term Loan A-3 Facility, representing all outstanding borrowings under the Term Loan A-3 Facility, and pay fees associated with the Offering. The Company intends to use the remaining proceeds received to repay borrowings under its Revolving Facility and other general corporate purposes.

As of the end of the first quarter, we had the capacity for additional indebtedness of up to $738 million available on the Revolving Facility, subject to meeting financial covenants and other requirements. Additionally, we have the ability to incur $77 million of indebtedness pursuant to certain uncommitted credit lines, consisting of an uncommitted credit line that we currently have in place, which we have used from time to time in the past for short-term working capital needs. Refer to Note 10, "Debt" in the accompanying Notes contained elsewhere in this Form 10-Q for more information related to the Facilities. We believe that we could raise additional funds in the form of debt or equity if it were determined to be appropriate for strategic acquisitions or other corporate purposes. We believe that our sources of liquidity between debt and cash flows from operating activities are adequate to fund our operations for the next twelve months and thereafter.

Cash Flows

As of March 29, 2024, we had $76.5 million of Cash and cash equivalents, a decrease of $25.5 million from the balance of $102.0 million as of December 31, 2023.

The following table summarizes the change in Cash and cash equivalents during periods indicated:

	Three Months Ended	
	March 29, 2024	March 31, 2023
	(Dollars in Millions)[1]	
Net cash provided by operating activities	$ 44.5	$ 38.1
Purchases of property, plant and equipment	(7.4)	(7.7)
Proceeds from sale of property, plant and equipment	0.4	0.7
Acquisition, net of cash received	(18.1)	(18.7)
Other	(1.5)	—
Net cash used in investing activities	(26.6)	(25.7)
Proceeds from borrowings on revolving credit facility and other	115.0	187.0
Repayments of borrowings on term credit facility	(6.3)	—
Repayments of borrowings on revolving credit facility and other	(139.0)	(189.8)
Payment of dividends	(3.6)	(3.0)
Distributions to noncontrolling interest holders	—	(1.2)
Net cash used in financing activities	(33.9)	(7.0)
Effect of foreign exchange rates on Cash and cash equivalents	(9.4)	4.8
(Decrease) increase in Cash and cash equivalents	$ (25.5)	$ 10.0

[1] Numbers may not sum due to rounding.

Cash flows from operating activities can fluctuate significantly from period to period due to changes in working capital and the timing of payments for items such as pension funding, asbestos-related costs and restructuring program funding. Changes in significant operating cash flow items are discussed below.

- Operating cash flow was positively impacted by increased operating income for the three months ended March 29, 2024, partly offset by higher working capital to support growth.

- Discontinued operations for the three months ended March 29, 2024 and March 31, 2023 included outflows of $3.7 million and $5.4 million, respectively, which were mainly asbestos-related.

- Restructuring initiative payments were $2.9 million for the three months ended March 29, 2024 and $4.2 million for the three months ended March 31, 2023, which includes severance and other termination benefits including outplacement services as well as the cost of relocating associates, relocating equipment, lease termination expense, and other costs in connection with the closure and optimization of facilities and product lines.

Cash flows used in investing activities include $18.1 million of cash used primarily for the acquisition of Sager S.A. during the three months ended March 29, 2024.

Cash outflows used in financing activities of $33.9 million during the three months ended March 29, 2024 was primarily driven by net repayment of borrowings on the Revolving Facility of $20.0 million, repayment of $6.3 million on the term credit facility and cash dividends of $3.6 million.

Our Cash and cash equivalents as of March 29, 2024 include $69.5 million held in jurisdictions outside the United States. Cash repatriation of non-United States cash into the United States may be subject to withholding taxes, other local statutory restrictions and minority owner distributions.

Critical Accounting Policies

The methods, estimates and judgments that we use in applying our critical accounting policies have a significant impact on our results of operations and financial position. We evaluate our estimates and judgments on an ongoing basis. Our estimates are based upon our historical experience, our evaluation of business and macroeconomic trends and information from other outside sources, as appropriate. Our experience and assumptions form the basis for our judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may vary from what our management anticipates, and different assumptions or estimates about the future could have a material impact on our results of operations and financial position.

There have been no other significant additions or changes to the methods, estimates and judgments included in "Management's Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies" in the 2023 Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from changes in foreign currency exchange rates and commodity prices that could impact our results of operations and financial condition. We address our exposure to these risks through our normal operating and financing activities. We do not enter into derivative contracts for trading purposes.

Interest Rate Risk

We entered into certain Term Loans and a Revolving Facility pursuant to the terms of the Credit Agreement. Please refer to Note 10, "Debt" in the accompanying Notes contained elsewhere in this Form 10-Q for additional information regarding our Facilities. We are exposed to interest rate risk on the variable-rate term loans under these Facilities. To mitigate our interest risk, in July 2022, we entered into two interest rate swaps to hedge approximately $600 million of our floating-rate debt. In March 2024, the Company priced a Senior Note Offering, the proceeds of which are intended to pay off the Term A-3 Facility balance once completed in April 2024. As a result, the Company terminated one of the two $300 million swaps during March 2024 and the other $300 million swap will continue to be hedged against our floating-rate debt as of the period ended March 29, 2024. See Note 11, "Derivatives" and Note 16, "Subsequent Events" in our Notes contained elsewhere in this Form 10-Q for additional information. A hypothetical increase in interest rates of 1% during the three months ended March 29, 2024 would have increased interest expense by approximately $6.9 million.

Exchange Rate Risk

We have manufacturing sites throughout the world and sell our products globally. As a result, we are exposed to movements in the exchange rates of various currencies against the U.S. Dollar and against the currencies of other countries in which we manufacture and sell products and services. During the three months ended March 29, 2024, approximately 78% of our sales were derived from operations outside the United States. We have significant manufacturing operations in European countries that are not part of the Eurozone. Sales are more highly weighted toward the Euro and U.S. Dollar. We also have significant contractual obligations in U.S. Dollars that are met with cash flows in other currencies as well as U.S. Dollars. To better match revenue and expense as well as cash needs from contractual liabilities, we regularly enter into currency swaps and forward contracts.

We also face exchange rate risk from our investments in subsidiaries owned and operated in foreign countries. The effect of a change in currency exchange rates on our net investment in international subsidiaries is reflected in the AOCI component of Equity. A 10% depreciation in major currencies relative to the U.S. Dollar as of March 29, 2024 would result in a reduction in Equity of approximately $176 million. In 2022, we entered into two fixed-to-fixed cross-currency swaps, which will provide a hedge to a portion of our European net asset position.

We also face exchange rate risk from intercompany transactions between affiliates. Although we use the U.S. Dollar as our functional currency for reporting purposes, we have manufacturing sites throughout the world, and a substantial portion of our costs are incurred and sales are generated in foreign currencies. Costs incurred and sales recorded by subsidiaries operating outside of the United States are translated into U.S. Dollars using exchange rates effective during the respective period. As a result, we are exposed to movements in the exchange rates of various currencies against the U.S. Dollar. Similarly, tax costs may increase or decrease as local currencies strengthen or weaken against the U.S. Dollar.

Commodity Price Risk

We are exposed to changes in the prices of raw materials used in our production processes. To manage commodity price risk, we periodically enter into fixed price contracts directly with suppliers.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of March 29, 2024. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective in providing reasonable assurance that the information required to be disclosed in this report on Form 10-Q has been recorded, processed, summarized and reported as of the end of the period covered by this report on Form 10-Q.

Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f)) identified in connection with the evaluation required by Rule 13a-15(d) of the Exchange Act that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Discussion of legal proceedings is incorporated by reference to Note 14, “Commitments and Contingencies,” in the Notes included in Part I. Item 1. “Financial Statements” of this Form 10-Q.

Item 1A. Risk Factors

In addition to the information set forth in this quarterly report on Form 10-Q, including in “Management Discussion and Analysis of Financial Condition and Results of Operations - Special Note Regarding Forward Looking Statements,” in Part I of this Form 10-Q, you should carefully consider the factors discussed in the “Risk Factors” section of the Company’s 2023 Form 10-K filed with the SEC on February 29, 2024. There were no material changes during the three months ended March 29, 2024 to the risk factors reported in the “Risk Factors” section of the Company’s 2023 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

During the three months ended March 29, 2024, none of our directors or officers adopted or terminated a Rule 10b5-1 or non-Rule 10b-5 trading arrangement as defined in Item 408 of Regulation S-K.

Item 6. Exhibits

Exhibit No.	Exhibit Description
4.1	Indenture, dated as of April 9, 2024, by and among ESAB Corporation, as issuer, the guarantors named therein, and U.S. Bank Trust Company, National Association, as trustee.(incorporated by reference to Exhibit 4.1 to ESAB Corporation's Form 8-K (File No. 001-41297) as filed with the SEC on April 9, 2024).
4.2	Form of Global Note (included in Exhibit 4.1) (incorporated by reference to Exhibit 4.2 to ESAB Corporation's Form 8-K (File No. 001-41297) as filed with the SEC on April 9, 2024).
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File - The cover page from this Quarterly Report on Form 10-Q for the quarter ended March 29, 2024 is formatted in Inline XBRL (included as Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: ESAB Corporation

By:

/s/ Shyam P. Kambeyanda	President and Chief Executive Officer	
Shyam P. Kambeyanda	(Principal Executive Officer)	May 1, 2024
/s/ Kevin Johnson	Chief Financial Officer	
Kevin Johnson	(Principal Financial Officer)	May 1, 2024
/s/ Renato Negro	Controller and Chief Accounting Officer	
Renato Negro	(Principal Accounting Officer)	May 1, 2024

Exhibit 31.1

CERTIFICATIONS

I, Shyam P. Kambeyanda, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ESAB Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 1, 2024

/s/ Shyam P. Kambeyanda

Shyam P. Kambeyanda
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Kevin Johnson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ESAB Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 1, 2024

/s/ Kevin Johnson

Kevin Johnson
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification Pursuant to 18 U.S.C. Section 1350
(as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

I, Shyam P. Kambeyanda, as President and Chief Executive Officer of ESAB Corporation (the “Company”), certify, pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), that to my knowledge:

1. the quarterly report on Form 10-Q of the Company for the period ended March 29, 2024 (the "Report"), filed with the U.S. Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 1, 2024

/s/ Shyam P. Kambeyanda

Shyam P. Kambeyanda
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

Certification Pursuant to 18 U.S.C. Section 1350
(as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

I, Kevin Johnson, as Executive Vice President, Finance, Chief Financial Officer of ESAB Corporation (the “Company”), certify, pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), that to my knowledge:

1. the quarterly report on Form 10-Q of the Company for the period ended March 29, 2024 (the "Report"), filed with the U.S. Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 1, 2024

/s/ Kevin Johnson

Kevin Johnson
Chief Financial Officer
(Principal Financial Officer)