

## **Praxair to Buy Linde for \$35 Billion in Industrial-Gas Deal**

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Praxair Inc. of the U.S. agreed to buy Linde AG for about 33.9 billion euros (\$35.2 billion) to create the world's largest supplier of industrial gases, three months after a previous attempt failed on concern over job losses in Germany.

Shares of Danbury, Connecticut-based Praxair will be converted one for one into stock in a new company that will begin an offer to buy Munich-based Linde, the companies said Tuesday in a statement. Linde holders will receive stock that values the company at about 182.66 euros a share, according to data compiled by Bloomberg. That's about 31 percent higher than where Linde traded in mid-August, before reports the companies were in talks.

Praxair won over Linde's board by agreeing to keep operations in Munich and preserve jobs. Linde guaranteed no forced layoffs until 2022, according to a union statement last week. The companies described the deal as a merger of equals, and took steps to avoid the appearance of a Praxair acquisition of Linde. The combined entity will bear the Linde name and its stock will be listed in New York and Frankfurt. Praxair Chief Executive Officer Steve Angel and Linde Chairman Wolfgang Reitzle will keep the same titles.

### **Cost Savings**

"They call it a merger of equals, but it seems like the Americans will play a dominant part sooner or later," Bernhard Weininger, an analyst at Independent Research, said by phone. "In reality, there is no such thing as a merger of equals."

At 33.9 billion euros, Praxair is valuing Linde at 8.5 times earnings before interest, taxes, depreciation and amortization for the trailing 12 months. That compares with a median ratio of 13 times for chemical companies in deals announced so far this year, according to data compiled by Bloomberg.

By combining, the companies expect to cut about \$1 billion of costs annually, according to the statement, amid slowing growth in China and weaker demand from steel, oil and natural gas customers. Industrial-gas companies have been branching into medical gases in a push for new revenue streams. The German company flagged to investors in October that it's facing severe cost pressure and the effects of overcapacity in some markets.

Praxair won over its rival after unions represented on the Linde board blocked the earlier attempt by raising concerns about jobs and operations in Germany. Following that failure, Linde ousted Chief Financial Officer Georg Denoke, whose maneuvering contributed to the collapse of the deal, and embarked on a plan to slash costs to boost profitability, saying it's "way behind" competitors on performance. CEO Wolfgang Buechele stepped down and was replaced by Aldo Belloni.

### **Christmas Rush**

The two sides raced to get a nonbinding accord in place before the Christmas holidays, to be followed by a definitive one "as soon as practicable," they said. It will

bring together a German company known for its technology, and an American rival held up as the epitome of efficiency.

Praxair shares fell 3.8 percent to \$118.39 at the close in New York. The company had a market value of about \$34 billion. Linde declined 4 percent to 157 euros in Frankfurt, valuing the company at about 29 billion euros.

The two companies overcame the politically sensitive decision on whether to base the merged business in Germany or the U.S., by opting to domicile it in a neutral member state within the European Economic Area. The CEO will be based in Danbury while corporate functions will be “appropriately split” between Danbury and Munich. The board will have equal representation from the two companies.

Linde shareholders would receive 1.540 shares in the new holding company for each share, and Linde and Praxair stockholders will each own about 50 percent of the new holding company.

#### Regulatory Review

The transaction will face scrutiny from antitrust regulators. The merger comes amid industry consolidation after France’s Air Liquide SA completed its \$13 billion acquisition of Airgas Inc. in May to create what is now the biggest industrial-gas supplier. Further concentration within the sector would be “extremely complex,” Air Liquide CFO Fabienne Lecorvaisier said in September. She called the French firm’s takeover of Airgas the “last game-changing deal in this industry.”

During negotiations, both Linde and Praxair discussed potential divestitures to address any antitrust concerns, people familiar with the matter have said. Those could include selling gas-production operations in local markets, one of them said.

Perella Weinberg Partners and Morgan Stanley are Linde’s financial advisers on the deal, while the law firms Hengeler Mueller, Cravath Swaine & Moore LLP and Linklaters LLP are providing legal advice. Bank of America Corp. and Goldman Sachs Group Inc. gave Linde’s supervisory board a fairness opinion. Credit Suisse is financial adviser to Praxair and Sullivan & Cromwell LLP is legal counsel.