

Air Liquide SA

Europe Satellite*

Recommended since 19.01.2023

28.10.2024



Country FR	Market capitalization (bn) EUR 96,9	Perf. since reco. (%)
Sector Chemicals	Free float 99,7%	Air Liquide SA 27,2
Factset AI-FR	Closing price EUR 167,44	Sector 6,7
ISIN FR0000120073	ESG Risk score* 13,2 Low risk	

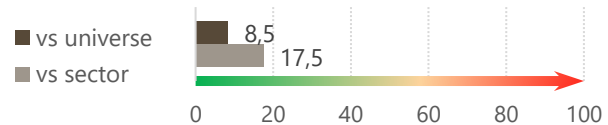
Profile
 Air Liquide is the world's second largest industrial gas company, with a market share of over 30%. The Group achieves 95% of its sales in industrial gases (oxygen, nitrogen, argon, hydrogen, carbon monoxide, helium, etc.). The business is divided into four divisions: 1/ Industrial Merchant (40%) - liquefied gas, variable volumes, small on-site production units for medium/small customers; 2/ Large Industries (30% of sales) - tonnage/on-site production, pipeline transport for large industrial customers; 3/ Healthcare (16%) - medical gases, home healthcare services; 4/ Electronics (9%) - solutions mainly for the semiconductor market.

- Strengths/opportunities**
- ⊕ c. 55% of turnover is resilient, achieved in defensive end markets or via long-term take-or-pay contracts (indexed to energy costs and inflation).
 - ⊕ Hydrogen and carbon capture and storage technologies represent long-term opportunities.
- Weaknesses/threats**
- ⊖ Exposure to more cyclical markets - 45% of turnover.
 - ⊖ Economic uncertainty may affect sales growth and the flow of project opportunities.
 - ⊖ Risk of postponing investment projects.

- Investment case**
- ⊕ Air Liquide will benefit from solid growth in the medium to long term, supported by various investment opportunities, but also good pricing power and productivity gains (USD 1.6bn will be generated cumulatively over 2022-25), which will lead to further margin improvement. By 2025, the company expects sales to grow by 5-6% per year, operating margin to improve by more than 160bp and EBITDA to increase by more than 30% vs 2021. The integration of Airgas has significantly diluted returns (ROCE compression from 10.5% to less than 8% in 2016), but an improvement is visible from 2019, with ROCE reaching 10.7% in 2024.
 - ⊕ The portfolio of new projects amounts to USD 4bn and will contribute EUR 230-250mio to sales in 2024 and over EUR 250mio in 2025. Start-ups will be the source of growth in Large Industries, expected to grow at +4-5%/year. As for Linde, the areas of development will remain significant, driven by the energy transition (decarbonised hydrogen produced by water electrolysis, carbon capture & storage technologies) and the expansion of end markets in electronics and healthcare.
 - ⊕ While the industrial gases industry is characterised by a relative resilience of its activity and medium to long-term visibility, giving it a defensive profile within Chemicals, this segment will also benefit from the macroeconomic recovery when it materialises.

Valuation
 Valuation now shows a 15% premium in PE over its 10-year historical average. But it reflects the resilience of the business across cycles, visibility and long-term prospects.

ESG risk vs. universe & sector (percentile)*

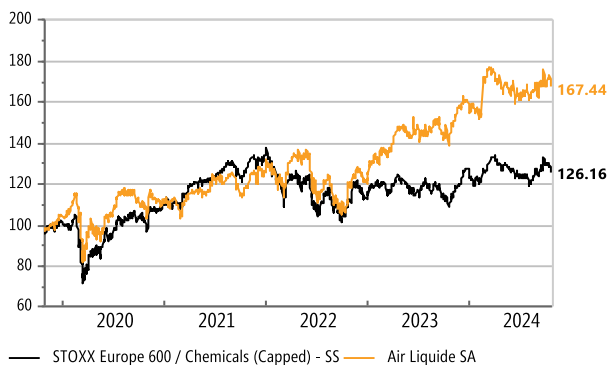


EUR	12/2023	2024e	2025e
Sales revenue (mio)	27 608	27 080	28 413
Sales growth	-7,8%	-1,9%	4,9%
EBIT adjusted (mio)	4 972	5 332	5 823
% of sales	18,0%	19,7%	20,5%
Net income (mio)	3 078	3 540	3 890
Net income growth	11,6%	15,0%	9,9%
FCF/Sales	9,6%	9,4%	9,3%
Net debt/Ebitda	1,4x	1,2x	1,0x
Dividend yield	1,7%	1,9%	2,1%
PE	29,0x	26,7x	24,3x
P/BV	3,9x	3,7x	3,4x

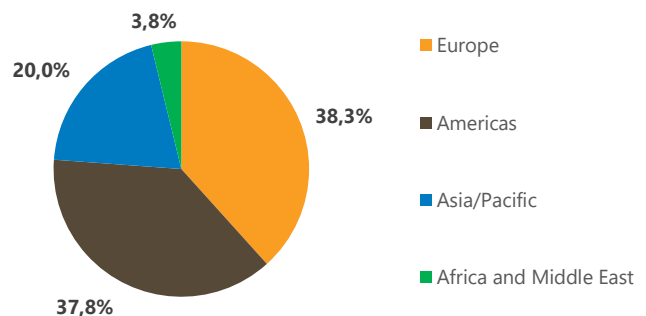
Factset estimates

- ESG - risks and key points**
- ⊕ Air Liquide's ESG exposure is low and reinforced by a solid management of ESG issues.
 - ⊕ The industrial gases sector is one of the most energy-intensive industries - target to reduce greenhouse gas emissions by 33% by 2035 (vs 2020).
 - ⊕ Air Liquide offers solutions that will eventually contribute to decarbonisation in the industrial and transport sectors: green hydrogen, carbon capture & storage unit.

5-year performance vs sector



Sales breakdown - 12/2023



*: see overleaf

Source: Factset, Sustainalytics

Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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