Linde plc (LIN)

Updated February 11th, 2025 by Jonathan Weber

Key Metrics

Current Price:	$461	**5 Year CAGR Estimate:**	1.4%	**Market Cap:**	$219B
Fair Value Price:	$343	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	03/04/25[1]
% Fair Value:	134%	**5 Year Valuation Multiple Estimate:**	-5.7%	**Dividend Payment Date:**	03/18/25[2]
Dividend Yield:	1.2%	**5 Year Price Target**	$459	**Years Of Dividend Growth:**	31
Dividend Risk Score:	A	**Retirement Suitability Score:**	C	**Rating:**	Sell

Overview & Current Events

Linde plc, which was created through the merger of Germany-based industrial gases company Linde AG and US-based industrial gases company Praxair, is the world's largest industrial gas corporation. The company produces, sells, and distributes atmospheric, process, and specialty gases, along with high-performance surface coatings. The company is headquartered in Guildford, United Kingdom. Linde plc is, by both market capitalization as well as by sales generation, the number one in its industry by a wide margin.

Linde plc released its fourth quarter earnings results on February 6. The company announced that its revenues totaled $8.3 billion during the quarter, which was unchanged versus the prior year's quarter. This was worse than the previous quarter, during which Linde generated a small revenue increase. Linde was able to grow its margins meaningfully, as its operating margin expanded by an attractive 190 basis points year-over-year.

Linde's earnings-per-share during the fourth quarter totaled $3.97, which means that the company's earnings-per-share growth came in at 11% versus the previous year's quarter. Linde's management also has a quite positive view regarding the foreseeable future, as Linde is forecasting earnings-per-share in a range of $16.15 to $16.55 for fiscal 2025, which represents a solid growth rate of around 5% compared to 2024, which was also a record year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$5.35	$5.21	$5.68	$6.19	$7.34	$8.23	$10.69	$12.29	$14.20	$15.51	***$16.35***	***$21.88***
DPS	$2.86	$3.00	$3.15	$3.30	$3.50	$3.85	$4.24	$4.68	$5.10	$5.56	***$5.56***	***$7.80***
Shares[3]	289	288	289	334	541	531	522	504	492	482	***475***	***450***

The numbers in the above table, through 2017, are for Praxair as a standalone company, as Linde plc was created in 2018 through a merger between Praxair and Linde AG. Praxair, as a stand-alone company, delivered unspectacular but reliable earnings growth. Linde plc, since its creation, has delivered reliable earnings growth as well, with a faster earnings-per-share growth rate compared to the mid-single digits growth rate Praxair had achieved.

Linde plc was able to generate substantial cost-savings through synergies between the two companies, but the company will not be able to capture additional synergies forever. We thus believe that Linde plc will see its earnings-per-share growth rate come down to some degree over the future, although we still forecast that earnings-per-share will grow at a rate of around 6% in the long run, which is more than the growth rate Praxair had delivered as a standalone company. The somewhat higher growth rate that we expect can be explained by the positive impact of scale advantages on margins, e.g. when it comes to buying from suppliers in an efficient manner. While Linde plc saw its share count go up massively during the merger between Linde AG and Praxair, the company has been buying back shares relatively consistently following the closing of the merger. We believe that Linde will continue to reduce its share count over time, which will positively impact its earnings-per-share growth rate.

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[1] Estimated date
[2] Estimated date
[3] In Millions

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	21.7	21.8	23.2	25.4	29.0	31.5	32.2	26.5	28.9	26.7	***28.2***	***21.0***
Avg. Yld.	2.5%	2.6%	2.4%	2.2%	1.6%	1.5%	1.2%	1.4%	1.2%	1.3%	***1.2%***	***1.7%***

Based on forecasted earnings-per-share of around $16.35 for fiscal 2025, Linde plc trades at ~28 times this year's earnings right now. Shares of Praxair (our proxy for Linde plc for gauging the historic valuation) were never especially cheap, and due to the solid growth outlook and Linde plc's leadership in its industry, we believe that an above-average multiple of 21 times earnings is justified. Shares trade well above that level right now, which is why we believe that Linde's shares are overvalued. Shares have gotten less expensive compared to 2020-2021 but are still pretty pricey.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	53.5%	57.6%	55.5%	53.3%	47.7%	46.7%	39.7%	38.1%	35.9%	35.8%	***34.0%***	***35.6%***

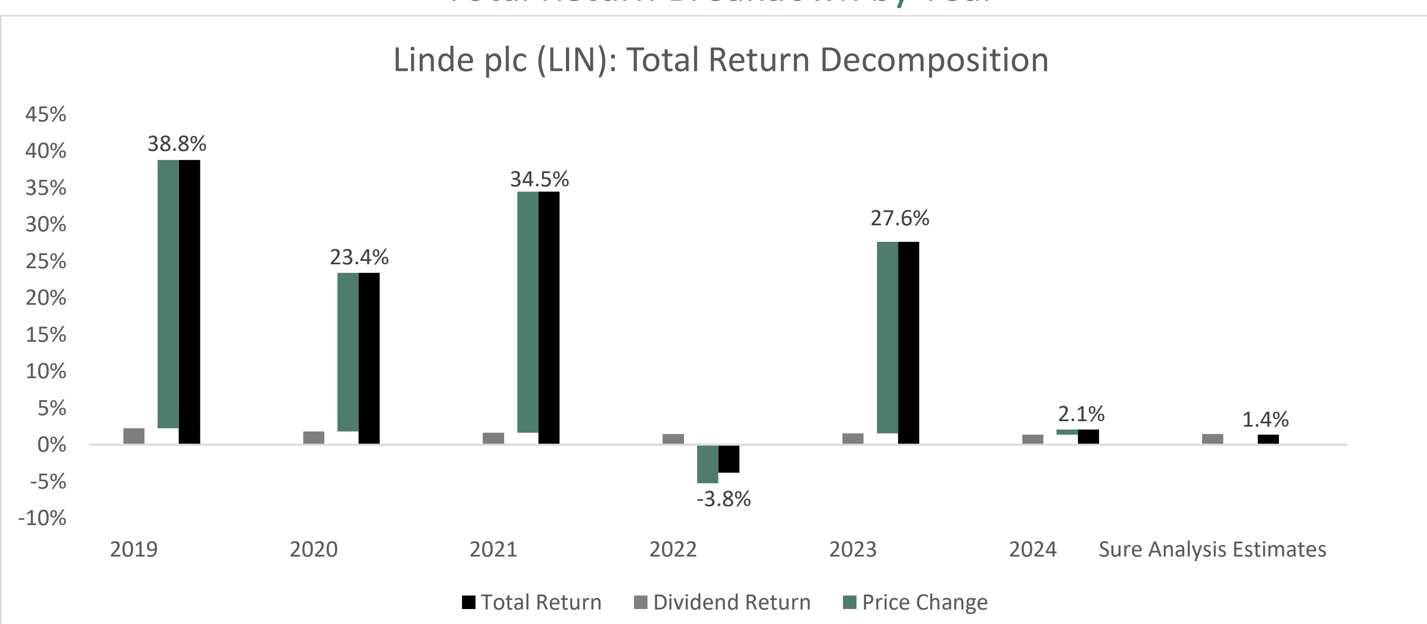
Neither Praxair's nor Linde's dividend payout ratio was high in the past. Based on forecasted earnings, Linde plc's dividend payout ratio is very reasonable, at less than 40%. We believe that the dividend is thus quite safe, especially as Linde's business is not very cyclical.

Linde plc is the clear leader in the industrial gases market, and thus has large competitive advantages in terms of size and scale, e.g. due to its global reach and an advantaged position versus both suppliers and customers. Linde plc is active in an industry that is quite stable, as its gases are sold to non-cyclical industries such as healthcare.

Final Thoughts & Recommendation

Linde plc is the clear leader in its industry. Linde generated new record profits in 2020 to 2024, and it looks like the company will do even better during the current year. We believe that Linde will be able to grow its earnings-per-share meaningfully in the long run. Unfortunately, Linde's shares trade at a relatively high valuation. Total returns are forecasted to be unattractive over the coming years, which is why we rate Linde a sell at the current price, even though Linde looks like a fundamentally strong company.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	12,273	10,776	10,534	11,358	14,836	28,228	27,243	30,793	33,364	32,854
Gross Profit	5,311	4,816	4,679	4,976	5,816	11,584	11,860	13,250	13,914	15,362
Gross Margin	43.3%	44.7%	44.4%	43.8%	39.2%	41.0%	43.5%	43.0%	41.7%	46.8%
SG&A Exp.	1,308	1,152	1,145	1,207	1,629	3,457	3,193	3,189	3,107	3,295
D&A Exp.	1,170	1,106	1,122	1,184	1,830	4,675	4,626	4,635	4,204	3,816
Operating Profit	2,737	2,465	2,320	2,492	2,244	3,268	3,889	5,283	6,460	8,105
Op. Margin	22.3%	22.9%	22.0%	21.9%	15.1%	11.6%	14.3%	17.2%	19.4%	24.7%
Net Profit	1,694	1,547	1,500	1,247	4,381	2,285	2,501	3,826	4,147	6,199
Net Margin	13.8%	14.4%	14.2%	11.0%	29.5%	8.1%	9.2%	12.4%	12.4%	18.9%
Free Cash Flow	1,198	1,154	1,324	1,730	1,819	2,506	4,029	6,639	5,691	5,518
Income Tax	691	612	551	1,026	817	769	847	1,262	1,434	1,814

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	19,769	18,319	19,332	20,436	93,386	86,612	88,229	81,605	79,658	80,811
Cash & Equivalents	126	147	524	617	4,466	2,700	3,754	2,823	5,436	4,664
Acc. Receivable	1,746	1,601	1,640	1,814	4,410	4,322	4,167	4,499	4,559	4,718
Inventories	551	531	550	614	1,651	1,697	1,729	1,733	1,978	2,115
Goodwill & Int.	3,724	3,554	3,700	4,018	43,097	43,156	44,385	40,840	38,237	39,150
Total Liabilities	13,583	13,413	13,880	13,914	36,290	34,977	38,647	36,164	38,271	39,716
Accounts Payable	864	791	906	922	3,219	3,266	3,095	3,503	2,995	3,020
Long-Term Debt	9,225	9,231	9,515	9,000	15,296	13,956	16,154	14,207	17,914	19,373
Total Equity	5,623	4,389	5,021	6,018	51,596	49,074	47,317	44,035	40,028	39,720
LTD/E Ratio	1.64	2.10	1.90	1.50	0.30	0.28	0.34	0.32	0.45	0.49

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	8.5%	8.1%	8.0%	6.3%	7.7%	2.5%	2.9%	4.5%	5.1%	7.7%
Return on Equity	25.1%	27.9%	29.0%	20.8%	13.8%	4.2%	4.9%	8.1%	9.6%	15.0%
ROIC	10.7%	10.5%	10.3%	8.2%	10.0%	3.3%	3.8%	6.1%	7.0%	10.4%
Shares Out.	294	289	288	289	334	541	531	522	504	492
Revenue/Share	41.52	37.28	36.61	39.29	44.40	51.78	51.29	59.00	66.19	66.74
FCF/Share	4.05	3.99	4.60	5.98	5.44	4.60	7.59	12.72	11.29	11.21

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.