



Praxair Reports Second-Quarter 2016 Results

PRAXAIR REPORTS SECOND-QUARTER 2016 RESULTS

July 28, 2016

Sales of \$2.7 billion; EPS of \$1.39

Operating and EBITDA margins of 22.1% and 33.0%, respectively

Strong operating cash flow of \$0.7 billion, 26% of sales

Completed European carbon dioxide acquisition primarily serving food and beverage end-market and purchased remaining interest in Scandinavian joint venture

Return on capital 12.2%; return on equity 34.0%

DANBURY, Conn., July 28, 2016 -- Praxair, Inc. (NYSE: PX) reported second-quarter net income and diluted earnings per share of \$399 million and \$1.39, respectively.

Sales in the second quarter were \$2,665 million, 3% below the prior-year quarter, primarily due to the impact of negative currency translation of 4% and lower cost pass-through of 1%. Excluding these impacts, sales were 2% higher than the prior-year quarter due to growth from acquisitions and higher pricing. Overall volumes were comparable to the prior-year quarter. Volume growth from new on-site projects, largely in Asia, Europe and South America, was offset by lower base business volumes in the Americas, due primarily to weaker industrial manufacturing activity in the United States and Brazil, and weaker demand in the upstream energy end-market in North America.

Operating profit in the second quarter of \$588 million was 23% above the prior-year quarter of \$480 million. Excluding the prior-year quarter impact of a charge relating to a cost reduction program, operating profit was 6% lower, and 2% lower excluding currency effects. The operating profit margin as a percentage of sales was 22.1% and the EBITDA margin was 33.0%.

Second-quarter cash flow from operations of \$706 million funded \$357 million of capital expenditures. Acquisition expenditures in the quarter of \$262 million were primarily related to the acquisition of a carbon dioxide business in Europe. In addition, noncontrolling interest expenditures of \$107 million were largely attributed to the acquisition of the remaining 34% interest in the company's Scandinavian industrial gas joint venture. The company paid \$214 million of dividends. After-tax return on capital and return on equity for the quarter were 12.2% and 34.0%, respectively.

Commenting on the financial results and business outlook, Chairman and Chief Executive Officer Steve Angel said, "Praxair's industrial gas businesses in Asia, Europe and South America grew volumes while benefitting from new on-site project start-ups. However, North America volumes experienced further declines due to weaker upstream energy and U.S. manufacturing activity. Globally, consumer-related end-markets remained healthy and we completed a synergistic European carbon dioxide acquisition that will further expand our food and beverage end-market exposure.

"Praxair's strategy of optimizing the base business, growing resilient end-markets, executing the project backlog and capitalizing on acquisition and project opportunities continues to drive strong value creation. During the second quarter, these efforts by Praxair employees resulted in robust operating cash flow generation at 26% of sales, and in a mixed macro-economic environment, delivered solid operating and EBITDA margins of 22.1% and 33.0%, respectively.

"As we look to the remainder of the year, while currency translation appears to be less of a headwind at current foreign exchange rates, we do not anticipate significant underlying economic improvement in the second half. Project activity remains strong along the U.S. Gulf Coast, and we continue to expect to grow capital investments with new long-term customer supply contracts to further secure future growth. Praxair's relentless focus on operational excellence and financial discipline will consistently deliver strong cash flow and earnings per share for our shareholders."

For the third quarter of 2016, Praxair expects adjusted diluted earnings per share in the range of \$1.35 to \$1.42, which excludes the impact of pension settlement charges of approximately \$0.01 per share expected to be recorded. As a result, GAAP diluted earnings per share is expected to be in the range of \$1.34 to \$1.41.

For full-year 2016, Praxair expects adjusted diluted earnings per share to be in the range of \$5.45 to \$5.60. This guidance assumes a negative currency translation impact of approximately 3% year over year. This full-year guidance excludes a \$0.05 per share impact of a bond redemption charge taken in the first quarter and a pension settlement expected to be recorded in the third quarter. As a result, GAAP diluted earnings per share is expected to be in the range of \$5.40 to \$5.55. Full-year capital expenditures are expected to be approximately \$1.4 billion.

Following is additional detail on second-quarter 2016 results by segment.

In North America, second-quarter sales were \$1,411 million, 5% below the prior-year quarter. Excluding cost pass-through and negative currency translation, sales were 1% lower than the prior-year quarter. Price attainment and volume growth to food and beverage, healthcare and refining customers were more than offset by weaker sales to upstream energy and manufacturing end-markets. Operating profit was \$359 million.

In Europe, second-quarter sales were \$355 million, 7% above the prior-year quarter. Organic sales grew 4% from the prior year due to higher volumes, including new project start-ups, and higher price. Acquisitions contributed 3% growth, primarily related to a carbon dioxide business largely serving the food and beverage end-market. Operating profit of \$68 million grew 8% from the prior year, and 6%, excluding currency translation, from higher price and volumes.

In South America, second-quarter sales were \$358 million, 8% below the prior-year quarter. Organic sales, excluding negative currency translation, grew 5% primarily from higher price and new on-site projects. Operating profit was \$70 million.

Sales in Asia were \$393 million in the quarter, 2% above the prior-year quarter, and 6% higher excluding negative currency impact. Volume growth included new plant start-ups in China and India. Operating profit was \$67 million.

Praxair Surface Technologies had second-quarter sales of \$148 million as compared to \$150 million in the prior-year quarter. Organic sales were 2% lower as favorable price and higher aerospace volumes were more than offset by weaker energy end-market sales. Operating profit was \$24 million.

Adjusted amounts are non-GAAP measures. Additionally, measures such as EBITDA, free cash flow, after-tax return on capital, return on equity and debt-to-capital are also non-GAAP measures. See the attachments for a summary of non-GAAP Reconciliations and calculations of non-GAAP measures.

Attachments: Statements of Income, Balance Sheets, Statements of Cash Flows, Segment Information, Quarterly Financial Summary, Summary Non-GAAP Reconciliations and Appendix: Non-GAAP Measures.

Praxair 2Q16 Earnings Release - Tables (131KB)	Statements of Income, Balance Sheets, Statements of Cash Flows, Segment Information, Quarterly Financial Summary, Summary Non-GAAP Reconciliations and Appendix: Non-GAAP Measures.
Praxair 2Q16 Teleconference Slides (1.33 MB)	Teleconference presentation on Praxair's 2Q16 results.

A teleconference about Praxair's second-quarter results is being held this morning, July 28, at 11:00 am Eastern Daylight Time. The number is (631) 485-4849 – Conference ID: 45788403. The call is also available as a webcast live and on-demand at www.praxair.com/investors. Materials to be used in the teleconference are also available on the website.

This document contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's reasonable expectations and assumptions as of the date the statements are made but involve risks and uncertainties. These risks and uncertainties include, without limitation: the performance of stock markets generally; developments in worldwide and national economies and other international events and circumstances; changes in foreign currencies and in interest rates; the cost and availability of electric power, natural gas and other raw materials; the ability to achieve price increases to offset cost increases; catastrophic events including natural disasters, epidemics and acts of war and

terrorism; the ability to attract, hire, and retain qualified personnel; the impact of changes in financial accounting standards; the impact of changes in pension plan liabilities; the impact of tax, environmental, healthcare and other legislation and government regulation in jurisdictions in which the company operates; the cost and outcomes of investigations, litigation and regulatory proceedings; the impact of potential unusual or non-recurring items; continued timely development and market acceptance of new products and applications; the impact of competitive products and pricing; future financial and operating performance of major customers and industries served; the impact of information technology system failures, network disruptions and breaches in data security; and the effectiveness and speed of integrating new acquisitions into the business. These risks and uncertainties may cause actual future results or circumstances to differ materially from the GAAP or adjusted projections or estimates contained in the forward-looking statements. The company assumes no obligation to update or provide revisions to any forward-looking statement in response to changing circumstances. The above listed risks and uncertainties are further described in Item 1A (Risk Factors) in the company's latest Annual Report on Form 10-K filed with the SEC which should be reviewed carefully. Please consider the company's forward-looking statements in light of those risks.

About Praxair

Praxair, Inc., a Fortune 300 company with 2015 sales of \$11 billion, is a leading industrial gas company in North and South America and one of the largest worldwide. The company produces, sells and distributes atmospheric, process and specialty gases, and high-performance surface coatings. Praxair products, services and technologies are making our planet more productive by bringing efficiency and environmental benefits to a wide variety of industries, including aerospace, chemicals, food and beverage, electronics, energy, healthcare, manufacturing, primary metals and many others. More information about Praxair, Inc. is available at www.praxair.com.

[Download this news release \(163.3 KB\)](#)

Contact

MEDIA CONTACT:

Jason Stewart

Email: Jason_Stewart@Praxair.com

Phone: 1-203-837-2448

INVESTOR RELATIONS CONTACT:

Kelcey Hoyt

Email: Kelcey_Hoyt@praxair.com

Phone: 1-203-837-2210

Contact Us

1-800-PRAXAIR

(1-800-772-9247)

Send a question or comment