The Global Industrial Gases Business

*Current Trends and Issues*

John Raquet

British Cryogenics Council’s Cluster Day
September 2013
Introduction
John Raquet

- Began life at Air Products

- Moved to ...

- Escaped and became a General Consultant –

- Set up what became Spiritus in 1995
  - 100% focused on industrial gases business

- Founded gasworld.com (2003):

- Acquired CryoGas International (July 2013)
Agenda

- Global Gases Business: Overview
- The Bulk and Cryogenics Business
- Summary
Global Gases Business
Current Realities of the Industry

- Industry reached c. $74.5 Bn in 2012 (+1% on 2011)
  - excl. equipment sales, wholesales and non-gas business
- 6 Months 2013 shows improvement to about 6% for the year
  - Both volume driven
- Spiritus 5-year forecast predicts 7-7.5% CAGR
- The industrial gases business may have become global but is executed on a local basis
- Capex requirements very dependent on business mix (on-sites vs. bulk vs. cylinder) and demand for gases
- Consolidation Continues across the world
- Industrial gases remains moderately profitable
  - c 16-18% EBIT but provides consistent shareholder value.
Market Research

Global Gases Business

Global Gases Business 1980-2012

Current US$

Source: Spiritus analysis based on published data
Global Gases Business

Est. 2012 Structure

NoAm 27%

SoAm 6%

ME Africa 3%

Indian Sub-Con 2%

NoPacRim 22%

EE 5%

Indian

Ind. Prodr 18%

Ind. Distr 8%

AL 21%

AP 11%

Praxair 13%

Linde 19%

TNSC 4%

Airgas 4%

Messer 2%

Ind. Prodr 18%

Ind. Distr 8%

NoPacRim 6%

SoAm 27%

ME Africa 3%

Indian Sub-Con 2%

NoPacRim 22%

EE 5%

OSP 26%

BULK 28%

PKGD 41%

EQT 5%

OSP 26%
Global output up modestly in Q2 – China and US highest YoY growth, Japan & Europe weakest; Energy prices mixed – natural gas up; Currency movements dominated by swing in Yen
Global Gases Business
Q2 2013 Performance Dashboard

Industry growth trend resumed; underlying drivers remain modest, major contribution from acquisitions; Profitability up but below peak margins; Capex rate edged up.
Global Bulk Business

Est. 2012

Bulk Gases Market

- NoAM: 27%
- SoAM: 7%
- WE: 29%
- EE: 5%
- NoPacRim: 21%
- SoPacRim: 6%
- ROW: 5%

Bulk Gases Market
IG Cryogenics Equipment

Main Markets

- **Cryogenic Tanks**
  - IG Worldwide Pool: 250,000 tanks
  - IG Market growing at 7,000 / yr
  - Polarisation (larger and Smaller tanks)

- **Cryogenic Tankers**
  - IG Worldwide Pool: 17,500 Tankers (>3000 M3)
  - IG Demand growing at 800 / yr

- **Cryogenic LGCs**
  - IG Worldwide Pool: 600,000 LGCs (>160 litre <240 litre)
  - IG Market growing at 50-80,000 / yr
**LNG Cryogenics Equipment**

**Main Markets**

- **Distribution/Transport Market**
  - In US and China, now 50% of cryo equipment sales for LNG
  - Northern and southern Europe, SE Asia, Australia, SoAm

- **Synergistic equipment and uses**

- **Short-medium term opportunity**
Helium Markets
Supply Update

- Moving into v. tight supply for next 2-3 months!
  - ExxonMobil WY off line in October
  - Qatar II production issues in coldbox (commissioned but <50% operation)
  - Skikda (Helison) no feed gas to date
  - Arzew, approx 50% operating rate (feed gas issues)
  - BLM, well down from 2.1 BNSCF output at present
  - Big Piney (AP/Matheson) ??? No feed gas as yet

- The BLM: D-Day Approaching
  - 7 October, ceases production due to completion of funding arrangement with US Gov’t
  - Renewal of funding (Helium Stewardship Act) at US Gov’t Houses but caught in general Gov’t Funding debate at present
Summary

- 2012, saw a Slowdown in Growth
  - Volumes slowed but Prices solid
  - Cost cutting going on

- China / Developing Economies drive plant and equipment capex
  - Outsourcing continues, Mega Energy (CTC)
  - BUT: Some ASU re-investment needed in N America

- LNG dictating short-term marketing focus of equipment mfers
  - Will play an important revenue generator over next 5-10 year

- IG Gases Business will still show good growth next decade
Thank You

Q&A Time!