

# **L'Air Liquide S.A. (AIQUF) Q4 2023 Earnings Call Transcript**

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**Body**

L'Air Liquide S.A. (AIQUF)

Q4 2023 Results Conference Call

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Company Participants

Aude Rodriguez - Head of Investor Relations

François Jackow - Chief Executive Officer

Jérôme Pelletan - Chief Financial Officer

Pascal Vinet - EVP

Mike Graff - EVP

Conference Call Participants

Gunther Zechmann - Bernstein Autonomous

Alex Jones - Bank of America

Martin Roediger - Kepler Cheuvreux

Chetan Udeshi - JPMorgan

Peter Clark - Societe Generale

Laurent Favre - BNP

Geoff Haire - UBS

Presentation

Operator

Good morning, ladies and gentlemen, and welcome to the Air Liquide 2023 Results Conference Call. [Operator Instructions] I would now like to hand the conference over to Aude Rodriguez. Please begin your meeting, and I will be standing by.

Aude Rodriguez

Good morning, everyone. This is Aude Rodriguez, Head of Investor Relations. Thank you very much for attending the call today. Francois Jackow and Jérôme Pelletan will present the performance of full year 2023. For the Q&A session, they will be joined by Mike Graff and Pascal Vinet, both Executive VP, overseas mainly respectively, Americas and Europe and Africa, Middle East.

In the agenda, our next announcement is on April 24 for our first quarter revenue. Let me now hand you over to Francois.

François Jackow

Thank you, Aude, and good morning, everyone. It is my great pleasure to be with you today to share the highlights of 2023, which was another year of strong performance for Air Liquide. Let's start first with the financial highlights of our performance on Slide 3. Building on the strengths of our model, all our performance KPIs are again very well oriented, especially given the macroeconomic and geopolitical context. On the top line, sales grew 4% on a comparable basis. OIR margin improved by 80 basis points, excluding energy pass-through, which is a remarkable performance in the current environment. This is now 150 basis points in the first two years of advance, almost 160 basis points set as the ambition for the full 4-year plan.

We also achieved plus 13% of recurring net profit growth at constant exchange rates, demonstrating a strong leverage on sales. This is also reflected in the cash flow, growing plus 13% at constant exchange rate. And last, but not least, the recurring ROCE improved again to reach 10.6%, fully aligned with the advanced objective of ROCE above 10%.

As you can see, we are steadfast in our commitment to deliver profitable growth regardless of the macroeconomic conditions. This is a strength of Air Liquide. Our efforts to deliver a significant margin improvement in 2023 are bearing fruit. Slide 4 highlights the reliance on two key operational levers for this achievement last year.

First, IM pricing, which increased again significantly at 8% in 2023, coming on top of the plus 15% delivered in 2022. This active pricing management is continuing and will continue in all regions in 2024.

Second, efficiency, which reached a record level above €460 million, which is 23% higher than last year. Many actions launched in 2023 will continue to deliver efficiencies in 2024, and we are actively launching new ones. Beyond these key enablers, a real delivery mindset is driving the teams worldwide, and it plays a crucial role in terms of strong execution.

I would like to warmly praise our 67,800 team members for their great achievement. Turning now on Slide 5. As part of the strategy, we are positioning ourselves very well to continuously secure profitable growth. Indeed, we managed to sign several major investment projects in energy transition and electronics, which are two main growth accelerators.

In energy transition, to name a few projects under construction, the 200-megawatt electrolyzer in Normandy in France, the carbon capture Cryocap unit added to our steam [indiscernible] reformer in Rotterdam, which will be part of Porthos, Europe's largest CCS infrastructure. In Canada, the low-carbon gas production platform we mentioned already in our Q3 conference call, and not to mention the electrification of two air separation units in China.

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In Electronics, we also have many projects starting construction or going through start-up mainly in Asia or in the U.S. As a result, the investment backlog has grown 50% compared to 2019 and reached a record high level in 2023 at €4.4 billion, a clear acceleration for the future. This is fully aligned with the €16 billion of investment decision planned for the 4 years of advance.

And while we prepare for the future, we remain very disciplined in our investment decisions to maximize value creation. Beyond our high investment decision signings and robust backlog, we are actively pursuing well-developed projects and partnerships providing a deep pool of growth opportunities for the midterm.

I am now on Slide 6. So far, 19 energy transition projects have been awarded EU funding, 7 projects eligible for sales of equipment and technology through our E&C activity and 12 large industry projects representing €2.7 billion of CapEx have been awarded. Among them, [two projects] have recently been signed and are now included in the backlog. One other electrolyzer has even started. The remaining 9 projects are on the move to final investment decision and represent more than €2 billion of CapEx.

In particular, we signed memorandum of understanding with cement and lime production companies, and these projects are developing very well. We have also been very successful in the U.S., being named as partner in 6 out of the 7 clean hydrogen hubs. We are also very actively pursuing and developing projects in electronics, especially given the reshoring trend in U.S. and in Europe.

In Advanced Materials, USD 200 million of CapEx are being invested in new production centers in Taiwan and South Korea, close to our Asian customers. They will be ready when these markets will pick up. We are also making progress in hydrogen [indiscernible], joint ventures and memorandum of understanding to foster the use of hydrogen for heavy duty in Europe with Total Energies, in Asia with Lotte Chemicals or in the U.S. with Trillium.

In Japan, with ENEOS to support the development of low carbon hydrogen all along the value chain. So as you can see, all these projects offer a very significant reservoir of growth. I should say that I am with the team, very pleased that we've achieved this very strong financial and business development performance while making very clear progress on our advanced CO2 emission road map.

I am now on Slide 7. In 2023, we hit the milestone. This was the first year that we reduced our Scope 1 and 2 of CO2 emission by 1.8 million tonnes or minus 5%, while managing to grow our sales by [indiscernible]. This achievement gives us confidence for achieving our near-term goal of emission inflection in 2025.

As you will recall, the fundamental part of our decarbonization plan focuses on 3 levels. First, carbon capture with the example of Porthos project that I already mentioned. Asset Management, second, with the example of Normandy electrolyzer, a new technology to produce low carbon hypogene. And third, low carbon electricity sourcing.

In 2023, another 1.5-terawatt hour of low carbon electricity has been sourced, representing a reduction of 1.2 million tonnes per year of CO2 emissions when all sources will be online. The [indiscernible] road map is also about social KPIs. As an example here, we made very good progress on common care coverage for our employees, moving from 40% in 2022 to almost 80% in 2023. And we remain fully committed to be at 100% in 2025.

In gender diversity, we lead the industry by far. To conclude, I want to reiterate our commitment to create value for our shareholders. In 2023, the market recognized our strong value creation and Air Liquide share price was up by 33%, twice as much as the CAC 40. And I believe we will continue to demonstrate that our few prospects for growth are better than ever.

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Additionally, we are committed continuously to reward existing shareholders. We propose to the vote of the general assembly the dividend per share of €3.2 in 2024. It's an increase of 8.5% and provides an average DPS growth over 8% for the last 20 years.

In addition, the Board of Directors has decided to consider a 1 for 10 free share allocation in June 2024. That will, of course, result in associated dividends for these free shares from 2025.

The annual turnover -- sorry, the annual total shareholder return over 20 years has improved now to 12.6%, showing our commitment to shareholder value over the long term, enabled by our resilient and growth business model focused on sustainable growth. Getting here the 2023 performance, I would like to finish by turning to the upgraded ambition for ADVANCE. I am on Slide 9. The first 2 years of the 4-year ADVANCE plan have fully confirmed the strategic directions.

Today, we are fully confident to confirm the three ADVANCE targets on sales growth, ROCE and CO2 emission trajectory. We also confirm our investment ambition for investment to be decided over the 2022, 2025 period. And remember, this is plus 15% -- 50% compared to the last period.

As a matter of fact, given the trends of our portfolio, we may over deliver on this objective. At this stage, we keep it as an upside to stay selective. Finally, regarding margin improvement. We have almost met the initial ambition halfway through the 4-year strategic plan. So based on this strong performance, we are raising our ambition to 320 basis points of margin improvement over 4 years, excluding the energy impact.

This doubles our initial ambition which we first disclosed 2 years ago. This acceleration shows our strong commitment and confidence in our ability to deliver solid performance.

I will stop here and ask Jerome to drive you through our 2023 financial performance. Jerome, please?

Jérôme Pelletan

Thanks, Francois, and good morning, everyone. So I will now review the details of our Q4 activity and the full year performance. For the full year, and I'm now on Page 11, good sets have been very solid overall on a comparable basis, meaning excluding energy pass-through, ForEx and significant scope effects.

Gas & Services sales are showing a strong plus 4.2% increase versus last year. Turning to Engineering & Construction, sales have decreased by minus 16% compared to high third-party sales last year. On a very positive note, order intake has increased above €1.5 billion at year-end. Global Markets & Technology are soft at minus 1% as a consequence of the small biogas distribution [indiscernible] scope effect, while organic growth is strong at plus 9.7% and order intake is significantly up at close to €930 million.

So overall, group sales are up plus 3.7% on a comparable basis for the year, while publishers are down at minus 8%, as a consequence of the energy price decrease during the year. This translates into a minus 8% energy LI pass-through effect, which, as you know, has no negative impact on the operating margin absolute value, plus a [negative] ForEx effect of minus €4.2 million and a significant scope effect limited to plus 0.3%.

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So specific to Q4 only, comparable growth has also been very solid at plus 3.7% after Q3 at plus 1.5%. On Page 12, we can see that what we said last October happened, meaning that after a low point in Q3, comparable gas and service sales came back to higher growth in Q4 at plus 4.6%. The graph also show that we faced a high comparison basis in Q1 '24, given our strong performance in Q1.

From a business line standpoint, I'm now on Page 13. Industrial Merchant and HealthCare drove the sales growth in 2023, while large industries showed a mixed performance and electronics must be put in perspective again with an exceptionally strong comparable basis last year. On a geographic standpoint, despite sub geopolitical issues and market downturn in electronics, all geographies posted resilient [indiscernible]. This highlights, again, the very strong value of our global development strategy and the resilience of our model, capitalizing on the complementarity and optimal balance amongst both our geographies and business lines. Let us now review the activity for each of the main geographies.

I'm now on Page 14. After a lower Q3, sales in the Americas have grown in all business lines to reach a plus 6% overall. Large industry volumes in air gases in the U.S. have been supported by better demand in chemicals, while we saw soft steel and mixed hydrogen for refining. The activity has also been impacting by some customer turnaround.

Merchant sales have grown solidly, supported by high protein effects at plus 5% and resilient Gases volumes, excluding our growth. Growth in HealthCare has been very strong, supported by strong pricing in Proximity Care in the U.S. as well as in Canada. Medical Gases and Home Health care has been very strong in LATAM with positive volume.

Finally, Electronic sales have improved at plus 12.1%, supported by very high spot in E&R. Sales in Europe now have increased by plus 5% compared to Q4 last year despite a still challenging environment. In Large Industries, sales improved versus low last year as demand hydrogen has been improved for oil and gas, while air gas for steel and chemical customers are stable at lower level. Note that the energy combined effect impacted negatively this quarter by around minus 3%, due to higher volume whilst energy prices were lower.

In Merchant, sales have grown significantly, supported by still strong price effect, plus 8%, on top of a significant pricing effect in Q4 2022. Volumes showed resilience growing in automotive, metal and research. Finally, healthcare growth was very strong at plus 7%. And these sales have been supported by both home healthcare activity, notably in diabetes, sleep apnea and by growth in medical gases with a sustained price effect in response to inflation.

After a negative quarter in Q3, Asia turned back to positive growth in Q4 driven by merchant. In large industry, sales and volume remained affected by low demand. Sales have also been impacting by customer turnaround, including an extended customer topic in China that lasting until the end of the year. Sales in merchants were strongly supported by a still very solid pricing effect of plus 5% on top of already strong pricing in 2022. Note that China itself have been so strong, supported by volumes, which have increased again, particularly in IT packaging and automotive sector.

Electronic sales have turned back to positive growth with improved advanced material and overall solid carrier gas benefiting from [indiscernible] despite low activity in specialty materials and [indiscernible]. In Africa, Middle East, where we are again seeing growth in all business lines, in large industry, sorry, activity remains robust in areas in Egypt and hydrogen, in Saudi Arabia. Merchant growth is strong despite the effect of divestiture in the Middle East completed in 2022, thanks to strong price -- pricing of plus 10% and increased volume in bulk and syngas. I will now comment on our Q4 activity by business line. I'm now on Page 16.

Merchant pricing stayed at high levels, whilst volume remains resilient. The very good outcome is that pricing has been strong again at plus 6.1% in Q4 to address inflation, increasing on top of an already very high basis last year. The other good news is that volumes are resilient overall. Volumes in our end market, automotive research and IC packaging have been positively oriented to be noted or good momentum for on-site signing to -- which are confirmed with 62 signings in 2023.

From a large industry standpoint, activity also still has stabilized. Overall by market, chemical activity has stabilized as well as metals. Hydrogen value for oil and gas were better oriented than in Q3. Volume of fees impacted by customer turnaround, mainly in the Americas and in China. On the positive side, we had good contribution from startup and [indiscernible].

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Page 17. In Electronic, carrier gas posted a solid growth in Q4, and still increase in equipment and installation. Sales in India are turning back to positive after a low Q3, impacting by the slowdown in memory market affecting material sales. Carrier gas sales remained solid, supported by startup and ramp-up. GNI sales are up, especially in the U.S.

Finally, Netcare, where we have had strong growth in all segments with high pricing and volume increasing. Home healthcare we was again very robust with notably strong sleep apnea and diabetes sales in Europe. Media's activities have also been strong, with pricing, addressing inflation in Americas and Europe achieving positive volume.

On Page 18, we continue to deliver strong performance as we posted a group operating margin improvement at plus 80 basis points, excluding the energy pass-through impact. Getting into the details, we can see that purchases have been positively impacted by the decrease in energy price contractually invoices to large industry customers. Personnel expense have increased in accordance with inflation or the cost of stable, demonstrating overall tight control cost.

Depreciation increased in accordance with the impact of startup and partly offset by the end of the depreciation during the year. This has resulted in a very strong comparable growth in operating term at plus 11.4% year-on-year and a very strong leverage in the operating margin ratio of 18.4% at year-end.

We also managed, as we said, to deliver another plus 80 basis point increase, excluding the energy pass-through impact compared to 2022. As Francois said, group operating margin has improved by present and 50 basis points over the last 2 years at the midpoint of our advanced strategic plan period, showing our commitment to deliver again stronger performance year after year. As highlighted, we continue to deliver performance through strong pricing and financial discipline.

On pricing, first, we continue to stay strong at 6.1% in Q4 on top of a very high comparison basis in 2022. I will comment more on the next page. You can see on the graph that since the end of 2020, high-end prices have increased significantly to address inflation year after year. We have also significantly increased efficiencies to reach €466 million in 2023 at plus 23% versus last year with a strong rebound of industrial efficiency.

We finally continue to deliver on our active portfolio management strategy with 14 acquisitions and two divestitures. As said by Francois earlier, we keep a very strong focus on margin improvement, working on all possible levels. As you can see on Page 20, our IM pricing actions continued to deliver as pricing remains strong in every geography to reach plus 6.1% overall in Q4. Let us now review quickly the bottom of the P&L. I'm now on Page 21.

Nonrecurring operating income and expense that amount for the year at minus €192 million have been impacted mainly by the following exceptional items. First, exceptional nonrecurring operating gain at €242 million that mainly include the gain made on the sale of our stake in Hydrogenics in H1, which is a cash item. The other nonrecurring expense with mostly no cash impact include the depreciation of assets following a strategic review and assets held for sale as well as restructuring costs in several countries and activities.

Financial costs quite stable due to the early prepayment of U.S. loans. And net debt decreasing despite an interest rate increase. Average cost of debt slightly up 3.4% versus last year. As a reminder, 93% of our gross debt is at fixed rate.

On an effective tax rate standpoint, our ratio has reduced to 23.4% due to low taxation of nonrecurring items. As a result, our net profit as published is up at plus 12%, while our recurring net profit excluding [indiscernible] is significantly up at 13%, excluding major exceptional items that have no impact on the operating income recurring.

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Page 22. As mentioned before, cash flow has been very strong, up 13% after working capital excluding FX. Our cash model has worked very well and allowed us to first more than offset our increase in CapEx at €3.4 billion, together with our dividend payment at €1.6 billion and finally, reduced our net debt by minus €1 billion. As a consequence, corp net debt is reduced compared to last year at €9.2 billion, and our gearing is now standing at 37%.

In 2023, group recurring return on capital employed based on recurring net profit, meaning excluding significant nonrecurring items, has continued to improve by 30 basis points compared to 2022 and is now at 10.6%, in line with our advanced commitment to stay above 10% during the plan.

Page 24, our 12 months portfolio of opportunities already at a very high level has increased to €3.4 billion, supported by energy transition projects, which are about 40% of the portfolio. And in addition, our portfolio of opportunities beyond 12 months remains very high.

Our industry and financial decision have reached a record level this year at €4.3 billion, as you can see. In Large Industries, significant projects in energy transition has been in the award. Finally, our investment backlog has also reached a record level at €4.4 billion with a balanced breakdown between large industry projects located in our main geographies and electronics, mainly in Asia and in the U.S. energy transition weighting has increased. I'm now on Page 25.

As you can see, we had about close to €270 million of sales contribution in 2023. For 2024, we expect a higher contribution of [indiscernible] to be in the range of €270 million and €290 million. To conclude, on the basis of our excellent performance in 2023, we are very confident in our ability to continue to develop and improve our performance whatever the environment has affected in our guidance for the year. I will now hand it back to Francois for the 2023 takeaway. Francois?

François Jackow

Thank you very much, Jerome. To summarize the key takeaways on Slide 27. Three factors interpret our strong performance again in 2023. First, resilience coming from the mix of our activities, our wide geographical presence, the diversity of the sectors we serve as well as our high number of customers and patients and the strength of our long-term contracts.

Second, growth. We enjoyed a growing business with health care and IM sustained growth driver with low capital intensity and two growth accelerators, energy transition being mainly LI projects and electronics driven by growing needs and sovereignty. Third, performance, having already almost met our initial ambition on margin improvement will accelerate the performance improvement by doubling our initial ambition.

Last, but not least, I strongly believe innovation is a key enabler. It is part of our mindset, and it's embedded in all our business offerings to our customers and patients. And of course, all this will not be possible without our outstanding teams fully committed to create meaningful value. Thank you very much for your attention. We will now be pleased to answer your questions.

Question-and-Answer Session

Operator

[Operator Instructions] We are now going to proceed with our first question, and the questions come from the line of Gunther Zechmann from Bernstein Autonomous.

Gunther Zechmann

Gunther Zechmann from Bernstein. I'll start with two, please. Firstly, you have a business that generates more cash than it needs. The balance sheet is strong. You don't really need to further strengthen that it seems.

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And you're already increasing the dividend high single digit, plus a bonus share. So -- and there's nothing big you can really acquire.

So how should we think about the use of cash from here, please because you're already ramping CapEx to invest in the energy transition, so point one around capital allocation, please? And then secondly, on your new margin targets. What risks do you see as you ramp investments, particularly in hydrogen, which is lower margin, albeit same return on capital employed, of course, from a mix perspective? Or do you have enough buffer from pricing, cost measures and portfolio management, even after doubling of the March function target?

François Jackow

Thank you very much, Gunther. I will answer the first question, and we have probably [Pascal] to give some color on the second one since there are quite a bit of investment in Europe. So we have, as you mentioned, a very strong financial performance. We have a strong cash generation improving, by the way, and a strong balance sheet with a gearing which has decreased. I think all that is very good at a time where we see more investment opportunities than ever.

And we know that in all the sectors of the manufacturing, energy transition is going to require massive injection of capital to be able to transform the industrial setup. This is combined also with growth related to reshoring to sovereignty overall and still growth in the demand. We do believe that we have a strong model, a strong business model, and we want to have the opportunity to invest in those opportunities.

You mentioned M&A. And indeed, as I mentioned before, this is not part of our plan. However, we do still consider that there could be some opportunities in our businesses, either regional consolidation, local ones, sometimes of a significant size, but also opportunities to extend our activity in some of our business lines. So we want to have this ability to seize the opportunity which are strategic opportunities in the field.

So I think here, we have a very strong story again, to invest in our core business and to allocate the cash and the increased cash that we will be generating. Now of course, I mean, we are looking at all the options. And in due time, if we think that there are other options to maximize the value for shareholders, we will and we may consider that, of course. But for the time being, we see a very strong opportunities in our core business.

For the second one, Pascal, do you want to say a few words on this?

Pascal Vinet

Yes. Thank you. Thank you for your question on the margins. If we look at the energy transition portfolio, in fact, we have a very balanced portfolio of projects. We have hydrogen, hydrogen in a classical way, hydrogen with electrolyzers. But we also have carbon capture projects. We have oxygen -- large oxygen projects. We have a CO2 terminals.

So we do not expect a dilution coming from H2. We will have oil [indiscernible] contracts, typical oil contracts, we'll maintain our return on capital employed, and we should, again, maintain our margin, thanks to that balanced portfolio. Don't see energy transition just as hydrogen only. It's a lot more than that, and it's a very balanced portfolio we have.

Operator

We are now going to proceed with our next question. And the questions come from the line of Alex Jones from Bank of America.

Alex Jones

The first one, just on the margin target, again, I'd be interested to hear what gives you the confidence that, that improvement will even accelerate over the next 2 years. You've done 75 basis points on average over the past 2. You're now suggesting 85. So what sort of the delta there would be helpful.

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And then second, on the investment decision target. You sort of hinted that you may be able to overdeliver on the €16 billion, but you want to stay selected. Is there anything in your investment opportunities you're seeing that makes you think customers might delay or that the returns on those projects might be lower such that you need to be selective. Or are you just being conservative in not raising that target at this stage?

François Jackow

Thank you very much, Alexander. I will ask Jerome to speak about the first one, and I will take the second one.

Jérôme Pelletan

Yes. Thank you very much, Alexander. So as you said perfectly, we have raised our operating margin ambition from 160 basis points in 2 years to 320. We've already, I would say, completed 150. So objective today 170-basis points over the next 2 years.

But we have not given and will not give a guidance on a yearly basis. We have -- we'll have some projects that will contribute to accelerate the margin, but it's a 2-year objective impact.

François Jackow

Okay. Thank you, Jerome. I think for the investment decision, clearly, I mean, we see a very strong portfolio of project. You have seen the 12-month portfolio of projects clearly identified. We have, as a matter of fact, probably 3x this amount of projects, which are already identified that probably will materialize in more time. So it's extremely solid.

As mentioned by Pascal, it's extremely diversified. It's not only energy transition. It's not only one region of the world. So I think that gives us very strong confidence. This being said, we know that those projects, which are becoming more complex, larger, which requires some time regulations, sometimes subsidies, sometimes an ecosystem, takes some time to develop.

We see still a very strong momentum in all the region of the world regarding feasibility study, engineering studies. But we want to be, I would say, prudent regarding the assumptions for the signing in the next 2 years because there could be some delays. We know, I mean, this year is also a year with elections in major parts of the world that could also develop kind of a little bit of wait-and-see type of behavior from customers.

So again, very confident in the numbers, very confident in the portfolio, and we do consider this as being an upside for the group overall.

Operator

We are now going to proceed with our next question. And the questions come from the line of

Martin Roediger from Kepler Cheuvreux.

Martin Roediger

I have three questions. First, on China, one of your U.S. competitors was rather bearish about demand in China, but you had a quite good performance in China in Industrial Merchant, where volumes were up strongly. How come do you gain market share in industrial merchant China? Or is that the case that you mentioned IC packaging as a key driver? Is that a unique business for you? That's question #1.

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Question #2 is about the special items of roughly €500 million negative. And this is a combination of €242 million special gains partly from the Hydrogenics disposal and minus €739 million adverse items. You mentioned three buckets: impairments of assets, impairments of [indiscernible] sale and restructuring costs. Can you provide the split of these three buckets? And the final question, what is the annual release for depreciation and amortization going forward given your impairments you did in 2023?

François Jackow

So I will take the first one on China, and Jerome will answer the second one. So regarding China, as you mentioned, we have seen very solid growth in 2023, I would say, in spite of the environment and what is being said some time in the press. We do believe that we should expect the same momentum in 2024, at least for our own activity.

So why are we doing better and maybe better than other players. I think there are probably three reasons. The first one is the high quality of our customers. And this is true in large industry, in electronics, but also in Industrial Merchant. The second one is the mix of the businesses.

And for 2024, we see probably a moderate growth in large industry, but we see continued growth in electronics, especially in the carrier gases but not only in the carrier gases and very strong growth, high single digits, sometimes double digit in the industrial merchant, both in terms of bulk, but also very strong in packaged gas.

And I think that comes to the third point, why do we see -- I mean in spite again of what is being said, stronger business and development in China. I think it's due to our strategy and especially our industrial merchant strategy, where we have focused very much in the past few years on local density, focusing on key basins and making acquisitions, but also growing organically. And I think this combination allows us to clearly, I mean, gain market share in those key areas, and we do expect this to continue. So that's for China. Jerome?

Jérôme Pelletan

As you said, we had some marketing specific one-off items. First, the first one was on the proceeds from the sales -- the main impact was the sale of stake in Hydrogenics, plus €173 million and post-tax, plus €159 million. The second bucket is we decided to make a review of strategic assets. We are at advanced midpoint. So we have depreciate some assets held for sales and other assets identified in strategic review.

Post tax effect is about minus €346 million. And we have also set up a cost for restructuring of home healthcare activity in France for about €56 million impact post the tax. That's basically the three buckets. And you had a question basically on the impact of what's coming next, right? So it has a slightly positive impact on the margin improvement.

Martin Roediger

No, my question was more when you do an impairment, then you have lower assets, and that has an impact on your depreciation charges going forward.

Jérôme Pelletan

Because when you make some depreciation, of course, you have some certain release in depreciation, of course, of right? But all in all, I think it's, I would say, a normal and disciplined management of the business. It's not material in the performance achievement. It's something that we must do and that we are doing very systematically. That is, again, not [indiscernible].

Operator

We are now going to proceed with our next question, and it comes from the line of Chetan Udeshi from JPMorgan.

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Chetan Udeshi

Yes. Let me start with the first question, and we can take maybe if I can squeeze a couple of more. But I was just curious, why is the start-up revenue not much more stronger given your backlog has been going up consistently now for the last 3 years. But it doesn't seem like that's -- there is any evidence of that resulting in much incremental start-up revenue in 2024. So maybe if you can just shed some light on what's happening?

Are the projects moving to the right, are people delaying the start-up of the projects, maybe something there will be useful.

The related question was, if I look at your industrial CapEx in '23. Again, it's hardly up. It's like up 4%. If I remember at the Capital Markets Day in 2022, you were talking about average investment of about €3.8 billion to €3.9 billion per year, and you've only done €3.3 billion for the last 2 years. So it suggests that your average CapEx for '24 and '25 probably needs to be like close to $4.3 billion per year to get to the cumulative CapEx number you had in mind at that point.

Is that still relevant? I'm just curious, on one hand, you are talking about these exciting opportunities, but then your CapEx doesn't seem to be going up as much. So I'm just curious why is there that big delta?

François Jackow

Thank you very much, Chetan. You will see it's coming, but I'm going to ask Jerome to make a complete answer. Jerome, please?

Jérôme Pelletan

Yes. Thank you, Chetan. So you're right, we have about €270 million of contribution of [indiscernible] this year and next year will accelerate between €270 million to €290 million.

So what you have to take into account is that the first thing to consider is that the average size of the project. It's larger than it used to be. And as you know, with the number of energy transition that we have, not only in the backlog, but also in terms of energy portfolio opportunities, those are typically larger and take a little bit more time to deploy and to build up. In fact, especially, there is a significant engineering phase that you take a little bit upside of that to set up.

So that's why you have this kind of, I would say, a little bit timeline difference. But as said by Francois, you will find it in startup and hamper all the good investment decision that we have been able to deploy in the last year, and that will continue to do. For the next year, CapEx guidance, we are not typically commenting on that, but I should believe that we should be close to €4 billion roughly compared to the acceleration of what -- of the investment decision that we have done in the last 2 years, basically what we have in mind. Thank you.

François Jackow

Thank you, Jerome. So indeed, it's a change in the shape of the curve, given the complexity and the size of those projects with more upfront engineering, probably than what we have seen on typical air separation units in the past.

Operator

We are now going to proceed with our next question, and the questions come from the line of Tony Jones from Redburn Atlantic. I think this question has just been withdrawn. We are now going to proceed with our next question. And the questions come from the line of Peter Clark from Societe Generale.

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Peter Clark

I just want to follow back on the efficiency story because, obviously, a big step up in the fourth quarter. And I think I just heard that you said it would be a slightly positive impact going forward. I thought the efficiencies were going to be much more important. And following on from that in the Americas, where the margin wasn't really moving to the second half of last year. And then it jumped over 100 basis points.

Within that, I know pricing is the key driver. But the efficiencies there seemed to step up and there was talk about supplier chain optimization. I presume you've got a mix effects as well because hardgoods was volume down. But just wondering on that story of efficiency, the importance going forward now that pricing inflation certainly slows. And then in the Americas, the step up in margin and the confidence about maintaining that on the 170 basis point improvement from here.

François Jackow

Thank you very much, Peter. I will make some comments on the efficiencies and probably ask Mike to give some color on the Americas.

Regarding the efficiency, as you have seen, I mean, a strong delivery of the efficiency in 2023. We do expect this to continue. As mentioned by Jerome, it's a mix of industrial efficiencies. Bottom up, we have a portfolio of more than 1,300 projects, which are contributing to these efficiencies. But also procurement, as mentioned by Jerome in spite of the inflectionary context.

But also structural transformation and structural transformation are starting to contribute, but will contribute more Speaking about procurement, I mean, we are moving towards a much more effective global procurement where we can leverage the scale of the group, which is absolutely key. But also, as you mentioned, in industrial operation, we see the benefits of the use of data, artificial intelligence and centralized organization in the pulp logistics, for example, we have in the Americas one center, which is fully operational. But this is not the case in other parts of the world. So we do expect this to contribute.

So efficiency will remain. Clearly, I mean, key levers. As we may see that the pricing is going down in some region of the world, absolutely, you are right. And we do expect, I mean, the structural efficiencies and all the initiatives that we are launching to contribute in 2024 and 2025 for sure. Mike, do you want to give some color on Americas?

Mike Graff

Francois, thanks. I'd just add a few points. I think overall, for efficiencies and margins as well in the Americas, we've continued to drive price. We were very successful at that before we got into the significant inflationary trend. And that effort has continued throughout with a very scientific approach to the way we approach pricing in all of our markets.

To Francois's point on industrial efficiencies, we've continued to drive the digitalization and management of such, not just in our large industries business, but very significantly, especially in Airgas as we have really started to institute the digitalization of key components of logistics and centralizing a lot of the functions that make sense in terms of industrial operation.

Procurement has continued to be stalwart in terms of its benefits, both to control inflationary pricing and also to drive further benefit. And then finally, we have gone through continued portfolio management. And you mentioned hard goods as an example. And I've mentioned this before, but we've taken a really hard look at our hard goods offer. And clearly, on the industrial side, for filler metals and capital equipment where we need to, the clear safety items, we are very strong in those elements, but we really look to deemphasize the very, very low-margin safety items that are available in other places.

So I think the combination of all those things have continued to improve overall efficiencies and margins.

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Operator

We are now going to proceed with our question. And the question come from the line of Laurent Favre from BNP.

Laurent Favre

Three quick questions, please. The first one on margin. I think when you announced the initial target, you're assuming about 2% industrial production, let's say, 2% base business volume growth. And of course, this has been zero to negative. I'm wondering in the plan now for the next couple of years, I guess how much are you relying on operating leverage if you contribute to margins going forward? That's the first question.

The second one is on Slide 6, where you talk about over €2 billion of CapEx in projects that are on the move to decision. Can you give us a hint on how much of that is in the U.S. versus Europe? And the third question is on [helium]. Can you talk a little bit about, I guess, how you are assessing supply and demand?

What you are seeing in volumes and pricing? And are you seeing more pressure from products coming out of Russia?

François Jackow

Thank you very much, Laurent. I will answer the first and the third question and ask Jerome to talk about the second one. On the margin, clearly, in the current environment, it's very difficult to predict, I mean, the volume growth. And we have some assumptions, which I do believe are quite conservative.

Probably, I mean, stronger second part of the year than the first one with recovery probably coming and starting from the U.S., also seeing some recovery in the electronics, which is going in the favor of Asia and probably Europe being more or less flat on the volume. This being said, our plan, our ambition and our commitment does not depend on the volume assumption. And we are extremely, I would say, strong and disciplined to make sure that we have the different levers in place to deliver the margin improvement regardless of the volume.

Of course, I mean, if we have some volume, we will enjoy that. But we cannot rely and the plan does not rely and the ambition does not rely on volume assumptions that may or may not happen. Second point on the CapEx, Jerome?

Jérôme Pelletan

Yes. I will for your modeling, Laurent, I guess, which will be more interesting [indiscernible]. So I would say it's relatively balanced. So far, we have about 30%, which is ready to come for Europe. Same a little bit higher for Asia, but also Americas, which is going up. So it's quite balanced among all those geographies with Asia that was supported by electronics that we signed years ago. But also Europe, a strong energy transition footprint. And Americas, which is also going up. So I would say that is the balance in terms of backlog. So speaking about helium.

So helium has attracted a lot of attention recently. But I would like maybe first to put things in perspective. I think for Air Liquide least, maybe it's not the same for others. But for us, given its size and how we have structured the activity, helium is clearly not a material lever to achieve our ambition. And why I do say that because helium overall, it's a fantastic molecule.

But again, keep in mind that it's only 3% to 4% of the good sales. It's a global market with very strategic applications in medical, in electronics, in space and in some of the defense industry and manufacturing overall.

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But where there are limited number of sources, which make this product quite volatile. And this is true that during a global shortage, we have seen in the past that helium's spot prices could potentially double.

To mitigate this volatility, Liquide has maybe a different strategy than others. We have been very active in signing midterm contracts with our customers and of course, with our suppliers. And today, more than 2/3 of our total sales are related to midterm contracts. So that's a way clearly to limit the volatility on the sales side, but also on the supply, we have multiple sources of helium, and we diversify our sources. We have also helium cavern to be able to cope with the variation in the supply and in the demand.

So I think all in all, we see for 2024 pricing probably being stable at a relatively high level for Helium. Volume probably decreasing to some extent in H1 and potentially picking up in the second part of the year, mostly driven by the electronics industry. And maybe just to finish up on Russia because I think you mentioned Russia. This is one of the sources that we have. But let's keep in mind, again, in 2023, helium sources coming from Russia was less than 1% of the total sourcing of Helium [indiscernible] group.

So it's not material at the scale of the group.

I think we are reaching the last question, please?

Operator

Sure. We are now going to take our next question, and the question come from the line of Geoff Haire from UBS.

Geoff Haire

I just wanted to ask about Electronics in Q4. It seems to be a little bit better than you had indicated back in October. So I was just wondering if there was any specific reasons for that and what we should be thinking about organic growth in Electronics in the first half of '23? I may have missed it in the presentation, if you did comment on it.

François Jackow

Thank you very much. I think overall, for the electronics, the year 2023 was clearly a low year. We have seen that. For us, we were kind of protected because of the carrier gases, which is more than 40% and which has a take-off pace. This is true that we have seen a little bit of uptake in the last quarter of the year.

I think we need still to be cautious and to wait to see the first few months of the year.

What we are hearing from customers I would say are more positive news. We see signals, which are still a weak signals for a pickup in the second part of the year, especially in the memory market. So that's a good sign. Another good sign is a strong commitment of our customers for new expansion and new fabs. We have seen announcement in Asia, but also in the U.S. and even recently. So I think all that is positive. But I would say let's be careful for the year. We do expect a recovery in the second part of the year. But at this stage, it may be a little bit early.

Let's keep in mind that the midterm trends are extremely positive. There is a very strong demand and a need both in terms of needs for a new application and artificial intelligence is driving a lot of that, but also for sovereignty with reshoring of significant capacities in different parts of the world. So let's wait to see the first half for electronics. But again, later in the year and midterm trends very strong.

Thank you very much. I think we will stop the call here this morning. I appreciate very much your attention and your question, and I wish all of you a very good day. Thanks a lot.

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Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect your lines. Thank you, and have a good day.

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