

# Praxair-Linde merger

## Major new helium competitor

By Phil Kornbluth



Much of the publicity surrounding Praxair's pending merger with Linde has focused on the geographic overlap between their atmospheric gas businesses, especially in the U.S. Another segment where there is very significant overlap is the helium business, where Praxair and Linde are two of the four largest global competitors (the others being Air Products and Air Liquide). We believe that the regulatory authorities, to preserve the competitive intensity of the helium business, will require major

divestitures of helium assets. When the dust settles, it is likely that there will be a major new competitor in the global helium business.

The combined market share of the four top global helium players at the wholesale/sourcing level (control of the source) exceeds 85%. Although the combined market share of the Big 4 is considerably less at the retail or end-user level, their control of the world's capacity gives these four competitors considerable influence over helium markets. Below the Big 4 are the MATHESON subsidiary

of Taiyo Nippon Sanso Corporation (TNSC), with a market share about one-third as large as each of the Big 4, followed by Iwatani at #6 and Messer at a much smaller #7 position.

A merger between Praxair and Linde would combine two of the four truly global players, resulting in a combined wholesale market share exceeding 45%. Based on the precedent set by previous transactions, most notably Linde's acquisition of The BOC Group back in 2006, it is fairly safe to assume that the regulatory authorities (especially the



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and optical fiber manufacturing. Each of the companies has a helium refining facility connected to the Bureau of Land Management's (BLM's) Crude Helium Pipeline and Storage System. Each company also owns significant inventory of crude helium (feedgas for the refining facilities) stored within the BLM's Bush Dome storage reservoir near Amarillo, Texas. Finally, each company also has an extensive global transfill network (with considerable overlap in key markets such as the U.S.) and large fleets of the costly 11,000-gallon cryogenic containers that are used to transport bulk liquid helium.

Among the relatively recent large acquisitions in the industrial gases business, we believe that Linde's 2006 acquisition of BOC is the most analogous to the Praxair-Linde merger from a helium/regulatory standpoint. Prior to the transaction, BOC was a co-#1 player in the global helium business, while Linde had a much smaller, #5 global share of the business, roughly 8%. The FTC and EC took the position that a combination of Linde and BOC would eliminate the aggressive maverick in the business, who kept the global majors in check, and reduce the competitive intensity of the global business. The FTC and EC ultimately agreed that helium assets approximately equivalent to the size of Linde's business

prior to the transaction should be divested, replacing Linde with a new aggressive #5 competitor and preserving the level of competition.

A package of 500 MMscf per year of helium assets (based on sourcing contract volumes) was sold to MATHESON, which replaced Linde as the worldwide #5 competitor. The asset package included sourcing contracts, wholesale and end-user sales agreements, helium transfills, distribution assets, access to key employees, and long-term commitments to provide backup supply. A much smaller package of approximately 100 MMscf per year of helium assets was sold to Messer.

Taking all of the above into

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consideration, how might the regulatory authorities construct a remedy for what they will likely view as an unhealthy concentration of helium assets resulting from a Praxair-Linde merger? Where there are divestitures of national or regional merchant gas businesses (in the U.S. and Brazil, for example), most or all of the helium customers and related assets targeted for divestiture should ride along and not be sold separately. Depending on the number and size of merchant gas divestitures, a considerable portion of the total targeted divestiture of helium assets could be accomplished in this manner. To be viable, divestitures will need to include sourcing contracts, customer contracts, transfills, distribution assets, and the opportunity to hire key employees.

Some helium assets could be separated from merchant gas divestitures and be sold to one of the smaller participants in the helium business (TNSC, Iwatani, or Messer), as long as the buyer(s) have established merchant gas businesses in the geographies where divested helium customers are located.

No matter how the helium divestitures actually work out, it is a safe bet that there will be a new major competitor in the helium business. [gasworld.com](http://gasworld.com)

### **ABOUT THE AUTHOR**

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# 85%

...top global helium players at the wholesale /sourcing level exceeds 85%

FTC) will not allow the proposed merger to proceed without significant divestitures of helium assets/business.

Both Linde and Praxair have large global helium businesses—one or both companies have a significant market share in nearly all of the major helium markets around the world—and show significant geographic overlap, especially in the U.S. Both companies also have customer portfolios that include some of the largest users of helium in high-tech applications such as MRI, electronics,