

European treasury team of the year category winner

LINDE

## TERRIFIC TEAMWORK

THE TREASURY FUNCTION OF GERMAN INDUSTRIAL GASES PRODUCER LINDE IS AGILE AND INNOVATIVE WHEN IT COMES TO MANAGING RISK



The Linde treasury team: Its members come from a range of backgrounds



THE LINDE GROUP

> The crowning glory of 2012 for German industrial gases group Linde was its \$4.6bn acquisition of the US listed healthcare company Lincare, and the financing package surrounding that. The move doubled Linde's exposure to the US market and doubled its healthcare sales. The treasury approach to this deal was typical of Linde's style: be cautious, and yet, at the same time, opportunistic and innovative. Although these attributes don't

always sit well together, in Linde's case the group remains sharp and agile, so that it can take risk out at every opportunity.

Little over a week after announcing the takeover last July, Linde was already able to repay €1.4bn of its acquisition finance facility thanks to an equity issue via an accelerated book-build, which increased the number of shares in issue by 7.5%. But at that early stage, the company had neither shareholder approval nor anti-trust authorities approval for the takeover. "We wanted to show to the market that we really care about our rating, we really care about risk," says Sven Schneider, head of group treasury. "Even if the deal were to fail, we considered the risk of being over-capitalised to be a smaller risk than being exposed to market turmoil on the equity side."

> In September, Linde sought to pay down another large slice of the debt finance through a €1bn eight-year bond. Again, the company managed to play a win-win situation: at the time, the euro was facing a serious crisis, with much commentary suggesting that one or more countries would have to leave the euro. As pressure mounted on the European Central Bank (ECB), Linde – which had been upgraded from A-

to a very healthy single A in March 2012 – got its issue away with a coupon of just 1.75%. The next day, ECB president Mario Draghi announced plans for a new policy of open-market transactions – a step that went a long way to take pressure off the euro. "If he had not made such a bold statement, then you are much better off having €1bn on your balance sheet because the euro crisis would have been even worse," Schneider recalls. "And we thought that if he does [make a major announcement], then maybe investors would go back to the periphery" – which could have made it more difficult for conservative Linde to raise money.

A few weeks later, Linde demonstrated its skill at grabbing 'super-opportunistic' openings when some banks suggested that the Norwegian krone market was ripe for being tapped. A five-year, NOK2bn issue (around \$350m) was the result, paying down yet more of the Lincare facilities.

> Linde has a relatively small team of 30 in treasury, worldwide. In particular, the capital markets side has just two people (or three, if Schneider counts himself). "That explains in part why we are quite proud of our achievements," he says. "On the other hand, we were nearly dead at the end of last year!"

Linde's business model involves it producing, operating and selling locally, which reduces FX risk. And it's been expanding in emerging markets in recent years, with more than half of its capex going into such high-growth markets.

These, however, can create challenging financing and 'trapped cash' problems. Clearly, investment financing in Venezuela or Vietnam is not the same as in Spain. This is one reason why Schneider opened a regional treasury in Singapore in 2012 (another one of the team's achievements in the past 12 months).

Schneider believes that the team benefits from having members from a range of backgrounds. "It also helps to have international team members, especially for a truly global company like Linde." ♦

### What the judges said

"This was a typically excellent corporate finance deal in a complex process, with very good investor relations management. A really good set of work by a small team."