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| Praxair Inc Ticker: PX Sector: Materials Industry: Chemicals | Intrinsic Value: \$ 149 Current Price: \$127.72 (10/24) Stop Loss: \$ 109 Upside Review: \$ 145 | TTM P/E: 21.02 Forward P/E: 19.05 Beta: 0.92 | Market Cap: \$ 37.3B Dividend Yield: \$.65 (1.96%) 52 Week Range: \$ 135.24– \$117.32 |
|---|--|--|---|

Business Summary:

Praxair is a Fortune 250 company with 2013 sales of \$12 billion, it is the largest industrial gases 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. It serves about 25 industries as diverse as health care and petroleum refining; computer-chip manufacturing and beverage carbonation; fiber-optics and steel making; and aerospace, chemicals and water treatment.

Industry Trends:

Business environment for the industrial gases industry is expected continue to improve, aided by the start-up/ramp-up of new projects and global economic growth. Consumption of industrial gases over the longer term is expected continue to increase at the historical rate of 1.5 to 2 times that of industrial production.

Investment Thesis:

As the economic expansion continues and chemicals earnings driven by the greater industrial activities, industrial gas volume and sales are expected increase due to demand and lower energy cost in North America.

Competitive Analysis:

Praxair is the lead producer in America with a diversified supply chain. The company has unique technology advantage and low production cost, it brings efficiency and environmental benefits to a wide variety of industries, including aerospace, chemicals, food and beverage, electronics, energy, healthcare, manufacturing, metals and many others .

Pros:

- Recognized as Leader in Climate Change Reporting for 7th Consecutive Year
- New business pipeline remain robust and represents a diverse customer base
- Demand remain strong, including China, India and South Korea
- Company maintains a healthy operating margin
- Company has consistently bought back its stock over the past 10 years
- Announces price increase effective Nov 1, 2014

Risk Factors:

- Chemical Growth challenged by Slower China and Weak Europe
- US dollar appreciation
- Weak domestic recovery

5 Year Stock Performance:



(Yahoo!)

Total Return Estimates

3 Yr FV Reversion: 8%
5 Yr FV Reversion: 4%

Key Valuation Assumptions

Est Revenue Growth: 11%
WACC: 7.3%
Expected Inflation: 1.7%
Terminal Growth Rate: 4%
10 Yr Risk Free Rate: 2.27%
Equity Risk Premium: 6.57%
Tax Rate: 30.0%

Key Financial Data

Est 2014 EPS: \$6.37
Est 2015 EPS: \$7.08
3-5 Yr Est EPS Growth: 15%
PEG (TTM): 1.81

Credit Quality: A2 (Moody's)

ROE: 28.6%

ROA: 9.0%

Price/Book: 5.40

Price/Cash Flow: 11.56

Debt/Equity: 122.2%

Current Ratio: 1.24

Quick Ratio: .88

CSR Characteristics (Praxair/Industry)

Human Rights: 1/1 Business Ethics Policy: 1/1

ESG Disclosure: 64.46/29.34 Equal Opportunity: 1/1

Emission Reduction: 1/1 Environment Disclosure: 61.24/31.47

Prepared by Dan Bu (October 25, 2014)

Competitor Comparison:

Direct Competitor Comparison

| Ticker | PX | APD | ARG | Industry Avg |
|-----------------------|--------|--------|-------|--------------|
| Mkt Cap (USD) | 37.3B | 28.01B | 8.2B | 19.17B |
| Number of Employees:Y | 27560 | 21600 | 16000 | 19320 |
| Rev Growth (%) | 6.25 | 5.92 | 2.32 | 8.37 |
| Net Sales(TTM) | 12.16B | 10.35B | 5.18B | 13.20B |
| Gross Margin (%) | 34.15 | 26.60 | 49.67 | 28.96 |
| EBITDA(TTM) | 3.89B | 2.54B | 0.95B | 2.45B |
| Operating Margin (%) | 22.28 | 15.38 | 12.43 | 15.21 |
| Net Income(TTM) | 1.83B | 1.02B | 0.36B | 1.34 |
| EPS(TTM) | 6.23 | 4.82 | 4.83 | 6.15 |
| P/E | 21.86 | 23.06 | 22.91 | 21.44 |
| PE/G PI Yld | 1.70 | 2.08 | 1.68 | 1.75 |
| P/S | 3.09 | 2.69 | 1.57 | 2.01 |

Information from: Bloomberg