

We invest in winners. That means we invest in strong companies that create value for their shareholders with sustainable business models, solid balance sheets and high margins. We keep the risks low and invest when our position is fuelled by a positive event. We refer to that as the combination of value and event.

Linde AG

Linde and the US company Praxair Inc. want to merge to become the market leader for industrial gases with annual sales of USD 29 billion. In June 2017, the two industry heavyweights concluded a “Business Combination Agreement” which sets out the conditions for a stock swap into a joint holding. The shareholders of the new Linde plc would consist of the two existing companies (in equal parts). The Americans approved the undertaking in September 2017 with an Annual General Meeting majority of 99%. As a result of the merger, they would receive one share in the new holding for each Praxair share. The Germans also approved the undertaking in the context of a voluntary public swap offer. They will receive 1.54 shares in the new holding for each Linde share. The offer ended in November 2017 with an acceptance rate of 92%. The offer is still subject to the approval of the anti-trust authorities, which is expected by 18 July 2018 with additional requirements. After that, Linde plc is planning to implement a squeeze-out procedure according to sec. 62 (5) UmwG (Reorganisation of Companies Act) for the remaining 8% of the shares in Linde AG.

We purchased Linde shares at a price discount of 6% compared to the shares submitted for the swap. During the squeeze-out, shareholders must be fully compensated for the loss of ownership pursuant to Art. 14 (1) GG (Basic

Law). The average revenue-weighted market price during the three months that precedes the announcement of the squeeze-out is of relevance as the lower limit in this context. To this end, the required capital majority must be in place at the time the motion is submitted for adoption (Higher Regional Court Düsseldorf, 1-16W 63/03). Therefore Linde can only make an announcement once the competition authorities have approved the merger and the Linde AG shares have been transferred to Linde plc. At this time, the relevant average price (EUR 181) is well above the market price. In addition, an appropriate cash settlement must stand up to an objectified enterprise valuation according to IDW S1. The capitalised earnings value is likely to be well above the market price. In our opinion, Linde entered the desired merger under value. Linde's generates double the sales revenue, more profits and has less debt than Praxair. The growth potential is bigger thanks to the strength in the Chinese market. Linde is not as profitable, but it has much more substance and a higher earnings potential. While Linde is waiting for higher commodity prices and improved economic activity in some emerging markets, Praxair has streamlined its operations for profitability and took on debt to buy back shares and drive up the market capitalisation. In the end, Linde plc will have to give the remaining Linde AG shareholders a big premium. Until then, our wait will be sweetened with an attractive dividend yield of 4%.

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky