

Equity Flash Note

Linde Bangladesh Limited
Sector: Fuel & Power
DSE: LINDEBD; Bloomberg: LINDEBD BD

June 20, 2024

Record 1540% Interim Dividend on the Back of Divesting Primary Revenue Segment

Market Price

52-week Price Range (BDT)	880.0 – 1600.0
Current Price BDT [June 20, 2024]	1,409.1
Market Cap (BDT Mn)	21,448.6

Liquidity

Number of Shares (Mn)	15.2
Free Float (%)	40.0%

Summary of Consolidation (BDT Mn)	2021	2022	Q3'23
Income Statement			
Net Revenue	5,082.8	4,873.0	1,243.1
Gross Profit	2,321.8	2,006.4	484.2
Operating Profit	1,529.0	1,198.0	279.1
Net Finance Income	23.2	18.5	9.2
NPAT	1,225.8	883.3	205.6
Per Share (BDT)			
EPS	80.6	58.0	13.5
NAVPS	395.6	397.4	387.3

Particulars	2020	2021	2022
Electrodes (MT)	20.0	16.0	18.0
Electrode Revenue/Total Revenue	61%	52%	53%
Revenue W/O electrode (Mn)	1.9	2.4	2.3
Revenue growth with Electrode	-17.1%	7.9%	-4.1%
Revenue growth W/O Electrode	-3.4%	30.8%	-6.0%
GPM	41.8%	44.2%	47.3%
OPM	25.8%	29.5%	30.8%
NPM	18.4%	21.7%	22.8%
NPAT Growth	5.4%	22.7%	-12.8%
ROE	22.4%	24.1%	19.8%
Pay Out	20.6%	48.4%	71.6%
Financial Leverage	1.6x	1.5x	1.5x

As of Today, June 20, 2024, Linde Bangladesh Limited (LINDEBD) declared a record BDT 154.0 per share (1540.0%) as an interim dividend, based on audited financials of Oct 2023. This comes just shortly after the Sell-off declaration of LINDEBD's welding business. In our view this is a possible one-off dividend, distributing the sell-off proceeds by the company.

LINDEBD has been a key player in Bangladesh's industrial gas sector for over 50 years. Operating 18 sales centers, it serves 35,000+ customers with 80 tons of liquid ASU gas daily and 23,100 MT of welding electrodes annually.

Divesting The Electrodes Business

LINDEBD will divest its welding electrode business to ESAB Group¹, an American-Swedish Industrial Company² (published on DSE: May 28, 2024), through selling 138.2 Mn shares of Linde Industries Private Limited, a wholly-owned subsidiary of LINDEBD. As a prerequisite, to get the shareholder's approval, an EGM is expected to take place on June 23, 2024, for which the record date was on June 13, 2024³. Details of the transaction are yet to be made available.

Analyst Takeaway

- Electrodes has been the largest revenue contributor for LINDEBD and its longstanding business. As of FY22, 53.3% revenue originated from electrodes. However, growth has slowed for the segment, while the other business segment, ASU has seen good growth.
- Revenue excluding electrodes amounted to BDT 2.3 Bn in FY22, and we expect LINDEBD's business size to adjust accordingly going ahead. It doesn't report segment-wise profitability; hence the profitability impact couldn't be assessed for ASU business.
- Strategically, it appears LINDEBD is focusing more on growth and aligning more with its global business strategy in ASU segment. To note, Bangladesh has seen a significant surge in ASU demand across industrial and medical sector. Notably, GoB move to increase industrialization via economic zones have reinforced demand for industrial inputs, including ASU. LINDEBD with its longstanding reputation, is getting better traction amid rising demand. We also view this as a possible effort to lower climate footprint by the company.
- While LINDEBD does declare interim dividend, we foresee this declaration to be a one-off event (last declared Interim dividend (200%) was on August 13, 2017). The net impact on shareholder wealth is unclear as the transaction price is yet to be disclosed. While the estimated dividend is BDT 2.34 Bn (applying current NoS x Div per share), we are unclear if these would in part be liquidating dividend. Besides, the record

date is given on July 09, 2024 for the interim dividend.

About ESAB, the Buyer of Electrodes Business

ESAB is a world leader in welding and cutting equipment and consumables, spanning operations across Europe, the Americas, Asia, and Africa, with over 6,000 distributors worldwide and serving various industries, including industrial, healthcare, and specialty gases. GCE's product range includes pressure regulators, gas supply systems, and the Zen-O™ portable oxygen concentrator. It is not a related entity of LINDE group.

Recent Financial Performance

LINDEBD recorded revenue of BDT 1.2 Bn, up by 3.1% YoY (9M'24: Revenue BDT 3.6 Bn, -2.8% YoY), while the NPAT margin narrowed substantially by 541.5 bps (9M'23: -774.9 bps YoY), reaching NPAT to BDT 205.6 Mn (9M'23: BDT 486.0 Mn). These slips were mostly driven by COGS and OPEX. However, LINDEBD didn't disclose the revenue composition in Q3'23.

¹ [EAST to Enter into Welding Business](#)

² [LINDEBD Has Decided To Sell the Welding Unit](#)

³ [Shareholders Approval Is Pending For The Demarge](#)

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