Linde plc 1Q26 Earnings Teleconference and Webcast - Transcript
May 1, 2026

Operator

Ladies and gentlemen, good day and thank you for standing by. Welcome to the Linde First Quarter 2026 Earnings Call and Webcast. At this time, all participants are in listen-only mode. Please be advised that today's conference is being recorded. And after the speakers' presentation, there will be a question-and-answer session. I would now like to hand the conference over to Mr. Juan Pelaez, Head of Investor Relations. Please go ahead, sir.

Juan Pelaez

Abby, thank you. Good morning, everyone, and thanks for attending our 2026 first quarter earnings call and webcast. I'm Juan Pelaez, Head of Investor Relations, and I'm joined this morning by Matt White, Chief Financial Officer. Today's presentation materials are available on our website at linde.com in the Investor section. Please read the forward-looking statement disclosure on Page 2 of the slides and note that it applies to all statements made during this teleconference. The reconciliations of the adjusted numbers are in the appendix to this presentation. Matt will provide some opening remarks. I'll give an update on Linde's first quarter financial performance, and then Matt will finish the updated outlook, after which we will wrap up with Q&A.

Let me now turn the call over to Matt.

Matt White

Thanks, Juan, and good morning, everyone. The Linde team delivered another solid quarter against a challenging economic backdrop. EPS of $4.33 grew 10%, operating margins reached 30%, and return on capital remained at a healthy level of 24%. The high-quality compounding growth of our company, no matter what the environment, is a testament to the unwavering commitment of all 65,000 employees to create shareholder value.

And given the recent geopolitical volatility, it may be helpful to provide a brief update by end market, which you can find on Slide 3. As a reminder, the top half shows consumer- related end markets, and approximately one-third of sales, while the bottom half represents industrial-related markets for the remaining two-thirds. The growth rates reflect price and volume, but exclude FX or M&A.

Starting at the top, healthcare at 16% of global sales grew 1% year-over-year. We provide gases, equipment, and services to medical institutions, such as hospitals, and direct to the home. Normally, a resilient market like this should grow in line with demographic trends, or low-to-mid-single-digit percent.

And while we are experiencing those growth rates in most countries, the U.S., home care business has been relatively flat. In late 2025, a new U.S., healthcare policy resulted in less services for a specific piece of

equipment, which is reflected in the current run rate, and will continue for the next several quarters. Aside from this particular issue, the rest of healthcare is performing as anticipated, while providing a resilient balance to the more cyclical markets.

At 9% of sales, food and beverage grew 5% from broad-based strength. The largest contributor is the U.S., beverage business, where we continued to see increased customer need for new services and applications. In addition, traditional bottling and food freezing growth remained quite strong, especially in North and South America. Overall, food and beverage has grown mid-to-high single-digits over the last several years, and is expected to remain a steady contributor.

Electronics increased the most at 10%, primarily driven by continued investments in advanced chips to support AI. The growth is heavily weighted toward the U.S., China, and Korea, since our substantial electronic sales in Taiwan are excluded as a non- consolidated 50% joint venture. As both the scale and industrial gas intensity continue to expand in this sector, Linde remains well-positioned. We are currently investing more than $1 billion in the project backlog for ultra-high-purity plants, which will support the most advanced fabs in the world. And there is more to come, as we have a high degree of confidence in adding substantial new projects to the backlog this year.

Moving to industrial end markets, you can see growth across the board, which supports the notion we are starting to lap more difficult comps after years of stagnant industrial activity. Chemicals and energy, representing 22% of sales, increased 3% as growth in Americas and APAC more than offset contractions in EMEA. Americas was driven by higher activity for hydrogen and nitrogen, and U.S. Gulf Coast refining and Latin American upstream energy. While APAC increases primarily came from our recent investments in the Jurong Island integrated complex.

EMEA continues to experience negative volumes, primarily from on-site customers shifting production to more competitive assets outside continental Europe. It remains to be seen what the longer-term effects could be for the Middle East conflict. But so far, it appears activity is relocating to more feedstock-advantaged assets in Americas and to a lesser extent, APAC.

And while we are on this topic, I think it is worth providing a brief update on our helium business. Helium was in oversupply for a few years through 2025, but recent events have created acute global shortages. Linde sources from a very broad base since supply chain constraints are a recurring challenge. Therefore, we are currently well positioned despite some of the recent outages. Given our business is largely contracted, the priority is to meet existing customer commitments. After that, we still anticipate excess molecules allowing us to pursue new multi-year contracts with high-quality customers. Therefore, I don't anticipate significant spot sales this year since we are focused on securing long- term agreements.

Returning to the end market slide, metals and mining grew 3%, similar to chemicals and energy. The entire growth is coming from Americas as both APAC and EMEA are relatively flat. A combination of better industrial activity and protectionist policies from U.S. to Latin America have supported local metals production over imports. Furthermore, we are seeing renewed competitiveness from customers of more gas-intensive

integrated blast furnaces when compared to EAFs primarily from constraints associated with cost-effective scrap and electrical infrastructure.

The last industrial end market of manufacturing grew 5%. Half of the increase came from aerospace activity in the United States, primarily supporting space vehicle production, testing, and launch, as this end-use continues to see strong double-digit percent growth. We will isolate aerospace as a separate end market when it consistently exceeds 5% or more of global sales, which will be a function of the frequencies, size, and propellant type of future space launch. Excluding aerospace, the remaining end market grew low-single- digit percent as strength across the Americas, especially in the U.S., was partially offset by continued weakness in EMEA, while APAC slightly improved over last year.

Within the U.S., packaged gases grew mid-single digit and hard goods double-digit percent which aligns with the recent favorable U.S., production statistics. In hard goods, growth was balanced between consumables and equipment and driven by energy, construction, and general metal fabrication. EMEA activity was softer from continued weak industrial activity, including direct and indirect impacts from the Middle East conflict. And in APAC, we experienced moderate volume growth driven by China and Southeast Asia.

In summary, the portfolio is doing what one would expect. As geopolitical events shift production around the world and secular growth trends drive concentrated investments, our business units continue to adapt and capture their fair share. And while no one can predict how the next few months will play out, let alone the next few years, I am confident the Linde team can navigate the volatility and continue to deliver high-quality compounding growth.

And I will turn the call over to Juan to walk through the financial results.

Juan Pelaez

Matt, thank you. Please turn to Slide 4 for our consolidated results. Sales of $8.8 billion were up 8% year-over-year and flat sequentially. Versus prior year, foreign currency was a 5% tailwind, driven primarily by the strengthening of the euro. Net acquisitions contributed 1% from attractive roll-ups we have been executing globally. This quarter alone, we signed nine more bolt-on acquisitions, primarily in the Americas, which will continue adding to future EPS growth.

Underlying sales increased 3% versus last year, from 2% higher pricing and 1% higher volumes. Volume increase was driven by the project start-ups, primarily in APAC. Both Americas and APAC continued to see base volume growth, but it was mostly offset by EMEA due to the weaker economic activity in the region.

Sequentially, underlying sales were flat, as higher pricing was offset by lower volumes, mainly in APAC and EMEA. The lower volumes were driven by seasonal factors, especially in APAC, followed by EMEA, where we continue experiencing weaker trends in the industrial end markets. Price continues to drive underlying sales growth, highly correlated to local inflation levels. Recall that actual price increases are higher for the combined packaged and merchant gases, which represent roughly two-thirds of total sales.

Operating profit of $2.6 billion increased 8% year-over-year and resulted in a margin of 30%, similar to prior year. Sequentially, margins improved 50 basis points, driven by management actions in pricing and cost productivity that more than compensated for seasonal volume declines. We expect management actions to continue to support profit growth and margin expansion for 2026. EPS of $4.33 was 10% over prior year, or 5% when excluding the effects of currency translation. We finished the quarter slightly above the top end of the guidance range, due to better FX as the business performed as anticipated, considering the many challenges globally.

Operating cash flow was $2.2 billion, 4% higher than prior year. Capital expenditures were $1.3 billion, and as a result, our free cash flow was $900 million, which we used primarily to pay dividends and repurchase shares. The CapEx of $1.3 billion was roughly split between base CapEx and project backlog. Have in mind that base CapEx is primarily maintenance and all other growth investments not meeting our stringent backlog definition. For example, current investments to serve commercial space.

In this quarter, we started up 10 projects from the sale of gas backlog, mostly in Americas and APAC, with investments of approximately $300 million. Furthermore, we signed five new projects that added $100 million to the sale of gas backlog, which ended the quarter at $7.1 billion. Industry-leading return on capital ended the quarter at 23.8%, a reflection of capital discipline, consistent earnings growth, and good backlog execution.

Slide 5 provides further details on quarterly capital management. The operating cash flow trend can be seen to the left with the most recent quarter of $2.2 billion. Note, the first half of the year is weaker due to the seasonality of cash payment timing for interest, taxes, and incentives. For 2026, we anticipate a similar trend as last year.

To the right of the slide, you will find a pie chart that demonstrates the balance across investing into the business and returning capital to shareholders. Disciplined capital allocation is a hallmark at Linde, and it is something that differentiates us from others. During the quarter, we raised the annual dividend by 7%, making it 33 consecutive years of dividend growth with an average growth rate of 13%. We also repurchased $800 million of stock during the quarter, while reinvesting almost $1.5 billion into the business. Our capital allocation model remains consistent across all environments. In periods of uncertainty and volatility like today, a fortress balance sheet is critical, not only to maintain stability, but also to capitalize on growth and share repurchase opportunities as they arise. Thank you, I will now turn the call over to Matt, who will wrap up with the guidance update.

Matt White

Slide 6 provides the updated 2026 guidance. Starting with the second quarter, we anticipate EPS in the range of $4.40 to $4.50, or 8% to 10% growth. This includes a 1% currency benefit, but consistent with prior quarters assumes no economic improvement at the midpoint. For the full year, we are updating to a new range of $17.60 to $17.90, or 7% to 9% growth. Like the second quarter, this includes a 1% currency tailwind and assumes no economic improvement at the midpoint. Also note, both ranges do not include any improvements in the helium business versus the February guidance. So any incremental volumes or price would be upside.

And when compared to the prior guidance, we raised the bottom by $0.20 from increased confidence in the overall business resiliency. However, we left the top at $17.90 because it is still early to signal increased optimism. There are a lot of things happening in the world right now, and I would like a few more months before considering a top-end raise. Overall, we had a decent start to the year but remain guarded until we see more clarity on current geopolitical events.

I will now open the call to Q&A.

Operator

(Question And Answer) Thank you, and we will now begin the question-and-answer session. (Operator Instructions) And our first question comes from the line of Laurent Favre with BNP Paribas. Your line is open.

Q - Laurent Favre

Good morning, guys. Thank you. My first question is on margins. You mentioned the strong improvements in the Americas, and I was wondering if you could talk about, I guess, the big moving parts of why Europe was flat and Asia down. Is it helium? Is it the rapid cost inflation in March, which created the temporary squeeze? Any help there would be very helpful.

A - Matt White

Sure, Laurent. I will start with, and we said this last time, and I just want to reiterate it again this time. On a full-year basis, we feel pretty confident we are not only going to raise margins for the full-year 2026, but probably at the upper end or even above our traditional range that we tend to talk about of 40 to 60 basis points. Now stating that on the full year, you are always going to have some moving parts within the quarters. I think when you think about Europe, clearly the volume is a bit of a drag. I think, within EMEA as a whole, we mentioned on the call between a combination of the overall weaker industrial environment, the weaker chemicals environment, add to it both direct and indirect impacts from the current Middle East conflict. We are just not seeing the volume recovery there. But I can tell you we are not happy with the performance. The business team is taking actions to improve that. They know that. So I expect to see some improvements there in Europe.

With APAC, we did mention on the backup slides, we had about half of the sales growth was a sale of equipment. That actually is equipment that is connected to long-term merchant contracts in electronics. So that does come with future contracted merchant sales, but that will tend to be a little bit lower margin. On average, it is a kind of a one-off, but also, as you know, Q1 is traditionally weaker in APAC just given some of the seasonality effects.

So I expect APAC to kind of get back up to the 29% type margins we saw last year as the team there continues to work towards improving that. So some of it is timing, some of it is just a little bit of some effects on the volume, but on the full-year, we fully expect to not only raise margins, but probably the top end or above. And again, this is all ex-pass through, up or down, as you know, which is just more optics on the margin and no real effect to profit dollars.

Q - Laurent Favre

Thank you. And as a follow-up, you mentioned that you would disclose commercial space sales when you get to 5% of the group, which is about $1.7 billion. And I think recently or on a prior call, you mentioned that you thought sales in commercial space would get to about $1 billion by the end of the decade. So I am just wondering, are you now thinking that we may get closer to $1.7 billion by the end of the decade? It is a big change. A - Matt White

Yes. So, Laurent, I will start with, look, we feel very good about our positioning to support the space economy as that develops. Clearly in the U.S., you are seeing that much more rapidly with the private commercial space sector, but even outside the U.S., we are definitely seeing acceleration in those efforts.

With controlling the customers, that is going to be their determination on launch, but it is like I mentioned on the call, it is going to be a function of frequency, size, and propellant type. And what that means, I think, Frequency is self-evident, how many launches occur. With size, it can be dramatically different. Much larger rockets and much larger booster systems can use orders of magnitude higher of propellant. As you can imagine, something, for example, the largest rockets out there versus the smaller ones, you could see 10x difference on fuel and propellant.

And then the fuel or propellant type is important because while we supply oxygen for the oxidizer and nitrogen for densification, fuel-wise, there are really three types today you will see, which is either kerosene, methane, or hydrogen. Obviously, we supply hydrogen. We do not supply the other two. We would do only sale of equipment for things like LNG. And so, if you do see more hydrogen-based rockets, that could also accelerate the growth for us depending on the fuel type used.

So we feel pretty good about it. You look at the ambition on getting satellites and constellations in space today. You look at the existing population and what needs to be replaced in low-Earth orbit roughly every five years. I think it continues to bode well for launch. And not only the major players, but there is more room for maybe some new players that can be supporting the demand out there to get more constellations in space. So we will see where it ends up. I think it will all be a function of the launch cadence, but we feel quite good about our positioning to supply that when it happens.

Q - Laurent Favre

Okay. Thank you.

Operator

And our next question comes from the line of Patrick Cunningham with Citi. Your line is open.

Q - Patrick Cunningham

Hi, good morning. Thanks for taking my question. I guess first, as you think of maybe the longer-term implications of this crisis, it seems like there is probably a heightened focus on energy security deglobalization,

so I am curious how you are thinking about the potential for how conventional energy and energy transition projects should trend as a result.

A - Matt White

Yes. Thanks, Patrick. I mean, the natural reaction is exactly like you stated, right? Energy independence will be more accelerated. One can argue we have already been deglobalizing as a global economy, and this may have accelerated some of that, but energy security continues to get a lot of highlight in the spotlight when you see these supply-type shocks that occur.

But my opinion, ultimately, it still comes down to economics and ability. So while renewable energy will continue to be an area of high interest, it is still going to require government intervention. It will require some support sponsorship, potentially some kind of subsidies as we have seen in certain geographies. And so I think without that, it is hard to see that happen on its own as we have seen. But time will tell.

I think as far as other hydrocarbons, I absolutely believe you will see more of that, clearly, with LNG and areas that are probably less of concern countries. You could see areas like oil sands of Canada become more interesting again, just given that the exploration risk is almost non-existent. They know the product is there. It is just more of a logistics challenge to get it seaborne or to get it piped to where it is needed.

So I just think that some of the more traditional areas will get another hard look. Given the uncertainties in the hydrocarbon space, I do think you will get renewed interest in renewables, but again, without the support of government to help that on everything from right-of-ways to land, to permitting, to bridging some of the economics, it will be hard to see that accelerate at a clip that people want it to.

Q - Patrick Cunningham

Got it. And just on European sort of outlook, how should we think about on-site volumes and potential earnings upside for the balance of the year? I think despite some of the feedstock and energy challenges, we have heard some more advantaged or flexible refining and petchem assets running a bit harder sort of month-to-date. So how do you square that with sort of the outlook, and what are sort of the puts and takes in terms of mix there as well? A - Matt White Sure. I think we do have some on-sites that are running well that you could argue are state champions or regional champions, but on the flip side, we have definitely seen some shift in production, right? And they are shifting it to some of the assets we supply in other geographies, primarily in Americas.

I do think part of it also, in Europe right now, in my opinion, you have a bit of a challenge with some of the uncertainties, right, around energy policy, around some of the environmental policy. Clearly, there's a lot of imports, and not just on the base material sides, but on the finished goods sides as well. And so, at this point, it is hard to see how all of those factors will create any significant change without some catalyst. And whether that catalyst is some type of restrictive import policy or more clarity on the environmental policy, clearly with the IAA, that could help.

I think it just needs--that money needs to find its way on the ground. If it does, that could help turn some of that around. So that is to me what we just need to see. If we see a catalyst there of some significant type, it should help. And it could be anywhere from maybe some import restrictions to the IAA hitting the ground. But aside from that, it is hard to see a major shift.

Q - Patrick Cunningham

Great. Thank you so much.

Operator

And our next question comes from the line of Vincent Andrews with Morgan Stanley. Your line is open.

Q - Vincent Andrews

Thank you, and good morning. Matt, circling back on the space side of the equation and the idea of getting to that 5% of sales, do you have the capacity you need to get there, or should we be anticipating some type of capacity increase? Maybe it's in different geographies. And would you do that in concert with customers, or would you do that on your own and make it more of a merchant business? How should we be thinking about that?

A - Matt White

Yes, sure. I think it is really in concert with customers. In my opinion, you have several launch providers that are doing a variety of different engine testing. They could do static testing, gimbal testing, whatever they are doing. And the locations they want to do that could very well be different than where their pad is where they will launch. Once they start migrating to more frequent launches, which can migrate from wet dress rehearsals all the way to full launch, you are going to want to make sure logistically you are as close to the pad as you can be.

So from my perspective, we are working with the major launch providers and also a lot of the up-and-coming providers to make sure that we have the capacity and the contractual relationships to support them and their ambition. And the way it kind of works is, in the early stages, you are probably going to do longer logistics hauls when it is more infrequent and intermittent. And then as they get onto a better cadence, then you start talking about new requirements contracts in supporting a more stable launch cycle. And that you put closer. And so you eliminate the logistics costs, which, obviously, makes their costs lower on the propellant.

So, and it's a combination. It will be a sale of gas, obviously. It also could be some sale of plant. We do both. We support--it's very similar to what you would see in the large on-site, where at times we have sold plants and sale of gas, and we literally run the system of all the plants. So I think that's what you are seeing. And as you can imagine, there are some very specific areas where the launch sites are concentrated, given FAA regs and what you need to do around that for the airspace. And so that's where we have a very strong capacity today. And we are working to secure more contracts with our customers for the future launch needs.

Q - Vincent Andrews

Thank you.

Operator

And our next question comes from the line of Duffy Fischer with Goldman Sachs. Your line is open.

Q - Duffy Fischer

Good morning, guys. By far the most incoming questions I am getting on you guys is around helium. And I know you guys talked about it being kind of a small part of your business. But in the last supply shock we had with Russia, you did see pricing start to roll into some of the contractual business. I guess how do you see this supply shock playing out differently than what the Russian supply shock did? And how long would the Strait have to be closed before you would start to see some of that pricing roll through some of your contractual business?

A - Matt White

Sure, Duffy. Maybe I can level-set it with what we are seeing in helium in the first quarter. So I will start with our helium business, depending on the time, we are anywhere from 85% to 90% contracted on our customer base. So that's kind of a starting point. And when I look at Q1 year-over-year, our global helium sales, for the most part, were roughly flat. And what we saw was a couple of percentage decline in pricing year-over-year and a couple of percentage increase on volumes year-over-year.

Now, as you know, with the Iranian conflict, it sort of happened two-thirds into the quarter. So one can roughly argue you had kind of two months before and one month after based on the date. And what we saw, we have been seeing the pricing rise on the average pricing. So even though we are a few percent below pre and post that, there is a difference. And likely, that price will continue to go up and roll its way through. I, fully, would anticipate that to happen throughout the year. Separately, our volumes are up and we have actually already secured some long-term agreements. I fully expect we will secure more long-term agreements. That is our priority. And that's how I would see that play out.

Now, when you think about the helium situation, you have two sort of distinct issues happening at once. You obviously have the Strait of Hormuz with Qatar and their inability to get product out and also the question of how much capacity is out for multi-years based on damage. Separate and distinct, you have this Russian issue going on, which is probably a little more political in nature.

Now, we don't take Russian supplies, as you can imagine, but that is having an effect primarily on the Chinese market. That one could fix itself much quicker, as you can imagine, and so that one, we will see how long that lasts. But I think either way, the way we built the guidance, we just didn't want to take a view either way. We just left it as we had it. But when opportunity presents itself both on pricing and volume, that will be incremental. And that's something we will get above how this is guided today. Q - Duffy Fischer Terrific. Thank you, guys.

Operator

And our next question comes from the line of David Begleiter with Deutsche Bank. Your line is open.

Q - David Begleiter

Thank you. Good morning. Hi, Matt. On electronics, I know you are expecting a couple of large contracts this year. Are they still in progress on the come for 2026?

A - Matt White

Yes, David. So consistent, yes, with how the prepared remarks, we have a pretty high degree of confidence that we will be announcing some here shortly. And when I think about the project backlog itself for sale of gas, we are sitting a little over $7 billion right now. And I would look to these being added. And based on some timing of some other projects, I would fully expect us to have a higher backlog by end of year based on this, higher than the $7 billion and could potentially have an $8 billion handle on it based on this. So we feel pretty good about that. And that's something I expect in a few months we will be able to lay out there.

Q - David Begleiter

Very good. And just on Woodside, there has been some confusion, some conflicting news stories. Can you level-set us as to where you stand on that project and what's embedded in 2026 guidance?

A - Matt White

Sure. Yes, I think, David, you may recall in prior conversations, we described this project and other very, very large projects like it. They tend to phase in how they start-up, you will start-up pieces and phases. And originally our expectations were that we would be bringing nitrogen on mid this year. And then the ATR and what's called the T&S for the sequestration back end of this year. And the reason was so they could make grey hydrogen as soon as possible and then convert it to blue by end of year. And on the nitrogen, we still fully expect that. So that would be a pro-rata, so to speak, start-up on the backlog this quarter. But on the ATR and the T&S, that has slipped a few months into essentially Q1 of next year. The construction and subcontractor environment in the U.S. Gulf Coast remains challenging. And we have had some delays there, but rest assured the team is 100% focused on this to get this up as fast, as safe, and as reliably as possible So that's our focus, but this slip has caused a little bit of that. So my expectation on that project is you will have a small portion in contributing to the start-up this year through the atmospheric side of it, and then the hydrogen and T&S side will kick into probably Q1 of next year.

Q - David Begleiter

Thank you.

Operator

And our next question comes from the line of Josh Spector from UBS. Your line is open.

Q - Joshua Spector

Yes. Hi. Good morning. I was wondering if you could talk about the overall volume landscape across kind of the two major areas here between Asia and then Europe and the Americas. I mean, understanding your guidance is kind of no economic improvement, but I mean, just the geographic location of your assets relative to where there is disruption, it would seem like there is probably some volume benefits on the Americas and Europe side versus Asia.

I would be curious, one, is that right, or is there more disruption in Asia that makes it kind of even? And then also, if you can comment just in your North America specifically, are you seeing any kind of benefits from what we have seen from positive PMIs the last few months? Thanks.

A - Matt White

Yes, Josh. So we will start with the first part. Definitely, we are seeing improvements in Americas on the dislocation or shifting of product. We are seeing some contraction in EMEA and both continental Europe. Now, we have a very, very small Middle East business, but as you can imagine, that is most impacted as a percentage basis. But continental Europe itself, we also saw some drag there. And then APAC for us is relatively neutral to slightly positive.

So when you kind of break those three down, in Americas, as I mentioned on the prepared remarks, we are seeing not only benefits in the U.S. Gulf Coast refining. I mean, you think about refining in the U.S. Gulf Coast, you tend to have very high Nelson complexity. You have ability to use a variety of slates of crude. And so, given where the three-two-one spreads have gone, given their ability to manage some of the crude spreads, I think they are in a very, very strong position. And a lot of their product is supplied via the continent. And so, they can take advantage of that, and we have seen that.

We have also seen Latin American upstream improvements, given the price of seaborne Brent. It just makes it more attractive for them to produce. So we have clearly seen that. And EMEA, you have seen, as we mentioned, some of the chemicals was one of our weaker performing chemicals and energy, as we have seen some reduced volumes on that front. APAC, I think with APAC, there is probably, it is a tale of two stories in the sense that certain countries are very negatively impacted, but we really don't supply that. When you think about Japan or certain industrial markets, maybe in Korea, where they rely on seaborne delivery for some of their hydrocarbon chain, that is very negatively affected, right? Whether it is naphtha or LNG or oil. But we are really not supplying many of those, we have no presence in Japan.

On the flip side, coal-to-X, coal-to-chemicals, or coal-to-something in China is actually performing better. And we are seeing that. We have several customers that are C-to-X customers within China, and they do have an advantage in this scenario. So the simple way I think about it is, if your feedstock is coming on a ship, it is probably a tough scenario for you. But if it is land-based, right, either a pipeline or maybe even a rail car, you are probably in a little bit better position. And that is kind of how I would say we are seeing it play out today.

As far as the PMI, that was kind of per the prepared remarks. Our hard goods business is up double-digit percent right now in the U.S., packaged business. Our packaged gases are up mid-single-digit. And really, where we are seeing that strength is on some of the construction and energy side, which you can imagine plays a little bit to some of the hyperscaler constructions and things you are seeing on that front. And so I think that continues to be good. Metal fabrication continues to be strong. So we have really seen that pick up across. And on the hard goods, it is really split between consumables and equipment, which is a healthy split. So I think you are absolutely seeing that positive benefit from the U.S., PMI print.

Q - Joshua Spector

Thanks. If I could just also quickly clarify a prior question, when you have talked about commercial space getting to $1 billion, my understanding is that was more commercial space launch. You have another $600 million-plus in commercial aero that is more the coatings business. So your prior comments were more that maybe you get to that 5% in the 2030 timeframe maybe. And then maybe your comments today about some of the disclosures is maybe you can get there sooner than expected. Is that the right interpretation, or do I have it wrong?

A - Matt White

No, I think you are right, Josh. I mean, look, I have used the word aviation within aerospace, and, yes, aviation is a very different animal. That is for primarily jet engines, and that business is doing quite well in addition. But there is always a saying, never give a number and a year, right? But I think we put something out there to give us enough room to do it, but we feel quite good on not just our propellant launch infrastructure and capability, but even when you get to things like electric propulsion for positioning of space vehicles on things like xenon, krypton, and argon.

And so when you add all the opportunities together, I think we feel pretty good about our ability to grow this business quite well. And really, like I said, it will just be a function of the space launch. But you are right that any of those numbers fully exclude aviation or anything to do with land-based pieces around jets or jet engines.

Q - Joshua Spector

Thank you. Operator And our next question comes from the line of Matthew DeYoe with Bank of America. Your line is open.

Q - Matthew DeYoe

Morning. European energy prices clearly up from pre-conflict levels. And I know it gets passed through on on-site, but how are you managing market merchant and package pricing? Is this going to be something where you go out with structural price or you surcharge? Is it not enough inflation yet to be pushing price more in Europe than normal? And if you are, what should we think about as being kind of the year-over-year price traction for the EMEA market come like 4Q?

A - Matt White

So Matt, the way to think about it is, is it a sustained increase in energy or is it a volatile up and down? Right now, so far it has been volatile up and down. When it's volatile up and down, it is surcharging that goes up, that goes down. And that's what we are seeing. When you see a sustained long-range, it eventually becomes price and it starts to work its way into the overall inflation of the market. 2021 was an example of--or 2022, I should say, in early 2022, as that evolved throughout the year, you saw a more sustained impact to inflation that worked its way through the entire economy. It started as surcharges, it eventually became price. Right now, it is just surcharges. But if it does stay sustained and you start to see it show up in a lot of the major basic inflation metrics, then it does find its way into price. That's the way I would characterize it today. And time will tell how that plays out.

Q - Matthew DeYoe

Thanks, Matt. I will hand it back.

Operator

And our next question comes from the line of Michael Sison with Wells Fargo. Your line is open.

Q - Michael Sison

Hey, guys. Good morning. I guess it is going to be the third or fourth year of no economic improvement for industrial demand. I can't imagine the Iran conflict is going to help that move in the right direction. So just curious, what do you think just sort of needs to happen as it seems like overall there has been some impairment for industrials? And what do you think needs to happen to get that overall globally to improve over time?

A - Matt White

Well, Mike, I think some level of stability always helps, right? When you think about industrial demand, at least to my opinion, it tends to be large items, non-durable or durable goods, non-residential infrastructure. And to embark on those kinds of projects, they usually require financing. They usually require a long-range view on a return profile. They usually require some form of government engagement or support. And so right now, it has been a little volatile. It has been volatile in the macro. One can argue in certain micro-politics and microeconomics, it has been volatile in certain countries. And so I think that has been part of the challenge.

Additionally, the service economy, the consumer has been pretty resilient over the last few years, which has held GDP up. If that changes, I think that could actually ironically bode well for industrials, because then there could be more call to action to support injections into economies. And you could argue the IAA, to some extent, is that, right? You have seen continued lagging in Europe, and they have made the determination they need to inject capital into the economy. And that capital tends to be more industrial intensive. Now, it has to reach the ground. It has to have clarity around its use and its ability to be deployed, but that is kind of the type of catalyst.

And look, I think the Americas, and the U.S., especially, has been a little bit of an indicator that, to some extent, certain placed protectionist policies can work. I mean, we have seen it in the metals. We have seen it in some other areas. Yes, it brings some confusion initially, but the U.S., has seemed to bounce back. And so we all know there is excess capacity in certain markets in the world, and we kind of know where it is coming from. And so I think it's really a function of how--who is making the capacity for what. So we will see. I think right now, though, the Americas, we continue to feel pretty bullish on, and the trajectory it's on. And as I mentioned, I think with EMEA, it really is going to come down to some catalysts to try and change that trajectory, and APAC is fine right now. I think APAC, we are seeing certain geographies do better than others, clearly. But our Chinese business is very stable. India is growing. And we'll just have to see how the rest play out.

Q - Michael Sison

Great. And then a quick follow-up for chemicals and energy, sales are up 3% in the first quarter, on Slide 3. What do you think the run rate of that is heading into the 2Q? I would imagine March was much stronger than the other two months, given the conflict. Just curious where that segment sort of is moving into this quarter?

A - Matt White

Sure. It's led by the Americas as mentioned, and we really haven't seen any reason that that should decline or abate. I think the strength is still there and it's still anticipated. So, and the comps, as I mentioned, definitely get a little easier here on out, as we start to lap, as we mentioned, a couple of years of some industrial stagnant conditions. So we will see, but I feel pretty good. It will remain positive throughout the year and we will see how much it remains positive.

Q - Michael Sison

Thank you.

Operator

And our next question comes from the line of Jeffrey Zekauskas with JP Morgan. Your line is open.

Q - Jeffrey Zekauskas

Thanks very much. In your commentary on the Americas for the first quarter, you talked about weakness in chemicals and energy end markets, and I assume that that will strengthen. So, as a base case, should volume of 2% year-over-year move up to, I don't know, 3% or more in the second quarter? And are there also pricing opportunities because energy and chemicals are better?

A - Matt White

So Jeff, I think with chemicals and energy, yes, we are better in Americas, but weaker in EMEA, as mentioned. I think this is, yes, mostly on-site, so the pricing will just be a function of the annual escalation, which the contract would state. That being said, we are seeing some more merchant activity for upstream oil, primarily

Latin America, which is an opportunity for further volume expansion. So, I feel pretty good about the Americas position, competitiveness and capability in chemicals and energy.

As mentioned before, it has been on a good trend, and I would expect that to continue. And recall, there were a little bit of some normal weather aspects that happened in the Q1, which could always dampen it a little bit, and you get through that by the Q2. So, we feel pretty good about what we could see in the Q2 on those trends.

And again, it always comes down to, in my mind, the same basic situation, which is the lowest cost suppliers in this environment tend to win in these times of supply shock stress. And when you think about a lot of the assets in Americas, with their advantaged feedstock, their infrastructure, their capabilities, the complexity they can handle, they tend to be some of the lowest cost and best producers in these environments. And so, I feel pretty good about how they will perform looking forward, and especially in the near- term.

Q - Jeffrey Zekauskas

Okay. And then, secondly, your other income in the quarter was $63 million versus $26 million a year ago. What happened there? And was the currency benefit in the quarter about 3% on EPS or maybe $80 million pre-tax, or do you have a different number?

A - Matt White

Okay. So, let's just take the second question first. On FX, a simple way to think about it is just take whatever we put in the sales variance. So, in this case, we had the 5% globally. And that pretty much drops all the way down. That's sales, that's SG&A, that's operating income, that's EPS. Because of the way our business is structured, it is very localized. And so, our exposure to sales on translation is quite similar to our exposure to costs. So, 5% would be that impact.

As far as other income, yes, in the last few years, other income has been anywhere from $100 million to $200 million. I would expect this year, for the full-year, we will be on the lower end of that range. And to sort of characterize what is there, right, it is operating income. It is part of operations, but we tend to put things there that usually are settlements, could be time lags, or could be gains and losses on sales of things. So we put it there generally to isolate it so it doesn't get embedded into the sales and cost of goods sold from a trending perspective.

So in this particular quarter, we had a gain on a sale. It was a cash gain, it was a real gain, but that basically created that. I don't expect very much in the next couple of quarters, hence why I think the full-year will probably be at the lower end of the range from the last couple of years. Q - Jeffrey Zekauskas Great. Thank you very much, Matt.

A - Matt White

Yes.

Operator

And our next question comes from the line of John Roberts with Mizuho. Your line is open.

Q - John Roberts

Thank you. Could I ask if Sanjiv is not available today, or is this the new format for the earnings calls?

A - Matt White

So John, yes, if you may recall in the past, we have always kind of alternated. And sometimes Sanjiv would be on, or Steve would be on, or not and Sanjiv would kind of evolve to that. So no, he is not on today, but he will definitely be on in a future call.

Q - John Roberts

I wanted to make sure he knew he was missed. I am a little confused about EMEA. I thought the shortages from the Persian Gulf conflict were so severe that Europe was actually going to have to run at higher rates. Even though it's higher cost, we are going to need most of the latent capacity in the world to run higher. And so it sounds like you are still expecting it to be soft in the June quarter in EMEA.

A - Matt White

Well, let's start with, as you know, the guidance of what we said is no economic improvement midpoint. So that's just the baseline based on the guidance. So if you take that and extend it out, what it's implying is what we are seeing in Q1 just continues going forward. Whether or not it improves, we'll see. But from what we experienced in our EMEA in Q1 on the on-site and chemicals and energy on a year-over-year basis, we saw a decline based on the effects from those operating assets of the customers.

Q - John Roberts

Okay. Thank you.

Operator

And our next question comes from the line of Kevin McCarthy with Vertical Research Partners. Your line is open.

Q - Kevin McCarthy

Yes. Thank you, and good morning. Matt, just to follow up on the volume discussion. If I look at your Americas number of plus 2%, I think that is the best that you have posted since the third quarter of 2022, which is coincidentally when we tend to think of the onset of the industrial recession, certainly in the chemicals industry anyway. So I am listening to you today talk about hard goods up double-digits, energy and chemicals trending for the better, do you have enough confidence to say we're now on the cyclical upswing, or do you

think there's too much war-related uncertainty and potential for an oil shock to start playing offense, if you will, in the Americas?

A - Matt White

So, Kevin, I always remain a little guarded, right? I need to. But I sort of think about it as we have an engine here with a few cylinders, right? And one cylinder is Americas, one is APAC, and one is EMEA, and we're not running on all three cylinders. So while the Americas, both results and trend, I think are positive, we're just not seeing that in EMEA, for example, today. So I think to see a true, what I view as global recovery, I'd like to see all three running in the same direction, but time will tell how that ends up.

But I feel in the Americas, and like you mentioned, the packaged gas is what we're seeing on some of the competitiveness in the U.S., Gulf Coast. That does include commercial space, as you know. We expect that to continue to post some pretty good numbers. As far as are there offsets to that or not elsewhere in the world? That's the thing, the challenge that we need to see to kind of break out of this and start to see global positive volumes. So I will say, the global basis, while we showed 1% global volume, which is mostly our project backlog contribution, we did turn positive on base volumes. It's just not positive enough to round to 1%, but it has started to turn positive. So we'll see if that trend continues and actually breaks out and rounds to a positive base volume. But right now you're seeing puts and takes around the world, and we'll see if the comps lap to where that could be positive.

Q - Kevin McCarthy

Thank you for that. And then I wanted to follow up on helium as well. I guess my simple question would be how much incremental volume opportunity do you think may be available, again, through long-term contracts that you're pursuing? Maybe you could speak to your flexibility on sourcing and how much of an inventory cushion you may be able to take advantage of here.

A - Matt White

Well, I mean, we feel good about our sourcing, and we feel good about our capability to not only meet our current customer contractual commitments, but that we would have some excess molecules and assets to be able to deliver to future new customers. As far as how much, it's really just going to be a function of the extension of this situation and where it goes. But we will be selective. We want to make sure we get the right kind of contracts that make sense with the right kind of customers that we know will make that commitment to supply. So time will tell. I mean, we've already been able to sign a few new long-term commitments, and we'll just have to see how it plays out over the next several quarters.

Q - Kevin McCarthy

All right. Thank you.

Operator

And our next question comes from the line of Laurence Alexander with Jefferies. Your line is open.

Q - Laurence Alexander

So, good morning. Two quick ones. Just first, are you seeing in any regions or significant delays in projects where you are seeing kind of the CapEx decisions at least get delayed, if not, even if the underlying production rates are fairly stable? And secondly, if customers have to shut down capacity because of outages--because of feedstock supply issues, whether government-mandated or just they can't get the molecules, your contracts don't give them any adjustment for that. I mean, they still need to pay you the same rate or pay the full exit penalty. Is that correct?

A - Matt White

Okay. So, first on the delays, just to segregate, in our backlog, no concern, right? What's in our project backlog right now is moving forward as expected. No concerns on that front. As far as potential new projects to be signed with customers' willingness to go to FID, essentially sign a contract, it depends on the end market.

I would say, as you imagine, electronics and commercial space, you are seeing a continued very strong push to move forward with projects and investments. I think when you get to the more traditional industrial markets, it's really geographic-specific right now. I think in the U.S., there are a lot of interest for future investments. I think places like India, you are seeing some good positive views, but in other parts of the world, not so much. So that's more of a geographic-specific.

As far as contracts, I mean, what it gets to is force majeure language. This has been something you focus on heavily in any contractual business. We have worked and tested our force majeure language over many, many decades. Economic is not a force majeure, as you can imagine. And so this is something that we always will work with our customers in these scenarios, but when we build these assets, we don't benefit when things go great. And in the same token, we don't take the downside when they don't. So from that perspective, we are well-protected against any type of economic force majeure or other aspects of that, but it's really something that's going to be a contract-by-contract review. Q - Laurence Alexander Thank you.

Operator

And our final question comes from the line of Arun Viswanathan with RBC Capital Markets. Your line is open.

Q - Arun Viswanathan

Great. Thanks for taking my question. Congrats on the results. Just a quick question on the earnings algorithms. So, if I heard you correctly, it sounded like FX was maybe 5% contribution to Q1 of that 10% that you saw. You are guiding the 7% to 9% for the year. So, do you expect FX would continue to play that contribution for the year's EPS? And if you do fall short of your 10% goal, is there other actions you would consider getting up there, maybe increased buybacks or management actions or anything else that we should consider? Thanks. A - Matt White So, Arun, I think with the algo, as you well know, we have the management actions, we have the capital allocation, and we have the macro. If you just take the macro in isolation, yes, we

put a 1% FX tailwind in the assumption. I will say, and as you probably well know, we base this number on sort of the first-of-month forwards, which is about a month old. Right now, spots are better. The foreign currency strengthened since that time. So, that would provide FX upside if these spots remained, but we can set that aside.

As far as the management actions and the capital allocation, look, we know we need to get back to that 8% to 12% range, excluding macro. I think we had a little bit of a drag, as you know, with helium for a period of time. We have about a 1% or so drag just on the engineering business from its timing of projects, which is really more just a function of what is done as internal projects, it's capitalized versus external projects for a profit. And so, we've got to get through those two, and I think that can get us back into that 8% to 12% range.

So, we will see. Right now, it is a 7% to 9% kind of range we have out there, and we've got to work through to get higher than that, right, and we know that. And so, that's how I would think about it, but the algo is still intact. And we will take incremental actions if we need to bridge this further to help get us back to that double-digit EPS growth. Q - Arun Viswanathan Thanks.

Operator

And that concludes our question-and-answer session. I would now like to turn the call back over to Mr.Juan Pelaez for any additional or closing remarks.

A - Juan Pelaez

Abby, once again, nice job. Thank you, everyone, for participating in today's call. If you have any further questions, please feel free to reach out to me directly. Have a great day.

Operator

And ladies and gentlemen, that concludes today's call, and we thank you for your participation. You may now disconnect.