Linde plc 4Q25 Earnings Teleconference and Webcast - Transcript
February 5, 2026

Operator
Ladies and gentlemen, good day and thank you for standing by. Welcome to the Linde Fourth Quarter 2025 Earnings Call and Webcast. At this time, all participants are in a listen-only mode. Please be advised that today's conference is being recorded. 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

Thank you, Abby. Good morning, everyone, and thank you for attending our 2025 fourth quarter earnings call and webcast. I'm Juan Pelaez, Head of Investor Relations, and I'm joined this morning by Sanjiv Lamba, Chief Executive Officer, and Matt White, Chief Financial Officer.

Today's presentation materials are available on our website at linde.com in the Investors 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. Sanjiv will provide some opening remarks and then Matt will give an update on Linde's fourth quarter financial performance and outlook, after which we'll wrap up with Q&A. Let me turn the call over to Sanjiv.

Sanjiv Lamba

Thanks, Juan, and good morning, everyone. The economic environment in 2025 was a study in contrast. On one hand, exuberant investment in AI and digital infrastructure drove unprecedented activity. On the other hand, traditional industrial markets like manufacturing, metals, chemicals, and energy faced continued retrenchment. This divergence was exemplified in both concentration of returns from the S&P 500 and in persistently weak manufacturing indicators. This created a challenging backdrop for many of our customers operating in these sectors.

Despite these headwinds, Linde employees once again rose to the challenge, delivering industry-leading results in areas that matter most to our owners. I've highlighted a few of these accomplishments on slide 3. Running a global enterprise requires balancing the needs of many stakeholders, while delivering against both near and long-term expectations. The four areas you see on this slide, people and communities, environmental stewardship, financial performance, and future growth, represent that balanced approach and remain the foundation for Linde's long-term value creation for our owners.

Let me start with people and communities. Our employees are the backbone of Linde's success. In 2025, we once again delivered best-in-class safety performance because nothing is more important than ensuring our employees and contractors return home safely every day. We also continue to build an inclusive culture across the footprint of more than 80 countries. Female representation reached nearly 30% and we progressed multiple employee initiatives that earn third-party accolades as well. As a local business, we also strive to be a good neighbor. This year, our teams completed almost 900 projects across the world, supporting health, education and community well-being, mainly driven by committed Linde volunteers who pitch in to lead and support these projects.

In addition to supporting local communities, Linde is also a good citizen to the planet through actions to improve our environmental footprint. In 2025, we made substantial progress on this front. By increasing active low-carbon power sourcing by 23%, we enabled 50% of Linde's annual power consumption to be low carbon. This in turn supported almost 2 million metric tons reduction of absolute CO2 emissions, moving us forward on the ambitious 35% reduction target by 2035. And we've kept a close eye on the future as well, as two-thirds of our backlog supports contracted clean-energy projects. In addition to which we also signed more than 90 new gas application wins, many to help customers further decarbonize their operations. These are just a few of the highlights and many more can be found in our Annual Sustainability Report, which will be released in the second quarter.

Of course, we must deliver on financial performance since management's primary role is a steward of shareholder capital. Despite weak industrial environment, Linde achieved annual record levels for EPS, operating cash flow and operating margins. The 24.2% return on capital not only leads the industry, but also validates the long-term disciplined capital allocation policy, which enabled the return of more than $7 billion to shareholders. In good times and bad, you can count on Linde to remain laser focused to deliver shareholder value.

Finally, we must position Linde for future growth to remain the long-term compounder. From my perspective, this is the strongest strategic position Linde has held during my tenure. Our project backlog stands at a record $10 billion and this number does not include over $0.5 billion of investment for rocket propellants to contracted space launch customers. In fact, we fully expect continued investment in this sector as we expand our network to support this rapidly growing opportunity.

Linde remains the anchor industrial gas supplier for some of the largest and most successful clean energy and advanced electronics fabs in the world. In fact, I'm highly confident that we will announce new signature fab wins in the coming months. We also continue to see a robust M&A pipeline for accretive tuck-in acquisitions that further enhance our supply densities.

In summary, Linde delivered a resilient performance in a challenging 2025 environment. But looking ahead, I know we can do better. Certain regions of the world are still not showing signs of near-term recovery, and we are taking actions to align our resources accordingly. In other words, growth remains geographically uneven, and we need to adjust our organization to reflect that. Considering this, in the fourth quarter, we initiated additional restructuring actions to better position the company for 2026. These actions will have cash payback levels and timing like prior programs. So I expect the bulk of the benefits to be in the second half of the year. When combining these incremental actions with our existing productivity initiatives and a record backlog of secured growth, I'm confident we will deliver a stronger EPS growth that our owners expect and have enjoyed for many years.

I'll now turn the call over to Matt to walk through our financial results.

Matt White

Thanks, Sanjiv. Fourth quarter results can be found on slide 4. Sales of $8.8 billion increased 6% over prior year and 2% sequentially. Versus prior year, foreign currency translation provided a 3% tailwind as the US dollar weakened against most currencies, especially the euro. I expect this trend to continue into 2026, which we'll discuss later with guidance. Excluding FX, underlying sales increased 3% from 2% pricing and 1% volumes. The 2% price increase aligned with globally weighted inflation after considering APAC challenges associated with helium and China deflationary conditions.

Volume growth was driven by project start-ups in Americas and APAC as base volume growth in Americas was more than offset by continued industrial softness in EMEA. Sequentially, volumes were flat as normal seasonal declines were offset by project startups. Operating profit of $2.6 billion, was up 4% from prior year and resulted in a 29.5% margin. The quarter margin dilution was attributed to timing of other income, which was down over $30 million. Note, full-year operating margin is up 30 basis points, which is within the range of our long-term margin expansion expectation of about 30 to 50 basis points per year.

EPS of $4.20 increased 6% as a lower share count more than offset the impact of a higher ETR. Note, we stepped up share repurchases in the fourth quarter to $1.4 billion as we saw an attractive volume opportunity from the stock decline. You can see the 17% growth in CapEx, led by spending for the record project backlog. This trend, coupled with the increased acquisitions, has led to more capital intensive growth, which negatively affected ROC. This was anticipated as I expect this metric to remain in the low-to-mid 20% range for the next few years.

Slide 5 provides more details on capital management. Operating cash flow exceeded $3 billion in the fourth quarter from stronger collections and inventory management. As mentioned in prior calls, operating cash flow is seasonally stronger in the second half of the year due to timing of tax, incentive, and interest cash payments. The pie chart to the right summarizes full year allocation of capital. About $6 billion was invested for growth, including half towards secured growth of acquisitions and project backlog contracts. Another $7.4 billion was returned to owners as dividends or share repurchases. This level of distribution requires a focused and disciplined management of both operating and investing cash flows. In fact, sustainable stock repurchase programs are anchored by consistent excess free cash flow after dividend payments, something Linde has demonstrated for several decades.

I'll wrap up with guidance, on slide 6. For the full year, EPS is projected in the range of $17.40 to $17.90 or 6% to 9% above 2025. This range assumes a 1% FX tailwind and 0% base volume change at the midpoint. Consistent with prior guidance, we're not going to make predictions on macroeconomic climate, rather, we'll anchor the midpoint at 0% and let investors insert their own views. The 1% currency tailwind is based on early January forward rates. Note that there could be FX upside if current spot rates hold since the US dollar has weakened over the last month.

For the first quarter, we took the same baseline volume assumption but set the FX tailwind to 3% since Q1 of 2025 had the strongest US dollar baseline. Note the 3% quarter assumption still aligns with the 1% full year assumption. So we don't anticipate as much FX benefit in the second half of the year. As Sanjiv mentioned, we have a strong backlog of projects, productivity, and self-help actions to support 2026 EPS growth. However, we also believe it's still early in the year and thus wise to remain prudent on the outlook. I've said before that heroes aren't made in the first quarter. So we want to remain vigilant and guarded as the 2026 landscape starts to take shape.

I've provided annual guidance now for over a decade and through that time I've determined there are two things in February that I can be highly confident on. Number one, no one knows what will happen in the economy. And number two, regardless of what happens in the economy, Linde employees will rise to the occasion and leverage our unique supply network, culture, and operating rhythm to create shareholder value in any environment.

I'll now turn the call over to Q&A.

Questions and Answers

Operator
Thank you. And we'll now begin the question-and-answer session. (Operator Instructions) And our first question comes from the line of David Begleiter with Deutsche Bank. Your line is open.

David Begleiter

Thank you. Good morning. Sanjiv just on Europe, are there -- are you seeing any signs of progress in that region? And I did see that pricing did slow to plus 1% in Q4, do you think you can still get pricing of roughly plus 2% in the region during 2026? Thank you.

Sanjiv Lamba

David, EMEA tends to be an area that we put a lot of attention to as you would expect. And unfortunately, based on what we see at the moment, I have to say that the market continues to see broad-based weakness. That's been the theme for a number of quarters over the last couple of three years now. There are some bright spots in EMEA as well. I'd say Europe North, with the Scandinavian countries continues to grow even in these conditions. So that's good news, but beyond that, there's a little bit of optimism coming out of Germany. I tend to be very cautious on that. The recently announced manufacturing numbers, you know, moved up a little bit in Germany. I would watch that to see if there is any momentum underpinning that. Beyond that, there doesn't seem to be catalysts to really get to a recovery in Europe that would be substantive.

On pricing, Europe had a fantastic track record on pricing in Linde. The EMEA business does a really good job around that, have done so, I expect them to fully find pricing in line with their weighted CPI, which is what my expectation of that business remains and you should see that in the coming year as well in 2026. Beyond that, I'd say, I think there's a lot to watch out for. The complexity of Europe and the European Union unfortunately makes execution of any changes there or indeed any catalyst there somewhat, you know, provides a bit of a skeptical view from our perspective till we actually see it happen on the ground.

David Begleiter

Thank you.

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

Duffy Fischer

Yes, good morning, guys. Maybe if you could just go around the rest of the world, you talked a little bit about Europe and maybe about your end-markets. You're not putting any growth in your estimates, but what are you seeing? Obviously, you've got pretty good connectivity with the market. So what's your gut say, your different end markets and your different geographies end up growing this year?

Sanjiv Lamba

Thanks, Duffy. Let's do that. But before I kind of give you a walk around the world, why don't I say this because it kind of prefaces a little bit and the end market slide in some ways validated this. So you will see the end market slides showing all green, right, and essentially suggesting year-on-year growth across all end markets. And yes, recently, ISM, PMI, et cetera, have shown a slightly more positive trend. As I stand here today, I'd say to you, if I was reflecting back on the last 12 months, I am today slightly more positive on the industrial activity that I foresee for this year and the potential for growth as well. Now I'll add to that a caution, as you would expect. We live in a hyper dynamic world. Things change every day. So you would expect us to bring you a far more informed and insightful view in April, when we have this conversation. But fair to say, we -- and I'll say this, particularly, we've been very conservative in how we are looking at the markets and you'll see that reflected in the guidance as well.

Now let's walk around and just tell you what I've seen in the last quarter and the first part of this month as well or last month now. Let's start with the Americas. The US, and I've said this over and over again, proven to be a really resilient market. Sales are up across almost every end market. Obviously, electronics, commercial, space kind of stand out in that in terms of growth that we've seen there. Manufacturing has been stable; there is still some caution when we speak to our customers. I look at a leading indicator, you hear me talk about the hard goods business often or our package business often as a good leading indicator. Hard goods sales, particularly in automation saw a pickup in the last quarter. But beyond that on consumables, we haven't seen anything reflect the pickup. So the expectation at this stage is people are investing in the automation equipment to be prepared for any recovery that might happen or indeed to look for more productively. So a little bit difficult to gauge, which is why I say when we come back in April, you'll have a far more informed -- we will have a far more informed view and you'll get a far more informed view of what we think is likely to happen for the rest of the year.

If I think about LatAm, across the board, LatAm sales have been stable and growing. Brazil stands out as having had a really good year last year and we saw that play out in Q4 as well. Canada, on the other hand, remains flat and I don't see any catalyst for that changing anytime soon.

If I move from the Americas to talk about APAC. I think the best way to talk about APAC is to start with China. In my assessment, the China markets that we supply and work with closely are largely bottoming out. In fact, in the recent email I got from Will Li, who is the President of our China business, he wrote, I have to say with some pride, he wrote that after quite a few quarters, our China business, our merchant business to our end customers, not distributors and channels, but to our end customers grew at a rate higher than the published IP number, which as you all know, was 5% for the last quarter and we tend to take that with a pinch of salt as well. So the rate of growth in China has certainly in the last quarter shown an improvement. The China team has done some excellent work to get that growth. So I'm happy to see that. But I remain watchful to see whether we see that momentum carry on into Q1, which obviously will be disrupted by the Chinese New Year. So we'll have to kind of look through and sift through the data to see if that trend is holding.

India also had a continued strong growth. I think we were happy to see that almost all end markets in India were improving and moving forward. And in fact, by distribution modes as well, we saw growth across all of those distribution modes. Again, the India team does a really good job of making sure we win more than our fair share. So happy to see that momentum. But again, I also expect further growth and momentum in the India market given that two of the recent events will support that growth story there. First is the EU free trade agreement that will help kind of build some

momentum around industrial activity and exports from India. And of course, the US-India tariffs getting sorted out is also an element that will provide some catalysts for further growth.

The rest of APAC, to be honest, largely stable, nothing exciting. Australia, which has had a tough year in 2025, we saw some -- I mean, they were still declining in Q4, but we saw some signs of that stabilizing and my expectation is Australia should see -- the comps will also get better as you can expect, but should see some kind of a recovery this year as we move forward.

So that's kind of a walk around the world. And I think if I was to just talk about end markets, I'd say to you, electronics stands out, we are seeing good strong growth there. My expectation remains that we'll see a lot more investment in that space. And you hear me talk about it when I talk about backlog on -- I'm sure there'll be a question on backlog, and I'll talk a bit more about how I see that playing out. And of course, the other markets are also appearing to be stable to slightly up as we spoke.

Duffy Fischer

Awesome. Thank you guys.

Operator
And our next question comes from the line of Laurent Favre with BNP Paribas. Your line is open.

Laurent Favre

Yes, good morning all. And Sanjiv, I don't want to disappoint. So it's a question on the trajectory of the sale of gas backlog. So with Beaumont startup, I guess we would be coming down towards $5.5 billion. I heard your conviction on electronics, but I'm just wondering, I guess what sales we should be focusing on, is $5.5 billion the new norm or would you hope to get back closer to $7 billion in the next year or so? Thank you.

Sanjiv Lamba

Laurent, you know the answer to that. We will be heading towards that $7 billion mark. You know I was going to say that anyway, right? So let's just break out what happens with backlog every year. And I say this often and I think it's worth reiterating that. The best backlog is one that shrinks before it grows back up again. So my expectation is this year, as you know, in 2025, we started about $1 billion of projects. This year in 2026 is a big year for us. You all know that OCI, Woodside startup is going to be paced through the course of the year. So I would expect fully that the backlog will see projects between $2.5 billion to $3 billion come off and get started up and start contributing to revenue and earnings. So that's exactly what we would like to see happen. The pressure on the businesses is, and the teams are aware of my expectations that we will grow back the backlog. And I feel good about the pipeline of projects that we're currently working on and some fairly advanced as well, which I expect we will fully make, as I mentioned in my prepared remarks a little bit earlier, some really large wins around fabs that I'm hopeful that we will be able to get to a point of being able to get to announcing -- having signed them up and put them in the backlog soon. So yeah, the target is to get back to that $7 billion. We'll be close to that in my view. We'll see whether we get there, cross it, or how close we can get that business to get us there.

Operator
And our next question comes from the line of Tony Jones with Rothschild. Your line is open.

Tony Jones

Yes, good morning, everybody. Sanjiv, earlier you talked about your restructuring that you booked in the fourth quarter. If we take that $230 million, can we assume roughly one-to-one ratio to savings. If we do that points to something like a 70 basis point margin uplift in '26, or maybe we get it in the second half and it rolls forward. Is that reasonable? And then just to think about net margin expansion, how do you see OpEx inflation tracking over the year? Thank you.

Sanjiv Lamba

Thanks, Tony. So the easy way to answer that is, typically, you've heard us say this previously as well, so I'll just reiterate that. Our restructuring paybacks on a cash basis tend to be on average about two years and I think if you take that into account, you can kind of do the math and get to the numbers that you're looking for. What I would say to you for 2026, my expectation remains that we will be above the long-term margin range that we normally offer you. We always say 30 to 50 basis points is what you should expect. My view is in 2026, we will beat that number.

Tony Jones

That's very helpful. Thank you.

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

Josh Spector

Yeah, hi. Good morning. I had a couple of questions I put together around the space opportunity for you guys. I mean, first, I wanted to ask if any of that is contributing to the CapEx increase you're projecting for 2026? And then secondly, if you could provide your view of the size, your share, and the growth that you expect. Your competitor made some comments the other day, wondering if you could set the view on what you're seeing. And how do you factor this into guidance? Is it material to 2026? It's not macro growth, it's not backlog, so is it in there? Is it upside? How should we think about that? Thank you.

Sanjiv Lamba

Hey, Josh. I briefly glanced through the report that you set out. It was a nice report, well done. I'll say this to you. The CapEx in the backlog section does not include about $0.5 billion of projects that we have invested in and we continue to make investments in 2026 as well to be able to support this growth opportunity. So you're spot on. This is a secular growth opportunity. We are excited about it. We are really well positioned to be able to serve this. The two major investment hubs that we see around this, building the network out are in Texas and Florida. We have extremely strong positions in supporting launches here.

Let's talk about launches because I know there has been some confusion and questions around this. Look, the easy answer to this is, we only measure by the number of launches where Linde is directly involved. In some cases, others are

also involved in launches, so they may be double counting. I think about six months ago, while I think it was in the second quarter, we talked about more than three quarters of all launches are supplied by Linde. At that point in time, that was absolutely the right number. I think the number ranges between 65% to 75% on average, and I think that's a really robust number and we do that by launch. Last year, there were 189 launches. You can do the math. I mean, Juan can help you with some more details if you need, but solid -- solid growth, extremely well positioned. Florida and Texas is where bulk of the launches are expected. And you know what, we are expecting to get more than our fair share of that just given the unique positions we built up there. In fact, we started up a plant in Brownsville earlier this year, in early January, in fact. So we just can't get enough product availability in our network to be able to make sure we meet all of that demand.

It is factored into the guidance. It's a secular trend for sure, but remember, and I'm looking forward to having $1 billion business here that I can split it up in the end markets and show it to you guys separately. I expect to see that happen in the next few years. But it isn't big enough to move the needle for Linde as a company overall. So it's in the guidance. We are excited about it, double digit growth, expect to see that continue over the next few years. And at some stage, we'll split it out and you'll actually see the numbers and feel good about it as well.

Josh Spector

Thank you.

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

Patrick Cunningham

Hi, good morning. Thanks for taking my question. Maybe just on the 90 new customer wins in oxyfuel combustion, can you just help us understand the specific customer base, whether it's concentrated in any particular region? And what sort of contribution this has to the backlog and overall growth algorithm?

Sanjiv Lamba

Patrick, I always love a question on gas application wins, and I think this is a good example. I think if you go back and go back and read some of the transcripts from maybe a couple of years ago, you heard us talk about us ramping up activity on oxyfuel wins and providing some great technology that helps customers reduce emissions, reduce natural gas consumption, and increase throughput. What a real win-win story that was. And I think that's what we're seeing play out in this. So we're seeing this across the world, to be honest. There is a little bit of a concentration in terms of China wins being disproportionately high, but we see the wins both across the Americas and EMEA as well. It's great technology. Customers are loving it. And I think we've seen that momentum that we've built up on business development and this playing out and actually these wins being signed up and actually under execution as we speak.

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

Vincent Andrews

Thank you and good morning, everyone. You mentioned $400 million of bolt-ons were completed in 2025. Just curious how much of an impact that's happening to the top line in '26 and also if you could talk about that lever in general of capital allocation and how much -- particularly as we remain sort of at the bottom of the cycle, is there increasing opportunity to do more bolt-ons or decaps at this point in the cycle? And should we be thinking about this as more of a growth lever than perhaps expand over the past five, 10 years? Thanks.

Matt White

Hey, Vince. Yeah, it's Matt. I can handle that one. So as you see from our sales variance, we're getting a percent right now. It is a weaker percent, but it rounds to 1% on the acquisitions from the 2025 contribution. Right now, we expect we should be able to maintain that into '26, time will tell. But as you can see, the sort of $400 million to $500 million number, at least on this current baseline is able to get us around at 1%. As far as how we think about them, we -- number one, we buy into density. We want to buy into our core strength, and we're buying based on synergies. We justify these on the synergies we can bring with our existing network and our existing density. We don't really tend to speculate on the growth around them. So any growth we can achieve is usually upside to the models.

And as far as the sentiment, yeah, I would say a lot of these are regional players. They're generally smaller independents. The concentration of that right now is more in North America. There is some in parts of Asia, we're seeing in China and in South Pacific area. That's where you tend to see a little bit more of the independent opportunities. So this is something that we've been doing for a long time. We have a very strong capability on not just identifying and acquiring, but more importantly, integrating and achieving the synergies that we set forth. So it's absolutely integral to our growth, but we also are not going to lose our discipline and we're not going to get out of our swim lane, so to speak. So expect to continue to see these kind of numbers and where opportunities present themselves for larger ones, we will absolutely be in the mix. and we'll make sure we continue to apply our investment criteria for each incremental opportunity.

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

John Roberts

Thank you. Sanjiv, late last year it sounded like you were working on a new six-point blueprint to extend the growth for Linde. Have you formalized that? And is there anything you can tease us with?

Sanjiv Lamba

John, I'd love to tease you, but I'm probably going to resist that temptation. We have a growth six out there, you've seen that. You were here with us in Danbury in December, I recall, and I showed you a page out of my notebook. So those growth six have been formalized. They have been rolled out. We are measuring progress against that. And at Linde, we are an execution machine. So once we set the goals, I think that's when the execution delivers. So I'm feeling good about how momentum is picking up on that. But those elements -- and I think I'd say to you, there is no rocket science over there. These are things that we know how to do well, and we just focus the organization to go out and get the wins in particularly in an economic environment where there is a natural momentum coming for growth. So it's good to see that

we are getting traction across the organization in there. And while today, I haven't spoken about small on-site. Small on-site sit within that piece, acquisitions, Matt just talked briefly about the expectation that we want to see that 1% top line and a little bit more coming through on the bottom line once we integrate them effectively. So those would be all elements that you should see within that, as would be application sales, et cetera. So the growth six was rolled out, the organization knows it well. They live and breathe it every morning. And when they don't, I remind them very quickly. So feeling good about where that stands.

John Roberts

Thank you.

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

Matthew DeYoe
Good morning, everyone. I hear you on the China IP commentary and the growth that's encouraging. I wanted to dig in a little bit more on APAC, if I could. Manufacturing as an end market looks to be pretty weak on a one year and two year stack. So I'm just trying to get a sense for what exactly is it issue there? Which specific end markets are maybe causing the trouble? And if that was a particular area where you saw some strength because it seemed like data pointed to a softer 4Q as well? And then conversely, this bucket of other, it's actually doing seemingly pretty well. I don't want to get lost rounding on some of these breakouts, but what is that in relation to? And if I could, just one more attack on -- how -- it seems like these acquisitions aren't immediately accretive. And if you do a steady cadence, maybe that's irrelevant. But how long does it take for a year like an acquisition to show up on the bottom line?

Sanjiv Lamba

All right. Let me talk about -- Matt, let me talk about APAC and then I'll ask my Matt to give you a quick view on the other piece, which he always ensures are -- is doing what it needs to do to make sure it's accretive to the business overall -- or the PLC overall.

Look, in APAC, you have to split that by different regions and I'm going to give you a little bit of a deeper dive there just to kind of give you a sense. So let's start with China. We talked about China earlier on. China manufacturing, as you know, a lot of that underwritten by large scale exports to markets, which may or may not be welcoming those exports in, but has provided a little bit of momentum. And within that, there are clear green shoots in manufacturing. The EV piece, when I was with BYD, one of our customers in China, the Chairman was complaining that he wasn't seeing as much growth as he was expecting and he was unhappy that he was only growing 28%. Hey, 28% in this environment is a good place to be, right? So things like that, battery developments continue to be positive within that piece. So also in manufacturing is commercial space today. We haven't split it out and we've been talking about space quite a lot. So I won't repeat all of that, but there is clearly momentum over there as well. So you put that piece together and obviously, commercial space applies more to the US market than APAC, but we have had some small contributions in APAC as well. So that's kind of the broader piece around China. RSP has been down and RSP manufacturing numbers continue to reflect that broad-based weakness. We are seeing that things are a little bit better in fourth quarter versus what they were in the first and second quarter. So expectation remains that you might see a continued improvement or a gradient towards a recovery in the RSP of the South Pacific market, Australia being the large market there.

And then India, I kind of briefly talked about providing a bit of tailwind on the manufacturing side, particularly. Again, the expectation with the free trade agreement and the tariff issues getting resolved, you will see further improvements there. So I'm not sure that's entirely factored into the one to two year outlook that you're looking at, where I think there is probably a degree of disappointment is ASEAN. If you recall, ASEAN used to have a reasonably strong growth, but not as strong as China and India, but nonetheless in the middle part and we haven't seen that, they've largely -- they have been stable, but flattish at best. And I think the -- unfortunately, the ASEAN futures are inextricably linked to what happens in China and the weakness in China has permeated there as well. So again, a recovery on that will take a little longer. So your view on a slightly softer outlook there would be absolutely right. But that's kind of where manufacturing kind of adds up. Matt, do you want to cover the other piece?

Matt White

Yeah. Sure. And Matt, I think two questions, right. One on M&A timing and one on other segment. So we start on M&A timing. I would say that for an average M&A deal, generally, we tend to see full run-rate synergies within 12 months to 24 months on full run rate. When you think about synergies, it can come down a few things. Clearly, headcount is one and that tends to be the fastest that you can recognize, I would say, sometimes between zero and six months. You're also going to have any type of real estate or site consolidation and you're also going to have supply since a lot of these tend to be packaged gas acquisitions, you're going to have supply of merchant. Those are more a function of contract expirations of the target that we acquire. And obviously, as those either leases or those supply agreements lap, then we substitute with either our sites, our supply. But all in, I'd say, usually somewhere between 12 months and 24 months, you have full run rate and you get a pretty significant chunk that you can get within the first zero to 12 months. So that's how I think about the synergy timing.

As far as other segments, just to kind of remind what's in there, there's really three pieces that are in the global other. You have what we call sort of our global helium supply group. And what they do is they sell all the helium intercompany to the geographic regions. And they also sell some wholesale direct out of this segment. So clearly, you saw some retrenchment and pricing impact in the helium business, of which is reflected in this other segment. Now going forward, I do expect some relief on the supply side and that should start to manifest itself in the other segment in time, but it obviously had to take the brunt of these changes in the intercompany transfer pricing and some of that over the last two years. The second business in here is our global materials business. They continue to perform quite well, actually. This is mostly in the aerospace and in primarily 3D printing powders. As you can imagine, that is a pretty hot field right now when you think about aerospace and commercial space. So they've been growing quite nicely. You may recall, first quarter of last year, we had a large insurance claim that also is in this business to the tune of around $40 million or so. That is part of the other income online that you may have seen a change year-on-year for full year.

And then the third piece is our corporate overhead costs. We put all of the overhead costs in this bucket. We do not allocate it. So as you can imagine, the goal is that our wholesale helium business and that our materials business, can basically pay for all the corporate overhead to run a publicly listed company. So every time this is positive OP, we're achieving that. And from our perspective, that's our goal is to continue to have positive OP in this business to be able to basically subsidize the cost to run this company.

Matthew DeYoe

Thanks.

Operator
My apologies. Our next question comes from the line of Jeff Zekauskas with JP Morgan. Your line is open.

Jeffrey Zekauskas

Thanks very much. A two-part question. Manufacturing PMIs in the US in January went from negative to positive. Is that something that your business can perceive. And do you feel that there's an acceleration in US manufacturing growth relative to the fourth quarter? And then secondly, can you discuss how much helium was a drag on your either EBIT or prices or EBITDA in 2025? And how you expect helium to perform in 2026 and why?

Sanjiv Lamba

Thanks, Jeff. So I start with the US manufacturing, the ISM, PMI, et cetera, have shown a positive trend. You're right. I'd just say it's too early to tell. As I said before, when I kind of talked about my walk around the world, I do see -- I am a little bit more positive, but still, we would stay guarded in how we think about the manufacturing developments playing out in the US, particularly. Yes, we have more conversations with customers, the reshoring, near shoring kind of efforts that we've been talking about for some time, continue to progress. Semiconductors are well ahead, as you know, but other sectors end markets moving forward as well. So I'd just say it's a bit early to call. I think the next couple of months will give us a much better view, but there is some potential for a very resilient US market to see some good growth probably towards the end of this year or the back end of this year anyway. And anything before that, we'd be thrilled. As you know, we would be able to get the tailwind and make a really strong impact on our earnings should that happen.

On helium impact, just on 2026, I see nothing different, helium, is going to be long in the medium term at least. But I'd say to you, again, as a reminder, Jeff, and you know this well, helium is a low single-digit business for us. When we look at the overall portfolio, I think you're aware that pricing has been high single-digit negative on helium for a few quarters now. I'm not seeing anything change dramatically in the helium space. There are differences across the world, regional differences, that is. China, clearly very long seeing the impact of the Russian helium coming into that market and in some ways, leaking out a little bit to other markets from there as well. whereas the other markets in Europe and the US or Americas probably a little bit more balanced from that perspective. You might also be aware that we made an investment, a couple of investments, including one in a cavern, which actually provides us with a really good opportunity to balance supply/demand in a way that works for us and gives us an opportunity for us to continue to optimize that whole piece. Anything else?

Matt White

Yeah, Jeff, this is Matt. I think just to answer your other question on impact to '25. I tend to combine helium and rare gas. And when you combine those two, the kind of range we laid out is about 1% to 2% headwind on EPS, I would say towards the upper end of that range is how I would think about both of those. To Sanjiv's point, helium at this point, hard to see any real change in the supply demand dynamics. Rare gas does feel a little bit better right now, especially with some of the electronics recovery. And so that's the way to think about the '25 impact. And then as far as '26, we'll see how that plays out in that range.

Jeffrey Zekauskas

Thank you.

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

Kevin McCarthy

Yes, thank you and good morning. Sanjiv, would you comment on your US packaged gas business sales trends with regard to both gas and rent and hard goods. Just curious as to whether you're seeing any improvement on the leading hard goods side. And then more broadly, besides hard goods, are there any other businesses that you would tend to look to across Linde's portfolio that you would consider leading maybe certain markets or even individual customers that have been useful leading indicators in the past?

Sanjiv Lamba

Thanks, Kevin. So I think I've briefly alluded to this before, let me kind of maybe provide a slightly more detailed view on this. So the US packaged gas business, as you've rightly pointed out, Kevin, is a leading indicator that we watch closely. And within that, there are three separate elements that you can look at, the gas consumption, the consumption of consumable hard goods and the consumption or purchase of hard goods automation equipment, right? I mean each one of them give us a different perspective in terms of how we see US manufacturing more broadly playing out. And what I'd say is the US hard goods automation equipment sales in the fourth quarter were up again, I think we said that in prior quarters as well. So we were seeing investment in hard goods automation, which usually has two potential outcomes. One, that there is an expectation of a pickup in the order intake and therefore, growth as a consequence of that. And along with that, there is a shortage of skilled labor and therefore, automation becomes more attractive for the small to medium enterprises or even in some cases, large customers, which we'll talk about in a minute.

So that is a good trend as things stand. I think we want to watch the next couple of months to see how that plays out, but an initial investment in automation equipment is a good sign. Having said that, on the consumable end, we do not see that optimism or that growth come through. Consumers are flat at best, maybe a little bit down and gas is following a very similar pattern. So I'd say to you, people are preparing for what is likely to come and have some maybe what I would call cautious optimism around growth in manufacturing and some level of recovery beyond where we are today. But we aren't seeing that natural consumption just yet. So you have to hold your breath for a while.

Now talking about customers, one of the areas we look at quite carefully is automotive and large ag equipment. They are usually good indicators as to how we see manufacturing trends pay out. And I think the feedback from those customers broadly tends to continue to be cautious with an expectation that hopefully, things will improve in the second half, but caution for now. And as I said before, a bit early in the year for us to give a more insightful or informed view on how we are expecting the markets to play out.

Kevin McCarthy

Thank you for that.

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

Dan Rizwan

Hi, this is Dan Rizwan for Laurence. Thanks for taking my question. You mentioned during the commentary about doing some restructuring cost cutting. I was just wondering if that's like addressing like cyclical issues that can be kind of added back when things do ultimately turn? Or if this is more of a structural permanent changes that you're making in different regions based upon what you see over the long-term?

Matt White

Hey, Dan, this is Matt. I can handle that one. Yeah, when we put it into restructuring, we view it as structural, right? We view this as changing our organization or changing how we're addressing our market in a structural way. The kind of cyclical that you referred to tends to be more just a function of our normal ongoing attrition, ebbing and flowing of our headcount. These restructuring charges we took are predominantly related to head count options around the world. So this is more a function of that. The majority of it right now is in the engineering segment, given how we're navigating that business and organizing that business given how we're looking at some of the third-party opportunities. So that's really how I would describe that, that this is not expected to come back. It is more a function of how we run our company.

Dan Rizwan

So I guess does that mean that there will be significant leverage when things do turn though or I mean -- or do you have to -- I guess I was just wondering if you have to higher back what ---?

Matt White

Yeah, I mean that is the expectation. I mean, look at 2025 as an example, and I'll just use SG&A as a proxy line to kind of understand that. Our SG&A during calendar year 2025 is up 3% year-over-year, right? And when you take the M&A portion, obviously, we acquired SG&A. And there is about, I'd say, probably 0.5% or so of FX. It's just footing to zero on the table. But you're looking at probably 1.5-plus percent of that growth was just FX and acquired SG&A. So our underlying SG&A is only up 1% and change. Why? Well, you've had about a 3% or so merit inflation cycle, and that was mitigated against the actions we took back last year from October coupled with some of the productivity initiatives. So this is kind of how we need to think about it that you have to get ahead of this. You have to get ahead of the inflation, you have to structure your organizations around the regions you operate in. And that's one of the I'll say, attributes of this very local model is that we can quickly act in each individual region around what is occurring in that region without having any ramifications or impacts in other parts of the company. because we do not have integrated supply chains in our company. They are stand-alone markets that are fully self-sufficient in each small geography they operate and allows them to adjust quickly to the conditions they're seeing, and you see that benefit in our cost stack.

Sanjiv Lamba

Matt, the only thing I'd add is, what does happen is when there is a bit of volume tailwind, you get a pickup in volumes because of industrial activity, that leverage then flows through very quickly to the EPS, and I think that's what we were able to show in 2021, we always give that as a good example where volumes went up 7%, 8% and we saw EPS grow up

30%. So that -- maintaining that tight control on the cost structure and ensuring that we are well positioned for any recovery as and when it happens, I think, has always held in good stead for us.

Dan Rizwan

Thank you very much.

Operator
And our next question comes from the line of Eric Boyes with Evercore ISI. Your line is open. And Eric, your line is live, please check your mute button. And hearing no response, we will move to our next question. It comes from the line of Arun Viswanathan with RBC Capital Markets. Your line is open.

Arun Viswanathan

Great. Thanks for taking my question. Hope you guys are well. I just wanted to, I guess, understand the EPS guidance just a little bit. Back in December, you guys had discussed the possibility of getting to 10% plus, the guidance here is maybe slightly below that and maybe that would be mostly attributed to the base business as maybe you discussed. But if you were to see a pathway back to that level, what would you think would really need to improve maybe Europe? Is there anything in the backlog that space or electronics that we could point to? Thanks a lot.

Matt White

Hey, Arun, it's Matt. Yes. So we'll start with guidance, and it's early in the year, as you know. So when you kind of think about the 6% to 9%, I mean, I agree with you, the upper end of that range maybe catches the low 8 to 12 that we've laid out there excluding economic impact. So we know we've got room to improve. We know we've got opportunities that we need to pursue this year. But at this stage, I think it's appropriate for us to just remain guarded. I do feel better the comps we have this year are definitely better than what we were facing this time last year on a year-over-year basis. And time will tell where we ultimately finish. But I can say that between the project backlog, between the acquisitions we've done, so the capital contribution of our algorithm, we feel quite good. When you look at the management actions of price and productivity, and we took actions this quarter to better position us, Sanjiv mentioned, we continue to expect to price with inflation. And so from the elements of both management actions and capital contribution, we still feel quite strong about that algorithm, and we expect to deliver on the expected range. Time will tell where we finish and time will tell what will happen on the macro piece. So but our -- we know our goal is to get that double digit percent growth long-term, and we will get back to that.

Sanjiv Lamba

Arun, we talked a lot about how we should describe this guidance and the words we used internally when we were discussing it are guarded, prudent, and I would say conservative, Matt.

Matt White

Time will tell.

Arun Viswanathan

Thanks.

Sanjiv Lamba

That's the prudent piece.

Operator
And our next question comes from the line of Eric Boyes with Evercore ISI. Your line is open.

Eric Boyes

Thank you. And good morning. Could you please provide a timeline update on when you anticipate your unit to start up at TSMC's Arizona Fab 2? And then could you remind on how gas intensity increases from Fab 1 to Fab 2 and what that means from a profitability standpoint for Linde? Thank you.

Sanjiv Lamba

So as you know, our plans for Fab 1 and 2 have -- are in operation already. Fab 2, as you're aware, probably from TSMC is ramping up at their end, and obviously, we are there fully supporting them on that. So those assets are on the ground. They have been commissioned. They are in different stages of utilization, Fab 1 fully utilized, Fab 2 kind of ramping up exactly as planned.

The next round of fabs is now under discussion and being worked through. And as you know, the yields that came out of the first couple of fabs surprised -- positively surprised everybody. So the commitment to major investments in advanced nodes at Phoenix is strong. And with that comes higher gas intensity. I think, Juan, you've done a paper where you've done a lot of work around gas intensity. You should reach out, Eric, to Juan and have a chat with him. He'll show you some of the analysis we've done around gas intensity. Two things happened, right? Because we're going to advance nodes, the intensity of usage of gas goes up per node. But more importantly, we also see new gases being introduced and used in much bigger quantities. And I think that -- all of that contributes then the overall increase in gas intensity for these new fabs.

Operator
And our final question comes from the line of Abigail Eberts with Wells Fargo. Your line is open.

Abigail Eberts

Hi, there. Good morning and thank you for taking my question. I wanted to follow up on your walk around the world, and if I missed this, I apologize. But could you clarify your pricing expectations for Americas and APAC for the year?

Sanjiv Lamba

The pricing expectations, Abigail, remain consistent with the view that we've always given, which is globally weighted CPI, we should be at or around that. And I think consistently we have, including the last quarter, if you take out the

impact of helium and China deflation weakness, we are seeing our businesses perform to that. That's a long-term trend. As you know, we've had positive pricing for 25 years and we see that continuing for this year as well.

Abigail Eberts

Okay. Thank you.

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.

Juan Pelaez

Abby, thank you very much for hosting this call. Everyone in line, we appreciate your participation. Have a great day.

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