



Linde plc 4Q23 Earnings Teleconference and Webcast - Transcript February 6, 2024

Operator

Ladies and gentlemen, good day, and thank you for standing by. Welcome to the Linde Full Year and Fourth Quarter 2023 Earnings Teleconference 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.

And 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 2023 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](https://www.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 of 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 will wrap up with Q&A.

Let me now turn over the call to Sanjiv.

Sanjiv Lamba

Thanks, Juan, and good morning, everyone.

By all measures, 2023 was another successful year, thanks to the hard work and dedication from Linde employees around the world. And despite the economic and geopolitical challenges, Linde once again delivered on its commitments with industry-leading results. As I've said before, this doesn't happen by accident. It's a daily grind across the entire organization, underpinned by our disciplined operating rhythm. An important tenet of this rhythm is to maintain a results-driven culture, where we consistently focus on performance metrics that drive shareholder value. Slide 3 provides an overview of those areas I view as critical to running a leading industrial gas company. It starts with people. We have a top-notch team who run a safe, reliable, and efficient industrial gas company.

During 2023, we made meaningful progress towards our goal of highly engaged diverse workforce, and for the supported communities we operate in, all while maintaining world-class safety results. I'd like to thank our employees around the world for delivering these results. Supporting the environment is more than just lip service at Linde. We've been working on it for decades. Last year, we reduced absolute greenhouse gas emissions while increasing our active renewable energy purchases by 1 terawatt hour. It's a good start towards our long-term goals, and I'm pleased to see acknowledgement of this progress in our external recognition. We also positioned the business for high-quality future growth. The OCI project with CapEx of approximately \$2 billion will produce 300 million cubic feet per day of blue hydrogen, which will be sold under standard industrial gas supply contracts, while partnering with ExxonMobil for CO2 sequestration.



And I continue to be confident about winning new backlog projects in the U.S., Europe, Middle East, and Asia Pacific, worth around \$8 billion to \$10 billion in the next few years. Recently, there have been some updates and indeed some confusion regarding the IRA regulations. We've included a slide in the backup to help explain our views. I'm happy to respond to any questions on it but let me reiterate the key message. We expect future U.S. on-site clean hydrogen projects to primarily leverage 45Q credits since we have not yet identified any large on-site green hydrogen projects that meet our investment criteria. I expect to see small to mid-sized green hydrogen projects, primarily to serve merchant-type demand, but these will likely not meet our backlog definition. Aside from clean energy projects, we continue to position the base business well, as evidenced by our traditional on-site merchant small on-site investments.

Indeed, where you'll see we have another new record. Finally, we deliver on the numbers. After all, management's primary purpose is to be a steward of shareholder capital. We've listed a few key accomplishments, but I believe the four most important financial metrics to create shareholder value can be found on the next slide. It's easy for management to get distracted by a myriad of financial metrics through which performance can be measured. However, one cannot lose sight of the ultimate objective, to increase shareholder value, which can best be represented by total shareholder return or TSR. From my perspective, the best way to deliver superior TSR is to have industry-leading results in EPS growth, operating cash flow growth, operating profit margins, and return on capital. ROC and operating margin demonstrate the quality and health of the business.

And while both have theoretical limits, sustaining them at leading levels while growing EPS and OCF is the best combination for compound value creation. Each chart shows a five-year trend against two members in the industry. Linde has led all of them, in some cases, by a wide margin. We maintained leadership despite volatile economic and geopolitical conditions, including unprecedented global events. Linde is an investment for all seasons, and I think these charts demonstrate that. But what about the shareholder? How about metrics that impacted TSR? Well, you can find them on the next slide. This graph shows the five-year TSR for Linde, two members of our industry, and the S&P 500 Index. First observation is that Linde has far exceeded all three, with almost double the shareholder return.

But equally important, Linde is one of only 12 companies in the entire S&P 500 to deliver positive alpha for five successive years, and the only company in our sector to do so. During good years and bad, Linde consistently outperformed the benchmark to reward our own. The performance culture and the corresponding compensation programs at Linde are designed to optimize these four metrics at all levels of the organization. Year after year, we've proven how they positively correlate to superior TSR and positive alpha, two important ways to gauge shareholder value creation. Because of this, I remain confident in our ability to continue creating long-term shareholder value regardless of the economy.

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

Matt White

Thanks, Sanjiv.

Slide 6 provides a summary of fourth quarter results. Sales of \$8.3 billion grew 5% over prior year and 2% sequentially. Versus prior year, sales declined 3% from contractual costs pass-through due to lower energy prices in EMEA and Americas, which has no effect on profit. Foreign currency translation was a 2% tailwind from a weaker U.S. dollar. Acquisitions improved 1% from the nexAir packaged gas purchase, and engineering increased 1% from project backlog execution. Excluding these items, underlying sales increased 4% from higher prices, which continue to track with globally weighted inflation. Year-over-year volumes were flat as contribution from the project backlog was offset by softer base volumes, primarily in EMEA.

Versus the third quarter, sales grew 2% from engineering project timing. Underlying sales were sequentially flat as higher prices offset seasonally lower volumes. Overall, economic conditions have been stagnant as the estimated industrial production growth for our weighted countries was close to 0% for the fourth quarter. Operating profit of \$2.3 billion was 14%

above last year and resulted in a 27.4% operating margin. Excluding cost pass-through, operating margins expanded 130 basis points from last year, but declined 80 basis points sequentially, driven by EMEA and engineering. The EMEA trend mostly relates to seasonality, but engineering margins are returning to the normal run rate of low to mid-teens percent as we begin to lap the impact from sanctioned projects.

However, I still expect global operating margins to expand in the future, including 2024. I'd also like to point out a one-time unfavorable impact embedded in this quarter's results related to the Argentinian peso, which devalued over 50%. As a hyperinflationary country, we recorded a charge of \$10 million to the Americas operating profit and another \$20 million to the interest line, or about \$0.5 cents of total EPS. This impact is not reflected in the sales FX translation summary as it only impacts other operating income and net interest. We fully expect to recover this over time as our pricing aligns with the subsequent local inflation. EPS of \$3.59 was 14% above last year as pricing net of cost inflation, backlog contribution, and a lower share count more than offset lower base volumes.

The 1% sequential decline was primarily driven by seasonal factors and the devaluation of the Argentinian peso. Disciplined capital management is a hallmark of Linde's stewardship, and 2023 was no exception. Return on capital finished over 25% against the backdrop of healthy operating cash flow. Slide 7 provides further detail on full year capital allocation performance. Operating cash flow of \$9.3 billion grew 5% over prior year, despite the significant working capital outflows related to wind down of engineering projects. Most of this has passed, which should enable a future OCF to EBITDA ratio in the low to mid 80% range. On the right, you can see uses of cash, which is consistent with our longstanding capital allocation policy of an underlying mandate to maintain a single A rating while growing the dividend, a priority to invest in projects which meet our criteria, and the opportunity to sweep all remaining capital toward share repurchases.

With that approach, we returned \$6.4 billion to shareholders in the form of dividends and share repurchases, while investing \$4.7 billion back into the business. But investing in the business is much more than just a dollar number. One of the most important responsibilities of management is to ensure capital is invested for an appropriate risk-weighted return. Across Linde, we understand this concept and have integrated it into the culture so our owners can sleep well at night. I'll wrap up with guidance on Slide 8. We're initiating 2024 full-year EPS guidance at \$15.25 to \$15.65 or 8% to 11% growth when excluding an assumed 1% FX headwind. Consistent with prior approach, this assumes no economic improvement at the midpoint. Therefore, if the economy grows, there would be upside, and if there is a recession, we'll take actions to maintain this range.

For the first quarter, this translates to a range of \$3.58 to \$3.68 or 6% to 9% EPS growth excluding FX. While the economic assumption is similar to the full year, the first quarter is traditionally our lightest due to seasonal factors. Heroes aren't made in February, so we believe it's appropriate to remain cautious this early in the year. However, regardless of what 2024 brings, investors can rest assured that we will manage what matters most, to create shareholder value.

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

Question-and-Answer Session

Operator

Thank you. (Operator Instructions) We will take our first question from Duffy Fischer with Goldman Sachs. Your line is open.

Duffy Fischer



Yes. Good morning, guys. Question just around China, both on industrial and also electronics. We seem to be getting different cross currents from different companies as they report kind of what the outlook is. Could you share with us what you view as kind of the first half outlook for both industrial production, your end markets there and electronics?

Sanjiv Lamba

Sure, Duffy. Why don't I just start off by a quick reminder that China is about 7% of our total sales and profits, just as a baseline. And that, of course, has spread across various customers and every possible end market that we have. So, you would recall we've spoken about China and weakness and slow recovery over there I think all of last year, in fact, and none of this should really come as a surprise. We've been seeing China being a little bit softer and we've kind of tracked that for at least six to nine months for now.

We've also, as a result of that, taken some actions in the country already, as you would expect us to. So, all of that's already in place. Now let's talk about the outlook for 2024. As far as industrials go, as we said, we've seen a lack of momentum. We talked about it last year. We see the same carry through into 2024 for most parts. I'll walk you through some end markets just to give you a sense of what's going on.

Some are a little bit stronger than others. But broadly, I think we don't quite see China recovering at a pace at which we would have expected it to. In end markets, let me just kind of mention chemicals to start off with. They did have a solid Q4. It is, of course, weighed down by the fact that construction is a little bit slower. But all in, the market was in a reasonable shape, and we expect maybe a minor recovery towards the first half of this year and then maybe a pickup towards the second half. Steel, which is the other major market that we've been talking about, has been shrinking for a while. In fact, crude steel in Q4 shrank about 4%. Some of that was administrative control because they wanted to hold on to their annual capacities, if you will. Don't expect anything to happen on steel. It is really driven around the property market and the property market recovery is not foreseen in 2024. So, we expect steel to just muddy along for most part of this year.

Manufacturing generally has been a bit lackluster, but there are some bright spots within that. Automobiles, for instance, have shown some good growth in Q4, up about 17%. EV, a large part of that. Batteries up a little bit as well. Solar cells up a little bit as well. Other than this, I'd say, again, manufacturing has been largely flattish beyond that. As far as electronics is concerned, electronics saw a little bit of a recovery in Q4. Again, remember, the thing to watch out in electronics is less about what is happening on capacities and more about the kind of escalation in geopolitical risk that comes with electronics in China, in particular, at this point in time. And again, our view is you will see continued mild recovery probably through the first half of the year, and then the second half, we'll have to just watch and see what happens.

Duffy Fischer

Great. Thank you, guys.

Operator

And we'll take our next question from Mike Leithead with Barclays. Your line is open.

Mike Leithead

Great. Thank you. Good morning, guys. Sanjiv, can you speak to how your helium business performed in the fourth quarter and how you'd expect that market to trend into 2024?

Sanjiv Lamba

So, Mike, there's been a lot of excitement apparently around helium, and I'm just a little bit surprised by that. But anyway, let me just kind of start off by just reminding you, again, helium is very low single-digit revenues for Linde. When I look at the market broadly, I see the market more or less in balance across the world. Now there are some regional imbalances in there. There are some regions slightly short and others that are long.

We do see some logistical challenges developing out of the Middle East, shipping in particular, which might impact regional imbalances and exacerbate them a little bit further. As far as Q4 was concerned, we saw very low single-digit declines in volumes while pricing was steady and stable. Again, not worthy of mention. You didn't really hear us mention it anywhere. My expectation on 2024 is helium volumes will kind of remain largely balanced. There'll be markets that are long, which might feel a little bit more pressure. And more broadly, it'll track and mirror what you see on the electronics side in terms of recovery.

Mike Leithead

Great. Thank you.

Operator

We'll take our next question from Peter Clark with Societe Generale. Your line is open.

Peter Clark

Yes. Good morning, everyone. I want to jump from volumes to pricing, really. You alluded to the fact, obviously, you're tracking the local inflation pretty well. You've got sequential price again. When I do a three-year stack, Americas actually went up Q4 against Q3. EMEA was flattish, but of course, your costs are coming off. I know there's local inflation in there, but as a cost bucket, it's probably coming off. Just wondering how you see that trending into '24. I'm assuming you're going to say no reason to see any different, but effectively, it does feel like the margins are very, very secure here.

Sanjiv Lamba

So, Peter, I think you've answered the question yourself really. I am going to tell you no reason to see anything different to what we saw in 2023. I'll make maybe a couple of points just as a point of reiteration. The first, again, I think you mentioned this early on, the best proxy for our pricing is globally weighted inflation, and that seems to track reasonably well. We've seen that over many years now.

So, even though we are seeing disinflation or lower inflation in many parts of the world, my expectation is this year, despite that, we'll probably produce higher pricing levels than we've seen for the last decade. The only other point I'd make, I think, on pricing is the fact that you should expect us to continue to see pricing actions that we take. We talk about pricing as being

management action. It's something that they do every day, and that process and discipline that follows I think is what makes the pricing mechanism so strong and robust for us. You should expect us to see that continue through in 2024, and you should see that reflected in margins, which should continue to see some improvement as we go into 2024.

Peter Clark

Thank you.

Operator

And we will take our next question from Jeff Zekauskas with J.P. Morgan. Your line is open.

Jeff Zekauskas

Thanks very much. In terms of your outlook for 2024, if global industrial production is roughly flat and you have new projects coming on stream, should your base case volume be up 2% or 3%? And then if you can comment on whether Russia is now producing more helium than it was before.

Sanjiv Lamba

I'll just quickly comment on Russia very quickly to tell you that we've come out of our contracts with Amur that were previously there. And therefore, really, we aren't in a position to comment on what happens in Russia as far as helium production is concerned. There's a lot of speculation around that, Jeff, as you know. And I think at this point in time, I'll probably reserve a comment on that. As far as outlook is concerned, I might just want to take you back to our guidance. As you know, we've said in our guidance that we see at the midpoint of the guidance, zero help from the economy and we kind of maintain that.

Your point on backlog contribution, again, as a reminder on EPS growth that we see our backlog contribution ranges from 1% to 2% for 2024, I see that at the top end of that range. You know the other levers well, but I'll reiterate them just quickly as well as a recap. We see share buybacks and share count obviously help us at the EPS growth level by about 2 percentage points. And then the rest is all about management action as far as pricing, productivity and total cost management is concerned. That's what brings up the rest to take us to our midpoint of 10% plus EPS growth for 2024.

Jeff Zekauskas

Great. Thank you so much.

Operator

And we will take our next question from Tony Jones with Redburn Atlantic. Your line is open.

Tony Jones

Hi, guys. Thanks for taking my question. In your prepared remarks, you sort of highlighted that large green hydrogen projects are not where you're likely to be, at least for the foreseeable future. Could you just explain why? Is it sort of price -- your focus on price and long-term take or pay contracts, the criteria is not quite as tight? That would be really helpful. Thank you.

Sanjiv Lamba

Sure. Tony, so what we've said very clearly is our belief is that the electrolyzer technology that ensures that green hydrogen is produced requires a couple of things to happen for it to get to a point where we will see large on-site green hydrogen projects, right? The distinction I'm making here is large on-site green hydrogen projects. I'll talk a bit about the small and mid-sized in a minute. So, two things need to happen on the electrolyzer technology.

One is that it needs to improve in terms of its reliability and the ability to operate 24/7 if you're going to have a large green on-site project to serve a large demand pool if needed. The other piece that needs to happen is capital efficiency on electrolyzers needs to improve dramatically to make sure that we are at a point where that becomes cost effective. Ultimately, economics will drive those investments. And at the moment, my view is the electrolyzer technology, particularly PEM, isn't quite at a point where economics work out in favor of a large-scale point of inflection to green hydrogen.

My view, again, and I've said this many times over, so at the point of maybe belaboring the point now, I've said that there's probably a five-to-seven-year window for electrolyzer technology to scale up both from a technology and a capital point of view, such that we get the reliability and the cost effective basis on which you'll see large scale inflection happening. So, that's kind of the one reason why we think it doesn't quite make it -- doesn't quite make the grade. I do expect, however, in the interim, the five to seven years that I referenced, small and medium-sized electrolyzer complexes to be built, and they will largely serve what we call merchant-type demand where you have a bit of flex in terms of how much product is available, how much product is provided, and reliability, and so on and so forth.

We also see development of liquid hydrogen as an important component, and again, we are excited about this. We are scaling up our technology around liquid hydrogen to make sure that it's there to support the small to medium-scale green hydrogen development that we think will happen in this interim period.

Tony Jones

Great. Thanks. That's really helpful.

Operator

And we will take our next question from David Begleiter with Deutsche Bank. Your line is open.

David Begleiter



Good morning and thank you. Sanjiv and Matt, your returns on capital are very, very strong, mid-20s. In contrast, your volumes have been flat the last, I think, five quarters. Is there an option to accept some low return but still value-creating opportunities to drive top-line growth going forward?

Sanjiv Lamba

Hey, David, I'm going to let Matt answer this. This is one of his favorite topics. We have a lot of discussion around this. I'll just mention very briefly as a headline, we always look at our investments on an IRR basis to make sure that we don't kind of get caught up in the ROC element. But hey, Matt, why don't you just cover that up?

Matt White

Yes. Thanks, Sanjiv. And exactly, to start off, IRR is the primary criteria for incremental investment decisions. And ROC, as you know, is the -- basically the accounting metric on the back end. And when you think about where our ROC has been, and as Sanjiv mentioned in the prepared remarks, we believe that maintaining an industry-leading and healthy ROC and operating margin, while growing EPS, while growing OCF, is the best combination for shareholder value creation, and ultimately, relative TSR outperformance.

So, while there, of course, are theoretical limits, 25%, we think is a healthy number. Obviously, the pricing has helped. The non-capital intensity of our growth has helped.

We are embarking on a more capital-intensive growth as we look out on some of the energy transformation, and we see that as good growth. It meets our investment criteria. So, therefore, I would see the ROC number, yes, plateauing as it is, maybe even declining a little bit. But we view that okay as long as we continue to make the right decisions on IRR, which we feel very confident about. So, for us, it's more about maintaining healthy levels and maintaining leading levels while growing the organization. But we're not going to let those metrics of either operating margin or ROC inhibit our decisions for good growth projects. They never will.

David Begleiter

Thank you.

Operator

And we will take our next question from Vincent Andrews with Morgan Stanley. Your line is open.

Steven Haynes

Hey. This is Steve Haynes on for Vincent. So, I think your sale of gas backlog was up a little bit over 10% first last quarter. And just kind of comparing versus the slide deck, it looks like the manufacturing share of that backlog is the highest it's been in some time. So, maybe could you just talk a little bit about how you see your backlog trending over the next few quarters and how that will kind of be spread out over the various end markets. Thank you.

Sanjiv Lamba

Sure, Vin. So, sale of gas backlog is today driven by a couple of factors, right? We kind of split that into our traditional on-sites, which is what you're referencing as an example, from manufacturing, metals, chemicals, energy, et cetera, and then the decarbonization portion of our backlog, which is growing, and my expectation is that that'll continue to grow as we move forward. Now what we are seeing is some overlap in that. So, there are chemical companies, obviously, who are looking at decarbonization. We're developing a number of projects alongside with them, and we'll see that play into the backlog, and of course, that'll kind of boost the chemical side of things.

What I'd say to you is we're winning more than a fair share of projects at the moment in countries like India, with a more traditional end of the market. That's where you're seeing the manufacturing, metals, chemicals growth, and refining growth actually pick up a little bit more. We're obviously seeing the decarbonization projects around both chemicals, as I referenced earlier, but also some developments around metals, which might follow in due course as well. So, that's kind of what you should expect to see in terms of momentum, and that momentum will translate into projects that are currently in the pipeline, getting signed up in the next few years, as I've mentioned, about \$8 billion to \$10 billion of that, and then translating into the backlog.

Steven Haynes

Okay. Thank you.

Operator

And we will take our next question from Massimo Bonasoli with Equita. Your line is open.

Analyst:

Good morning, and sorry if my question has already been asked. My line dropped a few times. Just wondering, one question on CapEx. What is driving your 2024 CapEx to \$4.5 billion to \$5 billion? Is this related to the recent award you announced, or does this indicate an acceleration of growth rates in 2025 and 2026? Thank you.

Sanjiv Lamba

Matt, do you want to go with that?

Matt White

Sure. So, as I mentioned earlier, with a lot of the energy transformation, we are seeing a little more capital intensity. So, our OCI project for one, which is our largest project that we've won. We are in the early stages of that ordering equipment that will drive the CapEx. We're also on the final construction, or C of the EPC on a lot of the electronic projects that will be coming on stream into the back end of this year and the next year. So, that's also driving a higher component. But when you think

about our CapEx in general and break it down, we tend to have about \$2 billion plus towards what we call our base CapEx, which a little over half is for growth projects, but growth projects that do not meet our disciplined backlog definition.

And the remainder, in this case would be roughly another \$2 billion plus, will be for our project backlog. So, that is contractually committed. It has defined returns, and it has contract terms to ensure we get our return like things such as date certain or fixed fees. So, therefore, the higher CapEx we feel quite good about. We feel good about our execution that we're undertaking. And so, it's really just a function of the wins we've had causing that increase.

Operator

And we will take our next question from Josh Spector with UBS. Your line is open.

Josh Spector

Yes. Hi. Good morning. I had a question around EMEA. So, margins were down sequentially, but sales were roughly flat. And when you talk about the variance, you talked about lower on-site volumes, which I think about lower margin relative to the mix and pricing was up. So, I'm just curious if you could explain the driver of the margins in the quarter? And then also just your outlook for next year, margins up flat sequentially, what are you expecting there? Thanks.

Sanjiv Lamba

Josh, as you know, EMEA hasn't seen a lot of growth. So, one of the things they've done tremendously well, and I give the team credit for having been really one of our profit growth stories over the last three to four years, despite having negative volume trends in that same period. So, they've actually done a tremendous job of just managing that.

So, let's go to the fourth quarter, which is what your question is. And I think basically the point I think that I'd want to make over there is there are some one-time costs alongside the volume decline that we've seen over there that actually impact that volume for the fourth quarter. My expectation is, in terms of outlook, my expectation is in the first quarter, we'll be back with a three handle on that volume. And I think my -- the momentum that the EMEA team has built around managing the profit growth, my expectation would be that we continue to see margin improvement in 2024 as well.

Josh Spector

Thank you.

Operator

We'll take our next question from Stephen Richardson with Evercore ISI. Your line is open.

Stephen Richardson

Thanks. Good morning. Sanjiv and Matt, I was wondering if we could talk -- dig in a little bit on the drivers of TSR that you talked about in the script. Clearly, the business has shown a huge amount of stability and appreciate that the dividend has been growing at a healthy clip year-over-year for the last couple of years. Can you just talk about, as your -- as you think about the two levers there, is the buyback, is it agnostic to the value of the stock? Is it -- do you think about that in terms of the buyback amount? I guess what I'm getting at is your dividend coverage ratio is very healthy and has continued to improve. And so, is there not a place where you could consider kind of rebasing the dividend higher, just considering the stability of the business? Thanks.

Sanjiv Lamba

I'll just address the buyback piece and I'll ask Matt to kind of give you a more comprehensive response there, Steve. But essentially the share buyback piece we see as being an intrinsic part of our capital allocation. We think it's an important part of how we deploy and return capital back to our investors. And I think it's an -- it has been and continues to be a very important part of the capital allocation philosophy that we've deployed in the business, and therefore, reflected in the EPS growth targets that we've set for ourselves as well, which is 10% plus EPS growth.

As I said earlier, I feel pretty confident about pushing forward on that 10% plus EPS growth despite all the challenges around, et cetera, that people talk about, because we know that we have the levers in place to make sure that we hit that. Matt, do you want to cover other TSR drivers?

Matt White

Sure. Yes. And obviously, look, both the buybacks and dividends are important. We have shareholders that value both. On the dividend, we commit to growing it every year. And to your point, we have very healthy ratios that enable us to continue to grow that. But one thing I will never promise is a dividend yield. Absolutely not.

That makes no sense. If we do our job well every year, we grow the dividend with a healthy clip, but we also grow the capital base of the stock. Therefore, we will never commit to a dividend yield. On the buyback side, this is because we have such excess cash in the organization, and we see a very attractive opportunity to continue buying our stock back. I can tell you I've been asked many times at \$180, \$280, \$380 on intrinsic valuation and questions like that. That's not exactly how we think about it.

We look at the long-term prospects just like we do any other use of capital. It's very important to understand that we treat our capital the same, whether it's for buybacks, projects, because it's one homogeneous pool of capital and we have to find the best use of it for our owners.

So, when we look at the long-term repurchases of stock, that has been a good, continued use of excess capital. And it also instills discipline in the organization that if we don't meet our investment criteria on projects, we have an alternate use of capital, because the one thing about this industry is if you invest poorly in a project, it can create problems for you for two decades. So, for us, it's an important element of our overall capital allocation process, and this is something we're going to continue to do. But dividend growth and buybacks are both intricate, important for our capital allocation and will continue to be.

Stephen Richardson

Thanks so much.

Operator

And we will take our next question from Patrick Cunningham with Citi. Your line is open.

Patrick Cunningham

Hi. Good morning. I just had a follow-up on EMEA. Clearly, it's been a strong performer of price and productivity in the face of weaker on-site volumes. I'm curious on your thinking on the region longer-term in the face of potential de-industrialization. Do you see any risk to holding these margin levels if we see continued de-industrialization and weakness going forward?

Sanjiv Lamba

Patrick, as I mentioned earlier on, EMEA hasn't quite been the industrial growth story, other than maybe a couple of countries. Broadly, our growth capital has largely been deployed in Americas and APAC, which is where we saw most of the growth come through. Now having said that, EMEA has, as I mentioned earlier on, been a very strong profit growth story for us.

They've managed that whole process right through the negative volume trend. As I look ahead, I see two trends. First, a very resilient base business. Look, there was a view that volumes in EMEA would crash two years ago when we saw the energy crisis. That didn't happen. We have seen a steady decline. We are -- I'm looking at the January numbers as we speak, and I'm seeing that start to flatten out a little bit. So, my expectation is the resilience of that base business, which is also driven by the contract structures that we have with fixed fees and rentals and so on and so forth, actually remains a very important part of that portfolio.

The other piece which I think is encouraging is we are seeing large project opportunities led largely by decarbonization. The European Union has very complex rules, as you know well, but it has an intent, a very steady and stable intent to move forward with decarbonization and push industries in that direction. We see that spurring, growing momentum around projects. And you should expect that there will be projects that will develop and announced even from a Linde point of view in the next one, two, three years. And again, that'll kind of underpin the long-term trends that we see over there. I will end off by just saying that I expect the EMEA market to continue to be an important industrial gas market for us. I don't think that'll ever change, and they will have a strong contribution to make to the EPS growth that we look at.

Patrick Cunningham

Great. Thank you so much.

Operator

We'll take our next question from John McNulty with BMO Capital Markets. Your line is open.

John McNulty

Yes. Good morning. Thanks for taking my question. Sanjiv, on the -- you spoke on the IRA bill and kind of your views on the green hydrogen opportunity. Can you help us to think about the types of customers that you're seeing for the liquid green hydrogen and also the types of premiums that they're willing to pay?

Sanjiv Lamba

Sure. So -- and that's a good question, John, because the distinction I want to make is I want to just talk about carbon intensity and blue hydrogen to begin with and then transition to green. So, my view is large on-site customers recognize the benefits that come from low technical risk, established references in and around blue hydrogen development. Blue hydrogen is all about using existing natural gas, converting that into hydrogen, capturing the CO₂, and sequestering it to enable a low carbon intensity hydrogen to be developed.

And we've given the example of Celanese where we are doing it already at an existing facility. And with OCI project, we will do that as we start that project up in a couple of years. So, there's an example of a large on-site customer looking for reliable with low technology risk option in terms of something that they can then sustain over a 10, 15, 20-year period. We are -- so that's kind of the baseline against which I'm now going to reference what's happening with green hydrogen.

As far as green hydrogen is concerned, people are increasingly recognizing that these electrolyzers -- the electrolyzer technology is fairly crude, hasn't got the same level of reliability, cost effectiveness. And I think those factors are deterring long-term off-take agreements that will enable green hydrogen to -- that off-take agreement will enable the monetization of green hydrogen technology to be more effective longer-term. There are small green hydrogen customers, and that's largely built around mobility where you expect small volumes and you're starting to build an infrastructure and you want to have small volumes feed that infrastructure as it transitions into a kind of larger, broad scale infrastructure. So, I think that's where you'll see most of the green hydrogen. There are some small mandates that countries have imposed in terms of green hydrogen being utilized in some of the chemicals, processes, fertilizers, et cetera, but again, these are really small scale.

And the last point I just want to make is I think people talk about gigawatts as far as hydrogen is concerned. The reality is the facility that we are setting up for OCI, as an example, or the facility that we set up in Sweeny for Phillips 66, those are both traditional hydrogen with carbon capture, sequestration, producing blue hydrogen. They are both a gigawatt and plus, whereas building a gigawatt facility for electrolyzers just hasn't happened yet. You're building 20 megawatts, 30 megawatts, 40 megawatts, which is miniscule in terms of the volume requirements that a typical large on-site customer would typically have. So, that scale is what deters the large on-site development. At the moment, that scale of 20, 30 megawatts only allows for some of the developments around mobility and smaller end uses.

John McNulty

Got it. Thanks very much for the color.

Operator

And we'll take our next question from Stephen Byrne with Bank of America. Your line is open.

Stephen Byrne

Yes. Thank you. So, in the last two years, your sale of plant and your sale of gas backlogs have both roughly increased 50%. Do you expect the latter, the sale of gas, to increase maybe a faster clip either by your preference in that you do have benefits in your -- in the rest of your business from that or from the clean energy opportunities presumably would be more in sale of gas? And then just one more. For that \$8 billion to \$10 billion that you highlighted as your pipeline for clean energy, how much of that would be associated with existing customers where you could either retrofit or expand existing facilities, which could generate an even higher IRR?

Sanjiv Lamba

Steve, so let me kind of provide the headline first and then I'll dive a little bit deeper. So, the headline is, you should expect our sale of gas backlog to continue to grow. And you're absolutely right that the \$8 billion to \$10 billion that I referenced earlier on over the next few years, we will see that translate into projects that go into the backlog. That \$8 billion to \$10 billion is probably weighted as far as we're concerned.

So clearly, we understand that many of those projects will move forward, some may not, and that's where the opportunity pipeline, which is rich with 200-plus projects that I've referenced a few times in the past, is a good feeder into that \$8 billion to \$10 billion, the number that I've talked about. So, we should really see that sale of gas backlog reflect those projects moving from an opportunity pipeline into contracts and then being reflected into the backlog number. Your question on an incumbency and new projects by default, I'd say to you that that mix is a little bit opportunistic. We have made a commitment. You might recall -- see from our sustainability side, we've said that we expect to invest about \$3 billion in retrofitting and repurposing our existing assets with carbon capture facilities to ensure we capture and condition CO2 to be able to sequester it and convert those facilities to blue hydrogen. That's where most of the retrofit will likely happen. And you might recall, when we said that \$3 billion number, that was in the context about a pipeline we expected over a decade of \$30 billion of investments in the U.S. So, that's a good ratio, I think, to just kind of -- if you were looking for a ratio, that's the ratio I'd give to you as pointing in the direction of saying that's where we think the retrofits will be. That's where the conversions are likely to happen. And the new projects will obviously come alongside that with decarbonization happening, where we are helping our customers decarbonize, but also new markets opening up, such as blue ammonia, et cetera.

Stephen Byrne

Thank you.

Operator

And we will take our next question from Mike Sison with Wells Fargo. Your line is open.

Mike Sison

Hey, cheers. Nice quarter and outlook. Just curious, when you mentioned that at the midpoint here, you're not looking for much economic growth in 2024. I take -- I took a look at your global end market trends; you have sort of four greens and two yellows. So, are you sort of run rating above that midpoint? And I mean, are you seeing more growth now than maybe the midpoint in terms of economic growth?

Matt White

Hey, Mike. This is Matt. So, a couple of things. I think first, referencing the end markets to your point, as you know, that includes backlog, price, and base volume. So, all three of those will influence the growth. As Sanjiv mentioned earlier, the backlog, we'd expect 1% to 2% based on the cadence, and that we feel very confident on given our contractual terms and conditions. Pricing, I'll hold off separately, right? That we say is based on globally weighted inflation. And so, whatever your assumptions are there, we should be able to deliver on. And the remaining being base volumes. And that base volume is where we're taking basically a no-growth type assumption in this guidance, the way we're structuring it. Very similar to how we've been approaching the last really four to five years. So, we'll see how it plays out. But right now, that is the sort of underpinnings of what this zero-growth assumption means, and it's really around the base volumes as they correlate to an industrial production type metric.

Mike Sison

Got it. Thank you.

Operator

And we will take our next question from Laurence Alexander with Jefferies. Your line is open.

Daniel Rizzo

Good morning. It's Dan Rizzo on for Laurence. Thank you for taking my question. I just wanted to check, you mentioned that China is a relatively small part of your business, but you did mention opportunities in India. I was wondering if we should start looking to India as more of a growth opportunity than what people usually look at, which is obviously China?

Sanjiv Lamba

Well, India is an important market for us. We've been in the market for about 90 years, so well positioned. We kind of lead with strong network density. All of that provides us, in many ways, a unique position to be able to kind of win more than our fair share of the opportunities that we see. India will be an important opportunity for our industry and for Linde in particular. But again, the scale at which China is in terms of the deployed assets on the ground, the capacities that have been built up there, it's a market that obviously will continue to be important as well. So, we will be looking to winning more than our fair share in India, which we've been doing in '23 as well, and we look forward to doing that going forward. But we also continue to kind of track what happens in China and make sure that we are getting our fair share there as well.

Daniel Rizzo

Thank you very much.



Operator

We will now take our final question from John Roberts with Mizuho. Your line is open.

John Roberts

Thank you. Slide 16 shows food and beverage up 9% year-over-year. Almost all processed food companies are showing down volume. Could you parse volume and price in the food and beverage market? And is CO2 seeing any price impact from the 45Q?

Sanjiv Lamba

The CO2 market really is what drives that food and beverage market in particular. I think the food and beverage, as you can imagine, has broken up into food freezing and into beverage carbonation, the CO2 pricing obviously helping and supporting that. There has been a lot of innovation done around food freezing. Linde leads the end market in there. We win more than our fair share. And again, some of that benefit comes through in the growth that we see on that line in the sales line that you see over there for food and beverage. So, I'd say to you that, again, strong performance across food. My expectation is it is a secular growth trend. We call it a resilient market for a reason. My expectation remains that we'll see continued strong growth in that space. Innovation around application development and use of gases for food freezing in particular, I think, are continuing to be a very small -- important part of that growth story. But beverage carbonation and CO2 pricing obviously helping as well. I'd say to you that we don't see at the moment any linkage between 45Q and CO2 pricing. Longer-term, you could have a thesis around that. But for now, there is no apparent linkage.

Operator

And I would now like to turn the call back to Mr. Juan Pelaez for any additional or closing remarks.

Juan Pelaez

Thanks, guys, for all your questions. Thank you, everyone, for participating in today's calls. Have a great rest of your day. Stay safe.

Operator

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