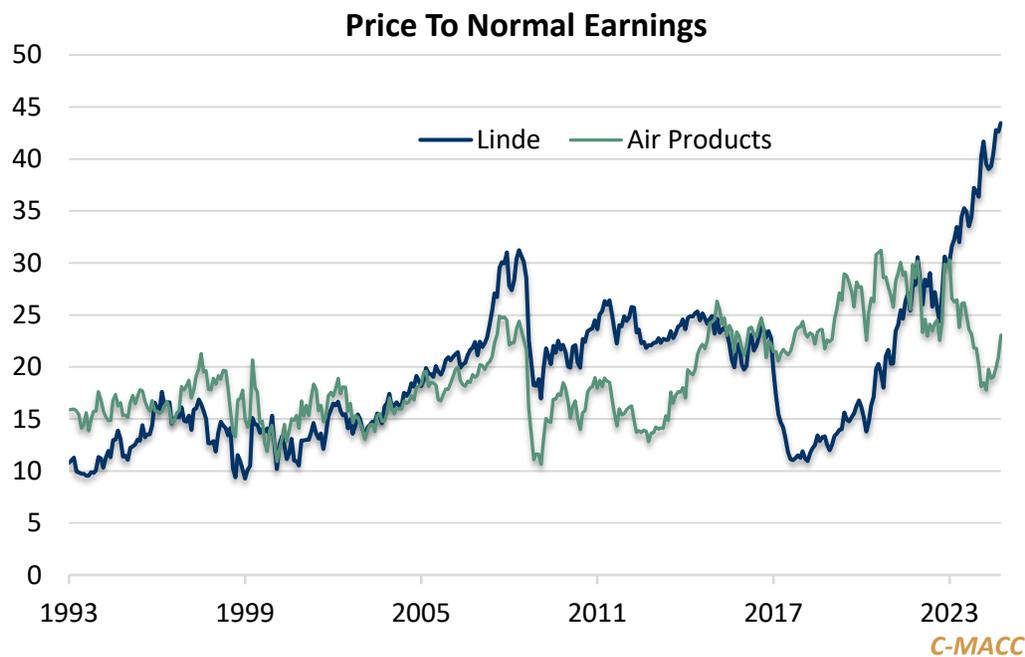


## Air Products: Navigating a Leadership Crossroads and a “Sustainable” Future

**Introduction:** Air Products & Chemicals, a leader in industrial gases and hydrogen projects, is under pressure from activist investors to change its strategy and leadership. With major projects like hydrogen facing cost overruns and uncertain returns, the company’s future and attractiveness to investors depends on the path it takes in the coming months.

This blog explores insights from C-MACC’s recent analyses, breaking down the leadership dilemmas, strategic concerns, and the direction of Air Products, all crucial to understanding what comes next for the industrial gas sector.



Source: CapitalIQ, C-MACC Analysis, October 2024

### 1. Background on Air Products’ Strategic Shifts

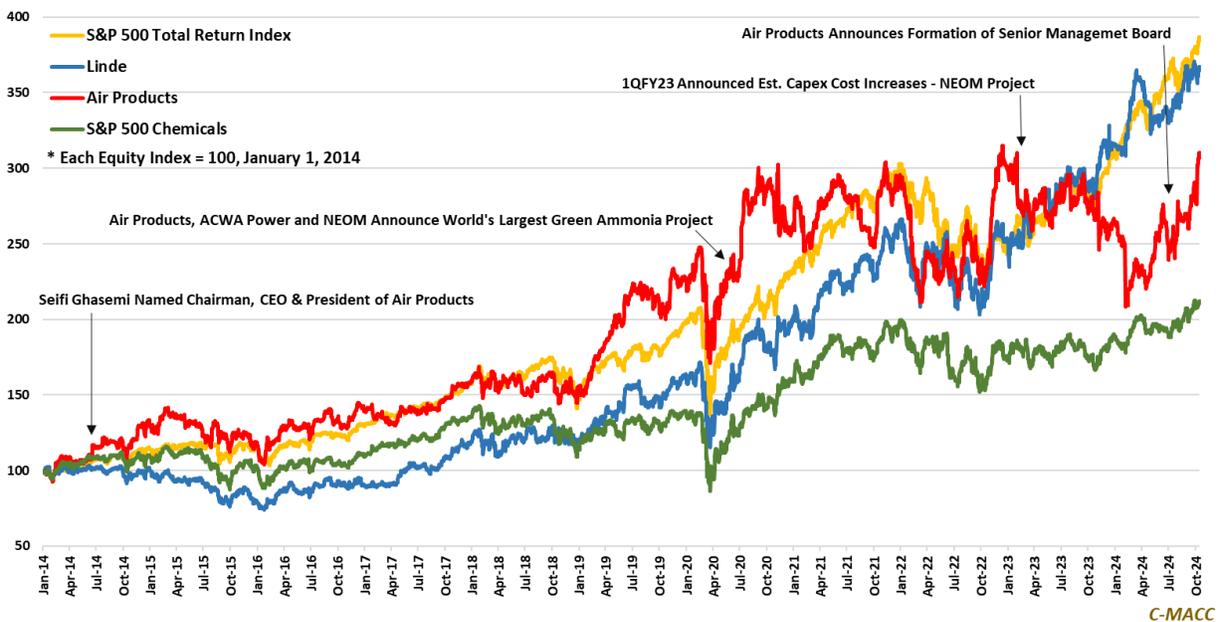
Air Products has shifted its focus away from traditional industrial gas operations toward large-scale hydrogen and gasification projects. However, the sustainability of this strategy has been called into question. Hydrogen investments, meant to offer long-term growth, have seen unexpected cost overruns and face competition from lower-cost producers. These developments are raising red flags in the market.

- **Key Takeaway:** Air Products’ shift to hydrogen has increased its risk profile, especially with high costs and a lack of secured offtake agreements. This has caused investor hesitancy despite the stock’s relative affordability when compared to competitors like Linde.
- For further details on these strategic concerns, refer to the full report: [Is the Air Products Strategy Sustainable?](#)

## 2. Activist Investors: Competing Visions for Air Products

Two activist investor groups—DE Shaw and Mantle Ridge—are presenting competing strategies to reform Air Products. DE Shaw advocates for short-term fixes, including divesting hydrogen projects or securing offtake agreements. Meanwhile, Mantle Ridge pushes for a long-term, comprehensive overhaul of leadership, emphasizing a return to core industrial gas operations under proven leaders like Dennis Reilley and Eduardo Menezes.

- **Key Takeaway:** DE Shaw’s approach may offer immediate financial stabilization but lacks a plan to fix the core business. In contrast, Mantle Ridge’s team has the expertise to drive long-term improvements and make Air Products competitive in traditional markets once again.
- For more in-depth analysis, see the report: [Air Products: Neither an Easy nor Quick Fix. The Right Team Will Matter.](#)
- Additionally, explore how Mantle Ridge’s leadership plan stands to reshape the company in: [Putting Some Fresh Gas into Air Products – A Proposed All-Star Leadership Team.](#)



Source: Bloomberg, C-MACC Analysis, October 2024

## 3. Leadership at a Crossroads: The Future of Air Products

Under the leadership of Seifi Ghasemi, Air Products has pursued large, capital-intensive projects like hydrogen, which have led to growing concerns over profitability and execution. The push from activist investors for new leadership is seen as essential to restoring focus on Air Products’ traditional strengths in industrial gases.

- **Key Takeaway:** Leadership change is critical, with Mantle Ridge advocating for a return to experienced executives like Dennis Reilley. Ghasemi’s strategy has led to inefficiencies and

rising costs, leaving the company vulnerable in a competitive market. Operational efficiency and talent recruitment will be crucial to Air Products' success under new leadership.

- For a detailed breakdown of leadership dynamics, read the full report: [Is the Air Products Strategy Sustainable?](#) and [Putting Some Fresh Gas into Air Products – A Proposed All-Star Leadership Team](#).

#### 4. Competitive Landscape: Linde and Air Liquide's Edge

While Air Products has focused on risky hydrogen ventures, its competitors like Linde and Air Liquide have maintained focus on proven industrial gas markets, using take-or-pay contracts and established technologies. This focus has allowed them to outperform Air Products in recent years, positioning them as the safer investment bets.

- **Key Takeaway:** Linde and Air Liquide have successfully capitalized on low-risk, predictable business models, which makes them more attractive to investors. In contrast, Air Products' recent strategy has exposed it to significant risk, especially with cost overruns in hydrogen projects.

For a comparative analysis of how these companies differ, review: [Air Products: Neither an Easy nor Quick Fix. The Right Team Will Matter](#).

#### 5. The Future of Hydrogen: High Risk or the Next Frontier?

Air Products has placed a major bet on hydrogen, positioning itself as a leader in this future energy market. However, with rising costs and uncertain demand, the company's investment in hydrogen could become a liability rather than a growth driver.

- **Key Takeaway:** While hydrogen has potential, Air Products' high upfront capital costs and delayed returns make it a risky investment. The lack of premium pricing and competition from other players could further erode expected returns.

Dive deeper into the risks and opportunities of hydrogen investments in: [Investments in Hydrogen Powering Down – A Hard Reboot Is Needed](#)

#### Conclusion: Why C-MACC's Analysis is Indispensable

The future of Air Products is at a critical juncture, with leadership changes, strategic pivots, and its role in the hydrogen economy all under the spotlight. C-MACC's reports and expertise provide essential insights into these developments, offering an objective, in-depth perspective on what is needed to bring long-term success to the company.

For anyone tracking the chemicals and industrial gases sector, C-MACC's market research delivers unparalleled expertise. To stay ahead of these pivotal changes and understand the forces shaping Air Products and the broader industry, subscribing to C-MACC's full suite of reports is key.

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