

Pang (Patrick) Chiu
Chiupan@rice.edu

Praxair

NYSE: PX

Sell

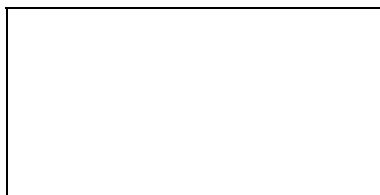
February 5, 2002

S&P Sector – Materials

Industry – Specialty Chemicals

MARKET DATA

Price	52-Wk Range	Price Target	Shares Out.	Market Cap.	Beta	Book Value	P/S	P/E
2-5-02 close	low on 9-21-01	Valuation Result	(million)	(billion)	Yahoo Finance	per share	(ttm)	(ttm)
\$55.60	\$36.50-\$58.21	\$55.98	160.8	\$8.943	1.09	\$15.29	1.80	21.48



COMPANY OVERVIEW – FROM YAHOO! FINANCE

Praxair, Inc. is an industrial gases company that operates worldwide. Praxair's primary products for its industrial gases business are atmospheric gases, such as oxygen, nitrogen, argon and rare gases, and process gases, such as carbon dioxide, helium, hydrogen, electronic gases, specialty gases and acetylene. The Company's surface technology segment, operated through Praxair Surface Technologies, Inc., supplies wear-resistant and high-temperature corrosion-resistant metallic and ceramic coatings and powders. The Company also designs, engineers and builds equipment that produces industrial gases, for internal use and external sale, through its global supply systems included in its All Other segment.

INVESTMENT RECOMMENDATION

- ☐ Sell 300 shares of PX.

SUMMARY

- ☐ The stock is currently at fair value: Bloomberg's DDM valuation of PX on February 5, 2002 was \$55.98 / share, using bond rate of 5.34%, risk premium of 3.38, Applied Beta of 0.86 (this is different from the beta obtained from Yahoo, which was 1.09). Other assumptions were projected growth rate of 10.54% for 7 years, transitional period of 10 years.
- ☐ Cost cutting efforts include downsizing its aerospace business and reduction in work force.
- ☐ Signed some agreement to license its CoJet technology in the steel industry.
- ☐ The fourth-quarter income was \$118 million on revenues of \$1.24 billion, compare to \$122 million on \$1.27 billion.
- ☐ Exposure to asbestos liability, unknown magnitude but likely to be small.

- ❑ Strong dollar will continue to hurt the company's earnings.
- ❑ The stock has increased 20% in value in the last three months while S&P remained essentially flat.
- ❑ Industry outlook on specialty chemicals is slightly positive. However, as the result of recent run up in price, appreciation potential is limited in the next 6 to 12 months.

INDUSTRY INSIGHT

News & Trends Due to slow recovery of the economy, the outlook for the entire material sector is neutral. Companies in Specialty Chemicals traditionally fare better than commodity producers in such environment, which is well reflected in Praxair's stock price, closed at near 52-week high. Unless the economy recovers drastically, we don't see much appreciation potential for Praxair in the near future.

The prolonged contraction in industrial activity has prompted consolidation in the industry. Many of the specialty chemical producers are being pressured by the merged behemoths to reduce prices, causing continued pressure on margin. Fortunately, energy prices have remained low, partially off set the low demand and selling prices.

Overall, we expect that prospects for the industry to be stable and profits might improve slightly as the broad economy starts to recover in the second half of the year. However, companies have already benefited from the change in investors' sentiments, as reflected in the stock prices.

INVESTMENT HIGHLIGHTS

Overall Effect on Wright Fund

Currently, PX is the only stock in the material sector and represents 2.8% of the Wright Fund, while material sector represents 2.5% of S&P.

Rationale & Risks

Based on our recent analysis of the material sector, we recommend that the sector be equal-weight in relation to the S&P 500 index. We recommend selling our shares in PX because we believe the stock is fully valued based on DDM analysis. We believe there are other companies in this sector represent better appreciation opportunities.

Recent Results & Guidance

Industry Results:

- ❑ Long-term outlook for the material sector is slightly positive. This sector overall tend to move in the same direction as the general economy. However, we do not anticipate quick recovery.
- ❑ Over capacity and low global demand continue put pressure on price and margin.
- ❑ Reduction in energy costs and loosening of the labor market have kept costs in check.

PX Earnings & Growth Estimates:

Earnings Estimates	Qtr(3/02)	Qtr(6/02)	FY(12/02)	FY(12/03)
Average Estimate	0.74	0.80	3.26	3.65
Number of Analysts	9	6	9	6
High Estimate	0.76	0.82	3.40	3.90
Low Estimate	0.73	0.78	3.16	3.29
Year Ago EPS	0.77	0.77	2.99	3.26
Growth Rate	-3.75%	4.33%	9.10%	11.84%

Zacks Industry: CHEM-SPECIALTY

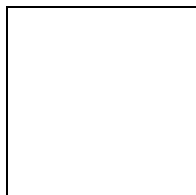
Praxair: Recent Annual Financials (from MSN Money)

Annual Income Statement (Values in Millions)	12/2002	12/2000	12/1999	12/1998	12/1997
Sales	5,158.0	5,043.0	4,639.0	4,833.0	4,735.0
Cost of Sales	NA	3,075.0	2,732.0	2,807.0	2,764.0
Gross Operating Profit	NA	1,968.0	1,907.0	2,026.0	1,971.0
Selling, General & Admin. Expense	NA	748.0	708.0	716.0	741.0
Other Taxes	NA	0.0	0.0	0.0	0.0
EBITDA	NA	1,220.0	1,199.0	1,310.0	1,230.0
Depreciation & Amortization	NA	471.0	445.0	467.0	444.0
EBIT	NA	749.0	754.0	843.0	786.0
Other Income, Net	NA	-32.0	88.0	53.0	73.0
Total Income Avail for Interest Exp.	NA	717.0	842.0	867.0	849.0
Interest Expense	NA	224.0	204.0	260.0	216.0
Minority Interest	NA	27.0	45.0	55.0	66.0
Pre-tax Income	NA	493.0	638.0	607.0	633.0
Income Taxes	NA	103.0	152.0	127.0	151.0
Special Income/Charges	NA	0.0	0.0	-29.0	-10.0
Net Income from Cont. Operations	432.0	363.0	441.0	425.0	416.0
Net Income from Discont. Oper.	0.0	0.0	0.0	0.0	0.0
Net Income from Total Operations	432.0	363.0	441.0	425.0	416.0
Normalized Income	NA	363.0	441.0	454.0	426.0
Extraordinary Income	0.0	0.0	0.0	0.0	0.0
Income from Cum. Eff. of Acct. Chg.	-2.0	0.0	-10.0	0.0	-11.0
Income from Tax Loss Carryforward	0.0	0.0	0.0	0.0	0.0
Other Gains (Losses)	0.0	0.0	0.0	0.0	0.0
Total Net Income	430.0	363.0	431.0	425.0	405.0
Dividends Paid per Share	0.68	0.62	0.56	0.50	0.44
Preferred Dividends	NA	0.00	0.00	0.00	0.00
Basic EPS from Cont. Operations	2.68	2.28	2.77	2.68	2.63
Basic EPS from Discont. Operations	0.00	0.00	0.00	0.00	0.00

Basic EPS from Total Operations	2.68	2.28	2.77	2.68	2.63
Diluted EPS from Cont. Operations	2.64	2.25	2.72	2.60	2.53
Diluted EPS from Discont. Operations	0.00	0.00	0.00	0.00	0.00
Diluted EPS from Total Operations	2.64	2.25	2.72	2.60	2.53

Praxair: Recent Quarterly Financials (from MSN Money)

Quarterly Income Statement	12/2002	9/2002	6/2002	3/2002	12/2000
Sales	1,238.0	1,271.0	1,314.0	1,335.0	1,273.0
Cost of Sales	NA	752.0	784.0	809.0	816.0
Gross Operating Profit	NA	519.0	530.0	526.0	457.0
Selling, General & Admin. Expense	NA	196.0	192.0	184.0	209.0
Other Taxes	NA	0.0	0.0	0.0	0.0
EBITDA	NA	323.0	338.0	342.0	248.0
Depreciation & Amortization	NA	127.0	125.0	122.0	118.0
EBIT	NA	196.0	213.0	220.0	130.0
Other Income, Net	NA	-46.0	9.0	6.0	-71.0
Total Income Avail for Interest Exp.	NA	150.0	222.0	226.0	59.0
Interest Expense	NA	59.0	55.0	56.0	57.0
Minority Interest	NA	5.0	4.0	5.0	5.0
Pre-tax Income	NA	91.0	167.0	170.0	2.0
Income Taxes	NA	24.0	37.0	39.0	-8.0
Special Income/Charges	NA	0.0	0.0	0.0	0.0
Net Income from Cont. Operations	118.0	62.0	126.0	126.0	5.0
Net Income from Discont. Oper.	0.0	0.0	0.0	0.0	0.0
Net Income from Total Operations	118.0	62.0	126.0	126.0	5.0
Normalized Income	NA	62.0	126.0	126.0	5.0
Extraordinary Income	0.0	0.0	0.0	0.0	0.0
Income from Cum. Eff. of Acct. Chg.	0.0	0.0	0.0	-2.0	0.0
Income from Tax Loss Carryforward	0.0	0.0	0.0	0.0	0.0
Other Gains (Losses)	0.0	0.0	0.0	0.0	0.0



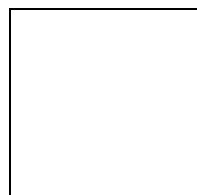
Total Net Income	118.0	62.0	126.0	124.0	5.0
Dividends Paid per Share	0.17	0.17	0.17	0.17	0.16
Preferred Dividends	NA	0.00	0.00	0.00	0.00
Basic EPS from Cont. Operations	0.73	0.38	0.78	0.78	0.03
Basic EPS from Discont. Operations	0.00	0.00	0.00	0.00	0.00
Basic EPS from Total Operations	0.73	0.38	0.78	0.78	0.03
Diluted EPS from Cont. Operations	0.72	0.38	0.77	0.77	0.03
Diluted EPS from Discont. Operations	0.00	0.00	0.00	0.00	0.00
Diluted EPS from Total Operations	0.72	0.38	0.77	0.77	0.03

Praxair: Recent Annual Financials (from MSN Money)

Annual Balance Sheet (Values in Millions)	12/2002	12/2000	12/1999	12/1998	12/1997
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Assets**Current Assets**

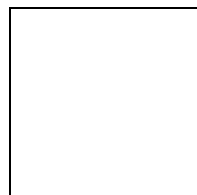
Cash and Equivalents	NA	31.0	76.0	34.0	43.0
Receivables	NA	876.0	848.0	919.0	971.0
Inventories	NA	297.0	310.0	319.0	329.0
Other Current Assets	NA	157.0	101.0	122.0	154.0



Total Current Assets	NA	1,361.0	1,335.0	1,394.0	1,497.0
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Non-Current Assets

Property, Plant & Equipment, Gross	NA	8,893.0	8,581.0	8,678.0	8,174.0
Accum. Depreciation & Depletion	NA	4,122.0	3,861.0	3,803.0	3,567.0
Property, Plant & Equipment, Net	NA	4,771.0	4,720.0	4,875.0	4,607.0
Intangibles	NA	0.0	1,113.0	1,272.0	1,213.0
Other Non-Current Assets	NA	1,630.0	554.0	555.0	493.0



Total Non-Current Assets	NA	6,401.0	6,387.0	6,702.0	6,313.0
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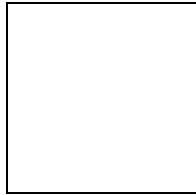


Total Assets	NA	7,762.0	7,722.0	8,096.0	7,810.0
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Liabilities & Shareholder's Equity**Current Liabilities**

Accounts Payable	NA	409.0	361.0	378.0	383.0
Short Term Debt	NA	500.0	884.0	379.0	431.0

Other Current Liabilities	NA	530.0	480.0	532.0	552.0
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Total Current Liabilities	NA	1,439.0	1,725.0	1,289.0	1,366.0
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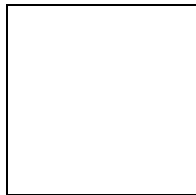
Non-Current liabilities

Long Term Debt	NA	2,641.0	2,111.0	2,895.0	2,874.0
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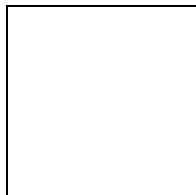
Deferred Income Taxes	NA	0.0	434.0	357.0	0.0
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Other Non-Current Liabilities	NA	1,167.0	728.0	661.0	852.0
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Minority Interest	NA	138.0	359.0	487.0	521.0
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Total Non-Current Liabilities	NA	3,946.0	3,632.0	4,400.0	4,247.0
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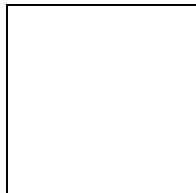


Total Liabilities	NA	5,385.0	5,357.0	5,689.0	5,613.0
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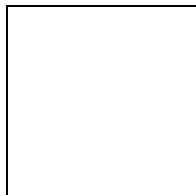
Shareholder's Equity

Preferred Stock Equity	NA	20.0	75.0	75.0	75.0
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Common Stock Equity	NA	2,357.0	2,290.0	2,332.0	2,122.0
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Total Equity	NA	2,377.0	2,365.0	2,407.0	2,197.0
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Total Liabilities & Stock Equity	NA	7,762.0	7,722.0	8,096.0	7,810.0
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Total Common Shares Outstanding	160.9 Mil	159.4 Mil	159.0 Mil	157.6 Mil	157.4 Mil
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Preferred Shares	NA	750,000.0	750,000.0	750,000.0	750,000.0
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Treasury Shares	NA	6.9 Mil	5.2 Mil	3.9 Mil	2.6 Mil
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Praxair: Recent Quarterly Financials (from MSN Money)

Quarterly Balance Sheet	12/2002	9/2002	6/2002	3/2002	12/2000
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Assets

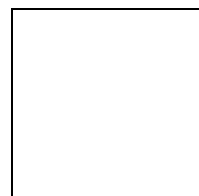
Current Assets

Cash and Equivalents	NA	30.0	46.0	43.0	31.0
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Receivables	NA	918.0	932.0	933.0	876.0
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Inventories	NA	308.0	319.0	316.0	297.0
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Other Current Assets	NA	109.0	145.0	163.0	157.0
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Total Current Assets	NA	1,365.0	1,442.0	1,455.0	1,361.0
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Non-Current Assets

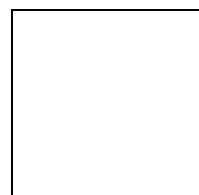
Property, Plant & Equipment, Gross	NA	8,848.0	8,814.0	8,810.0	8,893.0
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Accum. Depreciation & Depletion	NA	4,122.0	4,122.0	4,122.0	4,122.0
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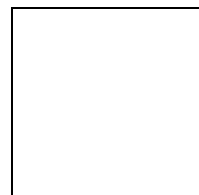
Property, Plant & Equipment, Net	NA	4,726.0	4,692.0	4,688.0	4,771.0
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Intangibles	NA	0.0	0.0	0.0	0.0
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Other Non-Current Assets	NA	1,605.0	1,706.0	1,685.0	1,630.0
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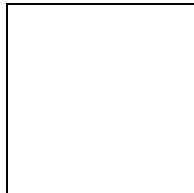
Total Non-Current Assets	NA	6,331.0	6,398.0	6,373.0	6,401.0
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Total Assets	NA	7,696.0	7,840.0	7,828.0	7,762.0
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Liabilities & Shareholder's Equity**Current Liabilities**

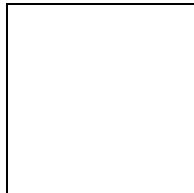
Accounts Payable	NA	393.0	405.0	413.0	409.0
Short Term Debt	NA	263.0	270.0	508.0	500.0
Other Current Liabilities	NA	520.0	503.0	512.0	530.0



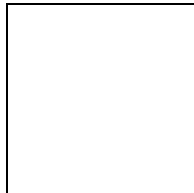
Total Current Liabilities	NA	1,176.0	1,178.0	1,433.0	1,439.0
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Non-Current liabilities

Long Term Debt	NA	2,912.0	2,916.0	2,714.0	2,641.0
Deferred Income Taxes	NA	0.0	0.0	0.0	0.0
Other Non-Current Liabilities	NA	1,140.0	1,173.0	1,179.0	1,167.0
Minority Interest	NA	147.0	139.0	139.0	138.0



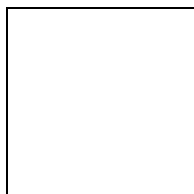
Total Non-Current Liabilities	NA	4,199.0	4,228.0	4,032.0	3,946.0
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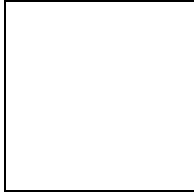
Total Liabilities	NA	5,375.0	5,406.0	5,465.0	5,385.0
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Shareholder's Equity

Preferred Stock Equity	NA	20.0	20.0	20.0	20.0
Common Stock Equity	NA	2,301.0	2,414.0	2,343.0	2,357.0



Total Equity	NA	2,321.0	2,434.0	2,363.0	2,377.0
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Total Liabilities & Stock Equity	NA	7,696.0	7,840.0	7,828.0	7,762.0
Total Common Shares Outstanding	160.9 Mil	160.9 Mil	161.5 Mil	160.6 Mil	159.4 Mil
Preferred Shares	NA	750,000.0	750,000.0	750,000.0	750,000.0
Treasury Shares	NA	6.9 Mil	6.9 Mil	6.9 Mil	6.9 Mil

Praxair: Recent Annual Financials (from MSN Money)

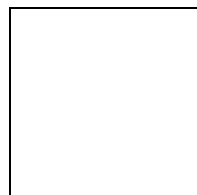
Annual Cash Flow (in Millions)	12/2002	12/2000	12/1999	12/1998	12/1997
Cash Flow from Operating Activities					
Net Income (Loss)	NA	363.0	441.0	425.0	416.0
Depreciation and Amortization	NA	471.0	445.0	467.0	444.0
Deferred Income Taxes	NA	35.0	53.0	11.0	67.0
Operating (Gains) Losses	NA	158.0	-10.0	16.0	-31.0
Extraordinary (Gains) Losses	NA	0.0	0.0	0.0	0.0
Change in Working Capital					
(Increase) Decr. in Receivables	NA	-36.0	93.0	17.0	-54.0
(Increase) Decr. in Inventories	NA	-13.0	12.0	18.0	-14.0
(Increase) Decr. in Other Curr. Assets	NA	-22.0	20.0	-2.0	-10.0
(Decrease) Incr. in Payables	NA	31.0	-26.0	-14.0	-41.0
(Decrease) Incr. in Other Curr. Liabs.	NA	0.0	0.0	0.0	0.0
Other Non-Cash Items	NA	-88.0	-75.0	-2.0	-25.0
Net Cash from Cont. Operations	NA	899.0	953.0	936.0	752.0
Net Cash from Discont. Operations	NA	0.0	0.0	0.0	0.0
Net Cash from Operating Activities	NA	899.0	953.0	936.0	752.0
Cash Flow from Investing Activities					
Cash Flow Provided by:					
Sale of Property, Plant, Equipment	NA	106.0	103.0	206.0	300.0
Sale of Short Term Investments	NA	0.0	0.0	0.0	0.0
Cash Used by:					
Purchase of Property, Plant, Equipmt.	NA	-994.0	-789.0	-1,022.0	-1,003.0
Purchase of Short Term Investments	NA	0.0	0.0	0.0	0.0
Other Investing Changes Net	NA	0.0	0.0	0.0	0.0
Net Cash from Investing Activities	NA	-888.0	-686.0	-816.0	-703.0

Cash Flow from Financing Activities**Cash Flow Provided by:**

Issuance of Debt	NA	455.0	29.0	388.0	438.0
Issuance of Capital Stock	NA	124.0	105.0	117.0	110.0

Cash Used for:

Repayment of Debt	NA	-328.0	-276.0	-424.0	-379.0
Repurchase of Capital Stock	NA	-144.0	-73.0	-97.0	-137.0
Payment of Cash Dividends	NA	-98.0	-89.0	-79.0	-69.0
Other Financing Charges, Net	NA	-64.0	78.0	-31.0	-31.0

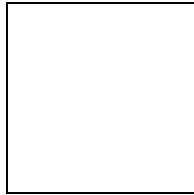


Net Cash from Financing Activities	NA	-55.0	-226.0	-126.0	-68.0
Effect of Exchange Rate Changes	NA	-1.0	1.0	-3.0	-1.0
Net Change in Cash & Cash Equivalents	NA	-45.0	42.0	-9.0	-20.0
Cash at Beginning of Period	NA	76.0	34.0	43.0	63.0
Free Cash Flow	NC	-193.0	75.0	-165.0	-320.0

Praxair: Recent Quarterly Financials (from MSN Money)

Quarterly Cash Flow (in Millions, Cumulative for FY)	12/2002	9/2002	6/2002	3/2002	12/2000
Cash Flow from Operating Activities					
Net Income (Loss)	NA	312.0	250.0	124.0	363.0
Depreciation and Amortization	NA	374.0	247.0	122.0	471.0
Deferred Income Taxes	NA	24.0	32.0	18.0	35.0
Operating (Gains) Losses	NA	67.0	0.0	2.0	158.0
Extraordinary (Gains) Losses	NA	0.0	0.0	0.0	0.0
Change in Working Capital					
(Increase) Decr. in Receivables	NA	0.0	0.0	0.0	-36.0
(Increase) Decr. in Inventories	NA	0.0	0.0	0.0	-13.0
(Increase) Decr. in Other Curr. Assets	NA	0.0	0.0	0.0	-22.0
(Decrease) Incr. in Payables	NA	0.0	0.0	0.0	31.0
(Decrease) Incr. in Other Curr. Liabs.	NA	0.0	0.0	0.0	0.0
Other Non-Cash Items	NA	-113.0	-92.0	-80.0	-88.0
Net Cash from Cont. Operations	NA	664.0	437.0	186.0	899.0

Net Cash from Discont. Operations	NA	0.0	0.0	0.0	0.0
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Net Cash from Operating Activities	NA	664.0	437.0	186.0	899.0
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Cash Flow from Investing Activities**Cash Flow Provided by:**

Sale of Property, Plant, Equipment	NA	39.0	11.0	1.0	106.0
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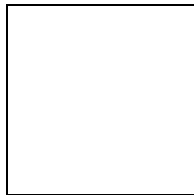
Sale of Short Term Investments	NA	0.0	0.0	0.0	0.0
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Cash Used by:

Purchase of Property, Plant, Equipmt.	NA	-613.0	-465.0	-251.0	-994.0
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Purchase of Short Term Investments	NA	0.0	0.0	0.0	0.0
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Other Investing Changes Net	NA	0.0	0.0	0.0	0.0
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Net Cash from Investing Activities	NA	-574.0	-454.0	-250.0	-888.0
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Cash Flow from Financing Activities**Cash Flow Provided by:**

Issuance of Debt	NA	329.0	319.0	92.0	455.0
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Issuance of Capital Stock	NA	89.0	70.0	33.0	124.0
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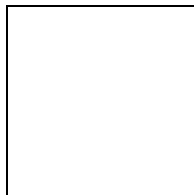
Cash Used for:

Repayment of Debt	NA	-337.0	-263.0	-7.0	-328.0
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Repurchase of Capital Stock	NA	-76.0	-25.0	-6.0	-144.0
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Payment of Cash Dividends	NA	-83.0	-55.0	-27.0	-98.0
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Other Financing Charges, Net	NA	-10.0	-12.0	-8.0	-64.0
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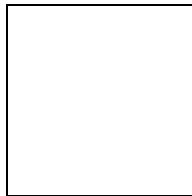


Net Cash from Financing Activities	NA	-88.0	34.0	77.0	-55.0
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Effect of Exchange Rate Changes	NA	-3.0	-2.0	-1.0	-1.0
Net Change in Cash & Cash Equivalents	NA	-1.0	15.0	12.0	-45.0
Cash at Beginning of Period	NA	31.0	31.0	31.0	76.0
Free Cash Flow	NA	-32.0	-83.0	-92.0	-193.0

CHARTS / TECHNICAL

PX Daily Stock Chart (source: Yahoo.com 02-05-02)



References

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