

Baker Hughes: governing the Chart integration

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On July 16, Baker Hughes completed its acquisition of Chart Industries. Twelve days later, the transaction had become an operating-design question. Baker Hughes had described Chart as a third reporting segment while also targeting shared procurement, support functions, manufacturing practices, engineering and commercial coordination, and lifecycle services. How much should the company standardize, how quickly, and what evidence should determine whether an integration workstream expands or pauses?

This is a classroom policy exercise about governing a completed acquisition. The strategy committee role below is hypothetical. The case does not suggest that an unannounced project or approval is pending, and it does not ask whether Baker Hughes should have acquired Chart.

The assignment

For this exercise, assume you advise a hypothetical Baker Hughes integration steering committee. Recommend a governance policy for the next 24 months. Specify which decisions should be centralized, which should remain with Chart's operating leaders, and what measures or triggers would guide the pace of each workstream. Explain how the policy can pursue the company's stated cost-synergy and leverage targets while protecting customers, technical capabilities, delivery commitments, and regulatory obligations.

Do not treat the company's targets as achieved results. Where you need information that the case does not provide, state what you would request and how it could change your recommendation.

Two businesses, one operating model to govern

Baker Hughes provides energy technology and services through its Oilfield Services & Equipment (OFSE) and Industrial & Energy Technology (IET) segments. Chart adds equipment and technologies used to handle gases and liquids across LNG, hydrogen, biogas, industrial gases, industrial applications and carbon capture. Those applications create possible links across products, customers and service relationships, but the public record available for this case does not quantify incremental cross-selling, margins or cash flow.

At closing, Baker Hughes said Chart would become a third reporting segment. The company also described harmonizing selected product and technology platforms, engineering and commercial practices, and lifecycle and digital services. It identified early opportunities in supply chain, support functions and manufacturing. Management's design therefore combines a distinct segment with selected coordination across the wider company.

The European Commission conditionally approved the acquisition on July 10. Its public summary says Chart's proprietary IPSMR and small-scale LNG process-technology businesses must be divested to a Commission-approved purchaser, and Baker Hughes must ensure interoperability with third-party LNG equipment for ten years. These conditions bound some LNG integration choices. The full commitments and legal implementation details were not reviewed for this case.

A target, not a result

Baker Hughes stated a target of **\$325 million in annualized cost synergies by the third year after closing**. It described commercial synergies as additional opportunity. The company also stated a **1.0-1.5x net-leverage target within 24 months**. These are management targets. The public materials in this case do not provide a workstream-by-workstream savings baseline, integration-cost schedule, timing curve, probability of realization or defined leverage calculation.

The distinction matters. Annualized savings at a future run rate do not equal cumulative cash generated during the integration period. Savings may require one-time spending or affect service, quality, working capital and future investment. The company has not disclosed enough detail here to calculate the acquisition's realized return or a post-close debt-paydown schedule.

The information available at the cutoff

The latest periodic filing available by the case cutoff was Baker Hughes' second-quarter 2026 Form 10-Q, filed July 27. **The reported quarter ended June 30, before the July 16 Chart closing**. Q2 financial results and segment data therefore describe Baker Hughes before Chart entered the consolidated results; they are not combined-company performance.

The Q2 picture was mixed. Consolidated revenue was \$6.742 billion, down 2% year over year, and attributable net income was \$681 million, down 3%. Management cited business dispositions as a major factor in the revenue comparison. IET generated \$678 million of segment EBITDA, up from \$585 million a year earlier. OFSE generated \$605 million, down from \$677 million. IET's \$7.1 billion of orders brought its remaining performance obligations (RPO) to \$37.1 billion; total company RPO was \$40.1 billion and OFSE RPO was \$3.0 billion.

RPO represents contracted performance obligations under the company's definitions. It is not cash, does not convert to revenue on a guaranteed schedule, and does not establish a project's margin. Segment results also reflect market demand, project timing, mix, price, productivity, foreign exchange, inflation and portfolio changes. The Q2 contrast does not show that integration caused IET's momentum, that all IET opportunities will convert profitably, or that OFSE's decline will persist.

The pre-close balance sheet also requires care. At June 30, Baker Hughes reported \$16.253 billion of total debt and \$15.727 billion of cash and equivalents. The acquisition closed later. The company said it used a March senior-note offering, other borrowings and cash on hand to fund the transaction, and some cash had been held for the acquisition. The June figures do not establish post-close net debt, available surplus cash, covenant headroom or the leverage metric used for the target.

The governance choice

An integration plan can create value by coordinating decisions that depend on shared purchasing, systems, manufacturing standards or customer access. It can also disrupt valuable product knowledge, customer routines and local accountability if common processes are imposed before their benefits and risks are understood. The acquired business may need to operate as a distinct segment while selected activities connect to Baker Hughes systems and capabilities.

The evidence available here does not identify which specific Chart workstreams have the strongest economics or highest disruption risk. It does not disclose the standalone post-close Chart margin and cash flow, savings already realized, integration costs, key-employee retention, customer churn, detailed backlog economics, or the full terms implementing the European Commission remedies. The committee must decide what evidence to collect and how to sequence decisions without pretending those unknowns are settled.

Discussion questions

1. Which integration decisions should have common Baker Hughes standards, and which should remain with Chart leaders? Explain the value mechanism and risk for each choice.
2. How should the company translate the \$325 million annualized synergy target into workstream measures, milestones and guardrails?
3. What additional information is necessary to assess progress toward the 1.0-1.5x leverage target? How should leadership handle the conflict between debt reduction, integration spending and operating investment?
4. How do the Q2 results and RPO inform resource allocation, and what do they not establish?
5. How should the Commission's public remedy summary constrain governance of LNG-related technology, customers and interoperability?
6. What evidence would lead you to broaden, slow or reverse a particular integration workstream?

Exhibits

Exhibit 1. Selected Q2 2026 operating evidence, before Chart close

Measure	Q2 2026	Q2 2025	Context
Baker Hughes revenue	\$6.742B	\$6.910B	Down \$168M, or 2%
Attributable net income	\$681M	\$701M	Down \$20M, or 3%
IET segment EBITDA	\$678M	\$585M	Up year over year
OFSE segment EBITDA	\$605M	\$677M	Down year over year
IET orders	\$7.1B	-	Book-to-bill 2.2
IET RPO	\$37.1B	-	Total company RPO \$40.1B
OFSE RPO	\$3.0B	-	RPO is not revenue or cash

Q2 ended June 30, 2026. Chart closed July 16 and was not included in the quarter's results. Adjusted EBITDA and free cash flow also appear in company materials but are non-GAAP measures; they are not needed to answer the governance question.

Exhibit 2. Transaction targets and operating structure

Public statement at close	Meaning for the exercise
\$325M annualized cost synergies by year three	Forward-looking company target; not cumulative savings or a realized result
1.0-1.5x net leverage within 24 months	Company target; the cited release does not define the calculation or exact measurement date
Chart to become the third reporting segment	A distinct reporting structure alongside selected enterprise integration
Selected alignment in platforms, engineering/commercial practices and lifecycle/digital services; early supply-chain, support-function and manufacturing opportunities	Disclosed integration priorities, without public workstream baselines or realized outcomes in the reviewed sources

Exhibit 3. European Commission public remedy summary

The Commission's July 10, 2026 public announcement conditionally approved the acquisition subject to divestiture of Chart's proprietary IPSMR and small-scale LNG process-technology businesses to a Commission-approved buyer, and ten years of interoperability with third-party LNG equipment. The case uses the Commission's public summary; the full commitments and legal implementation documents were not reviewed.

Exhibit 4. Selected June 30, 2026 balance-sheet facts

Measure	Reported amount	Caution
Total debt	\$16.253B	Pre-close; do not label post-close debt
Cash and equivalents	\$15.727B	Pre-close and includes cash held for the acquisition; not all is available surplus

Exhibit sources

- Baker Hughes, Q2 2026 Form 10-Q, filed July 27, 2026: [SEC filing](#). Results: pp. 3-6; debt: Note 8, pp. 11-12; segments: pp. 31-34; liquidity and funding discussion: pp. 35-36. The quarter ended June 30, before the July 16 close.
- Baker Hughes, “Baker Hughes Announces Second-Quarter 2026 Results,” July 26, 2026: [issuer release](#). Selected figures and Q2 orders/RPO: highlights and results tables.
- Baker Hughes, “Baker Hughes Completes Acquisition of Chart Industries,” July 16, 2026: [issuer release](#). Transaction close, organizational plan, synergy and leverage targets.
- European Commission, “Commission approves Baker Hughes’ acquisition of Chart Industries, subject to conditions,” July 10, 2026: [Commission announcement](#). Public summary of conditions.

Case sources and limits: Company and regulatory statements are attributed as such. The case does not use filings published after July 28, 2026, 9:00 a.m. ET. It contains no post-close performance results and no invented operating data.