

AIR PRODUCTS & CHEMICALS INC /DE/
Form DFAN14A
February 25, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No. __)

Filed by the Registrant

Filed by a Party other than the Registrant

Check appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under Rule 14a-12

Airgas, Inc.

(Name of Registrant as Specified in Its Charter)

Air Products Distribution, Inc.
Air Products and Chemicals, Inc.

(Name of Persons Filing Proxy Statement, if Other than Registrant)

Payment of filing fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Paul Huck, Senior Vice President and CFO
February 25, 2010

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Additional Information

- On February 11, 2010, Air Products Distribution, Inc., a wholly owned subsidiary of Air Products and Chemicals, Inc. ("Air Products"), commenced a cash tender offer for all the outstanding shares of common stock of Airgas, Inc. ("Airgas") not already owned by Air Products, subject to the terms and conditions set forth in the Offer to Purchase dated as of February 11, 2010 (the "Offer to Purchase"). The purchase price to be paid upon the successful closing of the cash tender offer is \$60.00 per share in cash, without interest and less any required withholding tax, subject to the terms and conditions set forth in the Offer to Purchase, as amended. The offer is scheduled to expire at midnight, New York City time, on Friday, April 9, 2010, unless further extended in the manner set forth in the Offer to Purchase.
- This communication does not constitute an offer to buy or solicitation of an offer to sell any securities. The tender offer is being made pursuant to a tender offer statement on Schedule TO (including the Offer to Purchase, a related letter of transmittal and other offer materials) filed by Air Products with the U.S. Securities and Exchange Commission) on February 11, 2010. **INVESTORS AND SECURITY HOLDERS OF AIRGAS ARE URGED TO READ THESE AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY IN THEIR ENTIRETY BECAUSE THEY CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.** Investors and security holders can obtain free copies of these documents and other documents filed with the SEC by Air Products through the web site maintained by the SEC at <http://www.sec.gov>. The Offer to Purchase and related materials may also be obtained for free by contacting the Information Agent for the tender offer, MacKenzie Partners, Inc., at 212-929-5500 or toll-free at 800-322-2885.
- In connection with the proposed transaction, Air Products may file a proxy statement with the SEC. Any definitive proxy statement will be mailed to stockholders of Airgas. **INVESTORS AND SECURITY HOLDERS OF AIRGAS ARE URGED TO READ THESE AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.** Investors and security holders will be able to obtain free copies of these documents (if and when available) and other documents filed with the SEC by Air Products through the web site maintained by the SEC at <http://www.sec.gov>.

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Certain Information Regarding Participants

- Air Products and certain of its respective directors and executive officers may be deemed to be participants in the proposed transaction under the rules of the SEC. Security holders may obtain information regarding the names, affiliations and interests of Air Products' directors and executive officers in Air Products' Annual Report on Form 10-K for the year ended September 30, 2009, which was filed with the SEC on November 25, 2009, and its proxy statement for the 2010 Annual Meeting, which was filed with the SEC on December 10, 2009. These documents can be obtained free of charge from the sources indicated above. Additional information regarding the interests of these participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will also be included in any proxy statement and other relevant materials to be filed with the SEC when they become available.

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Forward-Looking Statements

• Note: This contains “forward-looking statements” within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including earnings guidance and projections of the results of the Company’s proposed acquisition of Airgas, Inc. These forward-looking statements are based on management’s reasonable expectations and assumptions as of the date this presentation is made regarding important risk factors. Actual performance and financial results may differ materially from projections and estimates expressed in the forward-looking statements because of many factors not anticipated by management, including, without limitation, longer than anticipated delay in global economic recovery; renewed deterioration in economic and business conditions; poor demand for the Company’s products; future financial and operating performance of major customers and industries served by the Company; inability to collect receivables from or recovery of payments made by customers in bankruptcy proceedings; unanticipated contract terminations or customer cancellations or postponement of projects and sales; asset impairments due to economic conditions or specific product or customer events; costs associated with the Company’s cash tender offer for Airgas, Inc.; costs of future restructuring actions which are not currently planned or anticipated; the impact of competitive products and pricing; interruption in ordinary sources of supply of raw materials; the ability to recover unanticipated increased energy and raw material costs from customers; costs and outcomes of litigation or regulatory activities; charges related to current portfolio management and cost reduction actions; the success of implementing cost reduction programs; failure to consummate the tender offer for Airgas, Inc. or inability to achieve anticipated acquisition synergies; the timing, impact, and other uncertainties of future acquisitions or divestitures; significant fluctuations in interest rates and foreign currencies from that currently anticipated; the continued availability of capital funding sources in all of the Company’s foreign operations; the impact of new or changed environmental, healthcare, tax or other legislation and regulations in jurisdictions in which the Company and its affiliates operate; the impact of new or changed financial accounting guidance; the timing and rate at which tax credits can be utilized and other risk factors described in the Company’s Form 10K for its fiscal year ended September 30, 2009. The Company disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained in this document to reflect any change in the Company’s assumptions, beliefs or expectations or any change in events, conditions, or circumstances upon which any such forward-looking statements are based.

Offer to Acquire Airgas

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Airgas transaction highlights

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| | |
|---------------------|---|
| Consideration | All-cash offer for all Airgas shares at \$60.00 per share |
| Premium | Premium of 38% to Airgas' closing price on 2/04/10 of \$43.53 |
| Accretion | Expected to be substantially accretive to Air Products cash EPS in year one |
| Synergies | Substantial cost synergies yielding \$250 million run-rate by the end of year two <ul style="list-style-type: none">•Air Products has secured committed financing, is committed to remaining investment grade and to returning to an A rating |
| Financing | <ul style="list-style-type: none">•Transaction costs expected to be approximately \$200MM, expensed as incurred.•Q2 ~\$0.08 per share impact•Q3 ~\$0.10 per share impact |
| Regulatory Approval | Air Products has thoroughly considered potential regulatory issues and is prepared to make appropriate divestitures |

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Compelling strategic and industrial logic

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Creates one of the world's leading integrated industrial gas companies

- Largest industrial gas company in North America
 - Diversified across geographies and distribution channels with competitive positions in all three supply modes: Packaged Gases, Liquid Bulk, Tonnage
- Combination of highly complementary skills and strengths enables us to better serve the needs of customers
- Air Products' leadership in tonnage, strong European and joint venture packaged gas positions
 - Airgas' leadership in U.S. packaged gases
 - Air Products' Engineering and Technology Skills
- Timing is excellent
- Provides Air Products a highly efficient re-entry into U.S. packaged gas market
 - Air Products' global infrastructure enables more rapid Airgas international expansion
- Significant synergies available
- Substantial cost savings
 - Growth opportunities as economy recovers
 - Leverages Air Products' supply chain and SAP capabilities
-

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Airgas at a glance

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Revenue (FY2009) \$4.3B

Total CAGR (over last 5 years) 19%

Same Store Sales Growth 7%

Broad Coverage - 1,500 Sales Representatives

Industries Served

Source: Based on Airgas public disclosures

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A world leading integrated industrial gas company

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(1) Source: Based on Airgas public disclosures

Packaged

Gas

90%

Liquid/Bulk

10%

Pro-forma

Air Products

Pro-forma

Air Products

Airgas

Revenues(1)

Airgas

Revenues(1)

Air Products

Revenues

Air Products

Revenues

Liquid/Bulk

17%

Onsite

25%

Equipment

& Services

10%

Onsite/Pipeline

37%

Liquid/Bulk

24%

Equipment &

Services

14%

Packaged

Gas

11%

- One of the largest industrial gas companies in the world
 - Largest industrial gas company in North America
 - World-class competencies across all modes of supply

+

=

Specialty

Materials

14%

Spec

Mat'ls

9%

Packaged
Gas
39%

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Benefits of an integrated industrial gas company

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Liquid/Bulk

Tonnage/Onsites

- Co-product economics
 - Liquid back-up
 - Sales coverage
- Product supply/outlet
 - Broader scope of industries served
 - Brand recognition

Cylinders

Bulk

Packaged Gases

Mode of supply

Mode of supply

Integration benefit

Integration benefit

Tonnage

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Synergies

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Supply Chain

- Consolidate filling locations
 - Consolidate specialty gas plant locations
 - Move from local delivery to hub and spoke
 - Combine purchasing requirements
 - Utilize Shared Services for Packaged Gas operations and Product Management
- Overheads
- Use Shared Services for back office operations - Finance, HR, IT, Purchasing, Invoicing, Credit & Collections and Marketing
 - Rationalize management
 - Rationalize corporate infrastructure
- SAP enables these synergies
-

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Growth acceleration

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- New Offerings for US Packaged Gases

- Integra® cylinders

- 300 BAR cylinders

- Further expand Air Products' offerings into key industries

- Fabrication – Analytical

- Construction – Medical

- Pharmaceuticals – Food and Beverage

- Utilize Air Products' International Structure

Growth through new offerings, density and international expansion

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North America remains a major growth area

GDP growth

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ROW

Source: Global Insights

| GDP | 2009 | 2013 | Growth '09-'13 | CAGR |
|----------------|------|------|----------------|------|
| World | 49.1 | 55.9 | 6.8 | 3.3% |
| North America | 15.0 | 16.9 | 1.9 | 3.0% |
| Europe | 16.6 | 17.9 | 1.3 | 1.9% |
| Asia ex. Japan | 8.3 | 10.7 | 2.4 | 6.6% |
| Japan | 4.5 | 4.8 | 0.3 | 1.7% |
| Rest of World | 4.7 | 5.6 | 0.9 | 4.4% |

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Key measures

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- Transaction accretive in the first year
 - Solid shareholder value
 - Excludes transaction and integration costs
- Synergies enable greater cash flow generation
- Combination provides for significant margin benefits

Accretion/Dilution

EBITDA Margin

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Path forward . . .

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Air Products
committed to
completing the
transaction

Litigation

- Commenced litigation in
Delaware

Tender offer

- Offer commenced Feb 11

- Financing committed
Regulatory process

- Prepared to make
appropriate divestitures

Proxy contest

- Proceed with proxy
contest if needed

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Air Products Financial Performance

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| | FY04 | thru | FY08 | H109 | H209 | Q110 |
|-----------------------------|-------|------|-------|-------|-------|-------|
| Sales (CAGR/ % chg vs PY) | 14% | | (16%) | (25%) | (1%) | |
| Operating Margin * | 12.8% | 1.8% | 14.6% | 13.2% | 15.5% | 15.9% |
| EPS Cont Ops.* | 21% | | (24%) | (16%) | 20% | |
| ROCE (4 quarter trailing)* | 9.6% | 3.4% | 13.0% | | | |
| ROCE (instantaneous) * | | | | 10.0% | 11.2% | 11.7% |

* non-GAAP, see appendix for reconciliation

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We have Multiple Growth Opportunities

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- 1 Hydrogen for refining
 - 1 Oxygen for gasification
 - 1 LNG heat exchangers
 - Energy
 - Environment
 - Emerging Markets
 - 1 Oxyfuel
 - 1 Carbon capture
 - 1 Multiple Gas Applications
 - 1 Electronics across Asia
 - 1 Equity Affiliate positions
 - 1 Expanding Merchant
positions in Asia
-

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Cleanfire® HRi™

burner

Efficient oxygen

plant design

Merchant Business

Applications Driven Growth

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A winning combination!

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Merchant Business
Winning New Customers with Industrial Gases
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Integra® Cylinders

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Low-Conversion

Refinery

H2 scf/ bbl 0 - 150

Sulfur spec. None

High-Conversion

Refinery

800 -1000 +

<30 to <15 ppm s

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Other 20%

Residual Fuel 34%

Other 17%

Residual fuel 1%

Transportation Fuel 46%

Transportation Fuel 82%

Conversion

45%

Crude

25%

Clean

Fuels

15%

Outsourcing

15%

Tonnage Gases

Hydrogen Still Fueling Future Growth

Refinery Conversion

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•Steel

–Asian infrastructure growth

–Mill modernization

•Gasification

–Power

–Feedstock independence

–Low BTU hydrocarbons

•Cleaner coal

–Power

–CO2 capture

200,000-300,000 tons-per-day new oxygen capacity by 2018

100+ new plants

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Projected 2010

- Marathon Garyville
- XOM Baton Rouge
- Total Port Arthur
 - XOM Baytown
- MarkWest Texas

Projected 2011-2012

- XOM Rotterdam
- Shell Rotterdam
- Marathon Detroit
- Monsanto Louisiana

Continuous
improvement

Operating
bonuses

Base take

or pay

Franchise

positions

Additional

products

Superior returns:

- Ann Joo Steel Malaysia
 - US Steel Nanticoke, Ont.
 - Shaded Steel Oman
 - Sphinx Glass Egypt
 - Isle of Grain LNG UK
 -
 - Emirates Glass Abu Dhabi
 - Weihe Energy Gasifier
 - Xingtai Steel
 - PetroChina ASU JV
-

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Electronics

Significant Opportunity in Thin-Film PV

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- Flat panel experience = differentiated advantage in thin film technologies

- Comprehensive offerings and turnkey solutions through SunSource™ Solutions portfolio

1 GW facility =

\$100+MM in annual revenues

Equip/Services

Bulk

Dopants

Onsites

NF3

Silane

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Equity Affiliates
Important Source of Growth

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Mexico

Italy

India

South Africa

Thailand

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FY'10 overall... expecting a gradual and modest recovery

WW manufacturing growth

– Globally up 1% to 2%

– US flat to up modestly

– EU down 1%

– Asia up 8% to 9%

Silicon growth 20% to 25%

Capex forecast unchanged

– ~\$1.3B to \$1.5B

Comparison is non-GAAP, see appendix for reconciliation

1 FY'09 Adjusted Diluted EPS \$4.06

– Merchant loading

– Tonnage new projects/loading

– E&E similar to last year

– E&PM loading, partially offset by restructuring cost & lower pricing

– Productivity/restructuring benefits

– Pension headwind

– Tax rate about 25% to 26%

1 FY'10 EPS \$4.75-\$4.95

Ø 17% - 22% Growth vs PYwth vs PY

FY'10 Full Year Outlook Update

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RESULTS

- Double-digit EPS growth
- ROCE 3-5% above cost of capital

The Air Products Opportunity

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STABILITY

- Long term contracts, consistent and predictable cash flow
 - Diversified across geographies and distribution channels
 - Airgas opportunity creates competitive positions in all three supply modes, maintains strong balance sheet

GROWTH

- Solid backlog and strong growth opportunities across all geographies
 - New growth opportunities in energy, environment and emerging markets
- Airgas provides a highly efficient re-entry into U.S. packaged gas market, broadening our growth opportunities

Well-positioned for long-term value creation

Thank you
www.airproducts.com

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Non GAAP Appendix - Year over Year Deltas

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Non GAAP Appendix - Half Year Deltas

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Non GAAP Appendix - ROCE FY04 and FY08

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Non GAAP Appendix - ROCE Tax Rate FY04 and FY08

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Non GAAP Appendix - First/Second Half FY09 and Q1 FY10

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Non GAAP Appendix - ROCE Tax Rate FY09 and Q1 FY10

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Non-GAAP Appendix: FY10 Guidance

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(\$ Millions, except per share data)

FY10 Guidance vs. FY09

Diluted EPS

Continuing Ops

FY09 GAAP

\$3.00

FY09 Global Cost Reduction Plan

\$0.94

FY09 Pension Settlement

\$0.02

FY09 Customer Bankruptcy and Asset Actions

\$0.10

FY09 Non GAAP

\$4.06

FY10 Guidance

\$4.75-\$4.95

FY09 GAAP

\$3.00

% Change GAAP

58%-65%

FY10 Guidance

\$4.75-\$4.95

FY09 Non GAAP

\$4.06

% Change Non GAAP

17%-22%