

HEXCEL CORP /DE/  
Form DFAN14A  
April 18, 2008

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

## **SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the 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 Pursuant to §240.14a-12

# **HEXCEL CORPORATION**

(Name of Registrant as Specified In Its Charter)

**O.S.S. CAPITAL MANAGEMENT LP**

**OSCAR S. SCHAFER & PARTNERS I LP**

**OSCAR S. SCHAFER & PARTNERS II LP**

**O.S.S. OVERSEAS FUND LTD.**

**O.S.S. ADVISORS LLC**

**SCHAFFER BROTHERS LLC**

**OSCAR S. SCHAFFER**

**PETER J. GRONDIN**

**EDWARD A. BLECHSCHMIDT**

**TIMOTHY D. LEULIETTE**

**JOACHIM V. HIRSCH**

(Name of Person(s) Filing Proxy Statement, if other than the 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:

Fee paid previously with preliminary materials.

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:

---

**Presentation to Hexcel  
Stockholders**

OSS Capital Management LP

*April 2008*

1

**Disclaimer**

THIS PRESENTATION IS FOR GENERAL INFORMATIONAL PURPOSES ONLY. IT DOES NOT HAVE REGARD TO THE SPECIFIC INVESTMENT OBJECTIVE, FINANCIAL SITUATION, SUITABILITY, OR THE PARTICULAR NEED OF ANY SPECIFIC PERSON WHO MAY RECEIVE THIS PRESENTATION, AND SHOULD NOT BE TAKEN AS ADVICE ON THE MERITS OF ANY INVESTMENT DECISION. THE VIEWS EXPRESSED

HEREIN REPRESENT THE OPINIONS OF O.S.S. CAPITAL MANAGEMENT LP, OSCAR S. SCHAFER & PARTNERS I LP, OSCAR S. SCHAFER & PARTNERS II LP, O.S.S. OVERSEAS FUND LTD., O.S.S. ADVISORS LLC, SCHAFER BROTHERS LLC, OSCAR S. SCHAFER, PETER J. GRONDIN, EDWARD A. BLECHSCHMIDT, JOACHIM V. HIRSCH AND TIMOTHY D. LEULIETTE (COLLECTIVELY, THE "PARTICIPANTS"), AND ARE BASED ON PUBLICLY AVAILABLE INFORMATION WITH RESPECT TO HEXCEL CORPORATION (THE "ISSUER").

THIS PRESENTATION INCLUDES FORWARD-LOOKING STATEMENTS THAT INVOLVE CERTAIN RISKS AND UNCERTAINTIES. YOU SHOULD BE AWARE THAT ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE CONTAINED IN THE FORWARD-LOOKING STATEMENTS. THE PARTICIPANTS ASSUME NO OBLIGATION TO UPDATE THE FORWARD-LOOKING INFORMATION.

THE PARTICIPANTS RESERVE THE RIGHT TO CHANGE ANY OF THEIR OPINIONS EXPRESSED HEREIN AT ANY TIME AS THEY DEEM APPROPRIATE. THE PARTICIPANTS DISCLAIM ANY OBLIGATION TO UPDATE THE INFORMATION CONTAINED HEREIN.

THE PARTICIPANTS SHALL NOT BE RESPONSIBLE OR HAVE ANY LIABILITY FOR ANY MISINFORMATION CONTAINED IN ANY SEC FILING OR THIRD PARTY REPORT. THERE IS NO ASSURANCE WITH RESPECT TO THE PRICES AT WHICH ANY SECURITIES OF THE ISSUER WILL TRADE, AND SUCH SECURITIES MAY NOT TRADE AT PRICES THAT MAY BE IMPLIED IN THIS PRESENTATION. ANY ESTIMATES, PROJECTIONS AND PRO FORMA INFORMATION SET FORTH IN THIS PRESENTATION ARE BASED ON ASSUMPTIONS THAT THE PARTICIPANTS BELIEVE TO BE REASONABLE, BUT THERE CAN BE NO ASSURANCE THAT ACTUAL RESULTS OR PERFORMANCE OF THE ISSUER WILL NOT DIFFER, AND SUCH DIFFERENCES MAY BE MATERIAL.

THIS PRESENTATION DOES NOT RECOMMEND THE PURCHASE OR SALE OF ANY SECURITY. UNDER NO CIRCUMSTANCES IS THIS PRESENTATION TO BE USED OR CONSIDERED AS AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITY. THE PARTICIPANTS CURRENTLY OWN AN AGGREGATE OF APPROXIMATELY 5.5% OF THE OUTSTANDING COMMON STOCK OF THE ISSUER. THE PARTICIPANTS INCLUDE FUNDS AND ACCOUNTS THAT ARE IN THE BUSINESS OF TRADING - BUYING AND SELLING - PUBLIC SECURITIES. IT IS POSSIBLE THAT THERE WILL BE DEVELOPMENTS IN THE FUTURE THAT CAUSE ONE OR MORE OF THE PARTICIPANTS FROM TIME TO TIME TO SELL ALL OR A PORTION OF THEIR SHARES IN OPEN MARKET TRANSACTIONS OR OTHERWISE (INCLUDING VIA SHORT SALES), BUY ADDITIONAL SHARES (IN OPEN MARKET OR PRIVATELY NEGOTIATED TRANSACTIONS OR OTHERWISE), OR TRADE IN OPTIONS, PUTS, CALLS OR OTHER DERIVATIVE INSTRUMENTS

RELATING  
TO SUCH SHARES.

ALL STOCKHOLDERS OF THE ISSUER ARE ADVISED TO READ THE PROXY STATEMENT AND OTHER DOCUMENTS RELATED TO THE SOLICITATION OF PROXIES BY THE PARTICIPANTS FROM THE STOCKHOLDERS OF THE ISSUER FOR USE AT THE 2008 ANNUAL MEETING OF STOCKHOLDERS OF THE ISSUER BECAUSE THEY CONTAIN IMPORTANT INFORMATION. THE PROXY STATEMENT HAS BEEN SENT TO THE STOCKHOLDERS OF THE ISSUER AND IS, ALONG WITH OTHER RELEVANT DOCUMENTS, AVAILABLE AT NO CHARGE ON THE SEC'S WEB SITE AT [HTTP://WWW.SEC.GOV](http://www.sec.gov) . IN ADDITION, THE PARTICIPANTS IN THE PROXY SOLICITATION WILL PROVIDE COPIES OF THE PROXY STATEMENT WITHOUT CHARGE UPON REQUEST.

2

**About OSS Capital LP**

Founded in Nov. 2001 by Oscar S. Schafer  
and Andrew J. Goffe

\$ 2.2 billion under management

Long / Short investment partnership

Long-term investment approach

Hexcel stockholders since August 2005

3



**Why Hexcel?**

Great secular story

Significant barriers to entry

Emerging market and international growth

Margin expansion story-economies of scale

Stock inexpensive based on peer  
performance

4

**OSS Capital's Goals**

To enhance the relevant expertise of the Hexcel Board in order to give Hexcel senior management more complete resources to:

Enhance margins

Increase Hexcel's competitive edge

Operate in a more efficient, global, and cost competitive manner

To have all stockholders benefit from Hexcel's increased success as the pre-eminent player in composite material manufacturing

5

**The Key Issue**

**Hexcel's margins are far below its competitors':**

Trailing Twelve Months, millions \$

Composite revenues	693.0	669.7	975.8
Composite operating inc.	154.0	132.3	142.8
<i>% revenues</i>	<i>14.6%</i>	<i>22.2%</i>	<i>19.8%</i>

Hexcel has not provided a plausible explanation for their inferior margin performance

OSS Capital believes Hexcel does not fully understand its cost structure

**Margins Consistently Fall Short**

Operating Income As % Of Sales

7

**The Key Issue, Magnified**

**An “apples to apples” margin comparison amplifies the point:**

Toray and Cytec allocate corporate overhead to their composite subsidiaries, while Hexcel does not

Hexcel had approximately \$50 million of unallocated expenses in the trailing twelve months

**Adjusted Composite Margins**

Trailing Twelve Months, millions \$

Composite revenues	693.0	669.7	975.8
Composite operating inc.	154.0	132.3	142.8
Less 80% of unall. exp.			
Adjusted operating income			103.8
<i>% revenues</i>		22.2%	19.8%
			10.6%

\*As Hexcel's composite business is approximately 80% of corporate revenues, assumes 80% pro-rata allocation of corporate expenses to composite subsidiary

**Adjusted Margin Shortfall Is Even  
More Dramatic**

Operating Income As % Of Sales \*

\*As Hexcel's composite business is approximately 80% of corporate revenues, assumes 80% pro-rata allocation of corporate expenses to composite subsidiary

10

Hexcel's margins are consistently and dramatically below their competitors' margins.

11



## **Hexcel's Analysis Is Misleading**

### **In its April 2008 investor presentation, Hexcel presents misleading statements about OSS Capital's nominees:**

Hexcel claims Ed Blechschmidt was the CEO of Gentiva for 30 months

Ed was the CEO of Olsten/Gentiva for 4 years

Hexcel claims no aerospace experience evident in Jake Hirsch's background

At Textron, ~25% of the product overseen by Jake was for aerospace customers

Hexcel claims no public board experience evident in Tim Leuliette's background

Tim has served on multiple public boards:

Operating Board, Siemens AG

Board of Directors member, Libby Owens Ford

Co-Chairman of the Board, Asahi Tec Corporation

Member of the Board & Chair of Restructuring Committee, Collins & Aikman

### **Hexcel's Analysis Is Misleading**

**In its April 2008 investor presentation, Hexcel presents a misleading peer margin comparable analysis:**

Hexcel includes multiple customers as its peer group

Most customers are not peers

Hexcel's direct peers are Cytec and Toray

Cytec is a customer and peer

However, a comparison of total corporate margins is misleading

Cytec is a conglomerate and the proper approach is to compare Cytec's composite subsidiary with Hexcel's composite subsidiary

Hexcel includes low margin composite "peers" Gurit and SGL carbon in its analysis

But Hexcel conveniently excludes Mitsubishi Rayon which has composite margins north of 25%!

**Hexcel's Analysis Is Misleading**

**In its April 2008 investor presentation, Hexcel presents weak explanations for sub-peer performance:**

US health care costs

Foreign exchange

Investment for growth

Wage inflation

Raw material costs

Cost pressures are not unique; competitors face these same challenges and they do not have the same scale as Hexcel!

14

No matter how the company is analyzed and no matter what qualitative adjustments or explanations are made, Hexcel's margins in the composite business are just too low. Hexcel is underperforming and needs help.

15

**The Value Gap**

**If Hexcel realized composite operating margins similar to its peers, its composite operating income could be \$60+ million higher**

Trailing Twelve Months, millions \$

Composite revenues	693.0	669.7	975.8	975.8
Composite operating inc.	154.0	132.3	142.8	204.9
<i>% revenues</i>		22.2%	19.8%	14.6%
21.0%				

16

**Bridging The Value Gap**

At \$60 million in additional EBIT:

Current EV/EBIT multiple = 17.6x TTM EBIT

Additional equity value = \$1.1 billion

Shares outstanding = 95.8 million

**This represents a value gap of \$11.50 per share.**

## **The Aerospace Opportunity**

### **In our view:**

The secular aerospace boom presents a huge opportunity

Hexcel's depressed profitability may hinder the company's ability to generate enough cash to fully support the development of next generation composite aircraft

Hexcel should not be a second tier player on next generation aircraft...they should be the dominant player!

Hexcel must focus intensely on developing an effective global footprint with industry leading profitability and execution

**Why These Nominees?**

The three business executives that OSS Capital has nominated are committed to these priorities and have the expertise to help

19



**Meet The Nominees**

All three nominees possess successful manufacturing backgrounds that are international in scope

Each has demonstrated success in operating in cost competitive environments

Each enhances the Hexcel Board's ability to move the company to greater operating efficiency and profitability

20

21

**Ed Blechschmidt**

Proven CEO experience in expanding shareholder value

Novelis (\$10 billion worldwide aluminum company), 2006-2007

Gentiva (\$1.5 billion healthcare company), 2000-2002

Olsten Corp. (\$5 billion worldwide conglomerate), 1998-2000

Diverse public board experience

Manufacturing, Technology, Healthcare

Committee Chair experience (Sarbox, CD&A, Special)

Certified Financial Expert

21 years at Unisys, including CFO

Led financial restatement at Healthsouth Corp.

Proven audit committee experience with the Big 4

Offered seat on Hexcel Board

21

**Joachim “Jake” Hirsch**

More than 30 years of international manufacturing experience in Europe, Asia, and North America

Broad industry experience in automotive, industrial, aerospace, and private equity industries

Significant turn-around experience as a CEO

Deep knowledge of plant level operations and manufacturing best practices from tenure at Textron and Teksid Aluminum

Successful negotiations with unions both in Europe and North America, resulted in wage concessions and peaceful plant closings

Thorough understanding of corporate governance including SOX requirements

Experience on numerous non-public boards in both Europe and North America

23

**Timothy Leuliette**

Experienced CEO of multi-billion enterprises with broad based, global business and corporate governance expertise:

Turn-around experience: ITT Industries, Penske Corp.

Corporate build-up: Siemens A.G.

Private equity build-up and exit: Metaldyne/Asahi Tec

First non-German to become a corporate officer and sit on an operating board at Siemens A.G.

First American to be CEO of a large, independent, publicly listed Japanese company

Chairman of Detroit Branch of Federal Reserve Bank of Chicago

Board assignments in troubled and/or challenged situations: Libby-Owens-Ford, Collins & Aikman

23

**Conclusion**

OSS Capital's objective is to elect these three highly qualified nominees in order to facilitate Hexcel's ability to:

Increase margins

Enhance profitability

Maximize stockholder value

**Vote the white proxy card for a more qualified Board at**

**Hexcel**

24

**Conclusion**

**Thank you, we appreciate your support**

25