

AIRGAS INC
Form DEFA14A
July 21, 2010

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

(Amendment No.)

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

Airgas, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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x No fee required.

.. Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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(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):

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(3) Filing Party:

(4) Date Filed:

Earnings Teleconference
Earnings Teleconference
First Quarter Ended June 30, 2010
First Quarter Ended June 30, 2010
July 21, 2010
July 21, 2010

1
1

FORWARD-LOOKING STATEMENTS

This presentation contains statements that are forward looking.

Forward-looking statements include the statements identified as forward-looking in the

Company's press release announcing its quarterly earnings, as well as any statement that is not based on historical fact, including statements containing the words "believes,"

may,
plans,
will,
could,
should,
estimates,
continues,
anticipates,
intends,
expects
and similar

expressions. All forward-looking statements are based on current expectations regarding important risk factors and should not be construed as a representation by us or any other person that the results expressed therein will be achieved. Airgas assumes no obligation to update or revise its forward-looking statements for any reason, except as required by law. Important factors that could cause actual results to differ from those contained in any forward-looking statement include the factors identified in the Company's press release announcing its quarterly earnings and other factors described in the Company's reports, including its March 31, 2010 Form 10-K and other forms filed by the Company with the Securities and Exchange Commission. The Company notes that forward-looking statements made in connection with a tender offer are not subject to the anti-fraud provisions created by the Private Securities Litigation Reform Act of 1995.

The Company is not waiving any other defenses that may be available under applicable law.

ADDITIONAL INFORMATION

This press release does not constitute an offer to buy or solicitation of an offer to sell any securities. In response to the tender offer for Air Products Distribution, Inc., a wholly owned subsidiary of Air Products and Chemicals, Inc., Airgas has filed a solicitation/recording statement on Schedule 14D-9 with the U.S. Securities and Exchange Commission ("SEC"). **INVESTORS AND SECURITY HOLDERS OF AIRGAS ARE URGED TO REVIEW THESE AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY IN THEIR ENTIRETY BECAUSE THEY CONTAIN IMPORTANT INFORMATION.** Investors and security holders may obtain free copies of these documents and other documents filed with the SEC by Airgas through the website maintained by the SEC at <http://www.sec.gov>. Also, materials related to Air Products' Unsolicited Proposals are available in the Unsolicited Proposals section of the Company's website at www.airgas.com, or through the following web address: <http://investor.shareholder.com/airgas>. In addition, Airgas has filed a preliminary proxy statement on Schedule 14A with the SEC on July 8, 2010 in connection with the 2010 Annual Meeting of Airgas stockholders. Airgas expects to file a definitive proxy statement with the SEC in connection with the 2010 annual meeting of Airgas stockholders and may file other proxy solicitation material in connection therewith. A copy of the proxy statement will be mailed to stockholders of Airgas. **INVESTORS AND SECURITY HOLDERS OF AIRGAS ARE URGED TO REVIEW THESE AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY CONTAIN IMPORTANT INFORMATION.** Investors and security holders will be able to obtain free copies of these documents (when available) and other documents filed with the SEC by Airgas through the web site maintained by the SEC at <http://www.sec.gov>.

CERTAIN INFORMATION REGARDING PARTICIPANTS

Airgas
and
certain
of

its
directors
and
executive
officers
may
be
deemed
to
be
participants
under
the
rules
of
the
SEC.
Security
holders
may
obtain
information
regarding
the
names,
affiliations
and
interests
of
Airgas'
directors
and
executive
officers
in
Airgas'
Annual
Report
on
Form
10-K
for
the
year
ended March 31, 2010, which was filed with the SEC on May 27, 2010, and its proxy statement for the 2009 Annual Meeting,
on
July
13,
2009
and

its
preliminary
proxy
statement
for
the
2010
Annual
Meeting,
which
was
filed
with
the
SEC
on
July
8,
2010.

To
the
extent
holdings
of Airgas securities have changed, such changes have been or will be reflected on Statements of Change in Ownership on Form

These
documents
can
be
obtained
free
of
charge
from
the
sources
indicated
above.

Additional
information
regarding
the
interests
of
these
participants
in
any
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 if and when they become available.

Strong performance as economy emerges from recession

1Q11 Adjusted EPS* \$0.83

Second-best earnings quarter in Airgas history

Revenues not yet recovered to pre-recessionary levels

Same-store sales up +6% YoY

Daily sales improved +5% sequentially

Broad-based momentum, led by manufacturing

Strategic Accounts sales up 12%; now represent 20% of total sales

Adjusted Operating Margin* 12.3% (up 130 bps YoY)

Strong operating leverage on sales growth

Raised FY11 Adj. EPS* guidance by more than 7% to \$3.15 to \$3.30

Represents 21% to 27% growth before SAP costs

Free Cash Flow* of \$113 million

Adjusted Debt* reduction of \$83 million

Increased 2Q11 dividend by 14% to 25¢

First Quarter Recap

First Quarter Recap

2

2

* See attached reconciliations of non-GAAP measures

3

3

Strategic Products Overview

Strategic Products Overview

1Q11: Broad-based increase in customer activity, most pronounced in manufacturing; continued strong existing customer penetration

Long-term: Strong cross-sell, customer base under-penetrated

1Q11: Sequential and YoY

improvement in industrial mfg, including steel, and

auto; continued strength in food-freezing

Long-term: Application growth, engineering solutions, sales force presence in the field

1Q11: Relatively resilient throughout downturn; slowing in elective and non-critical procedures more than offset by new customer signings

Long-term: Population demographics for respiratory therapy, full range of supply modes, strong cross-sell

1Q11: Sequential improvement due to normal seasonality of business

Long-term: Food product applications, beverage market

1Q11: Higher YoY

volumes; sequential improvement in demand for core spec gases, including EPA protocols

Long-term: Application growth, environmental regulations, enhanced capabilities

1Q11

1Q11

Organic

Organic

Growth

Growth

Strategic Products represent more than 40% of total sales and have strong growth profiles due to:

Favorable customer segments

Application development

Increasing environmental regulation

Strong cross-sell

Quarterly

Quarterly

Sales

Commentary

/

Long-Term

Growth

Accelerators

Strategic Products

Strategic Products

1Q11

1Q11

Organic

Organic

Growth

Growth

1Q11

1Q11

Seq. DSR

Seq. DSR

Growth

Growth

1Q11

1Q11

Seq. DSR

Seq. DSR

Growth

Growth

Total Strategic Products

Total Strategic Products

+9%

+9%

+7%

+7%

+6%

+6%

+5%

+5%

+15%

+15%

+8%

+8%

+4%

+4%

+8%

+8%

+3%

+3%

+3%

+3%

+3%

+3%

+5%

+5%

+7%

+7%

+19%

+19%

Safety Products

Safety Products

Bulk Gas

Bulk Gas

Medical Sales

Medical Sales

Specialty Gas

Specialty Gas

CO

CO

2

2

/Dry Ice

/Dry Ice

Total

Same-Store

Sales

Consolidated Results

Consolidated Results

4

4

* See attached reconciliations of non-GAAP measures

Note: Certain reclassifications have been made to prior period financial statements to conform to the current presentation.

(\$ in millions, except per share amounts)

1Q11

4Q10

Seq. Var.

1Q10

YoY Var.

Sales

\$ 1,053

\$ 983

+7%

\$ 982

+7%

Gas & Rent Sales Mix

64.2%

63.8%

65.0%

Same-Store Sales

+6%

Price

+1%

Volume

+5%

Gas & Rent SSS

+5%

Hardgoods SSS

+8%

Acquired Sales Contribution

+1%

Gross Profit

\$ 578

\$ 535

\$ 543

Gross Margin

54.9%

54.4%

+ 50 bps

55.3%

-40 bps

Adjusted Operating Income*

\$ 130

\$ 105

+24%

\$ 108

+20%

Adjusted Operating Margin*

12.3%

10.7%

+ 160 bps

11.0%

+ 130 bps

EPS

\$ 0.76

\$ 0.47

+62%

\$ 0.66

+15%

Significant Charges Included in EPS:

Costs related to unsolicited takeover attempt

0.03

0.18

-

Loss on early extinguishment of debt

0.02

0.07

-

Multi-employer pension plan withdrawal

0.02

-

-

Income tax benefit

-

(0.03)

-

Adjusted EPS*

\$ 0.83

\$ 0.69

+20%

\$ 0.66

+26%

Weighted Average Shares Outstanding

85.3

84.7

+1%

83.3

+2%

Return on Capital (LTM) *

10.5%

10.0%

11.8%

Free Cash Flow *

\$ 113

\$ 121

\$ 119

Adjusted Debt *

\$ 1,721

\$ 1,805

\$ 1,981

Incremental
selling day

Daily Sales Rate

+5% seq.

Segment Results

Segment Results

5

5

Distribution

(\$ in millions)

1Q11

4Q10

Seq. Var.

1Q10

YoY Var.

Sales

\$ 932

\$ 889

+5%

\$ 875

+7%

Gas & Rent Sales Mix

59.7%

60.1%

60.9%

Same-Store Sales

+5%

Price

+1%

Volume

+4%

Gas & Rent SSS

+3%

Hardgoods SSS

+8%

Gross Profit

\$ 517

\$ 491

\$ 490

Gross Margin

55.5%

55.3%

+ 20 bps

56.1%

-60 bps

Adjusted Operating Income*

\$ 107

\$ 100

+7%

\$ 90

+19%

Adjusted Operating Margin*

11.5%

11.2%

+ 30 bps

10.3%

+ 120 bps

All Other Operations

(\$ in millions)

1Q11

4Q10

Seq. Var.

1Q10

YoY Var.

Sales

\$ 128

\$ 100

+28%

\$ 113

+14%

Same-Store Sales

+13%

Gross Margin

46.9%

43.3%

+ 360 bps

46.7%

+ 20 bps

Operating Income

\$ 23

\$ 5

+317%

\$ 18

+25%

Operating Margin

17.7%

5.4%

+ 1230 bps

16.1%

+ 160 bps

Incremental

selling day

Daily Sales Rate

+3% seq.

* See attached reconciliations of non-GAAP measures

Note: Certain reclassifications have been made to prior period financial statements to conform to the current presentation.

6
6
(\$ in millions)
1Q11
1Q10

Cylinders and Bulk Tanks

\$ 19

\$ 16

Machinery and Equipment

13

14

Computers

1

2

Rental Welders

-

-

Construction-in-Process, Buildings & Land

22

27

Other ^

6

8

TOTAL

\$ 61

\$ 67

% of Sales

5.8%

6.9%

^ Includes Vehicles, Furniture & Fixtures and other items not specifically identified.

Capital Expenditures

Capital Expenditures

Guidance

Assumptions

Tax rate 38%-39%

Includes SAP implementation costs

Includes acquisitions closed through 7/20/10

Does not incorporate the impact of debt extinguishment or multi-employer pension plan withdrawal charges, if any, or future costs related to unsolicited takeover attempt

7

7

2Q11 & FY11 Guidance Summary

2Q11 & FY11 Guidance Summary

2Q11

FY11 (Updated)

Adjusted EPS

\$0.78 to \$0.82

\$3.15 to \$3.30

YoY

% Growth

+15% to +21%

+18% to +23%

SAP implementation costs
included in guidance

\$0.03

\$0.10

YoY

% Growth ex-

SAP costs

+19% to +25%

+21% to +27%

Operating Margin

12.0% to 12.5%

Capex

~5.5% of Sales

Same-Store Sales Growth

High

Single Digits

Mid to High