

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):

Edgar Filing: AIRGAS INC - Form DEFA14A

x 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 240.0-11 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:

It's All About Value
It's All About Value
July 21, 2010
July 21, 2010

1
1
1
1
1
1
1
1
1
1
1
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
regarded
as
a
representation
by
us
or
any
other
person

that
the
results
expressed
therein
will
be
achieved.
Airgas
assumes
no
obligation
to
revise
or
update
any
forward-looking
statements
for
any
reason,
except
as
required
by
law.
Important
factors
that
could
cause
actual
results
to
differ
materially
from
those
contained
in
any
forward-looking
statement
include
the
factors
identified
in
the

Company's
press
release
announcing
its
quarterly
earnings,
as
well
as
other
factors
described
in
the
Company's
reports,
including
its
March
31,
2010
Form
10-K,
subsequent
Forms
10-Q,
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
safe
harbors
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
ADDITIONAL INFORMATION

This
presentation
does
not
constitute
an
offer
to
buy
or
solicitation
of
an

offer
to
sell
any
securities.

In
response
to
the
tender
offer
commenced

by
Air
Products
Distribution,
Inc.,

a
wholly
owned
subsidiary
of
Air
Products
and
Chemicals,
Inc.,

Airgas
has
filed

a
solicitation/recommendation
statement

on
Schedule
14D-9

with
the
U.S.

Securities
and
Exchange
Commission
(SEC).

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.

Investors
and
security
holders
may
obtain
free
copies
of
these
documents
and
other
documents
filed
with
the
SEC
by
Airgas
through
the
web
site
maintained
by
the
SEC
at

<http://www.sec.gov>.

Also,

materials

related

to

Air

Products

Unsolicited

Proposals

are

available

in

the

Investor

Information

section

of

the

Company's

website

at

www.airgas.com,

or

through

the

following

web

address:

<http://investor.shareholder.com/arg/airgascontent.cfm>.

In

addition,

Airgas

filed

a

preliminary

proxy

statement

for

the

2010

Annual

Meeting

with

the

SEC

on

July

8,

2010,

and

Airgas
will
file
a
definitive
proxy
statement
in
advance
of
the
2010
Annual
Meeting.

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.

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
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,
its
proxy
statement
for
the
2009
Annual
Meeting,
which
was
filed
with
the
SEC
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
since
the
amounts
printed
in
the
proxy
statement
for
the
2009
Annual
Meeting,
such
changes
have
been
or
will
be
reflected
on
Statements
of
Change
in
Ownership
on
Form
4
filed
with
the
SEC.
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.

2
2
2
2
2
2
2
2
2
2
2
2
2
2

Airgas Has Consistently Created
Airgas Has Consistently Created

Shareholder Value

Shareholder Value

Absolute Total Shareholder Return

Since Airgas

IPO (a)

4,201%

Total Shareholder Return CAGR

Since Airgas

IPO (a)

18%

Total Shareholder Return Since January 1, 1987

Ranking in S&P 500 (b)

#26 highest out of 500

Officer and Director Stock Beneficial Ownership (c)

11.9%

Officer and Director Stock Beneficial Ownership

Ranking in S&P 500

#28 highest out of 500

Note:

Market

data

measured

through

market

close

on

February

4,

2010,

prior

to

date

of

announcement

of

the

Air

Products

offer.

(a)

Split-adjusted,

since

Airgas

IPO

in

1986.

Total

Shareholder

Return

calculated

as
share
price
plus
dividends
reinvested.

(b)
Excludes
current
S&P
500
constituents
which
were
not
public
at
January
1,
1987.

(c)
Includes
all
options
and
other
rights
to
acquire
shares
exercisable
on
or
within
60
days
of
May
31,
2010.

3
3
3
3
3
3
3
3
3
3
3

Airgas
management has a proven track record of exceptional
shareholder value creation

The
Airgas
Board
unanimously
believes
that
Air
Products
offer
grossly
undervalues Airgas

We believe strongly that Airgas will generate more value for
stockholders by executing its strategic plan than by pursuing Air
Products
proposed transaction

FY Q1 2011 announced results demonstrate the strength of our earnings
growth, underpinned by an economic recovery that is just beginning

In
addition,
Airgas
has
significant
scarcity
value
as
the
largest
independent packaged gas business in the world

3
3
We believe that Airgas is poised to deliver significant value driven by a
material recovery in our earnings through 2012

Our Board Believes That Air Products

Our Board Believes That Air Products

Offer

Offer

Would Deprive You of Full Value

Would Deprive You of Full Value

4
4
4
4
4
4
4
4
4
4

Unfolding macro-economic recovery underpins our Same-Store Sales (SSS) growth of ~7% per year

Comparable to SSS growth in the prior recovery period

As SSS increase, the operating leverage inherent in Airgas business model has historically translated to a higher EBITDA margin on every dollar of incremental revenue, and we expect this to continue

Business mix is focused on higher-margin activities

e.g.
Gas
&
Rent
now
comprises
65%
of
total
sales
versus
55%
1
in
the
prior
recovery period

Margin
expansion
is
expected
to
be
further

enhanced
by
continued
focus
on operating efficiencies

Investment of nearly \$2.5 billion in capex
and acquisitions in the last
three years is not yet fully reflected in current performance

4

4

Why We Expect a Clear Path to EPS of
Why We Expect a Clear Path to EPS of
\$4.20+ by CY 2012
\$4.20+ by CY 2012

1

CY2002.

5
5
5
5
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5
5
5
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5
5

5

What Happened in the Last Recovery?

What Happened in the Last Recovery?

* See attached reconciliations of non-GAAP measures.

Note: CAGR

= Compound Annual Growth Rate.

18% CAGR

6
6
6
6

Source: Airgas Management and Wall Street research.

* See attached reconciliations of non-GAAP measures.

Recovery is Demonstrated in Our 1Q

Recovery is Demonstrated in Our 1Q

FY2011 Earnings

FY2011 Earnings

Airgas
earnings recovery is clearly underway and reinforces our confidence
in our CY2012 EPS goal of \$4.20+
We have exceeded the high end of
our guidance and consensus
estimates by **15%**
and
Q1 2010 by **26%**
Strong operating momentum
is reflected in our **7+%**
raise in
guidance
1Q11 has resulted in the highest
EBITDA margin in ARG
history and is already
within our
CY 12 Goals
1Q FY2011
Adj. EPS*
FY2011
Adj. EPS*
EBITDA Margin*
Announced
First Fiscal Quarter
Revised Guidance
Actual 1QF11
CY12 Goal

7
7
7
7
7
7
7
7
7
7

Five key factors drive our earnings goal of \$4.20+ in CY 2012

- I.
Expected recovery of Same-Store Sales growth
- II.
Demonstrated operating leverage in the business model
- III.
Continued focus on cutting operating costs
- IV.
Maintaining higher margin business mix
- V.
Realization of anticipated returns on capital investments made in recent years

7
7

Expected Earnings Growth and Strong Cash
Flow are Projected to Underpin Our
Shareholder Value Creation

Expected Earnings Growth and Strong Cash
Flow are Projected to Underpin Our
Shareholder Value Creation

8
8
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8
8

I. Our Projections Assume SSS Growth

I. Our Projections Assume SSS Growth

Comparable to the Last Expansion

Comparable to the Last Expansion

8
8

Calendar Year Same-Store Sales Growth Rate

Note: Represents calendar year ended December 31. 2010 Non-Tech Industrial Production Growth Rate and ISM Index repres

1

The ISM Purchasing Managers

Index is a measure of the overall economic health of the manufacturing sector; a value above or below 50 represents an expansion or a contraction, respectively.

2010-2012 Avg: ~7%

Airgas Calendar Year Sales

2003-2005 Avg: 6%

(2)%

0 %

8 %

11 %

10 %

7 %

6 %

(16)%

30.0

40.0

50.0

60.0

70.0

(20)%

(10)%

0 %

10 %

20 %

2002

2003

2004

2005

2006

2007

2008

2009

2010

2011E

2012E

-

Non-Tech IP Growth Rate

ISM Index¹

\$1.8

\$1.8

\$2.2

\$2.7

\$3.1

\$3.8

\$4.4

\$3.9

\$5.2+

\$0.0

\$1.0

\$2.0

\$3.0

\$4.0

\$5.0

\$6.0

2002

2003

2004

2005

2006

2007

2008

2009

2012E

14%
24%
23%
19%
0 %
10 %
20 %
30 %
2003-2005 Avg
2006
2007
2008

2009

2010-2012 Avg

9

9

9

9

9

9

9

9

9

9

9

9

9

9

II. SSS Growth Drives Substantial EBITDA*

II. SSS Growth Drives Substantial EBITDA*

Growth Due to Operating Leverage

Growth Due to Operating Leverage

Calendar Year Same-Store Sales Growth Rate

Operating Leverage Drives Improved Fall Through

1

(Change in EBITDA* / Change in Sales)

* See attached reconciliations of non-GAAP measures.

1

Fall through has been adjusted for special items.

2

Not meaningful due to negative change in sales in 2009.

Not

Meaningful ²

22+%

~7%

6 %

10 %

7 %

6 %

(16)%

(20)%

(10)%

0 %

10 %

20 %

2003-2005 Avg

2006

2007

2008

2009

2010-2012 Avg

10
10
10
10
10
10
10
10
10
10
10

III. Operating Leverage Expected to be
III. Operating Leverage Expected to be
Further Enhanced by Ongoing Cost Savings
Further Enhanced by Ongoing Cost Savings

Achieved original goal of aggregate \$25M annual run-rate cost savings

Target announced in September 2007

Achieved three quarters ahead of schedule in December 2009

In December 2009, we announced incremental savings target of \$30M to be achieved by CY 2012

Logistics, plant studies and cylinder testing drive savings

Cost savings after 2012 expected to be further enhanced by realization of SAP benefits

Actual Savings
Through CY09

CY10

CY11

CY12

Expected

Cumulative Savings
Through CY12

Routing logistics

\$7M+

\$5M

\$6M

\$7M

\$25M+

Cylinder testing

\$6M+

\$2M

\$2M

\$1M

\$11M+

Freight

\$5M+

\$1M

\$1M

\$1M

\$8M+

Plant studies

\$3M+

\$2M

\$1M

\$1M

\$7M+

Fuel

\$2M+

-

-

-

\$2M+

Indirect spend

\$2M

-

-

-

\$2M

Total

\$25M+

\$10M

\$10M

\$10M

\$55M+

Expected Incremental Savings CY10-CY12

11
11
11
11
11
11
11
11
11
11
11
11

IV. Business Mix Improvement Produces
IV. Business Mix Improvement Produces
Higher Margins
Higher Margins
Gas/Rent
Gas/Rent
55%

55%
Hardgoods
Hardgoods
45%
45%
Last Recession
1
CY 2009
CY 2009
CY 2012E
CY 2012E

Gas/Rent
%
of
Sales:
Significantly
higher
margins
than
Hardgoods

RADNOR
Private
Label
%
of
Hardgoods
Sales:
Gross
margins
1.5-2.0x
comparable
OEM
products

Atmospheric
Gas
Production
%
of
Total
Atmospheric
Gas
Consumption:
Improves
sourcing
position
to
achieve

lowest

landed

cost

and

higher

margins

Gas/Rent

Gas/Rent

65%

65%

Hardgoods

Hardgoods

35%

35%

Gas/Rent

Gas/Rent

65%

65%

Hardgoods

Hardgoods

35%

35%

Sales

\$1.7B

\$3.9B

\$5.2B+

RADNOR Private Label

(% of Hardgoods

Sales)

~

~

12-15%

Atmospheric Gas Production

(% Total Atmos. Consumption)

10%

60%+

65%+

EBITDA Margin*

14%

17%

18.0-18.5%

1

CY2002.

* See attached reconciliations of non-GAAP measures.

12
12
12
12
12
12
12
12
12
12
12
12

V. Substantial Investments Since Last Cycle
V. Substantial Investments Since Last Cycle
Should Generate Higher Margins
Should Generate Higher Margins

Distribution Footprint:
established national distribution platform, leveraging customer
density, enabling service of large multi-location customers

Production Capacity:

increased ASU production capacity has enhanced our sourcing
position
to
achieve
the
lowest
landed
product
cost
1
1
Landed
product
cost
is
the
full
cost
of
a
product
from
sourcing
up
until
the
point
of
sale.

*
See
attached
reconciliations
of
non-GAAP
measures.

Last
Recession
CY 02
CY 09
Goals
CY 12
Cylinders (in millions)
5+
10+
Bulk Tanks
6,000+
13,500+
Locations
~800

~1,100

ASU Production Capacity (liquid tons per day)

475

6,700

ASU Capacity Utilization

~87%

~70%

Revenue per Employee (in thousands)

\$200

\$279

Adjusted EBITDA Margin*

13.6%

17.3%

18%-18.5%

Adjusted EPS*

\$0.94

\$2.67

\$4.20+

Substantial

Investments

Operational

Efficiency

13
13
13
13
13
13
13

Source: Airgas Management.

* See attached reconciliations of non-GAAP measures.

First Quarter Fiscal 2011 Already Within the
First Quarter Fiscal 2011 Already Within the

Range of Our CY 2012 EBITDA Margin Goal
Range of Our CY 2012 EBITDA Margin Goal
EBITDA Margin

14
14
14
14
14
14
14

Source: Airgas Management.

* See attached reconciliations of non-GAAP measures.

On Track To Achieve CY 2012 EPS Goal

On Track To Achieve CY 2012 EPS Goal

1H CY2010 Adjusted EPS* increased **+13%** vs. 1H CY2009

1Q FY2011 Adjusted EPS* increased **+26%** vs. 1Q FY2010

\$ 3.30 to

\$ 3.15

\$ 3.05 to

\$ 2.95

18-23% Increase

16% CAGR

15
15
15
15
15
15

* See attached reconciliations of non-GAAP measures.

Note: CAGR

= Compound Annual Growth Rate.

As a Result, We Expect EPS Growth
As a Result, We Expect EPS Growth
Consistent with Past Recoveries
Consistent with Past Recoveries

\$2.20

\$2.60

\$3.00

\$3.40

\$3.80

\$4.20

\$4.60

Dec

-09

Dec

-10

Dec

-11

Dec

-12

Calendar Year

EPS 2009

-2012

\$0.80

\$0.90

\$1.00

\$1.10

\$1.20

\$1.30

\$1.40

\$1.50

\$1.60

Dec

-02

Dec

-03

Dec

-04

Dec

-05

Calendar Year Adjusted

EPS* 2002

-2005

\$4.20+

(CY12 Goal)

\$2.67*

\$1.53

\$0.94

16% CAGR

18% CAGR

2

Adj. EPS*
EPS
FY11
Guidance*
(Updated)
\$3.30
\$3.15
2

16
16
16
16
16
16
16
16
16
16

16
16
16
16
16

* See attached reconciliations of non-GAAP measures.

Case 1: FY05

(Goals Published May 2001 Analyst Meeting)

Case 2: FY08

(Goals Published November 2004 Analyst Meeting)

Case 3: CY08

(Goals Represent CY08 Component of FY11 Goals
Published September 2007 Analyst Meeting)

We Have a Track Record of Meeting or

We Have a Track Record of Meeting or

Beating Our Mid-Term

Beating Our Mid-Term

Goals

Goals

Performing well toward FY11 goals

prior to recession

\$3.0B

\$315M

10-11%

11-12%

\$4.0B

\$476M

11.9%

13.2%

Sales

Op. Profit

Op. Margin

ROC*

FY08 Goals

FY08 Results

\$4.3B

\$541M

12.1%-

12.6%

13.2%-

13.7%

\$4.4B

\$541M

12.2%

13.5%

Sales

Op. Profit

Op. Margin

ROC*

CY08 Goals

CY08 Results

\$2.0B

\$200M

10.0%

10.0%

\$2.4B

\$209M

8.8%

10.3%

Sales

Op. Profit*

Op. Margin*

ROC*

FY05 Goals

FY05 Results

17
17
17
17
17
17
17
17
17
17
17

Note: Further benefits expected to be realized from ongoing SAP implementation.
In Addition, Returns from Significant Recent
In Addition, Returns from Significant Recent

Investments Yet to be Fully Realized...

Investments Yet to be Fully Realized...

(\$ in millions)

Total Capital Deployed

Since January 1, 2007

ASUs (Carrollton, New Carlisle)

\$ 80

SAP Implementation to Date

62

CO₂ Plants

25

Plant Upgrades / Consolidation

100

Other Capital Expenditures

344

Total Capital Expenditures

\$ 990

Linde Bulk Assets

\$ 495

Linde Packaged Gas Assets

310

Other Acquisitions

563

Total Acquisitions

\$ 1,368

Total Capital Deployed

\$ 2,358

Capital

Expenditures

Acquisitions

Total Capital

Deployed

Cylinders & Bulk Tanks

379

18
18
18
18
18
18
18

Note: Dollars in millions.

*See attached reconciliations of non-GAAP measures.

Air Products

Initial Proposal

...While Airgas Has Continued to Repay Debt

...While Airgas Has Continued to Repay Debt
and Build Value for Shareholders
and Build Value for Shareholders

19
19
19
19
19
19
19
19
19
19

19
19
19
19
19

The Industrial Gas Sector has Steadily

The Industrial Gas Sector has Steadily

Consolidated

Consolidated

Major Industrial Gas Players in 2000

Company

AGA

Air Liquide

Air Products

Airgas

The BOC Group

Hede Nielsen

Japan Air Gases

Linde

Linweld

Messer Griesheim

Nippon Sanso

Praxair

Taiyo Toyo Sanso

Valley National Gases

Company

Enterprise Value (\$bn)

Air Liquide

\$38

Praxair

31

Linde

28

Air Products

19

Airgas

7

Taiyo Nippon Sanso

6

Major Industrial Gas Players in 2010

Source: Bloomberg market data as of July 16, 2010, public filings.

20
20
20
20
20
20
20
20
20
20

20

Airgas is the Only Remaining Independent

Airgas is the Only Remaining Independent

Packaged Gas Company of Scale in the World

Packaged Gas Company of Scale in the World

\$12B+ U.S. Packaged Gases &

Welding Hardgoods Market

\$12B+ U.S. Packaged Gases &

Welding Hardgoods Market

~900

Independents

50%

~900

Independents

50%

Airgas

25%

Airgas

25%

Praxair PDI

Matheson Tri-Gas

Air Liquide

Linde

Packaged Gases

\$6.5B+

Packaged Gases

\$6.5B+

Welding Hardgoods

\$5.5B+

Welding Hardgoods

\$5.5B+

Air Liquide

Air Products

Linde

Praxair

Air Liquide

Linde

Praxair

Taiyo Nippon Sanso

Regional Competitors

Independents

Air Liquide

Linde

Praxair

Taiyo Nippon Sanso

Regional Competitors

Independents

Safety PPE

\$6B+

Other MRO

\$50B+

Pipeline & bulk

~\$10B

21
21
21
21
21
21
21
21

As an independent company, Airgas has demonstrated a strong track record of earnings growth and stock price appreciation

Strongly positioned to grow leading share in packaged gas

Also strongly positioned to grow share in bulk gases

As a result, we believe that Airgas is well positioned to continue to deliver shareholder value

Delivering robust SSS growth

Continuing to deliver operating efficiencies

Proven history of successful acquisition integration

The Airgas Board understands the unique strategic value of the company

Airgas Represents

Airgas Represents

Significant Strategic Value

Significant Strategic Value

22
22
22
22
22
22
22
22
22
22
22

Source: Bloomberg consensus estimates as of July 16, 2010.

1

Data indexed to January 2006.

Timing Matters: U.S. Economic Recovery is

Timing Matters: U.S. Economic Recovery is

Just Beginning

Just Beginning

23
23
23
23
23
23
23
23

Air Products

proposal would amend Airgas
bylaws to require Airgas to hold
future Annual Meetings in January

Requires Airgas to accelerate its 2011 meeting to elect directors on January
18, 2011 (and all subsequent meetings in January of each year)

We believe that implementation of Air Products
proposals would prevent Airgas
shareholders from benefiting from the Company's earnings recovery and
resulting value creation

Full text of the Schedule TO text that was subsequently deleted:

Given that the economy is just beginning to emerge from recession, Air Products concluded
that the timing is ideal because the combined company would be able to take full advantage of the substantial growth potential
synergies unique to this transaction.

-
Air Products Schedule TO dated February 11, 2010 (deleted in Schedule 14A dated June 16, 2010)

Given that the economy is just beginning to
emerge from recession, Air Products concluded
emerge from recession, Air Products concluded
that the timing is ideal...
that the timing is ideal...

24
24
24
24
1
Average
change
in
share
price
of
Praxair,
Air

Liquide,
and
Linde
between
February
5,
2010,
the
date
Air
Products
\$60
proposal
was
made
public,
and
July
8,
2010,
the
date
of
Air
Products
offer
of
\$63.50.
Share
price
changes
denominated
in
the
local
currencies.
2
Based
on
consensus
1Q
FY2011
EPS
estimate
of
\$0.72
and
actual
adjusted
EPS

of

\$0.83.

...But Air Products

...But Air Products

Proposals Haven't Even

Proposals Haven't Even

Kept Pace With the Growth in Peer Equity

Kept Pace With the Growth in Peer Equity

Values

Values

25
25
25
25
25
25
25
25

Peter McCausland

Chairman and CEO of Airgas since 1987

Airgas Director since 1986 IPO

Beneficial ownership of ARG nearly 8.6 million shares*

4,201%
Total
Shareholder
Return
since
joining
the
Airgas
Board
1

W. Thacher
Brown

Chairman, President and a director of 1838 Investment Advisors LLC from 1988 until retirement in 2004

Airgas Director since August 7, 1989

Beneficial ownership of ARG nearly 192,000 shares*

1,409%
Total
Shareholder
Return
since
joining
the
Airgas
Board
1

Richard C. III

President, CEO, and a director of Triumph Group (NYSE: TGI) since 1993

Airgas Director since August 4, 2004

Beneficial ownership of ARG 48,500 shares*

110%
Total
Shareholder
Return

since
joining
the
Airgas
Board

1

* Source: 2010 proxy statement.

1

Total Shareholder Returns are calculated as share price plus dividends reinvested, measured through the market close on February 2, 2011, the date of announcement of the Air Products offer. Returns are split-adjusted and are measured since the later of the director's start date or the date of the offer.

Airgas

Airgas

Nominees are Keenly Aware of Their

Nominees are Keenly Aware of Their

Fiduciary Duties

Fiduciary Duties

Eight of our Board members are independent and our Board has significant equity ownership, which we believe closely aligns the existing Airgas Board

with Airgas

shareholders

interests

26
26
26
26
26
26
26
26
26

We Believe Air Products
We Believe Air Products
Proposals Would
Proposals Would

Facilitate Its Grossly Inadequate Offer
Facilitate Its Grossly Inadequate Offer

While Air Products' nominees may not be controlled by Air Products, we believe their views could be colored by their relationship with Air Products

To consider strategies other than the Air Products offer, we believe it would be in the best interests of our stockholders if our directors are not associated in any way with Air Products

If you vote for Air Products bylaw proposals, you could reduce Airgas ability to create stockholder value and determine strategic direction
Vote your WHITE proxy card FOR the Airgas Nominees and AGAINST the proposed bylaw amendments

Appendix
Appendix

28
28
28
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28
28
28
28

The Company believes the above Adjusted Operating Income and Adjusted Operating Margin computations help investors assess performance without the impact of acquisition integration costs. Non-GAAP numbers should be

read
in
conjunction
with
GAAP
financial
measures,
as
non-
GAAP

metrics are merely a supplement to, and not a replacement for, GAAP financial measures. It should be noted as well that our Adjusted Operating Income and Adjusted Operating Margin computations may be different from the Adjusted Operating Income and Adjusted Operating Margin provided by other companies.

Reconciliation: Adjusted Operating Income and
Reconciliation: Adjusted Operating Income and
Adjusted Operating Margin
Adjusted Operating Margin
Fiscal Year Ended
March 31, 2005

Sales
2,367,782
\$

Operating Income
202,454

Adjustment:
Acquisition integration costs
6,400

Adjusted Operating Income
208,854
\$

Adjusted Operating Margin
8.8%

29
29
29
29
29
29
29
29

The Company believes this return on capital computation helps investors assess how effectively the Company uses the capital management uses return on capital as one of the metrics for determining employee compensation. Non-GAAP numbers should be reconciled to GAAP financial measures, as non-GAAP metrics are merely a supplement to, and not a replacement for, GAAP financial measures. We note that our return on capital computation information may be different from the return on capital computations provided by other companies.

Reconciliation: Return on Capital

Reconciliation: Return on Capital

Calendar Year

(In thousands)

2005

2008

2008

Operating Income - Trailing Four Quarters

210,454

\$

476,146

\$

541,422

\$

Five Quarter Average of Total Assets

2,134,362

\$

3,708,389

\$

4,122,411

\$

Five Quarter Average of Securitized Trade Receivables

183,300

310,880

360,000

Five Quarter Average of Current Liabilities (exclusive of debt)

(274,035)

(421,589)

(459,362)

Five Quarter Average Capital Employed

2,043,627

\$

3,597,680

\$

4,023,049

\$

Return on Capital

10.3%

13.2%

13.5%

Fiscal Year Ended March 31,

30
30
30
30
30
30
30
30
30
The
Company
believes
the
above
adjusted
EBITDA
margin
computations
help
investors
assess
the
Company's

operating performance without the impact of depreciation and amortization and charges associated with the Company's withdrawal from multi-employer pension plans, costs related to Air Products unsolicited takeover attempt, significant legal settlements and restructuring charges. Non-GAAP numbers should be read in conjunction with GAAP financial measures, as non-GAAP metrics are merely

a
supplement
to,
and
not
a
replacement
for,
GAAP
financial
measures.

It
should
be
noted
as
well
that
our
Adjusted
EBITDA
metric
may
be
different
from
similar
metrics
provided
by
other
companies.

Reconciliation: Adjusted EBITDA Margin

Reconciliation: Adjusted EBITDA Margin

Three Months Ended

Six Months Ended

Low

High

2009

2002

June 30, 2010

June 30, 2010

Sales

5,200,000

\$

5,200,000

\$

3,886,671

\$

1,714,527

\$
1,052,656
\$
2,035,964
\$
Operating Income
648,000
\$
675,000
\$
432,221
\$
142,442
\$
122,751
\$
204,634
\$
Adjustments:
Depreciation & Amortization
286,000
286,000
231,518
79,294
60,467
121,440
Costs related to unsolicited takeover attempt
-
-
-
-
3,787
27,222
Multi-employer pension plan withdrawal charges
-
-
6,650
-
3,204
3,204
Legal Settlement
-
-
-
8,500
-
-
Restructuring charges
-
-

-
2,700
-
-
Other
-
-
400
-
-
-
Adjusted EBITDA
934,000
\$
961,000
\$
670,790
\$
232,936
\$
190,209
\$
356,500
\$
Adjusted EBITDA Margin
18.0%
18.5%
17.3%
13.6%
18.1%
17.5%
Calendar Year
2012 Target

31
31
31
31
31
31
31
31
31
The
Company
believes
that
using
adjusted
EBITDA
in

its
Percentage
of
Adjusted
EBITDA
Fall
Through
metric
provide
investors
meaningful
insight
into
the
Company's
trend
of
the
increase
in
Adjusted
EBITDA
for
every
dollar
of
increased
sales
without
the
impact
of
costs
related
to
the
unsolicited
takeover
attempt,
multi-employer
pension
plan
withdrawal
charges,
restructuring
charges,
fire
losses,
costs
of

integration
for
significant
acquisitions,
employee
separation
costs
and
hurricane
losses

.
Non-GAAP
numbers
should
be
read
in
conjunction
with
GAAP
financial
measures,
as
non-GAAP
metrics
are
merely
a
supplement
to,
and
not
a
replacement
for,
GAAP
financial
measures.
It
should
be
noted
as
well
that
our
Percentage
of
Adjusted
EBITDA

Fall
Through
metric
may
be
different
from
similar
metrics
provided
by
other
companies.

Reconciliation: Adjusted EBITDA Fall Through
Reconciliation: Adjusted EBITDA Fall Through

Average
Average
(in thousands)
2003 to 2005
2006
2007
2008
2010E to 2012E

Sales
2,246,184
\$
3,098,086
\$
3,792,509
\$
4,456,256
\$
4,700,000
\$

Change in sales
337,518
\$
371,006
\$
694,423
\$
663,747
\$
435,000
\$

Operating Income
201,877
\$
322,300
\$

437,733

\$

541,422

\$

565,000

\$

Adjustments:

Depreciation & Amortization

104,021

142,021

179,545

211,885

264,283

Costs related to unsolicited takeover attempt

-

-

-

-

9,074

Multi-employer pension plan withdrawal charge

-

-

-

-

1,068

Restructuring charge (recovery)

(267)

-

-

-

-

Fire Losses

933

-

-

-

-

Acquisition integration costs

1,600

-

10,100

-

-

Employee separation

costs

533

-

-

-

-

Hurricane losses

733

-

-

-

-

Adjusted EBITDA

309,431

\$

464,321

\$

627,378

\$

753,307

\$

839,425

\$

Change in adjusted EBITDA

47,869

\$

87,777

\$

163,057

\$

125,929

\$

97,000

\$

Percentage adjusted EBITDA fall through

14%

24%

23%

19%

22%

Calendar Year

32
32
32
32
32
32
32
32

The Company believes that adjusted earnings per diluted share above provide investors meaningful insight into the Company's impact of debt extinguishment charges, multi-employer pension plan withdrawal charges, the settlement of material litigation, gains, fire losses, the costs of the BOC acquisition integration, employee separation costs, hurricane

losses
and
losses
from
discontinued
operations.

Non-

GAAP numbers should be read in conjunction with GAAP financial measures, as non-GAAP metrics are merely a supplement to GAAP financial measures.

It should be noted as well that our adjusted earnings per diluted share metric may be different from adjusted earnings per diluted share metrics provided by other companies.

Reconciliation: Adjusted Earnings Per Share

Reconciliation: Adjusted Earnings Per Share

Three Months Ended

Low

High

June 30, 2010

2009

2005

2004

2003

2002

Earnings per diluted share

3.08

\$

3.23

\$

0.76

\$

2.55

\$

1.48

\$

1.18

\$

1.04

\$

0.82

\$

Adjustments:

Costs related to unsolicited takeover attempt

0.03

0.03

0.03

-

-

-

-

-

Debt extinguishment charges

0.02

0.02

0.02

0.07

-

-

-

-

Multi-employer pension plan withdrawal charges

0.02

0.02

0.02

0.05

-

-

-

-

Legal Settlement

-

-

-

-

-

-

-

0.08

Restructuring charge (recovery)

-

-

-

-

-

(0.01)

-

0.03

Insurance gain

-

-

-

-

-

-

(0.02)

-

Fire Losses

-

-

-

-

-

-

0.02

-

Acquisition integration costs

-

-

-

-

0.01

0.03

-

-

Employee separation costs

-

-

-

-

0.01

-

-

-

Hurricane losses

-

-

-

-
0.02
-
-
-
Losses from discontinued operations
-
-
-
-
0.01
-
0.01
0.01
Adjusted earnings per diluted share
3.15
\$
3.30
\$
0.83
\$
2.67
\$
1.53
\$
1.20
\$
1.05
\$
0.94
\$
Calendar Year
(Updated Guidance)
Fiscal Year Ending March 31, 2011

33
33
33
33
33
33
33
33
33

The Company uses adjusted debt to provide investors with a more meaningful measure of the Company's debt obligations be a
under
the
trade
receivable
securitization
program.
The
Company
believes

that
 using
 adjusted
 EBITDA
 provide
 investors
 meaningful
 insight
 into
 the

Company's performance trend without the impact of costs related to the unsolicited takeover attempt, and multi-employer pension charges.

Non-GAAP numbers should be read in conjunction with GAAP financial measures, as non-GAAP metrics are merely a supplement to, not a replacement for, GAAP financial measures.

Reconciliation: Adjusted Debt & EBITDA

Reconciliation: Adjusted Debt & EBITDA

Reconciliation of Adjusted debt:

June 30,

December

June 30,

December

June 30,

December

June 30,

(In thousands)

2007

2007

2008

2008

2009

2009

2010

Current portion of long-term debt

41,773

\$

40,554

\$

43,458

\$

10,227

\$

11,033

\$

10,103

\$

9,589

\$

Long-term debt, excluding current portion

1,598,004

1,493,901

1,537,696
1,810,181
1,675,194
1,604,070
1,711,630
Net debt
1,639,776
1,534,455
1,581,154
1,820,408
1,686,227
1,614,173
1,721,219
Securitization of trade receivables
285,000
360,000
360,000
360,000
295,500
267,900
-
Adjusted debt
1,924,776
\$
1,894,455
\$
1,941,154
\$
2,180,408
\$
1,981,727
\$
1,882,073
\$
1,721,219
\$
Three Months
Three Months
Three Months
Three Months
Three Months
Three Months
Three Months
Reconciliation of Adjusted EBITDA:
ended
ended
ended
ended
ended
ended

ended
June 30,
December
June 30,
December
June 30,
December
June 30,
December
(In thousands)
2007
2007
2008
2008
2009
2009
2010
Operating Income
111,037
\$
118,329
\$
134,856
\$
130,522
\$
107,910
\$
99,988
\$
122,751
\$
Adjustments:
Depreciation & Amortization
44,472
48,072
53,502
54,740
56,400
59,454
60,467
Costs related to unsolicited takeover attempt
3,787
Multi-employer pension plan withdrawal charge
4,950
3,204
Adjusted EBITDA
155,509
\$
166,401
\$

188,359
\$
185,262
\$
164,310
\$
164,392
\$
190,209
\$