

AIR PRODUCTS & CHEMICALS INC /DE/  
Form DFAN14A  
September 07, 2010

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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:

- 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:

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Air Products Offer for Airgas  
September 2010

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Investor Presentation  
Forward-Looking Statements

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All statements included or incorporated by reference in this communication other than statements or characterizations of historical fact, are forward-looking statements. These forward-looking statements are based on our current expectations, estimates and projections about our business and industry, management's beliefs, and certain assumptions made by us, all of which are subject to change. Forward-looking statements can often be identified by words such as "anticipates", "expects", "intends", "plans", "predicts", "believes", "seeks", "estimates", "may", "will", "should", "would", "could", "potential", "continue", "ongoing", similar expressions, and variations or negatives of these words. These forward-looking statements are not guarantees of future results and are subject to risks, uncertainties and assumptions that could cause our actual results to differ materially and adversely from those expressed in any forward-looking statement. Important risk factors that could contribute to such differences or otherwise affect our business, results of operations and financial condition include the possibility that Air Products will not pursue a transaction with Airgas and the risk factors discussed in our Annual Report on Form 10-K, subsequent Quarterly Reports on Form 10-Q, recent Current Reports on Form 8-K, and other SEC filings. The forward-looking statements in this release speak only as of the date of this filing. We undertake no obligation to revise or update publicly any forward-looking statement, except as required by law.

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Investor Presentation

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ADDITIONAL INFORMATION

On February 11, 2010, Air Products Distribution, Inc. (“Purchaser”), 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 \$65.50 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, October 29, 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 (“SEC”) 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.

Air Products has filed a definitive proxy statement on Schedule 14A dated July 29, 2010 with the SEC in connection with the

solicitation of proxies for the 2010 annual meeting of Airgas stockholders. The definitive proxy statement has been mailed to

shareholders of Airgas. INVESTORS AND SECURITY HOLDERS OF AIRGAS ARE URGED TO READ THE PROXY STATEMENT AND OTHER

DOCUMENTS RELATED TO THE SOLICITATION AND FILED WITH THE SEC CAREFULLY IN THEIR ENTIRETY AS THEY BECOME AVAILABLE

BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. 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>. These materials may also be obtained for free by contacting Air Products’ proxy solicitor for the 2010

Airgas annual meeting, MacKenzie Partners, Inc., at 212-929-5500 or toll-free at 800-322-2885.

CERTAIN INFORMATION REGARDING PARTICIPANTS

Air Products, Purchaser, and certain of their respective directors and executive officers and the Air Products nominees 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; and of Purchaser's directors and executive officers in  
the Offer to  
Purchase. Information about the Air Products nominees is included in the definitive proxy statement Air Products  
filed with the SEC on  
July 29, 2010 relating to the 2010 annual meeting of Airgas stockholders. 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, is also included in the definitive  
proxy statement  
filed by Air Products with the SEC.

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Investor Presentation  
Situation overview

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Investor Presentation

Our offer for Airgas

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- Consideration • \$65.50 per share, all-cash
  - Premium • 50% premium to Airgas unaffected price on 02/04/10 of \$43.53
  - Financing • Fully-committed through J.P. Morgan
  - Regulatory • Reached agreement with FTC on terms of a Consent Decree - announced  
Approval August 16th
  - Closing • Q4 2010  
Premium Price, Certain Value, Fast Closing
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Investor Presentation

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- Airgas refuses to engage despite our efforts  
10/15/2009: McGlade and McCausland meet; McGlade indicates Air Products' interest in pursuing a business combination  
11/20/2009: Air Products sends letter to Airgas, offering to acquire the Company for \$60 per share in stock  
12/08/2009: Airgas responds to Air Products' letter, rejecting proposal and indicating that Airgas will not engage with Air Products  
12/17/2009: Air Products responds to Airgas' 12/8/2009 letter, increasing its offer to \$62 share, with up to half in cash, and indicating the possibility of a higher price if Airgas can demonstrate incremental value  
01/04/2010: Airgas responds to Air Products' letter, again rejecting proposal and indicating that Airgas will not engage with Air Products  
02/05/2010: Air Products announces its offer to acquire Airgas for \$60.00 per share in cash, a premium of 38% to Airgas' closing price of \$43.53 on 02/04/10  
02/22/2010: Airgas Board rejects tender offer from Air Products through 14D-9; says offer is "grossly inadequate," refuses to discuss offer with Air Products  
06/16/2010: Air Products files preliminary proxy, nominating John P. Clancey, Robert L. Lumpkins and Ted B. Miller, Jr. to the Board of Directors and includes three additional proposals  
1  
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4  
5  
06/21/2010: Airgas files preliminary proxy, urges shareholders to vote for three incumbent directors  
07/08/2010: Air Products increases its offer to \$63.50  
07/21/2010: Airgas rejects increased offer; says offer grossly undervalues Airgas; refuses to discuss offer with Air Products  
08/16/2010: Air Products announces that it has reached agreement with the FTC on terms of the Consent Decree; Air Products extends tender offer to October 29, 2010  
08/26/2010: Airgas submits letter to Delaware Chancery Court indicating intent to seek invalidation of any majority vote of shareholders on bylaw amending 2011 annual meeting date  
08/27/2010: Airgas publicly states its refusal to discuss offer with Air Products, says offer price is "not close to a sensible starting point for negotiations"  
08/30/2010: Airgas commits to hold special meeting of stockholders on June 21, 2011 if Airgas stockholders reject Air Products' by-law amendment proposal and reiterates that Airgas

would seek to invalidate any majority vote of shareholders to hold  
2011 annual meeting in January 2011

09/06/2010: Air Products increases its offer to \$65.50

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Air Products stands ready to execute a transaction

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Investor Presentation

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Airgas' delay tactics not in shareholder interests

- Airgas' first action in response to our public offer was to pursue litigation
- Airgas has refused to discuss any aspect of our offers despite our clearly stated flexibility regarding price and form of consideration
- Airgas has refused to form an independent Board committee despite possibility of founder, Chairman and CEO's interests not being aligned with other shareholders
- Airgas amended bylaws on April 7, 2010, in order to delay its 2010 annual meeting date

Airgas continues to deprive shareholders of their right to decide

- Refused to rescind "poison pill" shareholder rights plan
  - Rejected Air Products' request to hold 2010 annual meeting no later than August 18, 2010 (one year anniversary of 2009 annual meeting)
  - Rejected Air Products' request that director nominees not elected by shareholders at 2010 annual meeting not be reappointed for at least three years
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Investor Presentation

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And Airgas continues to delay and act against  
shareholder interests

Airgas' refusal to engage ignores the will of the shareholders

- On August 26, 2010, Airgas submitted a letter to the Delaware Chancery Court stating that it intends to seek to **INVALIDATE ANY AFFIRMATIVE DECISION BY A MAJORITY OF AIRGAS SHAREHOLDERS** to approve adoption of a new bylaw at the September annual meeting requiring Airgas to hold its next annual meeting in January 2011
  - And most recently Airgas continues its delay campaign by announcing on August 30 that it would hold a 2011 special meeting in June rather than hold an annual meeting in January 2011 and reiterated that it would seek to **INVALIDATE ANY VOTE BY A MAJORITY OF AIRGAS SHAREHOLDERS** to hold the annual meeting in January 2011
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Investor Presentation

Airgas is not strategic to other industrial gas players

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Quotes

Source

Date

“[Airgas] is really not that strategic to us.”	James Sawyer (CFO), Morgan Stanley Global	August 31, 2010
“Don’t see much growth in U.S. packaged gases.”	Industrials Unplugged Conference	
“When we look at our project pipeline in Gases, you can easily see that the focus is on the emerging markets.”	Georg Denoke (CFO), Full Year 2009 Earnings Conference Call	March 17, 2010
“[Airgas is] an American operation. Our strategy is growth. We see growth in emerging markets and that’s where we will invest our resources.”	Benoît Potier (CEO), Full Year 2009 Earnings Conference Call	February 15, 2010

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Investor Presentation  
Overview of Offer for Airgas  
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Investor Presentation  
Compelling valuation multiple

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Source: Airgas filings

Notes: Airgas unaffected date as of 02/04/2010; LTM EBITDA and balance sheet information as of 12/31/2009

Current offer announced on 09/06/2010; LTM EBITDA and balance sheet information as of 06/30/2010

Airgas implied firm value and multiples  
(\$ in millions, except per share amounts)

Unaffected	
Airgas	
Air Products'	
current offer	
Share price	
\$43.53	
\$65.50	
Diluted shares outstanding (mm)	
84.5	
86.7	
Equity value	
\$3,679	
\$5,676	
Add: Net debt	
\$1,849	
\$1,663	
Firm value	
\$5,528	
\$7,339	
LTM EBITDA	
\$672	
\$691	
Firm value / LTM EBITDA	
8.2x	
10.6x	

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Investor Presentation  
 Compelling valuation multiple relative to  
 precedent transactions

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Source: Company filings, equity research, press releases, investor presentations

Note: Airgas transaction value based on \$65.50 offer price (increased on 09/06/2010); LTM EBITDA and balance sheet information as of 06/30/2010, the most recent date for which public

filings were available at the time of announcement

Precedent transaction values and multiples

01/08/07

Air Products

BOC Gazy Sp Industrial Gas

\$0.5

9.7x

01/24/06

Linde

BOC Group PLC

16.4

10.9x

10/07/04

Praxair

Air Liquide SA-Industrial Gas

0.6

8.0x

01/20/04

Air Liquide

Messer Griesheim-gas oper.

3.3

10.1x

08/16/99

Linde

AGA

4.5

10.4x

High

10.9x

Median

10.1x

Low

8.0x

02/05/10

Air Products

Airgas

\$7.3

10.6x

Ann. date

Acquiror

Target (Parent)

Transaction value

(\$bn)



Transaction value/  
LTM EBITDA

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Investor Presentation

\$53.61

\$46.00

\$42.11

\$51.00

\$26.29

\$43.53

\$65.50

Current offer

Pre-announcement

stock price -

02/04/2010

Pre-announcement

52 week low -

03/06/2009

Pre-announcement

52 week high -

10/19/2009

Pre-announcement

1 year VWAP

Recent analyst

estimates of

standalone value

PV of consensus 1

year price target

(pre-

announcement)<sup>1</sup>

Source: FactSet as of 08/27/10, Bloomberg

Note: VWAP based on closing stock price and total daily volume traded

Compelling premium to every metric

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Current Offer Premium:

50% 149% 28% 56% 42% 22%

<sup>1</sup> 1 year Bloomberg consensus price target of \$55.40 (as of 02/01/10) discounted from 12/31/10 at 10% cost of equity

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Investor Presentation

Premium is significantly higher than precedents

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Source: Dealogic Analytics

Rank eligible deals with value greater than \$10mm

Note: Includes public deals where initial stake is <50% and final stake is >51%, includes only deals for which Dealogic data is available; data represents median of all deals for YTD through

June 30th, 2010

50%

28%

30%

16%

28%

26%

17%

25%

Current offer

U.S. all deals

U.S. all-cash  
deals

U.S. all-stock  
deals

U.S. all friendly  
deals

U.S. all  
unsolicited deals

Global all friendly  
deals

Global all  
unsolicited deals

Investor Presentation  
Premium compelling even after reflecting change  
in peer share prices since initial offer

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Source: FactSet

Note: Market data as of 08/27/10; red bar reflects unaffected premium based upon \$65.50 offer and unaffected price of \$43.53

From February 4, 2010 to August 27, 2010

50%

14%

17%

14%

12%

Current offer

Peer average

Praxair

Air Liquide

Linde

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Investor Presentation

Growth from emerging markets is driving peer performance while Airgas is a U.S business

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Airgas

Praxair

Europe

57%

ME & Africa

2%

North America

55%

Europe

15%

S. America

19%

Asia

10%

Western Europe

42%

Americas

22%

Asia &

Eastern Europe

20%

South Pacific &

Africa

16%

FY 2009 Sales2

FY 2009 Sales

1H10 vs. 1H09 (% growth)

FY 2009 Sales

1H10 vs. 1H09 (% growth)

2Q10 vs. 2Q09 (% growth)

US

98%

Rest of World

2%

FY 20101 Sales

FY1Q11 vs. FY1Q10 (% growth)

7%

Total

12%

11%

26%

Asia

North

America

Total

10%

10%  
25%  
Asia  
Pacific  
Americas  
Total  
6%  
7%  
13%  
Asia &  
Eastern  
Europe  
Americas  
Total

Source: Company filings, company earnings releases, investor presentations

Note: Year over year sales growth excludes items that effect comparability such as currency effects, natural gas pricing, cost-pass through, acquisitions, etc; Air Liquide sales growth relates to Gas & Services sales; Linde sales growth relates to Gases Division sales growth

1 Represents period ending 03/31/10

2 Excludes Surface Technologies

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Investor Presentation

Airgas' CY 2012 earnings forecast is based on  
aggressive sales growth assumptions

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Airgas' aggressive CY 2012 earnings forecast should be appropriately risk-adjusted  
Assumes same store sales (SSS) growth rate of 7%, higher than the 6% SSS growth  
rate achieved in the significantly stronger 2003 – 2005 recovery

- Current economic recovery is weaker than 2003 – 2005 due to:

Significantly higher unemployment

Non-existent housing recovery

Deflationary pressures

- Less favorable pricing environment today vs. 2003 – 2005

Airgas' historical net sales growth has largely been driven by acquisitions not  
organic growth

- SSS growth average of only 2% from FY 2001 – FY 2010

- SSS growth has contributed only ~20% of Airgas' increase in net sales over the past 10  
fiscal years on average – acquisitions accounted for ~80%

Airgas' estimated acquired sales CAGR of ~3% is lower than its SSS growth  
expectations

- No sizeable acquisition since Airgas bought Linde's U.S. gas business in 2007, suggesting  
a more challenging environment for attractive acquisitions
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Investor Presentation

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Analysts put Airgas' full value below current  
market price – not a single analyst “Buy” rating

Median analyst estimate of Airgas' standalone value is \$46.00

Source: Wall Street Research

Notes: Standalone valuation represents brokers' estimate of share price assuming no outstanding bid

Standalone value from Piper Jaffray report dated 04/19/10

Airgas Price

Analyst

Standalone

Analyst

Firm Name

Date

at Report Date

Recommendation

Valuation

Laurence Alexander

Jefferies

08/24/10

\$66.45

Hold

\$45.00

Jeffrey Germanotta

William Blair

07/23/10

65.48

Hold

N/A

Thomas L. Hayes

Piper Jaffray

07/22/10

65.16

Hold

45.00

Michael J. Sison

KeyBanc

07/22/10

65.16

Hold

N/A

Holden Lewis

BB & T

07/22/10

65.16

Hold

65.00

David J. Manthey

Robert W. Baird

07/22/10



65.16

Hold

N/A

Mark Gulley

Gulley & Associates - Soleil

07/21/10

64.73

Hold

47.26

Edward H. Yang

Oppenheimer

07/21/10

64.73

Hold

N/A

David Begleiter

Deutsche Bank

07/21/10

64.73

Hold

46.00

Michael J. Harrison

First Analysis Securities

07/21/10

64.73

N/A

N/A

Investor Presentation  
Path forward  
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Investor Presentation  
Air Products' proposals

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Shareholder proposals are pro-governance and prudent in light of Airgas' staggered board

Nominees meet the highest independence and qualification standards for directors

Proposals improve shareholder rights

1. Election of three independent director nominees
  2. Amend bylaws to implement director eligibility requirements
    - Would make any Airgas board members (except CEO) not elected at annual meeting ineligible to serve on Airgas Board for three years
    - If not elected but re-appointed, CEO could not serve as Chairman
  3. Amend bylaws to require Airgas to hold future annual meetings in January
    - 2011 annual meeting to be held on January 18
    - Provides early opportunity for shareholders to elect new independent directors
  4. Repeal all bylaw amendments after April 7, 2010
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Investor Presentation

Director nominees have exceptional backgrounds

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- John P. Clancey
    - Age 65
    - Chairman Emeritus, Maersk Inc.
  - Former President and Chief Executive Officer, Sea-Land Service, Inc.
    - Principal and founder, Hospitality Logistics, International
      - Former Director, UST Inc.
      - Former Director, Foster Wheeler AG
      - Former Director, AT&T Capital
      - Retired Captain, U.S. Marine Corps
    - Robert L. Lumpkins, Jr.
      - Age 66
      - Chairman, The Mosaic Company
  - Former Vice Chairman and Chief Financial Officer, Cargill Inc.
    - Director, Ecolab Inc.
    - Former Director, Black River Asset Management LLC
      - Advisor, Varde Partners, Inc.
    - Advisory Board Member, Metalmark Capital
      - Trustee, Howard University
      - Ted B. Miller, Jr.
        - Age 58
  - Founder, former Chairman and Chief Executive Officer, Crown Castle International Corp.
    - President, 4M Investments, LLC
    - Chairman, founder and majority shareholder, M7 Aerospace LP
  - Chairman, founder and majority shareholder, Intercomp Technologies, LLC
    - Chairman, founder and majority shareholder, Visual Intelligence
      - Former Director, Affiliated Computer Services, Inc.
-

Investor Presentation

Only Airgas' Management and Board believe our price is "not even close", but...

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The market believes we are close on price

- Stock has traded at a volume-weighted average price of \$62.58 prior to our July 8th increase and at a volume-weighted average price of \$65.35 since our July 8th increase
  - It is our offer that is driving price, not a view of the fundamental value of Airgas

Analysts believe we are close on price

- Analyst estimates of standalone value of \$46.00
- Not a single analyst has a "Buy" rating on Airgas stock

Comparison to historical transactions demonstrates we are close on price

- Premium to unaffected price of 50%, well above averages
- Multiple of 10.6x LTM EBITDA at time of \$65.50 offer is well above median multiple for precedent transactions

And Airgas' future earnings forecast indicates we are close on price

- Applying any reasonable multiple and discount rate to Airgas' aggressive forecast earnings of \$4.20 in CALENDAR YEAR 2012 yields values below our current offer price
    - This is without risk-adjusting Airgas' aggressive earnings forecast
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Investor Presentation

We are prepared to close this transaction immediately  
but we need the support of Airgas' shareholders

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- No meaningful hurdles to completing our transaction
    - No closing risk given our recent agreement with the FTC
    - No financing risk given our fully committed financing from J.P. Morgan
      - No value risk given our all cash-offer
    - No timing risk given our ability to close and deliver cash to shareholders in Q4 2010
  
  - Unfortunately for shareholders, Airgas still refuses to negotiate despite our efforts
  
  - Airgas has unrealistic and unsupportable value expectations – Airgas' recent actions are designed to avoid a sale to Air Products, and do not reflect a genuine interest in maximizing shareholder value
    - Air Products stands ready to negotiate with Airgas to conclude a transaction
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Investor Presentation

Now is the time for Airgas' shareholders to realize the  
value of our offer

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We ask for a vote "FOR" Air Products' nominees and our other proposals