

Edgar Filing: TRANE INC. - Form 425

TRANE INC.
Form 425
December 17, 2007

Filed by Ingersoll-Rand Company Limited.

Pursuant to Rule 425 under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12 under

the Securities Exchange Act of 1934

Subject Company: Trane Inc.

Commission File No.: 1-11415

This filing contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements relating to anticipated financial and operating results, the companies' plans, objectives, expectations and intentions and other statements including words such as anticipate, believe, plan, estimate, expect, intend, will, should, may, similar expressions. Such statements are based upon the current beliefs and expectations of the management of Ingersoll-Rand Company Limited (IR) and Trane Inc. (Trane) and involve a number of significant risks and uncertainties. Actual results may differ materially from the results anticipated in these forward-looking statements. The following factors, among others, could cause or contribute to such material differences: failure to satisfy any of the conditions of closing, including the failure to obtain Trane stockholder approval; the risks that IR's and Trane's businesses will not be integrated successfully; the risk that IR and Trane will not realize estimated cost savings and synergies; costs relating to the proposed transaction; disruption from the transaction making it more difficult to maintain relationships with customers, employees, distributors or suppliers; the level of end market activity in IR's and Trane's commercial and residential market; weather conditions that could negatively or positively affect business and results of operations; additional developments which may occur that could affect the IR's or Trane's estimate of asbestos liabilities and recoveries; unpredictable difficulties or delays in the development of new product technology; fluctuations in pricing of our products, the competitive environment and related market conditions; changes in law or different interpretations of laws that may affect Trane's or IR's expected effective tax rate; increased regulation and related litigation; access to capital; and actions of domestic and foreign governments. Additional factors that could cause IR's and Trane's results to differ materially from those described in the forward-looking statements can be found in the 2006 Annual Report on Form 10-K of IR and the 2006 Annual Report on Form 10-K of Trane filed with the Securities and Exchange Commission (the SEC) and available at the SEC's Internet site (<http://www.sec.gov>). Neither IR nor Trane undertakes any obligation to update any forward-looking statements to reflect circumstances or events that occur after the date on which such statements were made.

This communication is being made in respect of the proposed merger transaction involving IR, Trane and Indian Merger Sub, Inc. In connection with the proposed transaction, IR will file with the SEC a registration statement on Form S-4 and Trane will mail a proxy statement/prospectus to its stockholders, and each will be filing other documents regarding the proposed transaction with the SEC as well. **BEFORE MAKING ANY VOTING OR INVESTMENT DECISION, INVESTORS ARE URGED TO READ THE PROXY STATEMENT/PROSPECTUS REGARDING THE PROPOSED TRANSACTION AND ANY OTHER RELEVANT DOCUMENTS CAREFULLY IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.** The final proxy statement/prospectus will be mailed to Trane's stockholders. Stockholders will be able to obtain a free copy of the proxy statement/prospectus, as well as other filings containing information about IR and Trane, without charge, at the SEC's Internet site (<http://www.sec.gov>). Copies of the proxy statement/prospectus and the filings with the SEC that will be incorporated by reference in the proxy statement/prospectus can also be obtained, without charge, by directing a request to Ingersoll-Rand Company Limited, P.O. Box 0445, 155 Chestnut Ridge Road, Montvale, NJ 07645 Attention: Investor Relations, (201) 573-0123, or to Trane Inc., One Centennial Avenue, Piscataway, NJ 08855 Attention: Investor Relations, (732) 980-6125.

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The following is a letter and related materials sent to IR employees.

To Ingersoll Rand Employees:

Today we announced an exciting move for our company, one that represents a major milestone in our company's transformation. We signed an agreement to acquire Piscataway, NJ-based Trane, a leading global supplier of energy-efficient heating, ventilating and air conditioning systems and advanced building controls for commercial and residential markets. The press release announcing this transaction can be found [here](#).

This transaction solidifies Ingersoll Rand's status as a premier global diversified industrial company with leading positions in climate control, industrial and security markets. The combined businesses will have revenues of approximately \$17 billion, with approximately \$11 billion of our total revenues deriving from global climate control markets.

Bringing together our company with Trane meets our objective of adding less-cyclical businesses to our portfolio with strong brands, strong global growth prospects and sizable recurring revenues. Trane's strong businesses in commercial and residential climate control complements our own highly regarded Hussmann and Thermo King businesses, and gives us a leading global position with a portfolio of premium brands.

At the same time, we improve our ability to deliver enhanced long-term value for Ingersoll Rand customers through expanded and comprehensive climate control solutions. Together, with Trane, we can work more strategically with all of our customers, broadening our product and service offerings for them through our complementary solutions.

Let me provide you with a few examples of our opportunities as a combined company. Trane currently uses third parties to service its light commercial products. We believe this represents an opportunity for our existing climate control service organization to capture that sizable recurring revenue stream. In addition, with Trane's capabilities we are better positioned to provide technologies, products and services throughout the cold chain. Specifically, we will participate in all of the activities and processes necessary to preserve foods and perishables from their point of origin through their point of consumption or use. Also, we offer Trane an expanded global manufacturing footprint. While this obviously will benefit Trane, it also enables our organization to take on production in existing facilities where appropriate.

Seven years ago, we recognized the need for sweeping change in our company's business model and undertook our transformation. From the beginning, our priorities have included decreasing the cyclicity of our business portfolio and pursuing profitable growth, while becoming more global, more customer-centric and more innovative. The Trane acquisition substantially advances our progress in all of these areas.

Following the completion of closing conditions, including regulatory reviews and approval by Trane shareholders, we expect to complete this transaction toward the end of the first quarter or the beginning of the second quarter of 2008. In the meantime, Ingersoll Rand and Trane will remain separate companies, with separate management and customers.

Prospectively, our plan is to operate Trane's Commercial and Residential businesses as two separate businesses, reporting directly to me. Of course, under the Dual Citizenship model, these businesses will interact with the Climate Control Technologies Sector to leverage knowledge, intellectual property, best practices, and resources for the businesses' mutual benefit. Also, we expect to maintain our current approach of operating multi-site corporate and shared service locations, which will include the addition of comparable Trane facilities.

Clearly, this is an exciting day for Ingersoll Rand employees, customers, shareholders and our other stakeholders. We will provide more information as we make progress with the integration process. In the meantime, thank you for your continued hard work and support which has helped to make this possible.

Sincerely yours,

Herb Henkel

Note: Because the transaction is subject to a vote of Trane stockholders and requires registration of the shares of Ingersoll Rand to be issued in the transaction, our written communications regarding the transaction may be deemed to be solicitations of proxies or an offering prospectus. As a result, the following information (legends) needs to be included in our communications to satisfy legal requirements.

Editor's note: Herb Henkel will host a special webcast via the Internet today at 4:00 p.m., Eastern U.S. time, to discuss today's announcement. Because of the need to prevent potential disruptions to other web- or Internet-related business applications, we only can accommodate a limited number of connections to the webcast at any given time. As a result, we are asking our locations to reserve meeting spaces where a sizable number of employees can view and listen to the webcast together. In addition, large meeting spaces should have the ability to amplify the audio feed from the presenting computer.

Details for the webcast will be available later today and sent via a Special IRDN.

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The Next Chapter in Our Success Story

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Next Chapter of Success

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relating
to
anticipated
financial
and
operating
results,
the
companies
plans,
objectives,
expectations
and
intentions
and
other
statements
including
words
such
as

anticipate,
believe,
plan,
estimate,
expect,
intend,
will,
should,
may,

and
other
similar
expressions.

Such

statements are based upon the current beliefs and expectations of the management of Ingersoll-Rand Company Limited (IR)

involve

a

number

of

significant

risks

and

uncertainties.

Actual

results

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differ

materially

from

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failure
to
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Trane
stockholder
approval;

the
risks
that

IR's
and
Trane's
businesses

will
not
be
integrated
successfully;

the
risk
that

IR
and
Trane

will
not realize
estimated
cost
savings

and
synergies;
costs
relating

to
the
proposed transaction;

disruption
from
the

transaction
making
it more

difficult
to
maintain
relationships
with
customers,
employees,
distributors
or
suppliers;
the
level
of
end
market
activity
in
IR s
and
Trane s
commercial and
residential

market; weather conditions that could negatively or positively affect business and results of operations; additional development occur

that
could
affect

the
IR s

or
Trane s
estimate

of
asbestos
liabilities
and

recoveries;
unpredictable
difficulties

or
delays

in
the
development

of
new

product technology; fluctuations in pricing of our products, the competitive environment and related market conditions; changes in law or different interpretations of laws that may affect Trane's or IR's expected effective tax rate; increased regulation and related litigation; access to capital; and actions of

domestic
and
foreign
governments.

Additional
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Next Chapter of Success
Agenda

Discuss today's news

Introduce Trane

Explore the strategic value of the combined company

Questions and answers

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Next Chapter of Success
Combining two great
companies to create
a premier global
diversified industrial
company!
Continuing our journeys . together

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The transaction

Effective early 2008, pending shareholder approval and
government clearances

All worldwide assets

All worldwide operations

Commercial and Residential businesses

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Next Chapter of Success
Introduction to Trane

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Next Chapter of Success
Trane overview
\$7.4F Billion 2007 Sales
Sales by
Geography
International
24%

North America

76%

Commercial

Completes

43%

Commercial

Controls, Parts

& Services

43%

Residential

28%

Founded 1864, headquartered in
New Jersey

Concluded separation plan:

WABCO spin-off, Aug. 07

Sale of Bath & Kitchen, Nov. 07

Leading global HVAC manufacturer
for commercial & residential markets

Products include large commercial
chillers, HVAC building systems, and
residential A/C units

Broad customer base

Premier brands: Trane, American
Standard

29,000 employees, 29 manufacturing
locations worldwide

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Air conditioners

Air cleaners

Heat pumps

Furnaces

Thermostats

Humidifiers

Boilers

Trane Residential

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HVAC systems

Building controls

Building services
Trane Commercial

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Trane highlights

Large-scale, global business with 2007E revenue of \$7.4 billion and EBITDA of \$815 million

#1 or #2 HVAC positions globally with pre-eminent brands

Industry-leading distribution with global footprint creates competitive advantage

Strong organic sales growth and consistent operating margins through the cycle

Compelling growth and margin outlook

Attractive long-term end market fundamentals driven by replacement demand and accelerating service/recurring revenue opportunity

Positive industry dynamics, such as energy conservation and ever-growing installed base, support growth outlook

End market diversity provides long term stability

Leading
position
in
North
America
with
substantial
international
growth
opportunity

Trane will benefit from Ingersoll Rand's international presence and established distribution network

Limited exposure to U.S. new residential construction (approx. 5-7% of total sales)

Industry
Leading
Position
Strong
Historical and
Future Growth
Profile
International
Opportunities
Limited
Exposure to
Housing

1
Estimated debt and cash of \$1,055mm and \$900mm, respectively, as of December 31, 2007.

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Trane's Leading Products and Distribution

Source:

Trane Management and public filings

Residential Products

Commercial Products

Leading

Global

Sales
and
Distribution
Network
Over 100 countries
500+ company owned
sales, service and
distribution locations
Strong independent
commercial and residential
distribution
23,000+ associates /
dealers
3,300+ sales engineers
4,300+ service technicians
Proprietary
Distribution
Network
Enhances
Our
Global
Footprint

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The combined company

\$17 billion in projected annual revenues; \$11+ billion
revenues in the global climate control market

Expanded product and service offerings for climate control
markets

Increased scale and global presence

Enhanced innovation and new product development capabilities

Stronger competitive position in our markets

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A strong strategic fit

A leading climate control business for the 21

st

century

Shared industry expertise

Commitment to leadership in climate control markets

Complementary products and services with no overlap

Both market leaders in respective core products

Similar heritage of innovation and success

Prepared to meet the growing global demand for climate control solutions

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Complementary products and services

Air conditioning systems and services

Building controls

Commercial and residential HVAC

Truck, trailer and sea container refrigeration equipment

Refrigerated retail displays and stationary refrigeration

Bus and rail HVAC

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World-Leading Climate Control Business

Technology & services platform for delivering climate control solutions across spectrum of high-value mobile & stationary applications worldwide

Broadening climate control solutions for the world we live in today

Enhancing
life,
air
quality
&
food
safety
significantly
beyond
comfort
&
preservation

Multiple Cold Chain
opportunities, especially in emerging markets

Leveraging Climate Control platform

Service capability

Engineering and technology

Manufacturing and sourcing

#1 US

#2 Worldwide

Commercial HVAC

Equipment

#1 North America

remote display

cases

#1 North America

service provider

#1 Worldwide

transport

refrigeration

+

+

Market Leader in Climate Control

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All of the activities and processes necessary to preserve foods and perishables from their point of origin through their point of consumption or use.

Cold Chain

Food

Harvest

Vending &
Logistics Mgmt
End-Use
Food Service
End-Use
Retail
Large
Warehousing
Food
Processing
Transport
Transport
Transport

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Next Chapter of Success

Expanding customer value

Broader line of products and services

End-to-end solutions across the cold chain

Expanded global presence

Positioned to participate in emerging-market growth

Enhanced service network

Immediate opportunities in light-commercial services

Broader technology base to drive innovation

Climate quality, energy efficiency, alternative refrigerants

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Next Chapter of Success
Ingersoll Rand's business structure today
Climate Control
Technologies
Industrial
Technologies
Security
Technologies

Club Car
(Golf Cars
And Utility Vehicles)
Husmann
(Stationary
Refrigeration)
Thermo
King
(Transport
Refrigeration)
Ingersoll Rand
(Air Solutions, Tools,
Energy Systems and
Material Handling)
Sectors
Primary
Brands &
Businesses
Multiple
Brands
(Exit
Devices, Door
Closers, Biometric
Access Control,
Integrated Systems)
Schlage
(Mechanical
And Electronic Locks)

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Next Chapter of Success
The new Ingersoll Rand
Climate Control
Technologies
Industrial
Technologies
Security
Technologies

Trane
Residential
Trane
Commercial
~\$11 Billion
~\$3 Billion
~\$3 Billion
*2008 Pro Forma

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Powerful market leading brands

#1 N. America

lock and door

hardware

#1 Worldwide

golf cars

#1 N. America

retail display
cases
#1 N. American
service provider
#1 Worldwide
transport
refrigeration
#1 N. America
air compressors,
air tools
#1 US
#2 Worldwide
Commercial HVAC
Equipment
#1 or #2 in Major Markets

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What to expect

Operate Commercial and Residential businesses as
separate units within Ingersoll Rand

Run corporate and shared service functions consistent with
Ingersoll Rand's multi-site approach

Identify cross-selling and service revenue synergies

Identify material, supplier, procurement, manufacturing and administrative efficiencies

Communicate frequently using multiple channels and methods

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What's next?

Shareholder approval

Government reviews

Transition period

Joint integration teams

Creating a
premier global organization!