

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):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

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(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  
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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  
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a  
tender  
offer  
are  
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subject  
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the  
safe  
harbors  
created  
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the  
Private  
Securities  
Litigation  
Reform  
Act  
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1995.  
The  
Company  
is  
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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](http://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  
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TO  
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THESE  
AND  
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DOCUMENTS  
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THEIR  
ENTIRETY  
WHEN  
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BECOME

AVAILABLE  
BECAUSE  
THEY  
WILL  
CONTAIN  
IMPORTANT  
INFORMATION.

Investors  
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holders  
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obtain  
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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  
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July  
13,  
2009  
and  
its  
preliminary  
proxy  
statement  
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2010  
Annual  
Meeting,  
which  
was  
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SEC  
on  
July  
8,  
2010.  
To  
the  
extent  
holdings  
of  
Airgas



securities  
have  
changed  
since  
the  
amounts  
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in  
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proxy  
statement  
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2009  
Annual  
Meeting,  
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Statements  
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Change  
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Ownership  
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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.

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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  
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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  
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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  
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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  
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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

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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 Index<sup>1</sup>

\$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

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9

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9

9

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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 <sup>2</sup>

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  
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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