

AIRGAS INC
 Form 10-Q
 November 07, 2012
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UNITED STATES
 SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: September 30, 2012
 Commission file number: 1-9344

AIRGAS, INC.
 (Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	56-0732648 (I.R.S. Employer Identification No.)
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259 North Radnor-Chester Road, Suite 100 Radnor, PA (Address of principal executive offices) (610) 687-5253 (Registrant's telephone number, including area code)	19087-5283 (ZIP code)
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Securities registered pursuant to Section 12(b) of the Act:	
Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value \$0.01 per share	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ..

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ..

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	ý	Accelerated filer	..
Non-accelerated filer	o	Smaller reporting company	..

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of common stock outstanding as of November 6, 2012 was 78,102,150.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AIRGAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
(In thousands, except per share amounts)				
Net Sales	\$ 1,229,610	\$ 1,187,083	\$ 2,486,866	\$ 2,351,383
Costs and Expenses:				
Cost of products sold (excluding depreciation)	552,313	552,334	1,121,051	1,082,873
Selling, distribution and administrative expenses	458,301	423,437	918,432	846,883
Restructuring and other special charges (Note 15)	2,443	2,500	8,155	15,830
Costs (benefits) related to unsolicited takeover attempt (Note 16)	—	—	—	(6,700)
Depreciation	64,649	60,382	129,016	120,649
Amortization	6,718	6,255	13,336	12,404
Total costs and expenses	1,084,424	1,044,908	2,189,990	2,071,939
Operating Income	145,186	142,175	296,876	279,444
Interest expense, net	(15,880)	(17,424)	(31,630)	(34,074)
Other income (expense), net (Note 2)	1,161	(581)	9,524	149
Earnings before income taxes	130,467	124,170	274,770	245,519
Income taxes	(49,447)	(46,316)	(102,952)	(92,671)
Net Earnings	\$ 81,020	\$ 77,854	\$ 171,818	\$ 152,848
Net Earnings Per Common Share:				
Basic earnings per share	\$ 1.05	\$ 1.03	\$ 2.23	\$ 1.99
Diluted earnings per share	\$ 1.03	\$ 1.01	\$ 2.18	\$ 1.94
Weighted Average Shares Outstanding:				
Basic	77,078	75,630	76,973	76,980
Diluted	78,892	77,262	78,860	78,672

Note: Prior year amounts have been adjusted for the change in accounting for LIFO inventories.

See accompanying notes to consolidated financial statements.

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AIRGAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In thousands)	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Net earnings	\$81,020	\$77,854	\$171,818	\$152,848
Other comprehensive income (loss), before tax:				
Foreign currency translation adjustments	2,661	(6,466)) 496	(5,611)
Reclassification of hedging loss included in net earnings	129	129	259	259
Other comprehensive income (loss), before tax	2,790	(6,337)) 755	(5,352)
Net tax expense of other comprehensive income items	(48)) (48)) (96)) (96)
Other comprehensive income (loss), net of tax	2,742	(6,385)) 659	(5,448)
Comprehensive income	\$83,762	\$71,469	\$172,477	\$147,400

Note: Prior year amounts have been adjusted for the change in accounting for LIFO inventories.

See accompanying notes to consolidated financial statements.

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CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)	(Unaudited) September 30, 2012	March 31, 2012
ASSETS		
Current Assets		
Cash	\$47,867	\$44,663
Trade receivables, less allowances for doubtful accounts of \$36,579 and \$31,845 at September 30, 2012 and March 31, 2012, respectively	686,940	652,439
Inventories, net	439,263	408,438
Deferred income tax asset, net	55,269	49,617
Prepaid expenses and other current assets	112,471	119,049
Total current assets	1,341,810	1,274,206
Plant and equipment at cost	4,436,947	4,306,420
Less accumulated depreciation	(1,790,812)	(1,690,361)
Plant and equipment, net	2,646,135	2,616,059
Goodwill	1,166,323	1,163,803
Other intangible assets, net	204,513	214,204
Other non-current assets	50,197	52,313
Total assets	\$5,408,978	\$5,320,585
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable, trade	\$166,194	\$174,868
Accrued expenses and other current liabilities	362,234	356,344
Short-term debt	329,427	388,452
Current portion of long-term debt	8,567	10,385
Total current liabilities	866,422	930,049
Long-term debt, excluding current portion	1,752,515	1,761,902
Deferred income tax liability, net	800,574	793,957
Other non-current liabilities	82,875	84,419
Commitments and contingencies		
Stockholders' Equity		
Preferred stock, 20,030 shares authorized, no shares issued or outstanding at September 30, 2012 and March 31, 2012	—	—
Common stock, par value \$0.01 per share, 200,000 shares authorized, 87,014 and 86,874 shares issued at September 30, 2012 and March 31, 2012, respectively	870	869
Capital in excess of par value	681,181	649,551
Retained earnings	1,804,164	1,701,478
Accumulated other comprehensive income	6,045	5,386
Treasury stock, 9,848 and 10,207 shares at cost at September 30, 2012 and March 31, 2012, respectively	(585,668)	(607,026)
Total stockholders' equity	1,906,592	1,750,258
Total liabilities and stockholders' equity	\$5,408,978	\$5,320,585

See accompanying notes to consolidated financial statements.

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AIRGAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)	Six Months Ended	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$ 171,818	\$ 152,848
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	129,016	120,649
Amortization	13,336	12,404
Impairment	1,729	2,500
Deferred income taxes	1,560	21,859
Gain on sales of plant and equipment	(99)	(532)
Gain on sale of businesses	(6,822)	—
Stock-based compensation expense	18,192	17,070
Changes in assets and liabilities, excluding effects of business acquisitions and divestitures:		
Trade receivables, net	(34,147)	(43,248)
Inventories, net	(29,976)	(7,303)
Prepaid expenses and other current assets	(10,538)	(4)
Accounts payable, trade	(5,220)	(9,692)
Accrued expenses and other current liabilities	16,625	(66,009)
Other non-current assets	1,327	2,067
Other non-current liabilities	(2,852)	(1,357)
Net cash provided by operating activities	263,949	201,252
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(162,199)	(166,812)
Proceeds from sales of plant, equipment and businesses	20,201	8,387
Business acquisitions and holdback settlements	(18,652)	(93,943)
Other, net	(842)	(443)
Net cash used in investing activities	(161,492)	(252,811)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease in short-term debt	(59,121)	—
Proceeds from borrowings of long-term debt	7,677	1,063,083
Repayment of long-term debt	(17,378)	(704,220)
Financing costs	—	(4,203)
Purchase of treasury stock	—	(300,000)
Proceeds from the exercise of stock options	13,860	10,862
Stock issued for the Employee Stock Purchase Plan	8,512	7,381
Tax benefit realized from the exercise of stock options	4,927	4,722
Dividends paid to stockholders	(61,634)	(46,474)
Change in cash overdraft	3,904	(109)
Net cash (used in) provided by financing activities	(99,253)	31,042
Change in cash	\$ 3,204	\$ (20,517)
Cash – Beginning of period	44,663	57,218
Cash – End of period	\$ 47,867	\$ 36,701

Note: Prior year amounts have been adjusted for the