

AIRGAS INC  
Form 10-Q  
November 08, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

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

**For the quarterly period ended: September 30, 2011**

**Commission file number: 1-9344**

**AIRGAS, INC.**

**(Exact name of registrant as specified in its charter)**

**Delaware**  
**(State or other jurisdiction of**

**56-0732648**  
**(I.R.S. Employer**

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incorporation or organization)

Identification No.)

259 North Radnor-Chester Road, Suite 100

Radnor, PA  
(Address of principal executive offices)

19087-5283  
(ZIP code)

(610) 687-5253

(Registrant's telephone number, including area code)

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  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  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  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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

Shares of common stock outstanding at November 2, 2011: 75,914,668 shares

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	Three Months Ended September 30,		Six Months Ended September 30,	
	2011	2010	2011	2010
(In thousands, except per share amounts)				
<b>Net Sales</b>	\$ 1,187,083	\$ 1,061,663	\$ 2,351,383	\$ 2,114,319
<b>Costs and Expenses:</b>				
Cost of products sold (excluding depreciation)	552,581	476,172	1,083,361	951,274
Selling, distribution and administrative expenses	423,437	396,614	846,883	787,163
Restructuring and other special charges (Notes 17 and 18)	2,500		15,830	
Costs (benefit) related to unsolicited takeover attempt (Note 19)		4,687	(6,700)	8,474
Depreciation	60,382	56,214	120,649	110,479
Amortization	6,255	6,211	12,404	12,413
<b>Total costs and expenses</b>	<b>1,045,155</b>	<b>939,898</b>	<b>2,072,427</b>	<b>1,869,803</b>
<b>Operating Income</b>	<b>141,928</b>	<b>121,765</b>	<b>278,956</b>	<b>244,516</b>
Interest expense, net	(17,424)	(14,025)	(34,074)	(27,344)
Losses on the extinguishment of debt		(1,221)		(4,162)
Other income (expense), net	(581)	852	149	242
Earnings before income taxes	123,923	107,371	245,031	213,252
Income taxes	(46,224)	(40,806)	(92,487)	(81,888)
<b>Net Earnings</b>	<b>\$ 77,699</b>	<b>\$ 66,565</b>	<b>\$ 152,544</b>	<b>\$ 131,364</b>
<b>Net Earnings Per Common Share:</b>				
Basic earnings per share	\$ 1.03	\$ 0.80	\$ 1.98	\$ 1.57
Diluted earnings per share	\$ 1.01	\$ 0.78	\$ 1.94	\$ 1.54
<b>Weighted Average Shares Outstanding:</b>				
Basic	75,630	83,704	76,980	83,580
Diluted	77,262	85,566	78,672	85,408

See accompanying notes to consolidated financial statements.



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**AIRGAS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(In thousands, except per share amounts)	(Unaudited) September 30, 2011	March 31, 2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 36,701	\$ 57,218
Trade receivables, less allowances for doubtful accounts of \$28,816 and \$23,655 at September 30, 2011 and March 31, 2011, respectively	601,029	550,262
Inventories, net	373,056	362,502
Deferred income tax asset, net	52,000	50,132
Prepaid expenses and other current assets	102,433	100,531
<b>Total current assets</b>	<b>1,165,219</b>	<b>1,120,645</b>
Plant and equipment at cost	4,120,598	3,949,974
Less accumulated depreciation	(1,586,642)	(1,494,216)
Plant and equipment, net	2,533,956	2,455,758
Goodwill	1,137,675	1,117,336
Other intangible assets, net	204,618	197,168
Other non-current assets	52,320	44,974
<b>Total assets</b>	<b>\$ 5,093,788</b>	<b>\$ 4,935,881</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable, trade	\$ 154,166	\$ 163,091
Accrued expenses and other current liabilities	330,362	391,544
Current portion of long-term debt	10,391	9,868
<b>Total current liabilities</b>	<b>494,919</b>	<b>564,503</b>
Long-term debt, excluding current portion	2,202,688	1,842,994
Deferred income tax liability, net	745,397	722,954
Other non-current liabilities	76,755	70,548
Commitments and contingencies		
<b>Stockholders Equity</b>		
Preferred stock, 20,030 shares authorized, no shares issued or outstanding at September 30, 2011 and March 31, 2011		
Common stock, par value \$0.01 per share, 200,000 shares authorized, 86,726 and 86,591 shares issued at September 30, 2011 and March 31, 2011, respectively	867	866
Capital in excess of par value	624,316	607,593
Retained earnings	1,604,798	1,498,728
Accumulated other comprehensive income	2,132	7,580
Treasury stock, 11,066 and 6,995 shares at cost at September 30, 2011 and March 31, 2011, respectively	(658,084)	(379,885)

<b>Total stockholders equity</b>	1,574,029	1,734,882
<b>Total liabilities and stockholders equity</b>	\$ 5,093,788	\$ 4,935,881

See accompanying notes to consolidated financial statements.

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(In thousands)	Six Months Ended September 30, 2011	Six Months Ended September 30, 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net earnings	\$ 152,544	\$ 131,364
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation	120,649	110,479
Amortization	12,404	12,413
Impairment	2,500	
Deferred income taxes	21,675	19,650
(Gain) loss on sales of plant and equipment	(532)	1,149
Stock-based compensation expense	17,070	15,269
Losses on the extinguishment of debt		4,162
Changes in assets and liabilities, excluding effects of business acquisitions:		
Securitization of trade receivables		(295,000)
Trade receivables, net	(43,248)	(38,251)
Inventories, net	(6,815)	(3,370)
Prepaid expenses and other current assets	(4)	5,787
Accounts payable, trade	(9,692)	(4,406)
Accrued expenses and other current liabilities	(66,009)	28,099
Other non-current assets	2,067	1,492
Other non-current liabilities	(1,357)	(5,394)
Net cash provided by (used in) operating activities	201,252	(16,557)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(166,812)	(117,337)
Proceeds from sales of plant and equipment	8,387	6,448
Business acquisitions and holdback settlements	(93,943)	(6,936)
Other, net	(443)	(523)
Net cash used in investing activities	(252,811)	(118,348)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	1,063,083	750,544
Repayment of debt	(704,220)	