

Edgar Filing: CF Industries Holdings, Inc. - Form 425

CF Industries Holdings, Inc.  
Form 425  
June 10, 2009

Filed by Agrium Inc.

(Commission File No. 333-157966)

Pursuant to Rule 425 under the Securities Act of 1933

Subject Company:

CF Industries Holdings, Inc.

Fundamentals of Growth  
Agrium:  
Response to CF's  
June 4 Form 425  
Assertions  
June 2009

Fundamentals of Growth

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Important Information

This  
presentation  
does  
not  
constitute  
an  
offer  
to  
exchange,  
or  
a  
solicitation

of  
an  
offer  
to  
exchange,  
common  
stock

of

CF Industries Holdings, Inc. ( CF ), nor is it a substitute for the Tender Offer Statement on Schedule TO or the Prospectus/Offer to Exchange included in the Registration Statement on Form F-4 (including the Letter of Transmittal and related documents) (collectively, as amended from time to time, the Exchange Offer Documents ) filed by Agrium Inc. ( Agrium ) with the U.S. Securities and Exchange Commission (the SEC ) on March 16, 2009, as amended. The Registration Statement on Form F-4 has not yet become effective. The offer to exchange is made only through the Exchange Offer Documents. **INVESTORS AND SECURITY HOLDERS OF AGRIMUM AND CF ARE URGED TO READ THE EXCHANGE OFFER DOCUMENTS AND OTHER RELEVANT MATERIALS FILED WITH THE SEC CAREFULLY IN THEIR ENTIRETY AS THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE OFFER TO EXCHANGE.**

Copies of any documents filed by Agrium with the SEC are available free of charge through the web site maintained by the SEC at [www.sec.gov](http://www.sec.gov), by calling the SEC at telephone number 800-SEC-0330 or by directing a request to the Agrium Investor Relations/Media Department, Agrium Inc, 13131 Lake Fraser Drive S.E., Calgary, Alberta, Canada T2J 7E8. Free copies of any such documents can also be obtained by calling Georgeson Inc. toll-free at (866) 318-0506.

Agrium,

North,

their

respective

directors

and

executive

officers

and

certain

other

persons

are

deemed

to

be

participants

in any solicitation of proxies from CF's stockholders in respect of the proposed transaction with CF. Information regarding Agrium's directors and executive officers is available in its management proxy circular dated April 3, 2009 relating to the annual general meeting of its shareholders held on May 13, 2009. Other information regarding potential participants in such proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in any proxy statement filed in connection with the proposed transaction.

All information in this presentation concerning CF, including its business, operations and financial results, was obtained from

public

sources.

While

Agrium

has

no  
knowledge  
that  
any  
such  
information  
is  
inaccurate  
or  
incomplete,  
Agrium  
has  
not had the opportunity to verify any of that information.

Fundamentals of Growth

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Forward-Looking Statements

Certain

statements

and

other

information

included

in

this

presentation

constitute

forward-looking

information

within  
the  
meaning  
of  
applicable  
Canadian  
securities  
legislation  
or  
constitute  
forward-looking  
statements  
(together,  
forward-looking  
statements ).

All  
statements  
in  
this

presentation, other than those relating to historical information or current condition, are forward-looking statements, including estimates,

forecasts  
and  
statements

as  
to  
management s  
expectations

with  
respect  
to,

among  
other  
things,  
business

and  
financial  
prospects,

financial multiples and accretion estimates, future trends, plans, strategies, objectives and expectations, including with respect to operations following the proposed acquisition of CF. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from such forward-looking statements.

Events or circumstances that could cause actual results to differ materially from those in the forward-looking statements, including but not limited to, CF's failure to accept Agrium's proposal and enter into a definitive agreement to effect the transaction, Agrium's securities being issued

in  
connection  
with  
the  
proposed  
acquisition

may  
have  
a  
market  
value  
lower  
than  
expected,  
the  
businesses  
of  
Agrium

and  
CF,  
or  
any

other recent business acquisitions, may not be integrated successfully or such integration may be more difficult, time-consuming, expected, the expected combination benefits and synergies and costs savings from the Agrium/CF transaction may not be fully realized

within  
the  
expected  
time  
frame,  
the  
possible  
delay  
in  
the  
completion  
of  
the  
steps  
required  
to  
be  
taken  
for  
the  
eventual  
combination  
of

the two companies, including the possibility that approvals or clearances required to be obtained from regulatory and other agencies will not be obtained in a timely manner or will be obtained on conditions that may require divestiture of assets expected to be a disruption from the proposed transaction making it more difficult to maintain relationships with customers, employees and suppliers, business and economic conditions, interest



rates,  
exchange  
rates  
and  
tax  
rates,  
weather  
conditions,  
crop  
prices,  
the  
supply,  
demand  
and  
price  
level for our major products, gas prices and gas availability, operating rates and production costs, domestic fertilizer consumption, changes in government policy in key agriculture markets, including the application of price controls and tariffs on fertilizers and subsidies or changes in their amounts, changes in development plans, construction progress, political risks, including civil unrest, armed  
groups  
or  
conflict,  
governmental  
and  
regulatory  
requirements  
and  
actions  
by  
governmental  
authorities,  
including  
changes  
in  
government  
policy, changes in environmental, tax and other laws or regulations and the interpretation thereof and other risk factors detailed  
time in Agrium and CF's reports filed with the SEC.  
Agrium  
disclaims  
any  
intention  
or  
obligation  
to  
update  
or  
revise  
any  
forward-looking  
statements

in  
this  
presentation  
as  
a  
result  
of  
new  
information or future events, except as may be required under applicable U.S. federal securities laws or applicable Canadian securities  
legislation.  
These  
forward-looking  
statements  
are  
based  
on  
certain  
assumptions  
and  
analyses  
made  
by  
us  
in  
light  
of  
our  
experience  
and  
perception  
of  
historical  
trends,  
current  
conditions  
and  
expected  
future  
developments  
as  
well  
as  
other  
factors  
we  
believe  
are  
appropriate  
in  
the

circumstances. Expected future developments are based, in part, upon assumptions respecting our ability to successfully integrate the businesses of Agrium and CF, or any other recent acquisitions.

All of the forward-looking statements contained herein are qualified by these cautionary statements and by the assumptions that are inherent in such forward-looking statements. Although we believe these assumptions are reasonable, undue reliance should not be placed on these assumptions and such forward-looking statements. The key assumptions that have been made in connection with the forward-looking statements include, but are not limited to, CF's acceptance of Agrium's proposal and the entering into of a definitive agreement for the proposed transaction, closing the proposed transaction, the market value of Agrium common shares issued in connection with the acquisition, our ability to successfully integrate within expected time frames and costs, and realize the expected combination benefits and synergies

and  
costs  
savings  
from,  
the  
combination  
of  
the  
businesses  
of  
Agrium  
and  
CF,  
or  
any  
other  
recent  
business  
acquisitions,  
and  
our

ability to maintain relationships with customers, employees and suppliers during the course of the proposed transaction.

Fundamentals of Growth

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Unaffected CF Share Price

1)

Sector growth applied to stock price,  
supported by cash on balance sheet

CF's stock price supported by \$16.64/share  
net cash (~21% of equity value)

Cash does not vary with stock price  
movements: growth should be applied only  
to operating assets

None of the global fertilizer peers have

material net cash as a % of equity value

Ref. ISS Presentation, pp. 24, 26, 28

See also p. 8 of this document

2)

\$3.00/share Short Interest

Feb 23 price already ahead of peer group  
since Jan 15

Additional \$5.58 for trading on Feb 24  
where CF significantly outperformed peers  
(CF up 11%, peer group up 4%)

Additional \$3.00 to this already spiked  
price of Feb 24

Ref. ISS Presentation, pp. 24-27, 52-53

3)

Biased Start Date

Feb 24 provides CF with highest  
unaffected  
price of any starting calculation  
date this year

Ref. ISS Presentation, pp. 24-27, 52-53

CF Form 425

Agrium Response

Fundamentals of Growth

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CF Stock Price

Corrected 2010E Value per Share  
and Implied Agrium Offer Premium

(1)

Based on CF stated peer group of Intrepid, Israel Chemicals, K+S, Mosaic, Potash, and Yara

(2)

Includes option proceeds of \$46.1million or 1.758994 million options with a weighted average  
exercise price of \$26.22

CF Form 425

Agrium Response

1)

Agrium believes the market is  
focused on 2010E multiple, not 2009E

2010E provides a longer-term outlook on industry profitability

Street estimates for peer group EV/EBITDA multiples are significantly lower for 2010E than 2009E

Ref. ISS Presentation, pp. 17-21

2)

Street estimates for EBITDA must be adjusted for comparability

Equity research analysts differ in their inclusion of minority interest and equity investment earnings in CF's EBITDA

Consensus owned

EBITDA for 2009E of

\$622 million vs. 2010E of \$589 million

Ref. ISS Presentation, pp. 40-41

As at Jun 1, 2009

Base Premium (%)

Applied

2010E EBITDA Multiple

(1)

6.4x

(33%)

4.3x

2010E 'Owned' EBITDA

\$589

Aggregate Value

\$2,524

Debt Less Cash

(2)

881

Equity Value

\$3,406

Fully Diluted Shares Outstanding

50.2

Value per Share

\$67.87

Jun 1 Implied Agrium Offer

\$89.70

Offer Implied Premium / (Discount)

32.2%

Fundamentals of Growth

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Global Peers Trading Multiples

4)

Minority interest not part of EV if  
deducted from EBITDA

Street consensus

more closely

approximates owned

EBITDA vs.

consolidated

Adding minority interest to EV when  
EBITDA excludes minority interest



overstates CF EV and EV/EBITDA multiple

3)

Customer advances not part of EV

Essentially working capital that must be  
deployed for future sales

Not a source of equity or debt capital to  
fund operating assets

Overstates CF EV and EV/EBITDA multiple

2)

Street estimates closer to owned  
EBITDA vs. consolidated

CF does not own all its EBITDA; need to  
deduct for minority interest

Ref. ISS Presentation, pp. 40-41

1)

Inconsistent peer group

Includes Agrium, CF, Terra: none of these  
included in stock price  
peer group (CF pg  
4) or current sector valuations  
(CF pg 6)

CF and Terra are both affected

(1)

Source:

Capital

IQ.

Consistent

peer

group

cited

by

CF

in

Stock

Price

and

Sector

Valuations

(pp.

4

and

6,

respectively

in  
CF's  
Form  
225):  
Intrepid,  
Israel  
Chemicals,  
K+S,  
Mosaic, Potash and Yara. NTM for Q1 2008 onwards incorporates 2009E estimates;  
last three quarters 2009E assumes even distribution across quarters

(2)  
Reflects leakage of minority interest and addition of equity investment income

Corrected EBITDA NTM Multiples

(1)  
3-Year Average

Current

Peers:

8.2x

7.6x

CF Owned

(2)

:

4.0x

5.2x

On an owned  
basis, CF is  
trading a full multiple of  
estimated EBITDA above  
its

3-year average actual NTM

CF Form 425

Agrium Response

Fundamentals of Growth

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Current Sector Valuations

3)

Agrium, which is trading at the lowest multiple of CF's unaffected peers, is not included in CF's set of comparable companies

1)

Agrium believes 2010E EBITDA is a more appropriate estimate to use than NTM, as it provides a longer-term outlook on industry profitability

CF Form 425

Agrium Response

2)

Potash companies are trading at the highest multiples of the three main sectors (nitrogen, phosphate, and potash)

Consistent with historical trading multiples

Biases upward the average multiple for CF

Ref. ISS Presentation, p. 22

Fundamentals of Growth

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(US\$ in millions)

POT

Yara

IPI

ICL

K+S

MOS

CF

AGU

TRA

CF Owned

EBITDA

TRA Owned

EBITDA

Price (US\$ / share)

\$  
117.06

\$  
33.49

\$  
33.65

\$  
11.84

\$  
77.63

\$  
56.47

\$  
80.31

\$  
49.70

\$  
28.60

\$  
80.31

\$  
28.60

Diluted Shares (mm)

304.8

289.8

75.0

1,291.7

164.8

446.7

49.7

158.4

99.7

49.7

99.7

Diluted Market Cap

\$  
35,678

\$  
9,707

\$  
2,525

\$  
15,300

\$  
12,797

\$  
25,223

\$

3,988  
\$  
7,875  
\$  
2,851  
\$  
3,988  
\$  
2,851  
Total Debt  
\$  
3,364  
\$  
4,187  
\$  
-  
\$  
1,504  
\$  
285  
\$  
1,388  
\$  
4  
\$  
1,907  
\$  
330  
\$  
4  
\$  
330  
Cash  
(255)  
(682)  
(102)  
(458)  
(199)  
(2,529)  
(839)  
(86)  
(1,020)  
(839)  
(1,020)  
Equity Investments  
(2,889)  
(1,685)  
-  
(27)  
(33)

(301)

(44)

(330)

(254)

-

-

Preferred Stock

-

-

-

-

-

-

-

-

2

-

2

Minority Interest

-

27

-

63

2

20

32

13

101

-

-

Enterprise Value

\$

35,898

\$

11,555

\$

2,422

\$

16,382

\$

12,853

\$

23,801

\$

3,141

\$

9,379

\$

2,011

\$



3,153  
\$  
2,163  
2010E EBITDA  
\$  
5,025  
\$  
1,715  
\$  
382  
\$  
2,615  
\$  
2,100  
\$  
4,116  
\$  
602  
\$  
1,881  
\$  
481  
\$  
589  
\$  
475  
EV / 2010E EBITDA  
7.1  
x  
6.7  
x  
6.3  
x  
6.3  
x  
6.1  
x  
5.8  
x  
5.2  
x  
5.0  
x  
4.2  
x  
5.4  
x  
4.5  
x  
Net Debt (Net Cash)

\$  
 3,109  
 \$  
 3,505  
 \$(102)  
 \$  
 1,047  
 \$  
 86  
 \$(1,141)  
 \$(835)  
 \$  
 1,821  
 \$(690)  
 \$(835)  
 \$(690)  
 Net Cash as % Mkt Cap  
 NM  
 NM  
 4.1%  
 NM  
 NM  
 4.5%  
 20.9%  
 NM  
 24.2%  
 20.9%  
 24.2%

Current Sector Valuations

Source: Market data as at June 1, 2010E consensus consolidated EBITDA estimates per Bloomberg, calendarized to December. Balance sheet data per most recent company filings. Includes Potash, Yara, Intrepid, Israel Chemical, K+S, Mosaic and Agrium; excludes CF

Note: Owned EBITDA estimates for CF and TRA as at May 29, and are adjusted to reflect leakage of minority interest and addition of equity investment income

(1) Peers include Potash Corp, Yara, Intrepid Potash, Israel Chemicals, K+S, Mosaic and Agrium

Agrium s

methodology  
 indicates an  
 average peer EV  
 / 2010E EBITDA  
 multiple of 6.2x

Multiples are  
 biased upward  
 due to potash  
 weighting

CF and TRA net cash balances significantly  
 greater proportion of equity value vs. peers

Fundamentals of Growth

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Market Increases vs. Agrium's Offer

2)

CF's Q1 balance sheet cash increase was predictable as it came directly from the release of observed working capital

These expectations were factored at the time of Agrium's original bid

Ref. ISS Presentation, p. 23

1)

Agrium does not believe CF's share

price should increase in line with  
these composites given the reverse  
leverage  
created  
by  
the  
\$16.64  
per  
share of net cash in the business

This value does not vary with stock price  
movements

Ref. ISS Presentation, pp. 24-28  
CF Form 425  
Agrium Response

Fundamentals of Growth

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CF Shareholder Base

1)

GROWMARK filed a Form 144 on May 11, 2009 giving notice of its intention to sell 1.5 million shares. Rule 144(h) under the Securities Act requires that the person filing a Form 144 have a bona fide intention to sell shares within a reasonable period of time

Ref. ISS Presentation, pp. 14-15

See also Appendix of this document  
(pp. 11-12)  
CF Form 425  
Agrium Response  
2)  
Since Growmark  
has made a public  
statement acknowledging that it has  
not yet sold shares, we stand  
corrected

Fundamentals of Growth

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Appendix

Fundamentals of Growth

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Appendix