



# Airgas Site Visit Delivering Airgas Synergies

Pascal Vinet, VP, CEO Airgas

Levittown Distribution Center,  
21 March 2017



# Historic Airgas - Key Industrial Merchant Player in the U.S.

---

- **Major player in the U.S. market**

- Leader in packaged gas
- Major supplier of hardgoods

- **Multi-channel distribution network with unmatched reach**

- Largest footprint and asset base in the U.S.
- Coupled with best-in-class e-commerce platform



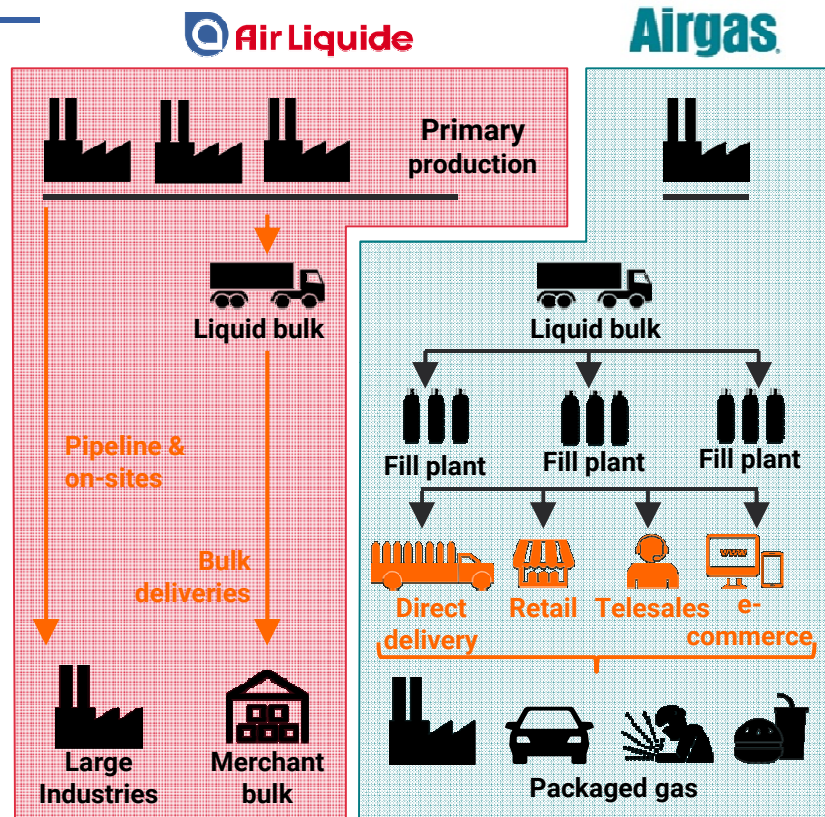
- **Solid track record of value creation**

- Unparalleled sales growth since 1982
- Proven operational excellence

- **Unrivalled customer base**

- >1 million customers
- Resilient profile with diversified customer segments

# Airgas and Air Liquide: Strong Business Fit



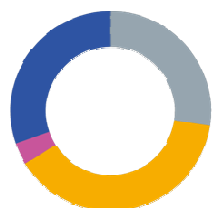
- Air Liquide: focus on upstream
- Airgas: focus on downstream
- Highly complementary businesses
- Implied synergies
- Improved customer reach

➤ **U.S. operations merged  
October 1<sup>st</sup>, 2016**



# First Airgas Synergies Delivered in 2016

## Cost Synergies on track



- 18 site closures
- Logistics optimization
- Elimination of redundancies



- Sourcing
- Primary production
- Logistics optimization



- Business & administrative process review
- Procurement



- Leverage on IT
- Shared services
- Delisting
- Management



# What's in Cylinder Operations Synergies?

Elimination  
of  
redundancies



## Streamline production: increase plant loading

- Eliminate overlaps between assets: filling plants, depots,...
- Concentrate resources on the most efficient sites

Logistics  
optimization



## Reduce number of miles per delivered cylinders

- Merge maps of Air Liquide - Airgas delivery points and assets
- Optimize routings
  - Truck loading
  - Frequency of delivery



## Example: Elimination of Redundancies

- In Dallas area, 4 plants consolidated into 2

**Airgas**

- 1 plant in Fort Worth
- 2 plants in Dallas

 **AirLiquide**

- 1 plant in Grand Prairie

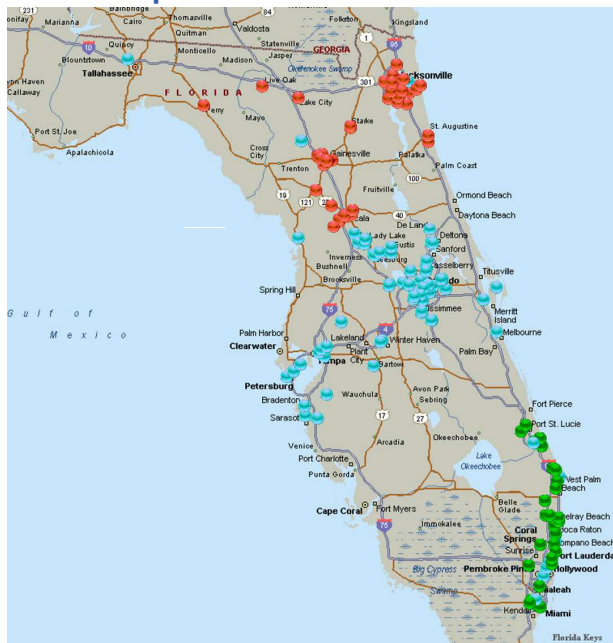
- Elimination of fixed costs
- Increased capacity: +20% to >100k/month
  - Upgraded automated filling system
  - Combined best technology

➤ **Increased efficiencies and added capacity**

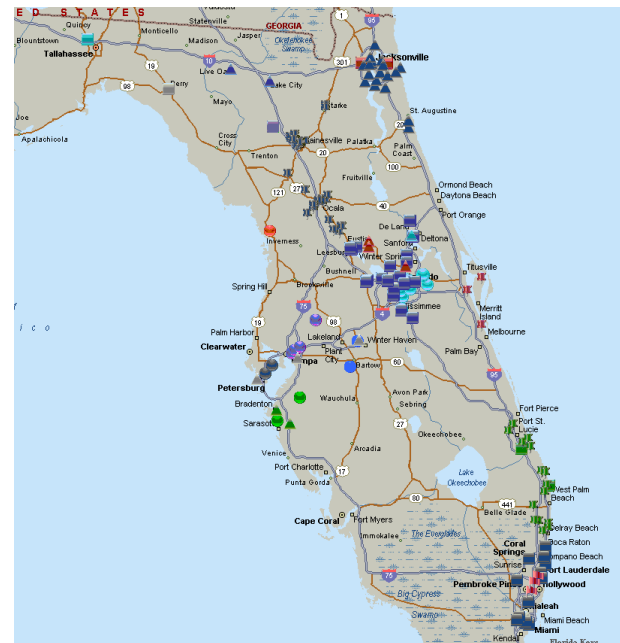
# Example: Logistics Optimization, Florida Re-routing



Pre-integration:  
Air Liquide

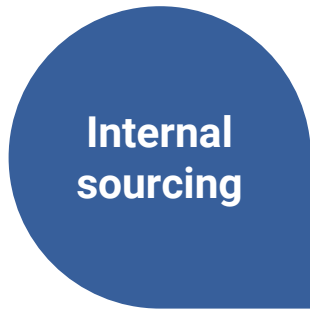


Post-integration:  
➤ 250k miles less/year





# What's in Bulk Operations Synergies?



**Internal sourcing**

**Internalize progressively  
3<sup>rd</sup> party sourcing**

- Pre-acquisition, ~40% of gas needs outsourced
- When relevant
- At contract termination



**Plant loading**

**Increase loading factor**

- Consolidate insourced volumes
- Increase utilization rate



**Logistics optimization**

**Reduce number of miles per delivery**














- Merge maps of Air Liquide - Airgas delivery points and assets
- Optimize routings
  - Trucks / rail cars loading
  - Frequency of delivery



# Example: Internal Sourcing and Asset Optimization



## Progressive replacement by in-house sourcing

 		Capacities available on Large Industries plants
		#1 source in the U.S. >100 rail cars for transport
		Strong production capability
		>200 rail cars for transport
		1 source in Canada
		1 source in U.S.
		Global sources Distribution assets

- Third-party margins re-internalized
- Increased plant loading
- Backup capabilities
- Transport efficiencies

# What's in Process & Procurement Synergies?



Administrative  
Process

## Review business and administrative processes

- Implement best practices from the 2 organizations
  - Paperless deliveries
  - Cylinder tracking
- Benefit from economy of scale
  - Airgas invoicing processes (2M invoices/month!)
  - Hardgoods logistics



Procurement

## Take advantage of economy of scale

- Airgas providing large U.S. footprint
  - Healthcare, diesel, uniforms...
- Air Liquide leveraging on global presence
  - Costs: insurance, travel, IT, bank fees, ...
  - Capex: cylinders, tanks, trucks, ...



# What's in Back Office Synergies?

## Organization

### Optimize Back Office structure

- Merge operations leveraging the large Airgas structure
  - Accounting, IT, support, administration, HR
  - Optimize headcount & office space
  - Eliminate redundancies
- Implement shared capabilities
  - Share resources with LI and EL: finance, treasury, audit, IP

## Administration

### Leverage on the best tools of the 2 organizations

- SAP, routing optimization tool

### Reduce costs

- Delisting from NYSE
- Much lighter Board costs/ Lean executive management
- Legal, Audit...

# What's in Revenue Synergies?



## Industrial Merchant and Healthcare



- Enlarged offer
  - Scope: HG, Safety, Dry Ice, He
  - Technology (ex. Medical cylinder)
  - On-sites
- Geographical expansion
  - Mexico, Canada



- Enlarged secured sourcing
- Airgas customer reach



- Air Liquide portfolio
- R&D support

# Cross Selling Scope



- Enlarged offer to broader customer portfolio

- Bulk and Large Industries customers

- Hardgoods and Cylinders

- Deployment of Air Liquide technology

- Small Industrial Merchant on-site technology

- Customer reach through multi-channel distribution network

- Geographical expansion

- Local presence in 80 countries

- Mid-size customers with international development

## ➤ Multiple opportunities for cross selling

# Example: Cross Selling, On-Site Offer



- **Targeted customers:**
  - Current Airgas bulk customers
  - Large gas volumes with long-term perspective of business
- **Advantages for the Group:**
  - Free up distribution resources and assets
  - Secure customers with 10-15 year contract
  - Expanded sales coverage (vs AL's prior footprint)



➤ **Most adequate supply mode for large volumes**

# Example: Cross Selling, Intelli-Ox



- **Primarily hospital customers**
  - Leveraging Airgas footprint
- **Digital gauge, ease-of-use for nurses**
- **Lightweight, ergonomic handle**



➤ **Easiest way to increase patient safety, optimize time & save money**

# Cross Selling: North American Offer



**Value added for Airgas customers with operations in Canada or Mexico:**  
new ability to follow strategic accounts throughout North America



➤ **International supplier for international customers**



# Product Availability

REVENUE  
SYNERGIES

Product  
availability



- Security of supply
- Larger volumes available
- Increased confidence of sales team



➤ **Enriched value of Airgas offer**

# Gas Applications



## Industrial Merchant

- Alphagaz™ for specialty gases
- Arcal™ welding shielding gases
- Aligal™ for Food
- Smart TOPS



## Healthcare

- Smart cylinders – Intelli-Ox
- Extended services (e.g. TGM at hospitals)

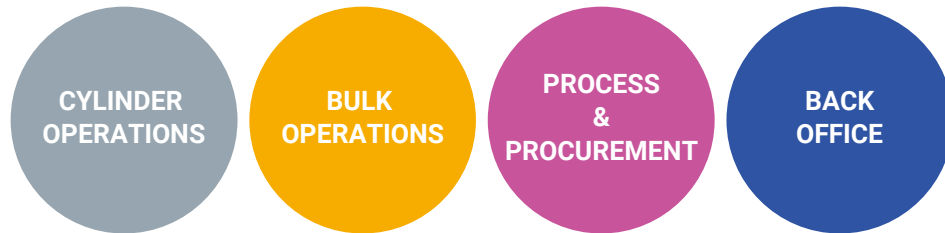


## ➤ Enriched offer portfolio

# 2016-2019: EBITDA Synergies > US\$300m Confirmed

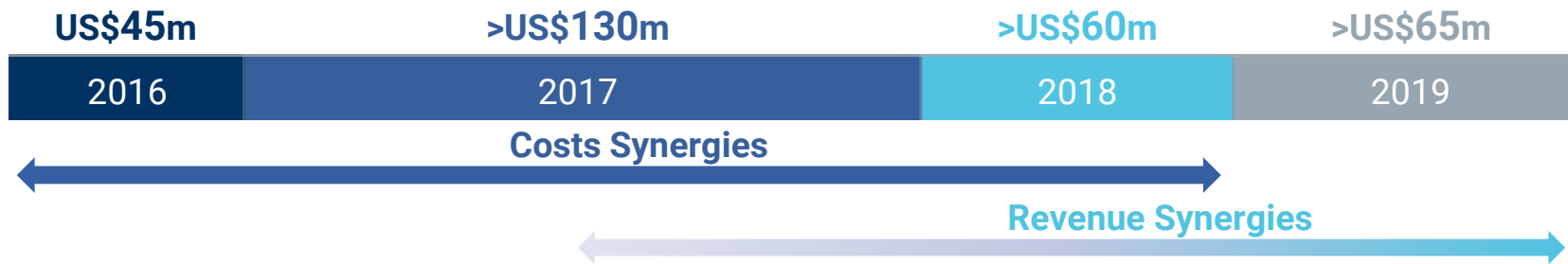
**Cost Synergies** 

**Revenue Synergies** 



- Cross-selling
- Product availability
- Gas applications

## Timeline for delivery of synergies

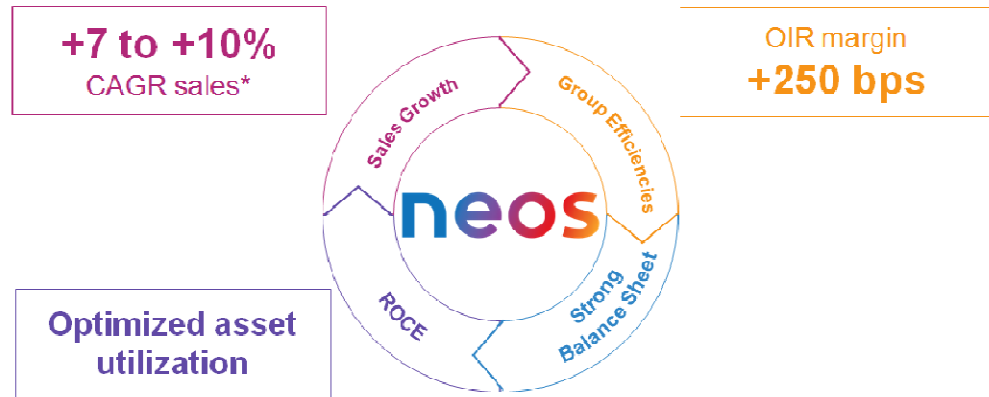


# Contributing to NEOS

- **Customer-centric focus**
- **Delivering synergies**
  - Full cost synergies by end 2018
  - Revenue synergies by end 2019



- Active part in **NEOS Industrial Merchant 3 objectives...**



- ...as well as **NEOS Healthcare objectives**

**+6% to +8%**  
CAGR sales\*

*\*Including Airgas scope effect in 2017 contributing +5% to the CAGR for IM and +1% for HC*