

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

CF Industries Holdings, Inc.
Form 425
December 14, 2009
Filed by Agrium Inc.

(Commission File No. 333-157966)

Pursuant to Rule 425 under the Securities

Act of 1933 and deemed filed pursuant to

Rule 14a-12 of the Securities Exchange Act

of 1934

Subject Company:

CF Industries Holdings, Inc.

The following letter was sent by Agrium Inc. to CF Industries Holdings, Inc. Board of Directors:

Agrium Inc.

13131 Lake Fraser Drive S. E.

Calgary, Alberta, Canada T2W 7E8

Telephone (403) 225-7000

Direct (403) 225-7547

Facsimile (403) 225-7600

Michael M. Wilson

President & Chief Executive Officer
December 14, 2009

Board of Directors

CF Industries Holdings, Inc.

4 Parkway North

Suite 400

Deerfield, Illinois 60015-2590

Dear Messrs. Wilson, Arzbaecher, Creek, Davisson, Furbacher, Harvey, Johnson and Schmitt:

We are enclosing a slide presentation that demonstrates the compelling nature of our offer to acquire CF Industries Holdings, Inc.

We believe this presentation and our offer warrant careful consideration by you in light of your duties to your stockholders.

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Agrium would very much appreciate the opportunity to meet with you to discuss our offer and we await your response.

Sincerely,

Michael M. Wilson

President and Chief Executive Officer

Agrium Inc.

Encl.+

Fundamentals of Growth
Agrium:
CF Board Materials
December 14, 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 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

AGRIUM

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, 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 Georganon Inc. toll-free at (866) 318-0506.

Agrium,
North
Acquisition
Co.

(North),
a

wholly-owned
subsidiary
of

Agrium,
their
respective
directors
and
executive
officers

and
individuals nominated by Agrium for election to CF's board of directors are deemed to be participants in the solicitation of proxies from CF stockholders for CF's 2010 annual meeting of stockholders. Information regarding such participants and a description of their direct and indirect interests in such solicitation, by securities holdings or otherwise, is contained in the Schedule 14A filed with the SEC on December 4, 2009.

Agrium,
North,

their
respective
directors
and
executive
officers
and
certain
other
persons
are
also
deemed
to
be
participants
in
any solicitation of proxies from CF's stockholders in respect of the proposed transaction with CF. Information regarding Agri
directors
and
executive
officers
is
available
in
its
management
proxy
circular
dated
March
23,
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, the failure to elect Agrium's nominees as directors of CF at its 2010 annual stockholder meeting, Agrium common shares 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 or costly than expected, the combination benefits and synergies and costs savings from the Agrium/CF transaction may not be fully realized or not realized as 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 and bodies will not be obtained in a timely manner or will be obtained on conditions that may require divestiture of assets expected to be acquired, disruption of operations of the transaction making it more difficult to maintain relationships with customers, employees and suppliers, general business and economic conditions, interest rates, exchange rates and tax rates, weather conditions, crop prices, the supply, demand and price level for agricultural products, gas prices and gas availability, operating rates and production costs, domestic fertilizer consumption and any changes in government policy in key agriculture markets, including the application of price controls and tariffs on fertilizers and the availability of such fertilizers, their amounts, changes in development plans, construction progress, political risks, including civil unrest, actions by armed groups, 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 from time to time in 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

4

Compelling

Rationale for Combination

We believe a combination of Agrium and CF would make a great company

Our offer to CF stockholders is compelling

Significant

premium,

attractive

multiple

at

7.8x

2010E
owned
EBITDA
(1)
,
flexible
cash
/
stock mix

Further upside through ownership of Agrium shares

CF has not presented any alternatives to the Agrium offer which provide superior value to CF stockholders today or in the future

In comparison, CF's offer for Terra is likely to result in value impairment of ~\$880 million, or \$14.75 per CF share
(2)

CF should not ignore its stockholders

Through multiple letters to the CF Board and calls to CF management and its advisors, we have sought engagement

CF
has
ignored
our
efforts
to
discuss
restructuring
options
that
could
allow
our
two
great
companies to merge and create value for our stockholders

The
CF
Board
has
an
obligation
to
act

in
its
stockholders
best
interests
and
should respond to Agrium: We are ready to commence discussions as
soon as possible

(1)
Represents
consensus
estimated
owned
EBITDA
(consolidated
EBITDA
adjusted
to
reflect
leakage
of
minority
interest and addition of equity investment income).

(2)
See page 12

Fundamentals of Growth

5

(1)

6.9 x

6.4 x

5.9 x

5.6 x

Agrium

Consolidated

Terra

Consolidated

CF 'Owned'

CF Consolidated

CF stockholders want to receive a

premium, not pay one

Both CF/Agrium and Terra/CF
transaction multiples are at significant
premiums to historic trading levels

Agrium's offer for CF is relatively higher, as
CF has historically traded at a discount to
both Terra and Agrium

Agrium's offer of \$107.88 per CF share
represents a premium of

20% to CF's current trading price of \$89.99

37% to CF's unaffected price of ~\$78.50

43% to CF's expected share price of
~\$75.25, pro forma a combination with
Terra

(2)

Implied Transaction Multiples:

EV

/

2010E

Owned

EBITDA

Source: Bloomberg; market data as of Dec 11

(1)

CF estimated unaffected price of ~\$78.50, see page 11

(2)

CF share price pro forma a transaction with Terra of ~\$75.25, see page 12

(3)

CF/Agrium implied offer of \$107.88. 50.3mm F.D. shares outstanding, \$748mm net cash (\$5mm notes payable, \$123mm customer

equivalents,

\$46mm

cash

proceeds

from

options,

\$227mm

position

in

Terra

valued

at

CF's

estimation

of

Terra's

unaffected
price

of
\$32.50),
and
2010E

Owned
EBITDA

of
\$604mm
(consolidated

EBITDA adjusted to reflect leakage of minority interests and addition of equity investment income)

(4)
Terra/CF implied offer of \$46.05, 100.7mm F.D. shares outstanding, \$457mm net cash (\$600mm senior notes, \$0.5mm preferred

expenses,
and

\$1,198mm
cash

&
equivalents)

and
2010E

Owned
EBITDA

of
\$523mm
(consolidated

EBITDA
adjusted

to
reflect
leakage

of
minority
interests

and
addition

of
equity
investment

income)
(5)

Forward consensus estimated owned

EBITDA (consolidated EBITDA adjusted to reflect leakage of minority

interests
and

addition
of

equity
investment

income).

Ratio

of

owned

EBITDA

to

consolidated

EBITDA

per

analyst research reports, used as proxy for minority interests and addition of equity investment income, which is used to adjust consolidated EBITDA. Enterprise values exclude minority interests

Average Forward EBITDA Multiples:

Last 3 years to Jan 15

Agrium has traded at a multiple 1.3x greater than CF

7.8 x

8.0 x

CF/Agrium Offer

Terra/CF Offer

(3)

(4)

(5)

Agrium s

Offer

for

CF

is

Compelling

CF s

Board

Needs to Justify Not Engaging

with Agrium

Fundamentals of Growth

6

No Credible Scenario for CF Stockholders to
Realize Superior Value to Agrium's Offer

Agrium

Offer

at

Illustrative

35%

Sector

Upward

Move

CF Sector Move Required:

Unaffected

Price

(1)
~\$146
Source: Bloomberg; market data as of Dec 11
(1)
CF estimated unaffected price of ~\$78.50 calculated using Terra's unaffected multiple (5.14x, implied by CF's estimated
Terra
unaffected
\$32.50
stock
price)
applied
to
CF's
2010E
owned
EBITDA
(consolidated
EBITDA
adjusted to reflect leakage of minority interests and addition of equity investment income). See page 11
(2)
See page 12

An illustrative upward sector
move of 35% from the current
Agrium offer would achieve a
future CF stock price of ~\$146
assuming 100% stock
election (or reinvestment of
cash into sector)

CF stockholders would have
to realize an 86% sector
upward move on CF's
unaffected price
(1)
and a 94%
sector upward move on CF's
share price pro forma a
combination
with
Terra
(2)
to
achieve
equivalent future
value
\$
107.88
\$

145.64
Current Offer Price
Implied Future
Offer Value
35 %
Sector
Move
\$
78.50
\$
145.64
\$
145.64
\$
75.25
CF Unaffected
Price (1)
Future Offer
Value
@ 35% Sector
Move
Pro Forma CF
Share Price (2)
Future Offer
Value
@ 35% Sector
Move
Required Sector
Move
94 %
86 %
Required Sector
Move

Fundamentals of Growth

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CF's Offer for Terra is Likely to Impair

Stockholder Value

(1)

Per CF's estimate of Terra's unaffected share price of \$32.50 per Dec 7 presentation to Terra Board

(2)

5.14x

implied

Terra

EV/2010E

Owned

EBITDA based on CF's estimate of Terra's unaffected share price of \$32.50

per Dec 7 presentation to Terra Board

An acquisition of Terra is likely to impair the value of CF stock by \$14.75 per share (~\$880 million)

The value of the combined entity would be equal to the standalone value of CF and Terra plus synergies

CF's \$32.50 estimate of Terra's unaffected stock price implies a Terra standalone enterprise value on an owned basis of \$2.7 billion
(1)

Implied 5.14x 2010E Owned EBITDA

CF's current proposal for Terra is notionally worth \$46.05 (\$36.75 cash and 0.1034 CF shares per Terra share at CF's current market price of \$89.99)

Implies an enterprise value for Terra of \$4.2 billion

\$1.5 billion over estimated standalone unaffected value

Giving full credit for estimated synergies of \$120 million represents value of \$617 million
(synergies capitalized at 5.14x)
(2)
)

Enterprise value premium of \$1.5 billion less capitalized synergies of \$617 million implies ~\$880 million of value impairment
If the CF Board continues down its current path it is likely to impair stockholder value

Fundamentals of Growth

8

CF's Board Needs to Justify why CF/Agrium Is
Not a Superior Combination Across All Criteria

9.2%

6.7%

Integration

Risk

(Synergies

%

of

Pro

Forma

2010E

EBITDA)

(1)
112%
42%
Integration Risk (Deal Size % of Current Enterprise Value)
Smaller business totally reliant on
volatile commodities
Bigger, stronger and more stable
company
Stability
2009E: 1.9x
2010E: 1.9x
2009E: 1.7x
2010E: 1.0x
Pro
Forma
Leverage
(Debt/EBITDA)

(3)
CF: 5.6x
Terra: 6.4x
Blended: 6.0x
Agrium: 6.9x
CF: 5.6x
Blended: 6.6x
Historical
Consensus
Forward
Trading
Multiple

(2)
\$1,311
\$2,247
Pro
Forma
2010E
EBITDA
(\$millions)

(1)
2
revenue
streams
Nitrogen and Phosphate
5
revenue
streams
Nitrogen, Phosphate, Potash,
Retail and Specialties
Diversity
Estimated Non-Investment
Grade

(4)
Investment Grade
(lower cost of capital)
Credit Rating

CF has
invested
in
1
joint
venture
TOTAL OF \$25 MILLION

Agrium has
successfully completed 16
acquisitions
9 acquisitions
TOTALING \$3.4 BILLION
in the last 5 years alone

Execution and Integration Risk

Terra/CF
CF/Agrium

(1)
Includes CF/Agrium synergies of ~\$150 million and Terra/CF synergies of \$120 million

(2)
Historical forward multiples for last 3 years ending Jan 15. Blended multiple of consensus EBITDA weighted on current enter

(3)
Agrium
2009E

pro
forma
debt
of
\$3.0
billion (\$1.8 billion existing debt as of Sep 30 plus \$1.2 billion new debt), divided by pro forma consolidated 2009E EBITDA
\$769

million
CF
plus
~\$150
million
synergies)

and
2010E
pro
forma
debt
of
\$2.3
billion,
divided
by

pro
forma
consolidated
EBITDA
for 2010E of \$2.2 billion (\$1.4 billion Agrium plus \$666 million
CF plus ~\$150 million synergies). Pro forma CF total debt of \$2.5 billion per increased CF acquisition debt facility in
Dec 7 Investor Presentation, divided by pro forma consolidated EBITDA for 2009E of \$1.3 billion (\$769 million CF
plus
\$418
million
Terra
and
\$120
million
synergies)
and
2010E
of
\$1.3
billion
(\$666
million
CF
plus
\$525
million
Terra and \$120 million synergies). Assumes no pay-down of CF pro forma debt
(4)
Investment rating not yet public
:
:
:
:

Fundamentals of Growth

9

The CF Board has an Obligation to Act in
its Stockholders
Best Interests

Equity

research

analysts

recognize

value-destructive

effect

of

CF s

offer

We think that CF has officially waded waist-deep into value-destructive territory with this bid. On a stand-alone basis, the per share value of the offer is roughly twice our \$23 fair value estimate for Terra. If we include a rough per share value for CF's \$105 million-\$135 million in targeted synergies of \$10.50-\$13.50, then the border between creating and eroding value for CF shareholders would fall at about \$36.50 per Terra share, based on our estimates. The latest bid is still about 26% higher than this stretch target.

Ben Johnson, Morningstar.ca, Dec 7

CF stockholders want to receive a premium, not pay one

60% of CF stockholders (excluding Agrium's shares) supported this deal with Agrium

Our offer has increased a further 14% since we increased the cash consideration

CF has consistently restructured its offer to avoid giving its own stockholders a voice

Given the extraordinary nature of the CF board's "end-run" around its own shareholders and

restructuring of its offer

we remain concerned about the accountability of the CF board going forward

CF shareholders will have no recourse to prevent an undesired Terra deal from being consummated

we have heard many complaints from CF shareholders about the potential for disenfranchisement

Chris Young, RiskMetrics Group, Nov 16

Give CF stockholders a voice: Waive

The
Pill
and
Delaware
Section
203

If
the
CF
Board
believes
they're
acting
in
stockholders
interests
and
have
full
support
of
their stockholders, why not remove the pill and 203 and give their stockholders a voice?

The CF Board has an obligation to engage:
We stand ready to execute a merger agreement

Fundamentals of Growth
10
Appendix

Fundamentals of Growth

11

CF Unaffected Stock Price of ~\$78.50 Based on

Estimated Terra Unaffected Price of \$32.50

Source: Balance sheet data per latest company filings; estimates per analyst research; market data per Bloomberg as of Dec 11

Note:

All

multiples

on

an

Owned

EBITDA

basis.

Assumes

2010E

Owned
EBITDA
(consolidated
EBITDA
less
minority
interest
plus
equity
investments)
estimate
for
CF
of
\$604mm
(1)
CF s
estimated
unaffected
price
of
\$32.50
per
CF
Dec
7
presentation
to
Terra
Board
implies
an
estimated
Terra
standalone
multiple
of
5.14x
2010E
Owned
EBITDA.
99.8mm
shares
outstanding,
\$557mm
net
cash
(\$600mm
senior
notes,

\$41mm
customer
advances,
\$0.5mm
preferred
stock,
\$1,198mm
cash
&
equivalents),
and
2010E

Owned
EBITDA
of
\$523mm
(consolidated
EBITDA
adjusted
to
reflect
leakage
of
minority
interests
and
addition
of
equity
investment
income).

5.14x
CF s
2010E
owned
EBITDA
implies
\$3,104mm
enterprise
value

(2)
CF net cash balance consists of \$5mm notes payable, \$123mm customer advances, and \$703mm cash & equivalents

(3)
Cash
proceeds
from
options
based
on
the

exercise
of
in
the
money
options

(4)

CF's toehold in Terra valued at an estimated unaffected price of \$32.50 per CF Dec 7 Presentation

(5)

CF implied share price of \$78.46 calculated based on 50.2mm diluted shares outstanding

Illustrative

CF

Unaffected

Stock

Price

Based

on

Terra

Implied

Unaffected

EV

/

2010E

EBITDA

of

5.14x

(1)

\$3,104

\$575

\$33

\$3,939

\$227

Implied Unaffected CF

Enterprise Value (1)

(5.14x 2010E EBITDA of \$604mm)

Net Cash (2)

Cash Proceeds from

Options (3)

Toe Hold

in TRA (4)

Implied CF

Equity Value

Implied CF Stock Price:

\$78.46 (5)

Fundamentals of Growth

12

Acquiring

Terra Likely to Result in Net

Value Impairment of ~\$15 Per CF Share

(1)

CF's estimate of Terra's unaffected share price per Dec 7 Investor Presentation

(2)

Basic shares outstanding of 99.8mm

(3)

TRA net cash of \$557mm as at Q3 2009 is pro forma for \$600mm 2019 notes issuance and \$381mm repayment of 2017 notes (\$41mm customer advances), and \$0.5mm of preferred shares

(4)

Estimated Owned

2010E EBITDA as at Dec 11

(5)
Fully diluted shares outstanding of 100.7mm reflects 99.8mm basic shares and 0.9mm unvested and phantom shares

(6)
Estimated deal expenses of \$100mm combined for CF and Terra

(7)
Midpoint of CF synergy estimates of \$105mm to \$135mm per CF's Nov 4 Investor Presentation

(8)
5.14x implied

Terra
EV/2010E

Owned
EBITDA

based
on

CF's
estimate

of
Terra's

unaffected
share price

of \$32.50 per Dec 7 presentation to Terra Board

(9)
59.5mm pro forma shares outstanding (49.8mm CF diluted shares, plus 9.7mm shares issued to Terra including 0.9mm unvested)

Source: Latest public filings, Market data as of Dec 11

(US\$ millions, unless otherwise noted)

Standalone Terra Valuation

CF Estimation of Terra Unaffected Stock Price (US\$)

(1)
\$32.50

Implied Terra Market Cap (99.8 mm shares)

\$3,244

Net Debt (Cash)

(3)
(556)

Terra Standalone Enterprise Value (A)

\$2,688

Implied EV / 2010E 'Owned' EBITDA (\$523mm)

5.14
x

Value of CF's Offer for Terra

Terra Offer Price (Based on At-Market CF, US\$)

\$46.05

Implied Terra Equity Value (100.7 mm shares)

(5)
\$4,639

Net Debt (Cash)

(3)
(556)

Estimated Deal Expenses

(6)

100
 Value of CF's Offer for Terra (B)
 \$4,182
 Implied EV / 2010E 'Owned' EBITDA (\$523mm)
 8.00
 x
 Implied
 Enterprise
 Value
 Premium
 (C
 =
 B
 -
 A)
 \$1,494
 Estimated Annual Synergies
 (7)
 \$
 120
 Capitalized Value of Synergies (@ 5.14x)
 (D)
 \$
 617
 Implied Net Value Leakage (C -
 D)
 \$877
 Implied Net Value Leakage Per Share (US\$)
 (9)
 \$14.75
 Current CF Stock Price
 \$89.99
 Implied Pro Forma CF Stock Price
 \$75.24
 (4)
 (2)
 (8)
 (4)