

AIRGAS INC
Form DEFA14A
July 21, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Airgas, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

Edgar Filing: AIRGAS INC - Form DEFA14A

x No fee required.

.. Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 240.0-11 and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Earnings Teleconference
Earnings Teleconference
First Quarter Ended June 30, 2010
First Quarter Ended June 30, 2010
July 21, 2010
July 21, 2010

1
1

FORWARD-LOOKING STATEMENTS

This presentation contains statements that are forward looking.

Forward-looking statements include the statements identified as forward-looking in the

Company's press release announcing its quarterly earnings, as well as any statement that is not based on historical fact, including containing the words "believes,"

may,
plans,
will,
could,
should,
estimates,
continues,
anticipates,
intends,
expects
and similar

expressions. All forward-looking statements are based on current expectations regarding important risk factors and should not be taken as a representation by us or any other person that the results expressed therein will be achieved. Airgas assumes no obligation to update or revise forward-looking statements for any reason, except as required by law. Important factors that could cause actual results to differ from those contained in any forward-looking statement include the factors identified in the Company's press release announcing its quarterly earnings and other factors described in the Company's reports, including its March 31, 2010 Form 10-K and other forms filed by the Company with the Securities and Exchange Commission. The Company notes that forward-looking statements made in connection with a tender offer are not subject to the anti-fraud provisions created by the Private Securities Litigation Reform Act of 1995.

The Company is not waiving any other defenses that may be available under applicable law.

ADDITIONAL INFORMATION

This press release does not constitute an offer to buy or solicitation of an offer to sell any securities. In response to the tender offer for Air Products Distribution, Inc., a wholly owned subsidiary of Air Products and Chemicals, Inc., Airgas has filed a solicitation/recording statement on Schedule 14D-9 with the U.S. Securities and Exchange Commission ("SEC"). **INVESTORS AND SECURITY HOLDERS OF AIRGAS ARE URGED TO REVIEW THESE AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY IN THEIR ENTIRETY BECAUSE THEY CONTAIN IMPORTANT INFORMATION.** Investors and security holders may obtain free copies of these documents and other documents filed with the SEC by Airgas through the website maintained by the SEC at <http://www.sec.gov>. Also, materials related to Air Products' Unsolicited Proposals are available in the Unsolicited Proposals section of the Company's website at www.airgas.com, or through the following web address: <http://investor.shareholder.com/airgas>. In addition, Airgas has filed a preliminary proxy statement on Schedule 14A with the SEC on July 8, 2010 in connection with the 2010 Annual Meeting of Airgas stockholders. Airgas expects to file a definitive proxy statement with the SEC in connection with the 2010 annual meeting of Airgas stockholders and may file other proxy solicitation material in connection therewith. A copy of the proxy statement will be mailed to stockholders of Airgas. **INVESTORS AND SECURITY HOLDERS OF AIRGAS ARE URGED TO REVIEW THESE AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY CONTAIN IMPORTANT INFORMATION.** Investors and security holders will be able to obtain free copies of these documents (when available) and other documents filed with the SEC by Airgas through the web site maintained by the SEC at <http://www.sec.gov>.

CERTAIN INFORMATION REGARDING PARTICIPANTS

Airgas
and
certain
of

its
directors
and
executive
officers
may
be
deemed
to
be
participants
under
the
rules
of
the
SEC.
Security
holders
may
obtain
information
regarding
the
names,
affiliations
and
interests
of
Airgas'
directors
and
executive
officers
in
Airgas'
Annual
Report
on
Form
10-K
for
the
year
ended March 31, 2010, which was filed with the SEC on May 27, 2010, and its proxy statement for the 2009 Annual Meeting,
on
July
13,
2009
and

its
preliminary
proxy
statement
for
the
2010
Annual
Meeting,
which
was
filed
with
the
SEC
on
July
8,
2010.

To
the
extent
holdings
of Airgas securities have changed, such changes have been or will be reflected on Statements of Change in Ownership on Form

These
documents
can
be
obtained
free
of
charge
from
the
sources
indicated
above.

Additional
information
regarding
the
interests
of
these
participants
in
any
proxy
solicitation
and

a
description
of
their
direct
and
indirect
interests,
by
security
holdings
or
otherwise,
will
also
be
included
in
any
proxy
statement and other relevant materials to be filed with the SEC if and when they become available.

Strong performance as economy emerges from recession

1Q11 Adjusted EPS* \$0.83

Second-best earnings quarter in Airgas history

Revenues not yet recovered to pre-recessionary levels

Same-store sales up +6% YoY

Daily sales improved +5% sequentially

Broad-based momentum, led by manufacturing

Strategic Accounts sales up 12%; now represent 20% of total sales

Adjusted Operating Margin* 12.3% (up 130 bps YoY)

Strong operating leverage on sales growth

Raised FY11 Adj. EPS* guidance by more than 7% to \$3.15 to \$3.30

Represents 21% to 27% growth before SAP costs

Free Cash Flow* of \$113 million

Adjusted Debt* reduction of \$83 million

Increased 2Q11 dividend by 14% to 25¢

First Quarter Recap

First Quarter Recap

2

2

* See attached reconciliations of non-GAAP measures

3

3

Strategic Products Overview

Strategic Products Overview

1Q11: Broad-based increase in customer activity, most pronounced in manufacturing; continued strong existing customer penetration

Long-term: Strong cross-sell, customer base under-penetrated

1Q11: Sequential and YoY

improvement in industrial mfg, including steel, and

auto; continued strength in food-freezing

Long-term: Application growth, engineering solutions, sales force presence in the field

1Q11: Relatively resilient throughout downturn; slowing in elective and non-critical procedures more than offset by new customer signings

Long-term: Population demographics for respiratory therapy, full range of supply modes, strong cross-sell

1Q11: Sequential improvement due to normal seasonality of business

Long-term: Food product applications, beverage market

1Q11: Higher YoY

volumes; sequential improvement in demand for core spec gases, including EPA protocols

Long-term: Application growth, environmental regulations, enhanced capabilities

1Q11

1Q11

Organic

Organic

Growth

Growth

Strategic Products represent more than 40% of total sales and have strong growth profiles due to:

Favorable customer segments

Application development

Increasing environmental regulation

Strong cross-sell

Quarterly

Quarterly

Sales

Commentary

/

Long-Term

Growth

Accelerators

Strategic Products

Strategic Products

1Q11

1Q11

Organic

Organic

Growth

Growth

1Q11

1Q11

Seq. DSR

Seq. DSR

Growth

Growth

1Q11

1Q11

Seq. DSR

Seq. DSR

Growth

Growth

Total Strategic Products

Total Strategic Products

+9%

+9%

+7%

+7%

+6%

+6%

+5%

+5%

+15%

+15%

+8%

+8%

+4%

+4%

+8%

+8%

+3%

+3%

+3%

+3%

+3%

+3%

+5%

+5%

+7%

+7%

+19%

+19%

Safety Products

Safety Products

Bulk Gas

Bulk Gas

Medical Sales

Medical Sales

Specialty Gas

Specialty Gas

CO

CO

2

2

/Dry Ice

/Dry Ice

Total

Same-Store

Sales

Consolidated Results

Consolidated Results

4

4

* See attached reconciliations of non-GAAP measures

Note: Certain reclassifications have been made to prior period financial statements to conform to the current presentation.

(\$ in millions, except per share amounts)

1Q11

4Q10

Seq. Var.

1Q10

YoY Var.

Sales

\$ 1,053

\$ 983

+7%

\$ 982

+7%

Gas & Rent Sales Mix

64.2%

63.8%

65.0%

Same-Store Sales

+6%

Price

+1%

Volume

+5%

Gas & Rent SSS

+5%

Hardgoods SSS

+8%

Acquired Sales Contribution

+1%

Gross Profit

\$ 578

\$ 535

\$ 543

Gross Margin

54.9%

54.4%

+ 50 bps

55.3%

-40 bps

Adjusted Operating Income*

\$ 130

\$ 105

+24%

\$ 108

+20%

Adjusted Operating Margin*

12.3%

10.7%

+ 160 bps

11.0%

+ 130 bps

EPS

\$ 0.76

\$ 0.47

+62%

\$ 0.66

+15%

Significant Charges Included in EPS:

Costs related to unsolicited takeover attempt

0.03

0.18

-

Loss on early extinguishment of debt

0.02

0.07

-

Multi-employer pension plan withdrawal

0.02

-

-

Income tax benefit

-

(0.03)

-

Adjusted EPS*

\$ 0.83

\$ 0.69

+20%

\$ 0.66

+26%

Weighted Average Shares Outstanding

85.3

84.7

+1%

83.3

+2%

Return on Capital (LTM) *

10.5%

10.0%

11.8%

Free Cash Flow *

\$ 113

\$ 121

\$ 119

Adjusted Debt *

\$ 1,721

\$ 1,805

\$ 1,981

Incremental
selling day

Daily Sales Rate

+5% seq.

Segment Results

Segment Results

5

5

Distribution

(\$ in millions)

1Q11

4Q10

Seq. Var.

1Q10

YoY Var.

Sales

\$ 932

\$ 889

+5%

\$ 875

+7%

Gas & Rent Sales Mix

59.7%

60.1%

60.9%

Same-Store Sales

+5%

Price

+1%

Volume

+4%

Gas & Rent SSS

+3%

Hardgoods SSS

+8%

Gross Profit

\$ 517

\$ 491

\$ 490

Gross Margin

55.5%

55.3%

+ 20 bps

56.1%

-60 bps

Adjusted Operating Income*

\$ 107

\$ 100

+7%

\$ 90

+19%

Adjusted Operating Margin*

11.5%

11.2%

+ 30 bps

10.3%

+ 120 bps

All Other Operations

(\$ in millions)

1Q11

4Q10

Seq. Var.

1Q10

YoY Var.

Sales

\$ 128

\$ 100

+28%

\$ 113

+14%

Same-Store Sales

+13%

Gross Margin

46.9%

43.3%

+ 360 bps

46.7%

+ 20 bps

Operating Income

\$ 23

\$ 5

+317%

\$ 18

+25%

Operating Margin

17.7%

5.4%

+ 1230 bps

16.1%

+ 160 bps

Incremental

selling day

Daily Sales Rate

+3% seq.

* See attached reconciliations of non-GAAP measures

Note: Certain reclassifications have been made to prior period financial statements to conform to the current presentation.

6
6
(\$ in millions)
1Q11
1Q10

Cylinders and Bulk Tanks

\$ 19

\$ 16

Machinery and Equipment

13

14

Computers

1

2

Rental Welders

-

-

Construction-in-Process, Buildings & Land

22

27

Other ^

6

8

TOTAL

\$ 61

\$ 67

% of Sales

5.8%

6.9%

^ Includes Vehicles, Furniture & Fixtures and other items not specifically identified.

Capital Expenditures

Capital Expenditures

Guidance

Assumptions

Tax rate 38%-39%

Includes SAP implementation costs

Includes acquisitions closed through 7/20/10

Does not incorporate the impact of debt extinguishment or multi-employer pension plan withdrawal charges, if any, or future costs related to unsolicited takeover attempt

7

7

2Q11 & FY11 Guidance Summary

2Q11 & FY11 Guidance Summary

2Q11

FY11 (Updated)

Adjusted EPS

\$0.78 to \$0.82

\$3.15 to \$3.30

YoY

% Growth

+15% to +21%

+18% to +23%

SAP implementation costs
included in guidance

\$0.03

\$0.10

YoY

% Growth ex-

SAP costs

+19% to +25%

+21% to +27%

Operating Margin

12.0% to 12.5%

Capex

~5.5% of Sales

Same-Store Sales Growth

High

Single Digits

Mid to High

Single Digits

Ahead of schedule on mid-term earnings goal

Ahead of schedule on mid-term earnings goal

of \$4.20+ per share in calendar 2012

of \$4.20+ per share in calendar 2012

8

8

Path to 2Q11 & FY11 EPS Guidance

Path to 2Q11 & FY11 EPS Guidance

1Q11 Adjusted EPS*

\$0.83

Refrigerants &

Rental Welder Business

SAP Implementation

(0.01)

Sales Growth / Price Increase

Improving Economy

Operating Efficiencies

EPS Guidance

\$0.78 - \$0.82

(0.05)

0.01 - 0.05

(+1% to +6%)

2Q11

* See attached reconciliations of non-GAAP measures

FY10 Adjusted EPS*

\$2.68

Variable Compensation Reset

(Bonus/Commissions)

SAP Implementation

(0.10)

Tax Rate / Share Count

(0.06)

Sales Growth / Price Increase

Improving Economy

Operating Efficiencies

Adjusted EPS* Guidance

\$3.15 - \$3.30

0.73 - 0.88

(+27% to +33%)

FY11 (Updated)

(0.10)

9

9

Post-Recession EPS Growth

Post-Recession EPS Growth

* See attached reconciliations of non-GAAP measures

Note: CAGR

= Compound Annual Growth Rate

\$4.20+

(CY12 Goal)

\$2.67*

\$1.53

\$0.94

16% CAGR

18% CAGR

FY11

FY11

Guidance*

Guidance*

(Updated)

(Updated)

\$3.30

\$3.15

EPS

Adj. EPS*

10
10
10
10

Significant Upside Remains
Significant Upside Remains
for Airgas Shareholders
for Airgas Shareholders

Acquisition opportunities still abundant in a highly-fragmented industry
considerable leverage to our premier distribution infrastructure

Sales & marketing alignment by customer segment only recently
expanded
to
all
target
segments

tremendous leverage to fast-growing
Strategic Accounts program

Customer-centric operating culture will enhance cross-sell opportunities
for an already compelling product and service offering

Strategic Products growth will continue to outperform the core business
during the economic recovery

SAP platform to unlock significant yet-to-be-quantified incremental
benefits
provide upside to our mid-term financial targets

Agility
to
identify
and
quickly
integrate
adjacencies

opportunities
for
additional adjacencies

Non-GAAP Reconciliations:

Non-GAAP Reconciliations:

Adjusted Operating Income & Adjusted Operating Margin

Adjusted Operating Income & Adjusted Operating Margin

11

11

Consolidated Airgas

June 30,

March 31,

June 30,

(Dollars in thousands)

2010

2010

2009

Net sales
 1,052,656
 \$
 983,308
 \$
 981,991
 \$
 Operating income
 122,751
 \$
 81,883
 \$
 107,909
 \$
 Operating margin
 11.7%
 8.3%
 11.0%
 Plus:
 Costs related to unsolicited
 takeover attempt
 3,787
 23,435
 -
 Multi-employer pension plan
 withdrawal charges
 3,204
 -
 -
 Adjusted operating income
 129,742
 \$
 105,318
 \$
 107,909
 \$
 Adjusted operating margin
 12.3%
 10.7%
 11.0%
 Distribution Segment
 June 30,
 March 31,
 December 31,
 September 30,
 June 30,
 (Dollars in thousands)
 2010
 2010
 2009

2009
2009
Net sales
931,840
\$
889,139
\$
854,476
\$
860,267
\$
874,592
\$
Operating income
\$ 103,844
99,875
\$
89,306
\$
92,388
\$
89,749
\$
Operating margin
11.1%
11.2%
10.5%
10.7%
10.3%
Plus:
Multi-employer pension plan
withdrawal charges
3,204
-
4,950
1,700
-
Adjusted operating income
107,048
\$
99,875
\$
94,256
\$
94,088
\$
89,749
\$
Adjusted operating margin
11.5%

11.2%

11.0%

10.9%

10.3%

Three Months Ended

Three Months Ended

The Company believes the above adjusted operating income and adjusted operating margin computations help investors assess performance without the impact of charges associated with the Company's withdrawal from multi-employer pension plans and unsolicited takeover attempt. Non-GAAP numbers should be read in conjunction with GAAP financial measures, as non-GAAP supplement to, and not a replacement for, GAAP financial measures. It should be noted as well that our adjusted operating income and adjusted operating margin computations may be different from the adjusted operating income and adjusted operating margin computations provided in our GAAP financial statements. Certain reclassifications have been made to prior period financial statements to conform to the current presentation.

Non-GAAP Reconciliations:
Non-GAAP Reconciliations:
Adjusted Earnings Per Diluted Share
Adjusted Earnings Per Diluted Share
12
12
Quarterly
June
30,
2010
March
31,
2010

September
 30,
 2009
 June
 30,
 2009
 Earnings per diluted share
 Adjustments to earnings per
 diluted share:
 Costs related to unsolicited
 takeover attempt
 0.03
 0.18
 -
 -
 Loss on debt extinguishment
 0.02
 0.07
 0.02
 -
 Multi-employer
 pension plan withdrawal charges
 0.02
 -
 0.01
 -
 Non-recurring tax benefit
 -
 (0.03)
 -
 -
 Adjusted earnings per diluted share
 0.83
 \$
 0.69
 \$
 0.68
 \$
 0.66
 \$
 Three Months Ended
 Annual
 Year Ended
 March
 31,
 2010
 Low
 YoY
 Change
 High

YoY
 Change
 Earnings per diluted share
 Adjustments to earnings per
 diluted share:
 Costs related to unsolicited
 takeover attempt
 0.18
 0.03
 0.03
 Loss on debt extinguishment
 0.14
 0.02
 0.02
 Multi-employer
 pension plan withdrawal charges
 0.05
 0.02
 0.02
 Non-recurring tax benefit
 (0.03)
 -
 -
 Adjusted earnings per diluted share
 2.68
 \$
 3.15
 \$
 18%
 3.30
 \$
 23%
 (Guidance Range)
 Year Ended March 31, 2011
 0.47
 \$
 0.65
 \$
 0.66
 \$
 2.34
 \$
 3.08
 \$
 3.23
 \$
 0.76

The Company believes that adjusted earnings per diluted share above provide investors meaningful insight into the Company's extinguishment charges, multi-employer pension plan withdrawal charges, and costs related to the unsolicited takeover attempt in conjunction with GAAP financial measures, as non-GAAP metrics are merely a supplement to, and not a replacement for, GAAP

well that our adjusted earnings per diluted share metric may be different from adjusted earnings per diluted share metrics provi

Non-GAAP Reconciliations:

Non-GAAP Reconciliations:

Adjusted

Adjusted

Earnings

Earnings

Per

Per

Diluted

Diluted

Share

Share

Calendar

Calendar

Year

Year

Basis

Basis

13

13

The Company believes that adjusted earnings per diluted share above provide investors meaningful insight into the Company's impact of debt extinguishment charges, multi-employer pension plan withdrawal charges, the settlement of material litigation, gains, fire losses, the costs of the BOC acquisition integration, employee separation costs, hurricane losses and losses from discontinued operations. Adjusted earnings per diluted share should be read in conjunction with GAAP financial measures, as non-GAAP metrics are merely a supplement to GAAP financial measures. It should be noted as well that our adjusted earnings per diluted share metric may be different from share metrics provided by other companies.

2009

2005

2004

2003

2002

Earnings per diluted share

2.55

\$

1.48

\$

1.18

\$

1.04

\$

0.82

\$

Adjustments:

Loss on debt extinguishment

0.07

-

-

-

-

Multi-employer pension plan withdrawal charges

0.05

-

-

-

-

Legal Settlement

-

-

-

-

0.08

Restructuring charge (recovery)

-

-

(0.01)

-

0.03

Insurance gain

-

-

-
(0.02)
-
Fire Losses
-
-
-
0.02
-
Acquisition integration costs
-
0.01
0.03
-
-
Employee separation costs
-
0.01
-
-
-
Hurricane losses
-
0.02
-
-
-
Losses from discontinued operations
-
0.01
-
0.01
0.01
Adjusted earnings per diluted share
2.67
\$
1.53
\$
1.20
\$
1.05
\$
0.94
\$
Calendar Year Ended December 31,

Non-GAAP Reconciliations:
Non-GAAP Reconciliations:
Adjusted Cash from Operations,
Adjusted Cash from Operations,
Adjusted Capital Expenditures & Free Cash Flow
Adjusted Capital Expenditures & Free Cash Flow
14
14
June 30,
March 31,
June 30,
(Amounts in thousands)
2010
2010
2009
Net cash (used) provided by operating activities
(129,679)
\$
188,312

\$
162,259
\$
Adjustments to cash provided by operating activities:
Cash used by the securitization of trade receivables
295,000

(27,100)

15,900

Stock issued for employee stock purchase plan
3,580

4,092

3,888

Tax benefit realized from the exercise of stock options
1,952

11,620

1,334

Adjusted cash from operations
170,853
\$
176,924
\$
183,381
\$
Capital expenditures
(61,121)
\$
(61,154)
\$
(67,312)
\$
Adjustments to capital expenditures:
Proceeds from sales of plant & equipment
3,338

5,577

2,510

Adjusted capital expenditures
(57,783)
\$

(55,577)

\$

(64,802)

\$

Free Cash Flow

113,070

\$

121,347

\$

118,579

\$

Three Months Ended

The Company believes that free cash flow and adjusted cash from operations provide investors meaningful insight into the Company's cash from operations, which is available for servicing debt obligations and for the execution of its business strategy, including the payment of dividends, or to support other investing and financing activities. Non-GAAP numbers should be read in conjunction with GAAP financial measures, as non-GAAP metrics are merely a supplement to, and not a replacement for, GAAP financial measures. Our free cash flow and adjusted cash from operations metrics may be different from free cash flow and adjusted cash from operations of other companies.

Non-GAAP Reconciliations:

Non-GAAP Reconciliations:

Return on Capital & Adjusted Debt

Return on Capital & Adjusted Debt

15

15

The Company believes this return on capital computation helps investors assess how effectively the Company uses the capital. Our management uses return on capital as one of the metrics for determining employee compensation. Non-GAAP numbers should not be compared with GAAP financial measures, as non-GAAP metrics are merely a supplement to, and not a replacement for, GAAP financial measures, as well that our return on capital computation information may be different from the return on capital computations provided by other companies.

(In thousands)

June 30, 2010

March 31, 2010

June 30, 2009

Adjusted operating Income - Trailing Four Quarters

451,496

\$

429,683

\$

497,922

\$

Five Quarter Average of Total Assets

4,507,863

\$

4,428,239

\$

4,320,704

\$

Five Quarter Average of Securitized Trade Receivables

217,577

288,500

337,380

Five Quarter Average of Current Liabilities (exclusive of debt)

(425,637)

(419,959)

(444,625)

Five Quarter Average Capital Employed

4,299,803

\$

4,296,780

\$

4,213,459

\$

Return on Capital

10.5%

10.0%

11.8%

(In thousands)

June 30, 2010

March 31, 2010

June 30, 2009

Current portion of long-term debt

9,589

\$

10,255

\$
 11,033
 \$
 Long-term debt, excluding current portion
 1,711,630

 1,499,384

 1,675,194

 Net debt
 1,721,219

 1,509,639

 1,686,227

 Securitization of trade receivables
 -
 295,000

 295,000

 Adjusted debt
 1,721,219
 \$
 1,804,639
 \$
 1,981,227
 \$

Prior to April 1, 2010, the Company used adjusted debt to provide investors with a more meaningful measure of the Company for funds received under the trade receivables securitization program, the outstanding amounts of which were previously not re balance sheet. On April 1, 2010, the Company adopted new accounting guidance which affected the presentation of its trade re program. Under the new guidance, proceeds received under the securitization are treated as secured borrowings, and therefore balances sheet. Previously, they were treated as proceeds from the sale of trade receivables.