

MATHESON TRI-GAS ACQUIRES VALLEY NATIONAL GASES FROM CI CAPITAL PARTNERS

Matheson Tri-Gas, Inc. (MTG) a global manufacturer and supplier of industrial, medical, electronics and specialty gases and welding supplies headquartered in Basking Ridge, NJ, and CI Capital Partners LLC (CI Capital), a New York-based private equity firm, announced on March 30, 2009 that they had signed a definitive agreement under which MTG will acquire Valley National Gases (VNG) (www.vngases.com), the largest privately-held distributor of industrial and medical gases and welding supplies in the US. MTG (www.mathesontrigas.com), is the largest subsidiary of Taiyo Nippon Sanso Corporation (TNSC), one of the top five global producers of industrial, medical, electronics and specialty gases, headquartered in Japan.

Hirosuke Matsueda, President of TNSC, said, "The acquisition of Valley National Gases supports TNSC's global expansion strategy, and we are thrilled that our MTG

team has successfully finalized the agreement. This acquisition also reinforces our commitment to developing a national presence in the United States."

"We are excited to become part of MTG and look forward to providing our customers with an expanded line of products and services," said Michael Ziegler, Chief Executive Officer of VNG. "Our operations complement one another very well, and the combination will allow MTG to establish a national distribution network. Both VNG and MTG share a commitment to the highest standards of safety and customer service, a commitment that will remain the core focus once the acquisition is complete."

Joost Thesseling, Principal at CI Capital, said, "VNG is a great example of our long history of partnering with high-caliber management teams in growing fundamental businesses operating in large and fragmented markets. VNG's management team has done

an extraordinary job of managing rapid growth while maintaining consistently good service and safe operations. CI Capital and management repositioned VNG for growth and completed eight add-on acquisitions, increasing pro-forma revenue by more than 33 percent since 2007."

Frederick Iseman, Chairman of CI Capital, added, "We are very pleased with an excellent outcome for our investors."

CI Capital's President, Steve Lefkowitz, said, "We are fortunate to have partnered in this transaction with Mike Ziegler and Howard Hubert, who shared our vision of the significant opportunities in the industrial gas distribution market."

CryoGas International Interviews William J. Kroll, Chairman, President and CEO of MTG

In view of this significant, albeit pending, addition to MTG's US business and to TNSC's worldwide scope, we asked William J. Kroll, Chairman, President, and CEO of MTG to explain his views on this important transaction and how VNG will fit with MTG's and TNSC's long-term company goals. Kroll is a prominent board member of Taiyo Nippon Sanso Corporation, and in addition to his US responsibilities, Kroll is responsible for MTG's operations in Europe, Korea, Taiwan, and the new Global Helium business. He also shares with TNSC the management of their operations in China.



William J. Kroll

CryoGas International (CGI): Could you briefly describe MTG's current business scope and size?

William Kroll (Kroll): MTG is a single source for industrial, medical, specialty and electronic gases, gas handling equipment, high performance purification systems, engineering and gas management services, and on-site gas generation with a mission to deliver innovative solutions for global customer requirements. MTG is the largest subsidiary of TNSC. I estimate that today, before the VNG acquisition (which is not yet closed as we are in the midst of the antitrust approval process), MTG's total business is



Wall of Patents at Matheson Tri-Gas Corporate Headquarters in Basking Ridge, NJ.

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close to one billion dollars in sales. This is largely from our industrial gas businesses, including bulk, tonnage, and retail.

VNG, headquartered in Independence, OH, is the largest domestic, privately-held packager and distributor of industrial, medical, and specialty gases, welding supplies and propane. VNG operates 95 branches in 18 states, with 12 production and distribution centers in the eastern and midwestern US. VNG was acquired in February 2007 by New York-based private equity firm CI Capital.

CGI: MTG has acquired several companies during the last five years. What was your motivation behind acquiring VNG, particularly as the current conventional wisdom during these challenging times suggests that M&A activity in general is quite slow?

Kroll: The timing of the VNG acquisition for us was not affected by the current economic slowdown. In fact, we feel the slowdown will give us the time necessary to make the integration of VNG into MTG a smooth one. VNG has been an MTG customer for years, but the notion of an acquisition developed from very casual recent conversations regarding the business. This acquisition creates a tremendous opportunity for MTG by adding distribution capacity throughout the eastern and midwestern regions of the US and helps to solidify our national supplier status. As we've demonstrated over the past several years, achieving rapid growth through select acquisitions is a priority for us.

MTG's strategy, and that of our parent company TNSC, is to grow our business in the US. The past five years have been remarkable for growth at MTG. We have increased profitability and expanded our markets, both geographically and in product scope, organically and through mergers and acquisitions. In 2004, we acquired six air separation units from Air Liquide and since that time we have extended our bulk and packaged gases network with the acquisitions of Linweld, Polar Cryogenics, Five Star, and Aeris. We have also built and commissioned air separation units in Southern California and plan to commission two more plants in Des Moines and San Antonio within the next six months.

Having done business with VNG, we were also aware of the talented management team who would become part of the MTG team as

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We plan to catch the next big wave and come out ahead of the pack.

a result of this acquisition. And importantly, we feel VNG shares a business culture that is very similar to ours. This is an element we look for in acquisitions as it makes the integration of a new company easier.

CGI: How do you see VNG fitting into your current organization?

Kroll: VNG is regionally complementary to MTG. With this acquisition we will be able to take advantage of many cross-selling opportunities, especially in the specialty gases and helium markets. We believe safety can be leveraged to drive quality and profitability for high growth and, where safety is concerned, VNG has a business culture similar to ours.

CGI: One of VNG's strengths is their propane business. They are currently the 17th largest propane distributor in the US. Does the propane business dovetail with MTG's plans for building its US operations?

Kroll: MTG has a propane business currently serving the industrial market. Our parent company, TNSC, has a large LNG business and a very good idea of how to manage fuel gases in various geographies and cultures. Running a propane business effectively (residential or industrial) takes a different mindset than running an industrial gas operation. Propane requires more market scrutiny and attention to market prices, energy hedging, etc. If you have the proper focus, it can be a good business. We believe VNG really understands the propane business and brings that value to MTG.

CGI: You are a prominent member of several gas industry associations including CGA, GAWDA and IOMA. From your well-informed vantage point, how do you see the gas business and its related technologies and hardgoods market shaping up during the rest of 2009 into 2010?

Kroll: Our activity in organizations like CGA, which promotes safety in our business, is very important. And as a retailer and manufacturer of industrial gases, we consider GAWDA a key link to our customers and our associated distributors.

Regarding the future of the industrial gas business, we are optimistic. While we have seen large drop-offs in many sectors, I think we may now be rattling around at the bottom of the cycle. Electronics is an important business for us and that segment dropped 35–40 percent in the US and even more so in Japan, as a result of the current global downturn. Recently, however, there has been some upward movement. And the pipeline business, which seems to react most quickly to downturns and upswings, has recently picked up a bit. So, I see some signs of light and think by next spring the economy will be in better shape.

I view our business from a surfer's perspective. Like the guy with the surfboard trying to catch the next big wave, you need to be positioned correctly. At MTG, we have not stopped R&D or commercial development because the seas are flat. We have added scientists and engineers and are keeping our eyes on the horizon. We plan to stay in position and become part of the solution to the current economic crisis, not part of the problem. We plan to catch the next big wave and come out ahead of the pack.

CGI: We want to thank you for sharing your thoughts on the VNG acquisition. In closing, what is your vision for MTG in the US — a very important part of TNSC — going forward?

Kroll: At MTG our goal is to be number 1 or number 2 in all the markets we serve, both from a geographic and product perspective. We intend to achieve this by being the leader in safety, quality, and profitable growth. MTG accomplishes this by continually building a strong business culture. As Mr. Matsueda said when we announced this acquisition, the development and expansion of the gas business in the US is a very important part of TNSC's worldwide growth strategy. ■

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