

Edgar Filing: MET PRO CORP - Form 425

MET PRO CORP  
Form 425  
April 22, 2013

Filed by CECO Environmental Corp.

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: Met-Pro Corporation

Commission File No. 001-07763

Integrated Clean Air Solutions for Industry  
CECO and Met-Pro  
Combining Forces for a Stronger Tomorrow  
April 22, 2013

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Jeff Lang  
Chief Executive Officer & Director

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#### Forward Looking Statements

Information in this document contains forward-looking statements, which involve a number of risks and uncertainties. CECO and Met-Pro Corporation ( Met-Pro ) caution readers that any forward-looking information is not a guarantee of future performance and may differ materially from those contained in the forward-looking information. All such forward-looking statements include, but are not limited to, the anticipated benefits of the business combination transaction involving CECO and Met-Pro, including future financial and operating results, objectives, expectations and intentions and other statements that are not historical facts.

The following factors, among others, could cause actual results to differ from those set forth in the forward-looking statements: the risk that the businesses will not be integrated successfully; the risk that the cost savings from the transaction may not be fully realized or may take longer to realize than expected; disruption from the transaction making it difficult to maintain relationships with customers, employees or suppliers; competition and its effect on pricing, spending, third-party relationships; and other factors. These risk factors may affect future results are contained in CECO's and Met-Pro's filings with the SEC. CECO and Met-Pro disclaim any obligation to update or revise the information contained in these materials based on new information or otherwise.

#### Important Information for Investors and Stockholders

This communication does not constitute an offer to sell or the solicitation of an offer to buy securities or a solicitation of any vote. This communication is not a substitute for the prospectus/proxy statement. CECO Environmental Corp. and Met-Pro Corporation will file with the SEC. Investors are urged to read the prospectus/proxy statement, which will contain important information, including detailed risk factors, which may affect future results. The prospectus/proxy statement and other documents that will be filed by the Company and Met-Pro with the SEC will be available on the SEC's website, [www.sec.gov](http://www.sec.gov), or by directing a request when such a filing is made to CECO Environmental Corp., 4625 Red Bank Road, P.O. Box 45227, Attention: Investor Relations; or to Met-Pro Corporation, 160 Cassell Road, Harleysville, Pennsylvania 19438, Attention: Investor Relations. The prospectus/proxy statement will be mailed to CECO's stockholders and shareholders of Met-Pro.

#### Non-GAAP

These slides may contain non-GAAP financial measures. For purposes of Regulation G, a non-GAAP financial measure is a measure of a company's future financial performance that excludes amounts that are included in the most directly comparable measure calculated and presented in the statement of income, balance sheet or statement of cash flows (or equivalent statements). In accordance with the requirements of Regulation G, the Appendix presents the most directly comparable GAAP financial measure and reconciles non-GAAP adjusted EBITDA to the most directly comparable GAAP financial measure. Adjusted EBITDA is not calculated in accordance with GAAP, and should be considered supplemental to, and not as a substitute for, GAAP measures calculated in accordance with GAAP.

#### Proxy Solicitation

CECO and Met-Pro, and certain of their respective directors, executive officers and other members of management and employees, are soliciting the solicitation of proxies in connection with the proposed transactions. Information about the directors and executive officers of CECO is set forth in the statement for CECO's 2013 annual meeting of stockholders and CECO's 10-K for the year ended December 31, 2012. Information about the executive officers of Met-Pro is set forth in the proxy statement for Met-Pro's 2012 annual meeting of shareholders and Met-Pro's 10-K for the year ended January 31, 2012. Investors may obtain additional information regarding the interests of such participants in the proposed transactions by reading the prospectus/proxy statement for such proposed transactions when it becomes available.

Transaction Summary

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Structure &  
Consideration

Structure &  
Consideration

(1)

(2)

Financial

Benefits

Financial

Benefits

Expect ~\$9 million in annual cost synergies with full realization by CY2014

Strong margin uplift

Improved free cash flow performance

Highly accretive to EPS

Conditions &

Expected

Closing

Conditions &

Expected

Closing

Shareholder approval from both parties

NASDAQ approval

Other customary approvals and closing conditions

Expected close: September 2013

CECO has agreed to acquire Met-Pro for \$13.75 per share in cash and/or CECO common stock

Stock

consideration:

\$6.50

per

share

(\$97.1

million,

representing

~31%

ownership

in

pro

forma

entity)

(1)

Cash / Stock election: Met-Pro shareholders have the right to elect consideration in varying amounts of cash or stock, subject to proration mechanism

Collar:

stock

consideration

exchange

ratio

equals

\$13.75

per

share

divided

by

the

Parent

Trading

Price

(2)

,

provided that if the result of such calculation is less than or equal to 1.000x, the exchange ratio shall be 1.000x, and if the result of such calculation is greater than or equal to 1.352x, the exchange ratio shall be 1.352x.

15 day volume-weighted average closing price was \$11.96 as of April 19, 2013. Stock consideration subject to floating exchange ratio

Parent Trading Price means the volume weighted average price of CECO common stock, as reported on the Nasdaq Global Market

Cash consideration:

\$7.25

per

share

(\$110.2

million)

(1)



Key Transaction Benefits

Combination Creates a New Class of Air Pollution Control Assets Poised to Achieve Superior Growth

5

Strong strategic fit

Opportunity to consolidate highly fragmented market and become clear independent market leader

Expanded global reach

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.

Attractive market growth drivers underpin strong growth potential

- 7.

Experienced management with proven track records as public companies

- 8.

Poised to benefit from enhanced end-market and customer diversity

Highly financially compelling with enhanced scale

Poised to achieve significant synergies

Significant Benefits to CECO Shareholders

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Significant majority ownership of the highly attractive CECO / Met-Pro combined company

Stronger, more attractive industry competitor than CECO on standalone basis

Forms a premier global leader in air pollution control, fluid handling, filtration & equipment solutions

Greater ability to penetrate higher growth geographies and end-markets

Benefit from increased scale and improved market liquidity

Participation in considerable value creation resulting from the combination

~69%

(1)

ownership of pro forma Company for CECO shareholders

Expect to realize ~\$9 million in annual cost synergies

Combination with a highly complementary strategic partner with proven track record as a public company

Benefit from increased size, diversification

Combination Significantly More Compelling than Standalone

(1)

Based on 15 day volume-weighted average closing price of \$11.96 as of April 19, 2013. Stock consideration subject to floating

Strong Strategic Fit

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Filtration

Core Overlapping Competencies

Ventilation Systems

Catalytic Reduction

Equipment, Components, Parts

Filtration and purification equipment

Fluid handling equipment

Proprietary chemicals

Air pollution control equipment &  
technology

Related parts and services for  
industrial air systems

Ability to leverage unique trade knowledge, patents and manufacturing capabilities

Introduction of pumps business enhances margin profile while diversifying end-market exposure

Opportunity to Capitalize on Core Business Alignment

Strong complementary product portfolio creates one-stop-shop to best serve customers

Poised to Benefit from Enhanced End-Market and Customer Diversity

8

Combination enhances breadth and depth of end-market exposure to blue-chip customer base

Expansion results in natural hedge against market and customer-specific volatility

Unlocks significant cross-selling opportunities with access to over 11,500 active customers worldwide

Strong play to consolidate market and benefit from economies of scale and scope

Core Competencies

Pharmaceutical  
Automotive  
Chemical / Petro  
Steel & Metal  
Refinery  
Industrial Manufacturing  
Food Processing  
Saltwater  
Aquariums  
Semiconductor /  
Electronics  
Municipalities  
Universities  
Hospitals  
Government  
Facilities  
Industrial Ventilation  
Traditional Power & Natural Gas  
Power  
Aerospace



Attractive Market Growth Drivers

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Favorable Industry Dynamics Underpin Strong Growth Potential

Increasingly stringent air pollution control regulatory environment

U.S. EPA: Mandated air quality standards for power plants

OSHA: Established permissible exposure limits for contaminants

U.S. DOE: Promoting new technology growth in biomass and gasification

Shale revolution driving natural gas power generation

Consumption of natural gas expected to grow ~45% by 2035

Natural gas is expected to displace coal-fired plants

China's rapid industrialization and focus on compliance

12th 5-Year Plan: All coal/oil fired thermal units must comply with significantly stricter air pollution controls by January 1, 2014

Increased demand from refining and chemical processes

North American shale gas feedstock fundamentals drive manufacturing advantage

Re-industrialization

of North America: Many new industrial/manufacturing projects slated for startup

Expanded Global Reach

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Strengthened Geographic Footprint with Deep Emerging Market Exposure

Pro

forma

company

will

have  
a  
well-balanced  
geographic  
portfolio  
of  
assets  
Combined  
platform  
enhances  
ability  
to  
capitalize  
on  
emerging  
market  
growth  
Well-established  
presence  
in  
China,  
India  
and  
Latin  
America  
Component Parts Facilities  
Future Facilities  
Agents  
Contracting / Services Facilities  
Engineered Equipment Facilities  
CECO Headquarters  
Mefiag Filtration Technologies  
Filtration / Purification Technologies  
Fluid Handling Technologies  
Product Recovery/Pollution Control Technologies  
Met-Pro Headquarters  
CECO  
Met-Pro

Experienced Management Teams with Proven Track Records of Success

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Opportunity to Leverage the Strength of Two World-Class Management Teams  
with Deep Industry, Operational and Technical Expertise

Key Management

Key Management

Jeff Lang

Benton Cook, CPA  
Roland Bollman  
Bruce Brashear  
Jack Neiser  
Bill Frank  
Hilliary Jeffries  
Raymond J. De Hont  
Neal E. Murphy  
Gennaro A. D. Alterio  
Gregory C. Kimmer  
Paul A. Tetley  
Hans J.D. Huizinga  
Chief Executive Officer and Director  
Interim Chief Financial Officer, Corporate Controller  
Executive Vice President, Services, Parts and Filters  
Vice President, FKI-Buell  
President, EFFOX Global  
President, Adwest, CECO Abatement and Busch International  
Vice President, HR & Administration  
Chief Executive Officer and President  
VP-Finance, Chief Financial Officer, Secretary and Treasurer  
VP/GM Met-Pro Global Pump Solutions and Keystone Filters  
VP.GM Met-Pro Environmental Air Solutions  
VP/GM Strobic Air Corporation  
Managing Director Mefiag BV and GZ Filter Systems and GM Mefiag  
USA

Combination has Potential to Achieve Significant Synergies  
Expected Annual Cost Synergies of ~\$9 million by 2014  
Significant Implied Liquidity Through Monetization of Real Estate

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CECO / Met-Pro Cost Synergies

CECO / Met-Pro Cost Synergies

Operational Synergies

Manufacturing / Fabrication

Optimization

Value Creation

Value Creation

Cash Flow Synergies

Cash Flow Synergies

Monetization of Real Estate

Assets

Integration Efficiencies

~\$2.3

~\$9.0

\$-

\$2.0

\$4.0

\$6.0

\$8.0

\$10.0

2013E

2014E

Estimated Expected Synergies



Additional Potential Sources of Synergies  
Further Upside Potential from Revenue Synergies  
13  
Potential Revenue Synergies  
Potential Revenue Synergies  
Abatement  
Systems

Cross-Selling Opportunities  
Cross-Selling Opportunities

Small, medium  
and large RTOs

Some abatement  
systems need  
pre-filters

Engineering  
Installations

MPEAS  
manufactures  
TOs, catalytic  
oxidizers and has  
a concentrator

MPEAS / Bio-  
Reaction

Clamp together  
duct components  
for any (lab)  
hoods and the  
plenums

Dual Scrubbers

Strobic Air

Steel flanges,  
expansion joints  
Increased customer  
penetration  
Greater emerging market  
presence  
Benefits from scale &  
technology platforms

- 1.
- 2.
- 3.
- 4.

Leverage service footprint to  
grow aftermarket & recurring  
revenue

Service &  
Parts

Highly Financially Compelling with Enhanced Scale

14

(1)

Pro forma for the full year impact of the Adwest and Aarding acquisitions, representing \$41.5 million of Sales.

(2)

Pro forma for the full year impact of the Adwest and Aarding acquisitions, representing \$6.1 million of EBITDA.

(3)

Based  
on  
LTM  
12/31/2012  
combined  
EBITDA  
of  
\$40.4  
million,  
which  
includes  
full  
year  
impact  
of  
the  
Adwest  
and  
Aarding  
acquisitions,  
representing  
\$6.1  
million  
of  
EBITDA.  
Includes  
\$2.25  
million  
in  
pro  
forma  
synergies.  
Total  
pro  
forma  
debt  
of  
approximately  
\$95  
million  
at  
rates  
of  
approximately  
LIBOR  
plus  
175  
  
200  
bps.

(\$ Millions)

PF Leverage (w/ Syn.)

(1/31/2013)

(12/31/2012)

Standalone

CECO Plus

Aarding / Adwest

LTM Margin (%)

LTM Adj. EBITDA

LTM Sales

13.7%

\$18.5

\$135.1

14.3%

\$15.8

\$109.9

2.2x

(3)

14.1%

\$40.4

(2)

\$286.5

(1)

13.9%

\$24.6

(2)

\$176.6

(1)

Highly Favorable Financing Terms

Low leverage profile supported by strong cash flow to effectively service debt

Total

new

debt

of

approximately

\$95

million

at

rates

of

LIBOR

plus

175

-

200

Strong revolver flexibility with \$60 million total capacity

In Summary

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Two Industry Leaders

Strong alignment with mega trends

Positive outlook for 2013 and beyond for both companies

Combined Strengths = Unique Value Creation Potential

Sector leaders serving high growth, attractive markets

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Leading company with strong air pollution control, fluid handling and filtration platforms

Expected highly accretive to earnings and future growth

Day one winning combination for CECO and Met-Pro shareholders

Substantial cost and revenue synergies as well as and long-term value creation opportunities

Strong balance sheet and cash flow to support growth and cash returned to shareholders





Reconciliation of Adjusted EBITDA

17

(12/31/2012)

Standalone

CECO Plus

Aarding / Adwest

(1)

Pro Forma

(1)

(1)

Pro forma for the full year impact of the Adwest and Aarding acquisitions.

Sales

\$ 135.1

\$ 176.6

109.9

\$

286.5

\$

Net Income

10.9

\$

14.3

\$

8.0

\$

22.3

\$

Income Tax (Benefit)

4.5

6.1

3.8

9.9

Interest Expense

1.2

1.2

0.2

1.4

D&A

1.2

1.8

2.0

3.8

Option Wage Expense

0.7

0.7

0.9

1.6

Other

-

0.6

0.8

1.4

Adjusted EBITDA

18.5

\$

24.6

\$

15.8  
\$  
40.4  
\$  
(1/31/2013)