

Edgar Filing: TRANE INC. - Form 425

TRANE INC.
Form 425
December 17, 2007

Filed by Ingersoll-Rand Company Limited.

Pursuant to Rule 425 under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12 under

the Securities Exchange Act of 1934

Subject Company: Trane Inc.

Commission File No.: 1-11415

This filing contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements relating to anticipated financial and operating results, the companies' plans, objectives, expectations and intentions and other statements including words such as anticipate, believe, plan, estimate, expect, intend, will, should, may, similar expressions. Such statements are based upon the current beliefs and expectations of the management of Ingersoll-Rand Company Limited (IR) and Trane Inc. (Trane) and involve a number of significant risks and uncertainties. Actual results may differ materially from the results anticipated in these forward-looking statements. The following factors, among others, could cause or contribute to such material differences: failure to satisfy any of the conditions of closing, including the failure to obtain Trane stockholder approval; the risks that IR's and Trane's businesses will not be integrated successfully; the risk that IR and Trane will not realize estimated cost savings and synergies; costs relating to the proposed transaction; disruption from the transaction making it more difficult to maintain relationships with customers, employees, distributors or suppliers; the level of end market activity in IR's and Trane's commercial and residential market; weather conditions that could negatively or positively affect business and results of operations; additional developments which may occur that could affect the IR's or Trane's estimate of asbestos liabilities and recoveries; unpredictable difficulties or delays in the development of new product technology; fluctuations in pricing of our products, the competitive environment and related market conditions; changes in law or different interpretations of laws that may affect Trane's or IR's expected effective tax rate; increased regulation and related litigation; access to capital; and actions of domestic and foreign governments. Additional factors that could cause IR's and Trane's results to differ materially from those described in the forward-looking statements can be found in the 2006 Annual Report on Form 10-K of IR and the 2006 Annual Report on Form 10-K of Trane filed with the Securities and Exchange Commission (the SEC) and available at the SEC's Internet site (<http://www.sec.gov>). Neither IR nor Trane undertakes any obligation to update any forward-looking statements to reflect circumstances or events that occur after the date on which such statements were made.

This communication is being made in respect of the proposed merger transaction involving IR, Trane and Indian Merger Sub, Inc. In connection with the proposed transaction, IR will file with the SEC a registration statement on Form S-4 and Trane will mail a proxy statement/prospectus to its stockholders, and each will be filing other documents regarding the proposed transaction with the SEC as well. **BEFORE MAKING ANY VOTING OR INVESTMENT DECISION, INVESTORS ARE URGED TO READ THE PROXY STATEMENT/PROSPECTUS REGARDING THE PROPOSED TRANSACTION AND ANY OTHER RELEVANT DOCUMENTS CAREFULLY IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.** The final proxy statement/prospectus will be mailed to Trane's stockholders. Stockholders will be able to obtain a free copy of the proxy statement/prospectus, as well as other filings containing information about IR and Trane, without charge, at the SEC's Internet site (<http://www.sec.gov>). Copies of the proxy statement/prospectus and the filings with the SEC that will be incorporated by reference in the proxy statement/prospectus can also be obtained, without charge, by directing a request to Ingersoll-Rand Company Limited, P.O. Box 0445, 155 Chestnut Ridge Road, Montvale, NJ 07645 Attention: Investor Relations, (201) 573-0123, or to Trane Inc., One Centennial Avenue, Piscataway, NJ 08855 Attention: Investor Relations, (732) 980-6125.

IR, Trane and their respective directors and executive officers and other persons may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. Information regarding IR's directors and executive officers is available in IR's proxy statement for its 2007 annual meeting of stockholders and IR's 2006 Annual Report on Form 10-K, which were filed with the SEC on April 23, 2007 and March 1, 2007, respectively, and information regarding Trane's directors and executive officers is available in Trane's proxy statement for its 2007 annual meeting of stockholders and Trane's 2006 Annual Report on Form 10-K, which were filed with the SEC on March 23, 2007 and February 26, 2007, respectively. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the proxy statement/prospectus and other relevant materials to be filed with the SEC when they become available.

The following are materials used in a presentation for investors on December 17, 2007.

Ingersoll Rand Acquisition of Trane

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s and Trane s businesses will not be integrated successfully; the risk that IR and Trane will not realize estimated cost savings and synergies from the proposed transaction; disruption from the transaction making it more difficult to maintain relationships with customers, distributors

or
suppliers;
the
level
of
end
market
activity
in
IR s
and
Trane s
commercial
and
residential
market;
weather
conditions
that
could
negatively
or
positively
affect

business
and
results
of
operations;
additional
developments
which
may
occur
that
could
affect
the
IR s
or
Trane s
estimate
of
asbestos
liabilities and
recoveries; unpredictable difficulties or delays in the development of new product technology; fluctuations in pricing of our product
environment
and
related
market
conditions;
increased
regulation
and
related
litigation;
access
to
capital;
and
actions
of
domestic
and
foreign
governments.

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and

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The
final
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statement/prospectus
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to
Trane's
stockholders.
Stockholders
will
be
able
to
obtain
a
free
copy
of
the
proxy

statement/prospectus,

as

well

as

other

filings

containing

information

about

IR

and

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Information

regarding

IR's

directors

and

executive

officers

is

available

in

IR's

proxy

statement

for

its

2007

annual

meeting

of

stockholders and

IR's

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Safe Harbor

3
Creating a Premier Company
A leading global
diversified
industrial
company with
Major Milestone in Our Transformation
+
=

Enhanced organic growth prospects

More consistent earnings profile throughout
business cycle

Greater critical mass in international markets

4

Strategic Rationale

Completes Ingersoll Rand transition to diversified industrial company

-

Creates expanded global leadership position in climate control

-

Reduced
cyclicality,
opportunities

to

grow
faster
than
underlying
markets

-
Ability
to
expand
margins
through
topline
growth,
productivity

Acquisition provides

-
Broader customer base, strong market positions

-
Larger recurring revenue base

-
New technologies and capabilities

-
Expanded
geographic
footprint
of
sales,
service
and
distribution
capabilities

Offers significant cost savings opportunities: (\$300M+ by 2010)

Creates
company
with
over
\$1
billion
annual
available

cash
flow,
strong
financial profile

The New IR: Three strong businesses that can grow
faster than markets and expand margins

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Ingersoll Rand Portfolio Strength
Trane
Joins
a
Family
of
Leading
Market
Positions

Iconic
Brands
#1 US
#2 Worldwide
Commercial HVAC
Equipment
#1 North America
lock and door
hardware
#1 Worldwide
golf cars
#1 North America
display cases
#1 North America
service provider
#1 Worldwide
transport
refrigeration
#1 North America
air compressors,
air tools

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The New Ingersoll Rand

Expected
\$17
billion
global
company

--

pro
forma
2008
annual
revenues

-
\$11B Climate Control Business

-
\$6B Industrial Technologies Business +Security Technologies Business

Expanded product & service offerings broaden ability to provide
comprehensive solutions across climate control markets

Increased scale & global critical mass

-
Significant cost and revenue synergies achievable

-
Productivity opportunities

-
Cross-business opportunities
shared practices, capabilities

Enhanced innovation and new product development

Diversified platforms deliver consistent long-term growth and reduced
volatility in earnings

A Diversified, Global Multi-Industry Company

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Transaction Overview

Late Q1 / Early Q2 2008

Anticipated

Closing

Fully-underwritten debt commitments

Financing

Transaction valued at \$10.1 Billion, including net debt

assumed & transaction fees

Cash (74% of consideration): \$7.5 billion

Ingersoll-Rand stock (26% of consideration): \$2.6 billion

Estimated number of common shares issued of 54 million

Details of
Consideration

Ingersoll-Rand to acquire all outstanding common stock of
Trane

Each Trane share worth \$36.50 in cash plus 0.23 Ingersoll-
Rand shares
Offer

Creates \$17 Billion diversified industrial company
Transaction

8
Ingersoll Rand Executing Disciplined
Portfolio Transformation, 1999-2007
60+ Bolt-on Acquisitions
From Lower Growth Cyclical
to Higher Growth & Consistency

9

Trane Overview

\$7.4F Billion 2007 Sales

Sales by Geography

International

24%

North America

76%

Commercial

Equipment & Systems

48%
Commercial
Controls,
Parts &
Services
29%
Residential
23%

Founded 1864, headquartered in NJ

Concluded separation plan:

WABCO spin-off, Jul 07

Sale of Bath & Kitchen, Oct 07

Leading global supplier for commercial &
residential climate control

Products include large commercial chillers,
building systems and controls, residential A/C
units

Broad Customer Base
Limited exposure to
U.S. new residential construction (5% to 7%
of sales)

Premier brands: #1 or #2 Market positions

Industry leading distribution
Leading Global Equipment, Systems and Service Business

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Trane's Leading Products and Distribution

Residential

Commercial

Leading Global Sales and Distribution Network

Over 100 countries

500+ company owned

sales, service and
distribution locations

Strong independent
commercial and residential
distribution

23,000+ associates /
dealers
3,300+ sales engineers
4,300+ service technicians

Equipment

Controls

Systems

Service

Parts

Contracting

Equipment

Controls

Systems

Indoor Air
Quality
Premier distribution
network

Compounds
Ingersoll
Rand
Global
Footprint

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Trane Summary Financial Performance
Strong Organic Growth + Stable Operating Margins Through Cycle

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World-Leading Climate Control Business

Broadening climate control solutions for the world we live in today

Enhancing life, air quality & food safety
significantly beyond comfort & preservation

Multiple Cold Chain
opportunities, especially in emerging markets

Leveraging Climate Control platform

Service capability

Engineering and technology

Manufacturing and sourcing

#1 US

#2 Worldwide

Commercial HVAC

Equipment

#1 North America

display cases

#1 North America

service provider

#1 Worldwide

transport

refrigeration

+

+

Technology & services platform for delivering climate control solutions across spectrum of high-value indoor, stationary & transport applications worldwide

\$ 11 Billion Market Leader in Climate Control

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Projected 2008 Pro Forma Revenue Profile
Revenue by Geography
Revenue by Segment
Climate Control
67%
Industrial
Technologies
18%
Security

Technologies

15%

International

32%

North

America

68%

Recurring

23%

Non-recurring

77%

2008 Revenue: \$17 B

-

Strong Global Presence

-

Leading Product Positions

-

More Recurring Revenues

Trane

46%

Revenue by Type

Portfolio Changes Improve Cyclical Resistance

14

(53%)

(30%)

(15% to 20%)

Flat to (10%)

+ 5% to -5%

Ingersoll Rand

Portfolio, 2000

IR Portfolio

After Business

Divestitures

-

Pumps

-

Bearings

-

Drill, Dresser

-

Road Develop.

-

Bobcat, etc.

IR Portfolio

After Expanding

Recurring

Revenues

+

Expanding

& Non-U.S.

Revenues

(% of sales)

IR Portfolio

After Trane

Acquisition

IR including

Impact of Growth

Investments,

Raising Avg.

Organic

Growth Rate

Target

15%+ CAGR

EPS Growth

Portfolio Transformation Achieves Diversification & Balance

Greater Consistency

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Cost & Revenue Synergies
\$300 Million Near-Term Planning to Execute More
Operating
Income
(\$Million)
2008 Target
2010
\$125M
\$300M
Revenue
Synergies
Cost

Synergy
Cost
Synergy
Supplier rationalization
and procurement leverage
Manufacturing initiatives
General administrative
costs
Market and service
expansion
Cross-selling
Global Growth

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Integration & Synergy Realization

Maintain Trane as separate segment

Retain key management

Focus on customers and invest for global growth

Establish full-time integration team, Project Management Office

Functional teams drive synergy opportunities

Short-term synergies in overhead reduction and supplier rationalization

Establish multi-year goals for productivity, lean business functions, supply chain and manufacturing evolution

National accounts, verticals, critical mass in emerging markets

Keep Business Running Smoothly

Execute Identified Synergies, Accelerate Productivity

Build Value Through Business Operating System

Strategic Intent Near-term Execution + Long-term Synergies

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Projected 2008 Pro Forma Financials

Acquisition accretive to earnings in initial year

\$1 Billion

\$4.00 / share

\$2 Billion

12%

\$17 Billion

Available Cash Flow

EPS

EBIT

% Margin

Revenue

18

Financing Strategy

New Debt

50/50 mix between short-term & long-term debt

Long-term debt anticipated to be bonds of varying maturity

Weighted average interest rate 5-6%

Strong cash flow used to pay down short-term debt

Favorable ratings

Achieve financial ratios consistent with strong investment grade

\$3.8

Incremental Debt

\$10.1

Transaction Value

\$0.2

Acquired Net Debt

\$2.6

IR Equity issued

\$3.5

Available Cash
(\$ Billions)

19

Financial Targets

Organic Revenue

4%-6%

5-7%

Operating margins

15%

15%+

EPS (CAGR)

12-15%

15%+

ROIC

15%

15%+

Available Cash Flow

(\$Mil)

\$600+

\$1,000+

2001 IR

Guidance

(2001-06)

Progress Against

2001 Guidance

8% avg.

5.1% 12.6%

53%

8.6% 14.2%

\$715M avg.

2008+ IR

Guidance

Strong Sales, Profit Growth and Cash Generation

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Stronger, More Diversified Ingersoll Rand

Portfolio Of Premium Brands

Market Leadership Positions In Climate Control, Industrial And Security

Significant Revenue And Cost Synergy Opportunities

Stronger Revenue And Earnings Growth, Cash Generation

Higher Organic Revenue Growth

Recurring Revenue Expansion

Greater Earnings Consistency

Broader Geographic Footprint

Premier Company Delivering Consistent Results

