

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

CF Industries Holdings, Inc.
Form 425
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Pursuant to Rule 425 under the Securities Act of 1933

Subject Company:

CF Industries Holdings, Inc.

Fundamentals of Growth
Agrium:
Growing Across the
Value Chain
June 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 to 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 AGRIMUM 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.**

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Agrium,

North,

their

respective

directors

and

executive

officers

and

certain

other

persons

are

deemed

to

be

participants

in any solicitation of proxies from CF's stockholders in respect of the proposed transaction with CF. Information regarding Agrium's directors and executive officers is available in its management proxy circular dated April 3, 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.

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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

operations following the proposed acquisition of CF. These forward-looking statements are subject to a number of risks and un

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, inclu

limited to, CF s failure to accept Agrium s proposal and enter into a definitive agreement to effect the transaction, Agrium co

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

expected, the expected combination benefits and synergies and costs savings from the Agrium/CF transaction may not be fully

realized

within

the

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 will not be obtained in a timely manner or will be obtained on conditions that may require divestiture of assets expected to be a disruption from the proposed transaction making it more difficult to maintain relationships with customers, employees and suppliers. Business and economic conditions, interest rates, exchange rates

and tax rates, weather conditions, crop prices, the supply, demand and price level for our major products, gas prices and gas availability, operating rates and production costs, domestic fertilizer consumption, changes in government policy in key agriculture markets, including the application of price controls and tariffs on fertilizers and subsidies or changes in their amounts, changes in development plans, construction progress, political risks, including civil unrest

armed
groups
or
conflict,
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 in our time in Agrium and 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
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.

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76% Agrium and 24% CF

Pro Forma Ownership:

\$40.00

in cash and 1

Agrium share (total consideration of \$89.22 as at May 29)

Aggregate consideration of \$2.0

billion cash and 50.2

million shares

CF stockholders may elect mixed consideration, or cash or shares, subject to proration

Consideration:

Committed

debt

facilities

from

Royal

Bank

of

Canada

and

The

Bank

of

Nova

Scotia

Financing:

Negotiation of definitive merger agreement

CF offer for Terra terminated

Receipt of regulatory and other customary approvals

Absence of any material adverse changes to CF or its business

Our ability to conduct limited confirmatory due diligence

Key Conditions:

61% to CF closing price on February 24 and 50% to cash-adjusted premium to CF's unaffected stock price

(1)

(based on total consideration of \$89.22 as at May 29)

An increase of \$17.22 or 24% over Agrium's initial offer of \$72.00

Premium:

Agrium to combine with CF in a cash and stock deal

Offer:

Summary of Revised Offer for CF

(1)

See subsequent slides for methodology used for estimating CF's unaffected stock price.

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(2) Based on illustrative peer group of Mosaic, Potash Corp, Intrepid Potash, Israel Chemicals, K+S, and Yara. Performance of this peer group based on USD equivalent stock price movement since

Jan 15. Market trading data as of May 29.

Evolution of Situation

Source: Bloomberg. Daily trading values have been rebased to CF stock price on Jan 15, 2009 (date of CF proposal for Terra)

(1)

Dotted
line
represents
Agrium
current
proposal

for
CF
over
time:
one
Agrium
share
plus
\$40
cash
per
CF
share
based
on
Agrium
historical
closing
prices.
35
45
55
65
75
85
\$95
Jan 15
Jan 25
Feb 4
Feb 14
Feb 24
Mar 6
Mar 16
Mar 26
Apr 5
Apr 15
Apr 25
May 5
May 15
May 25
Feb 25
Agrium announces
acquisition proposal for CF
(\$31.70 + 1 share)
with election mechanic
Jan 15
CF announces acquisition
proposal for Terra
CF distances from peer group because of Agrium offer
Mar 27

Agrium increases proposal
for CF

(\$35.00 + 1 share)

with election mechanic

May 11

Agrium increases proposal for CF

(\$40.00 + 1 share)

with election mechanic

Current

Proposal(1):

\$89.22

CF: \$77.64,

64%

Global

Fertilizer

Peers(2): 59%

Mar 23

CF modifies proposal for Terra

Mar 9

CF modifies proposal for Terra

Mar 5

Terra board rejects CF offer

May 15

CF rejects Agrium's

revised offer

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Summary of Key Arguments

Agrium is serious about acquiring CF and CF refuses to engage

Several overtures made privately and publicly, each summarily rebuffed

Significant costs incurred

Willing to sign fully financed and binding merger agreement immediately

CF board is precluding CF stockholders from determining outcome

Preferred stock in CF's bid for Terra eliminates CF's stockholder vote

Core stockholders have sold at prices below Agrium's offer

Agrium's offer represents full and fair value

CF is trading above the sum-of-the-parts assessment and at a significant discount to Agrium's offer

Significant premium over all metrics

Forward-looking multiple in line with precedents, 27% higher multiple than what CF is offering for Terra

Absent engagement from CF and demonstration of additional value, this is Agrium's best and final offer

CF board should exercise good corporate governance by removing impediments caused by its poison pill and Section 203 of the Delaware Corporate law thereby allowing its stockholders to independently assess Agrium's offer

Agrium has extended its offer to June 22, 2009

If a compelling majority of shares are tendered, Agrium will continue to pressure CF board

If
a
compelling
majority
of
shares
are
not
tendered,
Agrium
will
walk
from
the
transaction

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Three recent private approaches made to CF, each rebuffed

Agrium advisors contacted CF's advisors on May 7th to move forward on a friendly basis: response received that it didn't make sense to meet

Agrium CEO contacted CF CEO on May 8th to discuss meeting to review a substantially higher proposal: CF unwilling to meet and did not ask us what price we were considering

Agrium letter sent to CF board on May 26th: response received May 29 indicating no basis for meeting

Significant costs incurred

Bank commitment fees and legal/advisor fees

Extensive management time and resources

Moving ahead to secure regulatory approvals

Unilaterally raised price twice to bring CF to the negotiating table

Willing to meet anywhere, anytime

Willing to sign merger agreement immediately

Agrium is Serious About Acquiring CF

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CF Board Is Precluding CF Stockholders
From Determining Outcome

CF currently has in place an extensive list of anti-takeover defenses which are
counter to RiskMetrics
guidelines

Poison pill

Classified board of directors

Stockholders unable to call a special meeting

No stockholder action by written consent

CF's poison pill and Section 203 preclude CF stockholders from acting freely and determining outcome

If
CF
is
confident
it
is
acting
in
its
stockholders
best
interests,
it
should
remove
the
poison
pill
and exempt Agrium from the restrictions of Section 203, thus giving CF stockholders the opportunity to choose between CF's position and Agrium's offer

Preferred stock in CF's bid for Terra prevents CF stockholders from voting on the merits of the CF / Terra deal

We
believe
stockholders
prefer
to
receive
a
premium
than
pay
a
premium

CF
stockholders
not being given the opportunity to vote under CF's current construct

Preferred stock is an end-run around the rights of CF stockholders

CF stockholders will experience significant dilution if the Terra deal proceeds

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CF Board Should Come to the Table

Agrium wants to engage and is willing to listen

We acknowledge CF's operational capabilities and achievements

Current proposal is the best price based on what Agrium knows

We welcome the opportunity to engage and debate directly on value if CF provides new insight or information

Agrium's efforts are sincere and real

We are a fully financed credible buyer and are ready to execute immediately a binding merger agreement

Core CF stockholders have expressed their viewpoints by selling CF shares well below Agrium's offer price

Significant turnover in positions held by long-term CF stockholders indicates stockholders don't believe their wishes will be heard

CF stockholders should send a clear message to the CF board by tendering to Agrium's offer

Agrium will listen to the tender: if a compelling majority tender their shares, Agrium will continue to press CF to engage

CF board should respect the results as well and engage with us if a compelling majority tender their shares

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Significant Turnover in CF's Stockholder

Base by Long-Term Investors

Long-term

CF

stockholders are sending a clear message to CF about their perspectives on
fundamental value

Since

January

1,

2009,

13

of
CF s
top
15
stockholders
as
at
December
31,
2008
reduced
their positions significantly

Excluding
index
and
hedge
funds,
and
related
party
shareholders,
CF s
long
term
stockholders sold 78% of their holdings in CF

Similar trend apparent for top 25 and top 50 stockholders

Appears
GROWMARK
(a
related
party
-
major
CF
customer,
CEO
sits
on
the
CF
board)
has
given
notice
of
its
intention

to
sell
1.5mm
shares
(1)

Selling
activity
at
prices
below
Agrium's
offer
price
does
not
support
a
standalone
value

for CF in the \$80's as CF has suggested

% Change in Position Since Dec 31

(54.7)%

(60.8)%

(78.4)%

-

Excluding Index & Hedge Funds, & Related Party Shareholders

(52.1)%

(55.5)%

(70.1)%

-

Excluding Index Funds & Related Party Shareholders

(39.8)%

(39.7)%

(45.0)%

All Stockholders (Includes long-term & related party stockholders,
index and hedge funds & other stockholders)

Top 50

Stockholders

Top 25

Stockholders

Top 15

Stockholders

Source: 13-F filings per Thomson Financial; available data as of May 29

(1) Per the Form 144 GROWMARK filed on May 11, 2009. Rule 144(h) under the Securities Act requires that the person filing a Form 144 have a bona fide intention to sell shares within a reasonable period of time.

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Long-term CF Stockholders Selling

Below AGU Offer Price

Top 15 Stockholder Detail

Position as at

Investor

Style

Dec 31

Mar 31

% Chg Position

1

BARCLAYS BANK PLC

Index

3,266,198

2,831,879

(13.3)%

2

STATE STR CORPORATION

Index

3,239,344

2,319,261

(28.4)%

3

VANGUARD GROUP, INC.

Index

2,731,690

2,359,299

(13.6)%

4

D. E. SHAW & CO., L.P.

Hedge

1,911,397

587,168

(69.3)%

5

GREENLIGHT CAPITAL, INC.

Institutional

1,812,938

-

(100.0)%

6

GROWMARK (1)

Related Party

1,510,403

1,510,403

-

7

AMVESCAP PLC LONDON

Institutional

1,501,561

51,909

(96.5)%

8

CALAMOS ADVR LLC

Institutional

1,402,650

-

(100.0)%

9

AXA FINANCIAL, INC.

Institutional

1,045,483

849,705

(18.7)%

10

JANUS CAPITAL MANAGEMENT LLC

Institutional

987,721

215,701

(78.2)%

11

DEUTSCHE BK AKTIENGESELLSCHAFT

Institutional

838,812

703,701

(16.1)%

12

FEDERATED INVESTORS, INC.

Institutional

790,228

4

(100.0)%

13

BANK OF AMERICA CORPORATION

Institutional

756,296

293,655

(61.2)%

14

PENNANT CAPITAL MANAGEMENT

Hedge

674,279

998,079

48.0%

15

LAZARD CAPITAL MARKETS LLC

Institutional

662,784

-

(100.0)%

Top 15 Stockholders

23,131,784

12,720,764

(45.0)%

- Excluding Index Funds & Related Party

12,384,149

3,699,922

(70.1)%

- Excluding Index & Hedge Funds & Related Party

9,798,473

2,114,675

(78.4)%

Source: 13-F filings per Thomson Financial; available data as of May 29. Analysis excludes Agrium toe-hold position

(1) On May 11, 2009 GROWMARK filed a Form 144 giving notice of its intent to sell 1.5mm shares.

Rule 144(h) under the Securities Act requires that the person filing a Form 144 have a bona fide intention to sell shares within a reasonable period of time.

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General downward pressure on fertilizer prices from delayed planting season and reduced application rates leading to reduced fertilizer purchases

Nitrogen and phosphate prices have declined approximately 21% and 25%, respectively

(1)
, since the day before our offer (February 24)

Some inventory carry-over into 2009/2010 fertilizer year

Potential impact to CF will not likely be disclosed until Q2 or Q3

Minimal interest in Summer fill / Fall prepay volumes

Near-term Fertilizer Outlook

(1)

Source: Green Markets. Nitrogen prices based on NOLA Urea. Phosphate prices based on Tampa Florida DAP.

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18
0
300
600
900
1200
1500
0
200
400
600
800
1,000
1,200

\$1,400
CF 'Owned' EBITDA
Urea (\$ / short ton)
DAP (\$ / short ton)
Natural Gas (US¢/MMBtu)
(5)

CF's reliance on short-lived peak 2008 nitrogen and phosphate prices for current and future valuations is unrealistic and irrelevant

Current nitrogen and phosphate prices are NOT at the bottom of the cycle

Industry forecasts show nutrient pricing flat-to-down over next couple years

A return to cyclical commodity lows as seen pre-2004 would yield substantially lower EBITDA for CF

Current Nutrient Pricing Above
Historical Averages

(1)
Average
1998
-2007.

(2)
NOLA Urea per Green Markets.

(3)
Central Florida DAP per Green Markets.

(4)
Henry Hub Natural Gas per Bloomberg.

(5)
Owned
EBITDA (consolidated EBITDA less minority interest plus equity investment income) per
CF filings.

10yr Average

(1)
Feb 24
Current

Urea

(2)

\$181

\$305

\$240

DAP

(3)

\$193

\$315

\$250

Natural Gas

(4)

¢498

¢420

ø392

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Expected
operating
margins
for
nitrogen
and
phosphate
facilities
similar
to

CF's are significantly lower than peak 2008 levels
Moderate Margins Anticipated for CF's

Facilities

Illustrative Annual Operating Profit

(1,2)

(1)

Nitrogen gross margin estimates based on NOLA Urea proxy plant gate margins (at 80% rate), per Blue, Johnson Associates, Inc.

(2)

Phosphate gross margin estimates based on U.S. Central Florida DAP proxy plant gate margins (at 80% rate), per Blue, Johnson Associates, Inc.

-\$100

\$100

\$300

\$500

2000

2001

2002

2003

2004

2005

2006

2007

2008

2009

Proxy Phosphate Plant

Proxy Nitrogen Plant

00- 07 Avg.

2008

Current

Nitrogen

(1)

\$25

\$242

\$104

Phosphate

(2)

\$49

\$511

\$140

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CF Earnings Fundamentals vs.

Share Price Performance

In 2007, earnings outlook for 2008 was strong, given the then-positive pricing outlook

The current weak pricing outlook does not support CF's assertions of near-term EBITDA in line with 2008

0

500

1,000

\$1500

2007

2008
2009
0
60
120
\$180

Earnings Forecast:

Fertilizer Pricing:

2008A: \$1,127mm EBITDA (1)

2007A: \$622mm EBITDA (1)

2009E: \$622mm EBITDA (2)

Earnings Forecast:

Fertilizer Pricing:

May 29, 2007: \$42.42

Jan 3, 2007:

\$26.46

Jun 17, 2008: \$169.62

2007 Avg Share

Price: \$57.94

2008 Avg Share

Price: \$110.91

May 29: \$77.64 (Nominal)

May 29: \$65.1

(Unaffected

Current Agrium Offer

\$89.2

Source: CF filings and Bloomberg, market data as of May 29

(1) Represents owned

EBITDA (consolidated EBITDA less minority interest plus equity investments).

EBITDA attributable to minority interest partner based on reported minority interest per CF filings (\$54.6 million and \$116.9 million, for 2007A and 2008A respectively) adjusted for D&A, estimated as a portion of total D&A proportional to reported capex.

(2) Proportional

EBITDA

based

on

consensus

owned

EBITDA

(consolidated

EBITDA

less

minority

interest plus equity investments) estimates.

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Analyst Commentary

Compared to other nitrogen producers such as Yara, CF's stock price has appreciated largely as a result of Agrium's bid rather than an improvement in the underlying fundamentals of the nitrogen/phosphate fertilizer industry. it would be prudent for investors to consider taking some profits.

BMO (May 7, 2009)

If Agrium's bid for CF were withdrawn, it would weigh on [CF's] share price. We raised our year-end 2009 price target for CF from \$50.00 to \$70.00, consistent with current \$70 share price. Current share price reflects a discount to the roughly \$75 bid by Agrium for CF shares.

JPMorgan (April 28, 2009)

Our \$72 price target is mainly based upon the value of Agrium's current bid for CF. This compares with a \$63 valuation based upon our sum-of-parts analysis, 4.5x and 6.0x EBITDA for their nitrogen and phosphate businesses, respectively.

UBS (April 24, 2009)

We view Agrium as the company best positioned to take advantage of secular, sustainable growth across the entire value chain

Morgan Stanley (September 4, 2008)

We view Agrium as the company best positioned to take advantage of secular, sustainable growth across the entire value chain

Morgan Stanley (September 4, 2008)

In our view, utilizing multiples of

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Sum-of-the-Parts Assessment

By Nutrient

\$31.95

\$27.28

\$16.64

\$0.92

\$64.15

\$19.31

(\$4.67)

\$0.92

\$34.10

\$39.94

(\$5.83)

\$25.74

\$77.41

0

20

40

60

80

\$100

Nitrogen

Segment (incl.

Minority)

Less -

Nitrogen

Minority

Interest

Nitrogen

Segment

(excl. Minority)

Phosphate

Segment

Net Cash

Other Balance

Sheet

Adjustments

Total Equity

Value

(2)

(4)

(5)

Low to high range

(6)

(3)

(1)

Morgan Stanley potash, phosphate and nitrogen intrinsic value multiples of 10.0x, 8.0x and 6.0x respectively, discounted at 20% convention.

(2)

Value per share using one-year price target EV / 2010E EBITDA multiple range of 4.0x

5.0x, discounted at 10% to present. 2010E EBITDA estimate per consensus mean 2010E Medicine Hat minority interest plus estimated minority interest (LTM estimated minority interest D&A assumed constant).

(3)

Value per share using one-year price target EV / 2010E EBITDA multiple range of 4.0x

5.0x, discounted at 10% to present. 2010E EBITDA estimate per consensus mean estimates, adjusted to exclude minority interest and include equity investment earnings. 2010E adjusted EBITDA allocated between phosphate and nitrogen segments based on 2008A phosphate and nitrogen revenue contribution less nitrogen minority interest revenue from Medicine Hat facility.

(4)

Value per share using one-year price target EV / 2010E EBITDA multiple range of 5.0x

6.0x, discounted at 10% to present. 2010E EBITDA estimate per consensus mean estimates adjusted to include minority interest and revenues from equity investment earnings. 2010E adjusted EBITDA allocated between phosphate and nitrogen revenue contribution less nitrogen minority interest revenues from Medicine Hat facility.

(5)
Value per share of cash and short-term investments less total debt, per CF Mar 31, 2009 balance sheet.

(6)
Value per share of option proceeds.

Analysts apply the
highest multiple to
Potash and lowest
to Nitrogen

CF owns 66% of the
Medicine Hat facility
and valuation must
be adjusted
appropriately

CF's unaffected
share price trades
in the low range of
the sum-of-the-parts
assessment

Agrium Offer: \$89.22

CF Current Trading: \$77.64

CF Unaffected: \$65.15

One-Year Price Target EV / 2010E EBITDA Multiple

Used for Sum-of-the-Parts Valuation

Date

Research Firm

Potash

Phosphate

Nitrogen

19-May-09

UBS

7.5x

6.0x

4.5x

13-May-09

Merrill Lynch

6.0x

5.0x

4.0x

10-May-09

Morgan Stanley

(1)

8.3x

6.7x

5.0x

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Analysis of CF's Working Capital and
Cash Balances

CF's increase in Q1 cash was predictable and is not new value

(300)

0

300

600

900

1,200

Q1'05

Q2'05

Q3'05

Q4'05
Q1'06
Q2'06
Q3'06
Q4'06
Q1'07
Q2'07
Q3'07
Q4'07
Q1'08
Q2'08
Q3'08
Q4'08
Q1'09

Cash & Short Term Investments (1)

Working Capital

\$ 839.0

\$ 28.1

Average Working Capital: \$(15.8)

Cash tied up in
working capital

Working Capital \$240 million

above historical average or

\$4.79 per share²

Q4'08: \$224.7

Q3'08: \$1,152.2

Q4'08: \$625.0

Q4 '08 to Q1'09:

Implied cash

funding from

working capital of

\$197 million or

\$3.92 per share

Q4 '08 to Q1'09:

Balance sheet cash

up \$214 million, or

\$4.26 per share

\$

Source: Company filings as of Mar 31

(1) Short-term investments include auction rate securities until Q4 2007. Auction rate securities were reclassified as long-term investments in Q1 2008.

(2) Based on fully diluted shares outstanding of 50.2 million as at Jan 31.

Fundamentals of Growth

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CF's Estimation of Unaffected
Stock Price

Analysis presented by CF in recent presentations presumes that CF's unaffected stock price should reflect the full amount of the sector move since February 24

Agrium believes the entire sector has been influenced by the echo impact of multiple M&A bids and rumors

Analysis presented by CF in recent presentations also presumes the value of its net cash would appreciate in line with peer equity values

Agrium disagrees, as the \$16.64 per share of net cash in the business does not vary with stock price movements

One can think of it as reverse leverage : absent any M&A noise CF's stock price should not move as much as the sector over a period when 35% of its beginning stock price value is fixed cash

CF's arbitrary selection of the February 24 start date even allowing for CF's methodology, which Agrium disputes provides CF with the highest unaffected price of any starting calculation date this year

Fundamentals of Growth

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CF's Estimation of Unaffected Stock
Price Uses a Biased Start Date

Using reference dates from December 31, 2008 to February 24, 2009, 53% of results from Agrium's methodology point to an unaffected price in the \$62.50 to \$67.50 range

Using CF's methodology
which Agrium disputes
58% of results point to an
unaffected price in the \$72.50 to \$77.50 range

Source: Bloomberg, company filings; market data as of May 29

(1) CF unaffected price based on illustrative peer group of Mosaic, Potash Corp, Intrepid Potash, Israel

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

Chemicals, K+S, and Yara. Peer group performance based on USD equivalent stock price movement since base dates. Percentage moves applied to CF's operating asset value per share on respective base dates. Results then adjusted back for net cash.

(2) CF unaffected price based on illustrative peer group of Mosaic, Potash Corp, Intrepid Potash, Israel Chemicals, K+S, and Yara. Peer group performance based on USD equivalent stock price movement since base dates. Percentage moves applied to CF's stock price on respective base dates.

13%

25%

28%

20%

10%

5%

10%

23%

38%

20%

5%

3%

3%

0

2

4

6

8

10

12

14

16

\$60.00 to

\$62.50

\$62.50 to

\$65.00

\$65.00 to

\$67.50

\$67.50 to

\$70.00

\$70.00 to

\$72.50

\$72.50 to

\$75.00

\$75.00 to

\$77.50

\$77.50 to

\$80.00

\$80.00 to

\$82.50

\$82.50 to

\$85.00

CF Unaffected Price - Base Date Range from 31-Dec-08 to 24-Feb-09

0%

5%

10%

15%

20%

25%

30%

35%

40%

Unaffected CF(1)

CF Methodology(2)

CF's chosen reference date

of Feb 24 for their

estimation of "unaffected

price" provides an outlier

result when using their

methodology

Fundamentals of Growth

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65.18

67.36

67.41

65.47

61.24

64.25

65.32

65.15

66.61

64.82

69.15

63.18

61.10

58.16
64.00
63.84
59%
66%
66%
60%
46%
56%
63%
58%
72%
52%
45%
36%
55%
54%
59%
59%
Implied Agrium Offer Value (May 29 Closing):
Based on Cash-Adjusted Stock Price Movement (1)
\$ 89.22
24.5 %
Illustrative
Unaffected
CF Price
(US\$)
Stock
Price
Move of
Comp
Since
Jan 15
(%)
Based on % Change in Enterprise Value (2)
Implied
Premium
(%)
37%
32%
32%
36%
46%
39%
37%
37%
34%
38%
29%
41%

46%

53%

39%

40%

EV

Move of

Comp

Since

Jan 15

(%)

Agrium Methodology Yields Relatively

Consistent Results for Unaffected

Price

Source: Bloomberg; market data as of May 29

(1)

Stock

price

performance

based

on

USD

equivalent

stock

price

movement

since

Jan

15.

Percentage

move

applied

to

CF's

operating

asset

value

per

share.

Results

then

adjusted

back

for

net

cash.

(2)

USD

equivalent

enterprise

value

change
since
Jan
15.
Percentage
move
applied
to
CF s
enterprise
value.
Results
then
adjusted
for
net
cash
to
arrive
at
a
per
share
equity
value
(unaffected
stock
price).

Applying peer stock price or enterprise value growth to CF operating asset or enterprise values results in an unaffected CF stock price around \$65 across individual peers

Fundamentals of Growth

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CF Methodology Did Not Hold True in
Predicting Price Heading Up to Jan 15

CF's methodology predicts a range of prices from \$42.50 to \$65.00

This methodology simply
isn't particularly instructive

Source: Bloomberg, company filings; market data as of May 29

(1) Based on illustrative peer group of Mosaic, Potash Corp, Intrepid Potash, Israel Chemicals, K+S, and Yara. Peer group performance based on USD equivalent stock price movement

since base dates.

Percentage moves applied to CF's stock price on the respective base dates.

2%
19%
15%
11%
11%
19%
15%
7%
1%
0
5
10
15
20
25
30
35
\$42.50 to
\$45.00
\$45.00 to
\$47.50
\$47.50 to
\$50.00
\$50.00 to
\$52.50
\$52.50 to
\$55.00
\$55.00 to
\$57.50
\$57.50 to
\$60.00
\$60.00 to
\$62.50
\$62.50 to
\$65.00

Predicted Jan 15 CF Price - Base Date Range from May 30, 2008 to Jan 15

0%
4%
8%
12%
16%
20%

CF Methodology(1)

79% of results under CF methodology higher than Jan 15 observed

Fundamentals of Growth

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Estimated CF Unaffected Stock Price of
Approximately \$65.00

(1)

Based on peer group of Mosaic, Potash Corp, Intrepid Potash, Israel Chemicals, K+S, and Yara as
at May 29.

(2)

CF net cash on Balance Sheet as of Dec 31 was \$12.38 per fully diluted share. CF's net cash on
Balance Sheet as of Mar 31 was \$16.64 per fully diluted share.

CF had \$12.38 per share in net cash on
hand at December 31, and a further \$4.79
invested in working capital versus average
levels

For simplicity our illustrative analysis
assumes the market gave credit for most
of the working capital and could therefore
predict
the
\$16.64
of
net
cash
(2)

This cash is worth no more today
than it was in January

The peer group price increase of 59%
since January 15th is representative of an
increase in the market's perception of the
value of fertilizer operating assets

Gives full credit to peer group
increase, which is partially
attributable to speculation over
sector consolidation

Growing CF's operating asset value per
share by 59% and adding back net cash
per share results in an implied unaffected
CF stock price of \$65.15

CF Unaffected Stock Price

\$

30.59

\$

48.51

\$

16.64

\$

16.64

CF Stock Price on Jan 15,

1-Day Prior to Terra Offer

Implied Unaffected CF Stock

Price: Operating Asset Value

Grown at Peer Group Price

Performance

CF Net Cash Per Fully Diluted Share

Implied Operating Asset Value Per Share

\$ 47.23

\$ 65.15

38 %

59 %

Peer Group
Price Increase
Since Jan 15(1)
Implied Unaffected
CF Stock Price
Performance

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50% Premium to Cash-Adjusted CF

Unaffected Stock Price

(1)

Based on Agrium current proposal of one Agrium share plus \$40 per CF share in cash based on Agrium closing price on May 29.

\$

48.51

\$

72.58

\$

16.64

\$

16.64

Unaffected CF Stock Price

Agrium Offer

Implied Operating Asset Value Per Share

CF Net Cash Per Fully Diluted Share

\$ 65.15

50 %

Implied Cash-

Adjusted

Premium Today

37 %

Implied Stock

Price Premium

\$ 89.22

1

Fundamentals of Growth

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CF Cyclical Move Required:

Unaffected Price

(1)

\$120

(Operating Asset Value Method)

A cyclical upward move of 35% from the current Agrium offer would achieve a future CF stock price of \$120 assuming 100% stock election (or reinvestment of cash into sector)

CF stockholders would have to realize an

85% cyclical upward move on CF's
 unaffected price, or a 114% move on CF's
 cash-adjusted unaffected stock price, to
 achieve
 equivalent future value

CF Stockholders Benefit from Higher
 Base Received through Premium

Source: Bloomberg; market data as of May 29

Agrium Offer at Illustrative 35% Cyclical Upward Move

CF Cyclical Move Required:

Unaffected Price

(1)

\$120

(1)

CF unaffected price based on illustrative peer group of Mosaic, Potash Corp, Intrepid
 Potash, Israel Chemicals, K+S, and Yara. Peer group performance based on USD
 equivalent stock price movement since Jan 15. Percentage growth was applied to
 CF's operating asset value per share on Jan 15. Results then adjusted back for net
 cash.

\$

89.22

\$

120.45

Current Offer Price

Implied Future

Offer Value

35 %

Cyclical

Move

\$

120.45

\$

65.15

Cash-Adjusted CF

Unaffected Price

Future Offer Value

@ 35% Cyclical Move

85 %

Required

Cyclical

Move

\$

16.64

\$

16.64

\$

103.80

\$

48.51

CF Unaffected Price

(Less Net Cash)
Future Offer Value
@ 35% Cyclical Move
Net Cash
Operating Asset Value
114 %
\$ 65.15
\$ 120.45
Required
Cyclical
Move

Fundamentals of Growth

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CF's Statement that it has \$40 Cash Capacity

per

Share Highlights Magnitude of Agrium Premium

Source: Bloomberg; market data as of May 29

Agrium is largely indifferent to acquiring a levered or unlevered CF

Assumes no incremental transaction friction costs

Should CF decide to raise debt and payout \$40/share special dividend, we would expect CF stock price to decrease by \$40/share

Decreasing CF's unaffected share price and Agrium's offer by \$40 cash per

share implies a hypothetical offer of one Agrium share at \$49.22

for one cash-

adjusted CF share at \$25.15, a premium of nearly 100%

\$

25.15

\$

40.00

CF Unaffected Stock Price May 29, less CF "Cash

Capacity"

Stock Component of Agrium Offer May 29

\$ 65.15

96 %

Implied Equity

Premium

Today

\$ 49.22

Fundamentals of Growth

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Any Increases by CF to its Bid for Terra

Should Result in Lower CF Stock Price

Pro Forma Unaffected CF Stock Price: \$63.25

\$1.90 Loss vs. Unaffected Stock Price (\$65.15)

Pro Forma Unaffected CF Stock Price: \$60.32

\$4.83 Loss vs. Unaffected Stock Price

Pro Forma Unaffected CF Stock Price: \$60.08

\$5.07 Loss vs. Unaffected Stock Price

\$2.96 per share in Cash

Implied Exchange Ratio of 0.4993x

Implications of a 10% Bump

Estimated Implied Value of Current

CF / TRA Bid (0.4539x)

Source: Bloomberg, market data as at May 29

Note: Pro forma equity value based on unaffected CF price of \$65.15 and Terra nominal price of \$27.79 at May 29. Assumes base case exchange ratio of 0.4539x per CF filings.

\$4,426

\$4,426

\$4,426

\$1,524

\$1,524

\$1,226

Net Asset Value

Net Cash

51.5%

48.5%

49.1%

50.9%

51.5%

48.5%

CF Shareholders

CF Shareholders

CF Shareholders

TRA Shareholders

TRA Shareholders

TRA Shareholders

Ownership Structure

Ownership Structure

Ownership Structure

Component Breakdown

Component Breakdown

Component Breakdown

\$5,949

\$5,949

\$5,652

(94.1mm pro forma shares)

(98.6mm pro forma shares)

(94.1mm pro forma shares)

Fundamentals of Growth

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Assuming all stock election or reinvestment of cash, Agrium's offer is a significant premium to CF's historical stock price

Average Daily Stock Price Premiums

(30)%

(20)%

(10)%

0%

10%

20%

30%

40%

50%

60%

70%

Jan 2008

Mar 2008

May 2008

Jul 2008

Sep 2008

Nov 2008

Jan 2009

Mar 2009

May 2009

Current

Premium to CF

Unaffected

Stock Price(2):

37%

Daily offer premium assuming \$40

in cash had been invested in

Agrium on May 29

Historical Daily "Pro-Rated" Offer Premium to CF

Stock Price (as shown in CF's 14D-9)

Premium Measured vs.

CF Unaffected Price(1)

Premium Measured vs.

Nominal CF

Jan 15

CF Announces Proposal for Terra

Current Offer(3) -

Average

Premium Over 12

Months to

Current: 22%

Source: Bloomberg; market data as of May 29

(1)

Premium of current proposal adjusted daily for net cash to CF's implied operating asset value per share.

(2)

CF

unaffected

price

based

on

illustrative

peer

group

of

Mosaic,

Potash Corp, Intrepid Potash, Israel Chemicals, K+S, and Yara. Peer group performance based on USD

equivalent stock price growth since Jan 15. Percentage growth

was

applied

to
CF's
operating
asset

value per share on Jan 15. Results then adjusted back for net cash.

(3)

Agrium current proposal of one Agrium share plus \$40 per CF share in cash.

Fundamentals of Growth

35

41%

23%

82%

58%

33%

48%

63%

17%

42%

37%

88%

142%

0%

20%
40%
60%
80%
100%
120%
140%
160%

Precedent Average for

All Cash: 49.8%

Offer is at an Enterprise Value Premium
to Precedent Transactions

Average 1-Day Prior Enterprise Value Premium for U.S. Transactions Since Sept 15, 2008 >US\$1bn

When considering precedent transaction premiums, premiums to enterprise value are a
more appropriate
methodology

than
equity
value,

as
high
leverage

distorts
the
premium

being paid for the business

Highly Levered
Transactions

Source: Company filings, company press releases and Capital IQ; market data as of May 29, 2009

Note: Excludes distressed / financial transactions. High end of range shown for all collared transactions

Note: Enterprise values exclude minority interests and equity investments. Assumes cash from exercise of in-the-money options

(1) Eli Lilly / ImClone premium based on unaffected share price prior to Bristol Myers bid.

(2) CV Therapeutics / Gilead premium based on unaffected share price prior to Astellas bid.

(3) Includes NRG / Exelon, Embarq / CenturyTel, Terra / CF, Centex / Pulte and Foundation / Alpha.

(4) Includes Wyeth / Pfizer, Schering Plough / Merck and Data Domain / NetApp.

(5) CF enterprise value based on historical prices and current capital structure, excluding minority interest and equity investments

Fundamentals of Growth

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Selected Precedent Chemical and
Fertilizer
Transactions

Equity

Premiums

1-Mo. Avg.

22%

1-Day Avg.

25%

(# deals,
% total)

Chemicals

(13 deals)

Fertilizers

(4 deals

(1)

)

1-Day Avg.

34%

1-Mo. Avg.

31%

CF Jan 15

share price

Current Offer

(2)

CF Feb 24

share price

CF cash-

adjusted

unaffected

share price

(1)

Includes Anglo Potash/BHP Billiton Diamonds, UAP/Agrium, Royster-Clark/Agrium, and Nu-Gro/United Industries.

(2)

Share price premium to current bid as of May 29.

21%

10%

46%

18%

52%

30%

34%

9%

14%

53%

24%

34%

21%

17%

50%

61%

89%

31%

25%

17%

17%

0%

20%

40%

60%

80%

100%

2004

(2 deals,

15%)

2005

(1 deal,

8%)

2006

(3 deals,

23%)

2007

(4 deals,

31%)

2008

(3 deals,

23%)

2009

(0 deals,

0%)

2004

(1 deal,

25%)

2005

(1 deal,

25%)

2006

(0 deals,

0%)

2007

(1 deal,

25%)

2008

(1 deal,

25%)

2009

(0 deals,

0%)

1-Day Premium

1-Month Premium

1-Day Average

1-Month Average

Source:

Thomson SDC. Closed transactions greater than US\$100 million involving U.S. or Canadian targets (greater than 50% stake ac

Fundamentals of Growth

37
61%
89%
50%
26%
40%
26%
27%
29%
39%
0%
20%
40%
60%

80%

100%

1-Day Premium

1-Month Premium

Unsolicited Equity Premiums Analysis

Source: Thomson SDC. Unsolicited transactions since 2000 with enterprise value greater than US\$1 billion

U.S.

Targets

Announced

/

Completed

(46 deals)

U.S. Targets

Not

Completed

(70 deals)

Current Offer

(1)

CF Jan 15

share price

CF Feb 24

share price

CF cash-

adjusted

unaffected

share price

Initial Bid Premium

(2)

Successful / Current

Bid Premium

(2)

(1)

Share price premium to current bid as of May 29, 2009.

(2)

Premium to last market close prior to announcement.

Initial Bid Premium

(2)

Fundamentals of Growth

38

\$72.58

(\$89.22, less

\$16.64 net

cash per CF

share)

(1)

Based on value of mixed consideration and Agrium share price of \$49.22 as of May 29.

(2)

Based on CF cash and short-term investments of \$839 million less debt of \$3.9 million, or \$16.64 per CF share as of Mar 31, 2011.

(3)

CF enterprise value based on historical prices and current capital structure, excludes minority interest.

(4)

CF unaffected price based on illustrative peer group of Mosaic, Potash Corp, Intrepid Potash,

Israel
Chemicals,
K+S,
and
Yara.
Peer
group
performance
based
on
USD

equivalent
stock
price

movement since Jan 15. This percentage move was applied to CF's operating asset value per share on Jan 15. Results then adjusted back for net cash.

Premiums

(1)
\$89.22

Current
offer

Cash-Adjusted Premiums

(1,2)

Significant Premium to CF Stockholders

Across Multiple Metrics

37%

61%

89%

(4)

50%

86%

137%

(4)

\$3,596

Current
offer

51%

89%

142%

(4)

EV Premiums

(3)

\$1,489

\$1,908

\$2,388

Jan-15 CF

Price

Feb-24 CF

Price

Unaffected

Price
\$47.23
\$55.58
\$65.15
Jan-15 CF
Price
Feb-24 CF
Price
Unaffected
Price
\$30.59
\$38.94
\$48.51
Jan-15 CF
Price
Feb-24 CF
Price
Unaffected
Price

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CF's Consensus

EBITDA

It is important to note CF does not own
100% of its consolidated EBITDA

CF's joint venture partner owns 34% minority interest in Canadian Fertilizer Limited

CF also has equity in earnings from its interest in unconsolidated affiliate KEYTRADE AG

Equity
research
analysts

differ
in
their
approach
to
calculating
CF s
EBITDA

Certain
equity
research
analysts
quote
consolidated
EBITDA
where
others
adjust
for
leakage
of minority interest and addition of equity earnings

The following table reconciles EBITDA forecasts by analysts who formally cover CF to
provide
an
estimated
Bloomberg
consensus
view
of
owned
EBITDA,
including
equity
earnings

- (1)
Assumed proxy for minority interest EBITDA.
- (2)
Minority interest not disclosed. Ratio of minority interest to EBITDA per Nov 19, 2008 report
applied to current forecast EBITDA.
- (3)
Analyst reports EBITDA after deducting minority interest and including income from equity affiliates.
- (4)
Analyst reports EBITDA after deducting minority interest with no adjustment for income from equity
affiliates.
(US\$ millions)
Consensus
Goldman Sachs
BMO

JPMorgan
 UBS
 Adj. Average
 21-May
 11-May
 28-Apr
 19-May
 Adjusted
 2009E EBITDA Build-up
 2009E EBITDA (per Analyst Report)
 \$712
 \$584
 \$642
 \$593
 Less: Minority Interest Adjustment
 (56)
 n/a
 (3)
 n/a
 (4)
 n/a
 (4)
 Add: Equity Earnings Adjustment
 -
 n/a
 (3)
 7
 6
 Consensus 2009E 'Owned' EBITDA
 \$656
 \$584
 \$649
 \$599
 \$622
 Adjusted
 2010E EBITDA Build-up
 2010E EBITDA (per Analyst Report)
 \$547
 \$664
 \$507
 \$690
 Less: Minority Interest Adjustment
 (61)
 n/a
 (3)
 n/a
 (4)
 n/a
 (4)
 Add: Equity Earnings Adjustment

-

n/a

(3)

2

6

Consensus 2010E 'Owned' EBITDA

\$486

\$664

\$509

\$696

\$589

(2)

(2)

(1)

(1)

Fundamentals of Growth

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Adjusted EBITDA Multiples

Implied valuation multiples must be adjusted to reflect leakage of minority interest

Agrium's offer for CF represents EV / Owned EBITDA transaction multiples of 5.8x and 6.1x for 2009E and 2010E, respectively

(1)

Includes equity investment income.

(2)

Includes estimated LTM minority interest D&A.

(3)

Street consensus minority interest (assumed proxy for minority interest EBITDA).

\$1,132

\$1,010

\$696

\$622

\$650

\$589

(\$61)

(\$74)

(\$122)

0

300

600

900

\$1200

100%

Consolidated

Medicine Hat

Minority

Interest

Adjusted

'Owned'

EBITDA

100%

Consolidated

Medicine Hat

Minority

Interest

Consensus

'Owned'

EBITDA

100%

Consolidated

Medicine Hat

Minority

Interest

Consensus

'Owned'

EBITDA

2009E Street EBITDA

Estimates

2010E Street EBITDA

Estimates

LTM EBITDA

Transaction Multiple: 5.8x

Transaction Multiple: 6.1x

(2)

(3)

(3)

(1)

- (1)
- (1)

Fundamentals of Growth

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Compelling Valuation

6.1x

vs.

4.8x

2010E

EBITDA

(1)

using

CF's unaffected share price adjusted to
exclude the effects of Agrium's offer

Agrium's revised offer implies a higher

transaction multiple for CF than
Agrium's current trading multiple
(1)

Valuation should be considered in context of expected performance

Trailing EBITDA multiples irrelevant given short-lived spike in commodity prices in 2008

Precedent transactions need to be analyzed in context of the market environment

Agrium / CF vs. CF / Terra

6.1x

4.8x

\$89.22

\$29.57

Current Offer

Current Unaffected Offer

(2)

(3)

Agrium / CF

CF / Terra

Agrium's revised offer provides a 27% greater EBITDA multiple for CF than CF
is offering for Terra

(1)

(1)

Bloomberg consensus 2010 EBITDA estimates; Agrium's EV/EBITDA multiple is 4.8x. Multiples
calculated on an adjusted owned basis to reflect leakage of minority interest and addition of
equity investment income.

(2)

\$40.00 cash, one Agrium share using Agrium's closing price on May 29.

(3)

CF unaffected price based on illustrative peer group of Mosaic, Potash Corp, Intrepid Potash,
Israel Chemicals, K+S, and Yara. Peer group performance based on USD equivalent stock price
movement since Jan 15. This percentage move was applied to CF's operating asset value per
share on Jan 15. Results then adjusted back for net cash.

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43
3,203
3,418
1,593
1,660
1,412
1,457
254
669
516
622
496
5,025
4,078

2,656
2,100
1,864
1,707
380
602
481
589
475
0

1,000
2,000
3,000
4,000
5,000
\$6,000

Potash Corp

Mosaic

Israel

Chemical

K&S

Agrium

Yara

Intrepid

CF

Consolidated

Terra

Consoildated

CF 'Owned'

Terra

'Owned'

2009E EBITDA

2010E EBITDA

(1)

Bloomberg consensus consolidated EBITDA, calendarized.

(2)

CF

and

Terra

owned

EBITDA

(adjusted

to

reflect

leakage

of

minority

interest

and

addition

of
equity investment income)
Chemical & Fertilizer Peer EBITDA
Growth
C2009E

C2010E
EBITDA
Growth
per
Bloomberg
Consensus

(1)
Peer Average: +38%

57%

19%

67%

27%

32%

17%

50%

(10%)

(7%)

(5%)

(4%)

(2)

(2)

CF and Terra forecast 2009E-2010E growth is significantly lower than peers

Fundamentals of Growth

44

0.0x

2.0x

4.0x

6.0x

8.0x

Sep-05

Sep-06

Sep-07

Sep-08

Agrium EV/LTM EBITDA Less CF EV/LTM EBITDA

Source: Capital IQ. Enterprise value = market capitalization plus net debt, preferred shares and minority interest. EBITDA includes equity investment earnings; minority interest not deducted

(1) Data from Sep 30, 2005 (date of earliest balance sheet post-IPO) through Feb 24, 2009, the

day prior to Agrium's original offer for CF.

Average EV / LTM

EBITDA Multiple

Spread:

3.4x

Agrium has traded over 3 multiples of LTM EBITDA higher (or 59%)

than CF,

since CF's IPO

(1)

Superior diversification across products, businesses and regions

Nutrient composition needs to be accounted for in fertilizer valuations

Agrium Multiple Advantage over CF

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Margin and ROE Comparison

54.2%

30.1%

4.4%

38.1%

8.9%

-5.1%

2.7%

26.6%

20.4%

36.7%

-20%

0%

20%
40%
60%
80%
100%
120%
2004
2005
2006
2007
2008

CF
Agrium
CF Average
Agrium Average

ROE

(2)

(1)

Excludes other operating expenses.

(2)

Return

on

Equity

=

Net

Earnings

/

Average

Book

Value

of

Shareholders

Equity.

Compared to CF, Agrium benefits from higher and less volatile margins

Agrium provides shareholders stable returns through the commodity cycle, in excess of CF's returns

EBIT Margins

(1)

Agrium

acquires

Royster-

Clark

Agrium

acquires

UAP

Agrium

acquires

Royster-

Clark
Agrium
acquires
UAP
29.4%
4.6%
21.9%
10.4%
7.7%
7.0%
15.6%
15.2%
21.5%
14.8%
0%
10%
20%
30%
40%
50%
60%
2004
2005
2006
2007
2008
CF
Agrium
CF Average
Agrium Average

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Precedent Nitrogen Transaction Multiples

Valuation multiples vary widely due to volatile natural gas prices relative to nitrogen fertilizer prices

Acquisitions are based on forward margin expectations, not trailing margins

LTM trading multiples are at recent lows due to record nitrogen sector margins in 2008

Many precedent transactions occurred in a rising nitrogen price environment

In contrast, current forecasts indicate a narrowing spread between urea and natural gas, with nitrogen margin compression the likely result

0

400
800
1,200
1,600
2,000
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010E
2011E
2012E
0.0x
2.0x
4.0x
6.0x
8.0x
10.0x
Transaction Multiples
Natural Gas (US¢/MMBtu)
Urea (US\$/ST)
Kemira
GrowHow
/
Yara
International
LTM Multiple: 8.0x
2007E EBITDA: 7.7x
Margin: 8%
Mississippi Chemical /
Terra Industries
LTM Multiple: 4.5x
Margin: 14%
Saskferco
Products /
Yara
International
LTM Multiple: 7.9x
2009E EBITDA: 4.9x
Margin: 40%
Terra Industries / CF Industries
(1)
LTM Multiple: 3.0x
Unaffected LTM Multiple

(2)
: 2.7x
Unaffected 2010E Multiple

(2)
: 4.8x
Margin: 31%
Unocal (Agriculture business) /
Agrium

LTM Multiple: 6.5x
Margin: 12%
CF Industries / Agrium

(1)
LTM Multiple: 3.6x
2010E Multiple: 6.1x
Margin: 26%

(3)

(4)

(1) Multiples based on current trading, adjusted for owned EBITDA (excludes minority interest, includes equity investment)

(2) CF actual share price at Jan 15 of \$47.23 grown at 5% to Mar 20 (the trading day prior to CF's current bid), consistent with global fertilizer peer growth over same period.

(3)

Henry Hub, from Bloomberg. Forward-looking estimates per Bloomberg consensus.

(4)

NOLA Urea historical based on Green Markets, forecast based on Fertecon.

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Anticipate annual synergies of approximately \$150 million from Agrium/CF combination, phased in over three years

Consolidation of the sales, marketing and distribution systems by

utilizing Agrium's and CF's combined broad distribution network to reduce logistic costs

reduce total product miles shipped and optimize railcar lease costs

leverage underutilized distribution facilities

Sales, Marketing and
Distribution

Description

Source

Realization of cost savings associated with

enhanced economies of scale in purchase/procurement of products and services

optimization of plant turnarounds and operating costs

reduction of duplication in product inventory and associated carrying costs

catalyst and spare parts inventory pooling

enhanced efficiencies in future capital expenditures

Procurement of Plant

Materials, Equipment

and Logistics Services

Eliminating corporate functions and overhead reductions (e.g. headquarter consolidation) and utilizing SG&A excess capacity

SG&A Costs

Significant Synergies from

Combination of Agrium and CF

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Summary of Key Arguments

Agrium is serious about acquiring CF and CF refuses to engage

Several overtures made privately and publicly, each summarily rebuffed

Significant costs incurred

Willing to sign fully financed and binding merger agreement immediately

CF board is precluding CF stockholders from determining outcome

Preferred stock in CF's bid for Terra eliminates CF's stockholder vote

Core stockholders have sold at prices below Agrium's offer

Agrium's offer represents full and fair value

CF is trading above the sum-of-the-parts assessment and at a significant discount to Agrium's offer

Significant premium over all metrics

Forward-looking multiple in line with precedents, 27% higher multiple than what CF is offering for Terra

Absent
engagement
from
CF
and
demonstration
of
additional
value,
this
is
Agrium's best and final offer

CF board should exercise good corporate governance by removing impediments caused by its poison pill and Section 203 of the Delaware Corporate law thereby allowing its stockholders to independently assess Agrium's offer

Agrium has extended its offer to June 22, 2009

If a compelling majority of shares are tendered, Agrium will continue to pressure CF board

If
a
compelling
majority
of
shares
are
not
tendered,
Agrium
will
walk
from
the
transaction

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Timeline of Events

Agrium confirms best and final offer absent engagement by CF (6/3)

Agrium extends exchange offer to June 22 (6/3)

Jun 3

Agrium increases offer to acquire CF (5/11)

\$40.00 in cash plus 1 Agrium share

CF Board rejects Agrium's revised offer (5/15)

May 10

CF extends exchange offer to June 26 (5/22)
May 17

CF stockholders withhold ~20% of votes for CF directors (4/21)

CF extends exchange offer to June 12 (4/24)
Apr 19

ISS recommends stockholders do not withhold on CF directors (4/12)
Apr 12

Agrium files exchange offer to acquire CF (3/16)

Disclosed 2.6% toe-hold position established in February
Mar 15

CF files 14D-9 (3/23)

Agrium increases offer to acquire CF and launches withhold vote
campaign (3/27)

\$35.00 in cash plus 1 Agrium share
Mar 22

CF Board rejects Agrium's proposal (3/9)

CF amends proposal to acquire Terra (3/9)

Introduces collar; claims value of revised offer increased to \$27.50;
unaffected
price
of
CF
shares
would
suggest
otherwise

Restructured offer to include non-voting preferred stock: attempting to
circumvent CF stockholder vote

Terra Board rejects CF's revised proposal (3/11)

CF launches proxy contest to elect three directors to Terra Board (3/12)
Mar 8

CF Board rejects Agrium's revised offer (3/29)

Agrium files amended exchange offer to acquire CF (3/30)

Mar 29

Agrium announces proposal to acquire CF (2/25)

\$31.70 in cash plus 1 Agrium share

Fully-committed financing

CF files exchange offer to acquire Terra (2/23)

Extensive conditionality

Feb 22

Terra Board rejects CF's offer (3/5)

Mar 1

CF announces proposal to acquire Terra (1/15)

100% stock transaction, \$20.00/share

Transaction subject to CF stockholder vote under NYSE rules

CF / Terra

Jan 11

Agrium / CF

Week

(1)

CF

unaffected

price

based

on

illustrative

peer

group

of

Mosaic,

Potash

Corp,

Intrepid

Potash,

Israel

Chemicals, K+S, and Yara. Peer group performance based on USD equivalent stock price movement since Jan 15. This percentage move was applied to CF's operating asset value per share on Jan 15. Results then adjusted back for net cash.

(1)

CF restructures collar; claims value of revised offer increased to \$30.50;

unaffected price of CF shares would suggest otherwise (3/23)

Terra Board rejects CF's revised proposal (3/24)

(1)

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Wide Range of Outcomes Under CF

Methodology for Unaffected

Price

Using

CF s

methodology

and

reference

dates

from

December

31,

2008
to
February
24,
2009

which
Agrium
disputes

a
wide
range
of
results
are
achieved

Analysis
shown
before
CF's
addition
of
\$3.00
short
interest
per
share

Source: Bloomberg, company filings; market data as of May 29

(1) CF
unaffected
price
based
on
illustrative
peer
group
of
Mosaic,
Potash
Corp,
Intrepid
Potash,
Israel

Chemicals, K+S, and Yara. Peer group performance based on USD equivalent stock price growth since base dates. Percentage moves applied to CF's stock price on the respective base dates.

CF
Reference
Date

Reference Date

"Unaffected Price" (CF Methodology)

Reference Price

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40

45

50

55

60

65

70

75

80

\$85

31-Dec-08

07-Jan-09

14-Jan-09

21-Jan-09

28-Jan-09

04-Feb-09

11-Feb-09

18-Feb-09

Reference Date

CF Unaffected Price(1)

Reference Price

Feb 24

Max: \$74.55

Jan 22

Min: \$60.21

Wide Range of Outcomes from Agrium

Methodology as Well

However, Agrium's reference date provides outcome within the reference range, versus being an outlier

Source: Bloomberg, company filings; market data as of May 29

(1) CF unaffected price based on illustrative peer group of Mosaic, Potash Corp, Intrepid Potash, Israel Chemicals, K+S, and Yara. Peer group performance based on USD equivalent stock price movement since base dates. Percentage moves applied to CF's operating asset value per share on the respective base dates. Results then adjusted back for net cash.

Agrium reference

date: \$65.15

Range: \$60 -

\$75