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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 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 to stockholders to approve the transaction; the risk that the businesses will not be integrated successfully; the risk that the cost of 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 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 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 for CECO Environmental Corp. and Met-Pro Corporation which will be filed with the SEC. Investors are urged to read the prospectus/proxy statement, which will contain important information, including detailed risk factors, which may affect the value of the securities. 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 website, 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. A copy of 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 proxy statement for CECO's 2013 annual meeting of stockholders and CECO's 10-K for the year ended December 31, 2012. Information about the directors and 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 reviewing 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

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

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
12
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

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(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)