

INERGY L P
Form 425
August 09, 2010

Investor Presentation
August 9, 2010
Filed by Inergy, L.P.
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Subject Company: Inergy Holdings, L.P.
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3

Transaction Summary

The Boards of Directors of NRGY & NRGP have agreed to simplify their capital structure by merging the two partnerships in a tax-free, equity exchange

The merger is subject to approval by a majority of NRGP unitholders and is expected to close in 4Q 2010

Certain members of management have entered into support agreements in favor of the merger

Ownership of the managing general partner will remain unchanged

NRGP unitholders will receive 0.77 NRGY units in exchange for each NRGP unit

NRGY will issue approximately 47.7 million units to the owners of NRGP in exchange for its non-managing general partner s

interest, incentive distribution rights (IDRs) and ownership of two wholly-owned NRGP subsidiaries

Represents
~10%
premium
to
NRGP
unitholders
based
on
a
20-trading
day
average
closing
price
for
both
securities
on
August
3
rd

Approximately \$27 million of NRGP debt will be assumed and repaid by NRGY
Certain members of management

(a)
have agreed to receive non-cash distribution paying, paid-in-kind equity securities (PIK Units) in exchange for a portion of their NRGP units in lieu of common units
(b)

Represents approximately 11.6 million units or 24% of the total NRGY units issued

Holders of the PIK Units will receive additional PIK Units in lieu of cash distributions at PIK terms that favor NRGY unitholder period of 2 years

Expected to eliminate near term cash dilution to common unitholders

Demonstrates management's long-term support for the merger and the company's prospects for growth
The transaction is expected to be immediately neutral to NRGY's distributed cash flow of \$0.705
per
unit
(\$2.82
annualized)
and
is
expected
to
provide

long-term
accretion
to
unitholders

(c)

Upon completion of the merger, the NRG unitholders will own approximately 44% of the combined entity, including management

(a)

ownership of approximately 28%

(d)

The NRG director that does not currently serve on the NRG Board of Directors will be invited to join the NRG board

(a)

Includes the participation of a founding investor in Inergy Holdings GP, LLC.

(b)

See page 7 for further description of PIK Units.

(c)

See page 8 for key transaction assumptions.

(d)

As adjusted for the transaction, NRG's outstanding units total ~108.9 million.

4

Transaction Benefits

Accelerates Distribution Growth Potential

Cancellation of IDRs lowers NRGY's cost of capital

Lower cost of capital enhances NRGY's competitive position for acquisition opportunities and organic growth projects

Cancellation of IDRs and purchase of GP economic interest results in 100% of economic return from capital expansion projects and acquisitions being paid to unitholders of NRGY

Equity transaction maintains NRGY's balance sheet flexibility and liquidity

Streamlines Capital Structure

Attracts

a
broader
investor
base
to
a
single,
larger
entity
with
increased
public float and liquidity
Single entity simplifies the governance of NRGY which reduces the
potential for conflicts
Improves
transparency
for
investors
benefit
Reduces G&A costs associated with two publicly traded entities

5
Inergy Holdings, L.P.
& Affiliates
NYSE Symbol: NRGP
Inergy Holdings
GP, LLC
(Board of Directors)
Inergy GP, LLC
Managing General Partner
(Board of Directors)
Inergy, L.P.

NYSE Symbol: NRGY

Propane

Operating &

Other Subsidiaries

Midstream

Operating &

Other Subsidiaries

Inergy

Finance Corp.

Public

Unitholders

Public

Unitholders

100% Member Interest

100% Member Interest

100% Ownership

Non-Economic Mgmt Rights

63.4% Limited Partner Interest

36.6% Limited Partner Interest

Non-Economic Mgmt Rights

7.1% Limited Partner Interest

0.7% General Partner Interest

100% Incentive Distribution Rights

92.2% Limited Partner Interest

(a)

Simplified.

(b)

Includes the ownership of a certain founding investor in Inergy Holdings GP, LLC.

Management

(b)

Current

Inergy

Structure

(a)

6
Post-Transaction Structure
(a)
Inergy
GP, LLC
Managing General Partner
(Board of Directors)
Inergy , L.P.
& Affiliates
NYSE Symbol : NRGY
Propane
Operating &
Other Subsidiaries
Midstream
Operating &
Other Subsidiaries
Inergy

Finance Corp.
Public
Unitholders
100% Member Interest
100% Ownership
28.3%
Limited
Partner
Interest,
including
PIK
Units
(c)
(PIK Units convertible to common units over a 2-year period)
Non-Economic Mgmt Rights
71.7% Limited Partner Interest
(a)
Simplified.
(b)
Includes the ownership of a certain founding investor in Inergy Holdings GP, LLC.
(c)
Reflects
pro
forma
ownership
as
of
August
9,
2010.
See
page
7
for
further
description
of
PIK
Units.
100% Member Interest

Management
(b)

7
PIK Unit Overview
Description
Approximately
40%
of
the
original
NRGP
interests
owned
by
management
(a)
are
expected
to

be
exchanged
for
PIK
Units at the same 0.77 exchange ratio as common unitholders

~ 11.6 million PIK Units will be issued, representing approximately 24% of the 47.7 million total NRGY units issued
PIK Units have been structured in a manner so that the recipients receive less value than the non-affiliated public
unitholders of NRGY

PIK Units are non-transferable and will not be entitled to a cash distribution until converted into common units

The
number
of
new
PIK
Units
to
be
issued
each
quarter
in
lieu
of
cash
distributions
will
be
determined
quarterly
by
dividing
the
then
current
annualized
distribution
by
the
greater
of
\$41.6854
(b)
,
or
by
the
20-day

NRGY
VWAP
ending
on
the 3
trading day prior to the applicable quarterly ex-dividend date PIK
terms that favor NRGY unitholders
PIK Units will automatically convert on a one-for-one basis to NRGY common units based upon the following
schedule:

50%
immediately
following
the
payment
of
the
first
quarterly
cash
distribution
on
NRGY
units
after
the
first
anniversary
of
the
close
of
the transaction; and

50%
immediately
following
the
payment
of
the
first
quarterly
cash
distribution
on
NRGY
units
after
the

second
anniversary
of
the
close
of the transaction

In
support
of
the
merger,
certain
members
of
management

(a)
have
agreed
to
exchange

a
portion
of
their
ownership
in NRGP for PIK Units

Expected to eliminate near term cash dilution to NRGY common unitholders

Demonstrates management's long-term support for the transaction to NRGY and NRGP unitholders

Overview & Rationale

rd

(a)

Includes the ownership of a certain founding investor in Inergy Holdings GP, LLC.

(b)

Represents the 20-trading day volume weighted average price (VWAP) ending on the 3 trading day prior to the announcement

rd

8

Key

Assumptions

(a)

Base Case and Merger Transaction Assumptions

FY 2010 guidance range of \$330-\$340 million

FY 2011-2014 retail propane gallons and gross margins based on preliminary FY 2011 budget and remaining stable over forecast period

2011-2014 Base Case Midstream operations forecast includes the following capital deployed:

-

Seneca Lake Acquisition

-

Finger Lakes LPG Storage Project

-

North-South Project

-

Marc I Project

-

Seneca Lake Gas Storage Expansion Project

Merger
transaction

assumes
additional
annual
capital
deployed

of
\$375
million

at
an 8.8x EBITDA multiple

Merger transaction assumes repayment of NRGP's current credit facility
(~\$27mm) by NRGY

(a)

This forecast is based on various forward-looking assumptions made by the management of of NRGY. While management believes such results will materialize. Please refer to our forward-looking statement disclosure on page 2

9

Transaction Milestones

Announce definitive merger agreement and support agreement execution

Prepare and file with SEC proxy statement/registration statement

SEC review of proxy statement and registration statement

File definitive proxy/registration statement

NRGP Unitholder meeting

Transaction closing (expected close calendar Q4 2010)

10
Committed to Generating Industry-Leading Returns to
Our Investors