

ILLUMINA INC
Form DEFA14A
May 16, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

Illumina, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- No fee required.
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Illumina
2013
Proxy Roadshow
May 16 -
17, 2013

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Safe Harbor Statement

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This communication may contain statements that are forward-looking. Forward-looking statements are subject to known and unknown risks and uncertainties and are based on potentially inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward-looking statements. Among the important factors that could cause actual results to differ materially from those in any forward-looking statements are (i) our ability to develop and commercialize further our sequencing, array, PCR, diagnostics, and consumables technologies and to deploy new products and applications, and expand the markets, for our technology platforms, (ii) our ability to manufacture robust instrumentation and consumables, (iii) significant uncertainty concerning government and academic research funding worldwide as governments in the United States and Europe, in particular, focus on reducing fiscal deficits while at the same time confronting slowing economic growth, and (iv) other factors detailed in our filings with the U.S. Securities and Exchange Commission (SEC), including our most recent filings on Forms 10-K and 10-Q, or in information disclosed in public conference calls, the date and time of which are released beforehand. Illumina undertakes no obligation, and does not intend, to update these forward-looking statements.

Requests an amendment to our 2005 Stock and Incentive Plan:

Illumina's Board of Directors Recommends a Yes Vote:

Illumina Investor Presentation

Executive Summary of Proposal 4

We must attract, retain, and motivate high-performers in order to generate long-term shareholder value

We use equity compensation to align employee and shareholder interests

We have a disciplined annual share granting practice to limit dilution

We proactively manage our outstanding shares through equity repurchases

Authorize an additional 5 million shares to the plan

Extend the term of the Plan to June 28, 2016

Additional shares are expected to last three years

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2012 Revenue of \$1.15 billion

Guidance of 15% revenue growth in 2013

Over 2,400 employees globally; headquartered in San Diego, CA

Recognized leader in next-generation sequencing

>90% of the world's sequencing data generated using Illumina platforms

Recognized leader in microarrays with ~80% market share in DNA genotyping

Strong diagnostic effort in reproductive health and cancer

Unmatched history of innovation and strong R&D pipeline

Who is Illumina?

Worldwide Leader in Genomic Analysis

1. Revenue guidance given via press release and 8-K on January 28, 2013; guidance was not reaffirmed or updated post Q1 1

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Illumina's Markets 2013
Over \$12 Billion Opportunity
Improve human health by
unlocking the power of the genome
Consumer
Markets
Life Science
Research
~\$4B
Applied
Markets
~\$1B
Clinical &
Translational
~\$6B

Reproductive
Health
~\$1B
>\$50M
5

Illumina's Equity Compensation Philosophy
Program is Based on Guiding Principles
Equity Compensation:
Used to attract, retain and motivate new and
existing employees
Aligns employee and stockholder interests
Granted to our highest performing employees
and senior executives to generate long-term
shareholder value

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Share Balance by Year

5 Million Shares Will Fund Program for 3 Years

Available Shares to Grant (M)

Evergreen expired in 2010

0

2,500

5,000

2008

2009

2010

2011

2012

7,500

Net Grants by Year

Net Grant Levels Have Been Stable While the Number of Employees has Grown

2,500

2,000

1,500

1,000

500

0

2008

2009

2010

2011

2012

Net Grants (M)

Employees

8

9

Gross Burn Rate

Disciplined Annual Share Granting Practice

Our net burn rate averaged ~3.0% over the last five years

Gross Burn Rate (%)

4.8%

3.4%

3.8%

4.0%

3.4%

1.5%

3.0%

4.5%

2008

2009

2010

2011
2012
0.0%

Outstanding Options

Employee Interests are Closely Aligned with Non-Employee Shareholders

Employees

are holding more than 6 million in the money options at a weighted average price of \$24.49

Outstanding Options by

Expiry Date

Outstanding Options by

Strike Price

1.

Includes options being held by the Board of Directors as of December 30, 2012

2.

Includes options granted under the 2005 Stock and Incentive Plan, New Hire Stock and Incentive Plan, and the Solexa plan

1,200

1,000

800

600

400
200
-
\$5
\$10
\$15
\$20
\$25
\$30
\$35
\$40
\$45
\$50
\$55
\$60
\$65
\$70
\$75
\$80
Exercisable
Unvested
-
200
400
600
800
1,000
1,200
1,400
1,600
1,800
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
Exercisable
Unvested
10
1

Repurchased Shares (M)
Capital Deployment Strategy for Long-Term Growth
Equity Buybacks Partially Offset Dilution from Shares Granted
Equity Repurchases
\$250 million authorization; ~\$140 million remaining
Committed to returning cash to shareholders
Expanded sales force
Infrastructure investments; ERP and customer
supply improvement programs
Clinical and diagnostic infrastructure
Invest for Growth
Technology and Diagnostic Acquisitions
BlueGnome: IVF, Cancer and Cytogenetics
Verinata Health: Non-invasive Prenatal Testing
1.

Repurchased shares exclude 4.9 million shares repurchased in tandem with the issuance of the 2016 convertible bond

1
6
4
2
0
3.1
6.1
0.8
4.3
1.9
2008
2009
2010
2011
2012
11

12

Leading Talent Brings Superior Revenue & EPS Growth

2013 Guidance is for 15% Revenue Growth¹

Revenue CAGR: 19%

EPS

CAGR

:

24%

1. Revenue guidance given via press release and 8-K on January 28, 2013; guidance was not reaffirmed or updated post Q1 1

2. Non-GAAP Diluted EPS

\$0.00

\$0.40

\$0.80

\$1.20

\$1.60

\$400

\$800
\$1,200
2008
2009
2010
2011
2012
Revenue (\$M)
non
-GAAP EPS
\$0
2

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Five-Year Stock Performance

Compensation Philosophy and Execution Delivers Superior Shareholder Value

HiSeq 2000 and Genome

Analyzer IIe Launched

HiScanSQ Begins Shipping

iScan Launched

Eco Real-Time PCR

System Launched

Epicentre Acquisition

MiSeq & BaseSpace Launched

HiSeq 2500 Announced

0%

50%

100%

150%

200%

250%

300%

ILMN

S&P 500

Life Sciences

188%

109%

121%

1.

Stock performance as defined by total return to shareholders

2.

Life Sciences return is an average of total shareholder return of A, AFFX, BRKR, DHR, HOLX, LIFE, PKI, QGEN, SIAL, TE

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Financial

Guidance

Financial Outlook

Illumina Will Continue to Deliver Strong Growth for the Foreseeable Future

2013

Revenue: 15% YoY Growth

Gross Margin: ~ 70%

Non-GAAP

EPS

:

\$1.55

-

\$1.62

ETR%: 31%

Stock Based Compensation

Expense: \$115M

Shares Outstanding: ~134M

1. Revenue guidance given via press release and 8-K on January 28, 2013; guidance was not reaffirmed or updated post Q1 1
2. Non-GAAP EPS guidance includes stock based compensation

Future

Growth

Drivers

2014 and Beyond

Key Target Markets:

Clinical & Translational: \$6B

Life sciences: \$4B

Reproductive Health: \$1B

Applied markets: \$1B

Consumer: \$50M

Reproductive Health Diagnostics:

1.2

1.5M IVF cycles annually

500

750K high risk pregnancies

in the U.S. alone

Carrier screening, CF assay and

MiSeq DX platform

2

1

Illumina's Board of Directors Recommends a Yes Vote on Proposal 4
Conclusion

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We use equity compensation to align employee and shareholder interests

We have a disciplined annual share granting practice

We have a strong track record of performance stemming from our overall strategic plan, including equity compensation

We have a robust equity repurchase plan and intend to continue repurchases over the life of our 2005 Stock and Incentive Plan

