



Do you speak fixed-income IR?

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DIRK Annual Conference / June 2014



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Left to right: Karsten Henco, Metin Colpan and Jürgen Schumacher

QIAGEN provides: The fastest protocols to pure nucleic acids

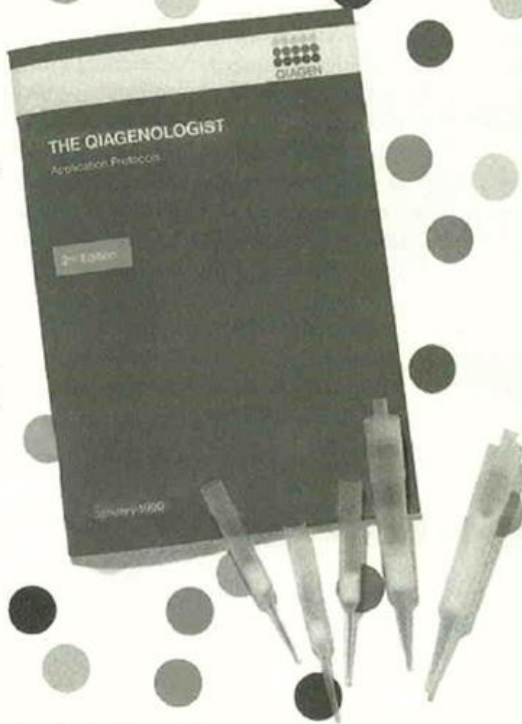
The 1990 updated version of the QIAGENOLOGIST is here! It is a complete collection of application protocols for different nucleic acid isolations using the QIAGEN system. It contains clear handling instructions and a comprehensive trouble shooting guide.

The QIAGEN system is ideal for:

- plasmid DNA
- lambda DNA
- M13 DNA
- DNA from gels
- labeled probes
- oligos
- run off transcripts

Many other application protocols will become available soon. They will be mailed to all QIAGEN users.

To obtain a free copy of the updated QIAGENOLOGIST, place your order today or to inquire about our product line contact QIAGEN Inc., USA, QIAGEN GmbH or your nearest distributor.



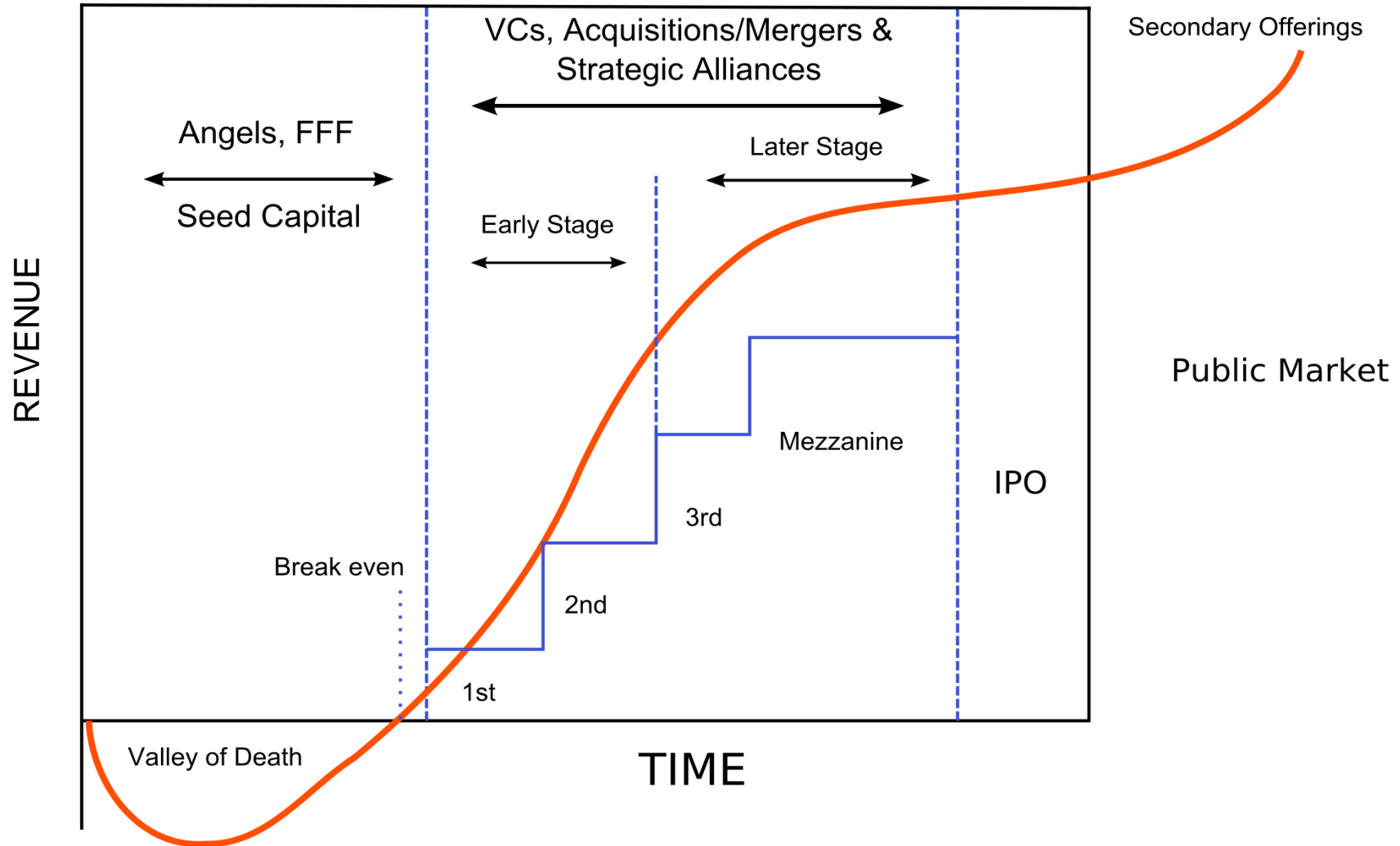
GERMANY: QIAGEN GmbH, Hohenheim Str. 6, D-42699 Solmsdorf 15, Phone (0110) 79 50 31, Fax (0110) 79 50 44
USA/CANADA: QIAGEN Inc., Studio City, CA 91604, Phone (800) 426-5102, (818) 506-5050, Fax (818) 506-5050
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ITALY: QIAGEN Italia, 1100 Roma
JAPAN: QIAGEN Japan, 1100 Tokyo
PORTUGAL: QIAGEN Portugal, 1100 Lisboa
SCANDINAVIA: QIAGEN Scandinavia, 1100 Stockholm
SPAIN: QIAGEN Spain, 1100 Madrid
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Circle No. 6 on Readers' Service Card



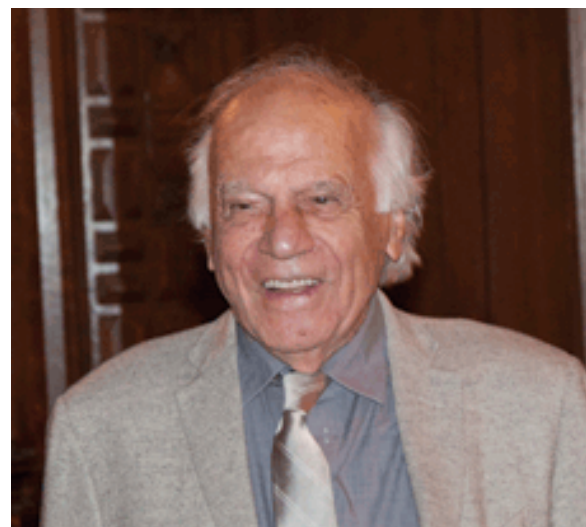
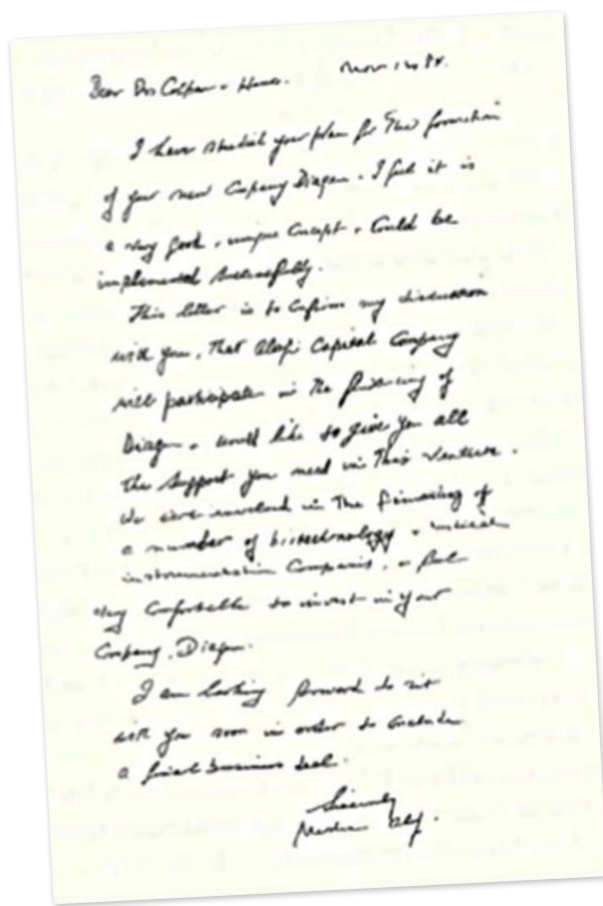


Startup financing cycle



Source: Wikipedia

Moshe Alafi



Selected seed investments:

- Cetus
- Biogen
- Applied Biosystems
- Amgen
- QIAGEN

... and 60 additional companies



Europe's largest biotechnology company

>\$1.3 billion in 2013 sales

Leader in Life Sciences and Molecular Diagnostics

Listed on NASDAQ and
Frankfurt Stock Exchange (TecDAX)

>4,100 employees in 20 countries



**BIOLOGICAL
SAMPLE**

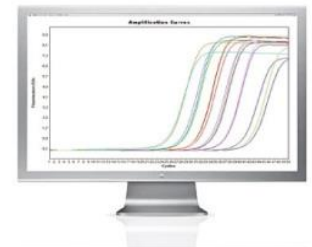


SAMPLE Technologies

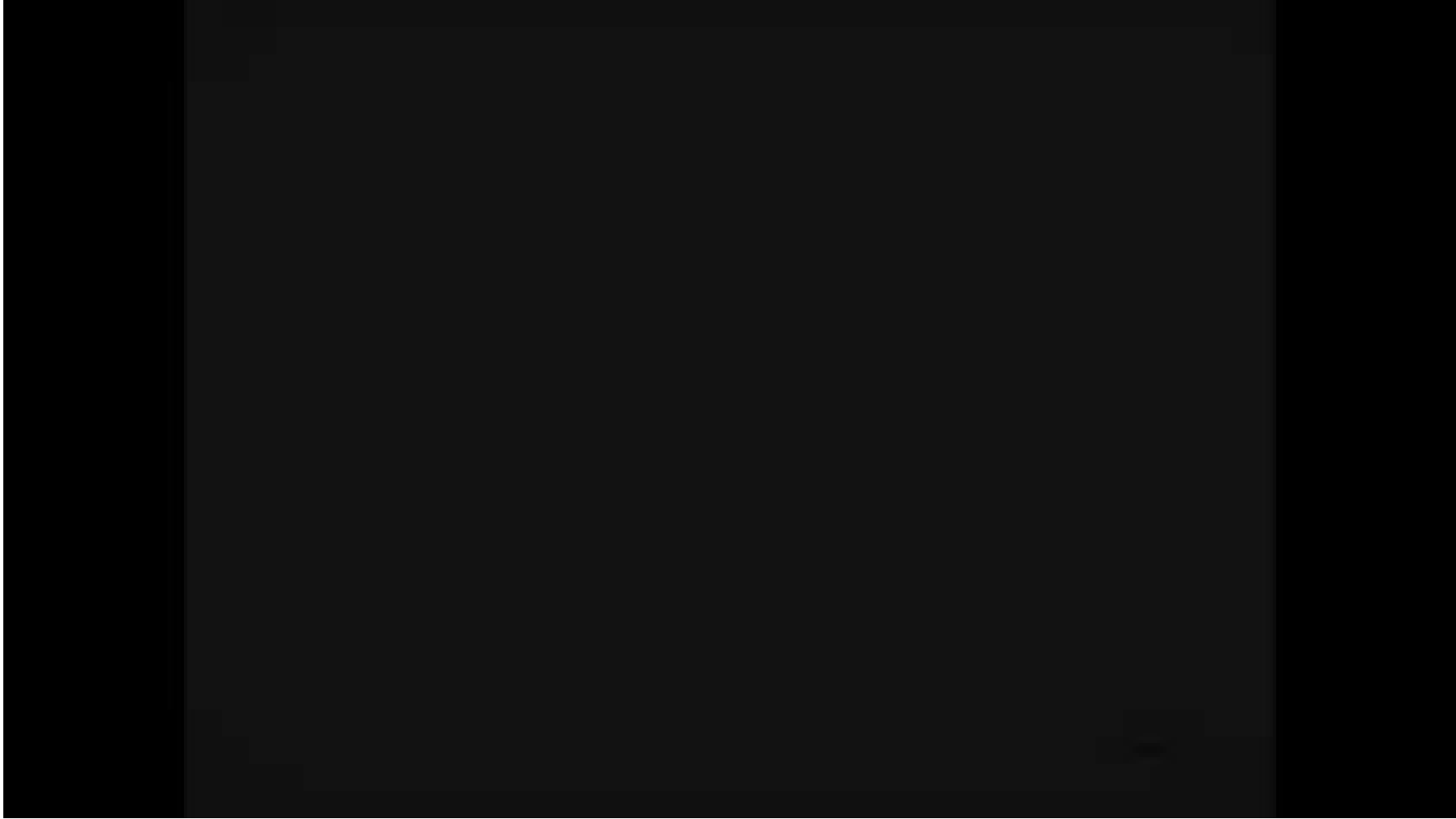
Extract DNA, RNA and
proteins in reliable process

ASSAY Technologies

Make molecular info visible
and available for interpretation



**VALUABLE
MOLECULAR
INSIGHTS**



Q: How many believe an IPO is the final fundraising step?

YES

NO

Q: How many believe an IPO is the final fundraising step?

YES

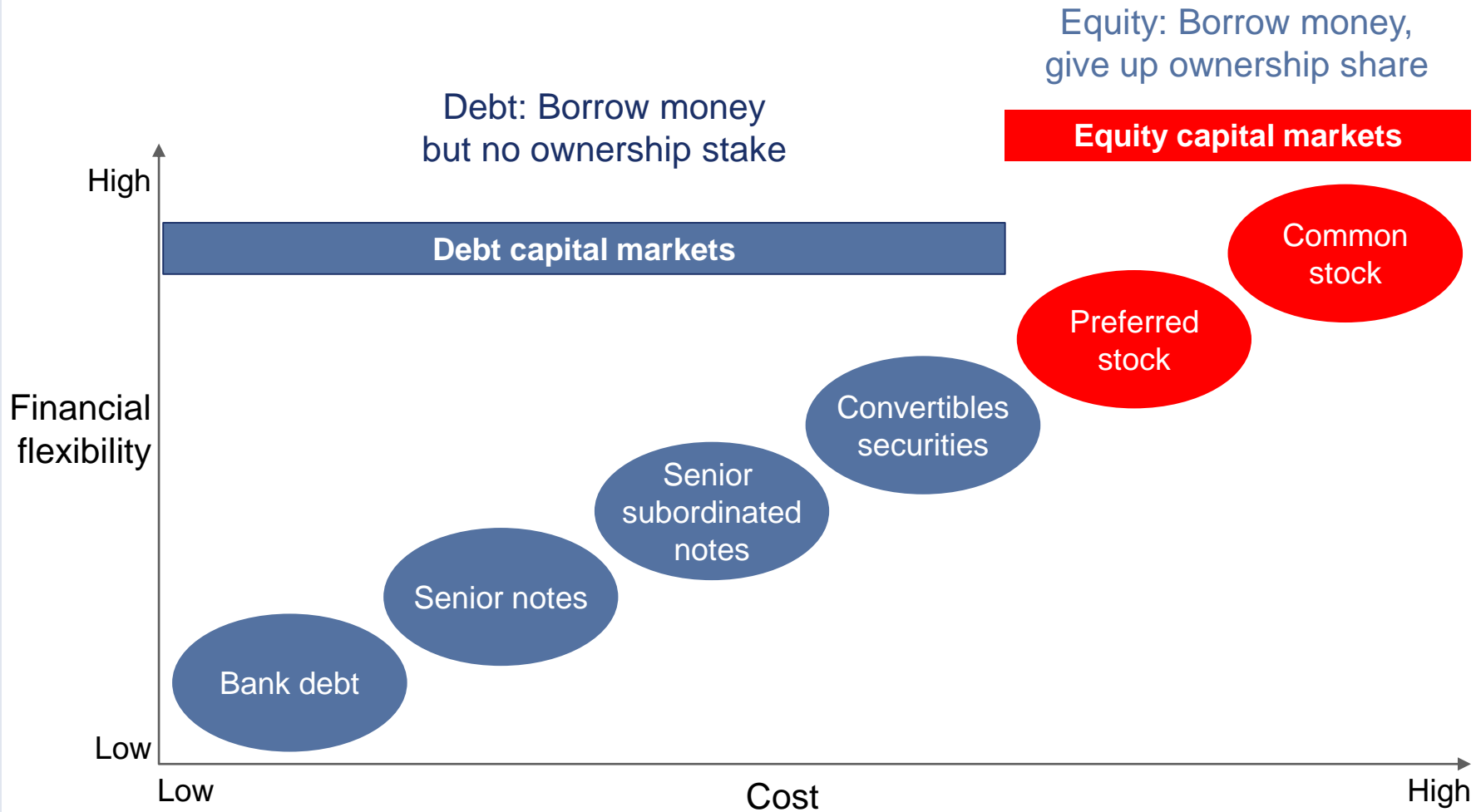
NO

1 Debt investors are increasingly critical to supporting corporate growth

2 Stop the excuses – IROs must become key team players in debt offerings

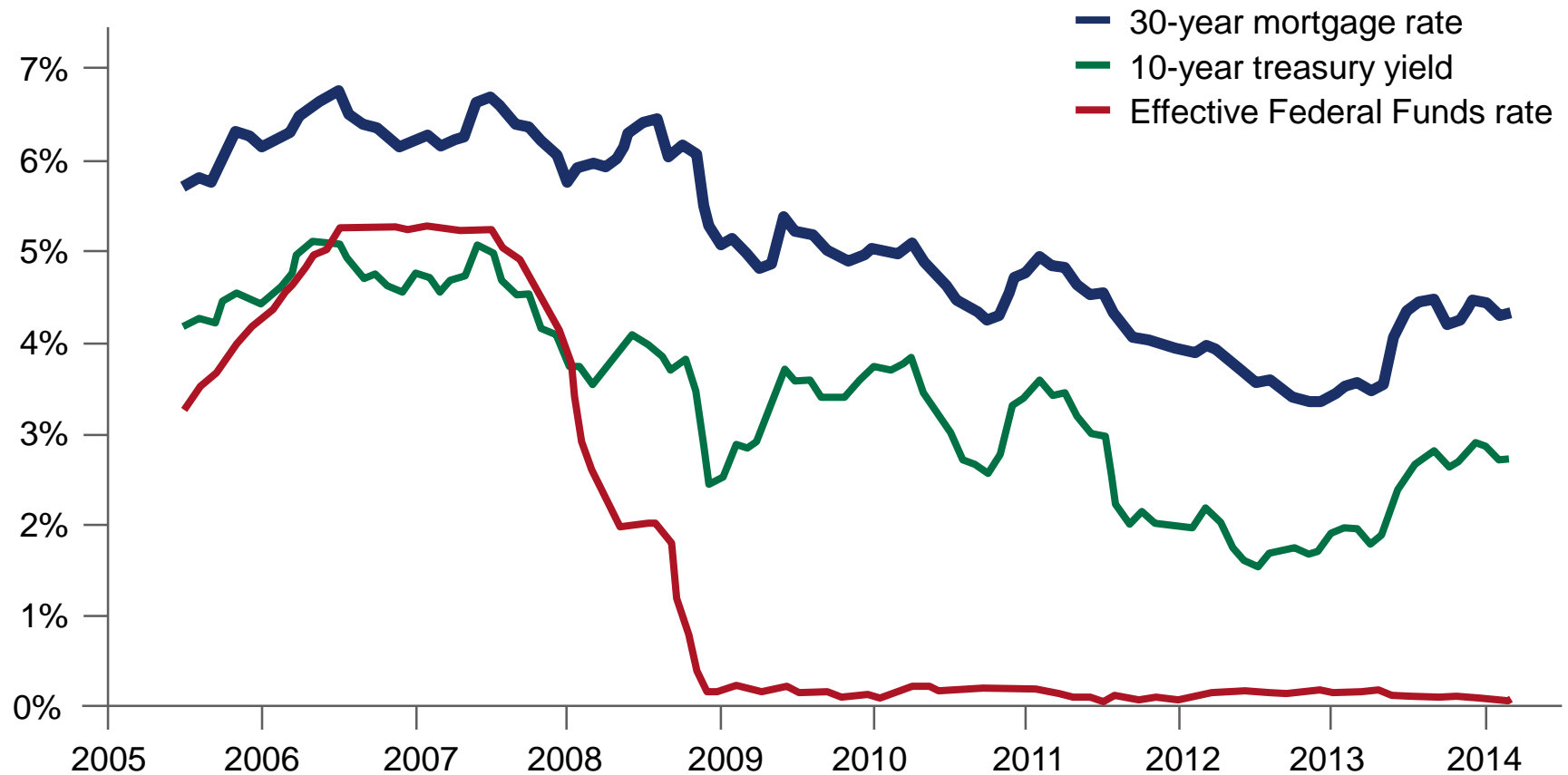
3 Developing debt IR skills is critical to your career development

Many ways to raise external capital



Source: Smartvalueinvestor.com

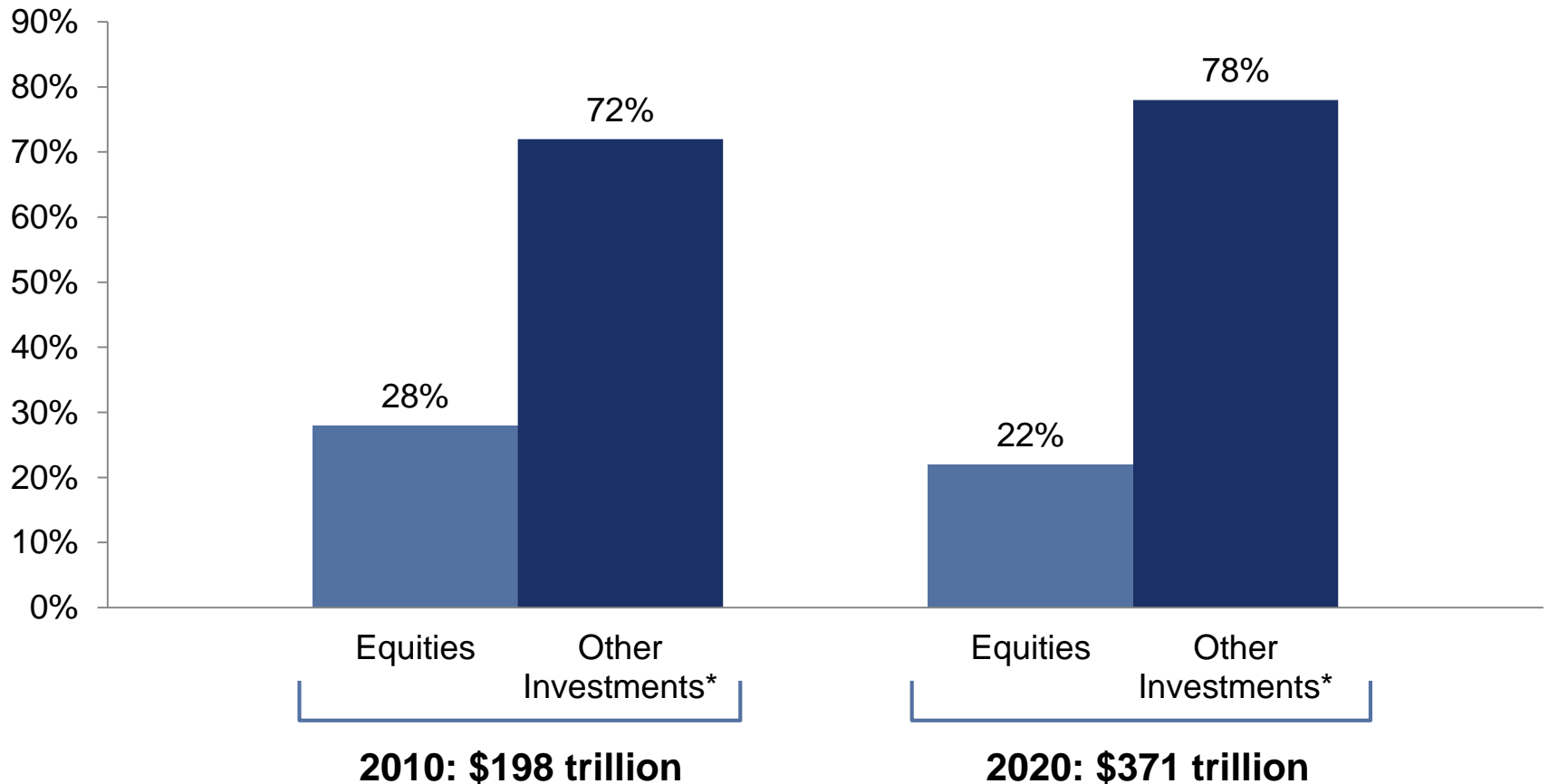
Ongoing low interest rates



Source: Federal Reserve and www.fivethirtyeight.com

Global asset allocation

Consensus growth scenario (2010-2020)

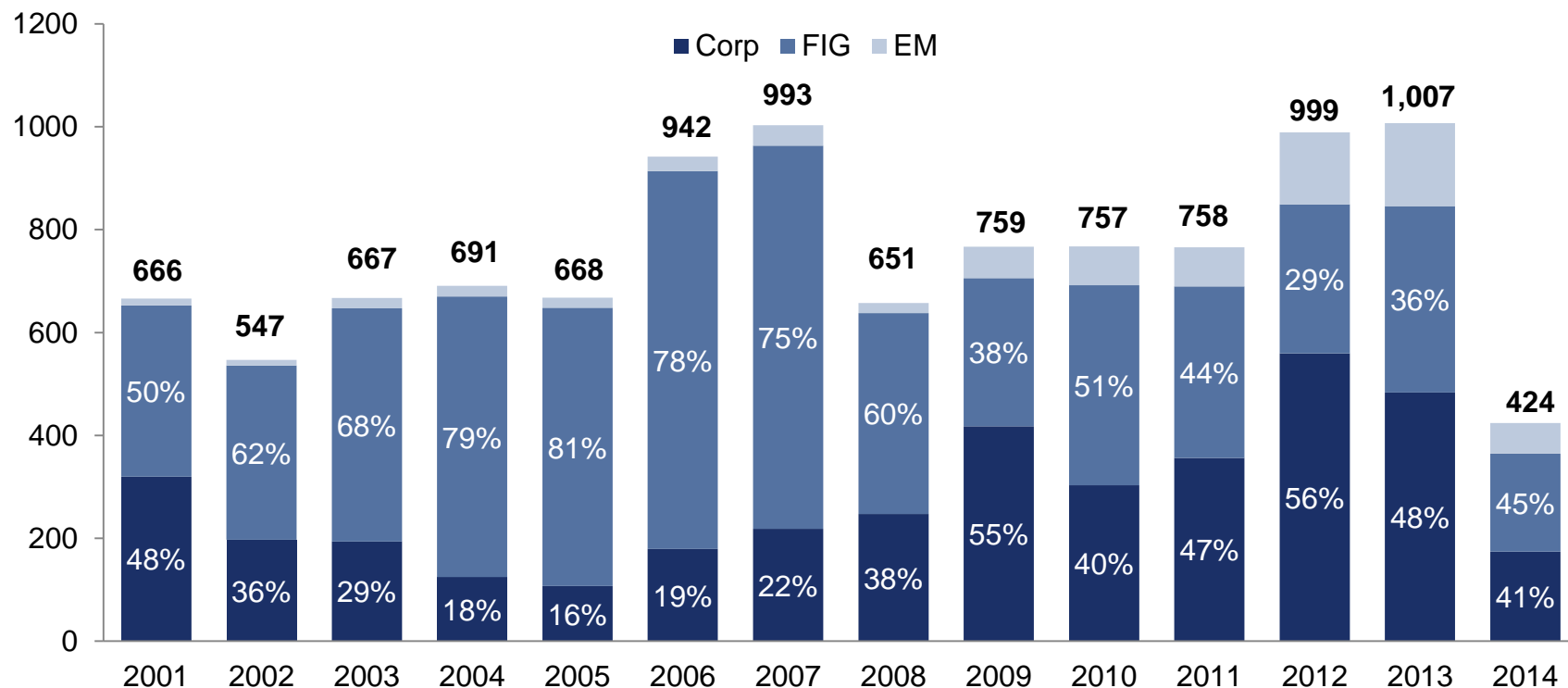


* Includes cash, deposits and fixed income securities

Source: McKinsey Global Institute

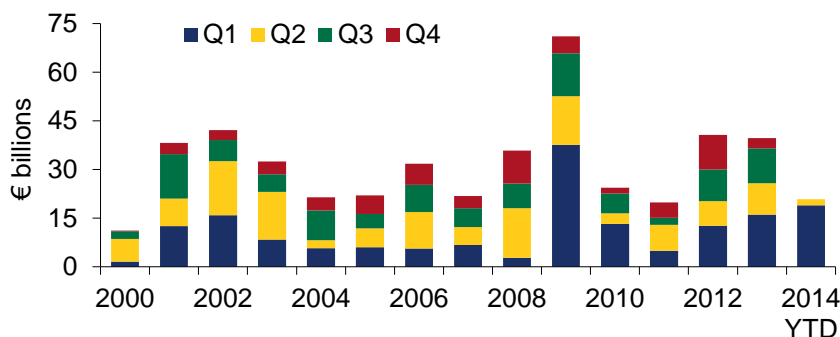
Investment grade supply (2001-2014 YTD)

Total Volume (in \$ billions)

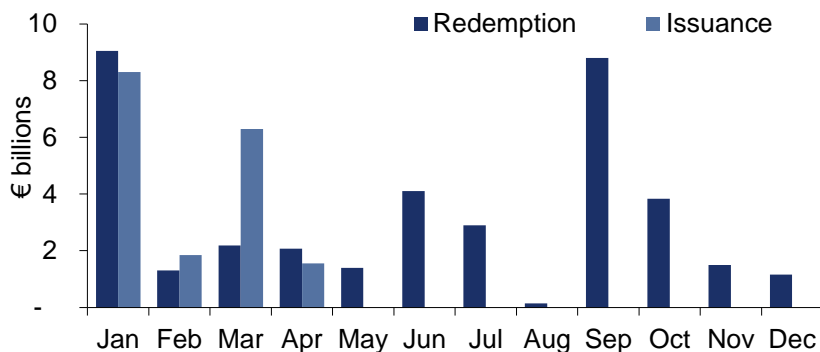


2013: Record year of >\$1 trillion of investment-grade U.S. dollar bond issuance

Corporate issuance volumes (2000-2014 YTD)



Corporate issuance volumes / redemption (2014)



Recent German corporate issuance

Priced	Issuer	Coupon	Maturity	Size (€ mm)	Rating (launch)
30-Apr-14	Volkswagen	3mE+43	May-17	300	A3/A-
10-Apr-14	ProSieben Sat	2.625%	Apr-21	600	NR/NR
9-Apr-14	BMW	FRN	Apr-16	250	A2/A+
3-Apr-14	Volkswagen	3mE+30	Apr-16	600	A3/A-
27-Mar-14	BMW	3mE + 35bp	Apr-17	1,000	A2/A+
25-Mar-14	Bayer	3mE + 22.5bp	Mar-17	500	A3/A-
17-Mar-14	Volkswagen	4.625%	PerpNC12	1,750	A3/A-
17-Mar-14	Volkswagen	3.750%	PerpNC7	1,250	A3/A-
11-Mar-14	EnBW	3.625%	62NC7	1,000	A3/A-
10-Mar-14	Deutsche Bahn	2.750%	Mar-29	500	Aa1/AA
05-Mar-14	Heidelberg Cement	2.250%	Mar-19	500	Ba1/BB+
03-Mar-14	BASF	3mE + 21 bp	Mar-17	300	A1/A+
19-Feb-14	ThyssenKrupp	3.125%	Oct-19	1,250	Ba1/BB
03-Feb-14	Volkswagen	3mE + 22.5bp	Feb-19	750	A3/A-
03-Feb-14	Telefonica D'land	2.375%	Feb-21	500	NR/BBB
21-Jan-14	Bayer	1.875%	Jan-21	750	A-/A3
21-Jan-14	Bayer	1.125%	Jan-18	750	A-/A3
21-Jan-14	Bayer	3mE + 22bp	Jan-16	500	A-/A3
14-Jan-14	Volkswagen	3mE + 30bp	Jan-16	750	A3/A-
13-Jan-14	BASF	2.500%	Jan-24	500	A+
13-Jan-14	BASF	1.375%	Jan-19	750	A+

2014 YTD corporate issuance ~ €18 billion vs. ~ €15 billion 2013 YTD

Three messages for today

1

Debt investors are increasingly critical to supporting corporate growth

2

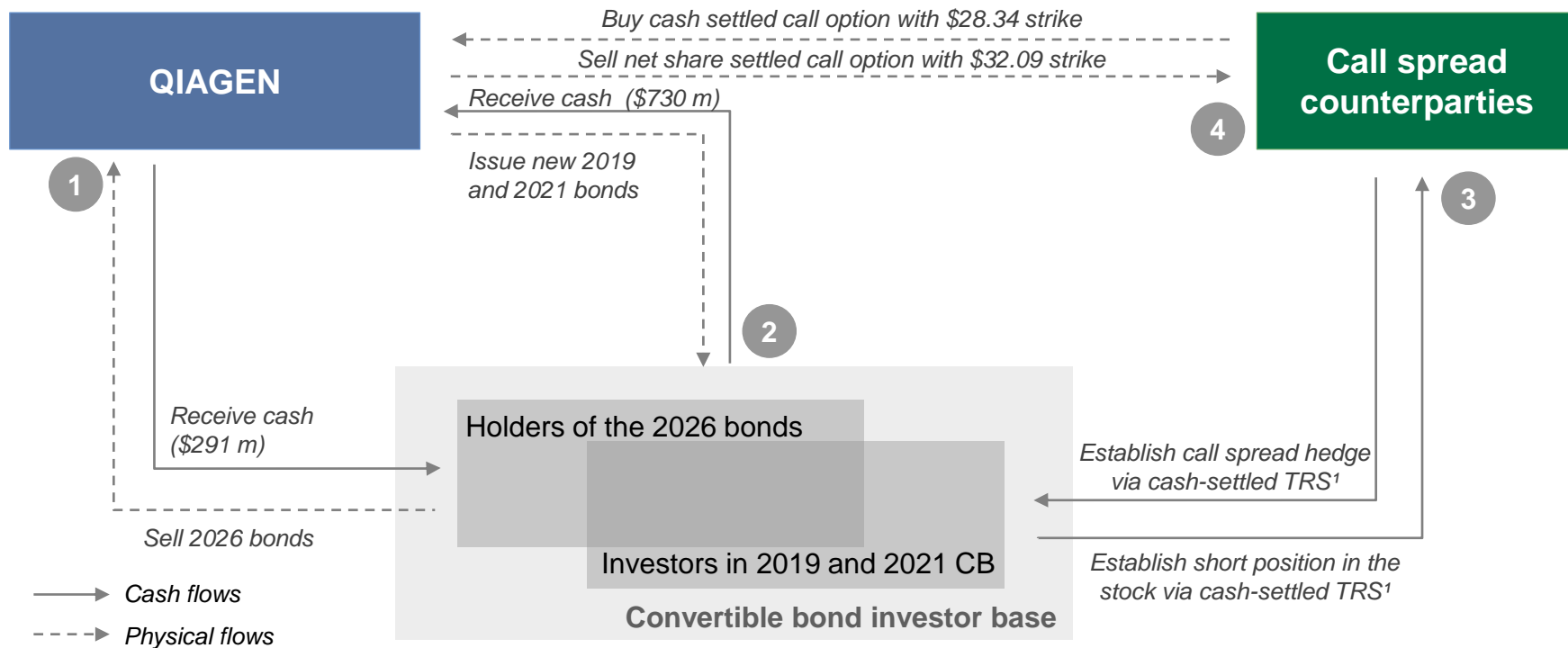
Stop the excuses – IROs must become key team players in debt offerings

3

Developing debt IR skills is critical to your career development

“Debt capital markets are too complex...”

Convertible bond transaction summary

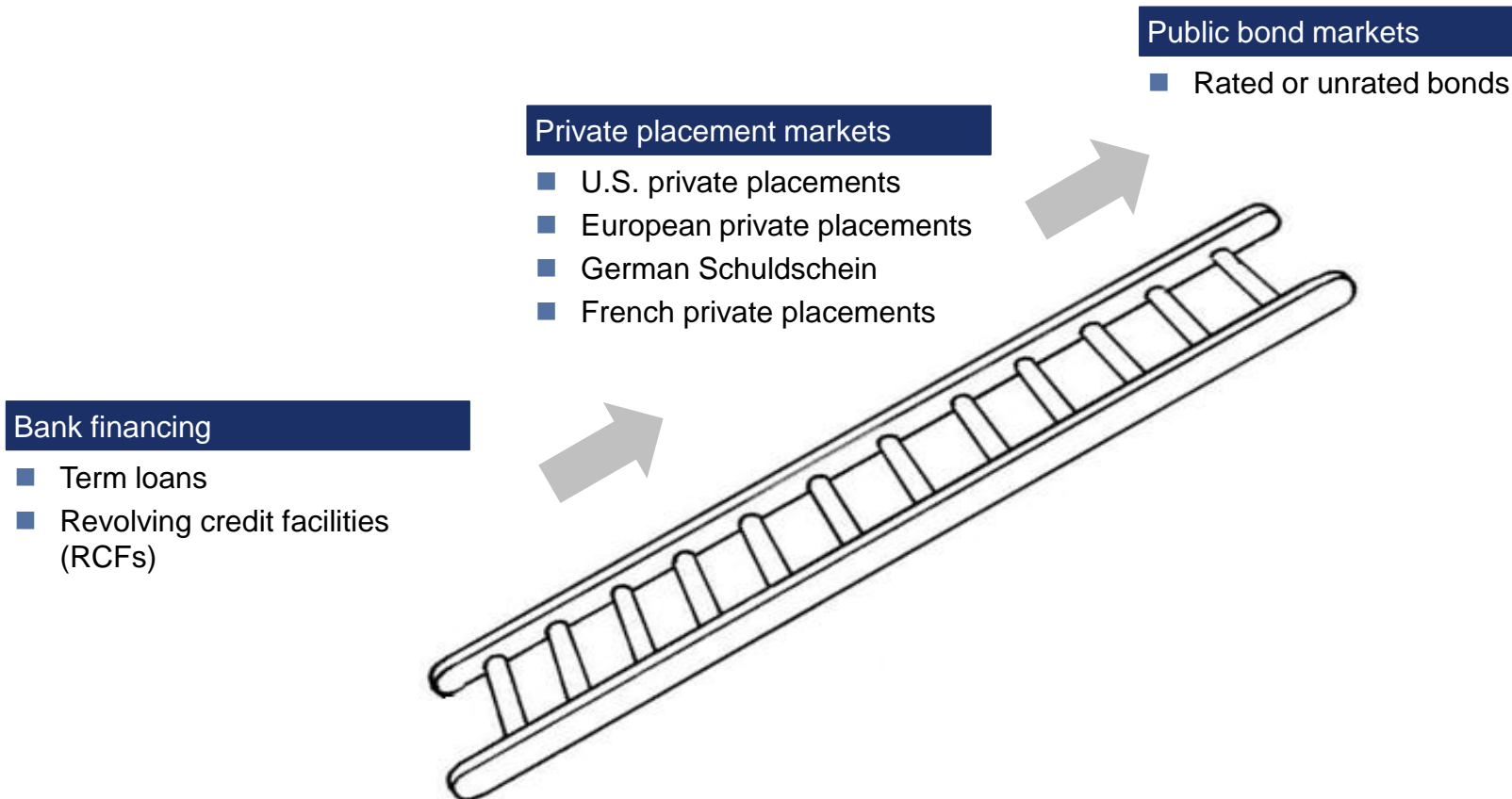


1 Repurchase

2 New issue

3 Total return swap to establish hedge

4 Call spread overlay



Corporate issuers generally look to the next step of ladder to diversify funding

A diverse – but manageable – world of bonds

Domestic bonds

Bonds issued into issuer's home country

International bonds

Eurobonds

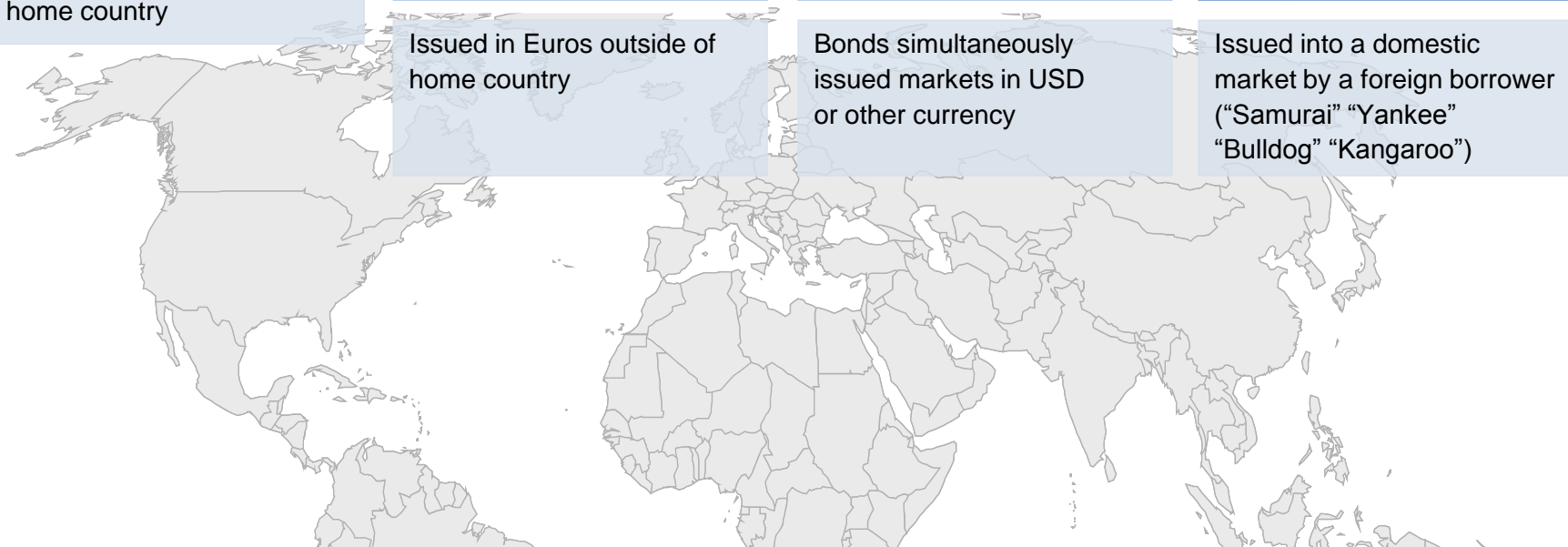
Issued in Euros outside of home country

Global bonds

Bonds simultaneously issued markets in USD or other currency

Foreign bonds

Issued into a domestic market by a foreign borrower ("Samurai" "Yankee" "Bulldog" "Kangaroo")



Bonds sold in the U.S.

SEC Registered

All investor types, meet rigorous SEC requirements

144a

Private placements to Qualified institutional Buyers

144a with rights

Issue and intention to register later with SEC

Regulation D

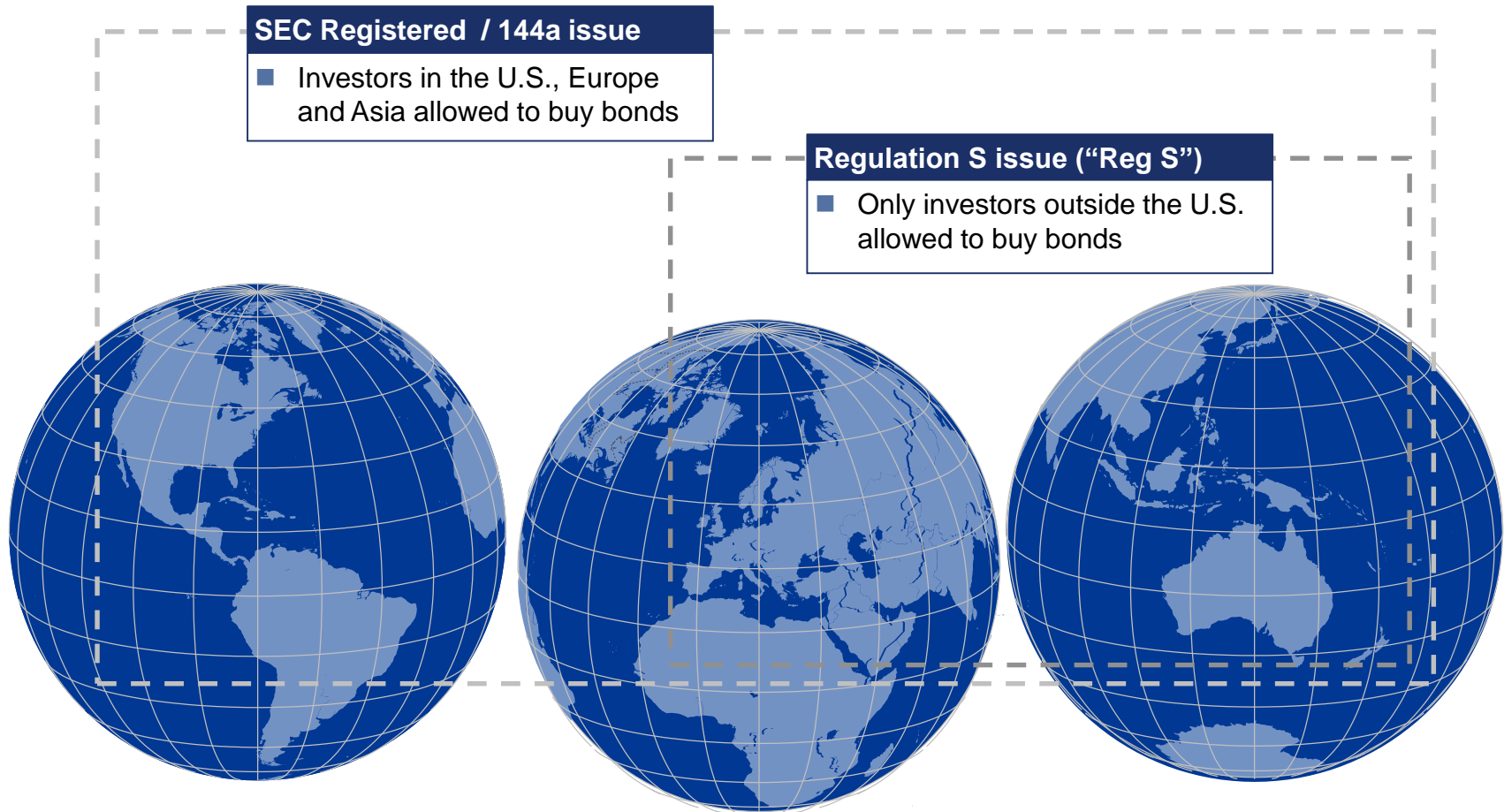
"U.S. Private Placements" – usually to insurance companies

Regulation S

Bonds issued outside the U.S., but "watched" by SEC

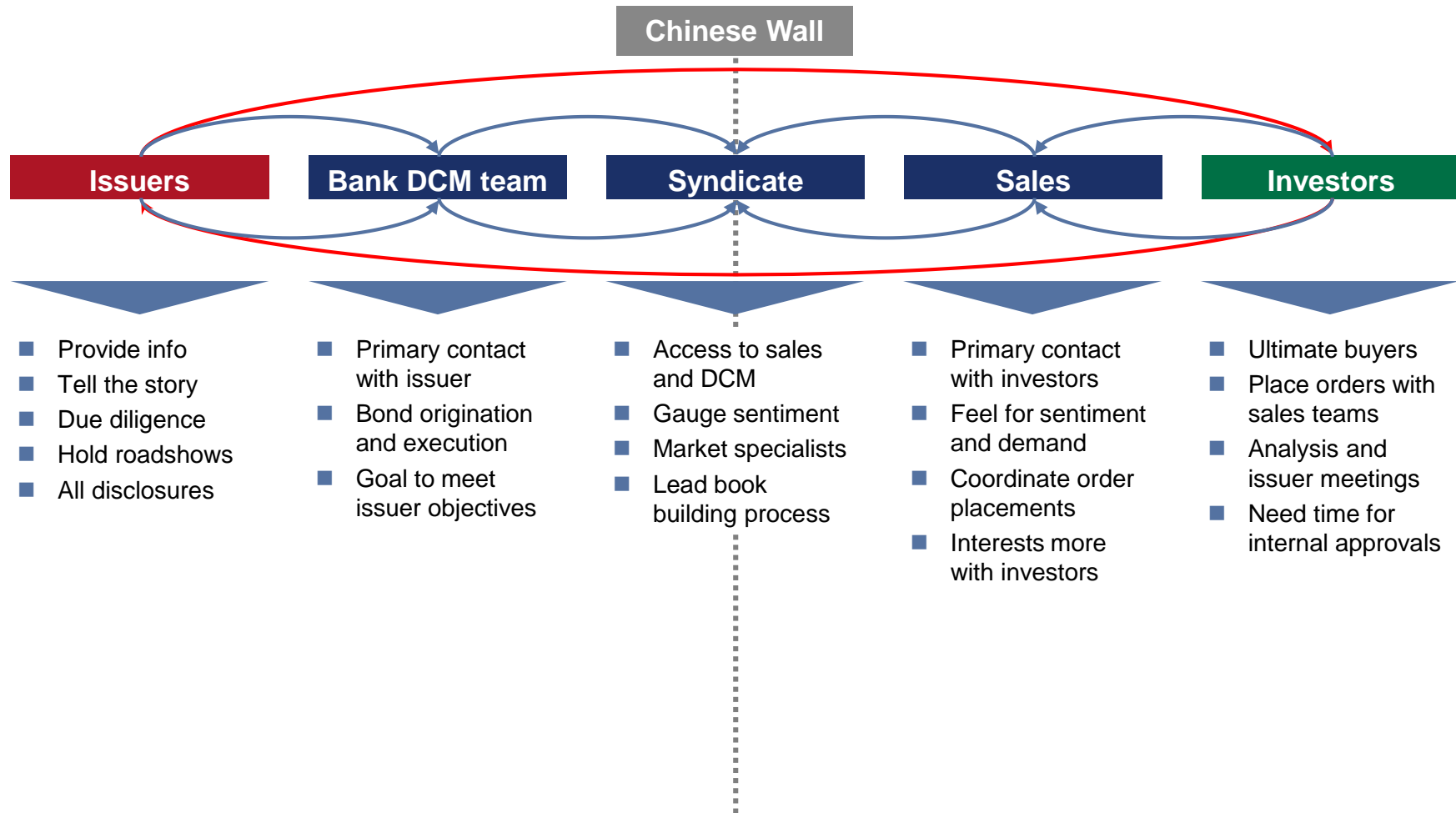
Source: JP Morgan

Targeting different investors with U.S. offering



▶ Different ways to access U.S. bond market investors around the world

Many parties involved in a bond offering



Source: JP Morgan

Who is in charge of setting the volume and duration?

- Corporate issuer

Who is in charge of setting the price?

- Bank syndication in their role as the underwriter

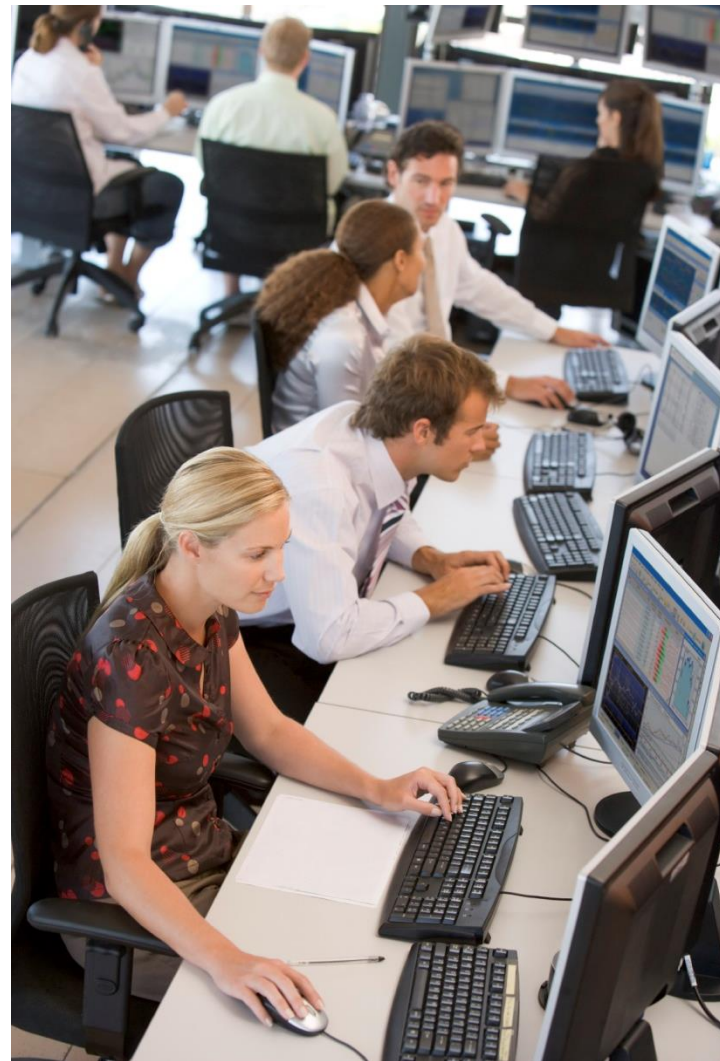
How is it set?

- Discussions among issuer and bank participants
- Company credit quality
- Comparable bonds trading levels
- Issuance volume goal

Any qualitative factors affect pricing?

- Name recognition and appeal of corporate issuer
- Rarity value to investors
- Structural deal enhancements

Source: JP Morgan



U.S. benchmark



U.S. Treasuries

EUR benchmark



Euro mid swap rates

GBP benchmark

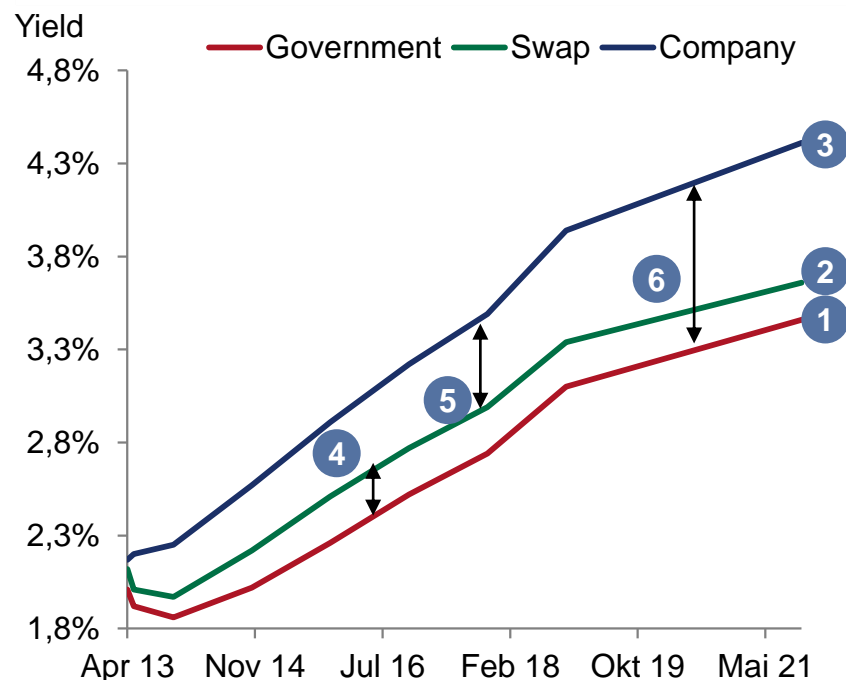


Gilts

- Benchmarks are normally risk-free securities
- Securities with any credit risk have higher yields than benchmark rates

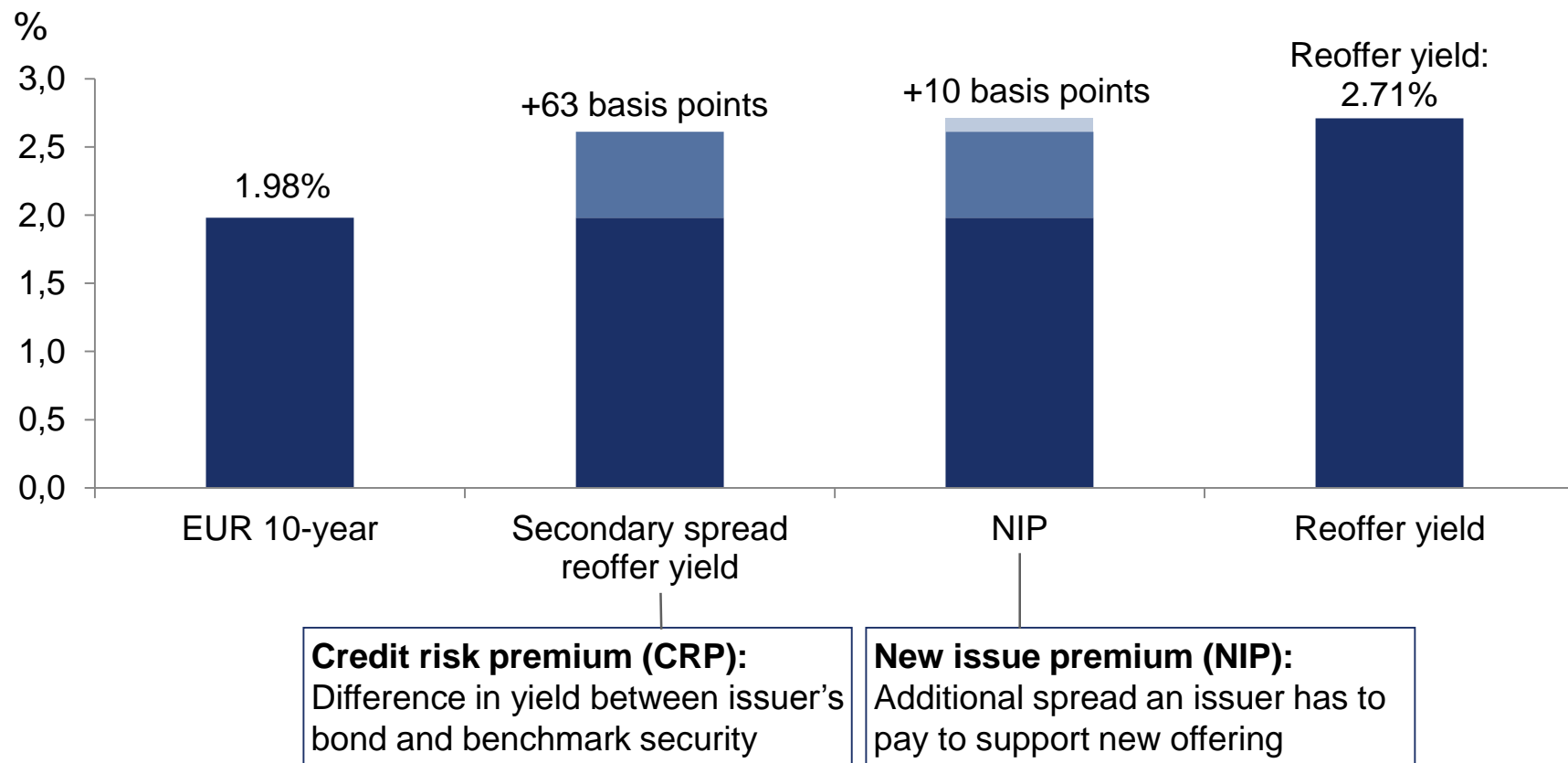
- Issuers: Minimize yield and coupon pricing
- Yield influence factors
 - Benchmark yield
 - Credit spread for additional risk
- Basic elements
 - 1 Government yield curve (“Risk-free rate”)
 - 2 Swap yield curve (inter-bank lending rate)
 - 3 Implied issuer yield curve (corporate risk rate)
 - 4 Swap spread
- For new issues
 - 5 Re-offer over benchmark
 - 6 Re-offer to swaps (mid-swaps)

Yield curves



Currency	Pricing over benchmark/swap
EUR	Swap curve
GBP	Government benchmark
USD	Government benchmark
JPY	Government benchmark

Source: JP Morgan





“I wasn’t in school the day they taught bond math....”

$$\begin{aligned}
 P &= \left(\frac{C}{1+i} + \frac{C}{(1+i)^2} + \cdots \frac{C}{(1+i)^N} \right) + \frac{M}{(1+i)^N} \\
 &= \left(\sum_{n=1}^N \frac{C}{(1+i)^n} \right) + \frac{M}{(1+i)^N} \\
 &= C \left(\frac{1 - (1+i)^{-N}}{i} \right) + M(1+i)^{-N}
 \end{aligned}$$

Typical IRO mistakes with debt investors

Conflict between equity and debt investors

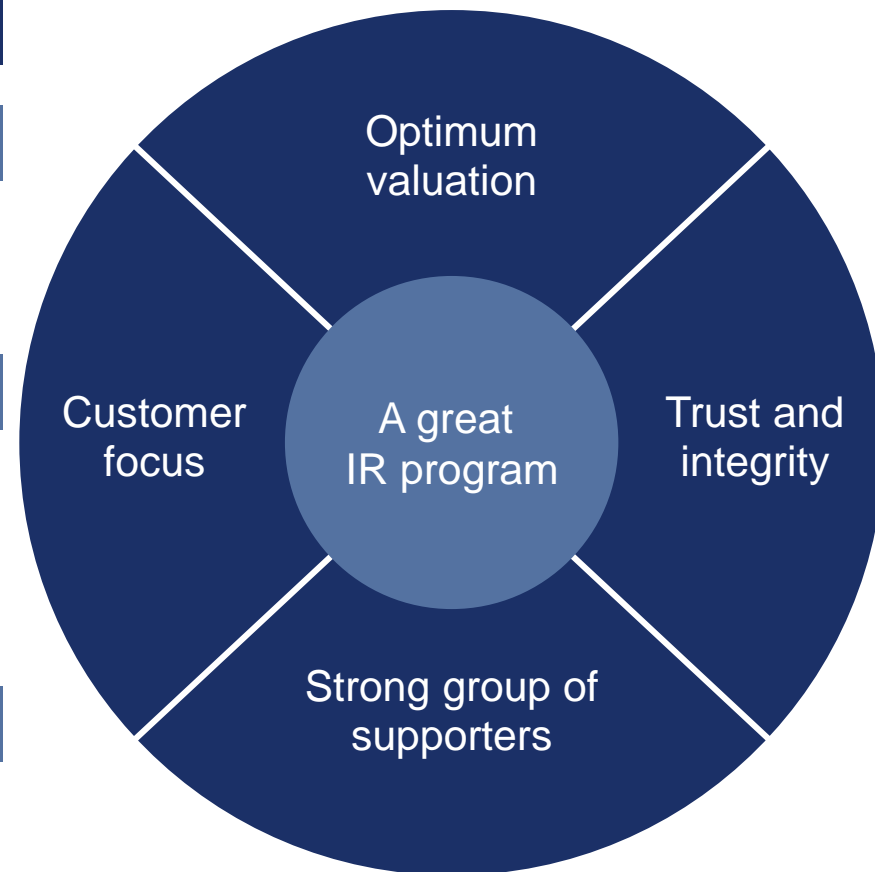
- “We want to grow....”
- “We are prudent with cash...”

Lacking debt-focused information

- Risk management
- Cash flow generation
- Treasury and M&A policies
- Covenants

Calling debt investors only when needed

- Cadence of non-deal roadshows
- CEO / CFO availability for calls



▶ Top debt investor topics: (1) Ability to pay interest (2) ability to repay in default

1 Currency

- Best depth and pricing?

3 Deal size

- How big is goal offering vs. what can be raised?

5 Syndicate

- Optimal composition?



USD 400 million

Senior Unsecured Notes
due 2019-2024

Joint Bookrunners:

Deutsche Bank, JP Morgan

August 2012

2 Issue format

- Target investor base?

4 Marketing

- Best marketing channels?

6 Maturity

- How to best match issuer requirements vs. market expectations?

7 Timing

- Best market timing and risk for other deals?

8 Market risk

- Mitigating risks
 - Currency rates
 - Interest rates
 - Monetary policy meetings

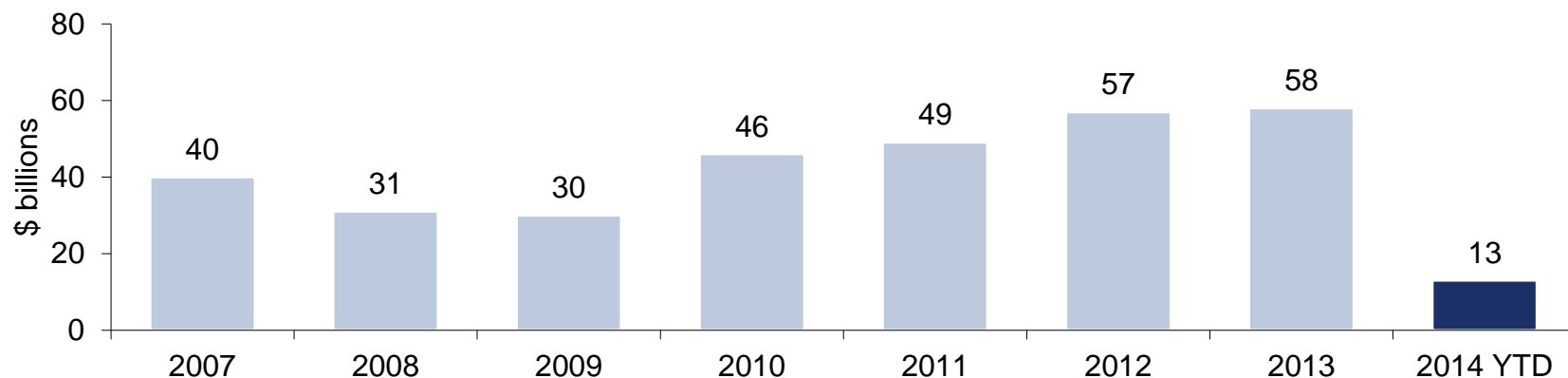
Typical private investors



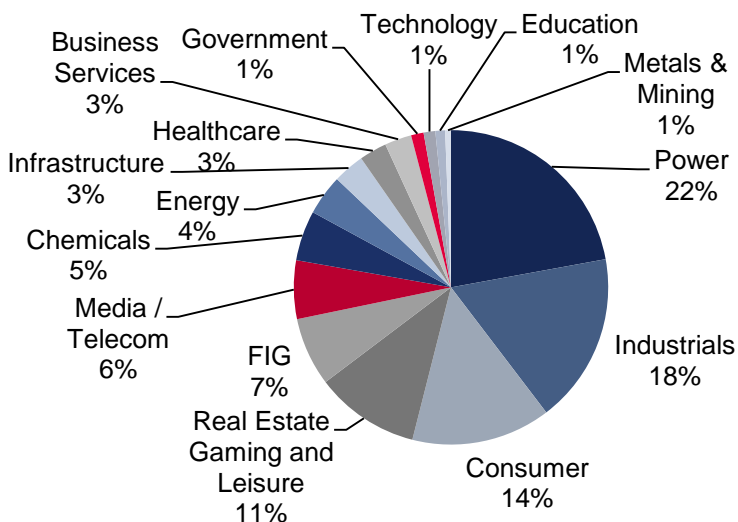
Three tiers

		Description	Examples
Majors	10	<ul style="list-style-type: none"> ■ “Large Insurers” <ul style="list-style-type: none"> □ “Lead” Investors □ \$50-150 million □ Separate department 	MetLife, New York Life, Northwestern Mutual, AIG, Hartford, Prudential, Delaware, ING, Teachers, John Hancock, Babson
Second tier	25	<ul style="list-style-type: none"> ■ “Mid-Tier Players” <ul style="list-style-type: none"> □ Either lead or next layer □ \$20-50 million □ Separate private placement departments 	CIGNA, Allstate, Alliance, Nationwide, Principal, PPM America, UNUM, Allianz, Guardian, Advantus, Aviva
Third tier	25	<ul style="list-style-type: none"> ■ “Small Insurers” <ul style="list-style-type: none"> □ \$10-20 million □ Focus on spread, liquidity 	OneAmerica, Modern Woodmen, Country Life, Equitrust, Mutual of Omaha, Beneficial Life, American Equity, Ameritas, Ohio National, Sun Life, Conning, CUNA, Pacific Life

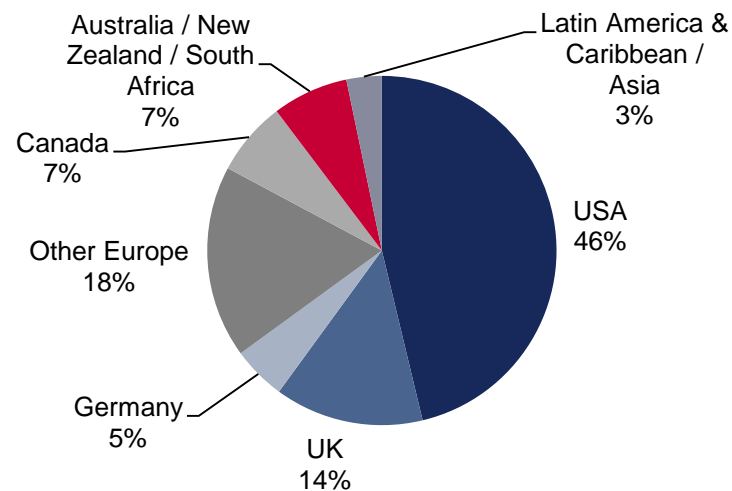
Annual issuance volumes



Sector⁽¹⁾



Region⁽¹⁾



(1) issuance by volume for 12 months to 31 March 2014

Source: Private Placement Monitor, Thomson Financial, Bloomberg, and Deutsche Bank



5 days

4 hotels

9 flights

10 cities

>50 investor contacts



1

Debt investors are increasingly critical to supporting corporate growth

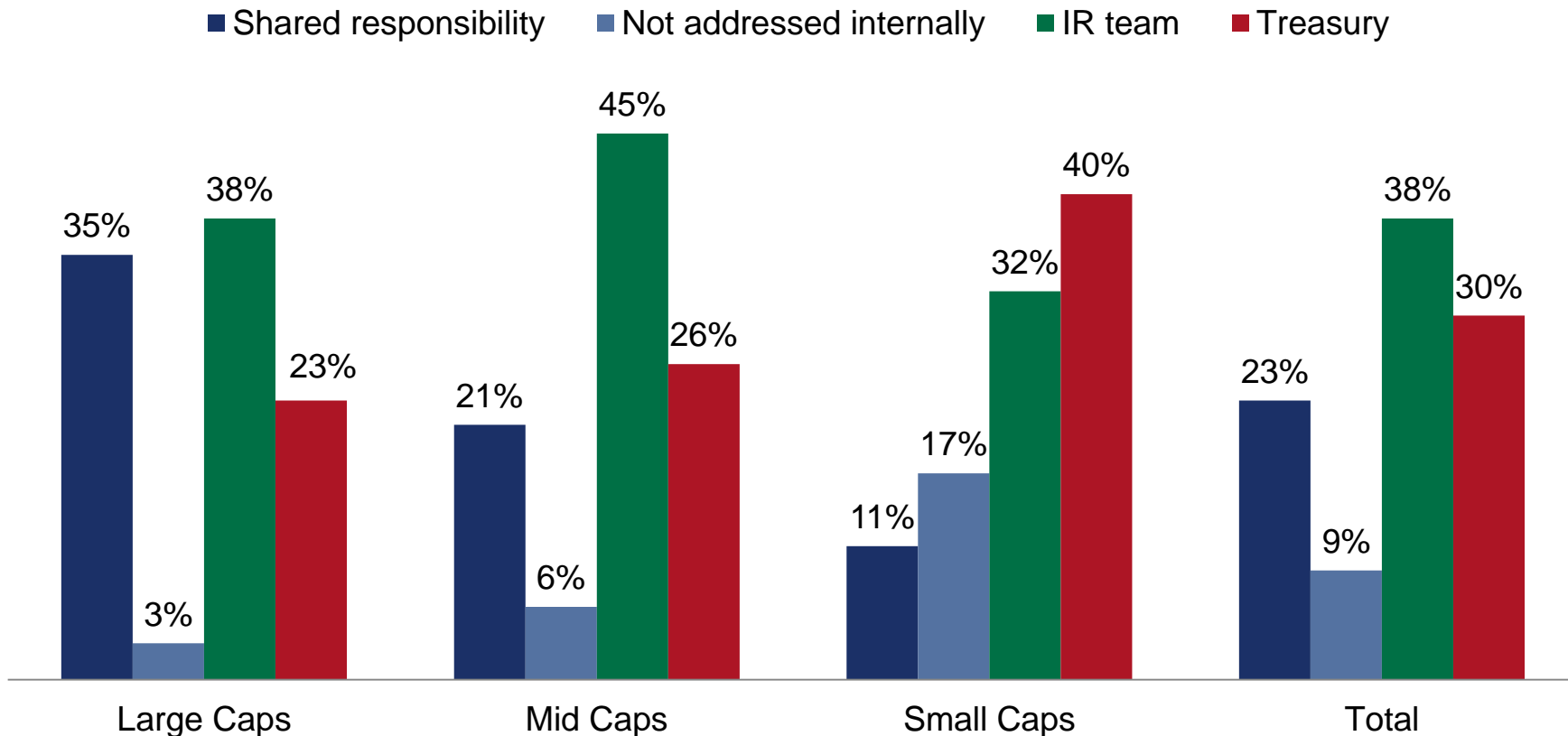
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Stop the excuses – IROs must become key team players in debt offerings

3

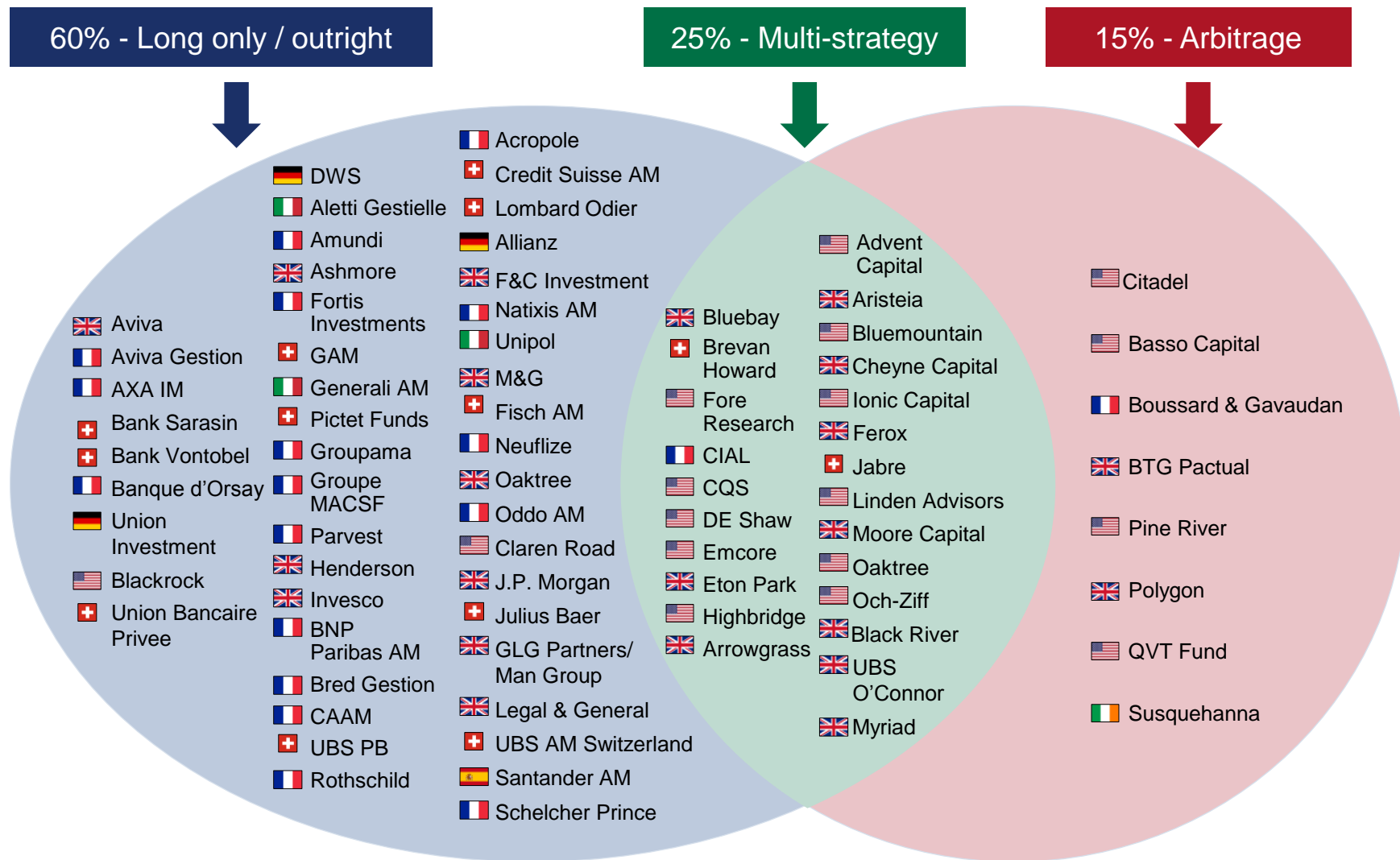
Developing debt IR skills is critical to your career development

Who is in charge of the relationship with credit investors?



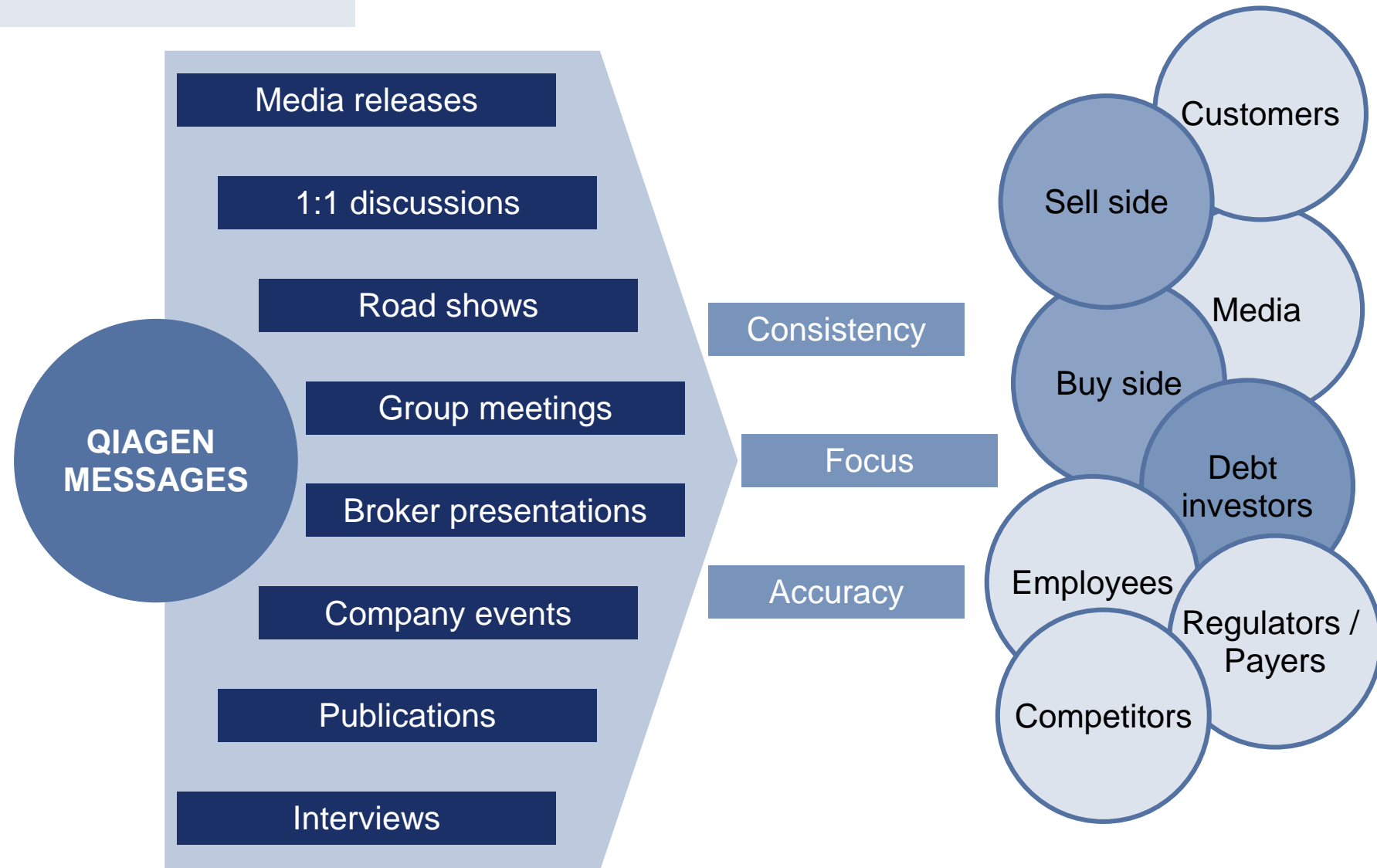
Treasury teams taking care of debt IR relations at 1 in 3 European companies

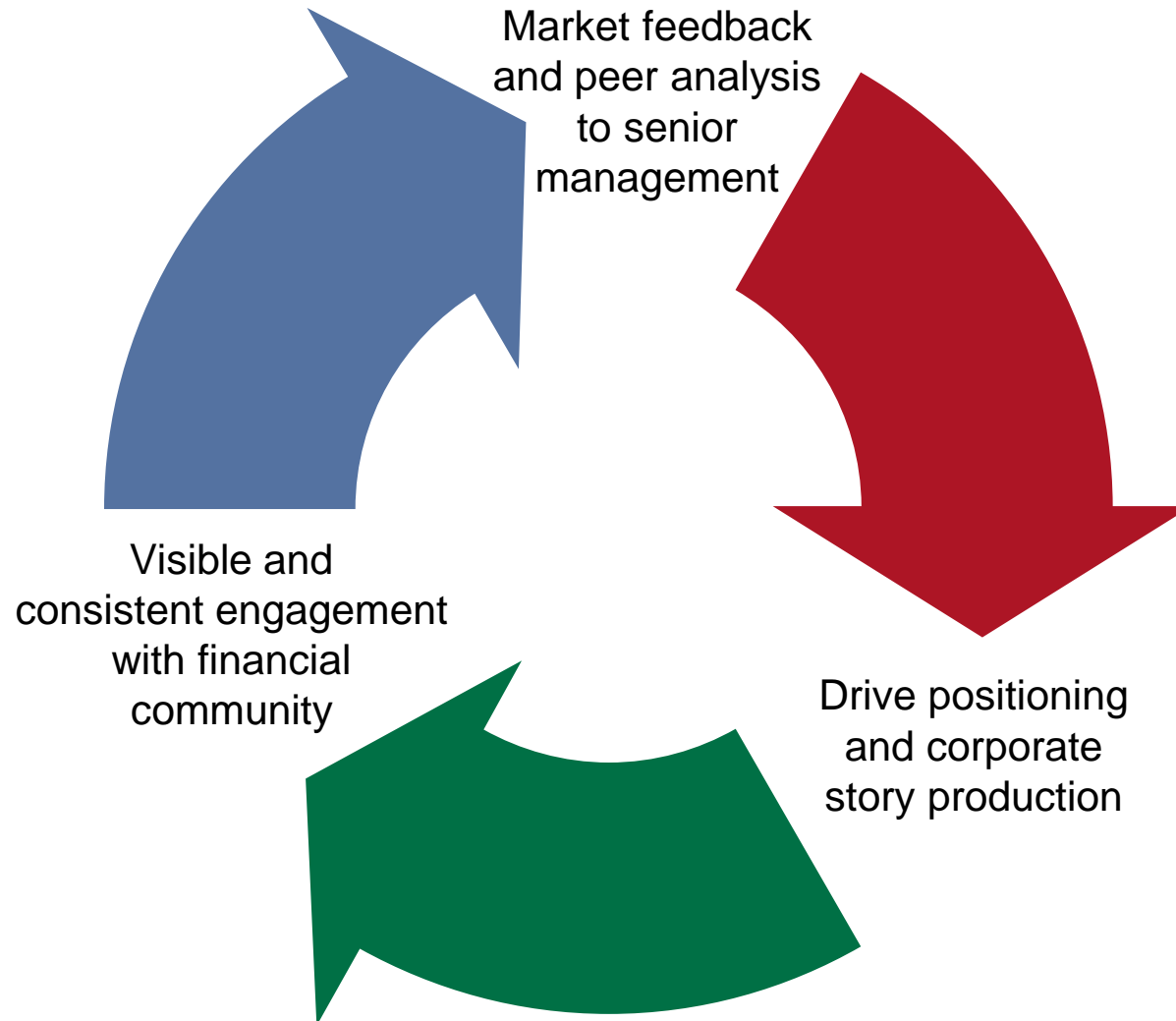
Convertible bond investor overview

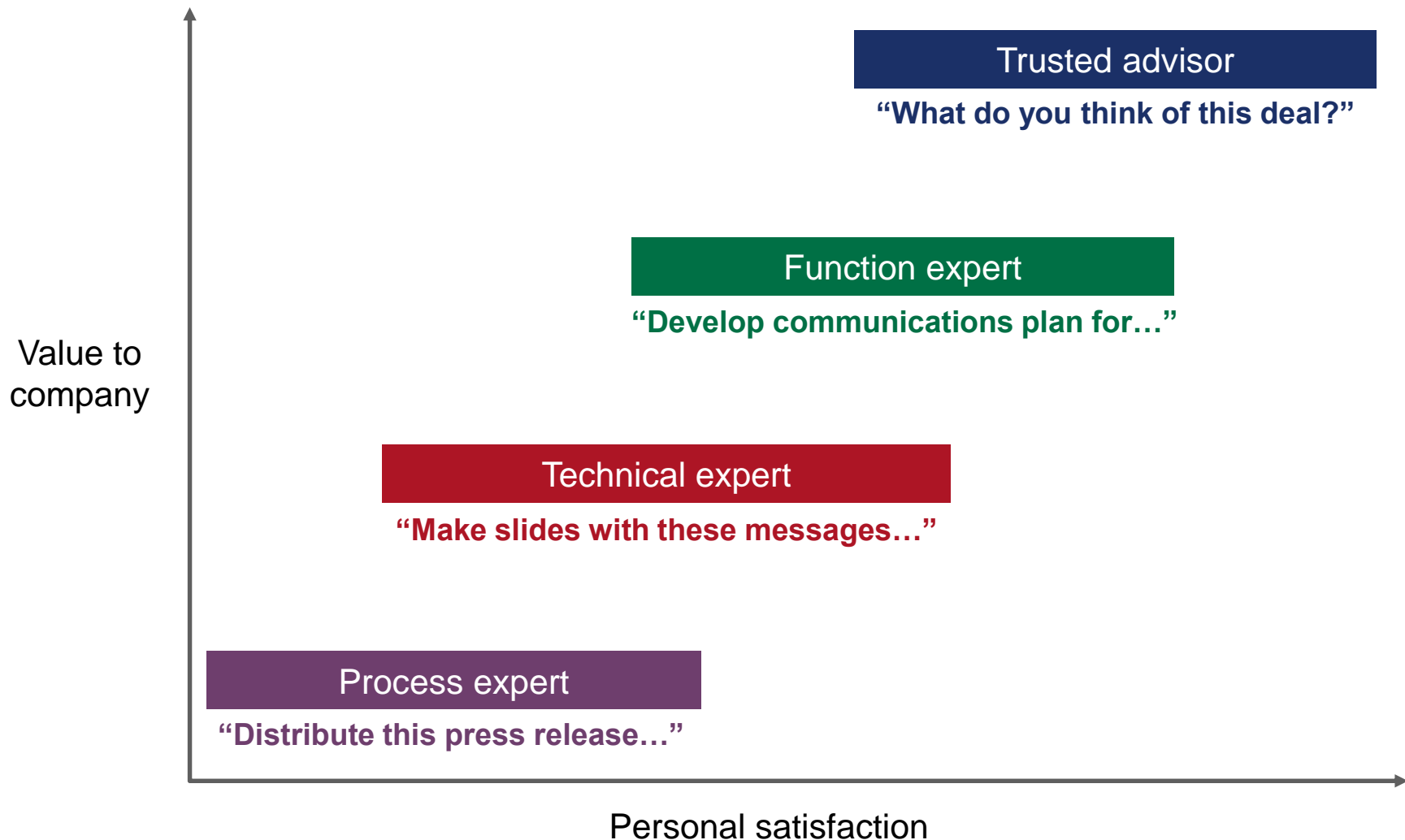


Note: U.S. investors often have offshore funds and can buy Reg S issuances

		Equity investors	Debt investors
1	“Everything you say is public”	✓	✓
2	“Know your audience”	✓	✓
3	“Talk about what you know”	✓	✓
4	“It’s OK to say no or no comment”	✓	✓
5	“Stay on your messages”	✓	✓







1 Debt investors are increasingly critical to supporting corporate growth

- Corporates are increasingly turning to debt markets
- Your equity investors are often also investing in debt

2 Stop the excuses – IROs must become key team players in debt offerings

- Debt IR is is not rocket science – it is relationship management
- Make it part of your IR mandate – build strong links to Treasury team

3 Developing debt IR skills is critical to your career development

- Take the time to learn your corporate debt strategy before next offering
- Developing debt IR skills will make you a stronger business partner