



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

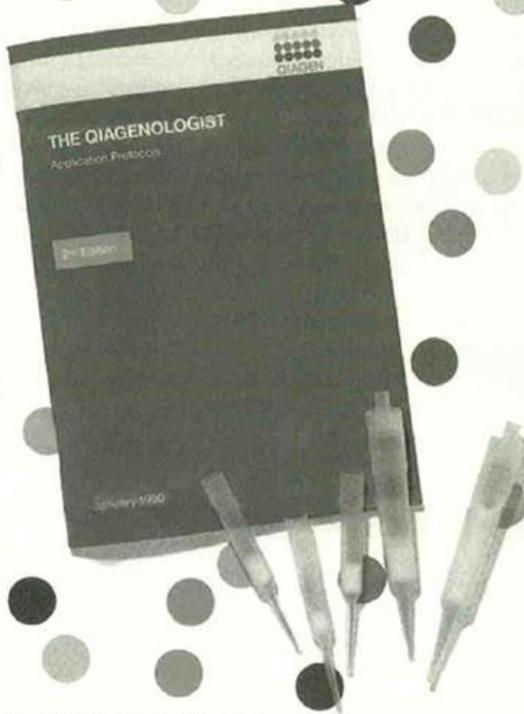
The 1990 updated version of the QIAGENOLOGIST is here! It is a complete collection of application protocols for different nucleic acid isolations using the QIAGEN system. It contains clear handling instructions and a comprehensive trouble shooting guide.

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, please 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. 3, D-42699 Solmsfurt 15, Phone (0)19 79 30 31, Fax (0)19 79 04 44
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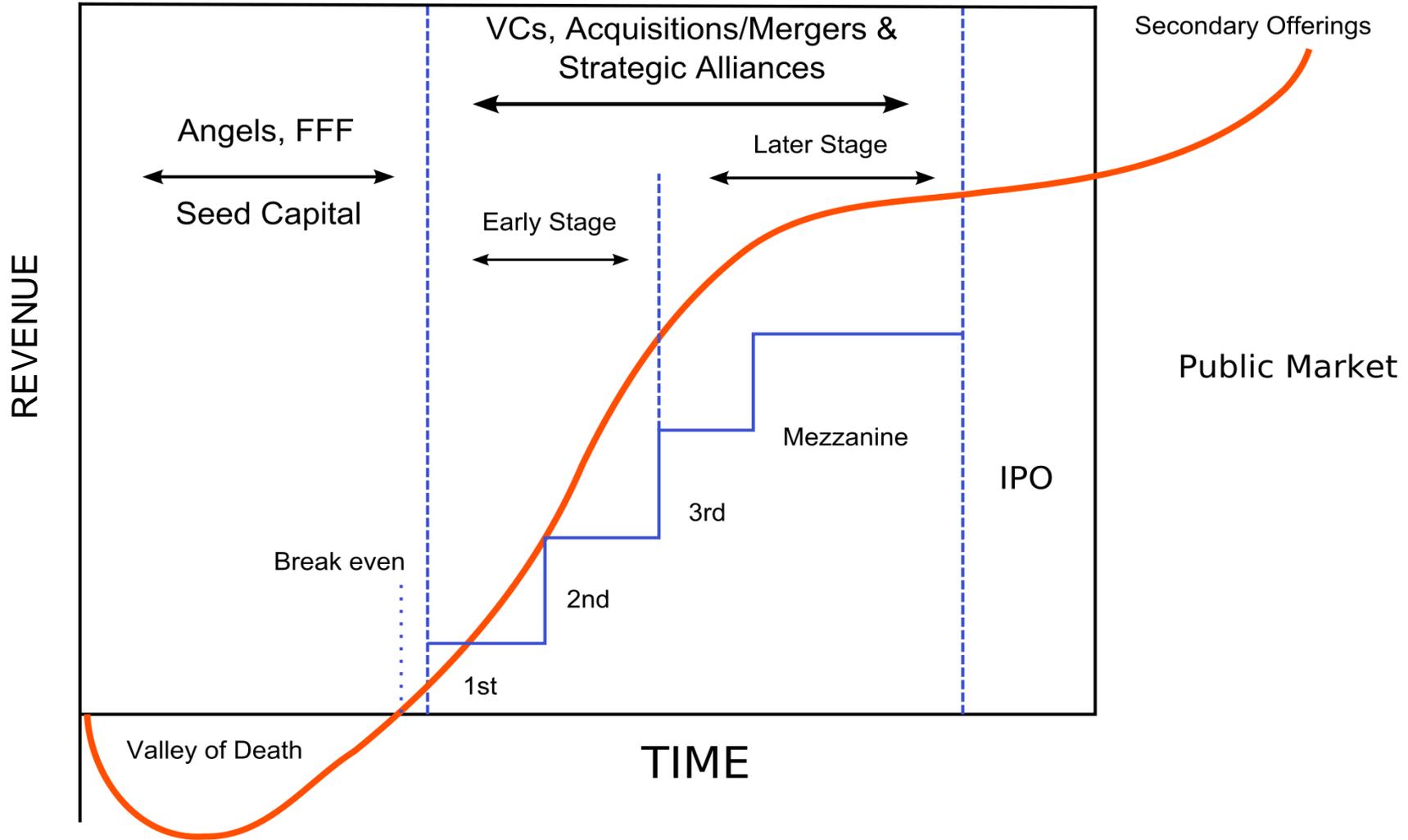


Circle No. 6 on Readers' Service Card





Startup financing cycle



Source: Wikipedia

Moshe Alafi

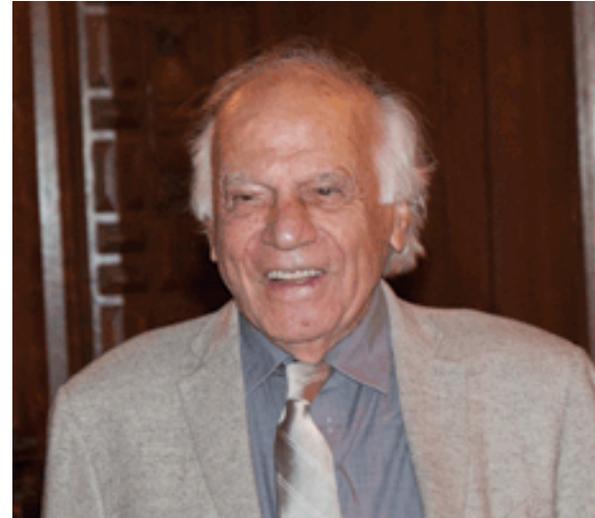
Dear Dr. Cohen - Home. Nov 1, 1988.

I have studied your plan for the formation of your new Company Diagen. I feel it is a very good, unique concept. Could be implemented successfully.

This letter is to confirm my discussion with you, that Alafi Capital Company will participate in the financing of Diagen - and like to give you all the support you need in this venture. We are involved in the financing of a number of biotechnology - medical instrumentation companies. - feel very comfortable to invest in your Company, Diagen.

I am looking forward to sit with you soon in order to conclude a final business deal.

Sincerely,
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**

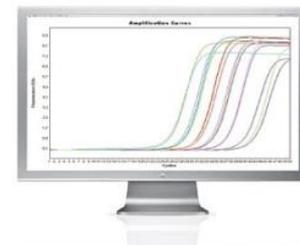


SAMPLE Technologies

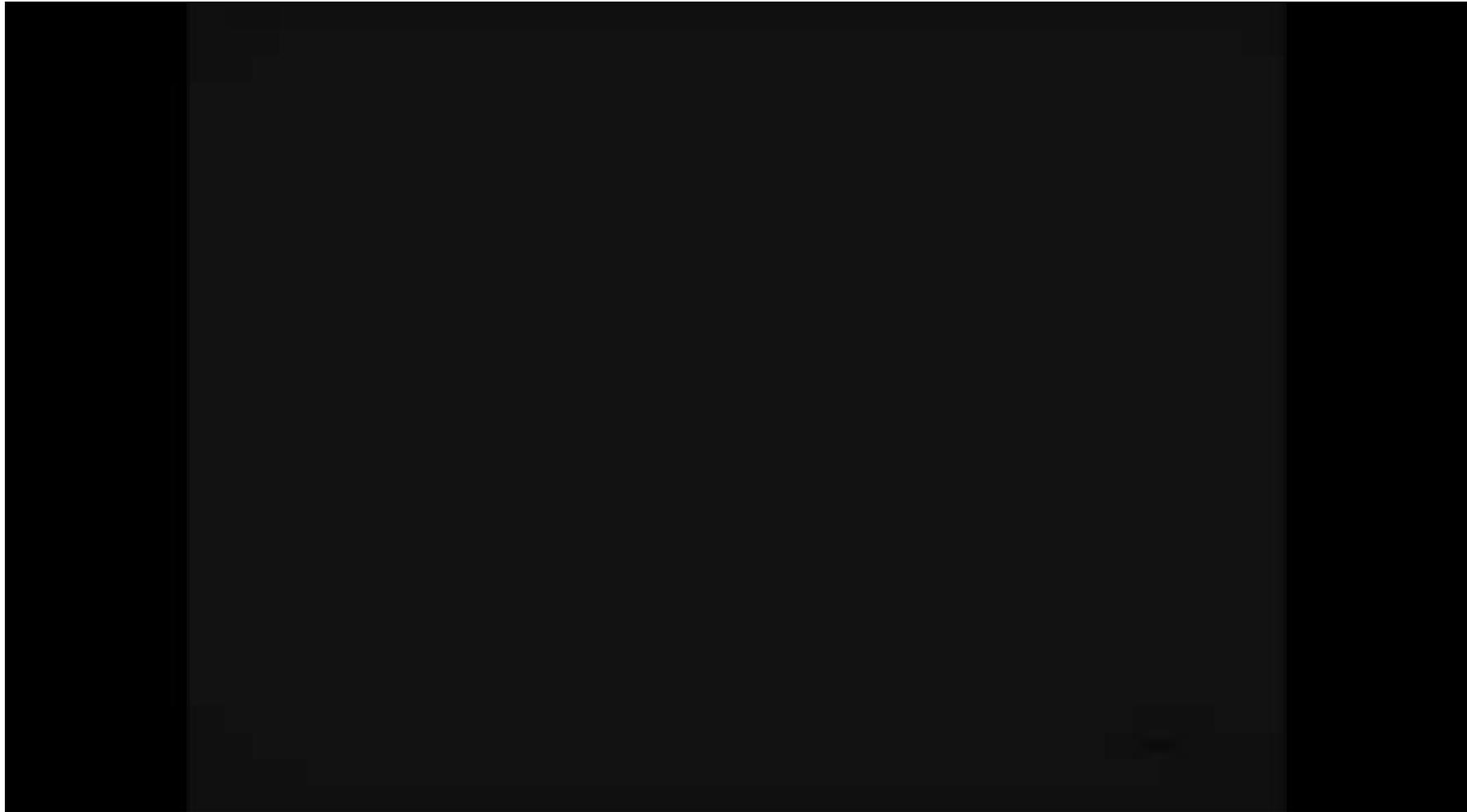
Extract DNA, RNA and proteins in reliable process

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

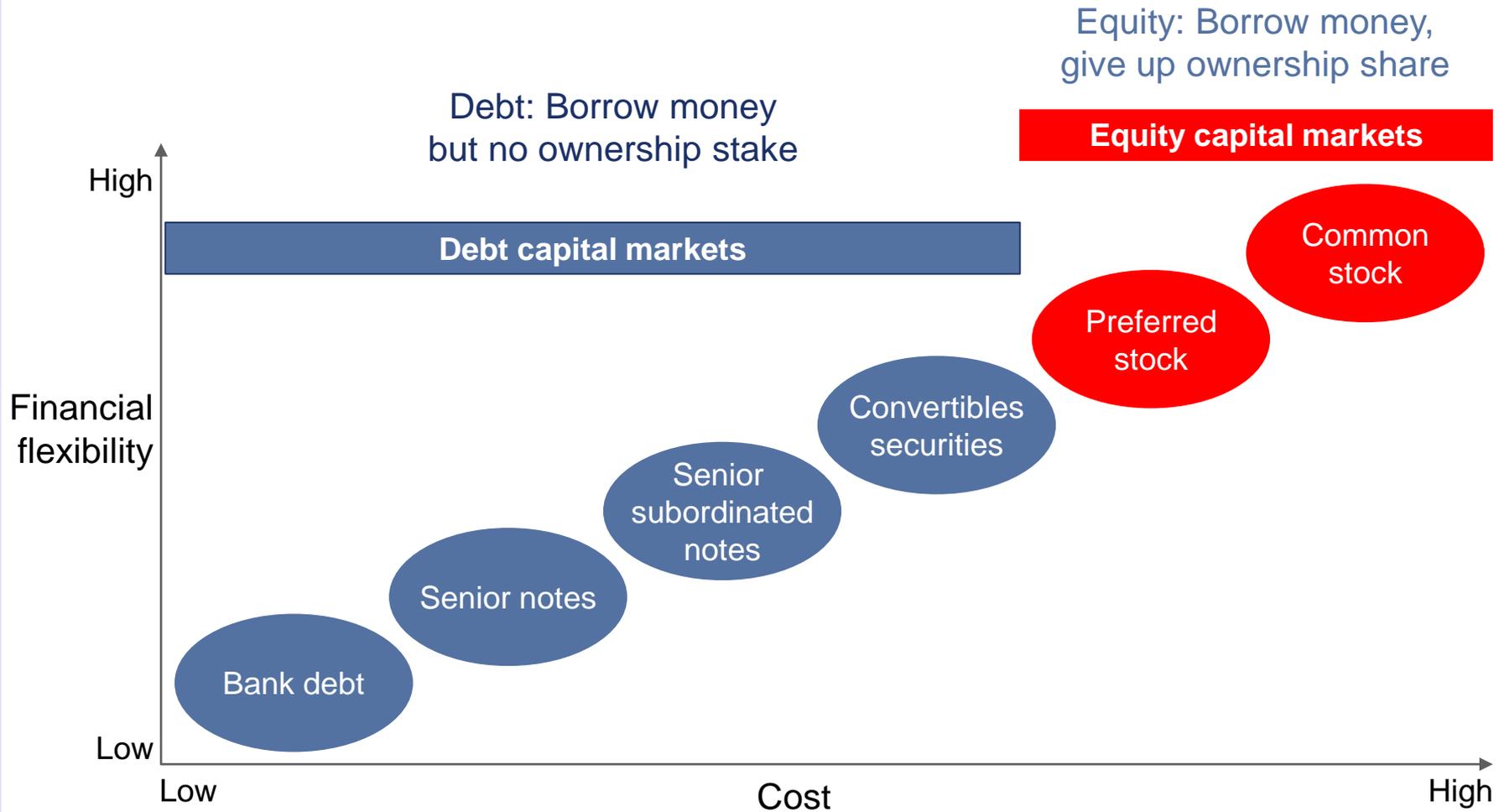
~~NO~~

1 Debt investors are increasingly critical to supporting corporate growth

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

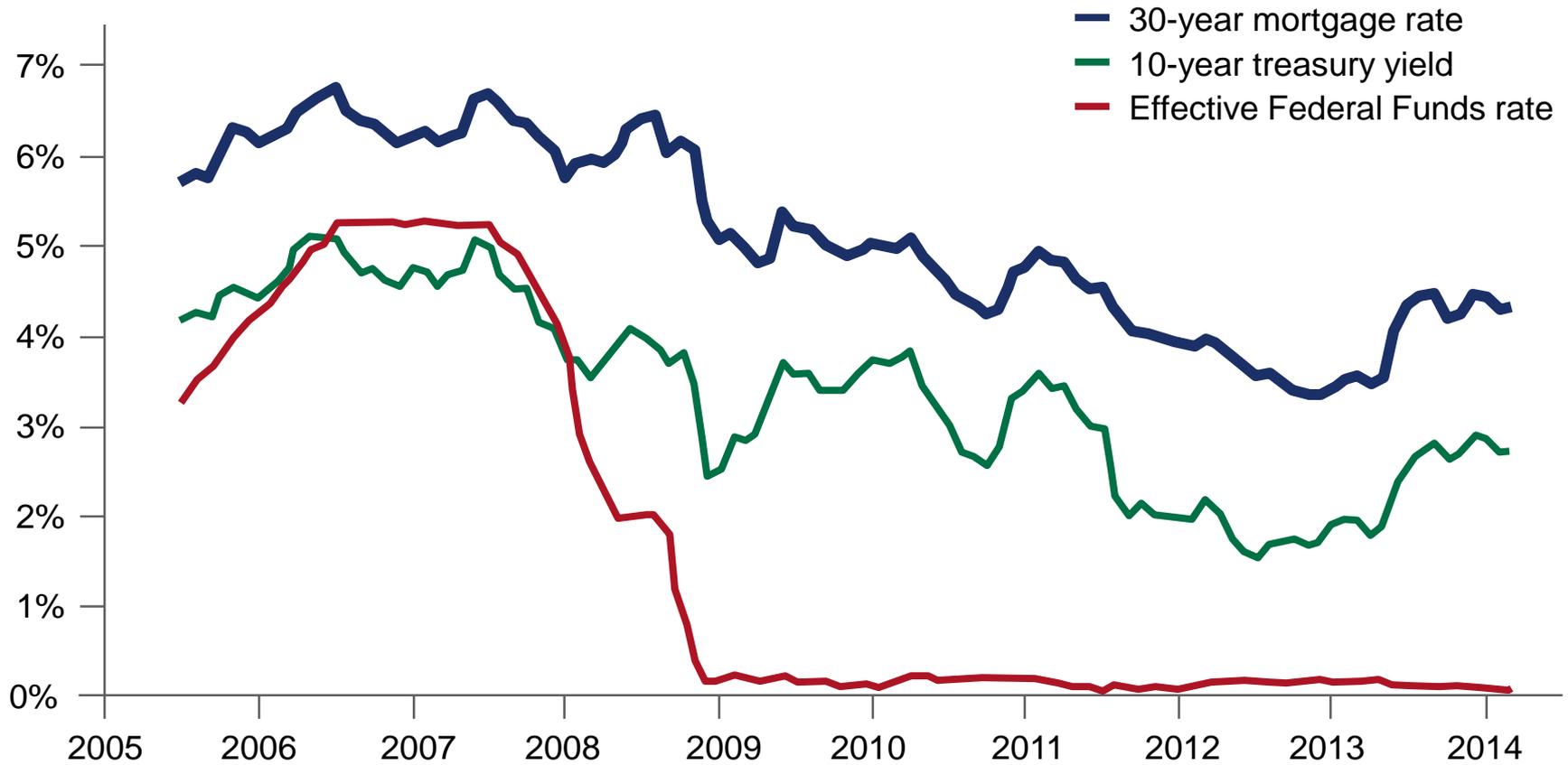
3 Developing debt IR skills is critical to your career development

Many ways to raise external capital



Source: Smartvalueinvestor.com

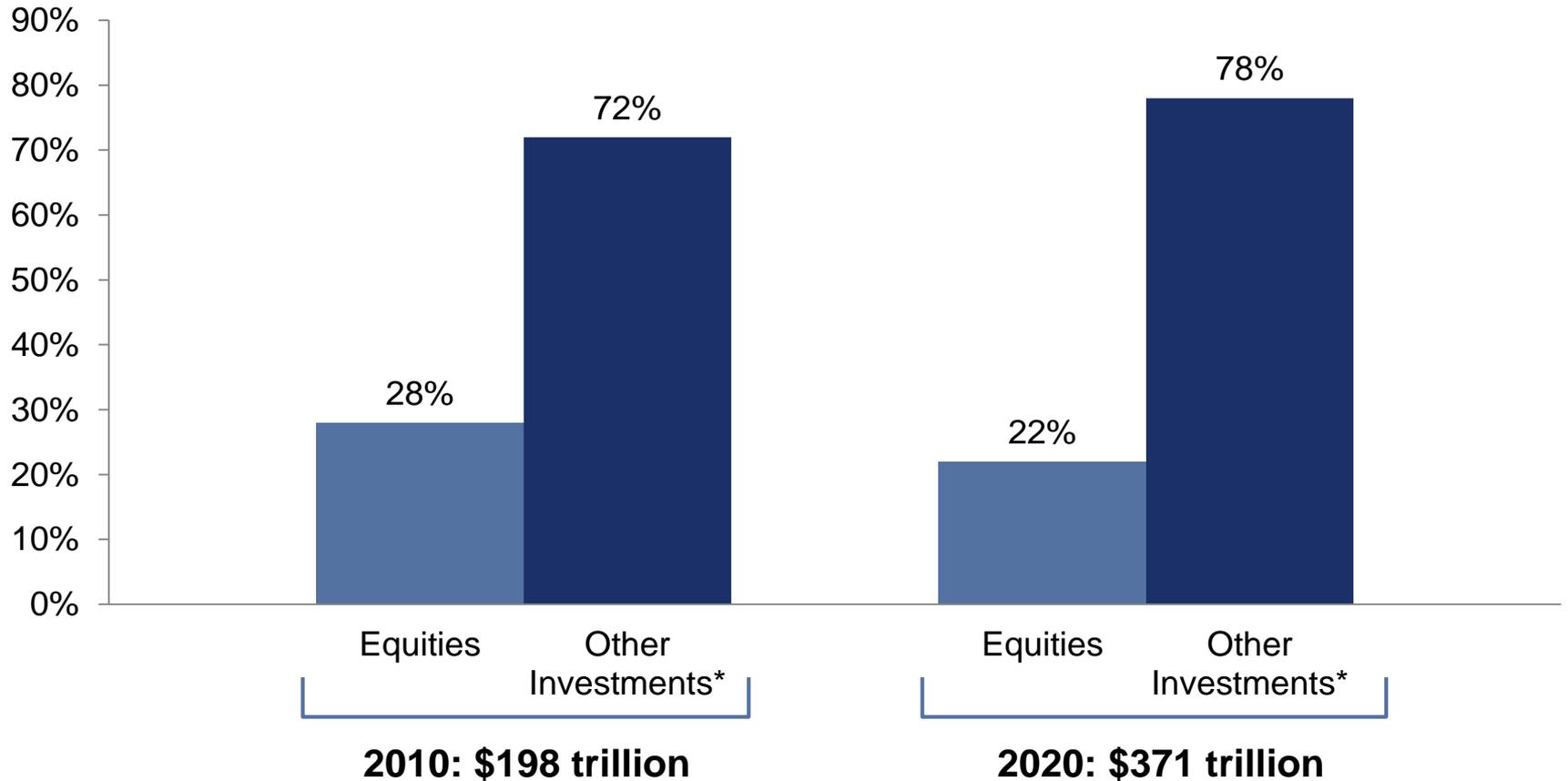
Ongoing low interest rates



Source: Federal Reserve and www.fivethirtyeight.com

Global asset allocation

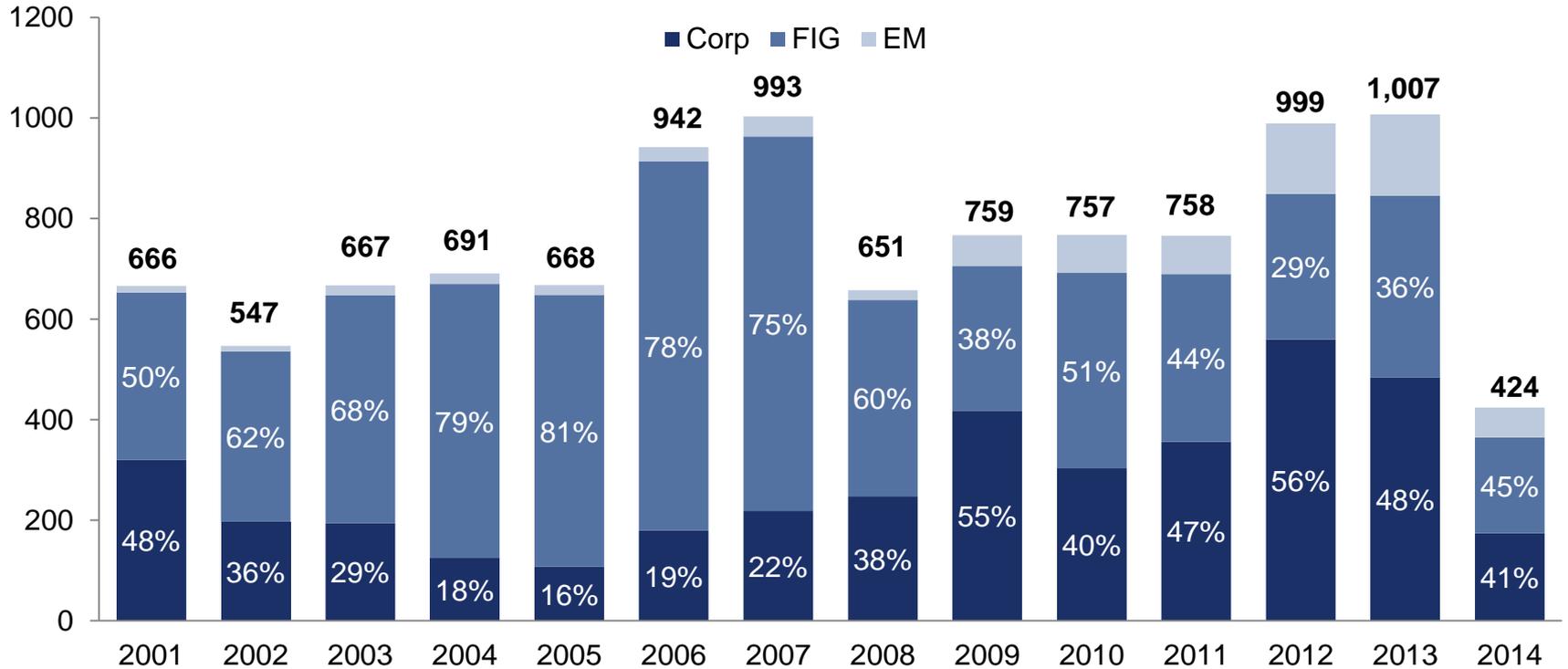
Consensus growth scenario (2010-2020)



* Includes cash, deposits and fixed income securities
 Source: McKinsey Global Institute

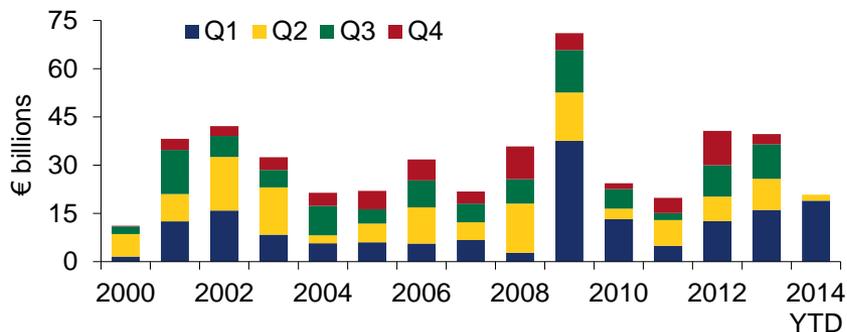
Investment grade supply (2001-2014 YTD)

Total Volume (in \$ billions)

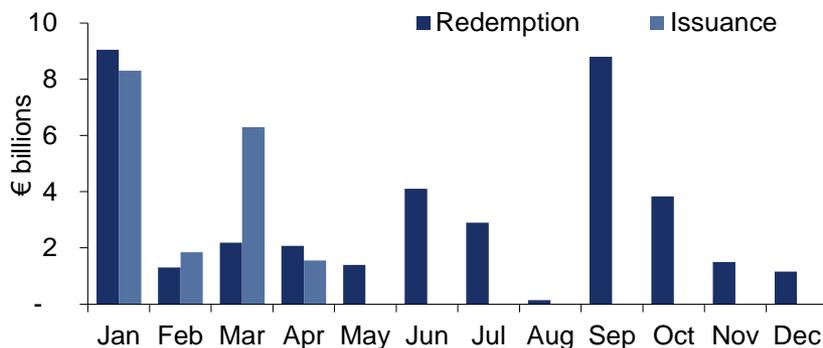


2013: Record year of >\$1 trillion of investment-grade U.S. dollar bond issuance

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

1

Debt investors are increasingly critical to supporting corporate growth

2

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

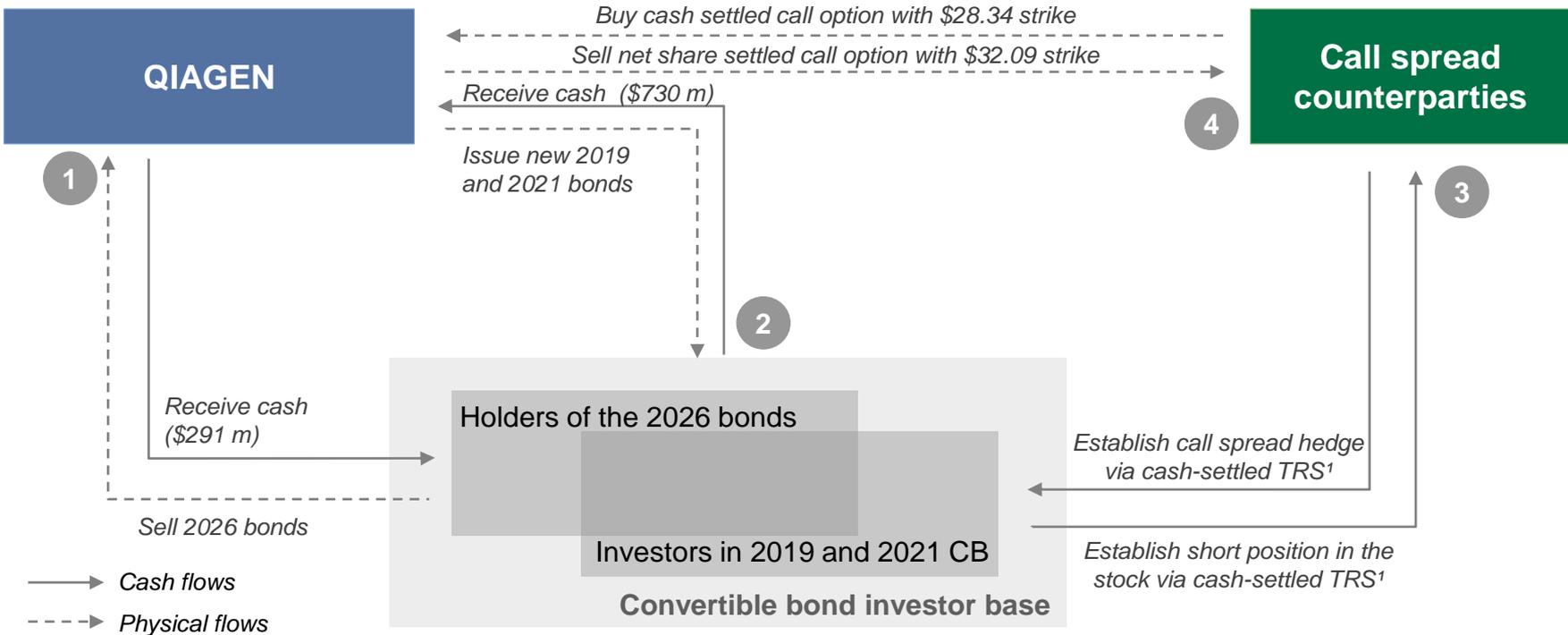
3

Developing debt IR skills is critical to your career development

“Debt capital markets are too complex...”



Convertible bond transaction summary



- 1
- 1 Repurchase
- 2
- 2 New issue
- 3
- 3 Total return swap to establish hedge
- 4
- 4 Call spread overlay

Bank financing

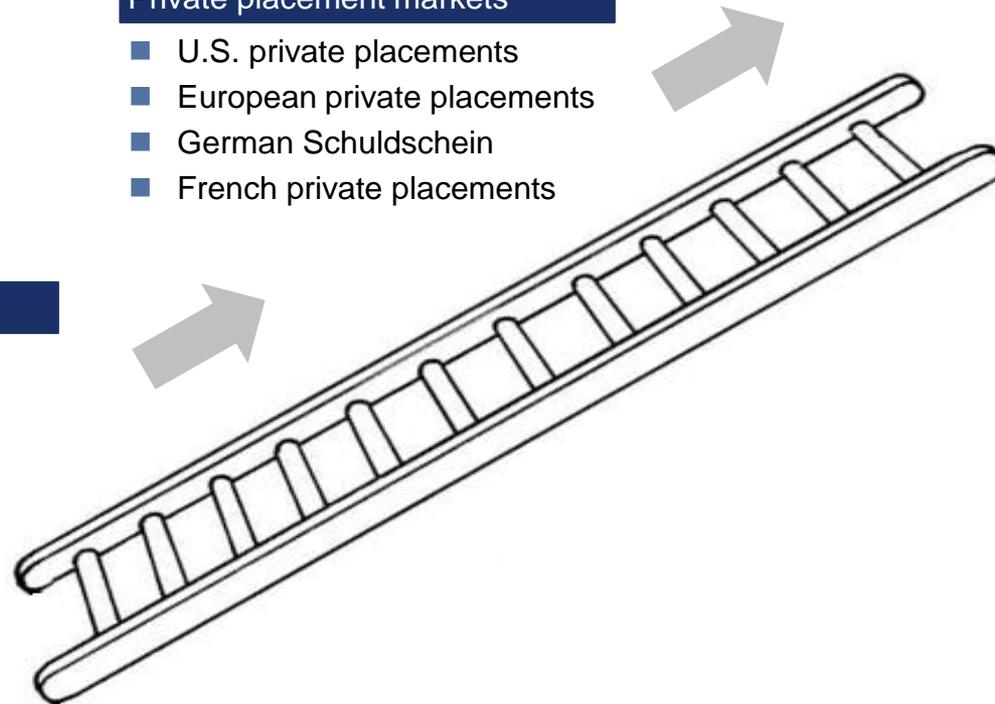
- Term loans
- Revolving credit facilities (RCFs)

Private placement markets

- U.S. private placements
- European private placements
- German Schuldschein
- French private placements

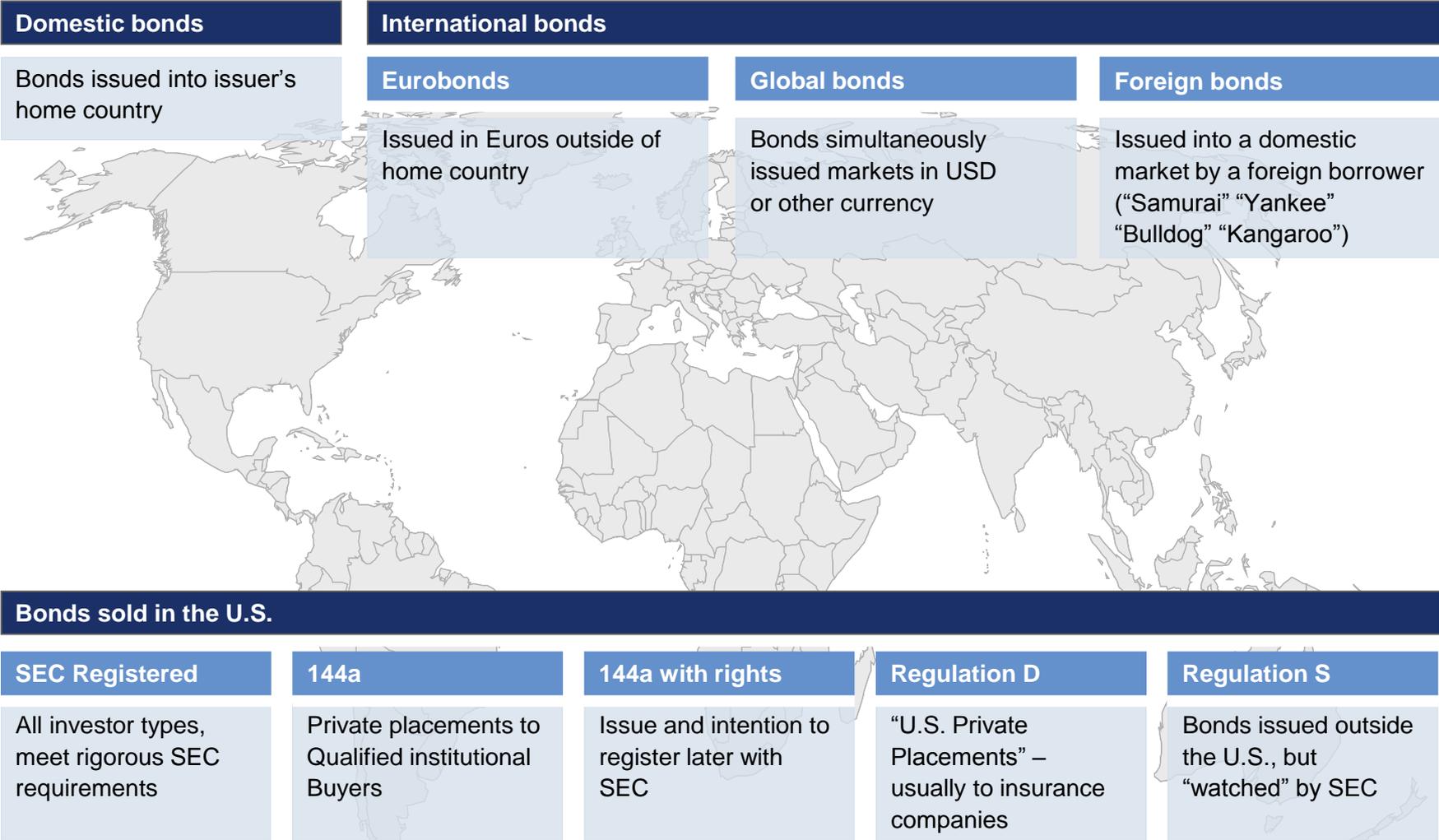
Public bond markets

- Rated or unrated bonds



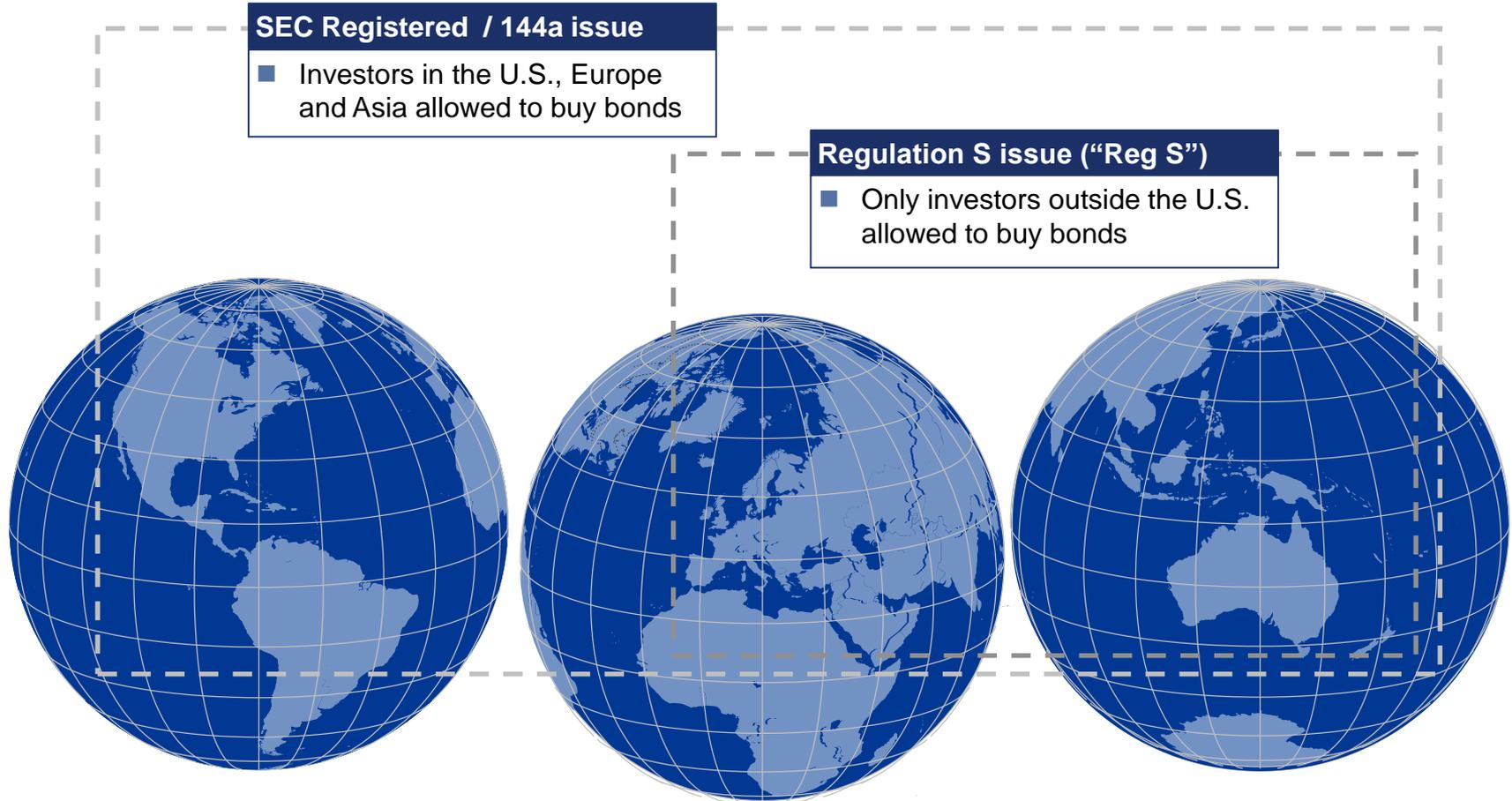
Corporate issuers generally look to the next step of ladder to diversify funding

A diverse – but manageable – world of bonds



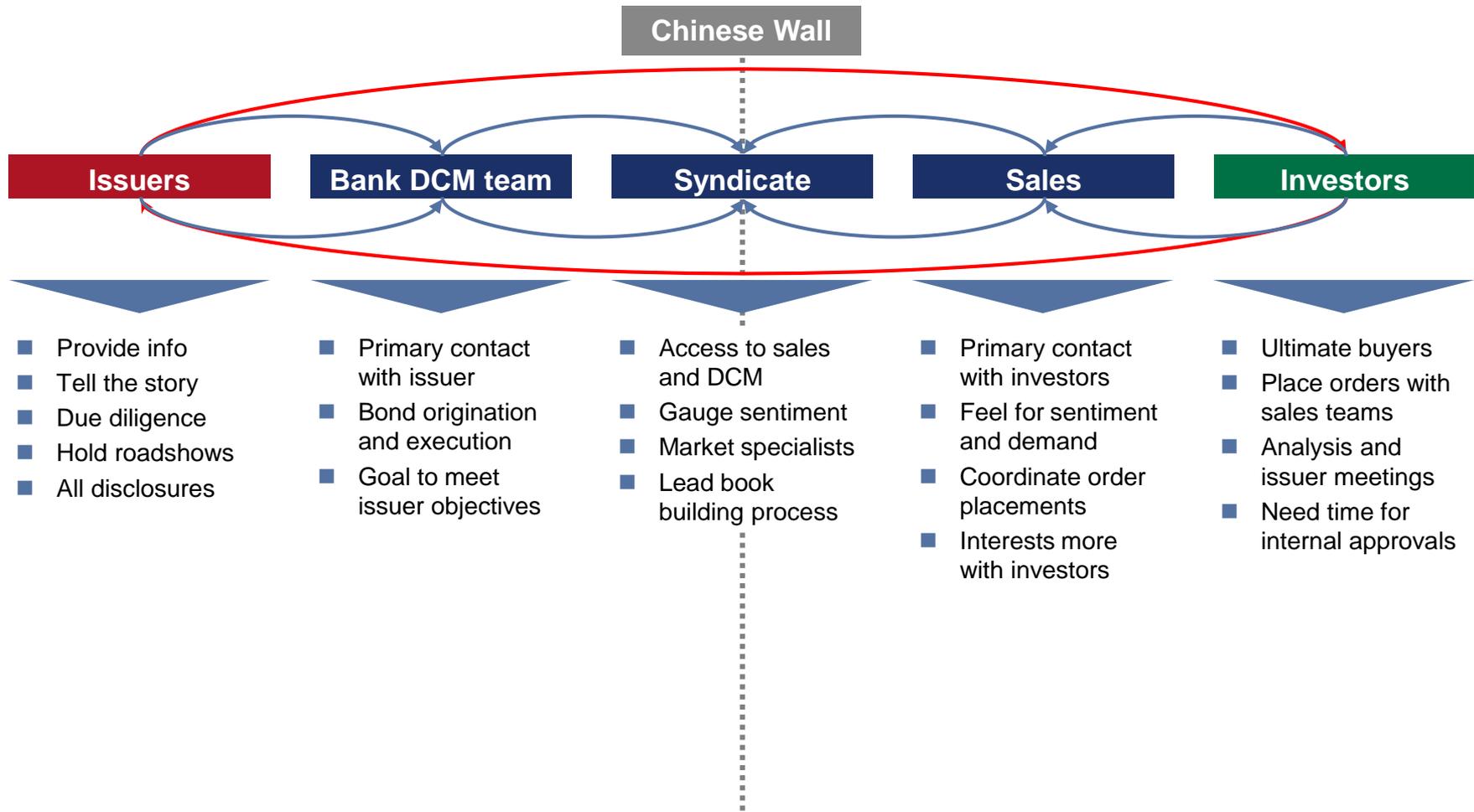
Source: JP Morgan

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?

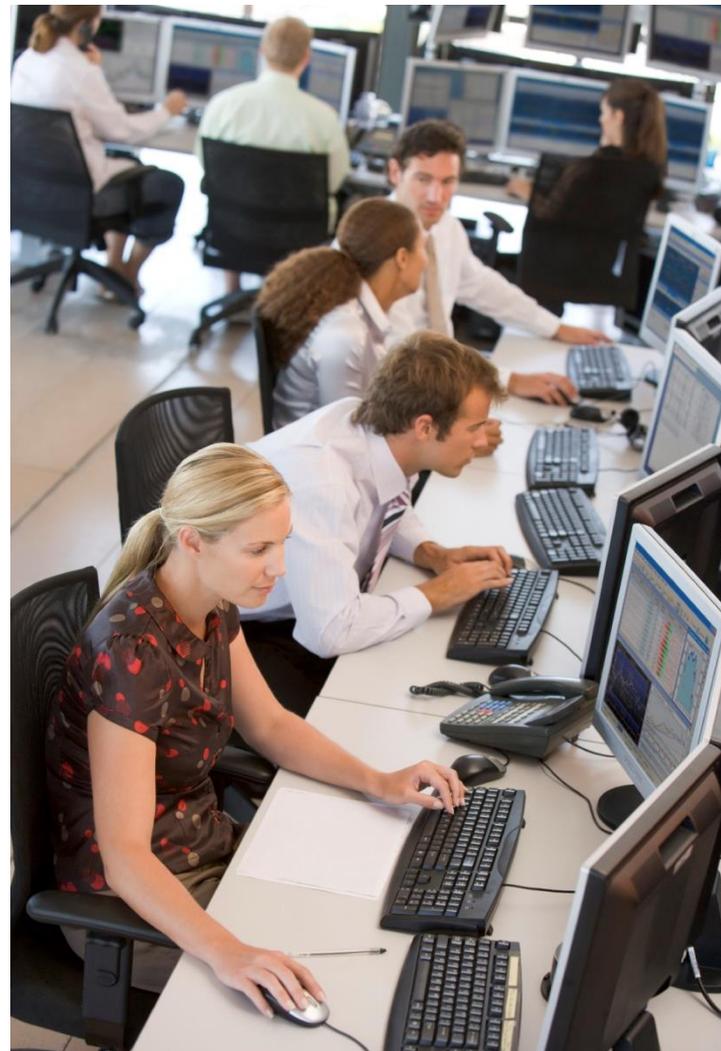
- Bank syndication in their role as the underwriter

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

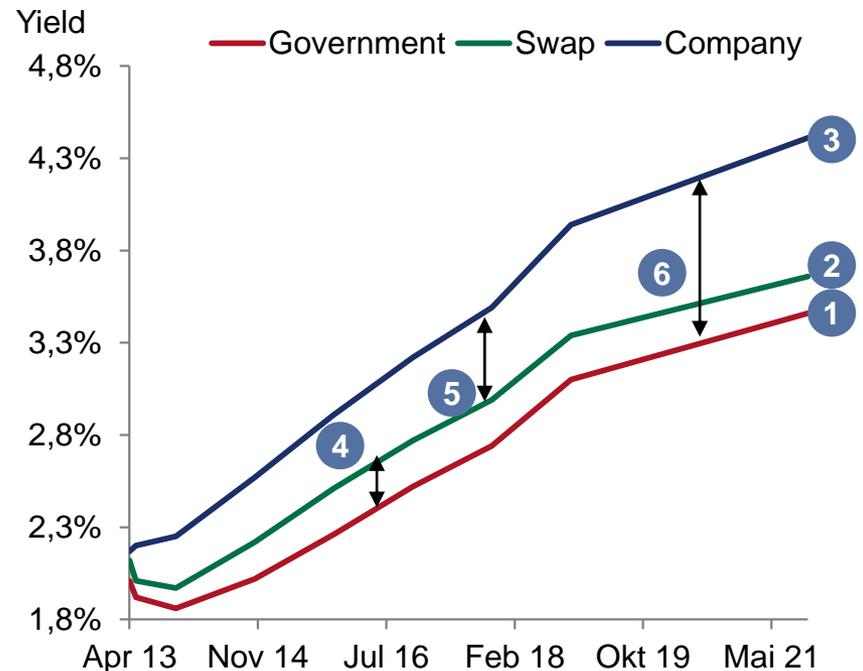
GBP benchmark 

Gilts

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

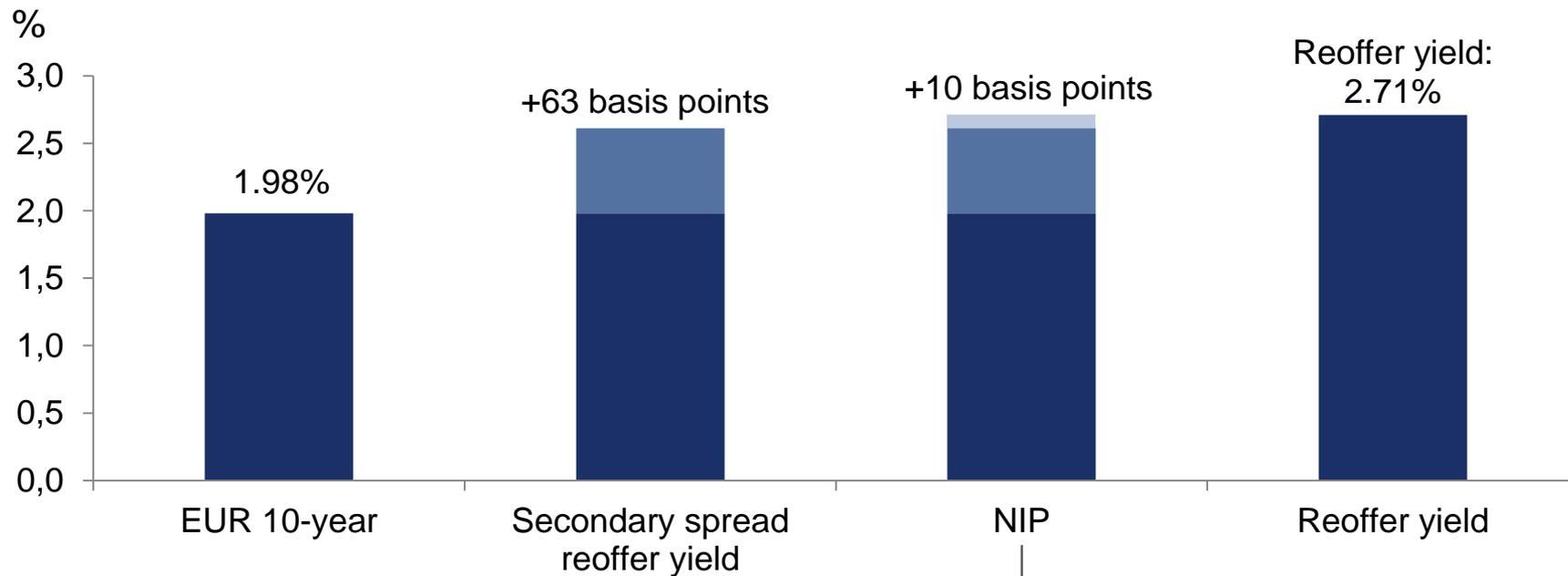
- Issuers: Minimize yield and coupon pricing
- Yield influence factors
 - Benchmark yield
 - Credit spread for additional risk
- Basic elements
 - 1 Government yield curve (“Risk-free rate”)
 - 2 Swap yield curve (inter-bank lending rate)
 - 3 Implied issuer yield curve (corporate risk rate)
 - 4 Swap 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



Credit risk premium (CRP):
 Difference in yield between issuer's bond and benchmark security

New issue premium (NIP):
 Additional spread an issuer has to pay to support new offering



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

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

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?

QIAGEN

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

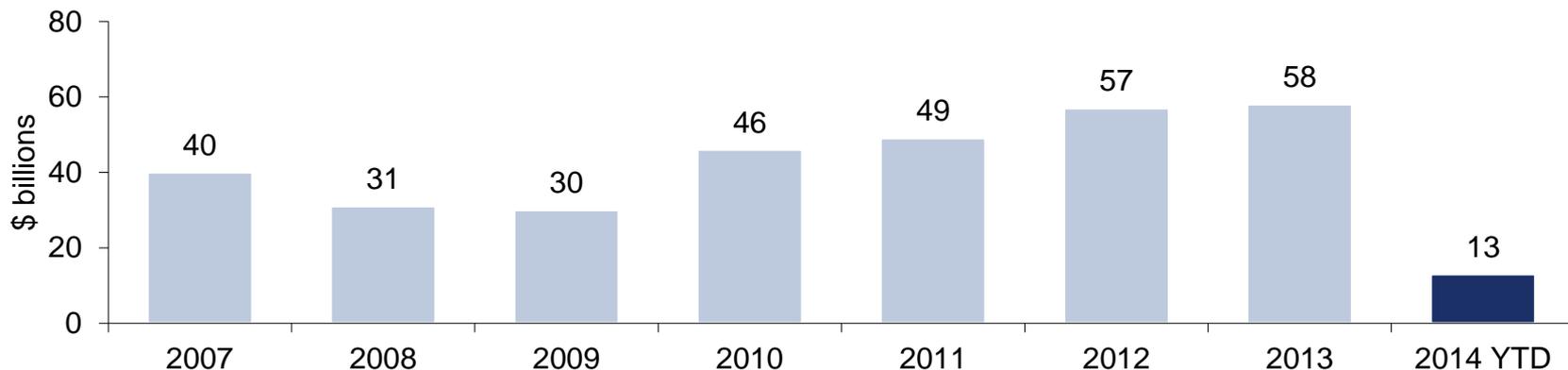
Typical private investors



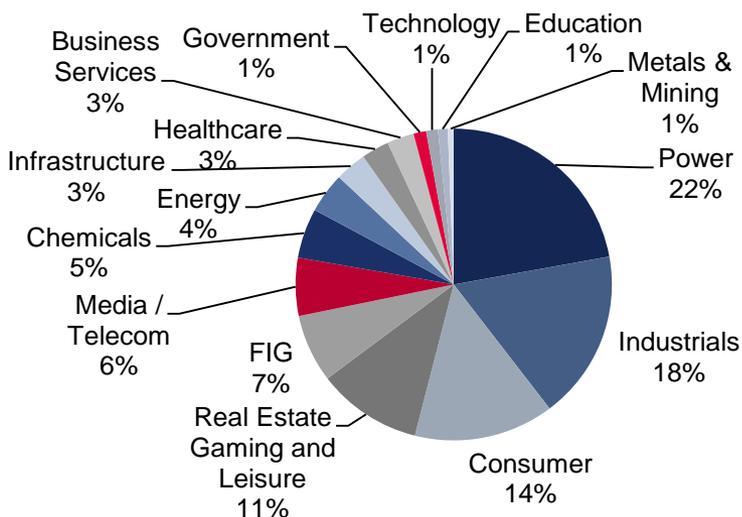
Three tiers

	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

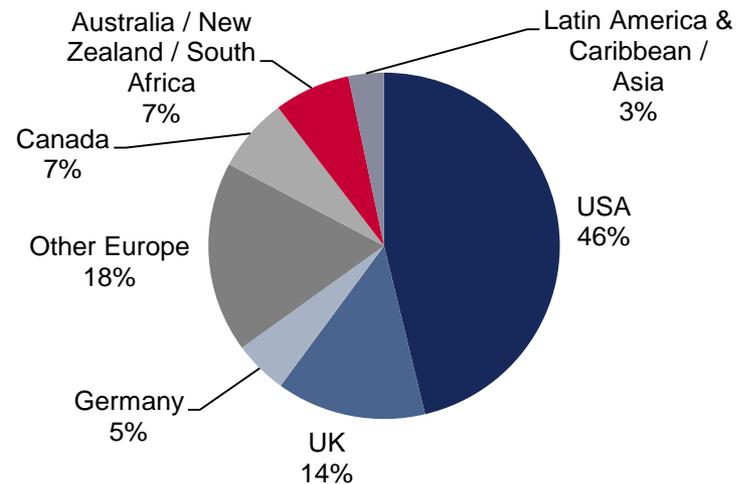
Annual issuance volumes



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

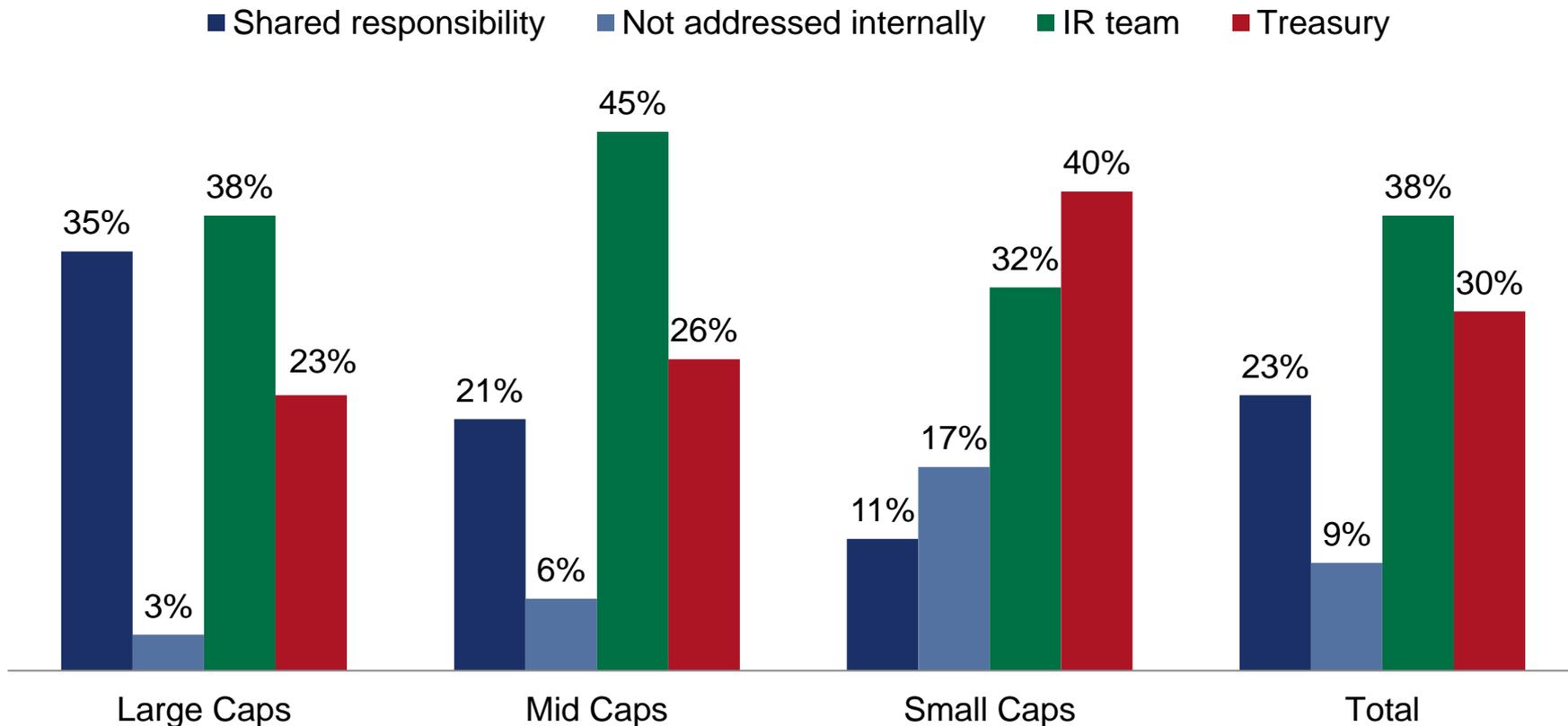
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Stop the excuses – IROs must become key team players in debt offerings

3

Developing debt IR skills is critical to your career development

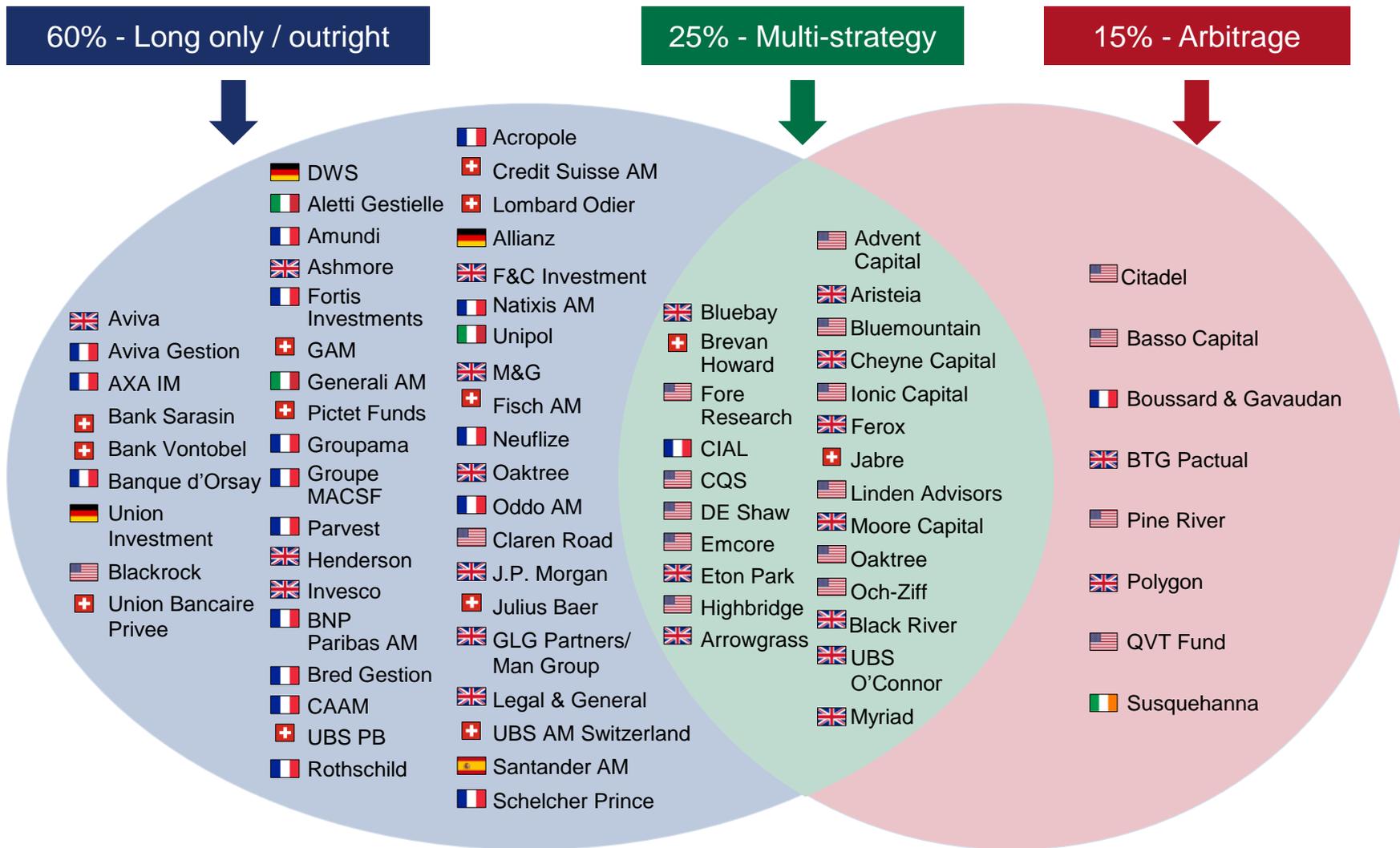
Who is in charge of the relationship with credit investors?



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

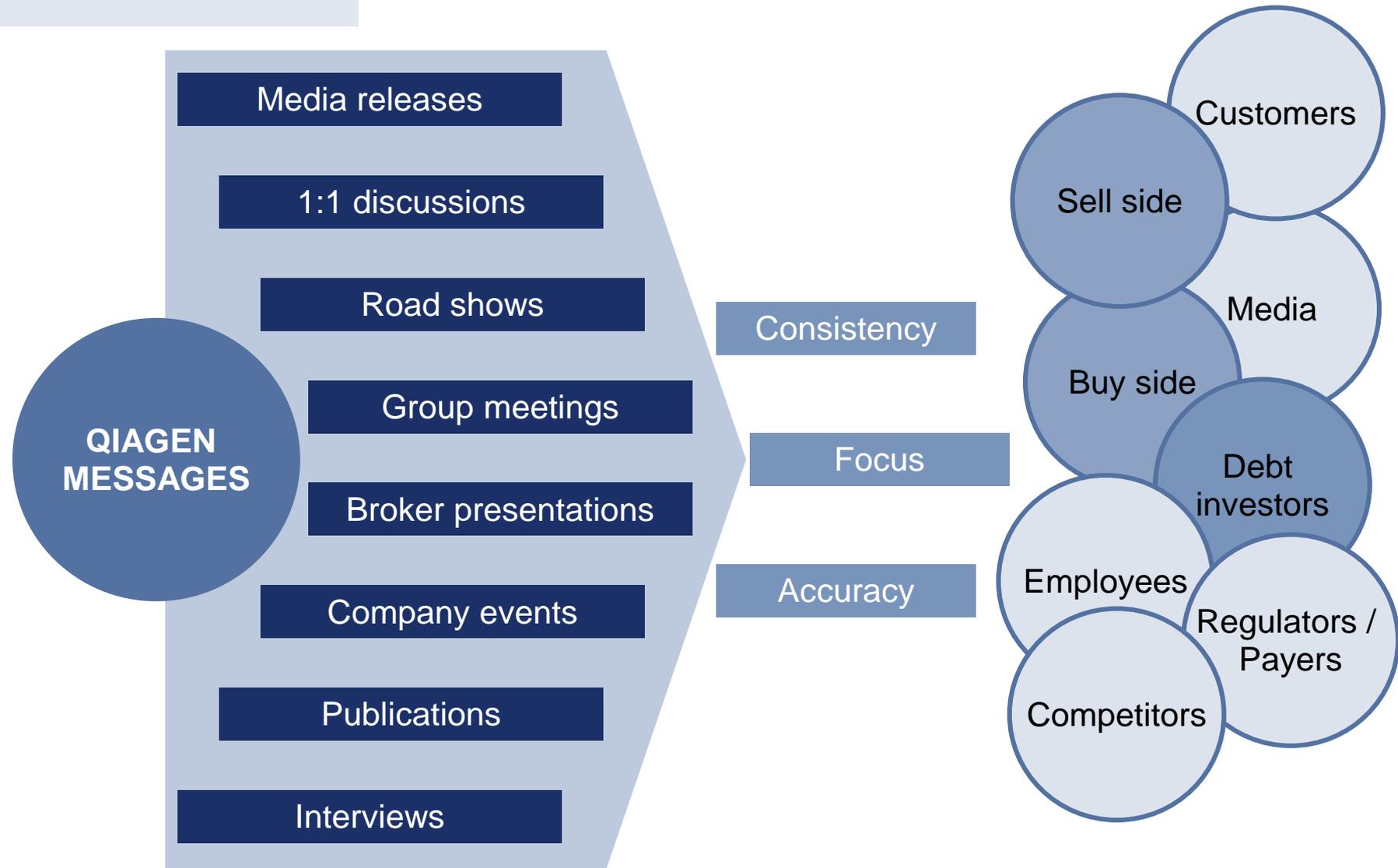
Source: Kepler Cheuvreux IR Survey December 2013

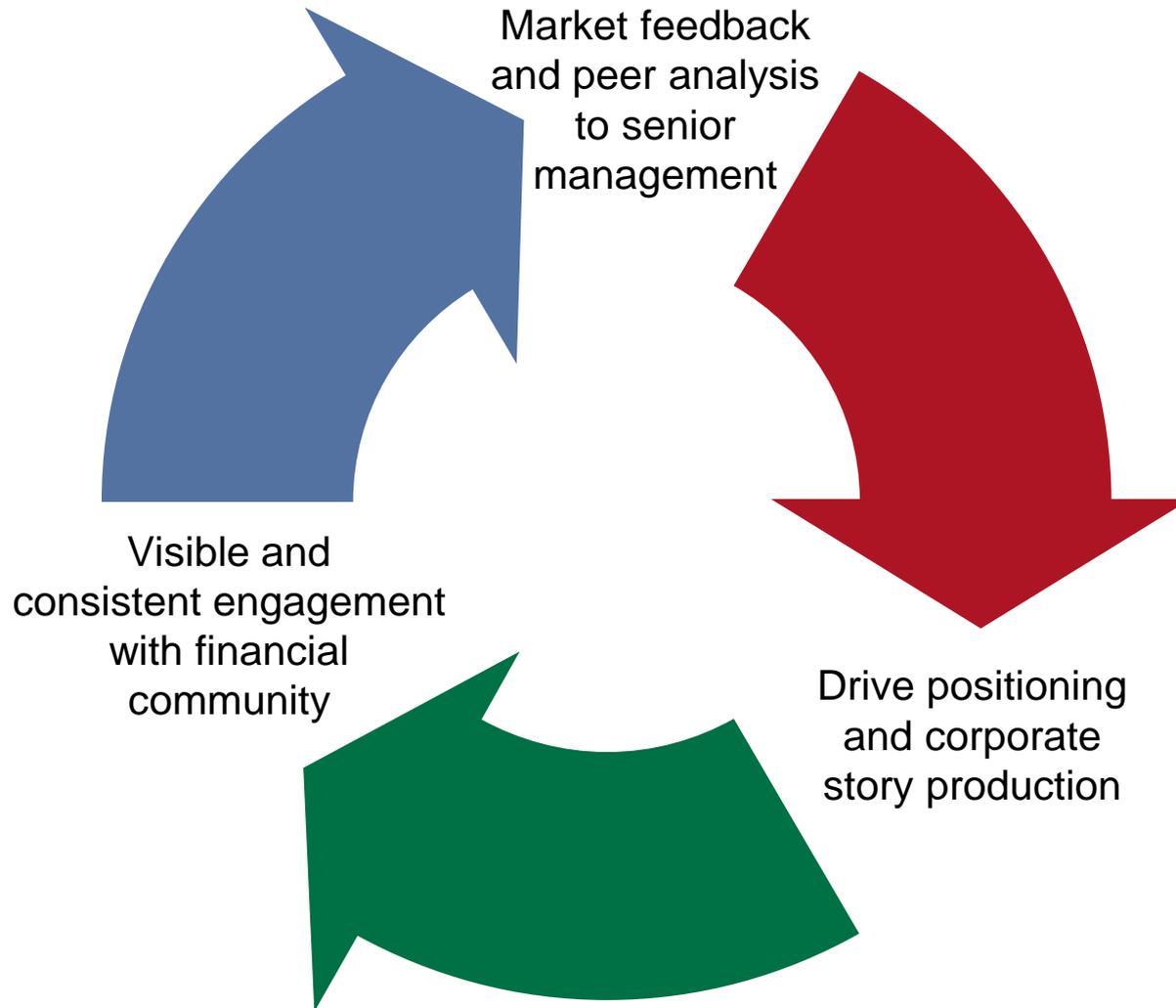
Convertible bond investor overview

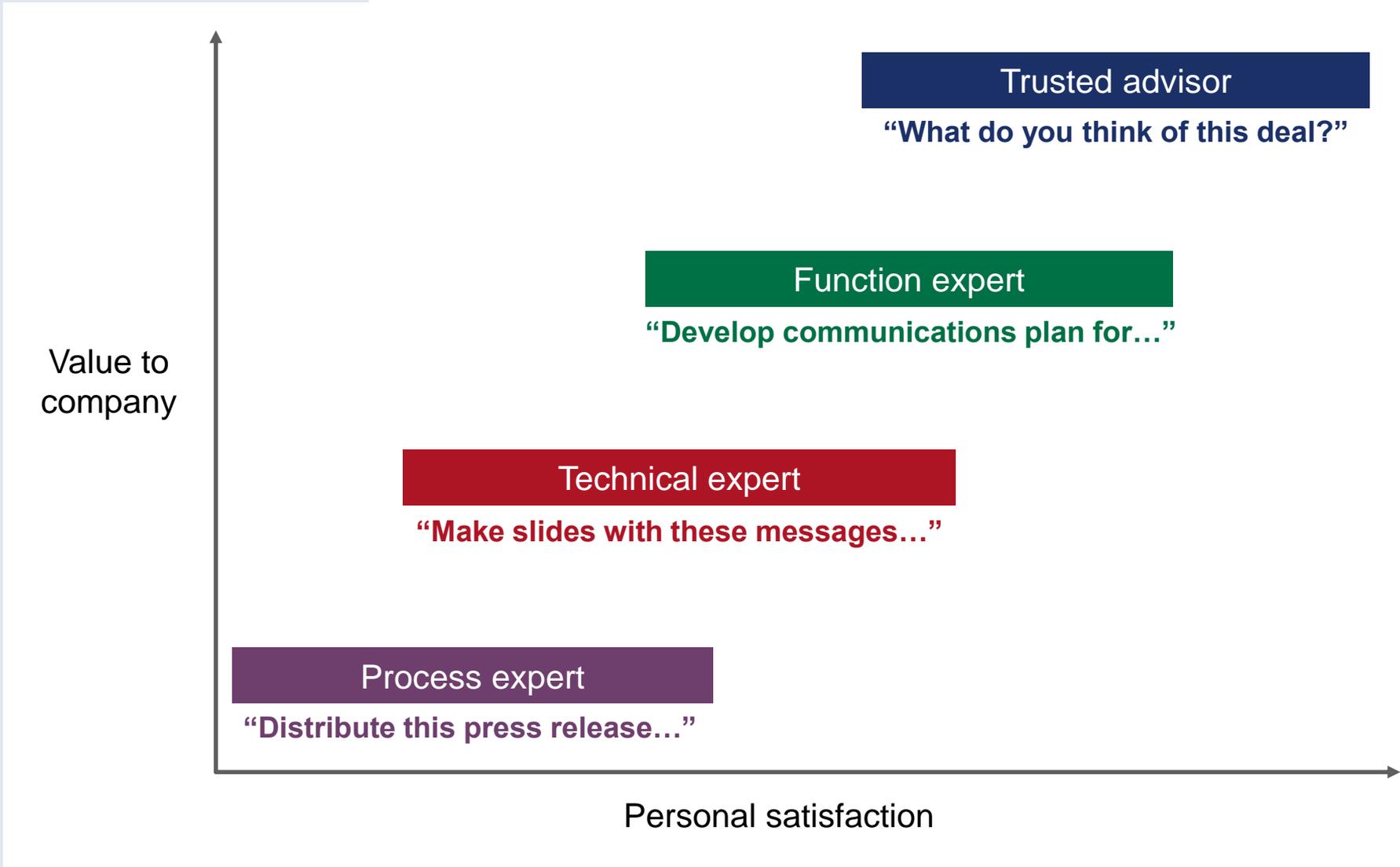


Note: U.S. investors often have offshore funds and can buy Reg S issuances

		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