

ILLUMINA INC
Form DEFA14A
May 05, 2015

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
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- 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)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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.. Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Reconciliation Between GAAP and Non-GAAP Net
Income Per Share:

	December 28,	December 29,	Years Ended December 30,	January 1,	January 2,
	2014	2013	2012	2012	2011
GAAP net income per share - diluted	\$ 2.37	\$ 0.90	\$ 1.13	\$ 0.62	\$ 0.87
Pro forma impact of weighted average shares(1)		0.01	0.02	0.03	0.06
Adjustments to net income:					
Amortization of acquired intangible assets	0.32	0.32	0.12	0.09	0.06
Non-cash interest expense(2)	0.26	0.26	0.27	0.24	0.16
Legal contingencies(3)	(0.24)	0.96	0.02	(0.02)	
Loss on extinguishment of debt	0.21			0.28	
Headquarter relocation(4)	0.04	0.02	0.20	0.31	
Cost-method investment related (gain) loss, net	(0.03)	(0.44)	(0.35)		0.10
Contingent compensation expense(5)	0.03	0.10	0.07	0.04	0.03
Acquisition related (gain) expense, net(6)	(0.02)	(0.08)	0.02	0.01	(0.09)
Impairments(7)		0.18	0.16		
Unsolicited tender offer related expense		0.10	0.17		
Inventory revaluation adjustment(8)			0.01		
Recovery of previously			(0.05)		

impaired note receivable					
Restructuring			0.03	0.06	
Incremental non-GAAP tax expense(9)	(0.20)	(0.53)	(0.23)	(0.36)	(0.13)
Non-GAAP net income per share diluted(10)	\$ 2.74	\$ 1.80	\$ 1.59	\$ 1.30	\$ 1.06
Shares used in calculating non-GAAP diluted net income per share	148,815	138,888	132,725	135,154	134,375

ITEMIZED RECONCILIATION BETWEEN GAAP AND NON-GAAP NET INCOME:

GAAP net income	\$ 353,351	\$ 125,308	\$ 151,254	\$ 86,628	\$ 124,891
Amortization of acquired intangible assets	48,165	44,685	15,541	12,689	7,805
Non-cash interest expense(2)	38,154	36,403	35,180	32,495	20,832
Legal contingencies(3)	(35,931)	133,701	3,021	(2,300)	
Loss on extinguishment of debt	31,360	555		37,611	
Headquarter relocation(4)	5,638	2,624	26,328	41,826	
Cost-method investment related (gain) loss, net	(4,427)	(61,357)	(45,911)		13,223
Contingent compensation expense(5)	4,265	13,610	9,151	6,057	3,675
Acquisition related (gain) expense, net(6)	(2,639)	(11,617)	2,774	919	(11,429)
Impairments(7)	(485)	25,214	21,438		
Unsolicited tender offer related expense		13,621	23,136		
Inventory revaluation adjustment(8)		458	1,458		
Recovery of previously impaired note			(6,000)		

receivable					
Restructuring			3,522	8,136	
Incremental non-GAAP tax expense(9)	(30,234)	(73,542)	(30,464)	(48,053)	(16,813)
Non-GAAP net income(10)	\$ 407,217	\$ 249,663	\$ 210,428	\$ 176,008	\$ 142,184

ITEMIZED RECONCILIATION BETWEEN GAAP AND NON-GAAP DILUTED NUMBER OF SHARES:

Weighted average shares used in calculation of GAAP diluted net income per share	148,977	139,936	133,693	138,937	143,433
Weighted average dilutive potential common shares issuable of redeemable convertible senior notes(1)	(162)	(1,048)	(968)	(3,783)	(9,058)
Weighted average shares used in calculation of non-GAAP diluted net income per share	148,815	138,888	132,725	135,154	134,375

Footnotes to the Reconciliation Between GAAP and Non-GAAP Measures:

- 1) Pro forma impact of weighted-average shares includes the impact of double dilution associated with the accounting treatment of the Company's outstanding convertible debt and the corresponding call option overlay.
- 2) Non-cash interest expense is calculated in accordance with the authoritative accounting guidance for convertible debt instruments that may be settled in cash.
- 3) Legal contingencies primarily represent estimated damages accrued for our patent litigation. Legal contingencies in fiscal 2014 primarily represented a gain related to the settlement of our patent litigation with Syntrix Biosystems, Inc., partially offset by the expenses recorded upon our litigation settlement and pooling of patents with Sequenom, Inc. Legal contingency charges in 2013 primarily represented estimated damages accrued for our patent litigation with Syntrix Biosystems, Inc.
- 4) The Company relocated its headquarters to a new facility in San Diego, California, in 2011. Headquarter relocation for fiscal 2014 and 2013 consisted of accretion of interest expense on lease exit liability and changes in related costs. Headquarter relocation for fiscal 2012 and fiscal 2011 consisted of cease-use loss, double rent expense during the transition to the new facility, accretion of interest expense on lease exit liability, and moving costs.
- 5) Contingent compensation expense relates to contingent payments for post-combination services associated with acquisitions.
- 6) Acquisition related (gain) expense, net in fiscal 2014, 2013, and 2012 consists primarily of net gains and expense from changes in fair value of contingent consideration and transaction related costs. Acquisition related (gain) expense, net in fiscal 2011 consisted of an acquired in-process research and development charge related to a milestone payment for a prior acquisition, offset by changes in the fair value of contingent consideration. Acquisition related (gain) expense, net in fiscal 2010 consists of an acquired in-process research and development charge related to a milestone payment for a prior acquisition, acquisition expenses, offset by a gain recorded for the difference between the carrying value of a cost-method investment prior to acquisition and the fair value of that investment at the time of acquisition and gains from changes in fair value of contingent consideration.
- 7) Impairments in fiscal 2014 represent a net gain of \$0.5 million, which consisted of a gain on an asset sale associated with a non-core product line discontinued in 2013, partially offset by an intangible asset impairment. Impairments in fiscal 2013 represent asset impairment charges recorded upon the decision to discontinue the non-core product line. Impairments in fiscal 2012 related to an in-process research and development intangible asset.
- 8)

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Inventory revaluation adjustments represent additional cost of goods sold recognized from inventories revalued upon acquisitions of Verinata Health, Inc. in 2013 and BlueGnome Ltd in 2012.

- 9) Incremental non-GAAP tax expense reflects the tax impact related to the non-GAAP adjustments listed above.

- 10) Non-GAAP net income and diluted net income per share exclude the effect of the pro forma adjustments as detailed above. Non-GAAP net income and diluted net income per share are key drivers of the Company's core operating performance and major factors in management's bonus compensation each year. Management has excluded the effects of these items in these measures to assist investors in analyzing and assessing our past and future core operating performance.

Guidance Reconciliation Between GAAP and Non-GAAP
Net Income Per Share:

	Fiscal Year 2015
Diluted net income per share	
Non-GAAP diluted net income per share	\$3.36 - \$3.42
Amortization of acquired intangible assets	(0.21)
Non-cash interest expense (1)	(0.17)
Cost-method investment gain, net (2)	0.06
Acquisition related gain, net	0.04
Headquarter relocation (3)	(0.01)
GAAP diluted net income per share	\$ 3.07 - \$3.13

- 1) Non-cash interest expense is calculated in accordance with the authoritative accounting guidance for convertible debt instruments that may be settled in cash.
- 2) Cost-method investment gain, net consists primarily of a gain on the sale of an investment partially offset by impairment charges on other investments.
- 3) Headquarter relocation represents accretion of interest expense on lease exit liability.