

CELGENE CORP /DE/
Form DEFA14A
May 20, 2014

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
(Amendment No.)

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 Pursuant to Section 240.14a-12

CELGENE CORPORATION

(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):

- x No fee required.
- .. Fee computed on the table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:

 - (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:

 - (5) Total fee paid:
- .. Fee paid previously with preliminary materials.
- .. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 - (1) Amount Previously Paid:

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

 - (3) Filing Party:

(4) Date Filed:

Additional 2014 Proxy Materials
Celgene (NASDAQ: CELG)

Forward Looking Statements
and Non-GAAP Financial Information

2

This presentation contains forward-looking statements, which are generally statements that are not historical facts.

Forward-looking

statements

can

be

identified

by

the

words

expects,

anticipates,

believes,

intends,

estimates,

plans,

will,

outlook

and similar expressions. Forward-looking

statements are based on management's current plans, estimates, assumptions and projections, and speak only as of the date they are made. We undertake no obligation to update any forward-looking statement in light of new information or future events, except as otherwise required by law. Forward-looking statements involve inherent risks and uncertainties, most of which are difficult to predict and are

generally

beyond

our

control.

Actual

results

or

outcomes

may

differ

materially

from

those

implied

by the forward-looking statements as a result of the impact of a number of factors, many of which are discussed in more detail in our Annual Report on Form 10-K and our other reports filed with the Securities and Exchange Commission.

In

addition

to

financial

information

prepared

in

accordance

with

U.S.

GAAP,

this

presentation
also
contains adjusted financial measures that we believe provide investors and management with supplemental information relating to operating performance and trends that facilitate comparisons between periods and with respect to projected information. These adjusted measures are non-GAAP and should be considered in addition to, but not as a substitute for, the information prepared in accordance with U.S. GAAP. We typically exclude certain GAAP items that management does not believe affect

our
basic
operations
and
that
do
not
meet
the
GAAP
definition
of
unusual
or
non-

recurring items. Other companies may define these measures in different ways. Further information relevant to the interpretation of adjusted financial measures, and reconciliations of these adjusted financial measures to the most comparable GAAP measures, may be found in the Reconciliation Tables

at
the
end
of
this
presentation
and
on
Celgene's
website
at
www.Celgene.com
in
the Investor
Relations
section.

Agenda

Celgene Overview

Proposal to Amend the 2008 Equity Plan

Stockholder Proposal on Disclosure of Political Activity

We Are a Leading Global Biopharmaceutical Company

4

Operations in >50
countries

Sales in >70 countries

Manufacturing facilities
in US and EU

Key research facilities
in NJ, CA, MA & Spain

~5,000 employees
globally
Global, Fully
Integrated
Portfolio of
Leading Products

Expertise in
hematology, oncology,
and immunology

Diverse technology
platforms

Rich pipeline

30 programs in
preclinical development

22 treatments in
clinical trials

30 pivotal / phase III
programs underway
Unique R&D
Capability

We Have a Strong 5-Year Financial Track Record

5

Notes:

1)

Net

Product

Sales

adjusted
for
2008-2011,
2)

CAGR
calculated
using
2008
to
2013.

*For
purposes
of
this calculation,
cash includes cash and cash equivalents and marketable securities available for sale.

Net
Product
Sales

1
(\$B)
Adjusted EPS (\$)

48.4%

23.4%

5.1%

23.2%

R&D

SG&A

COGS

Adjusted Margins

\$2.6

\$3.5

\$4.7

\$5.4

\$6.4

2009

2010

2011

2012

2013

~25%

CAGR

\$2.08

\$2.79

\$3.79

\$4.91

\$5.96

2009

2010

2011

2012

2013
~31%
CAGR
2
41.0%
26.0%
25.4%
8.0%
2
2009
2010
2011
2012
2013

Our Performance Has Led to Significant Value Creation

CELG

NBI

BTK

COMP

SPX

1-year

115%

66%

51%

38%

30%

3-year

186%

144%

80%

57%

47%

5-year

206%

225%

260%

165%

105%

10-year

1406%

227%

376%

108%

66%

6

Note: Periods are for calendar year; amounts based on quoted market prices and excludes reinvestment of dividends.

CELG: Celgene

NBI: NASDAQ Biotech Index

BTK: NYSE ARCA Biotech Index

COMP: NASDAQ Composite

SPX: S&P 500

Celgene Performance Relative to Key Indices

Recent Operational Achievements Are Expected
to Sustain Our Growth Profile Through 2017

7

\$13-\$14

\$6.4

\$8.5-\$9.5

~\$15

\$5.96

\$9-\$9.50

Adjusted EPS (\$)

Key Operational Achievements

Launched

2

New

Products

POMALYST

®

/IMNOVID

®

for

3 -line+

multiple myeloma in the U.S. and Europe

OTEZLA

®

for psoriatic arthritis in the U.S.

Received key label expansions

REVLIMID

®

approvals

for

non-del

5(q)

MDS in Europe and mantle cell lymphoma

in the U.S.

ABRAXANE

®

approvals

in

the

U.S.

for

pancreatic and non-small cell lung cancers

and in Europe for pancreatic cancer

Achieved >10 positive phase III data

readouts

with

POMALYST

®

,

OTEZLA

®

,

REVLIMID

®

and

ABRAXANE

®

Advanced pipeline:

>30 pivotal / phase III programs underway

22 treatments in over 100 clinical trials in

over 50 diseases

2013

2015E

2017E

Net Product Sales (\$B)

~21%

CAGR

2013

2015E

2017E

rd

~26%

CAGR

**Our Equity Plan Is a Critical Tool
to Delivering on Our 2017 Financial Targets**

The primary purpose of the Plan is to enable us to attract, retain, and motivate key employees who are important to our success by aligning their interests with those of our stockholders.

Approximately 5% of equity awards are granted to NEO s and Directors

Employees at all levels are eligible to participate in the plan

Approximately 60% of granted equity awards are options vs. the peer average of 23%

Stock options represent a minimum of 50% of the total equity awarded in the Equity Choice program

Stock
options
are
intended
to
align
our
broad
employee
base
with
the
performance
of
the
stock

High performing employees are eligible to receive additional incentive equity awards

Performance-based equity grants are part of the Long-term Incentive Plan (LTIP) and are granted to senior executives as part of their compensation packages

We are building a global Inflammation & Immunology franchise that is a significant portion of the 2017 financial targets and is expected to contribute to growth beyond 2017

We
are
hiring
thought
leaders
and
innovators
in
key
functions
in
our
existing
Hematology
Oncology
franchise
who are critical to our long-term success

The value of future broad-based equity grants are planned to be reduced post-split (provided stockholders approve Proposal Three to amend the Certificate of Incorporation and split the stock)

In the Equity Choice program, the option to RSU conversion ratio changed to 4:1 from 3:1 in 2013

- 8
- Our Plan has broad participation across the employee base
- Our Plan is more option centric relative to our peer group
- Our Plan is critical in retaining employees who provide the greatest value creation
- Our Plan is essential in attracting top talent in a highly competitive marketplace
- Our Plan is evolving to further minimize dilution

The Plan Has Several Stockholder-Friendly Features
The Plan has several features designed to protect stockholder interests
and promote effective corporate governance, including:

9

The
Plan
is

administered
by
the
Compensation
Committee
comprised
solely
of
independent directors
Stock options have a term set by the Compensation Committee up to a maximum of ten
years
The
exercise
price
of
a
stock
option
cannot
be
granted
below
the
fair
market value of a
share of common stock on the date of grant
Re-pricing of stock options is not permitted without prior stockholder approval
A minimum
three-year
vesting
period
is
required
for
all
full-value
awards,
including
time-vested and performance-vested awards, subject to limited exceptions
Grants of awards to eligible employees in any given year are subject to certain limits
Double-trigger
requirements, upon certain limited termination events, must be met to
accelerate vesting of equity awards granted on or after July 1, 2011 in the event of a
change in control

We Are Requesting 9 Million Additional Shares
for the Equity Plan
10
Stockholders
are
being
asked

to
approve
an
amendment
to
our
2008
Stock

Incentive Plan that includes the following key modifications:

Total

Stock Options Outstanding, all plans (1)
40,525,585

Full-Value Awards Outstanding, all plans
5,061,794

Shares Available for Awards, all plans (2)
13,953,023

Dilution and Burn Rate:

1)

As of April 21, 2014, the range of the exercise prices of stock options outstanding under all of our equity compensation plans was \$12.59 to \$171.94, with a weighted-average exercise price of \$82.03. The closing price of a share of our Common Stock on such date was \$143.83. The weighted-average remaining contractual life of stock options outstanding under all of our equity compensation plans as of April 21, 2014 was 7.0 years.

2)

Represents
shares
of
our
Common
Stock
reserved
for
future
awards
under
all
of
our
equity
compensation
plans
as
of
April
21,
2014.

Existing Stock Options Outstanding & Shares Available for Grant

Increase the current share reserve by 9,000,000 shares (pre-split) of our Common Stock

Extend the term of the Plan by one-year to April 16, 2024

Including the additional shares requested, the maximum dilution from our equity compensation program would be 14.6% of our market value on a fully-diluted basis

If in-the-money stock options with life of 3 years or less had been exercised, dilution would drop to approximately 13.9% of our market value on a fully-diluted basis

Over the past three years, we have granted an average of 3.37% of the outstanding stock per year (using the ISS methodology for option equivalents)

Our Strong Performance Has Created a Significant
Overhang with In-the-Money Options
Year Granted
(Calendar Year)
Options
Outstanding
Options

Exercisable
 Weighted Avg.
 Exercise Price
 Weighted Avg.
 Contractual Term
 (in years)
 Options Held by
 Current NEO s
 2013
 9,287,455
 445,727
 \$132.48
 9.17
 441,825
 2012
 8,180,393
 2,016,717
 \$72.91
 8.08
 397,694
 2011
 7,078,393
 3,000,829
 \$59.27
 7.02
 230,658
 2010
 4,893,561
 3,705,439
 \$57.40
 6.00
 405,392
 2009
 2,546,394
 2,546,394
 \$48.21
 4.98
 112,942
 2008
 2,586,478
 2,586,478
 \$62.75
 4.00
 121,852
 2007
 1,489,401
 1,489,401
 \$62.25
 3.10
 108,581

2006
159,234
159,234
\$43.93
2.16
0
2005
1,584,618
1,584,618
\$28.27
1.44
372,200
2004
293,508
293,508
\$14.68
0.36
0
Total
38,099,435
17,828,345
\$77.72
6.84
2,191,144
11

Outstanding Stock Option Awards at Record Date

Celgene employees have a history of holding onto their awards, creating a pool of exercisable options that are significantly in-the-money

Proposal Six: Stockholder Proposal for Increased
Disclosure on Political Contributions

American Federation of State, County and Municipal Employees, AFL-CIO,
(AFSCME) submitted Proposal Six requesting the Board to authorize the
preparation of an annual report disclosing:

1.
Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying

communications

2.

Payments by Celgene used for (a) direct or indirect lobbying or (b) grassroots lobbying communications,

in

each

case

including

the

amount

of

the

payment

and

the

recipient

3.

Celgene's membership in and payments to any tax-exempt organization that writes and endorses model legislation

4.

Description of management's decision making process and the Board's oversight for making payments described in sections 2 and 3 above

12

We
Recommend
Voting
Against
Proposal
Six

Our Board believes that this proposal is unnecessary and would not serve the

interests of Celgene stockholders because our Company already makes extensive disclosures about our lobbying activities and the additional information requested by this proposal would be burdensome without providing meaningful additional information.

Our
annual
Celgene
Responsibility
Report
includes
a
Public
Policy
section

A description of our policies and practices regarding public policy activities and the reporting of those activities to the Board's Nominating, Governance, and Compliance Committee

A detailed description of our policies and practices concerning political contributions, lobbying activities, and our memberships in trade associations

A link
to
quarterly
reports
of
our
federal
lobbying
activity
and
biannual
contribution
reports

A list of the Company's trade association memberships

A description and report of the Celgene PAC, which is updated biannually to report all political contribution amounts and recipients

13

We are a member of several trade associations and industry groups that occasionally may be involved in lobbying activities and use a portion of the membership dues to fund such activities. Celgene does not specifically direct how these funds are used and may not agree with all positions supported by these organizations. As a result, disclosure of Celgene's dues to these organizations could misrepresent Celgene's position and advocacy on certain legislative issues. Our website contains extensive information regarding our public policy advocacy and political participation:

Conclusion

We are a leading biopharmaceutical company with an exceptional track record of value creation resulting in strong stock price outperformance

Based on operational achievements we expect to sustain our growth profile through 2017 and beyond

Our Equity Plan is a critical component in our ability to attract and retain key employees responsible for delivering on our long-term financial targets

Our
strong
performance
and
employee
confidence

in
the
future

has
resulted

in an overhang of in-the-money options that may penalize the Company in certain dilution and stockholder valuation transfer models

We recommend stockholders VOTE FOR Proposal Four to amend our Stock Incentive Plan

We believe Stockholder Proposal Six is unnecessary as we provide significant disclosure on our lobbying activities and the additional information requested by this proposal would not provide meaningful additional information.

We recommend stockholders VOTE AGAINST Proposal Six

14

Additional 2014 Proxy Materials
Celgene (NASDAQ: CELG)

Reconciliation Tables

16

Reconciliation Tables

17

Explanation of adjustments:

(1)

Exclude sales related to non-core former Pharmion Corp., or Pharmion, and Abraxis BioScience Inc., or Abraxis products to be

(2)

Exclude the estimated impact of activities arising from the acquisition of Abraxis that are not related to core nab technology and

were divested in 2011, including other miscellaneous revenues, cost of goods sold (excluding amortization of acquired intangibles, expenses and other costs related to such activities. Exclude the net (benefit) cost of activities arising from the acquisition of businesses that are planned to be exited.

(3)

Exclude acquisition-related inventory step-up adjustments to fair value which were expensed for Abraxis in 2011 and 2010 and

(4)

Exclude the Company's share of EntreMed, Inc. THALOMID royalties and equity losses.

(5)

Exclude upfront payments for research and development collaboration arrangements and purchases of intellectual property for

(6)

Exclude in-process research and development, or IPR&D, impairments.

(7)

Exclude the purchase of VIDAZA royalty obligations related to unapproved forms.

(8)

Exclude pricing settlement with the Patented Medicine Prices Review Board of Canada related to sales of THALOMID.

(9)

Exclude acquisition related charges and restructuring, including changes in the fair value of contingent consideration, related to the acquisition of Gloucester, Abraxis and Avila.

(10)

Exclude the IPR&D write-off related to the acquisition of Pharmion Corp. in 2008.

(11)

Exclude impairment of royalty receivable asset that was received in 2011 as partial consideration in the sale of the non-core assets in the acquisition of Abraxis.

(12)

Net income tax adjustments reflect the estimated tax effect of the above adjustments and the impact of certain other non-operating items including one-time effects of changes in tax law, acquisition related matters, adjustments to the amount of unrecognized tax benefits and taxes on unremitted foreign earnings.

Celgene Corporation and Subsidiaries

Reconciliation of GAAP to Adjusted Net Income

ROIC Calculation

18

Important Notice Regarding the Availability of Proxy Materials for the

Annual Meeting of Stockholders to be held on June 18, 2014:

The Proxy Statement, a sample of the form of proxy card sent or given to stockholders by Celgene Corporation, and the Annual Report to Stockholders are available at *<http://www.proxyvote.com>* or on the Investor Relations page of Celgene Corporation's website at *www.celgene.com*.