GENENTECH INC
Form DEFA14A
November 15, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x Filed by a party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

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¨ Definitive Proxy Statement

¨ Definitive Additional Materials

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Genentech, 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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x No fee required.

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Genentech: An Overview
David Ebersman, Executive Vice President and
Chief Financial Officer, Genentech
November 15, 2006

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Introduction to Genentech
David Ebersman
2)
Transition Planning/Process

Ashraf Hanna
3)
Employee Related Information
Brian Muma
4)
Next steps
David Ebersman
5)
Q&A
All

Founding of Genentech

Genentech was founded in 1976 by venture capitalist Robert A. Swanson and biochemist Dr. Herbert W. Boyer. In the early 1970s, Boyer and geneticist Stanley Cohen pioneered a new scientific field called recombinant DNA technology

After hearing about the breakthrough, Swanson placed a call to Boyer and requested a short meeting. Swanson's enthusiasm for the technology and his faith in its commercial viability were contagious, and the meeting extended from 10 minutes to three hours. By its conclusion, Genentech was born

Though they faced skepticism from both the academic and business communities, they forged ahead with their idea. Within a few short years, they successfully demonstrated the viability of using recombinant DNA technology to develop products with practical applications
The First Biotech Company

Genentech s Mission

Our mission is to be the leading biotechnology company, using human genetic information to discover, develop, manufacture and commercialize

biotherapeutics that address significant unmet medical needs

We commit ourselves to high standards of integrity in contributing to the best interests of patients, the medical profession, our employees and our communities; and to seeking significant returns to our stockholders based on the continual pursuit of scientific and operational excellence

In 1998 we licensed U.S. marketing and development rights to interferon gamma, including Actimmune, to Connetics Corporation. Thereafter, Connetics sublicensed, then later assigned, all of its rights to InterMune Pharmaceuticals, Inc. Protropin manufacturing was discontinued at the end of 2002. Nutropin Depot commercialization was discontinued in June 2004.
Developing Therapies For Unmet Medical Needs

Genentech: A Closer Look

More than 10,000 employees

$6.6 billion in total operating revenues (2005)

World leader in biotech manufacturing,
with more FDA-approved manufacturing
capacity for the production of biotech medicines than any other company

Headquarters in South San Francisco; sites in Vacaville and Oceanside,
California, Oregon and Kentucky

Leading provider of anti-tumor therapeutics in the United States

Broad and robust pipeline of more than 40 projects with a focus on
oncology, immunology and disorders of tissue growth and repair

10 FDA Approvals since the beginning of 2004; two pending

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At Our Core, We are a Science Company
Founders Research Center

Single largest biotechnology
research facility in the world

500,000+ square feet of
research space
Scientific Leadership

Ranked
as
the
top
employer
and
most
admired
company
in
biotech
and
pharma
by
Science
Magazine
for
all
five
years
that
Science
has
conducted
survey

Focus on novel pathways involved in complex diseases

More than 700 scientists with expertise in molecular biology,
protein chemistry, bioinformatics and physiology

Peer-reviewed publications encouraged

Secured approximately 6,100 current, non-expired patents worldwide,
with 5,400 patent applications pending worldwide

Discretionary research time allowed

More than 75 Postdoctoral Fellows

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Manufacturing

Genentech is a world leader in biotech manufacturing, with more FDA-approved manufacturing capacity for the production of biotech medicines than any other company

Four facilities: South San Francisco, CA; Vacaville, CA and Oceanside, CA and Porriño, Spain

We believe we have the right plans in place to meet the growing demand for our products:

Oceanside facility purchased from Biogen Idec in 2005

Option to purchase facility in Singapore

Working with Lonza, Wyeth and Novartis

Process yield improvements for Rituxan and Avastin

New capacity coming online for bulk and filling/packaging

Why Are We Interested in Tanox?

Genentech and Tanox have been collaborating since 1996 and received FDA approval of Xolair for allergic asthma in 2003

Our belief in Xolair and IgE inhibition as an important way to treat

patients, and as an area of great potential growth

We expect to grow the Xolair market by increasing patients treated, adding new indications, formulations and second generation molecules

We are interested in several programs in the Tanox pipeline as they are well aligned with our current pipeline in that they investigate novel targets in diseases that would allow us to potentially expand therapeutic options for patients:

Anti-IL13 Mab for asthma

Anti-Factor-D Mab for Dry AMD

Anti-CD4 for HIV

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Transition Planning and
Process
Ashraf Hanna, Vice President of Alliance
Management and Pipeline Planning Support

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Tanox
History and Milestones
Tse Wen & Nancy Chang
found Tanox
Project partnered
with Novartis and

later Genentech
Pipeline
growth
Settlement
of issues w/
GNE and Novartis
IgE patented
Largest IPO
in biotech history
Acquisition
by Genentech
1986
1994
1996
2000
2004
2006
Xolair
launch

Key Items to be Addressed

Which R&D programs does Genentech want to take forward? *(e.g. Should we develop* the anti-CD4 program or partner with a company with more HIV expertise?)

Plan: Complete detailed review of each project in research development so that

Genentech s internal committee can make final decisions.

What resources are required to integrate Tanox effectively if/when transaction closes?

Plan:
Complete
detailed
analysis
and
then
GNE s
Portfolio
Planning
Committee
(PPC)
and Executive Committee (EC) will decide

What will be the status of the Houston, San Diego and Shanghai sites?

Plan: The EC and transition team members will review current operations and then make a decision. Timeframes for the decisions TBD, but will be communicated once a date is known

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Transition Process Will Be Organized Around Four Areas
EC / Legal
EC
Product Portfolio
Committee
Research Review

Committee
EC / PROP
Executive Team
Decision
maker
Feb. 28, 2007
Feb. 28, 2007
Jan. 31, 2007
Feb 28, 2007
3.Recommend
-ation
Feb 10, 2007
Feb. 10, 2007
Jan. 31, 2007
Jan 31, 2007
2. Evaluation
Number of
contracts; Rights
and obligations of
each
Number of
employees by
functional area
Number and
value of R&D
programs
Number, location,
and capability of
facility
1. Assessment
Contracts
HR
Change
management
R&D Programs
Facilities/ Property
Process Summary

Genentech Transition Team
Ashraf Hanna,
Team Leader
Mark Asbury
Leigh Morgan
Charles Calderaro

Sean Bohen
Andy Chan
Neil
Cohen
Contracts
R&D
HR
Facilities/
Property
Communi
cation
Ray Sanchez-
Pescadore,
Project Manager
Brian Muma

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What Does This Mean For You?

We encourage continued focus on your current efforts to bring important new medicines to patients, as this is in everyone s best interest

While we fully expect the deal to go through, we aren t there yet

Your current management continues to run the company until close

Once the GNE and Tanox transition teams are up and running, more detailed information will be available on next steps, key milestones, etc.

Most importantly, we recognize that this is an uncertain time for Tanox employees. Consistent with our values, our intent is to treat Tanox employees with the same respect & integrity that we treat our own employees

Potential Paths Forward for Tanox Employees

Severance package

Outplacement
counseling services

Retention bonus (details to be determined)

Severance package

Outplacement counseling services

Same benefits/compensation package as any Genentech employee

Relocation support (if necessary/applicable)
Not offered transition or permanent position
Tech Transfer Transition team
Retained by Genentech

Brian Muma, Senior Director of Compensation
Benefits and Services

What Does This Mean For You?

100% accelerated vesting of all outstanding unvested options paid out in cash upon close (equal to the difference between $20 and the stock option exercise price less applicable withholding taxes)

Payout of full 401k balance including accelerated vesting on unvested balance that can be paid in lump sum, less taxes, or rolled over to a qualified plan like an IRA

Employees encouraged to apply for existing open GNE positions for which they qualify --
however, we cannot hire prior to close

No decision made yet whether to maintain R&D presence in Houston, Shanghai, and/or manufacturing presence in San Diego

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Severance Details --
What is known

The program will include a base severance for employees who will not be retained that takes into consideration both level and tenure, with maximum severance pay of 8 months salary for any employee

Associate Director and above will be eligible for 5 months salary, plus COBRA benefits for 5 months paid for by Genentech

Employees below Associate Director will receive 3 months salary, plus COBRA benefits for 3 months paid for by Genentech

In addition to minimum severance based on level, the program will provide an additional 2 weeks salary for every year of work

Partial years are pro-rated

Next Steps
David Ebersman

Decisions Yet to be Determined

Future plans for Tanox s pipeline

Future plans for Tanox s sites

Future status of employees

Who will be retained

How/when decisions will be made after close; however, our intent is
for decisions to be made as quickly and with as much transparency as possible

Where retained employees will be located

Details of post-close integration and timeline

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Next Steps
Today:

Small functional meetings with Genentech and Tanox management
This week:

Visit to San Diego facility by Genentech management
Next few months:

Additional site visits to establish post-close integration plans

Deal not closed until at least Q1 07; Tanox remains an independent company until the deal closes. It is important to stay focused and keep moving projects forward during this time:

Tanox shareholder vote

Hart-Scott-Rodino
submission and review

Review of deal by Federal Trade Commission

Transition team established

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Thank You
Thank You

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, among other things, our expectations regarding the closing of the acquisition and the integration of the operations of Tanox, our belief that we have the right plans in place to meet future demand for our products, our belief regarding the future growth and profitability of Xolair and anti-IgE inhibition products, our future product development plans (including anti-IL 13 Mab for asthma, anti-Factor D Mab for dry AMD and anti-CD4 for HIV), our expectations regarding the timing of our evaluations and decisions for transition plans, and the timing of and actual severance payment amounts for Tanox employees. Actual results could differ materially. Among other things, the transaction and its timing could be affected or prevented by failure of certain closing conditions to occur, including FTC or other regulatory actions or delays; integration of the Tanox business (including the timing of our decisions regarding such integration) could be affected by failures in our due diligence review of the Tanox business and failure to retain certain key employees; growth and profitability of our asthma and anti-IgE business (including Xolair) could be affected by adverse market conditions, increased competition, delay or failure of clinical programs, and safety or manufacturing issues; future development plans may be affected by changes in our corporate strategy, increased competition, regulatory actions or delays, unsuccessful clinical trials or third party intellectual property rights; Xolair clinical trials could be affected by a number of factors including unexpected safety, efficacy or manufacturing issues, additional time requirements for data analysis and FDA actions or delays; achieving sales revenue consistent with internal forecasts, unexpected expenses such as litigation or legal settlement expenses, changes in tax rules, adverse market conditions, increased competition, regulatory actions or delays; and the severance described in this presentation will be subject to other terms and conditions set forth in the severance plan established by Genentech (including the execution of a release by each eligible employee). Please refer to Genentech s periodic reports filed with the Securities and Exchange Commission. Such reports contain and identify important factors that could cause actual results to differ materially from those contained in our forward-looking statements. All such risk factors, including those found in our most recent Form 10-Q, are incorporated by reference into this transcript. We undertake no obligation to update or revise any forward-looking statements in the future.