

Edgar Filing: THERMAGE INC - Form 425

THERMAGE INC
Form 425
July 08, 2008

Filed by Thermage, Inc.

Pursuant to Rule 425

Under the Securities Act of 1933 and

Pursuant to Rule 14a-12

Under the Securities Exchange Act of 1934

Subject Company: Thermage, Inc.

Commission File No.: 001-33123

Thermage, Inc.
Thermage, Inc.
(Nasdaq: THRM)
(Nasdaq: THRM)
Stephen Fanning
Stephen Fanning
Chairman and CEO

Chairman and CEO

Additional Information and Where You Can Find It

This
communication
may
be
deemed
to

be
solicitation
material
in
respect
of
the
proposed
transaction
between
Thermage
and
Reliant.

In
connection
with
the
transaction,
Thermage
will
file
a
registration
statement
on
Form
S-4
with
the
SEC
containing
a
proxy
statement/prospectus/information
statement.

The
proxy
statement/prospectus/information
statement
will
be
mailed
to
the
stockholders
of
Thermage
and
Reliant.
Investors

and
security
holders
of
Thermage
and
Reliant
are
urged
to
read
the
proxy
statement/prospectus/information
statement
when
it
becomes
available
because
it
will
contain
important
information
about
Thermage,
Reliant
and
the
proposed
transaction.
The
proxy
statement
/
prospectus/information
statement
(when
it
becomes
available),
and
any
other
documents
filed
by
Thermage
with

the
SEC,
may
be
obtained
free
of
charge
at
the
SEC's
web
site
at
www.sec.gov.

In
addition,
investors
and
security
holders
may
obtain
free
copies
of
the
documents
filed
with
the
SEC
by
Thermage
by
contacting
Thermage
Investor
Relations
by
e-mail
at
IR@thermage.com
or
by
telephone
at
(510)
259-7117.
Investors

and
security
holders
are
urged
to
read
the
proxy
statement/prospectus/information
statement
and
the
other
relevant
materials
when
they
become
available
before
making
any
voting
or
investment
decision
with
respect
to
the
proposed
transaction.
Thermage
and
its
respective
directors
and
executive
officers
may
be
deemed
to
be
participants
in
the
solicitation

of
proxies
from
its
stockholders
in
favor
of
the
proposed
transaction.
Information
about
the
directors
and
executive
officers
of
Thermage
and
their
respective
interests
in
the
proposed
transaction
will
be
available
in
the
proxy
statement/prospectus/information
statement.

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Forward Looking Statements

Forward Looking Statements

This presentation contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, including statements regarding potential transaction timing, projected financial results, and anticipated cost savings, synergies and other opportunities. Forward-looking statements are based on management's current, preliminary expectations and are subject to risks and uncertainties, which may cause actual results to differ materially from the statements contained herein, including the risks that the transaction is delayed or ultimately not consummated, and that the anticipated financial and operating benefits of the transaction are not realized, among other risks. Further information on potential risk factors that could

affect Thermage's business are detailed in the Company's Form 10-Q for the quarter ended March

31, 2008, and additional risk factors relating to the proposed transaction discussed in this presentation will be presented in future public filings. Undue reliance should not be placed on forward-looking statements, which speak only as of the date they are made. Thermage undertakes no obligation to update publicly any forward-looking statements to reflect new information, events or circumstances after the date they were made, or to reflect the occurrence of unanticipated events.

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Agenda
Agenda

Relay Transaction

Strategic Rationale

Market Opportunity

Combined Company Benefits

Transaction Details Overview

Financial Highlights

Prior to filing the final proxy, communications
regarding the merger are restricted

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Creating a Global Leader

Creating a Global Leader

Strategic Rationale

Financial Rationale

Combines two of the most differentiated
and valued brands in aesthetic devices

Highly complementary product offering

Targeting the highest growth market
sectors

Strong economies of scale

Significant cross-selling opportunities

Track record of innovation

Creates one of the largest sales forces in
aesthetic devices

Enhanced resources to target international
sales

Unique recurring revenue financial model

Significant cost synergy opportunities

benefiting from proximity of headquarters

Anticipated cash flow generation of over
\$15 million in 2009

Expected to be accretive to GAAP EPS in
2009

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Significant Synergy Opportunity
Significant Synergy Opportunity
EPS Accretive in 2009*
Over \$14 million in projected annual costs savings achieved in 12 months
Significant efficiencies created in SG&A and manufacturing
Leverage combined purchasing power
Consolidate administrative activities and close proximity of headquarters
Projected revenue opportunities
Cross-selling
Enhanced consumable opportunities
Potential for product bundling

* As
compared
to
First
Call
2009
consensus
GAAP
EPS
of
\$0.26
as

of
July
3,
2008
6

Thermage
Thermage

Leader in skin tightening

Recent introduction of cellulite reduction

Over 500,000 procedures performed since
commercialization in November 2002

Broad Distribution:

Over 80 countries

OUS revenue of almost 50%

Industry's leading disposables business
model

Unique IP-protected technology

7

Relay
Relay

Leader in skin resurfacing and rejuvenation

Pioneer of fractional resurfacing in 2004

Strong momentum in new product
placements

Broad distribution:

Over 60 countries

OUS revenue of almost 38%

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Combining Two of the Most Differentiated &
Combining Two of the Most Differentiated &
Valued Brands in Aesthetics
Valued Brands in Aesthetics

Creates one of the largest Aesthetic device
companies in the industry

Strong balance between recurring revenue and new
product placement

Highly differentiated technologies

Large installed base of approximately 4,000 systems

Track record of innovation

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Aesthetic Market Overview

Aesthetic Market Overview

Key Growth Drivers

Key Growth Drivers

Aging of U.S. Population

Broader Range of Non-invasive Treatments

Changing Practitioner Economics

managed care and

government reimbursement restrictions

Increased Acceptance of Aesthetic Procedures

Enormous U.S. Aesthetic Market with 11.7 Million Procedures

and \$13.5 Billion in Spending in 2007

(1)

(1) Source: ASAPs Cosmetic Surgery National Data Bank, data derived from core physicians

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Targeting the Highest Growth Markets
Targeting the Highest Growth Markets
CAGR for U.S. Procedures & Device Sales (2007-2011)
33%
14%
26%
11%
23%
16%
19%
34%
17%
11%
18%

12%

0%

5%

10%

15%

20%

25%

30%

35%

40%

Skin

Tightening

Skin

Rejuvenation

Skin

Resurfacing

Cellulite

Reduction

Hair Removal

Acne

Reduction

No. of Procedures

Device Sales (\$MM)

Source: Millennium Research Group 2007 report.

Initial Target Markets

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Installed Base
Over 1,500
Installed Base
Over 2,500
Cross Selling Opportunities
Cross Selling Opportunities
Cross-Branding
Opportunities
Strong Combination
Therapy
One Stop Shopping

For Physicians
Potential to Bundle
Technology
12

Creating One of the Largest Sales Forces in
Creating One of the Largest Sales Forces in
Aesthetic Devices
Aesthetic Devices
Largest Bifurcated
U.S. Sales Force
Focused on
Disposables
Focused on
Generators
13

Consumable Revenue
Consumable Revenue
2007 Consumable Revenue Per Installed Instrument
Dedicated sales force
focused on consumables
Proven cooperative
marketing campaigns with
physicians
Enhanced resources to
increase visibility with
physicians and patients
\$20,300
\$13,700
\$-
\$5,000

\$10,000
\$15,000
\$20,000
\$25,000
Thermage
Reliant
14

Creating a Strong Sustainable Business
Creating a Strong Sustainable Business
2007 Revenue Streams
68%
26%
6%
20%
72%
8%
42%
51%
7%
0%
20%
40%

60%
80%
100%
Thermage
Reliant
NewCo
Tips
Systems
Other
15

4/26/06
Eyes by Thermage
Track Record of Innovation
Track Record of Innovation
10/26/06
2/1/07
ThermaCool®NXT
Tummy by Thermage
2/2/07
Hands by Thermage
6/26/07
Lips by Thermage
8/2/07
ThermaTip

STC
10/1/07
ThermaTip
DC and
Body Shape procedure
2/1/08
ThermaTip
CL (Cellulite)
8/14/06
Fraxel
®
SR1500 Laser
2/2/07
Roller tips
2/2/07
2
Generation
Optical
Tracking
6/4/07
Fraxel Re:Fine
Laser System
9/7/07
Fraxel Skin Ecology System
1/31/08
Q1
2007
Q4
Q3
Q4
Q3
Q2
Q1
Q2
Q1
2008
2006
Q1
2007
Q4
Q3
Q4
Q3
Q2
Q1
Q2
Q1
2008
2006
16

nd
Fraxel Re:Pair
Laser

Transaction Overview

Transaction Overview

Purchase

Consideration

23.6 million shares and \$25 million in cash, plus the assumption of \$7.0 million of net debt, for an approximate total consideration of \$95 million, based upon the closing price of Thermage common stock on July 3, 2008

Pro Forma

Ownership

(treasury stock method)

Thermage: 51.1%

Reliant: 48.9%

Board/Management

Chairman & CEO: Steve Fanning

CFO:

Jack Glenn

Thermage:

Six Directors

Reliant:

Three Directors

Approvals

Transaction is subject to approval of Thermage stockholders, of which certain stockholders holding 33% of the shares outstanding have agreed to vote in favor of the transaction

Reliant stockholders have already approved the transaction by written consent

Additional customary conditions to closing

Anticipated Timing

To Closing

Fourth Quarter of 2008

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Combined Financial Strength
Combined Financial Strength
Thermage
2007
Revenue
\$63.1
Reliant
2007
Revenue
\$70.5
Combined Company
2007
Revenue
\$133.6
Shares Outstanding
48 mil.

International Sales
International Sales
62%
38%
United States
Rest of World
52%
22%
16%
10%
United States
Asia Pacific
Europe & Middle East
Rest of World

Expansion of international distribution for Reliant products

Greater leverage with distributors

19

\$63
\$71
\$102
\$124
\$124
\$134
\$141
\$149
\$0
\$20
\$40
\$60
\$80
\$100
\$120

\$140

\$160

THRM

Reliant

CUTR

PMTI

CYNO

NewCo

ELOS

CLZR

Creating Strong Economies of Scale

Creating Strong Economies of Scale

Source: Wall Street Research, and company (Thermage and Reliant) management.

Strong Economies of Scale

Greater Liquidity

Enhanced Cash Flow

Greater Resources to

Drive R&D

Better Negotiating

Leverage With Suppliers
and Distributors

2007 Revenue

20

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