

Edgar Filing: THERMAGE INC - Form 425

THERMAGE INC

Form 425

August 14, 2008

The following is a presentation that was initially made available by the Company in meetings with investors starting on August 13, 2008.

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

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Chairman and CEO

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

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 filed 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,  
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](http://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](mailto: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  
is available  
in  
the  
proxy  
statement/prospectus/information  
statement.

2

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 June 30, 2008, and additional risk factors relating to the proposed transaction discussed in this presentation are presented in the Form S-4

as filed by Thermage on

August 11, 2008.

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.

3

Creating a Global Leader  
Creating a Global Leader

Combines the leaders in two of the largest segments of the  
aesthetic  
device  
industry

skin  
tightening  
and  
skin  
resurfacing

Strong economies of scale and substantial cost synergies

Creates one of the largest sales forces in aesthetic devices with significant cross-selling opportunities

Industry leading recurring revenue model

Anticipated cash flow generation of over \$15 million and accretive to GAAP EPS in 2009

Expected to close in the fourth quarter of 2008

4

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

5

Aesthetic Market Overview

Aesthetic Market Overview

Strong U.S. Non-surgical Growth

Strong U.S. Non-surgical Growth

U.S. procedures increased 105% from 2000 to 2007

Non-surgical procedures are driving the trend (+123%)

1.4  
2.1  
0.0  
0.5  
1.0  
1.5  
2.0  
2.5  
2000  
2007  
4.3  
9.6  
0.0  
2.0  
4.0  
6.0  
8.0  
10.0  
12.0  
2000  
2007

Surgical +50%

(millions of procedures)

Non-Surgical +123%

(millions of procedures)

Source: ASAPS, data derived from core physicians

6

Market Size  
Market Size  
U.S. Practitioners  
Core Market  
Over 11,000 Dermatologists  
& 7,000 Plastic Surgeons  
Non-Core Market  
133,000 physicians in other specialties  
Over 1,300 systems have been installed in the U.S.  
67% to Core Physicians & 33% to Non-Core Physicians  
7

\*  
\*  
\*



Thermage Solution  
Thermage Solution

Non-invasive, Non-ablative  
Alternative to Surgery

Single Procedure Treatment

Controlled Heating of  
Collagen through Clinically-  
Proven Technology

Compelling Physician  
Economics



Capacitive Coupling  
Treatment Tip  
1 Thermistor  
(Temperature Sensor)  
at each corner of  
treatment tip surface  
(total of 4)  
Internal EPROM  
Programmable  
Memory Chip  
Tip-to-Skin Detection:  
Prevents RF delivery  
if all four corners are  
not in contact with

the skin  
Single-Patient-Use  
ThermaTip  
ThermaTip  
10  
~ 90% Margin

Dominant Proprietary IP  
Dominant Proprietary IP

114 Patents Filed Worldwide  
32 Issued in the U.S., 21  
Issued Overseas, 62 pending

Validated by Competition  
Syneron, Inc.  
> Paid license settlement in 2005  
> Admitted patents are valid  
> Thermage licensed bi-polar conductive RF to  
Syneron  
11

Demonstrated Efficacy and Safety  
Demonstrated Efficacy and Safety  
Robust FDA 510k Clearances:

Periorbital

-

November 2002

Face -

June 2004

Full body -

December 2005

Cellulite -

October 2006

Upper & Lower Eyelids

June 2007

> First & Only Non-invasive Device Indication for Eyelids <

Over Five Years of Clinical Experience:

Over 500,000 procedures: > 99.8% with no reported complications

Over 2,500 installed systems

Extensive Peer Reviewed Studies:

More than 45 peer reviewed scientific journal articles

12

Quotes from Scientific Journals

Quotes from Scientific Journals

94% were satisfied with the treatment and only 5% felt the treatment was too painful

Survey of 5,700 patient treatments

Dr. Jeffrey Dover & Dr. Brian Zelickson, *American Society for Dermatologic*

Surgery,

August

2007)

"Our data

indicate that monopolar

RF for skin tightening is a

very safe procedure. The treatment algorithm and tips have

evolved over several years leading to increased safety and

efficacy. Side effects are infrequent, self-limited, and minor,

comparing favorably to other non-ablative devices utilized for

facial rejuvenation."

Dr. Robert Weiss et al, over 600 patient retrospective study, *Journal of*

Drugs

in

Dermatology,

September

2006

13

Current Applications

Current Applications

Body by Thermage

Tighten, contour and rejuvenate skin anywhere on the body

Face by Thermage:

Full face and neck

Eyes by Thermage:

Eyelids and periorbital

area

Hands

by

Thermage:

Top

surface

of



hands

(Q1  
07)

Lips

by

Thermage:

Fuller,

smoother,

more

defined

looking

lips

(Q2  
07)

ThermaCool

STC:

Designed to reduce procedure time up to 25%;

treats

larger

volume

of

tissue

(Q3

07)

Body Shape Procedure :

heats deeper into the skin to promote increased

collagen

tightening

for

body

shaping

(Q4

07)

Cellulite Procedure:

rebuilds collagen connective tissues and improves blood

flow to the tissue helping to smooth appearance of the

skin s

surface (**March**

08)

14

Face by Thermage  
Face by Thermage  
Pre-Treatment  
2 Months Post Treatment  
15

Eyes by Thermage  
Eyes by Thermage  
Pre-Treatment  
2 Months Post Treatment  
16

Tummy by Thermage  
Tummy by Thermage  
Pre-Treatment  
Three Months  
Post Treatment  
17

Cellulite Procedure by Thermage  
Cellulite Procedure by Thermage  
18

Revenue Streams  
Revenue Streams  
Key Products  
ThermaCool  
NXT(59%), System  
Upgrades (26%)  
The ThermaCool  
System  
RF Generators  
Incl. New & Upgrades  
Other consumables: return  
pads, coupling fluid,  
cryogen, grid paper

Extended service contracts

Other Consumables

& Service

Gross Margin

~45%

~90%

0.25, 1.0, 1.5, 3.0 cm<sup>2</sup>

tips with various

combinations of firings &

heating profiles

ThermaTips

~25%

Percentage

of Revenue

~25%

~70%

~5%

19

Thermage 2nd Quarter Overview  
Thermage 2nd Quarter Overview

Sales of tips & consumables were  
up 15% from Q2 2007

Gross profit margin of 77.1% vs.  
72.5% prior year

Operating expenses held in check  
despite expansion of U.S. sales  
force



\$52 million in cash and \$0 in debt

DSO of 36 days

20

3 Months Ended June 30,

(\$ in thousands, except per share data)

2008

2007

Revenue

\$17,881

\$17,499

Cost of Good Sold

4,095

4,818

Gross Profit

\$13,786

\$12,681

Sales and Marketing

6,993

6,815

Research and Development

2,173

2,232

General and Administrative

3,046

2,784

Total Operating Expenses

\$12,212

\$11,831

Income from Operations

1,574

850

Interest and Other Income

543

598

Income Before Taxes

\$2,117

\$1,448

Provision for Income Taxes

(78)

(140)

GAAP Net Income

2,039

1,308

Stock Based Compensation Charges

923

1,222

Non-GAAP Net Income (Loss)

\$2,962

\$2,530

GAAP Net Income per Share - Diluted

\$0.08

\$0.05

Stock Based Compensation Charges per Share

\$0.04

\$0.05

Non-GAAP Net Income (Loss) Per Share - Diluted

\$0.12

\$0.10

\*  
\*  
\*

Pioneer of fractional technology

One of the most recognized and fastest growing brands in aesthetics

Large installed base of over 1,700

Growing consumable revenue stream from tip sales leading to increased margins

A track record of innovation and a strong product pipeline

Broad patent protection with 26 patents issued in the US and 119  
patents pending  
in the US and internationally

Significant home market opportunity through agreement with Philips  
The Gold Standard in Skin  
The Gold Standard in Skin

Resurfacing & Skin Rejuvenation  
Resurfacing & Skin Rejuvenation  
22

Reliant Product Overview

Reliant Product Overview

\$79,000

\$119,000

\$129,000

System

List Price

\$400

\$400

\$400

Treatment Tip

List Price

5-6 full face treatments

3-5 full face treatments

1 full face treatment

Approximate tip life

Yes

1-2  
Ablative  
January 2008  
Fraxel re:pair  
Yes  
Yes  
Consumable treatment tip  
5-6  
3-4  
Typical patient treatments  
Non-ablative  
Non-ablative  
Modality  
June 2007  
September 2006  
Commercial launch date  
Fraxel re:fine  
Fraxel re:store  
Target customer base:  
Dermatologists and  
plastic surgeons  
Dermatologists, plastic  
surgeons, and non-core  
physicians  
Non-core physicians and  
med-spas  
23

Superior Fractional Technology  
Superior Fractional Technology

Continuous motion scanning technology

Faster treatments

More uniform treatments

More effective results

Simpler, safer treatments

Greater reliability at total lower cost of ownership

Wide range in depth of treatment

24



Fraxel  
Fraxel  
Results  
Results  
Before  
After  
25

Fraxel  
Fraxel  
Results  
Results  
26

Fraxel  
Fraxel  
Results  
Results  
Before  
After  
27

Fraxel  
Fraxel  
Results  
Results  
28

An Industry Leader in Revenue Growth  
An Industry Leader in Revenue Growth  
Reliant Has Been One of the Highest Growth Aesthetics Companies  
23%  
12%  
19%  
11%  
1%  
1%  
19%  
11%  
10%  
0%  
5%  
10%

15%

20%

25%

2007

Q1 '08

Q2 '08

Reliant

Index

NewCo

Note: Growth shown as compared to the quarter of the previous year

Index consists of CLZR, CUTR, CYNO, PMTI, and ELOS

CLZR and ELOS Q2 '08 revenue from consensus estimates

29

Systems and Consumables Driving  
Systems and Consumables Driving  
Revenue Growth at Reliant  
Revenue Growth at Reliant  
Fraxel s Continued Strong  
Growth Prospects

Continued momentum for  
re:pair

Pending foreign registration  
clearances for re:pair

Expanded application  
capabilities for re:store

Continued growth of tip sales

Development revenues from  
 home use agreement with  
 Philips  
 Income Statement  
 Year Ending  
 3 Months Ending  
 (\$ in millions)  
 12/31/2007  
 3/31/2008  
 6/30/2008  
 Systems  
 \$43.9  
 \$12.1  
 \$15.5  
 % Y/Y Growth  
 2%  
 28%  
 29%  
 Tips & Other Consumables  
 13.9  
 4.7  
 4.6  
 % Y/Y Growth  
 36%  
 39%  
 35%  
 Upgrades & Auxillary Equipment  
 10.9  
 0.9  
 1.0  
 % Y/Y Growth  
 266%  
 (71%)  
 (66%)  
 Other  
 1.8  
 0.6  
 1.4  
 % Y/Y Growth  
 68%  
 70%  
 234%  
 Net Revenues  
 \$70.5  
 \$18.4  
 \$22.6  
 % Y/Y Growth  
 23%  
 12%  
 19%





Reliant Achieves Break-Even Non-  
Reliant Achieves Break-Even Non-  
GAAP Operating Income\*  
GAAP Operating Income\*

\*Non-GAAP Operating Income excludes SBC and extraordinary charges

Income Statement

Year Ending

3 Months Ending

3 Months Ending

(\$ in millions)

12/31/07

% of Rev

3/31/08

% of Rev

6/30/08

% of Rev

Comments

Net Revenues

\$70.5

100%

\$18.4

100%

\$22.6

100%

Strong revenue growth

Gross Profit

38.0

54%

11.0

60%

13.9

61%

Expansion of gross profit margin driven by increased new system sales, growth in tip revenues and improved manufacturing costs

Operating Expenses

62.1

88%

16.0

87%

15.9

70%

Total expenses remained relatively constant

GAAP Operating Income

(24.1)

(34%)

(5.0)

(27%)

(2.1)

(9%)

Stock Based Compensation (SBC)

6.3

9%

2.0

11%

2.0

9%

SBC expected to reduce significantly as part of combined entity

Extraordinary Charges

IPO Expenses

2.6

4%

-

-

M&A Expenses

-

0.7

4%

0.1

1%

Severance Expense

-

-

0.2

1%

Inventory Charge

1.7

2%

-

-

SBC and Extraordinary Charges

10.5

15%

2.8

15%

2.4

10%

Non-GAAP Operating Income

(13.5)

(19%)

(2.2)

(12%)

0.3

1%

Reliant had positive operating income in Q2 '08  
excluding SBC and extraordinary charges

31

\*  
\*  
\*  
\*

Combining Two Highly  
Combining Two Highly  
Complementary Business Models  
Complementary Business Models  
Revenue Streams for the 6 Months Ending June 30, 2008  
72%  
26%  
2%  
23%  
72%  
5%  
45%  
51%  
4%  
0%  
20%  
40%  
60%  
80%

100%  
Thermage  
Reliant  
NewCo  
Tips  
Systems  
Other  
33

Enhanced Opportunity to Grow  
Enhanced Opportunity to Grow  
Consumable Revenue Stream  
Consumable Revenue Stream  
Treatment Tips and  
Consumables Revenue  
6 Months Ending June 30, 2008

Dedicated consumables  
sales force markets to  
Reliant's installed base

Proven cooperative  
marketing campaigns with  
physicians

Enhanced resources to  
increase visibility with  
physicians and patients  
Installed Base of Systems  
as of June 30, 2008



Thermage  
\$24.6mm  
Reliant  
\$9.3mm  
Total: \$33.9mm  
Thermage  
>2,500  
Reliant  
>1,700  
Total: >4,200  
34

Creating One of the Largest Sales  
Creating One of the Largest Sales  
Forces in Aesthetic Devices  
Forces in Aesthetic Devices  
Largest Bifurcated  
U.S. Sales Force  
Focus on  
Disposables  
Focus on  
Generators  
Enhances Market Penetration  
35



Cross Selling Opportunities  
Cross Selling Opportunities  
Installed Base  
Over 1,700  
Installed Base  
Over 2,500  
Cross-Branding  
Opportunities  
Strong Combination  
Therapy  
One Stop Shopping

For Physicians  
Potential to Bundle  
Technology  
Improved Leverage  
with Distributors  
36

Substantial Synergies Identified  
Substantial Synergies Identified  
Headcount Related  
66 positions

Sales  
\$2.2mm

Marketing  
\$2.3mm

Operations  
\$1.4mm

G&A  
\$3.4mm  
TOTAL HEADCOUNT  
\$9.3mm  
Other Costs

Marketing  
\$2.0mm

Facilities  
\$0.5mm

R&D  
\$1.0mm

Consulting, Legal, Insurance, Audit  
\$1.2mm  
TOTAL OTHER  
\$4.7mm  
TOTAL SYNERGIES  
\$14.0mm  
37

70%  
68%  
66%  
62%  
50%  
56%  
56%  
0%  
20%  
40%  
60%  
80%  
CYNO  
CLZR  
ELOS  
Post-  
Merger

CUTR

PMTI

THRM

Reliant

Benefit From Economies of Scale

Benefit From Economies of Scale

Q2 08 Operating Expenses as a % of Revenue

Avg. of 54%

Avg. of 67%

\$39

Q2 08 Revenue

(\$ in millions)

\$40

\$38

\$40

\$25

\$23

\$18

\$23

CLZR and ELOS from analyst estimates

\*Includes 25% of \$14mm in synergies, or \$3.5mm in synergies

61% Including Synergies\*

69% Excluding Synergies

38



Projected Liquidity of Combined Company  
Projected Liquidity of Combined Company  
Cash  
\$52.2mm  
\$25mm  
Cash Paid  
to Reliant  
at Close  
\$0  
\$5mm  
Cash Lent  
to Reliant  
\$8mm  
Transacti

on/One-  
Time  
Expenses  
Cash  
~\$16mm  
\$1mm  
Repayment of  
Assumed Debt  
and Interest  
6/30/08  
12/31/08  
\$2.5mm  
Reliant Cash  
Assumed  
12/31/09  
Estimated  
Cash Flow  
from  
Operations  
~\$15mm  
39

Summary  
Summary

Combines the leaders in two of the largest segments of the aesthetic device industry

skin tightening and skin resurfacing

Strong economies of scale and substantial cost synergies

Creates one of the largest sales forces in aesthetic devices with significant cross-selling opportunities

Industry leading recurring revenue model

Anticipated cash flow generation of over \$15 million and accretive to GAAP EPS in 2009

Expected to close in the fourth quarter of 2008  
40