

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](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  
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

5

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  
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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

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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

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\$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

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