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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.

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
is 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 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.

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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

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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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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

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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

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*
*

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
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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

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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)

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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 cm²

tips with various

combinations of firings &

heating profiles

ThermaTips

~25%

Percentage

of Revenue

~25%

~70%

~5%

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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

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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

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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

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*
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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

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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