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LIFTING LIVES AND MARKET SHARE MERZ AESTHETICS PICKS UP ULTHERA

In an era of fierce acquisitions and consolidations, Merz acquired Ulthera, thereby diversifying their portfolio from medical and cosmetic dermatology to include capital equipment. **Wendy Lewis** explores Ulthera's rise to fame and fortune, and what the future holds

ULTHERA, THE LITTLE START-UP that appeared on the scene a decade ago, has taken a very interesting path right up to 2014. Founded in January 2004 by Michael Slayton, PhD, in Mesa, Arizona, Ulthera has grown to a company with 180 employees over the last few years. There are currently 3000 Ultherapy systems installed in 65 countries worldwide.

President and CEO Matthew Likens; Randall Miller, PhD, who serves as Vice President Medical and Technical Initiatives; and Teri Larsen Barnhill who holds an administrative role in the company, have all been on board since day one. Ulthera has weathered the FDA regulatory storm, faced funding challenges along the way, and survived some lean years after the 2008 Lehman Brothers collapse, to an impressive end game. The Merz acquisition was valued at up to \$600M in upfront cash and milestone payments.

To what does Ulthera owe its impressive achievements? 'Our rise to success can really be attributed to our people, our 7Cs operating principles, and our commitment to bringing more value to each of our customers by investing in our technology platform on an on-going basis,' says Likens. 'As a venture capital-backed start-up with limited funding, our first goal was

survival, which relates to getting to a commercial run-rate that could sustain our enterprise. We launched Ultherapy in January 2010 in the US, during the worst recession since the Great Depression. As our technology gained acceptance around the globe, we began to invest in technology enhancements, additional clinical studies and scientific publications, and in growing our organization to prepare for the future,' he said.

Likens firmly believes in treating others the way you want to be treated. 'We try to hire the best and the brightest at Ulthera and then establish an environment where all opinions count. As one progresses through an organization, the point is not that more people work for you—the point is that you have a greater obligation to serve the organization, removing obstacles that may prevent the team from succeeding,' he said.

It would be hard to argue with that logic. Likens' mild manner and down-to-earth style has attracted some highly talented marketers and experienced clinical and regulatory experts to join his team, notably Janice Lipsky, PhD, Vice President of Global Marketing whose background includes a successful stretch at Medicis, and prior to that, at Pfizer where she led the US Viagra marketing team. Under their direction, Ulthera's first FDA-cleared indication was for a non-invasive brow lift, followed by a non-invasive lift of the lower face and >



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Ulthera Building—Stapley Corporate Center, Mesa, Arizona

addition to the delayed tissue lift one sees as early as 3 months, with maximum results 6 months out.’

Another advantage is the ability to customize the treatment for each patient, which has catapulted Ulthera to the status of one of the top revenue producing procedures in many practices. ‘Ulthera has been a business driver for our practice. It serves as a catalyst to bring existing patients back, and also attracts new patients,’ said Fabi.

Bryan G. Forley, a New York City aesthetic plastic surgeon, is another satisfied customer, having had the system for 3 years with over 300 treatments under his belt. ‘Ultherapy was the single best business decision I have made for my practice. The visible improvement from a 30-60 minute office procedure make it a compelling option for patients who aren’t ready to undergo anything more extensive. Results can be visible immediately with some contraction and firming, and get better over time after just one treatment. For patients with significant facial and neck sagging, an additional treatment after 3 to 6 months has proven to be effective. The key is to be upfront and honest with patients to set realistic expectations.’

Facial plastic surgeon Dr Vito Quatela, in Rochester, New York, a Past President of AAFPRS agrees: ‘The company has done an excellent job of increasing consumer awareness of the Ultherapy treatment. We brought in Ulthera because patients were looking for a treatment that was non-surgical, collagen stimulating,

and consequently addressed some facial laxity. Collagen stimulation without skin injury is a goal of many non-invasive therapies and while it does not replace facial surgery, it is a reasonable alternative for a certain segment of patients. We have also found it useful for maintenance post-facelift.’

Future indications for Ulthera raise the heart rates of physicians on the hunt for new non-invasive treatments to meet the insatiable demands of cosmetic patients. ‘Most >

> neck, and then targeting lines and wrinkles on the décolleté.

Enter Merz, a privately owned specialty healthcare company founded in 1908 in Frankfurt, Germany, with a rich history of developing and marketing innovative products for physicians and patients. On the face of it, the two seem to be unlikely bedfellows.

Practice profit and growth

Aesthetic practices that have adopted Ultherapy are creating significant patient satisfaction and Ulthera’s popularity skews across multiple specialties. ‘We believe we are not just lifting brows, lower faces and necks, but helping patients look and feel better following a procedure,’ said Likens.

Ultherapy is the leading device for non-invasive lifting. It offers something that patients are looking for, especially when it comes to treating the neck, which is where the technology really thrives,’ according to San Diego, CA, dermatologist Sabrina Fabi speaking at Ulthera Global Headquarters alongside R. Rox Anderson, MD in Mesa, Arizona, on April 4, 2014. ‘With ultrasound, if you play with it the right way, you can do a lot with it. Ultherapy is the only device that allows practitioners the ability to image the tissue they are trying to lift and tighten. There is immediate tissue contraction, in



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MATTHEW LIKENS, ULTHERA PRESIDENT AND CEO

ULTHERA TIMELINE

2004
Company founded

2008
Ultherapy becomes available in the EU and Hong Kong

2009
Ultherapy becomes the only non-invasive procedure FDA-cleared to lift skin on the brow

2012
Ultherapy becomes the only non-invasive procedure FDA-cleared to lift skin on the neck, under the chin

2013
Ultherapy becomes the only FDA-cleared aesthetic procedure to use ultrasound imaging to visualize dermal and subdermal layers of tissue during treatment

2014
Ulthera acquires Cabochon Aesthetics to be commercialized by Ulthera as Cellfina

Ultherapy becomes the only non-invasive procedure specifically FDA-cleared to improve lines and wrinkles on the décolletage

Ulthera is acquired by Merz




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(A) before and (B) 90 days after Ultherapy treatment to the neck and under chin



(A) before and (B) 90 days after Ultherapy treatment to the brow

▷ patients ask for the full face and neck to be treated, but now with the new décolletage indication, we're seeing more demand for the chest area as well. Patients recognize the more money and time they invest in their face, the greater the discrepancy that starts to exist with their aged chest. There are also several clinical studies in the works to see where else the treatment will be effective,' said Fabi. The knees, buttocks, and the elbows are potential targets for microfocussed ultrasound, and even hyperhidrosis is a possibility.

Masters of the Universe

To the industry, Greensboro, NC, based Merz seemed to be an unlikely suitor for a pure technology company. After all, it isn't every day that we hear about medical device superiority emanating from south of the Mason Dixon line, a far cry from the tech capital of the Bay area.

So what made Merz North America President and CEO Bill Humphries take the plunge to make this deal, the largest in Merz's history? 'The answer is quite simple,' said Humphries. 'Our commitment to our customers and their desires and needs provides us some very clear opportunities, and Ulthera was one of those. The fit is squarely aligned with our strategic focus to be a leading Aesthetic company. Ultherapy is an innovative technology in the market with a strong customer following resulting in a successful business. The opportunity to include them in the Merz portfolio further expands our ability to serve our customers in a manner we previously could not.'

The love fest between these two global players is a marriage of vision and goals. According to Likens, 'Merz is committed to becoming a much larger player in the global aesthetics industry. They have built

an excellent reputation in the industry with a host of widely-used products. Their acquisitions of BioForm in 2010, Neocutis and Anteis in 2013 and now, Ulthera in 2014, are a powerful indication that Merz is very committed to this market. This combination of technologies will allow the Merz team to have a meaningful impact on aesthetics practices globally.'

Future products

Ulthera's own portfolio expanded in 2014 when the company acquired Menlo Park, CA, based Cabochon Aesthetics who had developed a precision microblade technology for the minimally invasive treatment of cellulite. Under the Ulthera umbrella, the product morphed into the brand name 'Cellfina' as it advances forward toward commercialization. By all accounts, Cellfina is a more invasive device than Ulthera. It is a handheld instrument designed to get to the root cause of cellulite by severing the fibrous septae. The system combines gentle vacuum suction and fine blades that are inserted beneath the skin under local anesthesia in an office setting.

According to Chestnut Hill, MA, dermatologist Michael S. Kaminer, a primary investigator on the device, 'Cellfina is likely to add tremendous value to our practices. The sweet spot for efficacy is mild to moderate cellulite dimples on the buttocks and upper-thighs (primarily outer). While many women also have concerns about rippled diffuse cellulite, it surprised me just how many

were eager to eliminate buttock cellulite. When we did our clinical trials, patients were thrilled, and we had a waiting list to get into the study. When we spoke to women about treating buttock cellulite, they pointed out that they saw it every day when they looked in the mirror, and eliminating it simply made them happier.'

So far, Cellfina is showing promise for delivering long lasting cellulite reducing benefits, considered the holy grail of aesthetic treatments. Kaminer's team at Skincare Physicians has patients out 3 years who still have their initial benefit. 'It allows physicians to offer a minimally invasive cellulite reduction procedure with patient satisfaction at 94% 1 year post procedure. Cellfina simply works, and patients love it.'

According to Jim Hartman, Vice President and Head US Aesthetics/OTC at Merz, 'The launch plans for Cellfina are underway and like our Merz Aesthetics injectable portfolio, Neocutis and Ultherapy, Cellfina serves the needs of many of our customers and assists in their efforts to delight their patients. Our focus is to be a trusted and innovative partner that assists in bringing out the best in the practices of our customers.'

The Ulthera management team is certainly eagerly anticipating what the new partnership will bring. 'We are very excited to be joining the larger Merz team around the globe with an opportunity to lift more lives with even greater resources,' says Likens.



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BILL HUMPHRIES, MERZ NORTH AMERICA PRESIDENT AND CEO

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