



MEDICAL INSIGHT

Mini Report

Fractional Skin Rejuvenation: Continued Growth as Demand Returns

November 2009

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Methodology

This mini report represents the fifth edition of Medical Insight, Inc.'s Fractional Skin Rejuvenation mini report series. Like its predecessor, which was issued in April 2009, this report contains the latest industry news and updated market forecasts, which take into account recent technology, product, company, regulatory and other developments, as well as an in-depth analysis of the competitive positions of key players in the fractional skin rejuvenation marketplace.

Fractional Skin Rejuvenation was compiled from a wide variety of public and proprietary sources. Information was cross-checked against other data, using Medical Insight's proprietary forecasting models, and synthesized into both qualitative and quantitative analyses and projections.

Public sources that were utilized include:

- articles in trade publications, medical journals and regulatory documents;
- articles in consumer magazines and newspapers;
- company news releases, website information, patent documents, marketing materials and financial filings;
- information from trade associations

Proprietary sources that were utilized include:

- Medical Insight's extensive databases of industry and product information;
- Medical Insight survey data;
- industry analyst reports;
- exclusive interviews with company executives, researchers, sales representatives, physicians, patients, consultants and other industry experts

Additionally, feedback from Medical Insight product information is continually built back into research products so that reports are updated with the most recent industry and market information on an ongoing basis.

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Disclaimer

Information in this study has been obtained by Medical Insight, Inc. from sources believed to be reliable. While Medical Insight believes the data provided herein to be accurate, no expressed or implied guarantees regarding accuracy or adequacy are made. Product and corporate data can change very quickly and without notice and Medical Insight continually updates its research products. Because of this, certain figures in Medical Insight reports may differ from corresponding figures in earlier reports, even if those reports were issued relatively recently. Furthermore, current economic conditions are contributing to a highly volatile market, in which actual results often diverge significantly from estimates developed by manufacturers, analysts and others, resulting in a revision of projections. Therefore, while Medical Insight will provide an explanation of figures in any of its reports, only the most recent reports contain Medical Insight's latest estimates.

This study is not intended as a substitute for proper due diligence. Although an attempt has been made to provide thorough coverage of the subject matter of this report, no guarantees regarding completeness or thoroughness are made. Medical Insight is not responsible for any errors, omissions, or results obtained from use of information provided herein.

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Medical Insight, Inc.
120 Vantis, Suite 470
Aliso Viejo, CA 92656 USA
+1 (949) 830-5409 telephone
+1 (949) 830-8944 facsimile
Email: mmoretti@miinews.com

M.I.I Professional Biography

Michael Moretti
Editor and Publisher
Medical Insight, Inc.

Michael Moretti has served as a medical industry analyst and strategic advisor for more than 20 years. In 1993, Mr. Moretti founded Medical Insight, Inc., the leader in focused aesthetic market research offering comprehensive data on procedure volume/growth, revenue forecasts and new product introductions. Under Mr. Moretti's leadership, Medical Insight publishes global market studies and forecasts for major industry sectors such as facial injectables, cosmeceuticals, and body shaping procedures, skin rejuvenation technologies and home-use aesthetic products. Medical Insight also sponsors executive business forums throughout the year to address scientific developments and market trends for the investment community.

As an industry consultant, Mr. Moretti specializes in strategic business development projects and high-growth, emerging market segments. He provides custom reports and confidential market studies for a variety of clients, including global medical and pharmaceutical companies.

Mr. Moretti is also publisher and editor of *THE Aesthetic Guide* – a bi-monthly publication of Medical Insight featuring in-depth reports on new products, procedures and trends, reaching 50,000 physician, industry and analyst subscribers globally. Special editions of *THE Aesthetic Guide* address the European market and the Primary Care audience.

In 2007, Mr. Moretti debuted THE Aesthetic Show, the first multidisciplinary annual medical meeting designed to bring together new aesthetic procedures, products and technologies in a dynamic interactive educational format. For more information visit www.aestheticshow.com and www.miinews.com

Contact Information:

Michael Moretti
Medical Insight, Inc.
120 Vantis, Suite 470
Aliso Viejo, CA 92656 USA
+1 (949) 830-5409 telephone
+1 (949) 830-8944 facsimile
Email: mmoretti@miinews.com
Or visit the Medical Insight website at: www.miinews.com

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As fractional skin rejuvenation devices have become the standard of care for highly effective, low downtime ablative or non-ablative treatments, demand for the equipment remains strong although a weak economy has impacted sales. Financing for family physicians, ob/gyns and other “non-core” practitioners has declined significantly and even physicians with solid lines of credit have scaled back equipment purchases. Although the economic recovery is expected to reverse this trend somewhat, the effect on sales of fractional devices in 2008 and 2009 has been significant.

Over the next five years, fractional platform revenues will expand 2.7% per year from \$184.5 million in 2008 to \$210.3 million in 2013. This is lower than the 4.7% CAGR predicated in early 2009 and is the direct result of double digit sales declines at the leading publicly traded companies.

In terms of installations, Solta Medical dominated the fractional technology market in October 2009 by virtue of its very early lead with 24.3% share. However, newer players are rapidly gaining share. In Medical Insight’s recent Medical Insight’s Aesthetic Practice Survey, for example, Sciton’s ProFractional had the best reputation among leading devices, with even physicians not using the system believing it was best for skin rejuvenation.

As the installed base of fractional platforms increases, sales of fractional disposables, such as handpieces, will also rise, growing from \$32.7 million in 2008 to an estimated \$62.3 million in 2013. Growth will remain strong at 13.7%, but will be lower than the previously predicted CAGR of 27.6% due to lower than expected platform sales.

As with sales of platforms and disposables, fractional procedure volume will be impacted by a weak economy in 2009, resulting in slower growth in the installed base and fewer treatments performed by each unit. From 2008 to 2013, the installed base of fractional systems will rise from 7,307 to 16,305 while procedure volume increases from 1.1 million to almost 4.1 million and total procedure fees grow from 1.1 billion to 6.1 billion.