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IPOs ask: Is beauty a growth industry?

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Vanity, thy name is opportunity.

Or at least that is what strong aesthetics market has investors thinking.

And nowhere is that fact more apparent than in the near-synchronous IPO filings of two Bay Area aesthetics companies in recent weeks.

The companies are **BioForm Medical Inc.** of San Mateo and **Reliant Technologies Inc.** of Mountain View.

BioForm's core product is Radiesse, an injectable dermal filler used to treat moderate to severe folds and wrinkles. BioForm is seeking about \$115 million.

Most companies in the aesthetics market now strive to lengthen the time of their products' effectiveness, and BioForm is no different. Radiesse is a long-lasting product; according to one clinical trial, 82 percent of patients maintained its effects for six months after treatment. In an ongoing long-term follow-up, more than 30 percent of them improved 24 months after treatment.

In its filing with the Securities And Exchange Commission, BioForm reported \$47.4 million in revenue for the past fiscal year -- a 109 percent increase over the previous year. Their net loss also grew, from \$11.4 million in 2006 to \$13.4 million in 2007.

Reliant, which filed to raise \$95 million, has two laser-based devices to treat wrinkles, pigmented lesions and acne scarring. The company reported to the SEC that, following the launch of its first laser system in 2004, revenue grew from \$4.5 million to \$57.5 million in '06, and to \$35.3 million for the first six months of 2007. Their net losses have also grown, going from \$18.2 million in 2005 to \$20.9 million in 2006 and from \$8.9 million in the first half of 2006 to \$10.9 in the first half of this year.

The aesthetics market has undergone huge growth over the past decade. In 2006, Americans spent just under \$12.2 billion on cosmetic procedures, a whopping 446 percent increase since 1997, according to the American Society for Aesthetic Plastic Surgery (ASAPS).

And dermal fillers like Radiesse are among the fastest growing segment within the injectable aesthetic procedure market. According to ASAPS, between 2005 and 2006, the number of dermal filler procedures in the United States grew by 24.7 percent.

BioForm told the SEC that "We believe the demand for dermal fillers is generally driven by the desire of the aging population to maintain a youthful appearance."

And investors are betting that the profits skyrocket even higher as baby boomers age, look in the mirror and decide they need a pick-me-up.

"The aesthetics market has been robust for quite some time and is obviously getting stronger," says Jim Glasheen, a general partner with Technology Partners in Palo Alto.

Like others, he points to the fact that it's a self-paying market with no third-party constraints, no codes, no need to convince an insurer to pony up.

"There's no laborious reaching out to third-party payers, which in effect turns into a separate regulatory process," Glasheen says. "That's compelling to folks in this industry. You go through the same rigorous FDA process but then you just have to prove yourself on the open market."

One clear trend is away from major, invasive plastic surgery, toward fillers, Botox, RF ablation. In 2006, surgical procedures decreased by 9 percent from the previous year and nonsurgical procedures increased by 3 percent.

The most popular non-surgical procedures, as identified by the ASAPS, are Botox injections, hyaluronic acids (like Restylane), laser hair removal, microdermabrasion, and laser skin resurfacing.

This is consumer-driven health care in its rawest sense. As patients begin to exercise choice in therapy and payment, Glasheen suggests that it will shape the direction of medicine to come.

"It has implications for how you develop and market a device or drug and how you work with physicians to get that device or drug in people's hands," he explains.

"That's going to be critical in the future, and it's nowhere more painfully clear than in aesthetics, where patients know they're pulling dollars out of their wallets."

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