

# Mossberg's Investor Digest

## Best Idea Profile:

## Syneron Medical Ltd. (NASDAQ:ELOS)

### DESCRIPTION:

Syneron Medical sells aesthetic devices primarily for use by physicians to treat a broad range of skin, teeth and body issues. Its applications include body contouring, hair removal, wrinkle reduction, teeth whitening, and other treatments to improve the skin's appearance; such as superficial benign vascular and pigmented lesions, acne scarring, leg veins and cellulite. The company was founded in 2000 and is headquartered in Israel. It also has research and development and manufacturing operations in North America with its biggest facility outside of Boston. It sells its two distinct brands, Syneron and Candela, in 90 countries.

### KEY INVESTMENT CONSIDERATIONS:

#### Global Expansion of Non-Invasive Treatments –

Consumers are becoming increasingly aware and desirous of energy-based, non-invasive aesthetic procedures. Several factors contribute to the global demand: growing acceptance of cosmetic procedures, improved safety and efficacy, expansion of the middle class in high growth countries, longer life expectancy, and the influence of social media and the celebrity culture on younger patients. The global medical aesthetic market is expected to grow almost 12% annually between 2011 and 2016, with more rapid growth coming from non-invasive procedures as they are proven safe and effective.

#### Established Businesses Growing and Profitable –

Syneron's Professional Aesthetic Devices unit has built a strong reputation and currently generates operating margins greater than 10%. The eMatrix product is based on an array of electrodes that cause micro injury to the skin that improves the look of the skin when healed. It is an affordable platform, easy for physicians to use, has short downtime for patients and can be used on all skin types, unlike many of the alternatives. It is an easier sell to patients who don't want outside toxins, such as Botox and fillers, injected into their bodies. Additionally, the non-invasive body shaping market is growing at 900%, compared with minimal growth of liposuction, and addresses the majority population of overweight or obese.

**Emerging Businesses Growing 35%** – Syneron's Emerging Business Unit represents just 12% of sales but, with 35% revenue growth in 2012 and expectations for continued rapid growth, has larger growth opportunities than any of its other lines. Skin lightening is a \$10 billion market and is especially important in

Asia where pigmentation is considered a primary sign of aging. Despite Americans' more apparent dislike of wrinkles, the U.S. population is also a substantial market for pigmentation treatments. The Emerging Business Unit also includes home-use devices for facial/skin rejuvenation, hair removal and teeth whitening. Syneron recently received the only FDA clearance for at-home hair removal treatments for all skin tones. Its April 2013 launch on QVC sold 10,000 units in 24 hours.

**Large Installed Base with Cross-Selling and Recurring Revenue Opportunities** – Approximately 60% of Syneron's business is in overseas markets with large potential growth there as well as in the relatively untapped U.S. market. Almost a third of Professional Aesthetic Device revenue is recurring. Syneron's forward focus is on managing expenses and maintaining profitability as it grows. It has streamlined its product line, optimized its sales channels and management, and implemented its broad technology portfolio to capitalize on opportunities for growth.

### VALUATION:

With plenty of cash and no debt, as well as \$61 million in sales and gross margin of 55% in the first quarter, Syneron is on track to perform well in 2013. A newly appointed president will bring added focus to cost control, sales management, and product opportunities.

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Investment Data (as of 07/17/13)

<b>Recent Price</b>	<b>\$8.68</b>
52-Week Range	\$7.21 - \$10.88
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	36 M
Average Trading Volume (3 mos)	143 K
Market Capitalization	\$310 M
Cash	\$98 M
Long-term Debt	0
Enterprise Value (EV)	\$213 M
Book Value	\$6.15
TTM Revenue	\$262 M
P/ Revenue	1.2x
TTM EPS	\$(0.04)
P/ EPS	N/A
TTM EBITDA	\$6 M
EV/ EBITDA	36.2

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