

ANGIODYNAMICS INC
Form DEFA14A
February 07, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the registrant x

Filed by a party other than the registrant o

Check the appropriate box:

o Preliminary Proxy Statement.

o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)).

o Definitive Proxy Statement.

o Definitive Additional Materials.

x Soliciting Material Under Rule 14a-12.

AngioDynamics, Inc.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Filed by AngioDynamics, Inc. Pursuant to Rule 14a-12
Under the Securities Exchange Act of 1934

Acquisition of Navilyst Medical
Supplemental Information February 7, 2012

Notice Regarding Forward-Looking Statements

This presentation includes “forward-looking statements” intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Investors can identify these statements by the fact that they do not relate strictly to historical or current facts. These statements contain words such as “expect,” “reaffirm,” “anticipate,” “plan,” “believe,” “estimate,” “may,” “will,” “predict,” “project,” “might,” “could,” “would,” “should,” “optimistic,” “seek,” “continue,” “pursue,” or “our future success depends,” or the negative or other variations thereof, or comparable terminology, are intended to identify such forward-looking statements. In particular, they include statements relating to, among other things, future actions, strategies, future performance and future financial results of AngioDynamics. These forward-looking statements are based on current expectations and projections about future events. The forward-looking statements in this presentation include those with respect to the expected timing of the completion of the transaction.

Investors are cautioned that forward-looking statements are not guarantees of future performance or results and involve risks and uncertainties that cannot be predicted or quantified and, consequently, the actual performance or results of AngioDynamics may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, but are not limited to, the factors described from time to time in AngioDynamics’ reports filed with the SEC, including AngioDynamics’ Form 10-K for the fiscal year ended May 31, 2011 and AngioDynamics’ Form 10-Q for the quarterly period ended November 30, 2011; the ability of AngioDynamics to develop its existing and new products; financial community and rating agency perceptions of AngioDynamics; third-party relations and approvals; technological advances and patents attained by competitors; challenges inherent in new product development, including obtaining regulatory approvals; the ability of AngioDynamics to develop its products; future actions by the FDA or other regulatory agencies; domestic and foreign health care reforms and governmental laws and regulations; results of pending or future clinical trials; overall economic conditions; the results of ongoing litigation; the effects of economic, credit and capital market conditions on the economy in general, and on medical device companies in particular; general market conditions; market acceptance; foreign currency exchange rate fluctuations; the effects on pricing from group purchasing organizations and competition and the ability of AngioDynamics to integrate purchased businesses, including Navilyst. Risk and uncertainties related to the proposed transaction include, but are not limited to delays in or failure to obtain any required governmental and regulatory approvals with respect to the transaction; failure to obtain stockholder approval of the issuance of the AngioDynamics common stock in connection with the transaction; failure to consummate or delay in consummating the transaction for other reasons; the possibility that the expected benefits of the transaction, including projected synergies and tax benefits, may not materialize as expected; disruption from the proposed transaction making it more difficult to maintain business and operational relationships; and the failure to successfully integrate the products, R&D capabilities, infrastructure and employees of AngioDynamics and Navilyst. Any forward-looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made.

AngioDynamics disclaims any obligation to update the forward-looking statements. Investors are cautioned not to

place undue reliance on these forward-looking statements which speak only as of the date stated, or if no date is stated, as of the date of this presentation.

Certain Financial Projections

This presentation includes certain financial forecasts regarding AngioDynamics and Navilyst as well as certain pro forma financial forecasts for the combined companies. These forecasts were prepared solely for purposes of evaluating the transaction based on information available as of the date of preparation. There can be no assurance that these financial forecasts will be realized or that actual results will not be significantly higher or lower than forecasted. The financial forecasts cover multiple years and such information by its nature becomes less predictive with each successive year. These financial forecasts were based on numerous variables and assumptions. Such assumptions are inherently uncertain and may be beyond the control of AngioDynamics. Important factors that may affect actual results and cause these financial forecasts to not be achieved include, but are not limited to, the factors described or referenced under the heading "Notice Regarding Forward-Looking Statements." Neither AngioDynamics nor any other party makes any representation to any stockholder regarding the information included in the financial forecasts set forth herein. Readers of this presentation are cautioned not to rely on the forecasted financial information.

Forward-Looking Statements

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AngioDynamics & Navilyst Medical
Creating a World-Class Platform for Growth
Improved Financial
Performance

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The Acquisition of Navilyst Medical

A Compelling Deal Expected to Drive Significant Shareholder Value

- The Navilyst purchase price of \$372mm is meaningfully reduced by the value of the identified cost savings and the acquired tax assets
 - The Economic Value(1) paid for Navilyst is estimated to be \$202 - \$217mm
 - The combination will drive significantly improved financial performance based on the following estimates:
 - At least \$0.08 EPS accretion in FY13; Increasingly more accretive through FY16
 - FY13 net cost savings of \$5-7mm; Fully-implemented annual net cost savings of \$10-15mm by FY15
 - FY13 Pro Forma Adjusted EBITDA(2) of \$60mm; Run-rate Adjusted-EBITDA(3) of \$70mm
 - Mid-teen growth in Pro Forma Adjusted EBITDA(2) from FY13 to FY16; 200-300 bps accretion in EBITDA margin by FY16
 - The transaction will optimize AngioDynamics' capital structure and preserve liquidity, with at least \$50mm of free cash flow expected in FY13, including \$11.5mm of free cash flow estimated to be generated annually through FY24 from acquired tax assets
 - There is potential for revenue synergies and additional longer-term cost savings, which have not been included in current forward-looking estimates
 - Updated guidance will be provided at the transaction closing, which is expected in Q4 FY12
- (1) Economic value is equal to the purchase price, less the estimated value of identified cost savings and the acquired tax assets.
- (2) Adjusted EBITDA excludes transaction-related and non-recurring costs.
- (3) Run-rate Adjusted EBITDA includes fully-implemented cost savings and excludes the Medical Device Tax and transaction-related and non-recurring costs.
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Driving Long-Term Shareholder Value...

Analyzing the Value Drivers

Purchase

Price

Value of

Tax Assets(2)

Value of Identified

Cost Savings(1)

Excludes potential for revenue

synergies and additional

longer-term cost savings

Significant Value Creation Opportunity for AngioDynamics' Shareholders

\$372mm

\$80mm

\$75 - \$90mm

LESS

AND

=

Economic Value

Paid for Navilyst

\$202 - \$217mm

(1) Based on the low and high cases for expected cost savings. There can be no assurance that cost savings will be realized as currently expected.

(2) Assumes (i) the pro forma company will have sufficient taxable income to fully utilize the tax assets and (ii) the full realization of Navilyst reported NOLs. There can be no assurance that the tax benefits will be realized as currently expected.

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Navilyst Historical Performance

Navilyst Historical Net Sales (\$mm)

- Strong PICC sales growth (+10% in CY11E)
driven by robust demand for PASV
technology and Xcela®/Vaxcel® product lines
- Fluid Management sales in CY10 and CY11
negatively impacted by Oracle
implementation
- Oracle implementation has since been
completed and the Fluid Management
business has stabilized
- Fluid Management sales +3% in Q4 CY11E

Key Performance Drivers

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Navilyst Standalone Sales Forecast
Navilyst Projected Net Sales (\$mm)
3rd Party
Supply
Agreement

- Fluid Management business expected to be stable in FY13 and return to modest growth in FY14, led by increased international penetration
- PICCs expected to continue strong growth trends led by demand for PASV® technology and several new BioFlo® product launches (1)
- Other sales to be driven by new product introductions, including microcatheters, ministicks and drainage products

Key Performance Drivers

\$149

Navilyst

Net Sales

\$137

\$12

(1) BioFlo® is currently pending FDA approval.

With the Acquisition of Navilyst, AngioDynamics is Expected to Have a Mid-to-high Single Digit Pro Forma Net Sales CAGR from FY13 to FY16

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Navilyst Projected Adjusted EBITDA(1) (\$mm)

EBITDA

Margin

- Continued sales growth in the Vascular Access and International divisions, and the return to growth of the Fluid Management business, will drive increases in EBITDA
- Gross margins expected to increase 400 bps by FY16 due to favorable sales mix and manufacturing efficiencies
- Operating leverage in SG&A expected to improve margins

Key Performance Drivers

Navilyst Standalone EBITDA Forecast

17.8%

19.2%

(1) Adjusted EBITDA excludes transaction-related and non-recurring costs.

(2) Includes expected cost savings.

\$26

FY16E

Navilyst

Adjusted

EBITDA

The Acquisition of Navilyst is Expected to Increase AngioDynamics' Pro Forma Adjusted EBITDA(1) CAGR to the Mid-teens(2) During FY13 to FY16

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Overview of Net Cost Savings
 A Preliminary View of Achievable Cost Savings

- Conservative assumptions to be refined with further planning prior to closing
- Preliminary cost savings estimates have been specifically identified and action plans are being developed
- Excludes additional longer-term opportunities associated with manufacturing efficiencies, operational excellence and footprint consolidation

Present Value ~\$80mm

Expected Net Cost Savings(1) (\$mm)

FY13E

Net Cost

Savings(1)

\$6.0mm

(1)Expected net cost savings include recurring costs to achieve synergies, but exclude transaction-related and non-recurring costs.

(2)Represents the midpoint of the \$5-7mm of expected net cost savings in FY13 and \$10-15mm of expected net cost savings by FY15.

COGS

S&M

G&A

R&D

Other

Fully

Implemented

\$12.5mm

\$12.5mm

Cost

Savings

\$327mm

Pro Forma

Cost Base

\$12.5

Fully-implemented net cost savings of \$12.5mm(2)

represent only 4% of the pro forma cost base

(2)

(2)

(2)

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Operational Excellence

Strategic Sourcing

Network Optimization

Research & Development

Information Technology

Infrastructure Alignment

Reductions in waste and product recalls; Working capital optimization;

Improved capacity utilization and leaner operations

Work Ongoing to Assess the Magnitude of

These Additional Opportunities

Supplier bundling, purchase volume discounts, inventory management

More efficient and productive warehousing, distribution and logistics

Implementation of project management office; Faster development cycles

Integration of ERP and IT platforms

Consolidation of organizational footprint; Build centers of excellence

Overview of Net Cost Savings (cont'd)

Potential for Additional Cost Savings

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Revenue Synergies

Optimizing Our U.S. Go-to-Market Strategies

Commercial Focus and Scale Offer Compelling Opportunities for Growth

(1) BioFlo® is currently pending FDA approval.

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Significant Acquired Tax Assets

Increased Free Cash Flow Generates Real Shareholder Value

- \$130mm in expected cumulative cash savings or \$3.65 per share, through FY24
 - \$11.5mm of expected annual cash savings
- Reduces the effective purchase price by approximately \$80mm, to \$292mm
- Benefits of tax asset not reflected in P&L, but offer immediate, recurring cash value

At Least \$50mm, or \$1.40 per Share, of Free Cash Flow(1)

Expected to be Generated in FY13 and Growing at a Double-Digit Rate

Amortization of

Tax Basis

Acquired

Net Operating Losses

- ~\$380mm in asset basis expected to generate \$25mm of annual tax-deductible amortization
 - \$9.4mm in estimated annual cash savings through FY24
 - ~\$90mm federal NOLs subject to a usage limitation
- \$5.8mm reduction in taxable income expected to generate \$2.1mm of cash savings annually

Significant Increases in

Cash Flow

(1) Excludes transaction-related and non-recurring costs.

(2) Valuation assumes (i) the pro forma company will have sufficient taxable income to fully utilize the tax assets and (ii) the full realization of Navilyst reported NOLs.

(1)

(1)

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Driving Long-Term Shareholder Value...

Analyzing the Value Drivers

Purchase

Price

Value of

Tax Assets(2)

Value of Identified

Cost Savings(1)

Excludes potential for revenue

synergies and additional

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Significant Value Creation Opportunity for AngioDynamics' Shareholders

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Overview of Transaction Multiples
In-line with Precedent Transactions and Peer Trading Valuations
Summary Transaction Statistics
Comparable Valuation Overview
Transaction
Comparables
Trading
Comparables
Synergized Deal
Multiple
Unsynergized Deal
Multiple
AngioDynamics

(1)

(3)

(1) Adjusted EBITDA excludes transaction-related and non-recurring costs.

(2) Represents the midpoint of \$10-15mm of expected net cost savings by FY15.

(3) Run-rate Adjusted EBITDA includes fully-implemented cost savings and excludes the Medical Device Tax and transaction-related and non-recurring costs.

(2)

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Significant Integration Planning Underway

Increasing Shareholder Value After the Acquisition

- Integration planning is our top priority and is well underway
 - Retained outside experts to assist in the process
 - Established an Integration Management Office
 - Creating an Operational Excellence group to ensure long-term commitment to best practices
 - Focused on achieving operational efficiencies across combined company
 - Go-to-market strategies will be optimized with newly focused sales channels
 - IT systems will be integrated in a single, worldwide platform
 - R&D spend will be focused on high-return product and technology innovations
-

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AngioDynamics

Navilyst

Pro Forma FY13 Guidance

Reviewing the Components of Pro Forma Adjusted EBITDA (2)

- \$6mm of net cost savings in FY13 (1)
- \$12.5mm of fully-implemented cost savings by FY15 (1)
 - Excludes potential cost savings associated with operational excellence and footprint consolidation
 - Excludes potential revenue synergies
 - Assumes flat business during Year 1 post close
- Assumes decline in 3rd party supply agreement sales
 - Includes Medical Device Tax
 - Includes Medical Device Tax

Cost Savings

Run-rate business (including fully-implemented cost savings) would have ~\$70mm of Adjusted

EBITDA(2), prior to the Medical Device Tax in FY13

(1) Represents midpoint of \$5-7mm of expected net cost savings in FY13 and \$10-15mm of expected net cost savings by FY15.

(2) Excludes transaction-related and non-recurring expenses.

(3) Run-rate Adjusted EBITDA includes fully-implemented cost savings and excludes the Medical Device Tax.

Medical Device

Tax

- Pro Forma FY13 Medical Device Tax of \$3mm

FY13E Adjusted EBITDA (2)

Estimated Cost Savings

Medical Device Tax

Navilyst FY13E Adjusted EBITDA

ANGO FY13E Adjusted EBITDA

(3)

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Optimized Capital Structure and Cash Flow

Impact on the Balance Sheet

Total Debt / EBITDA

- Generates at least \$50mm in free cash flow in FY13 vs. \$27mm standalone
- Pro forma free cash flow of at least \$1.40 per share vs. \$1.05 standalone
 - De-levering, synergies and growth drive increased cash flow thereafter

Overview of Financing

- ~\$150mm of committed financing with coupon of LIBOR +250 bps
 - ~\$100mm of balance sheet cash used as consideration
 - Optimizes capital structure on pro forma basis; lowering cost of capital
- Cash Flow Impact
-

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Tax Benefits

Net Sales

Significant Earnings Accretion

EBITDA

Capital Structure

Substantial Cost Savings

~\$360mm Net Sales in FY13

Annual net sales growth in the mid-to-high single digits from FY13 to FY16

At least \$0.08/share accretive to FY13 Non-GAAP EPS*

Increasingly more accretive through FY16

~\$60mm Pro Forma Adjusted EBITDA* in FY13

~\$70mm Run-rate Adjusted EBITDA**

Expands EBITDA margins by 200-300 bps by FY16

Mid-teen CAGR in Pro Forma Adjusted EBITDA* from FY13 to FY16

\$5-7mm of net cost savings in FY13

\$10-15mm of fully-implemented net cost savings by FY15

NPV of tax asset ~\$80mm expected to reduce transaction value to \$292mm

Estimated cumulative cash tax savings of \$130mm, or \$3.65/share

Net Debt to FY12 Pro Forma Adjusted EBITDA* of ~1.6x

* Excludes transaction-related costs and nonrecurring costs.

** Includes fully-implemented estimated net cost savings and excludes transaction-related and nonrecurring costs and the Medical Device Tax.

Improved Cash Flow

Expected to generate at least \$50mm in free cash flow in FY13

Pro Forma Free Cash Flow of at least \$1.40/share vs. standalone of \$1.05

Summary Estimated Financial Impact

Driving Shareholder Value in the Near- and Long-term

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AngioDynamics intends to file with the Securities and Exchange Commission (the "SEC") a proxy statement regarding the issuance of the AngioDynamics common stock in connection with the proposed transaction. The proxy statement will be mailed to AngioDynamics' stockholders. INVESTORS AND STOCKHOLDERS ARE ENCOURAGED TO READ THE PROXY STATEMENT AND OTHER

RELEVANT MATERIALS WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT

INFORMATION ABOUT ANGIODYNAMICS AND THE PROPOSED TRANSACTION. Investors and stockholders will also be able to obtain a free copy of these documents (when they are available), as well as other filings made by AngioDynamics, without charge, at the SEC's web site at <http://www.sec.gov>. In addition, the documents filed by AngioDynamics with the SEC may be obtained free of charge by contacting AngioDynamics' investor relations firm: EVC Group, 60 East 42nd Street, Suite 936, New York, NY 10165.

AngioDynamics and its executive officers, directors and other persons may be deemed to be participants in the solicitation of proxies from AngioDynamics' stockholders with respect to the issuance of the AngioDynamics common stock in connection with the proposed transaction.

Information regarding the officers and directors of AngioDynamics and their ownership of AngioDynamics common stock is set forth in AngioDynamics' proxy statement for its most recent annual meeting, which was filed with the SEC on September 6, 2011. Other information regarding the participants in the solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the proxy statement and other relevant materials to be filed with the SEC regarding the issuance of the AngioDynamics common stock in connection with the proposed transaction.

Additional Information
