ENDOLOGIX INC /DE/
Form DEFA14A
November 17, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

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 ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

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

¨ Definitive Proxy Statement

¨ Definitive Additional Materials

x Soliciting Material under §240.14a-12

ENDOLOGIX, 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

¨ 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 the transaction applies:

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

(3) Per unit price or other underlying value of the 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 the transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

EXPLANATORY NOTE

Filed Documents

This filing consists of the following document relating to the proposed acquisition of Nellix, Inc. by Endologix, Inc.:

Exhibit A: PowerPoint slide presentation used at conferences held on November 16, 2010 and November 17, 2010.

Additional Information About the Proposed Transaction and Where to Find It

This presentation may be deemed soliciting material relating to the proposed transaction between Endologix, Inc. and Nellix, Inc. In connection with the proposed transaction, Endologix, Inc. filed a preliminary proxy statement with the Securities and Exchange Commission on November 9, 2010. When completed, a definitive proxy statement will be filed with the Securities and Exchange Commission and mailed to the stockholders of Endologix, Inc. **INVESTORS AND SECURITY HOLDERS ARE ADVISED TO READ THE PRELIMINARY PROXY STATEMENT, THE DEFINITIVE PROXY STATEMENT (WHEN AVAILABLE) AND OTHER RELEVANT DOCUMENTS BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION ABOUT ENDOLOGIX, INC. AND THE PROPOSED TRANSACTION**. Investors and security holders may obtain a free copy of the preliminary proxy statement, the definitive proxy statement (when available) and other relevant documents filed by Endologix, Inc. with the Securities and Exchange Commission at the Securities and Exchange Commission s Web site at www.sec.gov.

The preliminary proxy statement, the definitive proxy statement (when available) and other relevant documents may also be obtained for free on Endologix, Inc. s website at www.endologix.com under Investor Relations/Financial Information/SEC Filings or by directing such request to Investor Relations, Endologix, Inc., (949) 595-7283.

Endologix, Inc. and its directors and executive officers may be deemed to be participants in the solicitation of proxies from the stockholders of Endologix, Inc. in connection with the proposed transaction. Information concerning the interests of Endologix, Inc. s participants in the solicitation is set forth in Endologix, Inc. s proxy statements and Annual Reports on Form 10-K, previously filed with the Securities and Exchange Commission, in the preliminary proxy statement relating to the proposed transaction, and in the definitive proxy statement relating to the proposed transaction when it becomes available.

1
Investor Presentation
November 2010
Nasdaq: ELGX
www.endologix.com

2
Safe Harbor
This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act

of
1995,
regarding,
among
other
things,
statements
relating
to
the potential benefits of Endologix, Inc. s proposed acquisition of Nellix, Inc., including expected operating synergies, the strength of Nellix, Inc. s technology and the potential for long-term growth and expanded market share. Endologix, Inc. intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 21E of the Exchange Act and the Private Securities Litigation Reform Act of 1995. These statements are based on the current estimates and
assumptions of Endologix,
Inc. s management as of the date of this presentation and are subject
to risks, uncertainties,
changes in circumstances and other factors that may cause actual
results to differ materially
from the forward-looking statements made in this presentation. Important factors that could cause actual results to differ materially from forward-looking statements include, but are not limited to, risks relating to the ability to consummate the proposed acquisition, the ability to successfully integrate the Nellix
technology with its current and future product offerings, the
scope of potential use of the Nellix
technology, the ability to obtain and maintain required U.S.
Food and Drug Administration and other regulatory approvals of the Nellix
technology, the
scope and validity of intellectual property rights applicable to
the Nellix
technology, the ability to
build a direct sales and marketing organization in Europe, competition from other companies, the ability to successfully market and sell its products, plans for developing new products and entering new markets and additional factors that may affect future results which are detailed in Endologix, Inc.'s Annual Report on Form 10-K filed with the SEC on March 3, 2010, and in Endologix, Inc. s other periodic reports filed with the SEC. Endologix, Inc. undertakes no obligation to revise or update information herein to reflect events or circumstances in the future, even if new information becomes available.

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Executive Summary
Strategically Positioned For Leadership of $1+ Billion
Aortic Stent Graft Market
Innovative Product Portfolio with Robust New Product
Pipeline

Nellix Acquisition Announced October 27, 2010
Strong Financial Performance

3Q 2010 Revenue Growth of 30%

79% Gross Margin
Significant Continued Growth Potential

Expanding Sales Force in US and Going Direct in Europe

Multiple New Product Launches Over Next 5 Years

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Endologix AAA Repair
Minimally Invasive Endovascular Stent Graft
13th Leading Cause of Death in the U.S.
Affects ~1.2 Million People in U.S.
Age Related Disease (mostly men)
200,000 New Diagnoses Annually

~65,000 AAA Procedures Annually in U.S.

60% EVAR

40% Open Surgery
Extremely Invasive
High Mortality and
Morbidity
Long Operating Times
Long Hospital
Recovery
Numerous
Complications
VS

5
Competitive Landscape
Powerlink -
Endologix
Talent
Medtronic
Excluder

WL Gore
Zenith
Cook
Proximal Fixation
Anatomical
Fixation

6
Stent Grafts

7
Low Profile AAA
Delivery System
Launched in 2009
Integrated Sheath and
Hemostasis
Valve to

Simplify Procedure,
Lower Blood Loss and
Reduce OR time

8
Clinical Results
Combined Results of Three
Prospective, Multicenter
Clinical
Trials
(up

to
5
yr
follow-up)

157 Patients at 28 U.S. Centers

0% Aneurysm Ruptures

0% Conversion to Open Repair

0% Device Migration

0% Stent Fractures

0% Graft Fatigue

0% Aneurysm-Related Mortality

Reduced or Stable Aneurysm Sacs
in 93% of Patients at One Year
J. ENDOVASC THER. 2010;17:153-152

9
Historical Revenue Growth
Annual CAGR = 57%
*Mid-point of 2010 Guidance

10
EVAR Unmet Needs
Ability to Treat Short Aortic
Necks and Juxtarenal AAAs
Fully Percutaneous
Secondary Interventions

20% of EVAR patients

Endoleaks
Lifetime Surveillance

11
First ever Randomized Multi-Center Trial to
Compare Percutaneous
EVAR to Surgical Cut
Down EVAR
20 sites Enrolling 210 Patients
Collaboration with Abbott on Closure Devices

Complete Enrollment 2011

Approval Anticipated in 2012

12
New Low Profile EVAR Device
Expected U.S. Approval in 2011

13
Device to Treat Short Necks
and Juxtarenal Aneurysms

Represents ~20% of Diagnosed
AAAs

Provides a Better Solution for
Patients Currently Treated Off-Label

Adjustable Branches Accommodate
a Variety of Renal Anatomies
First Patients Treated in
November 2010 with positive
Results
Ventana Stent Graft

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Nellix Technology Overview
Disruptive New AAA Therapy

Endobags are filled with a biostable
polymer to seal and stablize the AAA

Integrated Endoframes pave blood flow lumens to the legs
Potential to Improve Outcomes and Expand the EVAR Market

Expected to reduce secondary interventions, long-term surveillance, radiation exposure and healthcare costs

Broadest expected indication of all EVAR devices

15
Nellix
Implant Procedure

16
Nellix
Exceptional Clinical Results
34 Patients *(follow up to 2 years)*
Over 50% of implants are outside the indications for other EVAR devices
Minimal endoleaks

and secondary
interventions with 1
st
generation device
100% freedom from AAA-related
mortality
No aneurysm ruptures
No stent graft migration
Strong physician feedback

17
AAA Competitive Landscape
Company
Device
Profile
Neck
Length

Neck
Diameter
ELGX
AFX
19F
15mm
32mm
MDT
Endurant
18F -
20F
10mm
32mm
Cook
Zenith LP
16F -
18F
15mm
32mm
Gore
Repositionable
18F -
20F
15mm
29mm
Trivascular
Ovation
14F -
15F
7mm
32mm
Nellix
Nellix*
18F -
19F
5mm
34mm
JNJ
Incraft
14F
15mm
32mm
Terumo
Anaconda
21F -
23F
15mm
32mm
Nellix can treat more AAA anatomies than other EVAR devices and
is the only device that completely seals the aneurysm sac

*Expected profile and neck capabilities in IDE device

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Nellix
Acquisition
Agreement
All stock transaction
At closing Essex Woodlands will invest $15M

2 ELGX board seats
Estimated 11% dilution at initial deal closing
Deal Structure
Upfront Stock at Closing
$15M
30%
Milestones
$10M OUS sales (TTM)
$20M*
40%
PMA Approval
$15M
30%
Total
$50M
100%
70%
of
consideration
based
upon
commercial
and
regulatory
success
* Ranges from $24M to $10M based on time to achieve

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Nellix
Milestones
2011
2012
2013
2014

2015
Technology transfer to ELGX
Build EU direct sales organization
Nellix
International launch
U.S. IDE clinical trial
PMA approval
US launch
Enrollment
EU Launch
Anticipated Timing:

20
2011
2012
2013
2014
IntuiTrak
New Sizes

Europe
Nellix
Europe
IntuiTrak
New
Sizes
International
AFX
U.S.
2015
ELGX Planned New Product Pipeline
PEVAR
U.S.
Ventana
Europe
IntuiTrak
Japan
Nellix
International
Xpand
Europe
Ventana
International
AFX2
U.S.
Xpand
International
Aortic
Stent
International
Xpand
U.S.
Nellix
U.S.
17 new product launches planned over the next 4-5 years
Aortic
Stent
Europe
Ventana
U.S.

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Potential EVAR Market Expansion
~60% Potential
EVAR Market
Increase
0%
10%

20%
30%
40%
50%
60%
70%
80%
90%
100%
Current EVAR
Future EVAR
Nellix
Ventana

22
Global Sales Force
U.S. Direct Sales Force

61 Territories at the end of Q3 2010

~260 Years of EVAR Experience

30% Expansion Planned For 2010

Reps are Highly Trained Aortic Specialists

Profile = Top Performing Cardiovascular Reps

Extensive Training Program

Provide Direct Physician Support in 95% of Procedures
International Direct & Distributor Sales Force

Transitioning to Direct Sales Force in Europe in 2011

Currently 13 Distributors Covering 22 Countries

Includes Europe, Asia and South America

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ELGX Market Opportunities
$1B
$300M
$400M
Infrarenal
Juxtarenal

Thoracic
2015
Aortic Stent
Ventana
$1.7B
AFX
TAA Stent Graft
Xpand
PEVAR
Nellix

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Financial Guidance
2010 Global Revenue of $66M - $67M

Increase over 2009 of 26% - 28%

2011 Global Revenue of $78M -
$82M
2011 loss of $0.25 -
$0.30 per share

Nellix R&D: ~$13.0M or ($0.23)

EU Sales Force: ~$5.7M or ($0.10)

Deal Amortization & Integration: ~$2.2M or ($0.04)
Expect core business profitability in 2011
Expect total company profitability by Q4 2012
Operating margins of 25% -
30% by 2015
Forecasted Sales CAGR of 25%+ (2011-2015)

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ELGX Growth Drivers
U.S. Sales Force Expansion
Transition to Direct Sales Force in Europe
New Product Pipeline

Expanded Size Range (2010)

AFX Endovascular System

PEVAR

Fenestrated Device (Ventana)

Nellix Endovascular System

BX Covered Stent (Xpand)

Aortic Stent

Thoracic Stent Graft

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Post Acquisition Balance Sheet
ASSETS
Cash
$40M
Total Current Assets
$60M

Net Fixed Assets
$3M
Goodwill & Intangibles
$47M
TOTAL ASSETS
$110M
LIABILITIES & EQUITY
Total Current Liabilities
$12M
Long Term Liabilities
$1M
Total Liabilities
$13M
Total Equity
$97M
TOTAL LIABILITIES & EQUITY
$110M
Strong cash
position to
execute
growth
strategy

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Executive Summary
Strong Core Business + Nellix Acquisition Creates a
Company with Market Leadership Potential
Multiple Growth Drivers in $1.7 Billion Market by 2015

Robust New Product Pipeline

Potential to Expand the EVAR Market from 60% up to 95% of Diagnosed AAAs

EU Direct Sales Force
Strong Financial Performance

3Q 2010 Revenue Growth of 30%

79% Gross Margin