Iridex Corporation

BY STEPHEN DAILY, NEWS EDITOR

Founded: 1989

Based: Mountain View, California

Number of Employees: 150

On the Web: www.iridex.com

Officers: Theodore A. Boutacoff, Co-Founder, Chief Executive Officer and President; James H. Mackaness, Chief Financial Officer; Eduardo Arias, Co-Founder, Senior Vice President, International Sales and Business Development; James L. Donovan, Co-Founder, Corporate Business Development.

Profile: Iridex Corporation is a publicly traded (Nasdaq:IRIX) provider of innovative laser systems, delivery devices and single use consumables to the global ophthalmic market. The company pioneers research and collaborates with physicians to develop products that perform laser therapy for the treatment of serious eye diseases, including the three leading causes of irreversible blindness: diabetic retinopathy, glaucoma, and age-related macular degeneration (AMD). The company's products are used non-invasively in the office/clinic with a variety of reusable durable delivery devices; and in the operating room/surgery center during vitrectomy procedures with a variety of consumable, single-use, intraocular laser probes.

Iridex uses a modular systems approach to product design. Each laser system includes a console, which generates laser energy, and a number of interchangeable fiber optically coupled delivery devices, including the laser probes, which perform specific clinical applications.

Iridex's foremost laser systems include the OcuLight product family, consisting of 532 nm and 810 nm consoles. Iridex's new generation family of lasers include the IQ 810 (810 nm), designed to perform traditional and transscleral photocoagulation procedures and is available with a MicroPulse option; the IQ 577 (577 nm) which is the first visible wavelength laser to incorporate MicroPulse technology; and the IQ 532 (532 nm) which encompasses the latest in solid-state technology. Compatible delivery devices for all laser consoles include slit lamp adapters, laser indirect ophthalmoscopes, and an expanding family of EndoProbe laser handpieces, among others.

In 2010, Iridex acquired RetinaLabs, its first acquisition as part of its strategy to broaden its consumable product portfolio with products for use during vitreoretinal procedures in the OR and ambulatory surgery center (ASC). This acquisition introduced Endoview sapphire surgical contact lenses, MoistAir in-line air humidifiers, and GreenTip soft tip cannulas into the Iridex surgical portfolio.

Background: Iridex was founded in February, 1989, as Iris Medical Instruments, Inc. There were six original founders and four of them continue to work for the company today: Theodore A. Boutacoff, Eduardo Arias, James L. Donovan, and David Buzawa. The team had worked at various times together in the medical division of Coherent, Inc., which at that time was the leading laser company.

"In those days, laser photocoagulators were large, costly and inefficient devices which were based upon ion tube technology. In order to get a useful watt of laser power, you needed about 10,000 watts of input power so over 99% of the energy was lost as heat. They also needed frequent field service to maintain," said Mr. Boutacoff. "With the advent of semiconductor lasers, we saw an opportunity to make a contribution and provide a paradigm-shifting product that would be considerably smaller, portable, more efficient and more reliable than previous photocoagulators on the market. Also, given the fundamental characteristics of semiconductors, we believed this new laser could provide finer dose control than possible with traditional ion tube based technology, which we felt may enable ways to treat eye diseases more precisely, more carefully, with limited damage. That's what ultimately led to our work in a variety of tissue-sparing photocoagulation technologies including MicroPulse."

Within a year after founding the company in Mr. Boutacoff's garage in Los Altos, California, they had received US Food and Drug Administration clearance to market a new elegantly simple semiconductor-based laser photocoagulator system, the Iris Medical OcuLight SL. In 1996, the company went public under the name Iridex Corporation.

In the Pipeline: Iridex management believes its advanced MicroPulse technology has the opportunity to create a paradigm shift in photocoagulation treatment of serious retinal disorders. The technology, for which Iridex was recently granted a US patent, provides the ophthalmologist with fine dose control of laser energy during eye surgery. Clinical studies have shown that treatment performed with MicroPulse protocols induces the benefits of standard laser photocoagulation with no detectable tissue-damaging side effects.

A recently published study comparing MicroPulse to standard laser protocols in the treatment of eyes with diabetic macular edema demonstrated similar effectiveness with significantly improved retinal sensitivity for MicroPulse treated eyes compared to standard laser treated eyes.1 "There is a growing body of evidence in support of the clinical benefits of performing tissue-sparing laser photocoagulation using our MicroPulse technology," Mr. Boutacoff said.

Iridex is also developing an array of advanced vitreoretinal instrumentation. "The acquisition of RetinaLabs fits within our overall growth vision grounded upon our commitment to offer retinal surgeons products which offer innovation and improved surgical outcomes," Mr. Boutacoff said. "On this path, we're working on new instruments, adjunct products and durable delivery devices that complement our existing family of lasers and EndoProbe devices."

Finally, Mr. Boutacoff noted that he sees within the next 3-5 years a closer integration of laser therapy and diagnostics. "The better surgeons can visualize, the better treatment outcomes they can achieve. Therefore, it is likely that Iridex will offer adjunctive diagnostic products to retina specialists through our established channel. ■

1. Vujosevic S, Bottega E, Casciano M, et al. Microperimetry and fundus autofluorescence in diabetic macular edema: subthreshold micropulse diode laser versus modified early treatment diabetic retinopathy study laser photocoagulation. Retina. 2010;30(6):908-916.

Stock Price as of April 12, 2011: $4.25
- 52-Week High: $4.65
- 52-Week Low: $2.61
- 1-Year Return: -0.701%
- Market Cap: 37.96 million
- Dividend Yield: N/A

Earnings
- Earnings per share for last quarter: 0.08
- Analysts' earnings per share estimate for upcoming quarter: N/A
- Revenue/sales for last quarter: $12.2 million
- Analysts' revenue/sales estimate for upcoming quarter: N/A
- P/E ratio (trailing): 16.14