

Synergetics USA Inc.

BY STEPHEN DAILY, NEWS EDITOR



Founded: 1991

Based: O'Fallon, Missouri

Number of Employees: 359

On the Web: www.synergeticsusa.com

Officers: David M. Hable, Chief Executive Officer and President; Pamela G. Boone, Chief Financial Officer; Kurt W. Gampp Jr., Co-Founder, Chief Operating Officer; Jerry Malis, Chief Scientific Officer; Michael Fanning, Vice President of Sales; Jason J. Stroisch, Vice President of International Sales & Marketing.

Profile: Synergetics USA, Inc., is a publically traded (NASDAQ: SURG) medical device company that engages in the design, manufacture, and marketing of microsurgical instruments and consumables primarily for the global ophthalmology and neurosurgery markets. The company's product lines focus upon precision engineered, microsurgical, hand-held devices, and the microscopic delivery of laser energy, ultrasound, electrosurgery, aspiration, illumination, and irrigation that can be delivered in multiple combinations. In ophthalmology, its main focus is vitreoretinal surgical items, including handheld disposable and reusable forceps and scissors, fiberoptics for illumination and photocoagulation, cannulas, scrapers, posterior vitrectomy packs, and other reusable and disposable surgical devices. The company also provides bipolar electrosurgical generators, disposable bipolar forceps and disposable ultrasonic tips for neurosurgery, and lesion generators used for minimally invasive pain treatment. Its distribution channel includes a combination of direct and indirect sales organizations and important strategic alliances with market leaders.

Synergetics owns in excess of 40 patents worldwide, and its product portfolio continues to expand as a result of new product development and distribution partnerships with leading medical device manufacturers. Synergetics delivers medical instruments, devices and capital equipment to hospitals, clinics, and surgeons in more than 60 countries.

Background: Synergetics was founded in August, 1991, as a designer and manufacturer of microsurgical instruments initially focused on vitreoretinal and subretinal ophthalmic procedures. The two founders, Kurt W. Gampp and Gregg D. Scheller, had prior experience in the ophthalmic arena and worked together in Mr. Scheller's first company, Advanced Surgical Products, which created the market for disposable light fibers used in vitreoretinal surgery.

In its infancy, Synergetics recognized a need for more timely repairs on microsurgical instruments. Using this revenue stream as a foundation, Synergetics soon began to design and manufacture high-quality microsurgical instruments for vitreoretinal procedures. Synergetics was able to aggressively grow its business by developing unique products that allowed surgeons to operate more safely, efficiently, and effectively, according to the company. Collaboration with leading surgeons such as Yasuo Tano, MD, David Chow, MD, and Carl Awh, MD, ensured the success of bringing these products to market.

"The greatest example of this innovation was the advent of the Photon light source. As retinal surgeons began to explore smaller gauge instrumentation, insufficient illumination from the existing halogen and metal-halide light sources on the market prevented it from becoming mainstream," David M. Hable, Chief Executive Officer and President, said.

Synergetics introduced the Photon illumination device in July, 2004. This device was able to deliver eight times more light at significantly safer levels than what was currently available.

Other products that helped to drive Synergetics' growth include the Diamond Dusted Membrane Scraper, which is designed for delicate membrane peels, and their line of directional laser probes for 20-, 23-, and 25-gauge surgery. These laser probes enable surgeons to reach the far periphery of the eye in panretinal laser photocoagulation by curving the fiber through manipulation of a slide mechanism on the probe handle.

Synergetics' growth continued with its 2005 reverse merger with Valley Forge Scientific (King of Prussia, PA), a developer and manufacturer of bipolar electrosurgical systems and related instrumentation for use in ophthalmology; neurosurgery; and ear, nose, and throat surgery. Valley Forge was incorporated in 1980 and became a publicly held company in November, 1989. Upon consummation of the merger, Synergetics began trading on the NASDAQ Capital Market under the ticker symbol "SURG."

New Products: The recently launched VersaPACK is the

company's first offering the posterior vitrectomy pack market, and the response since its January 3, 2011, launch has exceeded expectations, according to Synergetics. The concept of the VersaPACK is built on allowing surgeons to customize the pack to their individual product preference. The pack enables a surgeon to use the illuminator, infusion tubing, and trocar/cannula system of his or her choice. The end result is an elimination of waste and a more efficient and effective procedure, according to the company. The VersaPACK is offered in 20-, 23-, and 25-gauge configurations.

New innovations at Synergetics include the development of a line of fully disposable retinal instrumentation called Pinnacle 360°. This diverse line of tip options includes 13 versions of forceps, scissors, and foreign body instrumentation.

"The Pinnacle line has a unique design that features improved maneuverability and repositioning of the instrument compared with competing devices, while providing surgeons with the advantages provided by disposable instrumentation," Mr. Hable said. "We are seeing increased demand for disposable instrumentation. Many surgeons prefer the assurance of single-use instrumentation where precision and sharpness are important in microsurgical applications compared with reusable instrumentation

where performance may deteriorate with multiple uses. In addition, we believe disposable instruments provide a lower total cost per surgery since they eliminate the expense in handling, repair and sterilization of reusable instruments."

In a move to increase its capacity to generate new innovations in retinal surgery, Synergetics recently signed a new product development and consulting agreement with Retinal Solutions, LLC. ■

Stock Price as of May 26, 2011: \$5.66

- 52-Week High: \$6.01
- 52-Week Low: \$2.23
- 1-Year Return: 92.92%
- Market Cap: \$140.32 million
- Dividend Yield: N/A

Earnings

- Earnings per share for last quarter: \$0.05
- Analysts' earnings per share estimate for upcoming quarter: \$0.06
- Revenue/sales for last quarter: \$13.3 million
- Analysts' revenue/sales estimate for upcoming quarter: \$14.19 million
- P/E ratio (trailing): 22.49

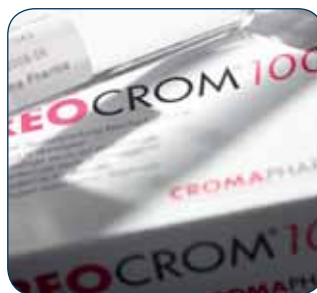
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