



MELA Acquires XTRAC

June 2015

Forward Looking Statement

Safe Harbor Language: This presentation includes “forward-looking statements” within the meaning of the Securities Litigation Reform Act of 1995. These statements include but are not limited to our plans, objectives, expectations and intentions and other statements that contain words such as “expects,” “contemplates,” “anticipates,” “plans,” “intends,” “believes” and variations of such words or similar expressions that predict or indicate future events or trends, or that do not relate to historical matters. These statements are based on our current beliefs or expectations and are inherently subject to significant uncertainties and changes in circumstances, many of which are beyond our control. There can be no assurance that our beliefs or expectations will be achieved. Actual results may differ materially from our beliefs or expectations due to economic, business, competitive, market and regulatory factors.

MELA Acquires XTRAC

MELA Sciences, Inc.
acquires
XTRAC & VTRAC
business of
PhotoMedex, Inc.



*Creates new premier
 dermatology company
 focused on disease
 management*



When the
 Diagnosis is
 Psoriasis, the
 Treatment is
 Clear. **XTRAC.**

95% Clear. And
 No Side Effects.

XTRAC[®]
 LIVE CLEAR. LIVE FREE.



Promising Solutions
 for Psoriasis, Vitiligo,
 Leukoderma and
 Atopic Dermatitis.

VTRAC[®]
 EXCIMER LAMP

The Acquisition

Immediate and growing revenue streams

- ▶ 2014 total sales of \$30.6 million
 - ▶ \$22.9 million U.S. recurring XTRAC revenue
 - ▶ \$5.0 million international XTRAC and VTRAC sales
 - ▶ \$2.7 million parts and service revenues
- ▶ Continued growth expected to be in the mid to high teens



The Acquisition - continued

- ▶ Positive EBITDA contribution expected to fund combined operations of Company
- ▶ Platform on which to build a leading Medical Dermatology Company
- ▶ Emphasis on innovative and proprietary, recurring revenue

Creating a premier medical dermatology company with greater capabilities, a stronger financial profile and the potential for sustainable recurring revenue growth rate of 15% to 18%.



The Deal At-a-Glance

- ▶ Carve-out asset acquisition
 - ▶ Sign and close June 22, 2015
- ▶ \$42.5 million purchase price
 - ▶ Includes all assets of their XTRAC and VTRAC business and certain applicable business liabilities
 - ▶ U.S. installed base of 640 lasers placed with dermatologists at Q1 2015
 - ▶ International distribution network
 - ▶ Includes all inventories, receivables, fixed and intangible assets of the business



Transaction Financing

- ▶ Funded primarily by existing major shareholders
 - ▶ Sabby Capital
 - ▶ Broadfin Capital
- ▶ Through the issuance of:
 - ▶ \$32.5 Million of debentures
 - ▶ Terms : conversion price \$.75 per share
 - ▶ \$10.0 Million of Notes intended to be refinanced with non-convertible term debt
 - ▶ 9% interest
 - ▶ Warrants to purchase 3.0 million shares of common stock at an exercise price of \$.75



Acquisition Highlights

Ease of transition/integration

- ▶ MELA CEO and certain members of the Board of Directors have extensive knowledge and experience with the acquired business
- ▶ All employees associated with and required for the operation of the business offered employment
- ▶ Well-established and effective dermatology sales and marketing organization in place
- ▶ Well established and capable manufacturing, engineering and research organizations in place



Immediate Benefits of Acquisition

Financially stronger company

- ▶ Established and valued recurring revenue model
- ▶ EBITDA sufficient to fund operations and growth
- ▶ Established and growing customer base
- ▶ Established international sales distribution network



Market Opportunity

- ▶ Initial target markets psoriasis and vitiligo
- ▶ Psoriasis
 - ▶ 7.5 million Americans suffer from psoriasis
 - ▶ 125 million people worldwide
- ▶ Vitiligo
 - ▶ 1% to 2% of the worldwide population suffers from this pigment deficiency disorder
- ▶ Dermatologists
 - ▶ Approximately 11 thousand in the US
 - ▶ Current installed base (US Q1, 2015) 640
 - ▶ Target Market – Approximately 2,500 to 3,500 clinical dermatologists

VITILIGO



Before XTRAC
Treatment for Vitiligo



6 Months After 48 XTRAC
Treatments for Vitiligo

PSORIASIS



BEFORE
TREATMENT



AFTER
TREATMENT

Market Metrics

➤ Recent Growth of US Recurring Revenue

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	<u>2012</u>	<u>2013</u>	<u>2014</u>
XTRAC Treatment Revenue	\$ 8.4	\$15.5	\$22.9
XTRAC US Installed base	350	501	620
Average Treatment Revenue Per Laser	\$24,000	\$30,900	\$36,900



Summary of Acquisition

Benefits

- ▶ Transformational change for MELA Sciences, Inc.
- ▶ Creates self-sustaining premier medical dermatology company positioned for growth
- ▶ Positions company as a leader in the market for targeted UV light therapy for psoriasis and vitiligo
- ▶ Provides a platform for continued growth and expansion
- ▶ Emphasis on recurring/disposable type revenues



Summary

Next steps

- ▶ June, 2015 through September, 2015
 - ▶ Complete integration of the XTRAC and VTRAC businesses into MELA Sciences
- ▶ Obtain shareholder approval for conversion of debt – expected ~ September 2015
- ▶ Sustain consistent revenue growth rate of 15% to 18% per year
- ▶ Sustain cash flows necessary to fund operations and growth



Patient & Doctor Testimonials

“ I just can't say what a good feeling it is not to see those ugly scales when I raise my arms or look in the mirror. **After six treatments, they were gone. It is just amazing.** XTRAC is the best thing that ever happened to me. Every time I pass a mirror, I have to look, because I just can't believe it's gone. ”

N.R., Bethlehem, PA, A psoriasis sufferer since 1983

I'm not aware of another treatment that will reliably repigment patients in as few treatments. ***Even when the condition is severe, the excimer laser provides dramatically effective results.***

Mark Lebwohl, M.D.,
*Professor and Chairman, Department of Dermatology,
 Mt. Sinai School of Medicine, New York*



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