

IOMEGA CORP
Form DEFA14A
December 12, 2007

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

SCHEDULE 14A INFORMATION

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

Filed by the Registrant ☒

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

☒ Soliciting Material Pursuant to §240.14a-12

IOMEGA CORPORATION

(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):

☒ No fee required.

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

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

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(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):

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

(3) Filing Party:

(4) Date Filed:

Filed by Iomega Corporation

Pursuant to Rule 14a-12

Under the Securities Exchange Act of 1934

Subject Company: Iomega Corporation

Commission File No. 001-12333

This filing relates to the proposed acquisition of ExcelStor Great Wall Technology Limited, a Cayman Islands company (EGWTL), and Shenzhen ExcelStor Technology Limited, a People's Republic of China (PRC) company (SETL) by Iomega Corporation (Iomega) from Great Wall Technology Company Limited, a PRC company (GWT), ExcelStor Group Limited, a Cayman Islands company (EGL), ExcelStor Holdings Limited, a British Virgin Islands company (EHL) and, together with GWT and EGL, the Selling Shareholders), pursuant to the terms of a Share Purchase Agreement, dated as of December 12, 2007 among Iomega, the Selling Shareholders, EGWTL, and SETL. The following PowerPoint slides were presented by Iomega's management to investors beginning on December 12, 2007:

IOMEGA Enters Definitive
IOMEGA Enters Definitive
Agreement to Acquire
Agreement to Acquire
ExcelStor Group
ExcelStor Group
December 12, 2007

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Statements in this presentation regarding the highlights of the ExcelStor Acquisition (Transaction), accretion; potential incremental sales; access to and launch of new products; cross-selling opportunities; potential new markets and market sizes; access to China markets; partnering with CEC; Transaction synergies; all pro forma financial and performance estimates after closing the Transaction including 2008, 2009 and 2010 incremental revenue, income and synergy estimates; cost savings; operating leverage; tax benefits and rates; and all other statements that are not purely historical are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All such forward-looking statements are based upon information available to Iomega as of the date hereof, and Iomega disclaims any intention or obligation to update any such forward looking statements. Actual results could differ materially from the current expectations.

Factors that could cause or contribute to such differences include the failure to close the Transaction; post closing integration challenges; difficulties in realizing cost savings and synergies; difficulties in accessing and launching new product lines; downturn or loss of any major customer; a downturn or sale of any ExcelStor OEM customer; a lack of success of new products due to market and competitive pressures; restructuring or other charges necessary as part of the integration; legal, compliance, accounting or Sarbanes Oxley issues arising from a complex global operation; unforeseen technical or manufacturing challenges; reactions or changes to business relationships resulting from the Transaction; unexpected cost or burden increases resulting from the Transaction; ability to maintain stringent quality assurance standards; availability of critical product components; the failure or delay of any sole source supplier; products and technology obsolescence; manufacturing and inventory issues; management turnover; cultural or communication issues adversely impacting the integration; intellectual property rights; competition; litigation; difficulties realizing the tax strategy, Government inquiries or directives; general economic and/or industry-specific conditions; and the other risks and uncertainties identified in the reports filed from time to time by Iomega with the SEC, including Iomega's most recent Forms 10-Q and 10-K.

Cautionary Note About Forward-

Cautionary Note About Forward-

Looking Statements

Looking Statements

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Will remain a public company (NYSE: IOM) headquartered in San Diego, CA

9 Board Members: 5 from GWT / CEC and 4 from Iomega

Management

Acquisition of ExcelStor Technology, a subsidiary of Great Wall

Technology (GWT) and China Electronics Corporation (CEC), by Iomega
Transaction Summary
Transaction Summary
Transaction
Consideration

All stock consideration

~140 mm post-transaction fully diluted shares outstanding

Post-transaction ownership:

Pro Forma

Company

Closing

Approval by Great Wall and Iomega shareholders

HSR and PRC regulatory approvals

Anticipated to close in approximately 6 months from announcement

Value

Transaction value of \$310 mm, based on Iomega's

Market Cap of \$207 mm

Implied ExcelStor multiples of 0.32x '08 Rev; 6.6x '08 EBITDA; 13.6x '08 PE

Financial Impact

Accretive w/o synergies (excl. one-time transaction-related costs)

Substantially more accretive assuming synergies

GWT / CEC (43%)

Iomega (40%)

Other ExcelStor Investors (17%)

Dr. Z.X. Chen (Pres. of CEC)

Lu Ming (VP of CEC and Pres. of GWT)

Stephen David (Current Chair of Iomega)

Jon Huberman (Current CEO of Iomega)

Eddie Lui (Current CEO of ExcelStor)

CEO: Jonathan Huberman

Pres. / COO: Thomas Kampfer

Exec Chairman: Eddie Lui

CFO: Preston Romm

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Highlights of Transaction

Highlights of Transaction

Creates a global Consumer Storage and

Creates a global Consumer Storage and

Electronics Company

Electronics Company

Combine Iomega's global brand and

Combine Iomega's global brand and

channels with ExcelStor's China presence

channels with ExcelStor's China presence

and manufacturing capabilities

and manufacturing capabilities

Drive significant incremental sales in

Drive significant incremental sales in

adjacent Consumer Electronics markets in

adjacent Consumer Electronics markets in

partnership with CEC sister companies

partnership with CEC sister companies

Combine best talents from both

Combine best talents from both

companies to create an experienced

companies to create an experienced

global management team

global management team

Cash EPS accretive

Cash EPS accretive

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ExcelStor at a Glance

ExcelStor at a Glance

Privately held; founded in 2001 by former Seagate and Connor
Peripheral Executives

Headquartered in Shenzhen, China, with 2,700 total employees

Manufacturer of internal / external hard drives and storage
systems with a strong OEM relationship with major HDD company

This strategic OEM relationship represents approximately 84% of
revenue

ExcelStor
produces
over
20
million
single-platter
drives
per
year

2007 Revenue forecasted at \$818.2 mm and net income of
\$18.3 mm

Manufactures and sells other HDD & storage products, including
Iomega's REV products

ExcelStor branded products represent 12% of revenue

World-class manufacturing expertise

Design services

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Primary product line is single-platter hard drives

Other products include:

External HDD

Autoloaders

Partners include:

Hitachi

Bell Microproducts

Freecom

Tandberg

Experienced management team with over 20 years of disk drive manufacturing experience in the U.S., China, Singapore and Malaysia

Facilities include a clean room, testing and production facility in Shenzhen

ExcelStor Overview

ExcelStor Overview

Digital recordable jukebox

Xander International

Hasee Technology

Fujitsu Korea

Iomega

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Single-Platter 3.5

Single-Platter 3.5

HDD Market Share

HDD Market Share

Single-platter drives
account for ~65% of 3.5
market

ExcelStor produces over
20 mm units per year of

single-platter 3.5

HDDs

Worldwide HDD Sales (units) of 3.5

Other

35%

Single-

Platter

65%

Market Size:

285 mm

185 mm

185 mm

100 mm

100 mm

20 mm

20 mm

165 mm

165 mm

Single-Platter 3.5

HDD Vendor Shares (units)

Source: Industry estimates.

ExcelStor:

11%

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Overview of CEC Organization
Overview of CEC Organization
CEC
Over 60
holding
companies
CGC
10 companies similar
to Great Wall and

some are
publicly traded
Great Wall
Technology
(0074.HK)
12 other
similar companies
and some are
publicly
traded
ExcelStor
100%
62%
62%

Monitors

LCD TVs

Software

Semiconductor

MP3 Players

Consumer
Electronics

China Electronics Corporation

CEC is a PRC Government-owned
conglomerate
and
CEC's
affiliates
generate over ~\$16 bn in revenues

Approximately 50% ODM / OEM

Approximately 50% branded
products

CEC controls over 1,000 companies
and 10,000 products

CEC will indirectly control 43% of
Iomega

Very limited distribution in the
Americas and EMEA

Portfolio company sectors include

PCs

Notebooks

Servers

HDD

Cell Phones

PDA's

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CEC Sister Companies

CEC Sister Companies

Great Wall Technology Co., Ltd.

China National Electronic Corp.

Shanghai Hua Hong (Group) Co., Ltd.

Amoi Electronics Co., Ltd.

CEC Holding Co., Ltd.

SED Electronics Industry Corp.

China National Software & Service Co., Ltd.

CEC Corecast Co., Ltd

Wuhan Zhongyuan Electronics Co., Ltd

China Electronics Financial Co., Ltd

China Integrated Circuit Design Co., Ltd

Panda Electronics Co., Ltd

Shanghai Pudong Software Park Co., Ltd.

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(\$ in millions, except per share data)

Comparative Valuation Summary

Comparative Valuation Summary

(1)

2007 ExcelStor net income excludes pre-tax transaction related expenses of \$4.0 mm (\$3.7 mm net income).

(2)

2007 Iomega net income excludes:

i.

Non-cash pre-tax goodwill impairment charge of \$3.0 mm (\$1.8 mm net income) incurred in Q1 and Q2;

ii.

Pre-tax

transaction

related
expenses
of
\$2.0
mm
(\$2.0
mm
net
income)
incurred
in
Q2,
Q3
and
Q4;
and
iii.

Pre-tax restructuring benefit of \$0.2 mm (\$0.1 mm net income) incurred Q1, Q2 and Q3.

Iomega

Offer Price

At Market

for ExcelStor

As of 12/10/07

Stock Price

\$3.70

% of 52-Week High

64.3%

Equity Value

\$310.3

\$206.9

Debt

56.8

0.0

Cash

55.7

69.4

Enterprise Value

\$311.4

\$137.5

Pro Forma Ownership (100% Stock)

60.0%

40.0%

EV / Revenue

(1)

Metric

(2)

CY 2007E

\$818.2

0.38x

0.45x

\$308.4
 CY 2008E
 981.8
 0.32x
 0.36x
 383.6
 EV / EBITDA
 CY 2007E
 \$38.5
 8.1x
 13.7x
 \$10.1
 CY 2008E
 47.1
 6.6x
 9.7x
 14.2
 Equity Value / Net Income
 CY 2007E
 \$18.3
 16.9x
 29.1x
 \$7.1
 CY 2008E
 22.8
 13.6x
 20.5x
 10.1
 Multiples
 ExcelStor
 Iomega
 Value
 Metric

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Review of Iomega's

Review of Iomega's

Stand Alone Business

Stand Alone Business

Leverage brand and channels with
new products

Scale to leverage existing
infrastructure

Extend business beyond external
HDD business

Penetrate Asian market where
currently under-represented

Key Initiatives

Key Initiatives

Strengths

Strengths

Global brand recognition

Strong worldwide distribution
channel

Recent growth and momentum

Profitable with \$69.4 mm in cash

Ability to scale revenues without
adding significant infrastructure

Broad portfolio of hundreds of
patents

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Creating a Global Consumer Storage
Creating a Global Consumer Storage
& Electronics Provider
& Electronics Provider

Sell Iomega products into Chinese Markets

Sell
ExcelStor
products
outside
China

increase
size
of
current branded business

Utilize in-house manufacturing where appropriate to
lower COGS

Plan to partner with CEC's 1,000+ subsidiaries to
sell globally through Iomega channel

Extendable brand

Strong channel
relationships

Global presence

World-class
manufacturing expertise

Size / profitability

Growing OEM and
branded storage business
New Iomega

Vast breadth of products

Manufacturing and design
capabilities

Deep access into Chinese
end markets

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Cross-Selling Opportunities

Cross-Selling Opportunities

Expansion of product lines creates a unique portfolio

Expansion of product lines creates a unique portfolio

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Immediate Market Expansion

Immediate Market Expansion

Significant opportunity to sell CEC products globally

New Iomega will gain immediate access to large markets
such as PCs and LCD panels

Note: Estimates from IDC and Industry Research. HDD forecast includes internal and external drives.

(1)

Computer peripherals market includes (i) mice and keyboards, (ii) video web cameras and (iii) audio and gaming peripherals.

Source: IDC, Morgan Keegan research report dated 2/28/07 and Logitech.

Market Size (\$ billions)

Market Size (\$ billions)

Units Produced (millions)

Units Produced (millions)

2011

2007

+7.5%

CAGR
+14.0%
CAGR
(6.0%)
CAGR
+5.6%
CAGR
482
147
113
71
177
194
163
676
Mobile PC
LCD TV
LCD Monitor
HDD
+14.5%
CAGR
+23.2%
CAGR
+4.7%
CAGR
+8.8%
CAGR
2011
2007
+12.5%
CAGR
(1)
\$6
\$30
\$36
\$144
\$71
\$10
\$28
\$193
\$120
\$37
Mobile PC
LCD TV
LCD
Monitor
HDD
Computer
Peripherals

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Significant Synergies

Significant Synergies

Revenue

Gross Margin

Sell additional CEC products through Iomega's
global channel

Revenue potential:

LCD Monitors

LCD & HD TVs

PCs / Laptops / Servers

Other peripherals

Consumer Electronics

Sell additional Iomega products in China

Sell ExcelStor products in North America and Europe

Cost savings on Iomega products due to
ExcelStor manufacturing efficiencies
Tax

Significant reduction in pro forma tax rate
achieved through step-up of ExcelStor assets

Effective tax rate going-forward ~ 12%
Operating Leverage

Scale revenue with small incremental op ex
investment

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Pro Forma Operations
Pro Forma Operations
2008 is a Year of Transition
2008 is a Year of Transition
Revenue
Revenue
Net Income
Net Income
\$308
\$230
\$384
\$982
\$818

\$720

\$70

2006A

2007E

2008E

Iomega

ExcelStor

Synergies

\$950

\$1,127

\$1,435

\$10

\$3

\$7

\$18

\$18

\$23

\$8

2006A

2007E

2008E

\$20

\$25

\$41

(1)

2007 Iomega net income excludes:

i.

Non-cash pre-tax goodwill impairment charge of \$3.0 mm (\$1.8 mm net income) incurred in Q1 and Q2;

ii.

Pre-tax
transaction
related
expenses

of

\$2.0

mm

(\$2.0

mm

net

income)

incurred

in

Q2,

Q3

and

Q4;

and

iii.

Pre-tax restructuring benefit of \$0.2 mm (\$0.1 mm net income) incurred Q1, Q2 and Q3.

(2)

2006
Iomega
net
income
reconciliation

see
previously
filed
10K
and
10Qs.

(3)
2007 ExcelStor net income excludes pre-tax transaction related expenses of \$4.0 mm (\$3.7 mm net income).

(1)

(2)

(3)

(\$ in millions)

17
Significant Revenue and
Significant Revenue and
Cost Synergies Expected
Cost Synergies Expected
\$243
\$70
\$500
2008E
2009E
2010E
\$19.4
\$8.5
\$34.3
2008E
2009E

2010E

(\$ in millions)

Incremental Revenue

Incremental Revenue

Pre-Tax Synergies

Pre-Tax Synergies

-Tax Synergies

Tax Synergies

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Pro Forma Tax Benefits
Pro Forma Tax Benefits

U.S. ~ 0%

Cayman Islands ~ 0%

Europe ~ 18%

China btwn 7.5%
25.0% over next 7 years
Blended Tax Rate ~ 12%
Geographic Tax Rates

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Pro Forma 2008E Cash

Pro Forma 2008E Cash

Earnings Per Share

Earnings Per Share

Iomega Stand Alone 2008E Earnings

\$10.1

\$10.1

Plus: ExcelStor Stand Alone Earnings

\$22.8

\$22.8

Plus: Net Income Impact

\$1.0
\$8.4

Pro Forma 2008E Cash Net Income

\$33.9
\$41.3

Per Share Basis

Iomega Stand Alone 2008E EPS

\$0.18
\$0.18

2008E Cash EPS Accretion

\$0.06
\$0.12

Pro Forma 2008E Cash EPS

\$0.24
\$0.30

(\$ in millions, except per share data)

(1)

Assumes adjustments from interest income lost due to cash transaction expenses and an adjusted tax rate of 12% for the combined company.

(2)

Pro forma cash net income and EPS is non-GAAP and excludes transaction-related restructuring costs and amortization of intangibles.

Without

Without

Synergies

Synergies

With

With

Synergies

Synergies

(2)

(1)

(2)

(2)

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Pro Forma Balance Sheet
Pro Forma Balance Sheet
(\$ in millions)
Cash, Equivalents and
Short-Term Investments
Total Assets
Total Debt
Total Liabilities
Shareholders
Equity
Iomega
Iomega
\$ 69.4
205.5
0.0
111.0
94.4
ExcelStor
ExcelStor
Pro Forma
Pro Forma
\$ 55.7
283.5
56.8
229.4
54.1
\$ 125.1
489.0
56.8

340.4

148.5

(1)

(1)

Iomega and ExcelStor balance sheet as of Q307 and Q207, respectively.

(2)

Pro forma balance sheet excludes transaction expenses.

(1)

(2)

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Pro Forma Ownership
Pro Forma Ownership
4.7%
ExcelStor / Iomega
Management
6.1%
ExcelStor
Foxteq Holdings
6.1%
ExcelStor
H&Q Asia Pacific
18.8%
Iomega
Top 10 Institutions

21.2%

Iomega

Other Institutional &
Retail Investors

100.0%

43.1%

Ownership

Ownership

ExcelStor

Affiliation

Affiliation

Pro Forma Total

CEC Subsidiaries

Investors

Investors

Source: Iomega Management and FactSet.

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Stand Alone Iomega

Stand Alone Iomega

Globally Recognized Brand Name

External HDD, network storage drives and managed services offerings

Large, loyal installed base with 60 million drives sold

Worldwide Channel Presence

Broad channel coverage focused on Consumer / SOHO / SMB markets

Strong platform for potential future products

Global Infrastructure

Able to handle significantly more revenue than we currently generate

Headquartered in San Diego, CA with 253 employees

Sales offices worldwide

Strong Financial Performance

Profitable revenue growth

\$69.4 million in cash, no debt

Broad Patent Portfolio of Hundreds of Patents

Currently Lacks Presence in China

Europe

70%

U.S.

28%

Asia-Pacific

2%

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Iomega Has a Strong Brand and

Iomega Has a Strong Brand and

Product Portfolio

Product Portfolio

Product

Product

Description

Description

Portable storage products with 2.5

to 3.5

drives

Targets the Consumer and SOHO markets

NAS and NHDD storage for backup and disaster

recovery

Targets the Consumer, SOHO and SMB markets

Enterprise quality managed services for SMBs

Key relationships with leading security vendors

Backup storage products, removability and transport

Targets the SMB market

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Iomega Has A World-Class
Iomega Has A World-Class
Distribution Channel
Distribution Channel

Sold at over 11,500 stores in
the Americas, Europe and Asia

Integrated into Iomega's

online strategy

Direct marketers are a cost effective channel to reach small businesses, medium / large enterprises, government and education

Indirect selling channel for N-HDD, NAS and REV disks

Iomega reaches over 65,000 VARs worldwide through its distributor network

Comprehensive channel program with 15,000 registered resellers in the U.S. and Europe

Approximately 2.5 million unique visitors, and 250,000 software and driver downloads per month

2006 sales through the website were approximately \$10 million

Distributors
Iomega.com

Retail /
E-tail

Direct
Marketers

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Conditions to Closing

Conditions to Closing

Approvals by both shareholders

Approvals of relevant antitrust and regulatory agencies

All government approvals

Applicable Hong Kong and PRC Government requirements

HSR and other principals

No material adverse effect of Iomega / ExcelStor stand alone business

Anticipated to close in approximately 6 months from announcement

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Highlights of Transaction

Highlights of Transaction

Creates a global Consumer Storage and
Creates a global Consumer Storage and
Electronics Company
Electronics Company

Combine Iomega's global brand and
Combine Iomega's global brand and
channels with ExcelStor's China presence
channels with ExcelStor's China presence
and manufacturing capabilities
and manufacturing capabilities

Drive significant incremental sales in
Drive significant incremental sales in
adjacent Consumer Electronics markets in
adjacent Consumer Electronics markets in
partnership with CEC sister companies
partnership with CEC sister companies

Combine best talents from both
Combine best talents from both
companies to create an experienced
companies to create an experienced
global management team
global management team

Cash EPS accretive
Cash EPS accretive

Important Additional Information for Investors and Stockholders

In connection with the transaction, the Company intends to file a proxy statement with the SEC. INVESTORS AND STOCKHOLDERS ARE STRONGLY ADVISED TO READ THE PROXY STATEMENT WHEN IT BECOMES AVAILABLE, BECAUSE IT WILL CONTAIN IMPORTANT INFORMATION. Investors and stockholders may obtain a free copy of the proxy statement (when it becomes available) and other documents filed by the Company at the SEC's website at <http://www.sec.gov>. A free copy of the proxy statement when it becomes available may also be obtained from the Company, by calling Investor Relations at (801) 332-3585 or by writing to Iomega Corporation, Attn: Investor Relations, 10955 Vista Sorrento Parkway, San Diego, CA 91230.

The Company, EGWTL, SETL, the Selling Shareholders and each of their respective executive officers and directors may be deemed to be participants in the solicitation of proxies from the stockholders of the Company in favor of the transaction. Information about the executive officers and directors of the Company and their ownership of the Company's common stock is set forth in the proxy statement for the Company's 2007 Annual Meeting of Stockholders filed with the SEC on April 13, 2007 and the Company's Current Reports on Form 8-K filed with the SEC on September 27, 2007 and November 8, 2007. Certain directors and executive officers of the Company may have direct or indirect interests in the transaction due to securities holdings, pre-existing or future indemnification arrangements, vesting of options or rights to severance payments if their employment is terminated following the transaction. Additional information regarding the Company, EGWTL, SETL, the Selling Shareholders and the interests of each of their respective executive officers and directors in the transaction will be contained in the proxy statement regarding the transaction that will be filed by the Company with the SEC.