



BIOLASE, Inc.

Q1 upside and 2022 outlook positive. We remain positive on long-term growth potential. Lowering P/T to \$35.

COMPANY UPDATE

Rating: **BUY**

Ticker: BIOL

Price: \$4.85

Target: \$35.00
(from \$75.00)

Q1 upside: BIOLASE recently (on May 12) reported its Q1 2022 (ending March) results. Total revenue was \$10.2 million (+25% y-o-y), compared with our and consensus estimates of \$9 million. Pro forma EPS was \$(0.64), compared with our and consensus estimates of \$(0.49) - (0.67). Q1 revenue guidance was to be above \$9 million.

Q1 rebounds continues: Revenue was up (+25% y-o-y), due to the recovery from the negative coronavirus impact in 2020 (which bottomed out in Q2 2020) and now positive execution on its sales initiatives.

Broad sales strength: U.S. laser sales were +43% (y-o-y) and International laser sales were +15% (y-o-y). The company saw continued progress with its Waterlase Exclusive Trial Program, with success rate over 50% year to date. Increased marketing initiatives generated increased adoption of its laser technology in the U.S. in Q1, with 81% of sales from new customers and 65% of sales from dental specialists.

2022 guidance for growth: Management provided initial Q2 revenue guidance to be above \$10.5 million (+15% y-o-y), and maintained 2022 revenue to be above \$43 million (+10% y-o-y).

Adjusting estimates: We are adjusting our 2022 estimates for revenue to \$44 million, from \$43 million, and for EPS to \$(1.87) from \$(1.45). We are adjusting our 2023 estimates for revenue to \$47 million, from \$46 million, and for EPS to \$(1.19) from \$(0.74).

Large market opportunities: The company estimates that with every one percentage point increase in market adoption of laser technology in the U.S. alone, BIOLASE will generate an additional \$50 million in revenue (based on current BIOLASE market share).

Marketing opportunities: BIOLASE continues to make progress in expanding to Dental Services Organizations (DSOs). In addition, the company is expanding its various marketing programs especially to dental specialists (periodontist, endodontist, and hygienist).

We still remain positive: We believe BIOLASE is progressing (even if slow and lumpy at times) in its return to growth and profitability. We expect further improvement in 2022 after a strong 2021 (+72% y-o-y) which should drive momentum. BIOLASE has a solid line of innovative products, and should benefit from the recovery in the dental market, consistent sales execution, and new sales opportunities.

Strong balance sheet: The company has \$22 million in cash and \$14 million in debt. We believe it has enough cash through 2023.

Stock split: The company effected a 1:25 reverse stock split in April 2022.

Valuation positive: Maintaining our BUY, but lowering our 12-month price target to \$35 from \$75 which is based on an NPV analysis. We believe that BIOLASE represents a compelling investment story as the company continues to ramp up product sales. We believe the large market potentials presents a high reward for the high risks.

Company Description

Based in Foothill Ranch, CA, BIOLASE is a medical device company that markets laser systems (Waterlase and diode dental laser systems) for dentistry and medicine in the U.S. and internationally.

United States
Healthcare

June 5, 2022

Edward Woo, CFA
(949) 259-4932
ewoo@ascendant.com

Stock Data

Exchange:	NasdaqCM
52-week Range:	\$3.30 – 23.50
Shares Outstanding (million):	6
Market cap (\$million):	\$29
EV (\$million):	\$21
Debt (\$million):	\$14
Cash (\$million):	\$22
Avg. Daily Trading Vol. (\$million):	\$0.4
Float (million shares):	6
Short Interest (million shares):	0.3
Dividend, annual (yield):	\$0 (NA%)

Revenues (US\$ million)

	<u>2022E</u> (Cur.)	<u>2022E</u> (Old)	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)
Q1 Mar	10A	9E	11E	10E
Q2 Jun	11E	10E	11E	
Q3 Sep	10E		11E	
Q4 Dec	<u>13E</u>	<u>14E</u>	<u>14E</u>	<u>15E</u>
Total	44E	43E	47E	46E
EV/Revs	0.x		0.4x	

Earnings per Share (pro forma)

	<u>2022E</u> (Cur.)	<u>2022E</u> (Old)	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)
Q1 Mar	(0.64)A	(0.49)E	(0.41)E	(0.31)E
Q2 Jun	(0.57)E	(0.41)E	(0.39)E	(0.27)E
Q3 Sep	(0.48)E	(0.35)E	(0.30)E	(0.21)E
Q4 Dec	<u>(0.20)E</u>	<u>(0.19)E</u>	<u>(0.10)E</u>	<u>0.04E</u>
Total	(1.87)E	(1.45)E	(1.19)E	(0.74)E
P/E	N/A		N/A	

*Reflects a 1:25 reverse stock split in April 2022.

Important Disclosures

Ascendant Capital Markets LLC seeks to do business with companies covered by its research team. Consequently, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making an investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report, beginning on page 11.

Exhibit 1: BIOLASE Company Background and Highlights

BIOLASE at a Glance

Broad Range of Applications

Dental lasers perform a broad range of cosmetic, restorative and surgical applications

Complete Line of Products

For general dentists and specialists

43K+ Laser Systems Sold

In 80 countries to date

Large IP Portfolio

301 issued and
32 pending patents
—
\$30M in value

Massive Market Growth

Only 7% to 8% of U.S. Dental Practices incorporate all tissue lasers
—
Every additional 1% = \$50M in new revenue

Experienced Management Team

Transitioned the company from R&D focus to commercialization

Full-Spectrum of Laser Systems and Consumables

— 301 Issued + 32 Pending Patents —

ALL TISSUE LASER SOLUTIONS

Waterlase iPlus™

- Best selling All-Tissue dental laser— 80 FDA cleared indications
- Replaces scalpel for minimally invasive, minimally bleeding microsurgery for soft tissues
- Replaces drill with substantial reduced need for anesthesia for teeth & bone



Waterlase Express™

- Smallest, easiest most cost-effective Waterlase
- Vivid HD tablet user interface
- Exclusive procedural animations
- Rich on-board reference library and Customer Care Button



TIPS & ACCESSORIES



SOFT TISSUE LASER SOLUTIONS

Epic X™

- Surgery, fast tooth whitening and pain therapy in one device
- Ultra portable for multiple-operatory use



Epic H™

- Designed by hygienists, for hygienists
- FDA cleared for laser bacterial reduction ("LBR")



Epic Pro™

- Powerful and capable diode dental laser ever
- Best in class speed, comfort, and precision cutting
- Leverages IPG Medical technology



Source: Company report.

Exhibit 2: Market Opportunity

Key Drivers of Adoption

“LASIK” surgery provides a good model for the potential adoption of Waterlase



⁽¹⁾ “A Prospective Multicenter Randomized and Controlled Study Comparing Laser and Mist Therapies for Treatment of Moderate to Severe Generalized Periodontitis” sponsored by The McGuire Institute and Biolase

* Source: American Refractive Surgery Council

BIOLASE Opportunity

Targeted Growth Strategy to Further Penetrate the U.S. Market



Source: Company report

Exhibit 3: Waterlase Marketing Programs

Executing Our Growth Strategy

Focused on Education & Training



Increased Marketing & Sales Efforts

Biggest Improvement in the Company Over the Past Couple of Years



Pre-Pandemic
2019

Projected
2022

BIOLASE Partnership Program (BPP)

- ✓

First 6 Months = Customer Revenue

Enables customers to generate revenue without any cash outflow for first 6 months
- ✓

Immediate Cash in Hand

Puts money in the customers pocket now
- ✓

BIOLASE = Compelling Reasons to See Their Dentist

As offices open, it is critical to get patients to come back right away
- ✓





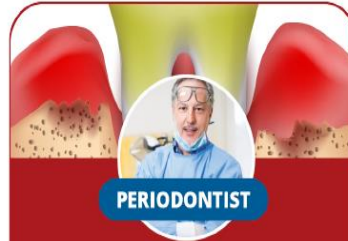

In-office Training

 - + No travel, no need to spend time away from the office, staff can participate
 - + Facilitates true integration throughout the office
 - + Includes ongoing personal coaching

Source: Company report.

Exhibit 4: Waterlase Markets

Minimally invasive perio protocols for the Complete Office.

Gingivitis / Early Periodontitis	Moderate Periodontitis/Implantitis	Severe Periodontitis/Implantitis
 <p>HYGIENIST</p> <ul style="list-style-type: none"> Effectively manage non-surgical Periodontitis Proven clinical protocols, including <i>Pocket Therapy</i> and <i>Perio Debridement</i> Step-by-step training & guidebooks for easy integration <p>GROW REVENUE +\$15 - \$40K per year</p> <p>Epic Hygiene </p>	 <p>DENTIST</p> <ul style="list-style-type: none"> Easily manage moderate Periodontitis & Implantitis Minimally Invasive, Patient-Friendly protocols Excellent clinical results & patient-reported outcomes <p>GROW REVENUE +\$32 - \$64K per year</p> <p>Waterlase Dentistry </p>	 <p>PERIODONTIST</p> <p>Manage Severe, Difficult and Complex Cases</p> <p>Refer Out</p> <p>Waterlase Dentistry </p>
FDA Clearance 12/19 LBR Clearance 03/20	WME 50% Closure	McGuire Release 7/2020

A Significant Growth Opportunity

60M People in the U.S. Alone Have Gum Disease & Increased Health Risk Due to the Connection Between Oral and Systemic Health

Under-diagnosed, Under-Treated, Under-managed

Peri-Implantitis

Less Frequent Dentist Visits

<p>85% OF AMERICAN ADULTS SUFFER FROM GUM DISEASE</p> <p>47% Have periodontitis That's 64.7 Million Adults 35 years and older</p> <p>8% Early Periodontitis 30% Moderate Periodontitis 8% Severe Periodontitis</p> 	<p>3.0 M+ implants placed in the U.S. in 2019 with a 6% increase each year</p> <p>500,000+ implants per year in USA need attention for peri-implantitis and that number continues to grow</p>	<p>Over 1/3 of patients experience peri-implantitis over 3.5-year period (Clin Oral Impl Res. 2019)</p> <p>Waterlase lasers are highly effective, safe solution to preserving sick implants</p>	<p>> 60% of the U.S. population avoids going to the dentist because of "dental anxiety or fear"</p> <p>(DentaVax survey of 18,000 people VW)</p> 
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Source: Company report.

Exhibit 5: Q1 2022 Financial Results

1Q22 Financial Results (ended March 31, 2022)

- + **Net revenue grew 25% to \$10.2 million:**
 - + 81% of U.S. laser sales came from new customers, continuing a positive trend
 - + Approximately 65% of U.S. Waterlase sales came from dental specialists
- + **Laser system sales increased 43% in the U.S. and 15% internationally year over year**
- + **Consumables and other revenue increased 35% and remained consistent internationally year over year**
- + **U.S. and international revenue increased 34% and 10%, respectively,** as more dental practices were operating during the first quarter of 2022 compared to the year-ago first quarter due to the COVID-19 pandemic
- + **Gross margin was 47%, up 12,700 basis points,** due to the higher year-over-year revenue and higher average selling prices for products sold during the quarter, as well as favorable absorption of fixed expenses
- + **Maintained strong balance sheet,** as cash and cash equivalents totaled \$22 million at quarter end

Source: Company report.

Exhibit 6: BIOLASE's Stock Price (Five Years)



*Reflects a 1:25 reverse stock split in April 2022

Source: <https://bigcharts.marketwatch.com/>

Exhibit 7: Consensus Expectations (as of May 12, 2022)

	Revenue (mil)			EPS	
	2022E	2023E		2022E	2023E
Q1 Mar	\$9E		Q1 Mar	\$(0.67)E	
Q2 Jun	\$10E		Q2 Jun	\$(0.67)E	
Q3 Sep			Q3 Sep		
Q4 Dec			Q4 Dec		
Total	\$43E	\$47E	Total	\$(2.33)E	\$(1.75)E

*Quarterly estimates may not add to annual estimates due to variations in contributing estimates and rounding.

*Reflects a 1:25 reverse stock split in April 2022

Source: Company report, Refinitiv, and Ascendant Capital Markets estimates

FINANCIAL MODEL

BIOLASE, Inc.

Income Statement (\$ mils)	Mar-20	Jun-20	Sep-20	Dec-20	2020	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Products and services revenue	4.8	2.9	6.5	8.5	22.8	8.1	9.1	9.5	12.4	39.2	10.2	10.5	10.1	13.2	44.0	10.8	11.1	10.7	14.3	46.9
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Revenue	4.8	2.9	6.5	8.5	22.8	8.1	9.1	9.5	12.4	39.2	10.2	10.5	10.1	13.2	44.0	10.8	11.1	10.7	14.3	46.9
Cost of Revenues	3.4	2.0	4.3	6.9	16.6	5.4	5.1	4.7	7.5	22.7	5.4	5.5	5.2	6.6	22.6	5.4	5.6	5.4	7.2	23.5
Gross Profit	1.4	0.9	2.3	1.6	6.2	2.7	4.0	4.8	4.9	16.5	4.7	5.0	5.0	6.6	21.3	5.4	5.6	5.4	7.2	23.5
Sales and marketing	2.7	2.1	2.7	3.8	11.2	3.6	3.3	3.5	5.0	15.3	4.8	4.1	3.8	4.1	16.8	3.8	3.9	3.6	4.3	15.6
General and administrative	3.0	2.1	2.3	2.3	9.8	3.4	2.8	2.5	2.6	11.3	2.6	3.4	3.0	3.2	12.1	3.2	3.2	2.9	3.3	12.6
Research and development	1.0	0.7	1.0	1.1	3.7	1.8	1.2	1.5	1.5	6.0	1.5	1.5	1.4	1.2	5.6	1.6	1.6	1.4	1.3	5.9
Excise tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Restructuring, litigation, and other	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total operating expenses	6.7	4.9	5.9	7.1	24.7	8.8	7.3	7.5	9.3	33.0	8.9	8.9	8.3	8.4	34.6	8.6	8.7	7.9	8.9	34.1
Operating income (loss)	(5.4)	(4.0)	(3.7)	(5.5)	(18.5)	(6.1)	(3.3)	(2.7)	(4.4)	(16.4)	(4.2)	(3.9)	(3.3)	(1.8)	(13.3)	(3.2)	(3.1)	(2.6)	(1.7)	(10.6)
Interest income (expense)	(0.6)	(0.6)	(0.6)	(0.6)	(2.4)	(0.6)	(0.6)	(0.6)	(0.5)	(2.2)	(0.4)	(0.4)	(0.4)	(0.4)	(1.7)	(0.4)	(0.4)	(0.4)	(0.4)	(1.7)
Other income (expense)	(0.1)	(0.0)	(13.1)	0.1	(13.2)	(0.7)	3.1	(0.0)	(0.3)	2.0	(0.3)	0.0	0.0	0.0	(0.3)	0.0	0.0	0.0	0.0	0.0
Income before income taxes	(6.0)	(4.6)	(17.4)	(6.1)	(34.1)	(7.4)	(0.8)	(3.3)	(5.2)	(16.6)	(5.0)	(4.3)	(3.8)	(2.3)	(15.3)	(3.7)	(3.6)	(3.0)	(2.2)	(12.4)
Income taxes	(0.0)	0.1	0.0	0.1	0.1	0.1	(0.1)	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Net income (loss)	(6.0)	(4.7)	(17.4)	(6.1)	(34.2)	(7.4)	(0.7)	(3.3)	(5.3)	(16.7)	(5.0)	(4.3)	(3.8)	(2.3)	(15.4)	(3.7)	(3.6)	(3.0)	(2.2)	(12.4)
Nonrecurring/noncash adjustments	2.5	1.8	14.9	1.5	20.7	2.2	(2.0)	0.8	0.9	2.0	1.1	0.8	0.8	1.0	3.6	1.0	1.0	1.0	1.5	4.5
Net income (pro forma)	(3.6)	(2.9)	(2.5)	(4.6)	(13.6)	(5.3)	(2.7)	(2.5)	(4.3)	(14.7)	(3.9)	(3.6)	(3.0)	(1.3)	(11.8)	(2.7)	(2.6)	(2.0)	(0.7)	(7.9)
EBITDA	(4.5)	(2.9)	(2.5)	(4.5)	(14.3)	(5.3)	(2.7)	(2.5)	(4.3)	(14.7)	(3.9)	(3.4)	(2.9)	(1.4)	(11.6)	(2.8)	(2.7)	(2.1)	(1.3)	(8.8)
Shares, Basic	1.3	1.5	3.3	3.7	2.4	5.4	6.0	6.1	6.1	5.9	6.2	6.3	6.4	6.5	6.3	6.5	6.6	6.7	6.8	6.6
Shares, Diluted	1.3	1.5	3.3	3.7	2.4	5.4	6.0	6.1	6.1	5.9	6.2	6.3	6.4	6.5	6.3	6.5	6.6	6.7	6.8	6.6
EPS Basic (Pro forma)	(\$2.82)	(\$1.91)	(\$0.76)	(\$1.25)	(\$5.54)	(\$0.98)	(\$0.44)	(\$0.41)	(\$0.71)	(\$2.49)	(\$0.64)	(\$0.57)	(\$0.48)	(\$0.20)	(\$1.87)	(\$0.41)	(\$0.39)	(\$0.30)	(\$0.10)	(\$1.19)
EPS Diluted (Pro forma)	(\$2.82)	(\$1.91)	(\$0.76)	(\$1.25)	(\$5.54)	(\$0.98)	(\$0.44)	(\$0.41)	(\$0.71)	(\$2.49)	(\$0.64)	(\$0.57)	(\$0.48)	(\$0.20)	(\$1.87)	(\$0.41)	(\$0.39)	(\$0.30)	(\$0.10)	(\$1.19)
Margins																				
Gross margin	28%	32%	35%	19%	27%	34%	44%	51%	40%	42%	47%	48%	49%	50%	48%	50%	50%	50%	50%	50%
Sales and marketing	57%	71%	41%	44%	49%	44%	36%	36%	40%	39%	47%	39%	38%	31%	38%	35%	35%	34%	30%	33%
General and administrative	63%	73%	35%	27%	43%	42%	30%	26%	21%	29%	25%	32%	30%	24%	28%	30%	29%	27%	23%	27%
Research and development	21%	23%	15%	12%	16%	22%	13%	16%	12%	15%	15%	14%	14%	9%	13%	15%	14%	13%	9%	12%
Operating margin	-112%	-135%	-56%	-65%	-81%	-75%	-36%	-28%	-36%	-42%	-41%	-37%	-33%	-14%	-30%	-30%	-28%	-24%	-12%	-23%
Tax rate, GAAP	0%	-1%	0%	-1%	0%	-1%	10%	0%	-1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net margin	-126%	-160%	-266%	-72%	-150%	-92%	-8%	-34%	-43%	-43%	-49%	-41%	-37%	-17%	-35%	-34%	-32%	-28%	-15%	-26%
YY % change																				
Total Revenue	-54%	-66%	-24%	-16%	-40%	70%	211%	46%	46%	72%	25%	15%	6%	6%	12%	6%	6%	6%	9%	7%
Gross margin	-62%	-72%	-23%	-64%	-57%	103%	329%	113%	206%	168%	73%	25%	2%	34%	29%	14%	10%	8%	9%	10%
Sales and marketing	-30%	-36%	-24%	1%	-22%	31%	58%	29%	33%	36%	35%	24%	11%	-19%	10%	-22%	-5%	-5%	5%	-7%
General and administrative	26%	-15%	-28%	-12%	-9%	15%	30%	8%	14%	16%	-25%	21%	22%	20%	7%	25%	-4%	-5%	4%	4%
Research and development	-30%	-39%	-14%	-4%	-23%	82%	68%	60%	47%	64%	-14%	27%	-8%	-23%	-7%	5%	6%	-2%	9%	4%
Operating income (loss)	23%	19%	-25%	82%	19%	13%	-17%	-28%	-20%	-11%	-31%	18%	25%	-58%	-19%	-23%	-20%	-23%	-7%	-20%
Net income (loss)	23%	20%	217%	72%	92%	24%	-85%	-81%	-14%	-51%	-33%	512%	15%	-57%	-8%	-27%	-18%	-21%	-6%	-20%
EPS Diluted (Pro forma)	-26%	-42%	-76%	2%	-50%	-65%	-77%	-47%	-43%	-55%	-35%	30%	18%	-72%	-25%	-35%	-32%	-37%	-52%	-36%

Source: Company reports and Ascendant Capital Markets estimates.

Reflects a 1:25 reverse stock split in April 2022

BIOLASE, Inc.

Balance Sheet (\$ mils)	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Assets																
Cash and cash equivalents	1.5	5.4	18.8	17.6	40.8	37.1	33.4	30.0	21.6	25.8	23.1	24.3	19.1	16.4	14.5	16.4
Short term investments										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Restricted cash	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Accounts receivable, net	4.7	4.1	3.4	3.1	3.3	3.8	3.6	4.2	5.2	8.8	8.4	11.0	9.0	9.3	8.9	11.9
Inventory	12.2	11.9	12.6	11.2	11.9	12.7	14.1	12.9	14.6	7.3	6.9	8.8	7.2	7.4	7.1	9.5
Prepaid expenses and other	1.2	1.1	0.9	3.0	1.6	1.5	1.4	2.0	2.2	1.1	1.0	0.7	1.1	1.1	1.1	0.7
Total current assets	20.0	22.9	36.0	35.1	57.7	55.3	52.7	49.4	43.8	43.1	39.6	44.9	36.5	34.4	31.9	38.8
Property and equipment, net	1.0	0.8	0.7	0.8	0.7	0.9	0.9	1.1	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Goodwill and intangibles	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Other	0.6	1.2	2.3	2.2	2.1	2.1	2.0	1.9	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Total assets	24.5	27.8	42.0	41.0	63.5	61.2	58.5	55.3	50.2	49.6	46.0	51.4	43.0	40.9	38.3	45.2
Liabilities and stockholders' equity																
Accounts payable	4.1	2.5	2.6	2.7	3.1	3.5	3.6	3.3	4.6	8.4	8.1	11.9	8.6	8.9	8.6	12.9
Accrued expenses	4.1	3.5	4.3	6.7	6.2	6.5	6.2	8.3	6.0	5.3	5.1	7.9	5.4	5.6	5.4	8.6
Customer deposits										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred revenue	2.0	1.5	1.6	1.9	2.0	2.1	2.3	2.3	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Short term debt	13.6	13.5	12.9		0.7	1.4			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current liabilities	23.7	21.1	21.4	11.2	11.3	12.7	13.5	13.8	13.1	16.1	15.6	22.2	16.5	16.9	16.4	23.9
Deferred taxes										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred revenue	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Warranty Accruals	0.2	0.2	0.2	0.4	0.3	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Other long term liabilities	1.1	1.6	3.0	2.8	1.8	1.7	1.9	1.8	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Long term debt		3.1	3.1	16.2	16.3	12.7	12.1	13.6	13.7	13.7	13.7	13.7	13.7	13.7	13.7	13.7
Total other liabilities	1.7	5.4	6.7	19.8	18.7	15.3	14.7	16.2	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5
Preferred stock	4.0		0.1	0.1	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Common stock	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Additional paid-in capital	236.4	247.2	259.4	261.6	292.1	292.5	292.9	293.2	293.4	293.4	293.4	293.4	293.4	293.4	293.4	293.4
Retained earnings	(240.6)	(245.3)	(245.2)	(251.4)	(258.3)	(259.0)	(262.3)	(267.5)	(272.3)	(275.9)	(278.9)	(280.2)	(282.9)	(285.4)	(287.4)	(288.1)
Accumulated other comprehensive income	(0.7)	(0.6)	(0.5)	(0.4)	(0.5)	(0.5)	(0.6)	(0.6)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Other										(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Total stockholders' equity	(0.9)	1.3	13.9	10.0	33.5	33.3	30.3	25.2	20.6	17.0	13.9	12.6	10.0	7.4	5.4	4.8
Total stockholders' equity and liabilities	24.5	27.8	42.0	41.0	63.5	61.2	58.5	55.3	50.2	49.6	46.0	51.4	43.0	40.9	38.3	45.2

Balance Sheet Drivers

	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	25%	37%	14%	35%	19%	17%	14%	16%	21%	10%	10%	5%	10%	10%	10%	5%
Accounts payable as % of total rev	85%	85%	40%	31%	38%	38%	38%	27%	46%	80%	80%	90%	80%	80%	80%	90%
Accrued expenses as % of total rev	85%	121%	65%	78%	77%	71%	65%	67%	59%	50%	50%	60%	50%	50%	50%	60%
Activity Ratios																
A/R Days Sales Outstanding	233	371	176	119	134	127	135	95	131	75	75	75	75	75	75	75
Inventory Turns	1.1	0.7	1.4	2.5	1.8	1.6	1.3	2.3	1.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0
A/P Days Payable	106	113	55	35	51	62	69	40	77	138	141	162	144	144	144	162
Book & Cash Value (per share)																
Book Value per Share (diluted)	-\$0.71	\$0.86	\$4.26	\$2.69	\$6.23	\$5.52	\$4.99	\$4.11	\$3.34	\$2.71	\$2.19	\$1.96	\$1.55	\$1.13	\$0.82	\$0.71
Cash per Share (diluted)	\$1.20	\$3.58	\$5.79	\$4.71	\$7.59	\$6.15	\$5.49	\$4.88	\$3.51	\$4.13	\$3.63	\$3.76	\$2.95	\$2.50	\$2.18	\$2.42
Net cash per Share (diluted)	-\$9.56	-\$7.40	\$0.85	\$0.37	\$4.56	\$3.93	\$3.27	\$2.67	\$1.29	\$1.95	\$1.48	\$1.65	\$0.84	\$0.42	\$0.13	\$0.40

Source: Company reports and Ascendant Capital Markets estimates

BIOLASE, Inc.

Cash Flow Statement (\$ mils)		Mar-20	Jun-20	Sep-20	Dec-20	2020	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023
Fiscal Year End: December 31		Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Cash flow from operating activities																					
Net income		(6.0)	(4.7)	0.0	(6.1)	(16.8)	(6.9)	(0.7)	(3.3)	(5.3)	(16.2)	(4.8)	(3.6)	(3.0)	(1.3)	(12.7)	(2.7)	(2.6)	(2.0)	(0.7)	(7.9)
Depreciation and amortization		0.2	0.3	0.0	(0.0)	0.5	0.1	0.1	0.1	0.1	0.4	0.1	0.2	0.2	0.2	0.7	0.2	0.2	0.2	0.2	0.8
Provision for bad debt		1.0	0.0	0.3	0.2	1.4	(0.0)	(0.1)	(0.1)	(0.0)	(0.2)	0.1				0.1					0.0
Inventory reserves				0.1	0.6	0.7	(0.0)	(0.1)	(0.0)	(0.3)	(0.4)	0.1				0.1					0.0
Amortization of debt		0.1	0.1	0.2	0.1	0.5	0.1	0.1	0.1	0.1	0.5	0.1				0.1					0.0
Stock comp		0.7	0.8	0.8	1.0	3.4	0.9	0.4	0.4	0.2	1.8	0.2	0.3	0.3	0.3	1.0	0.3	0.3	0.3	0.3	1.0
Other gains/losses						0.0		(3.0)			(3.0)					0.0					0.0
Deferred taxes		(0.0)	0.0	0.0	0.0	0.0					0.0					0.0					0.0
Warrant revaluation				(4.2)	0.0	(4.2)					0.0					0.0					0.0
Other						0.0	0.1	0.1	0.0	0.1	0.3		(0.3)	(0.3)	(0.3)	(0.8)	(0.3)	(0.3)	(0.3)	(0.3)	(1.0)
Changes in operating assets and liabilities:																					
Restricted cash						0.0					0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable		3.0	0.6	0.4	0.3	4.3	(0.2)	(0.5)	0.3	(0.6)	(1.0)	(1.1)	(3.6)	0.3	(2.6)	(6.9)	2.0	(0.3)	0.4	(3.0)	(0.9)
Inventory		(1.2)	0.3	(0.7)	0.7	(0.9)	(0.7)	(0.8)	(1.3)	1.4	(1.4)	(1.7)	7.3	0.4	(1.9)	4.1	1.6	(0.2)	0.3	(2.4)	(0.7)
Prepaid expenses & other current as		(0.1)	0.1	0.4	0.4	0.8	0.6	(0.1)	(0.2)	0.1	0.3	(0.2)	1.1	0.0	0.4	1.3	(0.4)	(0.0)	0.0	0.4	(0.1)
Other assets						0.0					0.0	(1.0)	0.0	0.0	0.0	(1.0)	0.0	0.0	0.0	0.0	0.0
Accounts payable and accrued liability		(1.5)	(2.3)	0.4	1.3	(2.1)	(0.5)	1.0	0.2	1.1	1.8	3.0	(0.5)	6.6	9.1	9.1	(5.8)	0.5	(0.6)	7.5	1.7
Deferred revenue		(0.2)	(0.5)	0.1	0.2	(0.4)	0.0	0.1	0.2	0.0	0.3	0.2	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0
Other liabilities						0.0					0.0					0.0					0.0
Net cash (used in) provided by oper		(4.1)	(5.2)	(2.1)	(1.3)	(12.8)	(6.5)	(3.5)	(3.6)	(3.1)	(16.7)	(8.0)	4.5	(2.6)	1.4	(4.7)	(5.0)	(2.5)	(1.7)	2.0	(7.1)
Cash flow from investing activities																					
Purchases of property and equipment		(0.0)	(0.1)	0.0	(0.0)	(0.1)	(0.0)	(0.3)	(0.1)	(0.3)	(0.7)	(0.3)	(0.2)	(0.2)	(0.2)	(0.9)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)
Purchases of short-term investments						0.0					0.0					0.0					0.0
Acquisitions						0.0					0.0					0.0					0.0
Other						0.0					0.0					0.0					0.0
Net cash used in investing activities		(0.0)	(0.1)	0.0	(0.0)	(0.1)	(0.0)	(0.3)	(0.1)	(0.3)	(0.7)	(0.3)	(0.2)	(0.2)	(0.2)	(0.9)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)
Cash flow from financing activities																					
Issuance of debt		(0.1)	3.2	2.0	(2.8)	2.3		(0.0)	(0.0)		(0.0)					0.0					0.0
Issuance of stock			2.9	16.4	2.7	22.0	13.3	(0.0)	0.0	0.0	13.3					0.0					0.0
Proceeds from stock option exercises			3.0	(3.0)	0.0	0.0	16.5	0.0	0.1	0.1	16.7					0.0					0.0
Other						0.0					0.0					0.0					0.0
Cash provided by (used in) financing		(0.1)	9.1	15.4	(0.1)	24.3	29.8	(0.0)	0.1	0.1	30.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Effect of exchange rate on cash		(0.0)	0.1	0.1	0.1	0.3	(0.1)	0.1	(0.1)	(0.1)	(0.2)	(0.0)				(0.0)					0.0
Net increase (decrease) in cash and		(4.3)	3.9	13.4	(1.3)	11.8	23.2	(3.8)	(3.7)	(3.4)	12.3	(8.4)	4.3	(2.8)	1.2	(5.6)	(5.2)	(2.7)	(1.9)	1.8	(7.9)
Beginning cash and equivalents		5.9	1.6	5.5	18.9	5.9	17.6	40.8	37.0	33.3	17.6	29.9	21.6	25.8	23.1	29.9	24.3	19.1	16.4	14.5	24.3
Ending cash and equivalents		1.6	5.5	18.9	17.6	17.6	40.8	37.0	33.3	29.9	29.9	21.6	25.8	23.1	24.3	24.3	19.1	16.4	14.5	16.4	16.4

Source: Company reports and Ascendant Capital Markets estimates

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BIOLASE, Inc.



Source: <https://bigcharts.marketwatch.com/>

Report	Report Date	Rating	Price
Report	Date	Rating	Target
24	3/16/2018	B	137.50
25	3/16/2018	B	137.50
26	5/3/2018	B	125.00
27	8/9/2018	B	75.00
28	11/15/2018	B	68.75
29	1/18/2019	B	68.75
30	3/6/2019	B	75.00
31	5/10/2019	B	81.25
32	8/12/2019	B	68.75
33	11/7/2019	B	43.75
34	1/29/2020	B	50.00
35	3/29/2020	B	43.75
36	5/12/2020	B	41.25
37	8/18/2020	B	43.75
38	10/18/2020	B	43.75
39	11/14/2020	B	37.50
40	3/31/2021	B	43.75
41	5/19/2021	B	50.00
42	8/18/2021	B	75.00
43	11/28/2021	B	81.25
44	3/20/2022	B	75.00

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BUY: We expect the stock to provide a total return of 15% or more within a 12-month period.

HOLD: We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.

SELL: We expect the stock to have a negative total return of more than 15% within a 12-month period.

Total return is defined as price appreciation plus dividend yield.

Ascendant Capital Markets, LLC Rating System

Prior to January 31, 2014, ASCM used the following rating system:

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Neutral: We expect the stock to provide a total return of between minus 10% and plus 10% within a 12-month period.

Sell: We expect the stock to provide a total return of minus 10% or worse within a 12-month period.

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Total return is defined as price appreciation plus dividend yield.

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Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	41	98%	13	32%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	42	100%	13	31%

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