



NovaBay Pharmaceuticals, Inc.

Q4 weaker. But DERMAdoctor should drive solid growth in 2023.
Lowering P/T to \$12.

COMPANY UPDATE

Rating: BUY

Ticker: NBY

Price: \$1.70

Target: \$12.00
(from \$15)

Q4 weaker: NovaBay recently (on March 30) reported its Q4 (ending December) 2022 results. Revenue was \$3.6 million (+15% y-o-y), compared with our and consensus estimates of \$5.1 million. Net loss was \$8.2 million or EPS of \$(4.33) compared with our and consensus estimates of \$(0.17). There was no company guidance.

Avenova unit growth again: Avenova sales were \$2.1 million. Avenova had continued year-over-year growth in online Avenova Spray unit sales.

DERMAdoctor contribution: DERMAdoctor sales were \$1.0 million, and reflects the 4th full quarter of sales since the acquisition closed in November 2021 (in Q4 2021). In September 2021, NovaBay announced the acquisition of privately held DERMAdoctor for ~\$12 million (in cash).

DERMAdoctor: DERMAdoctor produces and sells more than 30 products under lines that include Ain't Misbehavin', Calm Cool + Corrected, Kakadu C, KP Duty, and Wrinkle Revenge. Its products are designed to address acne, aging skin, dark spots, dry skin, eczema, and many other skin conditions. DERMAdoctor sells its products through major retailers such as Macy's, QVC, Costco, digital beauty retailers such as SkinStore and Amazon, as well as its own website. DERMAdoctor also has a large and growing network of international distributors and retailers. DERMAdoctor's management has joined the NovaBay management team.

No guidance: The company did not provide 2023 guidance.

Lowering 2023 estimates: We are lowering our 2023 estimates for revenue to \$15 million, from \$20 million, and for EPS to \$(2.89) from \$(0.33).

Management long term positive: NovaBay is making good progress to market its Avenova product to the 41 million Americans (\$600 million market opportunity) who suffer from blepharitis and related eye symptoms. In addition, the acquisition of DERMAdoctor allows strong growth and synergy opportunities in the global market for cosmetic skincare products. NovaBay plans to launch a broad range of complementary eye and skin care products. The company also plans to leverage operational synergies and sales/distribution relationships.

We remain positive: Despite stock and financial results volatility, we believe that NovaBay is a compelling investment story. The company's focus in 2023 is to drive Avenova and DERMAdoctor sales to consumers by focusing on current products as well as new product launches.

Balance sheet: In Q4, the company has \$5 million in cash and no debt. We believe the company has enough cash through mid-2023. In November, the company raised \$3 million in stock.

Reverse stock split: The company effected a 1-for-35 reverse stock split on November 15, 2022.

New CFO: In January, Andrew Jones resigned as the company's CFO. Tommy Law, the company's Controller was named as Interim CFO until a new replacement is made.

Risk/reward positive: Maintaining our BUY rating, but lowering our 12-month price target to \$12 from \$15, which is based on an NPV analysis. Although there are many variables in our valuation (many with high variabilities and risks), we believe this appropriately balances out the company's high risks with its high growth prospects and large upside opportunities.

Company Description

Based in Emeryville, CA, NovaBay Pharmaceuticals is a biopharmaceutical company focusing on commercializing and developing therapeutics for the anti-infective market.

Stock Data

Exchange:	NYSE
52-week Range:	\$1.24 – 12.60
Shares Outstanding (million):	2.3
Market cap (\$million):	\$4
EV (\$million):	\$(1)
Debt (\$million):	\$0
Cash (\$million):	\$5
Avg. Daily Trading Vol. (\$million):	\$0.1
Float (million shares):	2
Short Interest (million shares):	0.1
Dividend, annual (yield):	\$0 (NA%)

Revenues (US\$ million)

	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)
Q1 Mar	3E	4E	4E	
Q2 Jun	3E	4E	4E	
Q3 Sep	4E	5E	5E	
Q4 Dec	5E	7E	7E	
Total	15E	20E	20E	
EV/Revs	N/A		N/A	

Earnings per Share (pro forma)

	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)
Q1 Mar	(0.91)E	(0.37)E	(0.52)E	
Q2 Jun	(0.87)E	(0.37)E	(0.51)E	
Q3 Sep	(0.65)E	(0.08)E	(0.17)E	
Q4 Dec	<u>(0.48)E</u>	<u>0.49E</u>	<u>0.32E</u>	
Total	(2.89)E	(0.33)E	(0.85)E	
P/E	N/A		N/A	

*Reflects a 1:35 reverse stock split in November 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 13.

Exhibit 1: Company Overview



Corporate Overview

Established, High-Margin Brands

- Avenova is the #1 antimicrobial lid & lash spray in the U.S. dry eye market
- DERMAdoctor acquisition (Nov'21) expanded portfolio into skincare market
- PhaseOne and NeutroPhase cutting-edge wound care technology

Complementary Product Lines

- Innovative, proprietary OTC products address underserved customer needs
- Similar customer demographic across all brands
- Scientifically developed and clinically proven - *not cosmetic*

Cohesive Mission

- Complementary sales & marketing skillsets create a strong, fast-growing company
- Expanding distribution and international reach
- Creating science-based, problem-solving, accessible solutions for improved well-being



Strategic Execution

01

Avenova Demographic Expansion

Avenova expanding into the eyelash extension market

02

New Products Launches



03

DERMAdoctor Geographic Expansion

International distribution expansion opportunities in China and European Union



Source: Company report

Exhibit 2: Avenova

AVENOVA[®]

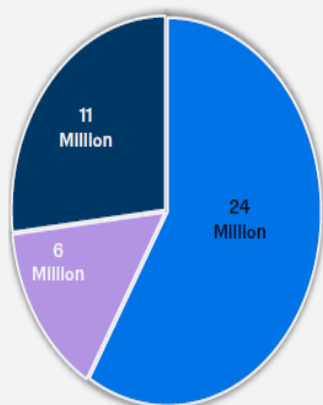
purely you[™]

Science for sore eyes.

- No. 1 Doctor-Recommended Antimicrobial Lid & Lash Spray
- Pioneering use of hypochlorous acid (HOCl) – a substance naturally produced by the body – for antimicrobial lid & lash spray
- Kills a broad spectrum of bacteria and helps relieve chronic eye conditions like dry eye, blepharitis, styes, contact lens discomfort and inflammation
- 510(k) FDA-cleared formulation is the only known stable, truly pure HOCl commercial solution
- Manufactured and lab tested in the U.S. and clinically proven to be the most effective lid & lash solution available without a prescription
- *80-100 times more potent than Clorox bleach yet completely nontoxic*

Avenova Market Opportunity

U.S. POPULATION WITH EYE BACTERIA CONCERNS



- Blepharitis
- MGD & Aqueous Deficiency
- Surgery/Lens Intolerance

source: Lemp MA, Crews LA, Bron AJ, Foulks GN, Sullivan BD. Distribution of aqueous deficient and evaporative dry eye in a clinic-based patient population. *Cornea*. 2012 May; 31(5):472-8

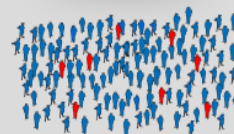
Bacterial Dry Eye is the Most Common Form

- Bacterial dry eye (meibomian gland dysfunction and blepharitis) represents 86% of dry eye patients
- Aqueous deficient dry eye, treated by Restasis and Xiidra, represent ONLY about 14%



Annual U.S. Burden of Dry Eye Disease is \$55.4B

- Economic burden of dry eye: **\$3.8B**
- Indirect cost of lost productivity: **\$51.6B**



Avenova Market Penetration to Date

- 100,000+ online purchasers
- 10,000+ prescribers
- 1,000+ Physician Office dispensers

Avenova Core Market Potential

- 40m+ patients
- 40,000+ Optometrists
- 20,000+ Ophthalmologists

Source: Company report

Exhibit 3: Investment Highlights

Investment Highlights

Predictable, Recurring Revenue

Drive future success from current Avenova and DERMAdoctor customers and brands. \$12.2 million net sales in trailing twelve months (2022 full year financial results to be announced March 23, 2023)

Multipronged Product Strategy

A solid foundation of predictable revenue from existing products with expanded DTC digital marketing and pursue new OTC product launches in eyecare and skincare markets

Improving Operating Margin

Leveraging DERMAdoctor's warehouse facility and NovaBay's corporate functions. 2 locations (HQ: San Francisco, CA, DD: Kansas City, MO) and 32 employees

Past and Future Milestone



Source: Company report

Exhibit 4: Acquisition of DERMAdoctor (announced September 2021 & closed November 2021)

NovaBay/DERMAdoctor Synergies & Transaction Terms

- **Financial Benefits**
 - Acquisition is expected to be immediately accretive to NovaBay's bottom line
 - Acquisition has the potential to double topline revenue in 2022
 - Higher revenue and operational synergies expected to drive profitability
- **DERMAdoctor products complement NovaBay's CelleRx Clinical Reset™**
 - Scientifically formulated to be highly effective yet gentle on skin
- **Leverage NovaBay's expertise in digital direct-to-consumer sales**
- **Creates an equal presence in the eyecare and skincare markets**
 - New products will diversify NovaBay's revenue
- **Transaction**
 - \$12 million in cash; \$3 million in earnouts based on meeting financial targets
 - Expected to close in Q4 2021, subject to closing conditions

DERMAdoctor is an ideal fit to enhance shareholder value in very large and growing skincare market

Source: Company report

Exhibit 5: DERMAdoctor Overview

**DERMAdoctor:
Established Brand in Growing Skincare Market**



- | | | |
|---|--|--|
| <p>Established Brand</p> <ul style="list-style-type: none"> • Founded in 1998 by Drs. Audrey and Jeff Kunin • Over 30 high-quality skincare products | <p>Scientifically Formulated Proprietary Products</p> <ul style="list-style-type: none"> • Created by board-certified dermatologist • Focus on alleviating and healing common skin conditions: dry skin, blemishes, keratosis pilaris and aging • Effective, hypoallergenic, and problem-solving | <p>Significant Global Growth Opportunity</p> <ul style="list-style-type: none"> • Cosmetic skincare products estimated to reach \$185 billion by 2027 • The skincare segment is growing faster than any other part of the beauty industry |
|---|--|--|

DERMAdoctor delivers on the promise that clinical skin therapy can be fun and easy, while delivering significant, measurable results

DERMAdoctor Primary Products

<p>Kakadu C</p> <p>Vitamin C based elixirs with anti-aging properties</p> <p>The main ingredient in the Kakadu C suite of products is the Kakadu Plum, which is only found in Australia. This plum contains 55x the Vitamin C of Florida oranges</p> <p>Domestic Wholesale</p>	<p>KP duty</p> <p>Exfoliating body treatments targeted towards people with Keratosis Pilaris. The treatments help alleviate the dry, rough and bumpy skin</p> <ul style="list-style-type: none"> - Evening Primrose - Black Currant - Gluconolactone - AHA (Glycolic + Lactic Acids) - Lactobionic Acid - Silica <p>Amazon</p>	<p>AIN'T misbehavin'</p> <p>The Ain't Misbehavin product family offers a suite of solutions for acne and related conditions</p> <ul style="list-style-type: none"> - Glycolic Acid - Salicylic Acid - Hamamelis Virginiana extract - NDGA <p>Domestic Retail</p>	<p>MED e TATE</p> <p>DERMAdoctor offers two main lines of antiperspirants: MED e TATE and Total Nonscents. The former is a wipe product while the latter are roll-on antiperspirants</p> <ul style="list-style-type: none"> - Aluminum Zirconium - Tomato extract - Ginseng root extract - Kojic Acid <p>International Wholesale</p>

Source: Company report

Exhibit 6: NovaBay and DERMAdoctor Market Opportunities (as of Q1 2022)

Expansion Opportunities in the Skincare Market

- Increase NovaBay’s presence in the skincare market with the addition of more than 30 DERMAdoctor products
- Products are highly complementary to CelleRx brand
- Combination of companies provide exceptional opportunities for future sales growth
- Dr. Audrey Kunin appointed as NovaBay’s Chief Product Officer
 - As an industry trailblazer, Dr. Kunin will lead R&D efforts to create new products and establish new brands in both the skincare and eyecare markets



Growing Into An Expanding Market

- Estimated global market for cosmetic skincare products to exceed \$145 billion in 2020 and reach \$185 billion by 2027
- Skincare, as a market segment, is growing faster than any other part of the beauty industry.
- This is our growth opportunity!
 - DERMAdoctor – commercialize existing pipeline of new products
 - CelleRx – develop complementary products
 - Luxury Brand X – launch new innovative high-end line of skincare products designed to target the same market as Dr. Barbara Sturm, Augustinus Bader and Goop

2022 Corporate Vision for Combined Companies

A combined company equally diversified across the eyecare and skincare markets

**Total revenue in excess of \$20M
50% eyecare / 50% skincare**

Positive EBITDA

Source: Company report

Exhibit 7: Q4 2022 and Recent Highlights (as of March 30, 2023)

- *Product sales increased 15% for the quarter and 41% for the year, driven by increasingly diversified revenue streams*
- *Wound care revenue increased 143% year over year*
- *Digital marketing program optimization continued to drive higher product sales on lower marketing spend*
- *Eyecare portfolio recently expanded with the introduction of the Avenova[®] oral supplement and Eyeganics Organic Tears*

Executing on Business Strategy

NovaBay Pharmaceuticals and PhaseOne Health expand commercial and collaborative strategies for the wound care market

Jan. 17, 2023



NovaBay Pharmaceuticals Announces Significant Orders for DERMAdoctor's Top-Selling Kakadu C Anti-Aging Serum ahead of the Holiday Season

Oct. 18, 2022



NovaBay Pharmaceuticals Chief Product Officer Dr. Audrey Kunin to Showcase DERMAdoctor's Eczema Balm on Return QVC[®] Appearance

Sept. 12, 2022

NovaBay Pharmaceuticals Targets New Market with Antimicrobial Avenova Lid and Lash Spray for Lash Extensions

July 28, 2022

NovaBay Pharmaceuticals' DERMAdoctor Products Now Available at Target.com and Urbanoutfitters.com

July 21, 2022

NovaBay Pharmaceuticals Reports Record Avenova Sales During Amazon's Prime Day Event

July 15, 2022

Source: Company report

Exhibit 8: NovaBay Pharmaceuticals's Stock Price (Five Years)



*Reflects a 1:35 reverse stock split in November 2022

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

Exhibit 9: Consensus Expectations (as of March 30, 2023)

	Revenue (mils)			EPS	
	2022E	2023E		2022E	2023E
Q1 Mar	\$3A	\$4E	Q1 Mar	\$(0.08)A	\$(0.37)E
Q2 Jun	\$3A		Q2 Jun	\$(1.43)A	
Q3 Sep	\$4A		Q3 Sep	\$(3.61)A	
Q4 Dec	\$5E		Q4 Dec	\$(0.17)E	
Total	\$15E	\$20E	Total	\$(4.95)E	\$(0.33)E

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

*Reflects a 1:35 reverse stock split in November 2022

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

FINANCIAL MODEL

NovaBay Pharmaceuticals, Inc.

Income Statement (\$ mils)	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	Mar-24	Jun-24	Sep-24	Dec-24	2024
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1E	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Sales Revenue	1.8	2.1	1.8	2.6	8.4	2.6	3.0	3.8	3.6	13.1	3.2	3.3	3.9	4.6	15.0	4.0	4.0	5.0	7.0	20.0
License/collaboration/distrib.					0.0					0.0					0.0					0.0
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
Total Revenue	1.8	2.1	1.8	2.6	8.4	2.6	3.0	3.8	3.6	13.1	3.2	3.3	3.9	4.6	15.0	4.0	4.0	5.0	7.0	20.0
Cost of Revenues	0.5	0.6	0.5	1.2	2.8	1.1	1.5	1.5	1.9	5.9	1.6	1.7	1.8	2.1	7.1	1.6	1.6	1.8	2.5	7.4
Gross Profit	1.3	1.5	1.3	1.4	5.6	1.5	1.6	2.4	1.8	7.2	1.6	1.7	2.1	2.5	7.9	2.4	2.4	3.3	4.6	12.6
Research and development	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.2	0.2	0.2	0.8	0.2	0.2	0.2	0.2	0.2	0.8
Selling and marketing	1.7	1.8	1.9	1.9	7.2	1.7	1.8	1.8	1.9	7.2	2.0	2.0	2.0	2.0	8.0	2.0	2.0	2.0	2.0	8.0
General and administrative	1.2	1.6	1.8	2.7	7.2	2.2	1.9	1.0	2.4	7.5	1.5	1.5	1.5	1.5	6.0	1.5	1.5	1.5	1.5	6.0
Restructuring, litigation, and other					0.0				6.7	6.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total operating expenses	2.9	3.4	3.6	4.6	14.5	3.9	3.7	2.8	11.2	21.6	3.7	3.7	3.7	3.7	14.8	3.7	3.7	3.7	3.7	14.8
Operating income (loss)	(1.5)	(1.9)	(2.3)	(3.2)	(8.9)	(2.4)	(2.2)	(0.5)	(9.4)	(14.4)	(2.1)	(2.1)	(1.6)	(1.2)	(6.9)	(1.3)	(1.3)	(0.5)	0.9	(2.2)
Interest income (expense)					0.0					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other income (expense)	0.0			2.3	2.3	2.3	(0.0)	(5.3)	1.2	(1.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income before income taxes	(1.5)	(1.9)	(2.3)	(0.9)	(6.6)	(0.1)	(2.2)	(5.8)	(8.2)	(16.3)	(2.1)	(2.1)	(1.6)	(1.2)	(6.9)	(1.3)	(1.3)	(0.5)	0.9	(2.2)
Income taxes					0.0					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (loss)	(1.5)	(1.9)	(2.3)	(0.9)	(6.6)	(0.1)	(2.2)	(5.8)	(8.2)	(16.3)	(2.1)	(2.1)	(1.6)	(1.2)	(6.9)	(1.3)	(1.3)	(0.5)	0.9	(2.2)
Nonrecurring/noncash adjustments					0.0					0.0					0.0					0.0
Net income (pro forma)	(1.5)	(1.9)	(2.3)	(0.9)	(6.6)	(0.1)	(2.2)	(5.8)	(8.2)	(16.3)	(2.1)	(2.1)	(1.6)	(1.2)	(6.9)	(1.3)	(1.3)	(0.5)	0.9	(2.2)
EBITDA	(1.3)	(1.5)	(2.0)	(2.7)	(7.6)	(2.1)	(1.9)	(0.5)	(9.1)	(13.6)	(1.8)	(1.7)	(1.2)	(0.8)	(5.5)	(1.0)	(1.0)	(0.1)	1.2	(0.8)
Shares, Basic	1.2	1.2	1.3	1.3	1.2	1.4	1.5	1.6	1.9	1.6	2.3	2.4	2.4	2.5	2.4	2.5	2.6	2.6	2.7	2.6
Shares, Diluted	1.2	1.2	1.3	1.3	1.2	1.4	1.5	1.6	1.9	1.6	2.3	2.4	2.4	2.5	2.4	2.5	2.6	2.6	2.7	2.6
EPS Basic (Pro forma)	(\$1.28)	(\$1.53)	(\$1.78)	(\$0.69)	(\$5.26)	(\$0.08)	(\$1.43)	(\$3.61)	(\$4.33)	(\$10.10)	(\$0.91)	(\$0.87)	(\$0.65)	(\$0.48)	(\$2.89)	(\$0.52)	(\$0.51)	(\$0.17)	\$0.32	(\$0.85)
EPS Diluted (Pro forma)	(\$1.28)	(\$1.53)	(\$1.78)	(\$0.69)	(\$5.26)	(\$0.08)	(\$1.43)	(\$3.61)	(\$4.33)	(\$10.10)	(\$0.91)	(\$0.87)	(\$0.65)	(\$0.48)	(\$2.89)	(\$0.52)	(\$0.51)	(\$0.17)	\$0.32	(\$0.85)
Margins																				
Gross margin (for product re	75%	71%	73%	54%	67%	58%	51%	62%	48%	55%	50%	50%	55%	55%	53%	60%	60%	65%	65%	63%
Research and development	0%	1%	1%	0%	1%	1%	1%	1%	2%	1%	6%	6%	5%	4%	5%	5%	5%	4%	3%	4%
Sales and marketing	93%	84%	101%	72%	86%	64%	58%	48%	53%	55%	63%	61%	51%	43%	53%	50%	50%	40%	29%	40%
General and administrative	66%	74%	96%	103%	86%	83%	63%	25%	67%	57%	47%	45%	38%	33%	40%	38%	38%	30%	21%	30%
Operating margin	-85%	-87%	-124%	-121%	-105%	-91%	-71%	-12%	-259%	-110%	-66%	-62%	-40%	-25%	-46%	-33%	-33%	-9%	12%	-11%
Tax rate, GAAP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net margin	-85%	-87%	-124%	-34%	-78%	-4%	-71%	-151%	-225%	-124%	-66%	-62%	-40%	-25%	-46%	-33%	-33%	-9%	12%	-11%
Y/Y % change																				
Total Revenue	-5%	-46%	-15%	40%	-15%	46%	43%	108%	38%	56%	22%	8%	2%	26%	14%	25%	21%	28%	52%	33%
Gross margin	3%	-22%	-18%	33%	-5%	13%	2%	76%	23%	28%	6%	6%	-10%	44%	10%	50%	45%	52%	80%	59%
Research and development	-44%	-82%	-92%	-75%	-84%	460%	90%	310%	633%	289%	614%	400%	388%	203%	357%	0%	0%	0%	0%	0%
Sales and marketing	8%	26%	10%	27%	17%	0%	-2%	-1%	2%	0%	19%	14%	9%	3%	11%	0%	0%	0%	0%	0%
General and administrative	-7%	6%	-6%	109%	22%	84%	22%	-46%	-10%	3%	-31%	-21%	57%	-39%	-20%	0%	0%	0%	0%	0%
Operating income (loss)	-1%	74%	11%	82%	38%	56%	16%	-80%	195%	63%	-12%	-5%	240%	-88%	-52%	-38%	-37%	-71%	-173%	-68%
Net income (loss)	-4%	-59%	-29%	-49%	-41%	-93%	16%	153%	818%	148%	1792%	-5%	-73%	-86%	-58%	-38%	-37%	-71%	-173%	-68%
EPS Diluted (Pro forma)	-36%	-70%	-37%	-53%	-52%	-94%	-6%	103%	528%	92%	1077%	-39%	-82%	-89%	-71%	-43%	-42%	-73%	-167%	-70%

Source: Company reports and Ascendant Capital Markets estimates.

Reflects a 1:35 reverse stock split in November 2022

NovaBay Pharmaceuticals, Inc.

Balance Sheet (\$ mils)	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Assets																
Cash and cash equivalents	10.5	10.3	9.0	7.5	5.6	3.9	3.9	5.4	3.3	1.2	(0.3)	(1.5)	(2.8)	(4.1)	(4.6)	(3.7)
Short term investments																
Accounts receivable, net	1.0	1.2	0.8	1.7	2.3	1.1	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Inventory	0.9	0.7	1.0	3.2	3.8	3.8	4.1	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Prepaid expenses and other	0.8	0.6	0.7	0.8	0.8	0.6	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Total current assets	13.1	12.8	11.5	13.2	12.5	9.5	10.6	11.3	9.2	7.2	5.6	4.5	3.2	1.9	1.4	2.3
Property and equipment, net	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Intangibles				9.7	9.6	9.5	9.5	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Other	0.8	0.7	0.6	0.9	2.5	2.4	2.1	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Total assets	14.1	13.6	12.2	24.0	24.8	21.5	22.4	16.4	14.3	12.3	10.7	9.5	8.2	6.9	6.5	7.3
Liabilities and stockholders' equity																
Accounts payable	0.8	0.2	1.4	1.0	1.6	0.9	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Accrued expenses	1.9	2.2	1.5	2.3	2.8	2.3	2.2	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Deferred revenue	0.4								0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other					0.5	0.5	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Short term debt				0.1					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current liabilities	3.1	2.4	2.9	3.4	4.8	3.7	3.7	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Deferred revenue									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.8	2.3	2.1	2.1	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Warrant liabilities				9.6			2.8		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long term debt									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total other liabilities	0.0	0.0	0.0	10.4	2.3	2.1	4.9	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Preferred stock				0.7	0.6	0.6	0.6	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Common stock	0.4	0.4	0.5	0.5	0.5	0.5	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Additional paid-in capital	148.1	150.2	150.6	150.9	158.6	158.8	162.5	165.1	165.1	165.1	165.1	165.1	165.1	165.1	165.1	165.1
Retained earnings	(137.6)	(139.4)	(141.7)	(141.9)	(142.0)	(144.2)	(149.9)	(158.2)	(160.3)	(162.3)	(163.9)	(165.0)	(166.3)	(167.6)	(168.1)	(167.2)
Accumulated other comprehensive income																
Other									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total stockholders' equity	11.0	11.2	9.4	10.2	17.7	15.7	13.8	10.6	8.5	6.4	4.8	3.7	2.4	1.1	0.6	1.5
Total stockholders' equity and liabil	14.1	13.6	12.2	24.0	24.8	21.5	22.4	16.4	14.3	12.2	10.7	9.5	8.2	6.9	6.5	7.3

Balance Sheet Drivers

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Book & Cash Value (per share)	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Book Value per Share (diluted)	\$9.20	\$9.22	\$7.30	\$7.86	\$12.40	\$10.45	\$8.59	\$5.58	\$3.68	\$2.73	\$2.02	\$1.50	\$0.95	\$0.42	\$0.24	\$0.56
Cash per Share (diluted)	\$8.80	\$8.47	\$7.03	\$5.80	\$3.94	\$2.61	\$2.41	\$2.83	\$1.42	\$0.52	-\$0.14	-\$0.62	-\$1.12	-\$1.61	-\$1.75	-\$1.40
Net cash per Share (diluted)	\$8.80	\$8.47	\$7.03	\$5.72	\$3.94	\$2.61	\$2.41	\$2.83	\$1.42	\$0.52	-\$0.14	-\$0.62	-\$1.12	-\$1.61	-\$1.75	-\$1.40

Source: Company reports and Ascendant Capital Markets estimates

NovaBay Pharmaceuticals, Inc.

Cash Flow Statement (\$ mils)	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	Mar-24	Jun-24	Sep-24	Dec-24	2024	
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
Cash flow from operating activities																					
Net income	(1.5)	(1.9)	(2.3)	(0.2)	(5.8)	(0.1)	(2.2)	(0.1)	(8.2)	(10.6)	(2.1)	(2.1)	(1.6)	(1.2)	(6.9)	(1.3)	(1.3)	(0.5)	0.9	(2.2)	
Depreciation and amortization	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.5	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.1	0.1	0.4	
Stock comp	0.2	0.3	0.2	0.4	1.2	0.2	0.2	(0.2)	0.3	0.4	0.3	0.3	0.3	0.3	1.0	0.3	0.3	0.3	0.3	1.0	
Other gains/losses					0.0					0.0					0.0					0.0	
Reserve					0.0					0.0					0.0					0.0	
Warrant revaluation				(4.6)	(4.6)	(2.1)		(0.5)		(2.5)					0.0					0.0	
Amortization of debt					0.0					0.0					0.0					0.0	
Other					0.0	(0.2)			(0.3)	(0.5)	(0.3)	(0.3)	(0.3)	(0.3)	(1.0)	(0.3)	(0.3)	(0.3)	(0.3)	(1.0)	
Changes in operating assets and liabilities:																					
Accounts receivable	0.1	(0.2)	0.4	0.2	0.5	(0.6)	1.2	(1.0)	0.2	(0.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Inventory	(0.2)	0.2	(0.3)	0.1	(0.2)	(0.6)	(0.0)	(0.3)	0.6	(0.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Prepaid expenses & other current assets		0.0	(0.1)	0.0	(0.1)	0.0	0.1	0.1	(0.0)	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other assets	(0.1)	0.3	0.1	(0.2)	0.0	(1.9)	0.1	0.3		(1.5)					0.0					0.0	
Accounts payable	0.3	(0.6)	0.6	(0.4)	(0.2)	1.2	(1.1)	0.1	(0.0)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Accrued expenses					0.0				0.6	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Deferred revenue		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	
Other liabilities	(0.1)	(0.1)	(0.1)	0.3	(0.1)	1.9	(0.1)	(0.1)		1.7					0.0					0.0	
Net cash (used in) provided by oper:	(1.4)	(2.0)	(1.5)	(4.3)	(9.2)	(2.1)	(1.7)	(1.7)	(6.8)	(12.2)	(2.0)	(2.0)	(1.5)	(1.1)	(6.5)	(1.2)	(1.2)	(0.4)	1.0	(1.8)	
Cash flow from investing activities																					
Purchases of property and equipment	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.0)	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)	
Purchases of short-term investments					0.0					0.0					0.0					0.0	
Acquisitions				(12.0)	(12.0)					0.0					0.0					0.0	
Other					0.0					0.0					0.0					0.0	
Net cash used in investing activities	(0.0)	(0.0)	(0.0)	(12.0)	(12.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)	
Cash flow from financing activities																					
Issuance of debt				0.1	0.1	(0.1)				(0.1)					0.0					0.0	
Issuance of stock		1.8	0.2	14.7	16.7					0.0					0.0					0.0	
Proceeds from stock option exercises					0.0			1.7	3.0	4.7					0.0					0.0	
Other					0.0				5.7	5.7					0.0					0.0	
Cash provided by (used in) financin	0.0	1.8	0.2	14.8	16.8	(0.1)	0.0	1.7	8.7	10.3	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																					
Net increase (decrease) in cash and	(1.4)	(0.2)	(1.3)	(1.5)	(4.4)	(2.2)	(1.7)	(0.1)	1.8	(2.1)	(2.1)	(2.1)	(1.6)	(1.2)	(6.9)	(1.3)	(1.3)	(0.5)	0.9	(2.2)	
Beginning cash and equivalents	12.0	10.5	10.3	9.0	12.0	7.5	5.3	3.6	3.5	7.5	5.4	3.3	1.2	(0.3)	5.4	(1.5)	(2.8)	(4.1)	(4.6)	(1.5)	
Ending cash and equivalents	10.5	10.3	9.0	7.5	7.5	5.3	3.6	3.5	5.4	5.4	3.3	1.2	(0.3)	(1.5)	(1.5)	(2.8)	(4.1)	(4.6)	(3.7)	(3.7)	

Source: Company reports and Ascendant Capital Markets estimates

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NovaBay Pharmaceuticals, Inc.



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

	Report Date		Price
Report	Date	Rating	Target
25	3/21/2018	B	210.00
26	5/11/2018	B	175.00
27	8/8/2018	B	157.50
28	11/16/2018	B	87.50
29	1/19/2019	B	87.50
30	3/31/2019	B	78.75
31	5/10/2019	B	61.25
32	8/9/2019	B	70.00
33	11/8/2019	B	52.50
34	1/29/2020	B	61.25
35	3/29/2020	B	52.50
36	5/12/2020	B	105.00
37	8/7/2020	B	113.75
38	11/14/2020	B	122.50
39	4/4/2021	B	131.25
40	5/11/2021	B	113.75
41	8/18/2021	B	122.50
42	11/30/2021	B	140.00
43	4/11/2022	B	148.75
44	5/19/2022	B	140.00
45	8/23/2022	B	131.25
46	11/21/2022	B	15.00

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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.

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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
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Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	45	100%	18	40%

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