



BIOLASE, Inc.

Q2 revenue upside and raised 2022 guidance. We remain positive on execution and long-term growth potential. Lowering P/T to \$28.

COMPANY UPDATE

Rating: **BUY**

Ticker: BIOL

Price: \$4.75

Target: \$28.00
(from \$35)

Q2 upside: BIOLASE recently (on August 11) reported its Q2 2022 (ending June) results. Total revenue was \$12.2 million (+34% y-o-y), compared with our and consensus estimates of \$11 million. Pro forma EPS was \$(0.67), compared with our and consensus estimates of \$(0.57) - (0.62). Q2 revenue guidance was to be above \$10.5 million.

Strong Q2 growth: Revenue was up (+34% y-o-y) due to positive execution on its sales initiatives.

U.S. sales strength: U.S. laser sales were +70% (y-o-y), while International laser sales were flat (y-o-y). The company saw continued progress with its Waterlase Exclusive Trial Program, with success rate over 55% year to date. Increased marketing initiatives generated increased adoption of its laser technology in the U.S. in Q2, with 81% of sales from new customers and 50% of sales from dental specialists.

Raised 2022 guidance: Management raised 2022 guidance for revenue to be above \$45 million (+15% y-o-y) from \$43 million (+10%). Initial Q3 revenue guidance is to be above \$10.5 million (+11% y-o-y).

Adjusting estimates: We are adjusting our 2022 estimates for revenue to \$45 million, from \$44 million, and for EPS to \$(1.79) from \$(1.87).

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 of 60%).

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 growth in the dental market, consistent sales execution, and new sales opportunities.

Strong balance sheet: The company has \$20 million in cash and \$13 million in debt. In June, the company raised \$6.5 million (selling 1.4 million shares at \$4.625/share). We believe it has enough cash through 2023.

New CFO: In July, the company promoted Jennifer Bright to CFO. Ms. Bright has served as the company's VP of Finance since April 2021.

Valuation positive: Maintaining our BUY, but lowering our 12-month price target to \$28 from \$35 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

August 18, 2022

Edward Woo, CFA
(561) 327-9435
ewoo@ascendant.com

Stock Data

Exchange:	NasdaqCM
52-week Range:	\$3.30 – 20.50
Shares Outstanding (million):	8
Market cap (\$million):	\$38
EV (\$million):	\$31
Debt (\$million):	\$13
Cash (\$million):	\$20
Avg. Daily Trading Vol. (\$million):	\$0.3
Float (million shares):	6
Short Interest (million shares):	0.2
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		11E	
Q2 Jun	12A	11E	13E	11E
Q3 Sep	11E	10E	11E	
Q4 Dec	<u>12E</u>	<u>13E</u>	<u>14E</u>	
Total	45E	44E	48E	47E
EV/Revs	0.7x		0.6x	

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		(0.35)E	(0.41)E
Q2 Jun	(0.67)A	(0.57)E	(0.39)E	
Q3 Sep	(0.42)E	(0.48)E	(0.27)E	(0.30)E
Q4 Dec	<u>(0.15)E</u>	<u>(0.20)E</u>	<u>(0.07)E</u>	<u>(0.10)E</u>
Total	(1.79)E	(1.87)E	(1.07)E	(1.19)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

<p>Broad Range of Applications</p> <p>Dental lasers perform a broad range of cosmetic, restorative and surgical applications</p>	<p>Robust Product Line</p> <p>For general dentists and specialists</p>	<p>43K+ Laser Systems Sold</p> <p>In 80 countries to date</p>
<p>Large IP Portfolio</p> <p>302 issued and 31 pending patents</p> <p>\$30M in value¹</p> <p><small>¹ As assessed by PatSnap 2018</small></p>	<p>Large Market Opportunity</p> <p>Only 7% to 8% of U.S. Dental Practices incorporate all tissue lasers</p> <p>Every additional 1% = \$50M* in new revenue</p>	<p>Experienced Management Team</p> <p>Transitioned the company from R&D focus to commercialization</p>

BIOLASE's Spectrum of Laser Systems & Consumables

— 302 Issued + 31 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-operator use



Epic H™

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



Epic Pro™

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

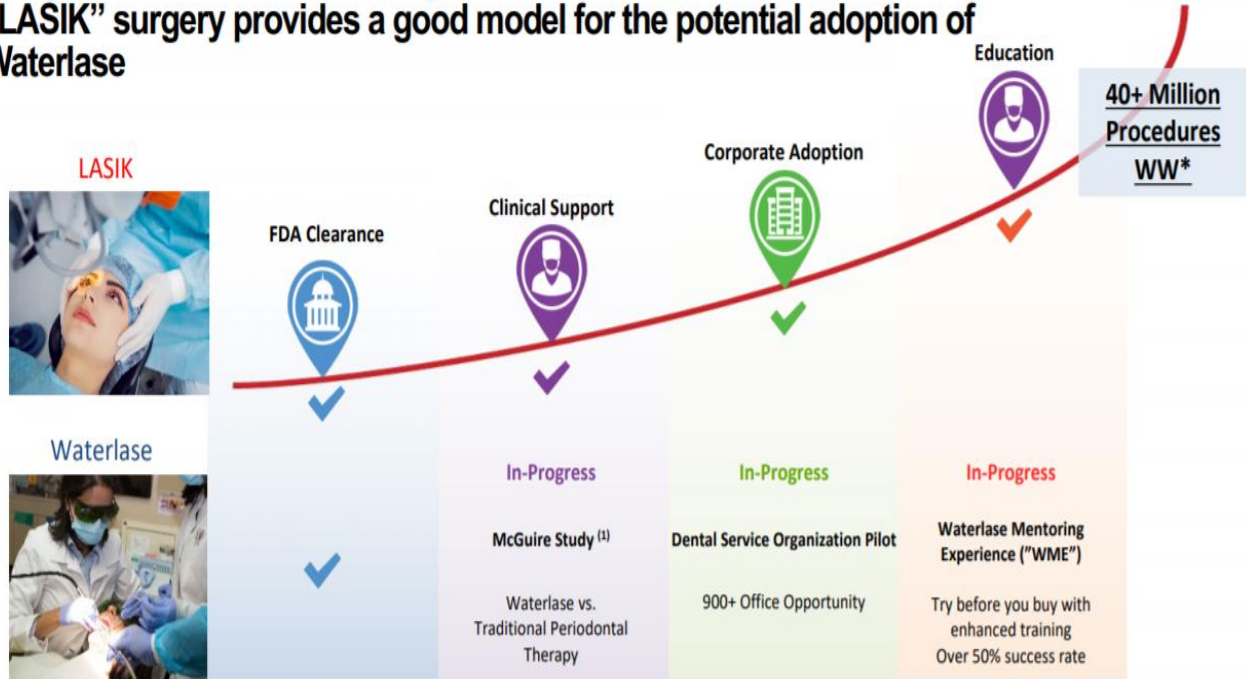


Source: Company report.

Exhibit 2: Market Opportunity

Key Drivers of Adoption

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



40+ Million Procedures WW*

⁽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

<p>Waterlase Exclusive Trial Program (WETP) for General Practitioners</p> <p>35-40 planned events for 2022</p> <p>4-8 dentist participants at each event</p> <p>> 55% close rate</p> <p>\$5-10M revenue opportunity annually</p>	<p>Increased messaging, marketing, education & training efforts are bearing fruit</p> <p>80% of U.S. Waterlase sales in the second quarter of 2022 generated from new customers</p> <p>50% coming from dental specialists in the second quarter of 2022</p>	<p>Specialist Academies Expand Awareness</p> <p>WPA WATERLASE PERIO ACADEMY</p> <p>WEA WATERLASE ENDO ACADEMY</p> <p>WPDA WATERLASE PERI-ORAL & PERI-IMPLANT DENTAL ACADEMY</p> <p>EPIC HYGIENE ACADEMY</p>
---	--	---

Increased Marketing & Sales Efforts

Biggest Improvement in the Company Over the Past Couple of Years



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> 
--	--	---	---

Source: Company report.

Exhibit 5: Q2 2022 Financial Results

2Q22 Financial Results

(ended June 30, 2022)

- + **Net revenue grew 34% to \$12.2 million:**
 - + 80% of U.S. laser sales came from new customers, continuing a positive trend
 - + Over 50% of U.S. Waterlase sales came from dental specialists
- + **Laser system sales increased 70% in the U.S. and remained consistent internationally year over year**
- + **Consumables and other revenue increased 42% in the U.S. and remained consistent internationally year over year**
- + **U.S. and international revenue increased 52% and 2%, respectively**, as more dental practices were operating during the second quarter of 2022 compared to the second quarter of 2021 due to the COVID-19 pandemic
- + **Gross margin was 42%, down 220 basis points**, due to the impact of recent supply chain issues and an Employee Retention Credit received in prior year.
- + **Maintained strong balance sheet**, as cash and cash equivalents totaled approximately \$20 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 August 11, 2022)

	Revenue (mil)			EPS	
	2022E	2023E		2022E	2023E
Q1 Mar	\$10A		Q1 Mar	\$(0.64)A	
Q2 Jun	\$11E		Q2 Jun	\$(0.62)E	
Q3 Sep	\$10E		Q3 Sep	\$(0.59)E	
Q4 Dec			Q4 Dec		
Total	\$44E	\$49E	Total	\$(2.63)E	\$(1.68)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	Q2A	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	12.2	10.6	12.4	45.4	10.8	13.0	11.2	13.5	48.4
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	12.2	10.6	12.4	45.4	10.8	13.0	11.2	13.5	48.4
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	7.1	5.4	6.2	24.1	5.4	6.5	5.6	6.7	24.2
Gross Profit	1.4	0.9	2.3	1.6	6.2	2.7	4.0	4.8	4.9	16.5	4.7	5.1	5.2	6.2	21.3	5.4	6.5	5.6	6.7	24.2
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	5.4	4.0	3.8	18.1	3.8	4.5	3.8	4.0	16.2
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	3.1	3.2	3.0	11.9	3.2	3.8	3.0	3.1	13.1
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	1.7	1.5	1.1	5.8	1.6	1.8	1.5	1.2	6.1
Excise tax					0.0					0.0					0.0					0.0
Restructuring, litigation, and other					0.0		0.1	0.0	0.1	0.2			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	10.2	8.7	7.9	35.7	8.6	10.1	8.3	8.3	35.4
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)	(5.1)	(3.5)	(1.7)	(14.5)	(3.2)	(3.6)	(2.7)	(1.6)	(11.2)
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)	(0.1)	0.0	0.0	(0.4)	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)	(5.6)	(3.9)	(2.2)	(16.7)	(3.7)	(4.1)	(3.1)	(2.0)	(12.9)
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)	(5.6)	(3.9)	(2.2)	(16.7)	(3.7)	(4.1)	(3.1)	(2.0)	(12.9)
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	1.5	0.8	1.0	4.3	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)	(4.1)	(3.2)	(1.2)	(12.4)	(2.7)	(3.1)	(2.1)	(0.5)	(8.4)
EBITDA	(4.5)	(2.9)	(2.5)	(4.5)	(14.3)	(5.3)	(2.7)	(2.5)	(4.3)	(14.7)	(3.9)	(4.1)	(3.0)	(1.3)	(12.3)	(2.8)	(3.2)	(2.2)	(1.2)	(9.4)
Shares, Basic	1.3	1.5	3.3	3.7	2.4	5.4	6.0	6.1	6.1	5.9	6.2	6.2	7.6	7.7	6.9	7.7	7.8	7.9	8.0	7.9
Shares, Diluted	1.3	1.5	3.3	3.7	2.4	5.4	6.0	6.1	6.1	5.9	6.2	6.2	7.6	7.7	6.9	7.7	7.8	7.9	8.0	7.9
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)	(\$0.67)	(\$0.42)	(\$0.15)	(\$1.79)	(\$0.35)	(\$0.39)	(\$0.27)	(\$0.07)	(\$1.07)
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)	(\$0.67)	(\$0.42)	(\$0.15)	(\$1.79)	(\$0.35)	(\$0.39)	(\$0.27)	(\$0.07)	(\$1.07)
Margins																				
Gross margin	28%	32%	35%	19%	27%	34%	44%	51%	40%	42%	47%	42%	49%	50%	47%	50%	50%	50%	50%	50%
Sales and marketing	57%	71%	41%	44%	49%	44%	36%	36%	40%	39%	47%	44%	38%	31%	40%	35%	35%	34%	30%	33%
General and administrative	63%	73%	35%	27%	43%	42%	30%	26%	21%	29%	25%	26%	30%	24%	26%	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%	13%
Operating margin	-112%	-135%	-56%	-65%	-81%	-75%	-36%	-28%	-36%	-42%	-41%	-41%	-33%	-14%	-32%	-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%	-46%	-37%	-18%	-37%	-34%	-31%	-28%	-15%	-27%
YY % change																				
Total Revenue	-54%	-66%	-24%	-16%	-40%	70%	211%	46%	46%	72%	25%	34%	11%	0%	16%	6%	6%	6%	9%	7%
Gross margin	-62%	-72%	-23%	-64%	-57%	103%	329%	113%	206%	168%	73%	27%	7%	26%	29%	14%	26%	8%	9%	14%
Sales and marketing	-30%	-36%	-24%	1%	-22%	31%	58%	29%	33%	36%	35%	63%	16%	-23%	18%	-22%	-16%	-5%	5%	-11%
General and administrative	26%	-15%	-28%	-12%	-9%	15%	30%	8%	14%	16%	-25%	13%	28%	13%	5%	25%	20%	-5%	4%	11%
Research and development	-30%	-39%	-14%	-4%	-23%	82%	68%	60%	47%	64%	-14%	42%	-4%	-28%	-4%	5%	10%	-2%	8%	5%
Operating income (loss)	23%	19%	-25%	82%	19%	13%	-17%	-28%	-20%	-11%	-31%	54%	31%	-61%	-12%	-23%	-28%	-23%	-7%	-23%
Net income (loss)	23%	20%	217%	72%	92%	24%	-85%	-81%	-14%	-51%	-33%	693%	20%	-59%	0%	-27%	-28%	-21%	-6%	-23%
EPS Diluted (Pro forma)	-26%	-42%	-76%	2%	-50%	-65%	-77%	-47%	-43%	-55%	-35%	51%	3%	-78%	-28%	-46%	-41%	-36%	-55%	-40%

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	Q2A	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	19.5	26.1	27.6	22.3	18.6	17.0	19.1
Short term investments											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		0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable, net	4.7	4.1	3.4	3.1	3.3	3.8	3.6	4.2	5.2	6.1	8.8	10.3	9.0	10.8	9.3	11.2
Inventory	12.2	11.9	12.6	11.2	11.9	12.7	14.1	12.9	14.6	16.6	7.2	8.3	7.2	8.6	7.5	9.0
Prepaid expenses and other	1.2	1.1	0.9	3.0	1.6	1.5	1.4	2.0	2.2	2.1	1.1	0.6	1.1	1.3	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	44.3	43.1	46.8	39.5	39.3	34.9	40.0
Property and equipment, net	1.0	0.8	0.7	0.8	0.7	0.9	0.9	1.1	1.2	1.4	1.4	1.4	1.4	1.4	1.4	1.4
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	50.9	49.7	53.4	46.1	45.9	41.5	46.6
Liabilities and stockholders' equity																
Accounts payable	4.1	2.5	2.6	2.7	3.1	3.5	3.6	3.3	4.6	5.0	8.5	11.2	8.6	10.4	9.0	12.1
Accrued expenses	4.1	3.5	4.3	6.7	6.2	6.5	6.2	8.3	6.0	6.5	5.3	7.4	5.4	6.5	5.6	8.1
Customer deposits											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	2.5	2.5	2.5	2.5	2.5	2.5	2.5
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
Total current liabilities	23.7	21.1	21.4	11.2	11.3	12.7	13.5	13.8	13.1	14.0	16.2	21.1	16.5	19.4	17.1	22.7
Deferred taxes											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	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Other long term liabilities	1.1	1.6	3.0	2.8	1.8	1.7	1.9	1.8	2.0	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Long term debt		3.1	3.1	16.2	16.3	12.7	12.1	13.6	13.7	12.7	12.7	12.7	12.7	12.7	12.7	12.7
Total other liabilities	1.7	5.4	6.7	19.8	18.7	15.3	14.7	16.2	16.5	15.3	15.3	15.3	15.3	15.3	15.3	15.3
Preferred stock	4.0		0.1	0.1	0.0	0.0	0.0	0.0	0.2		0.0	0.0	0.0	0.0	0.0	0.0
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
Additional paid-in capital	236.4	247.2	259.4	261.6	292.1	292.5	292.9	293.2	293.4	300.4	300.4	300.4	300.4	300.4	300.4	300.4
Retained earnings	(240.6)	(245.3)	(245.2)	(251.4)	(258.3)	(259.0)	(262.3)	(267.5)	(272.3)	(277.9)	(281.1)	(282.3)	(284.9)	(288.0)	(290.1)	(290.7)
Accumulated other comprehensive in	(0.7)	(0.6)	(0.5)	(0.4)	(0.5)	(0.5)	(0.6)	(0.6)	(0.7)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
Other											(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Total stockholders' equity	(0.9)	1.3	13.9	10.0	33.5	33.3	30.3	25.2	20.6	21.6	18.2	17.0	14.3	11.3	9.2	8.6
Total stockholders' equity and liabil	24.5	27.8	42.0	41.0	63.5	61.2	58.5	55.3	50.2	50.9	49.7	53.4	46.1	45.9	41.5	46.6

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	Q2A	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	25%	37%	14%	35%	19%	17%	14%	16%	21%	17%	10%	5%	10%	10%	10%	5%
Accounts payable as % of total rev	85%	85%	40%	31%	38%	38%	38%	27%	46%	41%	80%	90%	80%	80%	80%	90%
Accrued expenses as % of total rev	85%	121%	65%	78%	77%	71%	65%	67%	59%	53%	50%	60%	50%	50%	50%	60%
Activity Ratios																
A/R Days Sales Outstanding	233	371	176	119	134	127	135	95	131	124	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	1.7	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	63	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	\$3.49	\$2.39	\$2.21	\$1.86	\$1.45	\$1.16	\$1.08
Cash per Share (diluted)	\$1.20	\$3.58	\$5.79	\$4.71	\$7.59	\$6.15	\$5.49	\$4.88	\$3.51	\$3.16	\$3.43	\$3.58	\$2.90	\$2.38	\$2.15	\$2.39
Net cash per Share (diluted)	-\$9.56	-\$7.40	\$0.85	\$0.37	\$4.56	\$3.93	\$3.27	\$2.67	\$1.29	\$1.10	\$1.75	\$1.93	\$1.24	\$0.75	\$0.54	\$0.80

Source: Company reports and Ascendant Capital Markets estimates

BIOLASE, Inc.

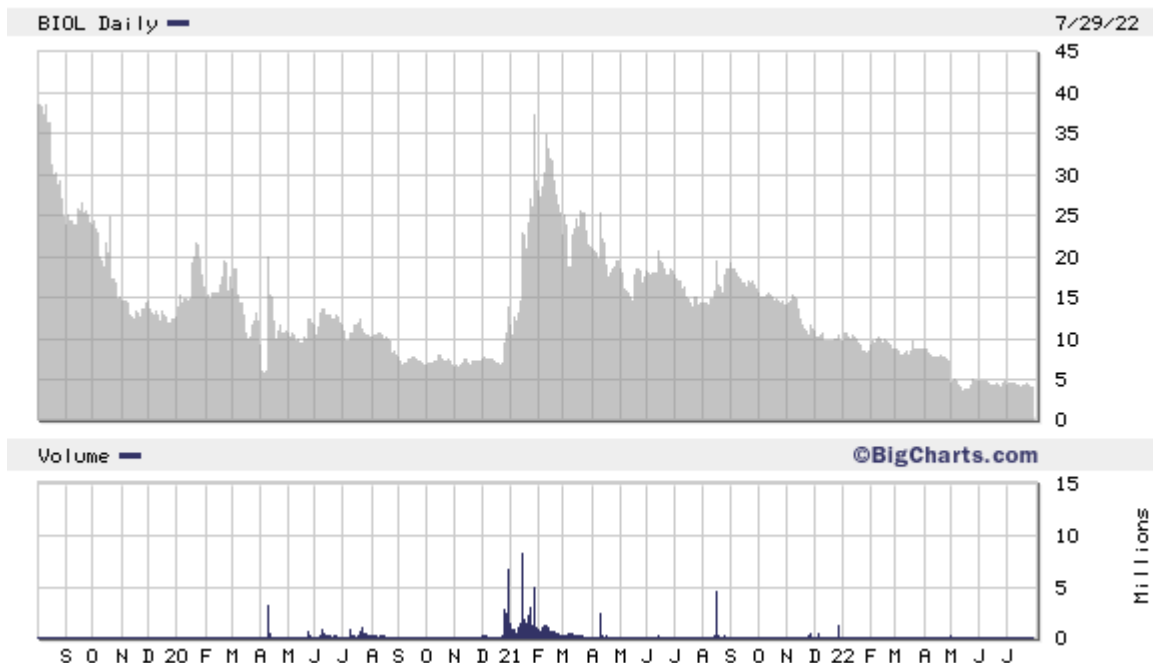
Cash Flow Statement (\$ mils)	Mar-20	Jun-20	Sep-20	Dec-20	2020	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023	
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
Cash flow from operating 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)	(5.6)	(3.2)	(1.2)	(14.7)	(2.7)	(3.1)	(2.1)	(0.5)	(8.4)	
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	0.1	0.2	0.2	0.6	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			0.1					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)					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			0.1					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	0.9	0.3	0.3	1.6	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)	(0.5)	(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	
Accounts receivable	3.0	0.6	0.4	0.3	4.3	(0.2)	(0.5)	0.3	(0.6)	(1.0)	(1.1)	(0.9)	(2.7)	(1.5)	(6.2)	1.4	(1.8)	1.5	(1.9)	(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)	(1.9)	9.4	(1.1)	4.7	1.1	(1.5)	1.2	(1.5)	(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)	(0.1)	1.0	0.4	1.2	(0.5)	(0.2)	0.2	0.4	(0.1)	
Other assets					0.0					0.0	(1.0)	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Accounts payable and accrued liabilit	(1.5)	(2.3)	0.4	1.3	(2.1)	(0.5)	1.0	0.2	1.1	1.8		(0.2)	2.3	4.9	6.9	(4.6)	2.9	(2.3)	5.6	1.6	
Deferred revenue	(0.2)	(0.5)	0.1	0.2	(0.4)	0.0	0.1	0.2	0.0	0.3	0.2	0.1	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)	(6.6)	7.0	1.7	(6.0)	(5.1)	(3.5)	(1.4)	2.3	(7.6)	
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)	(0.3)	(0.2)	(0.2)	(1.0)	(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)	(0.3)	(0.2)	(0.2)	(1.0)	(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)		(1.0)			(1.0)					0.0	
Issuance of stock		2.9	16.4	2.7	22.0	13.3	(0.0)	0.0	0.0	13.3		5.8			5.8					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	4.8	0.0	0.0	4.8	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)	(0.2)			(0.3)					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)	(2.3)	6.8	1.5	(2.4)	(5.3)	(3.7)	(1.6)	2.1	(8.4)	
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	19.3	26.1	29.9	27.6	22.3	18.6	17.0	27.6	
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	19.3	26.1	27.6	27.6	22.3	18.6	17.0	19.1	19.1	

Source: Company reports and Ascendant Capital Markets estimates

ANALYST CERTIFICATION

Each analyst hereby certifies that the views expressed in this report reflect the analyst’s personal views about the subject securities or issuers. Each analyst also certifies that no part of the analyst’s compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The analyst who prepared this report is compensated based upon the overall profitability of Ascendant Capital Markets, LLC, which may, from time to time, include the provision of investment banking, financial advisory and consulting services. Compensation for research is based on effectiveness in generating new ideas for clients, performance of recommendations, accuracy of earnings estimates, and service to clients.

BIOLASE, Inc.



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

Report	Report Date	Rating	Price 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
45	6/5/2022	B	35.00

- Ascendant Capital Markets, LLC has not received compensation for advisory or investment banking services from the company in the past 12 months.

IMPORTANT DISCLOSURES

This report has been distributed by Ascendant Capital Markets, LLC and is for the sole use of our clients. This report is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. This report contains information from various sources, including United States government publications, The Wall Street Journal and other periodicals, Yahoo! Finance and other sources, and is for informational purposes only and is not a recommendation to trade in the securities of the companies mentioned within the report. We seek to update our research and recommendations as appropriate, but the large majority of reports are published at irregular intervals as we consider appropriate and, in some cases, as constrained by industry regulations.

We may have a business relationship with companies covered in this report. Ascendant Capital Markets, LLC may make a market in the securities of the subject company. We and our affiliates, officers, directors, and employees will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives (including options and warrants) thereof of covered companies referred to in this report. This report is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any information in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of the investments referred to in this report may fluctuate.

Following are some general risks that can adversely impact future operational and financial performance and share price valuation: (1) industry fundamentals with respect to legislation, mandates, incentives, customer demand, or product pricing; (2) issues relating to competing companies or products; (3) unforeseen developments with respect to management, financial condition or accounting policies or practices; or (4) external factors that affect the interest rates, currency, the economy or major segments of the economy. Past performance is not a guide to future performance, future returns are not guaranteed, and loss of original capital may occur. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. Our report is disseminated primarily electronically, and, in some cases, in printed form. The information contained in this report is not incorporated into the contents of our website and should be read independently thereof. Copyright Ascendant Capital Markets, LLC. No part of this material may be copied, photocopied or duplicated by any means or redistributed without the prior written consent of Ascendant Capital Markets, LLC.

Risks & Considerations

Risks to attainment of our share price target include dentists and consumers acceptance of products, competition, changing technologies for medical devices, macroeconomic factors, and balance sheet risks.

Ascendant Capital Markets, LLC Rating System

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:

Strong Buy: We expect the stock to provide a total return of 30% or more within a 12-month period.

Buy: We expect the stock to provide a total return of between 10% and 30% within a 12-month period.

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.

Speculative Buy: This rating is reserved for companies we believe have tremendous potential, but whose stocks are illiquid or whose equity market capitalizations are very small, often in the definition of a nano cap (below \$50 million in

market cap). In general, for stocks ranked in this category, we expect the stock to provide a total return of 50% or more within a 12-month period. However, because of the illiquid nature of the stock's trading and/or the nano cap nature of the investment, we caution that these investments may not be suitable for all parties.

Total return is defined as price appreciation plus dividend yield.

Ascendant Capital Markets, LLC Distribution of Investment Ratings (as of July 14, 2022)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	41	98%	15	37%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	42	100%	15	36%

Other Important Disclosures

Our analysts use various valuation methodologies including discounted cash flow, price/earnings (P/E), enterprise value/EBITDAS, and P/E to growth rate, among others. Risks to our price targets include failure to achieve financial results, product risk, regulatory risk, general market conditions, and the risk of a change in economic conditions.

Dissemination of Research

Ascendant Capital Markets, LLC research is distributed electronically via the Thomson Reuters platforms, Bloomberg, Capital IQ and FactSet. Please contact your investment advisor or institutional salesperson for more information.

General Disclaimer

The information and opinions in this report were prepared by Ascendant Capital Markets, LLC. This information is not intended to be used as the primary basis of investment decisions and because of individual client objectives it should not be construed as advice designed to meet the particular investment needs of any investor. This material is for information purposes only and is not an offer or solicitation with respect to the purchase or sale of any security. The reader should assume that Ascendant Capital Markets, LLC may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein. The opinions, estimates, and projections contained in this report are those of Ascendant Capital Markets, LLC as of the date of this report and are subject to change without notice. Ascendant Capital Markets, LLC endeavors to ensure that the contents have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. However, Ascendant Capital Markets, LLC makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein, and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to Ascendant Capital Markets, LLC, or its affiliates that is not reflected in this report. This report is not to be construed as an offer or solicitation to buy or sell any security.

Additional Disclosures

Ascendant Capital Markets, LLC is a broker-dealer registered with the United States Securities and Exchange Commission (SEC) and a member of the FINRA and SIPC. Ascendant Capital Markets, LLC is not a Registered Investment Advisor nor is it an investment advisor registered with the Securities and Exchange Commission or with the securities regulators of any state, and at the present time is not eligible to file for federal registration.