



# BIOLASE, Inc.

Q4 revenue upside and strong 2023 guidance. We remain positive on execution and long-term growth potential. Lowering P/T to \$11.

## COMPANY UPDATE

Rating: BUY

Ticker: BIOL

Price: \$0.39

Target: \$11.00  
(from \$14)

**Q4 revenue upside:** BIOLASE recently (on March 28) reported its Q4 2022 (ending December) results. Total revenue was \$14.1 million (+13% y-o-y), compared with our and consensus estimates of \$13 - 14 million. Pro forma EPS was \$(0.85), compared with our estimates of \$(0.16) and consensus of \$(0.66). In January, the company preannounced Q4 revenue of \$14.0 – 14.4 million.

**Solid Q4 growth:** Revenue was up (+13% y-o-y) due to positive execution on its sales initiatives. However, EPS was tempered due to inventory writedowns along with higher costs due to inflation and supply chain costs.

**U.S. sales strength:** In 2022, U.S. laser sales were +39% (y-o-y). The company saw continued progress with its Waterlase Exclusive Trial Program, with success rate ~50% in 2022 and expected to increase to ~60% in 2023. Increased marketing initiatives generated increased adoption of its laser technology in the U.S. In 2022, with 84% of sales from new customers.

**Strong 2023 guidance:** Management maintained strong 2023 guidance (initially provided January 2023) for revenue to be above \$60 million (+25% y-o-y) and positive EBITDA.

**Raising estimates:** We are raising our 2023 estimates for revenue to \$60 million, from \$51 million, and for EPS to \$(0.14) from \$(1.00).

**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 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 2023 after a strong 2022 (+24% 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.

**Balance sheet:** The company has \$4 million in cash and \$14 million in debt. In January (current Q1), the company raised \$9.75 million (selling 27.9 million shares at \$0.35/share). We believe it has enough cash into 2024.

**Valuation positive:** Maintaining our BUY, but lowering our 12-month price target to \$11 from \$14 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

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### Stock Data

Exchange:	NasdaqCM
52-week Range:	\$0.30 – 9.25
Shares Outstanding (million):	36
Market cap (\$million):	\$14
EV (\$million):	\$24
Debt (\$million):	\$14
Cash (\$million):	\$4
Avg. Daily Trading Vol. (\$million):	\$0.4
Float (million shares):	6
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	10E	11E	11E	
Q2 Jun	15E	13E	16E	
Q3 Sep	15E	13E	17E	
Q4 Dec	<u>21E</u>	<u>14E</u>	<u>23E</u>	
Total	<b>60E</b>	<b>51E</b>	<b>66E</b>	
EV/Revs	0.4x		0.4x	

### Earnings per Share (pro forma)

	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)
Q1 Mar	(0.10)E	(0.29)E	(0.06)E	
Q2 Jun	(0.06)E	(0.34)E	(0.02)E	
Q3 Sep	(0.01)E	(0.27)E	(0.01)E	
Q4 Dec	<u>0.02E</u>	<u>0.10E</u>	<u>0.13E</u>	
Total	<b>(0.14)E</b>	<b>(1.00)E</b>	<b>0.04E</b>	
P/E	N/A		10x	

\*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><b>Broad Range of Applications</b></p> <p>Dental lasers perform a broad range of cosmetic, restorative and surgical applications</p>	<p><b>Robust Product Line</b></p> <p>For general dentists and specialists</p>	<p><b>43K+ Laser Systems Sold</b></p> <p>In 80 countries to date<sup>2</sup></p> <p><small><sup>2</sup> From 1998 through December 31, 2021</small></p>
<p><b>Large IP Portfolio</b></p> <p>302 issued and 28 pending patents</p> <p>\$37.5M in value<sup>1</sup></p> <p><small><sup>1</sup> As assessed by PatSnap 2022</small></p>	<p><b>Large Market Opportunity</b></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><b>Experienced Management Team</b></p> <p>Transitioned the company from R&amp;D focus to commercialization</p>

## BIOLASE's Spectrum of Laser Systems & Consumables

— 302 Issued + 28 Pending Patents —

ALL TISSUE LASER SOLUTIONS

**Waterlase iPlus™**

- + Our 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



TIPS & ACCESSORIES



SOFT TISSUE LASER SOLUTIONS

**Epic X™**

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



**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



**Epic H™**

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



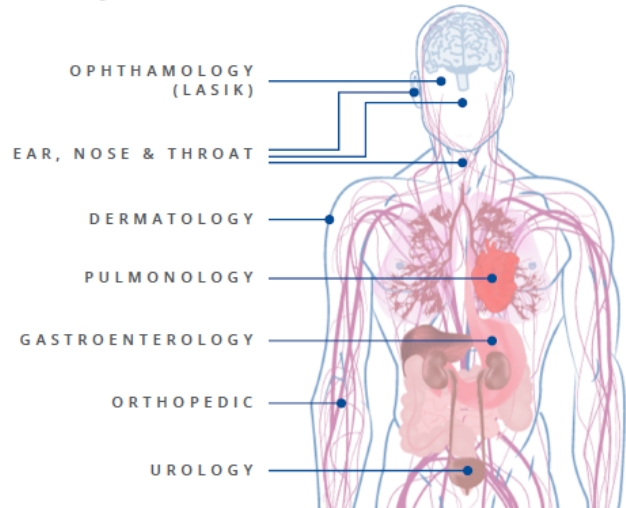
Source: Company report.

Exhibit 2: Market Opportunity

# Lasers are Widely Used in Medicine

With Only 7% to 8%\* Penetration, Laser Dentistry Offers a Significant Growth Opportunity for Lasers in Medicine

- ✓ Minimally invasive
- ✓ Less bleeding/trauma
- ✓ Faster healing
- ✓ Enhanced precision
- ✓ More patient-friendly experience



## 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>&gt; 50% close rate</p> <p>\$5-10M revenue opportunity annually</p>	<p><b>Increased messaging, marketing, education &amp; training efforts are bearing fruit</b></p> <p><b>&gt;90%</b> of U.S. Waterlase sales in the third quarter of 2022 generated from new customers</p> <p><b>40%</b> coming from dental specialists in the third quarter of 2022</p>	<p>Specialist Academies Expand Awareness</p>
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## Increased Marketing & Sales Efforts

### Biggest Improvement in the Company Over the Past Couple of Years



## BIOLASE Partnership Program (BPP)







<p></p> <p><b>First 6 Months = Customer Revenue</b></p> <p>Enables customers to generate revenue without any cash outflow for first 6 months</p>	<p></p> <p><b>Immediate Cash in Hand</b></p> <p>Puts money in the customer's pocket now</p>	<p></p> <p><b>BIOLASE = Compelling Reason to See Their Dentist</b></p> <p>As offices open, it is critical to get patients to come back right away</p>	<p></p> <p><b>In-office Training</b></p> <ul style="list-style-type: none"> <li>+ No travel, no need to spend time away from the office, staff can participate</li> <li>+ Facilitates true integration throughout the office</li> <li>+ Includes ongoing personal coaching</li> </ul>
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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><b>HYGIENIST</b></p> <ul style="list-style-type: none"> <li>Effectively manage non-surgical Periodontitis</li> <li>Proven clinical protocols, including <i>Pocket Therapy</i> and <i>Perio Debridement</i></li> <li>Step-by-step training &amp; guidebooks for easy integration</li> </ul> <p><b>GROW REVENUE</b> +\$15 - \$40K per year</p> <p>Epic Hygiene </p>	 <p><b>DENTIST</b></p> <ul style="list-style-type: none"> <li>Easily manage moderate Periodontitis &amp; Implantitis</li> <li>Minimally Invasive, Patient-Friendly protocols</li> <li>Excellent clinical results &amp; patient-reported outcomes</li> </ul> <p><b>GROW REVENUE</b> +\$32 - \$64K per year</p> <p>Waterlase Dentistry </p>	 <p><b>PERIODONTIST</b></p> <p>Manage Severe, Difficult and Complex Cases</p> <p><b>Refer Out</b></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><b>85%</b> OF AMERICAN ADULTS SUFFER FROM <b>GUM DISEASE</b></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><b>3.0 M+</b> implants placed in the U.S. in 2019 with a <b>6% increase</b> each year</p> <p><b>500,000+</b> 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><b>Waterlase lasers</b> are highly effective, safe solution to preserving sick implants</p>	<p><b>&gt; 60% of the U.S. population</b> avoids going to the dentist because of <b>"dental anxiety or fear"</b></p> <p>(DentaVax survey of 18,000 people VW)</p> 
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Source: Company report.

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Exhibit 5: Q4 2022 Financial Results Highlights

### 2022 Full-Year Financial Highlights

- Achieved year-over-year revenue growth of 24% to \$48.5 million
- Increased U.S. laser sales by 39% year over year
- Achieved record U.S. consumable sales, up 25% year over year, driven by increased procedures using BIOLASE lasers
- Generated increased adoption of its industry-leading laser, with approximately 84% of U.S. Waterlase sales for the full-year 2022 coming from new customers
- Sales conversion rate continued to rise throughout the year due to the success of its Waterlase Exclusive Trial Program

"We expect much of the same in 2023 as we currently anticipate total revenue growth of at least 25%. Moreover, we expect our gross margins to improve significantly in 2023 due to increased sales volume and pricing increases, lower trunk fiber costs resulting from our recent acquisition, and other manufacturing cost savings. We believe all of this positions us to achieve positive adjusted EBITDA for the full year of 2023.

Source: Company report.

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**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 March 28, 2023)**

	Revenue (mil)			EPS	
	2022E	2023E		2022E	2023E
Q1 Mar	\$10A	\$12E	Q1 Mar	\$(0.64)A	\$(0.25)E
Q2 Jun	\$12A		Q2 Jun	\$(0.67)A	
Q3 Sep	\$12A		Q3 Sep	\$(0.74)A	
Q4 Dec	\$14E		Q4 Dec	\$(0.66)E	
Total	\$48E	\$58E	Total	\$(3.47)E	\$(0.72)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-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
Products and services revenue	8.1	9.1	9.5	12.4	39.2	10.2	12.2	12.0	14.1	48.5	10.2	14.7	15.0	20.5	60.4	11.2	16.2	16.5	22.6	66.4
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
<b>Total Revenue</b>	<b>8.1</b>	<b>9.1</b>	<b>9.5</b>	<b>12.4</b>	<b>39.2</b>	<b>10.2</b>	<b>12.2</b>	<b>12.0</b>	<b>14.1</b>	<b>48.5</b>	<b>10.2</b>	<b>14.7</b>	<b>15.0</b>	<b>20.5</b>	<b>60.4</b>	<b>11.2</b>	<b>16.2</b>	<b>16.5</b>	<b>22.6</b>	<b>66.4</b>
<b>Cost of Revenues</b>	<b>5.4</b>	<b>5.1</b>	<b>4.7</b>	<b>7.5</b>	<b>22.7</b>	<b>5.4</b>	<b>7.1</b>	<b>9.6</b>	<b>10.5</b>	<b>32.6</b>	<b>6.1</b>	<b>8.1</b>	<b>7.5</b>	<b>9.2</b>	<b>30.9</b>	<b>4.5</b>	<b>6.5</b>	<b>6.6</b>	<b>7.9</b>	<b>25.4</b>
Gross Profit	2.7	4.0	4.8	4.9	16.5	4.7	5.1	2.4	3.6	15.9	4.1	6.6	7.5	11.3	29.5	6.7	9.7	9.9	14.7	41.0
Sales and marketing	3.6	3.3	3.5	5.0	15.3	4.8	5.4	5.0	6.5	21.7	3.0	3.7	3.8	5.1	15.6	3.9	4.8	5.0	4.5	18.2
General and administrative	3.4	2.8	2.5	2.6	11.3	2.6	3.1	3.1	3.5	12.3	3.0	2.9	2.4	4.1	12.5	3.4	3.2	3.3	2.9	12.8
Research and development	1.8	1.2	1.5	1.5	6.0	1.5	1.7	2.0	2.1	7.3	1.5	2.1	1.5	1.0	6.1	1.7	2.3	2.1	2.0	8.1
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	0.1	0.0	0.1	0.2	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 operating expenses	8.8	7.3	7.5	9.3	33.0	8.9	10.2	10.1	12.0	41.3	7.6	8.7	7.7	10.3	34.2	8.9	10.3	10.4	9.5	39.2
<b>Operating income (loss)</b>	<b>(6.1)</b>	<b>(3.3)</b>	<b>(2.7)</b>	<b>(4.4)</b>	<b>(16.4)</b>	<b>(4.2)</b>	<b>(5.1)</b>	<b>(7.7)</b>	<b>(8.4)</b>	<b>(25.3)</b>	<b>(3.6)</b>	<b>(2.1)</b>	<b>(0.2)</b>	<b>1.0</b>	<b>(4.7)</b>	<b>(2.2)</b>	<b>(0.6)</b>	<b>(0.5)</b>	<b>5.2</b>	<b>1.8</b>
Interest income (expense)	(0.6)	(0.6)	(0.6)	(0.5)	(2.2)	(0.4)	(0.4)	(0.4)	(1.5)	(2.7)	(1.5)	(1.5)	(1.5)	(1.5)	(5.8)	(1.5)	(1.5)	(1.5)	(1.5)	(5.8)
Other income (expense)	(0.7)	3.1	(0.0)	(0.3)	2.0	(0.3)	(0.1)	(0.3)	0.1	(0.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income before income taxes	(7.4)	(0.8)	(3.3)	(5.2)	(16.6)	(5.0)	(5.6)	(8.4)	(9.8)	(28.7)	(5.0)	(3.5)	(1.6)	(0.4)	(10.6)	(3.7)	(2.1)	(2.0)	3.7	(4.0)
Income taxes	0.1	(0.1)	0.0	0.1	0.1	0.0	0.0	(0.0)	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (loss)	(7.4)	(0.7)	(3.3)	(5.3)	(16.7)	(5.0)	(5.6)	(8.4)	(9.9)	(28.9)	(5.0)	(3.5)	(1.6)	(0.4)	(10.6)	(3.7)	(2.1)	(2.0)	3.7	(4.0)
Nonrecurring/noncash adjustments	2.2	(2.0)	0.8	0.9	2.0	1.1	1.5	2.8	3.3	8.7	1.4	1.4	1.4	1.3	5.5	1.4	1.4	1.4	1.3	5.5
<b>Net income (pro forma)</b>	<b>(5.3)</b>	<b>(2.7)</b>	<b>(2.5)</b>	<b>(4.3)</b>	<b>(14.7)</b>	<b>(3.9)</b>	<b>(4.1)</b>	<b>(5.6)</b>	<b>(6.5)</b>	<b>(20.2)</b>	<b>(3.6)</b>	<b>(2.1)</b>	<b>(0.2)</b>	<b>0.9</b>	<b>(5.1)</b>	<b>(2.3)</b>	<b>(0.7)</b>	<b>(0.6)</b>	<b>5.0</b>	<b>1.5</b>
EBITDA	(5.3)	(2.7)	(2.5)	(4.3)	(14.7)	(3.9)	(4.1)	(5.6)	(6.5)	(20.1)	(3.1)	(1.8)	0.3	1.5	(2.9)	(1.8)	(0.2)	(0.0)	5.6	3.6
Shares, Basic	5.4	6.0	6.1	6.1	5.9	6.2	6.2	7.6	7.7	6.9	35.7	37.7	37.8	37.9	37.3	37.9	38.0	38.1	38.2	38.1
Shares, Diluted	5.4	6.0	6.1	6.1	5.9	6.2	6.2	7.6	7.7	6.9	35.7	37.7	37.8	37.9	37.3	37.9	38.0	38.1	38.2	38.1
EPS Basic (Pro forma)	(\$0.98)	(\$0.44)	(\$0.41)	(\$0.71)	(\$2.49)	(\$0.64)	(\$0.67)	(\$0.74)	(\$0.85)	(\$2.91)	(\$0.10)	(\$0.06)	(\$0.01)	\$0.02	(\$0.14)	(\$0.06)	(\$0.02)	(\$0.01)	\$0.13	\$0.04
EPS Diluted (Pro forma)	(\$0.98)	(\$0.44)	(\$0.41)	(\$0.71)	(\$2.49)	(\$0.64)	(\$0.67)	(\$0.74)	(\$0.85)	(\$2.91)	(\$0.10)	(\$0.06)	(\$0.01)	\$0.02	(\$0.14)	(\$0.06)	(\$0.02)	(\$0.01)	\$0.13	\$0.04
<b>Margins</b>																				
Gross margin	34%	44%	51%	40%	42%	47%	42%	20%	26%	33%	40%	45%	50%	55%	49%	60%	60%	60%	65%	62%
Sales and marketing	44%	36%	36%	40%	39%	47%	44%	42%	46%	45%	30%	25%	25%	25%	26%	35%	30%	30%	20%	27%
General and administrative	42%	30%	26%	21%	29%	25%	26%	26%	25%	25%	30%	20%	16%	20%	21%	30%	20%	20%	13%	19%
Research and development	22%	13%	16%	12%	15%	15%	14%	16%	15%	15%	15%	14%	10%	5%	10%	15%	14%	13%	9%	12%
Operating margin	-75%	-36%	-28%	-36%	-42%	-41%	-41%	-64%	-60%	-52%	-35%	-14%	-1%	5%	-8%	-20%	-4%	-3%	23%	3%
Tax rate, GAAP	-1%	10%	0%	-1%	0%	0%	0%	0%	-1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net margin	-92%	-8%	-34%	-43%	-43%	-49%	-46%	-70%	-70%	-60%	-49%	-24%	-11%	-2%	-18%	-33%	-13%	-12%	17%	-6%
<b>YY % change</b>																				
Total Revenue	70%	211%	46%	46%	72%	25%	34%	26%	13%	24%	0%	20%	25%	46%	25%	10%	10%	10%	10%	10%
Gross margin	103%	329%	113%	206%	168%	73%	27%	-50%	-27%	-4%	-14%	29%	207%	214%	85%	65%	47%	32%	30%	39%
Sales and marketing	31%	58%	29%	33%	36%	35%	63%	45%	28%	41%	-37%	-32%	-25%	-20%	-28%	28%	32%	32%	-12%	17%
General and administrative	15%	30%	8%	14%	16%	-25%	13%	25%	32%	8%	18%	-7%	-23%	18%	1%	10%	10%	38%	-29%	3%
Research and development	82%	68%	60%	47%	64%	-14%	42%	29%	35%	20%	-1%	24%	-24%	-51%	-16%	10%	10%	43%	98%	33%
Operating income (loss)	13%	-17%	-28%	-20%	-11%	-31%	54%	188%	90%	54%	-15%	-59%	-98%	-112%	-81%	-37%	-69%	230%	406%	-138%
Net income (loss)	24%	-85%	-81%	-14%	-51%	-33%	693%	155%	87%	73%	1%	-37%	-81%	-96%	-63%	-26%	-40%	21%	-955%	-62%
EPS Diluted (Pro forma)	-65%	-77%	-47%	-43%	-55%	-35%	51%	82%	20%	17%	-84%	-92%	-99%	-103%	-95%	-40%	-67%	161%	478%	-128%

Source: Company reports and Ascendant Capital Markets estimates.

Reflects a 1:25 reverse stock split in April 2022



**BIOLASE, 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
<b>Assets</b>																
Cash and cash equivalents	40.8	37.1	33.4	30.0	21.6	19.5	10.0	4.2	14.9	11.8	12.5	18.2	13.7	12.2	11.6	22.7
Short term investments									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Restricted cash	0.2	0.2	0.2	0.2	0.2				0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable, net	3.3	3.8	3.6	4.2	5.2	6.1	4.8	5.8	8.5	12.2	12.5	17.1	9.3	13.5	13.8	18.8
Inventory	11.9	12.7	14.1	12.9	14.6	16.6	16.4	15.9	8.1	10.8	10.0	12.3	6.0	8.6	8.8	10.5
Prepaid expenses and other	1.6	1.5	1.4	2.0	2.2	2.1	2.6	3.1	1.0	1.5	1.5	1.0	1.1	1.6	1.7	1.1
<b>Total current assets</b>	<b>57.7</b>	<b>55.3</b>	<b>52.7</b>	<b>49.4</b>	<b>43.8</b>	<b>44.3</b>	<b>33.9</b>	<b>29.0</b>	<b>32.6</b>	<b>36.3</b>	<b>36.5</b>	<b>48.6</b>	<b>30.1</b>	<b>35.9</b>	<b>35.8</b>	<b>53.2</b>
Property and equipment, net	0.7	0.9	0.9	1.1	1.2	1.4	3.9	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
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	2.1	2.1	2.0	1.9	2.3	2.3	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
<b>Total assets</b>	<b>63.5</b>	<b>61.2</b>	<b>58.5</b>	<b>55.3</b>	<b>50.2</b>	<b>50.9</b>	<b>42.9</b>	<b>38.2</b>	<b>41.8</b>	<b>45.5</b>	<b>45.8</b>	<b>57.9</b>	<b>39.3</b>	<b>45.1</b>	<b>45.0</b>	<b>62.4</b>
<b>Liabilities and stockholders' equity</b>																
Accounts payable	3.1	3.5	3.6	3.3	4.6	5.0	5.0	5.8	8.1	11.7	12.0	18.5	8.9	12.9	13.2	20.3
Accrued expenses	6.2	6.5	6.2	8.3	6.0	6.5	6.9	9.2	5.1	7.3	7.5	12.3	5.6	8.1	8.3	13.5
Customer deposits									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred revenue	2.0	2.1	2.3	2.3	2.4	2.5	1.9	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Short term debt		0.7	1.4					0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
<b>Total current liabilities</b>	<b>11.3</b>	<b>12.7</b>	<b>13.5</b>	<b>13.8</b>	<b>13.1</b>	<b>14.0</b>	<b>13.8</b>	<b>17.8</b>	<b>16.0</b>	<b>21.9</b>	<b>22.3</b>	<b>33.6</b>	<b>17.3</b>	<b>23.8</b>	<b>24.3</b>	<b>36.7</b>
Deferred taxes									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred revenue	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Warranty Accruals	0.3	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Other long term liabilities	1.8	1.7	1.9	1.8	2.0	1.8	1.7	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Long term debt	16.3	12.7	12.1	13.6	13.7	12.7	12.8	13.1	13.1	13.1	13.1	13.1	13.1	13.1	13.1	13.1
<b>Total other liabilities</b>	<b>18.7</b>	<b>15.3</b>	<b>14.7</b>	<b>16.2</b>	<b>16.5</b>	<b>15.3</b>	<b>15.2</b>	<b>15.5</b>	<b>15.5</b>	<b>15.5</b>	<b>15.5</b>	<b>15.5</b>	<b>15.5</b>	<b>15.5</b>	<b>15.5</b>	<b>15.5</b>
Preferred stock	0.0	0.0	0.0	0.0	0.2				0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Common stock	0.1	0.2	0.2	0.2		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Additional paid-in capital	292.1	292.5	292.9	293.2	293.4	300.4	301.2	301.8	301.8	301.8	301.8	301.8	301.8	301.8	301.8	301.8
Retained earnings	(258.3)	(259.0)	(262.3)	(267.5)	(272.3)	(277.9)	(286.3)	(296.2)	(299.8)	(301.9)	(302.1)	(301.3)	(303.6)	(304.3)	(304.8)	(299.8)
Accumulated other comprehensive income	(0.5)	(0.5)	(0.6)	(0.6)	(0.7)	(0.9)	(1.0)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Other									9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
<b>Total stockholders' equity</b>	<b>33.5</b>	<b>33.3</b>	<b>30.3</b>	<b>25.2</b>	<b>20.6</b>	<b>21.6</b>	<b>13.9</b>	<b>4.9</b>	<b>10.3</b>	<b>8.2</b>	<b>7.9</b>	<b>8.8</b>	<b>6.5</b>	<b>5.8</b>	<b>5.2</b>	<b>10.3</b>
<b>Total stockholders' equity and liabilities</b>	<b>63.5</b>	<b>61.2</b>	<b>58.5</b>	<b>55.3</b>	<b>50.2</b>	<b>50.9</b>	<b>42.9</b>	<b>38.2</b>	<b>41.8</b>	<b>45.5</b>	<b>45.8</b>	<b>57.9</b>	<b>39.3</b>	<b>45.1</b>	<b>45.0</b>	<b>62.4</b>

**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
	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	19%	17%	14%	16%	21%	17%	22%	22%	10%	10%	10%	5%	10%	10%	10%	5%
Accounts payable as % of total rev	38%	38%	38%	27%	46%	41%	41%	41%	80%	80%	80%	90%	80%	80%	80%	90%
Accrued expenses as % of total rev	77%	71%	65%	67%	59%	53%	58%	66%	50%	50%	50%	60%	50%	50%	50%	60%
<b>Activity Ratios</b>																
A/R Days Sales Outstanding	134	127	135	95	131	124	125	103	75	75	75	75	75	75	75	75
Inventory Turns	1.8	1.6	1.3	2.3	1.5	1.7	2.3	2.6	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
A/P Days Payable	51	62	69	40	77	63	47	50	120	131	144	180	180	180	180	231
<b>Book &amp; Cash Value (per share)</b>																
Book Value per Share (diluted)	\$6.23	\$5.52	\$4.99	\$4.11	\$3.34	\$3.49	\$1.82	\$0.63	\$0.29	\$0.22	\$0.21	\$0.23	\$0.17	\$0.15	\$0.14	\$0.27
Cash per Share (diluted)	\$7.59	\$6.15	\$5.49	\$4.88	\$3.51	\$3.16	\$1.31	\$0.54	\$0.42	\$0.31	\$0.33	\$0.48	\$0.36	\$0.32	\$0.30	\$0.59
Net cash per Share (diluted)	\$4.56	\$3.93	\$3.27	\$2.67	\$1.29	\$1.10	-\$0.37	-\$1.25	\$0.03	-\$0.05	-\$0.03	\$0.12	\$0.00	-\$0.04	-\$0.06	\$0.23

Source: Company reports and Ascendant Capital Markets estimates

**BIOLASE, Inc.**

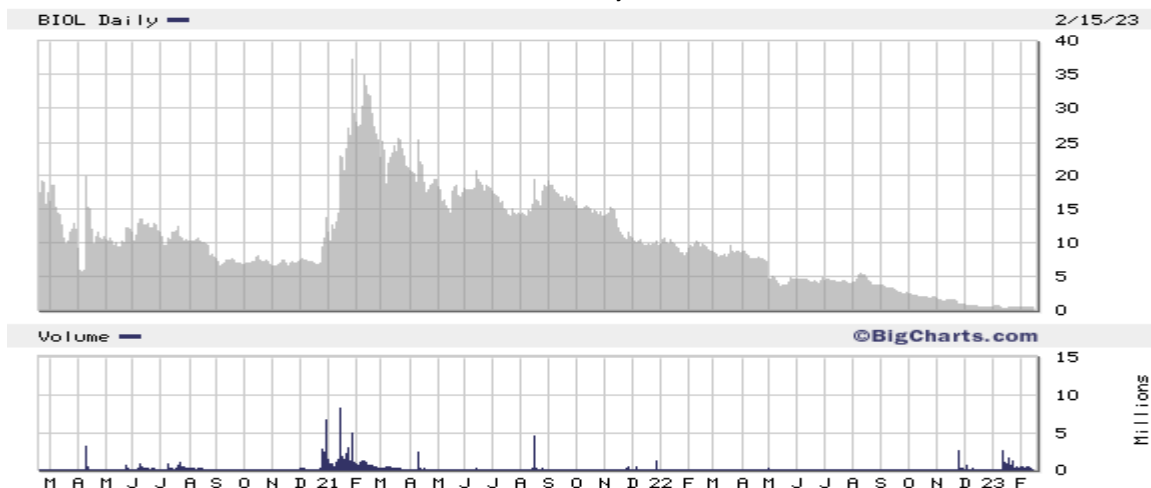
Cash Flow Statement (\$ mils)	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023	Mar-24	Jun-24	Sep-24	Dec-24	2024	
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1E	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
<b>Cash flow from operating activities</b>																					
Net income	(6.9)	(0.7)	(3.3)	(5.3)	(16.2)	(4.8)	(5.6)	(8.4)	(9.9)	(28.6)	(3.6)	(2.1)	(0.2)	0.9	(5.1)	(2.3)	(0.7)	(0.6)	5.0	1.5	
Depreciation and amortization	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.1	0.1	0.5	0.2	0.2	0.2	0.2	0.8	0.2	0.2	0.2	0.2	0.8	
Provision for bad debt	(0.0)	(0.1)	(0.1)	(0.0)	(0.2)	0.1	0.1	(0.1)	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Inventory reserves	(0.0)	(0.1)	(0.0)	(0.3)	(0.4)	0.1	(0.1)	1.8	1.1	2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Amortization of debt	0.1	0.1	0.1	0.1	0.5	0.1	0.1	0.1	1.0	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Stock comp	0.9	0.4	0.4	0.2	1.8	0.2	0.9	0.6	0.7	2.4	0.3	0.3	0.3	0.3	1.0	0.3	0.3	0.3	0.3	1.0	
Other gains/losses		(3.0)			(3.0)					0.0					0.0					0.0	
Deferred taxes					0.0					0.0					0.0					0.0	
Warrant revaluation					0.0					0.0					0.0					0.0	
Other	0.1	0.1	0.0	0.1	0.3					0.0	(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:																					
Restricted cash					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
Accounts receivable	(0.2)	(0.5)	0.3	(0.6)	(1.0)	(1.1)	(0.9)	1.3	(1.0)	(1.6)	(2.6)	(3.8)	(0.3)	(4.6)	(11.3)	7.8	(4.1)	(0.3)	(5.0)	(1.7)	
Inventory	(0.7)	(0.8)	(1.3)	1.4	(1.4)	(1.7)	(1.9)	(1.6)	(0.5)	(5.8)	7.8	(2.6)	0.8	(2.3)	3.6	6.3	(2.6)	(0.2)	(1.7)	1.8	
Prepaid expenses & other current as	0.6	(0.1)	(0.2)	0.1	0.3	(0.2)	(0.1)	(0.6)	(0.3)	(1.1)	2.0	(0.5)	(0.0)	0.5	2.0	(0.1)	(0.5)	(0.0)	0.5	(0.1)	
Other assets					0.0	(1.0)	1.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Accounts payable and accrued liabilit	(0.5)	1.0	0.2	1.1	1.8		(0.2)	0.9	2.9	3.5	(1.8)	5.9	0.4	11.3	15.8	(16.2)	6.5	0.5	12.4	3.1	
Deferred revenue	0.0	0.1	0.2	0.0	0.3	0.2	0.1	(0.6)	0.3	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other liabilities					0.0					0.0					0.0					0.0	
<b>Net cash (used in) provided by oper</b>	<b>(6.5)</b>	<b>(3.5)</b>	<b>(3.6)</b>	<b>(3.1)</b>	<b>(16.7)</b>	<b>(8.0)</b>	<b>(6.6)</b>	<b>(6.5)</b>	<b>(5.6)</b>	<b>(26.8)</b>	<b>2.0</b>	<b>(2.9)</b>	<b>0.9</b>	<b>5.9</b>	<b>5.8</b>	<b>(4.3)</b>	<b>(1.3)</b>	<b>(0.4)</b>	<b>11.4</b>	<b>5.3</b>	
<b>Cash flow from investing activities</b>																					
Purchases of property and equipment	(0.0)	(0.3)	(0.1)	(0.3)	(0.7)	(0.3)	(0.3)	0.6	0.0	0.0	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)	(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			(3.3)	(0.5)	(3.7)					0.0					0.0	
Other					0.0					0.0					0.0					0.0	
<b>Net cash used in investing activities</b>	<b>(0.0)</b>	<b>(0.3)</b>	<b>(0.1)</b>	<b>(0.3)</b>	<b>(0.7)</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>(2.7)</b>	<b>(0.5)</b>	<b>(3.7)</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>(0.8)</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>(0.8)</b>	
<b>Cash flow from financing activities</b>																					
Issuance of debt		(0.0)	(0.0)		(0.0)		(1.0)			(1.0)					0.0					0.0	
Issuance of stock	13.3	(0.0)	0.0	0.0	13.3		5.8	(0.2)	(0.0)	5.6					0.0					0.0	
Proceeds from stock option exercise	16.5	0.0	0.1	0.1	16.7				0.0	0.0					0.0					0.0	
Other					0.0					0.0					0.0					0.0	
<b>Cash provided by (used in) financin</b>	<b>29.8</b>	<b>(0.0)</b>	<b>0.1</b>	<b>0.1</b>	<b>30.0</b>	<b>0.0</b>	<b>4.8</b>	<b>(0.2)</b>	<b>(0.0)</b>	<b>4.6</b>	<b>9.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>9.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
Effect of exchange rate on cash	(0.1)	0.1	(0.1)	(0.1)	(0.2)	(0.0)	(0.2)	(0.2)	0.3	(0.1)					0.0					0.0	
<b>Net increase (decrease) in cash and</b>	<b>23.2</b>	<b>(3.8)</b>	<b>(3.7)</b>	<b>(3.4)</b>	<b>12.3</b>	<b>(8.4)</b>	<b>(2.3)</b>	<b>(9.6)</b>	<b>(5.8)</b>	<b>(26.0)</b>	<b>10.8</b>	<b>(3.1)</b>	<b>0.7</b>	<b>5.7</b>	<b>14.0</b>	<b>(4.5)</b>	<b>(1.5)</b>	<b>(0.6)</b>	<b>11.2</b>	<b>4.5</b>	
<b>Beginning cash and equivalents</b>	<b>17.6</b>	<b>40.8</b>	<b>37.0</b>	<b>33.3</b>	<b>17.6</b>	<b>30.2</b>	<b>21.8</b>	<b>19.5</b>	<b>10.0</b>	<b>30.2</b>	<b>4.2</b>	<b>14.9</b>	<b>11.8</b>	<b>12.5</b>	<b>4.2</b>	<b>18.2</b>	<b>13.7</b>	<b>12.2</b>	<b>11.6</b>	<b>18.2</b>	
<b>Ending cash and equivalents</b>	<b>40.8</b>	<b>37.0</b>	<b>33.3</b>	<b>29.9</b>	<b>30.2</b>	<b>21.8</b>	<b>19.5</b>	<b>10.0</b>	<b>4.181</b>	<b>4.2</b>	<b>14.9</b>	<b>11.8</b>	<b>12.5</b>	<b>18.2</b>	<b>18.2</b>	<b>13.7</b>	<b>12.2</b>	<b>11.6</b>	<b>22.7</b>	<b>22.7</b>	

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
46	8/18/2022	B	28.00
47	11/12/2022	B	14.00

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

## IMPORTANT DISCLOSURES

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## **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 Distribution of Investment Ratings (as of January 15, 2023)**

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	44	98%	18	41%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
<b>Total</b>	<b>45</b>	<b>100%</b>	<b>18</b>	<b>40%</b>

### **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.

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