



BIOLASE, Inc.

Q3 miss and lowered 2023 guidance. We remain positive on execution and long-term growth potential. Lowering P/T to \$15.

COMPANY UPDATE

Rating: **BUY**

Ticker: BIOL

Price: \$1.18
(intraday)

Target: \$15
(from \$40)

Q3 miss: BIOLASE recently (on November 9) reported its Q3 2023 (ending September) results. Total revenue was \$10.9 million (-9% y-o-y), compared with our and consensus estimates of \$14 million. Pro forma EPS was \$(2.67), compared with our estimates of \$(1.45) and consensus of \$(1.85). There was no Q3 guidance.

Q3 decline: Revenue was down (-9% y-o-y) due to a weaker macro environment causing delays in sales. EPS improved y-o-y due to higher margin (gross margin was 34% vs. 20% y-o-y) from better managed supply chain costs and should continue to improve in 2023.

Consumable sales strength: In Q3, U.S. laser sales were -17% (y-o-y) but international was +5% (y-o-y). BIOLASE had a strong quarter in consumable sales, with U.S. consumable sales +22% (y-o-y) but international was -16% (y-o-y).

Lowered 2023 guidance: Management lowered 2023 guidance for revenue to \$49 – 50 million (+1 – 3%), from \$55 – 56 million.

Layoffs: In June, BIOLASE initiated cost cuts reducing its U.S. workforce by ~20%, resulting in projected annualized cost savings of ~\$4 million.

Adjusting estimates: We are adjusting our 2023 estimates for revenue to \$49 million, from \$55 million, and for EPS to \$(9.63) from \$(10.04).

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 solid 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.

Stock split: In July 2023, the company effected a 1-for-100 reverse stock split.

Balance sheet: The company has \$8 million in cash and \$14 million in debt. In Q3, the company raised ~\$4.5 million in preferred stock. In the current Q4, the company is in process to raise ~\$1.4 million in stock. We believe it has enough cash through 2024.

Valuation positive: Maintaining our BUY, but lowering our 12-month price target to \$15 from \$40 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

December 7, 2023

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Stock Data

Exchange:	NasdaqCM
52-week Range:	\$1.07 – 82.00
Shares Outstanding (million):	3.3
Market cap (\$million):	\$4
EV (\$million):	\$10
Debt (\$million):	\$14
Cash (\$million):	\$8
Avg. Daily Trading Vol. (\$million):	\$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	11A		11E	11E
Q2 Jun	14A		16E	16E
Q3 Sep	11A	14E	12E	15E
Q4 Dec	13E	17E	14E	18E
Total	49E	55E	53E	60E
EV/Revs	0.2x		0.2x	

Earnings per Share (pro forma)

	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)
Q1 Mar	(13.56)A		(0.92)E	(2.18)E
Q2 Jun	(4.24)A		(0.50)E	(0.90)E
Q3 Sep	(2.67)A	(1.45)E	(0.29)E	(0.54)E
Q4 Dec	<u>(0.90)E</u>	<u>0.65E</u>	<u>0.53E</u>	<u>2.39E</u>
Total	(9.63)E	(10.04)E	(1.15)E	(0.94)E
P/E	N/A		N/A	

*Reflects a 1:100 reverse stock split in July 2023.

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 12.

Exhibit 1: BIOLASE Company Background and Highlights

BIOLASE at a Glance

Robust Product Line

For general dentists and specialists

Large IP Portfolio

- 259 active and 24 pending patents as of Dec 31, 2022
- \$37.5M in value¹

45.5K+ Laser Systems Sold

In 80 countries to date²

Broad Range of Applications

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








Large Market Opportunity

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

Experienced Management Team

Transitioned the company from R&D focus to commercialization

BIOLASE's Spectrum of Laser Systems & Consumables 259 Active + 24 Pending Patents

ALL TISSUE LASER SOLUTIONS	SOFT TISSUE LASER SOLUTIONS	TIPS & ACCESSORIES
 <p>Waterlase iPlus®</p> <ul style="list-style-type: none"> • 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  <p>Waterlase Express®</p> <ul style="list-style-type: none"> • Smallest, easiest most cost-effective Waterlase • Vivid HD tablet user interface • Exclusive procedural animations • Rich on-board reference library and Customer Care Button 	 <p>Epic X®</p> <ul style="list-style-type: none"> • Surgery, fast tooth whitening and pain therapy in one device • Ultra portable for multiple-operator use  <p>Epic Hygiene™</p> <ul style="list-style-type: none"> • Designed by hygienists, for hygienists • FDA cleared for laser bacterial reduction ("LBR") 	

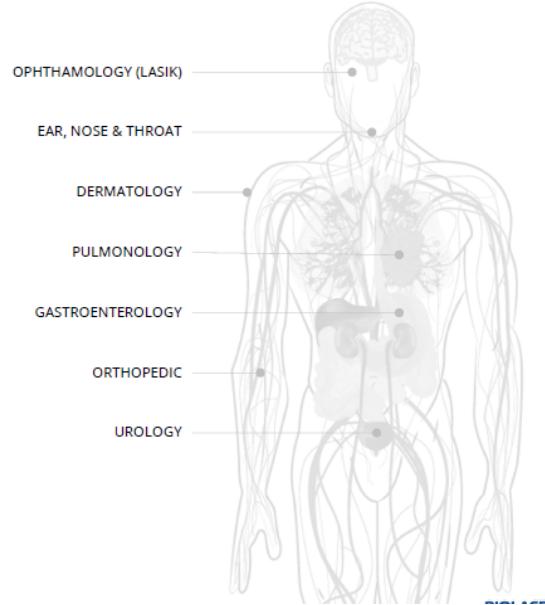
Source: Company report.

Exhibit 2: Market Opportunity

Lasers are Widely Used in Medicine

With Only **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 estimate

BIOLASE Opportunity

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

<p>DSOs (Corporate Dentistry) 1,300 DSOs (approx. 9,000 U.S. offices) If only 10% of DSOs adopted our lasers it would = \$54M in revenue</p>	<p>PEDIATRICS ~7K Pediatric Dentists If an additional 5% of Ped Dentists adopted our lasers it would = \$20M in revenue</p>	<p>Current U.S. All Tissue Laser Market Penetration</p> <h1>< 8%</h1> <p>Every 1% increase in adoption in the U.S. = \$50M+ in revenue for BIOLASE</p>
<p>PERIODONTICS (Gum Disease) ~5K Periodontists If an additional 20% of Perios adopted our lasers it would = \$50M in revenue</p>	<p>HYGIENE 200K Hygienists (35% Market Adoption) If an additional 5% of Hygienists adopted our lasers it would = \$70M in revenue</p>	
<p>ENDODONTICS (Root Canals) ~5K Endodontists If an additional 10% of Endos adopted our lasers it would = \$50M in revenue</p>	<p>GENERAL PRACTICE ~150K GPs If an additional 5% of GPs adopted our lasers it would = \$225M in revenue</p>	

Source: Company report

Exhibit 3: Waterlase Marketing Programs

Executing Our Growth Strategy Focused on Education & Training

Waterlase Trial Program (WTP) for General Practitioners

30-40
planned events for 2023

4-8
dentist participants at each event

56%
close rate for the six months ended June 30, 2023

\$7-10M
revenue opportunity annually

Increased messaging, marketing, education & training efforts are bearing fruit

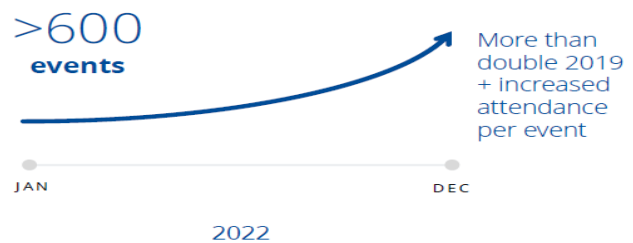
>80%
of U.S. Waterlase sales in 2022 and 2023 generated from new customers

>30 to 40%
coming from dental specialists in 2022 and 2023

Specialist Academies Expand Awareness



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 customer's pocket now



BIOLASE = Compelling Reason 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
		
HYGIENIST	DENTIST	PERIODONTIST
<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 	<ul style="list-style-type: none"> Easily manage moderate Periodontitis & Implantitis Minimally Invasive, Patient-Friendly protocols Excellent clinical results & patient-reported outcomes 	<ul style="list-style-type: none"> Manage Severe, Difficult and Complex Cases
GROW REVENUE +\$15 - \$40K per year	GROW REVENUE +\$32 - \$64K per year	Refer Out
Epic Hygiene 	Waterlase Dentistry 	Waterlase Dentistry 
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 38 years and older</p> <p>8% Have 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 WW)</p> 
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Source: Company report.

Exhibit 5: Q3 2023 Financial Results Highlights and Guidance (as of November 9, 2023)

Third Quarter Financial Summary

- Total revenue was \$10.9 million, below the year-ago revenue, as the current macro-environment is impacting laser system sales
- Total consumable sales were \$2.9 million, a 10% year-over-year increase as utilization of installed laser systems continues to increase
- Gross margin was 34%, a 1,400-basis expansion compared to the year-ago level due to the specific actions taken by the Company to drive toward profitability
- Continued operating improvements and efficiencies reduced operating loss by 52% year over year compared to the year-ago quarter

2023 Full Year Financial Guidance

The Company currently expects full year 2023 revenue to be 1 to 3% higher than full year 2022 revenue. In addition, the Company expects net loss from operations for both the full year 2023 and for the fourth quarter of 2023 to be significantly improved compared to the comparable periods for the prior year.

Source: Company report.

Exhibit 6: Planned 2023 Milestones (as of September 2023)

Anticipated 2023 Milestones

- **Grow 2023 revenue through continued adoption of lasers and consumables** by the dental community, including general dentists, dental specialists, dental hygienists, and group practice entities (DSOs)
- **Expand OEM revenue base through its partnership with EdgeEndo**
- **Expand the Waterlase Trial Program** to drive increased adoption
- **Broaden participation in BIOLASE dental and hygiene academies** to expand awareness of the benefits of BIOLASE lasers to patients
- **Utilize training centers** to enhance sales and marketing efforts and communicate the benefits of BIOLASE technology
- **Utilize new model dental office** to increase marketing, testimonial, and training opportunities
- **Expand the Dental Service Organization (“DSO”) customer base** and further penetrate the DSO market
- **Realize cost savings and improve quality** from in-house manufacturing of key components

Source: Company report.

Exhibit 7: BIOLASE's Stock Price (Five Years)


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

*Reflects a 1:100 reverse stock split in July 2023

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

Exhibit 8: Consensus Expectations (as of November 9, 2023)

	Revenue (mil)			EPS	
	2023E	2024E		2023E	2024E
Q1 Mar	\$11A		Q1 Mar	\$(13.56)A	
Q2 Jun	\$14A		Q2 Jun	\$(4.24)A	
Q3 Sep	\$14E		Q3 Sep	\$(1.85)E	
Q4 Dec	\$17E		Q4 Dec	\$(0.99)E	
Total	\$56E	\$64E	Total	\$(17.02)E	\$(2.17)E

*Reflects a 1:100 reverse stock split in July 2023

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

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	Q1A	Q2A	Q3A	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	10.5	14.3	10.9	13.1	48.7	11.4	15.7	12.0	14.2	53.4
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	8.1	9.1	9.5	12.4	39.2	10.2	12.2	12.0	14.1	48.5	10.5	14.3	10.9	13.1	48.7	11.4	15.7	12.0	14.2	53.4
Cost of Revenues	5.4	5.1	4.7	7.5	22.7	5.4	7.1	9.6	10.5	32.6	7.1	8.2	7.2	8.2	30.7	6.7	8.8	6.2	7.1	28.9
Gross Profit	2.7	4.0	4.8	4.9	16.5	4.7	5.1	2.4	3.6	15.9	3.3	6.1	3.7	4.8	18.0	4.7	6.9	5.8	7.1	24.5
Sales and marketing	3.6	3.3	3.5	5.0	15.3	4.8	5.4	5.0	6.5	21.7	4.6	6.2	3.4	3.9	18.1	4.0	4.7	3.6	2.8	15.2
General and administrative	3.4	2.8	2.5	2.6	11.3	2.6	3.1	3.1	3.5	12.3	2.5	2.4	2.7	3.3	10.8	3.4	3.1	2.4	1.9	10.8
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	1.4	1.4	1.3	5.7	1.1	1.6	1.6	1.3	5.6
Excise tax					0.0					0.0					0.0	0.0	0.0	0.0	0.0	0.0
Restructuring, litigation, and other		0.1	0.0	0.1	0.2					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	8.6	10.0	7.4	8.5	34.6	8.6	9.4	7.6	6.0	31.5
Operating income (loss)	(6.1)	(3.3)	(2.7)	(4.4)	(16.4)	(4.2)	(5.1)	(7.7)	(8.4)	(25.3)	(5.3)	(3.9)	(3.7)	(3.7)	(16.5)	(3.9)	(2.5)	(1.8)	1.1	(7.1)
Interest income (expense)	(0.6)	(0.6)	(0.6)	(0.5)	(2.2)	(0.4)	(0.4)	(0.4)	(1.5)	(2.7)	(0.6)	(0.6)	(0.6)	(0.6)	(2.4)	(0.6)	(0.6)	(0.6)	(0.6)	(2.4)
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	(0.4)	(0.3)	0.0	(0.6)	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)	(5.8)	(4.8)	(4.6)	(4.3)	(19.5)	(4.5)	(3.1)	(2.4)	0.5	(9.4)
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	0.1	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)	(5.8)	(4.9)	(4.6)	(4.3)	(19.6)	(4.5)	(3.1)	(2.4)	0.5	(9.4)
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	2.6	1.4	1.3	6.7	1.4	1.4	1.4	1.3	5.5
Net income (pro forma)	(5.3)	(2.7)	(2.5)	(4.3)	(14.7)	(3.9)	(4.1)	(5.6)	(6.5)	(20.2)	(4.4)	(2.3)	(3.1)	(3.0)	(12.9)	(3.1)	(1.7)	(1.0)	1.8	(3.9)
EBITDA	(5.3)	(2.7)	(2.5)	(4.3)	(14.7)	(3.9)	(4.1)	(5.6)	(6.5)	(20.1)	(4.4)	(2.3)	(3.1)	(3.2)	(13.1)	(3.4)	(2.1)	(1.4)	1.6	(5.3)
Shares, Basic	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.5	1.2	3.3	1.3	3.4	3.4	3.5	3.5	3.4
Shares, Diluted	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.5	1.2	3.3	1.3	3.4	3.4	3.5	3.5	3.4
EPS Basic (Pro forma)	(\$97.89)	(\$44.15)	(\$40.53)	(\$70.66)	(\$249.28)	(\$63.58)	(\$66.55)	(\$73.84)	(\$84.52)	(\$291.24)	(\$13.56)	(\$4.24)	(\$2.67)	(\$0.90)	(\$9.63)	(\$0.92)	(\$0.50)	(\$0.29)	\$0.53	(\$1.15)
EPS Diluted (Pro forma)	(\$97.89)	(\$44.15)	(\$40.53)	(\$70.66)	(\$249.28)	(\$63.58)	(\$66.55)	(\$73.84)	(\$84.52)	(\$291.24)	(\$13.56)	(\$4.24)	(\$2.67)	(\$0.90)	(\$9.63)	(\$0.92)	(\$0.50)	(\$0.29)	\$0.53	(\$1.15)
Margins																				
Gross margin	34%	44%	51%	40%	42%	47%	42%	20%	26%	33%	32%	43%	34%	37%	37%	41%	44%	48%	50%	46%
Sales and marketing	44%	36%	36%	40%	39%	47%	44%	42%	46%	45%	44%	43%	31%	30%	37%	35%	30%	30%	20%	28%
General and administrative	42%	30%	26%	21%	29%	25%	26%	26%	25%	25%	23%	16%	25%	25%	22%	30%	20%	20%	13%	20%
Research and development	22%	13%	16%	12%	15%	15%	14%	16%	15%	15%	15%	10%	12%	10%	12%	10%	10%	13%	9%	10%
Operating margin	-75%	-36%	-28%	-36%	-42%	-41%	-41%	-64%	-60%	-52%	-51%	-27%	-34%	-28%	-34%	-34%	-16%	-15%	8%	-13%
Tax rate, GAAP	-1%	10%	0%	-1%	0%	0%	0%	0%	-1%	0%	0%	-1%	0%	0%	0%	0%	0%	0%	0%	0%
Net margin	-92%	-8%	-34%	-43%	-43%	-49%	-46%	-70%	-70%	-60%	-56%	-34%	-42%	-33%	-40%	-39%	-20%	-20%	4%	-18%
Y/Y % change																				
Total Revenue	70%	211%	46%	46%	72%	25%	34%	26%	13%	24%	3%	17%	-9%	-7%	1%	9%	10%	10%	9%	10%
Gross margin	103%	329%	113%	206%	168%	73%	27%	-50%	-27%	-4%	-29%	19%	53%	34%	13%	40%	13%	54%	47%	36%
Sales and marketing	31%	58%	29%	33%	36%	35%	63%	45%	28%	41%	-4%	15%	-32%	-39%	-16%	-14%	-24%	6%	-27%	-16%
General and administrative	15%	30%	8%	14%	16%	-25%	13%	25%	32%	8%	-5%	-25%	-14%	-6%	-13%	39%	33%	-10%	-43%	1%
Research and development	82%	68%	60%	47%	64%	-14%	42%	29%	35%	20%	0%	-13%	-31%	-37%	-22%	-26%	9%	15%	-2%	-2%
Operating income (loss)	13%	-17%	-28%	-20%	-11%	-31%	54%	188%	90%	54%	26%	-23%	-52%	-57%	-35%	-27%	-35%	-51%	-131%	-57%
Net income (loss)	24%	-85%	-81%	-14%	-51%	-33%	693%	155%	87%	73%	17%	-13%	-45%	-57%	-32%	-23%	-36%	-48%	-113%	-52%
EPS Diluted (Pro forma)	-65%	-77%	-47%	-43%	-55%	-35%	51%	82%	20%	17%	-79%	-94%	-96%	-99%	-97%	-93%	-88%	-89%	-158%	-88%

Source: Company reports and Ascendant Capital Markets estimates.

Reflects a 1:25 reverse stock split in April 2022

Reflects a 1:100 reverse stock split in July 2023

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	Q1A	Q2A	Q3A	Q4E	Q1E	Q2E	Q3E	Q4E
Assets																
Cash and cash equivalents	40.8	37.1	33.4	30.0	21.6	19.5	10.0	4.2	6.5	6.9	7.8	1.6	3.2	0.3	1.3	6.4
Short term investments												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
Accounts receivable, net	3.3	3.8	3.6	4.2	5.2	6.1	4.8	5.8	5.2	5.7	4.4	10.9	9.5	13.1	10.0	11.9
Inventory	11.9	12.7	14.1	12.9	14.6	16.6	16.4	15.9	17.8	13.3	13.8	11.0	9.0	11.7	8.3	9.5
Prepaid expenses and other	1.6	1.5	1.4	2.0	2.2	2.1	2.6	3.1	2.5	2.2	1.8	0.7	1.1	1.6	1.2	0.7
Total current assets	57.7	55.3	52.7	49.4	43.8	44.3	33.9	29.0	32.0	28.1	27.8	24.1	22.8	26.7	20.8	28.4
Property and equipment, net	0.7	0.9	0.9	1.1	1.2	1.4	3.9	4.3	4.7	6.4	6.0	6.0	6.0	6.0	6.0	6.0
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	2.3	2.2	2.0	2.0	2.0	2.0	2.0	2.0
Total assets	63.5	61.2	58.5	55.3	50.2	50.9	42.9	38.2	41.9	39.6	38.7	35.1	33.7	37.6	31.8	39.4
Liabilities and stockholders' equity																
Accounts payable	3.1	3.5	3.6	3.3	4.6	5.0	5.0	5.8	7.5	6.3	7.2	6.5	9.1	12.6	9.6	12.8
Accrued expenses	6.2	6.5	6.2	8.3	6.0	6.5	6.9	9.2	8.0	7.7	7.6	6.5	5.7	7.9	6.0	8.5
Customer deposits												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	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Short term debt		0.7	1.4					0.7	1.4	2.1	2.8	2.8	2.8	2.8	2.8	2.8
Total current liabilities	11.3	12.7	13.5	13.8	13.1	14.0	13.8	17.8	19.0	18.4	19.8	18.1	19.8	25.4	20.6	26.4
Deferred taxes												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	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Warranty Accruals	0.3	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5
Other long term liabilities	1.8	1.7	1.9	1.8	2.0	1.8	1.7	1.6	1.5	1.3	1.1	1.1	1.1	1.1	1.1	1.1
Long term debt	16.3	12.7	12.1	13.6	13.7	12.7	12.8	13.1	12.5	11.9	11.3	11.3	11.3	11.3	11.3	11.3
Total other liabilities	18.7	15.3	14.7	16.2	16.5	15.3	15.2	15.5	14.8	13.9	13.1	13.1	13.1	13.1	13.1	13.1
Preferred stock	0.0	0.0	0.0	0.0	0.2					0.7	5.6	5.6	5.6	5.6	5.6	5.6
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	310.8	314.1	312.5	312.5	312.5	312.5	312.5	312.5
Retained earnings	(258.3)	(259.0)	(262.3)	(267.5)	(272.3)	(277.9)	(286.3)	(296.2)	(302.0)	(306.9)	(311.5)	(314.4)	(317.5)	(319.2)	(320.2)	(318.4)
Accumulated other comprehensive in	(0.5)	(0.5)	(0.6)	(0.6)	(0.7)	(0.9)	(1.0)	(0.7)	(0.7)	(0.6)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Other												1.0	1.0	1.0	1.0	1.0
Total stockholders' equity	33.5	33.3	30.3	25.2	20.6	21.6	13.9	4.9	8.2	7.3	5.9	3.9	0.8	(0.9)	(1.9)	(0.0)
Total stockholders' equity and liabil	63.5	61.2	58.5	55.3	50.2	50.9	42.9	38.2	41.9	39.6	38.7	35.1	33.7	37.6	31.8	39.4

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	Q1A	Q2A	Q3A	Q4E	Q1E	Q2E	Q3E	Q4E	
Prepaid as % of total rev	19%	17%	14%	16%	21%	17%	22%	22%	24%	15%	16%	5%	10%	10%	10%	5%	
Accounts payable as % of total rev	38%	38%	38%	27%	46%	41%	41%	41%	72%	44%	66%	50%	80%	80%	80%	90%	
Accrued expenses as % of total rev	77%	71%	65%	67%	59%	53%	58%	66%	76%	54%	70%	50%	50%	50%	50%	60%	
Activity Ratios																	
A/R Days Sales Outstanding	134	127	135	95	131	124	125	103	155	85	116	75	75	75	75	75	
Inventory Turns	1.8	1.6	1.3	2.3	1.5	1.7	2.3	2.6	1.6	2.5	2.1	3.0	3.0	3.0	3.0	3.0	
A/P Days Payable	51	62	69	40	77	63	47	50	95	70	90	71	122	129	138	162	
Book & Cash Value (per share)																	
Book Value per Share (diluted)	#####	#####	#####	#####	#####	#####	#####	#####	\$63.35	\$24.87	\$13.47	\$4.99	\$1.19	\$0.25	-\$0.26	-\$0.54	-\$0.01
Cash per Share (diluted)	#####	#####	#####	#####	#####	#####	#####	#####	\$54.17	\$19.91	\$12.72	\$6.62	\$0.48	\$0.94	\$0.08	\$0.38	\$1.82
Net cash per Share (diluted)	#####	#####	#####	#####	#####	#####	#####	#####	#####	#####	-\$12.98	-\$5.34	-\$3.80	-\$3.27	-\$4.07	-\$3.71	-\$2.21

Source: Company reports and Ascendant Capital Markets estimates

BIOLASE, Inc.

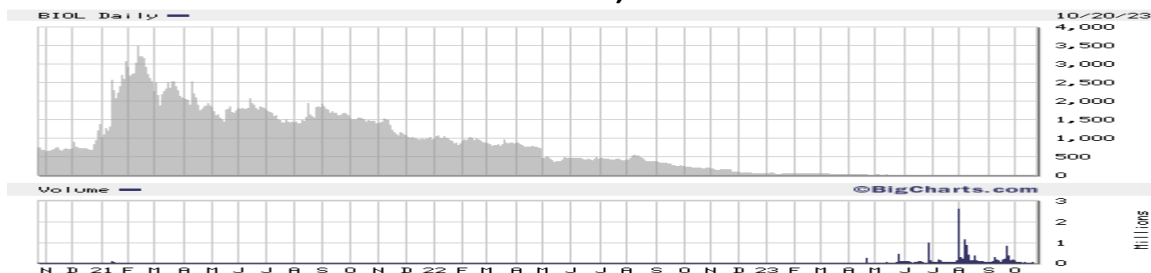
Cash Flow Statement (\$ mils)	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023	Mar-24	Jun-24	Sep-24	Dec-24	2024	
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
Cash flow from operating activities																					
Net income	(6.9)	(0.7)	(3.3)	(5.3)	(16.2)	(4.8)	(5.6)	(8.4)	(9.9)	(28.6)	(5.8)	(4.9)	(4.6)	(3.0)	(18.3)	(3.1)	(1.7)	(1.0)	1.8	(3.9)	
Depreciation and amortization	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.1	0.1	0.5	0.1	1.4	0.6	0.2	2.3	0.2	0.2	0.2	0.2	0.2	
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)	0.1	0.0	0.0	0.1						
Inventory reserves	(0.0)	(0.1)	(0.0)	(0.3)	(0.4)	0.1	(0.1)	1.8	1.1	2.8					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	0.1	0.1	0.1	0.3	0.3						
Stock comp	0.9	0.4	0.4	0.2	1.8	0.2	0.9	0.6	0.7	2.4	0.7	0.1	0.3	0.3	1.3	0.3	0.3	0.3	0.3	0.3	
Other gains/losses		(3.0)			(3.0)					0.0					0.0						
Deferred taxes					0.0					0.0					0.0						
Warrant revaluation					0.0					0.0					0.3						
Other	0.1	0.1	0.0	0.1	0.3					0.0		0.1	0.2	(0.3)	(0.3)	(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	(0.2)	(0.5)	0.3	(0.6)	(1.0)	(1.1)	(0.9)	1.3	(1.0)	(1.6)	0.7	(0.6)	1.3	(6.5)	(5.1)	1.4	(3.6)	3.1	(1.9)	(1.0)	
Inventory	(0.7)	(0.8)	(1.3)	1.4	(1.4)	(1.7)	(1.9)	(1.6)	(0.5)	(5.8)	(1.9)	1.7	(0.6)	2.8	2.1	2.0	(2.8)	3.4	(1.2)	1.5	
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)	0.2	0.5	0.6	1.1	2.4	(0.5)	(0.4)	0.4	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	
Accounts payable and accrued liability	(0.5)	1.0	0.2	1.1	1.8	(0.2)	0.9	2.9	3.5	3.5	0.3	(2.2)	(0.4)	(1.7)	(4.0)	1.8	5.6	(4.8)	5.7	8.3	
Deferred revenue	0.0	0.1	0.2	0.0	0.3	0.2	0.1	(0.6)	0.3	(0.1)	(0.1)	0.1	(0.1)	0.0	(0.1)	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	(6.5)	(3.5)	(3.6)	(3.1)	(16.7)	(8.0)	(6.6)	(6.5)	(5.6)	(26.8)	(5.7)	(3.6)	(2.6)	(7.0)	(18.8)	1.8	(2.7)	1.2	5.3	5.6	
Cash flow from investing activities																					
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	(0.6)	(0.4)	(0.2)	(0.2)	(1.3)	(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	
Net cash used in investing activities	(0.0)	(0.3)	(0.1)	(0.3)	(0.7)	(0.3)	(0.3)	(2.7)	(0.5)	(3.7)	(0.6)	(0.4)	(0.2)	(0.2)	(1.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)	
Cash flow from financing activities																					
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	8.5	3.7	1.8		14.0					0.0	
Proceeds from stock option exercise	16.5	0.0	0.1	0.1	16.7				0.0	0.0	0.0	0.6	1.9		2.6					0.0	
Other					0.0					0.0					1.0					0.0	
Cash provided by (used in) financin	29.8	(0.0)	0.1	0.1	30.0	0.0	4.8	(0.2)	(0.0)	4.6	8.5	4.3	3.8	1.0	17.5	0.0	0.0	0.0	0.0	0.0	
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)	0.1	0.0	(0.1)		0.0					0.0	
Net increase (decrease) in cash and	23.2	(3.8)	(3.7)	(3.4)	12.3	(8.4)	(2.3)	(9.6)	(5.8)	(26.0)	2.4	0.4	0.9	(6.2)	(2.6)	1.6	(2.9)	1.0	5.1	4.8	
Beginning cash and equivalents	17.6	40.8	37.0	33.3	17.6	30.2	21.8	19.5	10.0	30.2	4.2	6.5	6.9	7.8	4.2	1.6	3.2	0.3	1.3	1.6	
Ending cash and equivalents	40.8	37.0	33.3	29.9	30.2	21.8	19.5	10.0	4.181	4.2	6.5	6.9	7.8	1.6	1.6	3.2	0.3	1.3	6.4	6.4	

Source: Company reports and Ascendant Capital Markets estimates

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BIOLASE, Inc.



*Reflects a 1:100 reverse stock split in July 2023

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

Report	Report Date	Rating	Price Target
24	3/16/2018	B	13,750.00
25	3/16/2018	B	13,750.00
26	5/3/2018	B	12,500.00
27	8/9/2018	B	7,500.00
28	11/15/2018	B	6,875.00
29	1/18/2019	B	6,875.00
30	3/6/2019	B	7,500.00
31	5/10/2019	B	8,125.00
32	8/12/2019	B	6,875.00
33	11/7/2019	B	4,375.00
34	1/29/2020	B	5,000.00
35	3/29/2020	B	4,375.00
36	5/12/2020	B	4,125.00
37	8/18/2020	B	4,375.00
38	10/18/2020	B	4,375.00
39	11/14/2020	B	3,750.00
40	3/31/2021	B	4,375.00
41	5/19/2021	B	5,000.00
42	8/18/2021	B	7,500.00
43	11/28/2021	B	8,125.00
44	3/20/2022	B	7,500.00
45	6/5/2022	B	3,500.00
46	8/18/2022	B	2,800.00
47	11/12/2022	B	1,400.00
48	3/28/2023	B	1,100.00
49	5/19/2023	B	1,000.00
50	8/26/2023	B	40.00

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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.

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

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

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

Total return is defined as price appreciation plus dividend yield.

Ascendant Capital Markets, LLC Distribution of Investment Ratings (as of October 13, 2023)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	51	98%	19	37%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	52	100%	19	37%

Other Important Disclosures

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