



# NovaBay Pharmaceuticals, Inc.

Reports Q3. Announces sale of Avenova and potential wind down of the company. Lowering P/T to \$0.85.

United States  
Healthcare

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## COMPANY UPDATE

Rating: **BUY**

Ticker: NBY

Price: \$0.69

Target: \$0.85  
(from \$8.00)

**Q3 report:** NovaBay recently (on November 7) reported its Q3 (ending September) 2024 results. Revenue was \$2.4 million, compared with our estimates of \$2.5 million and consensus of \$2.6 million. Net loss was \$2.2 million or EPS of \$(0.60) compared with our estimates of \$(0.28) and consensus of \$(0.30). There was no company guidance.

**DERMAdoctor sold:** In Q1 2024, the company sold its DERMAdoctor business so it is now included as discontinued operations for current and historical financials. We have not adjusted our historical financials so comparability with the company's historical results may be difficult.

**Avenova products sales:** Avenova and eye care product sales were \$2.4 million (about flat y-o-y).

**No guidance:** The company did not provide 2024 guidance.

**Avenova sale:** In September, the company signed a Definitive Agreement to sell its Avenova assets and business to PRN Physician Recommended Nutraceuticals, LLC for \$9.5 million in cash. The transaction is anticipated to close in the fourth quarter of 2024, subject to the satisfaction of customary closing conditions, including approval from the stockholders of NovaBay. Following the receipt of a competing bid in October, PRN raised its offer to \$11.5 million which was accepted by the company in November.

**Shareholder approval vote:** The Special Meeting of the company's stockholders to approve the transaction with PRN is scheduled for November 22, 2024. Following the approval and the sale of the Avenova assets, the company is expected to liquidate the company and wind down operations.

**We estimate \$0.85 liquidation value:** We estimate that the liquidation value of the company will be ~\$0.85 per share (though we acknowledge that there are many variables that may affect the final value to shareholders).

**Adjusting estimates:** We are maintaining our 2024 revenue estimates of \$10.0 million, but adjusting it for EPS to \$(3.26) from \$(2.65). We note our estimates do not factor in the proposed asset sale deal. If the deal is completed as expected, our estimates will change significantly.

**Balance sheet:** In Q3, the company has \$1 million in cash and no debt. In July (Q3), the company raised \$4 million from selling stock. If the deal does not go through, we estimate the company has enough cash into 2025.

**Risk/reward positive:** Maintaining our BUY rating, but lowering our 12-month price target to \$0.85 from \$8.00, which is based on our estimate of the net value of the company after its asset sale. Although there are many variables in our valuation (many with high variabilities and risks), we believe this appropriately balances out the company's risks with its upside opportunities.

### Company Description

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

### Stock Data

Exchange:	NYSE
52-week Range:	\$0.36 – 12.25
Shares Outstanding (million):	5
Market cap (\$million):	\$4
EV (\$million):	\$3
Debt (\$million):	\$0
Cash (\$million):	\$1
Avg. Daily Trading Vol. (\$million):	\$2
Float (million shares):	5
Short Interest (million shares):	~0
Dividend, annual (yield):	\$0 (NA%)

### Revenues (US\$ million)

	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)	<u>2025E</u> (Cur.)	<u>2025E</u> (Old)
Q1 Mar	2.6A		3.0E	
Q2 Jun	2.4A		3.0E	
Q3 Sep	2.4A	2.5E	3.0E	4.0E
Q4 Dec	<u>2.5E</u>		<u>3.0E</u>	<u>4.0E</u>
Total	<b>10.0E</b>		<b>12.0E</b>	<b>14.0E</b>
EV/Revs	0.3x		0.3x	

### Earnings per Share (pro forma)

	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)	<u>2025E</u> (Cur.)	<u>2025E</u> (Old)
Q1 Mar	(5.10)A		(0.24)E	(0.27)E
Q2 Jun	(1.37)A		(0.21)E	(0.24)E
Q3 Sep	(0.60)A	(0.28)E	(0.21)E	(0.30)E
Q4 Dec	<u>(0.24)E</u>	<u>(0.27)E</u>	<u>(0.20)E</u>	<u>(0.11)E</u>
Total	<b>(3.26)E</b>	<b>(2.65)E</b>	<b>(0.86)E</b>	<b>(0.91)E</b>
P/E	N/A		N/A	

\*Reflects a 1:35 reverse stock split in May 2024.

### 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: Company Overview



## Corporate Overview

Established, High-Quality High-Margin Brands

### Avenova

- The #1 doctor-recommended antimicrobial lid & lash spray in the U.S. dry eye market

### Avenova-branded Portfolio

- Best-in-class Avenova products for each step of the standard dry-eye treatment regimen

### PhaseOne and NeutroPhase

- Cutting-edge wound care technology

Avenova Antimicrobial Lid & Lash Spray

Avenova Portfolio for Dry Eye

PhaseOne & NeutroPhase for Wound Care

Source: Company report

Exhibit 2: Avenova

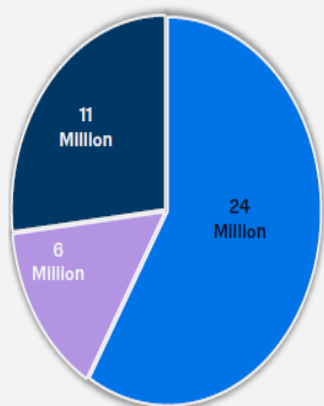


**SCIENCE FOR SORE EYES.**

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

**Avenova Market Opportunity**

U.S. POPULATION WITH EYE BACTERIA CONCERNS



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

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

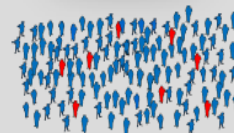
**Bacterial Dry Eye is the Most Common Form**

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



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

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



**Avenova Market Penetration to Date**

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

**Avenova Core Market Potential**

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

Source: Company report

Exhibit 3: Investment Highlights

# Investment Highlights

## Predictable, Recurring Revenue

High-quality products & customer loyalty provide solid foundation of predictable revenue for further growth in the large eyecare market

## Multipronged Growth Strategy

Focus on driving growth through multiple sales channels and partnership relationships

## Expense Management

DTC sales & marketing expertise contributed to 17% YOY decrease in sales & marketing expenses

## Past and Future Milestone



Source: Company report

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**Exhibit 4: Announces Sale of its Avenova Assets (announced September 2024 & revised offer accepted November 2024)**

**NovaBay Pharmaceuticals Accepts Revised Offer from PRN Physician Recommended Nutraceuticals, LLC and Enters into an Amendment to the Asset Purchase Agreement to Increase Purchase Price**

November 6, 2024

EMERYVILLE, Calif. - [NovaBay® Pharmaceuticals, Inc.](#) (NYSE American: NBY) ("NovaBay" or the "Company") today announces that the Company has accepted a revised transaction proposal from PRN Physician Recommended Nutraceuticals, LLC ("PRN") to increase the base purchase price for the Company's eyecare business from \$9.5 million to \$11.5 million. The Company has entered into an amendment (the "Amendment") to its previously announced Asset Purchase Agreement, dated September 19, 2024, with PRN (the "Original PRN APA" and, as amended, the "PRN APA"). The Company's transaction with PRN remains subject to certain closing conditions, including receiving stockholder approval.

"We are pleased to accept PRN's revised offer for the Avenova® brand and continue our efforts to obtain stockholder approval. With the newly added value, we truly believe this deal is in the best interests of our stockholders," said Justin Hall, NovaBay CEO.

In addition to the increased base purchase price of \$11.5 million, the Amendment provides for (i) the removal of debt financing contingencies and related PRN representations, while adding a new PRN representation that it has sufficient funding for the base purchase price; (ii) PRN providing the Company with a secured promissory note for up to \$1.0 million to be funded by two future installments of \$0.5 million each, which loan is expected to be repaid in full upon the closing of the PRN transaction as a deduction from the purchase price (the "Bridge Loan"); and (iii) PRN providing the Company with an equity funding commitment letter (collectively, the "Revised PRN Transaction Terms").

When evaluating the Revised PRN Transaction Terms and the Amendment, the Company's Board of Directors (the "Board") gave due consideration to the unsolicited and non-binding acquisition proposal received from Refresh Acquisitions BidCo LLC ("Refresh"), which the Board previously determined was a "Superior Proposal" under the PRN APA as announced on October 29, 2024. The Board carefully assessed the relative benefits and risks of the proposals from both PRN and Refresh. Following this assessment, the Board determined that the Refresh unsolicited and non-binding acquisition proposal was no longer a "Superior Proposal" and that entering into the Amendment and the Bridge Loan were advisable and in the best interests of the Company and its stockholders. As a result of the Board's determination to enter into the Amendment and continue its transaction with PRN, the Company ended its engagement with Refresh in accordance with the terms of the PRN APA.

The Special Meeting of the Company's stockholders (the "Special Meeting") to approve the transaction with PRN remains scheduled for November 22, 2024 at 11:00 a.m. Pacific Time. The Board continues to unanimously recommend that stockholders approve the pending transaction with PRN, as well as the potential voluntary liquidation and dissolution of the Company at the Special Meeting. If stockholders have questions or need help voting their shares, please call the Company's proxy solicitation firm, Sodali & Co., at 1-800-607-0088.

Source: Company report

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## Exhibit 5: Q3 2024 and Recent Highlights (as of November 7, 2024)

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### NovaBay Pharmaceuticals Reports Third Quarter 2024 Financial Results

November 7, 2024

- *Online Avenova<sup>®</sup> sales increase 14% for the quarter and 19% for the nine months*
- *Sales and marketing expenses declined 25% for the quarter and 18% for the nine months reflecting digital marketing optimization*

EMERYVILLE, Calif. - [NovaBay<sup>®</sup> Pharmaceuticals, Inc.](#) (NYSE American: NBY) reports financial results for the three and nine months ended September 30, 2024.

"Avenova sales through the online channel for the quarter increased 14% over the prior year, while we reduced our marketing spend by 25% in the same period as we further optimized our highly efficient digital marketing programs," said Justin Hall, CEO of NovaBay. "We saw continued momentum in Avenova online sales into the current quarter. Sales through Amazon in October continued to be strong with a successful Prime Day event."

Financial results for the three and nine months ended September 30, 2024 and 2023 do not include results from DERMAdoctor, which was divested on March 25, 2024 and is accounted for in discontinued operations. Financial information about discontinued operations is available under "Divestiture and Discontinued Operations" in the Company's Quarterly Report on Form 10-Q for the three months ended September 30, 2024, which will be filed with the Securities and Exchange Commission (the "SEC") later today.

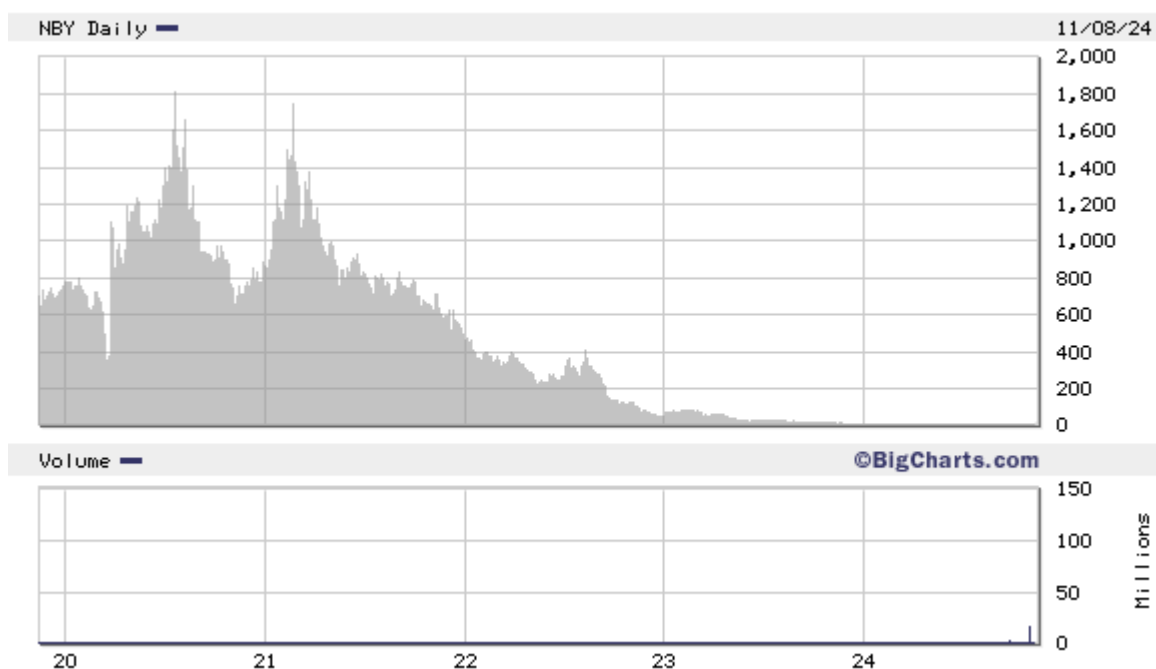
#### Third Quarter Financial Results

Total sales, net for the third quarter of 2024 were \$2.4 million. Essentially all net sales for the quarter were derived from sales of eyecare products. Total sales, net for the third quarter of 2023 were \$2.5 million, which included \$2.4 million from sales of eyecare products and \$0.1 million from sales of wound care products.

Source: Company report

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**Exhibit 6: NovaBay Pharmaceuticals's Stock Price (Five Years)**



\*Reflects a 1:35 reverse stock split in May 2024

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

**Exhibit 7: Consensus Expectations (as of November 7, 2024)**

	Revenue (mils)			EPS	
	2024E	2025E		2024E	2025E
Q1 Mar	\$2.6A		Q1 Mar	\$(5.10)A	
Q2 Jun	\$2.4A		Q2 Jun	\$(1.37)A	
Q3 Sep	\$2.6E		Q3 Sep	\$(0.30)E	
Q4 Dec	\$3.2E		Q4 Dec	\$(0.19)E	
<b>Total</b>	<b>\$10.8E</b>	<b>\$13.6E</b>	<b>Total</b>	<b>\$(1.41)E</b>	<b>\$(0.84)E</b>

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

\*Reflects a 1:35 reverse stock split in May 2024

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

## FINANCIAL MODEL

### NovaBay Pharmaceuticals, Inc.

Income Statement (\$ mils)	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	Mar-25	Jun-25	Sep-25	Dec-25	2025
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
Sales Revenue	2.6	3.0	3.8	3.6	13.1	3.1	4.6	3.3	3.7	14.7	2.6	2.4	2.4	2.5	9.9	3.0	3.0	3.0	3.0	12.0
License/collaboration/distrib.					0.0					0.0					0.0					0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0					0.0
<b>Total Revenue</b>	<b>2.6</b>	<b>3.0</b>	<b>3.8</b>	<b>3.6</b>	<b>13.1</b>	<b>3.1</b>	<b>4.6</b>	<b>3.3</b>	<b>3.7</b>	<b>14.7</b>	<b>2.6</b>	<b>2.4</b>	<b>2.4</b>	<b>2.5</b>	<b>10.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>12.0</b>
<b>Cost of Revenues</b>	<b>1.1</b>	<b>1.5</b>	<b>1.5</b>	<b>1.9</b>	<b>5.9</b>	<b>1.2</b>	<b>2.3</b>	<b>1.4</b>	<b>1.9</b>	<b>6.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.9</b>	<b>3.4</b>	<b>1.2</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>4.4</b>
Gross Profit	1.5	1.6	2.4	1.8	7.2	1.9	2.3	1.8	1.8	7.9	1.8	1.6	1.6	1.6	6.6	1.8	2.0	2.0	2.0	7.7
Research and development	0.0	0.0	0.0	0.1	0.2	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.1	0.2	0.2	0.2	0.2	0.8
Selling and marketing	1.7	1.8	1.8	1.9	7.2	1.7	1.7	1.7	1.4	6.5	1.1	1.0	0.9	1.1	4.1	1.5	1.5	1.5	1.5	6.0
General and administrative	2.2	1.9	1.0	2.4	7.5	2.0	1.9	1.2	1.2	6.3	2.3	1.6	1.7	1.5	7.1	1.2	1.2	1.2	1.2	4.8
Restructuring, litigation and other				6.7	6.7				2.6	2.6	0.9			0.0	0.9	0.0	0.0	0.0	0.0	0.0
Total operating expenses	3.9	3.7	2.8	11.2	21.6	3.7	3.7	3.0	5.2	15.5	4.2	2.6	2.7	2.7	12.2	2.9	2.9	2.9	2.9	11.6
<b>Operating income (loss)</b>	<b>(2.4)</b>	<b>(2.2)</b>	<b>(0.5)</b>	<b>(9.4)</b>	<b>(14.4)</b>	<b>(1.7)</b>	<b>(1.4)</b>	<b>(1.1)</b>	<b>(3.4)</b>	<b>(7.6)</b>	<b>(2.4)</b>	<b>(1.1)</b>	<b>(1.1)</b>	<b>(1.1)</b>	<b>(5.6)</b>	<b>(1.1)</b>	<b>(1.0)</b>	<b>(1.0)</b>	<b>(1.0)</b>	<b>(4.0)</b>
Interest income (expense)					0.0					0.0		(0.3)	(0.1)	(0.1)	(0.6)	(0.1)	(0.1)	(0.1)	(0.1)	(0.6)
Other income (expense)	2.3	(0.0)	(5.3)	1.2	(1.8)	(0.0)	(2.7)	(0.6)	(5.8)	(9.1)	(1.2)	(0.2)	(1.0)	0.0	(2.4)	0.0	0.0	0.0	0.0	0.0
Income before income taxes	(0.1)	(2.2)	(5.8)	(8.2)	(16.3)	(1.7)	(4.0)	(1.8)	(9.2)	(16.7)	(3.6)	(1.6)	(2.2)	(1.2)	(8.6)	(1.2)	(1.1)	(1.1)	(1.1)	(4.5)
Income taxes					0.0					0.0					0.0	0.0	0.0	0.0	0.0	0.0
Net income (loss)	(0.1)	(2.2)	(5.8)	(8.2)	(16.3)	(1.7)	(4.0)	(1.8)	(9.2)	(16.7)	(3.6)	(1.6)	(2.2)	(1.2)	(8.6)	(1.2)	(1.1)	(1.1)	(1.1)	(4.5)
Nonrecurring/noncash adjustments					0.0					0.0					0.0					0.0
<b>Net income (pro forma)</b>	<b>(0.1)</b>	<b>(2.2)</b>	<b>(5.8)</b>	<b>(8.2)</b>	<b>(16.3)</b>	<b>(1.7)</b>	<b>(4.0)</b>	<b>(1.8)</b>	<b>(9.2)</b>	<b>(16.7)</b>	<b>(3.6)</b>	<b>(1.6)</b>	<b>(2.2)</b>	<b>(1.2)</b>	<b>(8.6)</b>	<b>(1.2)</b>	<b>(1.1)</b>	<b>(1.1)</b>	<b>(1.1)</b>	<b>(4.5)</b>
EBITDA	(2.1)	(1.9)	(0.5)	(9.2)	(13.7)	(1.6)	(1.2)	(1.0)	(3.3)	(7.1)	(2.4)	(0.8)	(0.9)	(0.7)	(4.9)	(0.8)	(0.6)	(0.6)	(0.6)	(2.6)
Shares, Basic	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.1	0.2	0.1	0.7	1.2	3.7	5.0	2.6	5.1	5.2	5.3	5.4	5.3
Shares, Diluted	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.1	0.2	0.1	0.7	1.2	3.7	5.0	2.6	5.1	5.2	5.3	5.4	5.3
EPS Basic (Pro forma)	(\$2.71)	(\$50.06)	(\$126.42)	(\$151.72)	(\$353.59)	(\$29.91)	(\$44.43)	(\$13.11)	(\$46.53)	(\$138.65)	(\$5.10)	(\$1.37)	(\$0.60)	(\$0.24)	(\$3.26)	(\$0.24)	(\$0.21)	(\$0.21)	(\$0.20)	(\$0.86)
EPS Diluted (Pro forma)	(\$2.71)	(\$50.06)	(\$126.42)	(\$151.72)	(\$353.59)	(\$29.91)	(\$44.43)	(\$13.11)	(\$46.53)	(\$138.65)	(\$5.10)	(\$1.37)	(\$0.60)	(\$0.24)	(\$3.26)	(\$0.24)	(\$0.21)	(\$0.21)	(\$0.20)	(\$0.86)
<b>Margins</b>																				
Gross margin (for product re	58%	51%	62%	48%	55%	62%	50%	56%	49%	54%	68%	66%	65%	65%	66%	60%	65%	65%	65%	64%
Research and development	1%	1%	1%	2%	1%	1%	1%	0%	0%	0%	1%	0%	0%	4%	1%	7%	7%	7%	7%	7%
Sales and marketing	64%	58%	48%	53%	55%	53%	37%	53%	38%	44%	40%	42%	39%	44%	41%	50%	50%	50%	50%	50%
General and administrative	83%	63%	25%	67%	57%	64%	42%	38%	32%	43%	87%	67%	70%	60%	71%	40%	40%	40%	40%	40%
Operating margin	-91%	-71%	-12%	-259%	-110%	-56%	-29%	-34%	-91%	-52%	-93%	-44%	-43%	-43%	-56%	-37%	-32%	-32%	-32%	-33%
Tax rate, GAAP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net margin	-4%	-71%	-151%	-225%	-124%	-56%	-87%	-54%	-246%	-113%	-137%	-66%	-91%	-49%	-86%	-41%	-36%	-36%	-36%	-38%
<b>YY % change</b>																				
Total Revenue	46%	43%	108%	38%	56%	19%	51%	-15%	2%	12%	-16%	-48%	-25%	-33%	-32%	14%	25%	23%	20%	20%
Gross margin	13%	2%	76%	23%	28%	28%	49%	-23%	3%	10%	-7%	-31%	-13%	-10%	-16%	0%	22%	22%	20%	16%
Research and development	460%	90%	310%	633%	289%	-7%	-33%	-73%	-94%	-61%	-27%	-67%	-64%	2400%	94%	953%	2122%	4900%	100%	506%
Sales and marketing	0%	-2%	-1%	2%	0%	-2%	-2%	-7%	-27%	-10%	-36%	-41%	-45%	-22%	-37%	42%	47%	58%	36%	46%
General and administrative	84%	22%	-46%	-10%	3%	-9%	0%	28%	-51%	-15%	15%	-16%	39%	26%	12%	-48%	-26%	-30%	-20%	-32%
Operating income (loss)	56%	16%	-80%	195%	63%	-27%	-37%	144%	-64%	-47%	40%	-22%	-5%	-68%	-26%	-55%	-10%	-10%	-12%	-30%
Net income (loss)	-93%	16%	153%	818%	148%	1467%	87%	-70%	12%	3%	107%	-61%	26%	-87%	-48%	-66%	-31%	-51%	-10%	-48%
EPS Diluted (Pro forma)	-94%	-6%	103%	528%	92%	1002%	-11%	-90%	-69%	-61%	-83%	-97%	-95%	-99%	-98%	-95%	-85%	-66%	-17%	-74%

Source: Company reports and Ascendant Capital Markets estimates.

Reflects a 1:35 reverse stock split in May 2024



**NovaBay Pharmaceuticals, Inc.**

Balance Sheet (\$ mils)	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4E	Q1E	Q2E	Q3E	Q4E
<b>Assets</b>																
Cash and cash equivalents	5.6	3.9	3.9	5.4	3.7	4.4	3.5	3.1	1.8	0.8	0.8	0.2	(1.0)	(2.1)	(3.2)	(4.3)
Short term investments																
Accounts receivable, net	2.3	1.1	2.1	2.0	1.8	2.6	0.9	0.8	0.7	0.5	0.7	0.7	0.7	0.7	0.7	0.7
Inventory	3.8	3.8	4.1	3.4	3.8	3.7	3.5	2.9	0.7	0.7	0.5	0.5	0.5	0.5	0.5	0.5
Prepaid expenses and other	0.8	0.6	0.5	0.6	0.5	0.5	0.3	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
<b>Total current assets</b>	<b>12.5</b>	<b>9.5</b>	<b>10.6</b>	<b>11.3</b>	<b>9.9</b>	<b>11.2</b>	<b>8.2</b>	<b>7.2</b>	<b>3.6</b>	<b>2.3</b>	<b>2.3</b>	<b>1.7</b>	<b>0.5</b>	<b>(0.6)</b>	<b>(1.7)</b>	<b>(2.8)</b>
Property and equipment, net	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Intangibles	9.6	9.5	9.5	2.6	2.6	2.6	2.5					0.0	0.0	0.0	0.0	0.0
Other	2.5	2.4	2.1	2.3	2.2	2.1	2.0	1.8	1.7	1.6	1.5	1.5	1.5	1.5	1.5	1.5
<b>Total assets</b>	<b>24.8</b>	<b>21.5</b>	<b>22.4</b>	<b>16.4</b>	<b>14.8</b>	<b>16.0</b>	<b>12.9</b>	<b>9.0</b>	<b>5.4</b>	<b>3.9</b>	<b>3.9</b>	<b>3.3</b>	<b>2.1</b>	<b>1.0</b>	<b>(0.1)</b>	<b>(1.2)</b>
<b>Liabilities and stockholders' equity</b>																
Accounts payable	1.6	0.9	1.1	1.1	1.1	1.5	0.9	1.1	1.1	1.2	0.4	0.4	0.4	0.4	0.4	0.4
Accrued expenses	2.8	2.3	2.2	2.7	2.8	2.8	1.9	1.5	1.3	1.3	1.1	1.1	1.1	1.1	1.1	1.1
Deferred revenue												0.0	0.0	0.0	0.0	0.0
Other	0.5	0.5	0.4	0.5	0.5	0.6	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Short term debt						1.2	1.3	1.1	1.0	0.7	0.1	0.1	0.1	0.1	0.1	0.1
<b>Total current liabilities</b>	<b>4.8</b>	<b>3.7</b>	<b>3.7</b>	<b>4.3</b>	<b>4.4</b>	<b>6.1</b>	<b>4.6</b>	<b>4.3</b>	<b>3.9</b>	<b>3.6</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>
Deferred revenue												0.0	0.0	0.0	0.0	0.0
Other long term liabilities	2.3	2.1	2.1	1.6	1.5	1.4	1.2	1.1	1.0	0.9	0.8	0.8	0.8	0.8	0.8	0.8
Warrant liabilities			2.8					0.3	0.2			0.0	0.0	0.0	0.0	0.0
Long term debt												0.0	0.0	0.0	0.0	0.0
<b>Total other liabilities</b>	<b>2.3</b>	<b>2.1</b>	<b>4.9</b>	<b>1.6</b>	<b>1.5</b>	<b>1.4</b>	<b>1.2</b>	<b>1.4</b>	<b>1.3</b>	<b>0.9</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>
Preferred stock	0.6	0.6	0.6	3.0	3.0	2.1	2.0	2.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Common stock	0.5	0.5	0.7	0.7	0.7	0.7	0.1	0.1	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Additional paid-in capital	158.6	158.8	162.5	165.1	165.2	169.7	170.7	176.1	176.8	179.4	183.3	183.3	183.3	183.3	183.3	183.3
Retained earnings	(142.0)	(144.2)	(149.9)	(158.2)	(159.9)	(163.9)	(165.7)	(174.8)	(178.4)	(180.0)	(182.2)	(183.5)	(184.7)	(185.8)	(186.9)	(188.0)
Accumulated other comprehensive income																
Other												0.7	0.7	0.7	0.7	0.7
<b>Total stockholders' equity</b>	<b>17.7</b>	<b>15.7</b>	<b>13.8</b>	<b>10.6</b>	<b>8.9</b>	<b>8.6</b>	<b>7.0</b>	<b>3.3</b>	<b>0.2</b>	<b>(0.6)</b>	<b>1.1</b>	<b>0.5</b>	<b>(0.7)</b>	<b>(1.8)</b>	<b>(2.9)</b>	<b>(4.0)</b>
<b>Total stockholders' equity and liabili</b>	<b>24.8</b>	<b>21.5</b>	<b>22.4</b>	<b>16.4</b>	<b>14.8</b>	<b>16.0</b>	<b>12.9</b>	<b>9.0</b>	<b>5.4</b>	<b>3.9</b>	<b>3.9</b>	<b>3.3</b>	<b>2.1</b>	<b>1.0</b>	<b>(0.1)</b>	<b>(1.2)</b>

**Balance Sheet Drivers**

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Book & Cash Value (per share)	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4E	Q1E	Q2E	Q3E	Q4E
Book Value per Share (diluted)	#####	#####	#####	#####	#####	\$94.37	\$52.49	\$16.82	\$0.23	-\$0.53	\$0.29	\$0.11	-\$0.14	-\$0.34	-\$0.54	-\$0.73
Cash per Share (diluted)	#####	\$91.31	\$84.41	\$99.14	\$64.43	\$48.64	\$25.90	\$15.88	\$2.59	\$0.65	\$0.21	\$0.05	-\$0.19	-\$0.40	-\$0.60	-\$0.79
Net cash per Share (diluted)	#####	\$91.31	\$84.41	\$99.14	\$64.43	\$35.58	\$16.43	\$10.11	\$1.16	\$0.05	\$0.20	\$0.04	-\$0.20	-\$0.41	-\$0.61	-\$0.80

Source: Company reports and Ascendant Capital Markets estimates

**NovaBay Pharmaceuticals, Inc.**

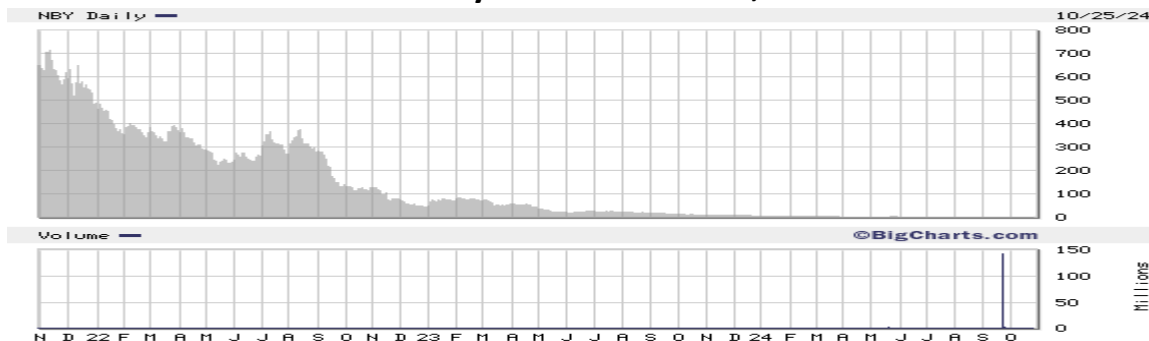
Cash Flow Statement (\$ mils)	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023	Mar-24	Jun-24	Sep-24	Dec-24	2024	Mar-25	Jun-25	Sep-25	Dec-25	2025	
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
<b>Cash flow from operating activities</b>																					
Net income	(0.1)	(2.2)	(0.1)	(8.2)	(10.6)	(1.7)	(2.0)	(1.8)	(4.1)	(9.6)	(3.2)	(1.6)	(1.2)	(1.2)	(7.2)	(1.2)	(1.1)	(1.1)	(1.1)	(1.1)	(4.5)
Depreciation and amortization	0.1	0.1	0.1	0.1	0.5	0.1	0.1	0.1	0.1	0.2	0.0	0.2	0.1	0.1	0.4	0.1	0.1	0.1	0.1	0.1	0.4
Stock comp	0.2	0.2	(0.2)	0.1	0.2	0.1	0.1	0.1	0.1	0.3	0.1	0.1	0.0	0.3	0.4	0.3	0.3	0.3	0.3	0.3	1.0
Other gains/losses				0.1	0.1				2.6	2.6	1.0	(0.1)			0.9						0.0
Reserve					0.0					0.0					0.0						0.0
Warrant revaluation	(2.1)		(0.5)	(1.5)	(4.1)		0.0	0.0	(0.0)	(0.0)		(0.0)	0.0		(0.0)						0.0
Amortization of debt					0.0		0.5	0.7	0.6	1.7	0.5	0.6	0.1		1.2						0.0
Other	(0.2)			7.0	6.7					0.0		0.1		(0.3)	(0.1)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(1.0)
Changes in operating assets and liabilities:																					
Accounts receivable	(0.6)	1.2	(1.0)	0.2	(0.3)	0.1	(0.8)	1.7	0.2	1.2	(0.1)	0.2	(0.2)	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0
Inventory	(0.6)	(0.0)	(0.3)	0.6	(0.2)	(0.4)	0.1	0.2	0.6	0.6	(0.1)	(0.0)	0.2	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Prepaid expenses & other current as	0.0	0.1	0.1	(0.0)	0.2	0.0	(0.0)	0.2	(0.1)	0.2	(0.1)	0.1	(0.1)	0.0	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0
Other assets	(1.9)	0.1	0.3	0.1	(1.4)	0.1	0.1	0.1	0.1	0.4	0.1	(0.1)	(0.0)		(0.0)						0.0
Accounts payable	1.2	(1.1)	0.1	0.5	0.7	0.2	0.3	(1.4)	(0.2)	(1.2)	0.3	0.1	(1.0)	0.0	(0.5)	0.0	0.0	0.0	0.0	0.0	0.0
Accrued expenses					0.0					0.0					0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred revenue					0.0					0.0					0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities	1.9	(0.1)	(0.1)	(0.1)	1.6	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)	(0.1)	(0.1)	(0.1)		(0.3)						0.0
<b>Net cash (used in) provided by oper.</b>	<b>(2.1)</b>	<b>(1.7)</b>	<b>(1.7)</b>	<b>(1.2)</b>	<b>(6.7)</b>	<b>(1.6)</b>	<b>(1.8)</b>	<b>(0.4)</b>	<b>(0.3)</b>	<b>(4.1)</b>	<b>(1.6)</b>	<b>(0.6)</b>	<b>(2.1)</b>	<b>(1.1)</b>	<b>(5.3)</b>	<b>(1.1)</b>	<b>(1.0)</b>	<b>(1.0)</b>	<b>(1.0)</b>	<b>(1.0)</b>	<b>(4.1)</b>
<b>Cash flow from investing activities</b>																					
Purchases of property and equipment	(0.0)	(0.0)	(0.1)		(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)
Purchases of short-term investments					0.0					0.0					0.0						0.0
Acquisitions					0.0					0.0	1.1				1.1						0.0
Other					0.0					0.0					0.0						0.0
<b>Net cash used in investing activities</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(0.1)</b>	<b>0.0</b>	<b>(0.1)</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>1.1</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(0.1)</b>	<b>1.0</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.4)</b>
<b>Cash flow from financing activities</b>																					
Issuance of debt	(0.1)			3.0	2.9		3.0	(1.1)	(0.6)	1.3	(0.6)	(0.7)	(0.8)		(2.1)						0.0
Issuance of stock				0.0	0.0		(0.5)	0.5	0.6	0.6				2.9	2.9						0.0
Proceeds from stock option exercises			1.7		1.7					0.0		0.2	0.0		0.2						0.0
Other					0.0					0.0	(0.2)	0.2	0.0		0.0						0.0
<b>Cash provided by (used in) financing</b>	<b>(0.1)</b>	<b>0.0</b>	<b>1.7</b>	<b>3.0</b>	<b>4.6</b>	<b>0.0</b>	<b>2.5</b>	<b>(0.6)</b>	<b>(0.0)</b>	<b>1.9</b>	<b>(0.8)</b>	<b>(0.3)</b>	<b>2.1</b>	<b>0.0</b>	<b>1.0</b>	<b>0.0</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																					
<b>Net increase (decrease) in cash and</b>	<b>(2.2)</b>	<b>(1.7)</b>	<b>(0.1)</b>	<b>1.8</b>	<b>(2.1)</b>	<b>(1.6)</b>	<b>0.7</b>	<b>(0.9)</b>	<b>(0.3)</b>	<b>(2.2)</b>	<b>(1.3)</b>	<b>(0.9)</b>	<b>0.0</b>	<b>(1.2)</b>	<b>(3.4)</b>	<b>(1.2)</b>	<b>(1.1)</b>	<b>(1.1)</b>	<b>(1.1)</b>	<b>(1.1)</b>	<b>(4.5)</b>
<b>Beginning cash and equivalents</b>	<b>8.0</b>	<b>5.8</b>	<b>4.1</b>	<b>4.0</b>	<b>8.0</b>	<b>5.8</b>	<b>4.2</b>	<b>4.9</b>	<b>3.9</b>	<b>5.8</b>	<b>3.6</b>	<b>2.3</b>	<b>1.4</b>	<b>1.5</b>	<b>3.6</b>	<b>0.2</b>	<b>(1.0)</b>	<b>(2.1)</b>	<b>(3.2)</b>	<b>(3.2)</b>	<b>0.2</b>
<b>Ending cash and equivalents</b>	<b>5.8</b>	<b>4.1</b>	<b>4.0</b>	<b>5.8</b>	<b>5.8</b>	<b>4.2</b>	<b>4.9</b>	<b>3.9</b>	<b>3.6</b>	<b>3.6</b>	<b>2.3</b>	<b>1.4</b>	<b>1.5</b>	<b>0.2</b>	<b>0.2</b>	<b>(1.0)</b>	<b>(2.1)</b>	<b>(3.2)</b>	<b>(4.3)</b>	<b>(4.3)</b>	<b>(4.3)</b>

Source: Company reports and Ascendant Capital Markets estimates

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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.

### NovaBay Pharmaceuticals, Inc.



\*Reflects a 1:35 reverse stock split in May 2024

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

Report	Report Date	Rating	Price Target
25	3/21/2018	B	7,350.00
26	5/11/2018	B	6,125.00
27	8/8/2018	B	5,512.50
28	11/16/2018	B	3,062.50
29	1/19/2019	B	3,062.50
30	3/31/2019	B	2,756.25
31	5/10/2019	B	2,143.75
32	8/9/2019	B	2,450.00
33	11/8/2019	B	1,837.50
34	1/29/2020	B	2,143.75
35	3/29/2020	B	1,837.50
36	5/12/2020	B	3,675.00
37	8/7/2020	B	3,981.25
38	11/14/2020	B	4,287.50
39	4/4/2021	B	4,593.75
40	5/11/2021	B	3,981.25
41	8/18/2021	B	4,287.50
42	11/30/2021	B	4,900.00
43	4/11/2022	B	5,206.25
44	5/19/2022	B	4,900.00
45	8/23/2022	B	4,593.75
46	11/21/2022	B	525.00
47	4/2/2023	B	420.00
48	5/19/2023	B	350.00
49	8/14/2023	B	332.50
50	12/7/2023	B	122.50
51	4/13/2024	B	70.00
52	5/12/2024	B	61.25
53	8/29/2024	B	8.00

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Risks to attainment of our share price target include failure of product candidates to demonstrate safety and efficacy in clinical trials, failure to gain regulatory approval for commercial sale, failure to obtain suitable reimbursement, consumer acceptance of products, competition, and changing macroeconomic factors.

## 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 October 11, 2024)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	58	98%	25	43%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	59	100%	25	42%

### **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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