



NovaBay Pharmaceuticals, Inc.

Reports Q4. DERMAdoctor sold, so focus on Avenova should drive solid growth in 2024. Lowering P/T to \$2.00.

United States
Healthcare

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

COMPANY UPDATE

Rating: **BUY**

Ticker: NBY

Price: \$0.09

Target: \$2.00
(from \$3.50)

Q4 report: NovaBay recently (on March 26) reported its Q4 (ending December) 2023 results. Revenue was \$3.7 million (+2% y-o-y), compared with our estimates of \$3.4 million and consensus of \$3.6 million. Net loss was \$9.2 million or EPS of \$(1.33) compared with our and consensus estimates of \$(0.30). There was no company guidance.

Avenova products sales: Avenova and wound care product sales were \$2.8 million (+10% y-o-y).

DERMAdoctor contribution: DERMAdoctor sales were \$0.9 million (vs. \$1.0 million in Q4 2022).

No guidance: The company did not provide 2024 guidance.

Adjusting 2024 estimates: We are adjusting our 2024 estimates for revenue to \$13.5 million, from \$16.0 million, and for EPS to \$(0.13) from \$(0.73). Our estimates reflect the sale of DERMAdoctor in Q1 2024.

Initiating 2025 estimates: We are initiating our 2025 estimates for revenue of \$17 million and for EPS of \$(0.02).

DERMAdoctor: In September 2021, NovaBay announced the acquisition of privately held DERMAdoctor for ~\$12 million (in cash). DERMAdoctor produces and sells more than 30 products under lines that include Ain't Misbehavin', Calm Cool + Corrected, Kakadu C, KP Duty, and Wrinkle Revenge. Its products are designed to address acne, aging skin, dark spots, dry skin, eczema, and many other skin conditions. DERMAdoctor sells its products through major retailers such as Macy's, QVC, Costco, digital beauty retailers such as SkinStore and Amazon, as well as its own website. DERMAdoctor also has a large and growing network of international distributors and retailers.

DERMAdoctor sold: In March 2024, the company sold its DERMAdoctor business for \$1 million to New Age Investments, LLC. DERMAdoctor had 2023 sales of \$3.6 million, down from \$4.2 million in 2022. Unfortunately, original projections for DERMAdoctor sales and profitability were not realized.

Reduced cash burn: The sale immediately streamlined its business and should reduce its cash burn and allows it to focus on pursuing newer and stronger growth opportunities that are better aligned with its core eyecare business.

Management long term positive: NovaBay is making good progress to market its Avenova product to the 41 million Americans (\$600 million market opportunity) who suffer from blepharitis and related eye symptoms. In addition, the sale of DERMAdoctor allows the company to focus on its core Avenova market.

We remain positive: Despite stock and financial results weakness and volatility, we believe that NovaBay is a compelling investment story. The company's focus in 2024 is to drive Avenova sales to consumers by focusing on current products as well as new related product launches.

Balance sheet: In Q4, the company has \$3 million in cash and \$1 million in debt. The company received \$1 million in the just completed Q1 from the sale of DERMAdoctor. We believe the company has enough cash into late 2024.

Risk/reward positive: Maintaining our BUY rating, but lowering our 12-month price target to \$2.00 from \$3.50, which is based on an NPV analysis. Although there are many variables in our valuation (many with high variabilities and risks), we believe this appropriately balances out the company's high risks with its high growth prospects and large upside opportunities.

Company Description

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

Stock Data

Exchange:	NYSE
52-week Range:	\$0.08 – 1.95
Shares Outstanding (million):	30
Market cap (\$million):	\$3
EV (\$million):	\$1
Debt (\$million):	\$1
Cash (\$million):	\$3
Avg. Daily Trading Vol. (\$million):	\$0.4
Float (million shares):	30
Short Interest (million shares):	1
Dividend, annual (yield):	\$0 (NA%)

Revenues (US\$ million)

	<u>2024E</u> <u>(Cur.)</u>	<u>2024E</u> <u>(Old)</u>	<u>2025E</u> <u>(Cur.)</u>	<u>2025E</u> <u>(Old)</u>
Q1 Mar	3.0E	4.0E	4.0E	
Q2 Jun	3.0E	4.0E	4.0E	
Q3 Sep	3.5E	4.0E	4.5E	
Q4 Dec	4.0E		4.5E	
Total	13.5E	16.0E	17.0E	
EV/Revs	0.1x		0.1x	

Earnings per Share (pro forma)

	<u>2024E</u> <u>(Cur.)</u>	<u>2024E</u> <u>(Old)</u>	<u>2025E</u> <u>(Cur.)</u>	<u>2025E</u> <u>(Old)</u>
Q1 Mar	(0.05)E	(0.20)E	(0.01)E	
Q2 Jun	(0.04)E	(0.20)E	(0.01)E	
Q3 Sep	(0.03)E	(0.17)E	0.00E	
Q4 Dec	(0.02)E	(0.17)E	0.00E	
Total	(0.13)E	(0.73)E	(0.02)E	
P/E	N/A		N/A	

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: Company Overview (as of October 2023)



Corporate Overview

Established Brands in Three Verticals

- Avenova - #1 doctor-recommended antimicrobial lid & lash spray in the U.S. dry eye market
- DERMAdoctor - more than 30 highly effective, problem-solving dermatological products
- PhaseOne and NeuroPhase cutting-edge wound care technology

Complementary Product Lines

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

Cohesive Mission

- Sales & marketing DTC expertise to create a strong, fast-growing company
- Expanding distribution and international reach
- Creating science-based, problem-solving, accessible solutions for improved well-being



Strategic Execution

01 **Avenova Demographic Expansion**
Avenova expanding into the eyelash extension market



03 **DERMAdoctor Geographic Expansion**
International distribution expansion opportunities in China and European Union



Source: Company report

Exhibit 2: Avenova

AVENOVA[®]

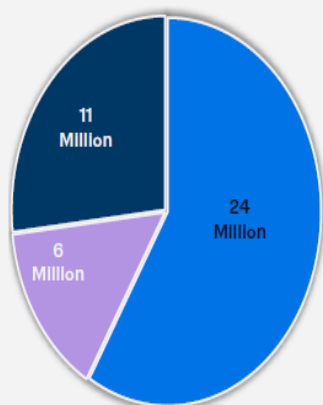
purely you[™]

Science for sore eyes.

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

Avenova Market Opportunity

U.S. POPULATION WITH EYE BACTERIA CONCERNS



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

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

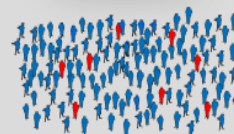
Bacterial Dry Eye is the Most Common Form

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



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

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



Avenova Market Penetration to Date

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

Avenova Core Market Potential

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

Source: Company report

Exhibit 3: Investment Highlights (as of October 2023)

Investment Highlights

Predictable, Recurring Revenue

Drive future success from current Avenova and DERMAdoctor customers and brands.

2022 net product sales of \$14.4 million, including DERMAdoctor, up 41% from prior year

Multipronged Product Strategy

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

Expense Management

DTC sales & marketing expertise contributes to 4% decrease in 2022 sales and marketing expenses even with costs incurred for DERMAdoctor products

Past and Future Milestone



Source: Company report

Exhibit 4: Acquisition of DERMAdoctor (announced September 2021 & closed November 2021 & divested March 2024)

NovaBay/DERMAdoctor Synergies & Transaction Terms

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

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

Source: Company report

Exhibit 5: DERMAdoctor Overview

DERMAdoctor: Established Brand in Growing Skincare Market



Established Brand

- Founded in 1998 by Drs. Audrey and Jeff Kunin
- Over 30 high-quality skincare products

Scientifically Formulated Proprietary Products

- Created by board-certified dermatologist
- Focus on alleviating and healing common skin conditions: dry skin, blemishes, keratosis pilaris and aging
- Effective, hypoallergenic, and problem-solving

Significant Global Growth Opportunity

- Cosmetic skincare products estimated to reach \$185 billion by 2027
- The skincare segment is growing faster than any other part of the beauty industry

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

DERMAdoctor Primary Products



Kakadu C

Vitamin C based elixirs with anti-aging properties

The main ingredient in the Kakadu C suite of products is the Kakadu Plum, which is only found in Australia. This plum contains 55x the Vitamin C of Florida oranges

Domestic Wholesale



KP duty

Exfoliating body treatments targeted towards people with Keratosis Pilaris. The treatments help alleviate the dry, rough and bumpy skin

- Evening Primrose
- Black Currant
- Gluconolactone
- AHA (Glycolic + Lactic Acids)
- Lactobionic Acid
- Silica

Amazon



AIN'T misbehavin'

The Ain't Misbehavin product family offers a suite of solutions for acne and related conditions

- Glycolic Acid
- Salicylic Acid
- Hamamelis Virginiana extract
- NDGA

Domestic Retail



MED e TATE

DERMAdoctor offers two main lines of antiperspirants: MED e TATE and Total Nonscents. The former is a wipe product while the latter are roll-on antiperspirants

- Aluminum Zirconium
- Tomato extract
- Ginseng root extract
- Kojic Acid

International Wholesale

Source: Company report

Exhibit 6: Q4 2023 and Recent Highlights (as of March 26, 2024)

NovaBay Pharmaceuticals Reports 2023 Fourth Quarter and Full Year Financial Results

March 26, 2024

- *Q4 net sales from the eyecare and wound care segment grew 10% over the prior year with higher sales from the Avenova[®] physician dispensed and OTC channels, and from branded wound care products*
- *Sales and marketing expenses for the quarter declined 27% reflecting digital marketing optimization*
- *Divestiture of skincare segment expected to bolster cash position and reduce operating expenses*
- *Continued execution on eyecare growth strategy including recent co-marketing partnership*

NovaBay Pharmaceuticals Announces Agreement to Sell its DERMAdoctor Skincare Business Segment; Announces Preliminary Financial Results for Fourth Quarter and Year Ended December 31, 2023

March 14, 2024

DERMAdoctor sale reduces operating expenses and bolsters cash

EMERYVILLE, Calif. - NovaBay[®] Pharmaceuticals, Inc. (NYSE American: NBY), a company developing and commercializing high-quality eyecare and wound care products, announces that the Company has entered into an agreement to sell its DERMAdoctor[®] skincare business including all product inventory for approximately \$1.0 million in cash. NovaBay expects to close the transaction before the end of the first quarter of 2024 and provide certain transitional services for the next 90 days.

"This sale will reduce our quarterly operating expenses and provide us with much-needed cash during this challenging capital market environment. It also streamlines our business by placing us in a better position to pursue new strategic opportunities that have greater potential for growth," said Justin Hall, CEO of NovaBay.

Source: Company report

Exhibit 7: NovaBay Pharmaceuticals's Stock Price (Five Years)



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

Exhibit 8: Consensus Expectations (as of March 26, 2024)

	Revenue (mils)			EPS	
	2023E	2024E		2023E	2024E
Q1 Mar	\$3.1A	\$3.9E	Q1 Mar	\$(0.85)A	\$(0.22)E
Q2 Jun	\$4.6A		Q2 Jun	\$(1.27)A	
Q3 Sep	\$3.3A		Q3 Sep	\$(0.37)A	
Q4 Dec	\$3.6E		Q4 Dec	\$(0.30)E	
Total	\$14.6E	\$16.3E	Total	\$(2.43)E	\$(0.64)E

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

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	Q1E	Q2E	Q3E	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	3.0	3.0	3.5	4.0	13.5	4.0	4.0	4.5	4.5	17.0
License/collaboration/distrib.					0.0					0.0					0.0					0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0					0.0					0.0
Total Revenue	2.6	3.0	3.8	3.6	13.1	3.1	4.6	3.3	3.7	14.7	3.0	3.0	3.5	4.0	13.5	4.0	4.0	4.5	4.5	17.0
Cost of Revenues	1.1	1.5	1.5	1.9	5.9	1.2	2.3	1.4	1.9	6.8	1.5	1.4	1.4	1.6	5.9	1.4	1.4	1.6	1.6	6.0
Gross Profit	1.5	1.6	2.4	1.8	7.2	1.9	2.3	1.8	1.8	7.9	1.5	1.7	2.1	2.4	7.7	2.6	2.6	2.9	2.9	11.1
Research and development	0.0	0.0	0.0	0.1	0.2	0.0	0.0	0.0	0.0	0.1	0.2	0.2	0.2	0.2	0.8	0.2	0.2	0.2	0.2	0.8
Selling and marketing	1.7	1.8	1.8	1.9	7.2	1.7	1.7	1.7	1.4	6.5	1.5	1.5	1.5	1.5	6.0	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	1.2	1.2	1.2	1.2	4.8	1.2	1.2	1.2	1.2	4.8
Restructuring, litigation, and other				6.7	6.7				2.6	2.6	0.0	0.0	0.0	0.0	0.0	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	2.9	2.9	2.9	2.9	11.6	2.9	2.9	2.9	2.9	11.6
Operating income (loss)	(2.4)	(2.2)	(0.5)	(9.4)	(14.4)	(1.7)	(1.4)	(1.1)	(3.4)	(7.6)	(1.4)	(1.3)	(0.8)	(0.5)	(4.0)	(0.3)	(0.3)	0.0	0.0	(0.5)
Interest income (expense)					0.0					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other income (expense)	2.3	(0.0)	(5.3)	1.2	(1.8)	(0.0)	(2.7)	(0.6)	(5.8)	(9.1)	0.0	0.0	0.0	0.0	0.0	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)	(1.4)	(1.3)	(0.8)	(0.5)	(4.0)	(0.3)	(0.3)	0.0	0.0	(0.5)
Income taxes					0.0					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (loss)	(0.1)	(2.2)	(5.8)	(8.2)	(16.3)	(1.7)	(4.0)	(1.8)	(9.2)	(16.7)	(1.4)	(1.3)	(0.8)	(0.5)	(4.0)	(0.3)	(0.3)	0.0	0.0	(0.5)
Nonrecurring/noncash adjustments					0.0					0.0					0.0					0.0
Net income (pro forma)	(0.1)	(2.2)	(5.8)	(8.2)	(16.3)	(1.7)	(4.0)	(1.8)	(9.2)	(16.7)	(1.4)	(1.3)	(0.8)	(0.5)	(4.0)	(0.3)	(0.3)	0.0	0.0	(0.5)
EBITDA	(2.1)	(1.9)	(0.5)	(9.2)	(13.7)	(1.6)	(1.2)	(1.0)	(3.3)	(7.1)	(1.1)	(0.9)	(0.5)	(0.2)	(2.6)	0.1	0.1	0.4	0.4	0.9
Shares, Basic	1.4	1.5	1.6	1.9	1.6	2.0	3.2	4.7	6.9	4.2	30.1	30.2	30.2	30.3	30.2	30.3	30.4	30.4	30.5	30.4
Shares, Diluted	1.4	1.5	1.6	1.9	1.6	2.0	3.2	4.7	6.9	4.2	30.1	30.2	30.2	30.3	30.2	30.3	30.4	30.4	30.5	30.4
EPS Basic (Pro forma)	(\$0.08)	(\$1.43)	(\$3.61)	(\$4.33)	(\$10.10)	(\$0.85)	(\$1.27)	(\$0.37)	(\$1.33)	(\$3.96)	(\$0.05)	(\$0.04)	(\$0.03)	(\$0.02)	(\$0.13)	(\$0.01)	(\$0.01)	\$0.00	\$0.00	(\$0.02)
EPS Diluted (Pro forma)	(\$0.08)	(\$1.43)	(\$3.61)	(\$4.33)	(\$10.10)	(\$0.85)	(\$1.27)	(\$0.37)	(\$1.33)	(\$3.96)	(\$0.05)	(\$0.04)	(\$0.03)	(\$0.02)	(\$0.13)	(\$0.01)	(\$0.01)	\$0.00	\$0.00	(\$0.02)
Margins																				
Gross margin (for product re	58%	51%	62%	48%	55%	62%	50%	56%	49%	54%	50%	55%	60%	60%	57%	65%	65%	65%	65%	65%
Research and development	1%	1%	1%	2%	1%	1%	1%	0%	0%	0%	7%	7%	6%	5%	6%	5%	5%	4%	4%	5%
Sales and marketing	64%	58%	48%	53%	55%	53%	37%	53%	38%	44%	50%	50%	43%	38%	44%	38%	38%	33%	33%	35%
General and administrative	83%	63%	25%	67%	57%	64%	42%	38%	32%	43%	40%	40%	34%	30%	36%	30%	30%	27%	27%	28%
Operating margin	-91%	-71%	-12%	-259%	-110%	-56%	-29%	-34%	-91%	-52%	-47%	-42%	-23%	-13%	-29%	-8%	-8%	1%	1%	-3%
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%	-47%	-42%	-23%	-13%	-29%	-8%	-8%	1%	1%	-3%
Y/Y % change																				
Total Revenue	46%	43%	108%	38%	56%	19%	51%	-15%	2%	12%	-4%	-35%	7%	7%	-8%	33%	33%	29%	13%	26%
Gross margin	13%	2%	76%	23%	28%	28%	49%	-23%	3%	10%	-23%	-28%	14%	32%	-3%	73%	58%	39%	22%	44%
Research and development	460%	90%	310%	633%	289%	0%	-2%	-7%	-94%	-61%	669%	641%	1718%	4900%	1076%	0%	0%	0%	0%	0%
Sales and marketing	0%	-2%	-1%	2%	0%	-2%	-2%	-7%	-27%	-10%	-9%	-13%	-13%	6%	-8%	0%	0%	0%	0%	0%
General and administrative	84%	22%	-46%	-10%	3%	-9%	0%	28%	-51%	-15%	-40%	-37%	-2%	0%	-24%	0%	0%	0%	0%	0%
Operating income (loss)	56%	16%	-80%	195%	63%	-27%	-37%	144%	-64%	-47%	-19%	-8%	-28%	-85%	-48%	-79%	-76%	-103%	-105%	-86%
Net income (loss)	-93%	16%	153%	818%	148%	1467%	87%	-70%	12%	3%	-19%	-69%	-54%	-95%	-76%	-79%	-76%	-103%	-105%	-86%
EPS Diluted (Pro forma)	-94%	-6%	103%	528%	92%	1002%	-11%	-90%	-69%	-61%	-95%	-97%	-93%	-99%	-97%	-79%	-76%	-103%	-105%	-86%

Source: Company reports and Ascendant Capital Markets estimates.

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	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Assets																
Cash and cash equivalents	5.6	3.9	3.9	5.4	3.7	4.4	3.5	3.1	3.2	2.0	1.2	0.7	0.4	0.1	0.1	0.1
Short term investments																
Accounts receivable, net	2.3	1.1	2.1	2.0	1.8	2.6	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Inventory	3.8	3.8	4.1	3.4	3.8	3.7	3.5	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Prepaid expenses and other	0.8	0.6	0.5	0.6	0.5	0.5	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Total current assets	12.5	9.5	10.6	11.3	9.9	11.2	8.2	7.2	7.2	6.0	5.2	4.7	4.4	4.1	4.1	4.1
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	0.0	0.0	0.0
Other	2.5	2.4	2.1	2.3	2.2	2.1	2.0	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Total assets	24.8	21.5	22.4	16.4	14.8	16.0	12.9	9.0	9.1	7.9	7.1	6.6	6.3	6.0	6.0	6.0
Liabilities and stockholders' equity																
Accounts payable	1.6	0.9	1.1	1.1	1.1	1.5	0.9	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Accrued expenses	2.8	2.3	2.2	2.7	2.8	2.8	1.9	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Deferred revenue									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.5	0.5	0.4	0.5	0.5	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Short term debt						1.2	1.3	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Total current liabilities	4.8	3.7	3.7	4.3	4.4	6.1	4.6	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Deferred revenue									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	2.3	2.1	2.1	1.6	1.5	1.4	1.2	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Warrant liabilities			2.8					0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Long term debt									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total other liabilities	2.3	2.1	4.9	1.6	1.5	1.4	1.2	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Preferred stock	0.6	0.6	0.6	3.0	3.0	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Common stock	0.5	0.5	0.7	0.7	0.7	0.7	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Additional paid-in capital	158.6	158.8	162.5	165.1	165.2	169.7	170.7	176.1	176.1	176.1	176.1	176.1	176.1	176.1	176.1	176.1
Retained earnings	(142.0)	(144.2)	(149.9)	(158.2)	(159.9)	(163.9)	(165.7)	(174.8)	(176.2)	(177.5)	(178.3)	(178.8)	(179.1)	(179.4)	(179.4)	(179.3)
Accumulated other comprehensive income																
Other									1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Total stockholders' equity	17.7	15.7	13.8	10.6	8.9	8.6	7.0	3.3	3.4	2.1	1.3	0.8	0.5	0.2	0.3	0.3
Total stockholders' equity and liabil	24.8	21.5	22.4	16.4	14.8	16.0	12.9	9.0	9.1	7.9	7.1	6.6	6.3	6.0	6.0	6.0

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
	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Book & Cash Value (per share)																
Book Value per Share (diluted)	\$12.40	\$10.45	\$8.59	\$5.58	\$4.37	\$2.70	\$1.50	\$0.48	\$0.11	\$0.07	\$0.04	\$0.03	\$0.02	\$0.01	\$0.01	\$0.01
Cash per Share (diluted)	\$3.94	\$2.61	\$2.41	\$2.83	\$1.84	\$1.39	\$0.74	\$0.45	\$0.11	\$0.06	\$0.04	\$0.02	\$0.01	\$0.00	\$0.00	\$0.00
Net cash per Share (diluted)	\$3.94	\$2.61	\$2.41	\$2.83	\$1.84	\$1.02	\$0.47	\$0.29	\$0.07	\$0.03	\$0.00	-\$0.02	-\$0.03	-\$0.04	-\$0.03	-\$0.03

Source: Company reports and Ascendant Capital Markets estimates

NovaBay Pharmaceuticals, Inc.

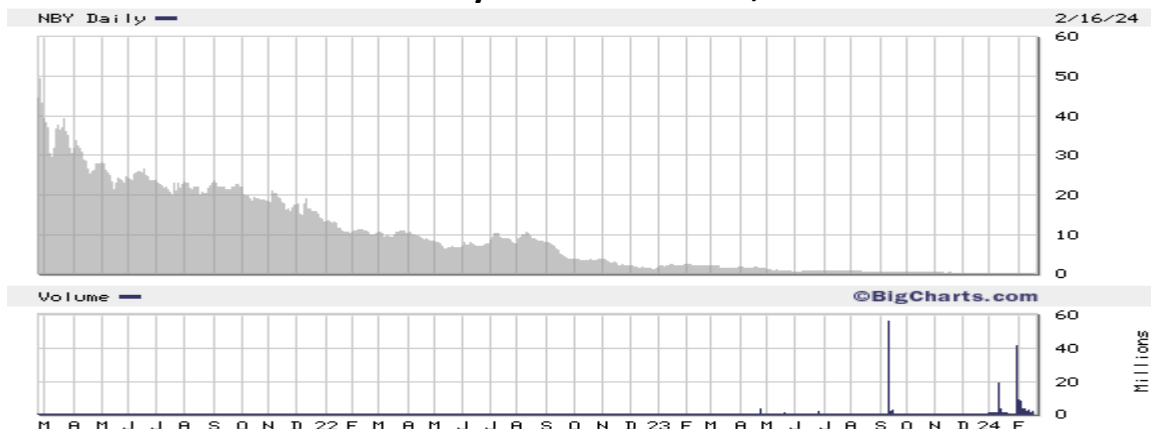
Cash Flow Statement (\$ mils)	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023	Mar-24	Jun-24	Sep-24	Dec-24	2024	Mar-25	Jun-25	Sep-25	Dec-25	2025	
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1E	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
Cash flow from operating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

Source: Company reports and Ascendant Capital Markets estimates

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NovaBay Pharmaceuticals, Inc.



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

Report	Report Date	Rating	Price Target
25	3/21/2018	B	210.00
26	5/11/2018	B	175.00
27	8/8/2018	B	157.50
28	11/16/2018	B	87.50
29	1/19/2019	B	87.50
30	3/31/2019	B	78.75
31	5/10/2019	B	61.25
32	8/9/2019	B	70.00
33	11/8/2019	B	52.50
34	1/29/2020	B	61.25
35	3/29/2020	B	52.50
36	5/12/2020	B	105.00
37	8/7/2020	B	113.75
38	11/14/2020	B	122.50
39	4/4/2021	B	131.25
40	5/11/2021	B	113.75
41	8/18/2021	B	122.50
42	11/30/2021	B	140.00
43	4/11/2022	B	148.75
44	5/19/2022	B	140.00
45	8/23/2022	B	131.25
46	11/21/2022	B	15.00
47	4/2/2023	B	12.00
48	5/19/2023	B	10.00
49	8/14/2023	B	9.50
50	12/7/2023	B	3.50

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Total return is defined as price appreciation plus dividend yield.

Ascendant Capital Markets, LLC Distribution of Investment Ratings (as of January 15, 2024)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
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Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	53	100%	20	38%

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