



NovaBay Pharmaceuticals, Inc.

Q1 about inline. *DERMA*doctor should drive solid growth in 2023.
Lowering P/T to \$10.

COMPANY UPDATE

Rating: **BUY**

Ticker: NBY

Price: \$0.76

Target: \$10.00
(from \$12)

Q1 about inline: NovaBay recently (on May 11) reported its Q1 (ending March) 2023 results. Revenue was \$3.1 million (+19% y-o-y), compared with our estimates of \$3.2 million. Net loss was \$1.7 million or EPS of \$(0.85) compared with our estimates of \$(0.91). There was no company guidance or consensus estimates.

Avenova products growth: Avenova product sales were \$2.2 million.

DERMAdoctor contribution: *DERMA*doctor sales were \$0.8 million. In September 2021, NovaBay announced the acquisition of privately held *DERMA*doctor for ~\$12 million (in cash).

DERMAdoctor: *DERMA*doctor 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. *DERMA*doctor 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. *DERMA*doctor also has a large and growing network of international distributors and retailers. *DERMA*doctor's management has joined the NovaBay management team.

No guidance: The company did not provide 2023 guidance. The company did announce that it has in the current Q2 a \$1 million order (revenue) for NeutroPhase from its China partner.

Adjusting 2023 estimates: We are maintaining our 2023 revenue estimate of \$15 million, but adjusting our EPS estimate to \$(1.69) from \$(2.89).

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 acquisition of *DERMA*doctor allows strong growth and synergy opportunities in the global market for cosmetic skincare products. NovaBay plans to launch a broad range of complementary eye and skin care products. The company also plans to leverage operational synergies and sales/distribution relationships.

We remain positive: Despite stock and financial results volatility, we believe that NovaBay is a compelling investment story. The company's focus in 2023 is to drive Avenova and *DERMA*doctor sales to consumers by focusing on current products as well as new product launches.

Balance sheet: In Q1, the company has \$4 million in cash and no debt. We believe the company has enough cash into 2024. In the current Q2, the company has raised \$3 million in convertible debt.

Reverse stock split: The company effected a 1-for-35 reverse stock split on November 15, 2022.

New CFO: In January, Andrew Jones resigned as the company's CFO. Tommy Law, the company's Controller was named as Interim CFO until a new replacement is made.

Risk/reward positive: Maintaining our BUY rating, but lowering our 12-month price target to \$10 from \$12, 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: | \$0.66 – 12.60 |
| Shares Outstanding (million): | 5.0 |
| Market cap (\$million): | \$4 |
| EV (\$million): | \$0 |
| Debt (\$million): | \$0 |
| Cash (\$million): | \$4 |
| Avg. Daily Trading Vol. (\$million): | \$0.5 |
| Float (million shares): | 2 |
| Short Interest (million shares): | 0.2 |
| 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 | 3A | 3E | 4E | |
| Q2 Jun | 4E | 3E | 4E | |
| Q3 Sep | 4E | | 5E | |
| Q4 Dec | <u>4E</u> | <u>5E</u> | <u>7E</u> | |
| Total | 15E | | 20E | |
| EV/Revs | N/A | | N/A | |

Earnings per Share (pro forma)

| | <u>2023E</u> (Cur.) | <u>2023E</u> (Old) | <u>2024E</u> (Cur.) | <u>2024E</u> (Old) |
|--------|------------------------|-----------------------|------------------------|-----------------------|
| Q1 Mar | (0.85)A | (0.91)E | (0.25)E | (0.52)E |
| Q2 Jun | (0.49)E | (0.87)E | (0.25)E | (0.51)E |
| Q3 Sep | (0.33)E | (0.65)E | (0.09)E | (0.17)E |
| Q4 Dec | <u>(0.29)E</u> | <u>(0.48)E</u> | <u>0.16E</u> | <u>0.32E</u> |
| Total | (1.69)E | (2.89)E | (0.43)E | (0.85)E |
| P/E | N/A | | N/A | |

*Reflects a 1:35 reverse stock split in November 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 13.

Exhibit 1: Company Overview



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

02

New Products Launches



03

DERMAdoctor Geographic Expansion

International distribution expansion opportunities in China and European Union



Source: Company report

Exhibit 2: Avenova

AVENOVA[®]

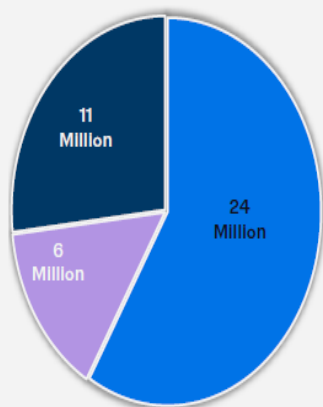
purely you[™]

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

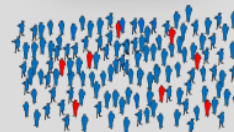
Bacterial Dry Eye is the Most Common Form

- 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

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)

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: NovaBay and DERMAdoctor Market Opportunities (as of Q1 2022)

Expansion Opportunities in the Skincare Market

- Increase NovaBay’s presence in the skincare market with the addition of more than 30 DERMAdoctor products
- Products are highly complementary to CelleRx brand
- Combination of companies provide exceptional opportunities for future sales growth
- Dr. Audrey Kunin appointed as NovaBay’s Chief Product Officer
 - As an industry trailblazer, Dr. Kunin will lead R&D efforts to create new products and establish new brands in both the skincare and eyecare markets



Growing Into An Expanding Market

- Estimated global market for cosmetic skincare products to exceed \$145 billion in 2020 and reach \$185 billion by 2027
- Skincare, as a market segment, is growing faster than any other part of the beauty industry.
- This is our growth opportunity!
 - DERMAdoctor – commercialize existing pipeline of new products
 - CelleRx – develop complementary products
 - Luxury Brand X – launch new innovative high-end line of skincare products designed to target the same market as Dr. Barbara Sturm, Augustinus Bader and Goop

2022 Corporate Vision for Combined Companies

A combined company equally diversified across the eyecare and skincare markets

**Total revenue in excess of \$20M
50% eyecare / 50% skincare**

Positive EBITDA

Source: Company report

Exhibit 7: Q1 2023 and Recent Highlights (as of May 11, 2023)

- Sales of eyecare products increased with higher sales of Avenova Spray related companion products
- Sales and marketing spend reduced by 17% through optimized digital marketing programs
- Launched DERMAdoctor[®] Comfort + Joy Psoriasis Therapeutic Moisturizing Cream

Executing on Business Strategy

Eyeganics Organic Tears, the Only USDA-Certified Organic Lubricant Eye Drop, available through Avenova.com and physician-dispensed channel

Mar. 14, 2023

NovaBay Pharmaceuticals Launches Avenova Eye Health Support, a New Antioxidant-Rich Oral Supplement to Comfort Dry Eyes and Promote Overall Eye Health

Mar. 7, 2023

QVC

NovaBay Pharmaceuticals Chief Product Officer Dr. Audrey Kunin to Discuss DERMAdoctor's Eczema Treatment on Two QVC[®] Shows

Feb. 6, 2023

NovaBay Pharmaceuticals and PhaseOne Health Expand Commercial and Collaborative Strategies for the Wound Care Market

Jan. 17, 2023

NovaBay Pharmaceuticals Announces the Launch of DERMAdoctor's TikTok Store in China and Expands Online Marketing in the U.S. and China

Nov. 29, 2022

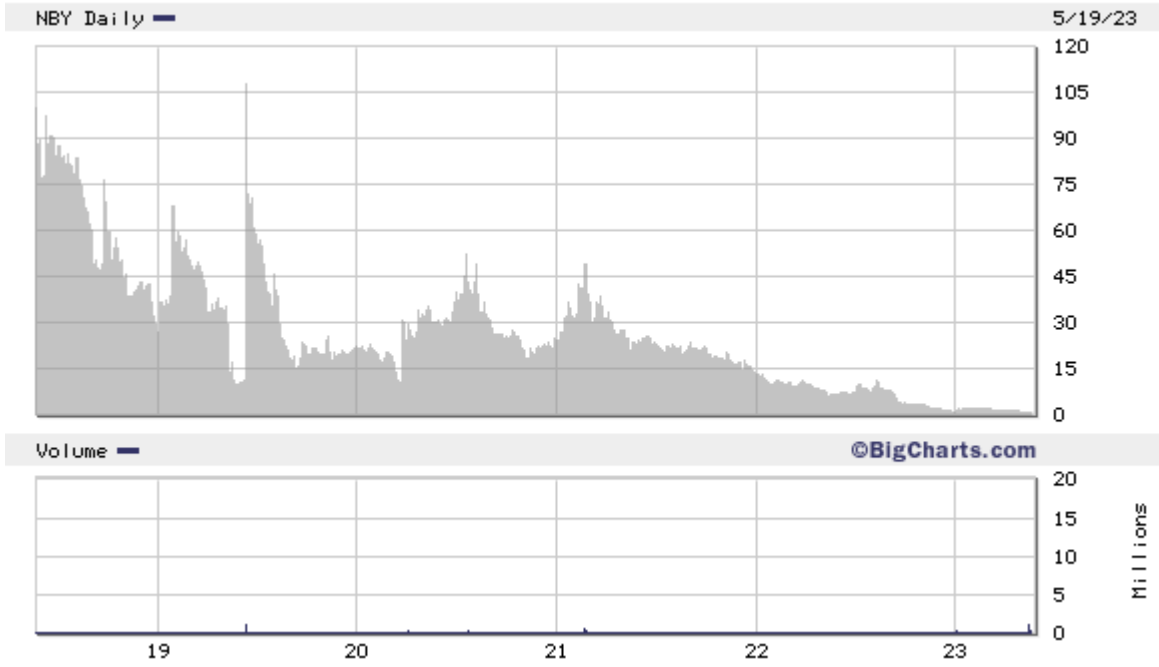
COSTCO
WHOLESALE

NovaBay Pharmaceuticals Announces Significant Orders for DERMAdoctor's Top-Selling Kakadu C Anti-Aging Serum ahead of the Holiday Season

Oct. 18, 2022

Source: Company report

Exhibit 8: NovaBay Pharmaceuticals's Stock Price (Five Years)



*Reflects a 1:35 reverse stock split in November 2022

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

FINANCIAL MODEL

NovaBay Pharmaceuticals, 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 | Q2E | Q3E | Q4E | FY-E | Q1E | Q2E | Q3E | Q4E | FY-E |
| Sales Revenue | 1.8 | 2.1 | 1.8 | 2.6 | 8.4 | 2.6 | 3.0 | 3.8 | 3.6 | 13.1 | 3.1 | 3.7 | 3.9 | 4.3 | 15.0 | 4.0 | 4.0 | 5.0 | 7.0 | 20.0 |
| 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 | 3.7 | 3.9 | 4.3 | 0.0 | 4.0 | 4.0 | 5.0 | 7.0 | 0.0 |
| Total Revenue | 1.8 | 2.1 | 1.8 | 2.6 | 8.4 | 2.6 | 3.0 | 3.8 | 3.6 | 13.1 | 3.1 | 3.7 | 3.9 | 4.3 | 15.0 | 4.0 | 4.0 | 5.0 | 7.0 | 20.0 |
| Cost of Revenues | 0.5 | 0.6 | 0.5 | 1.2 | 2.8 | 1.1 | 1.5 | 1.5 | 1.9 | 5.9 | 1.2 | 1.9 | 1.8 | 1.9 | 6.7 | 1.6 | 1.6 | 1.8 | 2.5 | 7.4 |
| Gross Profit | 1.3 | 1.5 | 1.3 | 1.4 | 5.6 | 1.5 | 1.6 | 2.4 | 1.8 | 7.2 | 1.9 | 1.9 | 2.1 | 2.4 | 8.3 | 2.4 | 2.4 | 3.3 | 4.6 | 12.6 |
| Research and development | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.2 | 0.0 | 0.2 | 0.2 | 0.2 | 0.6 | 0.2 | 0.2 | 0.2 | 0.2 | 0.8 |
| Selling and marketing | 1.7 | 1.8 | 1.9 | 1.9 | 7.2 | 1.7 | 1.8 | 1.8 | 1.9 | 7.2 | 1.7 | 2.0 | 2.0 | 2.0 | 7.7 | 2.0 | 2.0 | 2.0 | 2.0 | 8.0 |
| General and administrative | 1.2 | 1.6 | 1.8 | 2.7 | 7.2 | 2.2 | 1.9 | 1.0 | 2.4 | 7.5 | 2.0 | 1.6 | 1.6 | 1.6 | 6.8 | 1.5 | 1.5 | 1.5 | 1.5 | 6.0 |
| Restructuring, litigation, and other | | | | | 0.0 | | | | 6.7 | 6.7 | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total operating expenses | 2.9 | 3.4 | 3.6 | 4.6 | 14.5 | 3.9 | 3.7 | 2.8 | 11.2 | 21.6 | 3.7 | 3.8 | 3.8 | 3.8 | 15.1 | 3.7 | 3.7 | 3.7 | 3.7 | 14.8 |
| Operating income (loss) | (1.5) | (1.9) | (2.3) | (3.2) | (8.9) | (2.4) | (2.2) | (0.5) | (9.4) | (14.4) | (1.7) | (2.0) | (1.7) | (1.5) | (6.8) | (1.3) | (1.3) | (0.5) | 0.8 | (2.2) |
| 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 |
| Other income (expense) | 0.0 | | | 2.3 | 2.3 | 2.3 | (0.0) | (5.3) | 1.2 | (1.8) | (0.0) | 0.0 | 0.0 | 0.0 | (0.0) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Income before income taxes | (1.5) | (1.9) | (2.3) | (0.9) | (6.6) | (0.1) | (2.2) | (5.8) | (8.2) | (16.3) | (1.7) | (2.0) | (1.7) | (1.5) | (6.8) | (1.3) | (1.3) | (0.5) | 0.8 | (2.2) |
| Income taxes | | | | | 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) | (1.5) | (1.9) | (2.3) | (0.9) | (6.6) | (0.1) | (2.2) | (5.8) | (8.2) | (16.3) | (1.7) | (2.0) | (1.7) | (1.5) | (6.8) | (1.3) | (1.3) | (0.5) | 0.8 | (2.2) |
| Nonrecurring/noncash adjustments | | | | | 0.0 | | | | | 0.0 | | | | | 0.0 | | | | | 0.0 |
| Net income (pro forma) | (1.5) | (1.9) | (2.3) | (0.9) | (6.6) | (0.1) | (2.2) | (5.8) | (8.2) | (16.3) | (1.7) | (2.0) | (1.7) | (1.5) | (6.8) | (1.3) | (1.3) | (0.5) | 0.8 | (2.2) |
| EBITDA | (1.3) | (1.5) | (2.0) | (2.7) | (7.6) | (2.1) | (1.9) | (0.5) | (9.2) | (13.7) | (1.4) | (1.6) | (1.3) | (1.1) | (5.4) | (1.0) | (1.0) | (0.1) | 1.2 | (0.8) |
| Shares, Basic | 1.2 | 1.2 | 1.3 | 1.3 | 1.2 | 1.4 | 1.5 | 1.6 | 1.9 | 1.6 | 2.0 | 4.0 | 5.0 | 5.1 | 4.0 | 5.1 | 5.2 | 5.2 | 5.3 | 5.2 |
| Shares, Diluted | 1.2 | 1.2 | 1.3 | 1.3 | 1.2 | 1.4 | 1.5 | 1.6 | 1.9 | 1.6 | 2.0 | 4.0 | 5.0 | 5.1 | 4.0 | 5.1 | 5.2 | 5.2 | 5.3 | 5.2 |
| EPS Basic (Pro forma) | (\$1.28) | (\$1.53) | (\$1.78) | (\$0.69) | (\$5.26) | (\$0.08) | (\$1.43) | (\$3.61) | (\$4.33) | (\$10.10) | (\$0.85) | (\$0.49) | (\$0.33) | (\$0.29) | (\$1.69) | (\$0.25) | (\$0.25) | (\$0.09) | \$0.16 | (\$0.43) |
| EPS Diluted (Pro forma) | (\$1.28) | (\$1.53) | (\$1.78) | (\$0.69) | (\$5.26) | (\$0.08) | (\$1.43) | (\$3.61) | (\$4.33) | (\$10.10) | (\$0.85) | (\$0.49) | (\$0.33) | (\$0.29) | (\$1.69) | (\$0.25) | (\$0.25) | (\$0.09) | \$0.16 | (\$0.43) |
| Margins | | | | | | | | | | | | | | | | | | | | |
| Gross margin (for product re | 75% | 71% | 73% | 54% | 67% | 58% | 51% | 62% | 48% | 55% | 62% | 50% | 55% | 55% | 55% | 60% | 60% | 65% | 65% | 63% |
| Research and development | 0% | 1% | 1% | 0% | 1% | 1% | 1% | 1% | 2% | 1% | 1% | 5% | 5% | 5% | 4% | 5% | 5% | 4% | 3% | 4% |
| Sales and marketing | 93% | 84% | 101% | 72% | 86% | 64% | 58% | 48% | 53% | 55% | 53% | 54% | 51% | 47% | 51% | 50% | 50% | 40% | 29% | 40% |
| General and administrative | 66% | 74% | 96% | 103% | 86% | 83% | 63% | 25% | 67% | 57% | 64% | 43% | 41% | 38% | 45% | 38% | 38% | 30% | 22% | 30% |
| Operating margin | -85% | -87% | -124% | -121% | -105% | -91% | -71% | -12% | -259% | -110% | -56% | -53% | -42% | -34% | -45% | -33% | -33% | -9% | 12% | -11% |
| 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 | -85% | -87% | -124% | -34% | -78% | -4% | -71% | -151% | -225% | -124% | -56% | -53% | -42% | -34% | -45% | -33% | -33% | -9% | 12% | -11% |
| Y/Y % change | | | | | | | | | | | | | | | | | | | | |
| Total Revenue | -5% | -46% | -15% | 40% | -15% | 46% | 43% | 108% | 38% | 56% | 19% | 22% | 2% | 18% | 14% | 28% | 8% | 28% | 63% | 33% |
| Gross margin | 3% | -22% | -18% | 33% | -5% | 13% | 2% | 76% | 23% | 28% | 28% | 19% | -10% | 35% | 15% | 24% | 30% | 52% | 92% | 52% |
| Research and development | -44% | -82% | -92% | -75% | -84% | 460% | 90% | 310% | 633% | 289% | -7% | 400% | 388% | 203% | 258% | 669% | 0% | 0% | 0% | 28% |
| Sales and marketing | 8% | 26% | 10% | 27% | 17% | 0% | -2% | -1% | 2% | 0% | -2% | 14% | 9% | 3% | 6% | 21% | 0% | 0% | 0% | 5% |
| General and administrative | -7% | 6% | -6% | 109% | 22% | 84% | 22% | -46% | -10% | 3% | -9% | -16% | 67% | -34% | -9% | -25% | -6% | -6% | -6% | -12% |
| Operating income (loss) | -1% | 74% | 11% | 82% | 38% | 56% | 16% | -80% | 195% | 63% | -27% | -9% | 262% | -85% | -53% | -25% | -33% | -73% | -157% | -67% |
| Net income (loss) | -4% | -59% | -29% | -49% | -41% | -93% | 16% | 153% | 818% | 148% | 1467% | -10% | -71% | -82% | -58% | -25% | -33% | -73% | -157% | -67% |
| EPS Diluted (Pro forma) | -36% | -70% | -37% | -53% | -52% | -94% | -6% | 103% | 528% | 92% | 1002% | -66% | -91% | -93% | -83% | -70% | -48% | -74% | -155% | -75% |

Source: Company reports and Ascendant Capital Markets estimates.

Reflects a 1:35 reverse stock split in November 2022

NovaBay Pharmaceuticals, 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 | Q2E | Q3E | Q4E | Q1E | Q2E | Q3E | Q4E |
| Assets | | | | | | | | | | | | | | | | |
| Cash and cash equivalents | 10.5 | 10.3 | 9.0 | 7.5 | 5.6 | 3.9 | 3.9 | 5.4 | 3.7 | 4.8 | 3.1 | 1.7 | 0.4 | (0.9) | (1.4) | (0.5) |
| Short term investments | | | | | | | | | | | | | | | | |
| Accounts receivable, net | 1.0 | 1.2 | 0.8 | 1.7 | 2.3 | 1.1 | 2.1 | 2.0 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 |
| Inventory | 0.9 | 0.7 | 1.0 | 3.2 | 3.8 | 3.8 | 4.1 | 3.4 | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 |
| Prepaid expenses and other | 0.8 | 0.6 | 0.7 | 0.8 | 0.8 | 0.6 | 0.5 | 0.6 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Total current assets | 13.1 | 12.8 | 11.5 | 13.2 | 12.5 | 9.5 | 10.6 | 11.3 | 9.9 | 10.9 | 9.3 | 7.8 | 6.5 | 5.2 | 4.8 | 5.6 |
| Property and equipment, net | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Intangibles | | | | 9.7 | 9.6 | 9.5 | 9.5 | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 |
| Other | 0.8 | 0.7 | 0.6 | 0.9 | 2.5 | 2.4 | 2.1 | 2.3 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 |
| Total assets | 14.1 | 13.6 | 12.2 | 24.0 | 24.8 | 21.5 | 22.4 | 16.4 | 14.8 | 15.9 | 14.2 | 12.8 | 11.5 | 10.2 | 9.7 | 10.5 |
| Liabilities and stockholders' equity | | | | | | | | | | | | | | | | |
| Accounts payable | 0.8 | 0.2 | 1.4 | 1.0 | 1.6 | 0.9 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |
| Accrued expenses | 1.9 | 2.2 | 1.5 | 2.3 | 2.8 | 2.3 | 2.2 | 2.7 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 |
| Deferred revenue | 0.4 | | | | | | | | | 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 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Short term debt | | | | 0.1 | | | | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total current liabilities | 3.1 | 2.4 | 2.9 | 3.4 | 4.8 | 3.7 | 3.7 | 4.3 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 |
| Deferred revenue | | | | | | | | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other long term liabilities | 0.0 | 0.0 | 0.0 | 0.8 | 2.3 | 2.1 | 2.1 | 1.6 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 |
| Warrant liabilities | | | | 9.6 | | | 2.8 | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Long term debt | | | | | | | | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total other liabilities | 0.0 | 0.0 | 0.0 | 10.4 | 2.3 | 2.1 | 4.9 | 1.6 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 |
| Preferred stock | | | | 0.7 | 0.6 | 0.6 | 0.6 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Common stock | 0.4 | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| Additional paid-in capital | 148.1 | 150.2 | 150.6 | 150.9 | 158.6 | 158.8 | 162.5 | 165.1 | 165.2 | 165.2 | 165.2 | 165.2 | 165.2 | 165.2 | 165.2 | 165.2 |
| Retained earnings | (137.6) | (139.4) | (141.7) | (141.9) | (142.0) | (144.2) | (149.9) | (158.2) | (159.9) | (161.8) | (163.5) | (165.0) | (166.3) | (167.6) | (168.0) | (167.2) |
| Accumulated other comprehensive income | | | | | | | | | | | | | | | | |
| Other | | | | | | | | | | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Total stockholders' equity | 11.0 | 11.2 | 9.4 | 10.2 | 17.7 | 15.7 | 13.8 | 10.6 | 8.9 | 9.9 | 8.3 | 6.8 | 5.5 | 4.2 | 3.8 | 4.6 |
| Total stockholders' equity and liabil | 14.1 | 13.6 | 12.2 | 24.0 | 24.8 | 21.5 | 22.4 | 16.4 | 14.8 | 15.9 | 14.2 | 12.8 | 11.5 | 10.2 | 9.7 | 10.5 |

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 |
|--------------------------------|--------|--------|--------|--------|---------|---------|--------|--------|--------|--------|--------|--------|--------|---------|---------|---------|
| Book & Cash Value (per share) | Q1A | Q2A | Q3A | Q4A | Q1A | Q2A | Q3A | Q4A | Q1A | Q2E | Q3E | Q4E | Q1E | Q2E | Q3E | Q4E |
| Book Value per Share (diluted) | \$9.20 | \$9.22 | \$7.30 | \$7.86 | \$12.40 | \$10.45 | \$8.59 | \$5.58 | \$4.37 | \$2.49 | \$1.66 | \$1.35 | \$1.08 | \$0.82 | \$0.73 | \$0.88 |
| Cash per Share (diluted) | \$8.80 | \$8.47 | \$7.03 | \$5.80 | \$3.94 | \$2.61 | \$2.41 | \$2.83 | \$1.84 | \$1.20 | \$0.63 | \$0.33 | \$0.07 | -\$0.18 | -\$0.26 | -\$0.10 |
| Net cash per Share (diluted) | \$8.80 | \$8.47 | \$7.03 | \$5.72 | \$3.94 | \$2.61 | \$2.41 | \$2.83 | \$1.84 | \$1.20 | \$0.63 | \$0.33 | \$0.07 | -\$0.18 | -\$0.26 | -\$0.10 |

Source: Company reports and Ascendant Capital Markets estimates

NovaBay Pharmaceuticals, Inc.

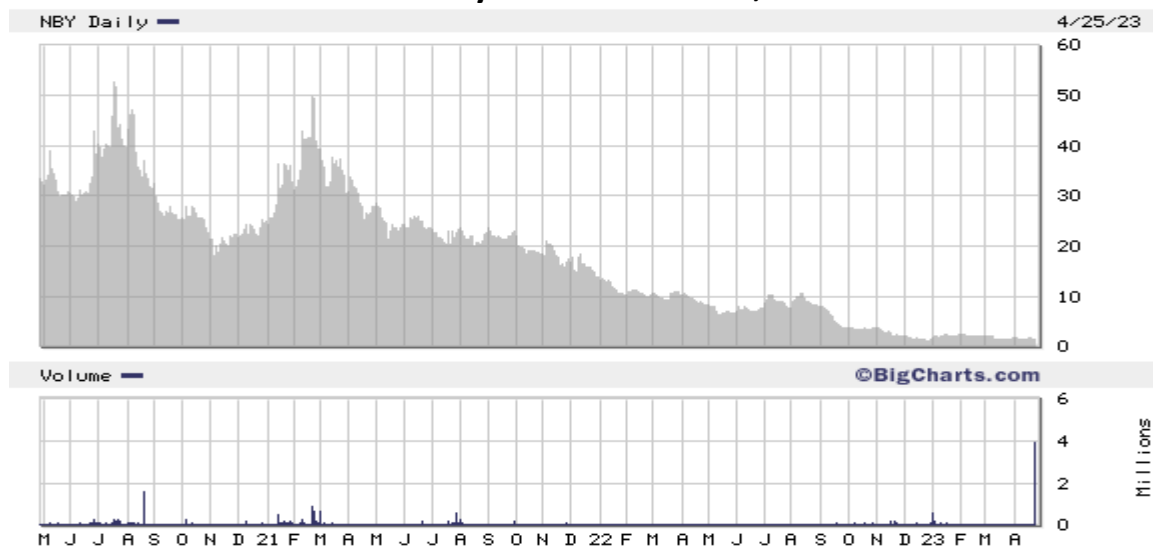
| Cash Flow Statement (\$ mils) | Mar-21 | Jun-21 | Sep-21 | Dec-21 | 2021 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | 2022 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | 2023 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | 2024 | |
|--|--------------|--------------|--------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|
| 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 | |
| Cash flow from operating activities | | | | | | | | | | | | | | | | | | | | | |
| Net income | (1.5) | (1.9) | (2.3) | (0.2) | (5.8) | (0.1) | (2.2) | (0.1) | (8.2) | (10.6) | (1.7) | (2.0) | (1.7) | (1.5) | (6.8) | (1.3) | (1.3) | (0.5) | 0.8 | (2.2) | |
| Depreciation and amortization | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.5 | 0.1 | 0.1 | 0.1 | 0.1 | 0.4 | 0.1 | 0.1 | 0.1 | 0.1 | 0.4 | |
| Stock comp | 0.2 | 0.3 | 0.2 | 0.4 | 1.2 | 0.2 | 0.2 | (0.2) | 0.1 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 1.0 | 0.3 | 0.3 | 0.3 | 0.3 | 1.0 | |
| Other gains/losses | | | | | 0.0 | | | | 0.1 | 0.1 | | | | | 0.0 | | | | | 0.0 | |
| Reserve | | | | | 0.0 | | | | | 0.0 | | | | | 0.0 | | | | | 0.0 | |
| Warrant revaluation | | | | (4.6) | (4.6) | (2.1) | | (0.5) | (1.5) | (4.1) | | | | | 0.0 | | | | | 0.0 | |
| Amortization of debt | | | | | 0.0 | | | | | 0.0 | | | | | 0.0 | | | | | 0.0 | |
| Other | | | | | 0.0 | (0.2) | | | 7.0 | 6.7 | (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 | 0.1 | (0.2) | 0.4 | 0.2 | 0.5 | (0.6) | 1.2 | (1.0) | 0.2 | (0.3) | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Inventory | (0.2) | 0.2 | (0.3) | 0.1 | (0.2) | (0.6) | (0.0) | (0.3) | 0.6 | (0.2) | (0.4) | 0.0 | 0.0 | 0.0 | (0.4) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Prepaid expenses & other current assets | | 0.0 | (0.1) | 0.0 | (0.1) | 0.0 | 0.1 | 0.1 | (0.0) | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Other assets | (0.1) | 0.3 | 0.1 | (0.2) | 0.0 | (1.9) | 0.1 | 0.3 | 0.1 | (1.4) | | | | | 0.0 | | | | | 0.0 | |
| Accounts payable | 0.3 | (0.6) | 0.6 | (0.4) | (0.2) | 1.2 | (1.1) | 0.1 | 0.5 | 0.7 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Accrued expenses | | | | | 0.0 | | | | | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 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 | 0.0 | 0.0 | 0.0 | |
| Other liabilities | (0.1) | (0.1) | (0.1) | 0.3 | (0.1) | 1.9 | (0.1) | (0.1) | (0.1) | 1.6 | | | | | 0.0 | | | | | 0.0 | |
| Net cash (used in) provided by oper: | (1.4) | (2.0) | (1.5) | (4.3) | (9.2) | (2.1) | (1.7) | (1.7) | (1.2) | (6.7) | (1.7) | (1.9) | (1.6) | (1.4) | (6.4) | (1.2) | (1.2) | (0.4) | 0.9 | (1.8) | |
| Cash flow from investing activities | | | | | | | | | | | | | | | | | | | | | |
| Purchases of property and equipment | (0.0) | (0.0) | (0.0) | (0.0) | (0.1) | (0.0) | (0.0) | (0.1) | | (0.1) | (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 | | | | (12.0) | (12.0) | | | | | 0.0 | | | | | 0.0 | | | | | 0.0 | |
| Other | | | | | 0.0 | | | | | 0.0 | | | | | 0.0 | | | | | 0.0 | |
| Net cash used in investing activities | (0.0) | (0.0) | (0.0) | (12.0) | (12.0) | (0.0) | (0.0) | (0.1) | 0.0 | (0.1) | (0.1) | (0.1) | (0.1) | (0.1) | (0.4) | (0.1) | (0.1) | (0.1) | (0.1) | (0.4) | |
| Cash flow from financing activities | | | | | | | | | | | | | | | | | | | | | |
| Issuance of debt | | | | 0.1 | 0.1 | (0.1) | | | 3.0 | 2.9 | | | | | 0.0 | | | | | 0.0 | |
| Issuance of stock | | 1.8 | 0.2 | 14.7 | 16.7 | | | | 0.0 | 0.0 | | | | | 0.0 | | | | | 0.0 | |
| Proceeds from stock option exercises | | | | | 0.0 | | | 1.7 | | 1.7 | | | | | 0.0 | | | | | 0.0 | |
| Other | | | | | 0.0 | | | | | 0.0 | (0.3) | 3.0 | | | 2.7 | | | | | 0.0 | |
| Cash provided by (used in) financing | 0.0 | 1.8 | 0.2 | 14.8 | 16.8 | (0.1) | 0.0 | 1.7 | 3.0 | 4.6 | (0.3) | 3.0 | 0.0 | 0.0 | 2.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Effect of exchange rate on cash | | | | | | | | | | | | | | | | | | | | | |
| Net increase (decrease) in cash and | (1.4) | (0.2) | (1.3) | (1.5) | (4.4) | (2.2) | (1.7) | (0.1) | 1.8 | (2.1) | (2.1) | 1.1 | (1.7) | (1.5) | (4.2) | (1.3) | (1.3) | (0.5) | 0.8 | (2.2) | |
| Beginning cash and equivalents | 12.0 | 10.5 | 10.3 | 9.0 | 12.0 | 8.0 | 5.8 | 4.1 | 4.0 | 8.0 | 5.8 | 3.7 | 4.8 | 3.1 | 5.8 | 1.7 | 0.4 | (0.9) | (1.4) | 1.7 | |
| Ending cash and equivalents | 10.5 | 10.3 | 9.0 | 7.5 | 7.5 | 5.8 | 4.1 | 4.0 | 5.8 | 5.8 | 3.7 | 4.8 | 3.1 | 1.7 | 1.7 | 0.4 | (0.9) | (1.4) | (0.5) | (0.5) | |

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 |

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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.

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| Rating | Count | Percent | Investment Banking Services Past 12 months | |
|--------|-------|---------|---|---------|
| | | | Count | Percent |
| Buy | 49 | 98% | 18 | 37% |
| Hold | 0 | 0% | 0 | 0% |
| Sell | 1 | 2% | 0 | 0% |
| Total | 50 | 100% | 18 | 36% |

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