



NovaBay Pharmaceuticals, Inc.

Q4 about inline, but 2022 revenue guidance strong. Major acquisition of DERMAdoctor highly positive and should drive strong growth. Raising P/T to \$4.25.

COMPANY UPDATE

Rating: BUY

Ticker: NBY

Price: \$0.28

Target: \$4.25
(from \$4.00)

Q4 about inline: NovaBay recently (on March 29) reported its Q4 (ending December) 2021 results. Revenue was \$2.6 million (+40% y-o-y), compared with our and consensus estimates of \$3.3 – 3.4 million. Net loss was \$0.9 million or EPS of \$(0.02) compared with our and consensus estimates of \$(0.03) – (0.05). There was no company guidance.

Avenova growth again: Avenova sales were \$1.6 million, up ~7% y-o-y. Unit sales along with OTC (over the counter) and DTC (direct to consumer) sales were +13% y-o-y.

DERMAdoctor contribution: DERMAdoctor product sales were \$0.6 million, which reflects only about 1/2 a quarter of sales since the acquisition closed near mid-November.

Major acquisition of DERMAdoctor: In September, NovaBay announced the acquisition of privately held DERMAdoctor for ~\$12 million (in cash). The deal closed in November.

DERMAdoctor: 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's management has joined the NovaBay management team.

Strong 2022 guidance: The company maintained 2022 revenue guidance of \$20 million, mainly driven from its DERMAdoctor acquisition.

Adjusting 2022 estimates slightly: We are maintaining our 2022 revenue estimate of \$20 million, but adjusting EPS to \$(0.07) from \$(0.06). We are initiating our 2023 estimates for revenue of \$25 million, and for EPS of \$(0.02).

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 DERMAdoctor 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 2022 is to drive Avenova and DERMAdoctor sales to consumers. The company will also continue to target ophthalmic and skin care consumer product line extensions for acquisition or licensing opportunities.

Balance sheet steady: In Q4, the company raised \$15 million for its DERMAdoctor acquisition (selling ~37.5 million shares at \$0.53/share). We believe the company has enough cash into 2023.

Risk/reward positive: Maintaining our BUY rating, but raising our 12-month price target to \$4.25 from \$4.00, 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.

United States
Healthcare

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Stock Data

Exchange:	NYSE
52-week Range:	\$0.26 – 0.88
Shares Outstanding (million):	96
Market cap (\$million):	\$27
EV (\$million):	\$19
Debt (\$million):	\$0
Cash (\$million):	\$8
Avg. Daily Trading Vol. (\$million):	\$0.4
Float (million shares):	36
Short Interest (million shares):	1
Dividend, annual (yield):	\$0 (NA%)

Revenues (US\$ million)

	<u>2022E</u> (Cur.)	<u>2022E</u> (Old)	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)
Q1 Mar	3E	4E	5E	
Q2 Jun	4E		5E	
Q3 Sep	6E		7E	
Q4 Dec	7E	6E	8E	
Total	20E		25E	
EV/Revs	1.0x		0.8x	

Earnings per Share (pro forma)

	<u>2022E</u> (Cur.)	<u>2022E</u> (Old)	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)
Q1 Mar	(0.04)E	(0.02)E	(0.02)E	
Q2 Jun	(0.03)E	(0.02)E	(0.02)E	
Q3 Sep	(0.01)E		0.00E	
Q4 Dec	0.00E	(0.01)E	0.01E	
Total	(0.07)E	(0.06)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 11.

Exhibit 1: Company Strategy

NovaBay Overview

- **Established Avenova® as the No. 1 antimicrobial lid and lash spray in the U.S. dry eye market**
- **Multi-pronged commercial distribution strategy**
 - Available direct-to-consumer without a prescription
 - Online channels like Amazon.com, Walmart.com, CVS.com, and Avenova.com
 - CVS Pharmacy stores across the U.S.
 - Rx only available through pharmacies and physician offices
- **Commercializing CelleRx® Clinical Reset™ into the beauty market using the same pure, patented, FDA-cleared hypochlorous acid (HOCl)**
 - 40mL available direct-to-consumer without a prescription
 - Available on CelleRx.com

Investment Highlights

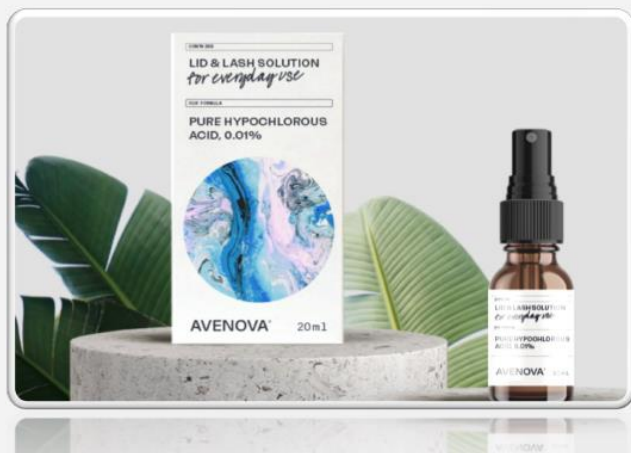
- Avenova is established in the \$4 billion U.S. dry eye market with differentiated positioning and multiple product-specific features and benefits
- Avenova is the only commercial hypochlorous acid (HOCl) spray clinically proven to treat the underlying cause rather than the symptoms of bacterial dry eye
- Growing DTC channel for prescription-strength Avenova provides stable pricing and product accessibility
- Record Avenova OTC unit sales in 4 most recent consecutive quarters
- Consumer launch in 4Q'20 of CelleRx Clinical Reset, allowing NovaBay to enter the large beauty market
- New initiatives are underway to increase sales and expand customer base through refreshed digital marketing programs and brick-and-mortar presence
- Strong cash position of \$10.3 million as of June 30, 2021 supports expanded business initiatives
- Strategy to acquire or license complementary products to leverage competencies in the ophthalmic and skincare markets and drive profitable growth

Source: Company report

Exhibit 2: Avenova

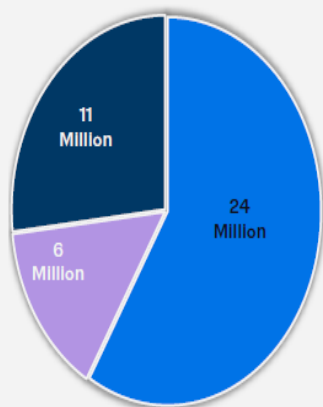
Avenova Advantages

- Clinical study confirms Avenova’s ability to reduce bacteria on ocular surface by >90%, not merely treat the symptoms
- Kills >20 microorganisms connected to common eye infections within seconds; effective against a range of pathogens including Staphylococcus
- Stable formulation distributed in glass bottle to protect against HOCl breakdown



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

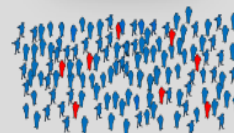
Bacterial Dry Eye is the Most Common Form

- 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: Strategic Plan

Strategy for Growth

- **Driving Avenova and CelleRx Clinical Reset sales to consumers**
 - DTC channel presents the greatest opportunity for growth
 - Enhanced e-commerce, digital marketing and advertising programs, and refreshed branding
 - Expanded online access and new brick-and-mortar availability
- **Executing on strategy to target ophthalmic and skin care consumer product line extensions for acquisition or licensing opportunities**
 - Leverage established commercial operations
 - Capitalize on relationships with industry professionals

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 Overview

- Privately held company selling skincare products developed by a board-certified dermatologist
- Brand portfolio encompasses several families of products
- Products focused on addressing dry skin, blemishes, keratosis pilaris and aging and are elegant, hypoallergenic, multitasking, problem-solving and highly effective.
- Products are marketed and distributed through various channels:
 - Online channels including Amazon.com, SkinStore.com and Dermadoctor.com
 - Major retailers such as Macy's, QVC and Costco
 - International distribution in Asia and the Middle East



DERMAdoctor Primary Products

<p>Kakadu C</p>	<p>KP duty</p>	<p>AIN'T misbehavin'</p>	<p>MED e TATE</p>
<p>Vitamin C based elixirs with anti-aging properties</p> <p>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</p>	<p>Exfoliating body treatments targeted towards people with Keratosis Pilaris. The treatments help alleviate the dry, rough and bumpy skin</p> <ul style="list-style-type: none"> - Evening Primrose - Black Currant - Gluconolactone - AHA (Glycolic + Lactic Acids) - Lactobionic Acid - Silica 	<p>The Ain't Misbehavin product family offers a suite of solutions for acne and related conditions</p> <ul style="list-style-type: none"> - Glycolic Acid - Salicylic Acid - Hamamelis Virginiana extract - NDGA 	<p>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</p> <ul style="list-style-type: none"> - Aluminum Zirconium - Tomato extract - Ginseng root extract - Kojic Acid
<p>Domestic Wholesale</p>	<p>Amazon</p>	<p>Domestic Retail</p>	<p>International Wholesale</p>

Source: Company report

Exhibit 6: NovaBay and DERMAdoctor Market Opportunities

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: NovaBay Pharmaceuticals's Stock Price (Five Years)



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

Exhibit 8: Consensus Expectations (as of March 29, 2022)

	Revenue (mils)			EPS	
	2021E	2022E		2021E	2022E
Q1 Mar	\$2A	\$4E	Q1 Mar	\$(0.04)A	\$(0.03)E
Q2 Jun	\$2A		Q2 Jun	\$(0.04)A	
Q3 Sep	\$2A		Q3 Sep	\$(0.05)A	
Q4 Dec	\$3E		Q4 Dec	\$(0.05)E	
Total	\$9E	\$20E	Total	\$(0.18)E	\$(0.07)E

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

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

FINANCIAL MODEL

NovaBay Pharmaceuticals, Inc.

Income Statement (\$ mils)	Mar-20	Jun-20	Sep-20	Dec-20	2020	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
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	1.9	4.0	2.2	1.9	9.9	1.8	2.1	1.8	2.6	8.4	3.0	4.0	6.0	7.0	20.0	5.0	5.0	7.0	8.0	25.0
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
Total Revenue	1.9	4.0	2.2	1.9	9.9	1.8	2.1	1.8	2.6	8.4	3.0	4.0	6.0	7.0	20.0	5.0	5.0	7.0	8.0	25.0
Cost of Revenues	0.6	2.0	0.5	0.8	4.0	0.5	0.6	0.5	1.2	2.8	1.2	1.4	1.8	1.8	6.2	1.3	1.3	1.8	2.0	6.3
Gross Profit	1.3	1.9	1.6	1.1	6.0	1.3	1.5	1.3	1.4	5.6	1.8	2.6	4.2	5.3	13.9	3.8	3.8	5.3	6.0	18.8
Research and development	0.0	0.1	0.1	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2	0.8	0.2	0.2	0.2	0.2	0.8
Selling and marketing	1.6	1.4	1.7	1.5	6.2	1.7	1.8	1.9	1.9	7.2	3.0	3.0	3.0	3.0	12.0	3.0	3.0	3.0	3.0	12.0
General and administrative	1.3	1.5	1.9	1.3	5.9	1.2	1.6	1.8	2.7	7.2	2.0	2.0	2.0	2.0	8.0	2.0	2.0	2.0	2.0	8.0
Restructuring, litigation, and 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 operating expenses	2.8	3.0	3.7	2.8	12.4	2.9	3.4	3.6	4.6	14.5	5.2	5.2	5.2	5.2	20.8	5.2	5.2	5.2	5.2	20.8
Operating income (loss)	(1.5)	(1.1)	(2.1)	(1.8)	(6.4)	(1.5)	(1.9)	(2.3)	(3.2)	(8.9)	(3.4)	(2.6)	(1.0)	0.0	(7.0)	(1.5)	(1.5)	0.0	0.8	(2.1)
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)	(0.0)	(3.4)	(1.2)	0.0	(4.6)	0.0			2.3	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income before income taxes	(1.6)	(4.5)	(3.2)	(1.8)	(11.0)	(1.5)	(1.9)	(2.3)	(0.9)	(6.6)	(3.4)	(2.6)	(1.0)	0.0	(7.0)	(1.5)	(1.5)	0.0	0.8	(2.1)
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	0.0	0.0	0.0	0.0
Net income (loss)	(1.6)	(4.5)	(3.2)	(1.8)	(11.0)	(1.5)	(1.9)	(2.3)	(0.9)	(6.6)	(3.4)	(2.6)	(1.0)	0.0	(7.0)	(1.5)	(1.5)	0.0	0.8	(2.1)
Nonrecurring/noncash adjustments					0.0					0.0					0.0					0.0
Net income (pro forma)	(1.6)	(4.5)	(3.2)	(1.8)	(11.0)	(1.5)	(1.9)	(2.3)	(0.9)	(6.6)	(3.4)	(2.6)	(1.0)	0.0	(7.0)	(1.5)	(1.5)	0.0	0.8	(2.1)
EBITDA	(1.5)	(0.9)	(1.7)	(1.6)	(5.6)	(1.3)	(1.5)	(2.0)	(2.7)	(7.6)	(3.1)	(2.3)	(0.7)	0.4	(5.6)	(1.1)	(1.1)	0.4	1.2	(0.7)
Shares, Basic	28.0	30.4	40.0	41.8	35.1	41.8	42.6	44.9	45.3	43.7	96.0	96.1	96.2	96.3	96.2	96.4	96.5	96.6	96.7	96.6
Shares, Diluted	28.0	30.4	40.0	41.8	35.1	41.8	42.6	44.9	45.3	43.7	96.0	96.1	96.2	96.3	96.2	96.4	96.5	96.6	96.7	96.6
EPS Basic (Pro forma)	(\$0.06)	(\$0.15)	(\$0.08)	(\$0.04)	(\$0.31)	(\$0.04)	(\$0.04)	(\$0.05)	(\$0.02)	(\$0.15)	(\$0.04)	(\$0.03)	(\$0.01)	\$0.00	(\$0.07)	(\$0.02)	(\$0.02)	\$0.00	\$0.01	(\$0.02)
EPS Diluted (Pro forma)	(\$0.06)	(\$0.15)	(\$0.08)	(\$0.04)	(\$0.31)	(\$0.04)	(\$0.04)	(\$0.05)	(\$0.02)	(\$0.15)	(\$0.04)	(\$0.03)	(\$0.01)	\$0.00	(\$0.07)	(\$0.02)	(\$0.02)	\$0.00	\$0.01	(\$0.02)
Margins																				
Gross margin (for product re	69%	49%	75%	57%	60%	75%	71%	73%	54%	67%	60%	65%	70%	75%	69%	75%	75%	75%	75%	75%
Research and development	0%	3%	6%	2%	3%	0%	1%	1%	0%	1%	7%	5%	3%	3%	4%	4%	4%	3%	3%	3%
Sales and marketing	82%	36%	78%	79%	62%	93%	84%	101%	72%	86%	100%	75%	50%	43%	60%	60%	60%	43%	38%	48%
General and administrative	67%	37%	87%	69%	60%	66%	74%	96%	103%	86%	67%	50%	33%	29%	40%	40%	40%	29%	25%	32%
Operating margin	-81%	-27%	-95%	-93%	-65%	-85%	-87%	-124%	-121%	-105%	-113%	-65%	-17%	1%	-35%	-29%	-29%	1%	10%	-8%
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	-84%	-113%	-148%	-93%	-111%	-85%	-87%	-124%	-34%	-78%	-113%	-65%	-17%	1%	-35%	-29%	-29%	1%	10%	-8%
YY % change																				
Total Revenue	27%	123%	34%	11%	51%	-5%	-46%	-15%	40%	-15%	67%	88%	226%	165%	138%	67%	25%	17%	14%	25%
Gross margin	14%	40%	35%	-3%	23%	3%	-22%	-18%	33%	-5%	34%	71%	212%	268%	146%	108%	44%	25%	14%	35%
Research and development	-89%	259%	155%	100%	55%	-44%	-82%	-92%	-75%	-84%	3900%	852%	1900%	2122%	1678%	0%	0%	0%	0%	0%
Sales and marketing	-56%	-7%	10%	-31%	-30%	8%	26%	10%	27%	17%	79%	68%	62%	58%	66%	0%	0%	0%	0%	0%
General and administrative	-20%	23%	41%	11%	12%	-7%	6%	-6%	109%	22%	68%	27%	13%	-26%	10%	0%	0%	0%	0%	0%
Operating income (loss)	-62%	-22%	20%	-21%	-32%	-1%	74%	11%	82%	38%	123%	40%	-56%	-102%	-22%	-57%	-44%	-105%	1500%	-71%
Net income (loss)	-62%	79%	1042%	-50%	6%	-4%	-59%	-29%	-49%	-41%	123%	40%	-56%	-106%	6%	-57%	-44%	-105%	1500%	-71%
EPS Diluted (Pro forma)	-77%	6%	389%	-67%	-36%	-36%	-70%	-37%	-53%	-52%	-3%	-38%	-80%	-103%	-52%	-58%	-44%	-105%	1493%	-71%

Source: Company reports and Ascendant Capital Markets estimates.

NovaBay Pharmaceuticals, Inc.

Balance Sheet (\$ mils)	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
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	5.7	8.8	13.4	12.0	10.5	10.3	9.0	7.5	4.1	1.5	0.5	0.6	(0.9)	(2.3)	(2.3)	(1.5)
Short term investments																
Accounts receivable, net	1.0	1.4	1.1	1.1	1.0	1.2	0.8	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Inventory	0.6	0.6	0.8	0.6	0.9	0.7	1.0	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Prepaid expenses and other	0.7	1.1	0.7	0.6	0.8	0.6	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Total current assets	7.9	11.9	16.0	14.2	13.1	12.8	11.5	13.2	9.8	7.2	6.2	6.2	4.8	3.3	3.4	4.2
Property and equipment, net	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Intangibles									9.7	9.7	9.7	9.7	9.7	9.7	9.7	9.7
Other	1.5	1.3	1.0	0.9	0.8	0.7	0.6	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Total assets	9.5	13.3	17.1	15.2	14.1	13.6	12.2	24.0	20.6	18.0	17.0	17.0	15.6	14.1	14.2	15.0
Liabilities and stockholders' equity																
Accounts payable	0.6	1.3	0.8	0.3	0.8	0.2	1.4	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Accrued expenses	2.1	1.9	2.1	2.5	1.9	2.2	1.5	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Deferred revenue	0.6	0.5			0.4				0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short term debt	2.2	0.5	0.1					0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total current liabilities	5.5	4.3	3.0	2.8	3.1	2.4	2.9	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Deferred revenue									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.4	0.3	0.2	0.1	0.0	0.0	0.0	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Warrant liabilities	3.9	7.7						9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6
Long term debt									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total other liabilities	4.3	8.0	0.2	0.1	0.0	0.0	0.0	10.4	10.4	10.4	10.4	10.4	10.4	10.4	10.4	10.4
Preferred stock								0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Common stock	0.3	0.3	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Additional paid-in capital	126.0	131.7	147.8	148.0	148.1	150.2	150.6	150.9	150.9	150.9	150.9	150.9	150.9	150.9	150.9	150.9
Retained earnings	(126.6)	(131.1)	(134.3)	(136.1)	(137.6)	(139.4)	(141.7)	(141.9)	(145.3)	(147.9)	(148.9)	(148.8)	(150.3)	(151.7)	(151.7)	(150.9)
Accumulated other comprehensive income																
Other									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total stockholders' equity	(0.3)	1.0	13.9	12.3	11.0	11.2	9.4	10.2	6.8	4.2	3.2	3.2	1.8	0.3	0.4	1.2
Total stockholders' equity and liabili	9.5	13.3	17.1	15.2	14.1	13.6	12.2	24.0	20.6	18.0	17.0	17.0	15.6	14.1	14.2	15.0

Balance Sheet Drivers

	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
	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)	-\$0.01	\$0.03	\$0.35	\$0.29	\$0.26	\$0.26	\$0.21	\$0.22	\$0.07	\$0.04	\$0.03	\$0.03	\$0.02	\$0.00	\$0.00	\$0.01
Cash per Share (diluted)	\$0.20	\$0.29	\$0.34	\$0.29	\$0.25	\$0.24	\$0.20	\$0.17	\$0.04	\$0.02	\$0.01	\$0.01	-\$0.01	-\$0.02	-\$0.02	-\$0.02
Net cash per Share (diluted)	\$0.13	\$0.27	\$0.33	\$0.29	\$0.25	\$0.24	\$0.20	\$0.16	\$0.04	\$0.01	\$0.00	\$0.00	-\$0.01	-\$0.03	-\$0.02	-\$0.02

Source: Company reports and Ascendant Capital Markets estimates

NovaBay Pharmaceuticals, Inc.

Cash Flow Statement (\$ mils)	Mar-20	Jun-20	Sep-20	Dec-20	2020	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
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	(1.6)	(4.5)	(3.2)	(1.8)	(11.0)	(1.5)	(1.9)	(2.3)	(0.2)	(5.8)	(3.4)	(2.6)	(1.0)	0.0	(7.0)	(1.5)	(1.5)	0.0	0.8	(2.1)
Depreciation and amortization	0.0	0.0	0.0	0.0	0.1	0.0	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
Stock comp	0.1	0.1	0.4	0.2	0.8	0.2	0.3	0.2	0.4	1.2	0.3	0.3	0.3	0.3	1.0	0.3	0.3	0.3	0.3	1.0
Other gains/losses				(0.1)	(0.1)					0.0					0.0					0.0
Reserve					0.0					0.0					0.0					0.0
Warrant revaluation	(0.1)	3.8	1.6	(0.0)	5.2				(4.6)	(4.6)					0.0					0.0
Amortization of debt	0.1	0.0	(0.0)	0.0	0.1					0.0					0.0					0.0
Other			(0.1)	0.1	0.0					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	0.1	(0.6)	0.3	(0.1)	(0.3)	0.1	(0.2)	0.4	0.2	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventory	(0.1)	(0.1)	(0.2)	0.2	(0.1)	(0.2)	0.2	(0.3)	0.1	(0.2)	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	0.2	(0.5)	0.4	0.1	0.3			0.0	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other assets	0.2	0.2	0.3	0.1	0.8	(0.1)	0.3	0.1	(0.2)	0.0					0.0					0.0
Accounts payable	(0.2)	0.6	(0.1)	(0.0)	0.3	0.3	(0.6)	0.6	(0.4)	(0.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accrued expenses		(0.5)	0.5		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	0.6	(0.4)	(0.1)		0.0		0.0	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities	(0.2)	0.7	(1.2)	(0.1)	(0.8)	(0.1)	(0.1)	(0.1)	0.3	(0.1)					0.0					0.0
Net cash (used in) provided by oper.	(0.9)	(1.0)	(1.4)	(1.4)	(4.721)	(1.4)	(2.0)	(1.5)	(4.3)	(9.2)	(3.3)	(2.5)	(0.9)	0.2	(6.6)	(1.4)	(1.4)	0.2	0.9	(1.7)
Cash flow from investing activities																				
Purchases of property and equipment			(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)	(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				(12.0)	(12.0)					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)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(12.0)	(12.0)	(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	(0.6)	(1.6)	(0.4)	0.0	(2.6)				0.1	0.1					0.0					0.0
Issuance of stock		5.2			5.2		1.8	0.2	14.7	16.7					0.0					0.0
Proceeds from stock option exercise	0.2	0.5	6.4	0.0	7.1					0.0					0.0					0.0
Other					0.0					0.0					0.0					0.0
Cash provided by (used in) financing	(0.4)	4.1	6.0	0.0	9.8	0.0	1.8	0.2	14.8	16.8	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	(1.2)	3.1	4.6	(1.5)	5.0	(1.4)	(0.2)	(1.3)	(1.5)	(4.4)	(3.4)	(2.6)	(1.0)	0.0	(7.0)	(1.5)	(1.5)	0.0	0.8	(2.1)
Beginning cash and equivalents	6.9	5.7	8.8	13.4	6.9	12.0	10.5	10.3	9.0	12.0	7.5	4.1	1.5	0.5	7.5	0.6	(0.9)	(2.3)	(2.3)	0.6
Ending cash and equivalents	5.7	8.8	13.4	12.0	12.0	10.5	10.3	9.0	7.5	7.5	4.1	1.5	0.5	0.6	0.6	(0.9)	(2.3)	(2.3)	(1.5)	(1.5)

Source: Company reports and Ascendant Capital Markets estimates

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NovaBay Pharmaceuticals, Inc.



Report	Report Date	Rating	Price Target
25	3/21/2018	B	6.00
26	5/11/2018	B	5.00
27	8/8/2018	B	4.50
28	11/16/2018	B	2.50
29	1/19/2019	B	2.50
30	3/31/2019	B	2.25
31	5/10/2019	B	1.75
32	8/9/2019	B	2.00
33	11/8/2019	B	1.50
34	1/29/2020	B	1.75
35	3/29/2020	B	1.50
36	5/12/2020	B	3.00
37	8/7/2020	B	3.25
38	11/14/2020	B	3.50
39	4/4/2021	B	3.75
40	5/11/2021	B	3.25
41	8/18/2021	B	3.50
42	11/30/2021	B	4.00

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

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

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

Total return is defined as price appreciation plus dividend yield.

Ascendant Capital Markets, LLC Rating System

Prior to January 31, 2014, ASCM used the following rating system:

Strong Buy: We expect the stock to provide a total return of 30% or more within a 12-month period.

Buy: We expect the stock to provide a total return of between 10% and 30% within a 12-month period.

Neutral: We expect the stock to provide a total return of between minus 10% and plus 10% within a 12-month period.

Sell: We expect the stock to provide a total return of minus 10% or worse within a 12-month period.

Speculative Buy: This rating is reserved for companies we believe have tremendous potential, but whose stocks are illiquid or whose equity market capitalizations are very small, often in the definition of a nano cap (below \$50 million in market cap). In general, for stocks ranked in this category, we expect the stock to provide a total return of 50% or more within a 12-month period. However, because of the illiquid nature of the stock's trading and/or the nano cap nature of the investment, we caution that these investments may not be suitable for all parties.

Total return is defined as price appreciation plus dividend yield.

Ascendant Capital Markets, LLC Distribution of Investment Ratings (as of January 15, 2022)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	40	98%	16	40%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	41	100%	16	39%

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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