



BIOLASE, Inc.

Q3 revenue upside and raised 2022 guidance. We remain positive on execution and long-term growth potential. Lowering P/T to \$14.

COMPANY UPDATE

Rating: BUY

Ticker: BIOL

Price: \$1.64

Target: \$14.00
(from \$28)

Q3 revenue upside: BIOLASE recently (on November 10) reported its Q3 2022 (ending September) results. Total revenue was \$12.0 million (+26% y-o-y), compared with our and consensus estimates of \$11 million. Pro forma EPS was \$(0.74), compared with our estimates of \$(0.42) and consensus of \$(0.84). Q3 revenue guidance was to be above \$10.5 million.

Strong Q3 growth: Revenue was up (+26% y-o-y) due to positive execution on its sales initiatives. However, EPS was tempered due to a \$1.7 million special charge for inventory writedowns along with higher costs due to inflation and supply chain costs.

U.S. sales strength: U.S. laser sales were +35% (y-o-y), while International laser sales were flat (y-o-y). The company saw continued progress with its Waterlase Exclusive Trial Program, with success rate over 50% year to date. Increased marketing initiatives generated increased adoption of its laser technology in the U.S. in Q3, with 90% of sales from new customers and 40% of sales from dental specialists.

Raised 2022 guidance: Management raised 2022 guidance for revenue to be above \$47 million (+20% y-o-y) from \$45 million (+15%). Q4 revenue guidance is to be above \$13 million (+5% y-o-y).

Adjusting estimates: We are adjusting our 2022 estimates for revenue to \$48 million, from \$45 million, and for EPS to \$(2.15) from \$(1.79).

Large market opportunities: The company estimates that with every one percentage point increase in market adoption of laser technology in the U.S. alone, BIOLASE will generate an additional \$50 million in revenue (based on current BIOLASE market share of 60%).

Marketing opportunities: BIOLASE continues to make progress in expanding to Dental Services Organizations (DSOs). In addition, the company is expanding its various marketing programs especially to dental specialists (periodontist, endodontist, and hygienist).

We still remain positive: We believe BIOLASE is progressing (even if slow and lumpy at times) in its return to growth and profitability. We expect further improvement in 2022 after a strong 2021 (+72% y-o-y) which should drive momentum. BIOLASE has a solid line of innovative products, and should benefit from growth in the dental market, consistent sales execution, and new sales opportunities.

Balance sheet: The company has \$10 million in cash and \$13 million in debt. In June, the company raised \$6.5 million (selling 1.4 million shares at \$4.625/share). We believe it has enough cash through 2023.

New CFO: In July, the company promoted Jennifer Bright to CFO. Ms. Bright has served as the company's VP of Finance since April 2021.

Valuation positive: Maintaining our BUY, but lowering our 12-month price target to \$14 from \$28 which is based on an NPV analysis. We believe that BIOLASE represents a compelling investment story as the company continues to ramp up product sales. We believe the large market potentials presents a high reward for the high risks.

Company Description

Based in Foothill Ranch, CA, BIOLASE is a medical device company that markets laser systems (Waterlase and diode dental laser systems) for dentistry and medicine in the U.S. and internationally.

United States
Healthcare

November 12, 2022

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Stock Data

Exchange:	NasdaqCM
52-week Range:	\$1.40 – 13.75
Shares Outstanding (million):	8
Market cap (\$million):	\$13
EV (\$million):	\$16
Debt (\$million):	\$13
Cash (\$million):	\$10
Avg. Daily Trading Vol. (\$million):	\$0.1
Float (million shares):	7
Short Interest (million shares):	0.1
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	10A		11E	
Q2 Jun	12A		13E	
Q3 Sep	12A	11E	13E	11E
Q4 Dec	<u>13E</u>	<u>12E</u>	<u>14E</u>	
Total	48E	45E	51E	48E
EV/Revs	0.3x		0.3x	

Earnings per Share (pro forma)

	<u>2022E</u> (Cur.)	<u>2022E</u> (Old)	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)
Q1 Mar	(0.64)A		(0.29)E	(0.35)E
Q2 Jun	(0.67)A		(0.34)E	(0.39)E
Q3 Sep	(0.74)A	(0.42)E	(0.27)E	
Q4 Dec	<u>(0.16)E</u>	<u>(0.15)E</u>	<u>(0.10)E</u>	<u>(0.07)E</u>
Total	(2.15)E	(1.79)E	(1.00)E	(1.07)E
P/E	N/A		N/A	

*Reflects a 1:25 reverse stock split in April 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 11.

Exhibit 1: BIOLASE Company Background and Highlights

BIOLASE at a Glance

<p>Broad Range of Applications</p> <p>Dental lasers perform a broad range of cosmetic, restorative and surgical applications</p>	<p>Robust Product Line</p> <p>For general dentists and specialists</p>	<p>43K+ Laser Systems Sold</p> <p>In 80 countries to date</p>
<p>Large IP Portfolio</p> <p>302 issued and 31 pending patents</p> <p>\$30M in value¹</p> <p><small>¹ As assessed by PatSnap 2018</small></p>	<p>Large Market Opportunity</p> <p>Only 7% to 8% of U.S. Dental Practices incorporate all tissue lasers</p> <p>Every additional 1% = \$50M* in new revenue</p>	<p>Experienced Management Team</p> <p>Transitioned the company from R&D focus to commercialization</p>

BIOLASE's Spectrum of Laser Systems & Consumables

— 302 Issued + 31 Pending Patents —

ALL TISSUE LASER SOLUTIONS

Waterlase iPlus™

- + Best selling All-Tissue dental laser— 80 FDA cleared indications
- + Replaces scalpel for minimally invasive, minimally bleeding microsurgery for soft tissues
- + Replaces drill with substantial reduced need for anesthesia for teeth & bone



Waterlase Express™

- + Smallest, easiest most cost-effective Waterlase
- + Vivid HD tablet user interface
- + Exclusive procedural animations
- + Rich on-board reference library and Customer Care Button



TIPS & ACCESSORIES



SOFT TISSUE LASER SOLUTIONS

Epic X™

- + Surgery, fast tooth whitening and pain therapy in one device
- + Ultra portable for multiple-operator use



Epic H™

- + Designed by hygienists, for hygienists
- + FDA cleared for laser bacterial reduction ("LBR")



Epic Pro™

- + Powerful and capable diode dental laser
- + Best in class speed, comfort, and precision cutting
- + Leverages IPG Medical technology

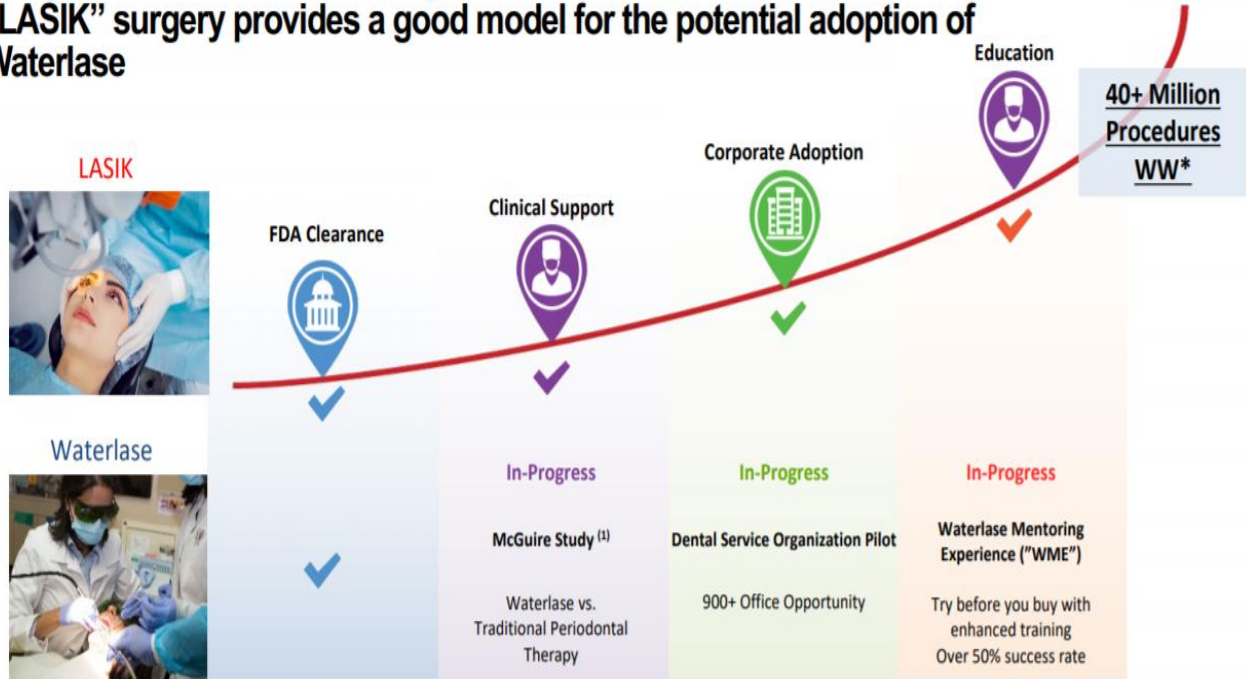


Source: Company report.

Exhibit 2: Market Opportunity

Key Drivers of Adoption

“LASIK” surgery provides a good model for the potential adoption of Waterlase



⁽¹⁾ “A prospective Multicenter Randomized and Controlled Study Comparing Laser and Mist Therapies for Treatment of Moderate to Severe Generalized Periodontitis” sponsored by The McGuire Institute and Biolase

* Source: American Refractive Surgery Council

BIOLASE Opportunity

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



Source: Company report

Exhibit 3: Waterlase Marketing Programs

Executing Our Growth Strategy

Focused on Education & Training

<p>Waterlase Exclusive Trial Program (WETP) for General Practitioners</p> <p>35-40 planned events for 2022</p> <p>4-8 dentist participants at each event</p> <p>> 55% close rate</p> <p>\$5-10M revenue opportunity annually</p>	<p>Increased messaging, marketing, education & training efforts are bearing fruit</p> <p>80% of U.S. Waterlase sales in the second quarter of 2022 generated from new customers</p> <p>50% coming from dental specialists in the second quarter of 2022</p>	<p>Specialist Academies Expand Awareness</p> <p>WPA WATERLASE PERIO ACADEMY</p> <p>WEA WATERLASE ENDO ACADEMY</p> <p>WPDA WATERLASE PEDIATRIC DENTAL ACADEMY</p> <p>EPIC HYGIENE ACADEMY</p>
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Increased Marketing & Sales Efforts

Biggest Improvement in the Company Over the Past Couple of Years



BIOLASE Partnership Program (BPP)

- ✓**

First 6 Months = Customer Revenue

Enables customers to generate revenue without any cash outflow for first 6 months
- ✓**

Immediate Cash in Hand

Puts money in the customers pocket now
- ✓**

BIOLASE = Compelling Reasons to See Their Dentist

As offices open, it is critical to get patients to come back right away
- ✓**







In-office Training

 - + No travel, no need to spend time away from the office, staff can participate
 - + Facilitates true integration throughout the office
 - + Includes ongoing personal coaching

Source: Company report.

Exhibit 4: Waterlase Markets

Minimally invasive perio protocols for the Complete Office.

Gingivitis / Early Periodontitis	Moderate Periodontitis/Implantitis	Severe Periodontitis/Implantitis
 <p>HYGIENIST</p> <ul style="list-style-type: none"> Effectively manage non-surgical Periodontitis Proven clinical protocols, including <i>Pocket Therapy</i> and <i>Perio Debridement</i> Step-by-step training & guidebooks for easy integration <p>GROW REVENUE +\$15 - \$40K per year</p> <p>Epic Hygiene </p>	 <p>DENTIST</p> <ul style="list-style-type: none"> Easily manage moderate Periodontitis & Implantitis Minimally Invasive, Patient-Friendly protocols Excellent clinical results & patient-reported outcomes <p>GROW REVENUE +\$32 - \$64K per year</p> <p>Waterlase Dentistry </p>	 <p>PERIODONTIST</p> <p>Manage Severe, Difficult and Complex Cases</p> <p>Refer Out</p> <p>Waterlase Dentistry </p>
FDA Clearance 12/19 LBR Clearance 03/20	WME 50% Closure	McGuire Release 7/2020

A Significant Growth Opportunity

60M People in the U.S. Alone Have Gum Disease & Increased Health Risk Due to the Connection Between Oral and Systemic Health

Under-diagnosed, Under-Treated, Under-managed

Peri-Implantitis

Less Frequent Dentist Visits

<p>85% OF AMERICAN ADULTS SUFFER FROM GUM DISEASE</p> <p>47% Have periodontitis That's 64.7 Million Adults 38 years and older</p> <p>8% Early Periodontitis 30% Moderate Periodontitis 8% Severe Periodontitis</p> 	<p>3.0 M+ implants placed in the U.S. in 2019 with a 6% increase each year</p> <p>500,000+ implants per year in USA need attention for peri-implantitis and that number continues to grow</p>	<p>Over 1/3 of patients experience peri-implantitis over 3.5-year period (Clin Oral Impl Res. 2019)</p> <p>Waterlase lasers are highly effective, safe solution to preserving sick implants</p>	<p>> 60% of the U.S. population avoids going to the dentist because of "dental anxiety or fear"</p> <p>(DentaVax survey of 18,000 people VW)</p> 
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Source: Company report.

Exhibit 5: Q3 2022 Financial Results Highlights

2022 Third Quarter Highlights

- Total revenue was \$12.0 million, up 26% year over year
- U.S. laser sales increased 35% year over year and U.S. consumable sales increased 22% year over year, driven by increased procedures using BIOLASE lasers
- Continued momentum with new customers and dental specialists with over 90% of U.S. Waterlase sales coming from new customers and approximately 40% of U.S. Waterlase sales coming from dental specialists
- Waterlase Exclusive Trial Program success rate remained at over 50% year to date, highlighting the program's success

"I am pleased to report continued increasing demand for our industry leading lasers, which is being driven by the execution of our growth strategy," commented John Beaver, President, and Chief Executive Officer. "Our total revenue increased 26% year over year, with U.S. laser sales increasing 35% year over year and U.S. consumable sales growing 22% year over year. Our strong performance reflects continued positive momentum from our Waterlase Exclusive Trial Program, as our success rate remained at over 50% year to date. This initiative, along with the extra emphasis on education and training for endodontists, periodontists, pediatric dentists, and dental hygienists, generated increased adoption of our laser technology in the U.S. this quarter with over 90% of our U.S. Waterlase sales coming from new customers and approximately 40% of U.S. Waterlase sales coming from dental specialists.

Source: Company report.

Exhibit 6: BIOLASE's Stock Price (Five Years)



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

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

Exhibit 7: Consensus Expectations (as of November 10, 2022)

	Revenue (mil)			EPS	
	2022E	2023E		2022E	2023E
Q1 Mar	\$10A		Q1 Mar	\$(0.64)A	
Q2 Jun	\$12A		Q2 Jun	\$(0.67)A	
Q3 Sep	\$11E		Q3 Sep	\$(0.84)E	
Q4 Dec	\$13E		Q4 Dec	\$(0.73)E	
Total	\$46E	\$51E	Total	\$(3.28)E	\$(2.06)E

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

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

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

FINANCIAL MODEL

BIOLASE, 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	Q1A	Q2A	Q3A	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Products and services revenue	4.8	2.9	6.5	8.5	22.8	8.1	9.1	9.5	12.4	39.2	10.2	12.2	12.0	13.2	47.6	10.8	13.0	13.2	14.1	51.0
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	0.0	0.0	0.0	0.0
Total Revenue	4.8	2.9	6.5	8.5	22.8	8.1	9.1	9.5	12.4	39.2	10.2	12.2	12.0	13.2	47.6	10.8	13.0	13.2	14.1	51.0
Cost of Revenues	3.4	2.0	4.3	6.9	16.6	5.4	5.1	4.7	7.5	22.7	5.4	7.1	9.6	6.6	28.7	5.4	6.5	6.6	7.0	25.5
Gross Profit	1.4	0.9	2.3	1.6	6.2	2.7	4.0	4.8	4.9	16.5	4.7	5.1	2.4	6.6	18.9	5.4	6.5	6.6	7.0	25.5
Sales and marketing	2.7	2.1	2.7	3.8	11.2	3.6	3.3	3.5	5.0	15.3	4.8	5.4	5.0	4.1	19.3	3.8	4.5	4.5	4.2	17.0
General and administrative	3.0	2.1	2.3	2.3	9.8	3.4	2.8	2.5	2.6	11.3	2.6	3.1	3.1	3.2	12.0	3.2	3.8	3.6	3.2	13.8
Research and development	1.0	0.7	1.0	1.1	3.7	1.8	1.2	1.5	1.5	6.0	1.5	1.7	2.0	1.2	6.4	1.6	1.8	1.7	1.3	6.4
Excise tax					0.0					0.0					0.0	0.0	0.0	0.0	0.0	0.0
Restructuring, litigation, and other					0.0		0.1	0.0	0.1	0.2					0.0	0.0	0.0	0.0	0.0	0.0
Total operating expenses	6.7	4.9	5.9	7.1	24.7	8.8	7.3	7.5	9.3	33.0	8.9	10.2	10.1	8.4	37.6	8.6	10.1	9.8	8.7	37.2
Operating income (loss)	(5.4)	(4.0)	(3.7)	(5.5)	(18.5)	(6.1)	(3.3)	(2.7)	(4.4)	(16.4)	(4.2)	(5.1)	(7.7)	(1.8)	(18.8)	(3.2)	(3.6)	(3.2)	(1.7)	(11.7)
Interest income (expense)	(0.6)	(0.6)	(0.6)	(0.6)	(2.4)	(0.6)	(0.6)	(0.6)	(0.5)	(2.2)	(0.4)	(0.4)	(0.4)	(0.4)	(1.7)	(0.4)	(0.4)	(0.4)	(0.4)	(1.7)
Other income (expense)	(0.1)	(0.0)	(13.1)	0.1	(13.2)	(0.7)	3.1	(0.0)	(0.3)	2.0	(0.3)	(0.1)	(0.3)	0.0	(0.8)	0.0	0.0	0.0	0.0	0.0
Income before income taxes	(6.0)	(4.6)	(17.4)	(6.1)	(34.1)	(7.4)	(0.8)	(3.3)	(5.2)	(16.6)	(5.0)	(5.6)	(8.4)	(2.3)	(21.2)	(3.7)	(4.1)	(3.6)	(2.1)	(13.4)
Income taxes	(0.0)	0.1	0.0	0.1	0.1	0.1	(0.1)	0.0	0.1	0.1	0.0	0.0	(0.0)	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0
Net income (loss)	(6.0)	(4.7)	(17.4)	(6.1)	(34.2)	(7.4)	(0.7)	(3.3)	(5.3)	(16.7)	(5.0)	(5.6)	(8.4)	(2.3)	(21.3)	(3.7)	(4.1)	(3.6)	(2.1)	(13.4)
Nonrecurring/noncash adjustments	2.5	1.8	14.9	1.5	20.7	2.2	(2.0)	0.8	0.9	2.0	1.1	1.5	2.8	1.0	6.3	1.4	1.4	1.4	1.3	5.5
Net income (pro forma)	(3.6)	(2.9)	(2.5)	(4.6)	(13.6)	(5.3)	(2.7)	(2.5)	(4.3)	(14.7)	(3.9)	(4.1)	(5.6)	(1.3)	(14.9)	(2.3)	(2.7)	(2.2)	(0.8)	(7.9)
EBITDA	(4.5)	(2.9)	(2.5)	(4.5)	(14.3)	(5.3)	(2.7)	(2.5)	(4.3)	(14.7)	(3.9)	(4.1)	(5.6)	(1.4)	(15.0)	(2.8)	(3.2)	(2.7)	(1.2)	(9.9)
Shares, Basic	1.3	1.5	3.3	3.7	2.4	5.4	6.0	6.1	6.1	5.9	6.2	6.2	7.6	7.8	6.9	7.8	7.9	8.0	8.1	8.0
Shares, Diluted	1.3	1.5	3.3	3.7	2.4	5.4	6.0	6.1	6.1	5.9	6.2	6.2	7.6	7.8	6.9	7.8	7.9	8.0	8.1	8.0
EPS Basic (Pro forma)	(\$2.82)	(\$1.91)	(\$0.76)	(\$1.25)	(\$5.54)	(\$0.98)	(\$0.44)	(\$0.41)	(\$0.71)	(\$2.49)	(\$0.64)	(\$0.67)	(\$0.74)	(\$0.16)	(\$2.15)	(\$0.29)	(\$0.34)	(\$0.27)	(\$0.10)	(\$1.00)
EPS Diluted (Pro forma)	(\$2.82)	(\$1.91)	(\$0.76)	(\$1.25)	(\$5.54)	(\$0.98)	(\$0.44)	(\$0.41)	(\$0.71)	(\$2.49)	(\$0.64)	(\$0.67)	(\$0.74)	(\$0.16)	(\$2.15)	(\$0.29)	(\$0.34)	(\$0.27)	(\$0.10)	(\$1.00)
Margins																				
Gross margin	28%	32%	35%	19%	27%	34%	44%	51%	40%	42%	47%	42%	20%	50%	40%	50%	50%	50%	50%	50%
Sales and marketing	57%	71%	41%	44%	49%	44%	36%	36%	40%	39%	47%	44%	42%	31%	41%	35%	35%	34%	30%	33%
General and administrative	63%	73%	35%	27%	43%	42%	30%	26%	21%	29%	25%	26%	26%	24%	25%	30%	29%	27%	23%	27%
Research and development	21%	23%	15%	12%	16%	22%	13%	16%	12%	15%	15%	14%	16%	9%	13%	15%	14%	13%	9%	13%
Operating margin	-112%	-135%	-56%	-65%	-81%	-75%	-36%	-28%	-36%	-42%	-41%	-41%	-64%	-14%	-39%	-30%	-28%	-24%	-12%	-23%
Tax rate, GAAP	0%	-1%	0%	-1%	0%	-1%	10%	0%	-1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net margin	-126%	-160%	-266%	-72%	-150%	-92%	-8%	-34%	-43%	-43%	-49%	-46%	-70%	-17%	-45%	-34%	-31%	-27%	-15%	-26%
Y/Y % change																				
Total Revenue	-54%	-66%	-24%	-16%	-40%	70%	211%	46%	46%	72%	25%	34%	26%	6%	21%	6%	6%	10%	7%	7%
Gross margin	-62%	-72%	-23%	-64%	-57%	103%	329%	113%	206%	168%	73%	27%	-50%	34%	14%	14%	26%	170%	7%	35%
Sales and marketing	-30%	-36%	-24%	1%	-22%	31%	58%	29%	33%	36%	35%	63%	45%	-19%	26%	-22%	-16%	-10%	4%	-12%
General and administrative	26%	-15%	-28%	-12%	-9%	15%	30%	8%	14%	16%	-25%	13%	25%	19%	6%	25%	20%	15%	3%	15%
Research and development	-30%	-39%	-14%	-4%	-23%	82%	68%	60%	47%	64%	-14%	42%	29%	-23%	5%	5%	10%	-13%	7%	1%
Operating income (loss)	23%	19%	-25%	82%	19%	13%	-17%	-28%	-20%	-11%	-31%	54%	188%	-58%	14%	-23%	-28%	-59%	-8%	-37%
Net income (loss)	23%	20%	217%	72%	92%	24%	-85%	-81%	-14%	-51%	-33%	693%	155%	-57%	27%	-27%	-28%	-57%	-7%	-37%
EPS Diluted (Pro forma)	-26%	-42%	-76%	2%	-50%	-65%	-77%	-47%	-43%	-55%	-35%	51%	82%	-77%	-14%	-54%	-49%	-63%	-38%	-54%

Source: Company reports and Ascendant Capital Markets estimates.

Reflects a 1:25 reverse stock split in April 2022

BIOLASE, 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	Q1A	Q2A	Q3A	Q4E	Q1E	Q2E	Q3E	Q4E
Assets																
Cash and cash equivalents	1.5	5.4	18.8	17.6	40.8	37.1	33.4	30.0	21.6	19.5	10.0	19.8	15.0	11.7	9.4	11.9
Short term investments												0.0	0.0	0.0	0.0	0.0
Restricted cash	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2			0.0	0.0	0.0	0.0	0.0
Accounts receivable, net	4.7	4.1	3.4	3.1	3.3	3.8	3.6	4.2	5.2	6.1	4.8	11.0	9.0	10.8	11.0	11.7
Inventory	12.2	11.9	12.6	11.2	11.9	12.7	14.1	12.9	14.6	16.6	16.4	8.8	7.2	8.6	8.8	9.4
Prepaid expenses and other	1.2	1.1	0.9	3.0	1.6	1.5	1.4	2.0	2.2	2.1	2.6	0.7	1.1	1.3	1.3	0.7
Total current assets	20.0	22.9	36.0	35.1	57.7	55.3	52.7	49.4	43.8	44.3	33.9	40.2	32.2	32.4	30.5	33.7
Property and equipment, net	1.0	0.8	0.7	0.8	0.7	0.9	0.9	1.1	1.2	1.4	3.9	3.9	3.9	3.9	3.9	3.9
Goodwill and intangibles	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Other	0.6	1.2	2.3	2.2	2.1	2.1	2.0	1.9	2.3	2.3	2.1	2.1	2.1	2.1	2.1	2.1
Total assets	24.5	27.8	42.0	41.0	63.5	61.2	58.5	55.3	50.2	50.9	42.9	49.2	41.2	41.4	39.5	42.6
Liabilities and stockholders' equity																
Accounts payable	4.1	2.5	2.6	2.7	3.1	3.5	3.6	3.3	4.6	5.0	5.0	11.8	8.6	10.4	10.6	12.7
Accrued expenses	4.1	3.5	4.3	6.7	6.2	6.5	6.2	8.3	6.0	6.5	6.9	7.9	5.4	6.5	6.6	8.4
Customer deposits												0.0	0.0	0.0	0.0	0.0
Deferred revenue	2.0	1.5	1.6	1.9	2.0	2.1	2.3	2.3	2.4	2.5	1.9	1.9	1.9	1.9	1.9	1.9
Short term debt	13.6	13.5	12.9			0.7	1.4					0.0	0.0	0.0	0.0	0.0
Total current liabilities	23.7	21.1	21.4	11.2	11.3	12.7	13.5	13.8	13.1	14.0	13.8	21.6	15.9	18.7	19.0	23.0
Deferred taxes												0.0	0.0	0.0	0.0	0.0
Deferred revenue	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Warranty Accruals	0.2	0.2	0.2	0.4	0.3	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Other long term liabilities	1.1	1.6	3.0	2.8	1.8	1.7	1.9	1.8	2.0	1.8	1.7	1.7	1.7	1.7	1.7	1.7
Long term debt		3.1	3.1	16.2	16.3	12.7	12.1	13.6	13.7	12.7	12.8	12.8	12.8	12.8	12.8	12.8
Total other liabilities	1.7	5.4	6.7	19.8	18.7	15.3	14.7	16.2	16.5	15.3	15.2	15.2	15.2	15.2	15.2	15.2
Preferred stock	4.0		0.1	0.1	0.0	0.0	0.0	0.0	0.2			0.0	0.0	0.0	0.0	0.0
Common stock	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.2		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Additional paid-in capital	236.4	247.2	259.4	261.6	292.1	292.5	292.9	293.2	293.4	300.4	301.2	301.2	301.2	301.2	301.2	301.2
Retained earnings	(240.6)	(245.3)	(245.2)	(251.4)	(258.3)	(259.0)	(262.3)	(267.5)	(272.3)	(277.9)	(286.3)	(287.6)	(289.8)	(292.5)	(294.7)	(295.5)
Accumulated other comprehensive in	(0.7)	(0.6)	(0.5)	(0.4)	(0.5)	(0.5)	(0.6)	(0.6)	(0.7)	(0.9)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Other												(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Total stockholders' equity	(0.9)	1.3	13.9	10.0	33.5	33.3	30.3	25.2	20.6	21.6	13.9	12.3	10.1	7.4	5.2	4.4
Total stockholders' equity and liabil	24.5	27.8	42.0	41.0	63.5	61.2	58.5	55.3	50.2	50.9	42.9	49.2	41.2	41.4	39.5	42.6

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	Q1A	Q2A	Q3A	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	25%	37%	14%	35%	19%	17%	14%	16%	21%	17%	22%	5%	10%	10%	10%	5%
Accounts payable as % of total rev	85%	85%	40%	31%	38%	38%	38%	27%	46%	41%	41%	90%	80%	80%	80%	90%
Accrued expenses as % of total rev	85%	121%	65%	78%	77%	71%	65%	67%	59%	53%	58%	60%	50%	50%	50%	60%
Activity Ratios																
A/R Days Sales Outstanding	233	371	176	119	134	127	135	95	131	124	125	75	75	75	75	75
Inventory Turns	1.1	0.7	1.4	2.5	1.8	1.6	1.3	2.3	1.5	1.7	2.3	3.0	3.0	3.0	3.0	3.0
A/P Days Payable	106	113	55	35	51	62	69	40	77	63	47	162	144	144	144	162
Book & Cash Value (per share)																
Book Value per Share (diluted)	-\$0.71	\$0.86	\$4.26	\$2.69	\$6.23	\$5.52	\$4.99	\$4.11	\$3.34	\$3.49	\$1.82	\$1.58	\$1.29	\$0.94	\$0.66	\$0.55
Cash per Share (diluted)	\$1.20	\$3.58	\$5.79	\$4.71	\$7.59	\$6.15	\$5.49	\$4.88	\$3.51	\$3.16	\$1.31	\$2.54	\$1.92	\$1.48	\$1.18	\$1.46
Net cash per Share (diluted)	-\$9.56	-\$7.40	\$0.85	\$0.37	\$4.56	\$3.93	\$3.27	\$2.67	\$1.29	\$1.10	-\$0.37	\$0.90	\$0.28	-\$0.14	-\$0.42	-\$0.12

Source: Company reports and Ascendant Capital Markets estimates

BIOLASE, Inc.

Cash Flow Statement (\$ mills)	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	Q1A	Q2A	Q3A	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
Cash flow from operating activities																					
Net income	(6.0)	(4.7)	0.0	(6.1)	(16.8)	(6.9)	(0.7)	(3.3)	(5.3)	(16.2)	(4.8)	(5.6)	(8.4)	(1.3)	(20.0)	(2.3)	(2.7)	(2.2)	(0.8)	(7.9)	
Depreciation and amortization	0.2	0.3	0.0	(0.0)	0.5	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.1	0.2	0.6	0.2	0.2	0.2	0.2	0.8	
Provision for bad debt	1.0	0.0	0.3	0.2	1.4	(0.0)	(0.1)	(0.1)	(0.0)	(0.2)	0.1	0.1	(0.1)		0.1					0.0	
Inventory reserves			0.1	0.6	0.7	(0.0)	(0.1)	(0.0)	(0.3)	(0.4)	0.1	(0.1)	1.8		1.7					0.0	
Amortization of debt	0.1	0.1	0.2	0.1	0.5	0.1	0.1	0.1	0.1	0.5	0.1	0.1	0.1		0.2					0.0	
Stock comp	0.7	0.8	0.8	1.0	3.4	0.9	0.4	0.4	0.2	1.8	0.2	0.9	0.6	0.3	1.9	0.3	0.3	0.3	0.3	1.0	
Other gains/losses					0.0		(3.0)			(3.0)					0.0					0.0	
Deferred taxes	(0.0)	0.0	0.0	0.0	0.0					0.0					0.0					0.0	
Warrant revaluation			(4.2)	0.0	(4.2)					0.0					0.0					0.0	
Other					0.0	0.1	0.1	0.0	0.1	0.3				(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(1.0)	
Changes in operating assets and liabilities:																					
Restricted cash					0.0					0.0					0.0	0.0	0.0	0.0	0.0	0.0	
Accounts receivable	3.0	0.6	0.4	0.3	4.3	(0.2)	(0.5)	0.3	(0.6)	(1.0)	(1.1)	(0.9)	1.3	(6.1)	(6.8)	2.0	(1.8)	(0.2)	(0.7)	(0.8)	
Inventory	(1.2)	0.3	(0.7)	0.7	(0.9)	(0.7)	(0.8)	(1.3)	1.4	(1.4)	(1.7)	(1.9)	(1.6)	7.7	2.4	1.6	(1.5)	(0.2)	(0.6)	(0.6)	
Prepaid expenses & other current as	(0.1)	0.1	0.4	0.4	0.8	0.6	(0.1)	(0.2)	0.1	0.3	(0.2)	(0.1)	(0.6)	2.0	1.1	(0.4)	(0.2)	(0.0)	0.6	(0.0)	
Other assets					0.0					0.0	(1.0)	1.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Accounts payable and accrued liability	(1.5)	(2.3)	0.4	1.3	(2.1)	(0.5)	1.0	0.2	1.1	1.8	(0.2)	0.9	7.8	8.5	(5.7)	2.9	0.3	3.9	1.4		
Deferred revenue	(0.2)	(0.5)	0.1	0.2	(0.4)	0.0	0.1	0.2	0.0	0.3	0.2	0.1	(0.6)	0.0	(0.4)	0.0	0.0	0.0	0.0	0.0	
Other liabilities					0.0					0.0					0.0					0.0	
Net cash (used in) provided by oper	(4.1)	(5.2)	(2.1)	(1.3)	(12.8)	(6.5)	(3.5)	(3.6)	(3.1)	(16.7)	(8.0)	(6.6)	(6.5)	10.3	(10.9)	(4.6)	(3.1)	(2.1)	2.6	(7.2)	
Cash flow from investing activities																					
Purchases of property and equipment	(0.0)	(0.1)	0.0	(0.0)	(0.1)	(0.0)	(0.3)	(0.1)	(0.3)	(0.7)	(0.3)	(0.3)	0.6	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)	
Purchases of short-term investments					0.0					0.0					0.0					0.0	
Acquisitions					0.0					0.0			(3.3)		(3.3)					0.0	
Other					0.0					0.0					0.0					0.0	
Net cash used in investing activities	(0.0)	(0.1)	0.0	(0.0)	(0.1)	(0.0)	(0.3)	(0.1)	(0.3)	(0.7)	(0.3)	(0.3)	(2.7)	(0.2)	(3.5)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)	
Cash flow from financing activities																					
Issuance of debt	(0.1)	3.2	2.0	(2.8)	2.3		(0.0)	(0.0)		(0.0)		(1.0)		(1.0)						0.0	
Issuance of stock		2.9	16.4	2.7	22.0	13.3	(0.0)	0.0	0.0	13.3		5.8	(0.2)		5.6					0.0	
Proceeds from stock option exercises		3.0	(3.0)	0.0	0.0	16.5	0.0	0.1	0.1	16.7					0.0					0.0	
Other					0.0					0.0					0.0					0.0	
Cash provided by (used in) financin	(0.1)	9.1	15.4	(0.1)	24.3	29.8	(0.0)	0.1	0.1	30.0	0.0	4.8	(0.2)	0.0	4.6	0.0	0.0	0.0	0.0	0.0	
Effect of exchange rate on cash	(0.0)	0.1	0.1	0.1	0.3	(0.1)	0.1	(0.1)	(0.1)	(0.2)	(0.0)	(0.2)	(0.2)		(0.4)					0.0	
Net increase (decrease) in cash and	(4.3)	3.9	13.4	(1.3)	11.8	23.2	(3.8)	(3.7)	(3.4)	12.3	(8.4)	(2.3)	(9.6)	10.1	(10.1)	(4.8)	(3.3)	(2.3)	2.4	(8.0)	
Beginning cash and equivalents	5.9	1.6	5.5	18.9	5.9	17.6	40.8	37.0	33.3	17.6	29.9	21.6	19.3	9.7	29.9	19.8	15.0	11.7	9.4	19.8	
Ending cash and equivalents	1.6	5.5	18.9	17.6	17.6	40.8	37.0	33.3	29.9	29.9	21.6	19.3	9.7	19.8	19.8	15.0	11.7	9.4	11.9	11.9	

Source: Company reports and Ascendant Capital Markets estimates

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BIOLASE, Inc.



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

Report	Date	Rating	Price Target
24	3/16/2018	B	137.50
25	3/16/2018	B	137.50
26	5/3/2018	B	125.00
27	8/9/2018	B	75.00
28	11/15/2018	B	68.75
29	1/18/2019	B	68.75
30	3/6/2019	B	75.00
31	5/10/2019	B	81.25
32	8/12/2019	B	68.75
33	11/7/2019	B	43.75
34	1/29/2020	B	50.00
35	3/29/2020	B	43.75
36	5/12/2020	B	41.25
37	8/18/2020	B	43.75
38	10/18/2020	B	43.75
39	11/14/2020	B	37.50
40	3/31/2021	B	43.75
41	5/19/2021	B	50.00
42	8/18/2021	B	75.00
43	11/28/2021	B	81.25
44	3/20/2022	B	75.00
45	6/5/2022	B	35.00
46	8/18/2022	B	28.00

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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

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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 October 7, 2022)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	43	98%	17	40%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	44	100%	17	39%

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