

Investor Presentation

Ladenburg Thalmann Healthcare
Conference

September 24, 2019

NYSE American: NBY

www.NovaBay.com
www.Avenova.com



Forward-Looking Statements

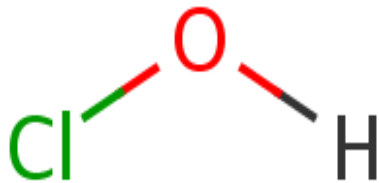
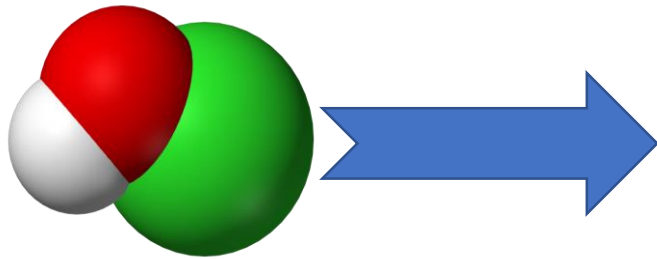
This presentation contains forward-looking statements, within the meaning of applicable U.S. securities laws, which statements can, in some cases, be identified with terms such as “project,” “believe,” “may,” “plan,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “target,” “potential” and other similar expressions. These forward-looking statements reflect NovaBay’s current expectation and assumptions, such as expected market potential and market acceptance of our products and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated. These risks and uncertainties include, but are not limited to, changing market conditions, the successful and timely completion of clinical studies, the establishment of corporate alliances, the impact of competitive products and pricing, new product development, uncertainties related to the regulatory approval process and other risks detailed in the Company's filings with the SEC, which filings can be found at www.sec.gov. Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements either as a result of new information, future events or otherwise, except as required by applicable U.S. securities laws.

Investment Highlights

- NovaBay is primarily focused on commercializing Avenova, a topical antimicrobial for the eye, targeting \$4 billion U.S. dry eye market
- New commercial strategy focused on efficient growth: Avenova Q2 sequential quarter sales increased 9%, while operating expenses decreased 47%, following significant salesforce reduction and launch of Avenova Direct
- 2019 annual revenue guidance of \$6-8 million with significant growth opportunity
- Direct-to-consumer launch of Avenova Direct in June 2019 on Amazon.com to support further sales momentum
- Two planned product launches before year end:
 - CelleRx® for aesthetic dermatology market
 - NeutroPhase® for wound care market

Neutrox[®] is Pure Hypochlorous Acid

Natural Molecule:
Hypochlorous Acid
(HOCl)



Mimics molecule produced by
white blood cells

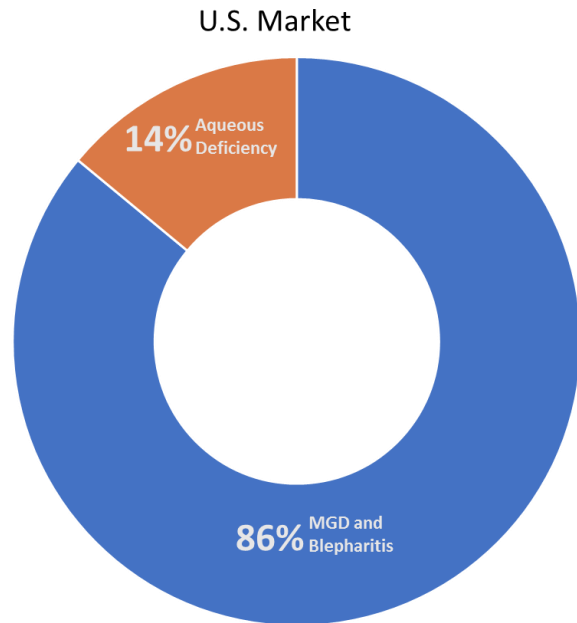
*Active ingredient in **Avenova**, **CelleRx** and
NeutroPhase[®] is FDA-cleared as 510(k) medical
device*

Neutrox Advantages

- Kills bacteria but is non-resistant unlike antibiotics
- Highly effective against microbial invaders
- Penetrates biofilms quickly
- Non-toxic to mammalian cells
- Non-toxic formulation with no bleach particles

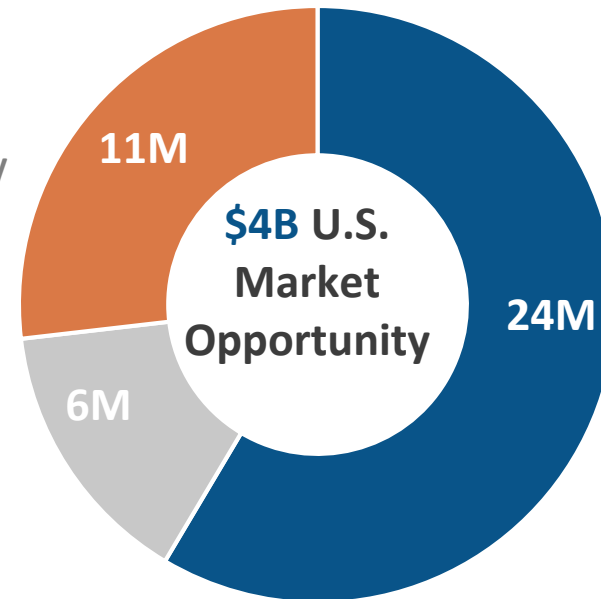
Avenova Addresses \$4 Billion U.S. Market

Dry Eye Disease Market Size



U.S. Population with Eye Bacteria Concerns

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



Annual Economic Burden: **\$3.84B**
Indirect Cost of Lost Productivity: **\$51.6B**
Total Societal Burden: **\$55.4B⁽¹⁾**

1. 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
2. Cafrey BE, et al, *Adv Exp Med Biol* 1998.
3. Proforma sales, Allergan Q4 and FY 2015 Results Presentation

Avenova Advantages



- ✓ Effectively treats MGD and blepharitis, representing 86% of all chronic dry eye disease
- ✓ Overcomes limitations of competing therapies
- ✓ Addresses the underlying cause, not merely the symptoms
- ✓ Safe for continuous daily use

Defined Strategy Across 3 Distribution Channels



Rx Sales
Prescription
(40 mL)



Ophthalmologists

Buy-and-Sell
(20 mL)



Optometrists



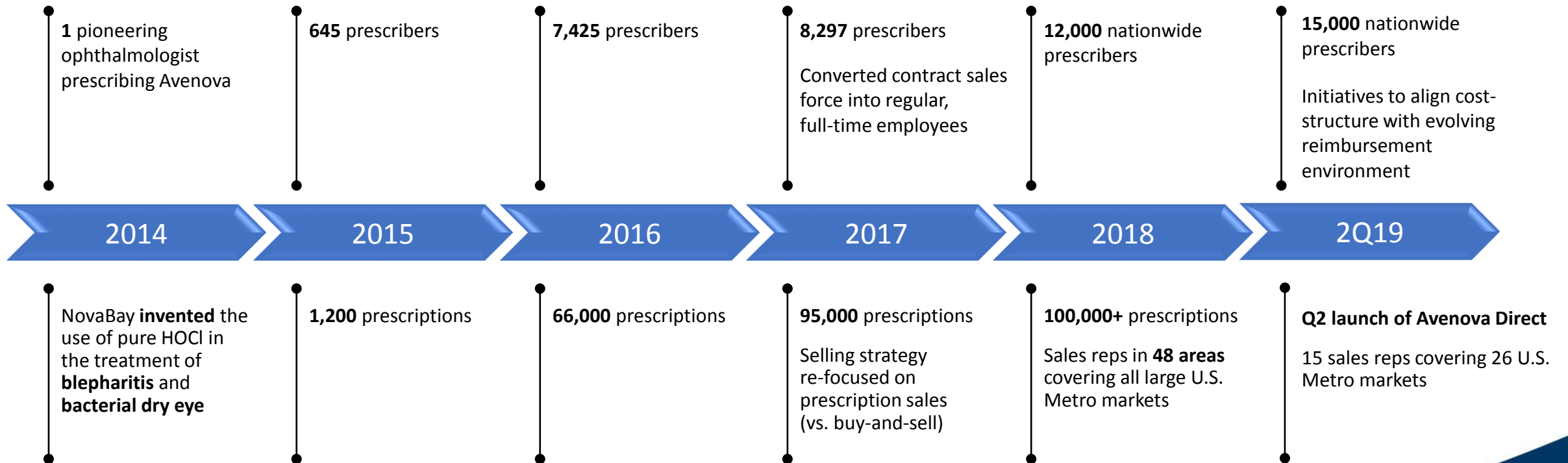
Direct-to-Consumer
(20 mL)



Patients

Journey of Avenova

The Growth of a Product, along with the Rise and Fall of Insurance Reimbursement

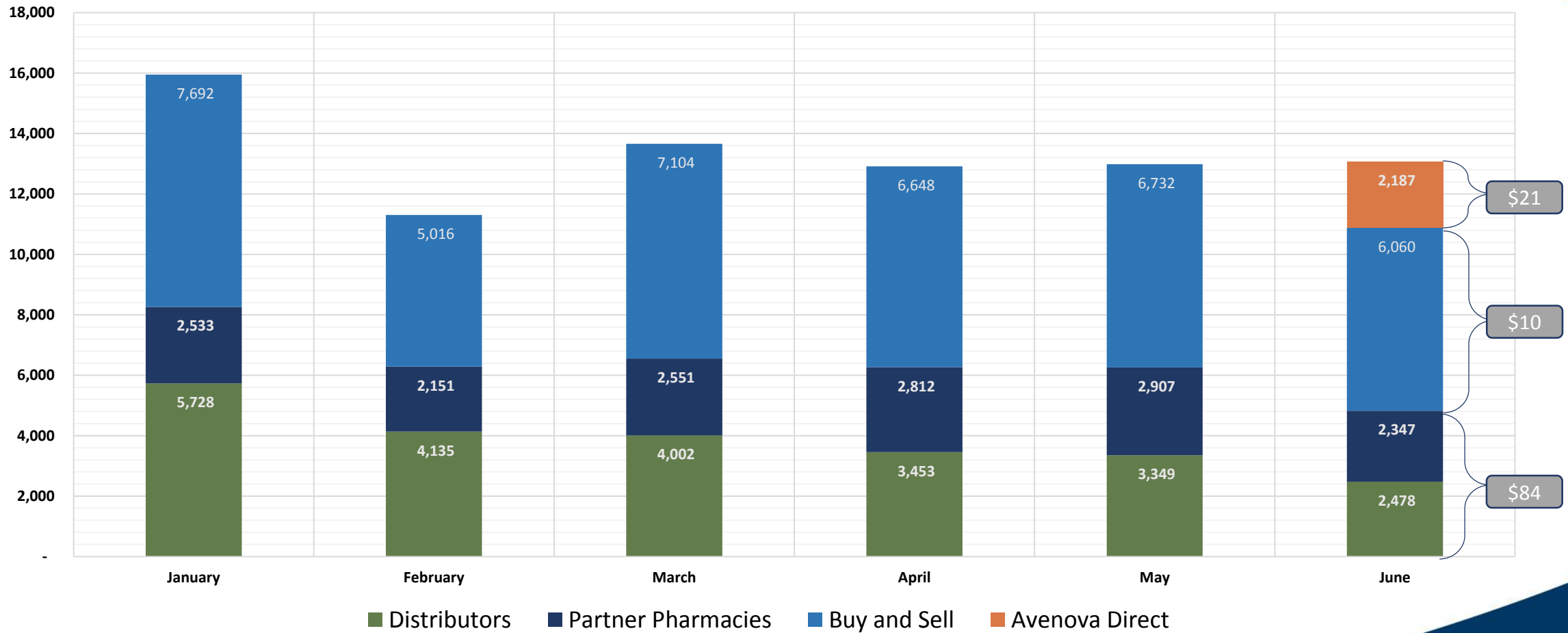


Shift in U.S. Avenova Commercialization Strategy

Proactive response to evolving industry-wide reimbursement environment to support sales growth and maintain cost effectiveness

- Higher deductible health plans and loss of coverage by large national pharmacy chains impact per-unit revenue
- Reduced field salesforce from 45 to 15 in March 2019 with remaining reps deployed in high-performing territories with favorable health plan coverage
- Focus on partner pharmacies as prescription channel partners
 - Number of partner pharmacies has grown from 8 to 16 during 2019
- Renewed focus on the buy-and-sell sales channel
- Introduction of direct-to-consumer prescription-strength Avenova Direct on Amazon.com

Sales Channels 1H 2019



CelleRx Direct-to-Consumer Launch for Acute Skin Care in Late 2019

Wound healing impaired by presence of bacterial infection / biofilm and prolonged inflammation

CelleRx Advantages

- Potent, broad-spectrum antimicrobial agent
- Topical anti-inflammatory properties
- Safe for human tissue
- Ready to use and non-drying

Pursuing cost-effective launch strategy

Introducing CelleRx® from NovaBay.



Second Quarter 2019 Financial Highlights

Early success of shift in U.S. commercialization strategy to support Avenova sales growth while maintaining cost effectiveness

- Total net sales of \$1.8 million; Avenova sales of \$1.6 million, up 9% from Q1 with significantly reduced salesforce
- Avenova unit sales through pharmacy partners increase to 52% of prescription units, up from 38% in Q1
- Initial contribution from Avenova Direct following June launched with this channel expected to be the highest growth opportunity going forward
- Operating expenses decrease 47% from Q1
- Strengthened balance sheet with \$7 million in financings in August

Summary

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