

February 8, 2024



# Sonoma Pharmaceuticals Reports Third Fiscal Quarter 2024 Financial Results

- ***Revenues increased 7% compared to quarter from prior year and 15% from prior quarter***
- ***Improvement in gross margin for quarter of 19% compared to prior year***
- ***Improvement in net loss for quarter of \$1.0 million compared to prior year***

**BOULDER, CO / ACCESSWIRE / February 8, 2024** /Sonoma Pharmaceuticals, Inc. (Nasdaq:SNOA), a global healthcare leader developing and producing stabilized hypochlorous acid (HOCl) products for a wide range of applications, including wound care, eye, oral and nasal care, dermatological conditions, podiatry, animal health care and non-toxic disinfectants, today announced financial results for its third fiscal quarter and nine months ended December 31, 2023.

"We are pleased to report increased revenues in the quarter ended December 31, 2023, both year over year and compared to the prior quarter," said Amy Trombly, CEO of Sonoma. "We are starting to see the results of our investment in research and development leading to new products as well as our efforts to add new distributors while supporting our existing distributors in expanding their offerings and territories. Our continued efforts to control costs have also positively impacted the bottom line. Along with improving margins, these trends point Sonoma in the right direction as we move into calendar year 2024 and our fourth fiscal quarter."

## Business Highlights

Sonoma continued to expand its business by launching new products and building new partnerships while growing its existing distributor relationships:

- On January 23, 2024, Sonoma launched Lumacyn<sup>TM</sup> Clarifying Mist, a new direct-to-consumer skincare product, in the United States. Lumacyn is an all-natural daily toner formulated with Microcyn<sup>®</sup> technology to soothe the skin, reduce redness and irritation, and manage blemishes by reducing infection.
- On January 9, 2024, Sonoma announced an agreement with NovaBay Pharmaceuticals, Inc. for the sale and marketing of Avenova<sup>®</sup>-branded products by Sonoma in the European Union. These products will be based on Sonoma's existing eye product Ocudox<sup>®</sup>, and marketed through Sonoma's established European distribution network.
- On November 3, 2023, Sonoma launched its intraoperative pulse lavage irrigation treatment in the United States, a new application of its wound care technology developed in response to an unmet need for a non-toxic irrigation solution that can prevent infection and improve healing time.

## **Results for the Quarter Ended December 31, 2023**

Revenues for the quarter ended December 31, 2023 of \$3.2 million increased 7% compared to the same period last year. U.S. sales increased 14%, driven by increased sales of consumer-focused animal health care products and wound care products. European sales increased by 10%, reflecting increased demand for Sonoma's wound care products. Asia sales were up 2%, though these revenues tend to be choppy when viewed on a quarterly basis due to international customers placing larger but less frequent orders to benefit from quantity discounts and reduced shipping costs. Latin America was down 4%. Rest of World revenues decreased as a result of decreased sales in India as well as timing of orders. These sales also tend to be choppy and management expects sales to recover in the next two fiscal quarters.

For the quarter ended December 31, 2023, Sonoma reported revenues of approximately \$3.2 million and cost of revenues of \$1.7 million, resulting in gross profit of \$1.5 million, or 47% of revenue, compared to a gross profit of \$0.8 million, or 28% of revenue, for the same period last year. Gross margins increased by 19% for the quarter ended December 31, 2023 when compared to the same period last year as a result of overall product mix and higher costs of materials and transportation in the prior year.

Total operating expenses during the quarter ended December 31, 2023 were \$2.3 million, down \$0.4 million, or 14%, when compared to \$2.7 million during the same period in the prior year, as a result of reduction of \$900,000 in selling, general and administrative expenses from tightly managing expenses across all operations, and \$350,000 of additional expenses for settling a long term contract in the prior year, which management expects to be a one-time event. The decrease was partially offset by an increase in research and development expenses, related to product development and expanded regulatory efforts in the U.S. and Europe to support new product releases.

Net loss before income taxes for the quarter was \$0.9 million, compared to \$1.9 million for the same period last year. EBITDAS loss for the quarter ended December 31, 2023 of \$0.7 million improved by \$0.9 million, compared to an EBITDAS loss of \$1.6 million for the same period last year.

## **Results for the Nine Months Ended December 31, 2023**

Revenues of \$9.3 million for the nine months ended December 31, 2023 decreased by \$1.0 million compared to the same period last year. Prior period revenues included \$750,000 from the sale of machinery to a customer, which management expects to be a one-time event. Decreased sales in the United States were primarily due to a decline in sales of consumer-focused animal health care products over the nine-month period, as well as an overall retail market slowdown. The decline in Asia and Rest of World sales is due to international customers tending to place larger but less frequent orders to benefit from quantity discounts and reduced shipping costs. Management expects these trends to correct in the next few quarters.

For the nine months ended December 31, 2023, Sonoma reported revenues of \$9.3 million and cost of revenues of \$5.6 million, resulting in gross profit of \$3.7 million, or 39% of revenues, compared to a gross profit of \$3.6 million, or 35% of revenues, in the same period last year. Gross profit margin in the prior year was assisted by the sale of \$750,000 of

machinery to a customer, which management expects to be a one-time event.

Total operating expenses during the nine months ended December 31, 2023 of \$6.9 million decreased by \$0.1 million, or 1%, compared to \$7.0 million during the same period last year.

Net loss before income taxes for the nine months ended December 31, 2023 was \$3.8 million, compared to \$3.8 million for the same period in the prior year. EBITDAS loss for the nine months ended December 31, 2023 of \$2.7 million improved by \$0.1 million, compared to an EBITDAS loss of \$2.8 million for the same period last year.

### **About Sonoma Pharmaceuticals, Inc.**

Sonoma Pharmaceuticals is a global healthcare leader for developing and producing stabilized hypochlorous acid (HOCl) products for a wide range of applications, including wound care, animal health care, eye care, nasal care, oral care, and dermatological conditions. The company's products reduce infections, itch, pain, scarring and harmful inflammatory responses in a safe and effective manner. In-vitro and clinical studies of hypochlorous acid (HOCl) show it to have impressive antipruritic, antimicrobial, antiviral and anti-inflammatory properties. Sonoma's stabilized HOCl immediately relieves itch and pain, kills pathogens and breaks down biofilm, does not sting or irritate skin and oxygenates the cells in the area treated assisting the body in its natural healing process. The company's products are sold either directly or via partners in 55 countries worldwide and the company actively seeks new distribution partners. The company's principal office is in Boulder, Colorado, with manufacturing operations in Guadalajara, Mexico. European marketing and sales are headquartered in Roermond, Netherlands. More information can be found at [www.sonomapharma.com](http://www.sonomapharma.com). For partnership opportunities, please contact

[businessdevelopment@sonomapharma.com](mailto:businessdevelopment@sonomapharma.com).

### **Forward-Looking Statements**

Except for historical information herein, matters set forth in this press release are forward looking within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, including statements about the commercial and technology progress and future financial performance of Sonoma Pharmaceuticals, Inc. and its subsidiaries (the "company"). These forward-looking statements are identified by the use of words such as "expect," "continue," "believe" and "expand," among others. Forward-looking statements in this press release are subject to certain risks and uncertainties inherent in the company's business that could cause actual results to vary, including such risks that regulatory clinical and guideline developments may change, scientific data may not be sufficient to meet regulatory standards or receipt of required regulatory clearances or approvals, clinical results may not be replicated in actual patient settings, protection offered by the company's patents and patent applications may be challenged, invalidated or circumvented by its competitors, the available market for the company's products will not be as large as expected, the company's products will not be able to penetrate one or more targeted markets, revenues will not be sufficient to meet the company's cash needs, fund further development, as well as uncertainties relative to the recent pandemic and economic development, varying product formulations and a multitude of diverse regulatory and marketing requirements in different countries and municipalities, and other risks detailed from time to time in the company's filings with the Securities and Exchange Commission.

The company disclaims any obligation to update these forward-looking statements, except as required by law. Sonoma Pharmaceuticals™, Microcyn®, Lumacyn™ and Ocudox® are trademarks or registered trademarks of Sonoma Pharmaceuticals, Inc. All other trademarks and service marks are the property of their respective owners.

**Media and Investor Contact:**

Sonoma Pharmaceuticals, Inc.  
[ir@sonomapharma.com](mailto:ir@sonomapharma.com)

**SONOMA PHARMACEUTICALS, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Balance Sheets**  
(In thousands, except share amounts)

	<b>December 31, 2023</b>	<b>March 31, 2023</b>
	(Unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,406	\$ 3,820
Accounts receivable, net	2,876	2,572
Inventories, net	2,955	2,858
Prepaid expenses and other current assets	4,009	4,308
Current portion of deferred consideration, net of discount	256	240
Total current assets	12,502	13,798
Property and equipment, net	397	488
Operating lease, right of use assets	341	418
Deferred tax asset	922	949
Deferred consideration, net of discount, less current portion	378	505
Other assets	78	73
Total assets	<u>\$ 14,618</u>	<u>\$ 16,231</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 864	\$ 841
Accrued expenses and other current liabilities	1,847	2,029
Deferred revenue	75	100
Deferred revenue Invekra	63	60
Short-term debt	44	431
Operating lease liabilities	181	256
Total current liabilities	3,074	3,717
Long-term deferred revenue Invekra	101	140

Withholding tax payable	4,591	4,235
Operating lease liabilities, less current portion	<u>160</u>	<u>162</u>
Total liabilities	<u>7,926</u>	<u>8,254</u>
Commitments and Contingencies		
Stockholders' Equity		
Convertible preferred stock, \$0.0001 par value; 714,286 shares authorized at December 31, 2023 and March 31, 2023, respectively, no shares issued and outstanding at December 31, 2023 and March 31, 2023, respectively	-	-
Common stock, \$0.0001 par value; 24,000,000 shares authorized at December 31, 2023 and March 31, 2023, respectively, 13,684,333 and 4,933,550 shares issued and outstanding at December 31, 2023 and March 31, 2023, respectively	2	5
Additional paid-in capital	202,795	200,904
Accumulated deficit	(193,282 )	(189,514 )
Accumulated other comprehensive loss	<u>(2,823 )</u>	<u>(3,418 )</u>
Total stockholders' equity	<u>6,692</u>	<u>7,977</u>
Total liabilities and stockholders' equity	<u>\$ 14,618</u>	<u>\$ 16,231</u>

**SONOMA PHARMACEUTICALS, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Comprehensive Loss**  
(In thousands, except per share amounts)  
(Unaudited)

	<b>Three Months Ended December 31,</b>		<b>Nine Months Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Revenues	\$ 3,138	\$ 2,944	\$ 9,296	\$ 10,258
Cost of revenues	<u>1,678</u>	<u>2,113</u>	<u>5,642</u>	<u>6,645</u>
Gross profit	<u>1,460</u>	<u>831</u>	<u>3,654</u>	<u>3,613</u>
Operating expenses				
Research and development	601	-	1,462	6
Selling, general and administrative	<u>1,703</u>	<u>2,665</u>	<u>5,484</u>	<u>7,030</u>
Total operating expenses	<u>2,304</u>	<u>2,665</u>	<u>6,946</u>	<u>7,036</u>
Loss from operations	(844 )	(1,834 )	(3,292 )	(3,423 )
Other expense, net	<u>(79 )</u>	<u>(71 )</u>	<u>(380 )</u>	<u>(322 )</u>
Loss before income taxes	(923 )	(1,905 )	(3,672 )	(3,745 )
Income tax benefit (expense)	<u>57</u>	<u>(34 )</u>	<u>(96 )</u>	<u>(98 )</u>
Net loss	<u>\$ (866 )</u>	<u>\$ (1,939 )</u>	<u>\$ (3,768 )</u>	<u>\$ (3,843 )</u>

Net loss per share: basic and diluted	\$ (0.08 )	\$ (0.62 )	\$ (0.54 )	\$ (1.24 )
Weighted-average number of shares: basic and diluted	<u>10,909</u>	<u>3,107</u>	<u>7,011</u>	<u>3,104</u>
Other comprehensive loss				
Net loss	\$ (866 )	\$ (1,939 )	\$ (3,768 )	\$ (3,843 )
Foreign currency translation adjustments	<u>297</u>	<u>235</u>	<u>595</u>	<u>136</u>
Comprehensive loss	<u>\$ (569 )</u>	<u>\$ (1,704 )</u>	<u>\$ (3,173 )</u>	<u>\$ (3,707 )</u>

**SONOMA PHARMACEUTICALS, INC. AND SUBSIDIARIES**  
**RECONCILIATION OF GAAP MEASURES TO NON-GAAP MEASURES**  
(In thousands)  
(Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<b>(1) Loss from operations minus non-cash expenses EBITDAS loss:</b>				
GAAP operating loss as reported	\$ (844 )	\$ (1,834 )	\$ (3,292 )	\$ (3,423 )
Non-cash adjustments:				
Stock-based compensation	140	242	447	569
Depreciation and amortization	<u>45</u>	<u>31</u>	<u>135</u>	<u>91</u>
Non-GAAP income (loss) from operations minus non-cash expenses EBITDAS income (loss)	<u>\$ (659 )</u>	<u>\$ (1,561 )</u>	<u>\$ (2,710 )</u>	<u>\$ (2,763 )</u>
<b>(2) Net loss minus non-cash and one-time expenses:</b>				
GAAP net income (loss) as reported	\$ (866 )	\$ (1,939 )	\$ (3,768 )	\$ (3,843 )
Non-cash adjustments:				
Stock-based compensation	140	242	447	569
Non-cash foreign exchange transaction losses and other (income) and expense	92	71	421	328
Income taxes	(57 )	34	96	98
Depreciation and amortization	<u>45</u>	<u>10</u>	<u>135</u>	<u>91</u>
Non-GAAP net income (loss) minus non-cash expenses	<u>\$ (646 )</u>	<u>\$ (1,582 )</u>	<u>\$ (2,669 )</u>	<u>\$ (2,757 )</u>
<b>(3) Operating expenses minus non-cash expenses</b>				
GAAP operating expenses as reported	\$ 2,304	\$ 2,665	\$ 6,946	\$ 7,036

Non-cash adjustments:

Stock-based compensation	(140 )	(242 )	(447 )	(569 )
Depreciation and amortization	<u>(45 )</u>	<u>(31 )</u>	<u>(135 )</u>	<u>(91 )</u>
Non-GAAP operating expenses minus non-cash expenses	<u>\$ 2,119</u>	<u>\$ 2,392</u>	<u>\$ 6,364</u>	<u>\$ 6,376</u>

(1) Income (loss) from continuing operations minus non-cash expenses (EBITDAS) is a non-GAAP financial measure. The company defines operating income (loss) minus non-cash expenses as GAAP reported operating income (loss) minus operating depreciation and amortization, and operating stock-based compensation. The company uses this measure for the purpose of modifying the operating loss to reflect direct cash related transactions during the measurement period. Non-GAAP measures should not be considered a substitute for financial measures presented in accordance with GAAP. Non-GAAP measures are not always consistent across, or comparable with, non-GAAP measures disclosed by other companies.

(2) Net income (loss) minus non-cash and one time expenses is a non-GAAP financial measure. The company defines net income (loss) minus non-cash expenses as GAAP reported net income (loss) minus depreciation and amortization, stock-based compensation, forgiveness of PPP loan and non-cash foreign exchange transaction losses. The company uses this measure for the purpose of modifying the net loss to reflect only those expenses to reflect direct cash transactions during the measurement period. Non-GAAP measures should not be considered a substitute for financial measures presented in accordance with GAAP. Non-GAAP measures are not always consistent across, or comparable with, non-GAAP measures disclosed by other companies.

(3) Operating expenses minus non-cash expenses is a non-GAAP financial measure. The company defines operating expenses minus non-cash expenses as GAAP reported operating expenses minus operating depreciation and amortization, and operating stock-based compensation. The company uses this measure for the purpose of identifying total operating expenses involving cash transactions during the measurement period. Non-GAAP measures should not be considered a substitute for financial measures presented in accordance with GAAP. Non-GAAP measures are not always consistent across, or comparable with, non-GAAP measures disclosed by other companies.

**SONOMA PHARMACEUTICALS, INC. AND SUBSIDIARIES**  
**PRODUCT RELATED REVENUE SCHEDULES**

(In thousands)  
(Unaudited)

The following table presents the company's disaggregated product revenues by geographic region:

	<b>Three Months Ended December 31,</b>			
	<b>2023</b>	<b>2022</b>	<b>\$</b>	<b>%</b>
<i>(In thousands)</i>			<b>Change</b>	<b>Change</b>

United States	\$ 868	\$ 761	\$ 107	14 %
Europe	1,217	1,104	113	10 %
Asia	522	514	8	2 %
Latin America	368	384	(16 )	(4 %)
Rest of the World	163	181	(18 )	(10 %)
Total	<u>\$ 3,138</u>	<u>\$ 2,944</u>	<u>\$ 194</u>	<u>7 %</u>

**Nine Months Ended  
December 31,**

	<b>2023</b>	<b>2022</b>	<b>\$ Change</b>	<b>% Change</b>
<i>(In thousands)</i>				
United States	\$ 2,214	\$ 2,603	\$ (389 )	(15 %)
Europe	3,488	3,117	371	12 %
Asia	1,730	1,952	(222 )	(11 %)
Latin America	1,165	1,827	(662 )	(36 %)
Rest of the World	699	759	(60 )	(8 %)
Total	<u>\$ 9,296</u>	<u>\$ 10,258</u>	<u>\$ (962 )</u>	<u>(9 %)</u>

**SOURCE:** Sonoma Pharmaceuticals, Inc.

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