

March 20, 2023



# Sonim Reports 51% Year-Over-Year Fourth Quarter Sales Increase

Launches XP10 Next-Generation Rugged Android Smartphone with Major Carriers New Management Model Successfully Driving Growth in Adjacent Markets

San Diego, California--(Newsfile Corp. - March 20, 2023) -[Sonim Technologies, Inc. \(NASDAQ: SONM\)](#), a leading provider of ultra-rugged, rugged and consumer durable mobile devices including phones, tablets and accessories designed to provide extra protection for users that demand more durability in their work and everyday lives, reported financial results for the fourth quarter and full year ended December 31, 2022.

## Fourth Quarter 2022 and Recent Highlights

- Net revenues increased 51% year-over-year to \$24.1 million, from \$15.9 million in the fourth quarter 2021, and 18% sequentially from \$20.5 million in the third quarter 2022
- Net loss declined by 91% to \$1.0 million, from a net loss of \$11.7 million in the fourth quarter of 2021 and from a net loss of \$1.6 million in the third quarter 2022
- Launched Sonim's first ultra-rugged 5G smartphone, the best-in-class Sonim XP10, now broadly available with tier-1 North American carriers in the U.S. and Canada
- Launched a First Net ready XP10 5G ultra rugged smartphone for public safety customers
- Launched the XP3plus flip phone featuring NextNav Pinnacle Vertical Location Capabilities, available to Verizon and Verizon Frontline customers
- Shipped an additional \$15.6 million in new tablet orders, leveraging Sonim's expanded ODM capabilities as the company moves into large adjacent growth markets
- Ended the quarter with cash and cash equivalents of \$13.2 million, accounts receivable of \$22.4 million and inventory of \$3.9 million, demonstrating Sonim's ability to self-fund its organic growth strategy to achieve cash positive operations

Peter Liu, Sonim's Chief Executive Officer, said: "2022 was an exciting year of operational progress and growth at Sonim. We reported 51% year-over-year revenue growth in the fourth quarter, confirming the success of the new management team's strategy to deliver on our core rugged mobile device heritage as well as expand into adjacent markets. This strategy has consistently increased sales, improved gross profit and controlled operating expenses over the course of 2022, reducing net loss to just \$1.0 million in the fourth quarter as we track steadily to cash positive operations.

"We are pleased with the early market response to the Sonim XP10, our new 5G rugged Android smartphone device now available with major carriers in North America and as part of the First Net network. We are now expanding our business with carriers, particularly in North America, driven by our fully refreshed line of feature-rich rugged phones purpose built for mobile and field-based workforces.

"We continue to leverage our core technical and engineering expertise to explore additional underserved markets where we can profitably provide valuable, differentiated mobility products. Our robust tablet engineering and design activity in 2022 has demonstrated the value of this addition to our business model, and we see substantial growth opportunities to deploy our ODM capabilities into these and other adjacent markets, further driving revenue and profit performance in the year ahead."

#### **Fourth Quarter 2022 Financial Results**

Revenue for the fourth quarter 2022 was \$24.1 million, compared with \$15.9 million in the fourth quarter 2021. Revenue reflected the launch of Sonim's new XP10 Android smartphone, XP5plus and XP3plus devices, plus continued fulfillment of increased Android tablet customer purchases exemplifying Sonim's new capabilities to win business in large adjacent markets leveraging its rugged heritage and ODM relationship capabilities.

Gross profit for the quarter ended December 31, 2022, was \$3.9 million, or 16% of revenues, versus a negative 3% of revenues for prior year quarter. The increase in gross profit margin was attributable to product sales mix as Sonim transitions to its next generation devices, including increased sales of the new XP10 smartphone device and higher sales of the new XP5plus, offset by lower margin but higher volume non-Sonim branded ODM tablet shipments during the quarter. Increased sales of Sonim's updated rugged cell phones and the launch of its updated XP10 rugged smartphone in the fourth quarter are expected to increase unit sales of Sonim's higher margin devices in 2023.

Operating expenses for the fourth quarter 2022 were \$5.0 million, declining from \$11.3 million in the 2021 fourth quarter. Operating expenses were lower due to lower R&D and legal expenses. Net loss for the fourth quarter was \$1.0 million, compared with \$11.7 million in the prior year quarter.

"The fourth quarter capped a transformative year for Sonim as sales increased for both our new rugged mobile phone and smartphone devices, as well as successful projects leveraging our ODM relationships to enter adjacent device markets," said Clay Crolius, Chief Financial Officer. "We remain committed to achieving cash positive operations as we continue to scale the business, improve gross profit and drive operating leverage through our cost-efficient business model. Our balance sheet is well funded to support our goals as we advance to profitability."

Additionally, in March 2023 Sonim was informed that the Securities and Exchange Commission concluded its investigation without enforcement action. Conclusion of the matter is further expected to reduce operating costs through the savings in legal expenses, which amounted to \$1.1 million in 2022.

#### **Balance Sheet and Cash Flow**

Sonim ended the fourth quarter with \$13.2 million in cash and equivalents and remained essentially debt free. Accounts receivable increased sequentially to \$22.4 million on increased sales of tablets, and inventory was \$3.9 million.

During 2022, Sonim completed an equity financing by means of a subscription agreement with a U.S.-based investor that purchased a total of 20.8 million shares of Sonim common stock at a price of \$0.84 per share for an aggregate purchase price of \$17.5 million. Sonim believes this financing is sufficient to fund Sonim's organic growth strategy to cash profitable

operations in 2023.

### **Important Cautions Regarding Forward-Looking Statements**

This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. These statements relate to, among other things, the projected revenue growth, and the anticipated effect of various events on Sonim's financial condition. These forward-looking statements are based on Sonim's current expectations, estimates and projections about its business and industry, management's beliefs and certain assumptions made by Sonim, all of which are subject to change. Forward-looking statements generally can be identified by the use of forward-looking terminology such as, "future", "believe," "expect," "may," "will," "intend," "estimate," "continue," or similar expressions or the negative of those terms or expressions. Such statements involve risks and uncertainties, which could cause actual results to vary materially from those expressed in or indicated by the forward-looking statements. Factors that may cause actual results to differ materially include, but are not limited to, the following: Sonim's ability to continue as a going concern and improve its liquidity and financial position; Sonim's exploration of strategic or financial alternatives may not result in any transaction or alternative that enhances value; risks related to Sonim's ability to comply with the continued listing standards of the Nasdaq Stock Market and the potential delisting of Sonim's common stock; Sonim's ability to continue to develop solutions to address user needs effectively, including its next generation products; anticipated sales levels of both new and legacy products; Sonim's reliance on its channel partners to generate a substantial majority of its revenues; the limited operating history in Sonim's markets; Sonim's ongoing restructuring and transformation of its business; the variation of Sonim's quarterly results; the lengthy customization and certification processes for Sonim's wireless carries customers; the impact of global macroeconomic events, inflation, and the COVID-19 pandemic, as well as the other risk factors described under "Risk Factors" included in Sonim's most recent Annual Report on Form 10-K and any subsequent quarterly filings on Form 10-Q filed with the Securities and Exchange Commission (available at [www.sec.gov](http://www.sec.gov)). Sonim cautions you not to place undue reliance on forward-looking statements, which speak only as of the date hereof. Sonim assumes no obligation to update any forward-looking statements in order to reflect events or circumstances that may arise after the date of this release, except as required by law.

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**SONIM TECHNOLOGIES, INC.  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2022 and 2021  
(IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)**

	December 31, 2022	December 31, 2021
<b>Assets</b>		
Cash and cash equivalents	\$ 13,213	\$ 11,233
Accounts receivable, net	22,433	10,803
Non-trade receivable	2,269	2,255
Inventory	3,910	5,544
Prepaid expenses and other current assets	1,807	5,852
Total current assets	43,632	35,687
Property and equipment, net	168	534
Right-of-use-assets	66	-
Contract fulfillment assets	6,848	2,345
Other assets	2,972	2,524
Total assets	<u>\$ 53,686</u>	<u>\$ 41,090</u>
<b>Liabilities and stockholders' equity</b>		
Current portion of long-term debt	\$ 147	\$ 148
Accounts payable	21,126	9,473
Accrued liabilities	10,692	11,353
Current portion of lease liability	66	-
Deferred revenue	31	11
Total current liabilities	32,062	20,985
Income tax payable	1,429	1,409
Accrued severance	150	-
Long-term debt, less current portion	-	66
Total liabilities	33,641	22,460
<b>Stockholders' equity</b>		
Common stock, \$0.001 par value per share; 100,000,000 shares authorized: and 40,774,687 and 18,808,885 shares issued and outstanding at December 31, 2022 and December 31, 2021, respectively.	41	19
Preferred stock, \$0.001 par value per share, 5,000,000 shares authorized	-	-
Additional paid-in capital	269,874	253,416
Accumulated deficit	(249,870)	(234,805)
Total stockholders' equity	20,045	18,630
Total liabilities and stockholders' equity	<u>\$ 53,686</u>	<u>\$ 41,090</u>

**SONIM TECHNOLOGIES, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**YEARS ENDED DECEMBER 31, 2022 and 2021**  
**(IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)**

	<u>2022</u>	<u>2021</u>
Net revenues	\$ 69,828	\$ 54,570
Cost of revenues	<u>58,205</u>	<u>48,156</u>
Gross profit	<u>11,623</u>	<u>6,414</u>
Operating expenses:		
Research and development	7,973	17,696
Sales and marketing	7,274	9,566
General and administrative	9,612	10,284
Legal expenses	<u>1,054</u>	<u>6,869</u>
Total operating expenses	<u>25,913</u>	<u>44,415</u>
Loss from operations	<u>(14,290 )</u>	<u>(38,001 )</u>
Interest expense	(97 )	-
Other income (expense), net	<u>484</u>	<u>(459 )</u>
Loss before income taxes	<u>(13,903 )</u>	<u>(38,460 )</u>
Income tax (expense) benefit	<u>(184 )</u>	<u>(167 )</u>
Net loss	<u>\$ (14,087 )</u>	<u>\$ (38,627 )</u>
Net loss per share, basic and diluted*	<u>\$ (0.49 )</u>	<u>\$ (4.08 )</u>
Weighted-average shares used in computing net loss per share, basic and diluted*	<u>28,889,111</u>	<u>9,464,560</u>

\* Reflects the 1-for-10 reverse stock split that became effective on September 15, 2021.



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