

August 16, 2021



# Sonoma Pharmaceuticals Reports First Quarter 2022 Financial Results

- Revenues up \$1.5 million, or 71%, compared to prior quarter ended March 31, 2021, down \$2.1 million, or 36%, as compared to \$5.8 million in quarter ended June 30, 2020
- Reduced expenses as a result of transition of U.S. prescription dermatology and eye care sales to EMC Pharma
- Net Loss of \$1.1 million, down \$2.5 million from prior quarter ended March 31, 2021, and EBITDAS loss of \$0.8 million, down \$1.9 million from prior quarter
- Net Loss per share of \$0.52 per share, down \$1.24, compared to a net loss of \$1.76 per share for the quarter ended March 31, 2021

WOODSTOCK, Ga.--(BUSINESS WIRE)-- 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, disinfectant use and dermatological conditions today announced financial results for its first fiscal quarter ended June 30, 2021.

“This quarter marks the transition from having a dedicated dermatology sales force for our prescription products to a distribution model,” said Amy Trombly, CEO of Sonoma Pharmaceuticals. She continued, “We had some remaining expenses related to the transition in the first quarter, however, we remain confident that this transaction was critical to the Company’s success by transitioning our prescription business to a model where we believe it can contribute profitably to our overall business. As we complete the transition of the sales portion of the prescription business to EMC, we expect to shift our focus to our growing, successful core business.”

## Business Highlights

Sonoma continues to increase the reach of its products through its own efforts as well as through its partners’ efforts:

- Sonoma’s Australian partner, Microsafe Care Group, added a significant new customer when Nanocyn® was accepted to help fight COVID-19 in Australia as a surface disinfectant by the Royal Flying Doctor Service in their fleet of aircraft. The RFDS has been servicing Australia for 92 years providing vital emergency medical and primary healthcare services for regional, rural, and remote Australians. See <http://www.flyingdoctor.org.au/qld/news/rfds-sources-new-decontaminant-battle-against-covid-19/> for more information.
- In the United Kingdom, MicrocynAH® is now available at the second largest pet retailer

Pets Corner through Sonoma's partner Petagon Limited, an international importer and distributor of quality pet food and products. See <http://www.petscorner.co.uk/microcynah-wound-and-skin-spray-120ml>.

- Sonoma's own Regenacyn® Plus Scar Management Hydrogel is now available for office dispensing. The extra strength scar management hydrogel with Microcyn® Technology is clinically proven to soften and flatten raised scars while reducing redness and discoloration. Regenacyn® Plus minimizes scarring during and after healing. For more information and to purchase Regenacyn® Plus visit <http://pro.sonomapharma.com/products/regenacyn-advanced-scar-management-hydrogel-28-g>.
- In July 2021, Sonoma launched its completely revamped website at [www.sonomapharma.com](http://www.sonomapharma.com). The new website highlights the global reach of Sonoma's products and partners as well as its diverse product portfolio.

### **Results for the Quarter Ended June 30, 2021**

Revenues for the quarter ended June 30, 2021, of \$3.7 million decreased by \$2.1 million, or 36%, as compared to \$5.8 million for the same period last year, largely as the result of decreased sales in Latin America as a result of the termination of the Invekra agreement in October 2020. The contract required Sonoma to manufacture product for Invekra at close to its costs. Since the contract with Invekra ended, Sonoma has continued to receive a lower volume of orders but Sonoma can now charge market rates resulting in stronger margins. Revenues in Europe and Rest of World also decreased by 16% due to large start-up orders made by Brill during the quarter ended June 30, 2020.

During the quarter ended June 30, 2021, Sonoma reported revenues of \$3.7 million and cost of revenues of \$2.2 million resulting in gross profit of \$1.5 million, or 39% of revenue, compared to a gross profit of \$2.3 million, or 39% of revenue in the same period last year.

Total operating expenses during the first quarter of fiscal year 2022 were \$2.4 million, down \$0.5 million, or 19%, as compared to the same period in the prior year. This decrease in operating expenses was primarily due to lower employee costs resulting from a reduction in headcount in sales and marketing partially offset by increased insurance costs and consulting expense.

Net loss from continuing operations for the quarter was \$1.1 million, up by \$391,000, or 55% when compared to loss from continuing operations of \$709,000 for the three months ended June 30, 2020.

Net loss for the quarter was \$1.1 million, up by \$391,000, or 55% when compared to a net loss from continuing operations of \$709,000 for the quarter ended June 30, 2020. Net loss for the quarter was \$1.1 million, up by \$1.3 million, compared to the same period last year. The increase in net loss was primarily due to the sale of our Micromed business unit last year and the impact on discontinued operations and to a lesser extent losses from operations. EBITDAS loss for the first quarter of fiscal 2021 of \$0.8 million, was up by \$0.2 million, or 25%, compared to an EBITDAS loss of \$0.6 million for the same period last year.

As of June 30, 2021, Sonoma had cash and cash equivalents of \$2.8 million.

## **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, disinfectant use 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 54 countries worldwide and the company actively seeks new distribution partners. The company's principal office is in Woodstock, Georgia, with manufacturing operations in Latin America. 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 "continue," "believe," "expect" 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 third-party distributors may not perform as expected, 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 COVID-19 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™, Regenacyn® and Microcyn® are trademarks or registered trademarks of Sonoma Pharmaceuticals, Inc. All other trademarks and service marks are the property of their respective owners.

**SONOMA PHARMACEUTICALS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**(In thousands, except share and per share amounts)**

	<b>June 30, 2021</b>	<b>March 31, 2021</b>
	(Unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,811	\$ 4,220
Accounts receivable, net	2,998	2,806
Inventories, net	2,620	2,530
Prepaid expenses and other current assets	3,509	3,218
Current portion of deferred consideration, net of discount	219	209
Total current assets	12,157	12,983
Operating lease right-of-use assets	722	769
Property and equipment, net	373	360
Deferred consideration, net of discount, less current portion	755	763
Other assets	114	112
Total assets	<u>\$ 14,121</u>	<u>\$ 14,987</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 1,831	\$ 1,769
Accrued expenses and other current liabilities	1,206	1,154
Deferred revenue	185	267
Deferred revenue Invekra	54	52
Current portion of debt – PPP	1,310	-
Current portion of long-term debt	397	596
Operating lease liabilities	250	240
Total current liabilities	5,233	4,078
Operating lease liabilities-non-current	472	529
Withholding tax payable	3,570	3,478
Long-term deferred revenue Invekra	225	229
Long-term debt, less current portion – PPP	-	1,310
Total liabilities	<u>9,500</u>	<u>9,624</u>
Commitments and Contingencies		
Stockholders' Equity		
Convertible preferred stock, \$0.0001 par value; 714,286 shares authorized at June 30, 2021 and March 31, 2021, 0 shares issued and outstanding at June 30, 2021 and March 31, 2021, respectively	-	-

Common stock, \$0.0001 par value; 24,000,000 shares authorized at June 30, 2021 and March 31, 2021, 2,092,909 shares issued and outstanding at June 30, 2021 and March 31, 2021	2	2
Additional paid-in capital	189,266	189,217
Accumulated deficit	(180,375)	(179,277)
Accumulated other comprehensive loss	(4,272)	(4,579)
Total stockholders' equity	<u>4,621</u>	<u>5,363</u>
Total liabilities and stockholders' equity	<u>\$ 14,121</u>	<u>\$ 14,987</u>

**SONOMA PHARMACEUTICALS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**  
(In thousands, except per share amounts)

	<b>Three Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
Revenues	\$ 3,684	\$ 5,767
Cost of revenues	2,231	3,512
Gross profit	<u>1,453</u>	<u>2,255</u>
Operating expenses		
Research and development	84	476
Selling, general and administrative	2,273	2,444
Total operating expenses	<u>2,357</u>	<u>2,920</u>
Loss from operations	(904)	(665)
Interest (expense) income, net	(1)	–
Other (expense) income, net	(193)	(121)
Gain on sale of assets	–	77
	<u>\$ (1,098)</u>	<u>\$ (709)</u>
Income (loss) from continuing operations		
Income from discontinued operations	–	949
Net income (loss)	<u>\$ (1,098)</u>	<u>\$ 240</u>
Net income (loss) per share: basic		
Continuing operations	\$ (0.52)	\$ (0.39)
Discontinued operations	–	0.52
	<u>\$ (0.52)</u>	<u>\$ 0.13</u>
Net income (loss) per share: diluted		
Continuing operations	\$ (0.52)	\$ (0.38)
Discontinued operations	–	0.51
	<u>\$ (0.52)</u>	<u>\$ 0.13</u>

Weighted-average number of shares used in per common share calculations: basic	2,093	1,839
Weighted-average number of shares used in per common share calculations: diluted	2,093	1,843
Other comprehensive income (loss)		
Net income (loss)	\$ (1,098)	\$ 240
Foreign currency translation adjustments	307	167
Comprehensive income (loss)	\$ (791)	\$ 407

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

	<b>Three Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>(1) Income (Loss) from operations minus non-cash expenses EBITDAS income (loss):</b>		
GAAP income (loss) from operations as reported	\$ (904)	\$ (665)
Non-cash adjustments:		
Stock-based compensation	59	63
Depreciation and amortization	49	22
Non-GAAP income (loss) from operations minus non-cash expenses EBITDAS income (loss)	\$ (796)	\$ (580)
<b>(2) Net income (loss) minus non-cash expenses:</b>		
GAAP net income (loss) as reported	\$ (1,098)	\$ 240
Non-cash adjustments:		
Stock-based compensation	59	63
Depreciation and amortization	49	22
Non-GAAP net income (loss) minus non-cash expenses	\$ (990)	\$ 325
<b>(3) Operating expenses minus non-cash expenses</b>		
GAAP operating expenses as reported	\$ 2,357	\$ 2,920
Non-cash adjustments:		
Stock-based compensation	(59)	(63)
Depreciation and amortization	(49)	(22)
Non-GAAP operating expenses minus non-cash expenses	\$ 2,249	\$ 2,835

- (1) Income (Loss) from 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 income (loss) to reflect direct cash related transactions during the measurement period.
- (2) Net income (loss) minus non-cash 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, 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.
- (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.

**SONOMA PHARMACEUTICALS, INC. AND SUBSIDIARIES**  
**PRODUCT RELATED REVENUE SCHEDULES**  
(In thousands)  
(Unaudited)

The following table shows the Company's product revenues by geographic region

	<b>Three Months Ended</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>June 30,</b>			
	<b>2021</b>	<b>2020</b>		
United States	\$ 1,592,000	\$ 1,620,000	\$ (28,000)	(2%)
Latin America	565,000	2,327,000	(1,762,000)	(76%)
Europe and Rest of the World	1,527,000	1,820,000	(293,000)	(16%)
<b>Total</b>	<b>\$ 3,684,000</b>	<b>\$ 5,767,000</b>	<b>\$ (2,083,000)</b>	<b>(36%)</b>

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