

July 13, 2022



# Sonoma Pharmaceuticals Reports Fiscal Year and Fourth Quarter 2022 Financial Results

- *Revenues increased 7% in Q4 2022 compared to Q4 2021*
- *Net loss per share improved quarter over quarter and year over year*
- *Strong balance sheet with \$7.4 million of cash*

**WOODSTOCK, GA / ACCESSWIRE / July 13, 2022** /Sonoma Pharmaceuticals, Inc. (NASDAQ:SNOA), a global healthcare leader developing and producing patented Microcyn® technology-based stabilized hypochlorous acid (HOCl) products for a wide range of applications including wound, eye, oral and nasal care and dermatological conditions, today announced financial results for fiscal year 2022 and the fourth quarter ended March 31, 2022.

"Our fourth quarter continues to reflect the restructuring and transition from Sonoma's last two years," commented Amy Trombly, CEO of Sonoma. "Our Q4 revenues increased slightly over the same period last year, however we still experienced expenses related to the divestiture of our Rx dermatology business in the U.S. in the fiscal year ended March 31, 2022 which we expect to diminish going forward. We are excited about the future as we leave unprofitable business lines in our past and focus on a business model that prioritizes growth and profitability including expanding our presence in the U.S. and growing our business using distributors worldwide. I expect that our core business will continue to diversify and strengthen as we develop new products, markets, and distributor relationships."

## Recent Business Highlights

Sonoma continued to build and diversify its business by introducing new products and expanding existing partnerships while gaining new partnerships and adding to its regulatory clearances around the world.

- In January 2022, Sonoma partnered with Anlicare International to seek regulatory clearance for oral and dental products in China. Anlicare will bear the costs of the regulatory process. The regulatory clearance is expected in 2024.
- On March 20, 2022, Sonoma launched Microdox®, a urinary tract infection, catheter, and bladder rinse. This new indication for Microdox® based on Sonoma's patented Microcyn® Technology is intended to treat and prevent infections in the urinary tract and bladder and is currently available for immediate use through Sonoma's partners, Te Arai BioFarma in New Zealand and Australia, and NuAngle in South Africa.
- In spring 2022, our animal healthcare partner Manna Pro, began selling our HOCl-products through Cabela's and Bass Pro Shops introducing the benefits of our Microcyn technology to new customers.

- On May 3, 2022, Sonoma expanded its successful partnership with MicroSafe Group DMCC with the announcement of the EPA Approval for Nanocyn® Hospital-Grade Disinfectant in the United States. The EPA approval process was a coordinated effort by Sonoma and MicroSafe Group. MicroSafe Group managed and financed the regulatory process with the EPA in exchange for non-exclusive rights to distribute Nanocyn in the United States. Sonoma provided expertise and manufactured the required product samples.
- In June 2022, Sonoma Pharmaceuticals and MicroSafe Group DMCC announced Nanocyn® hospital grade disinfectant has been added to the list of COVID-19 disinfectants maintained by the U.S. Environmental Protection Agency's List N. The addition to the COVID-19 disinfectant list represents an extension of the EPA approval for this product. Also in June, the EPA added Nanocyn® to List Q as a disinfectant for Emerging Viral Pathogens, including Monkeypox.

### **Results for the Quarter Ended March 31, 2022**

Total revenue of \$2.3 million for the fourth quarter ended March 31, 2022 increased by \$0.1 million, or 7%, from \$2.2 million for the same period last year. The primary reason for the increase was an increase in Latin America revenue partially offset by a decline in Europe and Rest of World revenue.

During the quarter ended March 31, 2022, Sonoma reported cost of revenues of \$2.2 million resulting in total gross profit of \$0.1 million, or 4% of total revenue, compared to a gross loss of \$0.2 million, or (9)% of total revenue in the same period last year. Adjusted for approximately \$715,000 and \$800,000 of revenue estimate adjustments related to returns, distributor fees, and rebates as a result of the transfer of the prescription dermatology business to EMC that we made in the quarters ended March 31, 2022 and 2021, respectively the gross profit percentage for the quarter ended March 31, 2022 would be approximately 24% compared to 20% in the prior year.

Total operating expenses during the fourth quarter of fiscal year 2022 were \$3.2 million, up \$0.5 million, or 20%, as compared to the same period in the prior year. In the quarter ending March 31, 2022, we reconciled accounts with EMC to settle out the remaining prescription dermatology business. The increase in operating expenses was primarily due to this reconciliation with EMC Pharma, Inc. which will not reoccur.

Net loss for the fourth quarter of fiscal year 2022 was \$2.9 million, down by \$0.5 million, or 14%, compared to the same period last year. EBITDAS loss for the fourth quarter of fiscal year 2022 of \$2.8 million was down by \$100,000, or 4%, compared to an EBITDAS loss of \$2.7 million for the same period last year.

As of March 31, 2022, Sonoma had cash and cash equivalents of \$7.4 million.

### **Results for the Year Ended March 31, 2022**

Total revenues for the year ended March 31, 2022 of \$12.6 million decreased by \$6.0 million as compared to \$18.6 million for the year ended March 31, 2021. The revenue consisted of a decrease in revenue of \$1.6 million primarily related to the divestiture of the Rx dermatology business, a decrease in revenue of \$3.9 million, or 65%, in Latin America related to the end of the Invekra contract, and a decrease in revenue of \$0.5 million, or 7%,

in Europe and Rest of World.

For the year ended March 31, 2022, Sonoma reported total revenues of \$12.6 million and total cost of revenues of \$8.6 million, resulting in total gross profit of \$4.0 million, or 32% of total revenues, compared to a gross profit of \$6.6 million, or 35% of total revenues, for the same period in the prior year. Adjusted for the approximately \$715,000 and \$800,000 of revenue estimate adjustments related to the divestiture of the U.S. prescription dermatology business, the gross profit percentage for the year ended March 31, 2022 would be approximately 35% compared to 38% in the prior year. The decline in gross margin is the result of product mix and higher product sales to distributors versus sales through our direct sales force which tend to have higher net selling prices and thus higher margins. However, distributor sales typically have lower margins because they do not require the higher operating expenses associated with a dedicated sales force.

Total operating expenses during fiscal year 2022 were \$9.9 million, down \$0.1 million, or 1%, as compared to the same period in the prior year. This was the result of a decline in research and development expenses as a result of moving research and development from the U.S. to our facility in Mexico, partially offset by an increase in insurance costs.

Net loss during fiscal year 2022 was \$5.1 million, up \$1.1 million, or 29%, compared to the same period last year. EBITDAS loss for fiscal year 2022 of \$5.3 million was up \$2.4 million, or 86%, compared to an EBITDAS loss of \$2.9 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 54 countries worldwide and the company actively seeks new distribution partners. The company has offices in Woodstock, Georgia, and Boulder, Colorado, as well as 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 [busdev@sonomapharma.com](mailto:busdev@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," "reduce," "develop" 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 or 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™ is a trademark or registered trademark of Sonoma Pharmaceuticals, Inc. All other trademarks and service marks are the property of their respective owners.

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

	<u>March 31, 2022</u>	<u>March 31, 2021</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 7,396	\$ 4,220
Accounts receivable, net	2,407	2,806
Inventories, net	2,663	2,530
Prepaid expenses and other current assets	3,746	3,218
Current portion of deferred consideration, net of discount	218	209
Total current assets	<u>16,430</u>	<u>12,983</u>
Property and equipment, net	320	360
Operating lease, right of use assets	559	769
Deferred tax asset	829	-
Deferred consideration, net of discount, less current portion	630	763
Other assets	77	112
Total assets	<u>\$ 18,845</u>	<u>\$ 14,987</u>

## LIABILITIES AND STOCKHOLDERS' EQUITY

### Current liabilities:

Accounts payable	\$ 1,641	\$ 1,769
Accrued expenses and other current liabilities	1,843	1,154
Deferred revenue	1,223	267
Deferred revenue Invekra	54	52
Current portion of debt-PPP	120	-
Current portion of long-term debt	688	596
Operating lease liabilities	250	240
Total current liabilities	5,819	4,078
Long-term deferred revenue Invekra	182	229
Long-term debt, less current portion - PPP	-	1,310
Withholding Tax Payable	3,838	3,478
Operating lease liabilities, less current portion	309	529
Total liabilities	\$ 10,148	\$ 9,624

### Commitments and Contingencies

### Stockholders' Equity

Convertible preferred stock, \$0.0001 par value; 714,286 shares authorized at March 31, 2022 and 2021, respectively, no shares issued and outstanding at March 31, 2022 and 2021, respectively

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Common stock, \$0.0001 par value; 24,000,000 shares authorized at March 31, 2022 and 2021, respectively, 3,100,937 and 2,092,909 shares issued and outstanding at March 31, 2022 and 2021, respectively

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Additional paid-in capital	197,370	189,217
Accumulated deficit	(184,363)	(179,277)
Accumulated other comprehensive loss	(4,312)	(4,579)
Total stockholders' equity	8,697	5,363
Total liabilities and stockholders' equity	\$ 18,845	\$ 14,987

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

	Three Months Ended		Year Ended	
	March 31,		March 31,	
	(Unaudited)			
	2022	2021	2022	2021
Revenues	2,298	2,157	12,628	18,629

Cost of revenues	2,202	2,351	8,635	12,070
Gross profit (loss)	<u>96</u>	<u>(194)</u>	<u>3,993</u>	<u>6,559</u>
Operating expenses				
Research and development	4	130	125	555
Selling, general and administrative	<u>3,152</u>	<u>2,490</u>	<u>9,755</u>	<u>9,453</u>
Total operating expenses	<u>3,156</u>	<u>2,620</u>	<u>9,880</u>	<u>10,008</u>
Loss from operations	(3,060)	(2,814)	(5,887)	(3,449)
Interest (expense) income, net	(9)	2	(10)	4
Forgiveness of PPP loan	-	-	723	-
Gain on sale of assets	-	-	150	137
Other (expense) income	<u>(213)</u>	<u>93</u>	<u>(394)</u>	<u>(594)</u>
Loss before income taxes	(3,282)	(2,719)	(5,418)	(3,902)
Income tax benefit (expense)	<u>338</u>	<u>(713)</u>	<u>332</u>	<u>(713)</u>
Loss from continuing operations	<u>\$ (2,944)</u>	<u>\$ (3,432)</u>	<u>\$ (5,086)</u>	<u>\$ (4,615)</u>
Income (loss) from discontinued operations, net of tax	-	\$ (228)	\$ -	\$ 665
Net loss	\$ (2,944)	\$ (3,660)	\$ (5,086)	\$ (3,950)
Net loss per share: basic, and diluted from continuing operations	\$ (0.95)	\$ (1.64)	\$ (1.92)	\$ (2.31)
(Loss) income per share from discontinued operations	<u>-</u>	<u>(0.11)</u>	<u>-</u>	<u>0.33</u>
Net loss per share: basic and diluted	<u>\$ (0.95)</u>	<u>\$ (1.76)</u>	<u>\$ (1.92)</u>	<u>\$ (1.97)</u>
Weighted-average number of shares used in per common share calculations:	<u>3,100</u>	<u>2,085</u>	<u>2,653</u>	<u>1,996</u>
Other comprehensive loss				
Net loss	\$ (2,944)	\$ (3,660)	\$ (5,086)	\$ (3,950)
Foreign currency translation adjustments	<u>259</u>	<u>(344)</u>	<u>267</u>	<u>1,031</u>
Comprehensive loss	<u>\$ (2,685)</u>	<u>\$ (4,004)</u>	<u>\$ (4,819)</u>	<u>\$ (2,919)</u>

**SONOMA PHARMACEUTICALS, INC. AND SUBSIDIARIES**  
**RECONCILIATION OF GAAP MEASURES TO NON-GAAP MEASURES**

(In thousands)

(Unaudited)

	Three Months Ended March 31,		Year Ended March 31,	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>

**(1) Loss from operations minus non-cash expenses EBITDAS loss:**

GAAP loss from operations as reported	\$ (3,060)	\$ (2,814)	\$ (5,887)	\$ (3,449)
Non-cash adjustments:				

Stock-based compensation	213	76	382	371
Depreciation and amortization	<u>36</u>	<u>39</u>	<u>187</u>	<u>227</u>
Non-GAAP loss from operations minus non-cash expenses EBITDAS loss	<u>\$ (2,811)</u>	<u>\$ (2,699)</u>	<u>\$ (5,318)</u>	<u>\$ (2,851)</u>

**(2) Net loss minus non-cash expenses:**

GAAP net (loss) income as reported	\$ (2,944)	\$ (3,660)	\$ (5,086)	\$ (3,950)
Non-cash adjustments:				
Stock-based compensation	213	76	382	371
Depreciation and amortization	<u>36</u>	<u>39</u>	<u>187</u>	<u>227</u>
Non-GAAP net (loss) income minus non-cash expenses	<u>\$ (2,695)</u>	<u>\$ (3,545)</u>	<u>\$ (4,517)</u>	<u>\$ (3,352)</u>

**(3) Operating expenses minus non-cash expenses**

GAAP operating expenses as reported	\$ 3,156	\$ 2,620	\$ 9,880	\$ 10,008
Non-cash adjustments:				
Stock-based compensation	(213)	(76)	(382)	(371)
Depreciation and amortization	<u>(36)</u>	<u>(39)</u>	<u>(187)</u>	<u>(227)</u>
Non-GAAP operating expenses minus non-cash expenses	<u>\$ 2,907</u>	<u>\$ 2,505</u>	<u>\$ 9,310</u>	<u>\$ 9,410</u>

(1) Loss from operations minus non-cash expenses (EBITDAS) is a non-GAAP financial measure. The Company defines operating loss minus non-cash expenses as GAAP reported operating 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.

(2) Net loss minus non-cash expenses is a non-GAAP financial measure. The Company defines net loss minus non-cash expenses as GAAP reported net 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**  
**REVENUE SCHEDULES**  
(In thousands)

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

	<b>Three Months Ended March 31, (Unaudited)</b>			
	<b>2022</b>	<b>2021</b>	<b>\$ Change</b>	<b>% Change</b>
United States	\$ (67 )	\$ (171 )	\$ 104	61 %
Latin America	740	324	416	128 %
Europe and Rest of the World	1,625	2,004	(379 )	(19 %)
Total	<u>\$ 2,298</u>	<u>\$ 2,157</u>	<u>\$ 141</u>	<u>7 %</u>
	<b>Year Ended March 31,</b>			
	<b>2022</b>	<b>2021</b>	<b>\$ Change</b>	<b>% Change</b>
United States	\$ 3,807	\$ 5,419	\$ (1,612 )	(30 %)
Latin America	2,095	5,976	(3,881 )	(65 %)
Europe and Rest of the World	6,726	7,234	(508 )	(7 %)
Total	<u>\$ 12,628</u>	<u>\$ 18,629</u>	<u>\$ (6,001 )</u>	<u>(32 %)</u>

**SOURCE:** Sonoma Pharmaceuticals, Inc.

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