

August 11, 2022



Sonoma Pharmaceuticals Reports First Quarter 2023 Financial Results

- **Revenue increase of 73% from Q4 22 and 8% from Q1 22**
- **Reduction of net loss by \$0.2 million or 19% versus Q1 22**
- **Reduction of EBITDAS loss by \$0.2 million or 23% versus Q1 22**
- **Reduction in net loss per share of 44% versus Q1 22**

BOULDER, CO / ACCESSWIRE / August 11, 2022 /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, and dermatological conditions, today announced financial results for its first fiscal quarter ended June 30, 2022.

"Our first quarter results reflect our continued prioritization of growth and profitability," said Amy Trombly, CEO of Sonoma. "First quarter revenues increased over the same period last year, reflecting the strength and diversity of our international operations, with increased sales in both Europe and Asia. We've added additional distribution partners in the U.S., and expanded our existing partner relationships, furthering our goals of increasing our presence in the U.S. and strengthening our international business. We believe this sharp focus on commercialization of new products and entry into new markets will have a significant positive impact on future results."

Business Highlights

Sonoma continued to grow its business by adding new partnerships and product lines, and gaining additional certifications for its products.

- Sonoma launched MicrocynVS® directly for veterinarian clinics and practices, and announced a non-exclusive partnership with DV Med Supply, Inc. to commercialize the MicrocynVS® product line through its impressive direct channels to over 400 veterinary clinics. The MicrocynVS® line of products can be viewed at www.microcynvs.com. The veterinarian strength formulation is exclusively for veterinarians.
- Certain of Sonoma's over-the-counter products received the Natural Personal Care Product certification from the Natural Products Association, proving again that Sonoma's Microcyn® Technology is not only highly effective in killing germs that can cause infection and disease, but is also safe and natural.
- Sonoma continued to expand its U.S. distributor network by granting Lone Star Pharmaceuticals a non-exclusive right to sell Sonoma's dermatology, wound, eye, oral and dental care products in the United States. Lone Star Pharmaceuticals, based out of Fort Worth, Texas, provides nationwide strategic sourcing of life-saving pharmaceutical and medical products. Information about Lone Star Pharmaceuticals can be found at www.lonestarpharmaceuticals.com.

Results for the Quarter Ended June 30, 2022

Revenues for the quarter ended June 30, 2022 of \$4.0 million increased by \$0.3 million, or 8%, as compared to \$3.7 million for the same period last year. Revenues were up in Sonoma's international business in Europe and Asia. Sales decreased in the United States and Latin America as a result of divesting our U.S. prescription dermatology business and the end of the Invektra contract last year. Sonoma's revenues tend to be choppy when viewed on a quarterly basis due to customers placing larger but less frequent orders to benefit from quantity discounts and reduced shipping costs when ordering larger quantities. Also in the quarter ended June 30, 2022, Sonoma sold machinery to a customer in Latin America producing revenue of \$750,000, and management expects this to be a one-time event.

During the quarter ended June 30, 2022, Sonoma reported revenues of \$4.0 million and cost of revenues of \$2.5 million resulting in gross profit of \$1.5 million, or 36% of revenue, compared to a gross profit of \$1.5 million, or 39% of revenue in the same period last year.

Total operating expenses during the first quarter of fiscal year 2023 were \$2.3 million and nearly flat as compared to the same period in the prior year.

Net loss for the quarter was \$0.9 million, down by \$0.2 million, or 19% when compared to a net loss of \$1.1 million for the quarter ended June 30, 2021. EBITDAS loss for the first quarter of fiscal 2022 of \$0.6 million was down by \$0.2 million, or 23%, compared to an EBITDAS loss of \$0.8 million for the same period last year.

As of June 30, 2021, Sonoma had cash and cash equivalents of \$5.6 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, 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 Boulder, Colorado, and Woodstock, Georgia 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. For partnership opportunities, please contact 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

Condensed Consolidated Balance Sheets

(In thousands, except share amounts)

	June 30, 2022	March 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,586	\$ 7,396
Accounts receivable, net	2,434	2,407
Inventories, net	2,788	2,663
Prepaid expenses and other current assets	3,794	3,746
Current portion of deferred consideration, net of discount	215	218
Total current assets	14,817	16,430
Property and equipment, net	309	320
Operating lease, right of use assets	478	559
Deferred tax asset	859	829
Deferred consideration, net of discount, less current portion	583	630
Other assets	112	77
Total assets	<u>\$ 17,158</u>	<u>\$ 18,845</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,057	\$ 1,641
Accrued expenses and other current liabilities	1,952	1,843
Deferred revenue	100	1,223
Deferred revenue Invekra	53	54
Current portion of debt-PPP	-	120
Short-term debt	459	688
Operating lease liabilities	233	250
Total current liabilities	4,854	5,819
Long-term deferred revenue Invekra	152	182
Long-term debt, less current portion - PPP	15	-
Withholding Tax Payable	3,933	3,838
Operating lease liabilities, less current portion	245	309
Total liabilities	<u>\$ 9,199</u>	<u>\$ 10,148</u>
Commitments and Contingencies		
Stockholders' Equity		
Convertible preferred stock, \$0.0001 par value; 714,286 shares authorized at June 30, 2022 and March 31, 2022, respectively, no shares issued and outstanding at June 30, 2022 and March 31, 2022, respectively	-	-
Common stock, \$0.0001 par value; 24,000,000 shares authorized at June 30, 2022 and March 31, 2022, respectively, 3,100,937 shares issued and outstanding at June 30, 2022 and March 31, 2022, respectively	2	2
Additional paid-in capital	197,584	197,370
Accumulated deficit	(185,250)	(184,363)
Accumulated other comprehensive loss	(4,377)	(4,312)
Total stockholders' equity	7,959	8,697
Total liabilities and stockholders' equity	<u>\$ 17,158</u>	<u>\$ 18,845</u>

SONOMA PHARMACEUTICALS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income (Loss)

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended June 30,	
	2022	2021
Revenues	\$ 3,983	\$ 3,684
Cost of revenues	<u>2,537</u>	<u>2,231</u>
Gross profit	<u>1,446</u>	<u>1,453</u>
Operating expenses		
Research and development	6	84
Selling, general and administrative	<u>2,295</u>	<u>2,273</u>
Total operating expenses	<u>2,301</u>	<u>2,357</u>
Loss from operation	(855)	(904)
Interest income (expense), net	-	(1)
Other expense, net	<u>(67)</u>	<u>(193)</u>
Loss before income taxes	<u>(922)</u>	<u>(1,098)</u>
Income tax benefit	<u>35</u>	<u>-</u>
Net loss	<u>\$ (887)</u>	<u>\$ (1,098)</u>
Net loss per share: basic	<u>\$ (0.29)</u>	<u>\$ (0.52)</u>
Net loss per share: diluted	<u>\$ (0.29)</u>	<u>\$ (0.52)</u>
Weighted-average number of shares used in per common share calculations: basic	<u>3,101</u>	<u>2,093</u>
Weighted-average number of shares used in per common share calculations: diluted	<u>3,101</u>	<u>2,093</u>
Other comprehensive loss		
Net loss	\$ (887)	\$ (1,098)
Foreign currency translation adjustments	<u>(65)</u>	<u>307</u>
Comprehensive loss	<u>\$ (952)</u>	<u>\$ (791)</u>

SONOMA PHARMACEUTICALS, INC. AND SUBSIDIARIES

RECONCILIATION OF GAAP MEASURES TO NON-GAAP MEASURES

(In thousands)

(Unaudited)

	Three Months Ended June 30,	
	2022	2021
(1) Income (Loss) from operations minus non-cash expenses EBITDAS income (loss):		
GAAP income (loss) from operations as reported	\$ (855)	\$ (904)
Non-cash adjustments:		
Stock-based compensation	214	59
Depreciation and amortization	31	49
	<u> </u>	<u> </u>
Non-GAAP income (loss) from operations minus non-cash expenses EBITDAS income (loss)	<u>\$ (610)</u>	<u>\$ (796)</u>
(2) Net income (loss) minus non-cash expenses:		
GAAP net income (loss) as reported	\$ (887)	\$ (1,098)
Non-cash adjustments:		
Stock-based compensation	214	59
Depreciation and amortization	31	49
	<u> </u>	<u> </u>
Non-GAAP net income (loss) minus non-cash expenses	<u>\$ (642)</u>	<u>\$ (990)</u>
(3) Operating expenses minus non-cash expenses		
GAAP operating expenses as reported	\$ 2,301	\$ 2,357
Non-cash adjustments:		
Stock-based compensation	(214)	(59)
Depreciation and amortization	(31)	(49)
	<u> </u>	<u> </u>
Non-GAAP operating expenses minus non-cash expenses	<u>\$ 2,056</u>	<u>\$ 2,249</u>

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.

1. 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.

1. 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 revenues by geographic region

	Three Months Ended June 30,		\$ Change	% Change
	2022	2020		
United States	\$ 871,000	\$ 1,592,000	\$ (721,000)	(45 %)
Latin America	1,048,000	565,000	483,000	85 %
Europe and Rest of the World	2,064,000	1,527,000	537,000	35 %
Total	<u>\$ 3,983,000</u>	<u>\$ 3,684,000</u>	<u>\$ 299,000</u>	<u>8 %</u>

SOURCE: Sonoma Pharmaceuticals, Inc.

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