

June 22, 2023



Sonoma Pharmaceuticals Reports Fiscal Year and Fourth Quarter 2023 Financial Results

Revenues increased 31% in Q4 2023 compared to Q4 2022

- ***Revenues increased 5% in FY 2023 compared to FY 2022***
- ***Net loss improved 56% quarter over quarter***
- ***Net loss minus non-cash and one-time expenses decreased 65% quarter over quarter and 26% year over year***

BOULDER, CO / ACCESSWIRE / June 22, 2023 /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, dermatological conditions, podiatry, animal health care and non-toxic disinfectants, today announced financial results for fiscal year 2023 and the fourth quarter ended March 31, 2023.

"Our increased revenues and shrinking losses reflect the strength of our growing and diversified business, both geographically and in our product portfolio. Our diligent efforts to expand sales while reducing costs is also reflected in a continued reduction to our cash burn," remarked Amy Trombly, CEO of Sonoma. "We see continued demand for our products and opportunities for further growth and expense containment as we aggressively push towards profitability."

Recent Business Highlights

Sonoma continued to grow its distribution network by adding new partners and introducing new products, and to work with existing partners to expand regulatory approvals:

- On June 8, 2023, we announced a new application of our Microcyn® technology for intraoperative pulse lavage irrigation treatment, which can replace commonly used IV bags in a variety of surgical procedures and is expected to be ready for commercial use in Europe in September 2023. We anticipate commercial launch in the U.S. in 2024.
- On April 11, 2023, we launched Podiacyn™ Advanced Everyday Foot Care direct to consumers for over-the-counter use in the United States, intended for management of foot odors, infections, and irritations, as well as daily foot health and hygiene.
- In March 2023, we announced new EPA claims for our Nanocyn® hospital-grade disinfectant for effective use against Methicillin Resistant Staphylococcus Aureus (MRSA), Salmonella, Norovirus, Poliovirus, and as a fungicide. Nanocyn was previously approved for use against COVID-19 as well as emerging pathogens

including Ebola virus, Mpox, and SARS-CoV-2. Nanocyn also received the Green Seal® Certification after surpassing a series of rigorous standards that measure environmental health, sustainability and product performance.

- Our Microcyn® Rx products, including wound care, prescription dermatology products Celacyn® and Levicyn®, and prescription eye care Acuicyn®, received a Distribution and Pricing Agreement (DAPA) in January 2023 for distribution by the Defense Logistics Agency (DLA), enabling our partner, EMC Pharma, LLC to enter into distribution agreements for these products with federal customers.
- We continued to expand our network of global partners by entering into a distribution agreement with Daewoong Pharmaceutical Co., Ltd., one of the largest pharmaceutical companies in South Korea, in January 2023 for the marketing and distribution of Primocyn™ Skin Solution products.

Results for the Quarter Ended March 31, 2023

Total revenue of \$3.0 million for the fourth quarter ended March 31, 2023 increased by \$0.7 million, or 31%, from \$2.3 million for the same period last year. This increase was due to increased sales in the United States and Rest of World, partially offset by slight declines in Europe, Asia and Latin America.

During the quarter ended March 31, 2023, Sonoma reported cost of revenues of \$2.2 million resulting in total gross profit of \$0.9 million, or 29% of total revenue, compared to a gross profit of \$0.1 million, or 4% of total revenue in the same period last year. Adjusted for approximately \$0 and \$715,000 of revenue estimate adjustments for returns, distributor fees, and rebates related to the conversion of our prescription dermatology business to a distribution model in the quarters ended March 31, 2023 and March 31, 2022, respectively, the gross profit percentage for the quarter ended March 31, 2023 would be approximately 29% compared to 24% in the prior year.

Total operating expenses during the fourth quarter of fiscal year 2023 were \$2.0 million, down 1.2 million, or 37%, as compared to the same period in the prior year. The primary reasons for the decline include a reduction our expenses following the divestment of our prescription dermatology business in fiscal year 2022, the closing of our Woodstock, Georgia facility and continued diligence in controlling Sonoma's expenses.

Net loss for the fourth quarter of fiscal year 2023 was \$1.3 million, down by \$1.6 million, or 56%, compared to the same period last year. EBITDAS loss for the fourth quarter of fiscal year 2023 of \$1.0 million was down by \$1.8 million, or 64%, compared to an EBITDAS loss of \$2.8 million for the same period last year.

As of March 31, 2023, Sonoma had cash and cash equivalents of \$3.8 million.

Results for the Year Ended March 31, 2023

Total revenues for the year ended March 31, 2023 of \$13.2 million increased by \$0.6 million as compared to \$12.6 million for the year ended March 31, 2022. The increase in revenue was driven primarily by robust sales in Europe, Asia and Latin America partially offset by a decline in United States revenue. U.S. revenue was impacted by soft demand for our over-the-counter animal care health care products partially offset by increased sales in over-the-

counter dermatology and eye care.

For the year ended March 31, 2023, Sonoma reported total revenues of \$13.2 million and total cost of revenues of \$8.8 million, resulting in total gross profit of \$4.5 million, or 34% of total revenues, compared to a gross profit of \$4 million, or 32% of total revenues, for the same period in the prior year. The increase in gross margin was primarily related to greater factory efficiency resulting from higher volumes of product sold and product mix.

Total operating expenses during fiscal year 2023 were \$9.0 million, down \$0.9 million, or 9%, as compared to the same period in the prior year. The primary reasons for the decline include a reduction our expenses following the divestment of our prescription dermatology business in fiscal year 2022, the closing of our Woodstock, Georgia facility and continued diligence in controlling Sonoma's expenses.

Net loss during fiscal year 2023 was \$5.2 million, up \$0.1 million, or 2%, compared to the same period last year. EBITDAS loss for fiscal year 2023 of \$3.8 million was down \$1.5 million, or 29%, compared to an EBITDAS loss of \$5.3 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, eye care, nasal care, oral care, dermatological conditions, podiatry, animal health care and non-toxic disinfectants. 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. For partnership opportunities, please contact 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," "reduce," "develop," "anticipate," "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 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 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® , Podiacyn™, Nanocyn®, Celacyn®, Levicyn® and Acuicyn® 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

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

	March 31, 2023	March 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,820	\$ 7,396
Accounts receivable, net	2,572	2,407
Inventories, net	2,858	2,663
Prepaid expenses and other current assets	4,308	3,746
Current portion of deferred consideration, net of discount	240	218
Total current assets	13,798	16,430
Property and equipment, net	488	320
Operating lease, right of use assets	418	559
Deferred tax asset	949	829
Deferred consideration, net of discount, less current portion	505	630
Other assets	73	77
Total assets	<u>\$ 16,231</u>	<u>\$ 18,845</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 841	\$ 1,641
Accrued expenses and other current liabilities	2,029	1,843
Deferred revenue	100	1,223
Deferred revenue Invekra	60	54
Current portion of debt-PPP	-	120
Current portion of long-term debt	431	688
Operating lease liabilities	256	250
Total current liabilities	3,717	5,819
Long-term deferred revenue Invekra	140	182
Withholding Tax Payable	4,235	3,838
Operating lease liabilities, less current portion	162	309
Total liabilities	<u>\$ 8,254</u>	<u>\$ 10,148</u>
Commitments and Contingencies		
Stockholders' Equity		
Convertible preferred stock, \$0.0001 par value; 714,286 shares authorized at March 31, 2023 and 2022, respectively, no shares issued and outstanding at March 31, 2023 and 2022, respectively	-	-
Common stock, \$0.0001 par value; 24,000,000 shares authorized at March 31, 2023 and 2022, respectively, 4,933,550 and 3,100,937 shares issued and outstanding at March 31, 2023 and 2021, respectively (Note 13)	5	2
Additional paid-in capital	200,904	197,370
Accumulated deficit	(189,514)	(184,363)
Accumulated other comprehensive loss	(3,418)	(4,312)
Total stockholders' equity	<u>7,977</u>	<u>8,697</u>
Total liabilities and stockholders' equity	<u>\$ 16,231</u>	<u>\$ 18,845</u>

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

	Three Months Ended March 31, (Unaudited)		Year Ended March 31,	
	2023	2022	2023	2022
Revenues	3,014	2,298	13,272	12,628
Cost of revenues	2,150	2,202	8,795	8,635
Gross profit (loss)	864	96	4,477	3,993
Operating expenses				
Research and development	201	4	207	125
Selling, general and administrative	1,810	3,152	8,840	9,755
Total operating expenses	2,011	3,156	9,047	9,880
Loss from operations	(1,147)	(3,060)	(4,570)	(5,887)
Interest (expense) income, net	12	(9)	16	(10)
Forgiveness of PPP loan	-	-	-	723
Other expense, net	(304)	(213)	(631)	(394)
Gain on sale of assets	-	-	1	150
Loss from operations before income taxes	(1,439)	(3,282)	(5,184)	(5,418)
Income tax benefit (expense)	131	338	33	332
Net Loss	<u>\$ (1,308)</u>	<u>\$ (2,944)</u>	<u>\$ (5,151)</u>	<u>\$ (5,086)</u>
Net loss per share: basic	<u>\$ (0.31)</u>	<u>\$ (0.95)</u>	<u>\$ (1.52)</u>	<u>\$ (1.92)</u>
Net loss per share: diluted	<u>\$ (0.31)</u>	<u>\$ (0.95)</u>	<u>\$ (1.52)</u>	<u>\$ (1.92)</u>
Weighted-average shares outstanding: basic	<u>4,257</u>	<u>3,100</u>	<u>3,394</u>	<u>2,653</u>
Weighted-average shares outstanding: diluted	<u>4,257</u>	<u>3,100</u>	<u>3,394</u>	<u>2,653</u>
Other comprehensive loss				
Net loss	\$ (1,308)	\$ (2,944)	\$ (5,151)	\$ (5,086)
Foreign currency translation adjustments	758	259	894	267
Comprehensive loss	<u>\$ (550)</u>	<u>\$ (2,685)</u>	<u>\$ (4,257)</u>	<u>\$ (4,819)</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,	
	2023	2022	2023	2022
(1) Loss from operations minus non-cash expenses				
EBITDAS loss:				
GAAP loss from operations as reported	\$ (1,147)	\$ (3,060)	\$ (4,570)	\$ (5,887)
Non-cash adjustments:				
Stock-based compensation	100	213	669	382
Depreciation and amortization	36	36	125	187
Non-GAAP loss from operations minus non-cash expenses	<u>\$ (1,011)</u>	<u>\$ (2,811)</u>	<u>\$ (3,776)</u>	<u>\$ (5,318)</u>
EBITDAS loss	<u><u>\$ (1,011)</u></u>	<u><u>\$ (2,811)</u></u>	<u><u>\$ (3,776)</u></u>	<u><u>\$ (5,318)</u></u>
(2) Net loss minus non-cash and one-time expenses:				
GAAP net (loss) income as reported	\$ (1,308)	\$ (2,944)	\$ (5,151)	\$ (5,086)
Non-cash adjustments:				
Stock-based compensation	100	213	669	382
Non-cash foreign exchange transaction losses	318	227	692	561
Forgiveness of PPP loan	-	-	-	(723)
Income taxes	(131)	(338)	(33)	(332)
Depreciation and amortization	36	36	125	187
Non-GAAP net (loss) income minus non-cash expenses	<u>\$ (985)</u>	<u>\$ (2,806)</u>	<u>\$ (3,698)</u>	<u>\$ (5,011)</u>
(3) Operating expenses minus non-cash expenses				
GAAP operating expenses as reported	\$ 2,011	\$ 3,156	\$ 9,047	\$ 9,880
Non-cash adjustments:				
Stock-based compensation	(100)	(213)	(669)	(382)
Depreciation and amortization	(36)	(36)	(125)	(187)
Non-GAAP operating expenses minus non-cash expenses	<u>\$ 1,875</u>	<u>\$ 2,907</u>	<u>\$ 8,253</u>	<u>\$ 9,310</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 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.

SONOMA PHARMACEUTICALS, INC. AND SUBSIDIARIES
REVENUE SCHEDULES
(In thousands)

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

	Three Months Ended March 31, (Unaudited)			
	2023	2022	\$ Change	% Change
United States	\$ 825	\$ (65)	\$ 890	1369 %
Europe	934	991	(57)	(6)%
Asia	499	540	(41)	(8)%
Latin America	556	739	(183)	(25)%
Rest of the World	200	93	107	115 %
Total	<u>\$ 3,014</u>	<u>\$ 2,298</u>	<u>\$ 716</u>	<u>31.2 %</u>
	Year Ended March 31,			
	2023	2022	\$ Change	% Change
United States	\$ 3,428	\$ 3,807	\$ (379)	(10)%
Europe	4,051	3,410	641	19 %
Asia	2,451	2,350	101	4 %
Latin America	2,383	2,095	288	14 %
Rest of the World	959	966	(7)	(1)%
Total	<u>\$ 13,272</u>	<u>\$ 12,628</u>	<u>\$ 644</u>	<u>5 %</u>

SOURCE: Sonoma Pharmaceuticals, Inc.

View source version on accesswire.com:

<https://www.accesswire.com/762984/Sonoma-Pharmaceuticals-Reports-Fiscal-Year-and-Fourth-Quarter-2023-Financial-Results>