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Sonoma Pharmaceuticals Reports First Fiscal Quarter 2024 Financial Results

- *Revenue increased 6% in the first fiscal quarter compared to the same period last year, excluding a one-time event last year*
- *Margins remained consistent year over year in an inflationary period, excluding the one-time event*
- *Sonoma continued to manage cash tightly, using only \$0.3 million of cash in its first fiscal quarter*

BOULDER, CO / ACCESSWIRE / August 10, 2023 /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, eye, oral and nasal care, dermatological conditions, podiatry, animal health care and non-toxic disinfectants, today announced financial results for its first fiscal quarter ended June 30, 2023.

"We continued to grow our core business in the first fiscal quarter by adding new products, partners and territories while containing costs," said Amy Trombly, CEO of Sonoma.

"Excluding a one-time event in the prior year, our first fiscal quarter revenues increased 6% compared to the same period last year, demonstrating continued customer demand for existing and new applications of our technology."

Business Highlights

Sonoma continued to meet customer needs by introducing new products and expanding its worldwide distribution network:

- On June 8, 2023, Sonoma announced a new application of its 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. Commercial launch in the U.S. is anticipated in 2024.
- On April 11, 2023, Sonoma 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.
- Sonoma continued to expand its reach in the Middle East and in Asia, when one of its existing distribution partners initiated sale of Sonoma's wound care products in Saudi Arabia, and another distributor expanded sales in Uzbekistan.

Results for the Quarter Ended June 30, 2023

Total revenues for the quarter ended June 30, 2023 of \$3.4 million decreased by \$0.6

million, or 14%, as compared to \$4.0 million for the same period last year. In the quarter ended June 30, 2022, Sonoma sold machinery to a customer in Latin America for \$750,000, which management expects to be a one-time event. Excluding that event, revenue for the quarter ended June 30, 2023 increased by \$0.2 million, or 6%, compared to the same period last year. Revenues in Europe increased 27% compared to the same period last year as the result of increased demand for Sonoma's products. Revenues decreased in Asia and Rest of World when compared to the same period last year. These 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.

During the quarter ended June 30, 2023, Sonoma reported revenues of \$3.4 million and cost of revenues of \$2.2 million resulting in gross profit of \$1.2 million, or 35% of revenue, compared to a gross profit of \$1.6 million, or 41% of revenue in the same period last year. The decline is the result of the sale of machinery in Latin America in 2022, which management expects to be a one-time event, and changes in product mix and territories to which products are shipped.

Total operating expenses during the quarter ended June 30, 2023 were \$2.4 million and nearly flat as compared to the same period in the prior year.

Net loss for the quarter of \$1.4 million increased by \$0.5 million, or 60%, when compared to a net loss of \$0.9 million for the quarter ended June 30, 2022. The increase in net loss is primarily related to the one-time event equipment sale in Latin America in 2022 as well as the factors discussed above. EBITDA loss for the quarter ended June 30, 2023 of \$1.0 million remained flat, compared to an EBITDA loss of \$1.0 million for the same period last year.

As of June 30, 2023, Sonoma had cash and cash equivalents of \$3.5 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, eye, oral and nasal 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 has its corporate headquarters in 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. 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," "aim," 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 recent 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® and Podiacyn™ are trademarks or registered trademarks 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, 2023	March 31, 2023
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,544	\$ 3,820
Accounts receivable, net	2,439	2,572
Inventories, net	2,730	2,858
Prepaid expenses and other current assets	4,621	4,308
Current portion of deferred consideration, net of discount	253	240
Total current assets	13,587	13,798
Property and equipment, net	485	488
Operating lease, right of use assets	354	418
Deferred tax asset	908	949
Deferred consideration, net of discount, less current portion	482	505
Other assets	77	73
Total assets	<u>\$ 15,893</u>	<u>\$ 16,231</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,090	\$ 841
Accrued expenses and other current liabilities	2,255	2,029
Deferred revenue	100	100
Deferred revenue Invekra	62	60
Short-term debt	301	431
Operating lease liabilities	233	256
Total current liabilities	4,041	3,717
Long-term deferred revenue Invekra	132	140
Withholding tax payable	4,357	4,235
Operating lease liabilities, less current portion	121	162
Total liabilities	8,651	8,254
Commitments and Contingencies		-
Stockholders' Equity		
Convertible preferred stock, \$0.0001 par value; 714,286 shares authorized at June 30, 2023 and March 31, 2023, respectively, no shares issued and outstanding at June 30, 2023 and March 31, 2023, respectively	-	-
Common stock, \$0.0001 par value; 24,000,000 shares authorized at June 30, 2023 and March 31, 2023, respectively, 5,141,596 and 4,933,550 shares issued and outstanding at June 30, 2023 and March 31, 2023, respectively	5	5
Additional paid-in capital	201,076	200,904
Accumulated deficit	(190,932)	(189,514)
Accumulated other comprehensive loss	(2,907)	(3,418)
Total stockholders' equity	7,242	7,977
Total liabilities and stockholders' equity	<u>\$ 15,893</u>	<u>\$ 16,231</u>

SONOMA PHARMACEUTICALS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Loss
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,	
	2023	2022
Revenues	\$ 3,427	\$ 3,983
Cost of revenues	2,223	2,337
Gross profit	1,204	1,646
Operating expenses		
Research and development	325	206
Selling, general and administrative	2,119	2,295
Total operating expenses	2,444	2,501
Loss from operations	(1,240)	(855)
Other expense, net	(211)	(67)
Loss before income taxes	(1,451)	(922)
Income tax benefit	33	35
Net loss	<u>\$ (1,418)</u>	<u>\$ (887)</u>
Net loss per share: basic and diluted	<u>\$ (0.29)</u>	<u>\$ (0.29)</u>
Weighted-average number of shares used in per common share calculations: basic and diluted	<u>4,936</u>	<u>3,101</u>
Other comprehensive loss		
Net loss	\$ (1,418)	\$ (887)
Foreign currency translation adjustments	511	(65)
Comprehensive loss	<u>\$ (907)</u>	<u>\$ (952)</u>

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

	Three Months Ended June 30,	
	2023	2022
(1) Loss from operations adjusted for non-cash items and one-time events, or EBITDA loss:		
GAAP loss from operations as reported	\$ (1,240)	\$ (855)
Equipment sale to customer in Latin America (one-time event)	-	(400)
Non-cash adjustments:		
Stock-based compensation	177	214
Depreciation and amortization	45	31
Non-GAAP loss from operations minus non-cash expenses EBITDA loss	<u>\$ (1,018)</u>	<u>\$ (1,010)</u>
(2) Net loss adjusted for non-cash items and one-time events:		
GAAP net loss as reported	\$ (1,418)	\$ (887)
Equipment sale to customer in Latin America (one-time event)	-	(400)
Non-cash adjustments:		
Stock-based compensation	177	214
Non-cash foreign exchange transaction losses	259	67
Income taxes	(33)	(35)
Depreciation and amortization	45	31
Non-GAAP net loss adjusted for non-cash items and one-time events	<u>\$ (970)</u>	<u>\$ (1,010)</u>
(3) Operating expenses minus non-cash expenses		
GAAP operating expenses as reported	\$ 2,444	\$ 2,301
Non-cash adjustments:		
Stock-based compensation	(177)	(214)
Depreciation and amortization	(45)	(31)
Non-GAAP operating expenses minus non-cash expenses	<u>\$ 2,222</u>	<u>\$ 2,056</u>

1. Loss from operations minus non-cash expenses EBITDA loss is a non-GAAP financial measure. The Company defines this as GAAP reported operating income loss minus operating depreciation and amortization, and operating stock-based compensation and sale of equipment to a Latin America company. The Company uses this measure for the purpose of modifying the operating loss to reflect normal direct cash related 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.
2. Net loss adjusted for non-cash items and one-time events is a non-GAAP financial measure. The Company this as GAAP reported net loss minus depreciation and amortization, stock-based compensation, income taxes, sale of equipment to a Latin America company 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 normal 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. 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.

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

The following table shows consolidated total revenue and revenue by geographic region for the three months ended June 30, 2023 and 2022:

(In thousands)	Three Months Ended June 30,		\$ Change	% Change
	2023	2022		
United States	\$ 806,000	\$ 871,000	\$ (65,000)	(7%)
Europe	1,070,000	841,000	229,000	27%
Asia	862,000	920,000	(58,000)	(6%)
Latin America	487,000	1,048,000	(561,000)	(54%)
Rest of the World	202,000	303,000	(101,000)	(33%)
Total	<u>\$ 3,427,000</u>	<u>\$ 3,983,000</u>	<u>\$ (556,000)</u>	<u>(14%)</u>

SOURCE: Sonoma Pharmaceuticals, Inc.

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