

June 17, 2024



Sonoma Pharmaceuticals Reports Fiscal Year and Fourth Quarter 2024 Financial Results

- ***Revenues increased 14% in Q4 2024 compared to Q4 2023***
- ***Gross profit margin improved 3% in FY 2024 compared to FY 2023***
- ***Net loss improved 18% in Q4 2024 compared to Q4 2023, and 6% in FY 2024 compared to FY 2023***

BOULDER, CO / ACCESSWIRE / June 17, 2024 /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 2024 and the fourth quarter ended March 31, 2024.

"We are pleased to report continued product-related growth and reduced cash burn in both our fourth quarter and fiscal year 2024 results. Fueled by significant worldwide demand for our technology, we've expanded our revenue channels and developed new products over the past year," said Amy Trombly, CEO of Sonoma. "We remain focused on control of expenses and identifying new growth opportunities as we drive the business toward profitability."

Recent Business Highlights

Sonoma continued to grow its distribution network by introducing new products, entering into new partnerships, and working with existing partners to expand our markets:

- On May 9, 2024, we announced expansion of our MicrocynAH[®] animal health care products in the Menards[®] chain of home improvement stores in the United States, through our partner Compana Pet Brands.
- On April 9, 2024, we announced expansion of our Microcyn Negative Pressure Wound Therapy Solution products line, now available in 250mL, 450mL and 990mL sizes to meet the diverse needs of healthcare professionals and patients.
- On January 23, 2024, we launched Lumacyn[™] Clarifying Mist, a new direct-to-consumer skincare product, in the United States. Lumacyn is an all-natural daily toner formulated with Microcyn technology to soothe the skin, reduce redness and irritation, and manage blemishes by reducing infection.
- A 2024 publication in the journal *Neuourology and Urodynamics* highlighted the potential for Microdox[®], distributed by our partner, Te Arai BioFarma Ltd, in Australia and New Zealand, in the management of urinary tract infections, or UTIs, in children with neurogenic or non-neurogenic bladder dysfunction.

Results for the Quarter Ended March 31, 2024

Total revenue of \$3.4 million for the fourth quarter ended March 31, 2024 increased by \$0.4 million, or 14%, from \$3.0 million for the same period last year. This increase was due to increased sales in all territories, other than a slight decline in Rest of the World.

During the quarter ended March 31, 2024, Sonoma reported cost of revenues of \$2.3 million resulting in total gross profit of \$1.1 million, or 32% of total revenue, compared to a gross profit of \$0.9 million, or 29% of total revenue in the same period last year.

Total operating expenses during the fourth quarter of fiscal year 2024 were \$2.5 million, up 0.5 million, or 24%, as compared to the same period in the prior year. The primary reasons for this increase were additional research and development expenses related to product development and expanded regulatory efforts in the U.S. and Europe. Due to the improvement in gross margin of 3% compared to the prior year, the additional research and development expenses did not impact the net increase in total expenses for the quarter ended March 31, 2024.

Net loss for the fourth quarter of fiscal year 2024 was \$1.1 million, down by \$0.2 million, or 18%, compared to the same period last year. EBITDA loss for the fourth quarter of fiscal year 2024 of \$1.3 million was up by \$0.3 million, or 28%, compared to an EBITDA loss of \$1.0 million for the same period last year.

As of March 31, 2024, Sonoma had cash and cash equivalents of \$3.1 million.

Results for the Year Ended March 31, 2024

Total revenues for the year ended March 31, 2024 of \$12.7 million decreased by \$0.6 million as compared to \$13.3 million for the year ended March 31, 2023. The decrease in revenue was driven primarily by a decline of \$0.9 million in service revenue due to the sale of machinery to a customer in Latin America during the prior year, which management expects to be a one-time event. Product revenues increased 3% from the prior year primarily as a result of increases in Europe and Latin America offset by declines in the United States, Asia and Rest of the World.

For the year ended March 31, 2024, Sonoma reported total revenues of \$12.7 million and total cost of revenues of \$8.0 million, resulting in total gross profit of \$4.7 million, or 37% of total revenues, compared to a gross profit of \$4.5 million, or 34% of total revenues, for the same period in the prior year.

Total operating expenses during fiscal year 2024 were \$9.4 million, up \$0.4 million, or 4%, as compared to the same period in the prior year. The primary reasons for the increase were additional research and development expenses related to product development and expanded regulatory efforts in the U.S. and Europe. Due to the improvement in gross margin in fiscal year 2024 compared to the prior year, total expenses for the year decreased despite the additional research and development expenses.

Net loss during fiscal year 2024 was \$4.8 million, down \$0.3 million, or 6%, compared to the same period last year. EBITDA loss for fiscal year 2024 of \$4.0 million was up \$0.4 million, or 10%, compared to an EBITDA loss of \$3.6 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 are clinically proven to reduce itch, pain, scarring, and irritation safely and without damaging healthy tissue. In-vitro and clinical studies of HOCl show it to safely manage skin abrasions, lacerations, minor irritations, cuts, and intact skin. 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®, MicrocynAH®, Lumacyn™ and Microdox® 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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(In thousands, except share amounts)

	March 31, 2024	March 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,128	\$ 3,820
Accounts receivable, net	2,898	2,572
Inventories, net	2,719	2,858
Prepaid expenses and other current assets	3,541	4,308
Current portion of deferred consideration, net of discount	262	240
Total current assets	12,548	13,798
Property and equipment, net	365	488
Operating lease, right of use assets	286	418
Deferred tax asset	1,145	949
Deferred consideration, net of discount, less current portion	330	505
Other assets	66	73
Total assets	\$ 14,740	\$ 16,231
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 607	\$ 841
Accrued expenses and other current liabilities	2,113	2,029
Deferred revenue	478	160
Short-term debt	323	431
Operating lease liabilities, current portion	198	256
Total current liabilities	3,719	3,717
Deferred revenue, net of current portion	87	140
Withholding tax payable	4,710	4,235
Operating lease liabilities, less current portion	87	162
Total liabilities	8,603	8,254
Commitments and Contingencies		-
Stockholders' Equity:		
Convertible preferred stock, \$0.0001 par value; 714,286 shares authorized at March 31, 2024 and 2023, respectively, no shares issued and outstanding at March 31, 2024 and 2023, respectively	-	-
Common stock, \$0.0001 par value; 24,000,000 shares authorized at March 31, 2024 and 2023, respectively, 15,607,433 and 4,933,550 shares issued and outstanding at March 31, 2024 and 2023, respectively	2	5
Additional paid-in capital	203,207	200,904
Accumulated deficit	(194,349)	(189,514)
Accumulated other comprehensive loss	(2,723)	(3,418)
Total stockholders' equity	6,137	7,977
Total liabilities and stockholders' equity	\$ 14,740	\$ 16,231

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

	Three Months Ended March 31,		Year Ended March 31,	
	2024	2023	2024	2023
	(Unaudited)			
Revenues	\$ 3,439	\$ 3,014	\$ 12,735	\$ 13,272
Cost of revenues	2,348	2,150	7,990	8,795
Gross profit	1,091	864	4,745	4,477
Operating expenses				
Research and development	409	201	1,871	207
Selling, general and administrative	2,091	1,810	7,575	8,840
Total operating expenses	2,500	2,011	9,446	9,047
Loss from operations	(1,409)	(1,147)	(4,701)	(4,570)
Other income (expense), net	50	(292)	(330)	(614)
Loss before income taxes	(1,359)	(1,439)	(5,031)	(5,184)
Income tax benefit	292	131	196	33
Net loss	<u>\$ (1,067)</u>	<u>\$ (1,308)</u>	<u>\$ (4,835)</u>	<u>\$ (5,151)</u>
Net loss per share: basic and diluted	<u>\$ (0.07)</u>	<u>\$ (0.31)</u>	<u>\$ (0.53)</u>	<u>\$ (1.52)</u>
Weighted-average number of shares: basic and diluted	<u>15,375</u>	<u>4,257</u>	<u>9,090</u>	<u>3,394</u>
Other comprehensive loss				
Net loss	\$ (1,067)	\$ (1,308)	\$ (4,835)	\$ (5,151)
Foreign currency translation adjustments	100	758	695	894
Comprehensive loss	<u>\$ (967)</u>	<u>\$ (550)</u>	<u>\$ (4,140)</u>	<u>\$ (4,257)</u>

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

(1) Loss from operations minus non-cash expenses (EBITDA) 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 and one-time 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, income taxes, 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)

	Three Months Ended March 31,		\$ Change	% Change
	2024	2023		
	(Unaudited)			
United States	\$ 769	\$ 825	\$ (56)	(7 %)
Europe	1,293	934	359	38 %
Asia	568	499	69	14 %
Latin America	636	556	80	14 %
Rest of the World	173	200	(27)	(14 %)
Total	<u>\$ 3,439</u>	<u>\$ 3,014</u>	<u>\$ 425</u>	<u>14 %</u>

TAB;E

	Year Ended March 31,		\$ Change	% Change
	2024	2023		
United States	\$ 3,058	\$ 3,428	\$ (370)	(11 %)
Europe	4,781	4,051	730	18 %
Asia	2,298	2,451	(153)	(6 %)
Latin America	1,726	2,383	(657)	(28 %)
Rest of the World	872	959	(87)	(9 %)
Total	<u>\$ 12,735</u>	<u>\$ 13,272</u>	<u>\$ (537)</u>	<u>(4 %)</u>

SOURCE: Sonoma Pharmaceuticals, Inc.

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