

August 8, 2024



Sonoma Pharmaceuticals Reports First Fiscal Quarter 2025 Financial Results

- *European revenues increased 20% compared to same period last year*
- *Gross margin of 39% compared to 35% in same period last year*
- *Net loss improved 19% compared to same period last year*

BOULDER, CO / ACCESSWIRE / August 8, 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 its first fiscal quarter ended June 30, 2024.

"This year marks the twentieth anniversary of the introduction of Sonoma wound care products into Europe; it is remarkable how our business has expanded and diversified in that time," remarked Amy Trombly, CEO of Sonoma. "We're off to a strong start in fiscal year 2025, with first quarter results showing increased revenues in Europe and improved overall margins as compared to the prior year. We continue to expand our business and identify new markets for our products, while containing our costs, and we look forward to continued growth as a result of these achievements."

Business Highlights

Sonoma continued to meet customer needs by expanding our product offerings, entering new partnerships, and working with existing partners to expand our markets:

- On July 9, 2024, we announced an expansion of our distributor base in Europe through a new partnership with Smart Healthcare Company (SHC) s.r.o. for the distribution of Microdacyn60[®] wound care products into Ukraine.
- 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.

Results for the Quarter Ended June 30, 2024

Total revenues for the quarter ended June 30, 2024 of \$3.4 million were flat as compared to \$3.4 million for the same period last year. Revenues in Europe increased 20% 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.

During the quarter ended June 30, 2024, Sonoma reported revenues of \$3.4 million and cost of revenues of \$2.1 million resulting in gross profit of \$1.3 million, or 39% of revenue, compared to a gross profit of \$1.2 million, or 35% of revenue in the same period last year.

Total operating expenses during the quarter ended June 30, 2024 were \$2.5 million and nearly flat as compared to the same period in the prior year.

Net loss for the quarter of \$1.1 million decreased by \$0.3 million, or 21%, when compared to a net loss of \$1.4 million for the quarter ended June 30, 2023. EBITDA loss for the quarter ended June 30, 2024 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, 2024, Sonoma had cash and cash equivalents of \$2.6 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, eye, oral and nasal care, dermatological conditions, podiatry, animal health care and non-toxic disinfectants. Sonoma'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. Sonoma'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 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®, Microdacyn60® and MicrocynAH® 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, 2024	March 31, 2024
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,589	\$ 3,128
Accounts receivable, net	3,247	2,898
Inventories, net	2,658	2,719
Prepaid expenses and other current assets	3,196	3,541
Current portion of deferred consideration, net of discount	237	262
	—	—
Total current assets	11,927	12,548
Property and equipment, net	302	365

Operating lease, right of use assets	216	286
Deferred tax asset	921	1,145
Deferred consideration, net of discount, less current portion	246	330
Other assets	61	66
	<u> </u>	<u> </u>
Total assets	\$ 13,673	\$ 14,740
	<u> </u>	<u> </u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$ 751	\$ 607
Accrued expenses and other current liabilities	2,228	2,113
Deferred revenue, current portion	413	478
Short-term debt	204	323
Operating lease liabilities, current portion	155	198
	<u> </u>	<u> </u>
Total current liabilities	3,751	3,719
	64	87
Deferred revenue, net of current portion		
	4,822	4,710
Withholding tax payable		
	61	87
Operating lease liabilities, less current portion	<u> </u>	<u> </u>
	8,698	8,603
Total liabilities	<u> </u>	<u> </u>

Commitments and Contingencies

Stockholders' Equity:

Convertible preferred stock, \$0.0001 par value; 714,286 shares authorized at June 30, 2024 and :March 31, 2024, respectively, no shares issued and outstanding at June 30, 2024 and March 31, 2024, respectively

Common stock, \$0.0001 par value; 24,000,000 shares authorized at June 30, 2024 and March 31, 2024, respectively, 19,004,393 and 15,607,433 shares issued and outstanding at June 30, 2024 and March 31, 2024, respectively

Additional paid-in capital	204,069	203,207
Accumulated deficit	(195,492)	(194,349)
Accumulated other comprehensive loss	(3,604)	(2,723)
	<u> </u>	<u> </u>
Total stockholders' equity	4,975	6,137
	<u> </u>	<u> </u>

Total liabilities and stockholders' equity

\$	13,673	\$	14,740
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SONOMA PHARMACEUTICALS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Loss
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,	
	2024	2023
Revenues	\$ 3,391	\$ 3,427
Cost of revenues	2,085	2,223
Gross profit	1,306	1,204
Operating expenses:		
Research and development	470	325
Selling, general and administrative	2,009	2,119
Total operating expenses	2,479	2,444
Loss from operations	(1,173)	(1,240)
Other income (expense), net	176	(211)
Loss from operations before income taxes	(997)	(1,451)
Income tax (expense) benefit	(146)	33
Net loss	\$ (1,143)	\$ (1,418)
Net loss per share: basic and diluted	\$ (0.07)	\$ (0.29)
Weighted-average shares outstanding: basic and diluted	17,029	4,936
Other comprehensive loss:		
Net loss	\$ (1,143)	\$ (1,418)
Foreign currency translation adjustments	(881)	511
Comprehensive loss	\$ (2,024)	\$ (907)

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

	Three Months Ended June 30,	
	2024	2023
(1) Loss from operations adjusted for non-cash items and one-time events, or EBITDA loss:		
GAAP loss from operations as reported	\$ (1,173)	\$ (1,240)
Non-cash adjustments:		
Stock-based compensation	107	177
Depreciation and amortization	39	45
Non-GAAP loss from operations minus non-cash expenses EBITDA loss	<u>\$ (1,027)</u>	<u>\$ (1,018)</u>
(2) Net loss adjusted for non-cash items and one-time events:		
GAAP net loss as reported	\$ (1,143)	\$ (1,418)
Non-cash adjustments:		
Stock-based compensation	107	177
Non-cash foreign exchange transaction (gains) losses	(177)	259
Income taxes	146	(33)
Depreciation and amortization	39	45
Non-GAAP net loss adjusted for non-cash items	<u>\$ (1,028)</u>	<u>\$ (970)</u>
(3) Operating expenses minus non-cash expenses		
GAAP operating expenses as reported	\$ 2,479	\$ 2,444
Non-cash adjustments:		
Stock-based compensation	(107)	(177)
Depreciation and amortization	(39)	(45)
Non-GAAP operating expenses minus non-cash expenses	<u>\$ 2,333</u>	<u>\$ 2,222</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 defines this 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 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, 2024 and 2023:

	Three Months Ended June 30,		\$ Change	% Change
	2024	2023		
<i>(In thousands)</i>				
United States	\$ 642	\$ 806	\$ (164)	(20 %)
Europe	1,288	1,070	218	20 %
Asia	477	862	(385)	(45 %)
Latin America	880	487	393	81 %
Rest of the World	104	202	(98)	(49 %)
Total	<u>\$ 3,391</u>	<u>\$ 3,427</u>	<u>\$ (36)</u>	<u>(1 %)</u>

SOURCE: Sonoma Pharmaceuticals, Inc.

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