

November 13, 2023



Sonoma Pharmaceuticals Reports Second Fiscal Quarter 2024 Financial Results

- **Gross profit percentage of 36% for the quarter, up 1% from first fiscal quarter 2024**
- **Total operating expenses decreased for the quarter and six months ended September 30, 2023 compared to same period prior year**
- **European revenues increased 3% for the quarter and 13% for the six months ended September 30, 2023, compared to the same periods prior year**

BOULDER, CO / ACCESSWIRE / November 13, 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 second fiscal quarter ended September 30, 2023.

"In the second quarter of our fiscal year 2024, we continued to reduce costs while maintaining our diligent efforts to expand sales and increase our presence in U.S. and international markets," said Amy Trombly, CEO of Sonoma. "Though our U.S. business saw a decline in consumer sales compared to the prior year, primarily due to softening demand for animal health care products, European revenues have continued to increase, and we see opportunities for further growth and demand for our products both in the U.S. and internationally."

Business Highlights

Sonoma continued to identify and meet customer needs by introducing new products and expanding distribution:

- On November 3, 2023, Sonoma launched its intraoperative pulse lavage irrigation treatment in the United States, a new application of its wound care technology developed in response to an unmet need for a non-toxic irrigation solution that can prevent infection and improve healing time. Hospitals in Europe began trial use of the pulse lavage irrigation treatment, containing Sonoma's Microcyn[®] Technology, in September 2023.
- On August 15, 2023, Sonoma announced that Reliefacyn[®] Advanced Itch-Burn-Rash-Pain Relief Hydrogel had received the National Eczema Association (NEA) Seal of Acceptance[™].
- On August 3, 2023, Sonoma announced the establishment of a Scientific Advisory Board, which will serve to inform the company's research and development activities, efforts to address areas of unmet need, and potential new areas of interest.

Results for the Quarter Ended September 30, 2023

Total revenues for the quarter ended September 30, 2023 of \$2.7 million decreased by \$0.6 million, or 18%, as compared to \$3.3 million for the same period last year. Revenues in the United States declined 39% primarily as a result of a decline in animal health over-the-counter demand. Revenues in Europe increased 3% compared to the same period last year as the result of increased demand for Sonoma's products. Revenues decreased in Asia and increased in 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 September 30, 2023, Sonoma reported revenues of \$2.7 million and cost of revenues of \$1.7 million resulting in gross profit of \$1.0 million, or 36% of revenue, compared to a gross profit of \$1.5 million, or 46% of revenue in the same period last year. The decline is the result of changes in product mix and territories to which products are shipped.

Total operating expenses during the quarter ended September 30, 2023 were \$2.2 million decreased as compared to the same period in the prior year.

Results for the Six Months Ended September 30, 2023

Total revenues for the six months ended September 30, 2023 of \$6.2 million decreased by \$1.1 million, or 16%, as compared to \$7.3 million for the same period last year. In the six months ended September 30, 2023, 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 six months ended September 30, 2023 decreased by \$0.4 million, or 6%, compared to the same period last year. Revenues in the United States declined 24% primarily as a result of a decline in animal health over-the-counter demand. Revenues in Europe increased 13% 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 six months ended September 30, 2023, Sonoma reported revenues of \$6.2 million and cost of revenues of \$4.0 million resulting in gross profit of \$2.2 million, or 36% of revenue, compared to a gross profit of \$3.2 million, or 44% 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 six months ended September 30, 2023 were \$4.6 million decreased as compared to the same period in the prior year.

Net loss for six months ended September 30, 2023 of \$2.9 million increased by \$1.0 million, or 52%, when compared to a net loss of \$1.9 million for the six months ended September 30, 2023. 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 six

months ended September 30, 2023 of \$2.0 million increased \$0.4 million, compared to an EBITDA loss of \$1.6 million for the same period last year.

As of September 30, 2023, Sonoma had cash and cash equivalents of \$2.1 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 Reliefacyn® 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)

	September 30, 2023	March 31, 2023
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,137	\$ 3,820
Accounts receivable, net	2,223	2,572
Inventories, net	2,513	2,858
Prepaid expenses and other current assets	4,395	4,308
Current portion of deferred consideration, net of discount	248	240
Total current assets	11,516	13,798
Property and equipment, net	433	488
Operating lease, right of use assets	350	418
Deferred tax asset	840	949
Deferred consideration, net of discount, less current portion	421	505
Other assets	75	73
Total assets	\$ 13,635	\$ 16,231

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 987	\$ 841
Accrued expenses and other current liabilities	1,702	2,029
Deferred revenue	101	100
Deferred revenue Invekra	61	60
Short-term debt	172	431
Operating lease liabilities	216	256
Total current liabilities	3,239	3,717
Long-term deferred revenue Invekra	114	140
Withholding tax payable	4,473	4,235

Operating lease liabilities, less current portion	134	162
Total liabilities	7,960	8,254
Commitments and Contingencies		
Stockholders' Equity		
Convertible preferred stock, \$0.0001 par value; 714,286 shares authorized at September 30, 2023 and March 31, 2023, respectively, no shares issued and outstanding at September 30, 2023 and March 31, 2023, respectively	-	-
Common stock, \$0.0001 par value; 24,000,000 shares authorized at September 30, 2023 and March 31, 2023, respectively, 5,179,333 and 4,933,550 shares issued and outstanding at September 30, 2023 and March 31, 2023, respectively	1	5
Additional paid-in capital	201,210	200,904
Accumulated deficit	(192,416)	(189,514)
Accumulated other comprehensive loss	(3,120)	(3,418)
Total stockholders' equity	5,675	7,977
Total liabilities and stockholders' equity	\$ 13,635	\$ 16,231

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
Revenues	\$2,731	\$3,331	\$6,158	\$7,314
Cost of revenues	1,741	1,795	3,964	4,132
Gross profit	990	1,536	2,194	3,182
Operating expenses				
Research and development	536	200	861	406

	1,662	2,067	3,781	4,362
Selling, general and administrative				
	2,198	2,267	4,642	4,768
	(1,208)	(731)	(2,448)	(1,586)
Loss from operations				
	(90)	(186)	(301)	(253)
Other expense, net				
	(1,298)	(917)	(2,749)	(1,839)
Loss before income taxes				
	(186)	(100)	(153)	(65)
Income tax expense				
	\$(1,484)	\$(1,017)	\$(2,902)	\$(1,904)
Net loss				
	\$(0.29)	\$(0.33)	\$(0.57)	\$(0.61)
Net loss per share: basic and diluted				
	5,161	3,101	5,051	3,101
Weighted-average number of shares: basic and diluted				
Other comprehensive loss				
	\$(1,484)	\$(1,017)	\$(2,902)	\$(1,904)
Net loss				
	(213)	(34)	298	(99)
Foreign currency translation adjustments				
	\$(1,697)	\$(1,051)	\$(2,604)	\$(2,003)
Comprehensive loss				

SONOMA PHARMACEUTICALS, INC. AND SUBSIDIARIES

RECONCILIATION OF GAAP MEASURES TO NON-GAAP MEASURES

(In thousands)

(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
(1) Net loss adjusted for non-cash items and one-time events or EBITDA loss:				
GAAP net loss as reported	\$(1,484)	\$(1,017)	\$(2,902)	\$(1,904)
One-time event adjustment:				
Equipment sale to customer in Latin America (one-time event)	-	-	-	(400)
Non-cash adjustments:				
Stock-based compensation	130	113	307	327
Non-cash foreign exchange transaction losses	108	189	367	256
Income tax expense	186	100	153	65
Depreciation and amortization	45	29	90	59
Non-GAAP net loss adjusted for non-cash items and one-time events or EBITDA loss	<u>\$(1,015)</u>	<u>\$(586)</u>	<u>\$(1,985)</u>	<u>\$(1,597)</u>
(2) Operating expenses minus non- cash expenses				
GAAP operating expenses as reported	\$2,198	\$2,267	\$4,642	\$4,768
Non-cash adjustments:				
Stock-based compensation	(130)	(113)	(307)	(327)
Depreciation and amortization	(45)	(29)	(90)	(59)
Non-GAAP operating expenses minus non- cash expenses	<u>\$2,023</u>	<u>\$2,125</u>	<u>\$4,245</u>	<u>\$4,382</u>

(1) Net loss adjusted for non-cash items and one-time events, or EBITDA loss, 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.

(2) 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 our consolidated total revenue and revenue by geographic region for the three and six months ended September 30, 2023 and 2022:

	Three Months Ended September 30,			
	2023	2022	\$ Change	% Change
(In thousands)				
United States	\$590	\$973	\$(383)	(39%)

	1,201	1,170	31	3%
Europe				
Asia	346	518	(172)	(33%)
Latin America	260	394	(134)	(34%)
Rest of the World	334	276	58	21%
Total	<u>\$2,731</u>	<u>\$3,331</u>	<u>\$(600)</u>	<u>(18%)</u>

**Six Months
Ended September
30,**

	2023	2022	\$ Change	% Change
<i>(In thousands)</i>				
United States	\$1,396	\$1,842	\$(446)	(24%)
Europe	2,271	2,012	259	13%
Asia	1,208	1,438	(230)	(16%)
Latin America	747	1,444	(697)	(48%)
Rest of the World	536	578	(42)	(7%)
Total	<u>\$6,158</u>	<u>\$7,314</u>	<u>\$(1,156)</u>	<u>(16%)</u>

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