

November 7, 2024



# Sonoma Pharmaceuticals Reports Second Fiscal Quarter 2025 Financial Results

- *Revenue increased 31% for the quarter compared to same period prior year*
- *Positive cash flows from operations of \$0.35 million for the quarter*
- *Net loss improved 59% for the quarter compared to same period prior year*
- *Net loss per share improved 90% for the quarter compared to same period prior year*

**BOULDER, CO / ACCESSWIRE / November 7, 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 care, eye, oral and nasal care, dermatological conditions, podiatry, and animal health care, today announced financial results for its second fiscal quarter ended September 30, 2024.

"Our results this quarter reflect the diligent efforts by Sonoma's team to grow our business and drive toward profitability," said Amy Trombly, CEO of Sonoma. "Revenues were up 31%, our net loss improved by 59%, and we saw positive cash flows from our operations for the quarter. Additionally, we set the stage for future growth with a new partnership to distribute our wound care products in the U.S. and Canada, and received a new FDA clearance to strengthen the indications for our eye care and dermatological products."

## Business Highlights

Sonoma continued to improve and expand its product offerings and regulatory approvals, and to grow its distribution network by entering into new partnerships:

- On August 19, 2024, Sonoma entered into a distribution agreement with a leading global healthcare distributor for the marketing and distribution of its wound care products in the United States. On October 17, 2024, Sonoma entered into an amendment to this agreement to allow for the marketing and distribution of its wound care products in Canada, and to add over-the-counter wound care products for sale in both countries.
- On September 13, 2024, Sonoma received a new 510(k) clearance from the U.S. Food and Drug Administration (FDA) for its Microcyn technology-based solution, including specific over-the-counter indications for the face, eyelid and eyelashes.
- On September 11, 2024, Sonoma announced an expanded prescription and over-the-counter eye care product line, featuring a refreshed design and improved packaging for

Ocucyn<sup>®</sup> Eyelid & Eyelash Cleanser.

- On August 26, 2024, Sonoma and its partner, the MicroSafe Group DMCC, announced that the Australian Therapeutic Goods Administration (TGA) had approved extended claims for Nanocyn<sup>®</sup> Disinfectant and Sanitizer for effective use against *Candida auris* (*C. auris*) and *Clostridium Difficile* (*C. diff.*).

### **Results for the Quarter Ended September 30, 2024**

Total revenues for the quarter ended September 30, 2024 of \$3.6 million increased by \$0.9 million, or 31%, as compared to \$2.7 million for the same period last year. Revenues in the United States increased 14%, primarily as a result of an increase in sales of dermatology and eye care products. Revenues in Europe increased 25% compared to the same period last year, as the result of increased demand for Sonoma's products. Revenues in Latin America increased 79% as a result of an increase in manufacturing orders. Revenues increased in Asia and decreased in Rest of World when compared to the same period last year. Revenues from these regions 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, 2024, Sonoma reported revenues of \$3.6 million and cost of revenues of \$2.2 million resulting in gross profit of \$1.4 million, or 38% of revenue, compared to a gross profit of \$1.0 million, or 36% of revenue in the same period last year. The increase is primarily the result of an increase in revenue as compared to last year.

Total operating expenses during the quarter ended September 30, 2024 were \$2.2 million, approximately flat with the prior year.

Net loss for the three months ended September 30, 2024 of \$0.6 million decreased by \$0.9 million, or 59%, when compared to a net loss of \$1.5 million for the three months ended September 30, 2023. The decrease in net loss is primarily related to the increased revenues and gross profit described above and exchange rate impacts. EBITDA loss for the three months ended September 30, 2024 of \$0.6 million decreased \$0.4 million, compared to an EBITDA loss of \$1.0 million for the same period last year.

### **Results for the Six Months Ended September 30, 2024**

Total revenues for the six months ended September 30, 2024 of \$7.0 million increased by \$0.8 million, or 13%, as compared to \$6.2 million for the same period last year. Revenues in Europe increased 23% compared to the same period last year as the result of increased demand for Sonoma's products. Revenues in Latin America increased 80% as a result of an increase in manufacturing orders. Revenues in the United States declined 6% primarily as a result of a fluctuations in timing of orders for over-the-counter animal health products. Revenues increased in Asia and decreased in Rest of World when compared to the same period last year. Revenues from these regions 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, 2024, Sonoma reported revenues of \$7.0

million and cost of revenues of \$4.3 million, resulting in gross profit of \$2.7 million, or 38% of revenue, compared to a gross profit of \$2.2 million, or 36% of revenue in the same period last year. The increase is the result of changes in overall product mix and territories to which products were shipped.

Total operating expenses during the six months ended September 30, 2024 were \$4.7 million and approximately flat with prior year.

Net loss for the six months ended September 30, 2024 of \$1.8 million decreased by \$1.1 million, or 38%, when compared to a net loss of \$2.9 million for the six months ended September 30, 2023. The decrease in net loss is primarily related to the increased revenues and gross profit described above and exchange rate impacts. EBITDA loss for the six months ended September 30, 2024 of \$1.7 million decreased \$0.3 million, compared to an EBITDA loss of \$2.0 million for the same period last year.

As of September 30, 2024, Sonoma had cash and cash equivalents of \$4.1 million, an increase of \$1.5 million from the prior quarter, and an increase of \$2 million compared to 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, 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](http://www.sonomapharma.com). For partnership opportunities, please contact [busdev@sonomapharma.com](mailto: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®, Ocucyn®, and Nanocyn® 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](mailto:ir@sonomapharma.com)

Website: <https://www.sonomapharma.com>

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

	<b>September 30,</b>	<b>March 31,</b>
	<b>2024</b>	<b>2024</b>
	<hr/>	<hr/>
	(Unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 4,078	\$ 3,128
Accounts receivable, net	3,157	2,898
Inventories, net	2,837	2,719
Prepaid expenses and other current assets	1,929	3,541

Current portion of deferred consideration, net of discount	220	262
	<hr/>	<hr/>
Total current assets	12,221	12,548
Property and equipment, net	255	365
Operating lease, right of use assets	162	286
Deferred tax asset	792	1,145
Deferred consideration, net of discount, less current portion	179	330
Other assets	76	66
	<hr/>	<hr/>
Total assets	\$ 13,685	\$ 14,740
	<hr/> <hr/>	<hr/> <hr/>

#### **LIABILITIES AND STOCKHOLDERS' EQUITY**

##### Current liabilities:

Accounts payable	\$ 770	\$ 607
Accrued expenses and other current liabilities	2,022	2,113
Deferred revenue, current portion	319	478
Short-term debt	82	323
Operating lease liabilities, current portion	116	198
	<hr/>	<hr/>
Total current liabilities	3,309	3,719

Deferred revenue, net of current portion	45	87
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Withholding tax payable	4,933	4,710
Operating lease liabilities, less current portion	46	87
	<hr/>	<hr/>
Total liabilities	8,333	8,603
	<hr/>	<hr/>
Commitments and Contingencies (Note 5)		
Stockholders' Equity:		
Convertible preferred stock, \$0.0001 par value; 714,286 shares authorized at September 30, 2024 and March 31, 2024, respectively, no shares issued and outstanding at September 30, 2024 and March 31, 2024, respectively	-	-
Common stock, \$0.0001 par value; 50,000,000 and 24,000,000 shares authorized at September 30, 2024 and March 31, 2024, respectively, 1,338,615 and 780,371 shares issued and outstanding at September 30, 2024 and March 31, 2024, respectively	-	-
Additional paid-in capital	205,651	203,209
Accumulated deficit	(196,102)	(194,349)
Accumulated other comprehensive loss	(4,197)	(2,723)
	<hr/>	<hr/>
Total stockholders' equity	5,352	6,137
	<hr/>	<hr/>
Total liabilities and stockholders' equity	\$ 13,685	\$ 14,740
	<hr/> <hr/>	<hr/> <hr/>

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

**Three Months Ended  
September 30,**

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**Six Months Ended  
September 30,**

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	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	_____	_____	_____	_____
Revenues	\$ 3,579	\$ 2,731	\$ 6,970	\$ 6,158
Cost of revenues	2,218	1,741	4,303	3,964
	_____	_____	_____	_____
Gross profit	1,361	990	2,667	2,194
	_____	_____	_____	_____
Operating expenses				
Research and development	506	536	976	861
Selling, general and administrative	1,705	1,662	3,714	3,781
	_____	_____	_____	_____
Total operating expenses	2,211	2,198	4,690	4,642
	_____	_____	_____	_____
Loss from operations	(850)	(1,208)	(2,023)	(2,448)
Other income (expense), net	387	(90)	563	(301)
	_____	_____	_____	_____
Loss from operations before income taxes	(463)	(1,298)	(1,460)	(2,749)
Income tax expense	(147)	(186)	(293)	(153)
	_____	_____	_____	_____
Net loss	\$ (610)	\$ (1,484)	\$ (1,753)	\$ (2,902)
	=====	=====	=====	=====
Net loss per share: basic and diluted	\$ (0.59)	\$ (5.75)	\$ (1.86)	\$ (11.47)
	=====	=====	=====	=====
Weighted-average number of shares: basic and diluted	1,034	258	943	253
	=====	=====	=====	=====

Other comprehensive loss

Net loss	\$ (610)	\$ (1,484)	\$ (1,753)	\$ (2,902)
Foreign currency translation adjustments	(593)	(213)	(1,474)	298
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Comprehensive loss	\$ (1,203)	\$ (1,697)	\$ (3,227)	\$ (2,604)
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**SONOMA PHARMACEUTICALS, INC. AND SUBSIDIARIES**  
**RECONCILIATION OF GAAP MEASURES TO NON-GAAP MEASURES**  
(In thousands)  
(Unaudited)

	<b>Three Months Ended September 30,</b>		<b>Six Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
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<b>(1) Net loss adjusted for non-cash items and one-time events or EBITDA loss:</b>				
GAAP net loss as reported	\$ (610)	\$ (1,484)	\$ (1,753)	\$ (2,902)
<b>Non-cash adjustments:</b>				
Stock-based compensation	14	130	121	307
Non-cash foreign exchange transaction losses (gains)	(225)	108	(402)	367
Income tax expense	147	186	293	153
Depreciation and amortization	35	45	74	90
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Non-GAAP net loss adjusted for non-cash items and one-time events or EBITDA loss	\$ (639)	\$ (1,015)	\$ (1,667)	\$ (1,985)
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**(2) Operating expenses minus non-cash expenses**

GAAP operating expenses as reported	\$ 2,211	\$ 2,198	\$ 4,690	\$ 4,642
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**Non-cash adjustments:**

Stock-based compensation	(14)	(130)	(121)	(307)
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Depreciation and amortization	(35)	(45)	(74)	(90)
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Non-GAAP operating expenses minus non-cash expenses	\$ 2,162	\$ 2,023	\$ 4,495	\$ 4,245
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1. Net loss adjusted for non-cash items and one-time events, or EBITDA loss, 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.
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.

**(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, 2024 and 2023:

<i>(In thousands)</i>	<b>Three Months Ended September 30,</b>			
	<b>2024</b>	<b>2023</b>	<b>\$ Change</b>	<b>% Change</b>
United States	\$ 675	\$ 590	\$ 85	14 %
Europe	1,506	1,201	305	25 %
Asia	776	346	430	124 %
Latin America	465	260	205	79 %
Rest of the World	157	334	(177 )	(53 %)
<b>Total</b>	<b>\$ 3,579</b>	<b>\$ 2,731</b>	<b>\$ 848</b>	<b>31 %</b>
	<b>Six Months Ended September 30,</b>			
<i>(In thousands)</i>	<b>2024</b>	<b>2023</b>	<b>\$ Change</b>	<b>% Change</b>
United States	\$ 1,317	\$ 1,396	\$ (79 )	(6 %)
Europe	2,794	2,271	523	23 %
Asia	1,253	1,208	45	4 %
Latin America	1,345	747	598	80 %

Rest of the World	261	536	(275 )	(51 %)
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Total	\$ 6,970	\$ 6,158	\$ 812	13 %
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**SOURCE:** Sonoma Pharmaceuticals, Inc.

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