

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) **June 13, 2018**

**SONOMA PHARMACEUTICALS, INC.**  
(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation)

**001-33216**  
(Commission  
File Number)

**68-0423298**  
(IRS Employer  
Identification No.)

**1129 N. McDowell Blvd.**  
**Petaluma, CA 94954**  
(Address of principal executive offices)  
(Zip Code)

**(707) 283-0550**  
(Registrant's telephone number, including area code)

**Not applicable.**  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

---

**Item 2.02 Results of Operations and Financial Condition.**

On June 13, 2018, Sonoma Pharmaceuticals, Inc. issued a press release announcing financial results for its fiscal quarter and year ended March 31, 2018. The full text of the press release is furnished as Exhibit 99.1 along with a presentation to be used during the earnings call as Exhibit 99.2. The information furnished in Exhibits 99.1 and 99.2 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that Section.

This report contains forward-looking statements. Forward-looking statements include, but are not limited to, statements that express the Company’s intentions, beliefs, expectations, strategies, predictions or any other statements related to its future activities or future events or conditions. These statements are based on current expectations, estimates and projections about the Company’s business based, in part, on assumptions made by management. These statements are not guarantees of future performances and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in the forward-looking statements due to numerous factors, including those risks discussed in the Company’s Annual Report on Form 10-K and in other documents that it files from time to time with the SEC. Any forward-looking statements speak only as of the date on which they are made, and the Company does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this report, except as required by law.

**Item 9.01 Financial Statements and Exhibits.**

99.1 [Press Release issued by Sonoma Pharmaceuticals, Inc., dated June 13, 2018](#)

99.2 [Presentation used by Sonoma Pharmaceuticals, Inc. on June 13, 2018](#)

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Sonoma Pharmaceuticals, Inc.  
(Registrant)

Date: June 13, 2018

/s/ Robert Miller  
Name: Robert Miller  
Title: Chief Financial Officer



**FOR IMMEDIATE RELEASE**

**Sonoma Pharmaceuticals Reports Fiscal Year and Fourth Quarter 2018 Financial Results**

**Strong Annual Year-Over-Year Growth in Revenue of 30%  
\$10 Million in Cash as of March 31, 2018**

**Conference Call Begins at 4:30pm EDT Today**

**PETALUMA, Calif.—(June 13, 2018)**—Sonoma Pharmaceuticals, Inc. (Nasdaq: SNOA), a specialty pharmaceutical company that develops and markets unique and effective solutions for the treatment of dermatological conditions and advanced tissue care, today announced financial results for the fiscal year 2018 and fourth quarter ended March 31, 2018.

Total revenues of \$16.7 million for fiscal year 2018 increased by \$3.8 million, or 30%, as compared to \$12.8 million for fiscal year 2017. Product revenue of \$15.7 million for fiscal year 2018, increased \$3.7 million, or 31%, compared to the same period last year. This increase in product revenue was driven by strong growth in the United States, up \$1.8 million, or 27%, and by higher international sales, up \$1.9 million, or 36%.

Total revenue of \$3.7 million for the fourth quarter ended March 31, 2018, was down slightly when compared to \$4.0 million for the same period last year. Product revenues of \$3.3 million for the fourth quarter ended March 31, 2018, were down 14%, or \$530,000, when compared to the same period last year, largely as the result of lower sales in the United States and rest of world, partly offset by increases in Europe and Latin America.

“We are pleased to report strong year-over-year revenue growth for all our product categories. During the last 12 months, we continued to expand our business with a new set of FDA approvals for our dermatology and eye care product lines along with additional market approvals and partnerships for our products internationally,” said Jim Schutz, Sonoma Pharmaceuticals CEO. “The fourth quarter dermatology market was challenging for us as we experienced a decline in product revenues due to the impact of health insurance deductible resets at the beginning of the calendar year and the impact of increased product rebates. To manage an ever-changing health insurance reimbursement marketplace, we are taking steps to reduce the impact on our revenue growth by working with a home delivery pharmacy program and advancing relationships with managed care organizations. In addition, as announced last week, we’re excited to be partnering in Brazil with NC Group/ U.SK, Brazil’s largest pharmaceutical company.”

## Business Highlights

- Assembled 33 experienced sales representatives and sales managers, a national sales force, focused exclusively on the medical dermatology market.
  - o Selling a robust portfolio of six non-steroidal products for treatment of atopic and seborrheic dermatitis, surgical procedures, severe acne, skin repair, descaling and scar management.
- Received FDA clearances to add antimicrobial language to key dermatology products further increasing our lead as the go-to non-antibiotic, non-steroidal solutions that provide early-intervention relief with virtually no side effects or contraindications.
- Received Brazilian approvals in October 2017 for seven topical, non-steroidal and non-antibiotic HOCI products for acne, atopic dermatitis, scar management and post-laser procedures.
- Signed a license and supply agreement in June 2018 with the largest pharmaceutical company in Brazil, NC Group/U.SK, to commercialize all seven HOCI products.
- Received approval from United Arab Emirates (UAE) Ministry of Health & Prevention for seven products addressing the following indications; daily eyelid hygiene, antimicrobial nasal cleaning, antiseptic mouth and throat rinse, acne and several anti-fungal indications.

## Results for the Three months Ended March 31, 2018

Product revenues in the United States of \$1.4 million, for the three months ended March 31, 2018, decreased by \$477,000, or 26%, as compared to \$1.8 million for the three months ended March 31, 2017. This decrease was mostly the result of lower sales of the company's dermatology and animal health care products, partly offset by an increase in sales of our acute care products. The decline in the dermatology revenue for the fourth quarter compared to the same period in prior year was largely due to lower units shipped as wholesalers reduced their inventory, higher rebate costs due to impact of health care plan deductibles and the reset of those deductibles for most plans in January, along with the growth of high deductible health care programs.

Product revenue in Latin America for the quarter ended March 31, 2018, was \$912,000, up 9% from the same period last year. This amount reflects the sale of products to Invekra following the completion of Sonoma's asset sale to Invekra in October 2016. Sonoma will continue to supply products to Invekra until Invekra's manufacturing facility is operational.

Product revenue in Europe and the rest of the world of \$995,000, for the three months ended March 31, 2018, decreased by \$131,000, or 12%, as compared to \$1.1 million for the three months ended March 31, 2017. This decrease was the result of lower sales in China and the Middle East, partly offset by higher sales in Europe, Singapore, Hong Kong and India.

Sonoma reported gross profit of \$1.3 million, or 36% of total revenue, during the three months ended March 31, 2018, compared to a gross profit of \$1.9 million, or 48% of total revenue in the same period in the prior year. The decrease in gross profit, as a percentage of revenue, was primarily due to Latin America as a result of higher sales to Invekra at a very low profit margin and the decline in the higher margin dermatology revenue in the United States.

Operating expenses minus non-cash expenses during the fourth quarter of fiscal year 2018 were \$5.1 million, up \$664,000, or 15%, as compared to the same period in the prior year. This increase in operating expenses was mostly due to higher sales, marketing, legal and administrative expenses in the United States, partly offset by a decline in Latin American expenses. A key driver to the growth in operating expenses is the increase in the number of dermatology sales representatives, compared to the same period last year.

Loss from operations was \$4.7 million, up \$1.8 million, compared to \$2.9 million for the same period last year. Operating loss less non-cash expenses (EBITDA) for the three months ended March 31, 2018, was \$3.7 million, compared to \$2.4 million for the same period last year.

As of March 31, 2018, Sonoma had cash and cash equivalents of \$10.1 million, as compared to \$8.6 million as of December 31, 2017.

## Results for the Twelve Months Ended March 31, 2018

The company reported gross profit of \$7.3 million, and \$5.7 million, for the twelve months ended March 31, 2018 and 2017, respectively. The gross profit as a percentage of total revenues was 44% for both periods. Total operating expenses less non-cash expenses of \$19 million increased \$2.4 million, or 14%, for the twelve months ended March 31, 2018, as compared to the same period in the prior year. This increase was primarily due to higher costs of the direct sales force for dermatology. Operating loss less non-cash expenses (EBITDA) of \$11.2 million, for the twelve months ended March 31, 2018, was up \$716,000, compared to \$10.5 million for the same period last year.

## **Conference Call**

Sonoma's management will hold a conference call today to discuss fourth quarter fiscal year 2018 results and answer questions, beginning at 4:30 p.m. EDT. Individuals interested in participating in the conference call may do so by dialing 877-303-7607 for domestic callers or 973-638-3203 for international callers. Those interested in listening to the conference call live via the Internet may do so at <https://edge.media-server.com/m6/p/ufhciggt>. Please log on approximately 10 minutes prior to the presentation in order to register and download the appropriate software, if any. Also, participants can download a graphical presentation of the quarterly results at this same site, which provides greater granular detail in conjunction with the call.

A telephone replay will be available for seven days following the conclusion of the call by dialing 855-859-2056 for domestic callers, or 404-537-3406 for international callers, and entering conference code 3495907. A webcast replay will be available on the site at <http://ir.sonomapharma.com/events.cfm> for one year following the call.

## **About Sonoma Pharmaceuticals, Inc.**

Sonoma is a specialty pharmaceutical company that develops and markets unique and effective solutions for the treatment of dermatological conditions and advanced tissue care. The company's products, which are sold throughout the United States and internationally, have improved outcomes for more than five million patients globally by reducing infections, itch, pain, scarring and harmful inflammatory responses. The company's headquarters are in Petaluma, California, with manufacturing operations in the United States and Latin America. European marketing and sales are headquartered in Roermond, Netherlands. More information can be found at [www.sonomapharma.com](http://www.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," 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, fund further development and clinical studies, as well as uncertainties relative to 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<sup>TM</sup> is a trademark or registered trademark of Sonoma Pharmaceuticals, Inc. All other trademarks and service marks are the property of their respective owners.

## ***Media and Investor Contact:***

### ***Sonoma Pharmaceuticals, Inc.***

Bob Miller  
CFO  
(925) 787-6218

**SONOMA PHARMACEUTICALS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share and per share amounts)

| ASSETS  | March 31            |                  |
|---|---------------------|------------------|
|   | 2018<br>(Unaudited) | 2017             |
| Current assets:   |                     |                  |
| Cash and cash equivalents   | \$ 10,066           | \$ 17,461        |
| Accounts receivable, net  | 1,537               | 2,108            |
| Inventories   | 2,865               | 2,221            |
| Prepaid expenses and other current assets   | 1,547               | 616              |
| Current portion of deferred consideration, net of discount  | 239                 | 237              |
| Total current assets  | <u>16,254</u>       | <u>22,643</u>    |
| Property and equipment, net   | 1,136               | 1,239            |
| Deferred consideration, net of discount, less current portion   | 1,322               | 1,497            |
| Other assets  | 494                 | 80               |
| Total assets  | <u>\$ 19,206</u>    | <u>\$ 25,459</u> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                     |                  |
| Current liabilities:  |                     |                  |
| Accounts payable  | \$ 1,272            | \$ 1,255         |
| Accrued expenses and other current liabilities  | 1,406               | 1,302            |
| Deferred revenue  | 147                 | 345              |
| Deferred revenue Invekra  | 59                  | 176              |
| Current portion of long-term debt   | 230                 | 123              |
| Current portion of capital leases   | 147                 | 74               |
| Taxes payable   | —                   | 13               |
| Total current liabilities   | <u>3,261</u>        | <u>3,288</u>     |
| Long-term deferred revenue Invekra  | 443                 | 527              |
| Long-term debt, less current portion  | 32                  | 45               |
| Long-term capital leases, less current portion  | 144                 | 168              |
| Total liabilities   | <u>3,880</u>        | <u>4,028</u>     |
| Commitments and Contingencies   |                     |                  |
| Stockholders' Equity  |                     |                  |
| Convertible preferred stock, \$0.0001 par value; 714,286 shares authorized, none issued and outstanding at March 31, 2018 and March 31, 2017, respectively  | —                   | —                |
| Common stock, \$0.0001 par value; 12,000,000 shares authorized at March 31, 2018 and March 31, 2017, 6,171,736 and 4,289,322 shares issued and outstanding at March 31, 2018 and March 31, 2017, respectively | 1                   | 1                |
| Additional paid-in capital  | 176,740             | 168,709          |
| Accumulated deficit   | (157,440)           | (143,101)        |
| Accumulated other comprehensive loss  | (3,975)             | (4,178)          |
| Total stockholders' equity  | <u>15,326</u>       | <u>21,431</u>    |
| Total liabilities and stockholders' equity  | <u>\$ 19,206</u>    | <u>\$ 25,459</u> |

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

|   | <b>Three Months Ended March 31,</b> |                   | <b>Year Ended<br/>March 31,</b> |                 |
|---|-------------------------------------|-------------------|---------------------------------|-----------------|
|   | <b>2018</b>                         | <b>2017</b>       | <b>2018</b>                     | <b>2017</b>     |
| Revenues  |                                     |                   |                                 |                 |
| Product   | \$ 3,269                            | \$ 3,799          | \$ 15,663                       | \$ 11,957       |
| Service   | 386                                 | 230               | 995                             | 868             |
| Total revenues  | <u>3,655</u>                        | <u>4,029</u>      | <u>16,658</u>                   | <u>12,825</u>   |
| Cost of revenues  |                                     |                   |                                 |                 |
| Product   | 2,140                               | 1,912             | 8,669                           | 6,419           |
| Service   | 183                                 | 170               | 679                             | 738             |
| Total cost of revenues  | <u>2,323</u>                        | <u>2,082</u>      | <u>9,348</u>                    | <u>7,157</u>    |
| Gross profit  | <u>1,332</u>                        | <u>1,947</u>      | <u>7,310</u>                    | <u>5,668</u>    |
| Operating expenses  |                                     |                   |                                 |                 |
| Research and development  | 476                                 | 350               | 1,575                           | 1,576           |
| Selling, general and administrative   | 5,605                               | 4,509             | 19,924                          | 17,066          |
| Total operating expenses  | <u>6,081</u>                        | <u>4,859</u>      | <u>21,499</u>                   | <u>18,642</u>   |
| Loss from operations  | <u>(4,749)</u>                      | <u>(2,912)</u>    | <u>(14,189)</u>                 | <u>(12,974)</u> |
| Interest expense  | (9)                                 | (1)               | (40)                            | (3)             |
| Interest income   | 173                                 | 14                | 258                             | 22              |
| Other income (expense), net   | (178)                               | (258)             | (357)                           | 18              |
| Loss from continuing operations before income taxes                                 | <u>(4,763)</u>                      | <u>(3,157)</u>    | <u>(14,328)</u>                 | <u>(12,937)</u> |
| Income tax benefit  | –                                   | 228               | –                               | 4,268           |
| Loss from continuing operations   | <u>(4,763)</u>                      | <u>(2,929)</u>    | <u>(14,328)</u>                 | <u>(8,669)</u>  |
| Income from discontinued operations (net of tax)                                    | –                                   | 493               | –                               | 17,943          |
| Net (loss) income   | <u>\$ (4,763)</u>                   | <u>\$ (2,436)</u> | <u>\$ (14,328)</u>              | <u>\$ 9,274</u> |
| Net (loss) income per share: basic and diluted                                      |                                     |                   |                                 |                 |
| Continuing operations   | \$ (0.93)                           | \$ (0.69)         | \$ (3.16)                       | \$ (2.05)       |
| Discontinued operations   | –                                   | 0.12              | –                               | 4.25            |
|   | <u>\$ (0.93)</u>                    | <u>\$ (0.57)</u>  | <u>\$ (3.16)</u>                | <u>\$ 2.20</u>  |
| Weighted-average number of shares used in per share calculations: basic and diluted | <u>5,134</u>                        | <u>4,224</u>      | <u>4,530</u>                    | <u>4,224</u>    |
| Other comprehensive (loss) income   |                                     |                   |                                 |                 |
| Net (loss) income   | \$ (4,763)                          | \$ (2,436)        | \$ (14,328)                     | \$ 9,274        |
| Foreign currency translation adjustments  | 425                                 | 493               | 203                             | (324)           |
| Comprehensive (loss) income   | <u>\$ (4,338)</u>                   | <u>\$ (1,943)</u> | <u>\$ (14,125)</u>              | <u>\$ 8,950</u> |

**SONOMA PHARMACEUTICALS, INC. AND SUBSIDIARIES**  
**RECONCILIATION OF GAAP MEASURES TO NON-GAAP MEASURES**

(In thousands)  
(Unaudited)

|   | Three Months Ended<br>March 31, |                   | Year Ended<br>March 31, |                    |
|---|---------------------------------|-------------------|-------------------------|--------------------|
|   | 2018                            | 2017              | 2018                    | 2017               |
| <b>(1) Loss from operations minus non-cash expenses (EBITDA):</b> |                                 |                   |                         |                    |
| GAAP loss from operations as reported                             | \$ (4,749)                      | \$ (2,912)        | \$ (14,189)             | \$ (12,974)        |
| Non-cash adjustments:   |                                 |                   |                         |                    |
| Stock-based compensation  | 908                             | 413               | 2,500                   | 2,243              |
| Depreciation and amortization                                     | 124                             | 70                | 490                     | 248                |
| Non-GAAP loss from operations minus non-cash expenses (EBITDA)    | <u>\$ (3,717)</u>               | <u>\$ (2,429)</u> | <u>\$ (11,199)</u>      | <u>\$ (10,483)</u> |
| <b>(2) Net loss minus non-cash expenses:</b>                      |                                 |                   |                         |                    |
| GAAP net (loss) income as reported                                | \$ (4,763)                      | \$ (2,436)        | \$ (14,328)             | \$ 9,274           |
| Non-cash adjustments:   |                                 |                   |                         |                    |
| Stock-based compensation  | 908                             | 413               | 2,500                   | 2,243              |
| Depreciation and amortization                                     | 124                             | 70                | 490                     | 248                |
| Non-GAAP net (loss) income minus non-cash expenses                | <u>\$ (3,731)</u>               | <u>\$ (1,953)</u> | <u>\$ 11,338</u>        | <u>\$ 11,765</u>   |
| <b>(3) Operating expenses minus non-cash expenses</b>             |                                 |                   |                         |                    |
| GAAP operating expenses as reported                               | \$ 6,081                        | \$ 4,859          | \$ 21,499               | \$ 18,642          |
| Non-cash adjustments:   |                                 |                   |                         |                    |
| Stock-based compensation  | (875)                           | (362)             | (2,331)                 | (1,995)            |
| Depreciation and amortization                                     | (57)                            | (12)              | (211)                   | (42)               |
| Non-GAAP operating expenses minus non-cash expenses               | <u>\$ 5,149</u>                 | <u>\$ 4,485</u>   | <u>\$ 18,957</u>        | <u>\$ 16,605</u>   |

- (1) Loss from operations minus non-cash expenses (EBITDAS) 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 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, 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.
- (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**  
**PRODUCT RELATED REVENUE SCHEDULES**

(In thousands)  
(Unaudited)

The following table shows the Company's product revenues by geographic region:

|                              | <b>Three Months Ended<br/>March 31,</b> |                 |                  |                 |
|------------------------------|---|-----------------|------------------|-----------------|
|                              | <b>2018</b>                             | <b>2017</b>     | <b>\$ Change</b> | <b>% Change</b> |
| United States                | \$ 1,362                                | \$ 1,839        | \$ (477)         | (26%)           |
| Latin America                | 912                                     | 834             | 78               | 9%              |
| Europe and Rest of the World | 995                                     | 1,126           | (131)            | (12%)           |
| <b>Total</b>                 | <b>\$ 3,269</b>                         | <b>\$ 3,799</b> | <b>\$ (530)</b>  | <b>(14%)</b>    |

|                              | <b>Year Ended March 31,</b> |                  |                  |                 |
|------------------------------|-----------------------------|------------------|------------------|-----------------|
|                              | <b>2018</b>                 | <b>2017</b>      | <b>\$ Change</b> | <b>% Change</b> |
| United States                | \$ 8,372                    | \$ 6,580         | \$ 1,792         | 27%             |
| Latin America                | 3,007                       | 1,299            | 1,708            | 131%            |
| Europe and Rest of the World | 4,284                       | 4,078            | 206              | 5%              |
| <b>Total</b>                 | <b>\$ 15,663</b>            | <b>\$ 11,957</b> | <b>\$ 3,706</b>  | <b>31%</b>      |

In connection with the Company's sale of its Latin America business to Invektra, product related revenues were reclassified from continuing operations to discontinued operations. The amounts were classified in the prior periods as Latin America sales. The amounts reclassified are as follows:

|                                       | <b>Year Ended March 31,</b> |                 |
|---------------------------------------|-----------------------------|-----------------|
|                                       | <b>2018</b>                 | <b>2017</b>     |
| Product revenues                      | \$ —                        | \$ 2,693        |
| Product license fees and royalties    | —                           | 412             |
| <b>Total product related revenues</b> | <b>\$ —</b>                 | <b>\$ 3,105</b> |



# SONOMA PHARMACEUTICALS

## FOURTH QUARTER FY2018 RESULTS

June 13, 2018



NASDAQ: SNOA

# Agenda

Welcome / Introduction

March 31, 2018 Highlights

Jim Schutz

Financial Review

Bob Miller

Q+A



**Sonoma**  
PHARMACEUTICAL

NASDAQ: SNOA

# Forward-Looking Statement

Except for historical information herein, matters set forth in this presentation 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 “believe,” “achieve,” and “strive,” among others. Forward-looking statements in this presentation 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 fund further development and clinical studies, as well as uncertainties relative to 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.

## Results from the Year Ending 31 Mar 2018

**Revenue = \$16.7M +30% over FY 2017**

---

Gross U.S. dermatology revenue +85%

Net. U.S. dermatology revenue +40%

International revenue +36%

U.S. product revenue +27%

---

Cash on Hand 3/31/18 = \$10.1M

## Milestones Achieved in the year ended 31 Mar 2018

- ☑ March 2018 – FDA approval to add antimicrobial indication to Acuicyn
- ☑ January 2018 - Three UAE approvals for blepharitis, chronic rhinosinusitis and oral care
- ☑ Nov + Dec 2017 - Three FDA approvals to expand indications to add antimicrobial language
- ☑ October 2017 - Seven Brazilian dermatology approvals
- ☑ September 2017 - Launched Loyon, indicated for scaling and erythema for various dermatoses
- ☑ June 2017 - Two Singapore dermatology approvals
- ☑ April 2017 - Hired 13 additional sales reps, totaling 28 reps and 6 managers
- ☑ April 2017 - Two UAE dermatology approvals
- ☑ March 2017 - FDA approval for Loyon
- ☑ March 2017 - Received \$19.5M payment from LatAm partner



**U.S.K, a division of NC Group:**

- Largest pharma company in Brazil with more than \$3B in annual revenues
- 3<sup>rd</sup> largest pharma company in Latin America
- 7,000 employees
- 70+ dermatology sales reps covering 7,000 dermatologists in Brazil

**Brazil:**

3<sup>rd</sup> largest market for beauty products, after the US and Japan  
2<sup>nd</sup> largest market for plastic surgery and dermatology procedures, after the US

**U.SK/NC Group and SNOA Partnership:**

Term: 5 years, automatic right to renew

Territory: Brazil

Markets: Dermatology

Products: Acne, Atopic Dermatitis, Scar Management and Post-Laser Procedures

Financial Terms: Not disclosed

## Comparison of March YTD 2018 to March YTD 2017

|   | Year Ended | Year Ended March 31, 2017 |           |       |
|---|------------|---------------------------|-----------|-------|
|   | 01-Mar-18  | Amount                    | \$ Change | %     |
| Total net revenue                           | \$16,658   | \$12,825                  | \$3,833   | 2/ \$ |
| Product revenue                             | \$15,663   | \$11,957                  | \$3,706   | 31%   |
| International revenue                       | \$7,291    | \$5,377                   | \$1,914   | 36%   |
| US product revenue                          | \$8,372    | \$6,580                   | \$1,792   | 27%   |
| Dermatology, gross revenue                  | \$14,910   | \$8,080                   | \$6,830   | 85%   |
| Dermatology, net revenue                    | \$5,803    | \$4,134                   | \$1,699   | 40%   |
| as % of gross                               | 39%        | 51%                       |           |       |
| Cash operating expenses                     | \$18,957   | \$16,605                  | \$2,352   | 03%   |
| Net loss less non-cash expenses<br>(EBITDA) | \$11,199   | \$10,483                  | \$716     | 7%    |
| Cash position                               | \$10,066   | \$17,461                  | -\$7,395  | -0%   |

\* dollars in thousands, unaudited



## Comparison of QE March 2018 to QE March 2017

|   | QTR Ended | QTR Ended March 31, 2017 |           |       |
|---|-----------|--------------------------|-----------|-------|
|   | Q1-Mar-18 | Amount                   | \$ Change | %     |
| Total net revenue                           | \$3,655   | \$4,029                  | -\$374    | -.8%  |
| Product revenue                             | \$3,269   | \$3,799                  | -\$530    | -.03% |
| International product revenue               | \$1,907   | \$1,960                  | -\$53     | -.2%  |
| US revenue                                  | \$1,362   | \$1,839                  | -\$477    | -.26% |
| Dermatology, factory units, sold            | 11,729    | 12,209                   | ,377      | .3%   |
| Dermatology, prescriptions filled           | 17,195    | 13,794                   | 3,401     | 14%   |
| Dermatology, gross revenue                  | \$2,816   | \$2,298                  | \$518     | 12%   |
| Dermatology, net revenue                    | \$779     | \$1,151                  | -\$372    | -.32% |
| as % of gross                               | 28%       | 50%                      |           |       |
| Cash operating expenses                     | \$5,149   | \$4,485                  | \$664     | 04%   |
| Net loss less non-cash expenses<br>(EBITDA) | \$3,717   | \$2,429                  | \$1,288   | 42%   |
| Cash position                               | \$10,066  | \$17,461                 | -\$7,395  | -41%  |

\* dollars in thousands, unaudited