



Sonic Foundry Announces Fiscal 2021 Second Quarter Financial Results

MADISON, Wis. – May 13, 2021 - Sonic Foundry, Inc. (OTC Pink Sheets: SOFO), the trusted leader for video creation, management solutions as well as virtual and hybrid events, today announced consolidated financial results for its fiscal 2021 second quarter ended March 31, 2021.

Fiscal 2021 Second Quarter Highlights

- Total revenues of \$8.7 million, exceeding the plan and slightly ahead of \$8.7 million in the second quarter of 2020; This despite the second quarter of 2021 being fully under COVID-19 constraints, while second quarter of 2020 had minimal COVID-19 impact.
- Gross margin was \$6.1 million, or 70 percent of sales, compared to \$6.3 million, or 72 percent of sales, in the second quarter of 2020.
- Net income attributable to common stockholders of \$257,000, or \$0.03 per share, compared to net income of \$95,000, or \$0.01 per share in the second quarter of 2020.
- Adjusted EBITDA was \$851,000 compared to \$710,000 in the second quarter of 2020.

Year-to-date Financial Highlights

- Total year-to-date revenues of \$17.9 million compared to \$16.7 million at the second quarter of 2020, a \$1.2 million or 7 percent increase.
- Gross margin was \$12.9 million, or 72 percent of sales, compared to \$12.1 million, or 73 percent of sales, in the second quarter of 2020.
- Year-to-date net income attributable to common stockholders of \$889,000, or \$0.11 per share, compared to net loss of \$725,000, or \$(0.11) per share, year-to-date at the second quarter of 2020.
- Year-to-date adjusted EBITDA was \$2.2 million compared to \$564,000, year-to-date at the second quarter of 2020.

Fiscal 2021 Second Quarter Review

Service revenue, including support, hosting, events, and installs were \$6.1 million, compared to \$5.9 million in the prior year. Product revenue was \$2.6 million during the second quarter of fiscal year 2021 compared to \$2.7 million in the same quarter last year. Revenue related to hosting increased 27 percent in the second quarter of 2021 compared to the same quarter last year. The increase reflects the company's strategy to invest and execute services in the hosting services product offering.

Year-to-date Financial Review

Service revenue, including support, hosting, events, and professional services were \$13.2 million year to date this year, compared to \$11.8 million in the prior year. Product revenue was \$4.7 million year to date through the second quarter of 2021 compared to \$4.9 million as of the same period last year. Notably, year-to-date revenue related to

hosting increased 42 percent as of the second quarter of 2021 compared to the same period last year. The company expects to recognize \$3.8 million of the current unearned revenue in the third quarter of fiscal 2021.

“We continue to exceed our plan and outperform the prior year by addressing and overcoming challenges presented by the pandemic,” said Joe Mozden Jr., CEO, Sonic Foundry. “Traditionally, the classroom has been our primary focus in the marketplace with major components of our revenue coming from in-room activity. Even though no one has been in the classroom the past year, we overcame this challenge and I’m pleased to once again say that our quarter delivered strong results across several key financial metrics. I attribute overcoming this roadblock and success to the deliberate, strategic decisions we made at the start of the pandemic to invest in and aggressively pursue two new large growth markets – video hosting management and hybrid events – components of our larger plan to create greater long-term, sustainable growth at Sonic Foundry. We anticipated the demand for services in these areas, invested accordingly and we positioned our company to best help our clients through the uncertainty of the past year.”

Mozden continued: “We believe these new areas of focus will continue to grow substantially for us. We're encouraged by the overall growth in both our hosting and events businesses. The hosting business has increased by 42%. We believe the events business will grow based on year-to-date sales activity and growing pipeline. Post-COVID, we anticipate not only the positive momentum from our new businesses but also a renewed energy and growth in the traditional classroom. Classrooms will open again in the near future, and the need for video technologies like Mediasite to deliver anytime, anywhere education is a critical piece of the puzzle for schools.”

“Our technology is unmatched, and we have an extensive customer base that understands the new realities their students and instructors demand. I’m proud of the progress we’ve made as a business to date, and fully anticipate we will continue to create new revenue streams to grow our business.

Non-GAAP Financial Information

To supplement and enhance the reader’s understanding of our operating performance, we disclose adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization (adjusted EBITDA), a non-GAAP measure of operating performance. Our adjusted EBITDA measure additionally adds back stock compensation expense from the SEC definition of EBITDA. As such, our adjusted EBITDA may not be comparable to similarly titled measures reported by other companies and should not be viewed as an alternative to net income as a measurement of our operating performance. A reconciliation of net income to adjusted EBITDA for the second quarter ended March 31, 2021 and 2020 are included in the release.

About Sonic Foundry®, Inc.

Sonic Foundry (OTC Pink Sheets: SOFO) is the global leader for video capture, management and streaming solutions as well as virtual and hybrid events. Trusted by more than 5,200 educational institutions, corporations, health organizations and government entities in over 65 countries, its Mediasite Video Platform quickly and cost-effectively automates the capture, management, delivery and search of live and on-demand streaming videos. Learn more at www.sonicfoundry.com.

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Forward Looking Statements

This news release contains forward-looking statements about the products and services of Sonic Foundry within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward looking statements include statements about our products and services, our customer base, strategic investments,

new partnerships, our future operating results and any statements we make about the company's future. These types of statements address matters that are subject to many risks and uncertainties. Actual results could differ materially from the forward-looking guidance we provide. Any forward-looking statements should be considered in context of the risk factors disclosed in our periodic forms 10Q, 10K and other filings with the SEC. These filings can be accessed on-line at www.sec.gov and other websites or can be obtained from the company's investor relations department. All of the information and disclosures we make in this news release regarding our business, including any forward looking guidance, are as of the date given and we assume no obligation to update or change this information, regardless of subsequent events.

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Sonic Foundry, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except for share and per share data)

| | March 31, 2021 | September 30, 2020 |
|---|-------------------|-----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 5,425 | \$ 7,619 |
| Accounts receivable, net of allowances of \$233 & \$236 | 5,109 | 6,250 |
| Inventories | 1,090 | 1,167 |
| Investment in sales-type lease, current | 203 | 275 |
| Capitalized commissions, current | 315 | 440 |
| Prepaid expenses and other current assets | 1,083 | 1,065 |
| Total current assets | 13,225 | 16,816 |
| Property and equipment: | | |
| Leasehold improvements | 1,113 | 1,128 |
| Computer equipment | 8,282 | 7,960 |
| Furniture and fixtures | 1,400 | 1,366 |
| Total property and equipment | 10,795 | 10,454 |
| Less accumulated depreciation and amortization | 7,760 | 7,295 |
| Property and equipment, net | 3,035 | 3,159 |
| Other assets: | | |
| Investment in sales-type lease, long-term | 72 | 76 |
| Capitalized commissions, long-term | 71 | 100 |
| Right-of-use assets under operating leases | 1,403 | 2,081 |
| Other long-term assets | 467 | 397 |
| Total assets | \$ 18,273 | \$ 22,629 |
| Liabilities and stockholders' equity (deficit) | | |
| Current liabilities: | | |
| Accounts payable | \$ 1,077 | \$ 2,689 |
| Accrued liabilities | 2,454 | 2,565 |
| Current portion of unearned revenue | 7,813 | 10,402 |
| Current portion of finance lease obligations | 85 | 119 |
| Current portion of operating lease obligations | 1,135 | 1,425 |
| Current portion of notes payable and warrant debt, net of discounts | 1,086 | 1,104 |
| Total current liabilities | 13,650 | 18,304 |
| Long-term portion of unearned revenue | 1,766 | 1,736 |
| Long-term portion of finance lease obligations | 46 | 89 |
| Long-term portion of operating lease obligations | 267 | 665 |
| Long-term portion of notes payable and warrant debt, net of discounts | 2,089 | 2,673 |
| Derivative liability, at fair value | 85 | 66 |
| Other liabilities | 154 | 144 |
| Total liabilities | 18,057 | 23,677 |
| Commitments and contingencies | | |
| Stockholders' equity (deficit): | | |
| Preferred stock, \$.01 par value, authorized 500,000 shares; none issued | — | — |
| 9% Preferred stock, Series A, voting, cumulative, convertible, \$.01 par value (liquidation preference of \$1,000 per share), authorized 4,500 shares; zero shares issued and outstanding, at amounts paid in | — | — |
| 5% Preferred stock, Series B, voting, cumulative, convertible, \$.01 par value (liquidation preference at par), authorized 1,000,000 shares, none issued | — | — |
| Common stock, \$.01 par value, authorized 10,000,000 shares; 8,063,713 and 7,965,325 shares issued, respectively and 8,050,997 and 7,952,609 shares outstanding, respectively | 81 | 80 |
| Additional paid-in capital | 209,523 | 209,022 |
| Accumulated deficit | (208,630) | (209,519) |
| Accumulated other comprehensive loss | (589) | (462) |
| Treasury stock, at cost, 12,716 shares | (169) | (169) |
| Total stockholders' equity (deficit) | 216 | (1,048) |
| Total liabilities and stockholders' equity (deficit) | \$ 18,273 | \$ 22,629 |

Sonic Foundry, Inc.
Consolidated Statements of Operations
(in thousands, except for share and per share data)
(Unaudited)

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|--|------------------------------|-----------|----------------------------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| Revenue: | | | | |
| Product and other | \$ 2,571 | \$ 2,812 | \$ 4,747 | \$ 4,867 |
| Services | 6,140 | 5,854 | 13,129 | 11,814 |
| Total revenue | 8,711 | 8,666 | 17,876 | 16,681 |
| Cost of revenue: | | | | |
| Product and other | 951 | 1,158 | 1,764 | 1,989 |
| Services | 1,624 | 1,247 | 3,222 | 2,595 |
| Total cost of revenue | 2,575 | 2,405 | 4,986 | 4,584 |
| Gross margin | 6,136 | 6,261 | 12,890 | 12,097 |
| Operating expenses: | | | | |
| Selling and marketing | 2,895 | 3,057 | 5,905 | 6,453 |
| General and administrative | 1,055 | 1,176 | 2,253 | 2,617 |
| Product development | 1,731 | 1,499 | 3,472 | 3,089 |
| Total operating expenses | 5,681 | 5,732 | 11,630 | 12,159 |
| Income (loss) from operations | 455 | 529 | 1,260 | (62) |
| Non-operating expenses: | | | | |
| Interest expense, net | (23) | (218) | (52) | (481) |
| Other expense, net | (38) | (58) | (27) | (43) |
| Total non-operating expenses | (61) | (276) | (79) | (524) |
| Income (loss) before income taxes | 394 | 253 | 1,181 | (586) |
| Income tax benefit (expense) | (137) | (158) | (292) | (139) |
| Net income (loss) | \$ 257 | \$ 95 | \$ 889 | \$ (725) |
| Dividends on preferred stock | — | — | — | — |
| Net income (loss) attributable to common stockholders | \$ 257 | \$ 95 | \$ 889 | \$ (725) |
| Income (loss) per common share | | | | |
| – basic | \$ 0.03 | \$ 0.01 | \$ 0.11 | \$ (0.11) |
| – diluted | \$ 0.03 | \$ 0.01 | \$ 0.11 | \$ (0.11) |
| Weighted average common shares | | | | |
| – basic | 8,040,513 | 6,785,180 | 8,001,723 | 6,760,779 |
| – diluted | 8,557,788 | 6,933,227 | 8,451,913 | 6,760,779 |

Sonic Foundry, Inc.
Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

| | Six Months Ended March 31, | |
|--|-------------------------------|----------|
| | 2021 | 2020 |
| Operating activities | | |
| Net Income (loss) | \$ 889 | \$ (725) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Amortization of other intangibles | 33 | 150 |
| Depreciation and amortization of property and equipment | 539 | 433 |
| Loss on sale of fixed assets | 5 | — |
| Provision for doubtful accounts - including financing receivables | 3 | 9 |
| Stock-based compensation expense related to stock options | 283 | 86 |
| Stock issued for board of director fees | — | 64 |
| Deferred loan interest to related party | — | 264 |
| Remeasurement loss (gain) on derivative liability | 19 | 63 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 925 | 175 |
| Inventories | 71 | (45) |
| Investment in sales-type lease | 63 | 126 |
| Capitalized commissions | 154 | 134 |
| Prepaid expenses and other current assets | (45) | 64 |
| Right-of-use assets under operating leases | 655 | 562 |
| Operating lease obligations | (665) | (578) |
| Other long-term assets | (93) | 4 |
| Accounts payable and accrued liabilities | (1,628) | (162) |
| Other long-term liabilities | 17 | (1) |
| Unearned revenue | (2,495) | 57 |
| Net cash provided by (used in) operating activities | (1,270) | 680 |
| Investing activities | | |
| Purchases of property and equipment | (448) | (118) |
| Net cash used in investing activities | (448) | (118) |
| Financing activities | | |
| Proceeds from notes payable | — | 463 |
| Payments on notes payable | (618) | (618) |
| Proceeds from issuance of preferred stock and common stock | 10 | — |
| Proceeds from exercise of common stock options | 209 | 1 |
| Payments on finance lease obligations | (76) | (124) |
| Net cash used in financing activities | (475) | (278) |
| Changes in cash and cash equivalents due to changes in foreign currency | (1) | 7 |
| Net increase (decrease) in cash and cash equivalents | (2,194) | 291 |
| Cash and cash equivalents at beginning of year | 7,619 | 4,295 |
| Cash and cash equivalents at end of period | \$ 5,425 | \$ 4,586 |
| Supplemental cash flow information: | | |
| Interest paid | \$ 31 | \$ 479 |
| Income taxes paid, foreign | 44 | 90 |
| Non-cash financing and investing activities: | | |
| Property and equipment financed by finance lease or accounts payable | — | 821 |

Sonic Foundry, Inc.
Consolidated Non-GAAP Adjusted EBITDA Reconciliation
(in thousands)

| | <u>Three Months Ended March 31,</u> | | <u>Six Months Ended March 31,</u> | |
|----------------------------------|-------------------------------------|---------------|-----------------------------------|---------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Net income (loss) | \$ 257 | \$ 95 | \$ 888 | \$ (725) |
| Add: | | | | |
| Depreciation and amortization | 270 | 262 | 538 | 583 |
| Income tax expense (benefit) | 137 | 158 | 292 | 139 |
| Interest expense | 23 | 218 | 52 | 481 |
| Stock-based compensation expense | 165 | 34 | 284 | 86 |
| Severance | - | - | 101 | 0 |
| Adjusted EBITDA | <u>\$ 852</u> | <u>\$ 767</u> | <u>\$ 2,155</u> | <u>\$ 564</u> |

