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FOR IMMEDIATE RELEASE

## Sono-Tek Announces Sales Grew 14% to \$11.0 million in Fiscal 2018 and Forecasts Continued Revenue Growth

- Annual gross margin improved by 280 basis points to 48.1%
- Generated \$1.8 million in cash from operations, up 75% in fiscal 2018
- Achieved net income of \$0.4 million, or \$0.02 per basic and diluted share
- Expects continued growth in first quarter and full fiscal year 2019

MILTON, N.Y., May 24, 2018 – Sono-Tek Corporation (OTCQX: SOTK) the leading developer and manufacturer of ultrasonic coating systems, today reported financial results for its fourth quarter and fiscal year ended February 28, 2018 (“fiscal 2018”).

“We had excellent growth trends through the year. Strong market conditions combined with the expansion of our sales effort drove sales up 14% to \$11.0 million,” commented Dr. Christopher L. Coccio, Chairman and CEO. “Additionally, the strong operating leverage inherent in our business was evident in our measurable margin expansion.”

Dr. Coccio added, “We believe our continued implementation of LEAN manufacturing practices this past year were apparent in our strong cash generation. Our productivity focus has resulted in a significant reduction in inventory requirements and is also increasingly contributing to improved operating efficiencies and cycle time reduction.”

Cash and cash equivalents increased \$1.5 million to \$6.4 million, even as we continued to invest in engineering as well as product and market development.”

Dr. Coccio concluded, “Based on our current backlog, shipments, and proposals, we expect stronger sales in the first quarter of fiscal 2019 compared with last year’s first quarter. In fact, we anticipate solid growth in revenue for fiscal year 2019 from our new products and applications, supported by the strong global economy and fiscal improvements in the U.S.”

### **Fiscal 2018 Review** *(\$’s in thousands, except per share data)*

	Fiscal Year Ended		Change	
	2018	February 28, 2017	\$	%
Net Sales	\$11,008	\$9,635	\$1,373	14%
Gross Profit	\$5,296	\$4,363	\$933	21%
<i>Gross Margin</i>	<i>48.1%</i>	<i>45.3%</i>		
Operating Income (Loss)	\$382	(\$179)	\$560	-
<i>Operating Margin</i>	<i>3.5%</i>	<i>(1.9%)</i>		
Net Income (Loss)	\$368	\$96	\$273	284.7%
<i>Net Margin</i>	<i>3.3%</i>	<i>1.0%</i>		
Basic Earnings Per Share	\$0.02	\$0.01		
Diluted Earnings Per Share	\$0.02	\$0.01		
Weighted Average Shares -Basic	14,968,450	14,961,076		
Weighted Average Shares - Diluted	15,095,123	15,018,282		

The increase in net sales reflects higher volume in Multi-Axis Systems and Integrated Coating Systems due in large part to growth in the medical and alternative energy markets, the latter being led by fuel cell development programs in China. Higher sales to the medical industry was the result of specialized application expertise for polymer and other active nanomaterial coatings on implantable devices.

In fiscal 2018, approximately 56% of sales originated outside of the United States and Canada. This compares with 60% in fiscal 2017. The geographic shift was mostly because of higher sales to the U.S. medical market.

Gross margin was up 280 basis points primarily due to product mix, as a greater portion of the sales growth was from higher margin Multi-Axis Systems and Integrated Coating Systems. In addition, fixed overhead costs were marginally down during the fiscal year.

The Company continued to invest in new product development and sales and marketing as it addressed market expansion opportunities. However, with strong sales growth, as a percentage of net sales, operating expenses were down 250 basis points to 44.6%. As a result, operating margin improved to 3.5%.

Sono-Tek achieved net income of \$0.4 million, or \$0.02 per basic and diluted share, up \$0.01 from the prior year.

#### **Fourth Quarter Fiscal 2018 Review** *(\$'s in thousands except per share data)*

	Three Months Ended		Change	
	February 28, 2018	2017	\$	%
Net Sales	\$2,894	\$2,558	\$336	13%
Gross Profit	\$1,350	\$1,179	\$171	15%
<i>Gross Margin</i>	46.7%	46.1%		
Operating Income (Loss)	\$94	\$29	\$65	224%
<i>Operating Margin</i>	3.3%	1.1%		
Net Income (Loss)	\$103	\$67	\$36	54%
<i>Net Margin</i>	3.6%	2.6%		
Basic Earnings Per Share	\$0.01	\$0.00		
Diluted Earnings Per Share	\$0.01	\$0.00		
Weighted Average Shares - Basic	14,981,902	14,961,076		
Weighted Average Shares - Diluted	15,181,331	15,058,366		

#### **Balance Sheet and Cash Flow Overview**

Net cash provided by operating activities was \$1.8 million, up \$0.8 million, or 75%. Capital expenditures were \$0.2 million for fiscal 2018, consistent with the prior-year period, primarily for the purchase or manufacture of equipment, furnishings and leasehold improvements. The Company anticipates total capital expenditures to be approximately \$0.4 million to \$0.6 million in fiscal 2019.

At February 28, 2018, the Company had total debt of \$1.0 million, down \$150 thousand since fiscal 2017 year-end. Sono-Tek has a revolving credit line of \$750 thousand and a \$250 thousand equipment purchase facility, both of which had no outstanding borrowings at year-end.

## **About Sono-Tek**

Sono-Tek Corporation is the leading developer and manufacturer of ultrasonic coating systems for applying precise, thin film coatings to protect, strengthen or smooth surfaces on parts and components for the microelectronics/electronics, alternative energy, medical and industrial markets, including specialized glass applications in construction and automotive.

The Company's solutions are environmentally-friendly, efficient and highly reliable, and enable dramatic reductions in overspray, savings in raw material, water and energy usage and provide improved process repeatability, transfer efficiency, high uniformity and reduced emissions.

Sono-Tek's growth strategy is focused on leveraging its innovative technologies, proprietary know-how, unique talent and experience, and global reach to further develop microscopic coating technologies that enable better outcomes for its customers' products and processes.

For further information, visit [www.sono-tek.com](http://www.sono-tek.com).

## **Safe Harbor Statement**

*This news release contains forward looking statements regarding future events and the future performance of Sono-Tek Corporation that involve risks and uncertainties that could cause actual results to differ materially. These factors include, among other considerations, general economic and business conditions; political, regulatory, tax, competitive and technological developments affecting our operations or the demand for our products; timely development and market acceptance of new products; adequacy of financing; capacity additions; the ability to enforce patents; maintenance of operating leverage; continued reduction in inventory requirements; maintenance of order backlog; consummation of order proposals; continued sales growth in the medical and alternative energy markets; and the ability to achieve increased sales volume at projected levels and continued profitability. We refer you to documents that the company files with the Securities and Exchange Commission, which includes Form 10-K and Form 10-Qs containing additional important information.*

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**SONO-TEK CORPORATION  
CONSOLIDATED BALANCE SHEETS**

	February 28,	
	2018	2017
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 2,016,464	\$ 2,557,223
Marketable securities	4,405,900	2,342,184
Accounts receivable (less allowance of \$46,000)	774,778	1,150,801
Inventories, net	1,354,083	1,340,684
Prepaid expenses and other current assets	139,406	127,276
Total current assets	8,690,631	7,518,168
Land	250,000	250,000
Buildings, net	1,807,339	1,875,074
Equipment, furnishings and leasehold improvements, net	498,401	624,197
Intangible assets, net	136,576	153,326
Deferred tax asset	396,387	315,171
TOTAL ASSETS	\$ 11,779,334	\$ 10,735,936
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 652,863	\$ 336,561
Accrued expenses	893,192	868,755
Customer deposits	344,098	78,902
Current maturities of long term debt	156,119	149,698
Income taxes payable	84,621	14,619
Total current liabilities	2,130,893	1,448,535
Deferred tax liability	385,384	337,726
Long term debt, less current maturities	870,532	1,026,650
Total Liabilities	3,386,809	2,812,911
Commitments and Contingencies	-	-
Stockholders' Equity		
Common stock, \$.01 par value; 25,000,000 shares authorized, 14,986,367 and 14,961,076 issued and outstanding, respectively	149,864	149,611
Additional paid-in capital	8,901,171	8,859,486
Accumulated deficit	(760,115)	(1,128,322)
Accumulated other comprehensive income	101,605	42,250
Total stockholders' equity	8,392,525	7,923,025
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 11,779,334	\$ 10,735,936

**SONO-TEK CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**

	<b>Fiscal Year Ended</b>	
	<b>February 28,</b>	
	<b>2018</b>	<b>2017</b>
Net Sales	\$ 11,008,444	\$ 9,634,956
Cost of Goods Sold	5,711,951	5,272,050
Gross Profit	<u>5,296,493</u>	<u>4,362,906</u>
Operating Expenses		
Research and product development	1,280,308	1,275,902
Marketing and selling	2,516,461	2,217,218
General and administrative	1,118,107	1,048,407
Total Operating Expenses	<u>4,914,876</u>	<u>4,541,527</u>
Operating Income (Loss)	381,617	(178,621)
Other Income (Expense):		
Interest Expense	(46,117)	(52,294)
Interest and Dividend Income	91,459	70,797
Other Income	33,104	236,450
Income before Income Taxes	460,063	76,332
Income Tax (Benefit) Expense	91,856	(19,374)
Net Income	<u>\$ 368,207</u>	<u>\$ 95,706</u>
Other Comprehensive Income		
Net unrealized gain on marketable securities	59,355	112,390
Comprehensive Income	<u>\$ 427,562</u>	<u>\$ 208,096</u>
Basic Earnings Per Share	<u>\$ .02</u>	<u>\$ .01</u>
Diluted Earnings Per Share	<u>\$ .02</u>	<u>\$ .01</u>
Weighted Average Shares – Basic	<u>14,968,450</u>	<u>14,961,076</u>
Weighted Average Shares – Diluted	<u>15,095,123</u>	<u>15,018,282</u>

**SONO-TEK CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<u>Fiscal Year Ended</u>	
	<u>February 28,</u>	<u>2017</u>
<b>2018</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 368,207	\$ 95,706
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	399,526	440,223
Stock based compensation expense	41,728	47,319
Inventory reserve	104,601	80,006
Deferred tax expense	(33,558)	5,750
(Increase) Decrease in:		
Accounts receivable	376,023	63,912
Inventories	(118,000)	524,693
Prepaid expenses and other assets	(12,130)	(17,322)
(Decrease) Increase in:		
Accounts payable and accrued expenses	340,739	(16,017)
Customer deposits	265,196	(122,576)
Income taxes payable	70,002	(73,041)
Net Cash Provided by Operating Activities	<u>1,802,334</u>	<u>1,028,653</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of equipment, furnishings and leasehold improvements	(189,245)	(182,837)
(Purchase) of marketable securities	(2,004,360)	(533,559)
Net Cash (Used In) Investing Activities	<u>(2,193,605)</u>	<u>(716,396)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from exercise of options	210	-
Repayment of long term debt	(149,698)	(143,389)
Net Cash (Used In) Financing Activities	<u>(149,488)</u>	<u>(143,389)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(540,759)</b>	<b>168,868</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of year	2,557,223	2,388,355
End of year	<u>\$ 2,016,464</u>	<u>\$ 2,557,223</u>
<b>Supplemental Cash Flow Disclosure:</b>		
Interest Paid	\$ 46,117	\$ 52,294
Income Taxes Paid	<u>\$ 59,494</u>	<u>\$ 56,502</u>