

SOTK

SONO•TEK Corporation

LD Micro 500 Virtual
Conference



September 2020



OTCQX: SOTK

Safe Harbor Statement

OTCQX: SOTK

We discuss expectations regarding our future performance, such as our business outlook, in our annual and quarterly reports, press releases, and other written and oral statements. These “forward-looking statements” are based on currently available competitive, financial and economic data and our operating plans. They are inherently uncertain, and investors must recognize that events could turn out to be significantly different from our expectations. 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; the duration and scope of the COVID-19 pandemic; the extent and duration of the pandemic’s adverse effect on economic and social activity, consumer confidence, discretionary spending and preferences, labor and healthcare costs, and unemployment rates, any of which may reduce demand for some of our products and impair the ability of those with whom we do business to satisfy their obligations to us; our ability to sell and provide our services and products, including as a result of continued pandemic related travel restrictions, mandatory business closures, and stay-at home or similar orders; any temporary reduction in our workforce, closures of our offices and facilities and our ability to adequately staff and maintain our operations resulting from the pandemic; the ability of our customers and suppliers to continue their operations as result of the pandemic, which could result in terminations of contracts, losses of revenue, and further adverse effects to our supply chain; maintenance of increased order backlog, including effects of any COVID-19 related cancellations; the imposition of tariffs; timely development and market acceptance of new products and continued customer validation of our coating technologies; adequacy of financing; capacity additions, the ability to enforce patents; maintenance of operating leverage; consummation of order proposals; completion of large orders on schedule and on budget; continued sales growth in the specialty glass and portable electronics markets; successful transition from primarily selling ultrasonic nozzles and components to a more complex business providing complete machine solutions and higher value subsystems; and realization of quarterly revenues within the forecasted range. 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.

Overview

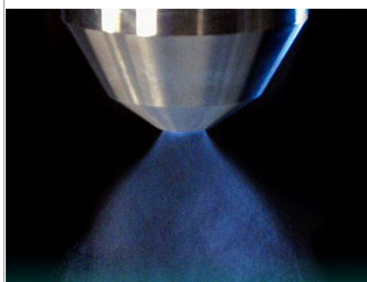
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FYE - Feb

Sono-Tek Corporation is the world leader in the design and manufacture of ultrasonic coating systems for depositing precise, thin film coatings to protect or strengthen surfaces, or apply functional layers (such as catalyst or electrical function) onto parts and components.

The main industries and applications using our coating equipment include:

- **Microelectronics/Electronics**
- **Alternative Energy**
- **Medical**
- **Industrial**
- **Emerging Research & Development/
Other Markets**



www.sono-tek.com

Market Data 8/21/2020

| | |
|--------------------------------|-----------------|
| OTCQX – Applied to NASDAQ* | SOTK |
| Price (8/21/2020) | \$3.70 |
| 52 Week Range | \$1.02 - \$3.90 |
| Market Cap | \$57 M |
| Average Daily Trading (30 day) | ~3,300 |
| Common Shares Outstanding | 15.4 M |
| Insider Ownership | 8% |

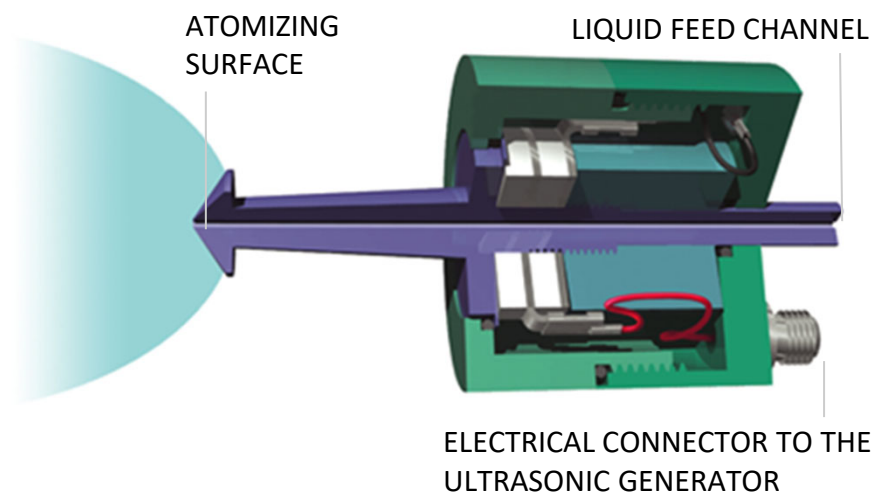
Cash & Cash Equivalents 2/29/2020 \$7.9 M

* August 11, 2020

Ultrasonic Coating Technology

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Ultrasonic nozzle systems use high frequency ultrasonic vibrations to atomize liquids into uniform micron-sized drops that can be applied to surfaces at low velocity to provide highly uniform microscopic layers of material over a wide variety of surfaces.



Ultrasonic Coating Advantages

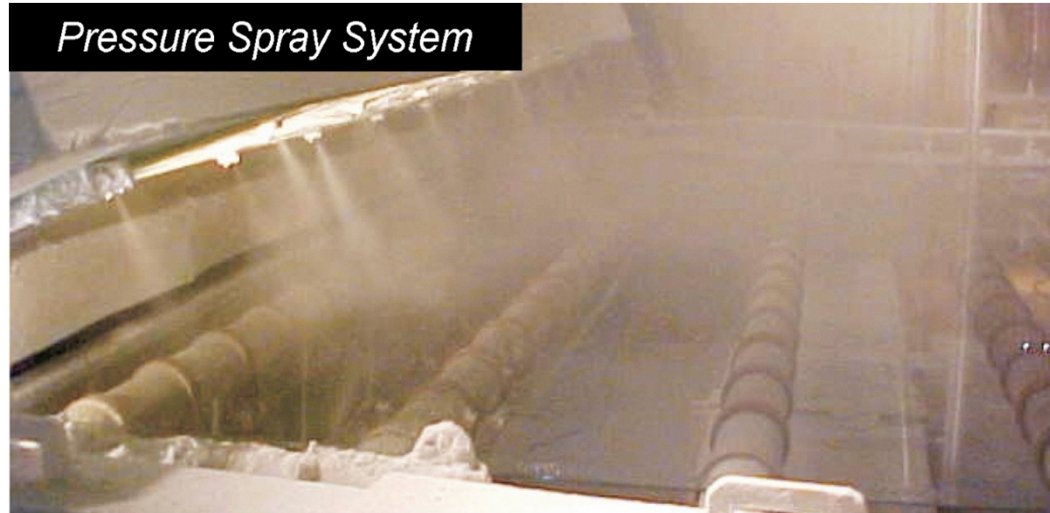
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Advantages becoming broadly recognized

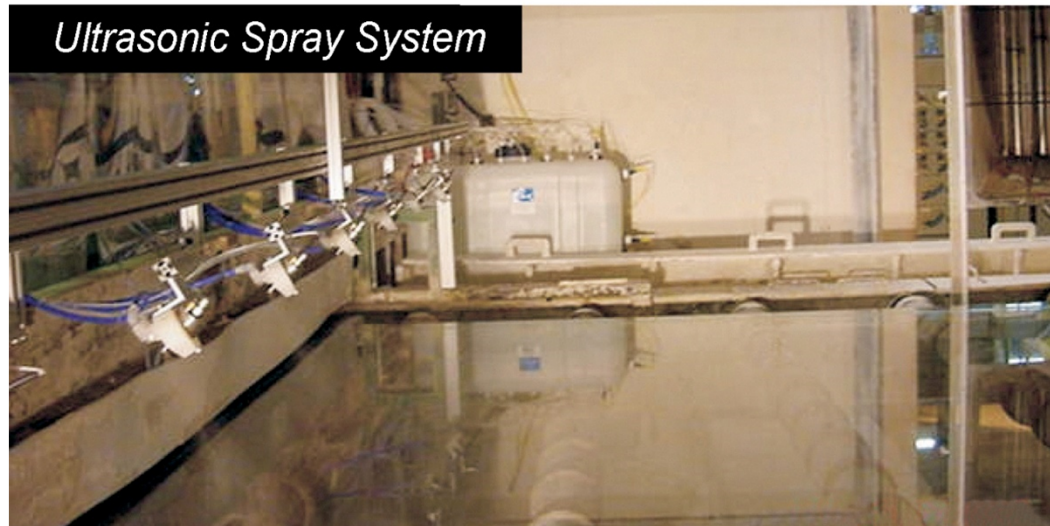
More cost-effective, simpler than alternative coating methods

- Dramatic reductions in overspray with reduced emissions
- Large cost savings in raw materials, liquid and energy usage
- Improved process repeatability, high efficiency, high uniformity
- High precision at economical costs.

Pressure Spray System



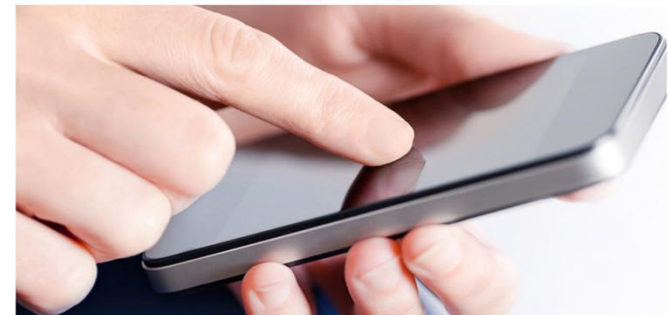
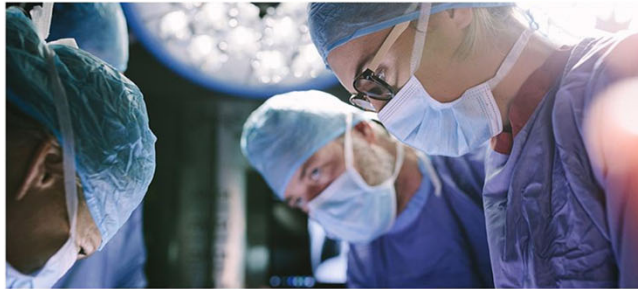
Ultrasonic Spray System



Why Sono-Tek?

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*Technology
for industry
advancements
that create a
better world*



Experienced Management Team

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| | |
|-------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Chris Coccio, PhD <i>Chairman and Chief Executive Officer</i> | <ul style="list-style-type: none">• Sono-Tek Board since 1998 and CEO since 2001• General Electric career involving global P&L responsibilities for businesses up to \$100M and 500 people• BSME-Stevens Institute, MSME-Univ. of Colorado, PhD-RPI |
| Steve Harshbarger <i>President, Director</i> | <ul style="list-style-type: none">• Leading global expert in ultrasonic coatings applications and solutions developed over 25-year career• Bentley University graduate in Finance and Marketing |
| Stephen Bagley, CPA <i>Chief Financial Officer</i> | <ul style="list-style-type: none">• CFO at Sono-Tek since 2005, OTCQX Issuer Advisory Council• Bachelor of Science-SUNY Oneonta, MBA-Marist College |

Strong Group of Next Generation Leaders

→ **Robb Engle**
Executive Vice President
Engineering

→ **Bennett Bruntl**
Vice President
Sales & Marketing

→ **Chris Cichetti**
Vice President
Applications Engineering

**Combined 40+ years of
Ultrasonic Coating expertise**

Independent Board of Directors

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| Board Member | Role | Affiliations |
|-----------------------|------------------------|--------------------------------------------------------|
| Dr. Chris Coccio | Chairman | CEO |
| Steve Harshbarger | Director | President |
| Eric Haskell, CPA | Independent Director | Former Public Company CFO |
| Dr. Donald Mowbray | Independent Director* | Former Senior Executive of GE |
| Dr. Joseph Riemer | Independent Director | Food Science Specialist & Former President of Sono-Tek |
| Philip Strasburg, CPA | Independent Director** | Retired CPA & Corporate Auditor |
| Carol O'Donnell | Independent Director | Attorney & Hedge Fund Executive |

* *Chair of Compensation Committee*

** *Chair of Audit Committee*

OUR MISSION IS TO PROVIDE

- Precision thin film coating equipment solutions
- Outstanding application expertise across multiple industries for each customer's needs
- Worldwide application and service support
- Next gen ultrasonic coating technology to become a standard for advanced thin film deposition needs.

*The Sono-Tek team is always developing
We are constantly finding new applications that
can benefit from our unique technology.*

Strong Revenue and Gross Margin

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FYE - Feb

Sales Grew

32%

In FY2020

Net Income
\$1.1M

In FY2020

*A Seven-fold Year
Over Year Increase*

Gross Margin

47%

45%

48%

45%

48%

FY2016

FY2017

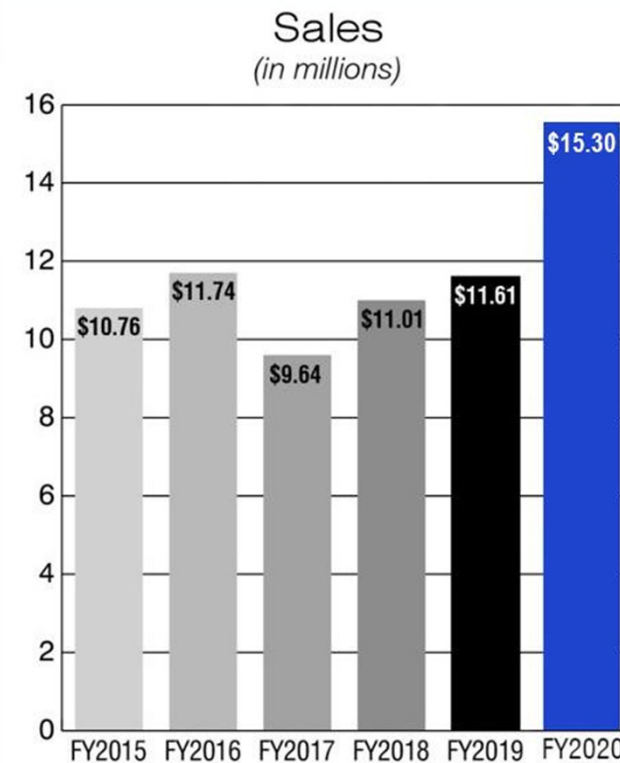
FY2018

FY2019

FY2020

Industry Leading Gross Margins

Excellent Revenues

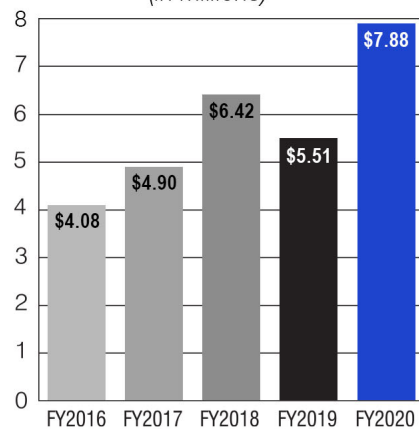


Strong Balance Sheet

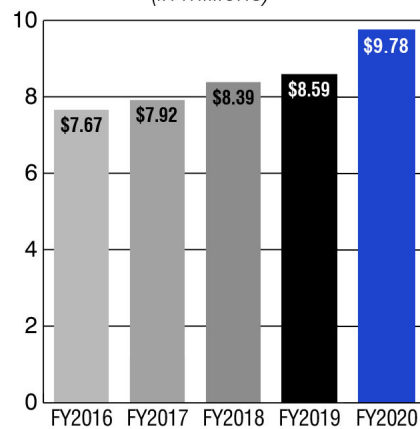
OTCQX: **SOTK**

FYE - Feb

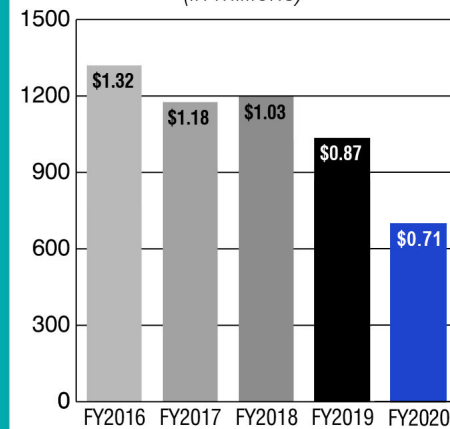
Cash and Cash Equivalents
(in millions)



Stockholders' Equity
(in millions)



Total Debt
(in millions)



Cash and Equity Rising, Debt Declining

Strategic Shift Starting in 2013

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- Heavily invested in **applications engineering** resources and laboratories to provide complete solutions to customers
- Shifted focus to provide higher value complete **machine solutions** and larger subsystems to OEMs
- **Created strategic partners** for requirements outside Sono-Tek expertise
- Invested significant resources to enhance **market diversity** – in products, industries and geographic locations.

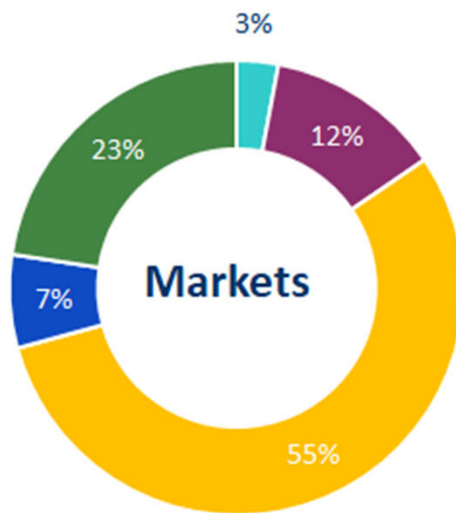
RESULTS TO DATE

- Average unit selling prices have grown to ~\$200K - \$300K, with several large orders in the \$750K - \$1.6 million range
- Highly diversified by markets, geography and products
- Accelerated profits, improved balance sheet and increased financial strength
- Differentiated Sono-Tek from ultrasonic spray competitors by providing more value and expertise to customers

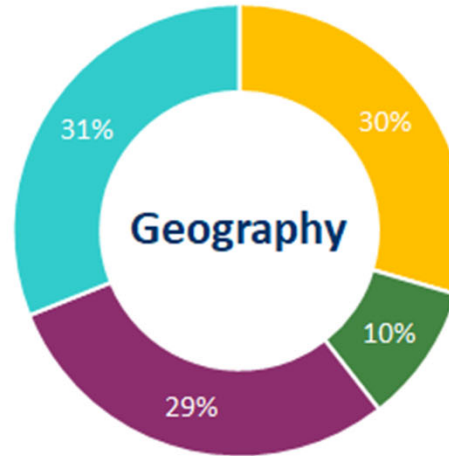
Diversified Markets, Geography and Products

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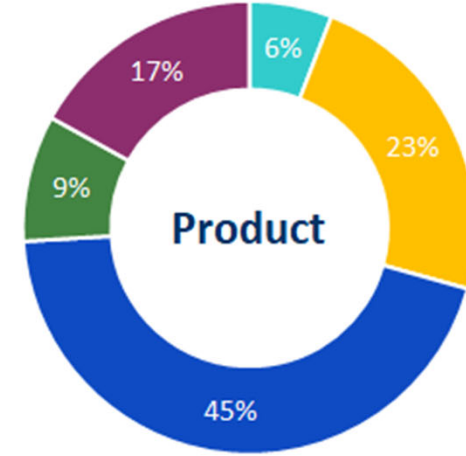
FY 2020 Sales \$15.3 million



- Industrial
- Alt Energy
- Electronics
- Emerging R&D & Other
- Medical



- US & Canada
- Latin America
- Europe
- Asia



- Fluxing Systems
- Integrated Coating Systems
- Multi-Axis Coating Systems
- OEM
- Other

Diversified Markets *Electronics & Microelectronics*

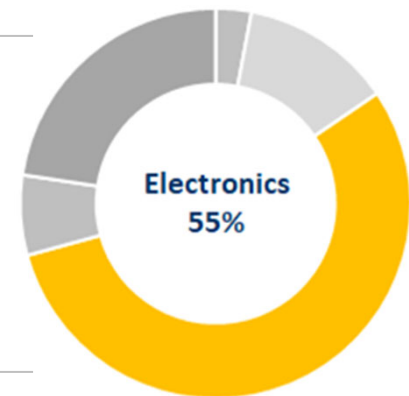
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OUTLOOK FOR GROWTH

Driven by the never-ending appetite for new, smaller and more complex electronics devices, phones, touch screens, etc.

Applications

- Printed circuit boards
- Semiconductors: micron-thin photo-resist layers onto complex wafers (MEMS)
- Sensors
- Display/panel glass on personal electronic devices, lenses



Differentiators

- Ability to address multi-dimensional complex geometries
- More efficient than standard, historic processes
- Product flexibility: full systems or subsystems
- Precise control for ultra-thin layers

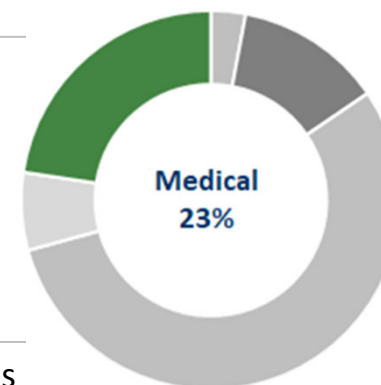
Market Position

- Market leader in mature printed circuit board industry
- Demonstrating significant value advantage over alternative coating processes

Diversified Markets *Medical*

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| | |
|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| OUTLOOK FOR GROWTH | <i>Rapid deployment of next gen diagnostic coatings for quick analysis and identification of blood and genomics.</i> |
| Applications | <ul style="list-style-type: none"> • Implanted medical devices: stents, balloons and diabetic monitoring devices • Blood collection tubes • Diagnostic devices, microfluidics • Advanced drug delivery products |
| Differentiators | <ul style="list-style-type: none"> • Application expertise, engineering team and laboratory facilities • Precise, repeatable processes, with accurate dosing • Product and service flexibility: <ul style="list-style-type: none"> ✓ <i>Full coating solutions</i> ✓ <i>Custom-engineered equipment for unique medical devices</i> ✓ <i>Paid coating services for application engineering, process development and pre-production volumes</i> |
| Market Position | <ul style="list-style-type: none"> • World leader in mature stent coating industry • Expanding opportunities as new technologies & medical devices come to market • Large multi-national medical companies use of SOTK technology for new products |



Diversified Markets *Clean Energy Applications*

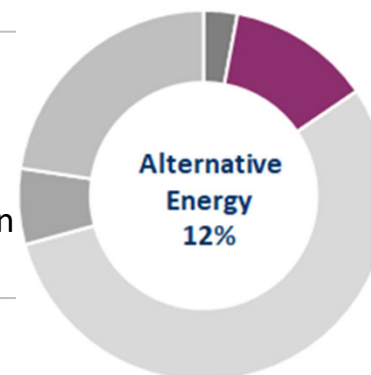
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OUTLOOK FOR GROWTH

Growing demand for clean energy fuel cell technology, CO2 reduction and other emerging environmentally conscious technologies driving growth for multi-axis coating systems.

Applications

- Catalyst coating for fuel cell technologies and systems:
- Solar cells
- Batteries
- Electrolyzer coatings for hydrogen generation and CO2 reduction



Differentiators

- Expanding global fuel cell market
 - ✓ *Implemented use of fuel cells for: cars, buses, trucks, alternative power sources*
- Highly durable, uniform, pinhole/crack-free coatings on fuel cell PEMs
 - ✓ *Reduces waste of carbon-based catalyst inks*
 - ✓ *Improves energy efficiency and durability*

Market Position

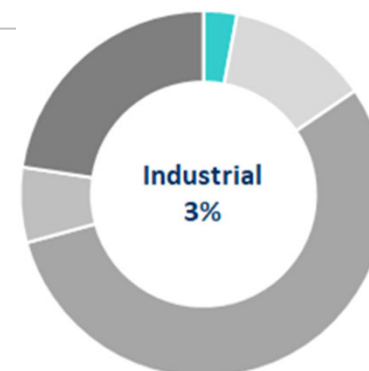
- Provides higher energy output and greater longevity compared with slot/die coating technology
- Opportunity in rapid growth market with preferred membrane surface coating results

OUTLOOK FOR GROWTH

Demand for expensive high purity glass is opening opportunities for increased coating protection from staining during storage.

Applications

- Flat (“float”) glass used for windows in buildings and vehicles
- Aerospace/aircraft: specialty component coating
- Textiles: antimicrobial, next gen plasma technology
- Food: antimicrobial coatings on meat products and packaging, coatings of flavors
- Automotive: heat exchangers and brake pads



Differentiators

- Extensive experience in uniform layers of water-soluble organic acid solutions (anti-stain coatings)
- High transfer efficiency
- Environmentally friendly
- Cost effective

Market Position

- Leading technology for high value industrial glass manufacturers
- Opportunity for broadening recognition of ultrasonic coating capabilities

Diversified Markets *Emerging R&D*

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OUTLOOK FOR GROWTH

Broadbased basket of next gen applications in developing markets with growth potential

Applications

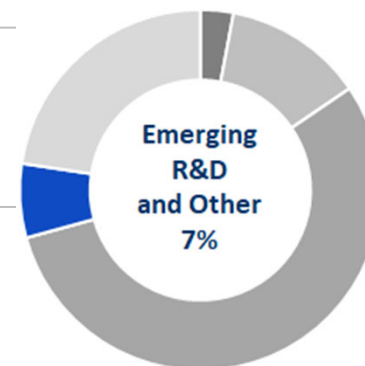
- Wide range of new applications in early R&D phase, often supported with government funding.

Differentiators

- Ultrasonic coating technology has been shown to be highly flexible for implementation with many coating processes.

Market Position

- Hundreds of Universities and Research Institutes utilizing Sono-Tek equipment for new coating needs under development.



Application Expertise

Provide customers with unique application expertise and knowledge

- *Continually developing in-house applications engineering, sales and marketing teams knowledge*
- *Provide proof of concept testing at global process development laboratories*
- *Highly technical, established long term global distribution network*

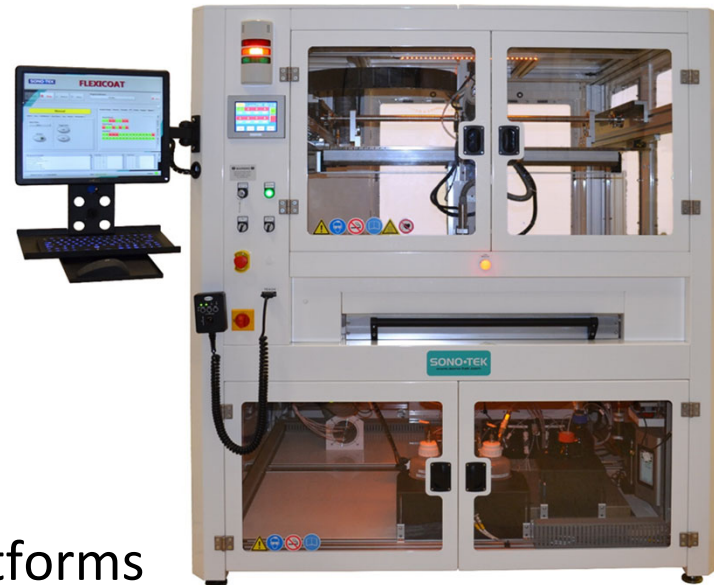
Strategic Relationships

Identify industry partners/OEM relationships for applications outside of Sono-Tek capabilities or knowledge

- *Leverage Sono-Tek core technology to expand into new fields*
- *Seamless organic growth*

Introduction of New Products to Enhance Capabilities

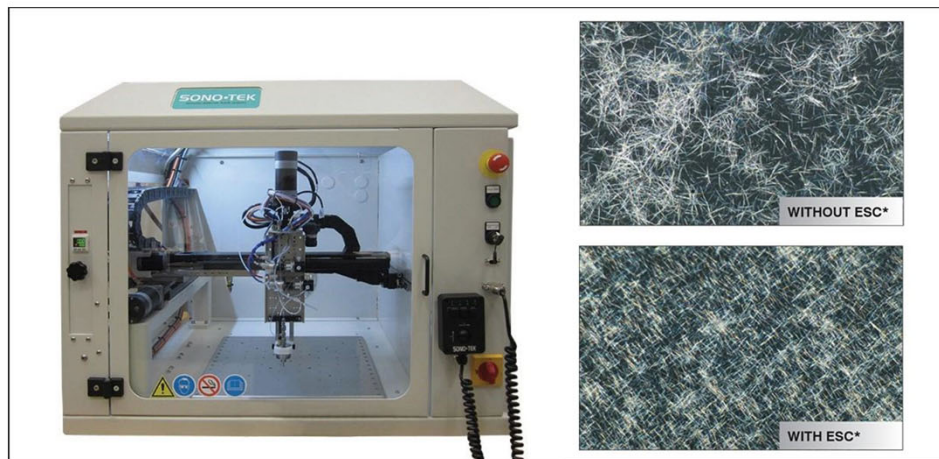
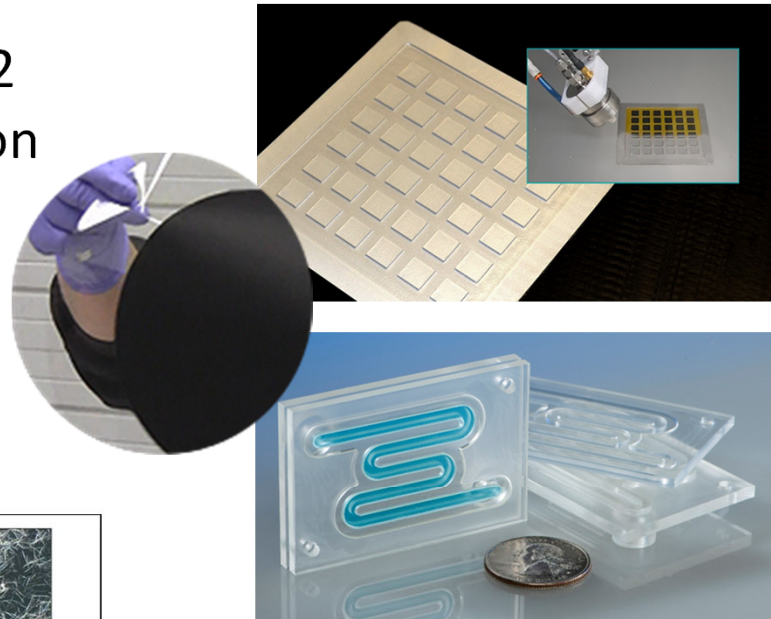
- Robotic coating platforms
 - *Combines 6-axis robotic capabilities with ultrasonic dispensing expertise*
 - *First order shipped (Feb 2020), valued at \$1.6 million, is largest order in Sono-Tek's history*
- Highly customized, multi-axis coating systems
 - *\$100 - \$400k*
- Complex multi-nozzle industrial platforms
 - *\$200 - \$600k*



Fully automated, large format, customized coating solutions accelerate growth

Introduction of New Products & Applications Knowledge

- Electrolyzers for fuel cells, CO2 reduction, hydrogen generation
- EMI Shielding
- Clear Laser Welding
 - *For medical devices*
- Electrostatics



Sono-Tek systems enable functional coatings that are often not possible with other coating methods

Coating Technologies Market Share

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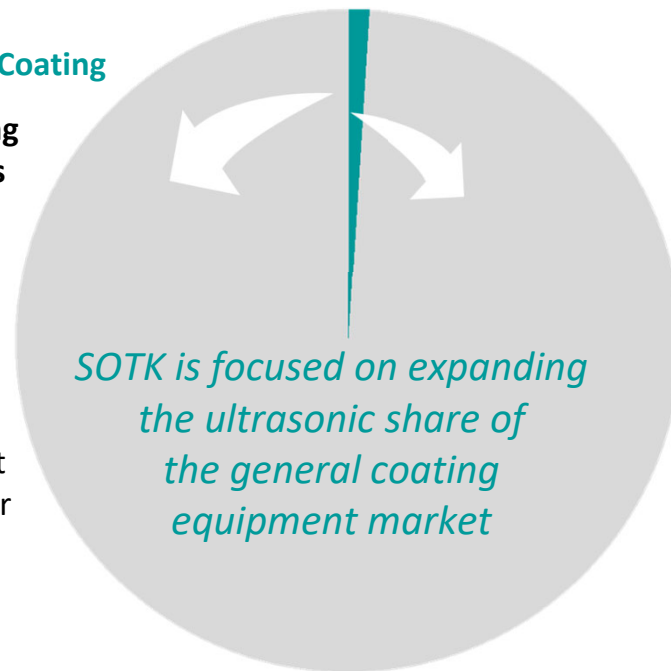
GENERAL COATING EQUIPMENT MARKET

~\$5B/yr - Hundreds of Competitors

▪ Ultrasonic Coating

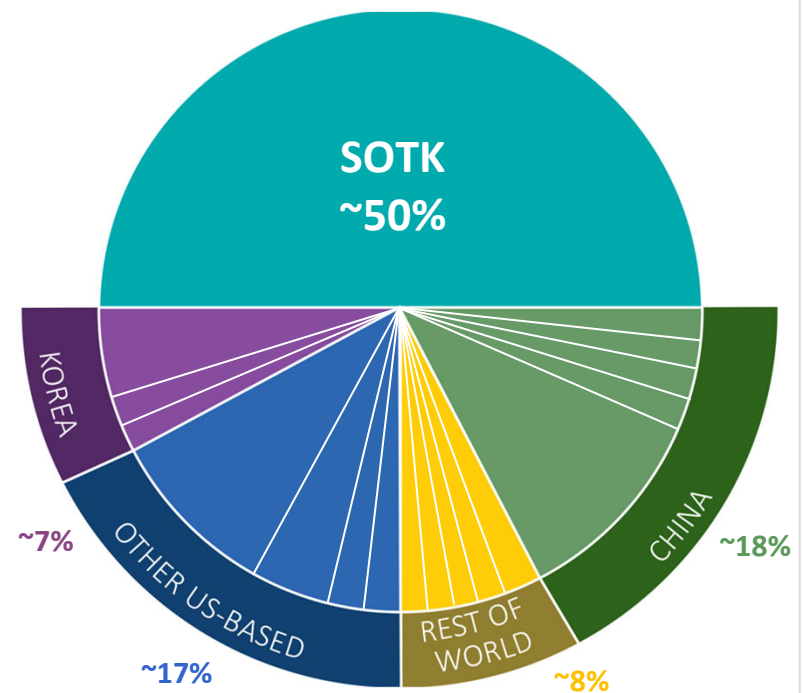
Other Coating Technologies include:

- CVD
- ALD
- Jetting
- Roller
- Slot Die
- Screen Print
- Air Atomizer



ULTRASONIC COATING EQUIPMENT

~\$32M/yr - ~20 Competitors



Capturing a growing segment of the coatings equipment market

Facilities Expansion For Growth Completed

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- 18 month expansion project completed Q1 FY2021
- Manufacturing space increased by approx 4,000 square feet
- Power / Air / Lighting / Access Doors / Building Renovation - all upgraded to allow for large platform machines to be manufactured in new area
- Capex for complete project partially funded by NYS and Central Hudson
- Expansion will allow for growth up to ~\$24M annual revenue, with additional expansion available in rented buildings of existing industrial park.



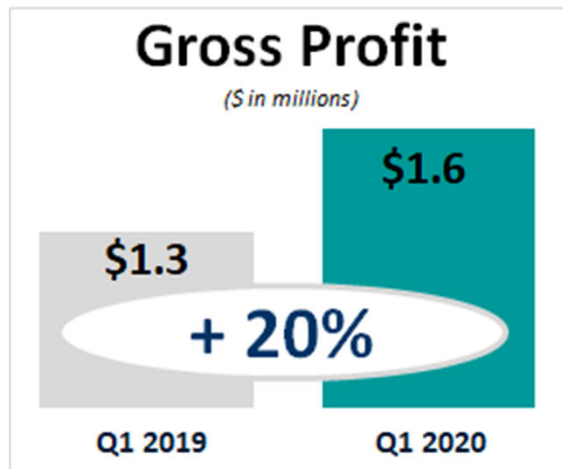
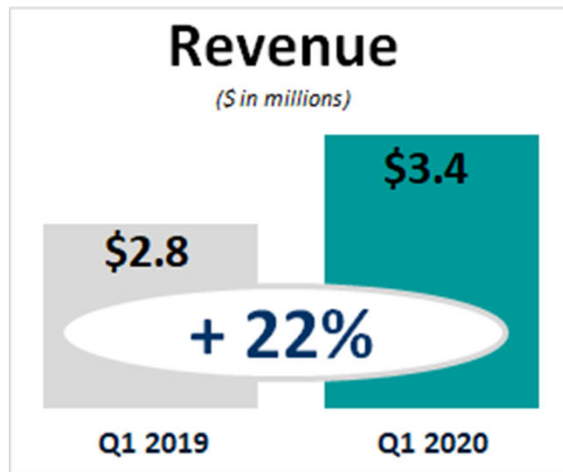
COVID-19 Impacts

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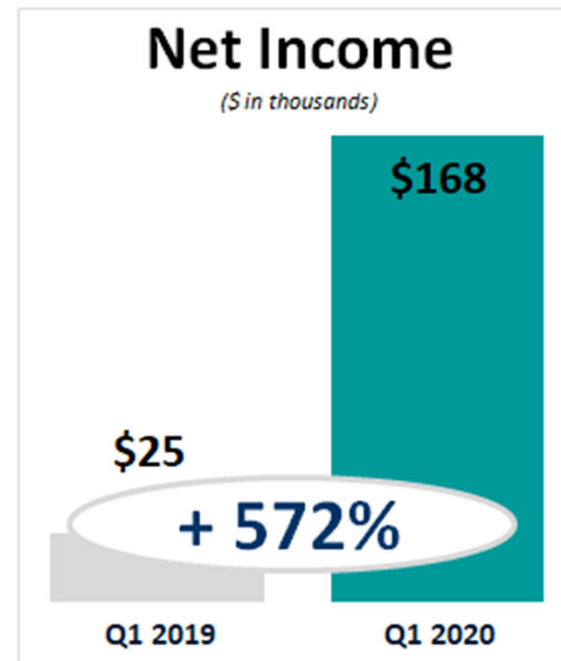
- Refocused some front-end efforts to applications and markets that may see increased demand during virus outbreak
- Several orders have been put on hold or canceled due to COVID-19.
 - Won **two major orders** in July 2020 to offset this negative impact
- Increased some inventory levels due to less predictability of certain areas of supply chain
- Exploring possible acquisition opportunities that may arise from less stable competitors or complementary product lines

First Quarter FY2021 results

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- **Backlog of \$3,202,000** (May 31, 2020)
- **Q2 FY2021** projected to show revenue growth year over year
- **Q3 & Q4 FY2021** have unknowns due to COVID-19, however major orders reported may offset much of the negative COVID-19 impact.



Key Takeaways

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- **Growth Strategies working** for introduction of new products, new markets, and market sub-segments within existing markets
- **Strong brand** and reputation: known for high quality and consistency
- **Continued strengthening of application expertise**, process development laboratories, new products, and technological advancements
- **Broadening of product line** with higher value machinery
- **Expanding addressable markets** and applications to broaden customer base
- Strong gross margins, **consistently profitable**, financial strength, successful accelerating growth strategies.

Thank You

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Leadership through innovation since 1975



Questions?

Contact us for more information:

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