

Precision Optics Reports First Quarter Fiscal Year 2024 Financial Results

Conference Call Scheduled for today, November 14, 2023, at 5:00pm ET.

GARDNER, Mass., Nov. 14, 2023 — Precision Optics Corporation, Inc. (NASDAQ: POCI), a leading designer and manufacturer of advanced optical instruments for the medical and defense industries, announced operating results on an unaudited basis for its first quarter fiscal year 2024 for the period ended September 30, 2023.



Q1 2024 Financial Highlights (3 Months Ended September 30, 2023):

- Revenue decreased 15% to \$4.3 million, compared to \$5.1 million in the same quarter of the previous fiscal year.
- Production revenue was \$2.4 million compared to \$3.4 million in the same quarter of the previous fiscal year.
- Engineering revenue was \$1.9 million compared to \$1.6 million in the same quarter of the previous fiscal year.
- Gross margins were 33.9% compared to 32.2% in the same quarter of the previous year.
- Net loss for the quarter was (\$464,415), compared to a net loss of (\$158,724) in the same quarter of the previous year.
- Adjusted EBITDA was (\$244,983) for the quarter compared to \$25,599 in the same quarter of the previous year.

Recent Additional Highlights:

- In November 2023, the Company announced the receipt of an \$890,000 initial production order for a complex imaging sub-assembly that will be used in the customer's new robotic laparoscopy system. The imaging subassembly incorporates cutting edge optical, electronic, and mechanical systems designed by Precision Optics.

- In October 2023, the Company announced the receipt of an initial production order from a top tier defense/aerospace company totaling \$680,000 addressing a new commercial application leveraging the Company’s manufacturing IP developed for high precision micro-optics technology.

Precision Optics’ CEO, Joseph Forkey, commented, “As anticipated and discussed last quarter, the decline in revenue was attributable to timing differences between the exit of certain mature customer programs, reorders for ongoing products and the introduction of new customer programs, primarily in the areas of medical endoscopes, including single-use devices and new defense / aerospace commitments. Revenue was also impacted by lower order volumes of optical components from our Ross Optical operation as customers sought to rebalance their inventories which had previously grown beyond sustainable levels due to increased ordering in response to concerns about supply chain disruptions. We believe reduced customer demand to be transient, and we have already seen a second quarter recovery in revenue levels both with Ross Optical and in production. We continue to believe that revenue growth should accelerate in the second half of this fiscal year as new programs enter commercial production. Customer programs we’re producing have the market potential to support substantial Precision Optics growth.”

Dr. Forkey continued, “During the first quarter, engineering revenue was close to the previous quarter’s record level and was up 16% compared to the same quarter a year ago. We are starting to see the positive results of the strong engineering pipeline we have had for some time now, as new programs are beginning to move to production, including two programs that we just announced in the last month. We continue to focus on building sustainable value in the business by engaging with customers at the onset of engineering through to commercial production, leveraging our unique technical resources and manufacturing capabilities to bring innovative new applications to market. Our engineering pipeline remains robust and we look forward to sustained growth in Fiscal 2024 and beyond.”

The following table summarizes the fourth quarter and fiscal year (unaudited) results for the periods ended September 30, 2023, and 2022:

	Three Months Ended September 30,	
	2023	2022
Revenues	\$4,321,255	\$5,085,301
Gross Profit	1,463,611	1,639,441
Stock Compensation Expenses	108,746	74,990
Other	1,760,158	1,666,253
Total Operating Expenses	1,868,904	1,741,243
Operating Income (Loss)	(405,293)	(101,802)
Net Income (Loss)	(464,415)	(158,724)
Income (Loss) per Share		

Basic and Fully Diluted	\$ (0.08)	\$ (0.03)
Weighted Average Common Shares Outstanding		
Basic and Fully Diluted	6,066,518	5,638,363

Note: The Common Shares in this table reflect shares on a post reverse split basis for all periods presented.

Conference Call Details

Date and Time: Tuesday, November 14, 2023, at 5:00pm ET

Call-in Information: Interested parties can access the conference call by dialing (844) 735-3662 or (412) 317-5705.

Live Webcast Information: Interested parties can access the conference call via a live webcast, which is available at <https://app.webinar.net/q7ndVdGzwyj>.

Replay: A teleconference replay of the call will be available until November 21, 2023, at (877) 344-7529 or (412) 317-0088, replay access code 1146933. A webcast replay will be available at <https://app.webinar.net/q7ndVdGzwyj>.

About Precision Optics Corporation

Founded in 1982, Precision Optics is a vertically integrated optics company primarily focused on leveraging its proprietary micro-optics and 3D imaging technologies to the healthcare and defense/aerospace industries by providing services ranging from new product concept through mass manufacture. Utilizing its leading-edge in-house design, prototype, regulatory and fabrication capabilities as well as its Lighthouse Imaging division's electronic imaging expertise and its Ross Optical division's high volume world-wide sourcing, inspecting and production resources, the Company is able to design and manufacture next-generation product solutions to the most challenging customer requirements. Within healthcare, Precision Optics enables next generation medical device companies around the world to meet the increasing demands of the surgical community who require more enhanced and smaller imaging systems for minimally invasive surgery as well as 3D endoscopy systems to support the rapid proliferation of surgical robotic systems. In addition to these next generation applications, Precision Optics has supplied top tier medical device companies a wide variety of optical products for decades, including complex endocouplers and specialized endoscopes. The Company is also leveraging its technical proficiency in micro-optics to enable leading edge defense/aerospace applications which require the highest quality standards and the optimization of size, weight and power. For more information, please visit www.poci.com.

Non-GAAP Financial Measures

Precision Optics has provided in this press release financial information that has not been prepared in accordance with accounting principles generally accepted in the United States of America ("non-GAAP"). The non-GAAP financial measure is Adjusted EBITDA (earnings before

interest, taxes, depreciation and amortization). Adjusted EBITDA also excludes from Net Income (Loss) the effect of stock-based compensation, restructuring and other acquisition-related items.

This non-GAAP financial measure assists Precision Optics management in comparing its operating performance over time because certain items may obscure the underlying business trends and make comparisons of long-term performance difficult, as they are of a nature and/or size that occur with inconsistent frequency or relate to discrete acquisition or restructuring plans that are fundamentally different from the ongoing productivity of the Company. Precision Optics management also believes that presenting this measure allows investors to view its performance using the same measures that the Company uses in evaluating its financial and business performance and trends.

Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information calculated in accordance with GAAP. Investors are encouraged to review the reconciliation of non-GAAP measures to their most directly comparable GAAP financial measures. A reconciliation of the non-GAAP financial measure presented above to GAAP results has been provided in the financial tables included with this press release.

About Forward-Looking Statements

This press release 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 the Company's 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 the Company's management. These statements are not guarantees of future performance 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 we file 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, except as required by law.

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Following are the Company's Consolidated Balance Sheets at September 30, 2023 and June 30, 2023, and Statements of Cash Flows, for the three months ended September 30, 2023 and 2022:

**CONSOLIDATED BALANCE SHEETS
(UNAUDITED)**

	September 30, 2023	June 30, 2023
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,370,469	\$ 2,925,852
Accounts receivable, net of allowance for doubtful accounts of \$690,097 at September 30, 2023 and \$606,715 at June 30, 2022	4,533,126	3,907,407
Inventories	2,971,211	2,776,216
Prepaid expenses	361,801	249,681
Total current assets	9,236,607	9,859,156
Fixed Assets:		
Machinery and equipment	3,243,496	3,227,481
Leasehold improvements	842,455	825,752
Furniture and fixtures	240,917	242,865
Total fixed assets	4,326,868	4,296,098
Less-Accumulated depreciation and amortization	3,914,142	3,862,578
Net fixed assets	412,726	433,520
Operating lease right-to-use asset	317,083	358,437
Patents, net	277,858	265,111
Goodwill	8,824,210	8,824,210
TOTAL ASSETS	\$ 19,068,484	\$ 19,740,434
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current portion of capital lease obligation	\$ 43,859	\$ 43,209
Current maturities of long-term debt	513,259	513,259
Accounts payable	1,733,661	2,432,264
Customer advances	1,424,983	1,174,690
Accrued compensation and other	1,239,781	927,521
Operating lease liability	171,075	168,677
Total current liabilities	5,126,618	5,259,620
Capital lease obligation, net of current portion	57,270	68,482
Long-term debt, net of current maturities and debt issuance costs	2,047,665	2,175,980
Operating lease liability, net of current portion	146,008	189,760
Stockholders' Equity:		
Common stock, \$0.01 par value: 50,000,000 shares authorized; issued and outstanding - 6,066,518 shares at September 30, 2023 and June 30, 2023	60,665	60,665
Additional paid-in capital	60,333,680	60,224,934
Accumulated deficit	(48,703,422)	(48,239,007)
Total stockholders' equity	11,690,923	12,046,592
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 19,068,484	\$ 19,740,434

**PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED
SEPTEMBER 30, 2023 AND 2022
(UNAUDITED)**

	Three Months Ended September 30,	
	2023	2022
Cash Flows from Operating Activities:		
Net Loss	\$ (464,415)	\$ (158,724)
Adjustments to reconcile net loss to net cash used in by operating activities -		
Depreciation and amortization	51,564	52,411
Stock-based compensation expense	108,746	74,990
Non-cash interest expense	4,376	9,412
Changes in operating assets and liabilities -		
Accounts receivable, net	(625,719)	(750,813)
Inventories, net	(194,995)	266,487
Prepaid expenses	(112,120)	25,950
Accounts payable	(698,603)	151,945
Customer advances	250,293	127,778
Accrued compensation and other	307,884	400,298
Net cash (used in) provided by operating activities	(1,372,989)	199,734
Cash Flows from Investing Activities:		
Purchases of fixed assets	(30,770)	(16,019)
Additional patent costs	(12,747)	(13,155)
Net cash used in investing activities	(43,517)	(29,174)
Cash Flows from Financing Activities:		
Payment of capital lease obligation	(10,562)	(9,950)
Payments of long-term debt	(128,315)	(92,857)
Net cash used in financing activities	(138,876)	(102,807)
Net (decrease) increase in cash and cash equivalents	(1,555,383)	67,753

**PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
ADJUSTED EBITDA**

	Three Months Ended June 30,	
	2023	2022
Net Income (loss) (GAAP)	\$ (464,415)	\$ (158,724)
Stock based compensation	108,746	74,990
Depreciation and amortization	51,564	52,411
Interest expense	59,122	56,922
Adjusted EBITDA (non-GAAP)	\$ (244,983)	\$ 25,599

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