

# Precision Optics Reports Fourth Quarter and Fiscal Year 2023 Financial Results

***Conference Call Scheduled for today, September 28, 2023, at 5:00pm ET***

GARDNER, Mass., Sept. 28, 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 fourth quarter and fiscal year ended June 30, 2023.



## **FY 2023 Financial Highlights (Year Ended June 30, 2023):**

- Revenue increased 34% to \$21.0 million, a new record, compared to \$15.7 million in the previous fiscal year.
- Production revenue reached a new annual record of \$14.3 million, an increase of 39% compared to the previous fiscal year.
- Engineering revenue was a record \$6.7 million, an increase of 25% compared to the previous fiscal year.
- Gross margin was 36.8% compared to 31.4% in the previous fiscal year.
- Net loss was (\$144,613) which compared to net loss of (\$928,416) in the previous year.
- Adjusted EBITDA, defined as earnings before interest, taxes, depreciation, amortization, stock-based compensation and other income, was a record \$491,219, compared to \$(242,293) in the previous fiscal year. Adjusted EBITDA for fiscal 2023 included the impact of a one-time increase in the allowance for doubtful accounts of \$464,000 for a single customer.

## **Q4 2023 Financial Highlights (3 Months Ended June 30, 2023):**

- Revenue increased 5% to \$5.02 million, compared to \$4.79 million in the same quarter of the previous fiscal year.

- Production revenue was \$3.0 million compared to \$3.1 million in the same quarter of the previous fiscal year.
- Engineering revenue was \$2.0 million compared to \$1.7 million in the same quarter of the previous fiscal year.
- Gross margin was 38.5% compared to 30.1% in the same quarter of the previous year.
- Net loss for the quarter was (\$96,125) which compared to net income of \$269,293 in the same quarter of the previous year. Net loss for the fourth quarter of fiscal 2023 was negatively impacted by the increase in the allowance for doubtful accounts discussed above.
- Adjusted EBITDA was \$(412,026) for the quarter compared to \$237,153 in the same quarter of the previous year. Adjusting for the one-time increase in the allowance for doubtful accounts, adjusted EBITDA would have been \$ 51,974.

### **Recent Additional Highlights:**

- In April 2023, the Company announced the receipt of an initial product development order for a next-generation urological endoscopy program totaling approximately \$1.3 million from an established medical device company.
- The Company has made a significant investment in its management team. In April 2023, appointed Mahesh Lawande in the newly created role of Chief Operating Officer of Precision Optics and in June appointed Wayne Coll as Chief Financial Officer
- In May 2023, the Company announced the receipt of a follow-on product development order for a next generation single-use urology program totaling approximately \$1.5 million from an established medical device company leveraging the Company's unique expertise in micro-optics, medical systems, and digital imaging.
- In June 2023, the Company strengthened its balance sheet through a combination of three actions: A new \$750,000 term loan with Main Street Bank; expansion of its line of credit facility to \$1.25 million from \$500,000; and the completion of a warrant-less common stock private placement providing \$2.52 million in gross proceeds.

Precision Optics' CEO, Joseph Forkey, commented, "Fiscal year 2023 was a year of tremendous progress for Precision Optics as we continued to leverage our unique technological and production capabilities to drive record revenues and positive Adjusted EBITDA. Our business model, where we apply our technical knowledge to support a customer from the early design phase all the way through mass manufacture, continues to show great signs of success. During fiscal year 2023, we achieved both record production revenue of \$14.3 million and record engineering revenue of \$6.7 million. Also, gross margins increased to 37% compared to 31% last fiscal year. We continue to increase our technical resources and to successfully attract new programs to our product development pipeline. This pipeline is the strongest indicator of long-term revenue growth potential and expanded substantially in the fourth quarter as we scaled up efforts on several key programs that we expect to be long-term contributors to our business growth."

“I am also very excited that the Company was able to attract Mahesh Lawande, Chief Operating Officer and Wayne Coll, Chief Financial Officer, both of whom have repeated experience in driving medical device technology companies to greater levels of efficiency, profitability and growth.”

“Overall, I am pleased with the many accomplishments of fiscal year 2023. The company achieved record revenues, improved gross margins, and record Adjusted EBITDA. We have been delivering against significant customer programs and expect the pipeline of new projects to result in accelerated growth in the second half of Fiscal 2024.”

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

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

	Three Months Ended June 30,		Fiscal Year Ended June 30,	
	2023	2022	2023	2022
Revenues	\$5,024,140	\$4,793,511	\$21,044,467	\$15,678,248
Gross Profit	1,934,945	1,441,363	7,734,136	4,928,187
Stock Compensation Expenses	142,242	150,377	884,606	800,473
Business Acquisition Expenses	-	-	-	162,125
Other	2,398,177	1,711,456	7,488,618	5,479,479
Total Operating Expenses	2,547,419	1,861,833	8,372,684	6,442,077
Operating Income (Loss)	(612,475)	(420,470)	(638,548)	(1,513,891)
Net Income (Loss)	(96,125)	269,293	(144,613)	(928,416)
Income (Loss) per Share				
Basic and Fully Diluted	\$(0.02)	0.05	\$(0.03)	\$(0.18)
Weighted Average Common Shares Outstanding				
Basic and Fully Diluted	5,687,526	5,295,720	5,666,034	5,295,720

## Conference Call Details

**Date and Time:** Thursday, September 28, 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/nKYp4AE46Pz>.

**Replay:** A teleconference replay of the call will be available until October 5, 2023, at (877) 344-7529 or (412) 317-0088, replay access code 5811443. A webcast replay will be available at <https://app.webinar.net/nKYp4AE46Pz>.

## **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](http://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 June 30, 2023 and June 30, 2022, and Statements of Operations, for the three and twelve months ended June 30, 2023 and 2022:

### PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES Consolidated Balance Sheets at June 30, 2023 and 2022

	2023	2022
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 2,925,852	\$ 605,749
Accounts receivable, net of allowance for doubtful accounts of \$606,715 at June 30, 2023 and \$44,135 at June 30, 2022	3,907,407	2,663,872
Inventories	2,776,216	3,022,147
Prepaid expenses	249,681	213,448
Total current assets	9,859,156	6,505,216
Fixed Assets:		

Machinery and equipment	3,227,481	3,215,412
Leasehold improvements	825,752	843,903
Furniture and fixtures	242,865	219,999
Total fixed assets	4,296,098	4,279,314
Less-Accumulated depreciation and amortization	3,862,578	3,651,843
Net fixed assets	433,520	627,471
Operating lease right-to-use asset	358,437	517,725
Patents, net	265,111	229,398
Goodwill	8,824,210	8,824,210
TOTAL ASSETS	\$ 19,740,434	\$ 16,704,020

#### **LIABILITIES AND STOCKHOLDERS' EQUITY**

##### Current Liabilities:

Current portion of capital lease obligation	\$ 43,209	\$ 40,705
Current maturities of long-term debt	513,259	367,714
Current portion of acquisition earn out liability	-	166,667
Accounts payable	2,432,264	2,239,175
Customer advances	1,174,690	905,113
Accrued compensation and other	927,521	716,702
Operating lease liability	168,677	150,565
Total current liabilities	5,259,620	4,586,641
Capital lease obligation, net of current portion	68,482	111,691
Long-term debt, net of current maturities	2,175,980	1,961,141
Acquisition earn out liability, net of current portion	-	705,892
Operating lease liability, net of current portion	189,760	367,160

##### Stockholders' Equity:

Common stock, \$0.01 par value: 50,000,000 shares authorized; issued and outstanding - 6,066,518 shares at June 30, 2023 and 5,638,302 shares at June 30, 2022	60,665	56,383
Additional paid-in capital	60,224,934	57,009,506
Accumulated deficit	(48,239,007)	(48,094,394)
Total stockholders' equity	12,046,592	8,971,495
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 19,740,434	\$ 16,704,020

#### **PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES**

#### **Consolidated Statements of Operations for the Years Ended June 30, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
Revenues	\$ 21,044,467	\$ 15,678,248
Cost of goods sold	13,310,331	10,750,061
Gross profit	7,734,136	4,928,187
Research and development expenses, net	992,375	666,479
Selling, general and administrative expenses	7,380,309	5,613,473
Business acquisition expenses	-	162,125
Total operating expenses	8,372,684	6,442,077
Operating loss	(638,548)	(1,513,890)
Other income (expense)		

Interest expense	(218,927)	(155,658)
Gain on forgiveness of bank note	-	-
Gain on revaluation of contingent earn-out liability	714,798	742,084
Loss before provision for income taxes	(142,677)	(927,464)
Provision for income taxes	1,936	952
Net loss	\$ (144,613)	\$ (928,416)
Loss per share:		
Basic and fully diluted	\$ (0.03)	\$ (0.18)
Weighted average common shares outstanding:		
Basic and fully diluted	5,666,034	5,295,720

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

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

	<b>Three Months</b>		<b>Fiscal Year</b>	
	<b>Ended June 30,</b>		<b>Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Net loss (GAAP)	\$ (96,125)	\$ (113,899)	\$ (144,613)	\$ (928,418)
Stock based compensation	149,242	231,115	919,032	915,494
Depreciation and amortization	53,275	66,207	210,735	190,068
Interest expense	51,484	52,778	218,927	159,538
State Income Taxes	1,936	952	1,936	952
Acquisition Expense	-	-	-	162,125
Revaluation of earn-out liability	(571,838)	-	(714,798)	(742,052)
Adjusted EBITDA (non-GAAP)	\$ (412,026)	\$ 237,153	\$ 491,219	\$ (242,293)

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