

Precision Optics Reports Second Quarter Fiscal Year 2023 Financial Results

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

GARDNER, Mass., Feb. 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 second quarter fiscal year 2023.



Second quarter fiscal 2023 highlights:

- Revenue for the quarter ended December 31, 2022, increased 51% to \$5.89 million, a new quarterly record, compared to \$3.90 million in the same quarter of the previous fiscal year.
- Included in revenue for the quarter ended December 31, 2022 was a one-time sale of \$600,000 of technology rights relating to a medical device instrument developed for a customer. Without this one-time sale, revenue for the quarter would have been \$5.29 million, a 36% year-over-year increase.
- Gross margin for the quarter ended December 31, 2022 was 46% compared to 29% in the same quarter of the previous year. Excluding contributions from the one-time sale of technology rights, gross margin would have been 40% for the quarter ended December 31, 2022.
- Net income for the quarter was \$634,420 which compared to net loss of \$(507,013) in the same quarter of the previous year. Excluding contributions from the one-time sale of technology rights, net income would have been \$34,420 for the quarter ended December 31, 2022.
- Adjusted EBITDA, defined as earnings before interest, taxes, depreciation, amortization, stock-based compensation and other income, was \$993,449 for the quarter ended December 31, 2022, compared to (\$72,456) in the same quarter of the previous year.

Excluding contributions from the one-time sale of technology rights, Adjusted EBITDA would have been \$393,449 for the quarter ended December 31, 2022.

Recent additional highlights:

- In November 2022, the Company listed on the Nasdaq Capital Market.
- In December 2022, the Company announced the receipt of an initial product development order for a next generation single-use urology program totaling approximately \$750,000 from an established medical device company leveraging the Company's unique expertise in micro-optics, medical systems, and digital imaging.
- In December 2022, the Company announced the receipt of a follow-on production order totaling approximately \$2.6 million from a major US defense contractor, to meet increased demand for a highly complex optical assembly.
- In January 2023, the Company announced the receipt of a follow-on production order totaling approximately \$2.3 million from a large medical device company for an otoscopy application to meet enhanced demand for the product.
- In February 2023, the Company announced its engagement into a production and technology license agreement under which the Company expects to manufacture or be paid royalties on a single-use product jointly developed by the Company and its customer.

Precision Optics' CEO, Joseph Forkey, commented, "The second quarter of fiscal 2023 was a quarter of many milestones for Precision Optics, culminating with record quarterly revenues, positive net income, and the Company's listing on the Nasdaq Capital Markets. Further, we received a number of new orders over the past few months that position us well as we enter the second half of the fiscal year, including a new urology application, and follow-on production orders from a major US defense contractor as well as a large medical device company. Notably, we also signed a key agreement with a customer with whom we have been developing a single-use product for use in the ophthalmic market. As part of this agreement, we received a one-time non-refundable payment of \$600,000 that contributed to our revenue for the quarter. Even without this payment we would have had record revenues, net income, and adjusted EBITDA.

"Our development pipeline remains robust, with a number of new projects advancing through the pipeline positioning us well for the future. Operationally, we achieved our highest gross margin in the company's recent history which, excluding the one-time payment for technology rights, was slightly greater than 40% during the quarter. We continue to gain manufacturing efficiencies through absorption of production resources and we are limiting the increase in operating expenses to those targeting growth, all of which has translated into positive net income and significant improvement in our adjusted EBITDA. These improvements are beginning to demonstrate our stated goal of translating recent top-line revenue increases to higher overall profitability. All told, I am very pleased with our second

quarter results and look forward to ongoing progress throughout the year.”

The following table summarizes the second quarter (unaudited) results for the periods ended December 31, 2022 and 2021: Note: the Common Share figures in this table reflect post-split figures.

	Three Months		Six Months	
	Ended December 31,		Ended December 31,	
	2022	2021	2022	2021
Revenues	\$ 5,886,961	\$ 3,897,041	\$ 10,972,262	\$ 6,233,385
Gross Profit	2,725,244	1,119,582	4,449,878	1,758,614
Stock Compensation Expenses	244,786	131,656	319,776	453,693
Business Acquisition Expenses	0	(10,049)	0	162,125
Other	1,783,621	1,458,325	3,449,874	2,175,098
Total Operating Expenses	2,028,407	1,579,932	3,769,650	2,790,916
Operating Income (Loss)	696,817	(460,350)	680,228	(1,032,302)
Net Income (Loss)	634,420	(507,013)	560,909	(1,083,814)
Income (Loss) per Share				
Basic	\$ 0.11	\$ (0.09)	\$ 0.10	\$ (0.22)
Fully Diluted	\$ 0.11	\$ (0.09)	\$ 0.09	\$ (0.22)
Weighted Average Common Shares Outstanding				
Basic	5,638,302	5,526,413	5,638,302	4,976,923
Fully Diluted	5,935,911	5,526,413	5,937,471	4,976,923

Conference Call Details

Date and Time: Tuesday, February 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/X13yO6a8LAV>.

Replay: A teleconference replay of the call will be available until February 21, 2023 at (877) 344-7529 or (412) 317-0088, replay access code 4249407. A webcast replay will be available at <https://app.webinar.net/X13yO6a8LAV>.

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 from continuing operations the effect of Stock-based compensation, Restructuring and other acquisition related expenses.

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 performances 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.

Company Contact:

PRECISION OPTICS CORPORATION
22 East Broadway
Gardner, Massachusetts 01440-3338
Telephone: 978-630-1800

Investor Contact:

LYTHAM PARTNERS, LLC
Robert Blum
Phoenix | New York
Telephone: 602-889-9700
peye@lythampartners.com

Following are the Company's Consolidated Balance Sheets at December 31, 2022 and June 30, 2022, and Statements of Operations, for the three and six months ended December 31, 2022 and 2021:

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	December 31, 2022	June 30, 2022
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 381,318	\$ 605,749
Accounts receivable, net of allowance for doubtful accounts of \$72,343 at December 31, 2022 and \$44,135 at June 30, 2022	4,032,522	2,663,872
Inventories	2,846,975	3,079,938
Prepaid expenses	213,177	213,448
Total current assets	7,473,992	6,563,007
Fixed Assets:		
Machinery and equipment	3,222,406	3,215,412
Leasehold improvements	795,572	786,112
Furniture and fixtures	227,599	219,999
Total fixed assets	4,245,577	4,221,523
Less-Accumulated depreciation and amortization	3,756,593	3,651,843
Net fixed assets	488,984	569,680
Operating lease right-to-use asset	439,074	517,725
Patents, net	242,981	229,398
Goodwill	8,824,210	8,824,210
TOTAL ASSETS	\$ 17,469,241	\$ 16,704,020
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current portion of financing lease obligation	\$ 41,938	\$ 40,705
Current maturities of long-term debt	371,429	367,714
Current portion of acquisition earn out liabilities	889,525	166,667
Accounts payable	2,244,270	2,239,175
Contract liabilities	794,981	905,113
Accrued compensation and other	971,864	716,702
Operating lease liability	163,984	150,565
Total current liabilities	5,477,991	4,586,641
Financing lease obligation, net of current portion	90,409	111,691
Long-term debt, net of current maturities and debt issuance costs	1,773,571	1,961,141
Acquisition earn out liability, net of current portion	-	705,892
Operating lease liability, net of current portion	275,090	367,160
Stockholders' Equity:		
Common stock, \$0.01 par value: 50,000,000 shares authorized; issued and outstanding - 5,638,302 shares at December 31, 2022 and June 30, 2022	56,383	56,383
Additional paid-in capital	57,329,282	57,009,506

Accumulated deficit		(47,533,485)	(48,094,394)
Total stockholders' equity		9,852,180	8,971,495
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		\$ 17,469,241	\$ 16,704,020

PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS AND SIX MONTHS ENDED
December 31, 2022 AND 2021
(UNAUDITED)

	Three Months		Six Months	
	Ended December 31,		Ended December 31,	
	2022	2021	2022	2021
Revenues	\$ 5,886,961	\$ 3,897,041	\$ 10,972,262	\$ 6,233,385
Cost of goods sold	3,161,737	2,777,459	6,522,384	4,474,771
Gross Profit	2,725,224	1,119,582	4,449,878	1,758,614
Research and Development Expenses	208,666	113,164	454,143	218,350
Selling, General and Administrative Expenses	1,819,741	1,466,768	3,315,507	2,400,392
Business Acquisition Expenses	-	-	-	172,174
Total Operating Expenses	2,028,407	1,579,932	3,769,650	2,790,916
Operating Income (Loss)	696,817	(460,350)	680,228	(1,032,302)
Interest (Expense) Income, net	(62,397)	(46,663)	(119,319)	(51,512)
Net Income (Loss)	\$ 634,420	\$ (507,013)	\$ 560,909	\$ (1,083,814)
Income (Loss) Per Share:				
Basic	\$ 0.11	\$ (0.09)	\$ 0.10	\$ (0.22)
Fully Diluted	\$ 0.11	\$ (0.09)	\$ 0.09	\$ (0.22)
Weighted Average Common Shares Outstanding:				
Basic	5,638,302	5,526,413	5,638,302	4,976,923
Fully Diluted	5,935,911	5,526,413	5,937,471	4,976,923

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

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2022	2021	2022	2021
Net income from Continuing operations (GAAP)	\$ 634,420	\$ (507,013)	\$ 560,909	\$ (1,083,814)
Stock Based Compensation	244,786	350,452	319,776	510,523
Depreciation & Amortization	51,846	47,391	103,929	89,682
Interest Expense	62,397	46,763	119,319	51,612
Acquisition Expense	0	(10,049)	0	162,125
Adjusted EBITDA (non-GAAP)	\$ 993,449	\$ (72,456)	\$ 1,103,933	\$ (269,872)

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