

# Precision Optics Reports Second Quarter Fiscal Year 2024 Financial Results

***Conference Call Scheduled for today, February 14, 2024, at 5:00pm ET.***

GARDNER, Mass., Feb. 14, 2024 — 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 2024 for the period ended December 31, 2023.



## **Q2 2024 Financial Highlights (3 Months Ended December 31, 2023):**

- Revenue decreased 18% to \$4.8 million, compared to \$5.9 million in the same quarter of the previous fiscal year, but up 12% from the most recent sequential quarter. The year ago second quarter included a one-time sale of \$600,000 of technology rights relating to a single-use medical device developed for a customer.
- Engineering revenue increased 33% to \$2.3 million compared to \$1.7 million in the same quarter of the previous fiscal year, and up 19% from the most recent sequential quarter.
- Production revenue was \$2.6 million compared to \$3.6 million in the same quarter of the previous fiscal year, and \$2.4 million in the most recent sequential quarter.
- Gross margins were 30.1% compared to 44.2% in the same quarter of the previous year. Removing the impact of the technology rights revenue, gross margins a year ago would have been 37.8%.
- Net loss for the quarter was (\$758,802), compared to a net income of \$508,668 in the same quarter of the previous year.
- Adjusted EBITDA was (\$269,034) for the quarter compared to \$866,450 in the same quarter of the previous year.

## **Recent Additional Highlights:**

- In November 2023, the Company announced the receipt of initial purchase orders towards a \$1.4 million total program development project to develop a highly complex imaging sub-assembly for a next generation ophthalmoscope for one of the world's largest technology-focused medical device companies.
- In December 2023, the Company announced the signing of a production and technology license agreement with a leading surgical robotics company to supply a single-use endoscope assembly used in their cystoscopy robotic surgery system.

Precision Optics' CEO, Joseph Forkey, commented, "The Company's results for Q2 were generally in-line with our expectations and consistent with what we have communicated previously. While revenue was lower compared to last year due to timing differences between reorders for ongoing production, the exit of certain mature customer programs and the introduction of new customer programs, we have begun to see the rebound we expected with two new programs moving to production in the quarter and another restarting after a pandemic-related hold. These programs contributed to a 6% quarter-over-quarter increase in production revenue, which, combined with record engineering revenue led to a 12% increase in total revenue compared to the first quarter. Margins for the second quarter were lower than the first quarter, due to a differing sales mix, lower than normal production yields on certain programs starting or re-starting production as well as other one-time charges. We believe these margin issues are transient and will be substantially resolved in the second half of the year, with gross margins returning to historical levels.

Dr. Forkey continued, "The growth we expect in the second half of fiscal 2024 is supported by the strength of our engineering pipeline, a leading indicator of future production volumes. Engineering revenue was \$2.3 million during the second quarter - a new quarterly record, up 33% year-over-year, and up 19% sequentially. We anticipate volumes from production orders coming on-line to lift our overall revenue to new quarterly record run-rates in this fiscal year. Precision Optics' core competencies — micro-optics, digital imaging, 3D endoscopy, and single-use medical devices — uniquely position us at the center of market segments that are significantly outpacing the growth of the broader medical device and defense / aerospace industries, providing us with an ongoing opportunity to significantly grow into the future. I look forward to an exciting second half of fiscal 2024."

The following table summarizes the second quarter and fiscal year to date (unaudited) results for the periods ended December 31, 2023, and 2022:

	Three Months		Six Months	
	Ended December 31, 2023	2022	Ended December 31, 2023	2022
Revenues	\$4,824,289	\$5,886,961	\$9,145,544	\$10,972,262
Gross Profit	1,450,976	2,599,472	2,914,587	4,238,913
Stock Compensation Expenses	382,431	108,746	491,177	319,776
Other	1,772,707	1,919,661	3,532,865	3,449,874
Total Operating Expenses	2,155,138	2,028,407	4,024,042	3,769,650

Operating Income (Loss)	(704,162)	571,065	(1,109,455)	469,263
Net Income (Loss)	(758,802)	(508,668)	(1,223,217)	349,944
Income (Loss) per Share				
Basic	\$ (0.13)	\$ (0.09)	\$ (0.20)	\$ 0.06
Fully Diluted	\$ (0.13)	\$ (0.09)	\$ (0.20)	\$ 0.06
Weighted Average Common Shares Outstanding				
Basic	6,066,572	5,638,302	6,066,545	5,638,302
Fully Diluted	6,066,572	5,935,911	6,066,545	5,937,471

**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:** Wednesday, February 14, 2024, 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/5119x2DzRKG>.

**Replay:** A teleconference replay of the call will be available until February 21, 2024, at (877) 344-7529 or (412) 317-0088, replay access code 9304851. A webcast replay will be available at <https://app.webinar.net/5119x2DzRKG>.

## About Precision Optics Corporation

Founded in 1982, Precision Optics is a vertically integrated optics company primarily focused on leveraging its proprietary micro-optics and 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 designs and manufactures next-generation product solutions to meet 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, including single-use medical devices, 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 with 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 risk factors. 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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**PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

	December 31, 2023	June 30, 2023
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 987,044	\$ 2,925,852
Accounts receivable, net of allowance for doubtful accounts of \$731,256 at December 31, 2023 and \$606,715 at June 30, 2023	3,511,544	3,907,407
Inventories	3,099,986	2,776,216
Prepaid expenses	234,121	249,681
Total current assets	7,832,695	9,859,156
Fixed Assets:		
Machinery and equipment	3,253,746	3,227,481
Leasehold improvements	832,305	825,752
Furniture and fixtures	362,287	242,865
<b>Total fixed assets</b>	<b>4,448,338</b>	<b>4,296,098</b>
Less-Accumulated depreciation and amortization	3,966,839	3,862,578
Net fixed assets	481,499	433,520
Operating lease right-to-use asset	275,329	358,437
Patents, net	283,643	265,111
Goodwill	8,824,210	8,824,210
<b>TOTAL ASSETS</b>	<b>\$ 17,697,376</b>	<b>\$ 19,740,434</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Current portion of capital lease obligation	\$ 44,519	\$ 43,209
Current maturities of long-term debt	513,259	513,259
Accounts payable	1,675,742	2,432,264
Customer advances	1,158,242	1,174,690
Accrued compensation and other	747,793	927,521
Operating lease liability	173,503	168,677
Total current liabilities	4,313,058	5,259,620
Capital lease obligation, net of current portion	45,890	68,482
Long-term debt, net of current maturities and debt issuance costs	1,919,350	2,175,980
Operating lease liability, net of current portion	101,826	189,760
Stockholders' Equity:		
Common stock, \$0.01 par value: 50,000,000 shares authorized; issued and outstanding - 6,067,518 shares at December 31, 2023 and 6,066,518 at June 30, 2023	60,675	60,665
Additional paid-in capital	60,718,801	60,224,934
Accumulated deficit	(49,462,224)	(48,239,007)
Total stockholders' equity	11,317,252	12,046,592
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 17,697,376</b>	<b>\$ 19,740,434</b>

**PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE SIX MONTHS ENDED**  
**DECEMBER 31, 2023 AND 2022**  
**(UNAUDITED)**

	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
Revenues	\$ 4,824,289	\$ 5,886,961	\$ 9,145,544	\$ 10,972,262

Cost of Goods Sold	3,373,313	3,287,489	6,230,957	6,733,349
Gross Profit	1,450,976	2,599,472	2,914,587	4,238,913
Research and Development Expenses	221,728	155,264	434,486	365,891
Selling, General and Administrative Expenses	1,933,410	1,873,143	3,589,556	3,403,759
				-
Total Operating Expenses	2,155,138	2,028,407	4,024,042	3,769,650
Operating Income (Loss)	(704,162)	571,065	(1,109,455)	469,263
Interest Expense	(54,640)	(62,397)	(113,762)	(119,319)
Net Income (Loss)	\$ (758,802)	\$ 508,668	\$ (1,223,217)	\$ 349,944
Loss Per Share:				
Basic	(0.13)	\$ 0.09	(0.20)	\$ 0.06
Fully Diluted	\$ (0.13)	\$ 0.09	\$ (0.20)	\$ 0.06
Weighted Average Common Shares Outstanding:				
Basic	6,066,572	5,638,302	6,066,545	5,638,302
Fully Diluted	6,066,572	5,935,911	6,066,545	5,937,471

**PRECISION OPTICS CORPORATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED**  
**DECEMBER 31, 2023 AND 2022**  
**(UNAUDITED)**

	<b>Six Months Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Cash Flows from Operating Activities:		
Net Income (Loss)	\$ (1,223,217)	\$ 349,944
Adjustments to reconcile net loss to net cash used in by operating activities -		
Depreciation and amortization	104,261	104,750
Stock-based compensation expense	491,177	319,776
Non-cash interest expense	8,752	16,966
Changes in operating assets and liabilities -		
Accounts receivable, net	395,863	(1,368,650)
Inventories, net	(323,770)	232,963
Prepaid expenses	15,560	271
Accounts payable	(756,522)	216,060
Customer advances	(16,448)	(110,132)
Accrued compensation and other	(188,480)	255,162
Net cash (used in) provided by operating activities	(1,492,824)	17,110
Cash Flows from Investing Activities:		
Purchases of fixed assets	(152,240)	(13,583)
Additional patent costs	(18,532)	(24,054)
Net cash used in investing activities	(170,772)	(37,637)
Cash Flows from Financing Activities:		
Payments of capital lease obligations	(21,282)	(20,049)
Payments of long-term debt	(256,630)	(183,855)
Gross proceeds from the exercise of stock options	2,700	-
Net cash used in financing activities	(275,212)	(203,904)
		-
Net (decrease) increase in cash and cash equivalents	(1,938,808)	(224,431)
Cash and cash equivalents, beginning of period	2,925,852	605,749
Cash and cash equivalents, end of period	\$ 987,044	\$ 381,318

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

**RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES  
ADJUSTED EBITDA**

	<b>Three Months</b>		<b>Six Months</b>	
	<b>Ended December 31,</b>		<b>Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Net Income (loss) (GAAP)	\$ (758,802)	\$ 508,668	\$ (1,223,217.00)	\$ 349,944
Stock based compensation	382,431	244,786	491,177.00	319,776
Depreciation and Amortization	52,697	52,667	104,261.00	105,078
Interest expense	54,640	60,329	113,762.00	117,251
Adjusted EBITDA (non-GAAP)	\$ (269,034)	\$ 866,450	\$ (514,017)	\$ 892,049

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