

# Precision Optics Reports Third Quarter Fiscal Year 2023 Financial Results

***Conference Call Scheduled for today, May 15, 2023 at 5:00pm ET***

GARDNER, Mass., May 15, 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 third quarter fiscal year 2023.



## **Third quarter fiscal 2023 financial highlights:**

- Revenue for the quarter ended March 31, 2023, increased 9% to \$5.05 million, compared to \$4.65 million in the same quarter of the previous fiscal year.
- Production revenue reached a new quarterly record of \$3.7 million, an increase of 17% compared to the same quarter of the previous fiscal year.
- Gross margin for the quarter ended March 31, 2023, was 34% compared to 37% in the same quarter of the previous year.
- Net loss for the quarter was (\$398,432) which compared to net loss of (\$113,899) in the same quarter of the previous year.
- Adjusted EBITDA, defined as earnings before interest, taxes, depreciation, amortization, stock-based compensation and other income, was \$9,456 for the quarter ended March 31, 2023, compared to \$236,201 in the same quarter of the previous year.

## **Recent additional highlights:**

- 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 ophthalmic product jointly developed by the Company and its customer.

- 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.
- 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 April 2023, the Company appointed Mahesh Lawande in the newly created role of Chief Operating Officer to lead Precision Optics operations team, including its sales & marketing, production and engineering activities at its facilities in Massachusetts, Maine and Texas.

Precision Optics' CEO, Joseph Forkey, commented, "I am pleased with the continued progress made during the quarter with revenue up 9% and positive adjusted EBITDA as we advanced or ramped up production for a number of our programs. Looking specifically at our production revenue, we were up 17% compared to the same quarter a year ago, representing a new all-time record for production revenue. Importantly, we have recently received new and follow-on production orders for several programs, including an otoscopy application and a defense / aerospace program, which should enable continued strong production levels into the future. We are also making great progress on single-use medical devices as we look to address the key technical and supply chain challenges that are critical to long-term success in this market. This was validated by a recent \$1.5 million follow-on development order for a new single-use urology application we announced last week. As one of the few competitive companies able to meet the unique challenges of single-use, I believe we are in a great position to capitalize on this rapidly growing market."

"We apply our deep technical knowledge to support a customer from the early design phase all the way through mass production. This model leverages our capabilities in micro-optics, 3D endoscopy and digital imaging to bring new and innovative products to the market. Because our development pipeline is the engine that ultimately drives production revenue, we made the decision during the third quarter to continue development on a few programs that ran overbudget, and to share in the excess costs with our customers. While this impacted revenue, margins, net income and EBITDA during the current quarter, we believe the upside potential, as demonstrated by our record production revenue, warrants making these strategic investments."

The following table summarizes the third quarter (unaudited) results for the periods ended March 31, 2023 and 2022: Note: the Common Share figures in this table reflect post reverse split figures.

	Three Months		Nine Months	
	Ended March 31,		Ended March 31,	
	2023	2022	2023	2022
Revenues	\$5,048,065	\$4,651,352	\$16,020,327	\$10,884,737
Gross Profit	1,736,098	1,728,209	5,975,011	3,486,823
Stock Compensation Expenses	450,014	231,115	769,790	741,637
Business Acquisition Expenses		-		172,174
Other	1,779,352	1,558,215	5,229,226	3,666,435
Total Operating Expenses	2,229,366	1,789,330	5,999,016	4,580,246
Operating Income (Loss)	(493,268)	(61,121)	(24,005)	(1,093,423)
Net Income (Loss)	(398,432)	(113,899)	(48,488)	(1,197,713)
Income (Loss) per Share				
Basic and Fully Diluted	\$(0.07)	(0.02)	\$(0.01)	\$(0.23)
Weighted Average Common Shares Outstanding				
Basic and Fully Diluted	5,640,473	5,600,953	5,693,015	5,181,896

## Conference Call Details

**Date and Time:** Monday May 15, 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/YErAze3qoXK>.

**Replay:** A teleconference replay of the call will be available until May 22, 2023 at (877) 344-7529 or (412) 317-0088, replay access code 5704358. A webcast replay will be available at <https://app.webinar.net/YErAze3qoXK>.

## 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 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.

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Following are the Company's Consolidated Balance Sheets at March 31, 2023 and June 30, 2022, and Statements of Operations, for the three and nine months ended March 31, 2023 and 2022:

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

	<b>March 31, 2023</b>	<b>June 30, 2022</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 612,095	\$ 605,749
Accounts receivable, net of allowance for doubtful accounts of \$74,593 at March 31, 2023 and \$44,135 at June 30, 2022	4,389,907	2,663,872
Inventories	2,959,732	3,079,938
Prepaid expenses	307,663	213,448
Total current assets	8,269,397	6,563,007
Fixed Assets:		
Machinery and equipment	3,225,483	3,215,412
Leasehold improvements	794,894	786,112
Furniture and fixtures	233,547	219,999
Total fixed assets	4,253,924	4,221,523
Less-Accumulated depreciation and amortization	3,809,303	3,651,843
Net fixed assets	444,621	569,680
Operating lease right-to-use asset	399,007	517,725
Patents, net	249,408	229,398
Goodwill	8,824,210	8,824,210
TOTAL ASSETS	\$ 18,186,643	\$ 16,704,020
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Current portion of financing lease obligation	\$ 42,397	\$ 40,705
Current maturities of long-term debt	371,429	367,714
Current portion of acquisition earn out liabilities	571,838	166,667
Accounts payable	2,649,248	2,239,175
Contract liabilities	1,387,806	905,113
Accrued compensation and other	1,305,678	716,702
Operating lease liability	166,316	150,565
Total current liabilities	6,494,712	4,586,641
Financing lease obligation, net of current portion	79,701	111,691

Long-term debt, net of current maturities and debt issuance costs	1,681,642	1,961,141
Acquisition earn out liability, net of current portion	-	705,892
Operating lease liability, net of current portion	232,691	367,160
Stockholders' Equity:		
Common stock, \$0.01 par value: 50,000,000 shares authorized; issued and outstanding - 5,640,995 shares at March 31, 2023 and 5,638,302 June 30, 2022	56,410	56,383
Additional paid-in capital	57,784,369	57,009,506
Accumulated deficit	(48,142,882)	(48,094,394)
Total stockholders' equity	9,697,897	8,971,495
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 18,186,643	\$ 16,704,020

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

	<b>Three Months</b>		<b>Nine Months</b>	
	<b>Ended March 31,</b>		<b>Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Revenues	\$ 5,048,065	\$ 4,651,352	\$ 16,020,327	\$ 10,884,737
Cost of goods sold	3,311,967	2,923,143	10,045,316	7,397,914
Gross profit	1,736,098	1,728,209	5,975,011	3,486,823
Research and development expenses, net	206,375	214,898	660,518	433,248
Selling, general and administrative expenses	2,022,991	1,574,432	5,338,498	3,974,824
Business acquisition expenses	-	-	-	172,174
Total operating expenses	2,229,366	1,789,330	5,999,016	4,580,246
Operating income (loss)	(493,268)	(61,121)	(24,005)	(1,093,423)
Other income (expense)				
Interest expense	(48,124)	(52,778)	(167,443)	(104,290)
Gain on revaluation of contingent earn-out liability	142,960	-	142,960	-
Net income (loss)	\$ (398,432)	\$ (113,899)	\$ (48,488)	\$ (1,197,713)
Income (loss) per share:				
Basic and fully diluted	\$ (0.07)	\$ (0.02)	\$ (0.01)	\$ (0.23)
Weighted average common shares outstanding:				
Basic and fully diluted	5,640,473	5,600,953	5,639,015	5,181,896

**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>Nine Months</b>	
	<b>Ended March 31,</b>		<b>Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Net loss (GAAP)	\$ (398,432)	\$ (113,899)	\$ (48,488)	\$ (1,197,713)
Stock based compensation	450,014	231,115	769,790	741,637
Depreciation and amortization	52,710	66,207	157,460	173,887
Interest expense	48,124	52,778	167,443	104,290
Acquisition Expense	-	-	-	172,174
Revaluation of earn-out liability	(142,960)	-	(142,960)	-
Adjusted EBITDA (non-GAAP)	\$ 9,456	\$ 236,201	\$ 903,245	\$ (5,725)

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