UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: **March 31, 2023**

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________________ to __________________

Commission File Number: **000-56166**

Laser Photonics Corporation

(Exact name of registrant as specified in its charter)

Delaware	**84-3628771**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1101 N. Keller Road, Suite G Orlando, FL	**32810**
(Address of Principal Executive Offices)	Zip Code

(407) 804 1000
Registrant's Telephone Number, Including Area Code

Not Applicable
Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: **NONE**

COMMON STOCK, $0.01 PAR VALUE

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock	LASE	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting Company, or an emerging growth Company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting Company," and "emerging growth Company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated Filer	☒	Smaller reporting Company	☒
		Emerging growth company	☒

If an emerging growth Company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

Indicate by check mark whether the registrant is a shell Company (as defined in Rule 12b-2 of the Exchange Act) Yes ☐ No ☒

As of May 10, 2023, the registrant had 7,878,419 shares of common stock, par value $.01 per share, issued and outstanding.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LASER PHOTONICS CORPORATION
CONDENSED BALANCE SHEETS

	March 31, 2023	December 31, 2022
	Unaudited	
Assets		
Current Assets:		
Cash and Cash Equivalents	$ 10,815,690	12,181,799
Accounts Receivable, Net	1,747,153	1,347,494
Inventory	1,950,707	1,693,810
Total Current Assets	14,513,550	15,223,104
Other Current Assets	183,062	72,527
Property, Plant, & Equipment, Net	652,317	627,848
Intangible Assets, Net	2,882,236	2,939,041
Operating Lease Right-of-Use Asset	741,464	832,072
Total Assets	$ 18,972,629	19,694,592
Liabilities & Stockholders' Equity		
Current Liabilities:		
Accounts Payable	$ 420,588	190,387
Deferred Revenue	0	0
Current Portion of Operating Lease	344,510	344,510
Loans Payable, Current Portion	0	0
Accrued Expenses	1,751,250	1,181,000
Total Current Liabilities	2,516,348	1,715,897
Long Term Liabilities:		
Loans Payable	0	0
Operating Lease Liability, less Current Portion	396,952	487,562
Total Long-Term Liabilities	396,952	487,562
Total Liabilities	2,913,300	2,203,459
Commitments and Contingencies (Note 3)	0	0
Stockholders' Equity:		
Common Stock Par Value $0.01: 100,000,000 shares authorized, 7,878,419 issued and outstanding as of March 31, 2023 and December 31, 2022	78,783	78,783
Additional Paid in Capital	18,140,520	18,140,520
Retained Earnings (Deficit)	(728,170)	(728,170)
Net Income (Loss)	(1,431,804)	
Total Stockholders' Equity	16,059,329	17,491,133
Total Liabilities & Stockholders' Equity	$ 18,972,629	19,694,592

See accompanying notes to financial statements

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LASER PHOTONICS CORPORATION
STATEMENTS OF PROFIT AND LOSS
(UNAUDITED)

	3 Months Ending March 31,	
	2023	**2022**
Net Sales	$ 1,237,047	1,212,084
Cost of Sales	241,128	298,588
Gross Profit	995,919	913,496
Operating Expenses:		
Sales & Marketing	1,067,925	78,791
General & Administrative, Payroll, Rent	1,076,571	363,637
Depreciation & Amortization	83,137	89,961
Total Operating Expenses	2,227,633	532,389
Operating Income (Loss)	(1,231,714)	381,107
Other Income (Expenses):		
Interest Expense	0	(4,408)
Other Income (Expense)	(200,090)	0
Total Other Income (Expense)	(200,090)	(4,408)
Income (Loss) Before Tax	(1,431,804)	376,699
Tax Provision	0	0
Net Income (Loss)	$ (1,431,804)	376,699
Income (Loss) per Share:		
Basic	$ (0.18)	$ 0.08
Fully Diluted	$ N/A	$ 0.08
Weighted Average Shares Outstanding (September 30, 2021 is reflective of a 1/6 reverse stock split):		
Basic	7,878,419	4,878,419
Fully Diluted	8,253,419	4,878,419

See accompanying notes to financial statements

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LASER PHOTONICS CORPORATION
STATEMENTS OF CASH FLOWS
(UNAUDITED)

	3 Months Ending March 31, 2023	2022
Cash Flows From:		
OPERATING ACTIVITIES		
Net Income (Loss)	$ (1,431,804)	376,699
Adjustments to Reconcile Net Income (Loss) to Net Cash Flow from Operating Activities:		
Depreciation & Amortization	83,137	89,961
Net Change, Right-of-Use Asset & Liabilities		
Change in Operating Assets & Liabilities:		
Accounts Receivable	(399,659)	(653,191)
Inventory	(256,898)	(133,076)
Other Current Assets	(110,535)	(1,406)
Accounts Payables	230,201	503,206)
Accrued Expenses	570,250	
Operating Lease Right of Use Assets and Lease Liability Offset		
Net Cash From (Used In) Operating Activities	(1,315,308)	182,193
INVESTING ACTIVITIES		
Purchase of Long Term Assets	(50,801)	0
Purchase of Intangible Assets	0	(4,195)
Net Cash From (Used In) Investing Activities	(50,801)	(4,195)
FINANCING ACTIVITIES		
Proceeds from (Repayment of) Notes	0	(65,550)
Proceeds from (Repayment of) PPP Loan	0	(261,684)
Net Cash From (Used In) Financing Activities	0	(327,234)
Net Cash Flow for Period	$ (1,366,109)	(149,236)
Cash - Beginning of Period	12,181,799	615,749
Cash - End of Period	$ 10,815,690	466,513
SUPPLEMENTARY CASH FLOW INFORMATION		
Cash Paid During the Period for:		
Income Taxes	$ 0	0
Interest	$ 0	4,408

See accompanying notes to financial statements

LASER PHOTONICS CORPORATION
STATEMENTS OF SHAREHOLDERS' EQUITY
(UNAUDITED)

Three Months Ended March 31, 2023

	Common Stock		Additional Paid In Capital	Accumulated Deficit	Stockholders' Equity Total
	Shares	Amount			
Balance, January 1, 2023 . 100,000,000 authorized at 0.001	7,878,419	78,783	18,140,520	(728,170)	17,491,133
Net income for the three months ended March 31, 2023				(1,431,804)	(1,431,804)
Balance, March 31, 2023	7,878,419	78,783	18,140,520	(2,159,974)	16,059,329

Three Months Ended March 31, 2022

	Common Stock		Additional Paid In Capital	Retained Earnings Accumulated Deficit	Stockholders' Equity Total
	Shares	Amount			
Balance, January 1, 2022	4,878,417	48,783	5,242,832	269,291	5,560,906
Net income for the three months ended March 31, 2022	-	-	-	376,699	376,699
Balance, March 31, 2022	4,878,417	48,783	5,242,832	645,990	5,937,605

See accompanying notes to financial statements.

LASER PHOTONICS CORPORATION

NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION

Laser Photonics Corporation (the "Company") was formed under the laws of Wyoming on November 8, 2019. The Company changed its domicile to Delaware on March 5, 2021. The Company is a vertically integrated manufacturing Company for photonics based industrial products and solutions, primarily disruptive laser cleaning technologies. The vertically integrated operation allows the Company to reduce development and advanced laser equipment manufacturing time, offer better prices, control quality and protect proprietary knowhow and technology compared to other laser cleaning companies and companies with competing technologies.

The Company's accounting year end is December 31.

Basis of Presentation

These financial statements are presented in United States dollars and have been prepared in accordance with United States generally accepted accounting principles.

Impact of the Novel Coronavirus

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The COVID 19 outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown, which is expected to depress our asset values, including long-lived assets, intangible assets, etc.

Although the Company cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on our results of future operations, financial position, and liquidity in fiscal year 2022.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at dates of the financial statements and the reported amounts of revenue and expenses during the periods. Actual results could differ from these estimates. Our significant estimates and assumptions include depreciation and the fair value of our stock, stock-based compensation, debt discount and the valuation allowance relating to the Company's deferred tax assets.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with an original maturity of three months or less at the date of purchase. Cash and cash equivalents are carried at cost, which approximates fair value.

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Accounts Receivable

Trade accounts receivable are recorded net of allowance for expected uncollectible accounts. The Company extends credit to its customers in the normal course of business and performs on-going credit evaluations of its customers. All accounts, or portions thereof, that are deemed uncollectible are written off to bad debt expense, as incurred. In addition, most sales orders are not accepted without a substantial deposit. As of March 31, 2023, the balance of collectible accounts was $1,747,153. This balance is net of $200,000 recognized as Bad Debt Expense in the three months ended March 31, 2023.

Inventory

Inventories are stated at the lower of cost or net realizable value using the first-in first-out (FIFO) method. The Company has four principal categories of inventory:

Sales demonstration inventory - Sales demonstration inventory represents completed product used to support our sales force for demonstrations and held for sale. Sales demonstration inventory is held in our demo facilities or by our sales representatives for up to three years, at which time it would be refurbished and transferred to finished goods as used equipment, stated at the lower of cost or net realizable value. The Company expects these refurbished units to remain in finished goods inventory and sold within 12 months at prices that produce reduced gross margins.

Equipment parts inventory - This inventory represents components and raw materials that are currently in the process of being converted to a certifiable lot of saleable products through the manufacturing and/or equipment assembly process. Inventories include parts and components that may be specialized in nature and subject to rapid obsolescence. The Company periodically reviews the quantities and carrying values of inventories to assess whether the inventories are recoverable. Because of the Company's vertical integration, a significant or sudden decrease in sales activity could result in a significant change in the estimates of excess or obsolete inventory valuation. The costs associated with provisions for excess quantities, technological obsolescence, or component rejections are charged to cost of sales as incurred.

Work in process inventory **-** Work in process inventory consists of inventory that is partially manufactured or not fully assembled as of the date of these financial statements. This equipment, machines, parts, frames, lasers and assemblies are items not ready for use or resale. Costs are accumulated as work in process until sales ready items are compete when it is moved to finished goods inventory. The amounts in this account represent items at various stages of completion at the date of these financial statements.

Finished goods inventory - Finished goods inventory consists of purchased inventory that was fully manufactured, assembled or in salable condition. Finished goods inventory is comprised of items that are complete and ready for commercial application without further cost other than delivery and setup. Finished goods inventory includes demo and other equipment, lasers, software, machines, parts or assemblies.

On March 31, 2023, and December 31, 2022, respectively, our inventory consisted of the following:

	March 31, 2023	**December 31, 2022**
Inventory		
Equipment Parts Inventory	771,568	759,930
Finished Goods Inventory	419,531	254,656
Sales Demo Inventory	647,940	647,790
Work in process Inventory	162,073	31,434
Inventory Reserve Valuation	(50,405)	
Total Inventory	1,950,707	1,693,810

Fixed Assets - Plant Machinery and Equipment

Property and equipment are recorded at cost. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period.

Machinery and Equipment

Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. The Company uses other depreciation methods (generally accelerated) for tax purposes where appropriate. The estimated useful lives for significant property and equipment categories are as follows:

Category	**Economic Useful Life**
Office furniture and fixtures	3-5 years
Machinery and equipment	5-7 years
Intangible Assets	7-12 years

Capital Assets	**March 31, 2023**	**December 31, 2022**
Equipment and Furniture		
Accumulated Depreciation	(325,050)	(298,718)
Machinery & Equipment	799,094	797,695
Office and Computer Equipment	56,125	25,246
Office Furniture	74,186	55,663
R&D Equipment	37,973	37,973
Vehicles	9,989	9,989
Total Capital Assets	652,317	627,848

Intangible Assets

Intangible assets consist primarily of capitalized equipment design documentation, software costs for equipment manufactured for sale, research, and development, as well as certain patent, trademark, and license costs. Capitalized software and equipment design documentation development costs are recorded in accordance with Statement of Financial Accounting Standards ("SFAS") No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed," with costs amortized using the straight-line method over a ten-year period. Patent, trademark and license costs are amortized using the straight-line method over their estimated useful lives of 12 years. On an ongoing basis, management reviews the valuation of intangible assets to determine if there has been impairment by comparing the related assets' carrying value to the undiscounted estimated future cash flows and/or operating income from related operations.

Intangible Assets	**March 31 2023**	**December 31, 2022**
Accumulated Amortization	(526,034)	(469,229)
Customer Relationships	211,000	211,000
Equipment Design Documentation	2,675,000	2,675,000
Operational Software & Website	305,470	305,470
Trademarks	216,800	216,800
Total Intangible Assets	2,882,236	2,939,041

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Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment is measured by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to result from use of the assets and their ultimate disposition. In instances where impairment is determined to exist, the Company will write down the asset to its fair value based on the present value of estimated future cash flows.

Current Liabilities

Our current liabilities consist of accounts payable, accrued liabilities, sales tax payable, and the current portion of operating lease payable

Liquidity and Capital Resources

For the three months ended March 31, 2023, our liquidity needs were met through cash on hand.

The following is a summary of our cash flows provided by (used in) operating, investing and financing activities:

	For the Three Months Ending March 31,	
	2023	**2022**
Net cash provided by Operating Activities	(1,315,308)	182,193
Net cash provided by Investing Activities	(50,801)	(4,195)
Net cash provided by Financing Activities	0	(327,234)

As of March 31, 2023, the Company had $10,815,690 in cash, $3,697,860 in current assets (without cash and cash equivalents) and $2,516,348 in current liabilities.

As a result, on March 31, 2023, the Company had $11,997,202 in total working capital, compared to $13,507,207 of total working capital at December 31, 2022 .

Net Earnings/Loss per Share

Basic *Earnings/Loss* per share is calculated by dividing the *Earnings/Loss* attributable to stockholders by the weighted-average number of shares outstanding for the period. Diluted *Earnings/Loss* per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that shared in the earnings (loss) of the Company. Diluted *Earnings/Loss* per share is computed by dividing the *Earnings/Loss* available to stockholders by the weighted average number of shares outstanding for the period and dilutive potential shares outstanding unless such dilutive potential shares would result in anti-dilution. For the three months ended March 31, 2023, the anti-dilution scenario existed thus we applied the Basic Shares Outstanding.

Revenue Recognition

Under Topic 606, an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of Topic 606, the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of Topic 606, we assess the goods or services promised within each contract and determine those that are performance obligations and assess whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

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Refunds and returns, which are minimal, are recorded as a reduction of revenue. Payments received by customers prior to our satisfying the above criteria are recorded as unearned income in the combined balance sheets.

All revenues were reported net of any sales discounts or taxes.

Long Term Liabilities

The Company has no interest-bearing liabilities. Our entire Long-Term Liability $396,952 involves our lease obligations beyond the one-year threshold.

Fair Value of Financial Instruments

The Company applies the accounting guidance under Financial Accounting Standards Board ("FASB") ASC 820-10, "Fair Value Measurements", as well as certain related FASB staff positions. This guidance defines fair value as the price that would be received from m selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact business and considers assumptions that marketplace participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

The guidance also establishes a fair value hierarchy for measurements of fair value as follows:

- ☐ Level 1 - quoted market prices in active markets for identical assets or liabilities.
- ☐ Level 2 - inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- ☐ Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The carrying amount of our financial instruments approximates their fair value as of March 31, 2023, due to the short-term nature of these instruments.

Tax Loss Carryforwards

The Company recognizes deferred tax assets and liabilities for the tax effects of differences between the financial statement and tax basis of assets and liabilities. A valuation allowance is established to reduce the deferred tax assets if it is more likely than not that a deferred tax asset will not be realized. Based upon assessment as of December 31, 2022, and as of March 31, 2023, no deferred tax asset has been recorded.

Off-Balance Sheet Arrangements

During the quarter ended March 31, 2023, the Company did not engage in any off-balance sheet arrangements as defined in item 303(a)(4) of the SEC's Regulation S-K.

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Recent Accounting Pronouncements

All newly issued accounting pronouncements but not yet effective have been deemed either immaterial or not applicable.

NOTE 3 – COMMITMENTS AND CONTINGENCIES

The Company's only commitments involve building leases in Maitland, FL.

NOTE 4 – SUBSEQUENT EVENTS

There have been no material subsequent events.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our unaudited financial statements and the notes to those financial statements appearing elsewhere in this Report.

Certain statements in this Report constitute forward-looking statements. These forward-looking statements include statements, which involve risks and uncertainties, regarding, among other things, (a) our projected sales, profitability, and cash flows, (b) our growth strategy, (c) anticipated trends in our industry, (d) our future financing plans, and (e) our anticipated needs for, and use of, working capital. They are generally identifiable by use of the words "may," "will," "should," "anticipate," "estimate," "plan," "potential," "project," "continuing," "ongoing," "expects," "management believes," "we believe," "we intend," or the negative of these words or other variations on these words or comparable terminology. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this filing will in fact occur. You should not place undue reliance on these forward-looking statements.

The forward-looking statements speak only as of the date on which they are made, and, except to the extent required by federal securities laws, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which the statements are made or to reflect the occurrence of unanticipated events.

The "Company," "we," "us," or "our," are references to the business of Laser Photonics Corporation, a Wyoming corporation.

Overview

We are a vertically integrated manufacturing Company for photonics based industrial products and solutions, primarily disruptive laser cleaning technologies. Our vertically integrated operations allow us to reduce development and advanced laser equipment manufacturing time, offer better prices, control quality, and protect our proprietary knowhow and technology compared to other laser cleaning companies and companies with competing technologies.

Our principal executive offices are located at 1101 N Keller Rd, Orlando FL, 32810, and our telephone number is (407) 804 1000. Our website address is www.laserphotonics.com. The Company's annual reports, quarterly reports, current reports on Form 8-K and amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"), and other information related to the Company, are available, free of charge, on that website as soon as we electronically file those documents with, or otherwise furnish them to, the SEC. The Company's website and the information contained therein, or connected thereto, are not and are not intended to be incorporated into this Quarterly Report on Form 10-Q.

We intend to continue to stay ahead of the technology curve by researching and developing cutting edge products and technologies for both large and small businesses. We view the small companies as an attractive market opportunity since they were previously unable to take advantage of laser processing equipment due to high prices, significant operating costs and the technical complexities of the laser equipment. As a result, we are developing an array of laser cleaning equipment that we have named the CleanTech™ product line, which we believe represents a new generation of high-power laser cleaning systems applicable to numerous material processing operations.

Factors and Trends That Affect Our Operations and Financial Results

In reading our financial statements, you should be aware of the following factors and trends that our management believes are important in understanding our financial performance.

Supply Chain. We are experiencing increased lead times for certain parts and components purchased from third party suppliers; particularly electronic components. We, our customers and our suppliers continue to face constraints related to supply chain and logistics, including availability of capacity, materials, air cargo space, sea containers and higher freight rates and import duties. Supply chain and logistics constraints are expected to continue for the foreseeable future and could impact our ability to supply products and our customers' demand for our product or readiness to accept deliveries. Notwithstanding these effects, we believe we have the ability to meet the near-term demand for our products, but the situation is fluid and subject to change.

Net sales. Our net sales have historically fluctuated from quarter to quarter. The increase or decrease in sales from a prior quarter can be affected by the timing of orders received from customers as well as the shipment, installation, and acceptance of laser cleaning products at our customers' facilities. Net sales can be affected by the time taken to qualify our laser cleaning products for use in new applications in the end markets that we serve. Our sales cycle varies substantially, ranging from a period of a few weeks to as long as one year or more, but is typically several months. The adoption of our laser cleaning products by a new customer or qualification in a new application can lead to an increase in net sales for a period, which may then slow until we penetrate new markets or obtain new customers.

Our business depends substantially upon capital expenditures by end users, particularly by manufacturers using our products for laser blasting materials processing, which includes general manufacturing, automotive including electric vehicles (EV), other transportation, aerospace, heavy industry, consumer, semiconductor, and electronics. Approximately 92% of our revenues for the first quarter of 2022 and 91% of our revenues for the full 2021 fiscal year were from customers using our products for laser blasting materials processing. Although applications within materials processing are broad, the capital equipment market in general is cyclical and historically has experienced sudden and severe downturns. For the foreseeable future, our operations will continue to depend upon capital expenditures by end users of laser blasting materials processing equipment and will be subject to the broader fluctuations of capital equipment spending.

Gross margin. Our total gross margin in any period can be significantly affected by a number of factors, including net sales, production volumes, competitive factors, product mix, and by other factors such as changes in foreign exchange rates relative to the U.S. Dollar. Many of these factors are not under our control. The following are examples of factors affecting gross margin:

- As our laser cleaning products mature, we can experience additional competition which tends to decrease average selling prices and affects gross margin.

- Our gross margin can be significantly affected by product mix. Within each of our laser cleaning product categories, the gross margin is generally higher for devices with greater average power. These higher power laser blasting products often have better performance, more difficult specifications to attain and fewer competing laser cleaning products in the marketplace.

Selling and Marketing expenses. In the 4th quarter of 2022 and 1st quarter of 2023, we invested in selling and marketing costs in order to support our continued growth. As the secular shift to laser blasting technology matures, our sales growth becomes more susceptible to the cyclical trends typical of capital equipment manufacturers. Accordingly, our future management of and investments in selling and marketing expenses will also be influenced by these trends, although we may still invest in selling and marketing functions to support sales sustainability even in economic down cycles.

Research and development expenses. We plan to continue to invest in research and development to improve our existing laser blasting technology and equipment and develop new products, systems and applications. We believe that these investments will sustain our position as a leader in the laser blasting industry and will support the development of new products that can address new markets and growth opportunities. The amount of research and development expenses we incur may vary from period to period.

Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources and would be considered material to investors.

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Results of Operations

For the three months ending March 31, 2023

Revenues

We generate revenues through sales of our laser blasting and laser cleaning products, particularly with introduction of new models covering the whole range of roughing, conditioning, and finishing laser systems, including laser blasting systems cabinets and the development of new applications for our products.

We develop our products to standard specifications and use a common set of components within our product architectures. Our major products are based upon a common technology platform. We continually enhance these and other products by improving their components and developing new product designs.

Sales of our products are generally recognized upon shipment, provided that no obligations remain and collection of the receivable is reasonably assured.

For the three months ending March 31, 2023, we recognized revenue of $1,237,047, as compared to $1,212,084 in revenue for the same period in 2022, an increase of $24,963. The increase is primarily due to a step up to higher power units.

	Three Months ending March 31,	
	2023	**2022**
Revenue	1,237,047	1,212.084

Net Income (Loss)

For the three months ending March 31, 2023, our net loss was $1,431,804 as compared to net income of $376,699 in the same period of 2022 .

We are entering into laser equipment sales agreements with customers for specific equipment based upon purchase orders and our standard terms and conditions of sale.

Under our customer contracts or/and purchase orders, we transfer title and risk of loss to the customer and recognize revenue upon shipment. Our customers do not have extended payment terms or rights of return under these contracts.

Cost of Sales

Our cost of sales includes the cost of raw materials and components that are incorporated into our finished products, including: OEM laser modules; electronic and optical components such as optical generators, scan heads, tempered glass, protective back sheet, semiconductor laser cells, connector assemblies and wires; edge seal and adhesives; junction boxes; and structural material such as raw aluminum and aluminum extrusions, steel for tilt brackets, and frames. Our cost of sales also includes direct manufacturing labor, as well as manufacturing overhead such as: supervisory labor; R&D; equipment maintenance; production and quality control; inventory adjustments; warranty costs: and procurement costs such as freight, fuel, and import duties. Note that our cost of sales does not include depreciation of manufacturing plant and equipment or facility-related expenses.

Over the next several years, we expect our cost of sales as a percent of gross sales to decline due to; an increase in worldwide capacity in fiber laser parts and components, an increase in availability of optical generators, an increase in unit output per production line, and a more efficient absorption of fixed costs due to economies of scale. This expected decrease in the cost of laser technology may not materialize during periods in which our manufacturing capacity is underutilized.

For the three months ending March 31, 2023, we recorded cost of sales of $241,128 in comparison to $298,588 for the three months ending March 31, 2022.

Research and Development

R&D consists primarily of: salaries and personnel-related costs; the cost of products, materials, and outside services used in our R&D efforts; and product R&D activities. We maintain a number of programs and activities to improve our technology and processes in order to enhance performance and reduce the costs of our cleaning laser systems.

All of our R&D costs for the three months ending March 31, 2023 were expensed rather than capitalized. We may establish a separate accounting for capitalized R&D costs in the future if such costs can be directly associated with additional increases in revenue.

For the three months ended March 31, 2023, compared to the same period in 2022, we increased our R&D expense to equip our application center with state of the art laser blasting equipment and to develop complementary technologies such as our "remote particle removal" for energy transmission lines and the maintenance, repair and construction of infrastructure projects, for example. We believe in continuing to invest in the development of the latest technologies for the benefit of both our customers and our shareholders.

Gross Profit

Gross profit is affected by numerous factors, including our module average selling prices, foreign exchange rates, the existence and effectiveness of subsidies and other economic incentives, competitive pressures, market demand, market mix, our manufacturing costs, product development costs, the effective utilization of our production facilities, and the ramp-up of production on new products.

For the three months ending March 31, 2023 and 2022, we recorded gross profit of $995,919 and $913,496 respectively. The increase in gross profit for the three months ending March 31, 2023 was largely the result of increased sales.

Operating Expenses

Selling, General, and Administrative

Selling, general, and administrative expenses consist primarily of salaries and other personnel-related costs; professional fees; insurance costs; SEC filing, compliance, and other public Company costs; travel expenses; and other selling and marketing expenses. In the near term, we expect selling and marketing expenses to increase as we expand our sales and marketing efforts to support the planned growth of our business. In the long run, we expect selling, general, and administrative expenses as a percent of sales to decline as our business grows.

Our business has certain of its own dedicated administrative key functions, such as accounting, legal, finance, project finance, human resources, procurement and marketing. Costs for such functions are recorded and included within selling, general and administrative costs for our systems segment. Our corporate key functions consist primarily of Company-wide corporate tax, corporate treasury, corporate accounting/finance, corporate legal, investor relations, corporate communications, and executive management functions.

For the three months ending March 31, 2023, and 2022, we recorded operating expenses of $2,227,633 and $532,389, respectively. The increase in expenses for the three months ending March 31, 2023, was largely driven by the IPO, marketing and sales expenses, the hiring of C-Level executives, sales and marketing personnel and severance payments to our former CFO.

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In addition, rent expenses for the new sales and marketing office located at 2701 Maitland Parkway Center Blvd, Suite 125, also contributed to this increase. We rented 9,000 SF of high-quality office space and fully equipped it with servers, computer equipment, and office furniture. We also hired 13 people in the marketing department to support anticipated growth, added three outside sales professionals from targeted industries and strategic geographic areas, and recruited two C-Level executives with proven success in leading fast-growing public companies.

Furthermore, we are building an AI and Big Data team, which will primarily focus on identifying the global opportunities and targeting specific end-users, such as plant managers, department managers, and chief engineers from selected industries and verticals, including Automotive, Aeronautical, and maritime sectors, to enhance lead creation while decreasing customer acquisition costs.

	2022 Q4	2023 Q1	2023 Q2	2023 Q3
IPO Issuance Costs ASC 718	($829,500)	($805,000)	$584,500	
IPO Issuance Costs Other	($730,000)			
Severance ASC 718		$28,750	$41,750	
Severance Other		($265,500)		
Quarterly OI Impact	($1,559,500)	($1,041,750)	$626,250	$0
Per Share at 7,878,419 shares	($0.20)	($0.13)	$0.08	$0.00

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Pursuant to Item 305(e) of Regulation S-K (§ 229.305(e)), the Company is not required to provide the information required by this Item as it is a “smaller reporting Company,” as defined by Rule 229.10(f)(1).

We have not utilized any derivative financial instruments such as futures contracts, options and swaps, forward foreign exchange contracts or interest rate swaps and futures. We believe that adequate controls are in place to monitor any hedging activities. We do not have any borrowings and, consequently, we are not affected by changes in market interest rates. We do not currently have any sales or own assets and operate facilities in countries outside the United States and, consequently, we are not affected by foreign currency fluctuations or exchange rate changes. Overall, we believe that our exposure to interest rate risk and foreign currency exchange rate changes is not material to our financial condition or results of operations.

ITEM 4. CONTROLS AND PROCEDURES

Disclosures Control and Procedures

Under the supervision of our chief executive officer and our chief financial officer, our management has evaluated the effectiveness of the design and operation of our "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this Quarterly Report on Form 10-Q (the "Evaluation Date"). Based upon that evaluation, our chief executive officer and our chief financial officer have concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective.

Changes in internal controls over financial reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act) that occurred during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We are continually monitoring and assessing the changes to business processes resulting from COVID-19 to ensure the design and operating effectiveness of our controls are adequate.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

We are not involved in any legal proceedings, including routine litigation arising in the normal course of business that we believe will have a material adverse effect on our business, financial condition, or results of operations.

ITEM 1A. RISK FACTORS

Not applicable to a smaller reporting Company.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There were no sales of unregistered securities during the reported period.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

31.1	Rule 13(a)-14(a)/15(d)-14(a) Certification of principal executive officer
31.2	Rule 13(a)-14(a)/15(d)-14(a) Certification of principal financial and accounting officer
32.1	Section 1350 Certification of principal executive officer
32.2	Section 1350 Certification of principal financial and accounting officer
101*	XBRL data files of Financial Statements and Notes contained in this Quarterly Report on Form 10-Q.

* In accordance with Regulation S-T, the Interactive Data Files in Exhibit 101 to the Quarterly Report on Form 10-Q shall be deemed “furnished” and not “filed.”

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Laser Photonics Corporation

Date: May 10, 2023	By:	/s/ Wayne Tupuola
	Name:	Wayne Tupuola
	Title:	President and CEO (Principal Executive Officer)
Date: May 10, 2023	By:	/s/ William Campbell
	Name:	William Campbell
	Title:	Interim CFO (Principal Accounting Officer and Principal Financial Officer)