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: **September 30, 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:

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock, par value $.01	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 November 10, 2023, the registrant had 8,253,419 shares of common stock, par value $.01 per share, issued and 9,253,419 shares of common stock, par value $.01 per share outstanding.

TABLE OF CONTENTS

Table of Contents

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LASER PHOTONICS CORPORATION
CONDENSED BALANCE SHEETS

	September 30, 2023 (Unaudited)	December 31, 2022
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 8,310,519	$ 12,181,799
Accounts Receivable, Net	1,656,258	1,347,494
Inventory	2,610,259	1,693,810
Other Current Assets	66,936	72,527
Total Current Assets	**12,643,972**	**15,295,630**
Property, Plant & Equipment, Net	760,588	627,848
Intangible Assets	2,795,587	2,939,041
Operating Lease Right-of-Use Asset	588,335	832,072
Total Assets	**$ 16,788,482**	**$ 19,694,592**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	$ 233,317	$ 190,387
Operating Lease Liabilities, Current	352,242	344,510
Accrued Expenses	106	1,181,000
Total Current Liabilities	**585,665**	1,715,897
Commitments and Contingencies	-	-
Operating Lease Liabilities, Noncurrent	236,093	487,562
Total Liabilities	**821,758**	**2,203,459**
Common Stock Par Value $0.01; 100,000,000 shares authorized; 8,253,419 and 7,878,419 issued and outstanding, respectively	82,533	78,783
Additional Paid in Capital	19,111,770	18,140,520
Accumulated Retained Earnings (Deficit)	(3,227,580)	(728,170)
Total Stockholders' Equity	**15,966,723**	17,491,133
Total Liabilities & Stockholders' Equity	**$ 16,788,482**	$ 19,694,592

See accompanying notes to financial statements.

LASER PHOTONICS CORPORATION
STATEMENT OF PROFIT AND LOSS
(UNAUDITED)

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Net Revenue	**$ 1,239,554**	**$ 1,224,450**	**$ 3,444,649**	**$ 3,790,176**
Cost of Goods Sold	333,325	671,095	858,317	1,504,080
Gross Profit	906,228	553,355	2,586,332	2,286,096
Operating Expenses:				
Sales & Marketing	652,097	133,766	1,562,868	310,524
General & Administrative	1,198,317	119,646	3,186,580	794,294
Depreciation & Amortization	152,210	84,853	336,294	258,894
Total Operating Expenses	2,002,625	338,265	5,085,742	1,363,712
Operating Income (Loss)	(1,096,396)	215,090	(2,499,410)	922,384
Other Income (Expenses):				
Interest Income (Expense)	-	(10,000)	-	(24,426)
Other Income (Expense)	-	-	-	7,031
Total Other Income (Expenses)	-	(10,000)	-	(17,394)
Income (Loss) Before Tax	(1,096,396)	205,090	(2,499,410)	904,990
Tax Provision	-	-		
Net Income (Loss)	$ (1,096,396)	$ 205,090	$ (2,499,410)	$ 904,990
Income (Loss) per Share				
Basic	$ (0.13)	$ 0.04	$ (0.31)	$ 0.19
Fully Diluted	$ (0.13)	$ 0.04	$ (0.30)	$ 0.19
Weighted Average Shares Outstanding				
Basic	8,253,419	4,878,419	8,107,815	4,878,419
Fully Diluted	8,314,484	4,878,419	8,273,998	4,878,419

See accompanying notes to financial statements.

LASER PHOTONICS CORPORATION
STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended September 30,	
	2023	**2022**
Cash Flow from:		
OPERATING ACTIVITIES		
Net Income (Loss)	**$ (2,499,410)**	**$ 904,990**
Adjustments:		
Depreciation & Amortization	336,294	258,894
Stock Compensation	145,500	-
Change in Operating Assets & Liabilities:		
Accounts Receivable	(308,764)	(1,163,680)
Inventory	(916,449)	108,483
Other Current Assets	5,591	(7,568)
Accounts Payable	42,930	84,858
Accrued Expenses	(351,500)	-
Customer Deposits	-	(86,775)
Other Liabilities	106	3,331
Net Cash Flow from Operating Activities	**(3,545,702)**	**102,532**
INVESTING ACTIVITIES		
Purchase of Long Term Assets	(288,636)	(3,088)
Purchase of Intangible Assets	(36,944)	(4,195)
Net Cash Flow from Investing Activities	**(325,580)**	**(7,283)**
FINANCING ACTIVITIES		
Proceeds from (Repayment of) Notes	-	(161,684)
Proceeds from (Repayment of) PPP Loan	-	(317,328)
Proceeds from Sale of Common Stock	-	-
Net Cash Flow from Financing Activities	**-**	**(479,012)**
Net Change in Cash	**$ (3,871,282)**	**$ (383,763)**
Cash - Beginning of Period	12,181,799	615,749
Cash - End of Period	**$ 8,310,519**	**$ 231,986**
Supplemental Non-Cash Financing Information		
Common Stock issued to pay Stock Compensation for Marketing	$ 829,500	**-**

See accompanying notes to financial statements.

LASER PHOTONICS CORPORATION
STATEMENTS OF SHAREHOLDERS' EQUITY
(UNAUDITED)

	Three Months Ended September 30, 2023				
	Common Stock		Additional Paid in Capital	Accumulated Deficit	Stockholders' Equity
	Shares	Amount			
Balance, June 30, 2023	**8,253,419**	**$ 82,533**	**$ 19,183,020**	**$ (2,131,184)**	**$ 17,134,369**
Net Loss from the three months ended September 30, 2023	-	-	-	(1,096,396)	(1,096,396)
Correction of Stock Compensation related errors	-	-	(71,250)	-	(71,250)
Balance, September 30, 2023	**8,253,419**	**$ 82,533**	**$ 19,111,770**	**$ (3,227,580)**	**$ 15,966,723**

	Three Months Ended September 30, 2022				
	Common Stock		Additional Paid in Capital	Net Income	Stockholders' Equity
	Shares	Amount			
Balance, June 30, 2022	**4,878,419**	**$ 48,784**	**$ 5,242,832**	**$ 969,191**	**$ 6,260,806**
Net Income from the three months ended September 30, 2022	-	-	-	205,090	205,090
Balance, September 30, 2022	**4,878,419**	**$ 48,784**	**$ 5,242,832**	**$ 1,174,280**	**$ 6,465,896**

	Nine Months Ended September 30, 2023				
	Common Stock		Additional Paid in Capital	Accumulated Deficit	Stockholders' Equity
	Shares	Amount			
Balance, December 31, 2022	**7,878,419**	**$ 78,783**	**$ 18,140,520**	**$ (728,170)**	**$ 17,491,133**
Net Loss from the nine months ended September 30, 2023	-	-	-	(2,499,410)	(2,499,410)
Common Stock Issued	375,000	3,750	971,250	-	975,000
Balance, September 30, 2023	**8,253,419**	**$ 82,533**	**$ 19,111,770**	**$ (3,227,580)**	**$ 15,966,723**

	Nine Months Ended September 30, 2022				
	Common Stock		Additional Paid in Capital	Net Income	Stockholders' Equity
	Shares	Amount			
Balance, December 31, 2021	**4,878,419**	**$ 48,784**	**$ 5,242,832**	**$ 269,290**	**$ 5,560,906**
Net Income from the nine months ended September 30, 2022	-	-	-	904,990	904,990
Balance, September 30, 2022	**4,878,419**	**$ 48,784**	**$ 5,242,832**	**$ 1,174,280**	**$ 6,465,896**

See accompanying notes to financial statements.

LASER PHOTONICS CORPORATION
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 –BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements and notes of Laser Photonics Corporation (the “Company”) are presented in United States dollars and have been prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”) and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial information. Accordingly, those do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The results of operations for the nine months ended September 30, 2023, are not necessarily indicative of results that may be expected for the fiscal year ended December 31, 2023, or any future period. These financial statements should be read in conjunction with the financial statements, notes and significant accounting policies included in our Annual Report on Form 10-K for the year ended December 31, 2022.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES & USE OF ESTIMATES

Our significant accounting policies are provided in “Note 2 – Summary of Significant Accounting Policies” in our Financial Statements 2022 Form 10-K. There have been no material changes to our significant accounting policies during the nine months ended September 30, 2023, from those disclosed in our 2022 Form 10-K for the fiscal year ended December 31, 2022.

The preparation of financial statements in conformity with U.S. GAAP 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. In the opinion of management, our financial statements reflect all adjustments considered necessary by management to fairly state the results of operations, financial position and cash flows of the Company for the periods presented.

NOTE 3 – REVENUE

Revenue Recognition

Revenue is generally recognized when control of the promised goods or services is transferred to our customers in an amount that reflects the consideration we expect to be entitled to receive in exchange for those goods or services. The majority of our revenue is derived from our product sales and recognized free-on-board origin (“FOB Origin”) basis, when our products have been manufactured, crated and placed in the collection warehouse for the customer pick up in accordance with Customer Quote and Company Terms and Conditions of Sale. At this stage the title on manufactured equipment is transferred to the customer, and the customer is responsible for transportation expenses, insurance, and any transport related damage to the equipment in transit. Accordingly, we do not hold any obligation to deliver beyond the collection warehouse, and the customers are contractually required to ensure their goods reach their final destination.

All revenues were reported in net of any sales discounts or taxes. Payments received by customers prior to our satisfying the above criteria are recorded as unearned income in the combined balance sheets. As of September 30, 2023, there is no balance in unearned income.

Other Revenue Recognition Matters

Some of our customers are resellers, especially in foreign countries, who provide the products and services of ours and other companies as well. These resellers generally have no right to return unsold units. Occasionally, the Company may accept returns in limited circumstances and at the Company’s discretion under its warranty policy. The repurchase is on an individual unit basis with discounted pricing, which results in reduced margin on future sales of the units. During the three months period ended September 30, 2023, the Company repurchased four units from two foreign resellers. The repurchase increased inventory by $479,634 and bad debt expense by $32,501 during the third quarter in addition to $200,000 bad debt expense recorded in the first quarter of 2023.

NOTE 4 – ACCOUNTS RECEIVABLE

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 September 30, 2023, the balance of collectible accounts was $1,656,258. This balance is net of $164,534 and $365,263 recognized as bad debt expense during the three months and nine months ended September 30, 2023 respectively. The balance of collectible accounts was $1,248,045 as of September 30, 2022, and there was no bad debt expense during the nine months ended September 30, 2022. Bad debt expenses were reclassified as part of General & Administrative expenses in the statement of profit & loss from other income/(expense) in the first and the second quarters..

Table of Contents

NOTE 5 – INVENTORY

Inventories are stated at the lower of cost or net realizable value using the first-in first-out (FIFO) method. At September 30, 2023 and December 31, 2022, respectively, our inventory consisted of the following:

	September 30, 2023	December 31, 2022
Inventory		
Equipment Parts Inventory	$ 806,506	$ 759,930
Finished Goods Inventory	705,905	254,656
Sales Demo Inventory	802,877	647,790
Work in Process Inventory	294,971	31,434
Total Inventory	$ 2,610,259	$ 1,693,810

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

At September 30, 2023 and December 31, 2022, respectively, our property, plant and equipment consisted of the following:

	September 30, 2023	December 31, 2022
Property, Plant and Equipment		
Machinery & Equipment	$ 799,094	$ 797,695
Leasehold Improvement	19,707	
Office Furniture & Computer Equipment	204,343	80,909
R&D Equipment	37,973	37,973
Vehicles	154,085	9,989
Accumulated Depreciation	(454,614)	(298,718)
Total Property, Plant and Equipment	$ 760,588	$ 627,848

Depreciation expense of property, plant and equipment for the three months ended September 30, 2023 and 2022 are $86,166 and $28,048, respectively. Depreciation expense of property, plant and equipment for the nine months ended September 30, 2023 and 2022 are $155,896 and $82,600, respectively.

NOTE 6 – INTANGIBLE ASSETS

At September 30, 2023 and December 31, 2022, respectively, our intangible assets consist of the following:

	September 30, 2023	December 31, 2022
Intangible Assets		
Equipment Design Documentation	$ 2,675,000	$ 2,675,000
Operational Software & Website	342,414	305,470
Trademarks	216,800	216,800
Customer Relationships	211,000	211,000
Accumulated Amortization	(649,627)	(469,229)
Total Intangible Assets	$ 2,795,587	$ 2,939,041

Amortization expense of intangible assets for the three months ended September 30, 2023 and 2022 are $66,044 and $56,805, respectively. Amortization expense of intangible assets for the nine months ended September 30, 2023 and 2022 are $180,398 and $176,294, respectively.

NOTE 7 – LEASES

Our leases consist of operating leases only related to our two facilities located in Orlando, Florida. The operating leases for our facilities are non-cancelable operating leases and are included in Operating lease right-of-use ("ROU") asset, Lease liability, and Lease liability – less current portion in our balance sheets. ROU assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments arising from the lease. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

	Three Months Ended September 30,		Nine months Ended September 30,	
	2023	2022	2023	2022
Operating Lease Expense	$ 91,063	$ 45,289	$ 272,733	$ 135,867

The increase in Lease Expense from the 2022 to 2023 interim periods is related to the addition of a second leased facility for use by Sales and Marketing group as part of our strategic plan in an effort to improve market reach and growth.

NOTE 8 – STOCK-BASED COMPENSATION

Our directors, officers, key employees and key suppliers are granted stock-based compensation through our 2019 Stock Incentive Plan (the “Plan”). Such stock-based compensation may include, among other things, incentive stock options, non-qualified stock options, and restricted stock awards. The Plan is administered by the Compensation Committee of the Board of Directors. The Company’s executive officers are eligible to earn incentive compensation consisting of equity-based awards, as well as cash bonuses, based on the achievement of certain individual and/or Company performance goals set by the Compensation Committee.

At December 30, 2022, we held stock warrants of 350,000 shares for a suppler related to post-IPO investor relations at fair market value as of the grant date of October 3, 2022. On March 27, 2023, we granted 25,000 shares to a former employee. These two types of awards were converted to our common stocks on April 17, 2023. These awards were valued at the fair market value as of March 31, 2023 and June 30, 2023, resulting additional accrued Selling, General and Administrative (“SG&A”) expenses of $776,250 during the first quarter and reversal SG&A expenses of $705,000 during the second quarter. The net impact of the revaluation for our SG&A for the first two quarters is additional expenses of $71,250. The stock-based compensation expense is based primarily on the fair value of the award as of the grant date and does not require such revaluation in the future period. Therefore, we corrected the net impact of the revaluation occurred at both March 31, 2023 and June 30, 2023 in the three months ended September 30, 2023, resulting reduced SG&A.

NOTE 9 – RELATED PARTY TRANSACTIONS

ICT Investments provides the Company accounting services and various management services on an as needed basis. For the three months ended September 30, 2023 and for the nine months ended September 30, 2023, pursuant to an arrangement with ICT Investment, the Company paid in total $23,100 and $68,686, respectively, for various accounting services and management resources.

NOTE 10 – NET EARNINGS/LOSS PER SHARE

As of September 30, 2023, the Company had no outstanding agreements that would have a dilutive effect on earnings per share.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Company’s only commitments involve building leases in Orlando, FL.

NOTE 12 – SUBSEQUENT EVENTS

Between October 2, 2023 and October 13, 2023, the Company opened a brokerage account with Alexander Capital and repurchased 24,937 shares at fair market value.

On October 17, 2023, the Company made and entered into a one-year lease agreement for an adjoining unit of 9,000 square feet to our current manufacturing facility with the commencement date of December 1, 2023. We plan to mainly use this facility as our Customer Experience Center for sales and marketing purposes.

On October 18, 2023, the Company entered into a license agreement with Fonon Technologies, Inc., an affiliate of the Company through its ownership by ICT Investments, LLC, for an exclusive, worldwide, nontransferable license for High Power Turbo Piercing (“Cold Cutting”) laser cutting technology and any improvements to such technology to allow the Company to manufacture, sell, export and import products incorporated such technology in return for the Company paying a license fee of $350,000 in cash and 1,000,000 restricted shares of the Company’s common stock.

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 Delaware corporation.

Business

Laser Photonics Corporation is 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.

Table of Contents

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.

Foreign Exchange Exposure

We conduct the majority of our business within the United States and North America. However, even if we are not directly exposed to foreign currencies, the result of our operations is heavily dependent on the local currency conditions in relation to U.S. dollar. The value loss of local currency in the countries where our distributors are located may result in slow sales or “washing out” distributor discounts in entirety. Fluctuation in the exchange rate also impacts the purchase price of components and may substantially affect our Cost of Goods Sold, further reducing our profitability. Our most significant exposures are to the Japanese Yen, Australian Dollar and Chinese Yuan. Even if we are not collecting the revenue in foreign currencies, the effect of the foreign currencies fluctuation results on the cost of goods sold through increased supply chain expenses, and accounts receivable collection from foreign distributors experiencing sharp increases in the exchange rates to the U.S. Dollar, resulting in washing out the distributors’ profits and slowing their sales process. To the extent that the percentage of revenues derived from international sales increases in the future, our exposure to risks associated with fluctuations in foreign exchange rates may increase.

Interest Rate Exposure

The Federal Reserve has raised the target range for the federal funds rates five times during 2022, and continuously through 2023, from 0.25% as of March 2022 to 5.0% through March 2023, bringing borrowing costs to the highest level since January 2001. These increased rates have resulted in many customers delaying capital equipment spending. We believe that the dramatic increases in interest rates will have an adverse short-term effect on our business but within six to nine months industry will re-adjust to the current financial conditions and our operation will continue without any material downwards effect.

Global Inflation Exposure

General inflation in the United States, Europe and other locations has risen to levels not experienced in recent decades. General inflation, including rising prices for our raw materials and other inputs as well as rising salaries, negatively impacted our business by increasing our cost of sales and operating expenses. A period of rising rates of inflation also negatively impacted our business by decreasing the capital for our customers to deploy to purchase our products and services. Inflation may cause our customers to reduce or delay orders for our goods and services thereby causing a decrease in sales of our products and services. We cannot accurately predict what the impact of future inflation fluctuations will have on the results of our operations.

Revenue

Our revenue has historically fluctuated from quarter to quarter. The increase or decrease in revenue 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. Our revenue 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 include general manufacturing, automotive including electric vehicles (EV), other transportation, aerospace, heavy industry, consumer, semiconductor, and electronics. 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. The significant increases in the interest rate have adversely affected our sales.

Although all of our sales contracts are to be executed in the U.S. dollars, the foreign exchange rates may impact our sales from our customers overseas. The recent increased value of the U.S. dollar against most foreign currencies has also adversely affected sales during the first nine months of 2023.

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, General and Administrative Expenses. In the fourth quarter of 2022 and the year of 2023, we invested in selling, general and administrative ("SG&A") 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 SG&A expenses will also be influenced by these trends, although we may still invest in sales 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.

Results of Operations

Revenue of $1,239,554 and $3,444,649 in the three and nine months ended September 30, 2023, respectively, increased 1.2% and decreased 9.1% compared to $1,224,450 and $3,790,176 in the three and nine months ended September 30, 2022, respectively. The decrease year-over-year during the three quarters is from the revenue shortfall during the second quarter. As noted in 10-Q of last quarter, one of the primary reasons for the lower revenue was a major delay in supply chain for critical components of our main laser blasting model LPC2000CTH. Although we received the components and sold a couple of units of LPC2000CTH, we are experiencing continuous delay in supply chain as well as delay of capital expenditure spending by major customers due to unprecedent increases in the Federal interest rate.

Table of Contents

Gross profit for the three and nine months ended September 30, 2023 was $906,228 and $2,586,332 respectively, increased 64% and 13% compared to $553,355 and $2,286,096 in the three and nine months ended September 30, 2022, respectively. The increase is primarily due to favorable product mix sales in the third quarter with lower cost of goods sold and the effective utilization of our production facilities. As a result, gross margin as a percentage of revenue for the three and nine months ended September 30, 2023 was improved to 73% and 75%, compared to 45% and 60% for the same periods ended September 30, 2022.

Selling, general, and administrative ("SG&A") 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 sales and marketing expenses; and excludes depreciation & amortization expenses. In the near term, we expect SG&A 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 SG&A expenses as a percent of sales to decline as our business grows.

For the three months ended September 30, 2023 and 2022, we recorded total expenses of $1,850,414 and $253,412 respectively. SG&A expenses for the nine months ended September 30, 2023 and 2022, are $4,749,448 and $1,104,818, respectively. The significant increase in SG&A is primarily driven by our strategic plan to increase market reach and sales force as part of our Sales & Marketing Development and Investment plan as noted in our previous 10-Q's in accordance with "Use of Proceeds" as stated in our Form S-1 Registration Statement, coupled with higher personnel costs resulting from additional headcount, professional service fees, SEC compliance costs, bad debt expenses, etc.

Our net loss, for the three months ended September 30, 2023, was $1,096,396 as compared to net income of $205,090 in the same period of 2022. The decrease in Net Income is primarily due to higher SG&A expenses.

Liquidity and Capital Resources

At September 30, 2023, we had cash and cash equivalents of $8,310,519, compared to $12,181,799 at December 31, 2022.

The following is a summary of our cash flows provided by (used in) each type of business activity in the periods presented:

	Nine months Ended September 30, 2023	Nine months Ended September 30, 2022
Net cash provided by (used in) Operating Activities	$ (3,545,702)	$ 102,532
Net cash used in Investing Activities	(325,580)	(7,283)
Net cash provided by (used in) Financing Activities	-	(479,012)
Net Change in Cash	$ (3,871,282)	$ (383,763)

As of September 30, 2023, the Company had $8,310,519 in cash, $4,333,453 in current assets (without cash and cash equivalents) and $585,665 in current liabilities.

As a result, on September 30, 2023, the Company had $12,058,306 in total working capital, compared to $13,579,732 of total working capital at December 31, 2022.

Off-Balance Sheet Arrangements

During the nine months ended September 30, 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.

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

ITEM 4. CONTROLS AND PROCEDURES

Disclosures Control and Procedures

Under the supervision of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), 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 CEO and CFO have concluded that, as of the filing date, our disclosure controls and procedures are effective.

Changes in Internal Controls over Financial Reporting

As part of the previous audit for the year ended December 31, 2022, a material weakness in internal controls was identified and the Company has taken, continued to work with, and plans to implement the following to improve its internal control over financial reporting. During the three months ended September 30, 2023, we hired for the first time a Chief Financial Officer, with an active Certified Public Accountant credential, who has extensive experience in financial consolidation, planning, and reporting and served as Sarbanes-Oxley Officer in large manufacturing companies. Subsequently, we also engaged the third-party company for accounting staff and added more segregation of duties in accounting closing and review processes.

Table of Contents

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.

Table of Contents

ITEM 6. EXHIBITS.

10.1	License Agreement dated October 16, 2023 with Fonon Corporation
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."

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: November 14, 2023

By: /s/ Wayne Tupuola
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 14, 2023

By /s/ Jade Barnwell
Chief Financial Officer
(Principal Financial and Accounting Officer)