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Optex Systems Holdings, Inc. Announces Second Quarter 2018 Financial Highlights

RICHARDSON, Texas, May 15, 2018 (GLOBE NEWSWIRE) -- Optex Systems Holdings, Inc. (OTCQB:OPXS), a leading manufacturer of precision optical sighting systems for domestic and worldwide military and commercial applications, announced financial highlights from its second quarter 2018 financial results.

Optex Systems Holdings, Inc. is excited to report on our 10Q performance for the period ending April 1, 2018. During the three and six months ending April 1, 2018, we have experienced significant revenue growth of 15.0% and 22.4%, improvements in gross margin percentages of 2.8% and 2.2% and reductions in our general and administrative expenses of 6.4% and 7.4%, respectively, as compared to the three and six months ending April 2, 2017. During the first half of fiscal year 2018, our adjusted EBITDA is up 300% from the prior year level and our backlog is up 18.5% from October 1, 2017. Our key performance measures for the three and six month periods are summarized below.

- Backlog as of April 1, 2018 was $18.6 million as compared to a backlog of $15.7 million as of October 1, 2017, representing an increase of $2.9 million or 18.5%. During the six months ending April 1, 2018, Optex Systems Holdings booked $12.2 million in new orders.

- Revenue increased by $0.6 million and $1.7 million during the three and six months ending April 1, 2018, to $4.6 million and $9.3 million, as compared to $4.0 million and $7.6 million during the three and six months ending April 2, 2017. Revenue growth of 15% for the quarter was primarily driven by increases in commercial optical assemblies and military filters at our Applied Optics Center. Year to date revenue growth of 22.4% is attributable to both the Optex Systems and Applied Optics Center segments and includes increases in military filters, commercial optical assemblies and sighting systems. We anticipate further revenue increases in the Optex Systems segment for military periscopes and sighting systems during the second half of 2018.

- Gross margin, as a percentage of revenue, increased to 21.8%, from 19.0%, and to 22.6%, from 20.4% during the three and six months ending April 1, 2018 as compared to the prior year periods. We attribute the favorable gross margin performance to revenue growth, cost efficiencies, pricing improvements and changes in product mix between the respective periods.

- During the three and six months ended April 1, 2018, we recorded operating income of $0.2 million and $0.6 million, as compared to an operating loss of ($0.1) million for the three and six months ended April 2, 2017. Higher operating profits are directly related to the revenue growth, favorable gross margin performance and reduced general and administrative spending.

- We recognized a gain on the change in fair value of warrants of $2.4 million, and $2.0 million during the three and six months ending April 1, 2018, as compared to a loss of ($0.1) million and a gain of $0.4 million in the prior year periods. The current period gain on fair value is attributable to a change in accounting estimate for the volatility input rate assumed in the fair value measurement of our outstanding 4,125,200 warrants. Fair value gains and losses are non-cash “other income and expense” adjustments driven by changes in fair market value of our warrant liability and are unrelated to our core business operating performance, as such, the amounts have been excluded from our adjusted EBITDA presented below.

- Net income applicable to common shareholders was $2.6 million and $2.5 million during the three and six months ended April 1, 2018, as compared to a net loss of ($0.1) million and net income of $0.2 million during the prior year the and six month periods. The net income increase is driven by the combination of increased operating performance and the non-cash valuation gain associated with the warrants.

- Our adjusted EBITDA increased by $0.2 million to $0.3 million and by $0.6 million to $0.8 million during the three and six months ending April 1, 2018 as compared $0.1 million and $0.2 million during the three and six months ending April 2, 2017. We use adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) as an additional measure for evaluating the performance of our business as “net income” includes the significant impact of noncash valuation gains and losses on warrant liabilities, noncash compensation expenses related to equity stock issues, as well as depreciation, amortization, interest expenses and federal income taxes. We believe that Adjusted EBITDA is a meaningful indicator of our operating performance because it permits period-over-period comparisons of our ongoing core operations before the excluded items. Adjusted EBITDA is a financial measure not required by, or presented in accordance with U.S. generally accepted accounting principles (“GAAP”).

  The table below summarizes our three and six month operating results for periods ending April 1, 2018 and April 2, 2017, in terms of both the GAAP net income measure and the non-GAAP Adjusted EBITDA measure. We believe that including both measures allows the reader to have a “complete picture” of our overall performance.

	(Thousands)			
	Three months ending		**Six months ending**	
	April 1, 2018	**April 2, 2017**	**April 1, 2018**	**April 2, 2017**
Net Income (Loss) Applicable to Common Shareholders (GAAP)	$ 2,631	$ (149)	$ 2,536	$ 205
Add:				
Gain (Loss) on Change in Fair Value of Warrants	(2,350)	72	(2,006)	(358)
Federal Income Tax (Benefit) Expense - Current	(83)	-	8	-
Depreciation	79	85	161	168
Stock Compensation	37	65	81	129
Royalty License Amortization	8	8	15	15
Interest Expense	9	6	12	10
Adjusted EBITDA - Non GAAP	**$ 331**	**$ 87**	**$ 807**	**$ 169**

- We ended the quarter with working capital of $8.2 million and $1.8 million in cash and cash equivalents. During the six months ending April 1, 2018, we generated over $0.7 million in operating cash and paid out dividends to our share and warrant holders of $0.8 million through April 19, 2018.

Optex Systems Holdings, Inc. anticipates a strong performance for the second half of fiscal year 2018. Increased customer demand and backlog levels paired with accelerated production and delivery rates for our periscopes and sighting systems will continue to drive revenue growth over the next six months. The increases in revenue and gross margin percentages, combined with lower general and administrative spending are projected to continue throughout the balance of the year.

Danny Schoening, CEO of Optex Systems Holdings, Inc. commented, “We are pleased to report that the day to day execution of the business is delivering the type of performance required to fuel our growth. Increased revenue, increased margins, and increased earnings strengthen the balance sheet and position Optex for new revenue opportunities. Internally, we are controlling discretionary spending while positioning the factory to improve efficiencies through the benefits of the Indefinite Delivery, Indefinite Quantity (IDIQ) contracts received by both divisions of Optex. Externally, we remain customer focused by maintaining excellence in quality and delivery performance while communicating our capabilities to other markets of interest.”

Highlights of the unaudited Consolidated and Segment Results of Operations have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). These financial highlights do not include all information and disclosures required in the consolidated financial statements and footnotes, and should be read in conjunction with the Form 10-Q for the quarterly period ended April 1, 2018 filed with the SEC on May 15, 2018.

ABOUT OPTEX SYSTEMS

Optex, which was founded in 1987, is a Richardson, Texas based ISO 9001:2008 certified concern, which manufactures optical sighting systems and assemblies, primarily for Department of Defense (DOD) applications. Its products are installed on various types of U.S. military land vehicles, such as the Abrams and Bradley fighting vehicles, Light Armored and Armored Security Vehicles, and have been selected for installation on the Stryker family of vehicles. Optex also manufactures and delivers numerous periscope configurations, rifle and surveillance sights, and night vision optical assemblies. Optex delivers its products both directly to the military services and to prime contractors. For additional information, please visit the Company's website at www.optexsys.com.

Safe Harbor Statement

This press release contains certain forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995, including those relating to the products and services described herein. You can identify these statements by the use of the words “may,” “will,” “could,” “should,” “would,” “plans,” “expects,” “anticipates,” “continue,” “estimate,” “project,” “intend,” “likely,” “forecast,” “probable,” and similar expressions. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected or anticipated. Such risks and uncertainties include, but are not limited to, continued funding of defense programs and military spending, the timing of such funding, general economic and business conditions, including unforeseen weakness in the Company's markets, effects of continued geopolitical unrest and regional conflicts, competition, changes in technology and methods of marketing, delays in completing engineering and manufacturing programs, changes in customer order patterns, changes in product mix, continued success in technological advances and delivering technological innovations, changes in the U.S. Government's interpretation of federal procurement rules and regulations, changes in spending due to policy changes in any new federal presidential administration, market acceptance of the Company's products, shortages in components, production delays due to performance quality issues with outsourced components, inability to fully realize the expected benefits from acquisitions and restructurings or delays in realizing such benefits, challenges in integrating acquired businesses and achieving anticipated synergies, changes to export regulations, increases in tax rates, changes to generally accepted accounting principles, difficulties in retaining key employees and customers, unanticipated costs under fixed-price service and system integration engagements, changes in the market for microcap stocks regardless of growth and value and various other factors beyond our control.

You must carefully consider any such statement and should understand that many factors could cause actual results to differ from the Company's forward-looking statements. These factors include inaccurate assumptions and a broad variety of other risks and uncertainties, including some that are known and some that are not. No forward-looking statement can be guaranteed and actual future results may vary materially. The Company does not assume the obligation to update any forward-looking statement. You should carefully evaluate such statements in light of factors described in the Company's filings with the SEC, especially on Forms 10-K, 10-Q and 8-K. In various filings the Company has identified important factors that could cause actual results to differ from expected or historic results. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider any such list to be a complete list of all potential risks or uncertainties.

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