December 20, 2018

Optex Systems Holdings, Inc. Announces Fiscal Year 2018 Financial Highlights

RICHARDSON, Texas, Dec. 20, 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 the year ended September 30, 2018 financial results.

Optex Systems Holdings, Inc. is pleased to report on our 10K performance for the fiscal year ended September 30, 2018. During the twelve months ended September 30, 2018, we have experienced significant revenue growth of 12.4%, improvements in gross margin percentages of 3.3% and reductions in our general and administrative expenses of 6.2%, as compared to the twelve months ended October 1, 2017. During the full fiscal year 2018, our adjusted EBITDA is up 152.3% from the prior year level and our backlog is up 49.0% from October 1, 2017. Our key performance measures for the twelve month periods are summarized below.

- Backlog as of September 30, 2018 was $23.4 million as compared to a backlog of $15.7 million as of October 1, 2017, representing an increase of $7.7 million or 49.0%. During the twelve months ended September 30, 2018, Optex Systems Holdings booked $28.2 million in new orders, a 27.8% increase over orders booked of $22.3 million during the prior year twelve months.

- Revenue increased by $2.3 million during the twelve months ended September 30, 2018, to $20.8 million as compared to $18.5 million during the twelve months ended October 1, 2017. Revenue growth of 12.4% for the 2018 year was driven by increases of $1.5 million, or 13.4%, in the Optex Systems Richardson segment in support of sighting systems and periscope products, and $0.8 million, or 11.0%, in the Applied Optics Center segment for military coated filters and other products.

- Gross margin, as a percentage of revenue, increased to 21.7%, from 18.4% during the twelve months ended September 30, 2018 as compared to the prior year period. 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 twelve months ended September 30, 2018, we recorded operating income of $1.5 million as compared to operating income of $0.2 million for the twelve months ended October 1, 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 $0.1 million during the twelve months ended September 30, 2018, as compared to a loss of ($0.5) million in the prior year period. The current year gain on fair value is attributable to a change in accounting estimate that occurred during the second quarter (ended April 1, 2018) for revisions to the volatility input rate assumed in the fair value measurement of our outstanding warrants. Fair value gains and losses are non-cash “other income and expense” adjustments driven by changes in fair market value of our outstanding warrants and are unrelated to our core business operating performance, as such, the amounts have been excluded from our adjusted EBITDA presented below.

- Net income (loss) applicable to common shareholders was $0.9 million during the twelve months ended September 30, 2018, as compared to a net loss of ($0.5) million during the prior twelve month period. Net income (loss) attributable to common shareholders includes a reduction to net income (loss) for the 2018 and 2017 years of ($0.4) million and ($0.2) million, respectively, related to dividends declared and undistributed earnings (deemed dividends) for participating warrants and series C preferred shares. The net income increase over the prior year period is primarily driven by the combination of increased operating performance and the non-cash valuation gain associated with the warrants offset by increased federal income taxes on taxable income and the deemed dividends on undistributed earnings.

- Our adjusted EBITDA increased by $1.2 million to $2.0 million during the twelve months ended September 30, 2018 as compared $0.8 million during the twelve months ended October 1, 2017. We use adjusted earnings before interest, taxes, gains/losses on changes in fair values, 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 annual operating results for periods ended September 30, 2018 and October 1, 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) Twelve months ended	
	September 30, 2018	**October 1, 2017**
Net Income (Loss)- GAAP	$ 1,394	$ (304)
Add:		
(Gain) Loss on Change in Fair Value of Warrants	(95)	489
Federal Income Tax Expense - Current	167	-
Depreciation	327	337
Stock Compensation	153	220
Royalty License Amortization	30	30
Interest Expense	20	19
Adjusted EBITDA - Non GAAP	**$ 1,996**	**$ 791**

- We ended the year with working capital of $8.5 million and $1.1 million in cash and cash equivalents. During the twelve months ended September 30, 2018, we generated over $1.0 million in operating cash and paid out dividends to our share and warrant holders of $0.8 million.

- We have repurchased 700,000 shares of common stock during the twelve months ended September 30, 2018. During the fiscal year ended October 1, 2017, the Company repurchased 700,000 shares of common stock. All 1.4 million of the purchased common shares have been returned to the treasury and cancelled.

Based on increased backlog and orders during the year, Optex Systems Holdings, Inc. anticipates continued strong performance for the 2019 fiscal year beginning October 1, 2018 as compared to the fiscal year 2018 performance. Increased customer orders and backlog levels paired with accelerated production and delivery rates for our military products combined with increased gross margins and lower general and administrative spending are projected to continue.

Danny Schoening, CEO of Optex Systems Holdings, Inc. commented, “We are extremely pleased with our year end performance. Our ability to increase the number of Indefinite Delivery, Indefinite Quantity (IDIQ) contracts combined with our commercial business has helped level out the quarter to quarter performance. Our factories are more efficient and this yields higher gross margins. Our backlog going into 2019 is extremely strong and we continue to see increased revenue, increased gross margin, and increased earnings.”

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-K for the annual period ended September 30, 2018 filed with the SEC on December 20, 2018.

ABOUT OPTEX SYSTEMS

Optex, which was founded in 1987, is a Richardson, Texas based ISO 9001:2015 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.

Contact:
IR@optexsys.com
1-972-764-5718

OPTEX TRUE VISION

Source: Optex Systems Holdings, Inc.