

August 16, 2023



# Optex Systems Holdings, Inc. Announces Financial Highlights for the Three and Nine Months Ended July 2, 2023

**RICHARDSON, TX / ACCESSWIRE / August 16, 2023** /Optex Systems Holdings, Inc. (NASDAQ:OPXS), a leading manufacturer of precision optical sighting systems for domestic and worldwide military and commercial applications, announced financial results for the three and nine months ended July 2, 2023.

Danny Schoening, CEO of Optex Systems Holdings, Inc., commented, "We are extremely pleased with the quarter, our revenues were up while we maintained a very strong backlog schedule taking us well into 2024. As our backlog indicates, our markets and customers are showing strong performance and we continue to develop additional products or services to help them compete."

For the three months ended July 2, 2023, our total revenues increased by \$1.0 million, or 16.2%, compared to the prior year period. For the nine months ended July 2, 2023, our total revenues increased by \$1.9 million, or 12.4%, compared to the prior year period. The increase in revenue for the three and nine-month periods were driven by increased sales across both segments as compared to the prior year.

We have experienced significant material shortages during the three months ended October 2, 2022 and extending into the first nine months of fiscal year 2023 from two significant suppliers of our periscope covers and housings. These shortages affect several of our periscope products at the Optex Richardson segment. The delays in key components, combined with labor shortages during the first nine months of fiscal year 2023, have negatively impacted our production levels and have pushed expected customer delivery dates into the first half of fiscal year 2024. We are aggressively seeking alternative sources and actively expediting our current suppliers for these components as well as increasing employee recruitment initiatives and overtime to attempt to mitigate any continuing risks to the periscope line. In addition, one of our major customers for the Applied Optics Center requested a significant schedule delay pushing their laser filter unit deliveries from the first half into the second half of fiscal year 2023. We are encouraged by recent improvements in supplier performance for the Optex Richardson segment periscope line which yielded increased revenue performance during the second and third quarters.

Consolidated gross profit for the three months ended July 2, 2023 increased by \$0.4 million, or 35.0%, compared to the prior year period. Consolidated gross profit for the nine months ended July 2, 2023 increased by \$1.2 million, or 41.9%, compared to the prior year period. The increase in the most recent three and nine-month period gross profit was primarily attributable to (1) higher revenue spread across a fixed manufacturing cost base combined with changes in product mix and improved pricing and operating performance in our Applied Optics optical assembly line, (2) partially offset by lower profit margins on our Optex

segment driven by inflationary pressures on our long-term fixed price contracts.

Our operating income for the three months ended July 2, 2023 increased by \$0.2 million, or 47.5%, compared to the prior year period. Our operating income for the nine months ended July 2, 2023 increased by \$0.8 million, or 225.1%, compared to the prior year period. The increase in operating income for the three and nine-month periods was primarily driven by higher revenue and increased gross profit in the Applied Optics Center segment.

As of July 2, 2023, the Company had working capital of \$12.2 million, as compared to \$10.0 million as of October 2, 2022. During the nine months ended July 2, 2023, we used operating cash of (\$1.4) million, borrowed a net \$1.2 million against our line of credit and spent \$0.4 million on acquisitions of property and equipment. During the period, our inventory increased \$3.1 million in support of new program awards and increasing revenues anticipated over the next twelve months.

In March 2023, we moved our line of credit from PNC Bank to Texas Capital Bank and increased our available line of credit to \$3.0 million from the previous \$2.0 million line with PNC. The increase in credit limit helps us meet our working capital requirements in light of the increased backlog and delay of revenues from the first nine months of fiscal year 2023. As supplier issues and labor shortages continue to abate, we anticipate increased revenue and working capital in the fourth quarter of fiscal year 2023 and continuing into fiscal year 2024. Based on our current backlog, we anticipate an overall increase for fiscal year 2023 revenues as compared to the 2022 levels.

Our key performance measures for the three and nine months ended July 2, 2023 and July 3, 2022 are summarized below.

Metric	(Thousands)					
	Three months ended			Nine months ended		
	July 2, 2023	July 3, 2022	% Change	July 2, 2023	July 3, 2022	% Change
Revenue	\$ 7,172	\$ 6,170	16.2	\$ 17,582	\$ 15,645	12.4
Gross Profit	\$ 1,712	\$ 1,268	35.0	\$ 3,983	\$ 2,807	41.9
Gross Margin %	23.9 %	20.6 %	16.0	22.7 %	17.9 %	26.8
Operating Income	\$ 752	\$ 510	47.5	\$ 1,086	\$ 334	225.1
Net Income	\$ 576	\$ 428	34.6	\$ 832	\$ 306	171.9
Adjusted EBITDA (non-GAAP)	\$ 919	\$ 620	48.2	\$ 1,472	\$ 682	115.8

During the nine months ended July 2, 2023, the Company booked \$26.3 million in new orders, representing a 43.7% increase over the prior year period. The orders for the most recently completed nine months consist of \$18.6 million for our Optex Richardson segment

and \$7.7 million attributable to the Applied Optics Center segment.

The Company has seen significant increases in orders for many of its defense products during the first nine months of fiscal year 2023 inclusive of two new customers for our sighting systems and filter programs. On November 1, 2022, the Company announced it has been awarded a \$3.4 million order to repair and refurbish night vision equipment for the Government of Israel. The order represents a significant increase in our Optex Richardson sighting systems business base for a new customer and includes an additional potential award value with a 100% optional award quantity clause. Deliveries under this contract are expected to begin in the first quarter of fiscal year 2024. On June 30, 2023, we booked a \$3.0 million delivery order at our Applied Optics segment for the delivery of laser interface filters against a five-year IDIQ contract. Our periscope orders for the Optex segment have increased significantly over the prior year period including \$7.2 million in task delivery awards against our long-term IDIQ contracts during the nine-month period.

Backlog as of July 2, 2023 was \$41.6 million as compared to backlog of \$30.0 million as of July 3, 2022 and \$32.9 million as of October 2, 2022, representing an increase of 38.7% and 26.4%, respectively.

The table below summarizes our three-and nine-month operating results for the periods ended July 2, 2023 and July 3, 2022, in terms of both GAAP net income and non-GAAP Adjusted EBITDA. We believe that including both measures allows the reader better to evaluate our overall performance.

	(Thousands)			
	Three months ended		Nine months ended	
	July 2, 2023	July 3, 2022	July 2, 2023	July 3, 2022
Net Income (GAAP)	\$ 576	\$ 428	\$ 832	\$ 306
<i>Add:</i>				
Federal Income Tax Expense	154	82	223	28
Depreciation	86	74	252	221
Stock Compensation	81	36	134	127
Interest Expense	22	-	31	-
<b>Adjusted EBITDA - Non GAAP</b>	<b>\$ 919</b>	<b>\$ 620</b>	<b>\$ 1,472</b>	<b>\$ 682</b>

Adjusted EBITDA has limitations and should not be considered in isolation or a substitute for performance measures calculated under GAAP. This non-GAAP measure excludes certain cash expenses that we are obligated to make. In addition, other companies in our industry may calculate Adjusted EBITDA differently than we do or may not calculate it at all, which limits the usefulness of Adjusted EBITDA as a comparative measure.

Our net income increased by \$0.2 million to \$0.6 million for the three months ended July 2, 2023, as compared to net income of \$0.4 million for the prior year period. Our adjusted EBITDA increased by \$0.3 million to \$0.9 million for the three months ended July 2, 2023, as compared to \$0.6 million for the prior year period. Our net income increased by \$0.5 million to \$0.8 million for the nine months ended July 2, 2023, as compared to a net income of \$0.3 million for the prior year period. Our adjusted EBITDA increased by \$0.8 million to \$1.5 million for the nine months ended July 2, 2023, as compared to \$0.7 million for the prior year period.

The increase in the most recent three and nine-month period net income and adjusted EBITDA is primarily driven by higher revenue across both operating segments and significantly improved gross profit performance in the Applied Optics Center segment, which was partially offset by poorer performance in the Optex segment.

Highlights of the unaudited Condensed Consolidated and Segment Results of Operations have been prepared in accordance with GAAP. These financial highlights do not include all information and disclosures required in the condensed consolidated financial statements and footnotes and should be read in conjunction with our Quarterly Report on Form 10-Q for the three and nine months ended July 2, 2023 filed with the SEC on August 16, 2023.

**Optex Systems Holdings, Inc.**  
**Condensed Consolidated Balance Sheets**

		(Thousands, except share and per share data)	
		July 2, 2023	October 2, 2022
		(Unaudited)	
<b>ASSETS</b>			
Cash and Cash Equivalents	\$	314	\$ 934
Accounts Receivable, Net		2,870	2,908
Inventory, Net		12,282	9,212
Contract Asset		336	-
Prepaid Expenses		431	328
<b>Current Assets</b>		<b>16,233</b>	<b>13,382</b>
<b>Property and Equipment, Net</b>		<b>1,083</b>	<b>968</b>
<b>Other Assets</b>			
Deferred Tax Asset		762	942
Right-of-use Asset		2,863	3,222
Security Deposits		23	23
<b>Other Assets</b>		<b>3,648</b>	<b>4,187</b>
<b>Total Assets</b>	<b>\$</b>	<b>20,964</b>	<b>\$ 18,537</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$	1,609	\$ 706
Operating Lease Liability		616	604
Federal Income Taxes Payable		-	331
Accrued Expenses		969	958
Accrued Selling Expenses		336	-
Accrued Warranty Costs		241	169
Accrued Loss Reserves		133	289
Customer Advance Deposits		131	311
<b>Current Liabilities</b>		<b>4,035</b>	<b>3,368</b>
<b>Other Liabilities</b>			
Credit Facility		1,207	-
Operating Lease Liability, net of current portion		2,406	2,761
<b>Total Other Liabilities</b>		<b>3,613</b>	<b>2,761</b>
<b>Total Liabilities</b>		<b>7,648</b>	<b>6,129</b>
<b>Commitments and Contingencies</b>			
<b>Stockholders' Equity</b>			
Common Stock - (\$0.001 par, 2,000,000,000 shares authorized, 6,763,070 and 6,716,638 shares issued and outstanding, respectively)		7	7
Additional Paid in Capital		21,172	21,096
Accumulated Deficit		(7,863)	(8,695)
<b>Stockholders' Equity</b>		<b>13,316</b>	<b>12,408</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$</b>	<b>20,964</b>	<b>\$ 18,537</b>

***The accompanying notes in our Quarterly Report on Form 10-Q for the three and nine months ended July 2, 2023 filed with the SEC on August 16, 2023 are an integral part of these financial statements.***

**Optex Systems Holdings, Inc.  
Condensed Consolidated Statements of Operations  
(Unaudited)**

	(Thousands, except share and per share data)			
	Three months ended		Nine months ended	
	July 2, 2023	July 3, 2022	July 2, 2023	July 3, 2022
Revenue	\$ 7,172	\$ 6,170	\$ 17,582	\$ 15,645
Cost of Sales	5,460	4,902	13,599	12,838
<b>Gross Profit</b>	<b>1,712</b>	<b>1,268</b>	<b>3,983</b>	<b>2,807</b>
General and Administrative Expense	960	758	2,897	2,473
<b>Operating Income</b>	<b>752</b>	<b>510</b>	<b>1,086</b>	<b>334</b>
Interest Expense	22	-	31	-
<b>Income Before Taxes</b>	<b>730</b>	<b>510</b>	<b>1,055</b>	<b>334</b>
Income Tax Expense	154	82	223	28
<b>Net Income</b>	<b>\$ 576</b>	<b>\$ 428</b>	<b>\$ 832</b>	<b>\$ 306</b>
Basic income per share	<b>\$ 0.09</b>	<b>\$ 0.05</b>	<b>\$ 0.13</b>	<b>\$ 0.04</b>
Weighted Average Common Shares Outstanding - basic	<b>6,643,070</b>	<b>8,187,318</b>	<b>6,607,593</b>	<b>8,223,492</b>
Diluted income per share	<b>\$ 0.09</b>	<b>\$ 0.05</b>	<b>\$ 0.13</b>	<b>\$ 0.04</b>
Weighted Average Common Shares Outstanding - diluted	<b>\$ 6,686,211</b>	<b>\$ 8,285,996</b>	<b>\$ 6,642,604</b>	<b>\$ 8,297,341</b>

***The accompanying notes in our Quarterly Report on Form 10-Q for the three and nine months ended July 2, 2023 filed with the SEC on August 16, 2023 are an integral part of these financial statements.***

## **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](http://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 represent our expectations, beliefs, intentions or strategies concerning future events, including, but not limited to, any statements regarding growth strategy; product and development programs; financial performance and financial condition (including revenue, net income, profit margins and working capital); orders and backlog; expected timing of contract deliveries to customers and corresponding revenue recognition; increases in the cost of materials and labor; costs remaining to fulfill contracts;

contract loss reserves; labor shortages; follow-on orders; the impact of the COVID-19 pandemic; supply chain challenges; the continuation of historical trends; the sufficiency of our cash balances for future liquidity and capital resource needs; the expected impact of changes in accounting policies on our results of operations, financial condition or cash flows; anticipated problems and our plans for future operations; and the economy in general or the future of the defense industry.

*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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