

May 16, 2022



Optex Systems Holdings, Inc. Announces Three and Six Months Ended April 3, 2022 Financial Highlights

RICHARDSON, TX / ACCESSWIRE / May 16, 2022 /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 for the three and six months ended April 3, 2022.

Danny Schoening, CEO of Optex Systems Holdings, Inc., commented, "Optex has turned the corner and demand is trending nicely as we have continued to report increases in backlog which translate directly into increased revenue and earnings. Domestic demand for optical assemblies and laser filters has increased and foreign military sales for armored vehicles is supplementing the domestic requirement through our existing supply chain. As shown in our backlog charts within the 10Q, the second half of 2022 indicates run rates are similar to those seen in 2019 and 2020."

Specifically stated within the 10Q, *"Based on our current customer orders, we anticipate a 30-35% increase in consolidated revenue for the six months ending October 2, 2022 as compared to the six months ended April 3, 2022 and a total increase for fiscal year 2022 of 20-25% as compared to the prior year."*

For the three and six months ended April 3, 2022, our total revenues increased by \$0.9 million and \$0.8 million, or 21.0% and 8.7%, respectively, compared to the prior year period. The increase in revenue for the three and six month periods were primarily driven by an increase in revenue at the Applied Optics Center segment, partially offset by a decrease in revenue at the Optex Richardson, over the prior year periods. During the year ended October 3, 2021, we realized a significant increase in customer orders and backlog for the Applied Optics Center segment. For the first six months of fiscal year 2022, new orders were 22.4% higher than in the prior year periods primarily driven by increases in the Optex Systems - Richardson segment.

Consolidated gross margin for the three and six months ended April 3, 2022 increased by \$0.3 million, or 89.4% and 26.9%, respectively, compared to the prior year periods. The increase in margin was primarily attributable to increased revenue at the Applied Optics Center segment.

Our operating loss for the three and six months ended April 3, 2022 decreased by \$0.2 million, or 53.9% and 47.5%, compared to the prior year periods. The decrease in operating loss was primarily driven by increases in revenue and gross margin at the Applied Optics Center segment.

As of April 3, 2022, the Company had working capital of \$12.6 million, as compared to \$12.9

million as of October 3, 2021. During the six months, we generated operating cash flow of \$1.3 million, and spent \$118 thousand on purchases of equipment and \$222 thousand for the purchase of 115,971 shares against our stock repurchase program. We ended the quarter with a strong cash balance of \$4.9 million as compared to \$3.9 million as of the fiscal year end 2021. As of April 3, 2022, our outstanding accounts receivable was \$1.9 million. As of April 3, 2022, the Company had an outstanding payable balance of zero against our line of credit. The line of credit allowed for borrowing up to a maximum of \$2.3 million. The line of credit was renewed on April 12, 2022 through April 15, 2023 for a maximum borrowing amount of \$1.1 million.

Our key performance measures for the three-and six months ended April 3, 2022 and March 28, 2021 are summarized below.

(Thousands)						
Metric	Three months ended			Six months ended		
	April 3, 2022	March 28, 2021	% Change	April 3, 2022	March 28, 2021	% Change
Revenue	\$ 5,136	\$ 4,246	21.0	\$ 9,475	\$ 8,717	8.7
Gross Margin	\$ 716	\$ 378	89.4	\$ 1,539	\$ 1,213	26.9
Gross Margin %	13.9%	8.9%	56.2	16.2%	13.9%	16.5
Operating Income	\$ (191)	\$ (414)	(53.9)	\$ (176)	\$ (335)	(47.5)
Gain (Loss) on Change Fair Value of Warrants	\$ -	\$ (169)	(100.0)	\$ -	\$ 858	(100.0)
Net Income (Loss) Applicable to Common Shareholders	\$ (151)	\$ (602)	(74.9)	\$ (122)	\$ 323	(137.8)
Adjusted EBITDA (non-GAAP)	\$ (81)	\$ (292)	(72.3)	\$ 63	\$ (93)	(167.7)

Beginning in April 2020 through October 3, 2021, we experienced a significant reduction in new orders and ending customer backlog in our Optex Richardson segment, resulting in an overall decrease in backlog of 40% between September 29, 2019 and October 3, 2021. We attribute the lower orders to a combination of factors including a COVID-19 driven slow-down of contract awards for both U.S. military sales and foreign military sales (FMS), combined with significant shifting in defense spending budget allocations in US military sales and FMS away from Army ground system vehicles toward other military agency applications. In addition, the pandemic has caused several program delays throughout the defense supply

chain as a result of plant shutdowns, employee illnesses, travel restrictions, remote work arrangements and similar supply chain issues.

While the Applied Optics Center segment experienced a significant decline in orders during the second half of fiscal year 2020, the segment saw a sizable increase in new orders during the fiscal year ended October 3, 2021 as a result of increased military spending in Army infantry optical equipment and a larger customer base and higher customer demand for commercial optical assemblies. As of October 3, 2021, the Applied Optics Center segment backlog had increased by 153% as compared to the level on September 29, 2019. As a result of this significant shift in orders and backlog between segments, we anticipate corresponding shifts in revenue during the 2022 fiscal year, with decreasing revenue at the Optex Richardson segment, and increasing revenue at the Applied Optics Center segment.

Backlog as of April 3, 2022 has increased by \$0.9 million or 3.3% to \$28.2 million as compared to backlog of \$27.3 million as of October 3, 2021. Backlog has increased 76.3%, or \$12.2 million, from \$16.0 million as of March 28, 2021.

During the six months ended April 3, 2022, the Company booked \$10.4 million in new orders, representing a 22.4% increase over the prior year period. The increase in orders is primarily attributable to an increase in the Optex Systems - Richardson segment orders over the prior year period.

We are seeing increases in demand and proposal activity for both our Applied Optics Center laser coated filters and optical assemblies and anticipate additional order bookings for both our commercial and military products for deliveries in fiscal year 2023 and beyond.

	(millions)				
	<u>April 3, 2022</u>	<u>October 3, 2021</u>	<u>% Change</u>	<u>March 28, 2021</u>	<u>% Change</u>
Backlog as of period end	\$ 28.2	\$ 27.3	3.3	\$ 16.0	76.3

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, which we do not consider relevant to our operations. Adjusted EBITDA is a financial measure not required by, or presented in accordance with, U.S. generally accepted accounting principles ("GAAP").

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.

The table below summarizes our three and six month operating results for the periods ended April 3, 2022 and March 28, 2021, 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 better to evaluate our overall performance.

	(Thousands)			
	Three months ended		Six months ended	
	April 3, 2022	March 28, 2021	April 3, 2022	March 28, 2021
Net Income (Loss) (GAAP)	\$ (151)	\$ (602)	\$ (122)	\$ 485
<i>Add:</i>				
Loss (Gain) on Change in Fair Value of Warrants	-	169	-	(858)
Federal Income Tax (Benefit) Expense	(40)	17	(54)	33
Depreciation	75	65	147	128
Stock Compensation	35	57	92	114
Interest Expense	-	2	-	5
Adjusted EBITDA - Non GAAP	\$ (81)	\$ (292)	\$ 63	\$ (93)

Our net income increased by \$0.4 million to a (\$0.2) million net loss the three months ended April 3, 2022, as compared to a net loss of (\$0.6) million for the prior year period. Our adjusted EBITDA increased by \$0.2 million to a loss of (\$0.1) million for the three months ended April 3, 2022, as compared to (\$0.3) million for the prior year period. The increase in the most recent three-month period is primarily driven by increased revenue during the current year period as compared to the prior year period.

Our net income decreased by (\$0.6) million to a net loss of (\$0.1) million for the six months ended April 3, 2022, as compared to a net income of \$0.5 million for the prior year period. Our adjusted EBITDA increased by \$0.2 million to \$0.1 million for the six months ended April 3, 2022, as compared to a loss of (\$0.1) million for the prior year period. The increase in the most recent six-month period adjusted EBITDA is primarily driven by increased revenue during the current year period as compared to the prior year period.

During the three and six months ended April 3, 2022, we did not recognize either a gain or a loss on the change in fair value of warrants, as the warrants had expired on August 26, 2021 in accordance with their terms. By comparison, during the three months ended March 28, 2021, we recognized a loss on the change in fair value of warrants of \$0.2 million, and during the six months ended March 28, 2021, we recognized a gain on the change in fair value of warrants of \$0.9 million.

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 consolidated financial statements and footnotes, and should be read in conjunction with our Quarterly Report on Form 10-Q for the period ended April 3, 2022 filed with the SEC on May 16, 2022 and our Annual Report on Form 10-K for the year ended October 3, 2021 filed with the SEC on December 20, 2021.

Optex Systems Holdings, Inc.

Condensed Consolidated Statements of Operations

(Unaudited)

	<u>April 3, 2022</u>	<u>March 28, 2021</u>	<u>April 3, 2022</u>	<u>March 28, 2021</u>
(Thousands, except share and per share data)				
	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>April 3, 2022</u>	<u>March 28, 2021</u>	<u>April 3, 2022</u>	<u>March 28, 2021</u>
Revenue	\$ 5,136	\$ 4,246	\$ 9,475	\$ 8,717
Cost of Sales	<u>4,420</u>	<u>3,868</u>	<u>7,936</u>	<u>7,504</u>
Gross Margin	716	378	1,539	1,213
General and Administrative Expense	<u>907</u>	<u>792</u>	<u>1,715</u>	<u>1,548</u>
Operating Loss	(191)	(414)	(176)	(335)
Gain (Loss) on Change in Fair Value of Warrants	-	(169)	-	858
Interest Expense	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>(5)</u>
Other Income (Loss)	-	(171)	-	853
Income (Loss) Before Taxes	(191)	(585)	(176)	518
Income Tax (Benefit) Expense, net	<u>\$ (40)</u>	<u>\$ 17</u>	<u>\$ (54)</u>	<u>\$ 33</u>
Net Income (Loss)	\$ (151)	\$ (602)	\$ (122)	\$ 485
Deemed dividends on participating securities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(162)</u>
Net income applicable to common shareholders	<u>\$ (151)</u>	<u>\$ (602)</u>	<u>\$ (122)</u>	<u>\$ 323</u>
Basic income (loss) per share	<u>\$ (0.02)</u>	<u>\$ (0.07)</u>	<u>\$ (0.01)</u>	<u>\$ 0.04</u>
Weighted Average Common Shares Outstanding - basic	<u>8,255,578</u>	<u>8,214,481</u>	<u>8,242,279</u>	<u>8,256,879</u>
Diluted income (loss) per share	<u>\$ (0.02)</u>	<u>\$ (0.07)</u>	<u>\$ (0.01)</u>	<u>\$ 0.04</u>
Weighted Average Common Shares Outstanding - diluted	<u>\$ 8,255,578</u>	<u>\$ 8,214,481</u>	<u>\$ 8,242,279</u>	<u>\$ 8,369,763</u>

1 2

The accompanying notes in our Quarterly Report on Form 10-Q for the period ended April 3, 2022 filed with the SEC on May 16, 2022 are an integral part of these financial statements.

Optex Systems Holdings, Inc.
Condensed Consolidated Balance Sheets

		(Thousands, except share and per share data)	
		April 3, 2022	October 3, 2021
		(Unaudited)	
ASSETS			
Cash and Cash Equivalents		\$ 4,881	\$ 3,900
Accounts Receivable, Net		1,924	3,183
Inventory, Net		8,381	7,583
Prepaid Expenses		290	262
Current Assets		15,476	14,928
Property and Equipment, Net		989	1,017
Other Assets			
Deferred Tax Asset		1,341	1,288
Right-of-use Asset		3,405	3,599
Security Deposits		23	23
Other Assets		4,769	4,910
Total Assets		\$ 21,234	\$ 20,855
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts Payable		\$ 1,303	\$ 551
Operating Lease Liability		581	528
Accrued Expenses		802	851
Accrued Warranty Costs		155	78
Current Liabilities		2,841	2,008
Operating Lease Liability, net of current portion		2,951	3,133
Total Liabilities		5,792	5,141
Commitments and Contingencies		-	-
Stockholders' Equity			
Common Stock - (\$.001 par, 2,000,000,000 authorized, 8,395,394 and 8,523,704 shares issued, and 8,395,394 and 8,488,149 outstanding, respectively)		8	9
Treasury Stock (at cost, zero and 35,555 shares held, respectively)		-	(69)
Additional Paid in capital		25,534	25,752
Accumulated Deficit		(10,100)	(9,978)
Stockholders' Equity		15,442	15,714
Total Liabilities and Stockholders' Equity		\$ 21,234	\$ 20,855

The accompanying notes in our Quarterly Report on Form 10-Q for the period ended April 3, 2022 filed with the SEC on May 16, 2022 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.

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

SOURCE: Optex Systems Holdings, Inc.

View source version on accesswire.com:

<https://www.accesswire.com/701218/Optex-Systems-Holdings-Inc-Announces-Three-and-Six-Months-Ended-April-3-2022-Financial-Highlights>