

December 18, 2023



# Optex Systems Holdings, Inc. Announces Financial Highlights for the Twelve Months Ended October 1, 2023

**RICHARDSON, TX / ACCESSWIRE / December 18, 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 twelve months ended October 1, 2023.

Danny Schoening, CEO of Optex Systems Holdings, Inc., commented, "This was another strong year for Optex. Our backlog has grown to historic highs and with this, a growing set of new customers bringing multi-year programs further broadening our product mix. Our customers continue to design our products into their latest platforms and reward us for the value that we provide. Supply chain issues continue to improve which increases our own factory efficiencies. As stated last year, 2022 was indeed strong and fulcrum year yielding continued revenue growth, profitability and product mix for 2023. Given the record backlog stated earlier, we anticipate these trends to continue in 2024."

For the twelve months ended October 1, 2023, our total revenues increased by \$3.3 million, or 14.6%, compared to the prior year period. The Optex Systems segment realized a \$2.6 million, or 27.1% increase, and the Applied Optics Center segment realized an increase of \$0.7 million, or 5.4%, in external revenue compared to the prior year period.

Gross profit increased \$1.7 million, or 17.8%, from \$4.9 million in the 2022 fiscal year to \$6.6 million in the 2023 fiscal year. Optex Systems gross profit increased by \$1.3 million and the Applied Optics Center gross profit increased by \$0.4 million. The increase is primarily due to higher revenue combined with higher fixed cost absorption at both the Applied Optics Center and Optex Richardson segments related to increased production volume.

For the year ended October 1, 2023, we recorded operating income of \$2.8 million as compared to operating income of \$1.6 million during the year ended October 2, 2022. The \$1.2 million, or 69.2% increase in operating income is primarily due to higher revenue and gross profit, partially offset by increased general and administrative expenses.

As of October 1, 2023, Optex Systems Holdings had working capital of \$13.5 million, as compared to \$10.0 million as of October 2, 2022. During the twelve months ended October 1, 2023, we used operating cash of (\$0.3) million, primarily driven by increased inventory, and spent (\$0.4) million on acquisitions of property and equipment.

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 customer orders and backlog. As supplier issues and labor shortages continue

to abate and based on our current backlog, we anticipate an overall increase for fiscal year 2024 revenue and operating cash flow as compared to the 2023 levels.

At October 1, 2023, the Company had approximately \$1.2 million in cash and an outstanding payable balance of \$1.0 against its \$3.0 million line of credit. As of October 1, 2023, our outstanding accounts receivable balance was \$3.6 million, which has been collected during the first quarter of fiscal 2024. During the first quarter of 2024, we paid down our credit facility to zero.

Our key performance measures for the three and twelve months ended October 1, 2023 and October 2, 2022 are summarized below.

(Thousands)						
Metric	Three months ended			Twelve months ended		
	October 1, 2023	October 2, 2022	% Change	October 1, 2023	October 2, 2022	% Change
Revenue	\$ 8,077	\$ 6,739	19.9	\$ 25,659	\$ 22,383	14.6
Gross Profit	\$ 2,637	\$ 2,091	26.1	\$ 6,619	\$ 4,897	35.2
Gross Margin %	32.6%	31.0%	5.2	25.8%	21.9%	17.8
Operating Income (Loss)	\$ 1,702	\$ 1,314	29.5	\$ 2,787	\$ 1,647	69.2
Net Income (Loss)	\$ 1,432	\$ 976	46.7	\$ 2,263	\$ 1,283	76.4
Adjusted EBITDA (non-GAAP)	\$ 1,909	\$ 1,435	33.0	\$ 3,379	\$ 2,116	59.7

During the twelve months ended October 1, 2023, the Company booked \$34.6 million in new orders, representing a 23.6% increase from the prior year period orders of \$28.0 million. The orders for the most recently completed twelve months consist of \$23.3 million for our Optex Richardson segment and \$11.3 million attributable to the Applied Optics Center segment.

The Company has seen significant increases in orders for many of its defense products during the 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 sighting system 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 second quarter of fiscal year 2024. Our Optex Richardson periscope orders have increased \$6.7 million, or 72.8% over the prior year, including \$9.0 million in task delivery awards against our long term IDIQ contracts. 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. On September 18, 2023, the Company announced it was awarded a five-year Indefinite Delivery Indefinite Quantity (IDIQ) contract from the U.S. Government, for M22 (7 x 50) Binoculars with an estimated value of \$2.12 million. As of October 1, 2023, the Applied Optics Center had received task orders valuing \$0.5 million against this award.

The Optex Systems Richardson segment currently has six open US Government IDIQ type military contracts for periscopes and two open IDIQ contracts with another prime contractor for periscopes and unity mirrors with unspent funding which covers base year and option year requirement periods into 2029. We anticipate additional orders throughout the next five years for these ongoing contracts. In addition, the Company has three open bid requests for new multi-year IDIQ contracts pending with the U.S. Government for additional periscopes that are expected to be awarded in the next twelve months.

Backlog as of October 1, 2023 was \$41.8 million as compared to a backlog of \$32.9 million as of October 2, 2022, representing an increase of 27.1%.

The table below summarizes our twelve-month operating results for the periods ended October 1, 2023 and October 2, 2022, 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 better evaluate our overall performance.

	(Thousands)	
	Twelve months ended	
	October 1, 2023	October 2, 2022
Net Income - GAAP	\$ 2,263	\$ 1,283
<i>Add:</i>		
Federal Income Tax Expense	469	364
Depreciation	345	307
Stock Compensation	247	162
Interest Expense	55	-
<b>Adjusted EBITDA - Non GAAP</b>	<b>\$ 3,379</b>	<b>\$ 2,116</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.

During the year ended October 1, 2023, we recorded net income applicable to common shareholders of \$2.3 million as compared to net income applicable to common shareholders of \$1.3 million during the year ended October 2, 2022. The increase of net income of \$1.0 million is primarily attributable to the increase in operating profit, offset by increased interest expense of \$0.1 million and increased income tax expense of \$0.1 million over the prior year period.

Our Adjusted EBITDA increased by \$1.3 million to \$3.4 million during the twelve months ended October 1, 2023 as compared to \$2.1 million during the twelve months ended October 2, 2022. The increase in EBITDA is primarily driven by increased revenue and operating profit during the current year as compared to the prior year twelve-month period.

Highlights of the 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 Annual Report on Form 10-K for the twelve months ended October 1, 2023 filed with the SEC on December 18, 2023.

### Optex Systems Holdings, Inc. Consolidated Balance Sheets

	October 1, 2023	October 2, 2022
	(Thousands, except share and per share data)	
	October 1, 2023	October 2, 2022
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,204	\$ 934
Accounts Receivable, Net	3,624	2,908
Inventory, Net	12,153	9,212
Contract Asset	336	-
Prepaid Expenses	219	328
	<b>17,536</b>	<b>13,382</b>
<b>Current Assets</b>		
<b>Property and Equipment, Net</b>	<b>998</b>	<b>968</b>
<b>Other Assets</b>		
Deferred Tax Asset	922	942
Right-of-use Asset	2,740	3,222
Security Deposits	23	23
	<b>3,685</b>	<b>4,187</b>
<b>Other Assets</b>		
<b>Total Assets</b>	<b>\$ 22,219</b>	<b>\$ 18,537</b>

#### LIABILITIES AND STOCKHOLDERS' EQUITY

<b>Current Liabilities</b>		
Accounts Payable	\$ 810	\$ 706
Operating Lease Liability	620	604
Federal Income Taxes Payable	247	331
Accrued Expenses	1,265	958
Accrued Selling Expense	336	-
Accrued Warranty Costs	75	169
Contract Loss Reserves	243	289
Customer Advance Deposits	481	311
	<u>4,077</u>	<u>3,368</u>
<b>Current Liabilities</b>		
	<b>4,077</b>	<b>3,368</b>
<b>Other Liabilities</b>		
Credit Facility	1,000	-
Operating Lease Liability, net of current portion	2,282	2,761
	<u>3,282</u>	<u>2,761</u>
<b>Other Liabilities</b>		
	<b>3,282</b>	<b>2,761</b>
<b>Total Liabilities</b>		
	<b>7,359</b>	<b>6,129</b>
<b>Commitments and Contingencies</b>		
<b>Stockholders' Equity</b>		
Common Stock - (\$0.001 par, 2,000,000,000 authorized, 6,763,070 and 6,716,638 shares issued and outstanding, respectively)	7	7
Additional Paid in capital	21,285	21,096
Accumulated Deficit	(6,432 )	(8,695 )
	<u>14,860</u>	<u>12,408</u>
<b>Stockholders' Equity</b>		
	<b>14,860</b>	<b>12,408</b>
<b>Total Liabilities and Stockholders' Equity</b>		
	<b>\$ 22,219</b>	<b>\$ 18,537</b>

***The accompanying notes in our Annual Report on Form 10-K for the twelve months ended October 1, 2023 filed with the SEC on December 18, 2023 are an integral part of these financial statements.***

**Optex Systems Holdings, Inc.  
Consolidated Statements of Income**

	October 1, 2023	October 2, 2022
	(Thousands, except share and per share data)	
	Twelve months ended	
	October 1, 2023	October 2, 2022
Revenue	\$ 25,659	\$ 22,383
Cost of Sales	19,040	17,486
<b>Gross Profit</b>	<b>6,619</b>	<b>4,897</b>
General and Administrative Expense	3,832	3,250
<b>Operating Income</b>	<b>2,787</b>	<b>1,647</b>
Interest Expense	55	-
<b>Income Before Taxes</b>	<b>2,732</b>	<b>1,647</b>
Income Tax Expense, net	469	364
<b>Net income applicable to common shareholders</b>	<b>\$ 2,263</b>	<b>\$ 1,283</b>
<b>Basic income per share</b>	<b>\$ 0.34</b>	<b>\$ 0.16</b>
<b>Weighted Average Common Shares Outstanding - basic</b>	<b>6,616,462</b>	<b>8,128,024</b>
<b>Diluted income per share</b>	<b>\$ 0.34</b>	<b>\$ 0.16</b>
<b>Weighted Average Common Shares Outstanding - diluted</b>	<b>6,653,573</b>	<b>8,219,069</b>

***The accompanying notes in our Annual Report on Form 10-K for the twelve months ended October 1, 2023 filed with the SEC on December 18, 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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