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Optex Systems Holdings, Inc. Announces Third Quarter 2017 Financial Highlights

RICHARDSON, TX -- (Marketwired) -- 08/15/17 -- 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 2017 third quarter financial results.

Backlog as of July 2, 2017, was \$16.9 million as compared to a backlog of \$12.0 million as of October 2, 2016, representing an increase of \$4.9 million or 40.8%. During the nine months ending July 2, 2017, Optex Systems booked \$16.9 million in new orders, representing a 12.7% increase over the booked orders of \$15.0 million in the prior year period ending June 26, 2016. Optex Systems, Inc. has experienced an increase in US government demand for laser protected periscopes in support of ongoing maintenance of US combat vehicles in addition to increased orders for foreign markets. Our total periscope contract awards for the nine months ending July 2, 2017 totaled \$7.4 million, a 10.4% increase compared to \$6.7 million booked in the prior year period ending June 26, 2016. The Applied Optics Center booked new orders for the nine-month period of \$7.8 million, an increase of 34.5% over the prior year period orders of \$5.8 million with significant new commercial orders booked against a multi-year strategic supplier agreement for optical assemblies as well as domestic military orders for night vision goggle laser interference filter assemblies. Our current backlog should support significantly increased revenue in the fourth quarter of fiscal year 2017 and into fiscal year 2018, over the prior four quarter levels.

Our consolidated revenue for the nine-month period ending July 2, 2017 was \$11.9 million as compared to the prior year nine months period ending June 26, 2016 revenue of \$11.8. The revenue increased by \$0.1 million, primarily due to higher commercial optical assemblies in our Applied Optics Center. We are anticipating a strong fourth quarter of fiscal 2017 based on increasing customer demand for military plastic periscopes and commercial optical assemblies.

The gross margin increased by \$0.4 million, and 2.8% points to 20.3% from 17.5% on a consolidated basis during the nine months ending July 2, 2017 as compared to the nine months ending June 26, 2016. We experienced gross margin improvements across both operating segments during the current year and attribute the gross margin growth to with cost efficiency improvements in labor and production yields as well as changes in product mix between the respective periods. We expect the gross margin for both segments to continue to improve into the fourth quarter on higher revenue.

The net loss after taxes increased by (\$0.4) million to (\$0.8) million for the nine months ending July 2, 2017 as compared to the prior year loss of (\$0.4) million during the nine months ending June 26, 2016. The increased net loss was caused by non-cash losses on the change in fair value of warrants of (\$0.7) million which was driven by the impact of the increase in stock price during, combined with the June 26, 2017 declaration of cash

dividends on our outstanding shares and warrants during the period.

Danny Schoening, CEO of the Optex Systems Holdings, Inc. commented, "We continue to be cautiously optimistic with the overall trends in our business: increased revenue, increased gross margins, and increased earnings. In addition, our strategic initiative towards a more balanced revenue stream between military and commercial sales is proving to be a winning strategy. This combination of improving internal metrics combined with improving external market trends are favorable to all of us shareholders."

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 2, 2017 filed with the SEC on May 17, 2017.

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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