

February 14, 2018



Optex Systems Holdings, Inc. Announces First Quarter 2018 Financial Highlights

RICHARDSON, TX -- (Marketwired) -- 02/14/18 -- 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 first quarter 2018 financial results.

Revenue increased by \$1.3 million, or 37.1%, to \$4.8 million during the three months ending December 31, 2017 as compared to \$3.5 million during the three months ending January 1, 2017. The revenue improvement is primarily driven by increased shipments at our Optex Systems Richardson segment of \$0.8 million for sighting systems offset by a slight reduction of (\$0.1) million in other products and increased shipments for the Applied Optics Center segment of \$0.6 million on commercial optical assemblies and government laser interface filters.

The gross margin during the period ending December 31, 2017 was 23.4% of revenue as compared to a gross margin of 22.0% of revenue for the period ending January 1, 2017. Cost of sales increased to \$3.7 million for the current period as compared to the prior year period of \$2.7 million on increased revenues of \$1.3 million. The gross margin increased by \$0.3 million in the current year period to \$1.1 million as compared to the prior year period of \$0.8 million. We attribute the improvement in gross margin to higher revenue combined with cost efficiency improvements and changes in product mix between the respective periods. We expect the gross margin for both segments to continue to improve throughout fiscal year 2018 on higher revenue, improved pricing and production efficiency.

During the three months ended December 31, 2017, we recorded an operating income of \$0.3 million, as compared to an operating loss of (\$0.1) million during the three months ended January 1, 2017, primarily due to increased gross margin on higher revenue and lower general and administrative costs in the current year quarter.

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. 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 three month operating results for periods ending December 31, 2017 and January 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.

	<i>(Thousands)</i>	
	<i>Three months ending</i>	
	<i>December 31, 2017</i>	<i>January 1, 2017</i>
Net (Loss) Income Applicable to Common Shareholders (GAAP) :	\$ (94)	\$ 354
Add:		
Loss (Gain) on Change in Fair Value of Warrants	344	(430)
Federal Income Taxes - Current	90	-
Depreciation	81	83
Stock Compensation	44	64
Royalty License Amortization	7	7
Interest Expense	3	4
Adjusted EBITDA - Non GAAP	\$ 475	\$ 82

Our adjusted EBITDA increased by \$0.4 million to \$0.5 million during the three months ending December 31, 2017 as compared \$0.1 million during the three months ending January 1, 2017. We attribute the increase in adjusted EBITDA primarily to increased revenue of \$1.3 million, a 1.4% improvement on our gross margins percentage, from 22.0% in the prior year quarter to 23.4% in the current year quarter, and additional reductions in general and administrative spending.

During the three months ended December 31, 2017, we recorded a net loss applicable to common shareholders of (\$0.1) million as compared to net income applicable to common shareholders of \$0.4 million during the prior year period. The increased net loss is primarily a result of non-cash related changes to the valuation on warrant liabilities and increased federal income taxes in the current period.

Backlog as of December 31, 2017, was \$14.6 million as compared to a backlog of \$15.7 million as of October 1, 2017. During the three months ending December 31, 2017, Optex Systems booked \$3.6 million in new orders.

Danny Schoening, CEO of Optex Systems Holdings, Inc. commented, "We are excited about the operational improvements resulting in improved gross margins and therefore improved earnings. We are optimistic that recent proposed boosts in military spending by the government administration will have a favorable impact in the direction of funding and additional product needs for the U.S. military to compliment the increase in production of Abrams tanks and the new Armored Multi-Purpose Vehicle (AMPV). We continue to pursue new military and commercial opportunities both domestically and abroad for each of our operating segments while maintaining our current footprint with U.S. military vehicle manufactures. Optex remains focused on providing high quality optical products and pursuing cost efficiency improvements to remain competitively priced, provide savings to our customers and increase 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-Q for the quarterly period ended December 31, 2017 filed with the SEC on February 14, 2018.

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.

Contact:

IR@optexsys.com

1-972-764-5718

Source: Optex Systems Holdings, Inc.