February 13, 2023

OPTEX™ TRUE VISION

Optex Systems Holdings, Inc. Announces Financial Results For Three Months Ended January 1, 2023

RICHARDSON, TX / ACCESSWIRE / February 13, 2023 /Optex Systems Holdings, Inc. (OTCQB:OPXS), a leading manufacturer of precision optical sighting systems for domestic and worldwide military and commercial applications, today announced financial results for the three months ended January 1, 2023.

Danny Schoening, CEO of Optex Systems Holdings, Inc., commented, "As we've previously communicated, our first quarter is seasonally slower given the Government's procurement processes and fewer production days in the quarter. In addition, we continue to work through the supply chain issues we have previously highlighted. Despite these challenges, our backlog has continued to increase and our forecasted Q2-Q4 sales are anticipated to exceed our prior year's performance."

For the three months ended January 1, 2023, our total revenues decreased by $0.3 million, or 6.9% compared to the prior year three months ended January 2, 2022.

We have experienced significant material shortages during the three months ended October 2, 2022 and extending into the first three 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 quarter of fiscal year 2023 have negatively impacted our production levels and have pushed some expected delivery dates into the second and third quarters of fiscal 2023. We are aggressively seeking alternative sources 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 has requested a significant schedule delay, pushing their laser filter unit delivery schedules from the first half into the second half of fiscal year 2023.

Consolidated gross profit for the three months ended January 1, 2023 decreased by $106 thousand, or 12.9%, compared to the prior year period. The decrease in profit was primarily attributable to a decrease in consolidated revenue across a relatively fixed direct overhead cost base, changes in revenue mix between the segments, and inflationary material and labor pressure against our long-term fixed price contracts.

Operating income for the three months ended January 1, 2023 decreased by $297 thousand to a loss of $282 thousand, as compared to operating income of $15 thousand in the prior year period. The decrease in operating income was primarily driven by lower gross profit combined with an increase in general and administrative expense.

As of January 1, 2023, the Company had working capital of $9.7 million, as compared to $10.0 million as of October 2, 2022. During the three months ended January 1, 2023, we generated operating cash flow of $451 thousand and spent ($90) thousand on acquisitions of property and equipment.

On December 7, 2022 the Company submitted an application to list its common stock on the NASDAQ Capital Market. There are no assurances (1) that the Company will continue to meet the initial listing criteria throughout the pendency of the application (including with respect to its share price), (2) that NASDAQ will approve the application or (3) relating to the timing of any such approval. If and when listed on NASDAQ, there are no assurances that the Company will continue to meet NASDAQ's continued listing requirements

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

	(Thousands) Three months ended		
Metric	**January 1, 2023**	**January 2, 2022**	**% Change**
Revenue	$ 4,040	$ 4,340	(6.9)
Gross Profit	$ 717	$ 823	(12.9)
Gross Margin %	17.7 %	19.0 %	(6.8)
Operating (Loss) Income	$ (282)	$ 15	N/A
Net (Loss) Income	$ (223)	$ 29	N/A
Adjusted EBITDA (non-GAAP)	$ (166)	$ 144	(215.3)

During the three months ended January 1, 2023 the Company booked $11.2 million in new orders, representing a 220% increase over the prior year period new orders of $3.5 million. Both segments experienced a sizeable growth in orders as compared to the prior year period.

The Company has seen significant increases in orders for many of its defense and commercial products during the first three 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. In October 2023 the Company booked a $0.9 million award for Applied Optics Center laser interface filters for a new defense customer in addition to increased purchase orders for our optical assemblies for our existing commercial customer.

Backlog as of January 1, 2023, was $40.1 million as compared to a backlog of $26.5 million as of January 2, 2022, representing an increase of $13.6 million or 51.3%. Backlog as compared to October 2, 2022 increased by $7.2 million, or 21.9% from $32.9 million.

The table below summarizes our three-month operating results for the three months ended January 1, 2023 and January 2, 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.

	Three months ended (thousands)	
	January 1, 2023	**January 2, 2022**
Net (Loss) Income (GAAP)	$ (223)	$ 29
Add:		
Depreciation and Amortization	81	72
Federal Income Tax Benefit	(59)	(14)
Stock Compensation	35	57
Adjusted EBITDA - Non-GAAP	**$ (166)**	**$ 144**

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 decreased by $252 thousand to a loss of $223 thousand for the three months ended January 1, 2023, as compared to income of $29 thousand for the three months ended January 2, 2022. Our adjusted EBITDA decreased by $310 thousand to a loss of $166 thousand for the three months ended January 1, 2023, as compared to income of $144 thousand for the three months ended January 2, 2022. The decrease in the three-month period ended January 1, 2023 is primarily driven by lower revenue and operating profit as compared to the prior year.

Recently experienced supplier delays, labor shortages, and customer schedule changes negatively impacted our revenue during the three months ended January 1, 2023 but are expected to abate during the second quarter of fiscal year 2023. We increased our line of credit to $2.0 million from $1.125 million, to facilitate our working capital requirements due to the delays and increased backlog. We anticipate higher revenue beginning during the second quarter and increasing through the second half of fiscal year 2023 as the supplier and labor shortages combined with customer schedule delays are resolved and as we continue to work through our growing backlog.

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 months ended January 1, 2023 filed with the SEC on February 13, 2023.

Optex Systems Holdings, Inc.
Condensed Consolidated Balance Sheets

	(Thousands, except share and per share data)	
	January 1, 2023	October 2, 2022
	(Unaudited)	
ASSETS		
Cash and Cash Equivalents	$ 1,280	$ 934
Accounts Receivable, Net	1,605	2,908
Inventory, Net	10,798	9,212
Contract Asset	336	-
Prepaid Expenses	249	328
Current Assets	**14,268**	**13,382**
Property and Equipment, Net	**977**	**968**
Other Assets		
Deferred Tax Asset	1,001	942
Right-of-use Asset	3,104	3,222
Security Deposits	23	23
Other Assets	**4,128**	**4,187**
Total Assets	**$ 19,373**	**$ 18,537**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	$ 1,433	$ 706
Operating Lease Liability	608	604
Federal Income Taxes Payable	331	331
Accrued Expenses	977	958
Accrued Selling Expense	336	-
Accrued Warranty Costs	229	169
Contract Loss Reserves	282	289
Customer Advance Deposits	326	311
Current Liabilities	**4,522**	**3,368**
Other Liabilities		
Operating Lease Liability, net of current portion	2,646	2,761
Other Liabilities	**2,646**	**2,761**
Total Liabilities	**7,168**	**6,129**
Commitments and Contingencies		
Stockholders' Equity		
Common Stock - ($0.001 par, 2,000,000,000 authorized, 6,763,070 and 6,716,638 shares issued, and 6,763,070 and 6,716,638 shares outstanding, respectively)	7	7
Additional Paid in capital	21,116	21,096
Accumulated Deficit	(8,918)	(8,695)
Stockholders' Equity	**12,205**	**12,408**
Total Liabilities and Stockholders' Equity	**$ 19,373**	**$ 18,537**

The accompanying notes in our Quarterly Report on Form 10-Q for the three months ended January 1, 2023 filed with the SEC on February 13, 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	
	January 1, 2023	January 2, 2022
Revenue	**$ 4,040**	**$ 4,340**
Cost of Sales	3,323	3,517
Gross Profit	**717**	**823**
General and Administrative Expense	999	808
Operating (Loss) Income	**(282)**	**15**
Other Expense	**-**	**-**
(Loss) Income Before Taxes	**(282)**	**15**
Income Tax Benefit	$ (59)	$ (14
Net (loss) income	**$ (223)**	**$ 29**
Basic (loss) income per share	**$ (0.03)**	**$ 0.00**
Weighted Average Common Shares Outstanding - basic	**6,537,808**	**8,228,980**
Diluted (loss) income per share	**$ (0.03)**	**$ 0.00**
Weighted Average Common Shares Outstanding - diluted	**6,537,808**	**8,281,841**

The accompanying notes in our Quarterly Report on Form 10-Q for the three months ended January 1, 2023 filed with the SEC on February 13, 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.

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 (including revenue and net income); backlog; expected timing of shipments; increases in the cost of materials and labor; labor shortages; customer schedule delays; 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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SOURCE: Optex Systems Holdings, Inc.