

February 12, 2024



# Optex Systems Holdings, Inc. Announces Financial Highlights for the Three Months Ended December 31, 2023

**RICHARDSON, TX / ACCESSWIRE / February 12, 2024** /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 three months ended December 31, 2023.

Danny Schoening, CEO of Optex Systems Holdings, Inc., commented, "We are off to a great start in 2024. Our results clearly show that the supply chain is strengthening and we are successfully executing on the historically high backlog. Demand remains high as Optex and our customers continue to achieve wins in the marketplace. The future is very exciting."

For the three months ended December 31, 2023, our total revenues increased by \$2.9 million, or 72.5%, compared to the prior year three-month period. The Optex Systems segment realized a \$1.8 million, or 109.6% increase, and the Applied Optics Center segment realized an increase of \$1.2 million, or 47.6%, in external revenue compared to the prior year three-month period.

Gross profit increased \$1.0 million, or 134.9%, from \$0.7 million for the three months ended January 1, 2023 to \$1.7 million in the three months ended December 31, 2024. Optex Systems gross profit increased by \$0.4 million and the Applied Optics Center gross profit increased by \$0.6 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 three months ended December 31, 2023, we recorded operating income of \$0.6 million as compared to an operating loss of \$0.3 million during the three months ended January 1, 2023. The \$0.8 million increase in operating income is primarily due to higher revenue and gross profit, partially offset by increased general and administrative expenses.

As of December 31, 2023, Optex Systems Holdings had working capital of \$13.0 million, as compared to \$13.5 million as of October 1, 2023. During the three months ended December 31, 2023, we generated operating cash of \$2.3 million, paid \$1.0 million against our line of credit and spent \$0.1 million on acquisitions of property and equipment. During the period, our inventory increased \$0.5 million in support of new program awards and increasing revenues anticipated over the next nine months.

At December 31, 2023, the Company had \$2.4 million in cash and an outstanding payable balance of zero against its line of credit. At December 31, 2023, our outstanding accounts receivable balance was \$2.4 million.

Our key performance measures for the three months ended December 31, 2023 and January 1, 2023 are summarized below.

Metric	(Thousands) Three months ended		
	December 31, 2023	January 1, 2023	% Change
Revenue	\$ 6,968	\$ 4,040	72.5
Gross Profit	\$ 1,684	\$ 717	134.9
Gross Margin %	24.2 %	17.7 %	36.7
Operating Income (Loss)	\$ 553	\$ (282 )	-
Net Income (Loss)	\$ 431	\$ (223 )	-
Adjusted EBITDA (non-GAAP)	\$ 758	\$ (166 )	-

During the three months ended December 31, 2023, the Company booked \$10.1 million in new orders, representing a 9.8% decrease over the prior year period orders of \$11.2 million. The orders for the most recently completed three months consist of \$6.2 million for our Optex Richardson segment and \$3.9 million attributable to the Applied Optics Center segment.

Backlog as of December 31, 2023 was \$45.0 million as compared to backlog of \$40.1 million as of January 1, 2023 and \$41.8 million as of October 1, 2023, representing an increase of 12.2% and 7.7%, respectively.

The table below summarizes our three-month operating results for the periods ended December 31, 2023 and January 1, 2023, 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) Three months ended	
	December 31, 2023	January 1, 2023
Net Income (Loss) (GAAP)	\$ 431	\$ (223 )
Add:		
Depreciation and Amortization	92	81
Federal Income Tax Expense (Benefit)	115	(59 )
Stock Compensation	113	35
Interest Expense	7	-
<b>Adjusted EBITDA - Non GAAP</b>	<b>\$ 758</b>	<b>\$ (166 )</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 three months ended December 31, 2023, we recorded net income of \$0.4 million as compared to a net loss of \$0.2 million during the three months ended January 1, 2023. The increase in net income of \$0.7 million is primarily attributable to the increase in operating profit, partially offset by an increase in federal income tax expense of \$0.2 million over the prior year period.

Our Adjusted EBITDA increased by \$0.9 million to \$0.8 million during the three months ended December 31, 2023 as compared to (\$0.2) million during the three months ended January 1, 2023. The increase in EBITDA is primarily driven by increased revenue and operating profit during the current year three-month period as compared to the prior year three-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 Quarterly Report on Form 10-Q for the three months ended December 31, 2023 filed with the SEC on February 12, 2024.

Subsequent to the end of the quarter, on January 18, 2024, the Company acquired certain intellectual property and technical and marketing information relating to the Speedtracker Mach product line and entered into an asset purchase agreement and a contract manufacturing agreement with RUB Aluminium s.r.o. ("RUB"). The Company acquired the assets using \$1 million cash on hand, with potential additional future cash payments based on successful completion of defined milestones. The initial term of the contract manufacturing agreement is one year, subject to additional one-year renewal terms.

**Optex Systems Holdings, Inc.**  
**Condensed Consolidated Balance Sheets**

		(Thousands, except share and per share data)	
		December 31, 2023 (Unaudited)	October 1, 2023
<b>ASSETS</b>			
Cash and Cash Equivalents	\$	2,373	\$ 1,204
Accounts Receivable, Net		2,430	3,624
Inventory, Net		12,685	12,153
Contract Asset		258	336
Prepaid Expenses		154	219
<b>Current Assets</b>		<b>17,900</b>	<b>17,536</b>
<b>Property and Equipment, Net</b>		<b>964</b>	<b>998</b>
<b>Other Assets</b>			
Deferred Tax Asset		887	922
Right-of-use Asset		2,615	2,740
Security Deposits		23	23
<b>Other Assets</b>		<b>3,525</b>	<b>3,685</b>
<b>Total Assets</b>	<b>\$</b>	<b>22,389</b>	<b>\$ 22,219</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$	1,796	\$ 810
Operating Lease Liability		625	620
Federal Income Taxes Payable		326	247
Accrued Expenses		992	1,265
Accrued Selling Expense		280	336
Accrued Warranty Costs		48	75
Contract Loss Reserves		308	243
Customer Advance Deposits		481	481
<b>Current Liabilities</b>		<b>4,856</b>	<b>4,077</b>
<b>Other Liabilities</b>			
Credit Facility		-	1,000
Operating Lease Liability, net of current portion		2,156	2,282
<b>Other Liabilities</b>		<b>2,156</b>	<b>3,282</b>
<b>Total Liabilities</b>		<b>7,012</b>	<b>7,359</b>
<b>Commitments and Contingencies</b>		-	
<b>Stockholders' Equity</b>			
Common Stock - (\$0.001 par, 2,000,000,000 authorized, 6,823,693 and 6,763,070 shares issued and outstanding, respectively)		7	7
Additional Paid in Capital		21,371	21,285
Accumulated Deficit		(6,001)	(6,432)
<b>Stockholders' Equity</b>		<b>15,377</b>	<b>14,860</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$</b>	<b>22,389</b>	<b>\$ 22,219</b>

