

May 14, 2024



Optex Systems Holdings, Inc. Announces Financial Highlights for the Three and Six Months Ended March 31, 2024

RICHARDSON, TX / ACCESSWIRE / May 14, 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 and six months ended March 31, 2024.

Danny Schoening, CEO of Optex Systems Holdings, Inc., commented, "After a great start to the year, we've now reached an excellent mid-year pace as we continue to execute on the record level backlog. A strengthened supply chain and continued customer wins are enabling solid operating leverage for our committed workforce. Good parts, on time, at world class value continues to be our mission."

For the three months ended March 31, 2024, our total revenues increased by \$2.1 million, or 33.8%, compared to the prior year period. The increase in revenue was primarily driven by increased deliveries at both the Optex Richardson segment of \$1.2 million and the Applied Optics Center segment of \$0.9 million. For the six months ended March 31, 2024, our total revenues increased by \$5.1 million, or 48.8%, compared to the prior year period. The increase in revenue was primarily driven by increased deliveries at both the Optex Richardson segment of \$3.0 million and the Applied Optics Center segment of \$2.1 million.

Consolidated gross profit for the three months ended March 31, 2024 increased by \$1.0 million, or 64.6%, compared to the prior year period. Consolidated gross profit for the six months ended March 31, 2024 increased by \$2.0 million, or 86.9%, compared to the prior year period. The increase in the most recent three and six-month period gross margin was primarily attributable to higher revenue spread across a fixed manufacturing cost base combined with changes in product mix and improved pricing and operating performance in both operating segments.

Our operating income for the three months ended March 31, 2024 increased by \$0.7 million compared to the prior year period. The increase in operating income was primarily driven by higher gross profit of \$1.0 million offset by increased general and administrative expenses of (\$0.3) million during the current three-month period. Our operating income for the six months ended March 31, 2024 increased by \$1.6 million compared to the prior year period. The increase in operating income was primarily driven by increased gross profit of \$2.0 million offset by increased general and administrative costs of (\$0.4) million during the current six-month period.

As of March 31, 2024, the Company had working capital of \$13.6 million, as compared to \$13.5 million as of October 1, 2023. During the six months ended March 31, 2024, the Company had operating cash provided by operations of \$1.0 million, used \$0.5 million to pay

down its line of credit and spent \$0.2 million on acquisitions of property and equipment and \$1.0 million on the acquisition of intellectual property. During the period, our inventory increased \$1.5 million in support of new program awards and increasing revenues anticipated over the next six months.

At March 31, 2024, the Company had \$0.3 million in cash and an outstanding payable balance of \$0.5 million against its line of credit. At March 31, 2024, our outstanding accounts receivable balance was \$3.7 million.

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 in 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.

The acquisition included transaction costs of \$30 thousand for legal fees and a contingent liability for payment against an earnout agreement based on meeting certain revenue milestones. As of March 31, 2024, the fair value of the contingent liability was \$86 thousand. Pursuant to the asset purchase agreement, the total earnout payment will be \$238 thousand only if the earnout revenue milestone is achieved during the earnout period, otherwise the earnout will be zero. The asset will be amortized on a straight-line basis over a seven-year period.

Our key performance measures for the three and six months ended March 31, 2024 and April 2, 2023 are summarized below.

(Thousands)						
Metric	Three months ended			Six months ended		
	March 30, 2024	April 2, 2023	% Change	March 30, 2024	April 2, 2023	% Change
Revenue	\$ 8,523	\$ 6,370	33.8	\$ 15,492	\$ 10,410	48.8
Gross Profit	\$ 2,557	\$ 1,553	64.6	\$ 4,242	\$ 2,270	86.9
Gross Margin %	30.0 %	24.4 %	23.0	27.4 %	21.8 %	25.7
Operating Income	\$ 1,356	\$ 615	120.5	\$ 1,909	\$ 333	473.3
Net Income	\$ 1,062	\$ 479	121.7	\$ 1,493	\$ 256	483.2
Adjusted EBITDA (non-GAAP)	\$ 1,630	\$ 717	127.3	\$ 2,388	\$ 552	332.6

During the six months ended March 31, 2024, the Company booked \$17.9 million in new

orders, representing a 6.3% decrease over the prior year period. The decrease in orders is primarily attributable to a \$3.5 million, or 24.0% decrease in the Optex Richardson segment orders over the prior year period. The primary reason for the decrease relates to a prior year award for \$3.4 million in sighting systems 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 over the next two to three years and includes an additional potential award value with a 100% optional award quantity clause. We began shipments against the contract in December 2023. The Applied Optics Center orders increased \$2.3 million, or 51.1% as we continue to see increases in orders for laser filter units for several prime government contractors.

Backlog as of March 31, 2024 was \$44.2 million, compared to a backlog of \$41.6 million as of April 2, 2023, representing an increase of \$2.6 million, or 6.3%. Backlog as compared to October 1, 2023 increased by \$2.4 million, or 5.7%, from \$41.8 million.

The table below summarizes our three and six-month operating results for the periods ended March 31, 2024 and April 2, 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 better to evaluate our overall performance.

	(Thousands)			
	Three months ended		Six months ended	
	March 31, 2024	April 2, 2023	March 31, 2024	April 2, 2023
Net Income (GAAP)	\$ 1,062	\$ 479	\$ 1,493	\$ 256
Add:				
Federal Income Tax Expense	285	128	400	69
Depreciation and Amortization	117	85	209	166
Stock Compensation	157	17	270	53
Interest Expense	9	8	16	8
Adjusted EBITDA - Non GAAP	\$ 1,630	\$ 717	\$ 2,388	\$ 552

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 increased by \$0.6 million to \$1.1 million for the three months ended March 31, 2024, as compared to net income of \$0.5 million for the prior year period. Our adjusted EBITDA increased by \$0.9 million to \$1.6 million for the three months ended March 31, 2024, as compared to adjusted EBITDA of \$0.7 million for the prior year period. Our net income increased by \$1.2 million to \$1.5 million for the six months ended March 31, 2024, as compared to net income of \$0.3 million for the prior year period. Our adjusted EBITDA increased by \$1.8 million to \$2.4 million for the six months ended March 31, 2024, as compared to adjusted EBITDA of \$0.6 million for the prior year period. The increase in net income and adjusted EBITDA for the most recent three and six-month periods compared to the prior year periods is primarily driven by higher revenue and improved gross profit performance across both operating segments.

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 and six months ended March 31, 2024 filed with the SEC on May 14, 2024.

Optex Systems Holdings, Inc. Condensed Consolidated Balance Sheets

		(Thousands, except share and per share data)	
		March 31, 2024	October 1, 2023
		(Unaudited)	
ASSETS			
Cash and Cash Equivalents	\$	321	\$ 1,204
Accounts Receivable, Net		3,680	3,624
Inventory, Net		13,683	12,153
Contract Asset		250	336
Prepaid Expenses		404	219
		<u> </u>	<u> </u>
Current Assets		18,338	17,536
 Property and Equipment, Net		 983	 998
Other Assets			
Deferred Tax Asset		875	922
Intangible Assets		1,089	-
Right-of-use Asset		2,490	2,740
Security Deposits		23	23
		<u> </u>	<u> </u>
Other Assets		4,477	3,685
		<u> </u>	<u> </u>
Total Assets	\$	23,798	\$ 22,219
		<u> </u>	<u> </u>
 LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts Payable	\$	2,049	\$ 810
Operating Lease Liability		630	620
Federal Income Taxes Payable		-	247
Accrued Expenses		1,089	1,265
Accrued Selling Expense		258	336
Accrued Warranty Costs		69	75
Contract Loss Reserves		150	243
Customer Advance Deposits		481	481
		<u> </u>	<u> </u>
Current Liabilities		4,726	4,077
 Other Liabilities			
Credit Facility		500	1,000
Operating Lease Liability, net of current portion		2,027	2,282
Fair Value of Contingent Liability		86	-
		<u> </u>	<u> </u>

Other Liabilities	2,613	3,282
Total Liabilities	7,339	7,359
Commitments and Contingencies	-	-
Stockholders' Equity		
Common Stock - (\$0.001 par, 2,000,000,000 authorized, 6,844,362 and 6,763,070 shares issued and outstanding, respectively)	7	7
Additional Paid in Capital	21,391	21,285
Accumulated Deficit	<u>(4,939)</u>	<u>(6,432)</u>
Stockholders' Equity	<u>16,459</u>	<u>14,860</u>
Total Liabilities and Stockholders' Equity	\$ <u>23,798</u>	\$ <u>22,219</u>

The accompanying notes in our Quarterly Report on Form 10-Q for the three and six months ended March 31, 2024 filed with the SEC on May 14, 2024 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		Six months ended	
	March 31, 2024	April 2, 2023	March 31, 2024	April 2, 2023
Revenue	\$ 8,523	\$ 6,370	\$ 15,492	\$ 10,410
Cost of Sales	5,966	4,817	11,250	8,140
Gross Profit	2,557	1,553	4,242	2,270
General and Administrative Expense	1,201	938	2,333	1,937
Operating Income	1,356	615	1,909	333
Interest Expense	(9)	(8)	(16)	(8)
Other Expense	(9)	(8)	(16)	(8)
Income Before Taxes	1,347	607	1,893	325
Income Tax Expense, net	\$ 285	\$ 128	\$ 400	\$ 69
Net Income	\$ 1,062	\$ 479	\$ 1,493	\$ 256
Basic income per share	\$ 0.16	\$ 0.07	\$ 0.22	\$ 0.04
Weighted Average Common Shares Outstanding - basic	6,768,236	6,643,070	6,717,592	6,589,854
Diluted income per share	\$ 0.16	\$ 0.07	\$ 0.22	\$ 0.04
Weighted Average Common Shares Outstanding - diluted	6,823,155	6,668,917	6,774,542	6,620,800

The accompanying notes in our Quarterly Report on Form 10-Q for the three and six months ended March 31, 2024 filed with the SEC on May 14, 2024 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 and financial condition (including revenue, net income, profit margins and working capital); customer demand; 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; 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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