

December 16, 2019



Optex Systems Holdings, Inc. Announces Fiscal Year 2019 Financial Highlights

RICHARDSON, TX / ACCESSWIRE / December 16, 2019 /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 for its 2019 fiscal year, which ended September 29, 2019.

During the twelve months ended September 29, 2019, we have reported as follows:

- Year over year, twelve-month revenue increased by \$3.7 million, or 17.6%.
- Year over year, twelve-month gross margin, operating profit and Adjusted EBITDA increased by \$1.7 million.
- Year over year gross margin percentage increased to 25.5% by 3.80 percentage points
- Backlog as of September 29, 2019 increased 5.1%, to \$24.6 million as compared to \$23.4 million as of September 30, 2018.

Danny Schoening, CEO of Optex Systems Holdings, Inc., commented, "Last year was an incredible year for Optex; we delivered strong financial performance while strengthening our domestic market position and launching a more targeted international strategy. We believe that any distracting issues of the past have been permanently solved and the full attention of management is now focused on increasing revenue and decreasing costs. We continue to see our position within the marketplace strengthen. Our backlog increased 5.1% year over year and we continue to see increases in revenue, gross margin, and earnings."

Our key performance measures for the twelve months ended September 29, 2019 and September 30, 2018 are summarized below.

	Twelve months ended (millions)		
	September 29, 2019	September 30, 2018	% Change
Backlog as of period end	\$ 24.6	\$ 23.4	5.1

We use adjusted earnings before interest, taxes, gains/losses on changes in fair values, depreciation and amortization (EBITDA) as an additional measure for evaluating the performance of our business as "net income" includes the significant impact of non-cash valuation gains and losses on warrant liabilities, noncash compensation expenses related to equity stock issuances, 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

Metric	Twelve months ended (Thousands)		
	September 29, 2019	September 30, 2018	% Change
Revenue	\$ 24,530	\$ 20,853	17.6
Gross Margin	\$ 6,253	\$ 4,515	38.5
Gross Margin %	25.5 %	21.7 %	17.5
Operating Income	\$ 3,197	\$ 1,486	115.1
Gain on Change Fair Value of Warrants	\$ 1,344	\$ 95	1,314.7
Net Income Applicable to Common Shareholders	\$ 3,800	\$ 930	308.6
Adjusted EBITDA (non GAAP)	\$ 3,680	\$ 1,996	84.4

operations before certain 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 twelve-month operating results for years ended September 29, 2019 and September 30, 2018, 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.

	(Thousands) Twelve months ended	
	September 29, 2019	September 30, 2018
Net Income - GAAP	\$ 5,668	\$ 1,394
Add:		
Gain on Change in Fair Value of Warrants	(1,344)	(95)
Federal Income Tax (Benefit) Expense	(1,150)	167
Depreciation	340	327
Stock Compensation	113	153
Royalty License Amortization	30	30
Interest Expense	23	20
Adjusted EBITDA - Non GAAP	\$ 3,680	\$ 1,996

During the most recent two years, the Company has witnessed significant revenue growth in U.S. military products. We attribute the higher demand to increases in Foreign Military Sales (FMS) as well as increases in the U.S. military procurement budget which was approved for fiscal year 2019 and is anticipated to increase in the pending 2020 National Defense Authorization Act. We anticipate revenue for our military products to continue at the elevated level with corresponding increases in gross margin, profitability and EBITDA to continue into the fiscal year 2020.

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 consolidated financial statements and footnotes,

and should be read in conjunction with our Annual Report on Form 10-K for the period ended September 29, 2019 filed with the SEC on December 16, 2019.

Optex Systems Holdings, Inc.
Condensed Consolidated Statements of Operations

	(Thousands, except share and per share data)	
	Twelve months ended	
	September 29, 2019	September 30, 2018
Revenue	\$ 24,530	\$ 20,853
Cost of Sales	18,277	16,338
Gross Margin	6,253	4,515
General and Administrative Expense	3,056	3,029
Operating Income	3,197	1,486
Gain on Change in Fair Value of Warrants	1,344	95
Interest Expense	(23)	(20)
Other Income	1,321	75
Income Before Taxes	4,518	1,561
Income Tax (Benefit) Expense, net	(1,150)	167
Net income	\$ 5,668	\$ 1,394
Dividends declared on participating securities	-	(178)
Deemed dividends on participating securities	(1,868)	(286)
Net income applicable to common shareholders	\$ 3,800	\$ 930
Basic income per share	\$ 0.45	\$ 0.11
Weighted Average Common Shares Outstanding - basic	8,388,794	8,458,466
Diluted income per share	\$ 0.45	\$ 0.11
Weighted Average Common Shares Outstanding - diluted	8,492,884	8,795,799

The accompanying notes in our Annual Report on Form 10-K for the period ended September 29, 2019 filed with the SEC on December 16, 2019 are an integral part of these financial statements.

Optex Systems Holdings, Inc.
Condensed Consolidated Balance Sheets

		(Thousands, except share and per share data)	
		September 29, 2019	September 30, 2018
ASSETS			
Cash and Cash Equivalents	\$	1,068	\$ 1,133
Accounts Receivable, Net		3,066	2,458
Inventory, Net		10,535	7,639
Prepaid Expenses		348	104
Current Assets		15,017	11,334
Property and Equipment, Net		1,102	1,300
Other Assets			
Deferred Tax Asset		1,414	-
Prepaid Royalties		-	30
Security Deposits		23	23
Other Assets		1,437	53
Total Assets	\$	17,556	\$ 12,687
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts Payable	\$	1,833	\$ 943
Federal Income Taxes Payable		-	22
Accrued Expenses		1,180	1,169
Accrued Warranties		46	101
Customer Advance Deposits		3	308
Credit Facility		250	300
Current Liabilities		3,312	2,843
Warrant Liability		2,036	3,500
Total Liabilities		5,348	6,343
Commitments and Contingencies			
Stockholders' Equity			
Common Stock - (\$0.001 par, 2,000,000,000 authorized, 8,436,422 and 8,333,353 shares issued and outstanding, respectively)		8	8
Additional Paid in capital		26,134	25,938
Accumulated Deficit		(13,934)	(19,602)
Stockholders' Equity		12,208	6,344
Total Liabilities and Stockholders' Equity	\$	17,556	\$ 12,687

The accompanying notes in our Annual Report on Form 10-K for the period ended September 29, 2019 filed with the SEC on December 16, 2019 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 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.

View source version on accesswire.com:

<https://www.accesswire.com/570400/Optex-Systems-Holdings-Inc-Announces-Fiscal-Year-2019-Financial-Highlights>

