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Optex Systems Announces Annual Shareholder Meeting and Letter to Shareholders

RICHARDSON, TX / ACCESSWIRE / January 21, 2020 /Optex Systems Holdings, Inc. (OTCQB:OPXS), a leading manufacturer of precision optical sighting systems for domestic and worldwide military and commercial applications, today announced the 2020 Annual Meeting of Shareholders will be held at 10:00 AM local time on February 12, 2020, DoubleTree by Hilton Hotel Dallas - Richardson, 1981 North Central Expressway, Richardson, Texas, 75080. In addition, the company issues the following letter to shareholders of the company.

TO OUR SHAREHOLDERS, CUSTOMERS, AND EMPLOYEES:

Last year was an incredible year for Optex; we delivered strong financial performance, strengthened our domestic market position, and launched a more targeted international strategy. For Fiscal 2019, revenue grew 17.6% to \$24.5 million while gross margins increased 38.5% to \$6.25 million from 21.7% to 25.5% of revenue. Adjusted EBITDA grew 84.4% to \$3.7 million while Optex was able to fund all growth through internal cash flow. The company remains debt-free on a net basis.

Before describing the plans for 2020 and beyond, I'd like to quickly review the accomplishments of this team in making Optex more attractive and easier to understand for both new and existing shareholders. Optex was initially listed to the OTCQB exchange through a reverse merger in 2009 in order to meet the charter of its largest shareholder (the Longview Fund). This created a complex capitalization table with Series A and Series B preferred shares along with an intermingled company (Sileas). All of these entities served their purpose over that timeframe but brought doubt and uncertainty when attempting to explain these issues to new investors. Over the last several years, all of these structures have been eliminated, creating a clear capitalization table. Management has continued to purchase shares in the open market aligning our interests with our fellow shareholders. In addition to the capitalization table issues, Optex has also worked to resolve two active investor issues resulting in the reconstitution of a new, majority independent, Board that meets all the governance requirements of exchanges like NASDAQ and the NYSE.

As Santayana said, "To know your future you must know your past." This team has been able to deliver five years of increasing revenues and margins while concurrently working these behind the scenes issues. These non-operational items take management away from running the business or focusing on the future. With that short divergence into the past, let's now turn our attention to the future.

Optex's products literally stand between our end-customer (the warfighter) and the enemy, whether it is a laser protected periscope defensively protecting the warfighter's eyes *and*

offensively allowing high-resolution situational awareness, or through precision weapon sights, allowing the warfighter to accurately identify and/or target the enemy. In both instances, Optex realizes the criticality of the product to perform as expected over the desired environment allowing the warfighter to complete their mission. Quality and reliability are operational keystones at Optex and allows everyone within Optex to be unified in our daily activities. One of our customers reminds us that we make "reunions", not just parts. That is, the "reunion" of the warfighter back with their family and friends. It is with that consequence that Optex designs, produces, and delivers our products to the United States Department of Defense and to our Prime customers.

Where do we still need to improve? One area is improved consistency in order fulfillment which would lead to improved quarter over quarter financial performance. Texas has been running at a historic unemployment rate of ~3.4% which has made it difficult to get the quantity and quality of employees into the most appropriate roles within Optex. This includes both direct manufacturing roles and indirect factory support roles. Corrective actions have been taken, but we need to continue to monitor these actions for their effectiveness. A second area is improved communication to shareholders about the seasonality or historical swings in revenue from quarter to quarter. For example, our first quarter is typically a lower output quarter. There are fewer production days available due to the holidays and shutdowns, there is less interaction with the government due to vacations, and there are reduced shipments from our suppliers due to their reduced production. While we will probably never reach the level of Emerson Electric in the '60s, '70s, and the '80s ("*Emerson Electric; Consistent Profits, Consistently*" by Charles F. Knight, January-February 1992, Harvard Business Review), we can absolutely make improvements and more effectively communicate our progress.

To conclude, over the past several years Optex has successfully navigated some very severe storms while consistently delivering improved financial results. The Management Team believes that the distracting issues of the past have been permanently solved and the full attention of management will be focused on increasing revenue and decreasing costs. We continue to design and develop world-class products for the warfighter used on future platforms enabling our product portfolio to expand and extend these revenue streams for decades to come. Optex will continue to protect our intellectual property and assets while improving employee satisfaction and wellness. Through these actions, Optex will be well positioned to continue to see profitable growth.

Thank you.

Danny Schoening
CEO
Optex Systems Holdings, Inc.

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.

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