

May 13, 2020



# Optex Systems Holdings, Inc. Announces Second Quarter of Fiscal Year 2020 Financial Highlights

**RICHARDSON, TX / ACCESSWIRE / May 13, 2020** /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 second quarter of the 2020 fiscal year, which ended March 29, 2020.

Our three and six month period ending March 29, 2020 was slightly below the prior year period revenue. We anticipate higher revenue during the second half of the fiscal year as we ship against our prior year ICWS contract during the next three months, combined with increased deliveries on our acrylic periscope products. Our gross margin, operating income and adjusted EBITDA decreased during the three and six months as compared to the prior year due to changes in product mix between segments and product lines. We anticipate a shift in the second half with higher revenues with increased profitability on product mix.

Optex Systems Holdings, Inc. is defined as essential critical infrastructure as a defense contractor under the guidance of the federal, state and local authorities for both our Optex Systems (Richardson, TX), and Applied Optics Center (Dallas, TX) operating segments. As such, the Company continues to remain open during the COVID-19 shelter in place orders and closures. To date, we have experienced minimal disruption as a result of the pandemic. While we anticipate the possibility of some unforeseen operational impacts during the next six to twelve months related to travel restrictions, illness, or interruptions with our customer or supply chain, we believe we are in a strong position to mitigate any significant adverse financial impacts to the current fiscal year ending September 27, 2020.

Our key performance measures for the three and six months ended March 29, 2020 and March 31, 2019 are summarized below.

Our backlog as of March 29, 2020 was \$21.9 million, a decrease of (11.0%) from the \$24.6 million reported as of September 29, 2019. We attribute the decreased backlog to the timing of contract awards, IDIQ task order releases and purchase orders from our customers. During the six months ending March 29, 2020, Optex announced an order for \$1.1 million and four new IDIQ government contract awards for periscopes for a combined total up to \$17.4 million over a five-year period, in addition to a shared award between Optex and another company, for a maximum of \$35 Million for Improved Commander Weapon System (ICWS) periscopes under a three-year IDIQ contract with two additional optional years. IDIQ contract awards are reflected in backlog only to the extent that the individual task orders have been released by the customer pursuant to contract pricing and agreed delivery schedules. We do not expect COVID-19 to have a material effect to the demand for the company's products or services in the near term, however we remain cautious that a long term pandemic could impact Congressional Budgets and future defense spending as the

Metric	(Thousands)					
	Three months ended			Six months ended		
	March 29, 2020	March 31, 2019	% Change	March 29, 2020	March 31, 2019	% Change
Revenue	\$ 6,947	\$ 7,088	(2.0)	\$ 12,833	\$ 12,979	(1.1)
Gross Margin	\$ 1,619	\$ 1,981	(18.3)	\$ 3,086	\$ 3,423	(9.8)
Gross Margin %	23.3 %	27.9 %	(16.5)	24.0 %	26.4 %	(9.1)
Operating Income	\$ 781	\$ 1,182	(33.9)	\$ 1,499	\$ 1,881	(20.3)
Gain (Loss) on Change Fair Value of Warrants	\$ 1,332	\$ (1,932)	(168.9)	\$ 81	\$ (547)	(114.8)
Net Income (Loss) Applicable to Common Shareholders	\$ 1,311	\$ (973)	(234.7)	\$ 852	\$ 704	(21.0)
Adjusted EBITDA (non-GAAP)	\$ 871	\$ 1,296	(32.8)	\$ 1,681	\$ 2,123	(20.8)

U.S. government seeks to mitigate the public health crisis and fund COVID-19 economic recovery efforts.

	Six months ended (millions)		
	March 29, 2020	September 29, 2019	% Change
Backlog as of period end	\$ 21.9	\$ 24.6	(11.0)

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 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 three-month operating results for periods ended March 29, 2020 and March 31, 2019, in terms of both the GAAP net income measure and the non-GAAP adjusted EBITDA measure. We believe that including both measures provides measures that are useful in evaluating our financial results across periods.

	(Thousands)			
	Three months ended		Six months ended	
	March 29, 2020	March 31, 2019	March 29, 2020	March 31, 2019
Net Income (Loss) - (GAAP)	\$ 1,944	\$ (973 )	\$ 1,265	\$ 1,052
Add:				
(Gain) Loss on Change in Fair Value of Warrants	(1,332 )	1,932	(81 )	547
Federal Income Tax Expense	163	217	304	270
Depreciation	59	84	125	169
Stock Compensation	31	22	57	58
Royalty License Amortization	-	8	-	15
Interest Expense	6	6	11	12
<b>Adjusted EBITDA - Non-GAAP</b>	<b>\$ 871</b>	<b>\$ 1,296</b>	<b>\$ 1,681</b>	<b>\$ 2,123</b>

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 year ended September 29, 2019 filed with the SEC on December 16, 2019 and Form 10-Q for the three and six months ended March 29, 2020 filed with the SEC on May 13, 2020.

Danny Schoening, CEO of Optex Systems Holdings, Inc., commented, "We are extremely pleased with our second quarter performance and continue to be optimistic about the industry and overall defense related spending. As we communicated in our April 20, 2020 Press Release, we are identified as essential critical infrastructure and we continue to operate at full production rates. To date, the impact to our operations has been minimal and we have taken additional steps to mitigate potential key supplier risks."

Schoening continued "Based on our current backlog delivery projections, we are anticipating the highest revenue growth during the second half of the current fiscal year as we began shipping against our 2018 \$1.9M Improved Commander Weapon Station (ICWS) contract award in mid-March of this year."

**Optex Systems Holdings, Inc.**  
**Condensed Consolidated Statements of Operations**  
**(Unaudited)**

	(Thousands, except share and per share data)			
	Three months ended		Six months ended	
	March 29, 2020	March 31, 2019	March 29, 2020	March 31, 2019
<b>Revenue</b>	<b>\$ 6,947</b>	<b>\$ 7,088</b>	<b>\$ 12,833</b>	<b>\$ 12,979</b>
Cost of Sales	5,328	5,107	9,747	9,556
<b>Gross Margin</b>	<b>1,619</b>	<b>1,981</b>	<b>3,086</b>	<b>3,423</b>
<b>General and Administrative Expense</b>	<b>838</b>	<b>799</b>	<b>1,587</b>	<b>1,542</b>
<b>Operating Income</b>	<b>781</b>	<b>1,182</b>	<b>1,499</b>	<b>1,881</b>
Gain (Loss) on Change in Fair Value of Warrants	1,332	(1,932)	81	(547)
Interest Expense	(6)	(6)	(11)	(12)
<b>Other Income (Expense)</b>	<b>1,326</b>	<b>(1,938)</b>	<b>70</b>	<b>(559)</b>
<b>Income (Loss) Before Taxes</b>	<b>2,107</b>	<b>(756)</b>	<b>1,569</b>	<b>1,322</b>
Income Tax Expense, net	\$ 163	\$ 217	304	270
<b>Net Income (Loss)</b>	<b>\$ 1,944</b>	<b>\$ (973)</b>	<b>\$ 1,265</b>	<b>\$ 1,052</b>
Deemed dividends on participating securities	(633)	-	(413)	(348)
<b>Net (loss) income applicable to common shareholders</b>	<b>\$ 1,311</b>	<b>\$ (973)</b>	<b>\$ 852</b>	<b>\$ 704</b>
<b>Basic income (loss) per share</b>	<b>\$ 0.15</b>	<b>\$ (0.12)</b>	<b>\$ 0.10</b>	<b>\$ 0.08</b>
<b>Weighted Average Common Shares Outstanding - basic</b>	<b>8,549,437</b>	<b>8,387,086</b>	<b>8,522,653</b>	<b>8,360,220</b>
<b>Diluted income (loss) per share</b>	<b>\$ 0.15</b>	<b>\$ (0.12)</b>	<b>\$ 0.10</b>	<b>\$ 0.08</b>
<b>Weighted Average Common Shares Outstanding - diluted</b>	<b>8,604,446</b>	<b>8,387,086</b>	<b>8,607,460</b>	<b>8,469,363</b>

***The accompanying notes in our Quarterly Report on Form 10-Q for the period ended March 29, 2020 filed with the SEC on May 13, 2020 are an integral part of these financial statements.***

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

		(Thousands, except share and per share data)	
		March 29, 2020 (Unaudited)	September 29, 2019
<b>ASSETS</b>			
Cash and Cash Equivalents	\$	1,670	\$ 1,068
Accounts Receivable, Net		3,926	3,066
Inventory, Net		9,810	10,535
Prepaid Expenses		157	348
<b>Current Assets</b>		<b>15,563</b>	<b>15,017</b>
<b>Property and Equipment, Net</b>		<b>1,073</b>	<b>1,102</b>
<b>Other Assets</b>			
Deferred Tax Asset		1,303	1,414
Right-of-use Asset		1,615	-
Security Deposits		23	23
<b>Other Assets</b>		<b>2,941</b>	<b>1,437</b>
<b>Total Assets</b>	<b>\$</b>	<b>19,577</b>	<b>\$ 17,556</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$	1,237	\$ 1,833
Operating Lease Liability		551	-
Accrued Expenses		875	1,180
Accrued Warranty Costs		105	46
Customer Advance Deposits		-	3
Credit Facility		250	250
<b>Current Liabilities</b>		<b>3,018</b>	<b>3,312</b>
Operating Lease Liability - Long Term		1,128	-
Warrant Liability		1,955	2,036
<b>Total Liabilities</b>		<b>6,101</b>	<b>5,348</b>
<b>Commitments and Contingencies</b>			
<b>Stockholders' Equity</b>			
Common Stock - (\$0.001 par, 2,000,000,000 authorized, 8,495,869 and 8,436,422 shares issued and outstanding)		8	8
Additional Paid in capital		26,137	26,134
Accumulated Deficit		(12,669)	(13,934)
<b>Stockholders' Equity</b>		<b>13,476</b>	<b>12,208</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$</b>	<b>19,577</b>	<b>\$ 17,556</b>

***The accompanying notes in our Quarterly Report on Form 10-Q for the period ended March 29, 2020 filed with the SEC on May 13, 2020 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 company, 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](http://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](mailto:IR@optexsys.com)  
1-972-764-5718

**SOURCE:** Optex Systems Holdings, Inc.

View source version on accesswire.com:

<https://www.accesswire.com/589737/Optex-Systems-Holdings-Inc-Announces-Second-Quarter-of-Fiscal-Year-2020-Financial-Highlights>

