

May 16, 2023



Optex Systems Holdings, Inc. Announces Three and Six Months Ended April 2, 2023 Financial Highlights

RICHARDSON, TX / ACCESSWIRE / May 16, 2023 /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 April 2, 2023.

Danny Schoening, CEO of Optex Systems Holdings, Inc., commented, "We are extremely pleased with the quarter. Our backlog has grown significantly and the actions that we have taken to improve our supplier performance have taken hold. These actions have enabled us to execute on the backlog and meet our customer's growing demand."

For the three and six months ended April 2, 2023, our total revenues increased by \$1.2 million, and \$0.9 million, or 24.0% and 9.9%, respectively, compared to the three and six months ended April 3, 2022. The increase in revenue was primarily driven by increased deliveries at both the Optex Systems Richardson segment of \$1.0 million and \$0.7 million and the Applied Optics Center segment of \$0.2 million and \$0.2 million for the three- and six-month periods, respectively.

We have experienced significant material shortages during the three months ended October 2, 2022 and extending into the first six months of fiscal year 2023 from two significant suppliers of our periscope covers and housings. These shortages affect several of our periscope products at the Optex Richardson segment. The delays in key components, combined with labor shortages during the first half of fiscal year 2023, have negatively impacted our production levels and have pushed expected customer delivery dates into the second half of fiscal year 2023. We are aggressively seeking alternative sources and actively expediting our current suppliers for these components as well as increasing employee recruitment initiatives and overtime to attempt to mitigate any continuing risks to the periscope line. In addition, one of our major customers for the Applied Optics Center requested a significant schedule delay pushing their laser filter unit deliveries from the first half into the second half of fiscal year 2023. We are encouraged by recent improvements in supplier performance for the Optex Richardson segment periscope line which yielded increased revenue performance during the second quarter and anticipate a continuing trend of higher revenue for the segment in the third and fourth quarters.

Consolidated gross profit for the three months ended April 2, 2023 increased by \$0.8 million, or 116.9%, compared to the prior year period. Consolidated gross profit for the six months ended April 2, 2023 increased by \$0.7 million, or 47.5%, 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 in both operating segments combined with changes in product mix and improved pricing and

operating performance on our Applied Optics optical assembly line.

Our operating income for the three months ended April 2, 2023 increased by \$0.8 million compared to the prior year period. The increase in operating income was primarily driven by higher gross profit during the current three-month period. Our operating income for the six months ended April 2, 2023 increased by \$0.5 million compared to the prior year period. The increase in operating income was primarily driven by increased gross profit of \$0.7 million offset by increased general and administrative costs of (\$0.2) million during the current six-month period.

As of April 2, 2023, the Company had working capital of \$11.4 million, as compared to \$10.0 million as of October 2, 2022. During the six months ended April 2, 2023, we used operating cash of (\$1.1) million, borrowed \$1.0 million against our line of credit and spent \$146 thousand on acquisitions of property and equipment. During the period, our inventory increased \$2.1 million in support of new program awards and increasing revenues anticipated over the next twelve months.

In March 2023, we moved our line of credit from PNC Bank to Texas Capital Bank and increased our available line of credit to \$3.0 million from the previous \$2.0 million line with PNC. The increase helps us meet our working capital requirements in light of the increased backlog and delay of revenues into the second half of fiscal year 2023. As supplier issues and labor shortages continue to abate, we anticipate increased revenue and working capital with a recovery expected by fiscal year end 2023. Based on our current backlog, we anticipate an overall increase for fiscal year 2023 revenues as compared to the 2022 levels.

On March 14, 2023, the Company's shares of common stock were listed on the NASDAQ Capital Market under the ticker symbol "OPXS."

Our key performance measures for the three and six months ended April 2, 2023 and April 3, 2022 are summarized below.

Metric	(Thousands)					
	Three months ended			Six months ended		
	April 2, 2023	April 3, 2022	Change	April 2, 2023	April 3, 2022	Change
Revenue	6,370	5,136	24.0	10,410	9,475	9.9
Gross Profit	1,553	716	116.9	2,270	1,539	47.5
Gross Margin	24.4	13.9	75.5	21.8	16.2	34.6
Operating Income (Loss)	615	(191)	-	333	(176)	-
Net Income (Loss)	479	(151)	-	256	(122)	-
Adjusted EBITDA (non-GAAP)	717	(81)	-	552	63	776.2

During the six months ended April 2, 2023, the Company booked \$19.1 million in new orders, representing an 84% increase over the prior year period. The increase in orders is primarily attributable to a 139% increase in the Optex Systems - Richardson segment orders over the prior year period. The Applied Optics Center experienced a 5% increase in orders

over the prior year period.

The Company has seen significant increases in orders for many of its defense and commercial products during the first six months of fiscal year 2023 inclusive of two new customers for our sighting systems and filter programs. On November 1, 2022, the Company announced it has been awarded a \$3.4 million order 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 for a new customer and includes an additional potential award value with a 100% optional award quantity clause. In October 2022, the Company booked a \$0.9 million award for Applied Optics Center laser interface filters for a new defense customer in addition to increased purchase orders for our commercial optical assemblies for our existing customer. During the six months ended April 2, 2023, the Optex Systems Richardson segment has received additional task order releases of \$6.2 million in periscopes, \$1.4 million in other products and \$0.4 million in sighting systems against our long running IDIQ periscope contracts.

Backlog as of April 2, 2023 was \$41.6 million, compared to a backlog of \$28.2 million as of April 3, 2022, representing an increase of \$13.4 million or 48%. Backlog as compared to October 2, 2022 increased by \$8.7 million, or 26%, from \$32.9 million.

The table below summarizes our three-and six-month operating results for the periods ended April 2, 2023 and April 3, 2022, 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	
	April 2, 2023	April 3, 2022	April 2, 2023	April 3, 2022
Net Income (Loss) (GAAP)	\$ 479	\$ (151)	\$ 256	\$ (122)
Add:				
Federal Income Tax (Benefit) Expense	128	(40)	69	(54)
Depreciation	85	75	166	147
Stock Compensation	17	35	53	92
Interest Expense	8	-	8	-
Adjusted EBITDA - Non GAAP	\$ 717	\$ (81)	\$ 552	\$ 63

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 \$630 thousand to \$479 thousand for the three months ended April 2, 2023, as compared to a net loss of (\$151) thousand for the prior year period. Our adjusted EBITDA increased by \$798 thousand to \$717 thousand for the three months ended April 2, 2023, as compared to a loss of (\$81) thousand for the prior year period. Our net income increased by \$378 thousand to \$256 thousand for the six months ended April 2, 2023, as compared to a net loss of (\$122) thousand for the prior year period. Our adjusted EBITDA increased by \$615 thousand to \$552 thousand for the six months ended April 2,

2023, as compared to \$63 thousand for the prior year period.

The increase in the most recent three and six-month period net income and adjusted EBITDA is primarily driven by higher revenue and improved gross profit performance across both operating segments.

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 condensed 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 April 2, 2023 filed with the SEC on May 16, 2023.

Optex Systems Holdings, Inc.
Condensed Consolidated Balance Sheets

		(Thousands, except share and per share data)	
		April 2, 2023	October 2, 2022
		(Unaudited)	
ASSETS			
Cash and Cash Equivalents	\$	676	\$ 934
Accounts Receivable, Net		2,276	2,908
Inventory, Net		11,292	9,212
Contract Asset		336	-
Prepaid Expenses		442	328
Current Assets		15,022	13,382
Property and Equipment, Net		948	968
Other Assets			
Deferred Tax Asset		873	942
Right-of-use Asset		2,984	3,222
Security Deposits		23	23
Other Assets		3,880	4,187
Total Assets	\$	19,850	\$ 18,537
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts Payable	\$	1,308	\$ 706
Operating Lease Liability		612	604
Federal Income Taxes Payable		-	331
Accrued Expenses		890	958
Accrued Selling Expense		336	-
Accrued Warranty Costs		266	169
Contract Loss Reserves		113	289
Customer Advance Deposits		131	311
Current Liabilities		3,656	3,368
Other Liabilities			
Credit Facility		1,007	-
Operating Lease Liability, net of current portion		2,528	2,761
Other Liabilities		3,535	2,761
Total Liabilities		7,191	6,129
Commitments and Contingencies		-	
Stockholders' Equity			
Common Stock - (\$0.001 par, 2,000,000,000 authorized, 6,723,070 and 6,716,638 shares issued and outstanding, respectively)		7	7
Additional Paid in Capital		21,091	21,096
Accumulated Deficit		(8,439)	(8,695)
Stockholders' Equity		12,659	12,408
Total Liabilities and Stockholders' Equity	\$	19,850	\$ 18,537

The accompanying notes in our Quarterly Report on Form 10-Q for the three and six months ended April 2, 2023 filed with the SEC on May 16, 2023 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	
	April 2, 2023	April 3, 2022	April 2, 2023	April 3, 2022
Revenue	\$ 6,370	\$ 5,136	\$ 10,410	\$ 9,475
Cost of Sales	4,817	4,420	8,140	7,936
Gross Profit	1,553	716	2,270	1,539
General and Administrative Expense	938	907	1,937	1,715
Operating Income (Loss)	615	(191)	333	(176)
Interest Expense	(8)	-	(8)	-
Other Income (Expense)	(8)	-	(8)	-
Income (Loss) Before Taxes	607	(191)	325	(176)
Income Tax Expense (Benefit), net	\$ 128	\$ (40)	\$ 69	\$ (54)
Net Income (Loss)	\$ 479	\$ (151)	\$ 256	\$ (122)
Basic income (loss) per share	\$ 0.07	\$ (0.02)	\$ 0.04	\$ (0.01)
Weighted Average Common Shares Outstanding - basic	6,643,070	8,255,578	6,589,854	8,242,279
Diluted income (loss) per share	\$ 0.07	\$ (0.02)	\$ 0.04	\$ (0.01)
Weighted Average Common Shares Outstanding - diluted	\$ 6,668,917	\$ 8,255,578	\$ 6,620,800	\$ 8,242,279

The accompanying notes in our Quarterly Report on Form 10-Q for the three and six months ended April 2, 2023 filed with the SEC on May 16, 2023 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.

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