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Optex Systems Holdings, Inc. Announces First Quarter 2019 Financial Highlights

RICHARDSON, Texas, Feb. 11, 2019 (GLOBE NEWSWIRE) -- 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 from the first quarter period ended December 30, 2018 financial results.

Optex Systems Holdings, Inc. is pleased to report on our 10Q performance for the three months ended December 30, 2018. During the three months ended December 30, 2018, we have experienced significant revenue growth of 23.3%, improvements in gross margin percentages of 1.1% and reductions in our general and administrative expenses of 3.9%, as compared to the three months ended December 31, 2017. During the first three months of fiscal year 2019, our adjusted EBITDA is up 74.5% from the prior year period and our backlog is up 0.9% from September 30, 2018. Our key performance measures for the three month periods are summarized below.

- Backlog as of December 30, 2018 was $23.5 million as compared to a backlog of $23.3 million as of September 30, 2018, representing an increase of $0.2 million or 0.9%. During the three months ended December 30, 2018, Optex Systems Holdings booked $5.7 million in new orders, a 58.3% increase over orders booked of $3.6 million during the prior year three months. On January 29, 2019, the Company announced an additional large order of $1.0 million for the Applied Optics Center segment associated with a multiyear agreement to supply optical components in support of the M1 Abrams Tank program.

- Revenue increased by $1.1 million during the three months ended December 30, 2018, to $5.9 million as compared to $4.8 million during the three months ended December 31, 2017. Revenue growth of 23.3% for the 2019 first quarter was driven by increases of $1.2 million, or 43.7%, in the Optex Systems Richardson segment in support of higher defense spending on periscopes and other military products, which was offset by a ($0.1) million, or (2.4%), reduction in the Applied Optics Center segment driven by lower customer demand for commercial optical assemblies as compared to the prior year period. With increases in U.S. defense spending, we anticipate increased revenue for the Applied Optics Center over the next nine months with a significant shift in product mix from commercial to military products.

- Gross margin, as a percentage of revenue, increased to 24.5%, from 23.4% during the three months ended December 30, 2018 as compared to the prior year period. We attribute the favorable gross margin performance to revenue growth, changes in product mix, and improvements in quality and manufacturing yields between the respective periods.

- During the three months ended December 30, 2018, we recorded operating income of $0.7 million as compared to operating income of $0.3 million for the three months ended December 31, 2017. Higher operating profits are directly related to the revenue growth, favorable gross margin performance and reduced general and administrative spending.

- We recognized a gain on the change in fair value of warrants of $1.4 million during the three months ended December 30, 2018, as compared to a loss of ($0.3) million in the prior year period. The current year gain on fair value is attributable to a reduction in the fair value of our outstanding warrants due to a decline in our common stock price as of December 30, 2018 as compared to the September 30, 2018 period end. Fair value gains and losses are non-cash "other income and expense" adjustments driven by changes in fair market value of our outstanding warrants and are unrelated to our core business operating performance, as such, the amounts have been excluded from our adjusted EBITDA presented below.

- Net income (loss) applicable to common shareholders was $1.35 million during the three months ended December 30, 2018, as compared to a net loss of ($0.18) million during the prior three month period. The increase in net income of $1.5 million is primarily attributable to increased operating income of $0.4 million and changes in the gain on the fair value of warrant liabilities of $1.7 million which was offset by changes in dividends distributed and deemed dividends of ($0.6) million during the current year period as compared to the prior year period.

- Our adjusted EBITDA increased by $0.35 million to $0.83 million during the three months ended December 30, 2018 as compared $0.48 million during the three months ended December 31, 2017. 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 noncash valuation gains and losses on warrant liabilities, noncash compensation expenses related to equity stock issues, 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 the 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 December 30, 2018 and December 31, 2017, 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) Three months ended	
	December 30, 2018	December 31, 2017
Net Income (Loss)- GAAP	$ 2,025	$ (94)
Add:		
(Gain) Loss on Change in Fair Value of Warrants	(1,385)	344
Federal Income Tax Expense - Current	54	90
Depreciation	85	81
Stock Compensation	36	44
Royalty License Amortization	8	7
Interest Expense	6	3
Adjusted EBITDA - Non GAAP	**$ 829**	**$ 475**

- We ended the three month period with working capital of $9.2 million and $1.2 million in cash and cash equivalents as compared to working capital of $8.5 million and $1.1 million in cash and cash equivalents as of the year ended September 30, 2018.

Based on increased backlog and orders during the 2018 year and first quarter of 2019, Optex Systems Holdings, Inc. anticipates continued strong performance for the remaining nine months of the 2019 fiscal year as compared to the fiscal year 2018 period performance. Increased customer orders and backlog levels paired with accelerated production and delivery rates for our military products and increased gross margins and lower general and administrative spending are projected to continue.

Danny Schoening, CEO of Optex Systems Holdings, Inc., commented, “We are extremely pleased with our first quarter performance and continue to be optimistic about the industry and overall defense related spending. We continue to see efficiency gains in our factories and our position within the market strengthen. Our backlog remains strong and we continue to see increased revenue, increased gross margin, and increased earnings.”

Highlights of the unaudited Condensed Consolidated and Segment Results of Operations have been prepared in accordance with U.S. generally accepted accounting principles (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 the Form 10-Q for the three months ended December 30, 2018 filed with the SEC on February 11, 2019 and Form 10-K for the annual period ended September 30, 2018 filed with the SEC on December 20, 2018.

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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Source: Optex Systems Holdings, Inc.