

February 10, 2020



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

RICHARDSON, TX / ACCESSWIRE / February 10, 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 first quarter of the 2020 fiscal year, which ended December 29, 2019.

Danny Schoening, CEO of Optex Systems Holdings, Inc., commented, "As mentioned in our Annual Shareholder Letter, our first quarter is typically the lowest of the year due to reduced production days and decreased government interactions during the holiday season. That said, solicitations and contract activity is high, supporting the continued government military spending. Our market position continues to be the strongest in our company history and we continue to see a strong path towards increases in revenue, gross margin, and earnings over the balance of the year."

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 begin shipping in late March of this year against our 2018 Improved Commander Weapon Station (ICWS) contract award."

Our three-month period ending December 29, 2019 was consistent with the prior year three-month period revenue, with slight improvements in gross margin and operating income on changes in product mix. Our backlog as of December 29, 2019 was \$22.0 million, a decrease of (10.6%) from the \$24.6 million reported as of September 29, 2019. We attribute the decreased backlog to timing of customer orders and contract awards which typically ramp up during the second through fourth fiscal quarters. In January 2020, Optex announced an order for \$1.1 million and two new Indefinite Delivery, Indefinite Quantity (IDIQ) type contract awards for periscopes for a combined total of up to \$5.9 million over a five-year period. IDIQ contract awards are reflected in backlog only to the extent that individual task orders have been released by the customer pursuant to contract pricing and agreed delivery schedules. We are expecting releases against these new contracts as well as our other existing IDIQ contracts in the near term.

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

**Three months ended
(Thousands)**

Metric	December 29, 2019	December 30, 2018	% Change
Revenue	\$ 5,887	\$ 5,891	0.0
Gross Margin	\$ 1,467	\$ 1,443	1.7
Gross Margin %	24.9%	24.5%	1.6
Operating Income	\$ 718	\$ 700	2.6
(Loss) Gain on Change Fair Value of Warrants	\$ (1,251)	\$ 1,385	(190.3)
Net (Loss) Income Applicable to Common Shareholders	\$ (679)	\$ 1,354	(150.1)
Adjusted EBITDA (non-GAAP)	\$ 810	\$ 829	(2.3)

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 December 29, 2019 and December 30, 2018, 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	
	December 29, 2019	December 30, 2018
Net (Loss) Income - GAAP	\$ (679)	\$ 2,025
<i>Add:</i>		
Loss (Gain) on Change in Fair Value of Warrants	1,251	(1,385)
Federal Income Tax (Benefit) Expense	141	54
Depreciation	66	85
Stock Compensation	26	36
Royalty License Amortization	-	8
Interest Expense	5	6
Adjusted EBITDA - Non-GAAP	\$ 810	\$ 829

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 months ended December 29, 2019 filed with the SEC on February 10, 2020.

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

	(Thousands, except share and per share data)	
	Three months ended	
	December 29, 2019	December 30, 2018
Revenue	\$ 5,887	\$ 5,891
Cost of Sales	4,420	4,448
Gross Margin	1,467	1,443
General and Administrative Expense	749	743
Operating Income	718	700
(Loss) Gain on Change in Fair Value of Warrants	(1,251)	1,385
Interest Expense	(5)	(6)
Other (Expense) Income	(1,256)	1,379
(Loss) Income Before Taxes	(538)	2,079
Income Tax Expense, net	\$ 141	\$ 54
Net (Loss) Income	\$ (679)	\$ 2,025
Deemed dividends on participating securities	-	(671)
Net (loss) income applicable to common shareholders	\$ (679)	\$ 1,354
Basic (loss) income per share	\$ (0.08)	\$ 0.16
Weighted Average Common Shares Outstanding - basic	8,436,422	8,333,353
Diluted (loss) income per share	\$ (0.08)	\$ 0.16
Weighted Average Common Shares Outstanding - diluted	8,436,422	8,494,242

The accompanying notes in our Quarterly Report on Form 10-Q for the period ended December 29, 2019 filed with the SEC on February 10, 2020 are an integral part of these financial statements.

Optex Systems Holdings, Inc.
Condensed Consolidated Balance Sheets

		(Thousands, except share and per share data)	
		December 29, 2019	September 29, 2019
		(Unaudited)	
ASSETS			
Cash and Cash Equivalents		\$ 1,683	\$ 1,068
Accounts Receivable, Net		2,689	3,066
Inventory, Net		10,656	10,535
Prepaid Expenses		208	348
Current Assets		15,236	15,017
Property and Equipment, Net		1,065	1,102
Other Assets			
Deferred Tax Asset		1,341	1,414
Right-of-use Asset		1,715	-
Security Deposits		23	23
Other Assets		3,079	1,437
Total Assets		\$ 19,380	\$ 17,556
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts Payable		\$ 1,279	\$ 1,833
Operating Lease Liability		549	-
Accrued Expenses		795	1,180
Accrued Warranty Costs		75	46
Customer Advance Deposits		-	3
Credit Facility		600	250
Current Liabilities		3,298	3,312
Operating Lease Liability - Long Term		1,240	-
Warrant Liability		3,287	2,036
Total Liabilities		7,825	5,348
Commitments and Contingencies			
Stockholders' Equity			
Common Stock - (\$0.001 par, 2,000,000,000 authorized, 8,436,422 shares issued and outstanding)		8	8
Additional Paid in capital		26,160	26,134
Accumulated Deficit		(14,613)	(13,934)
Stockholders' Equity		11,555	12,208
Total Liabilities and Stockholders' Equity		\$ 19,380	\$ 17,556

The accompanying notes in our Quarterly Report on Form 10-Q for the period ended December 29, 2019 filed with the SEC on February 10, 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 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/575909/Optex-Systems-Holdings-Inc-Announces-First-Quarter-of-Fiscal-Year-2020-Financial-Highlights>

