

December 20, 2021



Optex Systems Holdings, Inc. Announces Year Ended October 3, 2021 Financial Highlights

RICHARDSON, TX / ACCESSWIRE / December 20, 2021 /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 the year ended October 3, 2021.

During the twelve months ended October 3, 2021, revenue decreased from our prior year period by \$7.7 million, or 29.6%, and gross margin decreased from our prior year period by \$3.6 million, or 58.6%. Operating income for the twelve-month period ended October 3, 2021 decreased by \$3.4 million to a loss of (\$0.5), from income of \$3.9 million during the prior year.

The erosion in the gross margin and operating profit is primarily due to lower revenue across both segments, unfavorable manufacturing overhead adjustments on reduced production volume and some shifts in product mix toward less profitable product groups. General and administrative expenses decreased by \$0.2 million as compared to the prior year, offsetting a small portion of the gross margin decline.

As of October 3, 2021, the Company had working capital of \$12.9 million, as compared to \$11.7 million as of September 27, 2020. During the twelve months, we generated operating cash flow of \$0.5 million, received proceeds from the exercise of warrants of \$0.3 million, paid down our line of credit by (\$0.4) million, spent (\$0.9) million for the purchase of 449,088 shares against our previously announced stock repurchase plans and (\$0.3) million on acquisitions of property and equipment. We ended the quarter with a strong cash balance of \$3.9 million as compared to \$4.7 million as of the fiscal year end 2020. As of October 3, 2021, the Company had an outstanding payable balance of zero against our working line of credit. The line of credit allows for borrowing up to a maximum of \$2.3 million. As of October 3, 2021, our outstanding accounts receivable was \$3.2 million.

Danny Schoening, CEO of Optex Systems Holdings, Inc., commented, "The pandemic and COVID had an undeniable effect on our business. With almost a 30% reduction in revenue, the past year we focused on two areas. First, we took the operational steps necessary to preserve cash while continuing to invest in key technology programs required for long-term growth. Second, we stayed extremely close to our customers, maintained our strong market share position, and were successful in building the backlog to position us well for 2022.

With a slow return to normalization, our business is recovering briskly. As we begin to execute on our 67.5% year over year increase in backlog, we will strive to regain the momentum we had in 2019 and 2020 and intend to exit 2022 with a broader product and process offering while having maintained each and every customer."

Our key performance measures for the twelve-months ended October 3, 2021 and September 27, 2020 are summarized below.

Metric	(Thousands)		
	Twelve months ended		% Change
	October 3, 2021	September 27, 2020	
Revenue	\$ 18,222	\$ 25,890	(29.6)
Gross Margin	\$ 2,520	\$ 6,088	(58.6)
Gross Margin %	13.8 %	23.5 %	(41.3)
Operating Income	\$ (494)	\$ 2,883	(117.1)
Gain (Loss) on Change Fair Value of Warrants	\$ 2,535	\$ (508)	(599.0)
Net Income (Loss) Applicable to Common Shareholders	\$ 1,471	\$ 1,227	19.9
Adjusted EBITDA (non-GAAP)	\$ (3)	\$ 3,328	(100.1)

During the previous eighteen months through October 3, 2021, we experienced a reduction in new orders and ending customer backlog in our Optex Richardson segment. We attribute the lower orders to a combination of factors including a COVID-19 driven slow-down of contract awards for both U.S. military sales and foreign military sales (FMS), primarily during the second half of fiscal year 2020, combined with significant shifting in defense spending budget allocations in US military sales and FMS away from Army ground system vehicles toward other military agency applications. In addition, the pandemic has caused several program delays throughout the defense supply chain as a result of plant shutdowns, employee illnesses, travel restrictions, remote work arrangements and similar supplier chain issues. Our Applied Optics Center segment experienced a significant decline in orders during the second half of fiscal year 2020, however during the last twelve months, the segment has seen a sizable increase in new orders as a result of increased military spending in Army infantry optical equipment and an increased customer base.

Backlog as of October 3, 2021 was \$27.3 million as compared to a backlog of \$16.3 million as of September 27, 2020, representing an increase of 67.5%. During fiscal year 2021, Optex Systems Holdings received new orders totaling \$29.2 million, a 65.9% increase, as compared to new orders of \$17.6 million during the prior year. The 2021 orders consist of \$7.6 million in support of our periscope product line, \$19.6 million attributable to the Applied Optics Center and \$1.2 million attributable to sighting systems and support, and \$0.8 million in other products.

We are seeing increases in demand and proposal activity for both laser coated filters and optical assemblies and anticipate additional order bookings for both our commercial and military products for deliveries beginning in fiscal year 2022. On August 2, 2021, the Company announced a contract award of \$8.4 million with a new customer as part of a twenty-four-month purchase order for laser filter units and on September 21, 2021, the Company announced a \$3 million commercial order for optical devices.

	(millions)		
	October 3, 2021	September 27, 2020	% Change
Backlog as of period end	\$ 27.3	\$ 16.3	67.5

We use adjusted earnings before interest, taxes, 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, which we do not consider relevant to our operations. 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 October 3, 2021 and September 27, 2020, in terms of both the GAAP net income measure and the non-GAAP adjusted EBITDA measure. We believe that including both measures provides information that is useful in evaluating our financial results across periods.

	(Thousands) Twelve months ended	
	October 3, 2021	September 27, 2020
Net Income - GAAP	\$ 2,131	\$ 1,825
Add:		
(Gain) Loss on Change in Fair Value of Warrants	(2,535)	508
Federal Income Tax (Benefit) Expense	(101)	531
Depreciation	263	248
Stock Compensation	228	197
Interest Expense	11	19
Adjusted EBITDA - Non GAAP	\$ (3)	\$ 3,328

Our Adjusted EBITDA decreased by \$3.3 million to \$0.0 million during the twelve months ended October 3, 2021 as compared to \$3.3 million during the twelve months ended September 27, 2020. The decrease in EBITDA is primarily driven by a decrease in revenue of \$7.7 million resulting in lower operating profit of \$3.4 million and other changes of (\$0.1) million.

On August 26, 2021, 3,936,391 outstanding warrants expired worthless, resulting in a \$2.5 million gain on change in fair value of warrants and the elimination of the balance sheet warrant liability.

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 October 3, 2021 filed with the SEC on December 20, 2021.

Optex Systems Holdings, Inc.
Consolidated Statements of Income

(Thousands, except share and per share data)

	Twelve months ended	
	October 3, 2021	September 27, 2020
Revenue	\$ 18,222	\$ 25,890
Cost of Sales	15,702	19,802
Gross Margin	2,520	6,088
General and Administrative Expense	3,014	3,205
Operating Income (Loss)	(494)	2,883
Gain (Loss) on Change in Fair Value of Warrants	2,535	(508)
Interest Expense	(11)	(19)
Other Income (Expense)	2,524	(527)
Income Before Taxes	2,030	2,356
Income Tax Expense (Benefit), net	(101)	531
Net Income	\$ 2,131	\$ 1,825
Deemed dividends on participating securities	(660)	(598)
Net income applicable to common shareholders	\$ 1,471	\$ 1,227
Basic income per share	\$ 0.18	\$ 0.14
Weighted Average Common Shares Outstanding - basic	8,241,021	8,464,572
Diluted income per share	\$ 0.18	\$ 0.14
Weighted Average Common Shares Outstanding - diluted	8,323,809	8,589,919

The accompanying notes in our Annual Report on Form 10-K for the year ended October 3, 2021 filed with the SEC on December 20, 2021 are an integral part of these financial statements.

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

		(Thousands, except share and per share data)	
		October 3, 2021	September 27, 2020
ASSETS			
Cash and Cash Equivalents	\$	3,900	\$ 4,700
Accounts Receivable, Net		3,183	2,953
Inventory, Net		7,583	8,791
Prepaid Expenses		262	229
Current Assets		14,928	16,673
Property and Equipment, Net		1,017	1,006
Other Assets			
Deferred Tax Asset		1,288	1,227
Right-of-use Asset		3,599	1,416
Security Deposits		23	23
Other Assets		4,910	2,666
Total Assets	\$	20,855	\$ 20,345
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts Payable	\$	551	\$ 833
Operating Lease Liability		528	417
Accrued Expenses		851	1,077
Warrant Liability		-	2,544
Accrued Warranty Costs		78	83
Customer Advance Deposits		-	1
Current Liabilities		2,008	4,955
Other Liabilities			
Credit Facility		-	377
Operating Lease Liability, net of current portion		3,133	1,037
Other Liabilities		3,133	1,414
Total Liabilities		5,141	6,369
Commitments and Contingencies		-	
Stockholders' Equity			
Common Stock - (\$0.001 par, 2,000,000,000 authorized, 8,523,704 and 8,795,869 shares issued, and 8,488,149 and 8,690,136 outstanding, respectively)		9	9
Treasury Stock (at cost, 35,555 and 105,733 shares held, respectively)		(69)	(200)
Additional Paid in capital		25,752	26,276
Accumulated Deficit		(9,978)	(12,109)
Stockholders' Equity		15,714	13,976
Total Liabilities and Stockholders' Equity	\$	20,855	\$ 20,345

The accompanying notes in our Annual Report on Form 10-K for the year ended October 3, 2021 filed with the SEC on December 20, 2021 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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