

August 13, 2024



Optex Systems Holdings, Inc. Announces Financial Highlights for the Three and Nine months Ended June 30, 2024

RICHARDSON, TX / ACCESSWIRE / August 13, 2024 /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 nine months ended June 30, 2024.

Danny Schoening, CEO of Optex Systems Holdings, Inc., commented, "It was an excellent quarter across the board. With supply chain constraints easing, automation efforts coming on line, and more appropriate staffing levels, we are shipping product at an increased velocity. I can't say enough about our employees' willingness to put in the extra effort to meet our customer's demands. Our products are mission critical and we thank the entire Optex team for their dedication."

Backlog as of June 30, 2024 was \$45.6 million. This compares to a backlog of \$41.8 million as of October 1, 2023, representing an increase of \$3.8 million, or 9.1%, and a backlog of \$41.6 million as of July 2, 2023, representing an increase of \$4.0 million, or 9.6%.

For the three months ended June 30, 2024, our total revenues increased by \$1.9 million, or 26.3%, compared to the prior year period. The increase in revenue was primarily driven by increased deliveries at both the Optex Richardson segment of \$1.6 million and the Applied Optics Center segment of \$0.3 million. For the nine months ended June 30, 2024, our total revenues increased by \$7.0 million, or 39.6%, compared to the prior year period. The increase in revenue was primarily driven by increased deliveries at both the Optex Richardson segment of \$4.6 million and the Applied Optics Center segment of \$2.4 million. The increase in revenue for the three and nine-month periods were driven by increased customer demand for military products across both operating segments partially offset by lower customer demand in commercial optical assemblies at the Applied Optics Center.

Consolidated gross profit for the three months ended June 30, 2024 increased by \$1.2 million, or 68.3%, compared to the prior year period. Consolidated gross profit for the nine months ended June 30, 2024 increased by \$3.1 million, or 78.8%, compared to the prior year period. The increase in the most recent three and nine-month period gross margin was primarily attributable to higher revenue spread across a fixed manufacturing cost base combined with changes in product mix and improved pricing and operating performance in both operating segments.

Our operating income for the three months ended June 30, 2024 increased by \$0.9 million, or 114.8%, compared to the prior year period. Our operating income for the nine months ended June 30, 2024 increased by \$2.4 million, or 224.4%, compared to the prior year period. The increase in operating income for the three and nine-month periods was primarily

driven by higher revenue and increased gross margin at both operating segments.

As of June 30, 2024, the Company had working capital of \$14.2 million, as compared to \$13.5 million as of October 1, 2023. During the nine months ended June 30, 2024, the Company had operating cash provided by operations of \$1.0 million, and spent \$0.5 million on acquisitions of property and equipment and \$1.0 million on the acquisition of intellectual property. During the period, our inventory increased \$3.0 million in support of new program awards and increasing revenues anticipated over the next twelve months.

At June 30, 2024, the Company had \$0.5 million in cash and an outstanding payable balance of \$1.0 million against its line of credit. At June 30, 2024, our outstanding accounts receivable balance was \$3.3 million.

Our key performance measures for the three and nine months ended June 30, 2024 and July 2, 2023 are summarized below.

(Thousands)						
Metric	Three months ended			Nine months ended		
	June 30, 2024	July 2, 2023	% Change	June 30, 2024	July 2, 2023	% Change
Revenue	\$ 9,060	\$ 7,172	26.3	\$ 24,552	\$ 17,582	39.6
Gross Profit	\$ 2,881	\$ 1,712	68.3	\$ 7,122	\$ 3,983	78.8
Gross Margin %	31.8 %	23.9 %	33.1	29.0 %	22.7 %	27.8
Operating Income	\$ 1,615	\$ 752	114.8	\$ 3,523	\$ 1,086	222.4
Net Income	\$ 1,261	\$ 579	118.9	\$ 2,754	\$ 832	231.0
Adjusted EBITDA (non-GAAP)	\$ 1,837	\$ 919	99.9	\$ 4,224	\$ 1,472	187.0

During the nine months ended June 30, 2024, the Company booked \$28.3 million in new orders, representing a 7.6% increase over the prior year period. The orders for the most recently completed nine months consist of \$18.5 million for our Optex Richardson segment and \$9.8 million attributable to the Applied Optics Center segment.

The table below summarizes our three and nine-month operating results for the periods ended June 30, 2024 and July 2, 2023, 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		Nine months ended	
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023
Net Income (GAAP)	\$ 1,261	\$ 576	\$ 2,754	\$ 832
Add:				
Federal Income Tax Expense	337	154	737	223
Depreciation	132	86	341	252
Stock Compensation	90	81	360	134
Interest Expense	17	22	32	31
Adjusted EBITDA - Non GAAP	\$ 1,837	\$ 919	\$ 4,224	\$ 1,472

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 \$0.7 million to \$1.3 million for the three months ended June 30, 2024, as compared to net income of \$0.6 million for the prior year period. Our adjusted EBITDA increased by \$0.9 million to \$1.8 million for the three months ended June 30, 2024, as compared to \$0.9 million for the prior year period. Our net income increased by \$1.9 million to \$2.8 million for the nine months ended June 30, 2024, as compared to a net income of \$0.8 million for the prior year period. Our adjusted EBITDA increased by \$2.7 million to \$4.2 million for the nine months ended June 30, 2024, as compared to \$1.5 million for the prior year period. The increase in the most recent three and nine-month period net income and adjusted EBITDA is primarily driven by increased revenue and gross profit, which was only partially offset by increased general and administrative expenses.

Highlights of the 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 Quarterly Report on Form 10-Q for the three and nine months ended June 30, 2024 filed with the SEC on August 13, 2024.

Optex Systems Holdings, Inc.
Condensed Consolidated Balance Sheets

	(Thousands, except share and per share data)	
	June 30, 2024	October 1, 2023
	(Unaudited)	
ASSETS		
Cash and Cash Equivalents	\$ 486	\$ 1,204
Accounts Receivable, Net	3,321	3,624
Inventory, Net	15,118	12,153
Contract Asset	237	336
Prepaid Expenses	316	219
Current Assets	19,478	17,536
Property and Equipment, Net	1,192	998
Other Assets		
Deferred Tax Asset	838	922
Intangible Assets, Net	969	-
Right-of-use Asset	2,362	2,740
Security Deposits	23	23
Other Assets	4,192	3,685
Total Assets	\$ 24,862	\$ 22,219

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities

Accounts Payable	\$ 1,709	\$ 810
Credit Facility	1,000	-
Operating Lease Liability	634	620
Federal Income Taxes Payable	-	247
Accrued Expenses	1,187	1,265
Accrued Selling Expense	250	336
Accrued Warranty Costs	36	75
Contract Loss Reserves	101	243
Customer Advance Deposits	320	481
	<u> </u>	<u> </u>

	5,237	4,077
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Current Liabilities

Other Liabilities

Credit Facility-Long Term	-	1,000
Operating Lease Liability, net of current portion	1,894	2,282
	<u> </u>	<u> </u>

	1,894	3,282
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Other Liabilities

	7,131	7,359
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Total Liabilities

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Commitments and Contingencies

Stockholders' Equity

Common Stock - (\$0.001 par, 2,000,000,000 authorized, 6,873,234 and 6,763,070 shares issued and outstanding, respectively)	7	7
Additional Paid in Capital	21,402	21,285
Accumulated Deficit	(3,678)	(6,432)
	<u>17,731</u>	<u>14,860</u>
Stockholders' Equity		
	<u>17,731</u>	<u>14,860</u>
Total Liabilities and Stockholders' Equity	<u>\$ 24,862</u>	<u>\$ 22,219</u>

The accompanying notes in our Quarterly Report on Form 10-Q for the three and nine months ended June 30, 2024 filed with the SEC on August 13, 2024 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		Nine months ended	
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenue	\$ 9,060	\$ 7,172	\$ 24,552	\$ 17,582
Cost of Sales	<u>6,179</u>	<u>5,460</u>	<u>17,430</u>	<u>13,599</u>
Gross Profit	2,881	1,712	7,122	3,983
General and Administrative Expense	<u>1,266</u>	<u>960</u>	<u>3,599</u>	<u>2,897</u>
Operating Income	1,615	752	3,523	1,086

Interest Expense	17	22	32	31
Income Before Taxes	1,598	730	3,491	1,055
Income Tax Expense	337	154	737	223
Net Income	\$ 1,261	\$ 576	\$ 2,754	\$ 832
Basic income per share	\$ 0.19	\$ 0.09	\$ 0.41	\$ 0.13
Weighted Average Common Shares Outstanding - basic	6,799,807	6,643,070	6,744,997	6,607,593
Diluted income per share	\$ 0.18	\$ 0.09	\$ 0.40	\$ 0.13
Weighted Average Common Shares Outstanding - diluted	6,888,208	6,686,211	6,812,431	6,642,604

The accompanying notes in our Quarterly Report on Form 10-Q for the three and nine months ended June 30, 2024 filed with the SEC on August 13, 2024 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 represent our expectations, beliefs, intentions or strategies concerning future events, including, but not limited to, any statements regarding growth strategy; product and development programs; financial performance and financial condition (including revenue, net income, profit margins and working capital); customer demand; orders and backlog; expected timing of contract deliveries to customers and corresponding revenue recognition; increases in the cost of materials and labor; costs remaining to fulfill contracts; contract loss reserves; labor shortages; follow-on orders; supply chain challenges; the continuation of historical trends; the sufficiency of our cash balances for future liquidity and capital resource needs; the expected impact of changes in accounting policies on our results of operations, financial condition or cash flows; anticipated problems and our plans for future operations; and the economy in general or the future of the defense industry.

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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