

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 29, 2026

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

OPTEX SYSTEMS HOLDINGS, INC.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or other jurisdiction
of incorporation)

001-41644
(Commission
File Number)

90-0609531
(IRS Employer
Identification No.)

1420 Presidential Drive, Richardson, TX
(Address of principal executive offices)

75081-2439
(Zip Code)

Registrant's telephone number, including area code: (972) 764-5700

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value	OPXS	The Nasdaq Stock Market LLC

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company as defined in Rule 12b-2 of the Exchange Act. Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of May 8, 2026: 6,959,873 shares of common stock.

OPTEX SYSTEMS HOLDINGS, INC.
FORM 10-Q

For the period ended March 29, 2026

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Part 1. Financial Information

Item 1. Unaudited Condensed Consolidated Financial Statements

OPTEX SYSTEMS HOLDINGS, INC.
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Optex Systems Holdings, Inc.
Condensed Consolidated Balance Sheets

	(Thousands, except share and per share data)	
	(Unaudited) March 29, 2026	September 28, 2025
ASSETS		
Cash and Cash Equivalents	\$ 4,164	\$ 6,389
Accounts Receivable, Net	5,657	4,569
Inventory, Net	15,636	14,322
Contract Asset	115	142
Prepaid Expenses	578	285
Current Assets	26,150	25,707
Property and Equipment, Net	2,089	1,427
Other Assets		
Deferred Tax Asset	1,098	1,199
Right-of-use Asset	1,500	1,700
Security Deposits	23	23
Other Assets	2,621	2,922
Total Assets	\$ 30,860	\$ 30,056
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	\$ 908	\$ 1,525
Operating Lease Liability	672	645
Federal Income Taxes Payable	-	87
Accrued Expenses	1,570	1,634
Accrued Selling Expense	134	141
Accrued Warranty Costs	25	162
Contract Loss Reserves	56	132
Customer Advance Deposits	227	234
Current Liabilities	3,592	4,560
Other Liabilities		
Operating Lease Liability, net of current portion	964	1,205
Total Liabilities	4,556	5,765
Commitments and Contingencies		
Stockholders' Equity		
Common Stock – (\$0.001 par, 2,000,000,000 authorized, 6,937,358 and 6,920,658 shares issued and outstanding, respectively)	7	7
Additional Paid in Capital	22,231	21,801
Retained Earnings	4,066	2,483
Stockholders' Equity	26,304	24,291
Total Liabilities and Stockholders' Equity	\$ 30,860	\$ 30,056

The accompanying notes are an integral part of these condensed consolidated financial statements

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

(Thousands, except share and per share data)

	Three months ended		Six months ended	
	March 29, 2026	March 30, 2025	March 29, 2026	March 30, 2025
Revenue	\$ 9,627	\$ 10,730	\$ 18,772	\$ 18,928
Cost of Sales	6,235	7,369	13,284	13,439
Gross Profit	3,392	3,361	5,488	5,489
General and Administrative Expense	1,728	1,124	3,675	2,336
Operating Income	1,664	2,237	1,813	3,153
Interest Income (Expense)	35	1	83	(12)
Income Before Taxes	1,699	2,238	1,896	3,141
Income Tax Expense, net	358	470	313	529
Net Income	\$ 1,341	\$ 1,768	\$ 1,583	\$ 2,612
Basic Income per Share	\$ 0.19	\$ 0.26	\$ 0.23	\$ 0.38
Weighted Average Common Shares Outstanding - basic	6,919,674	6,871,960	6,905,249	6,842,949
Diluted Income per Share	\$ 0.19	\$ 0.26	\$ 0.23	\$ 0.38
Weighted Average Common Shares Outstanding - diluted	6,925,172	6,893,231	6,940,620	6,902,912

The accompanying notes are an integral part of these condensed consolidated financial statements

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

	(Thousands)	
	Six months ended	Six months ended
	March 29, 2026	March 30, 2025
Cash Flows from Operating Activities:		
Net Income	\$ 1,583	\$ 2,612
Adjustments to Reconcile Net Income to Net Cash (used in) provided by Operating Activities:		
Depreciation and Amortization	187	255
Stock Compensation Expense	472	164
Deferred Tax Expense	101	196
Accounts Receivable	(1,088)	(475)
Inventory	(1,314)	941
Contract Asset	27	36
Prepaid Expenses	(293)	(190)
Leases	(15)	(4)
Accounts Payable and Accrued Expenses	(679)	602
Federal Income Taxes Payable	(87)	(74)
Accrued Warranty Costs	(137)	54
Accrued Selling Expense	(8)	(12)
Customer Advance Deposits	(7)	(87)
Contract Loss Reserves	(76)	(33)
Total Adjustments	(2,917)	1,373
Net Cash (used in) provided by Operating Activities	(1,334)	3,985
Cash Flows used in Investing Activities		
Purchase of Intangible Assets	-	(10)
Purchases of Property and Equipment	(849)	(453)
Net Cash used in Investing Activities	(849)	(463)
Cash Flows used in Financing Activities		
Cash Paid for Taxes Withheld on Net Settled Restricted Shares	(42)	-
Payments to Credit Facility	-	(1,000)
Net Cash used in Financing Activities	(42)	(1,000)
Net (Decrease) Increase in Cash and Cash Equivalents	(2,225)	2,522
Cash and Cash Equivalents at Beginning of Period	6,389	1,009
Cash and Cash Equivalents at End of Period	\$ 4,164	\$ 3,531
Supplemental Cash Flow Information		
Cash Transactions		
Cash Paid for Taxes	\$ 451	\$ 608
Cash Received for Interest	83	-
Cash Paid for Interest	-	12
Non Cash Transactions		
Right-of-Use Asset	77	-
Operating Lease Liabilities	(77)	-

The accompanying notes are an integral part of these condensed consolidated financial statements

Optex Systems Holdings, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(Thousands, except share data)
(Unaudited)

	Three months ended March 29, 2026				
	Common Shares Issued	Common Stock	Additional Paid in Capital	Retained Earnings	Total Stockholders Equity
Balance at December 28, 2025	6,937,358	\$ 7	\$ 22,013	\$ 2,725	\$ 24,745
Stock Compensation Expense	-	-	260	-	260
Taxes on Vested Restricted Shares ⁽¹⁾	-	-	(42)	-	(42)
Net Income	-	-	-	1,341	1,341
Balance at March 29, 2026	6,937,358	\$ 7	\$ 22,231	\$ 4,066	\$ 26,304

	Three months ended March 30, 2025				
	Common Shares Issued	Common Stock	Additional Paid in Capital	Accumulated Deficit	Total Stockholders Equity
Balance at December 30, 2024	6,896,738	\$ 7	\$ 21,557	\$ (1,820)	\$ 19,744
Stock Compensation Expense	-	-	72	-	72
Net Income	-	-	-	1,768	1,768
Balance at March 30, 2025	6,896,738	\$ 7	\$ 21,629	\$ (52)	\$ 21,584

	Six months ended March 29, 2026				
	Common Shares Issued	Common Stock	Additional Paid in Capital	Retained Earnings	Total Stockholders Equity
Balance at September 28, 2025	6,920,658	\$ 7	\$ 21,801	\$ 2,483	\$ 24,291
Stock Compensation Expense	-	-	472	-	472
Restricted Board Shares Issued ⁽²⁾	16,700	-	-	-	-
Taxes on Vested Restricted Shares ⁽¹⁾	-	-	(42)	-	(42)
Net Income	-	-	-	1,583	1,583
Balance at March 29, 2026	6,937,358	\$ 7	\$ 22,231	\$ 4,066	\$ 26,304

	Six months ended March 30, 2025				
	Common Shares Issued	Common Stock	Additional Paid in Capital	Accumulated Deficit	Total Stockholders Equity
Balance at September 30, 2024	6,873,938	\$ 7	\$ 21,465	\$ (2,664)	\$ 18,808
Stock Compensation Expense	-	-	164	-	164
Restricted Board Shares Issued ⁽³⁾	22,800	-	-	-	-
Net Income	-	-	-	2,612	2,612
Balance at March 30, 2025	6,896,738	\$ 7	\$ 21,629	\$ (52)	\$ 21,584

(1) Taxes paid on 10,000 restricted shares vested on January 1, 2026 for Chad George.

(2) Restricted share grant on November 4, 2025 to independent board members of 4,000 shares each, and December 5, 2025 of 4,700 shares to Danny Schoening, which will vest on January 1, 2027.

(3) Restricted share grant on November 5, 2024 to independent board members of 7,600 shares each, which vested on January 1, 2026.

The accompanying notes are an integral part of these condensed consolidated financial statements

Note 1 - Organization and Operations

Optex Systems Holdings, Inc. (together with its subsidiaries, the "Company," "Optex Systems Holdings," "we," "us," and "our") manufactures optical sighting systems and assemblies for the United States ("U.S.") Department of Defense, foreign military applications and commercial markets. Our products are installed on a variety of U.S. military land vehicles, such as the Abrams and Bradley fighting vehicles, light armored and advanced security vehicles, and have been selected for installation on the Stryker family of vehicles. The Company also manufactures and delivers numerous periscope configurations, rifle and surveillance sights and night vision optical assemblies. Optex Systems Holdings' products consist primarily of build to customer print products that are delivered both directly to the military and to other defense prime contractors or commercial customers. The Company's consolidated revenue for the six months ended March 29, 2026 was derived from U.S. prime military contractors (67%), military sales to the U.S. government (26%), foreign military contractors (4%), and commercial customers (3%). Approximately 96% of the total company revenue is generated from domestic customers and 4% is derived from foreign customers, primarily in Canada and Israel. Optex Systems Holdings' operations are based in Dallas and Richardson, Texas in leased facilities comprising 93,967 square feet. As of March 29, 2026, Optex Systems Holdings operated with 134 full-time equivalent employees.

Note 2 - Accounting Policies**Basis of Presentation**

Principles of Consolidation: The condensed consolidated financial statements include the accounts of Optex Systems Holdings and its wholly-owned subsidiary, Optex Systems, Inc. All significant inter-company balances and transactions have been eliminated in consolidation.

The condensed consolidated financial statements of Optex Systems Holdings included herein have been prepared by Optex Systems Holdings, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in conjunction with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements and the notes thereto included in the Optex Systems Holdings' Form 10-K for the year ended September 28, 2025 and other reports filed with the SEC.

The accompanying unaudited interim condensed consolidated financial statements reflect all adjustments of a normal and recurring nature which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows of Optex Systems Holdings for the interim periods presented. The results of operations for these periods are not necessarily comparable to, or indicative of, results of any other interim period or for the fiscal year taken as a whole. Certain information that is not required for interim financial reporting purposes has been omitted.

Inventory: As of March 29, 2026 and September 28, 2025, inventory included:

	(Thousands)	
	March 29, 2026	September 28, 2025
Raw Material	\$ 10,484	\$ 9,394
Work in Process	6,388	6,063
Finished Goods	729	788
Gross Inventory	\$ 17,601	\$ 16,245
Less: Inventory Reserve	(1,965)	(1,923)
Net Inventory	\$ 15,636	\$ 14,322

Cash and Cash Equivalents: For financial statement presentation purposes, Optex Systems Holdings considers those short-term, highly liquid investments with original maturities of three months or less to be cash or cash equivalents. As of March 29, 2026 and September 28, 2025, Optex Systems Holdings has \$4.2 million and \$6.4 million in cash on deposit with our banks, respectively. As of March 29, 2026 and September 28, 2025, \$3.1 million and \$4.3 million of our cash balance, respectively, was carried in a money market account with an annual interest rate of 3.8%. For the six months ended March 29, 2026 and September 28, 2025, the total interest income under the money market account was \$83 thousand and zero, respectively. Only a portion of the cash, currently \$250 thousand, would be covered by federal deposit insurance and the uninsured balances are substantially greater than the insured amounts.

Concentration of Credit Risk: Optex Systems Holdings' revenue for the quarter ended March 29, 2026 was derived from sales to U.S. government agencies (26%), five major U.S. defense contractors (21%, 15%, 11%, 7%, and 6%), and all other customers (14%). The Company does not believe that this concentration results in undue credit risk because of the financial strength of the obligees.

Accrued Warranties: Optex Systems Holdings accrues product warranty liabilities based on the historical return rate against period shipments as they occur and reviews and adjusts these accruals quarterly for any significant changes in estimated costs or return rates. The accrued warranty liability includes estimated costs to repair or replace returned warranty backlog units currently in-house plus estimated costs for future warranty returns that may be incurred against warranty covered products previously shipped as of the period end date. As of March 29, 2026, and September 28, 2025, the Company had warranty reserve balances of \$25 and \$162 thousand, respectively. As of March 29, 2026, the Company reviewed the prior twelve month history of customer returns and incurred costs for warranties and determined that reserves for the Applied Optics Center daywindows and optical assemblies were no longer necessary due to the low return and repair costs. As such, the estimate for preexisting warranty liabilities was reduced by \$143 thousand. The Company keeps a warranty reserve of \$25 thousand to cover small return items which are generally expensed as incurred.

The table below summarizes the warranty activity for the three and six months ended March 29, 2026 and March 30, 2025.

	(Thousands)			
	Three months ended		Six Months ended	
	March 29, 2026	March 30, 2025	March 29, 2026	March 30, 2025
Beginning balance	\$ 168	\$ 22	\$ 162	\$ 52
Incurring costs for warranties satisfied during the period	-	-	-	-
Warranty Expenses:				
Warranties reserved for new product shipped during the period ⁽¹⁾	-	13	6	25
Change in estimate for pre-existing warranty liabilities ⁽²⁾	(143)	71	(143)	29
Warranty Expense	(143)	84	(137)	54
Ending balance	\$ 25	\$ 106	\$ 25	\$ 106

(1) Warranty expenses accrued to cost of sales (based on current period shipments and historical warranty return rate.)

(2) Changes in estimated warranty liabilities recognized in cost of sales associated with: the period end customer returned warranty backlog, or the actual costs of repaired/replaced warranty units which were shipped to the customer during the current period.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from the estimates.

Fair Value of Financial Instruments: Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of the financial statement presentation date.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are carried at, or approximate, fair value as of the reporting date because of their short-term nature. The Texas Capital Facility (as defined below) is reported at fair value as it bears market rates of interest.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value and requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs reflecting the reporting entity's own assumptions.

The accounting guidance establishes a hierarchy which requires an entity to maximize the use of quoted market prices and minimize the use of unobservable inputs. An asset or liability's level is based on the lowest level of input that is significant to the fair value measurement. Fair value estimates are reviewed at the origination date and again at each applicable measurement date and interim or annual financial reporting dates, as applicable for the financial instrument, and are based upon certain market assumptions and pertinent information available to management at those times.

Revenue Recognition: The majority of the Company's contracts and customer orders originate with fixed determinable unit prices for each deliverable quantity of goods defined by the customer order line item (performance obligation) and include the specific due date for the transfer of control and title of each of those deliverables to the customer at pre-established payment terms, which are generally within thirty to sixty days from the transfer of title and control. We have elected to account for shipping and handling costs as fulfillment costs after the customer obtains control of the goods. In addition, the Company has one ongoing service contract which relates to optimized weapon system support (OWSS) and includes ongoing program maintenance, repairs and spare inventory support for the customer's existing fleet units in service during the duration of the contract. Revenue recognition for this program has been recorded by the Company, and compensated by the customer, at fixed monthly increments over time, consistent with the defined contract maintenance period. During the three- and six-month periods ended March 29, 2026, we recognized \$132 and \$265, respectively, in service contract revenue. During the three and six month-periods ended March 30, 2025, we recognized \$126 thousand and \$252 thousand, respectively, in service contract revenue.

During the three and six months ended March 29, 2026, we recognized \$16 thousand and \$7 thousand, respectively, of revenue from customer deposit liabilities (deferred contract revenue). During the three- and six-month periods ended March 30, 2025, we recognized \$42 thousand and \$87 thousand, respectively, of revenue from customer deposit liabilities (deferred contract revenue). As of March 29, 2026 and September 28, 2025, customer deposit liabilities were \$227 thousand and \$234 thousand, respectively.

As of March 29, 2026 and September 28, 2025, there was \$134 thousand and \$141 thousand in accrued selling expenses, respectively, and \$115 thousand and \$142 thousand, respectively, in contract assets related to a contract booked in November 2022. The selling costs are amortized against the revenue for the contract deliveries which began in the first half of fiscal year 2024 and are expected to extend through fiscal year 2026. During the three months ended March 29, 2026 and March 30, 2025, we booked zero and \$12 thousand of selling expenses against the contract asset for shipments against the contract, respectively. During the six months ended March 29, 2026 and March 30, 2025, we booked \$8 thousand and \$36 thousand of selling expenses against the contract asset for shipments against the contract, respectively.

Contract Loss Reserves: The Company records loss provisions in the event that the current estimated total revenue against a contract and the total estimated cost remaining to fulfill the contract indicate a loss upon completion. When the estimated costs indicate a loss, we record the entire value of the loss against the contract loss reserve in the period the determination is made. The Company has one long-term fixed price contract that is currently indicative of a loss condition due to recent inflationary pressures on material and labor, combined with increased manufacturing overhead costs. The contract has deliveries scheduled through January of 2027. As of March 29, 2026 and September 28, 2025, the accrued contract loss reserves were \$56 thousand and \$132 thousand, respectively.

During the three and six months ended March 29, 2026, the Company recognized zero and \$174 thousand, respectively, in new loss reserves against two long-term Indefinite Delivery Indefinite Quantity contracts, made shipments resulting in reductions of \$111 thousand and \$191 thousand, respectively, against existing loss reserves, and recognized a reduction due to a change in estimate of \$59 thousand with respect to existing loss reserves. During the three and six months ended March 30, 2025, the Company recognized \$11 thousand and \$18 thousand in loss reserves on new contract awards, changes in estimates for the contract loss reserves of (\$10) thousand and \$4 thousand and applied reserves of \$8 thousand and \$47 thousand to cost of sales against revenue booked during the periods, respectively. As of March 29, 2026, one of the loss contracts was completed and the Company had one remaining loss contract on its backlog with an expired ordering period that is no longer subject to new contract task awards.

Income Tax/Deferred Tax: As of March 29, 2026 and September 28, 2025, the Company had a net carrying value of \$1.1 million and \$1.2 million in deferred tax assets, respectively, represented by deferred tax assets of \$1.9 million and \$2.0 million, respectively, and a deferred tax asset valuation allowance of \$0.8 million and \$0.8 million, respectively, against those assets. The valuation allowance has been established due to historical losses resulting in a Net Operating Loss Carryforward for each of the fiscal years 2011 through 2016 which cannot be fully recognized due to an IRS Section 382 limitation related to a change in control.

Earnings per Share: Basic earnings per share is computed by dividing income available for common shareholders (the numerator) by the weighted average number of common shares outstanding (the denominator) for the period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

The Company has potentially dilutive securities outstanding, which include unvested restricted stock units and unvested shares of restricted stock. The Company uses the Treasury Stock Method to compute the dilutive effect of any dilutive shares. Unvested restricted stock units and shares of restricted stock that are anti-dilutive are excluded from the calculation of diluted earnings per common share.

For the three and six months ended March 29, 2026, 67,000 shares of unvested restricted stock units and 16,700 unvested restricted shares (which convert to an aggregate of 5,498 and 35,371 incremental dilutive shares, respectively), were included in the diluted earnings per share calculation as dilutive. For the three and six months ended March 29, 2026, 67,500 market-based shares were excluded from the diluted earnings per share calculation as the vesting price was higher than the market price.

For the three and six months ended March 30, 2025, 22,800 shares of unvested restricted stock and 59,000 unvested restricted stock units (which convert to an aggregate of 21,271 and 59,963 incremental shares), respectively, were included in the diluted earnings per share calculation as dilutive.

Note 3 - Segment Reporting

The Company's two reportable segments, Applied Optics Center ("Applied Optics Center" or "AOC") and Optex Systems – Richardson ("Optex Richardson"), are strategic businesses offering similar products to similar markets and customers; however, they are operated and managed separately due to differences in manufacturing technology, equipment, geographic location, and specific product mix. Applied Optics Center was acquired as a unit, and management at the time of the acquisition was retained.

The Applied Optics Center segment also serves as the key supplier of laser coated filters used in the production of periscope assemblies for the Optex Richardson segment. Intersegment sales and transfers are accounted for at annually agreed to pricing rates based on estimated segment product cost, which includes segment direct manufacturing and general and administrative costs but exclude profits that would apply to third party external customers.

The Chief Operating Decision Maker ("CODM"), which is our Chief Executive Officer ("CEO"), uses segment revenue, cost of sales and net operating income to assess the Company's performance and allocation of resources. For the periods ended March 29, 2026 and March 30, 2025, the Company's CODMs were Chad George and Danny Schoening, respectively. Danny Schoening resigned his position as CEO effective as of December 20, 2025, at which time Chad George assumed the position of CEO and CODM.

A summary of segment performance for the three months and six months ended March 29, 2026 and March 30, 2025 is included in the tables below:

	<i>Results of Operations Selective Financial Information</i>							
	(Thousands)							
	March 29, 2026				March 30, 2025			
	Three months ended				Three months ended			
	Optex Richardson	Applied Optics Center Dallas	Other (non-allocated costs and eliminations)	Consolidated	Optex Richardson	Applied Optics Center Dallas	Other (non-allocated costs and eliminations)	Consolidated
Revenue from External Customers	\$ 6,245	\$ 3,382	\$ -	\$ 9,627	\$ 6,319	\$ 4,411	\$ -	\$ 10,730
Intersegment Revenue	-	369	(369)	-	-	322	(322)	-
Total Segment Revenue	6,245	3,751	(369)	9,627	6,319	4,733	(322)	10,730
Total Cost of Sales	4,291	2,313	(369)	6,235	4,667	3,024	(322)	7,369
Gross Profit	1,954	1,438	-	3,392	1,652	1,709	-	3,361
Gross Margin %	31.3%	38.3%	-	35.2%	26.1%	36.1%	-	31.3%
General and Administrative Expense	1,114	354	260	1,728	869	183	72	1,124
Segment Allocated G&A Expense	(424)	424	-	-	(328)	328	-	-
Net General & Administrative Expense	690	778	260	1,728	541	511	72	1,124
Operating Income (Loss)	1,264	660	(260)	1,664	1,111	1,198	(72)	2,237
Operating Income (Loss) %	20.2%	17.6%	-	17.3%	17.6%	25.3%	-	20.8%
Interest Income (Expense)	-	-	35	35	-	-	1	1
Income (Loss) before taxes	\$ 1,264	660	(225)	1,699	1,111	1,198	(71)	2,238
Income (Loss) before taxes %	20.2%	17.6%	-	17.6%	17.6%	25.3%	-	20.9%

Results of Operations Selective Financial Information

(Thousands)

	March 29, 2026				March 30, 2025			
	Optex Richardson	Applied Optics Center Dallas	Other (non-allocated costs and eliminations)	Consolidated	Optex Richardson	Applied Optics Center Dallas	Other (non-allocated costs and eliminations)	Consolidated
Revenue from External Customers	\$ 11,570	\$ 7,202	\$ -	\$ 18,772	\$ 9,734	\$ 9,194	\$ -	\$ 18,928
Intersegment Revenue	-	586	(586)	-	-	593	(593)	-
Total Segment Revenue	11,570	7,788	(586)	18,772	9,734	9,787	(593)	18,928
Total Cost of Sales	8,282	5,588	(586)	13,284	7,755	6,277	(593)	13,439
Gross Profit	3,288	2,200	-	5,488	1,979	3,510	-	5,489
Gross Margin %	28.4%	28.2%	-	29.2%	20.3%	35.9%	-	29.0%
General and Administrative Expense	2,470	733	472	3,675	1,808	364	164	2,336
Segment Allocated G&A Expense	(839)	839	-	-	(655)	655	-	-
Net General & Administrative Expense	1,631	1,572	472	3,675	1,153	1,019	164	2,336
Operating Income (Loss)	1,657	628	(472)	1,813	826	2,491	(164)	3,153
Operating Income (Loss) %	14.3%	8.1%	-	9.7%	8.5%	25.5%	-	16.7%
Interest Income (Expense)	-	-	83	83	-	-	(12)	(12)
Income (Loss) before taxes	\$ 1,657	628	(389)	1,896	826	2,491	(176)	3,141
Income (Loss) before taxes %	14.3%	8.1%	-	10.1%	8.5%	25.5%	-	16.6%

Optex Richardson (OPX) – Richardson, Texas

Optex Richardson revenue is primarily in support of prime and subcontracted military customers. Approximately 94% of the Optex Richardson segment revenue is comprised of domestic military customers, and 6% is comprised of foreign military customers. For the six months ended March 29, 2026, Optex Richardson represented 62% of the Company's total consolidated revenue and consisted of revenue from the U.S. Government (24%), and two major U.S. defense contractors (16% and 15%).

Optex Richardson is located in Richardson Texas, with leased premises consisting of approximately 49,100 square feet. As of March 29, 2026, the Richardson facility operated with 90 full-time equivalent employees in a single shift operation. The facilities at Optex Richardson serve as the home office for both the Optex Richardson and Applied Optics Center segments.

Applied Optics Center – Dallas, Texas

The Applied Optics Center serves primarily domestic U.S. customers. Sales to commercial customers represent 8% and military sales to prime and subcontracted customers represent 92% of the total external segment revenue for the six months ended March 29, 2026. Approximately 92% of the AOC revenue was derived from external customers and approximately 8% was related to intersegment sales to Optex Richardson in support of military contracts. For the six months ended March 29, 2026, AOC represented 38% of the Company's total consolidated revenue and consisted of revenue from three major defense contractors representing 11%, 7% and 6% of the Company's consolidated revenue, respectively.

The Applied Optics Center is located in Dallas, Texas with leased premises consisting of approximately 44,867 square feet of space. As of March 29, 2026, AOC operated with 44 full-time equivalent employees in a single shift operation.

The financial tables below present information on the reportable segments' profit or loss for each period, as well as segment assets as of each period end. The Company does not allocate interest expense, income taxes or unusual items to segments. A summary of segment performance for the three and six months ended March 29, 2026 and March 30, 2025 is included in the tables below:

	Reportable Segment Financial Information			
	(thousands)			
	As of and for the three months ended March 29, 2026			
	Optex Richardson	Applied Optics Center Dallas	Other (non-allocated costs and intersegment eliminations)	Consolidated Total
Revenue from external customers	\$ 6,245	\$ 3,382	\$ -	\$ 9,627
Intersegment revenue	-	369	(369)	-
Total revenue	\$ 6,245	\$ 3,751	\$ (369)	\$ 9,627
Interest income	-	-	35	35
Depreciation and amortization	34	63	-	97
Income before taxes	1,264	660	(225)	1,699
Other significant noncash items:				
Allocated home office expense	(424)	424	-	-
Stock compensation expense	-	-	260	260
Warranty expense	-	(143)	-	(143)
Segment assets	22,484	8,376	-	30,860
Expenditures for segment assets	294	99	-	393

Reportable Segment Financial Information
(thousands)

As of and for the three months ended March 30, 2025

	Optex Richardson	Applied Optics Center Dallas	Other (non-allocated costs and intersegment eliminations)	Consolidated Total
Revenue from external customers	\$ 6,319	\$ 4,411	\$ -	\$ 10,730
Intersegment revenue	\$ -	\$ 322	\$ (322)	\$ -
Total revenue	\$ 6,319	\$ 4,733	\$ (322)	\$ 10,730
Interest income	\$ -	\$ -	\$ 1	\$ 1
Depreciation and amortization	\$ 67	\$ 59	\$ -	\$ 126
Income before taxes	\$ 1,111	\$ 1,198	\$ (71)	\$ 2,238
Other significant noncash items:				
Allocated home office expense	\$ (328)	\$ 328	\$ -	\$ -
Stock compensation expense	\$ -	\$ -	\$ 72	\$ 72
Warranty expense	\$ -	\$ 84	\$ -	\$ 84
Segment assets	\$ 19,313	\$ 8,164	\$ -	\$ 27,477
Expenditures for segment assets	\$ 134	\$ -	\$ -	\$ 134

Reportable Segment Financial Information
(thousands)

As of and for the six months ended March 29, 2026

	Optex Richardson	Applied Optics Center Dallas	Other (non-allocated costs and intersegment eliminations)	Consolidated Total
Revenue from external customers	\$ 11,570	\$ 7,202	\$ -	\$ 18,772
Intersegment revenue	\$ -	\$ 586	\$ (586)	\$ -
Total revenue	\$ 11,570	\$ 7,788	\$ (586)	\$ 18,772
Interest income	\$ -	\$ -	\$ 83	\$ 83
Depreciation and amortization	\$ 68	\$ 119	\$ -	\$ 187
Income before taxes	\$ 1,657	\$ 628	\$ (389)	\$ 1,896
Other significant noncash items:				
Allocated home office expense	\$ (839)	\$ 839	\$ -	\$ -
Stock compensation expense	\$ -	\$ -	\$ 472	\$ 472
Warranty expense	\$ -	\$ (137)	\$ -	\$ (137)
Segment assets	\$ 22,484	\$ 8,376	\$ -	\$ 30,860
Expenditures for segment assets	\$ 318	\$ 531	\$ -	\$ 849

Reportable Segment Financial Information
(thousands)

As of and for the six months ended March 30, 2025

	Optex Richardson	Applied Optics Center Dallas	Other (non-allocated costs and intersegment eliminations)	Consolidated Total
Revenue from external customers	\$ 9,734	\$ 9,194	\$ -	\$ 18,928
Intersegment revenue	-	593	(593)	-
Total revenue	\$ 9,734	\$ 9,787	\$ (593)	\$ 18,928
Interest expense	-	-	(12)	(12)
Depreciation and amortization	131	124	-	255
Income before taxes	826	2,491	(176)	3,141
Other significant noncash items:				
Allocated home office expense	(655)	655	-	-
Stock compensation expense	-	-	164	164
Warranty expense	-	54	-	54
Segment assets	19,313	8,164	-	27,477
Expenditures for segment assets	218	245	-	463

Note 4 - Commitments and Contingencies

Non-cancellable Operating Leases

Optex Systems Holdings leases its office and manufacturing facilities for the Optex Systems, Inc., Richardson location and the Applied Optics Center Dallas location. The Company also leases certain office equipment under non-cancellable operating leases.

The facility leased by Optex Systems, Inc. located at 1420 Presidential Drive, Richardson, Texas consists of 49,100 square feet of space at the premises. The previous lease term for this location expired March 31, 2021 and the monthly base rent was \$24.6 thousand through March 31, 2021. On January 11, 2021 the Company executed a sixth amendment extending the terms of the lease for eighty-six (86) months, commencing on April 1, 2021 and ending on May 31, 2028. The initial base rent is set at \$25.3 thousand and escalates 3% on April 1 each year thereafter. The initial term included 2 months of rent abatement for April and May of 2021. The monthly rent includes approximately \$15 thousand for additional Common Area Maintenance fees and taxes ("CAM"), to be adjusted annually based on actual expenses incurred by the landlord.

The facility leased by Applied Optics Center located at 9839 and 9827 Chartwell Drive, Dallas, Texas, consists of 44,867 square feet of space at the premises. The previous lease term for this location expired on October 31, 2021 and the monthly base rent was \$21.9 thousand through the end of the lease. On January 11, 2021 the Company executed a first amendment extending the terms of the lease for eighty-six (86) months, commencing on November 1, 2021 and ending on December 31, 2028. The initial base rent is set at \$23.6 thousand as of January 1, 2022 and escalates 2.75% on January 1 each year thereafter. The initial term included two months of rent abatement for November and December of 2021. The amendment provides for a five-year renewal option at the end of the lease term at the greater of the then "prevailing rental rate" or the then current base rental rate. Our obligations to make payments under the lease are secured by a \$125,000 standby letter of credit. The monthly rent includes approximately \$9 thousand for additional CAM, to be adjusted annually based on actual expenses incurred by the landlord.

The Company had one non-cancellable office equipment lease with a commencement date of October 1, 2018 and a term of 39 months. The lease cost for the equipment was \$1.5 thousand per month from October 1, 2018 through December 31, 2021. The lease was renewed on November 18, 2021 for an additional 48 months at a cost of \$1.2 thousand per month. On December 11, 2025, the Company entered into a new non-cancellable office equipment lease agreement with Datamax Inc. for seven copy machines. The lease cost for the equipment is \$1.7 thousand per month from January 1, 2026 through December 31, 2030. During the six-month period ended March 29, 2026, the Company recognized \$77 thousand in right-of-use assets, and lease liabilities as a result of the agreement.

As of March 29, 2026, the remaining minimum base lease and estimated CAM payments under the non-cancellable office equipment and facility space leases are as follows:

Fiscal Year	(Thousands)			Consolidated	
	Optex Richardson	Applied Optics Center	Office Equipment	Total Lease Payments	Total Variable CAM Estimate
2026 Base year lease	\$ 176	\$ 158	\$ 11	\$ 345	\$ 146
2027 Base year lease	357	322	22	701	293
2028 Base year lease	241	330	22	593	209
2029 Base year lease	-	83	22	105	30
2030 Base year lease	-	-	5	5	-
Total base lease payments	\$ 774	\$ 893	\$ 82	\$ 1,749	\$ 678
Imputed interest on lease payments ⁽¹⁾	(42)	(61)	(10)	(113)	
Total Operating Lease Liability⁽²⁾	\$ 732	\$ 832	\$ 72	\$ 1,636	
Right-of-use Asset⁽³⁾	\$ 663	\$ 765	\$ 72	\$ 1,500	

(1) Assumes a discount borrowing rate of 5.0% on the facilities lease amendments effective as of January 11, 2021 and 6.7% on the office equipment lease agreement effective as of December 11, 2025.

(2) Short-term and long-term portions of Operating Lease Liability are \$672 thousand and \$964 thousand, respectively.

(3) Includes \$136 thousand of unamortized deferred rent.

Total expense under both facility lease agreements for the three months ended March 29, 2026 and March 30, 2025 was \$235 thousand and \$245 thousand, respectively. Total office equipment rentals included in operating expenses were \$19 thousand and \$7 thousand for the three months ended March 29, 2026 and March 30, 2025, respectively.

Total expense under both facility lease agreements for the six months ended March 29, 2026 and March 30, 2025 was \$475 thousand and \$469 thousand, respectively. Total office equipment rentals included in operating expenses were \$26 thousand and \$14 thousand for the six months ended March 29, 2026 and March 30, 2025, respectively.

Note 5 - Debt Financing

Credit Facility — Texas Capital Bank

On March 22, 2023, the Company and Optex Systems, Inc. (collectively, the "Borrowers") entered into a Business Loan Agreement with Texas Capital Bank (the "Lender"), pursuant to which the Lender makes available to the Borrowers a revolving line of credit in the principal amount of \$3 million.

The commitment period for advances under the facility expired on May 22, 2025. Outstanding advances under the facility accrued interest at a rate equal to the secured overnight financing rate ("SOFR") plus a specified margin, subject to a specified floor interest rate. The related agreement provided for a \$125 thousand letter of credit sublimit.

On May 21, 2025, the Company and Optex Systems, Inc. renewed their existing credit facility with the Lender by entering into a new Business Loan Agreement (the "Loan Agreement"), effective May 22, 2025, pursuant to which the Lender will continue to make available a revolving line of credit in the principal amount of \$3 million (the "Texas Capital Facility"). The commitment period for advances under the Texas Capital Facility is twenty-four months, expiring on May 22, 2027 (the "Maturity Date"). Outstanding advances under the Texas Capital Facility will accrue interest at a variable rate equal to SOFR plus a specific margin. The interest rate is currently 6.4% per annum.

The Loan Agreement contains customary events of default and negative covenants, including but not limited to those governing capital expenditures (limited to \$1 million per year), indebtedness and liens, affiliate transactions, fundamental changes (including change in management), investments, and restricted payments (including dividends). The Loan Agreement also requires the Borrowers to maintain a fixed charge coverage ratio of at least 1.25:1 and a total leverage ratio of 3.00:1. The Texas Capital Facility is secured by substantially all of the operating assets of the Borrowers as collateral. The Borrowers' obligations under the Texas Capital Facility are subject to acceleration upon the occurrence of an event of default as defined in the Loan Agreement. The Loan Agreement further provides for a \$125,000 Letter of Credit sublimit. As of March 29, 2026, the Company is in compliance with all covenants.

There were no borrowings or payments against the line of credit during the three and six months ended March 29, 2026. During the three and six months ended March 29, 2026, the Company paid zero against the outstanding loan balance. The outstanding balance under the Texas Capital Facility was zero as of March 29, 2026 and March 30, 2025.

For the three and six months ended March 29, 2026, the interest expense under the Texas Capital Facility was zero. For the three and six months ended March 30, 2025, the interest expense under the Texas Capital Facility was \$1 thousand and \$12 thousand, respectively. During the three months ended March 30, 2025, the Company received \$1 thousand in an interest expense refund for overcharged interest during the previous period.

Note 6 - Stock Based Compensation

Restricted Stock, Market-Based Shares and Restricted Stock Units issued to Directors, Officers and Employees

The following table summarizes the status of Optex Systems Holdings' aggregate non-vested restricted stock and restricted stock units, and market-based shares:

	Restricted Stock Units	Weighted Average Grant Date Fair Value	Restricted Shares	Weighted Average Grant Date Fair Value	Market-Based Shares	Weighted Average Grant Date Fair Value
Outstanding at September 29, 2024	66,500	\$ 5.56	60,000	\$ 2.20	-	-
Granted	39,000	6.35	32,800	9.29	-	-
Vested	(24,000)	5.17	(60,000)	2.20	-	-
Forfeited	(7,500)	5.19	-	-	-	-
Outstanding at September 28, 2025	74,000	\$ 6.11	32,800	\$ 9.29	-	-
Granted	2,000	14.15	16,700	16.06	67,500	10.06
Vested	-	-	(32,800)	9.29	-	-
Forfeited	(9,000)	6.16	-	-	-	-
Outstanding at March 29, 2026	67,000	\$ 6.35	16,700	\$ 16.06	67,500	\$ 10.06

Restricted Stock Units

On May 1, 2024, the Company granted an aggregate of 39,000 restricted stock units to 11 employees under the Company's 2023 Equity Incentive Plan (the "2023 Plan"). As of the grant date, assuming a 7.7% forfeiture rate based on expected turnover across the three years, the aggregate value of the restricted stock units is \$258 thousand which will be amortized across the three-year period on a straight-line basis. The restricted stock units will vest at a rate of 33.33% annually on the anniversary date of the grant and any unvested restricted stock units will be forfeited if employment terminates prior to the relevant vesting date. On June 4, 2024 there was an additional grant of 500 restricted stock units to one employee with a fair value of \$4 thousand. The 500 restricted stock units will vest 100% on the anniversary date of the grant and will be forfeited if employment terminates prior to the relevant vesting date. On July 3, 2024 there was an additional grant of 1,000 restricted stock units to one employee with a fair value of \$7 thousand. The 1,000 restricted stock units will vest 100% on the anniversary date of the grant and will be forfeited if employment terminates prior to the relevant vesting date.

During the twelve months ended September 28, 2025, there were 24,000 shares vested and 7,500 shares forfeited under the 2023 Plan.

On May 1, 2025, the Company granted an aggregate of 39,000 restricted stock units to 11 employees under the 2023 Plan. As of the grant date, assuming a 12.8% forfeiture rate based on expected turnover across the three years, the aggregate value of the restricted stock units is \$216 thousand which will be amortized across the three-year period on a straight-line basis. The restricted stock units will vest at a rate of 33.33% on each of the first, second and third anniversaries of the date of the grant and any unvested restricted stock units will be forfeited if employment terminates prior to the relevant vesting date.

On October 15, 2025, the Company granted 1,000 restricted stock units to one employee under the 2023 Plan. As of the grant date, the fair value of the restricted stock units is \$15 thousand which will be amortized across the twelve-month period on a straight-line basis. The restricted stock units will vest on October 15, 2026 and any unvested restricted stock units will be forfeited if employment terminates prior to the vesting date.

On January 5, 2026, the Company granted 1,000 restricted stock units to one employee under the 2023 Plan. As of the grant date, the fair value of the restricted stock units is \$13 thousand which will be amortized across the twelve-month period on a straight-line basis. The restricted stock units will vest on January 5, 2026 and any unvested restricted stock units will be forfeited if employment terminates prior to the vesting date.

On January 5, 2026 and January 23, 2026, there were 3,000 and 6,000 restricted stock units, respectively, that were forfeited due to employee departures prior to the vesting date.

As of March 29, 2026, there were 67,000 unvested restricted stock units outstanding.

Restricted Shares

On April 30, 2020, the Board of Directors voted to increase the annual board compensation for the three independent directors from \$22,000 to \$36,000 with an effective date of January 1, 2020, in addition to granting 100,000 shares of restricted stock to each independent director which vest at a rate of 20% per year (20,000 shares) each January 1st through January 1, 2025. The total fair value for the 300,000 shares was \$525 thousand based on the stock price of \$1.75 as of April 30, 2020. On each of January 1, 2021, January 1, 2022, and January 1, 2023, 60,000 of the restricted director shares vested. On February 16, 2023, 40,000 of the unvested restricted shares were forfeited and cancelled when one of the independent directors departed the Board. On May 9, 2023, the Board of Directors approved a grant of 40,000 shares of restricted stock to independent board member Dayton Judd. The shares vest 50% on each of December 31, 2023 and January 1, 2025. As of the grant date, the fair value of the shares was \$124 thousand, to be amortized on a straight-line basis through December 31, 2024. The Company amortizes the grant date fair value to stock compensation expense on a straight-line basis across the five-year and two-year vesting periods beginning on April 30, 2020 and May 9, 2023, respectively. As of December 29, 2024, there were 60,000 of such unvested restricted shares outstanding which vested January 1, 2025.

On November 5, 2024, the Board approved the following Board compensation for the three independent directors, effective January 1, 2025: (a) a cash payment of \$44,000, and (b) \$66,000 in restricted stock awarded under the 2023 Plan, with 100% vesting on January 1, 2026, the share price calculated on the basis of the 10-day VWAP, and the number of shares rounded up to the nearest 100 shares. The restricted stock award was made on November 5, 2024 and consisted of 7,600 shares of restricted stock for each independent director. The total fair value for the 22,800 shares was \$185 thousand based on the stock price of \$8.10 as of November 5, 2024. As of December 28, 2025, there were 22,800 of such unvested restricted shares outstanding, which vested on January 1, 2026.

On August 11, 2025, the Board approved an award to Chad George of 10,000 shares of restricted stock under the Company's 2023 Plan pursuant to his employment as Optex Systems Holdings, Inc.'s President. The total fair value for the 10,000 shares was \$120 thousand based on the stock price of \$12.00 as of August 12, 2025. As of December 28, 2025, there were 10,000 of such unvested restricted shares outstanding which vested on January 1, 2026.

On November 4, 2025, the Board approved the following Board compensation for the three independent directors, effective January 1, 2026: (a) a cash payment of \$44,000, and (b) \$66,000 in restricted stock awarded under the 2023 Plan, with 100% vesting on January 1, 2027, the share price calculated on the basis of the 10-day (immediately preceding and including the date of grant) VWAP, and the number of shares rounded up to the nearest 100 shares. The restricted stock award was made on November 4, 2025 and consisted of 4,000 shares of restricted stock for each independent director. The total fair value for the 12,000 shares was \$201 thousand based on the stock price of \$16.74 as of November 4, 2025. As of March 29, 2026, there were 12,000 of such unvested restricted shares outstanding, which will vest on January 1, 2027.

On December 5, 2025, the Board approved the annual director compensation for Danny Schoening, effective January 1, 2026: (a) \$44,000 in cash and (b) \$66,000 in restricted stock granted as of December 5, 2025 under the Company's 2023 Plan, with 100% vesting on January 1, 2027, the share price calculated on the basis of the 10-day (immediately preceding and including the date of grant) VWAP, and the number of shares rounded up to the nearest 100 shares. The restricted stock award was made on December 5, 2025 and consisted of 4,700 shares of restricted stock. The total fair value for the shares was \$67 thousand based on the stock price of \$14.33 as of December 5, 2025. As of March 29, 2025, there were 4,700 of such unvested restricted shares outstanding, which will vest on January 1, 2027.

On January 1, 2026, 32,800 restricted shares vested, and as of March 29, 2026, there were 16,700 restricted shares remaining to vest on January 1, 2027.

Market-Based Shares

Effective December 18, 2025, the Board approved a grant of 50,000 and 17,500 market-based shares to Chad George, the Company's President and CEO, and Karen Hawkins, the Company's Chief Financial Officer, respectively, pursuant to the Company's 2023 Plan. Each market-based share represents a contingent right to receive one share of the Company's common stock. The market-based shares vest in five equal increments if, in each case and during a performance period beginning on December 18, 2025 and ending on September 29, 2030, the average VWAP per share of common stock over a 30 consecutive trading day period equals or exceeds \$17.54, \$21.05, \$25.26, \$30.31, or \$36.37. The fair value of the market-based shares as of the grant date is \$679 thousand to be amortized over the estimated service period based on a Monte Carlo simulation.

As of March 29, 2026, there were 67,500 market-based shares remaining to vest.

The assumptions and results for the Monte Carlo simulation employed for the market-based shares are as follows:

	Assumptions
Performance Period Start	12/18/2025
Performance Period End	9/30/2030
Time steps in simulation	1,205
Time steps per year	252
Common share price at valuation date ⁽¹⁾	\$ 13.60
Dividend yield ⁽²⁾	0.0%
Volatility (annual) ⁽³⁾	52.5%
Risk-free rate (annual) ⁽⁴⁾	3.64%
Cost of equity ⁽⁵⁾	12.0%

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
Number of Market-Based shares in the Tranche ⁽⁶⁾	13,500	13,500	13,500	13,500	13,500
Fair Value of One Market-Based share ⁽⁷⁾	\$ 12.08	\$ 11.16	\$ 10.12	\$ 9.02	\$ 7.90
Total Fair Value of Tranche	\$ 163,051	\$ 150,633	\$ 136,669	\$ 121,713	\$ 106,662
Derived Service Period (Years) ⁽⁷⁾	0.66	1.12	1.58	2.01	2.37

- (1) Closing price of OPXS shares on the Valuation Date, as obtained via S&P Capital IQ.
(2) Expected dividends provided by management.
(3) Based on historical volatility of OPXS and comparable public companies.
(4) Interest rate for US Treasury commensurate with the market-based shares holding period, as of the Valuation Date, as obtained via S&P Capital IQ.
(5) Estimated cost of equity for OPXS as of the Valuation Date.
(6) Based on the terms of the Market-Based shares agreement issued by the Company on December 18, 2025 and effective December 18, 2025.
(7) Based on Monte Carlo simulation.

Stock Based Compensation Expense

Equity compensation is amortized based on a straight-line basis across the vesting or service period as applicable. The recorded compensation costs for restricted shares granted and restricted stock units and market-based shares awarded as well as the unrecognized compensation costs are summarized in the table below:

	Stock Compensation (thousands)					
	Recognized Compensation Expense				Unrecognized Compensation Expense	
	Three months ended		Six months ended		As of period ended	
	March 29, 2026	March 30, 2025	March 29, 2026	March 30, 2025	March 29, 2026	September 28, 2025
Restricted Shares	\$ 60	\$ 40	\$ 204	\$ 99	\$ 176	\$ 112
Performance Shares	143	-	160	-	519	-
Restricted Stock Units	57	32	108	65	263	342
Total Stock Compensation	\$ 260	\$ 72	\$ 472	\$ 164	\$ 958	\$ 454

The unrecognized compensation expense for restricted shares, market-based shares and restricted stock units as of March 29, 2026, is expected to be recognized over a weighted-average period of 0.8 years, 1.4 and 2.2 years, respectively.

Note 7 - Stockholders' Equity

Dividends

No dividends were declared or paid during the three and six months ended March 29, 2026 or the twelve months ended September 28, 2025.

Common stock

During the six months ended March 29, 2026, the Company issued 16,700 restricted shares to four board members which will vest on January 1, 2027.

During the six months ended March 30, 2025, the Company issued 22,800 restricted shares to three independent board members which vested on January 1, 2026.

On February 9, 2026, the Board of Directors of the Company terminated the Company's existing stock repurchase program and approved a new stock repurchase program pursuant to which the Company may purchase up to \$10,000,000 in shares of the Company's outstanding common stock (the "Repurchase Program"). The Repurchase Program allows the Company to purchase common stock from time to time through, among other methods, open market purchases, privately negotiated transactions, and/or pursuant to Rule 10b5-1 trading plans, subject to applicable securities laws and other legal requirements and relevant factors. The number of shares purchased and the timing of any purchases will depend upon a number of factors, including the price and availability of the Company's common stock and general market conditions. The Repurchase Program may be modified, suspended or terminated at any time, without prior notice. During the three and six months ended March 29, 2026 and March 30, 2025, there were no stock repurchases under the Repurchase Program.

As of March 29, 2026 and September 28, 2025, the total issued and outstanding common shares were 6,937,358 and 6,920,658, respectively.

Note 8 - Subsequent Events

On May 1, 2026, the Company issued 22,515 shares to nine employees in connection with 32,000 shares vested under the 2023 Plan, net of withholding.

On May 4, 2026, the Company granted an aggregate of 28,500 restricted stock units to thirteen employees under the 2023 Plan. As of the grant date, assuming a 15.8% forfeiture rate based on expected turnover across the next three years, the aggregate value of the restricted stock units is \$260 thousand, which will be amortized across the three-year period on a straight-line basis. The restricted stock units will vest at a rate of 33.33% on each of the first, second and third anniversaries of the date of the grant, and any unvested restricted stock units will be forfeited if employment terminates prior to the relevant vesting date.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") reflects information known to management as of the quarter ended March 29, 2026, and the date of filing. This MD&A is intended to supplement and complement our audited consolidated financial statements and notes thereto for the fiscal year ended September 28, 2025 and our unaudited condensed consolidated financial statements and notes thereto for the quarter ended March 29, 2026, prepared in accordance with U.S. generally accepted accounting principles (GAAP). You are encouraged to read our condensed consolidated financial statements in conjunction with this MD&A. The financial information in this MD&A has been prepared in accordance with GAAP, unless otherwise indicated. In addition, we use non-GAAP financial measures as supplemental indicators of our operating performance and financial position. We use these non-GAAP financial measures internally for comparing actual results from one period to another, as well as for planning purposes. We will also report non-GAAP financial results as supplemental information, as we believe their use provides more insight into our performance. When a non-GAAP measure is used in this MD&A, it is clearly identified as a non-GAAP measure and reconciled to the most closely corresponding GAAP measure.

The following discussion highlights the principal factors that have affected our financial condition and results of operations as well as our liquidity and capital resources for the periods described. This discussion contains forward-looking statements. Please see "Item 2. Cautionary Note Regarding Forward-Looking Information" and "Item 1A. Risk Factors" for a discussion of the uncertainties, risks and assumptions associated with these forward-looking statements. The operating results for the periods presented were not significantly affected by inflation.

Cautionary Note Regarding Forward-Looking Information

This Quarterly Report on Form 10-Q by Optex Systems Holdings, Inc. ("Optex Systems Holdings," the "Company," "we," "us," or "our"), in particular the MD&A, contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Any statements contained in this Quarterly Report on Form 10-Q that are not statements of historical fact may be deemed to be forward-looking statements. When used in this Quarterly Report on Form 10-Q and other reports, statements, and information we have filed with the Securities and Exchange Commission ("Commission" or "SEC"), in our press releases, presentations to securities analysts or investors, or in oral statements made by or with the approval of an executive officer, the words or phrases "believes," "may," "will," "expects," "should," "continue," "anticipates," "intends," "will likely result," "estimates," "projects" or similar expressions and variations thereof are intended to identify such forward-looking statements.

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); 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.

We caution that these statements by their nature involve risks and uncertainties, certain of which are beyond our control, and actual results may differ materially depending on a variety of important factors. 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. Some of these risks and uncertainties are identified in this Management's Discussion and Analysis of Financial Condition and Results of Operations and the section "Risk Factors" in our Annual Report on Form 10-K and you are urged to review those sections. 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.

We do not assume the obligation to update any forward-looking statement. You should carefully evaluate such statements in light of factors described in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K.

Background

Our wholly-owned subsidiary, Optex Systems, Inc., manufactures optical sighting systems and assemblies, primarily for United States (“U.S.”) 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 and light armored and advanced security vehicles, and have been selected for installation on the Stryker family of vehicles. Optex Systems, Inc. also manufactures and delivers numerous periscope configurations, rifle and surveillance sights and night vision optical assemblies. Optex Systems, Inc. products consist primarily of build-to-customer print products that are delivered both directly to the armed services and to other defense prime contractors. Less than 1% of revenue is related to the resale of products substantially manufactured by others. In this case, the product would likely be a simple replacement part of a larger system previously produced by Optex Systems, Inc.

We are both a prime and sub-prime contractor to the DoD. Sub-prime contracts are typically issued through major defense contractors such as General Dynamics Land Systems, Raytheon Corp., BAE, ADS Inc. and others. We are also a military supplier to foreign governments such as Israel, Australia and South American countries and a subcontractor for several large U.S. defense companies serving foreign governments.

The Federal Acquisition Regulation (“FAR”) is the principal set of regulations that govern the acquisition process of government agencies and contracts with the U.S. government. In general, parts of the FAR are incorporated into government solicitations and contracts by reference as terms and conditions effecting contract awards and pricing solicitations.

Many of our contracts are prime or subcontracted directly with the U.S. Government and, as such, are subject to FAR Subpart 49.5, “Contract Termination Clauses” and more specifically FAR clauses 52.249-2 “Termination for Convenience of the Government (Fixed-Price)”, and 49.504 “Termination of fixed-price contracts for default”. These clauses are standard clauses on our prime military contracts and generally apply to us as subcontractors. It has been our experience that the termination for convenience is rarely invoked, except where it is mutually beneficial for both parties. We are currently not aware of any material pending terminations for convenience or for default on our existing contracts.

In the event a termination for convenience were to occur, FAR clause 52.249-2 provides for full recovery of all contractual costs and profits reasonably occurred up to and as a result of the terminated contract. In the event a termination for default were to occur, we could be liable for any excess cost incurred by the government to acquire supplies from another supplier similar to those terminated from us. We would not be liable for any excess costs if the failure to perform the contract arises from causes beyond the control and without the fault or negligence of the Company as defined by FAR clause 52.249-8.

Material Trends and Recent Developments

We have had numerous fixed price multi-year contracts covering delivery periods up to five years from the contract award. Since fiscal year 2021, we have experienced substantial increases in the costs of aluminum, steel, gold and acrylic commodities, which have affected both the Optex Richardson and Applied Optics segment margins for deliveries against those orders during the year ended September 28, 2025 and during the first half of 2026. As of March 29, 2026, all but one of these legacy fixed price contracts have been completed, and the sole contract that remains active represents approximately 1% of our contract backlog, is for items priced prior to fiscal year 2021, and is in a loss condition due to cost increases.

See also “*Item 1A. Risk Factors – Risks Related to Our Business - Certain of our products are dependent on specialized sources of supply potentially subject to disruption which could have a material, adverse impact on our business*” in our Annual Report on Form 10-K for the year ended September 28, 2025.

A substantial portion of the Company’s revenue is derived from contracts with the U.S. Government, which are subject to annual congressional appropriations. Failure by Congress to pass appropriations legislation by October 1, the beginning of the U.S. Government’s fiscal year, often results in a continuing resolution (“CR”). A CR may delay the award of new contracts, the exercise of contract options, and the initiation of new programs, which could materially and adversely affect the Company’s operating results and future revenue.

From October 1, 2025 through November 12, 2025, the U.S. federal government was in a shutdown as Congress did not pass appropriations legislation for fiscal year 2026. On November 10, 2025, Congress passed a CR that funded the federal government at existing spending levels through January 30, 2026. On February 3, 2026, Congress passed and the President signed an appropriations bill funding the majority of U.S. Government operations for fiscal year 2026. This legislation excluded the Department of Homeland Security, which remains subject to further negotiations.

The Company did not experience a material decline in total consolidated contract awards during the first six months of fiscal year 2026. However, certain contract awards for specific products were delayed from the first fiscal quarter into the second fiscal quarter of 2026. As a result, revenue associated with these awards was deferred into the second half of fiscal year 2026.

We currently do not anticipate any significant material risks as a result of the recent tariff uncertainties. Our defense products are primarily sourced domestically, but those which are imported are primarily duty free. We produce some commercial optical assemblies with selective components sourced from Taiwan; however, our existing customer backlog is covered with existing material in inventory. We anticipate any future orders for these commercial products will have updated pricing inclusive of any tariff impact.

We refer also to “*Item 1. Business – Market Opportunity: U.S. Military*” in our Annual Report on Form 10-K for the year ended September 28, 2025 for a description of current trends in U.S. government military spending and its potential impact on the Company, which may be material, including particularly the tables included in that section and disclosure on the significant reduction in spending for U.S. ground system military programs, in combination with the U.S. Government shutdown and CR which has a direct impact on the Company’s revenue, all of which is incorporated herein by reference.

Furthermore, geopolitical conflicts in the Middle East, including heightened military actions involving the United States, Israel, and Iran beginning in February 2026, have contributed to increased oil prices and supply imbalances in global oil and natural gas markets. Prolonged disruption in these markets could result in higher pricing for acrylic raw materials used in the manufacture of the Company’s periscope and vision block products, which could adversely affect operating results if sustained over the longer term. The Company is actively monitoring conditions affecting its acrylic material supply arrangements and, based on current information, does not expect a material near-term impact.

Results of Operations

Segment Information

We have presented the operating results by segment to provide investors with an additional tool to evaluate our operating results and to have a better understanding of the overall performance of each business segment. Management of Optex Systems Holdings uses the selected financial measures by segment internally to evaluate its ongoing segment operations and to allocate resources within the organization accordingly. Segments are determined based on differences in products, location, internal reporting and how operational decisions are made. Management has determined that Optex Richardson, our Richardson plant ("Optex Richardson"), and the Applied Optics Center ("Applied Optex Center" or "AOC"), our Dallas plant, are separately managed, organized, and internally reported as separate business segments. The tables below provides a summary of selective statement of operations data by operating segment for the three and six months ended March 29, 2026 and March 30, 2025 reconciled to the Condensed Consolidated Results of Operations as presented in Item 1, "Condensed Consolidated Financial Statements."

Results of Operations Selective Financial Information (Thousands)

	March 29, 2026				March 30, 2025			
	Optex Richardson	Applied Optics Center Dallas	Other (non-allocated costs and eliminations)	Consolidated	Optex Richardson	Applied Optics Center Dallas	Other (non-allocated costs and eliminations)	Consolidated
Revenue from External Customers	\$ 6,245	\$ 3,382	\$ -	\$ 9,627	\$ 6,319	\$ 4,411	\$ -	\$ 10,730
Intersegment Revenue	-	369	(369)	-	-	322	(322)	-
Total Segment Revenue	6,245	3,751	(369)	9,627	6,319	4,733	(322)	10,730
Total Cost of Sales	4,291	2,313	(369)	6,235	4,667	3,024	(322)	7,369
Gross Profit	1,954	1,438	-	3,392	1,652	1,709	-	3,361
Gross Margin %	31.3%	38.3%	-	35.2%	26.1%	36.1%	-	31.3%
General and Administrative Expense	1,114	354	260	1,728	869	183	72	1,124
Segment Allocated G&A Expense	(424)	424	-	-	(328)	328	-	-
Net General & Administrative Expense	690	778	260	1,728	541	511	72	1,124
Operating Income (Loss)	1,264	660	(260)	1,664	1,111	1,198	(72)	2,237
Operating Income (Loss) %	20.2%	17.6%	-	17.3%	17.6%	25.3%	-	20.8%
Interest Income (Expense)	-	-	35	35	-	-	1	1
Income (Loss) before taxes	\$ 1,264	660	(225)	1,699	1,111	1,198	(71)	2,238
Income (Loss) before taxes %	20.2%	17.6%	-	17.6%	17.6%	25.3%	-	20.9%

Results of Operations Selective Financial Information

(Thousands)

	March 29, 2026				March 30, 2025			
	Optex Richardson	Applied Optics Center Dallas	Other (non-allocated costs and eliminations)	Consolidated	Optex Richardson	Applied Optics Center Dallas	Other (non-allocated costs and eliminations)	Consolidated
Revenue from External Customers	\$ 11,570	\$ 7,202	\$ -	\$ 18,772	\$ 9,734	\$ 9,194	\$ -	\$ 18,928
Intersegment Revenue	-	586	(586)	-	-	593	(593)	-
Total Segment Revenue	11,570	7,788	(586)	18,772	9,734	9,787	(593)	18,928
Total Cost of Sales	8,282	5,588	(586)	13,284	7,755	6,277	(593)	13,439
Gross Profit	3,288	2,200	-	5,488	1,979	3,510	-	5,489
Gross Margin %	28.4%	28.2%	-	29.2%	20.3%	35.9%	-	29.0%
General and Administrative Expense	2,470	733	472	3,675	1,808	364	164	2,336
Segment Allocated G&A Expense	(839)	839	-	-	(655)	655	-	-
Net General & Administrative Expense	1,631	1,572	472	3,675	1,153	1,019	164	2,336
Operating Income (Loss)	1,657	628	(472)	1,813	826	2,491	(164)	3,153
Operating Income (Loss) %	14.3%	8.1%	-	9.7%	8.5%	25.5%	-	16.7%
Interest Income (Expense)	-	-	83	83	-	-	(12)	(12)
Income (Loss) before taxes	\$ 1,657	628	(389)	1,896	826	2,491	(176)	3,141
Income (Loss) before taxes %	14.3%	8.1%	-	10.1%	8.5%	25.5%	-	16.6%

Revenue

For the three months ended March 29, 2026, consolidated revenue decreased by \$1.1 million, or 10.3%, compared to the same period in the prior year. The decrease was primarily attributable to a \$1.0 million decline in revenue at the Applied Optics Center.

For the six months ended March 29, 2026, consolidated revenue decreased by \$0.2 million, or 0.8%, compared to the same period in the prior year. The decrease was primarily driven by a \$2.0 million decline in revenue at the Applied Optics Center, partially offset by a \$1.8 million increase in revenue at Optex Richardson.

The decrease in revenue was primarily attributable to the federal government shutdown during October and November 2025 and the delayed enactment of the annual appropriations bill, which was not approved until February 3, 2026. These events delayed contract awards and deferred anticipated revenue into the second half of fiscal year 2026.

Gross Profit

Consolidated gross profit for the three months ended March 29, 2026 increased slightly compared to the same period in the prior year despite lower revenue. The increase was primarily attributable to the completion of legacy loss-making contracts at Optex Richardson, which were replaced by more favorably priced contracts, and favorable adjustments to warranty and contract loss accruals at the Applied Optics Center. These adjustments resulted from lower-than-expected customer return rates and costs below estimated losses associated with our day window program. Consolidated gross margin increased to 35.2%, compared to 31.3% in the prior-year period.

For the six months ended March 29, 2026, consolidated gross profit was relatively unchanged compared to the same period in the prior year. Gross profit at the Applied Optics Center decreased primarily due to higher cost of sales resulting from increased contract loss reserves, higher gold prices used in the coating process for one product line, and fixed manufacturing costs spread over lower revenue. This decrease was offset by higher gross profit at Optex Richardson, reflecting the completion of loss-making contracts and increased revenue from more favorably priced programs. Consolidated gross margin increased slightly to 29.2%, compared to 29.0% in the prior-year period.

Operating Income

Operating income for the three months ended March 29, 2026 decreased by \$0.6 million compared to the same period in the prior year. The decrease was primarily attributable to higher general and administrative expenses, which increased by \$0.6 million. The increase consisted of approximately \$0.2 million in higher labor and fringe benefit costs, \$0.2 million in increased stock-based compensation expense, and \$0.2 million in higher legal expenses, royalties, information technology support services, research and development costs, consulting fees, and other expenses. Higher labor costs were primarily attributable to the addition of the Optex Richardson General Manager position and other staffing and organizational changes within engineering and administrative functions.

Operating income for the six months ended March 29, 2026 decreased by \$1.3 million compared to the same period in the prior year. The decrease primarily resulted from a \$1.3 million increase in general and administrative expenses, consisting of approximately \$0.7 million in higher labor and fringe benefit costs, \$0.3 million in increased stock-based compensation expense, and \$0.3 million in higher professional fees, information technology support services, research and development costs, consulting fees, and other expenses. Higher labor costs were primarily attributable to executive leadership transition costs, including overlapping compensation associated with the former and current Chief Executive Officer ("CEO"), the addition of the Optex Richardson General Manager position, and other organizational changes.

Management expects general and administrative expenses to remain elevated as the Company continues to realign its organizational structure to support increased research and development activity, comply with Cybersecurity Maturity Model Certification (CMMC) requirements, and enhance internal software reporting systems.

Non-GAAP Adjusted EBITDA

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 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").

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.

The table below summarizes our three-month and six-month operating results for the periods ended March 29, 2026 and March 30, 2025, 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	
	March 29, 2026	March 30, 2025	March 29, 2026	March 30, 2025
Net Income (GAAP)	\$ 1,341	\$ 1,768	\$ 1,583	\$ 2,612
Add:				
Non-recurring General and Administrative Expenses ⁽¹⁾	14	-	291	-
Federal Income Tax Expense	358	470	313	529
Depreciation and Amortization	97	126	187	255
Stock Compensation	260	72	472	164
Interest (Income) Expense	(35)	(1)	(83)	12
Adjusted EBITDA – Non-GAAP	\$ 2,035	\$ 2,435	\$ 2,763	\$ 3,572

(1) See description below for what is included in Non-recurring General and Administrative Expenses.

Net income declined in both the quarter and year-to-date periods ended March 29, 2026, reflecting a deliberate step-up in corporate overhead during a leadership transition. Quarterly net income decreased by \$0.4 million to \$1.4 million from \$1.8 million, and year-to-date net income decreased by \$1.0 million to \$1.6 million from \$2.6 million. The primary cause was higher general and administrative expense, partially offset by higher interest income and lower federal income taxes.

Adjusted EBITDA also trended lower, consistent with the net income decline. Quarterly Adjusted EBITDA decreased \$0.4 million to \$2.0 million from \$2.4 million, and year-to-date Adjusted EBITDA decreased \$0.8 million to \$2.8 million from \$3.6 million.

The Company incurred increased non-recurring general and administrative expenses of \$0.3 million, primarily due to higher salaries and benefits resulting from executive leadership changes. These changes included Chad George's transition to President and CEO following Danny Schoening's, retirement effective December 20, 2025, as well as the temporary double-staffing of certain senior roles during their retirement transition periods to allow for training and knowledge transfer.

During the three-month and six-month periods ended March 29, 2026, the Company incurred approximately \$0.2 million and \$0.3 million in additional stock-based compensation compared to the same periods in the prior year. This increase was primarily attributable to the issuance of market-based equity awards to the Company's CEO and Chief Financial Officer on December 18, 2025. The fair value of these awards totaled \$679 thousand as of the grant date and is being amortized over the estimated service period based on a Monte Carlo valuation model.

Depreciation and amortization expense decreased by approximately \$0.03 million and \$0.1 million for the three-month and six-month periods ended March 29, 2026, respectively, compared to the corresponding prior year periods. This decline was primarily driven by the write-off of intangible assets related to the Speedtracker product line acquisition on September 29, 2025, which eliminated the associated amortization expense. The reduction was partially offset by increased depreciation related to the acquisition of new capital equipment during the current year.

Operating segment performance is discussed in greater detail throughout the following sections.

New Orders and Backlog

Product backlog represents the value of unfulfilled customer manufacturing orders yet to be recognized as revenue. While backlog is not a non-GAAP financial measure, it is also not defined by GAAP. Therefore, our methodology for calculating backlog may not be consistent with methodologies used by other companies. The booked backlog by period may also not be fully indicative of the predicted revenue for those periods as many of our orders provide for accelerated delivery without penalty and may additionally provide customers the option to adjust schedules to meet their most recent projected demand quantities. However, we provide customer order and backlog information as we believe it provides significant insight into forward demand, with some predictive power to short term future revenue.

During the six months ended March 29, 2026, the Company booked \$16.3 million in new orders, representing a 3.8% increase compared to the prior year period orders of \$15.7 million. The orders for the most recently completed six months consist of \$7.4 million for our Optex Richardson segment and \$8.9 million attributable to the Applied Optics Center segment.

The following table depicts the new customer orders for the six months ending March 29, 2026 as compared to the prior year period in millions of dollars:

Product Line	(Millions)			
	Six months ended March 29, 2026	Six months ended March 30, 2025	Variance	% Chg
Periscopes	\$ 6.3	\$ 6.7	\$ (0.4)	(6.0)%
Sighting Systems	0.4	0.4	-	-%
Other	0.7	1.8	(1.1)	(61.1)%
Optex Systems – Richardson	7.4	8.9	(1.5)	(16.9)%
Optical Assemblies	2.5	0.7	1.8	257.1%
Laser Filters	4.2	4.3	(0.1)	(2.3)%
Day Windows	0.1	0.6	(0.5)	(83.3)%
Other	2.1	1.2	0.9	75.0%
Applied Optics Center – Dallas	8.9	6.8	2.1	30.9%
Total Customer Orders	\$ 16.3	\$ 15.7	\$ 0.6	3.8%

Orders for the Optex Richardson segment decreased by \$1.5 million, or 16.9%, from the prior year period, primarily as a result lower customer demand for periscopes and other optical assemblies.

In contrast, orders for the Applied Optics Center increased by \$2.1 million, or 30.9%, compared to the prior-year period. The increase was primarily driven by new orders for commercial optical assemblies and higher demand for specialty coating products. Orders for the Applied Optics Center may fluctuate from quarter to quarter due to factors such as government funding levels and the timing of orders from key customers.

Backlog as of March 29, 2026 was \$36.6 million as compared to a backlog of \$41.1 million as of March 30, 2025, representing a decrease of 10.9%. The following table depicts the current expected delivery by quarter of all contracts awarded as of March 29, 2026, as well as the March 29, 2026 backlog as compared to the backlog on March 30, 2025.

Product Line	Q3 2026	Q4 2026	2026 Delivery	2027+ Delivery	Total Backlog 3/29/2026	Total Backlog 3/30/2025	Variance	% Chg
Periscopes	\$ 3.1	\$ 4.6	\$ 7.7	\$ 5.1	\$ 12.8	\$ 21.1	\$ (8.3)	(39.3)%
Sighting Systems	2.6	0.4	3.0	1.8	4.8	3.5	1.3	37.1%
Howitzer	-	-	-	2.3	2.3	2.3	-	-%
Other	1.2	2.9	4.1	1.2	5.3	4.1	1.2	29.3%
Optex Systems - Richardson	6.9	7.9	14.8	10.4	25.2	31.0	(5.8)	(18.7)%
Optical Assemblies	0.8	0.9	1.7	0.4	2.1	0.4	1.7	425.0%
Laser Filters	2.6	2.6	5.2	1.8	7.0	7.3	(0.3)	(4.1)%
Day Windows	0.2	0.1	0.3	0.2	0.5	1.1	(0.6)	(54.5)%
Other	1.1	0.7	1.8	-	1.8	1.3	0.5	38.5%
Applied Optics Center - Dallas	4.7	4.3	9.0	2.4	11.4	10.1	1.3	12.9%
Total Backlog	\$ 11.6	\$ 12.2	\$ 23.8	\$ 12.8	\$ 36.6	\$ 41.1	\$ (4.5)	(10.9)%

Optex Richardson backlog declined to \$25.2 million as of March 29, 2026, a decrease of \$5.8 million, or 18.7%, compared to the prior year. The decrease primarily reflects the planned completion of several long-duration periscope contracts in the first half of the fiscal year, combined with shifts in government defense spending priorities and increased competitive pressure following the entry of a new market participant in select periscope products. The reduction in periscope backlog is somewhat offset by increased backlog in sighting systems for the XM30 program and muzzle reference systems in our other product lines.

Applied Optics Center backlog as of March 29, 2026 was \$11.4 million as compared to a backlog of \$10.1 million as of March 30, 2025, representing an increase of \$1.3 million, or 12.9%. The increase in backlog for the Applied Optics Center is primarily due to new orders received for our commercial optical assemblies. We attribute the increase in orders to the timing of customer replenishment orders and higher demand in the first half of the current year as compared to the prior year first half.

Please refer to "Material Trends" above or "Liquidity and Capital Resources" below for more information on recent developments and trends with respect to our orders and backlog, which information is incorporated herein by reference.

The Company continues to pursue domestic, international and commercial opportunities in addition to maintaining its current footprint with U.S. vehicle manufacturers, with existing as well as new product lines. We are also reviewing potential products outside our traditional product lines, which could be manufactured using our current production facilities in order to capitalize on our existing excess capacity.

Three Months Ended March 29, 2026 Compared to the Three Months Ended March 30, 2026

Revenue. For the three months ended March 29, 2026, revenue decreased by \$1.1 million or 10.3% compared to the prior year period as set forth in the table below:

Product Line	Three months ended (Thousands)			
	March 29, 2026	March 30, 2025	Variance	% Chg
Periscopes	\$ 4,215	\$ 5,432	\$ (1,217)	(22.4)%
Sighting Systems	665	321	344	107.2%
Other	1,365	566	799	141.2%
Optex Systems - Richardson	6,245	6,319	(74)	(1.2)%
Optical Assemblies	262	504	(242)	(48.0)%
Laser Filters	2,023	2,951	(928)	(31.4)%
Day Windows	279	285	(6)	(2.1)%
Other	818	671	147	21.9%
Applied Optics Center - Dallas	3,382	4,411	(1,029)	(23.3)%
Total Revenue	\$ 9,627	\$ 10,730	\$ (1,103)	(10.3)%

Optex Richardson revenue decreased by \$0.1 million or 1.2% for the three months ended March 29, 2026 as compared to the prior year period with lower revenue in our periscope product line. We are seeing lower demand for our standard periscopes based on the most recent U.S. defense budget appropriation and the entrance of new competition for several of our periscope products. The lower periscope revenue was mostly offset by increased revenue in sighting systems under our XM30 display periscope assemblies program, sales of back-up sight units, and shipments under our Israel Aquila repair program, combined with increased revenue in other product lines including muzzle reference systems, big eye units, beamsplitters, and mirrors.

Applied Optics Center revenue declined by \$1.0 million or 23.3% for the three months ended March 29, 2026, compared with the prior-year period. This shortfall was primarily driven by the 2025 government shutdown and delayed passage of the 2026 fiscal year appropriations bill, which deferred order placements rather than reflecting underlying demand weakness.

Gross Margin. The gross margin during the three-month period ended March 29, 2026 was 35.2% of revenue as compared to a gross margin of 31.3% of revenue for the prior year period. Consolidated gross profit for the three months ended March 29, 2026 increased \$0.03 million compared to the same period in the prior year, despite lower revenue. Cost of sales decreased to \$6.2 million for the recently completed period as compared to the prior year period of \$7.4 million on lower revenue, a change in mix toward more profitable contracts and improved warranty trends.

G&A Expenses. During the three months ended March 29, 2026 and March 30, 2025, we recorded operating expenses of \$1.7 million and \$1.1 million, respectively. Operating expenses increased by \$0.6 million over the prior year period primarily due approximately \$0.2 million in higher labor and fringe benefit costs, \$0.2 million in increased stock-based compensation expense, and \$0.2 million in other spending. Higher labor costs were primarily attributable to the addition of the Optex Richardson General Manager position and other staffing and organizational changes within the engineering and administrative functions.

Operating Income. For the three months ended March 29, 2026, we recorded operating income of \$1.7 million, as compared to operating income of \$2.2 million for the three months ended March 30, 2025. The \$0.5 million decrease was primarily attributable to higher general and administrative expenses of \$0.6 million.

Six Months Ended March 29, 2026 Compared to the Six Months Ended March 30, 2026

Revenue. For the six months ended March 29, 2026, revenue decreased by \$0.2 million or 0.8% compared to the prior year period as set forth in the table below:

Product Line	Six months ended (Thousands)			
	March 29, 2026	March 30, 2025	Variance	% Chg
Periscopes	\$ 8,477	\$ 8,335	\$ 142	1.7%
Sighting Systems	1,207	734	473	64.4%
Other	1,886	665	1,221	183.6%
Optex Systems - Richardson	11,570	9,734	1,836	18.9%
Optical Assemblies	493	978	(485)	(49.6)%
Laser Filters	4,485	6,554	(2,069)	(31.6)%
Day Windows	590	578	12	2.1%
Other	1,634	1,084	550	50.7%
Applied Optics Center - Dallas	7,202	9,194	(1,992)	(21.7)%
Total Revenue	\$ 18,772	\$ 18,928	\$ (156)	(0.8)%

Optex Richardson revenue increased by \$1.8 million or 18.9% for the six months ended March 29, 2026 as compared to the prior year period with increased revenue in sighting systems under our XM30 display periscope assemblies program, sales of back-up sight units, and shipments under our Israel aquila repair program, combined with increased revenue in other product lines including muzzle reference systems, big eye units, beamsplitters, and mirrors.

Applied Optics Center revenue decreased by \$2.0 million or 21.7% for the six months ended March 29, 2026 as compared to the prior year period. This shortfall was primarily driven by the 2025 government shutdown and delayed passage of the 2026 fiscal year appropriations bill, which deferred order placements rather than reflecting underlying demand weakness. Based on current order bookings and expected contract awards, we anticipate a strong rebound in the second half of fiscal year 2026, with revenue increasing significantly, led by growth in laser filters, optical assemblies, and related products.

Gross Margin. The gross margin during the six-month period ended March 29, 2026 was 29.2% of revenue as compared to a gross margin of 29.0% of revenue for the prior year period and consolidated gross profit was relatively unchanged compared to the same period in the prior year with higher gross profit for the Optex Richardson segment offset by reduced gross profit for the Applied Optics Center segment.

G&A Expenses. For the six months ended March 29, 2026 and March 30, 2025, general and administrative expenses were \$3.7 million and \$2.3 million, respectively, representing an increase of \$1.3 million compared to the prior-year period. The increase was primarily attributable to approximately \$0.7 million in higher labor and fringe benefit costs, \$0.3 million in increased stock-based compensation expense, and \$0.3 million in higher spending on other general and administrative costs. Higher labor costs were primarily driven by executive leadership transition costs, including overlapping compensation associated with the former and current CEO, the addition of the Optex Richardson General Manager position, and other organizational changes.

Operating Income. For the six months ended March 29, 2026, operating income was \$1.8 million, compared to \$3.2 million for the six months ended March 30, 2025. The decrease in operating income was primarily attributable to the increase in general and administrative expenses described above.

Liquidity and Capital Resources

As of March 29, 2026, Optex Systems Holdings had working capital of \$22.6 million, as compared to \$21.1 million as of September 28, 2025. During the six months ended March 29, 2026, we used operating cash of \$1.3 million, primarily driven by \$1.3 million in increased inventory. During the six months ended March 29, 2026, there were no borrowings or payments against the Texas Capital Facility (as defined below).

The Company has capital commitments of \$1.1 million for the purchase of property and equipment including a DLC coater, a prototype metal machining center, a high vacuum coating system and a 4D PhaseCam LWIR Interferometer and accessories.

Backlog as of March 29, 2026 was \$36.6 million as compared to \$41.1 million as of March 30, 2025, representing a decrease of 10.9%. For further details, see “*Results of Operations – New Orders and Backlog*” above.

The Company has historically funded its operations through cash from operations, convertible notes, common and preferred stock offerings and bank debt. The Company’s ability to generate positive cash flows depends on a variety of factors, including the continued development and successful marketing of the Company’s products.

At March 29, 2026, the Company had approximately \$4.2 million in cash and no outstanding balance on our revolving credit line. As of March 29, 2026, our outstanding accounts receivable balance was \$5.7 million which will be collectible during the following quarter.

In the short term, the Company plans to utilize its current cash, available line of credit and operating cash flow to fund the purchase of capital equipment, inventory, engineering resources and research and development in support of new programs and higher anticipated revenue during the next twelve months. Short-term cash in excess of our working capital needs may be also be used to fund the purchase of product lines and other assets. We may also repurchase common stock under our stock repurchase plan. Longer term, excess cash beyond our operating needs may be used to fund new product development, company, product line or other asset acquisitions, or additional stock purchases as attractive opportunities present themselves.

Please refer to “*Note 4 – Commitments and Contingencies – Non-cancellable Operating Leases*” for a tabular depiction of our remaining minimum lease and estimated Common Area Maintenance (“CAM”) payments under our leases as of March 29, 2026, which disclosure is incorporated herein by reference.

The Company expects to generate net income and positive cash flow from operating activities over the next twelve months. To remain profitable, we need to maintain a level of revenue adequate to support our cost structure. Management intends to manage operations commensurate with our level of working capital and line of credit under the Texas Capital Facility during the next twelve months and beyond; however, uneven revenue levels driven by changes in customer delivery demands, first article inspection requirements or other program delays could create a working capital shortfall. In the event the Company does not successfully implement its ultimate business plan, certain assets may not be recoverable.

On March 22, 2023, the Company and its subsidiary, Optex Systems, Inc. (collectively, the “Borrowers”), entered into a Business Loan Agreement with Texas Capital Bank (the “Lender”), pursuant to which the Lender will make available to the Borrowers a revolving line of credit in the principal amount of \$3 million.

The commitment period for advances under the credit facility expired on May 22, 2025. We refer to the expiration of that time period as the “Maturity Date.” Outstanding advances under the facility accrued interest at a rate equal to the secured overnight financing rate (“SOFR”) plus a specified margin, subject to a specified floor interest rate. The related agreement provided for a \$125 thousand letter of credit sublimit.

On May 21, 2025, the Company and Optex Systems, Inc. renewed their existing credit facility with the Lender by entering into a new Business Loan Agreement (the “Loan Agreement”), effective May 22, 2025, pursuant to which the Lender will continue to make available a revolving line of credit in the principal amount of \$3 million (the “Texas Capital Facility”). The commitment period for advances under the Texas Capital Facility is twenty-four months, expiring on May 22, 2027 (the “Maturity Date”). Outstanding advances under the Texas Capital Facility will accrue interest at a variable rate equal to SOFR plus a specific margin. The interest rate is currently 6.4% per annum.

The Loan Agreement contains customary events of default and negative covenants, including but not limited to those governing capital expenditures (limited to \$1 million per year), indebtedness and liens, affiliate transactions, fundamental changes (including change in management), investments, and restricted payments (including dividends). The Loan Agreement also requires the Borrowers to maintain a fixed charge coverage ratio of at least 1.25:1 and a total leverage ratio of 3.00:1. The Texas Capital Facility is secured by substantially all of the operating assets of the Borrowers as collateral. The Borrowers’ obligations under the Texas Capital Facility are subject to acceleration upon the occurrence of an event of default as defined in the Loan Agreement. The Loan Agreement further provides for a \$125,000 letter of Credit sublimit. As of March 29, 2026, the Company was in compliance with all covenants under the Texas Capital Facility.

As of March 29, 2026, the outstanding balance under the Texas Capital Facility was zero. For the quarter ended March 29, 2026, the total interest expense under the Texas Capital Facility was zero.

During the six months ended March 29, 2026 the Company declared and paid no dividends. As of March 29, 2026, there are no outstanding declared and unpaid dividends.

On February 9, 2026, the Board of Directors of the Company terminated the Company’s existing stock repurchase program and approved a new stock repurchase program pursuant to which the Company may purchase up to \$10,000,000 in shares of the Company’s outstanding common stock (the “Repurchase Program”). The Repurchase Program allows the Company to purchase common stock from time to time through, among other methods, open market purchases, privately negotiated transactions, and/or pursuant to Rule 10b5-1 trading plans, subject to applicable securities laws and other legal requirements and relevant factors. The number of shares purchased and the timing of any purchases will depend upon a number of factors, including the price and availability of the Company’s common stock and general market conditions. The Repurchase Program may be modified, suspended or terminated at any time, without prior notice.

Critical Accounting Estimates

A critical accounting estimate is an estimate that:

- is made in accordance with generally accepted accounting principles,
- involves a significant level of estimation uncertainty, and
- has had or is reasonably likely to have a material impact on the company’s financial condition or results of operation.

Our significant accounting policies are fundamental to understanding our results of operations and financial condition. Some accounting policies require that we use estimates and assumptions that may affect the value of our assets or liabilities and financial results. These policies are described in “Critical Policies and Accounting Pronouncements” and Note 2 (Accounting Policies) to consolidated financial statements in our Annual Report on Form 10-K for the year ended September 28, 2025.

Our critical accounting estimates include warranty costs, contract losses and the deferred tax asset valuation. Future warranty costs are based on the estimated cost of replacement for expected returns based upon our most recent experience rate of defects as a percentage of warranty covered sales. Our warranty covered sales primarily include the Applied Optics Center optical assemblies. While our warranty period is 12 months, our reserve balances assume a general 90-day return period for optical assemblies previously delivered plus any returned backlog in-house that has not yet been repaired or replaced to our customer. If our actual warranty returns should significantly exceed our historical rates on new customer products, significant production changes, or substantial customer changes to the 90-day turn-around times on returned goods, the impact could be material to our operating profit. We monitor the actual warranty costs incurred to the expected values on a quarterly basis and adjust our estimates accordingly. During the last twelve months, we have experienced a significant reduction in warranty return rates on Applied Optics Center optical assemblies which, combined with resolution of the warranty issue we experienced in 2025 on our day window products, resulted in a favorable adjustment to our warranty reserve balance. As of March 29, 2026, the Company had accrued warranty costs of \$25 thousand, as compared to \$162 thousand as of September 28, 2025.

As of March 29, 2026 and September 28, 2025, we had \$56 thousand, and \$132 thousand, respectively, of contract loss reserves included in our balance sheet accrued expenses. These loss contracts were related to some of our older legacy periscope and day window contracts which were priced prior to the Covid-19 pandemic and have been affected by inflationary price increases on component parts and commodities and higher internal manufacturing costs (as a result of escalating labor costs and higher burden rates). These contracts are three-year Indefinite Delivery Indefinite Quantity ("IDIQ") contracts with two optional award years, and as such, we are obligated to accept new task awards against these contracts until the contract expiration. Should contract costs continue to increase above the negotiated selling price, or in the event the customer should release substantial quantities against these existing loss contracts, the losses could be material. For contracts currently in a loss status based on the estimated per unit contract costs, losses are booked immediately on new task order awards. During the three and six months ended March 29, 2026, the Company recognized zero and \$174 thousand, respectively, in new loss reserves against two long term IDIQ contracts, made shipments resulting in reductions of \$111 thousand and \$191 thousand, respectively, and recognized a reduction due to a change in estimate of \$59 thousand with respect to existing loss reserves. During the three and six months ended March 30, 2025, the Company recognized \$11 thousand and \$18 thousand in loss reserves on new contract awards, respectively, changes in estimates for the contract loss reserves of (\$10) thousand and \$4 thousand, respectively, and applied reserves of \$8 thousand and \$47 thousand to cost of sales against revenue booked during the periods, respectively. As of March 26, 2026, one of the loss contracts was completed and the Company has one remaining loss contract on our backlog with an expired ordering period that is no longer subject to new contract task awards.

As of March 29, 2026 and September 28, 2025, the Company had a net carrying value of \$1.1 million and \$1.2 million in deferred tax assets, respectively, represented by deferred tax assets of \$1.9 million and \$2.0 million, respectively, and a deferred tax asset valuation allowance of \$0.8 million and \$0.8 million, respectively, against those assets. The valuation allowance covers certain deferred tax assets where we believe we will be unlikely to recover those tax assets through future operations. The valuation reserve includes assumptions related to future taxable income which would be available to cover net operating loss carryforward amounts. Because of the uncertainties of future income forecasts combined with the complexity of some of the deferred assets, these forecasts are subject to change over time. While we believe our current estimate to be reasonable, changing market conditions and profitability, changes in equity structure and changes in tax regulations may impact our estimated reserves in future periods.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by our Quarterly Report on Form 10-Q for the quarter ended March 29, 2026, management performed, with the participation of our Principal Executive Officer and Principal Financial Officer, an evaluation of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's forms, and that such information is accumulated and communicated to our management including our Principal Executive Officer and our Principal Financial Officer, to allow timely decisions regarding required disclosures. Based upon the evaluation described above, our Principal Executive Officer and our Principal Financial Officer concluded that, as of March 29, 2026, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

During the three months ended March 29, 2026, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are not aware of any material litigation pending or threatened against us.

Item 1A. Risk Factors

There have been no material changes in risk factors since the risk factors set forth in the Form 10-K filed for the year ended September 28, 2025.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Unregistered Sales

None.

Issuer Purchases of Equity Securities

There were no purchases made by or on behalf of the Company or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) of its common stock under the Exchange Act) during the three months ended March 29, 2026.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description</u>
3.1	Amended and Restated Bylaws of Optex Systems Holdings, Inc. (1)
31.1 and 31.2	Certifications pursuant to Section 302 of Sarbanes Oxley Act of 2002
32.1 and 32.2	Certifications pursuant to Section 906 of Sarbanes Oxley Act of 2002
EX-101.INS	Inline XBRL Instance Document
EX-101.SCH	Inline XBRL Taxonomy Extension Schema Document
EX-101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
EX-101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
EX-101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
EX-101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

(1) Incorporated by reference from our Current Report on Form 8-K filed on August 11, 2025.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 11, 2026

OPTEx SYSTEMS HOLDINGS, INC.

By: /s/ Chad George
Chad George
Principal Executive Officer

Date: May 11, 2026

OPTEx SYSTEMS HOLDINGS, INC.

By: /s/ Karen Hawkins
Karen Hawkins
Principal Financial Officer and
Principal Accounting Officer

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Chad George, certify that:

1. I have reviewed this Form 10-Q of Optex Systems Holdings, Inc.:
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Chad George
Chad George
Principal Executive Officer

Dated: May 11, 2026

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Karen Hawkins, certify that:

1. I have reviewed this Form 10-Q of Optex Systems Holdings, Inc.:
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Karen Hawkins

Karen Hawkins

Principal Financial Officer and Principal Accounting Officer

Dated: May 11, 2026

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Quarterly Report of Optex Systems Holdings, Inc. (the "Company") on this Form 10-Q for the quarter ended March 29, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Chad George, Principal Executive Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: */s/ Chad George*

Chad George
Principal Executive Officer

Dated: May 11, 2026

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Quarterly Report of Optex Systems Holdings, Inc. (the "Company") on this Form 10-Q for the quarter ended March 29, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Karen Hawkins, Principal Financial Officer and Principal Accounting Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ Karen Hawkins

Karen Hawkins

Principal Financial Officer and Principal Accounting Officer

Dated: May 11, 2026
