

**Ocean Power Technologies**  
**FY 2023 Q1 Earnings Conference Call**  
**September 13, 2022**

---

**Presenters**

**Joseph DiPietro – Controller, Treasurer, Principal Accounting Officer**

**Philipp Stratmann – President, CEO**

**Robert Powers – SVP, CFO**

**Q&A Participants**

**Joe Durge – Private Investor**

**Jeff Brewbaker – Private Investor**

**Operator**

Good morning and welcome to the Ocean Power Technologies First Quarter Fiscal 2023 Earnings Conference Call. A webcast of this call is also available on the company's website at [www.oceanpowertechnologies.com](http://www.oceanpowertechnologies.com). This conference call is being recorded and will be available for replay shortly after its completion.

On the call today are Dr. Philipp Stratmann, President and Chief Executive Officer, Bob Powers, Senior Vice President and Chief Financial Officer, and Joseph DiPietro, Controller, Treasurer, and Principal Accounting Officer. Following the prepared remarks, there will be a question-and-answer session.

Now I am pleased to introduce Joseph DiPietro. Thank you, sir. You may proceed.

**Joseph DiPietro**

After the market closed yesterday, we issued our earnings press release and filed our quarterly report on Form 10-Q for the period ended July 31, 2022. All OPT public filings are available on the SEC website and within the Investor Relations section of the OPT website.

This call will include forward-looking statements that are within the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may include financial projections or other statements of the company's plans, objectives, expectations or intentions. These statements are based on assumptions made by management regarding future circumstances over which the company may have little or no control and involve risks, uncertainties and other factors that may cause actual results to be materially different from any future results expressed or implied by such forward-looking statements.

Additional information about these risks and uncertainties can be found in the company's Form 10-K and subsequent filings with the SEC. The company disclaims any obligation or intention to update the forward-looking statements made on this call.

Finally, we posted an updated investor presentation on our IR website. Please take a moment to review it as it provides a nice overview of our company and strategy.

Now I am pleased to introduce Dr. Philipp Stratmann.

**Philipp Stratmann**

Thank you, Joe, and good morning, everyone. We had a relatively straightforward quarter, so my comments will be fairly limited this quarter. Most importantly, we had a good order activity and are on pace for our \$9 million order goal for the fiscal year. The most notable activity from our sales and business development teams was the U.S. Department of Energy selected us for the Phase II development of a next-generation wave energy converter. We'll receive up to \$1.1 million over the next 24 months to develop and test a modular and scalable Mass-on-Spring Wave Energy Converter PowerBuoy. This is a continuation from Phase I, which was completed in April 2022.

Our strategy is clear. We have the business on a solid foundation and are executing on each of the three components of our stated strategy. First is Data-as-a-Service. We had a good quarter on our pipeline of order activity of WAM-Vs, and the transition of manufacturing to our New Jersey plant has gone well so far. We also made progress on our MDA solution, which is currently in the final phases of testing and remains on pace to deliver revenue by October.

Since the end of the quarter, we demonstrated the MDA solution at ANTEX (sp) in California. The MDA solution provides a wide range of valuable data and enables 24/7 data collection that can automatically be analyzed by artificial intelligence systems, materially increasing the granularity of data to improve decision making. Our pipeline has grown to include multiple government opportunities, and we've maintained a strong recurring customer base, especially for our WAM-Vs.

Second is Power-as-a-Service, which is our most mature aspect of the business and has the longest sales cycle. During the quarter, we continued to cultivate our pipeline of customers and remain confident that we will convert these to orders and ultimately sales. This includes both recurring fee business for power produced as well as leased and owned PowerBuoys, hybrid PowerBuoys and subsea batteries. We continue to advance our partnerships with ancillary equipment providers to offer complete seabed to surface solutions.

Third is our Strategic Consulting Services. Each quarter, our ability to service our clients only gets deeper and stronger. We continue to help our broad client base with offshore energy related engineering consulting services. We have the most success with simulation engineering, software engineering, concept design, and motions monitoring.

With that, I will turn it over to Bob for a discussion on our financials.

**Robert Powers**

Thanks, Philipp. I will start with revenue. For the quarter, our top line was \$714,000, which compared favorably to the \$272,000 in the prior first quarter. Based on our recent sales order activity, we expect revenue to ramp meaningfully throughout our fiscal year. We generated gross profit of \$194,000, which compares to gross loss of \$151,000 in the prior first quarter. With our established WAM-V and higher margin strategic consulting business, we expect to build on this going forward.

Moving to our cost structure, we continue to manage cost well. Engineering and product development costs were \$2.2 million, which were in line with the \$2.3 million quarterly average for fiscal 2022. We continue to make progress with our MDAS development, which is our largest expenditure in this cost category.

SG&A costs were \$4.1 million for the first quarter, which is up slightly sequentially from the fourth quarter of 2022. This was primarily due to increased employee related expenses. We maintained a strong balance sheet, ending the fourth quarter with \$52.4 million of combined cash, cash equivalents, restricted cash and short-term investments. We continue to operate with no bank debt, which we believe gives us ultimate flexibility.

Our net cash used in operating activities was \$5.1 million for the first quarter. In short, we are off to a solid start to the year.

With that, Philipp and I are happy to take your questions.

**Operator**

Thank you. We'll now be conducting a question and answer session. If you'd like to be placed into the question queue, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing star, one. One moment please while we poll for questions.

Once again, that's star, one to be placed into question queue.

Our first question today is coming from Joe Durge (sp), a private investor. Your line is now live.

**Joe Durge**

Good morning. How many buoys do we have off the coast of New Jersey, and what kind of data -- what's going on off the coast of New Jersey? Thanks.

**Philipp Stratmann**

Hi, Joe. Well, thanks for your question, and thanks for your continued interest in OPT. We are alternating between one and four buoys off the coast of New Jersey. I think as we've explained

in the past, the array that we are -- that we have permitted off the coast is being used as a test bed. As we continue to make hardware changes, we got hold of new firmware, and we experiment with new pieces of software that we're uploading prior to putting in front of our customer base.

We're also utilizing it in order to demonstrate in front of some customers, including overseas visitors that we have, what the system truly looks like. We've taken out -- some potential customers out to the buoys. So you get the -- you know, they get the opportunity to have the buoys, watch them, and they can see the stream from the buoys on the laptops that we bring out on the boats that we're taking out there. So it is an ongoing test bed, and any given week, it could be one or four that we've got up.

**Joe Durge**

Thank you.

**Operator**

Thank you. The next question is coming from Jeff Brewbaker (sp), a private investor. Your line is now live.

**Jeff Brewbaker**

Hi. I was just wondering if you could talk a little bit more about the SLAMR initiative that you're involved in, if there is a PowerBuoy in California for that? And I think I saw some slides about the most recent exercise, and it seems like you were demoing your Marine Domain Awareness Solution for them, as well. So I wasn't sure if the PowerBuoy was being used for just the 5G repeater or if they were looking at the domain awareness solution or both?

**Philipp Stratmann**

Yes, thank you, Jeff, and I appreciate the question. You are correct. We actually have a buoy deployed off the coast of California right now. In fact, I'm heading up there later today because we've got some meetings, and we'll be exhibiting at Fathom Works (sp) where -- in Port Hueneme, which is part of ANTEX, which is the Advanced Naval Technologies Exercise. This is sort of part of our broader efforts with the Department of Defense and U.S. Navy. As we continue to demonstrate various use cases, the Navy has an interest in across its various commands including its broader fleet. And that includes MDAS and the ongoing discussions that you rightly pointed out with SLAMR related to 5G Mesh networks for drone operations.

**Jeff Brewbaker**

Okay, thank you. And then in a previous conference call, I think it came up that you guys were working on potentially using a PB3 to charge one of your WAM-Vs to sort of like combine it to within the Marine Domain Awareness Solution that you were offering. Could you talk a little bit more about efforts with that?

**Philipp Stratmann**

Yeah, absolutely. And I'm glad you heard that last time around. You're absolutely correct. It is one of the programs that we are currently working on. Obviously, the WAM-V -- and I think we are in the 70s now in terms of serial numbers of WAM-Vs that have been built, the majority of which have been electrically powered. So the obvious logical integration that we were developing is building out a docking station system that enables WAM-Vs to integrate with buoy networks and arrays, and ultimately, from a customer perspective, add roaming capabilities into offshore surveillance in addition to the stationary surveillance that the buoys offer. That is something that we'll be providing updates on as the development progresses, and as we move into prototyping demonstration, and then ultimately trying to get it in the hands of our customer base.

**Jeff Brewbaker**

Okay, thanks for that. And then I've been following some of the posts on various social media, and I've been seeing some images of the Marine Domain Awareness Solution that you're offering. And it seems like there's some solar panels on top of the PB3. I think I previously haven't seen that on some of the images that have been posted. Is there -- is all the equipment still being charged by the wave energy itself, or could you clarify that?

**Philipp Stratmann**

Yeah, so the DB3 is still primarily a wave power device. We do also have -- as I think we've mentioned this before, we have a series of test buoys, which utilize solar and a small wind turbine. And we are working on the integration of solar and other renewable power sources into the PB3, mainly to provide an increased average power levels in a broader region of the world. I think we've mentioned this before, and you're probably aware if you've been following us for a while, we've got a hybrid system, which was specifically developed for low wave activity regions, and we are now working on making sure that we can also deploy PB3s in areas where you have sometimes good wave activity, but not always, so that we can offer a higher degree of commonality to our customer base, which makes obviously maintenance, repair and operations a much more simplified process.

**Jeff Brewbaker**

Okay, thanks for that. I've been following you guys for several years now, and it seems really like you've got a lot of really interesting and exciting things going on, and I'm enjoying watching it, so thank you.

**Philipp Stratmann**

Thank you, Jeff. Appreciate that.

**Operator**

Thank you. We've reached end of our question-and-answer session. I'd like to turn the floor back over for any further or closing comments.

**Philipp Stratmann**

Thank you. Thank you for your continued interest, support, confidence and investment in our company. We never take it for granted. Have a great rest of your day.

**Operator**

Thank you. That does conclude today's teleconference and webcast. You may disconnect your line at this time, and have a wonderful day. We thank you for your participation today.