

Ocean Power Technologies
Fourth Quarter and Full Year Fiscal 2020 Results
June 30, 2020

Presenters

George Kirby, President and CEO

Matthew Shafer, CFO and Treasurer

Q&A Participants

Robert Littlehale—JP Morgan

Operator

Good morning, ladies and gentlemen, and welcome to the Ocean Power Technologies Fourth Quarter and Full Fiscal Year 2020 Conference Call. This call is being webcast on the company's website at www.oceanpowertechnologies.com. As a reminder, this conference call is being recorded and will be available for replay after its completion. On the call today are George Kirby, President and Chief Executive Officer, and Matthew Shafer, Chief Financial Officer and Treasurer. Following prepared remarks, we will open the call to questions.

On June 29th, 2020, OPT issued its earnings press release a file with annual report on Form 10-K for the fiscal year ended April 30th, 2020, with the Securities and Exchange Commission. All OPT public filings could be viewed on the SEC website at sec.gov or any investor relations section of the OPT website. Please note that management's prepared remarks may contain forward looking statements that are within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are identified by certain words or phrases such as may, will, aim, will likely result, believe, expect, will continue, anticipate, estimate, intend, plan, contemplate, seek to, future, objective, goal, project, should, will pursue, and similar expressions or variations of such expressions.

These forward-looking 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 result expressed or implied by such forward-looking statements. Some of these factors include, among others, the following: future financial performance, expected cash flow, ability to reduce costs and improve operational efficiencies, revenue growth and increase sales volume, success in key markets, competition, ability to enter into relationships with partners and other third parties, delivery and deployment of power buoys, increasing the power output of power buoys, hiring new key employees, expected cost of power buoys products, and building customer relationships. Please refer to our most recent forms 10-Q and 10-K and subsequent filings with the SEC for further discussion of these risks and uncertainties. We disclaim any obligation to or intent to update the forward-looking statements in order to reflect events or circumstances discussed in this call. Now I am pleased to introduce Mr. George Kirby.

George Kirby

Thank you, and good morning, everyone. I'm going to review our business operations and provide an update on our commercialization activities and developments during the fourth quarter of fiscal year 2020 and up to today. Then Matt will provide a review of our financials, and after that, we'll open the line for questions. I'm happy to report that OPT continued its commercial progress in fiscal 2020 with the sale of a PB3 power buoy, the conclusion of our first autonomous power buoy deployment in the North Sea with Premier oil, and 18 month power buoy lease extension for our project with Eni in the Adriatic Sea, and the completed construction of OPT's hyperpower buoy. The hybrid compliments are PB3 power buoy by providing customers with a quick deployment option and flexible power generation across a myriad of sea states, including low to no wait conditions.

We recently conducted in-water tests of our hybrid power buoy in coastal New Jersey waters that included sowing instability [sp] measurements and power generation through the operation of its solar panels and it's Stirling engine. We were happy with our results, and we're excited to offer this new product to customers that are seeking an easily deployable, economical, and reliable source of offshore power and communications. Applications and solutions for our power buoys include sub-sea power and battery charging, surface surveillance, subsidy monitoring, and connectivity for offshore oil and gas, defense security, science and research, and other offshore markets. We're very excited about this new product, and we've aligned our power buoy products with these market driven solutions that we believe will provide long term value for our existing and future customers.

Our passion for innovation, quality, safety, and outstanding service has led us to these commercial successes over the past year. Like many companies, we've had to be flexible and to adapt to new ways of working given the challenges of the global COVID-19 pandemic. Given the pandemic, earlier this year, OPT quickly pivoted to embrace distance working for our office staff while our production staff safely kept internal and customer projects on schedule at our New Jersey production facility. We've been participating in virtual conferences to continue to market our solutions, and, like us, our current and future customers have embraced video conferencing to maintain momentum of existing projects and potential new projects. We're very excited to carry this momentum through this new fiscal year to continue to grow OPT. Now let me turn the call over to Matt to discuss the financials.

Matthew Shafer

Thank you, George, and good morning, everyone. We recorded revenue of 600,000 for the fourth quarter of fiscal 2020, an increase of \$400,000 over the prior year period, which is mainly attributable to a new contract signed with an Enel Green Power. The net loss for the fourth quarter of fiscal 2020 decreased by 1.3 million, which was mainly attributable to a decrease in general and administrative costs and the receipt of the New Jersey net operating loss proceeds in the current year quarter, which offset expenses. We recorded revenue of 1.7 million for the full year of fiscal 2020, an improvement over fiscal 2019, primarily due to a new

contract signed with an Enel Green Power. The fiscal 2020 net loss decreased by \$1.8 million to \$10.4 million, primarily due to lower spending on general and administrative related expenses.

Turning now to the balance sheet, total cash, cash equivalents, restricted cash, and marketable securities with \$10.9 million as of April 30th, 2020. Net cash used in operating activities decreased by \$1.5 million from the fiscal year ended April 30th, 2019 to \$10.6 million, which is primarily related to lower spending and general and administrative expenses. With that, I'll turn it back to George.

George Kirby

Thanks, Matt. Operator, we're now ready to open the call up for questions.

Operator

Thank you. We will now be conducting a question-and-answer session. If you would like to be placed into the question queue, please press star one on your telephone keypad. A confirmation tone will indicate that your line is in the question queue. You may press start to if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. Once again, that's star one to ask a question at this time. One moment, please, while we pull for questions. Thank you. Our first question comes from the line of Peter Rogier with with Dawson Jeans [sp]. Please proceed with your question.

Peter Rogier

Good morning.

George Kirby

Hey. Good morning, Peter.

Peter Rogier

I've got several questions. I saw on the 10-K this year you're going to spend 14 million, which is going to be up from 12 pretty much last year. I'm wondering why. Have we had [inaudible] sales or--?

George Kirby

Matt, any thoughts?

Matthew Shafer

Yeah, Peter, can you be more specific?

Peter Rogier

Well, usually we spend about [sp] one million a month. That's usually 12 million a year, and this guidance for the follow year was more money. So, I was wondering if it's because of a lot more orders or something like to that nature.

Matthew Shafer

Yeah. No, Peter, our spending for the current fiscal year that we just completed was actually lower. Our net cash used in operating activities last year was \$12.1 million, and this year was \$10.6 million.

Peter Rogier

Right. In the guidance you're giving forward is [sp] 14, which I guess you estimated [sp]. So, that's—usually [inaudible].

George Kirby

Peter, we haven't given any guidance, not in the K or really any place.

Peter Rogier

Well, I saw it somewhere. [Inaudible] something incorrect. I'm just wondering where we we're standing on orders across the board, because [inaudible] the Asian islands. Did you have government funding, but you went with notice [sp] in some [inaudible]? What's Premier Oil doing next? And the company in the Gulf of Mexico, where does that stand? I'm wondering about Eni in the—off the coast of Italy. [Inaudible].

George Kirby

Right. All good questions. The one thing that I will say is, with regards to Premier Oil, they have actually publicly said that they want to move forward with future work with OPT, so we're aggressively moving forward in that direction. With regards to any other commercial activity, as much as I would like to share where we are and what we're working on right now, we—as you know, we can talk about that until it actually materializes.

Peter Rogier

Right. There's something interesting with this cube [sp] that Eni is producing where they take this cube and stick it in the bottom of the ocean, and the PB3 powers it. And it, I guess, it the gases excrete from what they're doing down there. Can you go into that, because I saw it out there a couple months ago?

George Kirby

Yeah. What's great about Eni as a partner is they have a number of different applications that they're looking at us for. This deployment in the Adriatic is a continuation to prove out for the AUB applications [sp] while they're working to basically implement power technologies into their operations. That's an ongoing discussion. But there are there are a number of opportunities with Eni that we're looking at.

Peter Rogier

The call you had a couple weeks back in [inaudible]. I'm just waiting for a lot of [sp] sales from you guys.

George Kirby

Yeah, and we understand that all shareholders are waiting on that, and that's we're working so aggressively towards that.

Peter Rogier

Okay. That's the couple of questions I had for you guys. Thank you.

George Kirby

Peter, thank you.

Operator

Thank you. Our next question comes from the line of Robert Silveira with RE Silveira and Associates [sp]. Pleased with your question.

Robert Silveira

Good morning, George, and congratulations on a good job. You're in a very difficult phase, obviously, going from development to production, and that's a difficult transition for any company. I know, because I've been through it in my own company years ago. My question deals with your applications. You are selling a single buoy most of the time for an application to a customer, or do you see multiple buoys in use, so to speak, in series in the application?

George Kirby

That's a great question. As a matter of commercial activities, we're seeing more and more multi buoy opportunities, whether it be for emergency power on an umbilical that's failing for an oil and gas operator, we're seeing that, or whether it's for surface surveillance for governments and to be able to provide multiple buoys that actually talk within each other while they're surveilling the oceans and providing that data back to land. We're seeing more and more multi buoy opportunities. And we recognize that our lowest transaction cost, if you will, the lowest cost in order to get to an order will be multi buoys. We need more multi buoy orders right now, and that's what we're incredibly focused on. The entire organization, not just our expanded sales team, but our engineering team, as well, that's job number one is to help us secure these types of orders.

Robert Silveira

So, most of the applications then, would you say the majority of them, would—if built out completely, would be using multiple buoys as opposed to a single buoy?

George Kirby

I can tell you this, that we're seeing more and more multi buoy opportunities, and we are pursuing them. And many of the single buoy opportunities start off single but have the ability to expand to multi buoy opportunities in future phases.

Robert Silveira

In that particular location. Great. Okay. That's all I have. Keep up the good work. I can see that you're working under difficult circumstances simply by dealing with the pandemic, communications, and all the rest of the problems that exist out there. And you're doing a wonderful job to grow as you've grown and keep your costs in line. Thanks for the good efforts.

George Kirby

Yeah. Thank you very much, Robert. We'll continue to aggressively pursue sales.

Operator

Thank you. Our next question comes from [inaudible] with—a private investor. Please proceed with your question.

Unknown Speaker

Good morning.

George Kirby

Good morning.

Unknown Speaker

Hi. I'm a big fan of the company and the concept of your technologies. I think it is revolutionary, and I think it would help to sustain our environment for the future. I do—I have—I think it's—I have a question and a comment [sp]. I'm an investor and also electronic vehicles, and there is a company that recently [inaudible] produce EV vehicles that rely on hydrogen power, and, from what I understand, hydrogen power would be the cleanest renewable energy out there once this—or if this happens. But the problem with hydrogen power is that, in order to accumulate it, it needs a power plant to separate the hydrogen atom from the oxygen atom. And so, these power plants, they produce a lot of carbon emissions [sp]. So, it's counterproductive to use a power plant that would potentially make a product that would be renewable and sustainable.

So, I was looking at a YouTube video, and there is a man that lived in Europe, and he said that there is potential that wave [sp] power could be the alternative energy source to buy a power plant with energy to then create the hydrogen power for the vehicle. So, my question is, how aware of you are—how aware are you of this concept, and how interested would you be in pursuing such a venture if you haven't already?

George Kirby

So, that's a great question, sir, and our entire team is very aware of hydrogen power and its efficiencies and so forth. Right now, the markets that we're pursuing for autonomous power are acutely focused on electrification of their operations. So, right now, we are likewise focused on—with our PB3 using wave power to convert that to electricity to contribute to this movement within our industries, as well as our new hybrid power buoy, which uses primarily solar with a Stirling engine back up. Stirling engines, as you know, can be run off multiple fuel

sources. But right now, we're very focused on generating electricity using those means. We're keeping an eye on that industry, because it is still somewhat nascent due to the reasons that you outlined. And it's a really good point, but right now we are staying very, very focused on where we see the biggest opportunities in front of us to get to revenues.

Unknown Speaker

Okay. Yeah. I appreciate feedback, because I think that's definitely—it will be a long term investment to pursue. I think it's going to be very profitable, and I appreciate your feedback and insight. Thank you.

George Kirby

Thank you for your question.

Operator

Thank you. Once again, ladies and gentlemen, to queue a question at this time, please press star one on your telephone keypad. Our next question comes from the line of Robert Littlehale with JP Morgan. Please proceed with your question.

Robert Littlehale

Good morning. George, could you bring us up to date given what's been going on in the oil markets what the trends are in terms of offshore or well decommissioning? Could you give us a little bit of perspective in terms of what you see going on there?

George Kirby

Sure. And that's a great question. Specifically with regards to decommissioning, where there are regulatory requirements to decommission within a certain time frame, those must and are moving forward. And examples of that are in the North Sea such as some of the work that we've done in the past with Premier Oil, and I hope to do in the future. Areas such as the Gulf of Mexico may be slowing down somewhat with decommissioning, because the regulations are less stringent than what we've seen in the North Sea. So, I think overall it's pretty mixed. What we're also—just to add on to that, what we're seeing is there's—there continues to be expenditure in areas of production, producing wells today. But, again, where decommissioning is slowing down—or, I'm sorry. Where decommissioning is less regulated, it's slowing down a bit, as well as exploration is, obviously, slowing down a bit.

Robert Littlehale

Thank you.

George Kirby

Sure.

Operator

Thank you. I would like to turn the floor back over to management for any further or closing comments.

George Kirby

Thank you, operator, and thank you, everyone, for joining today's call.

Operator

Thank you for your participation today. This concludes today's teleconference and webcast. You may disconnect your line at this time.