

1 **Ocean Power Technologies Inc. Fiscal Third Quarter 2018 Call Script**

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3 **Operator Comments**

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5 Good morning, ladies and gentlemen, and welcome to the Third Quarter
6 Fiscal Year 2018 Ocean Power Technologies Conference Call. My name
7 is Ayela, and I'll be your coordinator for today. [Operator Instructions] I
8 would now like to turn the presentation over to your host for today's
9 call, Mr. Steve Calk, Investor Relations for Ocean Power Technologies.

10
11 **Introduction**

12
13 Good morning, and thank you for joining us for Ocean Power
14 Technologies Conference Call and Webcast. On the call with me today
15 are George Kirby, President and Chief Executive Officer; and Matthew
16 Shafer, Chief Financial Officer and Treasurer. George will provide an
17 update on the company's operating highlights for the third quarter, and
18 then Matt will review the third quarter financial results. Following our
19 prepared remarks, we will open the call to questions. This call is being
20 webcast on the company's website at
21 www.oceanpowertechnologies.com. It will also be available for replay
22 after this call. Yesterday, Ocean Power Technologies issued its earnings
23 press release and filed its quarterly report on Form 10-Q for the third
24 quarter of fiscal year 2018 with the Securities and Exchange
25 Commission. All of our public filings can be viewed on the SEC's website
26 at www.sec.gov or you may go to the OPT website,
27 www.oceanpowertechnologies.com. Let me now reference the Safe
28 Harbor provisions of the U.S. securities laws for forward-looking

29 statements. This conference call may contain forward-looking
30 statements that are subject to significant risks and uncertainties,
31 including the future operating and financial performance of Ocean
32 Power Technologies or OPT. Although OPT believes that the
33 expectations reflected in its forward-looking statements are reasonable,
34 it can give no assurance that such expectations will prove to be correct.
35 Important risk factors that could cause actual results to differ materially
36 from those reflected in the forward-looking statements are included in
37 OPT's filings with the SEC. The information contained in this call is
38 accurate only as of the date discussed. Investors should not assume that
39 the statements will remain operative at a later time, and OPT
40 undertakes no obligation to update any information discussed in this
41 call. Now, I am pleased to introduce Mr. George Kirby, CEO of Ocean
42 Power Technologies to begin the discussion. George?

43

44 **George H. Kirby – President and Chief Executive Officer**

45

46 Thanks, Steve. Good morning, everyone. Today, I'll review our business
47 operations and provide an update on key activities and developments
48 during the third quarter. Then Matt will briefly review our financial
49 results, after which Matt, and I will be available to answer any of your
50 questions. Consistent with last quarter, we remain focused on
51 aggressive sales and marketing efforts to drive revenue opportunities
52 and we continue to make good progress. In January, we signed an
53 agreement with Premier Oil for a feasibility study regarding deployment
54 of a PB3 PowerBuoy for site decommissioning operations in the North

55 Sea. We're excited about this opportunity on several fronts. First, the
56 agreement is an important step to developing a long-term relationship
57 with Premier, who is active in the region, and we believe there are
58 additional opportunities to partner with them. Second, this agreement
59 represents a step forward in our conversations with other oil and gas
60 companies both in the North Sea and beyond. Third, the nature of the
61 study, decommissioning operations, monitoring and security is an area
62 of interest among other potential customers. And, finally, we're
63 particularly excited to be launching a project in the North Sea, where we
64 believe our technology is most competitive and where we anticipate
65 demonstrating how well we operate under the sea's harshest
66 conditions. Elsewhere the sales and marketing team and I have
67 continued to conduct productive meetings with key decision-makers
68 and prospective customers around the globe. We also remain
69 encouraged by additional meetings resulting from our presence at The
70 Society of Petroleum Engineers Offshore Europe Conference in
71 Aberdeen, Scotland, back in September. As a reminder, this conference
72 is recognized by offshore oil and gas industry professionals as Europe's
73 leading exploration production events. The emerging demand we're
74 seeing for our technology has been encouraging, so much so that we are
75 now moving forward with the manufacture of the 2 additional buoys to
76 supplement the 2 buoys we are currently building. This is a very
77 exciting development and reflects the company's confidence that our
78 opportunities are both tangible and rapidly approaching. A quick
79 reminder on our sales cycle, like any technology deployment, the PB3
80 PowerBuoy has to go through a rigorous testing process that includes

81 the proving of new applications. But unlike most technologies, we also
82 have to then prove it out not in the environment and in real world not
83 simulated situations. While this can seem tedious to those of us on the
84 sales and manufacturing teams, it's also one of the keys to our
85 competitive advantage. We believe we have a groundbreaking, game-
86 changing solution that will permanently impact the way offshore power
87 and communications will be conducted across multiple industries for
88 decades to come. Being first to market means that we are tasked with
89 forging a new trial, however, it also means that we believe we are best
90 positioned to reap the rewards of our efforts. In the third quarter, we
91 also made several strategic investments in the business. These
92 investments are critical to ensure we're ready to meet the rising
93 demand for our technology. First, we completed our move to Monroe
94 Township, New Jersey, which expands both our corporate headquarters
95 and our manufacturing capabilities. This move has energized the entire
96 team and we're freshly aware that we're on the cusp of a new phase in
97 the company's growth. Second, we added key leadership to our team
98 with the hiring of Chris Phebus. As VP of Engineering, Chris will
99 accelerate our capabilities as we scale the business, and will also
100 provide leadership as we continue to expand the team and source new
101 opportunities. Chris brings a wealth of experience from his time at
102 General Electric, where he served as GE's General Manager and
103 Executive Engineering Director for GE Subsea products and projects.
104 And where he also was a leader for global engineering at GE Energy.
105 Chris is here with us today. Chris, welcome to the team.

106

107 **Christopher Phebus – Vice President of Engineering**

108

109 Thanks, George.

110

111 **George H. Kirby – President and Chief Executive Officer**

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113 We have a lot of work ahead of us and we're looking forward to

114 leveraging your expertise. We discussed last quarter that our contract

115 with the Office of Naval Research to design a new mass-spring

116 oscillating PowerBuoy has progressed well and the first phase was

117 successfully completed. We're currently awaiting funding for the next

118 phase of the project and we'll provide update as they become available.

119 We continue to aggressively target the oil and gas, security and defense,

120 ocean observing and communications markets, and we believe that

121 these markets will significantly benefit from our PB3 Power and real-

122 time communications platform. In particular, I'm pleased to see not only

123 progress in the defense market through our work with the Office of

124 Naval Research, but also considerable progress in Oil and Gas for

125 offshore well plug and abandonment operations as well as subsea

126 charging applications. Additionally, we continue to meet with leaders on

127 offshore telecommunications about potential repeater and base station

128 applications using our PB3 PowerBuoy in order to both connect and

129 expand their existing coverage areas, mainly for the oil and gas market.

130 As you can see, we continue to make important progress on the sales

131 front as well as in our operations and leadership. With our proprietary

132 Wave Energy technology, the progress that we're making with potential

133 customers and strategic partners, our expanded operating facility and

134 our enhanced team, we believe we have the pieces in place to drive our
135 long-term growth and improve performance. Now let me turn the call
136 over to Matt to take us through the numbers. Matt?

137

138 **Matthew Shafer - Chief Financial Officer**

139

140 Thank you, George, and good morning, everyone. As we did not record
141 revenue during the third quarter ended January 31, 2018, due to the
142 earlier completion of the Mitsui Engineering & Shipbuilding and the
143 Department of Defense Office of Naval Research projects, revenue in the
144 third quarter of fiscal 2017 was \$221,000, which was comprised of
145 those 2 projects, Mitsui Engineering & Shipbuilding and the Department
146 of Office of Naval Research Project. The net loss for the third quarter of
147 fiscal 2018 was \$1.7 million as compared to a net loss of \$2.1 million for
148 the third quarter of fiscal 2017. The decrease in net loss in the current
149 year period as compared to the same period of prior year is mainly
150 attributable to a higher income tax benefit recorded in the current year,
151 partially offset by current year period higher product development cost,
152 mainly as a result of the 2 PB3 units in process of being completed. Cost
153 associated with the additional 2 units recently approved for
154 manufacture will begin to be reflected in the next quarter. Revenue for
155 the first 9 months of 2018 was \$289,000 as compared to revenue of
156 \$593,000 for the first 9 months of fiscal 2017. The net loss for the first 9
157 months of fiscal 2018 was \$6.9 million unchanged from the net loss in
158 the year-ago period. Taking into account the net change in the fair value
159 of the warrants liability of \$1.1 million, the decrease in net loss

160 primarily relates to the lower product development costs and higher
161 income tax benefit, both in the current year period as compared to the
162 prior year. Turning now to the balance sheet. As of January 31, 2018,
163 total cash, cash equivalents and marketable securities were \$14.4
164 million, up from \$8.4 million on April 30, 2017. The increase in cash is
165 mainly a result of the completion of a best efforts public offering of
166 common stock during the second quarter of 2018 that raised \$7.4
167 million of net proceeds. As of both January 31, 2018 and April 30, 2017,
168 restricted cash was \$500,000 for each period. Net cash used in
169 operating activities was \$8.2 million during the 9 months ended January
170 31, 2018. Excluding \$1.1 million of cash payments made in the current
171 fiscal year relating to the disposition of the mooring anchoring system
172 from the prior project in Reedsport, Oregon, the PB40 site final closeout
173 off the coast of New Jersey and completion of legal matters, net cash
174 used in operating activities was \$7.1 million during the 9 months ended
175 January 31, 2018 as compared to \$7.6 million during the same period in
176 the prior year.

177

178 With that, I'll turn it back to George.

179 **George H. Kirby – President and Chief Executive Officer**

180

181 Thanks, Matt. As we move onto Q&A, let me close by saying how excited
182 we are about our product commercialization, our business development
183 efforts, and our operational build out. We believe we have a unique
184 product, a great strategy and an exceptional team. We intend to
185 continue our work to bring this technology to the marketplace and build

186 relationships with quality customers around the globe. As always, thank
187 you for your time and support as we continue to build out Ocean Power
188 Technologies. Operator, we're now ready to take questions.

189

190 **Question-and-Answer Session**

191

192 ***Operator:***

193

194 [Operator Instructions] I'm currently showing no questions at this time.

195 I would now like to turn the call back to George Kirby for any further
196 remarks.

197

198 ***George H. Kirby***

199

200 Thank you for joining us on today's call. If you have any further
201 questions, please don't hesitate to contact us. Otherwise, we look
202 forward to speaking with you, again, next quarter.

203

204 ***Operator:***

205

206 Ladies and gentlemen, thank you for participating in today's conference.

207 You may now disconnect. Everyone, have a great day.

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