

1 **Ocean Power Technologies Inc. Fiscal First Quarter 2019 Call Script**

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3 **Operator Comments**

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5 Good morning, ladies and gentlemen, and welcome to the First Quarter
6 Fiscal Year 2019 Ocean Power Technologies Conference Call. My name
7 is Carmen, and I will be your coordinator for today. As a reminder, this
8 conference call is being recorded for replay purposes. I would now like
9 to turn the presentation over to your host for today's call, Mr. Steve
10 Calk, Investor Relations for Ocean Power Technologies.

11
12 **Introduction**

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14 Good morning, and thank you for joining us for Ocean Power
15 Technologies Conference Call and Webcast. On the call with me today
16 are George Kirby, President and Chief Executive Officer; and Matthew
17 Shafer, Chief Financial Officer and Treasurer. Following our prepared
18 remarks, we will open the call to questions. This call is being webcast on
19 the company's website at www.oceanpowertechnologies.com. It will
20 also be available for replay after this call.

21
22 On September 12, 2018, OPT issued its earnings press release and filed
23 its quarterly report on Form 10- Q for the first quarter of 2019 with the
24 Securities and Exchange Commission. All our public filings can be
25 viewed on the SEC website at sec.gov, or you may go to the OPT website,
26 oceanpowertechnologies.com.

27
28 Now let me reference the safe harbor provisions of the U.S. securities
29 laws for forward-looking statements. This conference call may contain
30 forward-looking statements that are subject to significant risks and
31 uncertainties, including the future operating and financial performance
32 of OPT. Although OPT believes that the expectations reflected in its
33 forward-looking statements are reasonable, it can give no assurance
34 that such expectations will prove to be correct. Important risk factors
35 that could cause actual results to differ materially from those reflected
36 in the forward-looking statements are included in OPT's filings with the
37 SEC. The information contained in this call is accurate only as of the date
38 discussed. Investors should not assume that these statements will

39 remain operative at a later time and OPT undertakes no obligation to
40 update any information discussed in this call. Now I'm pleased to
41 introduce Mr. George Kirby, President and CEO of Ocean Power
42 Technologies. George?

43

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

45

46 Thanks, Steve. Good morning, everyone. I'll begin with an update on
47 what we're seeing in the industry and the progress we're making on our
48 commercialization plan. Then I'll pass it to Matt Shafer, our Chief
49 Financial Officer, for a review of our financials. After that, we'll open up
50 the call for questions. I told you last quarter how we were beginning to
51 see signs of building demand for our PowerBuoy solutions. During this
52 last quarter, we saw that demand begin to take shape, particularly as
53 the offshore oil and gas markets have become increasingly aware of our
54 technology.

55

56 We have actually been aided by the stabilization of oil prices, which has
57 incentivized operators to reduce cost and make their operations more
58 efficient. In addition, this industry is increasingly aware that their
59 operations need to minimize their carbon footprint. All this has come
60 together to create an environment, where our PowerBuoy technology
61 meets a vital need, both financially and operationally.

62

63 The results over the past several months have been nothing short of
64 groundbreaking for OPT. For the first time, we've closed multiple
65 contracts to supply PowerBuoy's in a new market across multiple
66 applications. We successfully shipped our PB3 PowerBuoy for
67 deployment in the Adriatic Sea, fulfilling a key milestone with Eni. We're
68 also preparing to deliver a PB3 PowerBuoy to Premier Oil for our
69 upcoming deployment in the North Sea.

70

71 As I mentioned last quarter, these combined contract values are worth
72 potentially over \$3.1 million. In mid-August, we signed an agreement
73 with Enel Green Power, or EGP, a subsidiary of Enel Group, which is a
74 multinational energy company and one of the world's leading integrated
75 electricity and gas operators. Under the terms of that contract, OPT will
76 evaluate a PB3 PowerBuoy deployment along the coast of Chile through

77 a detailed feasibility study. In particular, we are evaluating the
78 PowerBuoy as an offshore autonomous platform hosting oceanographic
79 sensor systems.

80

81 This collaboration with Enel Green Power is a significant opportunity
82 for us, both in the region and in the marine energy space. EGP is a world
83 leader in delivering renewable energy, and we hope to leverage this
84 work to further expand our presence in Chile and throughout South
85 America and multiple areas. These would include monitoring,
86 surveillance, subsea charging and connectivity for the offshore oil and
87 gas, science and research, and telecommunications market.

88

89 I mentioned last quarter that our business development team received
90 significant interest from a number of military and defense contractors
91 over the past few months. That work continues as does our relationship
92 with the office of naval research, who's turned its focus to autonomous
93 power over the prior few years.

94

95 As a reminder, the DOE announced up to \$23 million in funding to
96 support marine energy technology projects that aim to reduce capital
97 costs and shorten deployment time lines. This remains an attractive
98 potential source of funding for us, and we look forward to continuing
99 our relationship with the DOE.

100

101 We've come to be known as the innovator in offshore power, and this
102 has broadened demand for our solutions. Currently, we have a pipeline
103 of over 40 active opportunities, where we are responding to
104 information requests, actively providing proposals or participating in
105 customer studies, where PowerBuoy could be employed. Information
106 request and request for proposals are at an all-time high, which is
107 evidence that we have successfully built a brand in power solutions. Our
108 pipeline is robust, and we expect to secure more orders to deliver PB3
109 PowerBuoys to prospective partners around the world in the coming
110 quarters.

111

112 Meanwhile, at headquarters, our new people and processes are moving
113 full steam ahead and are positioning us to deliver high-quality products
114 and services to our customers. First, you may recall that we welcomed
115 Matt May to the OPT team as our Vice President of Global Business

116 Development. In Matt's first quarter on the job, he continues to enable
117 our success in forging a robust pipeline through new and expanding
118 relationships as we bring our technology to an even broader market.

119

120 Second, we obtained a new patent, which allows us to optimize energy
121 in lower sea states. The technology can be applied to serve additional
122 subsea demands and will be highlighted at upcoming conferences and
123 exhibitions. And finally, our whole team is acting in accordance with our
124 mantra: to sell, build and ship high-quality PowerBuoys for our
125 customers.

126

127 Finally, the team and I were excited to attend the Offshore North Sea
128 Conference in Stavanger, Norway, last month. This was our first time
129 attending ONS, and it provided an ideal venue to showcase our
130 capabilities in the oil and gas sector. Just to provide some context about
131 this event, there were over 68,000 attendees and over 1,100 companies
132 from 37 countries that exhibited, including OPT. We had scores of
133 visitors to our booth, representing 29 companies. And we easily had
134 over 20 dedicated meetings about the use of our power solutions and
135 potential customer applications.

136

137 Potential customers and partners were impressed with our technology
138 and platform. In particular, they were interested in how they can apply
139 the technology to various mission-critical payloads, while extending the
140 range of operation. It was clear that the PowerBuoy is a solution that
141 not only enables real-time decision making but also lowers our
142 operational costs, and many parties are actively seeking us out as a
143 solution provider.

144

145 We remain confident that Ocean Power Technologies offers a unique
146 solution to customers across the globe. Our technology and expertise
147 continue to open doors. We're utilizing new technologies for operational
148 cost savings as the key driver. I believe the announcements I mentioned
149 today will be the first in a string of customer wins in the coming
150 quarters.

151

152 Now let me turn the call over to Matt to take us through the numbers.

153

154 **Matthew Shafer - Chief Financial Officer**

155

156 Thank you, George, and good morning, everyone. We recorded \$31,000
157 in revenue during the first quarter ended July 31, 2018, as compared to
158 \$195,000 in the first quarter of fiscal 2018. The decline in revenue is
159 related to new contracts signed with Eni and Premier Oil in the first
160 quarter of fiscal 2019, which was more than offset by the completion of
161 the MES and ONR contracts during the first quarter of fiscal 2018. This
162 expected decline also reflects our focus on commercial contracts, which
163 is now beginning to gain significant momentum. The net loss for the first
164 quarter of fiscal 2019 was \$3.2 million as compared to a net loss of \$2.7
165 million in the first quarter of fiscal 2018. This increase in net loss is a
166 direct result of costs associated with scaling, business development,
167 engineering and marketing as we increase our focus on these
168 commercial contracts.

169

170 Turning now to the balance sheet. As of July 31, 2018, total cash,
171 restricted cash, cash equivalents and marketable securities were \$8.4
172 million, down from \$12.3 million on April 30, 2018. Net cash used in
173 operating activities was \$3.8 million during the 3 months ended July 31,
174 2018, as compared to \$4.2 million during the prior year period.

175

176 On August 13, we were pleased to announce that we entered into a
177 common stock purchase agreement with Aspire Capital. This agreement
178 provides that Aspire is committed to purchase up to an aggregate of \$10
179 million of our common shares over the 30-month term of the
180 agreement. In consideration for entering into this agreement, we issued
181 approximately 429,000 shares of our common stock to Aspire as a
182 commitment fee. Additional details about the transaction are available
183 in our August 27 filing with the SEC. We are encouraged and excited by
184 this partnership with Aspire. This agreement gives us greater flexibility
185 and access to additional funding.

186

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

188

189

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

191

192 Thanks, Matt. Before we move on to Q&A, let me once again commend
193 our great team. Your hard work and ingenuity have been tremendous,
194 particularly over the last few months, as commercialization of our
195 technology has began in earnest. Our sales and marketing team
196 continues to find new opportunities for our innovative solutions around
197 the world, and they are reaping the benefits of our growing brand and
198 reputation. Our support services continue to build world-class policies
199 and procedures to enable business growth, while maintaining sound
200 compliance. To summarize, our entire organization is excited and
201 motivated. We are executing on our commercialization strategy, and we
202 are building a strong and growing company here at OPT.

203

204 Operator, we are now ready to take questions.

205

206 **Question-and-Answer Session**

207

208 ***Operator:***

209

210 [Operator Instructions] All right. And I'm not showing any further
211 questions. I would like to turn the call back to Mr. George Kirby.

212

213 ***George H. Kirby:***

214

215 Before we conclude the call, I want to sincerely thank everyone who has
216 been a stakeholder in the company and who has been following us and
217 helping us to rebuild and grow this company. A couple of things that I
218 will mention. We are looking to have a commercial update similar to the
219 one that we did in April, which would be a deep dive on what we're
220 doing in terms of attacking decommissioning in the offshore oil and gas
221 space, subsea power, talk about our pipeline a little bit more, and also,
222 potentially, new technologies. As part of our regular course of business,
223 we solicit market feedback on what the market needs and requires. And
224 that's not just offshore oil and gas, it's all the industries that we are
225 going after. There -- and again, as a regular course of business, there
226 may be complementary technologies that offer an immediate

227 opportunity to address demands that we are investigating. And I hope
228 to be able to talk more about that during the commercial update.

229

230 Finally, we are continuing to build our organization here, we have to, in
231 order to deliver to our customers, but we're doing it very strategically
232 and very selectively. Not every new hire that we bring on board is
233 additive in terms of cost to the company. Sometimes we're actually able
234 to displace outsourcing of activities that we've routinely been doing by
235 bringing in a permanent full-time source, and that helps us drop our
236 costs. We are extremely cost focused right now as we grow our
237 business, and we are extremely focused on delivering for our customers.
238 We've got a robust pipeline, and we're really excited about what the
239 future holds.

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241 So with that, I have no further comments, and thank you for your time.

242

243 *Operator:*

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245 And ladies and gentlemen, thank you for participating in today's
246 conference. This concludes the program. And you may all disconnect.

247 Everyone, have a great day.