Ocean Power Technologies, Inc.

Ticker: NASDAQ – OPTT

Fiscal 2014 Second Quarter Conference Call

Date: December 13, 2013 – 10:00 am Eastern Time

Operator:

Good morning ladies and gentlemen and welcome to the Ocean Power Technologies' Fiscal 2014 Second Quarter conference call. At this time, all participants are in a listen-only mode. Following management's prepared remarks we'll hold a Question and Answer session.

To ask a question, please press star followed by 1 on your touch-tone phone. If anyone has difficulty hearing the conference, please press star zero for operator assistance.

As a reminder, this conference is being recorded and webcast. I would now like to turn the conference over to your moderator, Mr. Chris Witty of Darrow Associates, investor relations advisor. Please go ahead sir.

Chris Witty

Thank you. Welcome to Ocean Power Technologies' Earnings Conference Call for the fiscal second quarter ended October 31, 2013. OPT issued its earnings press release earlier today, and the Company will soon file its Quarterly Report on Form 10-Q with the Securities and Exchange Commission. All public filings can be viewed on the SEC website at sec.gov, or you may go to the OPT website, oceanpowertechnologies.com.

With me on today's call from the Company is Chuck Dunleavy, OPT's Chief Executive Officer.

SLIDE #2: FORWARD-LOOKING STATEMENTS

Please advance to slide 2 of our presentation.

During the course of this conference call, management may make projections or other forward-looking statements regarding future events or financial performance of the

Company within the meaning of the Safe Harbor Provision of the Private Securities Litigation Reform Act of 1995. As indicated in the slide, these forward-looking statements are subject to numerous assumptions made by management regarding future circumstances over which the Company may have little or no control and involve risks and 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.

We refer you to the Company's Form 10-K and other recent filings with the Securities and Exchange Commission for a description of these and other risk factors.

Now let me turn the call over to Chuck Dunleavy, OPT's CEO. Chuck?

Chuck Dunleavy

Thanks Chris and good morning everyone. I'll begin by providing an update on key activities, after which I'll briefly go over our financial results for the second quarter. I will then be available to answer any questions.

SLIDE #3: RECENT DEVELOPMENTS

Turning to slide 3, let me first review OPT's recent developments since our last earnings call a few months ago. It has been a busy period, with notable news in the Pacific Rim – where we signed a groundbreaking commercial agreement with our partner in Japan, Mitsui Engineering & Shipbuilding, and also signed a contract with Mitsui for further work advancing our utility PowerBuoys. In a moment, I will discuss details of these developments, which were largely responsible for increasing our backlog to $5.8 million at the end of the quarter from $3.5 million at the end of the prior quarter.

At our October 3, 2013 Annual Meeting of Stockholders, David Keller was elected as a Director of OPT. Dave has a distinguished career, most recently having served as CEO of Global Power Equipment Group, and previously as President and Chief Operating Officer of Babcock & Wilcox. We are very pleased to have Dave on the Board.

We also just announced the addition of Mark Featherstone as OPT's new Chief Financial Officer. Mark has significant experience as a senior finance and accounting officer at private and public companies, including Heat Transfer Products Group,

Quaker Chemical Corporation, Coty and Scott Paper. He formerly practiced as a CPA with Arthur Andersen. It is great to have him on board as a member of our senior management team as we move the Company forward.

We completed ocean-testing of an enhanced Autonomous PowerBuoy over this past August and September off the coast of New Jersey for the Department of Homeland Security, and with excellent results.

Finally, we recently strengthened our balance sheet by having raised during and just after the quarter a total of $4.7 million through our At-the-Market, or ATM facility we have in place. This mechanism allows us to sell stock on the open market, enabling us to raise new capital on a periodic basis.

I would now like to review certain of our projects in more detail.

SLIDE #4: JAPAN ACTIVITY

First let's turn to slide 4 for an update on our activities in Japan and the details of recent exciting developments with Mitsui Engineering & Shipbuilding, or MES. As I mentioned a moment ago, we signed with MES a wide-ranging agreement – which was announced October 24 – that provides for close collaboration towards commercialization of our proprietary PowerBuoy technology in their home market of Japan and several nations in Asia and Africa. Having worked with MES for many years and admiring both their vision and manufacturing expertise, we granted them a license to sell our PowerBuoys – for both grid-connected, utility installations and for autonomous applications. The territory covered by the agreement is Japan, the Philippines, Malaysia, Vietnam, Mozambique, South Africa and Namibia. Those 7 countries in the Pacific Rim and Africa have extensive coastline and conditions well-suited for harnessing the energy of waves for different applications. This license has a renewable, ten-year term under which MES has the exclusive right to sell PowerBuoys and related services in these areas, and OPT will receive royalties from MES for such sales in their licensed territory. In addition, OPT will make and sell to MES the Power Take-Off (or "PTO") systems, which include the generator and control systems for the PowerBuoys. MES will manufacture the rest of the PowerBuoy – including the large spar – and manage the assembly of the entire system which they sell, leveraging their experience in heavy manufacturing, supply chain management, and international sales.

In addition, for any customers outside its territory that MES refers to OPT, MES will receive a commission and also has the right of first refusal with regard to manufacturing those PowerBuoys. Overall, we believe this agreement puts in place the vehicle for a long and fruitful relationship with MES. It is a mutually beneficial agreement that we believe significantly enhances the prospects for PowerBuoy sales.

After the signing of this agreement, we received a contract worth $2.6 million from MES to supply the design and delivery of key components for a PowerBuoy system intended to be deployed off the coast of Japan. Working together we will test the prototype buoy, with the spar fabricated by MES and the PTO supplied by OPT. The PowerBuoy, optimized for local wave conditions, is expected to be suitable for ocean trials to demonstrate the potential for a commercial-scale utility wave power station in Japan. This is the next step in MES' and OPT's plans to jointly bring wave-based clean energy to the country.

Overall, we are very pleased with recent developments with our longstanding partner, Mitsui, and also in Japan, which is a nation clearly dedicated to developing clean alternatives for power generation.

SLIDE #5: AUSTRALIA UPDATE

Now turning to slide 5, let me provide an update on our activities in Australia, where we have also seen progress. We continue to work closely with the Australian Renewable Energy Agency (known as "ARENA") toward positive amendments to the original Funding Deed through which we previously were awarded a A$66.5 million grant from the Commonwealth.

Since the original announcement of the grant, we have completed many engineering milestones and have conducted surveys and studies to meet the requirements for licenses and approvals. Like Japan, Australia remains committed to the development and commercialization of renewable energy and related technologies, and it is clear that wave power can play an important role in energy generation there. A seabed survey by Victoria-based Professional Diving Services is nearly complete, finalizing the selection of the project site off Portland, Victoria; that survey takes into account seabed conditions along with environmental, recreational and commercial interests. Also, we

are actively engaging with several parties regarding prospective power purchase agreements.

At completion, our project would provide power for up to 10,000 local residents as well as the creation or sustaining of at least 300 jobs. We are very upbeat about what we believe this holds in store for OPT going forward.

SLIDE #6: APB DEPLOYMENT

Moving to slide 6, I'll give a brief update on recent activities in New Jersey with our Autonomous PowerBuoy. Over August and September we deployed an enhanced APB-350 unit 35 miles off the coast of New Jersey, in approximately 140 feet of water, for the Department of Homeland Security. The launch was supported by a Cooperative Research and Development Agreement, or CRADA, to test various aspects of our buoy's performance as well as a new on-board acoustic sonar system. With testing now complete and the APB out of the water, the in-ocean trials successfully validated our technology's capacity for expanded ocean surveillance by demonstrating the effectiveness of the buoy's sonar for sub-surface vessel detection. The Department of Homeland Security and we were very pleased with the results of this latest Autonomous PowerBuoy deployment. The demonstration included an integrated sensor suite with sonar, high frequency radar for surface surveillance, and an Automated Identification System (or, "AIS") receiver. The PowerBuoy simultaneously provided power to the HF radar transmitter, the acoustic sensor and related electronics, the AIS receiver and the communications package, and also maintained power to all the buoy electronics. After addressing these requirements, any excess energy produced was captured in the on-board storage system.

Overall power generated by the APB-350 confirmed results of previous in-ocean operations of the system. The average continuous power of this latest deployment exceeded the 350 watt rating and overall mission requirements for persistent power generation, with peak electrical power exceeding 1,500 watts.

Other important achievements noted during operation of the APB included satellite communication improvements such as a 92% reduction in power consumption and a twofold increase in data throughput performance. In addition, as a result of significant reductions in the hotel load of the APB-350, power production commenced immediately

after deployment even in very low wave heights – less than two feet. We also identified additional areas to optimize mission longevity and further enhance performance, as well as the power-to-weight ratio of the device.

This was another important step in the development of our APB line for future applications, successfully demonstrating the capability to provide power as needed for persistent, off-shore maritime security in near-shore, harbors and littoral zones. We continue to be very positive about the markets that the APB-350 may open up in maritime surveillance as well as for offshore oil and gas, fish farming, and other areas requiring remote, persistent power. We're working to secure additional orders across these applications going forward.

Now let me briefly review our financial results.

SLIDE #7: FINANCIAL SUMMARY – OPERATING RESULTS

As noted on slide 7, OPT reported revenue of $0.5 million for the most recent quarter as compared to revenue of $1.4 million for the three months ended October 31, 2012. This decrease relates primarily to a lower level of external funding for the Company's Mark 4 PowerBuoy development project and a decline in revenue tied to OPT's prospective PowerBuoy deployment off Reedsport, Oregon, which has been suspended pending resolution of regulatory, financial and other matters. OPT also had completed a project with Mitsui Engineering & Shipbuilding in the prior fiscal year.

The net loss for the three months ended October 31, 2013 was $3.3 million as compared to a net loss of $4.8 million for the three months ended October 31, 2012. The favorable decrease in the Company's net loss year-over-year reflects lower product development costs, with the decline due primarily to a lower level of activity for OPT's project in Oregon.

For the six months ended October 31, 2013, OPT reported revenues of $0.9 million as compared to revenues of $2.3 million for the prior year's comparable period. This decrease again primarily reflects a decline in revenue related to the suspension of the Company's Mark 3 PowerBuoy project off the coast of Oregon, decreased billable work for OPT's Mark 4 PowerBuoy development, and the completion of the project with Mitsui Engineering & Shipbuilding in the prior fiscal year. These decreases were partially offset

by an increase in revenue related to the Company's project off the coast of Spain and work performed under the new contract received in October 2013 from Mitsui.

The net loss was $7.0 million for the six months ended October 31, 2013 compared to $9.1 million for the same period in the prior year. This favorable decrease in net loss was due primarily to a decline in product development costs associated with OPT's project in Oregon.

SLIDE #8: FINANCIAL SUMMARY – FINANCIAL CONDITION

Turning to slide 8.

As of October 31, 2013, total cash, cash equivalents, restricted cash and marketable securities were $18.7 million, as compared to $21.7 million as of April 30, 2013. Net cash used in operating activities was $6.5 million and $6.3 million for the six months ended October 31, 2013 and 2012, respectively. Net cash used was slightly higher in the current six month period relative to the corresponding prior year period due to a decrease in operating assets and liabilities, offset by lower expenses related to the Company's Oregon project. In addition, the Company raised $3.4 million during the Fiscal 2014 second quarter through the sale of stock under its ATM facility with Ascendiant Capital Markets. An additional $1.3 million was raised under the ATM just after the close of the October 31, 2013 quarter.

Now I'll make some closing comments before turning the call over for questions.

SLIDE #9: SUMMARY

Moving to slide 9. Much has been accomplished in the past few months to strengthen the Company's growth prospects. Our work in Japan and Australia position us for commercialization and market adoption of our leading-edge wave-energy applications, and we are partnered with strong participants in the industry – including Mitsui Engineering & Shipbuilding and Lockheed Martin. Important aspects of our business strategy are geared to positioning the technology, as well as our strategic relationships, to enhance the prospects for PowerBuoy sales. We continue to invest in our core technology – with funded third party contracts as well as our own capital. For example,

on the strength of the recent ocean deployment of our Autonomous PowerBuoy and based on input from our customer, we are now working on certain applications–driven improvements to the APB-350 product.

Our balance sheet remains strong – in fact, our cash balances increased slightly over the prior quarter. Our backlog has grown, and we believe the markets for both utility-scale PowerBuoys and autonomous applications are active. The world continues to seek clean, reliable and consistent means of power generation, and our oceans are clearly huge, untapped resources which can fulfill this vision. We at OPT are dedicated to remaining a leader in this field.

With that, I'll now open the call for questions. Please go ahead, operator…

Operator:

I will now open the call for questions.

[Question Period]

Operator:

There are no further questions in the queue. I'll now turn the call back over to Mr. Dunleavy for any closing remarks.

Chuck Dunleavy

Thank you all once again for attending today's call. If you have any further questions, please do not hesitate to contact us (email or telephone). Otherwise, we look forward to speaking with you next quarter.

Operator:

Thank you everyone. That concludes our call. You may now disconnect.