

1 **Ocean Power Technologies Inc. First Quarter Fiscal 2018 Conference**  
2 **Call Script**

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4 **Operator Comments**

5  
6 Good morning ladies and gentlemen, and welcome to the first quarter  
7 fiscal 2018 Ocean Power Technologies conference call. My name is  
8 Sonya and I'll be your coordinator for today.

9  
10 As a reminder, this conference call is being recorded for replay  
11 purposes.

12  
13 I would now like to turn the presentation over to your host for today's  
14 call, Mr. Andrew Barwicki.

15  
16 **Andrew Barwicki - Introduction**

17 Thank you and good morning. Thank you for joining us on Ocean  
18 Power Technologies' conference call and webcast to discuss the  
19 financial results for the first quarter of fiscal 2018 ended July 31,  
20 2017.

21  
22 On the call with me today are George Kirby, President and CEO; and  
23 Matthew Shafer, Chief Financial Officer. George will review the  
24 operational highlights of the first quarter and then Matt will discuss  
25 the first quarter financial results.

26  
27 Following our prepared remarks, we will open the call to questions.

28 This call is being webcast on our website, at

29 [www.oceanpowertechnologies.com](http://www.oceanpowertechnologies.com), and will be available for replay  
30 later today. The replay will stay on the site for on-demand review over  
31 the next several months.

32

33 Last Friday, Ocean Power Technologies issued its first quarter fiscal  
34 2018 earnings press release and last Thursday filed its quarterly  
35 report on Form 10-Q with the Securities and Exchange Commission.  
36 All of our public filings can be viewed on the SEC website at SEC.gov  
37 or on the Ocean Power Technologies website.

38

39 During the course of this conference call, management may make  
40 projections or other forward-looking statements regarding future  
41 events or financial performance of the company within the meaning of  
42 the Safe Harbor provisions of the Private Securities Litigation Reform  
43 Act of 1995. These forward-looking statements are subject to  
44 numerous assumptions made by management regarding future  
45 circumstances over which the company may have little or no control  
46 that involve risk and uncertainties and other factors that may cause  
47 actual results to be materially different from any future results  
48 expressed or implied by such forward-looking statements.

49

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

53

54 Now, I'd like to turn the call over to George to begin the discussion.

55

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

57

58 Thank you, Andrew. Good morning, everyone. We appreciate your  
59 interest in today's call and we're encouraged by your participation.

60

61 Today I'll review our business operations and provide an update on  
62 key activities and developments that occurred during the first quarter.

63

64 I assume that most of you have seen our earnings release that was  
65 issued last Friday. As we indicated in the release, we continued to  
66 make progress on our strategic initiatives to further commercialize the  
67 PB3 PowerBuoy and to position the company for future growth.

68

69 As part of the overall strategy when I joined the company, and the  
70 business plan that we implemented, the first quarter and the  
71 remainder of this fiscal year is focused on aggressive sales and  
72 marketing efforts to drive revenue growth.

73

74 The initial commercialization of the PB3 was a significant  
75 accomplishment for us. It placed us in a good position to continue  
76 current and past conversations with potential end users, and to  
77 engage with new and prospective customers. We were very active on  
78 this front throughout the quarter.

79

80 To meet the anticipated demand from potential new customers,  
81 production is underway on two new commercial-status PB3  
82 PowerBuoys that will be our third and fourth units.

83

84 Oil & gas is one of the target markets that we believe has good long-  
85 term growth potential for OPT. Because of this, we established a  
86 presence in Houston, Texas, during the first quarter as a result of  
87 conversations and meetings with potential customers and end users,  
88 particularly in the oil & gas industry, and the hiring of our Director of  
89 Global Applications.

90

91 Many of our friends and colleagues were significantly impacted by  
92 Hurricane Harvey, as was the city of Houston and surrounding areas.  
93 This week we're working to bring supplies to those affected by the  
94 hurricane. Our goal is to fill a 20-foot shipping container and deliver it  
95 for distribution directly to shelters and those that need it through our  
96 partners and employees that are on the ground. I would like to urge  
97 you to make a donation by visiting our website and clicking on the  
98 Hurricane Harvey banner at the top of the page.

99

100 In May, we attended one of the largest offshore oil and gas  
101 conferences in the world which took place in Houston. Our team and I  
102 had numerous meetings with C-level executives and continue to have  
103 follow-up conversations with them about how our PB3 could  
104 potentially meet their needs.

105

106 As I discussed last quarter, we are in the process of relocating our  
107 corporate headquarters and manufacturing center to a facility in  
108 Monroe, New Jersey. This will more than double the size of our  
109 existing OPT facility. The move is on track to be completed later in  
110 this calendar year. Having a larger facility to support our sales and  
111 marketing activities is essential to our future growth.

112

113 To ensure that growth, we raised \$7.2 million in the first quarter in a  
114 secondary common stock offering, which strengthened our financial  
115 position and will support the continued execution of our business  
116 plan.

117

118 Last year we won an exciting new contract with the U.S. Department  
119 of Defense Office of Naval Research to design a new mass-spring  
120 oscillating PowerBuoy for mission critical sensors. This PowerBuoy  
121 design differs from the current PB3 in that it will be an anchorless,  
122 station-keeping, low profile PowerBuoy that would most likely power  
123 mission critical surveillance sensors and the buoy's control and  
124 propulsion systems.

125

126 Phase One of the contract scope includes the design, optimization,  
127 and laboratory testing of this new proprietary PowerBuoy. We  
128 currently have several patented solutions for mass-spring oscillating  
129 designs, and we believe we will be able to leverage our intellectual  
130 property to address the Office of Naval Research needs. We expect

131 to finish phase one within the coming months, and we hope to  
132 advance to Phase Two of the project soon thereafter.

133

134 In March of this year, we began our six-month lease with Mitsui  
135 Engineering and Shipbuilding with the shipment of our PB3  
136 PowerBuoy to Japan. The lease was set to end in August, however  
137 MES and OPT extended the lease by one-month in order for the  
138 PowerBuoy to continue to collect data. The PowerBuoy ended up  
139 generating more than 1,000 kilowatt-hours of power, and the data we  
140 obtained proved to be extremely valuable in our sales and marketing  
141 efforts. Efforts are currently underway to retrieve the PowerBuoy and  
142 to ship it back to Pennington to be retrofitted with additional  
143 capabilities, given the anticipated demand that we're seeing.

144

145 I'll now turn the call over to Matt, who will review our first quarter  
146 financial results.

147

148 **Matthew Shafer- Chief Financial Officer**

149 Thank you, George, and good morning everyone.

150

151 Revenue for the first quarter of fiscal 2018 was \$195,000, which was  
152 relatively flat compared to revenue of \$202,000 for the first quarter of  
153 fiscal 2017. Revenue for the first quarter of fiscal 2018 came from  
154 contracts with Mitsui Engineering and Shipbuilding and the  
155 Department of Defense Office of Naval Research, while revenue for

156 the first quarter of fiscal 2017 came from the contract with Mitsui  
157 Engineering and Shipbuilding.

158

159 The net loss for the first quarter of fiscal 2018 was \$2.7 million,  
160 compared to a net loss of \$3.8 million for the first quarter of fiscal  
161 2017. The decrease in net loss for the first quarter of fiscal 2018 is  
162 primarily attributable to lower product development costs and the  
163 decline in the fair value of the company's warrants liability, partially  
164 offset by slightly higher selling, general, and administrative expenses.

165

166 Turning now to the balance sheet, as of July 31, 2017 total cash,  
167 cash equivalents, restricted cash and marketable securities were  
168 \$12.0 million, up from \$8.9 million on April 30, 2017. Restricted cash  
169 was \$515,000 as of July 31, 2017, compared to \$488,000 as of April  
170 30, 2017. Net cash used in operating activities was \$4.2 million for  
171 the first quarter of fiscal 2018, compared with \$2.9 million for the first  
172 quarter of fiscal 2017. The first quarter of fiscal 2018 includes one-  
173 time cash payments of approximately \$1.3 million related to the  
174 disposition of the mooring anchoring system in Reedsport, Oregon for  
175 a project that was closed out and the PB40 site remediation off the  
176 coast of New Jersey that was part of the deployment permit  
177 requirements.

178

179 That concludes the financial overview. I'll now turn the call back over  
180 to George.

181

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

183

184 Thank you, Matt.

185

186 Before opening the call to Q&A, I'd like to comment on our sales and  
187 marketing strategy and the interactions we've been having with  
188 potential customers and end users.

189

190 We continue to focus our efforts on educating the marketplace, and  
191 applying the PowerBuoy to potential customer operations. Although  
192 buoys have been in the waters throughout the globe at different times  
193 over decades, our PB3 PowerBuoy is a new product that has many  
194 unique features and applications. Our sales and engineering teams  
195 work with customers on an ongoing basis to not only explain the  
196 capabilities of the PowerBuoy for their specific needs, but to consider  
197 their specific applications. A large part of our recent efforts have  
198 been in working with potential customer engineering teams to  
199 understand how our PB3 PowerBuoy would integrate with their  
200 existing or future subsea systems and operations, including the  
201 evaluation of power and communications needs and required  
202 interfaces. We're very hopeful that this work will result in PowerBuoy  
203 sales or leases which can then be leveraged for further market  
204 adoption.

205

206 That completes our prepared remarks. Operator, we're now ready to  
207 take questions.



208

209 **Question-and-Answer Session**

210

211 ***Operator:***

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

214 ***George H. Kirby***

215 Thank you all once again for your time today and your support. If you  
216 have any further questions, please do not hesitate to contact us.  
217 Otherwise, we look forward to speaking with you again next quarter.

218 ***Operator:***

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

221

222