

1 **Ocean Power Technologies Inc. Fiscal 2016 Call Script**

2
3 **Operator Comments**

4 Good morning ladies and gentlemen, and welcome to the fourth
5 quarter and fiscal year 2016 Ocean Power Technologies conference
6 call. My name is Vicky and I'll be your coordinator for today.
7 (Operator Instructions) As a reminder, this conference call is being
8 recorded for replay purposes.

9
10 I would now like to turn the presentation over to your host for today's
11 call, Mr. Andrew Barwicki.

12
13 **Andrew Barwicki - Introduction**

14 Thank you and good morning. Thank you for joining us on Ocean
15 Power Technologies conference call and webcast to discuss the
16 operating and financial results for the fiscal year ended April 30,
17 2016.

18
19 On the call with me today are George Kirby, President and CEO; and
20 Mark Featherstone, Chief Financial Officer. George will provide an
21 update on the company's highlights for the year, key activities and
22 strategy. Mark will then proceed to review the financial results for the
23 fourth quarter and fiscal year end.

24
25 Following our prepared remarks, we will open the call to questions.
26 This call is being webcast on our website, at
27 www.oceanpowertechnologies.com.

28
29 This call will also be available for replay later today. The replay will
30 stay on the site for on-demand review over the next several months.
31 After market close on Friday, Ocean Power Technologies issued its
32 earnings press release and filed its Form 10-K with the Securities and
33 Exchange Commission. All of our public filings can be viewed on the
34 SEC website at SEC.gov or you may go to the OPT website,
35 www.Oceanpowertechnologies.com.

36
37 During the course of this conference call, management may make
38 projections or other forward-looking statements regarding future
39 events or financial performance of the Company within the meaning

40 of the Safe Harbor provisions of the Private Securities Litigation
41 Reform Act of 1995. These forward-looking statements are subject to
42 numerous assumptions made by management regarding future
43 circumstances over which the Company may have little or no control
44 that involve risk and uncertainties and other factors that may cause
45 actual results to be materially different from any future results
46 expressed or implied by such forward-looking statements.

47

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

51

52 And now, I'd like to turn the call over to George to begin the
53 discussion.

54

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

56 Thank you, Andrew. Good morning, everyone and thank you for
57 joining.

58

59 Today I'll start by reviewing some of our accomplishments for fiscal
60 2016 as well as provide an update on business operations. Mark will
61 then briefly review our financial results, after which both Mark and I
62 will be available to answer any questions.

63

64 Fiscal 2016 represented a year of strategic execution and
65 achievements for our company. In September 2015, we announced
66 the initial deployment of our earlier generation, prototype PB3
67 PowerBuoy as a first step toward validating our next generation
68 advanced power take-off, or "PTO". In October 2015, we announced
69 the initiation of accelerated life testing of our next generation PTO in
70 order to assist us in shortening the time to validate system design
71 and reliability and to bring our product to market. During the
72 remainder of fiscal 2016, we focused on developing our commercial
73 PB3 PowerBuoy, making what we believe are significant
74 improvements to the reliability, survivability, manufacturability, and
75 cost to operate and maintain our autonomous PowerBuoy, as
76 compared to earlier iterations. Last month we announced the
77 redeployment of our prototype PB3 PowerBuoy, and this month we
78 announced the deployment of our first commercially designed PB3

79 PowerBuoy. This commercial design incorporates multiple
80 enhancements over early prototypes including our next generation
81 PTO, a higher-capacity, modular energy storage system, a higher
82 efficiency power management and distribution system, and several
83 other improvements that make this design easier to manufacture,
84 deploy, and maintain. With two PB3 PowerBuoys operating
85 simultaneously and when combined with our accelerated life testing
86 data, we're receiving a constant stream of performance data which
87 can be shared with prospective customers and partners. Additionally,
88 we announced what we believe are significant milestones for our
89 accelerated life testing. To date, the accelerated life testing of our
90 PTO systems has exceeded ten million total cumulative cycles. This
91 achievement simulates the equivalent of over one and one half years
92 of ocean operation for our PTO fleet.”

93
94 Prior to re-deploying our prototype PB3 in June, we integrated a self-
95 contained ocean observing payload, called “SCOOP”, from the
96 National Data Buoy Center, or the “NDBC”, under phase one of our
97 joint Cooperative Research and Development Agreement. Wind and
98 weather data are communicated directly to the NDBC website as part
99 of its integrated ocean observing system and used by industries all
100 over the world. In addition to the NDBC payload, we're also
101 evaluating an acoustic sensor for the detection and monitoring of
102 marine animals through an agreement with the Wildlife Conservation
103 Society.

104
105 In fiscal 2016, we established a Technical Advisory Panel, or “TAP”,
106 as part of our efforts to accelerate PowerBuoy commercialization and
107 to gain adoption across our target markets: oil & gas, ocean
108 observing, security and defense, communications and offshore wind.
109 The TAP meets telephonically about every two to three months to
110 discuss progress in advancing the technology, provide market
111 feedback on the technology, and to vet potential applications that
112 require remote, offshore power and data communications. One of the
113 panel members, Gardline Environmental, entered into an agreement
114 with us to jointly develop metocean monitoring and maritime security
115 systems for prospective customers, and we continue to speak with
116 other industry stakeholders to advance demand for such systems.

117

118 In June of this year, we announced our first commercial PB3
119 PowerBuoy agreement with Mitsui Engineering and Shipbuilding, or
120 “MES”. The agreement includes engineering and logistics support,
121 and a six month PB3 PowerBuoy lease agreement. We anticipate
122 deployment off of Kozu-island in Japan in 2017, following the
123 successful completion of a planned stage-gate review. We’re excited
124 about this first PowerBuoy lease, and we hope to leverage this
125 momentum in furthering our commercialization efforts.

126

127 Other business achievements include: securing approximately \$1.7
128 million through the State of New Jersey’s Business Tax Certificate
129 Transfer Program; raising approximately \$1.6 million through a
130 registered direct public offering in June; and we recently elected two
131 new Directors to our Board. We’re also pleased to have a pending
132 settlement to the class-action lawsuit that was initiated in 2014.

133

134 We are committed to developing capabilities and relationships in our
135 target markets, and we continue to look at various markets from the
136 ground-up. Throughout the last year, Ocean Power Technologies
137 has met with companies and organizations that we believe can
138 benefit from our PowerBuoy, and we continue to identify new
139 applications for remote, offshore autonomous power and data
140 communications. Although our sales process can be lengthy as we
141 introduce and explain the benefits of our innovative technologies, we
142 are now beginning to see results from meetings that occurred months
143 ago.

144

145 The high level of interest from current and prospective customers in
146 new markets underscores what we believe is global demand for our
147 PowerBuoys. Our ongoing challenge will be to manage the growth
148 process prudently, taking the time to carefully select opportunities
149 and expand at a pace that potentially optimizes value for our
150 stockholders. In fiscal 2017, we’ll focus on aggressively driving our
151 products to market through demand creation across our target
152 markets. This year we’ll continue to strengthen our value proposition
153 through further PowerBuoy performance improvements, and we’ll
154 seek to drive cost out of our products while maintaining the quality
155 and reliability in our designs and processes. We’ll focus on strategies
156 for manufacturing ramp-up by expanding our qualified supply chain

157 and evaluating potential partnerships. We'll continue to drive demand
158 and commercialization of our products throughout our target markets
159 such as offshore oil & gas, where sea floor pipeline monitoring, ocean
160 current and weather monitoring, and subsea equipment powering
161 applications require remote power and data communications
162 solutions. And new applications such as autonomous underwater
163 vehicles where we believe we can significantly extend their subsea
164 missions through PowerBuoy-based charging stations with data
165 transmission capability for the offshore oil & gas, and the security and
166 defense markets.

167

168 We believe that we have a significant opportunity to deliver improved
169 financial and operating results in the years ahead as we continue to
170 develop our markets and grow our sales base.

171

172 I'll now turn it over to Mark, who will review our financial results for
173 the year.

174

175 **Mark A. Featherstone- Chief Financial Officer**

176 Thanks, George, and good morning everyone. I will now review
177 results for the fiscal 2016 fourth quarter and fiscal year end before we
178 open up the call for questions.

179

180 For the three months ended April 30, 2016, OPT reported revenue of
181 \$100,000, as compared to revenue of \$500,000 for the three months
182 ended April 30, 2015. The decrease in revenues compared with the
183 prior year was primarily related to decreased billable costs on
184 previous projects with MES and with the U.S. Department of Energy,
185 while the current year reflects authorized pre-work under a letter of
186 intent for our autonomous PowerBuoy project with MES. As George
187 mentioned, we announced the full contract with MES in June 2016.

188

189 The net loss for the three months ended April 30, 2016 was \$4.0
190 million as compared to a net loss of \$3.3 million for the three months
191 ended April 30, 2015. The fiscal 2016 fourth quarter included a
192 charge of \$1.1 million related to the pending settlement of the class
193 action lawsuit. In addition, the fourth quarter of fiscal 2015 included a

194 higher gross profit due to a change in project costs related to the now
195 suspended prior year MES project.

196

197 Both product development costs and selling, general and
198 administrative costs were favorable in the fiscal 2016 fourth quarter
199 compared to the prior year. While the prior year fourth quarter
200 included costs related to both our former utility-scale PB40
201 PowerBuoy as well as our prototype PB3 PowerBuoy, the current
202 year fourth quarter reflects our focus on the development of our
203 commercial PB3 PowerBuoy, the deployment of which we announced
204 earlier this month.

205

206 Our net loss in the fourth quarter was higher than the third quarter
207 primarily due to the charge related to the pending class-action lawsuit
208 settlement noted previously, as well as the third quarter included the
209 benefit from the sale of net operating losses. This benefit is recorded
210 at the time the sale is finalized and has occurred in the third quarter
211 for the last several years. I would note that selling, general and
212 administrative costs were also *lower* in fiscal 2016 compared with the
213 prior year due to reduced consulting, patent amortization and legal
214 costs.

215

216 For the fiscal year ended April 30, 2016, OPT reported revenue of
217 \$0.7 million, as compared to revenue of \$4.1 million for the year
218 ended April 30, 2015. This decrease in revenues is consistent with
219 our strategic pivot, refocusing our product development efforts on
220 autonomous PowerBuoys and our deliberate decision to transition
221 toward commercial revenues.

222

223 The resulting net loss for the year ended April 30, 2016 was \$13.1
224 million, as compared to a net loss of \$13.2 million for the year ended
225 April 30, 2015; however, fiscal 2016 sales, general and administrative
226 costs were nearly \$3.0 million favorable to fiscal 2015

227

228 Turning now to the balance sheet, as of April 30, 2016, total cash,
229 cash equivalents, and marketable securities were \$6.8 million, down
230 from \$17.4 million on April 30, 2015. As of April 30, 2016 and April
231 30, 2015, restricted cash was \$0.3 million and \$0.5 million,
232 respectively. Net cash used in operating activities was \$10.9 million
233 for fiscal 2016 compared with \$17.2 million in fiscal 2015. The prior
234 year reflects the return of \$4.7 million related to an advance payment
235 received from ARENA while the current year reflects costs related to
236 increased deployment activity.

237

238 As discussed in prior conference calls, we have taken a number of
239 steps over the last several months to reduce our cash burn rate while
240 focusing our technical, operating and business development
241 resources on key initiatives, particularly the commercialization of the
242 PB3. As we have been discussing, our operating cash burn in fiscal
243 2016 was lower than that in fiscal 2015 despite increased deployment
244 activity in fiscal 2016. We remain confident in our cash position and
245 we expect to have sufficient cash to maintain operations into at least
246 the quarter ended January 31, 2017.

247

248 With that, I'll turn it back to George before we open the call up for
249 questions.

250

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

252

253 Thank you, Mark.

254

255 Before we move on to Q&A, I want to remind everyone that there are
256 *thousands* of offshore devices currently collecting a wide range of
257 data in the oceans around the world. These devices mostly run on
258 solar or battery power, all of which require numerous services on a
259 continuous basis. We believe that our PowerBuoy is poised to be the
260 data collection platform for the burgeoning “Blue Economy”, because
261 it’s capable of supplying continuous power and real-time data
262 communications which we anticipate will allow end-users to create
263 new “game-changing” applications which leverage this capability
264 while reducing their operating costs. We believe our PowerBuoy will
265 enable more, better, lower cost, and real-time data to enable
266 environmental intelligence for the Blue Economy.

267

268 At this time I welcome the opportunity to answer your questions.

269

270 **Question-and-Answer Session**

271

272 **Operator:**

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

275 **George H. Kirby**

276 I'm excited by the progress that our team has made and we continue
277 to explore opportunities to apply more resources to grow our markets.
278 We're considering numerous business initiatives in the U.S. and
279 Asian marketplaces. We believe we have in place the platform to
280 continue to strengthen and grow our business. We also believe that
281 our value proposition coupled with our targeted, diversified markets
282 will allow us to improve our operating results, regardless of market
283 conditions.

284

285 Thank you all once again for attending today's call. If you have any
286 further questions, please don't hesitate to contact us. Otherwise, we
287 look forward to speaking with you next quarter.

288 **Operator:**

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

291