

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

2
3 **Operator Comments**

4
5 Good morning ladies and gentlemen, and welcome to the second quarter
6 fiscal year 2018 Ocean Power Technologies conference call. My name is
7 Takeeya and I'll be your coordinator for today.

8
9 As a reminder, this conference call is being recorded for replay
10 purposes.

11
12 I would now like to turn the presentation over to your host for today's
13 call, Mr. Andrew Barwicki – Investor Relations for Ocean Power
14 Technologies.

15
16 **Introduction**

17
18 Good morning, and thank you for joining us on Ocean Power
19 Technologies' conference call and webcast to discuss the financial
20 results for the second quarter ended October 31, 2017.

21
22 On the call with me today are George Kirby, President and CEO; and
23 Matthew Shafer, Chief Financial Officer. George will provide an update
24 on the company's operating highlights for the second quarter, and then
25 Matt will review the second quarter financial results.

27 Following our prepared remarks, we will open the call to questions. This
28 call is being webcast on our website, at
29 www.oceanpowertechnologies.com. It will also be available for replay
30 after this call.

31

32 Yesterday, Ocean Power Technologies issued its earnings press release
33 and filed its quarterly report on Form 10-Q with the Securities and
34 Exchange Commission. All of our public filings can be viewed on the SEC
35 website at www.SEC.gov or you may go to the OPT website,
36 www.oceanpowertechnologies.com.

37

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

48

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

52

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

54

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

56

57 Thank you, Andrew, and good morning everyone.

58

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

61 Following this, Matt will briefly review our financial results, after which
62 Matt and I will be available to answer any questions.

63

64 As I mentioned in our call last quarter, we are focused on aggressive
65 sales and marketing efforts to drive revenue growth.

66

67 Throughout the quarter, the entire OPT sales & marketing team
68 including myself have held a number of key meetings and advanced
69 conversations with decision makers at prospective customers and end-
70 users. As we've always known, the sales cycle is long and requires
71 detailed planning with potential customers and their engineering teams
72 due to the unique characteristics and range of capabilities of the PB3
73 PowerBuoy.

74

75 The most encouraging aspect of the meetings and conversations we've
76 had is that when a potential customer asks for additional services or
77 applications to be included onto a PB3, our engineering team can
78 develop custom features that can also enable additional services.

79

80 We're also encouraged by the follow-up meetings and calls resulting
81 from our presence at the Society of Petroleum Engineers Offshore
82 Europe 2017 Conference & Exhibition in Aberdeen, Scotland. We
83 attended the conference in September and had the opportunity to meet
84 with many C-level executives and decision makers. This conference is
85 recognized by offshore oil and gas industry professionals as Europe's
86 leading exploration & production event. There were over 50,000
87 attendees and more than 1,000 suppliers on the exhibition floor
88 representing international market leaders and innovative technology
89 companies. Our presence at the conference allowed us to meet
90 individuals that we believe will result in future partnerships.

91

92 During the quarter, the original six-month lease with Mitsui Engineering
93 and Shipbuilding was extended for an additional month, which ended in
94 September. This PowerBuoy was successfully deployed off the coast of
95 Japan, operated well, and has very recently arrived back at the
96 company's New Jersey headquarters where it is being refurbished and
97 prepared for possible redeployment.

98

99 Our contract with the U.S. Department of Defense Office of Naval
100 Research to design a new mass-spring oscillating PowerBuoy has
101 progressed well, and after multiple extensions for testing improvements
102 the project's first phase is now completed. We hope to advance to phase
103 two of the project within the next few months which will result in
104 additional revenues and should progress toward a prototype device.

105

106 Additionally, in order to meet anticipated demand coupled with the
107 current 3-month lead time to build a PB3, we're building two new PB3
108 units that are expected to be available for sale or lease within the next
109 few months.

110

111 We completed a best efforts public stock offering during the second
112 quarter, which resulted in the company netting approximately \$7.4
113 million. We're using these net proceeds for expanding our sales and
114 marketing through new hires and target market experts, increasing
115 product manufacturing capabilities, building additional PowerBuoys to
116 meet anticipated market demand, and for other general corporate
117 purposes. This may include additional development, testing and
118 demonstrations of our PowerBuoy with the goal of furthering and
119 accelerating our commercialization efforts.

120

121 We continue to aggressively target the oil and gas, security and defense,
122 ocean observing, and communications markets, each of which we
123 believe will derive significant value from our PB3 power and real-time
124 communications platform.

125

126 Finally, we are moving our headquarters and manufacturing center to
127 our new facility in Monroe, New Jersey, this month. The new, larger
128 facility will support our sales and marketing activities, improve safety
129 and quality and enhance our manufacturing capabilities.

130

131 With our proprietary wave energy technology, the progress we're
132 making in advanced stages with potential customers and strategic
133 partners, our stronger financial position, our expanded operating
134 facility, and our dedicated team, we believe we have the pieces in place
135 to drive our long-term growth and improved performance.

136

137 I will now turn the call it over to Matt, who will review our financial
138 results for the quarter.

139

140 **Matthew Shafer - Chief Financial Officer**

141

142 Thank you, George, and good morning everyone.

143

144 Revenue for the second quarter ended October 31, 2017 was **\$94,000**,
145 compared to revenue of **\$170,000** for the second quarter of last year.

146 The decrease in revenues was due to the contracts with Mitsui
147 Engineering and Shipbuilding and the Department of Defense Office of
148 Naval Research nearing completion during the quarter.

149

150 The net loss for the second quarter of fiscal 2018 was **\$2.6 million**,
151 compared to a net loss of **\$1.0 million** for the second quarter of fiscal
152 2017. Taking into account the net change in the fair value of the
153 warrants liability of \$2.0 million, the decrease in the net loss is mainly
154 attributable to lower product development costs in the second quarter
155 of fiscal 2018 compared to the prior year period.

156

157 Revenue for the first six months of fiscal 2018 was **\$289,000**, compared
158 to revenue of **\$372,000** for the first six months of fiscal 2017. The net
159 loss for the first six months of fiscal 2018 was **\$5.2 million**, compared
160 to a net loss of **\$4.8 million** for the same period in fiscal 2017. Taking
161 into account the net change in the fair value of the warrants liability of
162 **\$1.2 million**, the decrease in net loss primarily relates to lower product
163 development costs in the current year as compared to the prior year.

164

165 Turning now to the balance sheet, as of October 31, 2017 total cash,
166 cash equivalents, and marketable securities were **\$16.3 million**, up
167 from **\$8.4 million** on April 30, 2017. As George previously mentioned,
168 we completed a best efforts public offering of common stock during the
169 second quarter that raised **\$7.4 million** of net proceeds. As of both
170 October 31, 2017, and April 30, 2017, restricted cash was **\$0.5 million**.

171

172 Net cash used in operating activities was **\$6.7 million** during the six
173 months ended October 31, 2017. Excluding **\$1.3 million** of cash
174 payments made in the current fiscal year related to the disposition of
175 the mooring anchoring system from a prior project in Reedsport,
176 Oregon, and the PB40 site final closeout off the coast of New Jersey, net
177 cash used in operating activities was **\$5.4 million** during the six months
178 ended October 31, 2017 as compared to **\$6.3 million** during the same
179 period in the prior year.

180

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

182

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

184

185 Thank you, Matt.

186

187 Before we move on to Q&A, I would like to take a moment to discuss our
188 product commercialization and business development efforts. As we are
189 about to enter calendar year 2018, we are very excited to be a product-
190 based company with a comprehensive strategy. First developing, and
191 now commercializing the PB3 has been a long process. We have a
192 unique product that is designed to provide power and operate in very
193 distant, secluded and isolated areas throughout the globe, in a very
194 harsh environment across many mission critical applications.

195

196 My team and I are encouraged by the continuous and actionable
197 discussions we're having with potential customers.

198

199 As always, thank you for your support and time today. Operator, we're
200 now ready to take questions.

201

202 **Question-and-Answer Session**

203

204 ***Operator:***

205

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

208

209 ***George H. Kirby***

210

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

214

215 ***Operator:***

216

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

218

219