

**Energy, Environmental & Industrial Technologies**

1 **Ocean Power Technologies Inc. Fiscal Second Quarter 2016**  
2 **Call Script**

3  
4 **12/07/2015 Version 1.0**

5 **Operator Comments**

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

11  
12 I would now like to turn the presentation over to your host for today's  
13 call, Mr. Shawn Severson of The Blueshirt Group.

14  
15 **Shawn Severson - Introduction**

16 Thank you and good morning. Thank you for joining us on OPT's  
17 conference call and webcast to discuss the financial results for the 3-  
18 month period ended October 31, 2015.

19  
20 On the call with me today are George Kirby, President and CEO; and  
21 Mark Featherstone, Chief Financial Officer. George will provide an  
22 update on the company's highlights for the quarter, key activities and  
23 strategy, after which Mark will review the financial results for the  
24 second quarter.

25  
26 Following our prepared remarks, we will open the call to questions.  
27 This call is being webcast on our website, at  
28 [www.oceanpowertechnologies.com](http://www.oceanpowertechnologies.com).

29 It will also be available for replay later today. The replay will stay on  
30 the site for on-demand review over the next several months.  
31 Yesterday OPT issued its earnings press release and filed its  
32 quarterly report on Form 10-Q with the Securities and Exchange  
33 Commission. All of our public filings can be viewed on the SEC  
34 website at [SEC.gov](http://SEC.gov) or you may go to the OPT website,  
35 [www.Oceanpowertechnologies.com](http://www.Oceanpowertechnologies.com).

**Energy, Environmental & Industrial Technologies**

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

53

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

55 Thank you, Shawn. Good morning, everyone.

56

57 Today I'll review our business operations and provide an update on  
58 key activities and developments in the quarter. Following this, Mark  
59 will briefly review our financial results, after which Mark and I will be  
60 available to answer any questions. So let's begin.

61

62 First, we're excited that the Company is continuing to execute on our  
63 objectives and achieving considerable progress on both the  
64 commercial and technical fronts. As announced in late October, we  
65 redeployed the APB350 A1 PowerBuoy off the coast of New Jersey  
66 and resumed sea trials. We also released select performance data  
67 gathered during A1's initial deployment as well as initial results from  
68 the Accelerated Life Testing of its redesigned Power TakeOff system  
69 (or, "PTO").

70

71 Our goal is to provide reliable, durable, and cost-effective offshore  
72 autonomous power solutions where current power solutions are either

**Energy, Environmental & Industrial Technologies**

73 too costly or unavailable. The deployment of A1 was a milestone in  
74 our long term strategy to achieve this goal and gives us the  
75 opportunity to further develop and validate our APB350 technology.

76  
77 Consistent with our strategic pivot, we also made considerable  
78 progress toward our next generation APB350 product, which we  
79 expect will feature an enhanced electrical storage system, a higher  
80 efficiency power management system, and a user friendly interface  
81 providing even more flexibility to end-users. I am excited to announce  
82 that this next-generation buoy has undergone its critical design  
83 review, and we expect that it will achieve a maturity level, through  
84 extensive in-ocean and factory accelerated life testing, that will allow  
85 us to proceed with a commercial product launch in 2016.

86  
87 As we've mentioned before, we strongly believe that our APB350  
88 represents a very appealing solution which provides a robust and  
89 cost effective alternative to incumbent solutions that utilize batteries,  
90 solar, wind and diesel power for offshore applications.

91  
92 As part of our efforts to demonstrate product reliability and durability,  
93 and to accelerate toward product commercialization, the Company  
94 initiated Accelerated Life Testing on its redesigned APB350 PTO in  
95 the second quarter. The OPT accelerated life testing process  
96 consists of operating PTOs in tandem with accelerated operating  
97 profiles, which subjects the PTOs to various load conditions which  
98 are encountered in extreme sea states. The test simulates an  
99 equivalent three-year ocean deployment within a period of six to nine  
100 months, using PTOs that are identical to those of the Company's  
101 APB350 A1. We intend to use accelerated life testing results to  
102 improve and to validate reliability, which we believe is critical to our  
103 prospective customers.

104  
105 Furthermore, as an important component of our commercialization  
106 strategy, OPT formed a Technical Advisory Panel during the second  
107 quarter of FY2016. The Panel was formed as part of our efforts to  
108 accelerate PowerBuoy commercialization, and it plays a critical role in  
109 developing and further improving our technology and products. The

## **Energy, Environmental & Industrial Technologies**

110 main objective of the Panel is to facilitate the implementation of  
111 different PowerBuoy applications coupled with specific market  
112 requirements. As we previously communicated to you, the Panel  
113 consists of select potential customers, end-users, and technical and  
114 scientific stakeholders, including Gardline Marine Sciences, DNV GL,  
115 as well as representatives from two major oil & gas operators, a large  
116 oil and gas equipment manufacturer and a leading meteorological  
117 and oceanographic sensor manufacturer. The University of Western  
118 Australia Centre for Offshore Foundation Systems also participates  
119 on the Panel by providing scientific advice related to marine subsea  
120 structures engineering.

121

122 The Panelists are reviewing and providing critical industry feedback  
123 on requirements and test protocols in order to increase our speed to  
124 market. This long term collaboration is initially focused on the  
125 APB350, but it could also extend to future PowerBuoy designs.

126

127 Moving forward, we'll continue to work closely with Panel members to  
128 maximize the unique opportunities that this long-term collaboration  
129 provides to us. We're excited to continue the work with these highly  
130 acknowledged and experienced companies and we look forward to  
131 continuing to integrate industry feedback with our day to day  
132 operations.

133

134 Additionally, in the second quarter we announced an agreement with  
135 Gardline Environmental to investigate the development of innovative  
136 metocean monitoring and maritime security systems together. Under  
137 this agreement, we will work closely with Gardline to investigate, and  
138 then potentially develop, test and market advanced integrated  
139 solutions for end-users in the ocean observing and defense and  
140 security markets. We are very excited about working together with  
141 Gardline who is a leader within the worldwide environmental services  
142 market. We strongly believe that Gardline's 45 years of experience  
143 within environmental, meteorological and oceanic studies, and  
144 hydrographic and geophysical surveys will leverage our technology to  
145 further develop innovative applications and solutions that offer a

**Energy, Environmental & Industrial Technologies**

146 potentially revolutionary improvement to incumbent operational  
147 practices.

148

149 Lastly, given Board of Directors and shareholder approval, OPT  
150 completed a reverse stock split at a ratio of one share of newly issued  
151 common stock for every 10 shares of issued and outstanding  
152 common stock. With the stock split completed, we are now in  
153 compliance with NASDAQ listing requirements, and we believe that  
154 there is significant untapped value in the current OPT stock price  
155 which we are intending to unlock through the commercialization of the  
156 APB350.

157

158 I will now turn it over to Mark, who will review our financial results in  
159 the quarter.

160

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

162 Thanks, George, and Good Morning, everyone. I will now review  
163 results for the second fiscal quarter of 2016 before we open up the  
164 call for questions.

165

166 For the three months ended October 31, 2015, OPT reported revenue  
167 of \$0.5 million, as compared to revenue of \$1.7 million for the three  
168 months ended October 31, 2014. The decrease in revenues  
169 compared with the prior year was primarily related to decreased  
170 billable costs on our project with Mitsui Engineering & Shipbuilding  
171 (or, "MES") and with our contract with the U.S. Department of Energy.  
172 The MES project is currently undergoing a stage-gate review with its  
173 project stakeholders.

174

175 The net loss for the three months ended October 31, 2015 was \$3.0  
176 million as compared to a net loss of \$4.4 million for the three months  
177 ended October 31, 2014. The decrease in net loss is primarily due to  
178 lower selling, general and administrative expenses including reduced  
179 third party consulting, site development and patent amortization  
180 costs. During the three months ended October 31, 2015, we  
181 recovered product development costs from prior periods under our  
182 cost-sharing contract with the European Union for our WavePort

**Energy, Environmental & Industrial Technologies**

183 project. In addition, the prior year included \$0.3 million of gross loss  
184 due to a change in project cost estimates related to the MES contract.

185

186 For the six months ended October 31, 2015, OPT reported revenue  
187 of \$0.6 million, as compared to revenue of \$3.3 million for the six  
188 months ended October 31, 2014. The decrease in revenue is  
189 primarily related to decreased billable work for the DOE, WavePort  
190 and MES contracts.

191

192 The net loss for the six months ended October 31, 2015 was \$7.1  
193 million, as compared to a net loss of \$7.7 million for the six months  
194 ended October 31, 2014. The decrease in the Company's net loss  
195 year-over-year primarily reflects increased estimated project costs  
196 associated with our contract with MES in the prior year period as well  
197 as reduced legal, third party consulting, site development costs and  
198 patent amortization expenses compared with the prior year period.  
199 These decreases were partially offset by higher product development  
200 costs related to our APB350 and PB40 projects.

201

202 Turning now to the balance sheet, as of October 31, 2015, total cash,  
203 cash equivalents, and marketable securities were \$10.4 million, down  
204 from \$14.2 million on July 31, 2015. As of October 31, 2015 and July  
205 31, 2015, restricted cash was \$0.4 million and \$0.5 million,  
206 respectively. Net cash used in operating activities was \$7.0 million  
207 during the six months ended October 31, 2015, compared with \$12.1  
208 million for the six months ended October 31, 2014. The prior year  
209 reflects the return of \$4.7 million related to an advance payment  
210 received from ARENA while the current year reflects costs related to  
211 increased deployment activity.

212

213 As discussed in prior conference calls, we have taken a number of  
214 steps over the last several months to reduce our cash burn rate while  
215 increasing our technical, operating and business development  
216 resources. As such, we continue to project that our operating cash  
217 burn in fiscal 2016 will be lower than that in fiscal 2015 despite  
218 increased deployment activity in fiscal 2016. We remain confident in  
219 our cash position and we expect to have sufficient cash to maintain

**Energy, Environmental & Industrial Technologies**

220 operations into at least the third calendar quarter of 2016, and we are  
221 currently exploring alternatives to raise additional capital.

222

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

225

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

227

228 Thanks Mark.

229

230 Before we move on to Q&A, I want to highlight a few compelling  
231 reasons to consider OPT.

232

233 One, we believe we are the technology leader in wave energy  
234 conversion for offshore applications. Our technology provides a  
235 critical offshore power solution for a number of industries. Our  
236 technology focuses on driving down costs, improving reliability and  
237 durability, as well as broadening and enabling commercial  
238 applications. Also, we currently have and continue to develop  
239 significant intellectual property around our technologies and  
240 applications.

241

242 Two, we're targeting large, addressable markets including offshore oil  
243 and gas, ocean-based communication and data gathering, and  
244 security and defense. We are also garnering what we believe to be  
245 significant interest from potential customers to develop PowerBuoy  
246 applications which could lead to solution demonstrations and market  
247 launch.

248

249 And lastly, we consider our staff to be world class, and we have a  
250 solid leadership team in place at both the executive management and  
251 board levels. We're executing multiple PowerBuoy deployments in  
252 order to further advance PowerBuoy validation, which we believe will  
253 serve as near-term market catalysts as we move closer to  
254 commercialization.

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256

257 Thank you for your support and time today. Operator, we're now  
258 ready to take questions.

259

260 **Question-and-Answer Session**

261

262 ***Operator:***

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

265 ***George H. Kirby***

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

269 ***Operator:***

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

272