

Ocean Power Technologies
FY2021 Q1 Earnings
September 15, 2020

Presenters

George Kirby—President and CEO

Matthew Shafer—CFO

Operator

Good morning, ladies and gentlemen, and welcome to the Ocean Power Technologies' First Quarter Fiscal Year 2021 Conference Call. A webcast of this call is also available on the company's website at www.oceanpowertechnologies.com. As a reminder, this conference call is being recorded and will be available for replay after its completion. On the call today are George Kirby, President and Chief Executive Officer, and Matthew Shafer, Chief Financial Officer and Treasurer. Following prepared remarks, we will open the call to questions. On September 14, 2020, OPT issued its earnings press release and filed its (sp) quarterly report on Form 10-Q for the quarter ended July 31, 2020, with the Securities and Exchange Commission. All OPT public filings are available on the SEC website at sec.gov or in the investor relations section of the OPT website.

Please note that management's prepared remarks may contain forward looking statements filed (sp) within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward looking statements are intended by—identified by certain words or phrases such as may, will, aim, will likely result, believe, expect, will continue, anticipate, estimate, intend, plan, contemplate, seek to, future, objective, goal, project, should, will pursue, and similar expressions or variations of such expressions. These forward looking statements are based on assumptions made by management regarding future circumstances over which the company may have little or no control and involve risks, uncertainties, and other factors that may cause actual results to be materially different from any future results express or implied by such forward looking statements.

Some of these factors include, among others, the following: future financial performance, expected cash flow, ability to reduce costs and improve operational efficiencies, revenue growth and increased sales volume, success in key markets, competition, ability to enter in relationships with partners, and other third parties, delivery and deployment of power buoys, increasing the power output of power buoys, expected cost of power buoys product, hiring new key employees, and building customer relationships. Please refer to our most recent Form 10-K in subsequent filings with the SEC for further discussion of these risks and uncertainties. We disclaim any obligation or intent to update the forward looking statements in order to reflect events or circumstances discussed in this call. Now I am pleased to introduce Mr. George Kirby.

George Kirby

Thank you, and good morning, everyone. I'm going to review our business operations and provide an update on our commercialization activities and developments during the first quarter of fiscal year 2021 and up to today. Matt will review our financials, and after that, we'll open the line for questions. In recent months, OPT has made substantial advances in its sales and business development efforts, including the introduction of three new products and solutions. The company also saw the addition of an Indonesia based sales rep and the opening of the Houston, Texas sales office and expansion into additional emerging markets including fisheries protection and surveillance and monitoring of marine protected areas.

Our first new product, the hybrid power buoy, uses solar panels and an efficient Sterling (sp) engine to power on board or subsea payloads regardless of wave activity. We believe this makes it an ideal solution for both heavy seas and calm wave environments. In August, we deployed a hybrid power buoy several (sp) miles off the New Jersey coast to accumulate operational data for interested customers. In the coming months, we anticipate outfitting the hybrid power buoy with OPT's marine surveillance solution for live virtual demonstrations to customers in different locations throughout the world.

OPT's marine surveillance solution integrates high definition radar and thermal and optical cameras with state of the art security centers and software. When installed on a PB3 power buoy, the single unit can monitor more than 1,600 square miles of ocean service to protect isolated marine assets, fisheries, and marine protected areas. OPT's marine surveillance solution is also scalable by integrating multiple units over larger areas to assist agencies and organizations in securing extensive territorial waters or larger marine protected areas. The subsea battery uses OPT's proprietary and highly efficient battery management system to maximize the amount of energy available for subsea payloads. Its modular design allows multiple units to be linked together to meet more significant energy requirements for a wide range of subsea equipment. The subsea battery can be a standalone power solution or integrated with the PB3, our hybrid power buoy for on-site charging.

The recently established OPT office in Houston, Texas is strategically located adjacent to Houston's energy corridor. The new office is the base for our regional sales and business development activities in support of opportunities in the Gulf of Mexico and broader US and South American markets. It also provides a space for OPT project managers, engineers, and field operations personnel to collaborate more closely with customer project teams.

We're happy to welcome Gilar Prakoso as an Indonesia based member of our commercial team to represent OPT in the Asia Pacific region. This area of the world has vast marine resources and territories and a significant number of older off-shore oil wells, which are due to be decommissioned. Mr. Prakoso is well established with industry relationships throughout local maritime agencies that we believe will enable OPT to expand our customer base. As a result, we're identifying new opportunities to apply OPT surveillance power and communication solutions to varied markets, including fisheries, marine protected areas, and maritime border security.

During the first quarter of this fiscal year and every day, we continue to navigate challenges created by the global COVID-19 pandemic. Opportunities have proven slower to develop due to the impact of the virus on different geographies and markets. We continue to work with existing customers, cultivate new opportunities, and market our solutions through virtual meetings and conferences. Though we're still unable to meet with customers face to face in a world that continues to grapple with COVID-19, the last few months have been a period of substantial activity for OPT. We have new products and solutions, a growing commercial organization and presence, and we're expanding into very promising new markets.

I am very proud of our entire team's dedication and hard work to keep our projects on schedule and continue pushing forward despite the personal impacts of the pandemic. We continue to field (sp) demand for proposals from diverse markets, and we believe we are well positioned to deliver on our commitment to grow our revenue. With that, let me turn the call over to Matt to discuss the financials. Matt?

Matt Shafer

Thank you, George, and good morning, everyone. We recorded revenue of 200,000 for the first quarter of fiscal 2021, which was essentially flat compared to the same period in the prior year. Revenue for the three months ended July 31, 2020 was primarily derived from the Enel Green Power project while revenue for the same period in the prior year was mainly from projects with Premier Oil and the US Navy. The net loss for the first quarter of fiscal 2021 increased by \$400,000 as compared to the first quarter of fiscal 2020, which was mainly attributable to new product development and administrative costs.

Turning now to the balance sheet, total cash, cash equivalents, and restricted cash was \$12 million as of July 31, 2020. Net cash used in operating activities decreased by \$900,000 during the first quarter of fiscal 2021 to 2.7 million as compared to the first quarter of fiscal 2020. With that, I'll turn it back to George.

George Kirby

Thanks, Matt. Operator, we're now ready to open the call for questions.

Operator

Thank you. We'll now be conducting a question-and-answer session. If you like to be placed in the question queue, please press star one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star two if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing star one. One moment, please, while we pull for questions. Once again, that's star one to be placed in the question queue. We've reached the end of our question-and-answer session. I'd like to turn the floor back over to management for any further or closing comments.

George Kirby

Thank you, operator, for you—and everyone for your participation today. This concludes today's teleconference and web cast, and we look forward to speaking to you again in the future.

Operator

Thank you. That does conclude today's teleconference and webcast. You may now disconnect your line and have a wonderful day. We thank you for your participation today.