

1 **Ocean Power Technologies Inc. Fiscal Third Quarter 2017 Call Script**

2

3 **Operator Comments**

4 Good morning ladies and gentlemen, and welcome to the third
5 quarter fiscal year 2017 Ocean Power Technologies conference call.

6 My name is Latoya and I'll be your coordinator for today. (Operator

Deleted:

7 Instructions) As a reminder, this conference call is being recorded for
8 replay purposes.

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

11

12 **Andrew Barwicki - Investor Relations**

13 Good morning and thank you for joining us on Ocean Power
14 Technologies conference call and webcast to discuss the financial
15 results for the three month period ended January 31, 2017. On the
16 call with me today are George Kirby, President and CEO; and
17 Matthew Shafer, Chief Financial Officer. George will provide an
18 update on the company's highlights and key activities for the quarter.
19 Matthew will then proceed to review the financial results for the third
20 quarter. Following our prepared remarks, we will open the call to
21 questions. This call is being webcast on our website, at
22 www.oceanpowertechnologies.com, and will be available for replay
23 later today. The replay will stay on the website for on-demand review
24 over the next several months. Yesterday Ocean Power Technologies
25 issued its earnings press release and filed its quarterly report on
26 Form 10-Q with the Securities and Exchange Commission. All of our

28 public filings can be viewed on the SEC website at SEC.gov or you
29 may go to the OPT website, www.oceanpowertechnologies.com.

30

31 During the course of this conference call management may make
32 projections or other forward-looking statements regarding future
33 events or financial performance of the Company within the meaning
34 of the Safe Harbor provisions of the Private Securities Litigation
35 Reform Act of 1995. These forward-looking statements are subject to
36 numerous assumptions made by management regarding future
37 circumstances over which the Company may have little or no control
38 that involve risk and uncertainties and other factors that may cause
39 actual results to be materially different from any future results
40 expressed or implied by such forward-looking statements. We refer
41 you to the Company's Form 10-K and other recent filings with the
42 Securities and Exchange Commission for the description of these and
43 other risk factors.

44

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

47

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

49 Thank you Andrew and good morning everyone. Welcome to our third
50 quarter fiscal 2017 earnings conference call. Today I'll review our
51 business operations and provide an update on key activities and
52 developments in the quarter. Matthew will then briefly review our

53 financial results, after which both Matthew and I will be available to
54 answer any questions.

55

56 We're excited to report that we continue to make concrete progress
57 on our business strategy on a number of fronts. Throughout the last
58 few months, we were able to progress our aggressive
59 commercialization efforts by identifying and creating market
60 opportunities, responding to customer requests for PowerBuoy
61 proposals, developing collaborative and strategic channel
62 partnerships, and delivering on our PowerBuoy lease with MES.

63

64 At the end of calendar 2016, we announced the completion of two
65 ocean deployments: one which was our commercial-ready PB3 and a
66 second one that was our pre-commercial unit. Upon final inspection
67 and functional checks of our commercial-ready unit, it was shipped to
68 Japan to fulfil the requirements of our lease with MES. The pre-
69 commercial unit is undergoing a full upgrade to achieve commercial-
70 ready status enabling us to aggressively respond to customer project
71 needs and opportunities.

72

73 We've also begun the production of a third PB3 unit in order to meet
74 anticipated demand as we continue to create and respond to
75 customer requests for proposals. In early May of this year, for the
76 first time ever we plan to display a PB3 PowerBuoy at one of the
77 largest global offshore ocean technology events in the world: the
78 Offshore Technology Conference in Houston, Texas. This conference

79 is well attended by decision-makers across each of our target
80 markets, and this is an opportunity for potential customers to closely
81 see and examine our product and technology, and to speak with
82 OPT's leadership and the team responsible for bringing this product
83 to market.

84

85 We continue to believe strategic partnerships are an important part of
86 commercializing a new product. These partnerships can be used to
87 improve the development of overall integrated solutions, to create
88 new market channels, to expand commercial know-how and
89 geographic foot-print, and to bolster product delivery capabilities and
90 improve ramp-up time. One example which we announced in
91 December is a joint marketing agreement with Sonalysts. We believe
92 that Sonalysts brings expertise in subsea and surface
93 communications, systems integration, and big-data management. In
94 collaboration with Sonalysts, we've engaged with potential end-users
95 and decision makers in maritime subsea communications as well as
96 in the traditional telecommunication market as it relates to cellular
97 and WiFi range extension applications. We believe that our combined
98 capabilities uniquely position us to address specific application
99 requirements which results in a strong customer value proposition.

100

101 We also announced a joint application development and marketing
102 agreement with HAI Technologies. HAI is an innovative company
103 focusing on bringing new capabilities to the oil and gas industry to
104 reduce cost, increase field productivity and streamline operations. We

105 believe our combined technologies and capabilities create a value
106 multiplier in the oil and gas industry.

107

108 We have continued our accelerated life testing achieving nearly 55
109 million cumulative strokes across our fleet of power takeoffs with no
110 failures. We believe this continues to provide significant credibility to
111 the reliability and cost savings value propositions for our target
112 markets. We've also made progress in the development of our PB15
113 design, which is a scale-up of our PB3 PowerBuoy. The PB15 is
114 poised to become a critical element of our product portfolio as we
115 believe it will enable us to access applications where additional power
116 is required. We also continue to manage our PB3 life-cycle plan,
117 where we're working to remove cost from the product while
118 maintaining our high level of reliability.

119

120 We've continued the execution of our contract with the Office of Naval
121 Research and are now preparing to start the testing of areas of the
122 mass-on-spring power takeoff. As mentioned earlier, one of our PB3
123 commercial units is now on its way to Japan to fulfil our contractual
124 obligations with MES. Arrival in Tokyo is anticipated to be mid to late
125 March 2017. Upon clearing customs, it will be shipped to Kozu-Island
126 on a barge and prepared for deployment in early summer.

127

128 We continue to gain momentum in our commercialization efforts.
129 We've been responding to requests for quotation from multiple oil and
130 gas operators and service providers, with applications ranging from

131 subsea battery charging, to securing deep sea production sites, to
132 metocean data collection and communications. We increased our
133 commercial capabilities through new hires in marketing and business
134 development, and through engagement of expert market consultants.
135 We continue to believe that by acquiring new skills we can maximize
136 our market outreach and create new business opportunities.

137

138 I will now turn it over to Matthew, who will review our financial results
139 in the quarter.

140

141 **Matthew Shafer - Chief Financial Officer**

142 Thank you, George, and good morning everyone. I will now review
143 results for the third fiscal quarter of 2017 before we open up the call
144 for questions.

145

146 For the three months ended January 31, 2017, we reported revenue
147 of \$221,000, as compared to revenue of \$5,000 for the three months
148 ended January 31, 2016. The increase in revenues compared to the
149 prior year was due to our contracts with MES and ONR in the current
150 year.

151

152 The net loss for the three months ended January 31, 2017 was \$2.1
153 million as compared to a net loss of \$2.0 million for the three months
154 ended January 31, 2016. The slight increase in net loss is primarily
155 due to a lower income tax benefit in the current year, which was

156 mostly offset by a decrease in product development costs in the
157 current year from prior year.

158

159 For the nine months ended January 31, 2017, we reported revenue of
160 \$593,000, as compared to revenue of \$605,000 for the nine months
161 ended January 31, 2016. Revenue decreased in the current year
162 compared to the prior year as a result of the contracts with MES and
163 ONR in the current year having slightly lower revenue than the
164 WavePort contract with the EU for our project in Spain and billable
165 work under prior contracts with the DOE, both of these were in the
166 prior year. The net loss for the nine months ended January 31, 2017
167 was \$6.9 million, as compared to a net loss of \$9.1 million for the nine
168 months ended January 31, 2016. The decrease in the our net loss is
169 due to lower selling, general, and administrative costs, product
170 development costs, the fair market value of the common stock
171 warrants liability, and income tax benefit in the current year as
172 compared to the prior year.

173

174 Turning now to the balance sheet, as of January 31, 2017, total cash,
175 cash equivalents, and marketable securities were \$11.1 million, up
176 from \$6.8 million on April 30, 2016. As of January 31, 2017 and April
177 30, 2016, restricted cash was \$0.3 million for each period. Net cash
178 used in operating activities was \$7.6 million for the nine months
179 ended January 31, 2017, compared with \$8.1 million for the nine
180 months ended January 31, 2016. As discussed in prior conference
181 calls, we continue to take steps to achieve a reduced cash burn rate

182 while focusing our technical, operating, and business development
183 resources on key initiatives, particularly, commercializing the PB3.
184 We anticipate having sufficient cash into the quarter ended January
185 31, 2018.

186

187 With that, I will turn the call back over to George before we open the
188 call up for questions.

189

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

191 Thank you, Matthew.

192

193 Before we move on to Q&A, I would like to take a moment to
194 emphasize our utmost focus on aggressive commercialization,
195 continued product testing, strategic partnership development as well
196 as market-driven product engineering which make up our multi-
197 pronged strategy.

198

199 We believe our market development efforts are starting to pay off in
200 that we received customer requests for proposals based solutions
201 which leverage our PB3 PowerBuoy. We've also held meetings within
202 the telecommunications industry focusing on applications such as 4G
203 and WiFi-over-water, and we are seeing what we believe to be a
204 keen interest in leveraging the tremendous capabilities of our PB3
205 PowerBuoy.

206

207 We're making progress in securing new, important and pertinent
208 partnerships that are essential to our commercialization, as well as to
209 scale-up our product delivery capabilities; and we're bringing
210 additional resources on-board to augment our market and technical
211 expertise.

212

213 We believe our outlook for our upcoming fiscal year is a positive one:
214 We are committed to staying the course and driving hard to close the
215 opportunities on which we're currently working, while developing and
216 securing new opportunities.

217

218 Thank you for your interest and time today. Operator, we're now
219 ready to take questions.

220

221 **Question-and-Answer Session**

222

223 ***Operator:***

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

226

227 ***George H. Kirby***

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

231

232 ***Operator:***

233 Thank you everyone. That concludes our call. You may now
234 disconnect.
235