

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

2
3 **Operator Comments**

4 Good morning ladies and gentlemen, and welcome to the third
5 quarter fiscal year 2016 Ocean Power Technologies conference call.
6 My name is _??????_ 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 afternoon. Thank you for joining us on Ocean
15 Power Technologies conference call and webcast to discuss the
16 financial results for the 3-month period ended January 31, 2016.

17
18 On the call with me today are George Kirby, President and CEO; and
19 Mark Featherstone, Chief Financial Officer. George will provide an
20 update on the company's highlights for the quarter, key activities and
21 strategy. Mark will then proceed to review the financial results for the
22 third quarter.

23
24 Following our prepared remarks, we will open the call to questions.

25 This call is being webcast on our website, at
26 www.oceanpowertechnologies.com.

27
28 It will also be available for replay later today. The replay will stay on
29 the site for on-demand review over the next several months. This
30 morning Ocean Power Technologies issued its earnings press
31 release and filed its quarterly report on Form 10-Q with the Securities
32 and Exchange Commission. All of our public filings can be viewed on
33 the SEC website at SEC.gov or you may go to the OPT website,
34 www.Oceanpowertechnologies.com.

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

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

46

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

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

52

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

54 Thank you, Andrew. Good afternoon, everyone.

55

56 I appreciate your interest in this conference call and am encouraged
57 by your participation. Today I'll review our business operations and
58 provide an update on key activities and developments in the quarter.
59 Mark will then briefly review our financial results, after which both
60 Mark and I will be available to answer any questions.

61

62 I assume that most of you have seen our earnings news that was
63 released this morning. If you do not have a copy of the news release,
64 you can access it on the web.

65

66 First and foremost, as part of our overall strategy and the business
67 plan that we implemented in 2015, I would be remiss if I didn't
68 mention how far along we have come with some of our partners and
69 customers; National Data Buoy Center, Gardline Environmental,
70 Mitsui Engineering & Shipbuilding, the Office of Naval Research as
71 well as other organizations and companies within the public and
72 private sector.

73

74 Wave power is progressing as a viable source of renewable energy
75 and with our partners we are moving forward in an aggressive
76 manner.

77

78 Just this past Tuesday we announced a partnership with National
79 Data Buoy Center (or “NDBC”). An initial ocean demonstration of our
80 APB350 PowerBuoy with a self-contained ocean observing payload
81 will be conducted off the coast of New Jersey with additional
82 demonstrations to be announced in the future. We believe our
83 advanced PowerBuoy technology is well suited to meet all of the
84 National Data Buoy Center requirements and we’re looking forward to
85 a successful demonstration in the coming months.

86 We also announced the signing of a letter of intent with Mitsui
87 Engineering and Shipbuilding (or “MES”) which is intended to reach a
88 definitive agreement under which OPT would lease an APB350
89 PowerBuoy to MES for deployment in Japan. The OPT project scope
90 would also include associated deployment planning and logistics, and
91 ocean performance data collection and processing. OPT and MES
92 anticipate jointly developing and testing an advanced control
93 algorithm with the goal of assessing increasing ocean wave capture
94 and electric power generation. We believe that this project and the
95 anticipated first PowerBuoy lease represents the strength of our long-
96 standing relationship with Mitsui Engineering and Shipbuilding, and is
97 a major step toward accessing a potentially large market in Japan
98 and throughout surrounding geographic areas. Under the letter of
99 intent, OPT will begin initial work while working to achieve a definitive
100 agreement for the remaining project scope.

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103

104 While most of these recent announcements and activities center
105 around ocean observing, yet we see many more unique opportunities
106 in the Oil & Gas, and Defense & Security, as well as other industries
107 upon which we believe we can capitalize in the future.

108

109 The APB350 PowerBuoy exceeded 125 days of deployment and the
110 energy generated surpassed 1,000 kiloWatt-hours, or more than 1
111 megaWatt-hour. We continue to collect market input in order to
112 improve the system with our next generation PowerBuoy which will
113 feature an enhanced electrical storage system, a higher efficiency
114 power management system, on-board processing and real-time
115 communication of customer sensor data, and a user friendly interface
116 providing even more flexibility to end-users. Additionally, we
117 anticipate that power can be provided to offshore subsea and sea
118 surface equipment, such as a docking station for charging and data
119 collection and communication from unmanned underwater vehicles
120 (or "UUVs"). UUVs are currently used by each of our target markets,
121 and the addition of remote charging and data communication
122 capabilities could be a game-changer for end users. Our PowerBuoy
123 system generates power even in low to moderate wave
124 environments, and it contains space for additional battery capacity if
125 required, to ensure power can be stored and provided to an
126 application even under extended low to no wave conditions.

127

128 I am excited by the progress that our team has made and we
129 continue to explore opportunities to apply more resources to grow our
130 more markets. We are considering numerous business initiatives in
131 the U.S. and Asian marketplaces. We believe we have in place the
132 platform to continue to strengthen and grow our business. Our first
133 lease to MES is a significant accomplishment and a sign that our
134 strategy is working. We also believe that our value proposition
135 coupled with the diversified market segments that we intend to serve
136 will allow us to improve our operating results, regardless of market
137 conditions.

138

139 I am also very happy to announce that during the third quarter we
140 also received approximately \$1.7 million through the State of New
141 Jersey's Business Tax Certificate Transfer Program.

142 This particular program enables companies to raise cash to finance
143 their growth and operations by selling net operating losses and

144 research and development tax credits to unaffiliated corporations up
145 to a maximum lifetime benefit of \$15 million per business.

146

147 I will now turn it over to Mark, who will review our financial results for
148 the quarter.

149

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

151 Thanks, George, and Good afternoon, everyone. I will now review
152 results for the third fiscal quarter of 2016 before we open up the call
153 for questions.

154

155 For the three months ended January 31, 2016, OPT reported revenue
156 of \$5,000, as compared to revenue of \$0.3 million for the three
157 months ended January 31, 2015. The decrease in revenues
158 compared with the prior year was primarily related to decreased
159 billable costs on our prior project with Mitsui Engineering &
160 Shipbuilding and with our contract with the U.S. Department of
161 Energy.

162

163 The net loss for the three months ended January 31, 2016 was \$2.0
164 million as compared to a net loss of \$2.2 million for the three months
165 ended January 31, 2015. The decrease in net loss is primarily due to
166 an increase in income tax benefits and lower selling, general and
167 administrative expenses, offset in part due to higher product
168 development costs. Selling, general and administrative costs were
169 lower due to reduced third party consulting, certain employee-related
170 and patent amortization costs.

171

172 For the nine months ended January 31, 2016, OPT reported revenue
173 of \$0.6 million, as compared to revenue of \$3.6 million for the nine
174 months ended January 31, 2015.

175 The net loss for the nine months ended January 31, 2016 was \$9.1
176 million, as compared to a net loss of \$9.9 million for the nine months
177 ended January 31, 2015.

178

179 Turning now to the balance sheet, As of January 31, 2016, total cash,
180 cash equivalents, and marketable securities were \$9.5 million, down
181 from \$17.4 million on April 30, 2015. As of January 31, 2016 and April
182 30, 2015, restricted cash was \$0.4 million and \$0.5 million,
183 respectively. Net cash used in operating activities was \$8.1 million
184 during the nine months ended January 31, 2016, compared with
185 \$14.8 million for the nine months quarter ended January 31, 2015.
186 The prior year reflects the return of \$4.7 million related to an advance
187 payment received from ARENA while the current year reflects costs
188 related to increased deployment activity.

189

190

191 As discussed in prior conference calls, we have taken a number of
192 steps over the last several months to reduce our cash burn rate while
193 focusing our technical, operating and business development
194 resources on key initiatives, particularly the APB350. As such, we
195 continue to project that our operating cash burn in fiscal 2016 will be
196 lower than that in fiscal 2015 despite increased deployment activity
197 ~~this year. in fiscal 2016.~~ We remain confident in our cash position
198 and we expect to have sufficient cash to maintain operations into at
199 least the third calendar quarter of 2016. We also continue to explore
200 alternatives to raise additional capital.

201

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

204

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

206

207 Thank You Mark.

208

209 Before we move on to Q&A, I want to mention that there are
210 thousands of offshore devices currently collecting a wide range of
211 data in the oceans around the world. These devices mostly run on
212 solar or battery power, all of which require numerous services on a
213 continuous basis. In a recent report prepared for NOAA's Integrated
214 Ocean Observing System's Program Office, Zdenka Willis, Director of
215 the Office discusses "*The Ocean Enterprise*", the "*Blue Economy*"
216 and "*Blue Tech*". In the report, NOAA's Chief Scientist, Dr. Richard

217 Spinrad, states that “We are on the cusp of a new Blue Economy –
218 the sustainable growth of existing ocean uses and the emergence of
219 entirely new economic opportunities associated with our oceans,
220 coasts and Great Lakes. Ocean information underpins this rapidly
221 developing Blue Economy and is becoming a big business in its own
222 right.” He goes on to say that “NOAA produces 20 terabytes of data
223 every day.” and he says that “This report is a first map of a key
224 component of the new dynamic Blue Economy and it points us to the
225 future of environmental intelligence as an exciting growth industry.”
226

227 We believe that our PowerBuoy is poised to be the data collection
228 platform for the Blue Economy, because it is capable of supplying
229 continuous power and real-time data communications which we
230 anticipate will allow end-users to potentially consolidate applications
231 into one platform, create new “game changing” applications which
232 leverages this power, and to reduce operational costs of these marine
233 applications. **We believe our PowerBuoy will enable more, better,
234 lower cost, and real-time data for the Blue Economy.**
235
236

237 Thank you for your support and time today. Operator, we're now
238 ready to take questions.
239

240 **Question-and-Answer Session**

241

242 **Operator:**

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

245 **George H. Kirby**

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

249 **Operator:**

250 | Ladies and Gentlemen, Thank you everyone. That concludes our
251 call. You may now disconnect.

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