Ocean Power Technologies, Inc.
Q2 2022 Results - Earnings Call
December 15, 2021

Presenters
Joseph DiPietro - Controller and Treasurer
Philipp Stratmann - President and CEO
Robert P. Powers - SVP and CFO

Q&A Participants
Robert Rado
Tom Van Arsdale - Arsdale Capital Management
Jeff Brubaker
Robert Silvera - RE Silvera Associates
Joe Durkowski

Operator
Good day and thank you for standing by. Welcome to the Second Quarter Fiscal Year 2022 Conference Call for Ocean Power Technologies, Inc. As a reminder, this call is being recorded and will be available on the company's website, shortly after its completion.

I would now like to hand the conference over to your speaker today, Joseph DiPietro, Controller and Treasurer. Please go ahead.

Joseph DiPietro
Good morning and thank you for joining us on this call. A webcast of this call is also available on our website at www.oceanpowertechnologies.com. Joining me on the call today are Dr. Philipp Stratmann, President and Chief Executive Officer, and Bob Powers, our newly appointed Senior Vice President and Chief Financial Officer.

Following our prepared remarks, we will have a question-and-answer session. After the market closed yesterday, we issued our earnings press release and filed our quarterly report on Form 10-Q for the quarter ended October 31, 2021. All of our public filings are available on the SEC website at sec.gov, or within the Investor Relations section of our website.

This call will include forward-looking statements that are within the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are identified by certain words or phrases and 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 expressed or implied by such forward-looking statements.

Additional information about these risks and uncertainties can be found in our most recent Form 10-K and subsequent filings with the SEC. We disclaim any obligation or intent to update the forward-looking statements made in order to reflect events or circumstances discussed on this call.

Now, I am pleased to introduce Dr. Philipp Stratmann.

Philipp Stratmann
Thank you and good morning. We have a lot to update you on this morning as we had a busy second quarter and start to our third quarter in executing our strategy to become the global leader in data and power as a service, within our oceans and seas.

This is an exciting time for Ocean Power Technologies. Some quick highlights of our progress included further growth of our strategic consulting services, the advancement of our maritime domain awareness solution, and the acquisition of marine advanced robotics, a leading company which manufactures autonomous water vehicles.

We have, quickly, established the necessary beachheads to deliver consistent, reliable and, most importantly, actionable data intelligence to our global customers.

Before I get too far into our strategy and business update, I would like to take a moment to introduce Bob Powers, our new Senior Vice President and Chief Financial Officer. As you saw in our press release on Monday, he started with us a few days ago, and we could not be more excited about Bob joining our team.

He brings expertise in driving financial excellence and executing strategy within a broad range of companies and industries and has extensive experience with M&A activities. Bob possesses strong financial acumen, is proactive, and a clear communicator, and he will bring great leadership to OPT, all the top requisites we were looking for. We are fortunate to have him. With that, I would like to introduce you to Bob Powers. Bob.

Robert P. Powers
Thank you, Philipp. It's my pleasure to be here, today, and share with our investor community how excited I am to join this innovative company. Early in the recruiting process it became clear that my experience and skillset would allow me to hit the ground running and make an immediate impact at OPT.

My background includes more than 25 years of financial experience for a number of public and private companies. Most recently, I was CFO at Constellation Advisors, a private equity owned provider of outsourced back-office operations and compliance services.

There are many reasons why I decided to take this opportunity. Although I've worked in companies of various sizes, I truly enjoy the action, fast pace, and high degree of openness to change that exists in smaller companies. Plus, I believe at OPT I have the opportunity to do something special.

Nearly 70% of the world is comprised of oceans and OPT is a company looking to tap into that enormous resource to better connect our oceans with those who operate there. The company's strategy ties nicely into the critical and very timely topic of sustainability, and I became convinced the market potential is massive. It is very appealing to be part of that at such a critical stage.

I look forward to being a strong partner to Philipp and the organization and executing the company's strategic vision. I also look forward to speaking with many of you over the coming months and earning your trust, quickly. I will now turn things back over to Philipp.

Philipp Stratmann
Thanks, Bob. It is great to have you on board to help us execute our strategy and drive shareholder value.

While we welcome Bob, I also want to take a moment to thank Scott Salantrie, who served as Interim CFO the past few months and provided us with substantial support, as we filled this important executive role. Scott has provided strong leadership, wise counsel, and steady guidance over the past few months, and we thank him for that. We wish him well, as he returns to being semi-retired.

I will now turn my comments to the performance of our business, as we continue to evolve from being, solely, a manufacturer of wave energy devices to becoming a multi-faceted offshore data, power, and engineering services organization. I will organize my comments around our three core service areas, which also serve as the foundation of our growth strategy.

Our vision is to have our data as a service segment provide constant data information to our customers. This started in earnest with the work we did for Harbour Energy in the North Sea in 2019. Since then we've been developing a maritime domain awareness solution to introduce edge computing and artificial intelligence modules that can be delivered to customers via cyber secure cloud environments.

For instance, our data as a service can provide governments with key activity data to protect our shores, as part of national security measures.

We bolstered the segment with the acquisition of Marine Advanced Robotics in mid-November. This was a cash and stock deal plus it has an earn out provision over the next two years. We paid $11 million at closing, including $4 million in cash. We expect this deal to be immediately accretive for the balance of fiscal 2022.

MAR designs and manufactures unique autonomous surface vessels utilizing the patented wave adaptive modular wave technology or WAM-V for short. These stable and portable ultralight vehicles are incredibly useful for a multitude of applications, such as marine survey missions, active patrolling of waters, and maintaining safe borders.

We believe there are substantial synergies to be gained with OPT's focus on maritime domain awareness and integration with our PowerBuoy products that can extend the length and scope of missions at sea. MAR has three sizes of commercially available vehicles providing our customers with multiple options, depending on their needs.

MAR has a strong customer base, pipeline of product sales, and robotics service projects. We're looking to use OPT's resources including our 56,000 square foot manufacturing and warehouse facility to scale up their capacity to meet the demand for WAM-V's for industrial security and research.

Our acquisition notwithstanding, the pace of development continues on schedule with our propriety maritime domain awareness platform.

As I mentioned last quarter, we are creating a leading-edge cloud-based platform with expandable sensor and analytic capabilities. We're doing this using a mix of internal expertise supported by external firms for development, namely Fathom5 and Greensea. Both have strong reputations with cloud computing and robotics development.

We are continuing to test and refine our maritime domain awareness offering with ocean trials off the coast of New Jersey. Since September, we have deployed and retrieved test buoys that operated as expected and produced broad data information, including video footage and radar trucks that we believe will be very attractive to our customers.

Our near-term plans include deploying PB3 and hybrid power buoys outfitted with the necessary radar cameras and other equipment software development continues. We believe that pairing the security features of our MDA system with a zero and low carbon power of OPT's PowerBuoy products and with the future integration of the capabilities of the WAM-V vehicles will keep OPT at the forefront of this critical market.

Next, is our power as a service segment, which delivers autonomous clean power to our customers, wherever and whenever it is required by utilizing our managed power platforms such as the PB3 PowerBuoy, hybrid power buoy, and the Subsea Battery for topside and subsea power applications.

We continue to advance our existing platforms to offer our customers an expanded range of options for delivery of power to their equipment. A recent example of these efforts is the initial

study conducted for the deep stock consortium developing a concept of subsea oil and gas power supply.

We also continue development of our next generation Mass-On-Spring Wave Energy converter supported by the U.S. Department of Energy Ground, which I spoke about on our last call.

This is the type of public private blue energy collaboration that we believe is necessary on a larger scale to accomplish the goals of the United Nations decade for ocean science for sustainable development.

And finally, we have our strategic consulting services business, which focuses on delivering value to our customers in the areas of ocean engineering, structural and dynamic analysis, front-end engineering and design or FEED studies, and motion simulation.

Our February 2021 acquisition of 3Dent Technology continues to integrate well and has expanded our strategic consulting services offerings.

I'd like to remind you that we are in the process of sunsetting the name 3Dent and going forward, we will simply refer to our strategic consulting offerings. We now have the capabilities to conduct engineering projects for a variety of clients, including offshore energy related applications. This is especially important, right now, as the oil and gas industry recovers from last year's downturn.

We are seeing increased demand for this type of support, as companies look to restart exploration and production projects that were put on hold, due to the pandemic. Another achievement for our consulting business includes successfully winning our first wind farm project early in the third quarter.

We are excited about our progress, to date, and the opportunities ahead of us.

With that let me turn the call over to Joe to discuss the financial results in more detail.

Joseph DiPietro
Thank you, Philipp, and good morning again to everyone joining us on the call, today. Revenue for the second quarter of fiscal year 2022 increased to 247,000, compared to 118,000 in the second quarter of fiscal year 2021, due to the growth of our strategic consulting services.

Engineering and product development costs increased $1.1 million, sequentially, from the first quarter this year. This was mainly due to testing done off the coast of New Jersey, as we further position our data as a service segment for growth.

Selling, general and administrative costs increased by approximately $200,000 from the second quarter of fiscal year 2020, to the second quarter of fiscal year 2021. However, declined sequentially, from the first quarter by almost $900,000.

We continue to operate with a strong balance sheet and in the second quarter with $72.6 million of total cash and cash equivalents and no bank debt, which gives us significant flexibility. We expect our cash near-term to fund our operation needs of approximately $5 million of cash, per quarter.

Additionally, in support of our growth strategy, we will continue to look for tuck-in acquisition opportunities that reinforce our three core service segments. The MAR acquisition is a great example of this, which resulted in a cash outlay of $4 million at closing subsequent to quarter end.

In short, we had a fairly straightforward quarter from a financial perspective. For now, we are happy to take your questions.

Operator
Thank you. We will now begin the question-and-answer session. To join the question queue, please press "*", "1" on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press "*", "2.", if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset, before pressing the star keys.

Once again, that's "*", "1" to ask a question, at this time. One moment, please, while we pull for your questions.

Our first questions come from the line of Robert Rado (PH). Please proceed with your questions.

Robert Rado
Hello, I'm an individual investor and I got it. I'm retired Army, so I got some different questions than probably what most people have. One is on the last conference call you stated that you guys will be deploying three PB3's one of them be the anchorless PB3 off New Jersey, and we have not heard anything about that or had any news releases, at all.

So, my question is I've read up on a lot of the Navy, on the Navy sites, how the SPIR and STTR works and in most cases, it states if a study goes into Phase 2, it becomes, a lot of times, confidential or secret. So, my question to you is, is that test with the anchorless--with the Navy, is it classified so that you guys are basically under NDAs, where you cannot release information on it?

Philipp Stratmann

Hi Robert. Thank you for your question and for being an investor. The tests of New Jersey that we are conducting are entirely financed on our right. The products that we have deployed, so far, are a set of test buoys, and we have a set of PB3s on the hybrid being deployed at those three sites that we have.

And then later on in the fiscal year, we would also be deploying the first demonstrator for the next generation PowerBuoy system that we are developing, which I mention is the mass-on-spring-wave-energy-converter or MOSWEC, for short.

But the three sites that we have they are financed by us, and they are sites that are permitted by the Army Corp of Engineers.

Robert Rado
Okay, one more question. Your buoys, the PB3s can detect other ships or vessels, or whatever. I'm wondering, what is the distance, how far out can they detect vessels, and can they pinpoint their location, say, like a GPS location and how accurate--what's the accuracy on that?

Philipp Stratmann
Thank you for the question, Robert. The detection distance depends, to a certain extent, on high up we fit the mast and how high up the customer is wanting to go and how many miles a customer wants to cover.

Typically speaking, we are at about the 50 nautical mile radius range for detection, and with the combination of AIS radar and video camera detection abilities that we've got, we can pinpoint vessels very accurately, including having the ability to detect AIS spoofing on vessels with AIS off.

Robert Rado
Alright, thanks. That's all the questions I have at this time.

Operator
Thank you. Our next questions come from the line of Tom Van Arsdale with Arsdale Capital Management. Please proceed with your question.

Tom Van Arsdale
Yes, guys, so, I saw the results and the total losses to investors are $243 million. When are you guys going to be profitable? Saw the recent acquisition-explain the pathway to profitability for this company.

Philipp Stratmann
Absolutely. Thanks for the question, Tom. As I mentioned on the last call, as we reiterated today, we are moving towards the data--ocean data as a service segment. And one of the

reasons for why we brought in Bob Powers as CFO is his experience with subscription stream revenues.

And the ocean data, as a service segment, lends itself to start providing more of a DAST type service, which has recurring revenues, which result from the subscription streams that we can set on the data bit. And in addition to that, we can provide our buoys as a power as a service segment into those.

So, by layering on the recurring revenues over the platforms, we are building out an installed base around the globe that then enables us to go and generate profits and, thus, become profitable for our shareholders.

Tom Van Arsdale
And with the installed base, how many PB3s are in the water for paying customers?

Philipp Stratmann
At the moment, and per the press releases that we have got, the primary PB3 that's currently installed, which was down still under the previous strategy that we were executing, is the one that's down in EGP for Chile.

Tom Van Arsdale
So, there's only one in the water and pathway to profitability is when?

Philipp Stratmann
The way--as I said, as the way we're executing, is we are building out the installed base. And in order to increase the installed base and make the underlying platforms being profitable by themselves is by building out the solution set that sits on top of the platforms because, ultimately, that is what the customers are interested in in terms of being able to help solve their problems.

Tom Van Arsdale
Thanks.

Operator
Thank you. Our next questions come from a line of Jeff Brubaker (PH). Please proceed with your questions.

Jeff Brubaker
Hi everybody. I was just wondering if you can speak any further on the slam-on initiative? Saw pretty cool video about Ocean Powers role in that and, specifically, if there is a PB3 at the SLAMR facility in Monterrey, or not? Thank you.

Philipp Stratmann

Hi Jeff, thanks. That's a good question. We're very excited to working on SLAMR, the sea, land, air military research initiative, which is being hosted by the Naval Postgraduate School.

As you've probably seen in that video, the initial studies for that project have been completed. And ultimately, that will involve a PB3 that would be going in the water for the offshore demonstrations. And as you would have seen, it fits exactly into that maritime domain awareness space.

It is using a PB3 to power communications gateways, in this case as you saw in the video provided by AT&T, to extend 5G offshore and then communicate with aerial surface and subsea drones.

So, we are currently in ongoing discussions with Naval Postgraduate School about when and where the demonstration for the actual offshore demonstration will take place and looking for the ideal location, in terms of permitting.

Jeff Brubaker
Okay, awesome, thanks. And then you mentioned the Next Gen PowerBuoy with Fathom5 and Greensea. I was just wondering when we could expect some more information on that, like what the new capabilities might be and stuff like that.

Philipp Stratmann
Okay, yeah, I think just to clarify, Fathom5 and Greensea--and this is where we are moving. We're moving to more of a platforming approach, and Fathom5 and Greensea are independent of the underlying platform. They are developing the edge computing and cloud computing capabilities for us, the mechatronics for the solution payload.

The next generation power platform I mentioned is the mass on spring wave energy converter. Essentially, what you end up doing, you move the moving parts on the outside of the PB3 into the PB3. Thus, you reduce any risk of having any external exposure where a valve could fail, or a seal would need maintenance.

So, you increase the time between maintenance and potential failures. And we are being, at the moment, this is in a Phase 1 SBR with the Department of Energy, where the Department of Energy is contributing $197,000, I believe, to the study.

Once that study is complete, which will be in the next couple of months, we will be deploying the first demonstrator off the coast of New Jersey, and then looking to secure additional funding for commercializing this product which would then occur at some point, over the next 12-18 months.

Jeff Brubaker
Okay, thank you.

Operator
As a reminder, if you would like to ask a question, please press “*”, “1” on your telephone keypad]. Our next questions come from the line of Robert Rado, please proceed with your questions.

Robert Rado
Hello, okay. I got a couple more questions. One is, is the study that's going on with Adams engineering and the study with the Navy and the 5G, is that study classified or secret?

Philipp Stratmann
That study is not classified or secret. But for commercial confidence reasons. I can't divulge the details of the study other than what I just mentioned about the SLAMR study, in general.

Robert Rado
Okay, one more. Say the Navy needs one of these anchor--those buoys that you're working on with say they need one deployed somewhere in the world, that something's come up military wise, can they be air dropped?

Philipp Stratmann
I, we don't currently have an anchorage buoy that we have commercially available, and we are--we’re not working on an anchor list. We're working on single point moorings. To this point in time, we have not looked at air dropping one of our buoys.

But one of the reasons we acquired Marine Advanced Robotics is the ability to have additional launch and roaming capabilities in order to deploy MDA systems for ISR purposes, say for example, on a global basis.

Robert Rado
Okay, well I've read several articles on Navy sites about an E-sealer called an anchorless buoy, or a station keeping buoy. So, you're not working on either one of those?

Philipp Stratmann
I think those were concepts that were being developed and talked about a couple of years ago. But what we decided where we've gone is that we're utilizing some of the findings from the anchorless concept and putting that into the MOSWEC system, which is a next gen power system.

And in addition, I think given the growth in the ASV/USB market, look instead of having an anchorless buoy, having roaming vehicles, I think, is a much better anchorless concept because you can cover a much larger area at any given time.

Robert Rado

Okay, so that sounds like to me that you might be using the PB3 to be recharging docking station for the RAM?

Philipp Stratmann
That is definitely one of the concepts we're working on. And it's a concept we actually developed, prior to even the MAR acquisition with some potential docking station partners.

Robert Rado
Alright, thanks.

Operator
Thank you. Our next questions come from the line of Robert Silvera with RE Silvera Associates. Please proceed with your questions.

Robert Silvera
I'm sorry that I came in a little bit late. I missed the first 12 minutes, or so. Did you announce any new sales of actual PB3 units and if not, do you have any on order?

Philipp Stratmann
Hi, Robert. No, we did not announce any new sales or any backlog. We are in active discussions with several customers, domestic and overseas, right now, where the PB3 and the hybrid are under discussion, as the platforms for a maritime domain awareness solution.

Robert Silvera
Oh, okay. So, right now, all revenues are coming from, basically, services provided?

Philipp Stratmann
Right, in the quarter they came from services provided and the study with the Department of Energy. Obviously, as we're moving forward, you might have missed that, and it was before you logged on, obviously MAR is immediately accretive to our business. But those are activities that occurred in the third quarter, so far.

Robert Silvera
I see. Okay, thank you very much.

Operator
Thank you. Our next questions come from the line of Joe Durkowski (PH). Please proceed with your questions.

Joe Durkowski
Yeah, how many offshore buoys are there off the Coast of New Jersey?

Philipp Stratmann

There are three permitted sites, given the weather that occurred over the past, last week. We actually we put them in after being out there for several weeks. And we are currently waiting for a suitable weather window for redeployment on those systems.

Joe Durkowski
How many buoys were pulled in?

Philipp Stratmann
The final one was pulled in, I believe, last week on Tuesday or Wednesday.

Joe Durkowski
Okay, so in the last call, you had said that there were going to be three buoys set out off the coast of New Jersey. So, did you take in three buoys that were out there, or how many actual buoys were out there that you pulled in?

Philipp Stratmann
Okay, so now I understand your question, I apologize. We had two out because of the weather windows, two come back in and we've got, actually, we've got five that we're looking to put out onto the three sites.

I think, if I--on the last call, if I didn't mention on that one, the way we're going about it is we are cycling some of the buoys in and out, so that we can go and make refinements to some of the payloads, based on the live data we're collecting.

And then we're hot swapping the payload systems on the different platforms in and out. That is efforts that are continued to be ongoing. And I think we currently have three on standby that will go out at the earliest opportunity, again.

Joe Durkowski
How much revenue directly came from 3Dent, last quarter? I mean, can we see an uptick in revenue here or is this what we have to look forward to for what we paid for it?

Philipp Stratmann
Last quarter, 3Dent revenues were 200, just over $260,000. And we have seen a material uptick in the opportunity pipeline and in revenues coming into the third quarter, given the uptake in oil pricing, as well as the uptake in East Coast wind farm activities.

Joe Durkowski
What happened with the PowerBuoy 3 in Japan, and was launched in 2018?

Philipp Stratmann

The PowerBuoy that was out from Mitsui Engineering, I think it was out there, I can't recall whether it was six months or there about, but that project ended, and that buoy came back to us. That was a demonstrator project for Mitsui.

Joe Durkowski
And how--what kind of feedback are you getting from the Chile buoy that's out there?

Philipp Stratmann
Well, as you can see from the public statements as well, that EGP has made, they are appreciative and they like the buoy operations profile. And in fact I believe there is a--they have a public website where you can see how the buoy is operating, the power is generating and so on and so forth.

Joe Durkowski
I guess my point out of the whole thing is why isn't the buoy getting any traction out there, where the company's not even able to sell one a year or one a quarter, nothing? Can we see, I mean, what's holding it back-is it the sale, is it the data that's not--are they not working out there properly? What's the end game with them?

Philipp Stratmann
So, I think the buoys work as designed and as intended and as engineered. The reason we are making the pivot, and we're executing it very swiftly to boards more of the solution side is that our customers are looking to us to provide them not just with the platform, but also with the payload and the integration of that payload into their systems.

And that is where we've seen a material uptick in our opportunity pipeline, ever since we've moved towards being able to provide them more of a, call it a modified off the shelf type systems as opposed to being able to solely provide them with the power platform in and of itself.

Joe Durkowski
I mean, if anybody's looking at the Chile information that it’s putting out, I mean, nobody's stepping up to the plate and putting orders together for it and seeing that if it's working that good well, our company wants one, and why aren't we seeing that?

Philipp Stratmann
Well, the conversations that we are having have, since the deployment of Chile as well, and since we've moved towards the ocean data as a service offering have increased, substantially. And as I mentioned earlier, the conversations we're having with some overseas and domestic customers are around the buoys, but the buoys as a platform for the payload that is going to be provided, specifically, around maritime domain awareness and subsea sensing.

Joe Durkowski

Do you have any idea of when we're going to see any kind of revenues on the books with the new acquisition of WAM?

Philipp Stratmann
You will see revenues on those books, this quarter. This is an immediately accretive deal.

Joe Durkowski
Alright, thanks, gentlemen.

Operator
Thank you. Our next questions come from the line of Robert Silvera with RE Silvera Associates. Please proceed with your questions.

Robert Silvera
Hi, since you have moved strictly, it seems, to this selling services idea, we are the, as I understand you, we are the provider of the unit that will be the base for the services. Therefore, the cost is ours of creating this unit. What kind of time frame gives us, from the services costing, the payback for our investment in the actual buoy and sub system?

Philipp Stratmann
Thanks for the question, Robert. The way we're looking at it, it is somewhat of a hybrid model that we're discussing with some of our potential customers, right now. In some instances, they're looking at acquiring the platform, but then us providing the services on top.

In other cases, they are discussing with us rolling in, essentially, a lease model similar to what we did for E&I and Harbour Energy a couple of years back and rolling that into the overall cost.

So, it kind of depends on the customer and whether they're governmental or private, but it generally is a hybrid between leasing or selling of the platform and then the provision of the services for the payloads and the corresponding subscription charges.

Robert Silvera
So, we are obviously willing to go either way, through lease or purchase?

Philipp Stratmann
Yes, we are willing to go either way, primarily, in order to rapidly scale up the installed base that exists out there.

Robert Silvera
Very good. Thank you, that clarifies things.

Operator

Thank you. Our next questions come from the line of Tom Van Arsdale with Arsdale Capital Management. Please proceed with your questions.

Operator
Tom, could you check if you're on mute, please? Tom, one more time, are you self-muted?

Tom Van Arsdale
Yes. Can you hear me now? I'm sorry.

Operator
We can hear you, yes.

Tom Van Arsdale
Yes, sorry about that. Robert Silvera asked a very interesting question. I'd like to follow up with a follow up question on that. He asked for what is the payback on the model for data? The company's pivoting to a data as a service. What is the payback--how long will it take from the initial capital cost to build it, deploy it, get it out there, put the systems on, and then get paid back for a profitable business? So that's the question I'd like to ask.

Philipp Stratmann
Yeah, so thanks for the question. I think in terms of others, as I mentioned to Robert, in the case of where the hardware is sold, the payback on that is immediate plus the margin that's on top of that. It's immediate to the point of obviously, at the point of delivery and an acceptance test, and then it's the recurring data stream.

In terms of the lease model, it will be around--it depends on the duration that the customer needs it for.

But typically speaking, like with all offshore assets, it will be somewhere in a range between 18 to 36 months, which is typically speaking, where most offshore assets are paid back, over a lease period.

Tom Van Arsdale
So, you're saying that the actual contract that may develop is an 18 to 36-month contract and over that time, the payback will be complete, in terms of covering all of the upfront capital costs deployed?

Philipp Stratmann
No, no, Tom, that's not what I'm saying. What I'm saying is that the contract could be any duration from six months to 10 years. But the typical payback period of the hardware in and of itself sits in the 18 to 36 months' range.

That's one of the main reasons why we are spending the time and effort at the moment of developing the data capabilities in addition to that, because that is the recurring data subscription charges that we can then maintain, even once the hardware is paid off to have recurring revenues on an installed base that is paid off.

Tom Van Arsdale
So, as I understand it, it would require, this model requires consistent revenue stream customers that would enable a payback--is that correct?

Philipp Stratmann
Well, we would only lease if it is on a longer-term basis or with a with a customer where there's a high degree of certainty on recurring revenues. Otherwise, the model as I mentioned to Robert, would be focusing on a sale of the hardware and then provision of the services on a recurring basis on top of the sold hardware.

Tom Van Arsdale
Okay.

Operator
Thank you, that is all the time we have today for question-and-answers. I would like to hand the call back over to Dr. Philipp Stratmann for any closing comments.

Philipp Stratmann
Thank you. I'm very excited about what is ahead for OPT. With the additions of Marine Advanced Robotics and 3Dent technology, we are transforming the company with new and varied capabilities that seek to build on the innovative technologies on which OPT was founded on. We are confident this will translate to long-term value for our customers and shareholders.

I want to thank our customers, employees, vendors, strategic partners, and shareholders for your continued support.

Operator
Thank you for your participation today. This does conclude today's teleconference and webcast. You may disconnect your lines at this time.