Ocean Power Technologies, Inc.

Ticker: NASDAQ – OPTT

Fiscal 2013 Fourth Quarter Conference Call

Date: July 12, 2013 – 10:00 am Eastern Time

Operator:

Good morning ladies and gentlemen and welcome to the Ocean Power Technologies' Fiscal 2013 Fourth Quarter conference call. At this time, all participants are in a listen-only mode. Following management's prepared remarks we'll hold a Question and Answer session.

To ask a question, please press star followed by 1 on your touch-tone phone. If anyone has difficulty hearing the conference, please press star zero for operator assistance.

As a reminder, this conference is being recorded and webcast. I would now like to turn the conference over to Mr. Brian Posner, Chief Financial Officer of Ocean Power Technologies. Please go ahead sir.

Brian Posner

Thank you. Welcome to Ocean Power Technologies' Earnings Conference Call for the fourth quarter and full fiscal year ended April 30, 2013. OPT issued its earnings press release earlier today, and the Company will soon file its Annual Report on Form 10-K with the Securities and Exchange Commission. All public filings can be viewed on the SEC website at sec.gov, or you may go to the OPT website, oceanpowertechnologies.com.

With me on today's call from the Company is Chuck Dunleavy, OPT's Chief Executive Officer.

SLIDE #2: FORWARD-LOOKING STATEMENTS

Please advance to slide 2 of our presentation.

During the course of this conference call, management may make projections or other forward-looking statements regarding future events or financial performance of the Company within the meaning of the Safe Harbor Provision of the Private Securities Litigation Reform Act of 1995. As indicated in the slide, these forward-looking statements are subject to numerous assumptions made by management regarding future circumstances over which the Company may have little or no control and involve risks and 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.

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

Now let me turn the call over to Chuck Dunleavy.

Chuck Dunleavy

Thanks Brian and good morning everyone. I'll begin by reviewing our operations and provide an update on key activities, after which Brian will briefly go over our financial results. Brian and I will then be available to answer any questions.

SLIDE #3: FISCAL 2013 ACCOMPLISHMENTS

Turning to slide 3, let me first review OPT's accomplishments this fiscal year on a high-level basis before getting into some of the details. We continued to make strides towards the development of a planned 62 megawatt peak-rated wave power station off the coast of Australia, as we worked with Lockheed Martin and local partners to move this project forward. We've made good progress and have a clear path forward for the work we still need to do. Also in the Pacific Rim, we were awarded a contract from our partner in Japan – Mitsui Engineering and Shipbuilding – for follow-on work to improve our PowerBuoy technology for applicability to Japanese sea conditions.

In addition, we have achieved milestones in our WavePort project in Spain and completed certain work on our Mark 3 PowerBuoy in Oregon, including assembly and land testing of the buoy.

We also formed a new business unit this year to focus specifically on the marketing development and delivery of our Autonomous PowerBuoys for a range of attractive non-grid applications. We continue to be excited by this market as well as our utility projects around the globe.

Throughout the fiscal year, we kept an eye on costs and worked diligently to reduce overhead and streamline operations, to reduce the Company's annualized cash burn by nearly $4.0 million. We remain focused on disciplined cost management going into Fiscal 2014.

Finally, we strengthened our leadership team with Terry Cryan joining our Board of Directors and Dr. Mike Mekhiche being appointed our Vice President, Engineering.

Overall, we accomplished a great deal in Fiscal 2013 even while facing challenges associated with our Oregon project, as I'll review in a moment. We remain committed to being in the forefront of making wave power generation a commercial success.

I'd now like to go over some of our projects in more detail.

SLIDE #4: JAPAN AND AUSTRALIA

First, turning to slide 4, let me provide an update on our important activities in Japan and Australia. Starting with Japan, during Fiscal 2013 we received a contract worth ¥70 million (or approximately 0.7 million US dollars) from our partner, Mitsui Engineering & Shipbuilding (or, "MES"). This contract provided for follow-on work related to PowerBuoy enhancements that, under Japanese sea conditions, should result in improved power capture. I am happy to report that the analysis and design work is now complete, and the two companies are considering next steps toward prospective ocean trials of a demonstration PowerBuoy system. We are delighted to have MES as such a steadfast partner and are confident that, working in partnership, we can penetrate the market in Japan for ocean-based energy generation. As a reminder to our listeners, the Japanese Ministry of the Environment put forth a strategy in Fiscal 2013 to increase the generating capacity of renewable energy in Japan by more than six times, and the Japanese government specifically identified wave energy as a key component of this policy -- setting a goal of 1,500 megawatts in new power generation capacity by the

year 2030 using wave and tidal power sources. This is an important driver of the opportunity in Japan.

Australia has also been a major focus for OPT in Fiscal 2013, where we've spent considerable time working with Lockheed Martin on plans to develop a 62 megawatt peak generator rated wave power station off the coast of Victoria. I am pleased to report that we continue to build momentum in making this project a reality. We are working with the Australian Renewable Energy Agency, or ARENA, on timing and structure for the A$66.5 million grant we previously were awarded. In addition, we recently announced that we have engaged the Victoria-based company, Professional Diving Services, to conduct a detailed survey for our wave power station. The seabed survey will fine-tune selection of the best area off Portland, in Victoria, for the project, taking into account seabed conditions, as well as environmental, recreational and commercial interests. The project recognizes the importance the ocean represents for Australia and the opportunity of providing power to up to 10,000 local residents. The project also is expected to create or sustain at least 300 jobs. Finally, we continue to work with our financial advisor on power purchase agreements and additional required funding for the project. We expect to report continued progress in Fiscal 2014.

SLIDE #5: APB UPDATE

Turning to slide 5, I'd like to switch gears and give an update on our Autonomous PowerBuoys. This fiscal year we have enhanced our focus on these systems as a growth market for OPT, dedicating more resources to developing our line of APB's across a broader power spectrum and investigating new avenues for bringing these products to market. As a reminder, these PowerBuoys are not grid connected but rather are designed to operate autonomously, in remote and deeper ocean environments, providing continuous power under a variety of applications. We continue to view certain key areas as offering significant avenues for growth – including deepwater Oil & Gas operations, Defense and Homeland Security, and oceanographic data gathering. We are researching a number of opportunities within these end markets in several countries. OPT entered into a Cooperative Research and Development Agreement, or CRADA, with the U.S. Department of Homeland Security in Fiscal 2013. A new contract tied to the CRADA, provided to OPT by the Maryland Technology

Development Corporation, has been utilized to improve our APB-350 Autonomous PowerBuoy previously deployed in 2011 as part of the Navy's LEAP program – which performed well even during Hurricane Irene. Under the new contract, we will be adding a sonar detection capability. We are nearly complete with the upgrades to this buoy and expect to deploy the system this year off New Jersey. We're excited about its expanded vessel detection and ocean surveillance capability, and we're looking at other potential applications within the Defense and Homeland Security arena.

Within offshore Oil and Gas markets, we are targeting remote field applications for monitoring activities and other subsea operations near well sites. We have identified many areas where our technology can bring a unique solution for in-ocean energy requirements. Likewise, our products can be used for oceanographic studies related to global warming, weather prediction or other purposes. Overall, there are many attractive markets for these smaller, autonomous PowerBuoys. While gaining entrée to the markets is taking time, we expect to gain increased market traction within Fiscal 2014.

SLIDE #6: OREGON UPDATE

Moving to slide 6, I'll give an update on our activities in Oregon, where Fiscal 2013 saw a number of accomplishments and some challenges as well. During the year, we completed certain work towards deployment including buoy assembly and land testing of our most technologically-advanced Mark 3 PowerBuoy and were prepared to deploy the anchors, mooring and PowerBuoy off the coast of Reedsport. The anchor/mooring system was unable to be deployed before the onset of unfavorable weather conditions. Further, in February 2013, we received notice from the staff of the Federal Energy Regulatory Commission (or FERC) that this first non-grid connected PowerBuoy would be subject to FERC jurisdiction. In other words, OPT would need to meet all FERC requirements associated with a full grid-connected array of PowerBuoys. This means that OPT would need to comply with further reporting and expenditures prior to deployment of the first buoy, with a significant impact on both timing and anticipated expense. We are working with FERC and stakeholders in Oregon to see how best to move forward. We have also recently engaged a consultant to serve as our Pacific Northwest Representative, and he will help manage this process as well as work with interested local groups in Oregon.

We need to seek additional funding specific to this project for deployment of this PowerBuoy in view of increased project costs, including those associated with weather delays and regulatory issues. Deployment of this initial buoy will depend on resolution of these financial and regulatory issues, and such deployment is expected to be delayed beyond calendar 2013.

SLIDE 7: OTHER AREAS OF FOCUS

Now, before turning the call over to Brian to review our financial results, let me briefly review some other ongoing initiatives, as shown on slide 7. As you may recall, OPT has been working under contract from the European Union with a consortium of European companies and institutions to advance the energy conversion system of the PowerBuoy through the development of a new wave prediction model. The new system is expected to assess the characteristics of incoming waves before they reach the PowerBuoy, thereby providing more time for OPT's proprietary electronic tuning capability to react. This is planned to boost the power output of the PowerBuoy and reduce cost per megawatt hour of energy produced. During fiscal 2013, OPT completed testing of the modular power take-off system for the Waveport PowerBuoy and it was shipped to Spain this past May. This work demonstrated improved efficiencies of the system. The PowerBuoy is expected to be deployed at a site on the north coast of Spain, along with other components of the project to be provided by members of the consortium.

Late in fiscal 2013, we changed the nomenclature of our PowerBuoys. Among the utility PowerBuoy products, the PB150 is now called the Mark 3 PowerBuoy, which currently drives a peak rated generator with a maximum power output of 866 kW. The PB500 is now called the Mark 4 PowerBuoy, which is planned to drive a peak rated generator with a maximum output of 2,400 kW. This method of power rating is more closely aligned with that utilized by other renewables such as wind and solar.

Among our Autonomous PowerBuoy products, the LEAP system is now called the APB 350, and the OPT MicroBuoy will be called the APB 10. The power rating for our Autonomous PowerBuoys denotes the amount of continuous power that can be maintained for deep-sea applications.

In addition, speaking with utilities, governments, and industry alike, we are seeking other opportunities in Europe and North America that can utilize our technology for both

grid-connected and off-grid applications. We are also applying for additional grants, actively submitting proposals and seeking new partners to expedite the development of our utility and autonomous PowerBuoys. We believe that Fiscal 2014 should include new opportunities that can leverage wave energy production in many parts of the world.

With that, I'll turn the call over to Brian to review our financials.

SLIDE #8: FINANCIAL SUMMARY – OPERATING RESULTS

Thanks Chuck. As noted on slide 8, OPT reported revenue of $0.4 million for the fiscal fourth quarter as compared to revenue of $1.4 million for the three months ended April 30, 2012. The decrease is primarily due to lower revenue earned in connection with our Mark 4 PowerBuoy development project, our Waveport project off the coast of Spain and our planned deployment off Reedsport, Oregon, which is on hold pending further funding and regulatory reviews.

The net loss for the three months ended April 30, 2013 was $4.2 million as compared to a net loss of $4.1 million for the three months ended April 30, 2012. The unfavorable increase in the Company's net loss year-over-year reflects slightly higher product development costs offset by lower SG&A expenses. The increase in product development costs was due primarily to higher costs for OPT's project in Oregon and for the project in Spain. SG&A decreased due to cost-cutting initiatives implemented during Fiscal 2013.

For the full fiscal year 2013, OPT reported revenue of $3.6 million as compared to revenue of $5.7 million for the twelve months ended April 30, 2012. The revenue decline primarily reflects the completion in Fiscal 2012 of the Company's LEAP project with the US Navy for coastal security and maritime surveillance; OPT also saw a decrease in work related to its Mark 4 next-generation PowerBuoy and our project off the coast of Spain. These declines were partially offset by an increase in revenue from the Company's work in Oregon and in Japan with Mitsui Engineering & Shipbuilding, where we completed two contract phases during Fiscal 2013.

The net loss was $14.8 million for the twelve months ended April 30, 2013 compared to $15.1 million for the same period in the prior year. The decrease in OPT's net loss was due to higher gross profit and lower product development costs, offset by an increase in

SG&A expenses. Product development costs declined year-over-year due to the completion of our project in Scotland during Fiscal 2012, slightly offset by higher expenses tied to our WavePort project in Spain. SG&A expense rose year-over-year, primarily due to business development-related professional fees and site development expenses in connection with the planned project in Australia. In the current fiscal year, we saw lower interest income, slightly lower foreign exchange losses, and a higher recorded income tax benefit due to the sale of New Jersey net operating tax losses.

SLIDE #9: FINANCIAL SUMMARY – FINANCIAL CONDITION

Turning to slide 9…

On April 30, 2013 total cash, cash equivalents, restricted cash and investments were $21.7 million. The net decrease in cash and investments was $11.4 million for the twelve months ended April 30, 2013 compared to a net decrease of $15.2 million for the twelve months ended April 30, 2012. The net decline in cash and investments was lower in Fiscal 2013 than Fiscal 2012 due primarily to lower product development expenses and an increase in accrued expenses. In addition, OPT received approximately $1.5 million in connection with the sale of New Jersey net operating tax losses during the twelve months ended April 30, 2013, versus $1.1 million last year.

Now I'll turn the call back over to Chuck for some closing comments.

SLIDE #10: PRIORITIES FOR FISCAL 2014

Thanks Brian. I would like to wrap up by highlighting what we are focusing on in Fiscal 2014. As we stated earlier, the Company is very excited by the opportunity in Australia, where we've dedicated a significant amount of resources over the past few years. While this enormous undertaking – the development of a 62 megawatt peak-rated wave power station – takes time to plan, fund, develop, and execute, we are making real progress here, with the support of Lockheed Martin. We are actively assessing interest expressed in power purchase agreements while pursuing a number of potential financing options, and working with ARENA to gain additional momentum for this project.

We remain active in the Pacific-Rim area and expect further developments here in the months to come. This is another key market area for OPT and one that we feel

continues to hold much promise. We are also investing in next-generation PowerBuoy technology, targeting improvements in the cost of energy and pursuing new applications for our smaller, non-grid connected Autonomous PowerBuoys across a number of end markets. We are seeking out new projects in Europe and elsewhere, while pursuing a resolution of the important matters that affect deployment of our Mark 3 PowerBuoy in Oregon.

I would especially like to again express appreciation to our employees for their dedication and hard work, as well as to our shareholders as we move forward.

This concludes our prepared comments. We will now open the call for questions... Please go ahead, operator.

Operator:

I will now open the call for questions.

[Question Period]

Operator:

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

Chuck Dunleavy

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

Operator:

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