

**Ocean Power Technologies, Inc.**  
**Fourth Quarter Fiscal 2021 Earnings**  
**July 20, 2021**

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**Presenters**

**Philipp Stratmann, President and Chief Executive Officer**  
**Matthew Scafer, Chief Financial Officer and Treasurer**

**Q&A Participants**

**Robert Silvera - Silvera and Associates**  
**Joe Durge - Private Investor**  
**Peter Ruggiere - Dawson James**

**Operator**

Good morning, ladies and gentlemen. Welcome to the Ocean Power Technologies fourth quarter fiscal year 2021 conference call. A webcast of this call is also available on the company's website at [www.oceanpowertechnologies.com](http://www.oceanpowertechnologies.com). As a reminder, this conference call is being recorded and will be available for replay after its completion. Today Philipp Stratmann, President and Chief Executive Officer and Matthew Scafer, Senior Vice President, Chief Financial Officer, and Treasurer are on the call. Following prepared remarks, we will open the call to questions.

On July 19, 2021, OPT issued its earnings press release and filed its quarterly report on form 10K for the quarter and fiscal year ended April 30, 2021, with the Securities and Exchange Commission. All OPT public filings are available on the SEC website at [SEC.gov](http://SEC.gov) or on the OPT website's investor relations section. Please note that management's prepared remarks may contain 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 materially differ from any future results expressed or implied by such forward-looking statements. For a further discussion of these risks and uncertainties, please refer to our most recent form 10K and subsequent filings with the SEC. 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 would like to introduce Dr. Philipp Stratmann. Thank you. You may begin.

**Philipp Stratmann**

Thank you, and good morning. Today I will review OPT's business operations and provide an update on activities and developments during fiscal year 2021, and up to today then Matt will review our financials before we open the line for questions.

Off the top, I would like to take a moment to introduce myself. I joined OPT in 2019 as Vice President of Global Business Development with global energy industry experience and leadership positions with Velocys, InterMoor and Acteon Group Company and Ernst & Young. In addition to experience with VT Shipbuilding and Shell. I was born in Germany, studied in England, and hold a doctorate in engineering management and a master's degree in ship science from the United Kingdom's University of Southampton. I served in the German Navy, and I have worked worldwide and in many other regions, OPT is working to sell its solutions.

Until recently, I have worked in our Houston office, and I am now in the process of moving my family closer to OPT's New Jersey headquarters. I am proud that the Board of Directors has chosen me to lead the next chapter of OPT's development, and I am excited to execute the company's ambitious plans for growth. Despite the challenges of the COVID-19 pandemic during fiscal year 2021, OPT continued to progress, notably successfully acquiring 3Dent Technology. The addition of 3Dent grew our presence in Houston and opened up new avenues for strategic consulting services providing engineering and design services for offshore energy customers, including oil and gas contractors, offshore wind, wave energy, and marine construction and service companies.

The fiscal year also saw OPT delivering study studies for defense contractor Adams Communication & Engineering Technology for the U.S. Navy Naval Postgraduate School's SLAMR initiative and oil and gas consortium DeepStar on subsea oil production applications for the PB3 PowerBuoy. OPT also deployed a PB3 PowerBuoy in Chile, achieved a PB3 operational milestone in the Adriatic Sea and launched two new products the Hybrid PowerBuoy and Subsea Battery.

The company had a key goal of improving its financial position and reducing capital risk in fiscal year 2021. I am going to ask Matt to expand on that now as he discusses OPT's financials.

### **Matthew Scafer**

Thank you, Philipp, and good morning, everyone. We are all very excited to have Philipp in this capacity and are all very much looking forward to working together.

I want to highlight that during fiscal year 2021, OPT significantly improved its cash position generating more than \$80 million in net proceeds through utilization of its at the market facilities and equity line common stock purchase agreements. Also recently OPT changed its listing from the NASDAQ capital market to the NYSE American Stock Exchange. We believe this transition enhances the visibility of the company and, like our recent addition to the Russell Microcap Index, not only benefits our existing shareholders but will also lead to greater exposure to potential investors.

With that now turning to the OPT financials, revenue for the fourth quarter of fiscal year 2021 was \$600,000. That was essentially flat compared to the same period in the prior year. Revenue for the full fiscal year 2021 was \$1.2 million reflecting a 28% decrease from fiscal 2020. The decline in revenue for the full year was mainly attributable to COVID-19 pandemic-related project delays. The net loss for the fourth quarter and fiscal year 2021 was \$5.2 million and \$14.8 million, respectively, representing increases over the prior year comparable periods primarily attributable to higher costs incurred due to COVID-19 pandemic delays, higher engineering, product development, and general and administrative cost and the impact of an arbitration settlement.

On the balance sheet, total cash, cash equivalents, and restricted cash was \$83.6 million as of April 30, 2021. Net cash used in operating activities increased by \$1.1 million compared to the 12 months ended April 30, 2020. With that, I will turn it back to Philipp.

### **Philipp Stratmann**

Thanks, Matt. Going forward, OPT will continue to develop and commercialize our proprietary systems that generate electricity for harvesting the renewable energy of ocean waves and solar power. As noted in our 10K, our strategy includes developing holistic solutions and services, including cloud-based delivery systems for ocean data and predictive analytics using ocean and third-party data to provide actionable intelligence. We believe there is an increasing need for our products and solutions in markets such as fishery protection, offshore wind farm support, and maritime domain awareness applications.

We continue to build upon our mission of connecting the ocean with those who operate there. Based on our proprietary renewable power platforms and engineering skills, our solutions focus on three major services data as a service supported and enabled by power as a service and all underpinned by our strategic consulting services, which we broadened with the acquisition of 3Dent Technology. Throughout fiscal 2022 we fully intend to continue developing, evolving, and strengthening our offerings as we solidify our position as a leader in maritime power and data solutions. Operator, we are ready to open up the call for questions.

### **Operator**

Thank you. We will now be conducting a 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 "\*" keys. Once again, that is "\*" "1" to ask a question at this time.

One moment please, while we poll for questions. Our first question comes from Robert Silvera with Silvera Associates. Please proceed with your question.

### **Robert Silvera**

Hi. Good job, guys, and could you give me a picture of your current cash burn rate for the next quarter, so to speak, as opposed to this last basically \$3 million in the last quarter?

**Matthew Shafer**

Yeah, Robert. How are you? This is Matt. I know you called in a couple of quarters ago. I hope you have been doing well. Thanks for dialing in. Good questions.

Yeah, our cash burn rate is slightly higher than it historically has been, it has been around the 1 million (INAUDIBLE), so it is slightly higher with the slight pivot we have done that we have talked about, and yeah, so that is what we are looking at going forward.

**Robert Silvera**

Approximately \$3 million a quarter then still?

**Matthew Scafer**

That's correct, probably.

**Robert Silvera**

Okay. How would you say it looks the next three to six months on pending sales?

**Philipp Stratmann**

H, Robert. Nice to talk to you. As much as I would love to be able to share details on it, I believe you know that's not something I can do in any great detail. We are working very hard with a number of different customers in a range of geographies. Obviously, the global pandemic hasn't helped by curtailing travel and slowing the cycle of projects, be those in the private markets or related to government work. We are optimistic that we will soon be able to travel more freely, and the cycle of projects will pick up that we are not able to say anything in detail right now.

**Robert Silvera**

Okay. You did not elaborate on the installation in (INAUDIBLE) now that it's in, how is it going? How does the customer feel about it, kind of feedback on that?

**Philipp Stratmann**

In April, we did deploy the PB3 PowerBuoy in Chile, and we continue to work with our customers for any follow-up that may be required down there.

**Robert Silvera**

But have they given you an impression as to you know is it functional at this point and doing a particular job, and are they happy with it? Give us a little bit of feedback on the results there because that may translate into bragging rights to other customers, etc.

**Philipp Stratmann**

The buoy is being installed. I can't comment on the internal matters for other companies.

**Robert Silvera**

Oh, it's still in the process of installation then?

**Philipp Stratmann**

It is being deployed.

**Robert Silvera**

I see. Okay. And the one that is over in Europe that one now has gone long service duty and what is the impressions on that from the customer?

**Philipp Stratmann**

I presume you are referring to the one that was in the Adriatic for ENI; that one is back in New Jersey following the slowdowns related to COVID-19 and will be refurbished after the long deployment ready for the next mission.

**Robert Silvera**

I see, and it was very successful on the first mission?

**Philipp Stratmann**

It was successfully deployed for nearly two years.

**Robert Silvera**

Wonderful, great. Okay. On the balance sheet that you presented, you have an item that I would like you to expand on a little bit where it says litigation payable. I presume that is \$1,224,000, and what is that about and when is it due?

**Matthew Scafer**

Yes, Robert, this is Matt again. That relates to, and it is all disclosed in our 10K that we just filed yesterday as well that is from the former President and CEO of the company that was a litigation matter that started back in I want to say 2014, and it is all disclosed. The payment has been made, yeah.

**Robert Silvera**

So that's, in other words, that is now settled?

**Matthew Scafer**

That is correct.

**Robert Silvera**

The number that is going out at the date that you had this. All right. And so all litigation is now free and clear? No more?

**Matthew Scafer**

That is right.

**Robert Silvera**

Wonderful. Okay I guess that is it for me. Thank you very much. Keep working at it, guys. I think you have got great ideas and let's get some sales.

**Matthew Scafer**

Thanks, Robert.

As a reminder, if you would like to ask a question, please press "\*" "1" on your telephone keypad. One moment please, while we poll for questions. Our next question comes from Joe Durge(SP), a private investor. Please proceed with your question.

**Joe Durge**

Hello, gentlemen. Hey, a question on the do we have any information on the DeepStar project, number one? And number two, that was a pretty, really, really vague answer on the Chile buoy. I mean, for April, May, June, July to get deployed, that is the only answer that we have. Would-- little more elaboration on that of what kind of feedback or anything. Thanks.

**Philipp Stratmann**

Hi, Joe, and thanks for the question. You asked about DeepStar specifically. DeepStar same as ACET those two studies are complete, and with any study that we are contracted to complete we are working towards next steps, which could include a sale or a lease of the solutions. Very excited about these studies because DeepStar gives us visibility to several large oil and gas operators in the consortium, there is more to come.

**Joe Durge**

And is there anything more you can say about the Chile deployment? I mean, that is it, just diploid, and it is sitting out there, or is it operational?

**Philipp Stratmann**

The information that we can give is, as we said, the buoy has been deployed; it is in the water. We can't comment on internal matters relating to other companies, and that is where it sits right now.

**Joe Durge**

Great. Thanks, guys. Good year-end there.

**Matthew Scafer**

Thank you, Joe.

**Operator**

There are no further questions at this time. At this point, I would like to turn the call back over to Philipp Stratmann for closing--excuse me, someone jumped into the queue. We do have a question from Peter Ruggiere with Dawson James.

**Peter Ruggiere**

How are you doing, Matt?

**Matthew Scafer**

Good, Peter. How are you?

**Peter Ruggiere**

Good. I've got a lot of questions; I don't know where to start, but about George, why did he-- what happened there?

**Philipp Stratmann**

George Kirby departed OPT to pursue other endeavors.

**Peter Ruggiere**

Okay. I just wondering because he has been there for a while, but on the thing with (INAUDIBLE) and the Adreonic Sea, the stuff with Chile wasn't never really answered but as far as I was understanding, it was \$2.1 million you guys would get for the deployment and for the sale of the buoy. I haven't seen that come up on the balance sheet revenue yet for the whole thing.

On a different note with the Navy that you are working with about the illegal fishing or stuff going on in Asia and then the thing in France you are doing something there my questions a couple of quarters ago about like Microsoft with the underwater data centers where does everything stand on this really kind of a little bit confused myself. I have been here for over four years so.

**Matthew Scafer**

So, Peter, I will start off answering and then turn it over to Philipp on the latter part. You know, with regards to EGP showing up on the financials, you said balance sheet we recognize revenue on our contracts over time using the percentage of completion of accounting and of the new accounting rules for revenue recognition you have performance obligations. I won't get into how all of that works, but the revenue has been being recognized over time as we have been working on that contract and deploying that asset in Chile.

With regards to you know the Navy and illegal fishing, that is one of our, you know, revised strategies that Philipp can talk a little bit more about, and then maybe we can touch upon your question that you had last quarter and I believe you are referring to Microsoft's underwater data centers, and if I recall correctly, you had asked the question have we had any conversations with them. I can't fully speak to that, so I will turn it over to Philipp on those two on the Navy and that.

**Peter Ruggiere**

Okay.

**Philipp Stratmann**

So as Matt said, Maritime domain awareness is one of the key aspects of any defense or security operation in the ocean. We are developing a system that will work with other

participants of the MDA space that might be which includes satellite providers, other vessels, shore-based station, and so on so forth in order to provide additional gateway nodes, edge computing capabilities and upload links into the cloud in order to speed up the gathering of actionable intelligence.

To your question on illegal fishing, in order to mitigate IUU fishing, so the illegal unreported unregulated fishing, you only had two options really. Either you need to be there in the present and stop it in the therein now, and that requires you to spend millions of dollars on larger vessels, training crews and help them go out there, all of which while they're burning fuel to be there or you can deploy autonomous systems such as our buoys which the instance it occurs might not be able to prevent that specific day of illegal fishing but generates the data that you can then use to go and prosecute the fishing vessels' owners carried out the transgressions and then prevent other IUU activities taking place.

**Peter Ruggiere**

Okay. On a different note three years ago, when July was a deadline for I believe it was Anadarko which was bought by Occidental you wanted to do a project in the Gulf of Mexico, and then you opened an office in Houston where does that new project stand with the decommissioning of oil in the Gulf of Mexico?

**Philipp Stratmann**

We continue to have discussions with various operators, particularly through the connection that we have recently made with the DeepStar consortium as I am sure as you are well aware Anadarko is now a part of Occidental Petroleum. Our conversations down here in Houston with the marine operators and the oil and gas companies are plentiful.

**Peter Ruggiere**

Okay. And with all of this cash because since I have been involved with your company never had as much cash on the balance sheet I have ever seen. Are you planning on maybe possibly doing some kind of acquisition? What is your plans because that is plenty of money to have sitting there?

**Philipp Stratmann**

The 3Dent acquisition is the first opportunity within OPT's long-term growth strategy to extend market value proposition whilst building revenues, so we are continuing to look at other opportunities that add value to our company as we execute our growth strategy.

**Peter Ruggiere**

Okay. How many buoys do you have built so far PB3s at this point?

**Philipp Stratmann**

Yeah, I think we have got (INAUDIBLE) on number six in the warehouse and the going final outfitting.



**Peter Ruggiere**

Okay. Is there anything further going with Premier Oil?

**Philipp Stratmann**

Premier Oil, Harbour Energy, obviously Premier Oil merged with Chrysaor Energy late last year, early this year. I think it was completed and approved in the United Kingdoms, so as with any of our other customers as Harbour is looking at its next opportunities as we continue to have discussions with them around various opportunities.

**Peter Ruggiere**

Okay. All right. Well, thank you.

**Matthew Scafer**

Peter, thank you very much. Appreciate always like hearing from you and your good questions.

**Peter Ruggiere**

Same. Thank you.

**Operator**

Our next question comes from Robert Silvera with Silvera and Associates, please proceed with your question. Robert, you are live with our speakers. Are you muted?

**Robert Silvera**

Yes, I guess I am. How is that? Can you hear me now?

**Operator**

Yes, we can. Thank you.

**Robert Silvera**

Okay. Sorry. I would like you to elaborate to me a little bit about what you acquired when you got 3Dent technology as far as capabilities and how they mesh with the existing business. Can you elaborate a little on that? Thanks.

**Philipp Stratmann**

Of course. 3Dent Technology serves and has served the offshore oil and gas industry. We aspire to move into offshore wind, and their dedicated team of engineers and naval architects will allow us to do that. What has enabled us and expands our ability to provide comprehensive solutions to customers operating in rapidly evolving markets. 3Dent has been a strategic partner in developing our Hybrid PowerBuoy and Subsea Battery products and having them on board strengthens our value proposition. Expertise in the form of offshore engineers and naval architects that we have not had in the past. We see 3Dent as not only being--

**Robert Silvera**

Good, I understand better now, thank you. So you can even couple in with wind power?

**Philipp Stratmann**

With 3Dent we can provide offshore engineering services to wind farm developers so that we can start having discussions across the lifecycle with them.

**Robert Silvera**

Got you, okay. Thank you, that is all I have. Thank you very much.

**Operator**

As a reminder, if you would like to ask a question, please press "\*" "1" on your telephone keypad. One moment please, while we poll for questions.

There are no further questions at this time. I would like to turn the call back over to Philipp Stratmann for closing comments.

**Philipp Stratmann**

Thank you. As we have discussed here today, despite the impact of the global pandemic, fiscal year 2021 was a period of growth for OPT. We continue to develop and commercialize solutions into high-growth markets. We are well-capitalized, we are continuously expanding our expertise and capabilities allowing us to bring additional value to our customers, and we are energized and excited for the year ahead in our plans to grow our business to benefit our shareholders. Thank you for joining us today.

**Operator**

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