

February 1, 2019



# Coda Octopus Group Reports Fiscal 2018 Financial Results

ORLANDO, FL, Feb. 01, 2019 (GLOBE NEWSWIRE) -- Coda Octopus Group, Inc. (CODA) (Nasdaq: CODA) today reported its audited financial results for its fiscal year ended October 31, 2018.

Annmarie Gayle, CODA's Chairman and CEO commented: "During fiscal year 2018 we continued our strategic investment in technological advancement across our product range, including 4G/5G enhancements of our real-time 3D sonar technology and our first in a planned series of artificial intelligence-based Automatic Object Detection (AOD) subsea software products, for automatic boulder detection. We, therefore, increased our R&D expenditures to \$2.6 million from \$1.4 million during fiscal year 2017. This will position the Company for breakout growth in capturing a greater share of the multibillion-dollar markets for our products and services, and in developing new markets across all our offerings during fiscal 2019.

"Our products business performed very well and saw increased numbers of units of sale of the Echoscope<sup>4G</sup>® Surface, the initial product within our fourth generation (4G) line of our class-leading real-time 3D products, which was launched in January 2018. However, our engineering business, Coda Octopus Colmek, did not receive all of the anticipated defense contracts in 2018, due to delays in the adoption of the U.S. defense budget. While Colmek has started to contract the 2017 and 2018 backlog, and today has a backlog order book of \$6.4 million, the delays caused our revenues to remain fairly flat during fiscal 2018," continued Ms. Gayle. "Despite the set-back in Colmek's business plan, I am pleased with our consolidated results. Our 2018 fiscal year performance was broadly on par with 2017 fiscal year, with our consolidated net income being only marginally less, even though Research and Development expenditures increased significantly. Furthermore, in addition to Colmek's backlog order book of \$6.4 million, we expect to receive the remaining orders for 2017 and 2018 defense contracts in the first half 2019 and, therefore, we expect Colmek's performance to improve in 2019."

CODA reported total revenue of approximately \$18.019 million for the fiscal year ended October 31, 2018, compared to \$18.025 million for the prior fiscal year, a reduction of 0.03%. The Company reported net income before taxes of approximately \$3.103 million for the fiscal year ended October 31, 2018, compared to \$3.342 million for the prior fiscal year, a reduction of 7.2%. Net income after taxes increased to \$4.989 million for the fiscal year ended October 31, 2018, compared to \$3.340 million in the prior fiscal year. This increase is the result of a one-time, non-recurring benefit of a deferred tax asset of \$1.754 million that was recognized due to the increased possibility that the Company will utilize this benefit in future periods. Net income before tax as a percentage of revenues was 17.2%, versus 18.5% during the prior fiscal year. Operating expenses for the fiscal year were \$9.352 million compared to \$8.150 million for the prior fiscal year, an increase of 14.7%, attributable to an

increase in R&D of \$1,191,333 and a small increase in Selling, General and Administrative (SG&A) expenditures of \$10,554.

Ms. Gayle continued: “Looking ahead to an exciting 2019 calendar year for CODA, we expect to complete a significant part of our new product launches in early 2019, including all planned sonar hardware revisions. We intend to launch three different sonars, of varying sizes and prices, for different applications. We believe these new products will open the market for CODA to additional applications which require sonars to have a reduced footprint. We expect to release additional products, which will focus on algorithm and software enhancements, in the second half of the calendar year. These new product launches will complete the full and new capabilities of the fourth and fifth generations of our real-time 3D sonar technology. Our goal is to standardize real-time 3D sonar technology for the markets in which we operate.

“An additional core strategy is to grow our market share for defense imaging sonar. We have a number of Research and Development defense projects underway. These include the Naval Surface Warfare Center, Panama City Division for Naval Real-Time 3D Imaging Head Up Display Diver Solution, which we announced publicly in July 2018, that is making good progress. Our innovative Survey Engine Automatic Object Detection Package (SEADP), based on algorithms designed and developed around AI techniques, gives us another entry point into the defense/military arena. We are currently in the process of extending this AOD capability to mine detection at sea as a defense application, and for seabed classification as commercial and defense applications,” added Ms. Gayle. “Our engineering businesses are also innovating and have invested in R&D. Among the advanced R&D projects is Colmek’s enhancement and expansion of its Thermite<sup>®</sup> line of rugged mission computers, which is a significant part of this segment’s growth plans. We have now finalized the first product within the range, Thermite<sup>®</sup> Octal. The Octal is now in trial with a number of significant customers, including applications for integration with army vehicles. If these trials are successful, we would expect multiple long-term orders.

The Company’s full financial results including its Annual Report for Fiscal Year 2018 are available at [www.nasdaq.com/symbol/coda/sec-filings](http://www.nasdaq.com/symbol/coda/sec-filings).

### **About Coda Octopus Group, Inc.**

The Company, founded in 1994, manufactures and markets patented real-time 3D subsea sonar technology, the Echoscope<sup>®</sup>, which enables real-time 3D imaging and mapping in zero visibility conditions underwater, Echoscope<sup>®</sup> is used globally in numerous applications including defense, marine construction, oil and gas subsea infrastructure installation and surveys, and port and harbor security. In addition to the Marine Products business, Coda Octopus Products Ltd., CODA’s two engineering businesses are Coda Octopus Colmek and Coda Octopus Martech. For further information, please visit <http://www.codaoctopusgroup.com> or contact us at: [coda@codaoctopusgroup.com](mailto:coda@codaoctopusgroup.com).

### **Forward Looking Statement**

This press release contains forward-looking statements concerning Coda Octopus Group, Inc. within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Those forward-looking

statements include, without limitation, statements regarding the Company's expectations for the growth of the Company's operations and revenue. Such statements are subject to certain risks and uncertainties, and actual circumstances, events or results may differ materially from those projected in such forward-looking statements. Factors that could cause or contribute to differences include, but are not limited to, customer demand for our products and market prices; the outcome of our ongoing research and development efforts relating to our products including our patented real time 3D solutions; our ability to develop the sales force required to achieve our development and other examples of forward looking statement set forth in our Annual Report on Form 10-K for the year ended October 31, 2018, filed with the Securities and Exchange Commission on January 29, 2019. Coda Octopus Group, Inc. does not undertake, and specifically disclaims any obligation to update or revise such statements to reflect new circumstances or unanticipated events as they occur.

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