

January 29, 2024



Coda Octopus Group Reports Fiscal 2023 Financial Results

ORLANDO, FL, Jan. 29, 2024 (GLOBE NEWSWIRE) -- Coda Octopus Group, Inc. (CODA) (Nasdaq: CODA) today reported its audited financial results for its fiscal year ended October 31, 2023 (FY2023).

Annmarie Gayle, CODA's Chairman and CEO, commented: "I am pleased to report our annual results for FY2023. Although we have made progress in our strategic end markets in the FY2023, our financial performance was affected by external factors affecting our sectors of operation.

"The offshore renewable energy sector and underwater construction markets were affected by high interest rates, inflation, and supply chain issues, which slowed down the number of projects implemented in FY2023. As a result, there was weak demand for our Echoscope[®] rental solutions in these markets and our rental revenues decreased by 31.4%, and outright sales in strategic markets such as Asia fell by 19.5%. In addition, our Engineering Services Business was affected by the ongoing war in Ukraine, which has resulted in customers' priorities shifting to land-based applications at the expense of naval based applications.

"Despite navigating these headwinds in FY2023, management continued to invest in its strategy to accelerate growth and believes that it has made good progress on achieving some of its strategic goals around the Company's growth pillars, Echoscope PIPE[®] and DAVD in FY2023."

FY 2023 Financial Summary

The numbers below have been rounded to one decimal point. The full FY23 financials can be found in CODA's Form 10-K filed with the SEC on January 29, 2024.

- Total revenue was approximately \$19.4 million compared to \$22.2 million in FY2022, representing a reduction of 12.9%.
- Revenues from the Marine Technology Business (Products) were \$12.1 million compared to \$14.7 million in FY2022, a 17.7% decrease.
- Revenues from the Marine Engineering Business (Services) were \$7.3 million compared to \$7.5 million in FY2022, a 3.6% decrease.
- Gross profit was \$13.0 million compared to \$15.2 million in FY2022. Gross margin was 67.3% compared to 68.3% in FY2022. This is largely attributable to changes in the mix of sales and higher commission costs incurred in FY2023.
- Operating income was \$2.7 million in FY2023 compared to \$5 million in FY2022, a reduction of 45.3%. Operating margin was 14.2% compared to 22.5% in FY2022, driven by the aforementioned reduction in revenues.
- Net income before taxes was approximately \$3.4 million in FY2023 compared to \$5.1 million in FY2022, representing a reduction of 33.3%. Net income after taxes was \$3.1

million in FY2023 compared to \$4.3 million in FY2022, a reduction of 27.4%.

- Diluted earnings per share was \$0.28 compared to \$0.38 in FY2022.
- Net income before tax as a percentage of revenues for FY2023 was approximately 17.7% compared to 23.1% in FY2022. Research and Development expenditures for FY2023 were approximately \$2.1 million, a reduction of 6.3%, compared to approximately \$2.2 million in FY2022. SG&A in FY2023 was approximately \$8.2 million, an increase of 3.1% over \$7.9 million in FY2022.
- We also continued to strengthen our balance sheet, with a cash balance of \$24.4 million at the end of FY2023. This represents an increase of \$1.5 million over FY2022, when this figure was \$22.9 million.

Fiscal Year 2023 Operational Summary:

In FY2023, we continued to prioritize investing in our growth strategy. This saw us:

- Increasing the number of Defense Underwater Vehicle Programs which are evaluating our Echoscope PIPE® technology for inclusion and supporting existing programs.
- Increasing the number of opportunities for adoption of the DAVD system outside of the US Navy, including by commercial offshore service providers and foreign navies.
- Advancing the DAVD untethered program by delivering the first eight evaluation systems to our Navy customer and a Foreign Navy, supporting the ongoing evaluation program and continuing to make modifications arising from the evaluation. This is a funded program designed to customize our existing DAVD technology for military application. In FY2023 we received \$750,000 and expect to receive a further \$1.25 million in the second quarter of FY2024 to cover customization efforts arising from the ongoing evaluation. The untethered variant for the military market is the biggest market opportunity for the product, and we are working closely with our customer in support of their ongoing evaluation, with a view towards adopting this technology. Supporting this evaluation and the untethered variant's market opportunity is again Management's priority, and we remain laser-focused on working with our customer at their behest to achieve a positive outcome.
- Delivering a fully integrated solution for a diver handheld, high-resolution, real time 3D mapping and inspection platform which is designed around our real-time 3D volumetric imaging sonar, Echoscope PIPE®, and DAVD. This solution is part of an ongoing Navy program for Ship Hull Mapping and Inspection, an important vertical for the Company. There is momentum around finding solutions for inspecting incoming ship hulls in real time 3D to ensure that these ships are not carrying parasitic cargo attached unlawfully to the hull, such as illegal arms and drugs. This is a multi-year defense program, and it is now at a mature stage of evaluation, as we have performed several trials and achieved proof of concept for the capability of the Echoscope for this application.
- Completing two significant Echoscope PIPE® trials with Naval Information Warfare Systems Command (NIWIC). In both trials, we successfully showcased the Echoscope PIPE® series on NIWIC's VideoRay Defender, a small portable underwater vehicle selected by the US Navy as its preferred vehicle in this category. We are working with NIWIC as they continue to finalize their sensor requirements for this underwater vehicle program.
- Launching a new product, our Digital Audio Communications Systems – Voice HUB 4 - (targeting the diving market, diving chamber market and medical decompression market), which is a new and sizable business vertical for the Company. This system

was developed at the request of the US Navy. Voice HUB-4, offers a digital audio communication solution that incorporates AI features such as pitch correction, voice signatures and noise removal. This development moves the technology in the market from analogue audio communication to a much higher-quality and feature-rich digital audio solution. We are excited to be first movers in this market.

Ms. Gayle continued: “A major market for our business is the Defense Underwater Vehicles market. This sector is transitioning to the new generation of underwater vehicles, and we are seeking to increase our share of the underwater imaging sonar market and change our revenue profile to multiple recurring sales through program adoptions. As we work to increase our market share and advance our growth plans, it is crucial that our Echoscope® technology is a contender for inclusion at the outset of these new underwater vehicle programs, and that we heavily invest in ensuring we are a contender in as many of these programs as possible. In FY2023, we continued to perform successful business development campaigns in this area and supported various programs in which the Echoscope® is being evaluated for inclusion. We also received positive feedback from a number of our Prime Defense Contractors on the success they have had with the Echoscope PIPE® on their vehicles. Based on their prior success with the Echoscope®, several of these customers are expanding the use of the Echoscope® in adjacent programs. As this progress demonstrates, we believe that while the adoption process is slow, we are having incremental successes with our strategy.

“Finally, we continue to believe in the growth prospects for the business, and we do not believe our financial results for FY2023 reflect negatively on our growth strategy, plans, or the competitiveness of our growth pillars. Instead, we believe our performance results from the macroeconomic factors discussed earlier, and we are working to continue our strategic progress even amid these headwinds. Along with advancing our organic growth drivers, we will also start to pursue an active M&A strategy, with the goal of acquiring value accretive complementary technologies into our portfolio and thus accelerating growth. In the FY2024, we will continue to double our efforts to realize increased growth for our stakeholders.”

The Company’s full financial results, including its Annual Report for Fiscal Year 2023, are available at www.nasdaq.com/symbol/coda/sec-filings.

Conference Call

CODA will host a conference call today, January 29, 2024, at 10:00 a.m. Eastern Time (7:00 a.m. Pacific Time) to discuss its results for the fiscal year ended October 31, 2023.

CODA management will provide prepared remarks, followed by a question-and-answer period.

Date: Monday, January 29, 2024

Time: 10:00 a.m. Eastern time (7:00 a.m. Pacific time)

U.S. dial-in number: 1-877-451-6152

International number: 1-201-389-0879

Conference ID: 13743760

The conference call will broadcast live and be available for replay [here](#).

Persons interested in attending are required to call the conference telephone number approximately 10 minutes before the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact the Company's investor relations team at 1-949-574-3860.

A replay of the call will be available after 1:00 p.m. Eastern time on the same day through February 12, 2024.

Toll-free replay number: 1-844-512-2921

International replay number: 1-412-317-6671

Conference ID: 13743760

About Coda Octopus Group, Inc.

The Company, founded in 1994, is an established supplier to the Underwater/Subsea market. It supplies a range of hardware and software solutions to this market which includes key proprietary real time 4D/5D/6D imaging sonars, marketed under the name Echoscope® and Echoscope PIPE® addressing the underwater imaging sensor market along with new generation diving technology, Diver Augmented Vision Display (DAVD) system. The Company's Echoscope PIPE® sonar generates real-time 3D/4D/5D images of moving objects underwater including in zero visibility water conditions. The Echoscope® technology is used globally for numerous applications in both the commercial offshore market and defense underwater markets. Applications for the Echoscope® technology include complex mapping underwater, subsea intervention, subsea asset placements, salvage and recovery, search and rescue, offshore renewables cable installations and surveys, marine construction, subsea infrastructure installation, mining applications, robotics (3D Perception and Depth), breakwater construction and monitoring, decommissioning, diving applications and port and harbor security.

The recently launched new generation of diving technology, DAVD, has the potential to change the way global diving operations are performed (both in the Defense and Commercial space) because it is a fully integrated singular system for topside control and fully connected diver HUD system, allowing both the topside and diver to share a range of critical information and visualize the same underwater scene. Furthermore, the DAVD integrates the Company's sonar technology, which allows dive operations to be performed in zero visibility conditions, a common problem that besets these operations.

The Company also includes two discrete Defense engineering businesses Coda Octopus Martech Ltd (UK based) and Coda Octopus Colmek, Inc. (US based) whose primary business model is to supply sub-assemblies into broader mission critical programs in the capacity of sub-contractors to the Prime Defense Contractors. Their scope of supply under these programs typically includes concept, design, prototype, manufacturing, and post-sale support. This gives them the opportunity to have repeat orders for these sub-assemblies through the life of these programs.

For further information, please visit <http://www.codaoctopusgroup.com> or contact us at 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. When used in this document, the words “may”, “would”, “could”, “will”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, “expect” and similar expressions are intended to identify forward-looking statements. 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, restrictions on our business operations due to the Pandemic, 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, 2023, filed with the Securities and Exchange Commission on January 29, 2024. 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.

Contact:

Cody Slach or Jackie Keshner

Gateway Group, Inc.

1-949-574-3860

CODA@gateway-grp.com

**CODA OCTOPUS GROUP, INC.
Consolidated Balance Sheets
October 31, 2023 and 2022**

		<u>2023</u>	<u>2022</u>
	ASSETS		
CURRENT ASSETS			
Cash and Cash Equivalents	\$	24,448,841	\$ 22,927,371
Accounts Receivable		2,643,461	2,870,600
Inventory		11,685,525	10,027,111
Unbilled Receivables		894,251	602,115
Prepaid Expenses		181,383	240,464
Other Current Assets		<u>1,034,626</u>	<u>343,061</u>
Total Current Assets		40,888,087	37,010,722
FIXED ASSETS			
Property and Equipment, net		6,873,320	5,832,532
OTHER ASSETS			
Goodwill		3,382,108	3,382,108

Intangible Assets, net	486,615	442,286
Deferred Tax Asset	211,386	259,810
Total Other Assets	4,080,109	4,084,204
Total Assets	\$ 51,841,516	\$ 46,927,458

CODA OCTOPUS GROUP, INC.
Consolidated Balance Sheets (Continued)
October 31, 2023 and 2022

	2023	2022
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,308,201	\$ 793,247
Accrued Expenses and Other Current Liabilities	995,630	1,731,706
Deferred Revenue	975,537	943,569
Total Current Liabilities	3,279,368	3,468,522
LONG TERM LIABILITIES		
Deferred Revenue, less current portion	133,382	76,127
Total Liabilities	3,412,750	3,544,649
Commitments and contingencies	-	-
STOCKHOLDERS' EQUITY		
Common Stock, \$.001 par value; 150,000,000 shares authorized, 11,117,695 issued and outstanding as of October 31, 2023 and 10,916,853 shares issued and outstanding as of October 31, 2022	11,118	10,918
Preferred Stock, \$.001 par value; 5,000,000 shares authorized, zero issued and outstanding as of October 31, 2023 and 2022	-	-
Treasury Stock	(46,300)	(28,337)
Additional Paid-in Capital	62,958,984	62,313,988
Accumulated Other Comprehensive Loss	(3,442,549)	(4,737,124)
Accumulated Deficit	(11,052,487)	(14,176,636)
Total Stockholders' Equity	48,428,766	43,382,809
Total Liabilities and Stockholders' Equity	\$ 51,841,516	\$ 46,927,458

CODA OCTOPUS GROUP, INC.
Consolidated Statements of Income and Comprehensive Income

	Year Ended October 31,	
	2023	2022
Net Revenues	\$ 19,352,088	\$ 22,225,803
Cost of Revenues	6,321,033	7,035,115
Gross Profit	13,031,055	15,190,688

OPERATING EXPENSES		
Research & Development	2,096,467	2,237,920
Selling, General & Administrative	8,195,036	7,948,704
Total Operating Expenses	10,291,503	10,186,624
INCOME FROM OPERATIONS	2,739,552	5,004,064
OTHER INCOME (EXPENSE)		
Other Income	39,146	137,975
Interest Income	642,530	-
Interest Expense	-	(9,704)
Total Other Income, net	681,676	128,271
INCOME BEFORE INCOME TAX EXPENSE	3,421,228	5,132,335
INCOME TAX (EXPENSE) BENEFIT		
Current Tax Expense	(248,655)	(1,005,140)
Deferred Tax (Expense) Benefit	(48,424)	174,026
Total Income Tax Expense	(297,079)	(831,114)
NET INCOME	\$ 3,124,149	\$ 4,301,221
NET INCOME PER SHARE:		
Basic	\$ 0.28	\$ 0.40
Diluted	\$ 0.28	\$ 0.38
WEIGHTED AVERAGE SHARES:		
Basic	11,131,469	10,863,674
Diluted	11,323,568	11,281,347
NET INCOME	\$ 3,124,149	\$ 4,301,221
Foreign Currency Translation Adjustment	1,294,575	(3,070,065)
Total Other Comprehensive Income (Loss)	\$ 1,294,575	\$ (3,070,065)
COMPREHENSIVE INCOME	\$ 4,418,724	\$ 1,231,156

CODA OCTOPUS GROUP, INC.
Consolidated Statements of Changes in Stockholders' Equity
For the Years Ended October 31, 2023 and 2022

	Common Stock		Additional	Accumulated	Accumulated	Treasury	Total
	Shares	Amount	Paid-in	Other	Deficit	Stock	
			Capital	Comprehensive			
				Income (Loss)			
Balance, October 31, 2021	10,857,195	\$ 10,858	\$ 61,183,131	\$ (1,667,059)	\$ (18,477,857)	\$ -	\$ 41,049,073
Employee stock-based compensation	-	-	1,130,917	-	-	-	1,130,917
Stock issued for options exercised	59,658	60	(60)	-	-	(28,337)	(28,337)

Foreign currency translation adjustment	-	-	-	(3,070,065)	-	-	(3,070,065)
Net Income	-	-	-	-	4,301,221	-	4,301,221
Balance, October 31, 2022	10,916,853	\$ 10,918	\$ 62,313,988	\$ (4,737,124)	\$ (14,176,636)	\$ (28,337)	\$ 43,382,809
Employee stock-based compensation	-	-	645,196	-	-	-	645,196
Stock issued for options exercised	200,842	200	(200)	-	-	(17,963)	(17,963)
Foreign currency translation adjustment	-	-	-	1,294,575	-	-	1,294,575
Net Income	-	-	-	-	3,124,149	-	3,124,149
Balance, October 31, 2023	11,117,695	\$ 11,118	\$ 62,958,984	\$ (3,442,549)	\$ (11,052,487)	\$ (46,300)	\$ 48,428,766

CODA OCTOPUS GROUP, INC.

Consolidated Statements of Cash Flows

	Year Ended October 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 3,124,149	\$ 4,301,221
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation of property plant and equipment	603,467	678,652
Amortization of intangible assets	64,063	60,077
Stock-based compensation	645,196	1,130,917
Deferred income taxes	48,726	(193,083)
(Increase) decrease in operating assets:		
Accounts receivable	291,873	992,948
Inventory	(1,287,108)	(675,878)
Unbilled receivables	(281,981)	447,927
Prepaid expenses	68,836	165,010
Other current assets	(330,516)	275,909
Increase (decrease) in operating liabilities:		
Accounts payable and other current liabilities	(613,239)	533,996
Deferred revenue	56,410	(990,729)
Net Cash Provided by Operating Activities	2,389,876	6,726,967
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(2,021,948)	(466,471)
Purchases of other intangible assets	(108,392)	(90,089)
Proceeds from the sale of property and equipment	609,565	-
Net Cash Used in Investing Activities	(1,520,775)	(556,560)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of notes	-	(63,559)
Purchase of treasury stock	(17,963)	(28,337)
Net Cash Used in Financing Activities	(17,963)	(91,896)
EFFECT OF CURRENCY TRANSLATION ON CHANGES IN CASH AND CASH EQUIVALENTS	670,332	(898,796)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,521,470	5,179,715
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	22,927,371	17,747,656
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	\$ 24,448,841	\$ 22,927,371
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ -	\$ 9,704
Cash paid for taxes	\$ 1,406,562	\$ 74,432
SUPPLEMENTAL NONCASH INVESTING AND FINANCING ACTIVITIES		

Purchase of property and equipment previously held in escrow, included in prepaid expenses as of October 31, 2021	\$	-	\$	694,664
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Source: Coda Octopus Group, Inc.