

March 18, 2024



Coda Octopus Group Reports Fiscal First Quarter 2024 Financial Results

ORLANDO, FL, March 18, 2024 (GLOBE NEWSWIRE) -- Coda Octopus Group, Inc. ("CODA" or the "Company") (Nasdaq: CODA), a global market leader in 3D/4D/5D/6D imaging sonar technology for real time subsea intelligence and cutting-edge diving technology, today reported its unaudited financial results for its fiscal first quarter ended January 31, 2024 (FQ2024).

Annmarie Gayle, CODA's Chairman and CEO, commented: "Our First Quarter 2024 results were in alignment with our internal Business Plan but down compared to our First Quarter 2023. Our internal Business Plan anticipates that our Engineering Business revenue in Fiscal 2024 will be backloaded and therefore this has impacted on our consolidated revenue in our FQ2024. Defense Programs are currently funded by continuing resolutions which means reduced allocation of funding to these programs until agreement is reached on the federal budget. We had also anticipated that several booked engineering projects would not be converted to revenue until later in Fiscal 2024 due to the lead times for receiving components.

Despite this, our Engineering Business segment has made some encouraging operational progress. The UK Engineering Business has been seeing an increase in order take and some new programs.

Commenting on the state of the Marine Industry, Ms Gayle continued "The industry's biggest trade show is Oceanology, which occurs every two years and took place last week. We therefore anticipated in our FQ2024 that outright sales in the Marine Technology Business would be down as typically customers postpone significant investment decisions until after this event. We are encouraged by increased enquiries for our rental solutions for offshore renewables. Although these are early days, this is good news for the Marine Industry and for us. We are also seeing increased opportunities for our Echoscope solution for some underwater construction projects in the Middle East, where new islands are scheduled for development in calendar year 2024."

First Quarter 2024 (FQ2024) Financial Summary

The numbers below have been rounded to one decimal point. The full FQ2024 financials can be found in CODA's Form 10-Q filed with the SEC.

- Total revenue was approximately \$4.5 million compared to \$5.6 million in FQ2023, representing a reduction of 20.3%.
- Revenues from the Marine Technology Business (Products) were \$3.5 million compared to \$3.8 million in FQ2023, a 7.4% decrease.
- Revenues from the Marine Engineering Business (Services) were \$0.9 million compared to \$1.8 million in FQ2023, a 48.2% decrease.

- Gross profit was \$3.1 million compared to \$3.8 million in FQ2023. Gross margin was 69.2% compared to 67.1% in FQ2023. This is largely attributable to changes in the mix of sales and lower commission costs incurred in FQ2024 when compared to FQ2023.
- Operating income was \$0.6 million in FQ2024 compared to \$1.3 million in FQ2023, a reduction of 58.7%. Operating margin was 12.4% compared to 24.1% in FQ2023, resulting from the reduction in revenues in the FQ2024.
- Net income before taxes was approximately \$0.8 million in FQ2024 compared to \$1.4 million in FQ2023, representing a reduction of 42.5%. Net income after taxes was \$0.6 million in FQ2024 compared to \$1.4 million in FQ2023, a reduction of 54.9%.
- Diluted earnings per share was \$0.06 in FQ2024 compared to \$0.12 in FQ2023.
- Net income before tax as a percentage of revenues for FQ2024 was approximately 17.6% compared to 24.3% in FQ2023. Research and Development expenditures for FQ2024 were approximately \$0.5 million, an increase of 9.3%, compared to approximately \$0.4 million in FQ2023. SG&A in FQ2024 was approximately \$2.0 million, an increase of 4.2% over approximately \$2.0 million in FQ2023.
- We also continued to strengthen our balance sheet, with a cash balance of \$25.0 million at the end of FQ2024. This represents an increase of \$0.6 million over FY2023, where the comparable figure was \$24.4 million.

FQ2024 Operational Summary:

In FQ2024, we continued to prioritize investing in our growth strategy. This saw us continue to make progress against our key growth drivers:

- As discussed earlier, we saw increased traction for our Echoscope rental solutions.
- We also made good progress in advancing the DAVD Untethered System customization and hardening program and received overwhelmingly positive feedback on the system and its potential. We are on track to receive the final tranche of funding of \$1.25m in our second quarter.
- Following a survey by the Navy of the users of DAVD Tethered Systems, we received broader positive feedback from the various current users who cited the Echoscope as “game-changing for their operations”. Furthermore, three new Navy user groups have requested DAVD systems and the Echoscope as part of their operations; and existing commands have also put in requests for additional systems.
- We also had our first sale of the DAVD tethered system outside of the US Navy to a large Asian Offshore Service Provider, which is involved in underwater construction and diving.
- We continue to work globally with several Offshore Service Providers on their plans for adopting the DAVD. Some of these are waiting for internal management decisions on funding.
- We had a successful series of demonstrations of our Echoscope, DAVD technology and Digital Audio Communications System to several governmental bodies in Texas including fire departments, the Department of Transportation, and other law enforcement agencies. We are working on progressing their interest in our solutions which we demonstrated.
- We are continuing to work with Naval Information Warfare Center (NIWC) as they advance the selection of their sensor package for the VideoRay Defender, and we have provided proposals for accessing the technology for extended operational trials scheduled for April 2024. In addition, we continue to work with a foreign Navy on

integrating our Echoscope technology on the Videoray Defender which they have also adopted.

- The safety and electrical assessment of our Digital Audio Communications System, Voice Hub-4, has now been completed by the Navy, and they are expected to start trials in April.
- Our Engineering Business is making progress in key areas. We are pursuing two significant opportunities for our Thermite[®] Octal mission computers for two new applications, and we are now awaiting the completion of these negotiations. The relevant trials with our Thermite[®] Octal were completed pre-COVID, but these programs had stalled due to the pandemic. We are pleased that they are now advancing. This Business segment has also received small batch orders for two new Defense Programs of record that are likely to go into the Production Phase in this fiscal year.
- Our UK Engineering Business is also seeing an uptick in its order take and has received orders for two new programs relating to autonomous mine hunting vehicles and a new line of military land vehicles. We therefore believe the results of the Engineering Business will improve in Fiscal 2024.”

Ms. Gayle continued: “I want to close by emphasizing that we continue to work to create stable long-term shareholder value. We continue to believe in the growth prospects and strategy built around our disruptive technologies and in pivoting the revenue model of the Marine Technology Business to a multi-year and multiple sale model as we have started to see with the DAVD product line. “

The Company’s full financial results, including its Quarterly Report for the First Quarter of 2024, are available at www.nasdaq.com/symbol/coda/sec-filings.

Conference Call

CODA will host a conference call today, March 18, 2024, at 10:00 a.m. Eastern Time (7:00 a.m. Pacific Time) to discuss its results for the First Quarter ended January 31, 2024.

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

Date: Monday, March 18, 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: 13744838

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

April 1, 2024.

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

International replay number: 1-412-317-6671

Conference ID: 13744838

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:

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CODA OCTOPUS GROUP, INC.
Consolidated Balance Sheets
January 31, 2024 and October 31, 2023

	<u>2024</u>	<u>2023</u>
	Unaudited	
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 25,003,984	\$ 24,448,841
Accounts Receivable	3,030,988	2,643,461
Inventory	12,768,672	11,685,525
Unbilled Receivables	763,123	894,251
Prepaid Expenses	392,591	181,383
Other Current Assets	813,586	1,034,626
Total Current Assets	42,772,944	40,888,087
FIXED ASSETS		
Property and Equipment, net	6,340,113	6,873,320
OTHER ASSETS		
Goodwill	3,382,108	3,382,108
Intangible Assets, net	496,195	486,615
Deferred Tax Asset	21,582	211,386
Total Other Assets	3,899,885	4,080,109
Total Assets	\$ 53,012,942	\$ 51,841,516

CODA OCTOPUS GROUP, INC.

Consolidated Balance Sheets (Continued)
January 31, 2024 and October 31, 2023

	<u>2024</u>	<u>2023</u>
	<u>Unaudited</u>	
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,110,284	\$ 1,308,201
Accrued Expenses and Other Current Liabilities	855,977	995,630
Deferred Revenue	<u>786,466</u>	<u>975,537</u>
Total Current Liabilities	2,752,727	3,279,368
LONG TERM LIABILITIES		
Deferred Revenue, less current portion	<u>110,538</u>	<u>133,382</u>
Total Liabilities	<u>2,863,265</u>	<u>3,412,750</u>
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Common Stock, \$.001 par value; 150,000,000 shares authorized, 11,164,483 issued and outstanding as of January 31, 2024 and 11,117,695 shares issued and outstanding as of October 31, 2023	11,165	11,118
Treasury Stock	(61,933)	(46,300)
Additional Paid-in Capital	63,036,013	62,958,984
Accumulated Other Comprehensive Loss	(2,412,969)	(3,442,549)
Accumulated Deficit	<u>(10,422,599)</u>	<u>(11,052,487)</u>
Total Stockholders' Equity	<u>50,149,677</u>	<u>48,428,766</u>
Total Liabilities and Stockholders' Equity	\$ 53,012,942	\$ 51,841,516

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

	Three Months Ended January 31,	
	2024	2023
Net Revenues	\$ 4,461,191	\$ 5,596,284
Cost of Revenues	<u>1,374,455</u>	<u>1,843,279</u>
Gross Profit	3,086,736	3,753,005
OPERATING EXPENSES		
Research & Development	485,977	444,458
Selling, General & Administrative	<u>2,045,375</u>	<u>1,962,451</u>
Total Operating Expenses	<u>2,531,352</u>	<u>2,406,909</u>
INCOME FROM OPERATIONS	<u>555,384</u>	<u>1,346,096</u>

OTHER INCOME (EXPENSE)		
Other Income	35,020	2,904
Interest Income	192,540	12,861
Total Other Income	227,560	15,765
INCOME BEFORE INCOME TAX EXPENSE	782,944	1,361,861
INCOME TAX (EXPENSE) BENEFIT		
Current Tax Benefit (Expense)	34,015	(11)
Deferred Tax (Expense) Benefit	(187,071)	36,007
Total Income Tax (Expense) Benefit	(153,056)	35,996
NET INCOME	\$ 629,888	\$ 1,397,857
NET INCOME PER SHARE:		
Basic	\$ 0.06	\$ 0.13
Diluted	\$ 0.06	\$ 0.12
WEIGHTED AVERAGE SHARES:		
Basic	11,125,061	10,946,683
Diluted	11,264,478	11,379,356
NET INCOME	\$ 629,888	\$ 1,397,857
Foreign Currency Translation Adjustment	1,029,580	1,607,650
Total Other Comprehensive Income	\$ 1,029,580	\$ 1,607,650
COMPREHENSIVE INCOME	\$ 1,659,468	\$ 3,005,507

CODA OCTOPUS GROUP, INC.
Consolidated Statements of Changes in Stockholders' Equity
For the Three Months Ended January 31, 2024 and 2023

	Common Stock		Additional	Other	Accumulated	Treasury	Total
	Shares	Amount	Paid-in Capital	Comprehensive Income (Loss)	Deficit	Stock	
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	-	-	182,153	-	-	-	182,153
Stock issued for options exercised and stock grants	25,500	25	(25)	-	-	-	-
Foreign currency translation adjustment	-	-	-	1,607,650	-	-	1,607,650
Net Income	-	-	-	-	1,397,857	-	1,397,857
Balance, January 31, 2023	10,942,353	\$ 10,943	\$ 62,496,116	\$ (3,129,474)	\$ (12,778,779)	\$ (28,337)	\$ 46,570,469
Balance, October 31, 2023	11,117,695	\$ 11,118	\$ 62,958,984	\$ (3,442,549)	\$ (11,052,487)	\$ (46,300)	\$ 48,428,766
Employee stock-based compensation	-	-	77,076	-	-	-	77,076
Stock issued for options exercised and stock grants	46,788	47	(47)	-	-	-	-

Treasury Stock	-	-	-	-	-	(15,633)	(15,633)
Foreign currency translation adjustment	-	-	-	1,029,580	-	-	1,029,580
Net Income	-	-	-	-	629,888	-	629,888
Balance, January 31, 2024	11,164,483	\$ 11,165	\$ 63,036,013	\$ (2,412,969)	\$ (10,422,599)	\$ (61,933)	\$ 50,149,677

CODA OCTOPUS GROUP, INC. Consolidated Statements of Cash Flows

	Three Months Ended January 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 629,888	\$ 1,397,857
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation of property, plant and equipment	173,292	148,565
Amortization of intangible assets	17,246	15,442
Stock-based compensation	77,076	182,153
Deferred income taxes	187,071	(36,007)
Gain on sale of asset	(30,244)	-
(Increase) decrease in operating assets:		
Accounts receivable	(337,120)	(161,980)
Inventory	(556,975)	(602,467)
Unbilled receivables	134,697	(37,958)
Prepaid expenses	(207,389)	(128,140)
Other current assets	(135,850)	(84,586)
Increase (decrease) in operating liabilities:		
Accounts payable and other current liabilities	(17,505)	446,526
Deferred revenue	(232,146)	(154,519)
Net Cash (used in) provided by Operating Activities	(297,959)	984,886
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(135,651)	(84,422)
Purchases of other intangible assets	(26,825)	(21,485)
Proceeds from the sale of property and equipment	771,807	-
Net Cash provided by (used in) Investing Activities	609,331	(105,907)
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of treasury stock	(15,633)	-
Net Cash Used in Financing Activities	(15,633)	-
EFFECT OF CURRENCY TRANSLATION ON CHANGES IN CASH AND CASH EQUIVALENTS	259,404	716,033
NET INCREASE IN CASH AND CASH EQUIVALENTS	555,143	1,595,012
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	24,448,841	22,927,371
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	\$ 25,003,984	\$ 24,522,383
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for taxes	\$ 74,118	\$ -



Coda Octopus Group, Inc.
Leaders in Cutting-Edge Underwater Technologies

Source: Coda Octopus Group, Inc.