

June 12, 2024



Coda Octopus Group Reports Fiscal Second Quarter 2024 Financial Results

ORLANDO, FL, June 12, 2024 (GLOBE NEWSWIRE) -- Coda Octopus Group, Inc. ("CODA" or the "Company") (Nasdaq: CODA), a global market leader in real-time 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 second quarter ended April 30, 2024 (SQ2024) and the six months then ended (YTD2024).

For SQ2024 we generated revenues of \$5.32 million versus \$5.30 million during the SQ2023. Revenues were in line with our SQ2023 revenue despite government delays, which we believe are related to the upcoming US Presidential elections, resulting in funding gaps for many Defense Programs and therefore delays in placing orders. Both our Products segment and Engineering segment rely on receiving funding under US Defense Programs. We generated \$1.4 million in operating income in SQ2024 versus \$0.9 million in SQ 2023, an increase of 58%. The increase in operating income is attributed to operating efficiencies and a shift in revenues to higher margin rental services.

The numbers below have been rounded to one decimal point (unless 2 decimal places required to differentiate). The full SQ2024 and YTD financials can be found in CODA's Form 10-Q filed with the SEC.

In the SQ2024 and the SQ2023:

- Total revenue was \$5.32 million compared to \$5.30 million, representing an increase in the SQ2024 of 0.4%.
- Revenues from the Marine Technology Business (Products) were \$3.5 million compared to \$3.6 million, representing a 1.6% decrease in the SQ2024.
- Revenues from the Marine Engineering Business (Services) were \$1.8 million compared to \$1.7 million, representing an increase of 4.7% in the SQ2024.
- The Company generated gross profit of \$3.7 million compared to \$3.6 million. Gross margin was 70.2% compared to 68.3%. The increase in margins is attributable to an increase in rentals and associated services.
- Operating income improved and was \$1.4 million compared to \$0.9 million. Operating margin was 25.4% compared to 16.1%.
- Income before taxes improved and was \$1.6 million compared to \$1.0 million. Net income after taxes was \$1.4 million compared to \$1.0 million.
- Diluted earnings per share increased and was \$0.13 compared to \$0.09 in SQ2023.
- CODA's balance sheet continued to strengthen in SQ2024. Total Liabilities and Stockholders Equity improved over the end of fiscal year 2023 by \$2.2 million to \$54.0 million. The quarter-end cash balance of \$23.7 million represents a \$0.25 million increase over SQ2023 and a reduction of \$0.7 million over the end of fiscal year 2023 due mainly to timing of outstanding receivables, our purchase of long lead time inventory and capital expenditure investment.

YTD2024 Financial Summary:

In the YTD2024 and the YTD2023:

- Total revenue for the YTD2024 period was \$9.8 million compared to \$10.9 million in YTD2023, a decrease of 10.2%.
- Year to date, the Company generated gross profit of \$6.8 million compared to \$7.4 million in YTD2023. Gross margin in YTD2024 was 69.8% compared to 67.7% in YTD2023.
- Operating income in YTD2024 was \$1.9 million compared to \$2.2 million in YTD2023 and operating margin was 19.5% compared to 20.2% in the same period last year.
- Income before taxes in the YTD2024 period was \$2.42 million compared to \$2.39 million in YTD2023. Net income after taxes was \$2.0 million in the YTD2024 compared to \$2.4 million in YTD2023 period.
- Year to date diluted earnings per share were \$0.18 compared to \$0.21 in FY2023.
- Net profit before tax as a percentage of revenues for the YTD2024 was 24.8% compared to 21.9% for YTD2023. Research and Development expenditures for the YTD2024 were \$1.03 million compared to \$0.97 million in YTD2023, an increase of 6.0%. SG&A for the YTD2024 was \$3.9 million compared to \$4.2 million, a reduction of 7.5%.

Management Commentary

“Management continues to focus on growing the Company while continuing to demonstrate that we run a solid and profitable business year-on-year,” said Annmarie Gayle, CODA’s Chairman and CEO.

“In our SQ2024, order intake from US Defense Programs was down, as a result of funding gaps created by the use of continuing resolutions to fund these programs. Notwithstanding, we were able to increase sales outside the US, and we believe that we have achieved good results with strong gross profit margins, increase in income before taxes and an increase in EPS.

Within the business model of our Marine Technology Business, we have outright sales of our technology and rentals with associated support services. Rentals in the commercial marine offshore sector are a significant part of our growth plans. In SQ2024 rental services increased for this segment and contributed to our gross margin increasing to 80.2% from 75.3% in SQ2023.

We are also pleased to have seen a period of better traction in sales from Asia, which were 15.9% higher in SQ2024. These better results were offset however by the reduction of orders from the US which fell by \$1.1 million as a result of funding gaps created by the use of continuing resolutions as opposed to a fully funded federal budget.

Although the engineering segment relies on Defense Programs for funding, and therefore its order intake in the SQ2024 was down, this segment’s revenue in the SQ2024 increased.

Notwithstanding these challenges in the SQ2024, this segment received a partial award of \$771,000 for production units for a new sub-assembly for an existing program of record, under which certain components are being upgraded due to obsolescence. There are many

existing systems to be upgraded over time and therefore this opens up more opportunities for this segment. We had anticipated the initial award for this new program to be \$1.5m but due to the funding gaps discussed earlier, this was reduced. We expect to receive the remainder of this order when the budgetary constraints are removed.

We also received an order for a new Thermite[®] related Navy program, comprising a small pre-production order of \$280,000 for eight systems. Assuming that this program moves forward, we expect to have full production orders in early 2025. We also continue to work on closing another new contract for the Thermite[®] ruggedized mission computers, which is for a new Canadian Aircraft. We anticipate receiving this order in Q4 2024.

As we enter the second half of fiscal year 2024, our priority continues to be making progress with our growth strategy, in particular, to increase our efforts to have more penetration in the Defense market with our Echoscope[®] and DAVD technology and to return our Engineering Business to a solid \$10 million revenue profile”.

Conference Call

CODA will host a conference call today, June 12, 2024 at 10:00 a.m. Eastern Time (7:00 a.m. Pacific Time) to discuss its results for the second fiscal quarter ended April 30, 2024.

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

Date: Wednesday, June 12, 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: 13746657

The conference call will broadcast live and 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 press *0 and someone from the Company will respond.

A replay of the call will be available after 2:00 p.m. Eastern time on the same day through June 26, 2024.

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

International replay number: 1-412-317-6671

Conference ID: 13746657

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", "assume" 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, and the subsequently filed 10-Qs and 8-Ks. 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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CODA OCTOPUS GROUP, INC.
Consolidated Balance Sheets
April 30, 2024 and October 31, 2023

	<u>2024</u>	<u>2023</u>
	Unaudited	
ASSETS		
CURRENT ASSETS		
Cash and Cash equivalents	\$ 23,709,676	\$ 24,448,841
Accounts Receivable, net	4,402,355	2,643,461
Inventory	12,645,976	11,685,525
Unbilled Receivables	1,580,546	894,251
Prepaid Expenses	786,490	181,383
Other Current Assets	706,491	1,034,626
Total Current Assets	43,831,534	40,888,087
FIXED ASSETS		
Property and Equipment, net	6,261,124	6,873,320
OTHER ASSETS		
Goodwill	3,382,108	3,382,108
Intangible Assets, net	522,390	486,615
Deferred Tax Asset	-	211,386
Total Other Assets	3,904,498	4,080,109
Total Assets	\$ 53,997,156	\$ 51,841,516

CODA OCTOPUS GROUP, INC.
Consolidated Balance Sheets (Continued)
April 30, 2024 and October 31, 2023

	<u>2024</u>	<u>2023</u>
	Unaudited	
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,212,484	\$ 1,308,201
Accrued Expenses and Other Current Liabilities	884,182	995,630
Deferred Revenue	721,167	975,537
Total Current Liabilities	2,817,833	3,279,368

LONG TERM LIABILITIES

Deferred Tax Liability	10,589	-
Deferred Revenue, less current portion	102,364	133,382
Total Long Term Liabilities	112,953	133,382
Total Liabilities	2,930,786	3,412,750

STOCKHOLDERS' EQUITY

Common Stock, \$.001 par value; 150,000,000 shares authorized, 11,172,683 issued and outstanding as of April 30, 2024 and 11,117,695 shares issued and outstanding as of October 31, 2023

Treasury Stock	11,173	11,118
Additional Paid-in Capital	(61,933)	(46,300)
Accumulated Other Comprehensive Loss	62,975,143	62,958,984
Accumulated Deficit	(2,850,652)	(3,442,549)
	(9,007,361)	(11,052,487)
Total Stockholders' Equity	51,066,370	48,428,766
Total Liabilities and Stockholders' Equity	\$ 53,997,156	\$ 51,841,516

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

	Three Months Ended April 30,		Six Months Ended April 30,	
	2024	2023	2024	2023
Net Revenues	\$ 5,323,178	\$ 5,301,509	\$ 9,784,369	\$ 10,897,793
Cost of Revenues	1,584,744	1,678,268	2,959,199	3,521,547
Gross Profit	3,738,434	3,623,241	6,825,170	7,376,246
OPERATING EXPENSES				
Research & Development	542,481	525,939	1,028,458	970,397
Selling, General & Administrative	1,845,570	2,242,194	3,890,945	4,204,645
Total Operating Expenses	2,388,051	2,768,133	4,919,403	5,175,042
INCOME FROM OPERATIONS	1,350,383	855,108	1,905,767	2,201,204
OTHER INCOME (EXPENSE)				
Other Income	(2,636)	2,780	32,384	5,684
Interest Income	293,468	170,596	486,008	183,457
Total Other Income	290,832	173,376	518,392	189,141
INCOME BEFORE INCOME TAX EXPENSE	1,641,215	1,028,484	2,424,159	2,390,345
INCOME TAX (EXPENSE) BENEFIT				
Current Tax Benefit / (Expense)	(191,073)	(68,773)	(157,058)	(68,784)
Deferred Tax (Expense)/ Benefit	(34,904)	48,766	(221,975)	84,773
Total Income Tax (Expense)/Benefit	(225,977)	(20,007)	(379,033)	15,989
NET INCOME	\$ 1,415,238	\$ 1,008,477	\$ 2,045,126	\$ 2,406,334

NET INCOME PER SHARE:

Basic	\$	0.13	\$	0.09	\$	0.18	\$	0.22
Diluted	\$	0.13	\$	0.09	\$	0.18	\$	0.21

WEIGHTED AVERAGE SHARES:

Basic	11,168,493	11,010,077	11,148,565	10,970,806
Diluted	11,288,210	11,330,754	11,268,282	11,291,483

NET INCOME	\$	1,415,238	\$	1,008,477	\$	2,045,126	\$	2,406,334
Foreign Currency Translation Adjustment		<u>(437,683)</u>		<u>538,373</u>		<u>591,897</u>		<u>2,146,023</u>
Total Other Comprehensive Income	\$	(437,683)	\$	538,373	\$	591,897	\$	2,146,023
COMPREHENSIVE INCOME / (LOSS)	\$	977,555	\$	1,546,850	\$	2,637,023	\$	4,552,357



Source: Coda Octopus Group, Inc.