

June 14, 2018



# Coda Octopus Group Reports Fiscal 2018 Second Quarter Financial Results

**ORLANDO, FL**, June 14, 2018 – Coda Octopus Group, Inc. (CODA) (Nasdaq:CODA) today reported its unaudited financial results for its fiscal 2018 second quarter ended April 30, 2018.

Annamarie Gayle, CODA’s Chairman and CEO commented: “While we are disappointed with our year-to-date financial results, we are pleased to report that we are on track against our business plan to meet the medium-and long-term growth goals of both our business segments. We remain strong on cash, are generating cash flow from our operations, and in this fiscal year we have accomplished a significant reduction in our long-term debt which stands at \$1.302 million at the end of our second quarter. This gives the Company added strength.

“We continue to invest heavily in research and development to finalize our fourth-generation (4G) line of real-time 3D sonar products, which is on an 18-month rollout cycle. The first 4G product, Echoscope<sup>4G</sup> Surface, is being well received, with sales to date valued at \$633,788 and we are pursuing a healthy pipeline of opportunities. Our complete real-time 3D sonar range is being redeveloped to feature significantly reduced form factors, including size, weight and power requirements, along with improved capabilities based on new algorithms and top-end feature rich software. We aim to make this full range of our 4G Echoscope<sup>®</sup> technology the global standard imaging sonar tool for subsea operations,” continued Ms. Gayle. “Our next subsea product launch will be the new generation of Coda’s geophysical software, the first such product to be based on deep learning techniques. The Survey Engine<sup>®</sup> Auto Detect Module, which we expect to introduce to the market this summer, will significantly increase productivity gains for geophysicists. This upcoming product launch reflects another prime example of our talented team’s breakthrough advancements that consistently maintain and expand our technology leadership position in the subsea sonar industry.

“Our engineering businesses, likewise, are advancing core product lines with strategic R&D investment, notably the new generation of Thermite<sup>®</sup> rugged mission computer products. We are already targeting the existing Thermite<sup>®</sup> customer base with this exciting new product line. Additionally, with the recent adoption of the U.S. Department of Defense budget and the subsequent completion of definitive line-item appropriations through prime contractors, we have negotiations underway for our backlog of orders for calendar years 2017 and 2018 with our defense customers. Moreover, we have begun to receive some of these backlog orders during our third quarter. Although we have experienced delay in closing the 2017 and 2018 orders from our established defense customers we do not believe that we have lost any of this business,” added Ms. Gayle. “Our business plan is on track to grow the number of proprietary parts we supply into funded defense programs and, as

indicated, we are negotiating our backlog of defense orders for calendar years 2017 and 2018. We therefore expect our order book to grow.

“Our Board of Directors and management remain fully committed to taking the long view towards future earnings across both segments. Our growth strategy and approach of investing in our next generation of products is the right one for the Group,” concluded Ms. Gayle.

CODA reported overall total revenue of \$3.526 million for the three months ended April 30, 2018, compared to \$5.279 million for the comparable quarter ended April 30, 2017, a reduction of 33.2%. Revenues in our engineering business declined 32% compared to the second quarter of 2017 and revenues in our products business declined by 34%. The loss in revenue was primarily due to delays in the approval of the U.S. Defense Budget. R&D expenditures were, as per our business plan, higher over the previous quarter at approximately \$640,000. Gross margins across the Business were stronger at 73%, compared with 62% in the comparable quarter. The Company reported a net loss of approximately \$77,325 or \$0.01 per share for its fiscal second quarter 2018, compared to net income of \$1.275 million or \$0.14 per share for the comparable quarter ended April 30, 2017. This loss was due to the decrease in revenues combined with our investment program costs. Operating expenses for the fiscal second quarter were \$2.666 million compared to \$1.888 million for the comparable quarter, an increase of 41.2%, attributed to an increase in R&D of \$392,719 and an increase of \$385,738 in Selling, General and Administrative (SG&A) expenditures. The increase in operating expenses includes \$539,475 in exceptional costs, a significant portion of which is attributable to operational rationalization, as described in our quarterly report for the second quarter.

For the first six months of 2018, CODA reported overall total revenue of \$6.577 million for the six months ended April 30, 2018, compared to \$10.637 million for the comparable period ended April 30, 2017, a reduction of 38.2%. Revenues in our engineering businesses declined 51.7% compared to the first half of 2017; revenues in our products business were 26.7% down on the comparable period. R&D expenditures were significantly higher at \$1.311 million. Gross margins were stronger across the Business at 71% compared with 62% for the comparable period last year. The Company reported a net loss of approximately \$245,000 or \$0.03 per share for its fiscal first six months of 2018, compared to net income of \$2.847 million or \$0.31 per share for the comparable period ended April 30, 2017. This loss was primarily due to the decrease in revenues generated by our engineering business over the six months and a hiatus in orders in the products business, caused by the marine industry’s primary international trade show, Oceanology International, held every two years and occurring in late March, which resulted in potential customers waiting to place orders until after the trade event. Operating expenses for the fiscal first six months were \$4.842 million compared to \$3.545 million for the comparable period, an increase of 36.6%, attributed to an increase in R&D of \$812,028 and an increase of \$485,607 in Selling, General and Administrative (SG&A) expenditures. Our six months operating costs include exceptional costs of \$546,975, a significant portion of which is attributable to operational rationalization, as described in our quarterly report for the second quarter.

During the last quarter we also reduced our long-term debt to \$1.302 million, from \$6.066 million at the end of October 2017, while retaining cash and equivalents of \$6.937 million within the Business.

The Company's full financial results including its report for the second quarter of 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/4D subsea sonar technology, Echoscope<sup>®</sup>, which enables real-time 3D/4D imaging and mapping in zero visibility conditions underwater, and is used globally in numerous applications including defense, marine construction, oil and gas subsea infrastructure installation and surveys, and port and harbor security. 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/4D 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, 2017, filed with the Securities and Exchange Commission on January 30, 2018. 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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