

March 18, 2019



# Coda Octopus Group Reports Fiscal 2019 First Quarter Financial Results

ORLANDO, FL, March 18, 2019 (GLOBE NEWSWIRE) -- Coda Octopus Group, Inc. (CODA) (Nasdaq: CODA) today reported its unaudited financial results for its fiscal first quarter ended January 31, 2019.

Annmarie Gayle, CODA's Chairman and CEO commented: "During the fiscal first quarter, we advanced our strategic lead position in real-time 3D subsea visualization technology in three significant areas. We completed, and launched in early February, the full line of hardware revisions for our real-time fourth and fifth generation 3D imaging sonar, Echoscope 4G<sup>®</sup>. These smaller, lighter real-time 3D sonars have been designed for the forthcoming 4G/5G algorithm advancements that, we believe, will provide game-changing capabilities to the subsea market, including simultaneous real-time 3D visualization of multiple targets, thus opening up significantly the benefits of real-time 3D subsea visualization. We are also very excited to have launched the first in a planned series of artificial intelligence-based Automatic Object Detection (AOD) subsea software products, for automatic boulder detection. The AOD, which automatically detects and recognizes distinct subsea objects, delivers record-setting results, provides significant cost savings, and reduces the time required for subsea operations both within the commercial and defense space. We are working with several defense partners to understand their requirements for mine-like object (MLO) detection and seabed classification.

"We continue to invest in advancing our products to meet the significant emerging market for autonomous subsea and surface vehicles. A key area of focus is automation, and we have made substantial progress in developing our 3D MATT (Multiple Automatic Target Tracking) software technology. CodaOctopus<sup>®</sup> 3D MATT will feature our proprietary autonomous tracking algorithms, which will provide automation for a number of critical and resource-heavy applications including diver tracking, vehicle object avoidance and docking, and cable lay touch-down point recording for offshore wind energy. Our 3D MATT technology is the subject of a number of patent applications. Combining 3D MATT with our patented Echoscope<sup>®</sup> positions us to become a player in the rapidly emerging autonomous subsea vehicle market. We expect to launch our initial 3D MATT application software at Ocean Business which will take place in Southampton, UK, in April," continued Ms. Gayle.

"We are rapidly advancing the Naval Sea Systems Command (NAVSEA) Divers Augmented Vision Display-Head Up Display system (DAVD-HUD), which is being developed pursuant to the existing Cooperative Research and Development Agreement (CRADA) in conjunction with Naval Surface Warfare Center Panama City Division. The DAVD-HUD system is scheduled for operational test trials in June 2019, at Florida International University's Aquarius Reef Base. The June DAVD-HUD trials of the new real-time 3D diver tracking system will be undertaken by members of both the U.S. Navy and NASA. ([See Florida International University's Case News article: Aquarius Reef Base tests new diver tracking](#))

[system with US Navy](#)) Astronauts gain knowledge, accomplish studies, and train for missions in the extreme environment of the seabed,” said Ms. Gayle. “We expect this category of R&D expenditures to increase significantly in the next quarter, as we finalize the NAVSEA DAVD-HUD. Additionally, in anticipation of successfully completing the trials and moving to production of the first generation of the DAVD-HUD, we are purchasing a property in Orlando that will include manufacturing and research and development facilities, as well as offices. These premises will be acquired at the end of this month. While we have long had offices in Florida, and in Salt Lake City, where Colmek manufactures defense products, this will represent the first time that we will have a full-service U.S.-based operation for our marine products that will include training, support, software development, and manufacturing. This will be our epicenter for our ongoing and future marine product defense capability.

“Colmek, our defense products and engineering services business, has completed the majority of the next-generation development of the Thermite<sup>®</sup> family of rugged, embedded, high performance mission computers. We are very excited that the initial product, Thermite<sup>®</sup> Octal, is now out of R&D and being tested in a number of significant customer trials, including one aimed at integration into a military vehicle. We have recently shipped the initial production batch, which will go into the first fleet for more extensive customer field trials. We expect Thermite<sup>®</sup> to increase revenue growth for Colmek, beginning in late 2019,” added Ms. Gayle.

“Both segments of our Business performed well in this first quarter with Coda Octopus Products seeing a 39% increase in sales to \$2.830 million, from \$2.043 million over the comparable period in 2018. Colmek also performed very well again this quarter, as it received and executed some of the backlog orders which extended from 2016 to 2018. The services segment’s sales of defense products and engineering services in the fiscal 2019 first quarter were \$2.929 million compared to \$1.008 million in the comparable quarter, an increase of 191%,” concluded Ms. Gayle.

Coda Octopus Group reported total revenue of approximately \$5.759 million for the quarter ended January 31, 2019, compared to \$3.051 million for the comparable period of the prior fiscal year, an increase of 89%. The Company reported net income before taxes of approximately \$1.350 million for the first quarter ended January 31, 2019, or \$0.12 per share of earnings, compared to a loss of \$168,000, or \$(0.02) per share, for the comparable period. Net income after taxes was \$1.229 million for the first quarter ended January 31, 2019, or \$0.12 per share, compared to a loss of \$168,000, or \$(0.02) per share, in the comparable period. Net income before tax as a percentage of revenues in the first quarter was 23.4%. Research and Development expenditures for the first quarter were \$571,000, a reduction of 14.8%, compared to \$670,000, for the comparable period of 2018. The reduction is due to a reduction in our R&D expenditures in the defense products and engineering services segment. Operating expenses for the first quarter were \$2.191 million compared to \$2.176 million for the comparable period last year, an increase of less than 1%. At January 31, 2019, CODA had approximately \$8.801 million of cash and cash equivalents and approximately \$1.410 million in loans and debentures, as compared to \$7.512 million of cash and cash equivalents and approximately \$1.524 million in loans and debentures at fiscal 2018 year-end, October 31, 2018.

**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 defense products and engineering services 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, as amended on February 7, 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.

## **Contact:**

MDC Group  
Investor Relations:  
David Castaneda  
Arsen Mugurdumov  
414.351.9758

Media Relations:  
Susan Roush  
805.624.7624



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