

June 13, 2019



# Coda Octopus Group Reports Fiscal 2019 Second Quarter Financial Results

ORLANDO, FL, June 13, 2019 (GLOBE NEWSWIRE) -- Coda Octopus Group, Inc. (CODA) (Nasdaq: CODA) today reported its unaudited financial results for its fiscal second quarter ended April 30, 2019.

Annmarie Gayle, CODA's Chairman and CEO, commented: "We continue to work on the advancement of our real-time 3D sonar technology and other key algorithm developments, and have filed a number of patents which we believe will afford significant additional protection and value around the new generation of our sonar technology. We launched our 3D MATT (Multiple Automatic Target Tracking) software product which is complementary to our advanced sonar technology. 3D MATT is the subject of a number of patent applications and extends the capability of our real-time 3D sonar technology by allowing users to track any targets or objects detected by our real-time 3D sonar. 3D MATT automates a number of key applications such as diver tracking, cable tracking, and underwater vehicle tracking. During the quarter we also completed the first prototype of the first-generation Divers Augmented Vision Display-Head Up Display (DAVD-HUD) system, developed under the terms of the Cooperative Research and Development Agreement (CRADA) between CODA and Naval Surface Warfare Center Panama City Division for the benefit of NAVSEA, and have now commenced our DAVD-HUD trials at the NASA Habitat. These trials are ongoing and will extend through June. If these trials are successful, we expect to complete any necessary modification work coming out of the trial and then lock down the design and deliver this as the first-generation DAVD-HUD to NAVSEA. Once trials are completed, we anticipate: completion of modification work emanating from trials; Final Acceptance Testing completed for the first generation prototype DAVD-HUD; small quantities of first-generation prototype DAVD-HUD purchased to continue its evaluation, with this ongoing evaluation feeding into the requirements of the second-generation DAVD-HUD; second-generation development of DAVD-HUD authorized and funded by the U.S. Navy by 2019 fiscal year-end, and commencement of second-generation DAVD-HUD development by Coda Octopus Products.

"We have also completed the purchase of our new facility in Orlando, which includes offices, Research & Development labs, and manufacturing facilities. This will serve as our R&D and manufacturing hub for ongoing U.S. Defense development projects, such as the DAVD-HUD. We also continue to expand the human resources that we employ in our Orlando location," added Ms. Gayle.

"Colmek, which is part of our Services division, has completed the majority of the next-generation development of the Thermite<sup>®</sup> family of rugged, embedded, high performance mission computers. The Thermite<sup>®</sup> Octal is now being tested in a number of significant customer trials, including one aimed at integration into a military vehicle. We have recently shipped initial production quantities to a domestic DoD integrator and to a foreign Air Force

customer. These units are now being integrated into the larger systems and are undergoing more extensive customer field trials. We have received requests to furnish quotations for the Octal into a diverse array of projects. We expect Thermite<sup>®</sup> to increase revenue growth for this division, beginning in late 2019,” continued Ms. Gayle.

“I am very pleased with the performance of both segments, Services and Products, during this second quarter of our fiscal year. In the previous comparable second quarter, our Services segment was adversely affected by delays in concluding defense contracts, due to delays in approving the U.S. defense budget. This segment is now executing backlog orders and is back on plan. The Services segment saw an increase of 149% in its revenues to \$3.363 million, as compared to \$1.353 million in second quarter fiscal 2018. The Products business saw an increase in revenues of 57%, to \$3.420 million from \$2.173 in the comparable second quarter,” concluded Ms. Gayle.

Coda Octopus Group reported total revenue of approximately \$6.783 million for the quarter ended April 30, 2019, compared to \$3.526 million for the comparable period of the prior fiscal year, an increase of 92%. The Company reported net income before taxes of approximately \$2.285 million for the second quarter ended April 30, 2019, or \$0.21 per share of earnings, compared to a loss of \$77,295, or \$(0.01) per share, for the comparable period. Net income after taxes was \$1.973 million for the second quarter ended April 30, 2019, or \$0.18 per share, compared to a loss of \$77,325, or \$(0.01) per share, in the comparable period. Net income before tax as a percentage of revenues in the second quarter was 33.7%. Research and Development expenditures for the second quarter were \$745,227, an increase of 16.4%, compared to \$640,477, for the comparable period of 2018. The increase is in line with the Company’s budgetary plans and reflects the investments undertaken to advance CODA’s products which are manufactured and sold by its Marine Products Business, and the development costs associated with the prototyping of the DAVD-HUD undertaken under the terms of the CRADA. Selling, General & Administrative Expenses (SG&A) for the second quarter were \$1.697 million compared to \$2.026 million for the comparable period last year, a decrease of 16.2%.

Coda Octopus Group reported total revenue of approximately \$12.542 million for the six months ended April 30, 2019, compared to \$6.577 million for the comparable period of the prior fiscal year, an increase of 92.4%. The Company reported net income before taxes of approximately \$3.635 million for the six months ended April 30, 2019, or \$0.34 per share of earnings, compared to a loss of \$245,234 or \$(0.03) per share, for the comparable period. Net income after taxes was \$3.213 million for the six months ended April 30, 2019, or \$0.30 per share, compared to a loss of \$245,264, or \$(0.03) per share, in the comparable period. Net income before tax as a percentage of revenues for the six months ended April 30, 2019 was 29.0%. Research and Development expenditures for the six months ended April 30, 2019 were \$1,316,553, an increase of 0.4%, compared to \$1,311,016, for the comparable period of 2018. The increase is in line with the Company’s budgetary plans and reflects the investments undertaken to advance CODA’s products and the development costs associated with the prototyping of the DAVD-HUD undertaken under the terms of the CRADA. SG&A for the six months ended April 30, 2019 were \$3.316 million compared to \$3.531 million for the comparable period last year, a decrease of 6.1%.

As of April 30, 2019, CODA had approximately \$9.258 million of cash on hand and approximately \$1.294 million outstanding on its credit facility, as compared to \$7.512 million

of cash on hand and approximately \$2.024 million outstanding on its credit facility 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 and April 23, 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.

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