

September 16, 2019



Coda Octopus Group Reports Fiscal 2019 Third Quarter Financial Results

ORLANDO, FL, Sept. 16, 2019 (GLOBE NEWSWIRE) -- Coda Octopus Group, Inc. (CODA) (Nasdaq: CODA) today reported its unaudited financial results for its fiscal third quarter ended July 31, 2019.

Annamarie Gayle, CODA's Chairman and CEO, commented: "In our fiscal third quarter we continued to advance our focused R&D strategy with multiple initiatives across both operating units within our Group. We progressed our work on a number of strategic defense programs, where our real-time 3D sonar technology is being evaluated for potential adoption. Additionally, we were awarded two new defense evaluation projects, after competitive bidding, where the projects' sponsors are seeking technology for new underwater vehicles. We also continue to advance on the defense programs under contract, including DARPA's Persistent Aquatic Living Sensors (PALS), and we recently reported on the NASA trials and outlook of the NAVSEA's Diver Augmented Vision Display (DAVD) Head-Up Display (HUD) program. We consider our ongoing R&D investments to be foundational for the Group's organic growth strategy we are pursuing.

"During the quarter, we released for customer trials the Beta version of our all new fourth-generation Underwater Survey Explorer ("4G USE") top-end software. 4G USE is a significant ground-up software development. Its design is based on a new enterprise-class architecture, capturing the latest breakthroughs in CPU and GPU processing capabilities. We have been developing our current USE software for over 15 years, gradually increasing its functionality. Recently, the subsea market has embraced change with big data and faster, results-driven processing. The vision and goals for 4G USE are to see and use more sensor data, automate process and tasks, and provide clear, intelligent decision making. Fully integrated with our latest 4G range of real-time 3D imaging sonars, teams of engineers can now execute more complex tasks using multiple sonars and multi-aspect imaging in real-time under this new enterprise collaborative platform. This product is a significant achievement by our R&D team and a major step forward for the business," added Ms. Gayle.

"As previously reported, Coda Octopus Colmek, which is part of our defense products and engineering business, has recently completed the majority of the next-generation development of the Thermite[®] family of rugged, embedded, high performance mission computers. The business has a number of significant customer field tests and prototype/development stage work underway. The most advanced are extensive field trials that aim to integrate the Thermite[®] New Generation Octal[®] Embedded Rugged Computer into larger mobile military systems, both land and air vehicles, for both domestic and Allied customers. We have received requests to furnish quotations for the Octal[®] into a diverse array of projects, and expect the Thermite[®] product line to increase revenue growth for this division, beginning in late 2019," continued Ms. Gayle. "I am also very pleased that both

business units achieved their business plans during the quarter. In the previous comparable third quarter, our defense products and engineering business was adversely affected by delays in concluding contracts, due to delays in approving the U.S. defense budget. This business unit continues to execute backlog orders and is back on plan.”

Coda Octopus Group reported total revenue of approximately \$6.668 million for the quarter ended July 31, 2019, compared to \$5.778 million for the comparable period of the prior fiscal year, an increase of 15%. The Company reported net income before taxes of approximately \$2.126 million for the fiscal third quarter ended July 31, 2019, or \$0.20 per share of earnings, compared to \$1.998 million, or \$0.19 per share, for the comparable period. Net income after taxes was \$1.776 million for the third quarter ended July 31, 2019, or \$0.17 per share, compared to \$1.998 million, or \$0.19 per share, in the comparable period. In the quarter ended July 31, 2019 the Company made provision for \$350,617 for deferred tax expense, whereas in the previous period the allowance was nil as the Company had not then recognized the deferred tax asset. In real terms, therefore, Net Income after taxes in the current quarter is up on the comparable period of the previous fiscal year. Net income before tax as a percentage of revenues in the third quarter was 31.9%. Research and Development expenditures for the third quarter were \$631,690, an increase of 19.1%, compared to \$530,392, 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 third quarter were \$1.776 million compared to \$1.641 million for the comparable period last year, an increase of 8.2%.

Coda Octopus Group reported total revenue of approximately \$19.210 million for the nine months ended July 31, 2019, compared to \$12.335 million for the comparable period of the prior fiscal year, an increase of 56%. The Company reported net income before taxes of approximately \$5.761 million for the nine months ended July 31, 2019, or \$0.54 per share of earnings, compared to \$1.752 million or \$0.18 per share, for the comparable period. Net income after taxes was \$4.988 million for the nine months ended July 31, 2019, or \$0.47 per share, compared to \$1.752 million, or \$0.18 per share, in the comparable period. Net income before tax as a percentage of revenues for the nine months ended July 31, 2019 was 30%. Research and Development expenditures for the nine months ended July 31, 2019 were \$1,948,243, an increase of 5.8%, compared to \$1,841,408, 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 nine months ended July 31, 2019 were \$5.092 million compared to \$5.172 million for the comparable period last year, a decrease of 1.6%.

As of July 31, 2019, CODA had approximately \$9.803 million of cash on hand and approximately \$1.178 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[®], which enables real-time 3D imaging and mapping in zero visibility conditions underwater. Echoscope[®] 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.

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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