

March 16, 2023



Coda Octopus Group Reports Fiscal First Quarter 2023 Financial Results

ORLANDO, FL, March 16, 2023 (GLOBE NEWSWIRE) -- Coda Octopus Group, Inc. ("CODA" or the "Company") (Nasdaq: CODA), a global market leader in real-time 3D/4D/5D and 6D imaging sonar technology for real-time subsea intelligence and diving technology, today reported its unaudited financial results for its fiscal first quarter ended January 31, 2023.

First Quarter 2023 (FQ2023) Operational Summary:

- CODA continues to believe that its most promising pillars of growth are its Echoscope[®] and Echoscope PIPE[®] products, as well as its Diver Augmented Vision Display (DAVD) systems.
- DAVD product has now transferred from CODA customer's research and development program to field operations and command. This means that the DAVD is now approved Navy use item ready for field deployment and available for purchase by different commands. Customer has now established acquisition budget line for DAVD systems and CODA expects to receive firm orders from its U.S. Navy customer in 2Q of 2023.
- Customization work completed for a DAVD "untethered prototype system" for a major U.S. Military Command evaluation. Customer evaluation scheduled to be conducted between March and April FY 2023, with fleet evaluation DAVD units to be purchased following the field trials. This is a significant leap forward for the DAVD product line as it is now an untethered system, allowing teams of divers to operate independently from any surface-based unit. This evaluation presents the biggest opportunity for this product in the military sector.
- A major tier-one European offshore service provider adopted the DAVD system on a rental basis for critical European underwater construction projects. Provided the field project is successful, CODA believes that this may be the pre-cursor to full scale adoption of the DAVD by this service provider.
- CODA also completed the adaptation works for another tier-one European offshore service provider that will also be evaluating the DAVD technology for incorporation in its global diving operations.
- Successful trials with foreign navies in Dunoon, Scotland in February 2023, resulting in two foreign navies now working with CODA on a DAVD adoption plan, including discussions on purchasing evaluation systems in FY2023. The customer adoption curve for nearly all such opportunities is the same: stage one consists of trials, that are usually held outside the customer's workflow and that establish a certain level of

interest; stage two consists of an evaluation through a rental or a purchase, that culminates in a decision to move to stage three, adoption. At that point, assuming a favorable review the customer decides that this technology should be adopted in its workflow and sets up a purchase plan.

- Continued working with Navy partners on incorporating DAVD technology into different diving suits such as DSEDS (Deep Sea Expeditionary with No Decompression).

FQ2023 Financial Summary:

- Total revenue was \$5.6 million compared to \$5.8 million in FQ2022 (on a constant currency basis, total revenue was \$5.9 million, up 2% versus FQ2022).
- Revenues from the Marine Technology Business (Products) were \$3.8 million in FQ2023 compared to \$3.8 million in FQ2022. On a constant currency basis, revenues were \$4.1 million. Consistent with the Company's goals to increase sales of its Echoscope[®] and Echoscope PIPE[®] technology, within the mix of its sales, equipment sales were up significantly.
- Revenues from the Marine Engineering Business (Services) were \$1.8 million compared to \$2.0 million in FQ2022, the reduction being due to supply chain issues.
- Gross margin was 67.1% compared to 71.3% in FQ2022 due to a disproportionate amount of the Marine Technology Business sales of its products in the FQ2023 being made through indirect sales channels resulting in increased commission costs.
- Net income before taxes was flat at \$1.4 million. Net Income after taxes was \$1.4 million compared to \$1.2 million in FQ2022.
- Diluted earnings per share was \$0.12 compared to \$0.11 in FQ2022.
- CODA's balance sheet continued to strengthen in FQ2023, with a cash balance of \$24.5 million. This represents a \$1.6 million increase compared to the end of fiscal year 2022.

Management Commentary

"Our management continues to focus on growing the Company while demonstrating that we run a profitable business year-on-year," said Annmarie Gayle, CODA's Chairman and CEO. "With our research and development phase of our growth pillars substantially completed, we are now focused on growing the market for our core technologies. Although our financial results for FQ2023 were broadly in line with FQ2022, we believe we have made good progress in the areas which are critical for meeting our internal FY2023 fiscal plan. We have good quality momentum around the DAVD with several ongoing initiatives. We are prioritising and staying focused on converting this transformational technology into full scale adoption.

"Following the transfer of the DAVD from R&D to operational status, we have received confirmation that an acquisition budget has been established and we expect to receive

orders for DAVD in 2Q FY2023. These orders will be for new commands using hard Kirby Morgan[®] helmets with the DAVD. We therefore remain confident that we will achieve our target for this product line in FY2023.

“Also, we have made key operational progress on the DAVD by completing the prototype unit for the untethered version which we were contracted to customize for a US Military Command. This will allow teams of divers to operate independently from any surface-based unit. We are excited about this milestone as it presents our biggest visible opportunity for the DAVD. We are looking forward to working with the end customer on the evaluation of the prototype system.

“Furthermore, we are now working closely with two key allied foreign navies and with two major offshore commercial suppliers on their adoption path for the DAVD, and we believe we will receive orders for initial evaluation units in FY2023 for these opportunities.

“As we look to the remainder of fiscal 2023, we will continue to focus on our growth strategy to increase the number of Echoscope[®] and Echoscope PIPE[®] sales and to start converting some of these initiatives around the DAVD to full scale adoption and therefore sales.

“As we grow our market share for our products, we will also remain focused on growing the number of programs where we supply engineering sub-assemblies into broader mission critical defense programs. It is critical to return the Services segment to a \$10 million-plus revenue profile and therefore achieve our growth plan for the next two years”.

Conference Call

CODA will host a conference call today, March 16, at 10:00 a.m. Eastern Time (7:00 a.m. Pacific Time) to discuss its results for the first fiscal quarter ended January 31, 2023.

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

Date: Thursday, March 16, 2023

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: 13736708

The conference call will broadcast live and be 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 contact the Company's investor relations team at 1-949-574-3860.

A replay of the call will be available after 2:00 p.m. Eastern time on the same day through March 30, 2023.

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

International replay number: 1-412-317-6671

About Coda Octopus Group, Inc.

The Company, founded in 1994, innovates, develops, manufactures and markets subsea products (hardware and software) and solutions including its flagship real-time 3D, 4D, 5D and 6D underwater imaging sonar technology, marketed under the name “Echoscope[®]” and Echoscope PIPE[®] and its recently launched Diver Augmented Vision Display system (“CodaOctopus[®] DAVD”). This sonar technology generates real-time 3D, 4D, 5D and 6D imaging data for inspection and mapping underwater and is used globally for numerous applications including the commercial and defense underwater market. Applications for the Echoscope[®] technology include complex mapping underwater, subsea intervention, subsea asset placements, offshore renewables cable installations and surveys, marine construction, subsea infrastructure installation, mining applications, breakwater construction and monitoring, decommissioning, diving applications and port and harbor security. The recently launched new generation of diving technology, DAVD, is expected to change the way global diving operations are performed (both in the Defense and Commercial space) because it provides real time digital information for use and consumption by both the divers and the dive supervisor top-side team. It is also expected to transform the way communications are made in diving from analog audio to digital audio and to 2D and 3D visual imagery, both in textual and video format. In addition to the Marine Products business, Coda Octopus Products Ltd., CODA's two defense engineering services businesses are operated through 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. When used in this document, the words “may”, “would”, “could”, “will”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, “expect” 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, 2022, filed with the Securities and Exchange Commission on January 30, 2023. 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
January 31, 2023 and October 31, 2022

	2023	2022
	Unaudited	
ASSETS		
CURRENT ASSETS		
Cash	\$ 24,522,383	\$ 22,927,371
Accounts Receivable, net	3,142,879	2,870,600
Inventory	11,177,386	10,027,111
Unbilled Receivables	650,774	602,115
Prepaid Expenses	381,011	240,464
Other Current Assets	431,807	343,061
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Total Current Assets	40,306,240	37,010,722
FIXED ASSETS		
Property and Equipment, net	6,071,611	5,832,532
OTHER ASSETS		
Goodwill and Other Intangibles, net	3,830,437	3,824,394
Deferred Tax Asset	295,817	259,810
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Total Other Assets	4,126,254	4,084,204
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Total Assets	\$ 50,504,105	\$ 46,927,458
	2023	2022
	Unaudited	
CURRENT LIABILITIES		
Accounts Payable	\$ 1,414,610	\$ 793,247
Accrued Expenses and Other Current Liabilities	1,612,168	1,731,706
Deferred Revenue	805,045	943,569
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Total Current Liabilities	3,831,823	3,468,522
LONG TERM LIABILITIES		
Deferred Revenue, less current portion	101,813	76,127
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Total Liabilities	3,933,636	3,544,649
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STOCKHOLDERS' EQUITY		

Common Stock, \$.001 par value; 150,000,000 shares authorized,
10,942,353 issued and outstanding as of January 31, 2023 and
10,916,853 shares issued and outstanding as of October 31, 2022

Treasury Stock	10,943	10,918
Additional Paid-in Capital	(28,337)	(28,337)
Accumulated Other Comprehensive Loss	62,496,116	62,313,988
Accumulated Deficit	(3,129,474)	(4,737,124)
	(12,778,779)	(14,176,636)
Total Stockholders' Equity	46,570,469	43,382,809
Total Liabilities and Stockholders' Equity	\$ 50,504,105	\$ 46,927,458

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

	Three Months Ended January 31,	
	2023	2022
Net Revenues	\$ 5,596,284	\$ 5,838,208
Cost of Revenues	1,843,279	1,678,274
Gross Profit	3,753,005	4,159,934
OPERATING EXPENSES		
Research & Development	444,458	672,890
Selling, General & Administrative	1,962,451	2,111,112
Total Operating Expenses	2,406,909	2,784,002
INCOME FROM OPERATIONS	1,346,096	1,375,932
OTHER INCOME (EXPENSE)		
Other Income	15,765	79,994
Interest Expense	-	(11,278)
Total Other Income	15,765	68,716
INCOME BEFORE INCOME TAX EXPENSE	1,361,861	1,444,648
INCOME TAX (EXPENSE) BENEFIT		
Current Tax Expense	(11)	(285,609)
Deferred Tax Benefit	36,007	58,209
Total Income Tax Expense	35,996	(227,400)
NET INCOME	\$ 1,397,857	\$ 1,217,248
NET INCOME PER SHARE:		
Basic	\$ 0.13	\$ 0.11
Diluted	\$ 0.12	\$ 0.11
WEIGHTED AVERAGE SHARES:		
Basic	10,946,683	10,857,195
Diluted	11,379,356	11,396,861
NET INCOME	\$ 1,397,857	\$ 1,217,248

Foreign Currency Translation Adjustment	<u>1,607,650</u>	<u>241,150</u>
Total Other Comprehensive Income	\$ 1,607,650	\$ 241,150
COMPREHENSIVE INCOME	\$ 3,005,507	\$ 1,458,398



Source: Coda Octopus Group, Inc.