

June 14, 2023



Coda Octopus Group Reports Fiscal Second Quarter 2023 Financial Results

ORLANDO, FL, June 14, 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 second quarter ended April 30, 2023 (SQ2023) and the six months then ended (YTD 2023).

Second Quarter 2023 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.
- During SQ2023, the Company supported two US Defense Contractors with the integration of their Echoscope PIPE[®] into their prototype underwater vehicles. These programs are now entering their customer trial phase.
- Consistent with the Navy customer moving the DAVD tethered system from its R&D phase to field operational phase, the Company sold \$1.0 million of DAVD tethered systems during SQ2023, representing 50% of CODA's target for this product in FY2023.
- During SQ2023, the Company had strong interest from the commercial sector for rental options for the DAVD system. Making the DAVD available on a rental basis represents a means of accelerating the adoption process, while alleviating the costs associated with performing trials.
- Completion of successful second phase trials of the DAVD tethered solution with a major tier-one European offshore service provider. These trials were conducted on live operational projects. The customer is reviewing investment options.
- Provided commercial proposal for the DAVD tethered solution to a major Japanese construction company that is an existing customer and an established user of the Echoscope[®] solution.
- The DAVD untethered version prototype is in the evaluation process with the US Project Sponsor. In conjunction with the Project Sponsor, this was showcased at two major events including Special Operations Forces (SOF) Week, which was hosted in partnership with USSOCOM.
- CODA was invited to present and train in a closed-door event at the Military Diver

Training Continuum in Panama City, Florida, which had over 250 military divers participating, affording the Company the opportunity to showcase both the DAVD and the Echoscope® technology. This is a significant target market for the DAVD untethered edition.

- CODA anticipates purchases of a small batch of the DAVD untethered variant as part of the ongoing evaluation that will be issued to various potential users as part of the evaluation process. The DAVD untethered variant hardware is complete and field evaluation will be focused on software feature set. This evaluation presents our biggest opportunity for this product in the military sector, both domestic and foreign.
- Showcased and presented the DAVD tethered solutions at the Dutch Diving Regulatory body SWOD (Special Weapons Ordinance Device) Exchange events in Papendrecht, Netherlands, which had a large turnout of diving companies, fire departments and the Defense, Labor Inspectorate (NLA). This has resulted in several good quality advanced discussions on the DAVD.
- Completion of successful first stage demonstration of the DAVD tethered version with the Dutch Navy in a vessel rescue penetration training facility in the Netherlands. The Company continues to discuss next steps but expects to move into second phase trials this year on a live underwater welding and cutting project, scheduled for later this year.
- Had successful engagement and demonstration of DAVD to new market opportunities for the Deep Saturation diving sector and multiple nations' Special Forces untethered diving solutions.

SQ2023 Financial Summary:

The numbers below have been rounded to one decimal point. The full SQ2023 and YTD financials can be found in CODA's Form 10-Q filed with the SEC.

- Total revenue was \$5.3 million in SQ2023 compared to \$5.0 million during the same prior year period (SQ2022), an increase of 6.4%. On a constant currency basis, total revenue was \$5.4 million, up 8.6% versus SQ2022.
- Revenues from the Marine Technology Business (Products) were \$3.6 million in SQ2023 compared to \$3.5 million in SQ2022, a 2.6% increase. On a constant currency basis, revenues were \$3.7 million. Consistent with the Company's goals within the mix of sales, the Company sold \$1.0 million in DAVD tethered systems.
- Revenues from the Marine Engineering Business (Services) were \$1.72 million compared to \$1.5 million in SQ2022, representing an increase of 15%. On a constant currency basis, revenues were \$1.75 million.
- In the SQ2023, the Company generated gross profit of \$3.6 million compared to \$3.0 million in SQ2022. Gross margin in SQ2023 was 68.3% compared to 60.8% in SQ2022. This is largely attributable to the fact that in the SQ2022, a large proportion of the Marine Engineering Business revenue stemmed from a low-margin project with a new customer in the motor sporting sector. The year-ago project was the first in this sector, and the Company continues to work with this premier customer and is hoping to provide more services to this customer on an ongoing basis.
- Operating income in SQ2023 was \$855,000 compared to \$481,000 in SQ2022.

Operating margin was 16.1% compared to 9.7% in the second quarter last year.

- Net income before taxes was \$1.0 million in SQ2023 compared to \$493,000 in SQ2022. Net income after taxes was \$1.0 million in SQ2023 compared to \$611,000 in SQ2022.
- Diluted earnings per share in the SQ2023 period was \$0.09 compared to \$0.05 in FQ2022.
- CODA's balance sheet continued to strengthen in SQ2023. The quarter-end cash balance of \$23.5 million represents a \$1m reduction over SQ2022 but an increase of \$0.6 million over the end of fiscal year 2022. The variance is due to timing of tax payments.

YTD2023 Financial Summary:

- Total revenue for the YTD2023 period was \$10.9 million compared to \$10.8 million in YTD2022, an increase of 0.7%. On a constant currency basis, total revenue was \$11.3 million, up 4.4% versus YTD2022.
- Year to date, the Company generated gross profit of \$7.4 million compared to \$7.2 million in YTD2022. Gross margin in YTD2023 was 67.7% compared to 66.4% in YTD2022.
- Operating income in YTD2023 was \$2.2 million compared to \$1.8m in YTD2022. Operating margin was 20.2% compared to 17.1% in the same period last year.
- Net income before taxes in the YTD2023 period was \$2.4 million compared to \$1.9 million in YTD2022. Net income after taxes was \$2.4 million in the YTD2023 compared to \$1.8 million in YTD2022 period.
- Year to date diluted earnings per share were \$0.21 compared to \$0.16 in FY2022.
- Net profit before tax as a percentage of revenues for the YTD2023 was 21.9% compared to 17.9%. Research and Development expenditures for the YTD2023 were \$970k compared to \$1.2 million in YTD2022, a reduction of 18.5%. SG&A for the YTD2023 was \$4.20 million compared to \$4.16 million, an increase of 1.2%.

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 SQ2023 were not in line with our internal business plan targets, we believe we have made good progress in the areas which are critical for our growth strategy. Notable in the SQ2023, we sold \$1.0m of DAVD systems, which will now be distributed to different US Navy commands. Field use of the technology is vital for expediting the adoption of the technology on a wider scale, and we believe we are making good progress to achieve this. We are prioritizing and staying focused on converting this transformational technology into full scale adoption both within the US Defense market, as well as the global defense and commercial markets.

"We had several pivotal events for the DAVD technology, including showcasing the technology to Special Operation Forces during SOF Week 2023, which was held in partnership with USSOCOM. We were also invited to participate in the closed-door event of the Military Diver Training Continuum event in Panama City, Florida, which had over 250

military divers participating and where our DAVD and Echoscope[®] technology were very well received. In addition, we had a successful demonstration with the Dutch Navy in the Netherlands and completed successful trials of the DAVD with a major European Offshore Provider, with whom we are actively engaged in follow-up discussions.

“We also saw strong interest from the commercial offshore diving sector for rental of the DAVD. We believe renting the DAVD will assist in fast-tracking the adoption of the technology more broadly.

“A number of key technologies were developed as part of the DAVD system, including the Digital Audio Communications Module and the subsea Edge Enhanced Video Module. The US Navy has placed a purchase order for a small number of these products on a standalone basis that we expect to deliver in during Q3. We are also in discussions with several underwater vehicle manufacturers for the integration of our subsea Edge Enhanced Video Module. These technologies allow us to expand our product portfolio through discreet packaging of already-developed technology to further add to and diversify our market reach and revenues. This product is exciting for the Company, as the purchase process is significantly shorter due to the price point of these Modules. We also believe that there is a real requirement to advance underwater communications systems by moving from analog communications to digital communications, a purpose for which this new Digital Audio Communications Module is designed. We believe the addressable market for this is significant, if our product meets the addressable market brief.

“In respect of Echoscope PIPE[®], our strategy is to grow the number of defense underwater vehicle programs that utilize this technology. If these programs are successful, this approach would secure long-tail recurring revenues for the business. In the SQ2023, we successfully provided in-field support to two of these US Defense Programs that are now preparing for extended field trials with their own customers.

“As we enter the second half of fiscal year 2023, our priority continues to be making progress with the growth strategy that we have outlined for our Echoscope[®] (Echoscope PIPE[®]) products, as well as our DAVD systems, and also continuing to work towards returning the Engineering Business to a solid \$10 million business.”

Conference Call

CODA will host a conference call today, June 14, at 10:00 a.m. Eastern Time (7:00 a.m. Pacific Time) to discuss its results for the second fiscal quarter ended April 30, 2023.

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

Date: Wednesday, June 14, 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: 13739034

The conference call will broadcast live and 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 June 28, 2023.

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

International replay number: 1-412-317-6671

Conference ID: 13739034

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.

Contact:

Cody Slach or Jackie Keshner
Gateway Group, Inc.
(949) 574-3860
CODA@Gateway-grp.com

CODA OCTOPUS GROUP, INC.
Consolidated Balance Sheets
April 30, 2023 and October 31, 2022

	<u>2023</u>	<u>2022</u>
	Unaudited	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 23,455,118	\$ 22,927,371
Accounts Receivable, net	3,894,794	2,870,600
Inventory	11,233,685	10,027,111
Unbilled Receivables	1,099,066	602,115
Prepaid Expenses	738,167	240,464
Other Current Assets	<u>422,371</u>	<u>343,061</u>
Total Current Assets	40,843,201	37,010,722
FIXED ASSETS		
Property and Equipment, net	6,070,666	5,832,532
OTHER ASSETS		
Goodwill and Other Intangibles, net	3,851,229	3,824,394
Deferred Tax Asset	<u>138,366</u>	<u>259,810</u>
Total Other Assets	<u>3,989,595</u>	<u>4,084,204</u>
Total Assets	\$ 50,903,462	\$ 46,927,458

CODA OCTOPUS GROUP, INC.
Consolidated Balance Sheets (Continued)
April 30, 2023 and October 31, 2022

	<u>2023</u>	<u>2022</u>
	Unaudited	
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		

Accounts Payable	\$ 776,185	\$ 793,247
Accrued Expenses and Other Current Liabilities	704,521	1,731,706
Deferred Revenue	<u>1,023,757</u>	<u>943,569</u>
Total Current Liabilities	2,504,463	3,468,522
LONG TERM LIABILITIES		
Deferred Revenue, less current portion	<u>88,258</u>	<u>76,127</u>
Total Liabilities	<u>2,592,721</u>	<u>3,544,649</u>
STOCKHOLDERS' EQUITY		
Common Stock, \$.001 par value; 150,000,000 shares authorized, 11,042,897 issued and outstanding as of April 30, 2023 and 10,916,853 shares issued and outstanding as of October 31, 2022	11,043	10,918
Treasury Stock	(31,175)	(28,337)
Additional Paid-in Capital	62,692,276	62,313,988
Accumulated Other Comprehensive Loss	(2,591,101)	(4,737,124)
Accumulated Deficit	<u>(11,770,302)</u>	<u>(14,176,636)</u>
Total Stockholders' Equity	<u>48,310,741</u>	<u>43,382,809</u>
Total Liabilities and Stockholders' Equity	\$ 50,903,462	\$ 46,927,458

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

	Three Months Ended April 30,		Six Months Ended April 30,	
	2023	2022	2023	2022
Net Revenues	\$ 5,301,509	\$ 4,984,838	\$ 10,897,793	\$ 10,823,046
Cost of Revenues	<u>1,678,268</u>	<u>1,953,132</u>	<u>3,521,547</u>	<u>3,631,406</u>
Gross Profit	3,623,241	3,031,706	7,376,246	7,191,640
OPERATING EXPENSES				
Research & Development	525,939	517,378	970,397	1,190,268
Selling, General & Administrative	<u>2,242,194</u>	<u>2,033,116</u>	<u>4,204,645</u>	<u>4,155,106</u>
Total Operating Expenses	<u>2,768,133</u>	<u>2,550,494</u>	<u>5,175,042</u>	<u>5,345,374</u>
INCOME FROM OPERATIONS	<u>855,108</u>	<u>481,212</u>	<u>2,201,204</u>	<u>1,846,266</u>
OTHER INCOME (EXPENSE)				
Other Income	173,376	14,497	189,141	94,491
Interest Expense	<u>-</u>	<u>(2,502)</u>	<u>-</u>	<u>(2,902)</u>
Total Other Income	<u>173,376</u>	<u>11,995</u>	<u>189,141</u>	<u>91,589</u>
INCOME BEFORE INCOME TAX EXPENSE	1,028,484	493,207	2,390,345	1,937,855
INCOME TAX (EXPENSE) BENEFIT				
Current Tax Expense	(68,773)	109,150	(68,784)	(176,459)
Deferred Tax Benefit	<u>48,766</u>	<u>8,946</u>	<u>84,773</u>	<u>67,155</u>

Total Income Tax (Expense) Benefit	(20,007)	118,096	15,989	(109,304)
NET INCOME	\$ 1,008,477	\$ 611,303	\$ 2,406,334	\$ 1,828,551
NET INCOME PER SHARE:				
Basic	\$ 0.09	\$ 0.06	\$ 0.22	\$ 0.17
Diluted	\$ 0.09	\$ 0.05	\$ 0.21	\$ 0.16
WEIGHTED AVERAGE SHARES:				
Basic	11,010,077	10,857,673	10,970,806	10,857,429
Diluted	11,330,754	11,405,507	11,291,483	11,405,263
NET INCOME	\$ 1,008,477	\$ 611,303	\$ 2,406,334	\$ 1,828,551
Foreign Currency Translation Adjustment	538,373	(2,266,751)	2,146,023	(2,025,601)
Total Other Comprehensive Income	\$ 538,373	\$ (2,266,751)	\$ 2,146,023	\$ (2,025,601)
COMPREHENSIVE INCOME	\$ 1,546,850	\$ (1,655,448)	\$ 4,552,357	\$ (197,050)



Source: Coda Octopus Group, Inc.