

September 16, 2024



# Coda Octopus Group Reports Fiscal Third Quarter 2024 Financial Results

**ORLANDO, FL, Sept. 16, 2024 (GLOBE NEWSWIRE)** -- Coda Octopus Group, Inc. ("CODA" or the "Company") (Nasdaq: CODA), a global market leader in real-time 4D/5D/6D imaging sonar technology for real-time subsea intelligence and cutting-edge diving technology, today reported its unaudited financial results for its fiscal third quarter ended July 31, 2024 (TQ2024) and the nine months then ended (YTD2024).

For TQ2024 revenues increased by 12.0% and we generated revenues of \$5.5 million versus \$4.9 million during the TQ2023. Operating income increased by 61.2% and was \$1.4 million in TQ2024 versus \$0.9 million. The increase in operating income is attributed to the increase in our revenue in conjunction with higher gross profit margins driven by the mix of sales including a higher utilization of our rental assets during the TQ2024.

***The numbers below have been rounded to one decimal point (unless 2 decimal places required to differentiate). The full TQ2024 and YTD financials can be found in CODA's Form 10-Q filed with the SEC.***

*In the TQ2024 and the TQ2023:*

- Total revenue was \$5.5 million compared to \$4.9 million, representing an increase in the TQ2024 of 12.0%.
- Revenues from the Marine Technology Business (Products) were \$3.1 million compared to \$2.9 million, representing a 6.5% increase in the TQ2024.
- Revenues from the Marine Engineering Business (Services) were \$2.4 million compared to \$2.0 million, representing an increase of 19.8% in the TQ2024.
- The Company generated gross profit of \$4.0 million compared to \$3.4 million. Gross margin was 73.9% compared to 68.8%. The increase in margins is attributable to the mix of sales which included increased utilization of our rental assets and associated services.
- Operating income increased and was \$1.4 million compared to \$0.9 million. Operating margin was 25.4% compared to 17.6%.
- Income before taxes increased and was \$1.6 million compared to \$1.1 million. Net income after taxes was \$1.3 million compared to \$1.0 million.
- Diluted earnings per share increased and was \$0.11 compared to \$0.09 in TQ2023.
- CODA's balance sheet continued to strengthen in TQ2024. Total Liabilities and Stockholders' Equity improved over the end of fiscal year 2023 by \$4.1 million to \$55.9 million. The quarter-end cash balance of \$25.2 million represents a \$0.3 million increase over TQ2023 and an increase of \$0.8 million over the end of fiscal year 2023.

**YTD2024 Financial Summary:**

*In the YTD2024 and the YTD2023:*

- Total revenue for the YTD2024 period was \$15.3 million compared to \$15.8 million in YTD2023, a decrease of 3.3%.
- Year to date, the Company generated gross profit of \$10.9 million compared to \$10.7 million in YTD2023. Gross margin in YTD2024 was 71.3% compared to 68.0% in YTD2023.
- Operating income in YTD2024 was \$3.3 million compared to \$3.1 million in YTD2023 and operating margin was 21.6% compared to 19.4% in the same period last year.
- Income before taxes in the YTD2024 period was \$4.1 million compared to \$3.5 million in YTD2023. Net income after taxes was \$3.3 million in the YTD2024 compared to \$3.4 million in YTD2023 period.
- Year to date diluted earnings per share were \$0.29 compared to \$0.31 in FY2023.
- Net profit before tax as a percentage of revenues for the YTD2024 was 26.6% compared to 22.0% for YTD2023. Research and Development expenditures for the YTD2024 were \$1.52 million compared to \$1.54 million in YTD2023, a decrease of 0.9%. SG&A for the YTD2024 was \$6.05 million compared to \$6.14 million, a reduction of 1.4%.

## Management Commentary

“Management continues to focus on growing the Company while continuing to demonstrate that we run a solid and profitable business year-on-year,” said Annmarie Gayle, CODA’s Chairman and CEO.

“In our TQ2024, order intake from US Defense Programs was down, as a result of funding gaps created by the upcoming Presidential election. It is not unusual during a Presidential election period that decisions on some programs are postponed until the outcome is decided. Notwithstanding, we were able to increase sales outside the US, and we believe that we have delivered a solid set of results in TQ2024 including increasing revenue, gross profit margin, income and earnings per share.

Within the business model of our Marine Technology Business, we have outright sales of our technology and rentals with associated support services. In TQ2024 rentals and associated services increased for this segment and contributed to our gross margin for this segment increasing to 82.9% from 82.1% in TQ2023. We however continued to be affected by funding gaps on some of the US Defense Programs which we rely on and in the TQ2024 the Marine Technology Business sales from US were \$0.7 million compared to \$1.3 million and this has affected funding for ongoing programs such as the DAVD tethered system where commands are waiting for budget for new acquisitions and DAVD untethered system (Hardening Program) where anticipated funding has been delayed.

The Engineering segment relies on Defense Programs for funding, and it also suffered from weak order intake in the TQ2024. Notwithstanding, this segment’s revenue in the TQ2024 increased by 19.8% along with its gross profit margins which increased from 50.0% in the TQ2023 to 62.6% in the TQ2024 as a result of the mix of its sales in the TQ2024.

As we enter the final quarter of the fiscal year 2024, our priority continues to be making progress with our growth strategy to increase our efforts to have more penetration in the Defense market with our key technologies - Echoscope® and DAVD technology - and to return our Engineering Business to a solid \$10 million revenue profile”. We also continue our efforts to identify acquisition targets under our M&A Strategy with the goal of adding value

accretive technologies and capabilities to our portfolio.

## **Conference Call**

CODA will host a conference call today, September 16, 2024 at 10:00 a.m. Eastern Time (7:00 a.m. Pacific Time) to discuss its results for the third fiscal quarter ended July 31, 2024.

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

Date: Monday, September 16, 2024

Time: 10:00 a.m. Eastern time (7:00 a.m. Pacific time)

U.S. dial-in number: 1-877-451-6152 or 1-201-389-0879

International number: 1-201-389-0879 or 1-201-389-0879

Conference ID: 13748467

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 press \*0 and someone from the Company will respond.

A replay of the call will be available after 2:00 p.m. Eastern time on the same day through June 26, 2024.

Toll-free replay number: 1-844-512-2921 or 1-412-317-6671

International replay number: 1-412-317-6671

Conference ID: 13748467

## **About Coda Octopus Group, Inc.**

The Company, founded in 1994, is an established supplier to the Underwater/Subsea market. It supplies a range of hardware and software solutions to this market which includes key proprietary real-time 4D/5D/6D imaging sonars, marketed under the name Echoscope<sup>®</sup> and Echoscope PIPE<sup>®</sup> addressing the underwater imaging sensor market along with new generation diving technology, Diver Augmented Vision Display (DAVD) system. The Company's Echoscope PIPE<sup>®</sup> sonar generates real-time 3D/4D/5D/6D images of moving objects underwater including in zero visibility water conditions. The Echoscope<sup>®</sup> technology is used globally for numerous applications in both the commercial offshore market and defense underwater markets. Applications for the Echoscope<sup>®</sup> technology include complex mapping underwater, subsea intervention, subsea asset placements, salvage and recovery, search and rescue, offshore renewables cable installations and surveys, marine construction, subsea infrastructure installation, mining applications, robotics (3D Perception and Depth), breakwater construction and monitoring, decommissioning, diving applications and port and harbor security.

The recently launched new generation of diving technology, DAVD, has the potential to change the way global diving operations are performed (both in the Defense and

Commercial space) because it is a fully integrated singular system for topside control and fully connected diver HUD system, allowing both the topside and diver to share a range of critical information and visualize the same underwater scene. Furthermore, the DAVD integrates the Company's sonar technology, which allows dive operations to be performed in zero visibility conditions, a common problem that besets these operations.

The Company also includes two discrete Defense engineering businesses Coda Octopus Martech Ltd (UK based) and Coda Octopus Colmek, Inc. (US based) whose primary business model is to supply sub-assemblies into broader mission critical programs in the capacity of sub-contractors to the Prime Defense Contractors. Their scope of supply under these programs typically includes concept, design, prototype, manufacturing, and post-sale support. This gives them the opportunity to have repeat orders for these sub-assemblies through the life of these programs.

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. When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", "assume" 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, 2023, filed with the Securities and Exchange Commission on January 29, 2024, and the subsequently filed 10-Qs and 8-Ks. 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**  
**July 31, 2024 and October 31, 2023**

## ASSETS

	2024	2023
	Unaudited	
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 25,217,965	\$ 24,448,841
Accounts Receivable	3,407,996	2,643,461
Inventory	13,023,993	11,685,525
Unbilled Receivables	2,611,520	894,251
Prepaid Expenses	821,072	181,383
Other Current Assets	618,199	1,034,626
	45,700,745	40,888,087
<b>FIXED ASSETS</b>		
Property and Equipment, net	6,337,808	6,873,320
<b>OTHER ASSETS</b>		
Goodwill	3,382,108	3,382,108
Intangible Assets, net	524,453	486,615
Deferred Tax Asset	-	211,386
	3,906,561	4,080,109
Total Other Assets	3,906,561	4,080,109
Total Assets	\$ 55,945,114	\$ 51,841,516

**CODA OCTOPUS GROUP, INC.**  
**Consolidated Balance Sheets (Continued)**  
**July 31, 2024 and October 31, 2023**

## LIABILITIES AND STOCKHOLDERS' EQUITY

	2024	2023
	Unaudited	
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 1,074,118	\$ 1,308,201
Accrued Expenses and Other Current Liabilities	1,189,834	995,630
Deferred Revenue	754,747	975,537
	3,018,699	3,279,368
Total Current Liabilities	3,018,699	3,279,368
<b>LONG TERM LIABILITIES</b>		
Deferred Tax Liability, net	41,552	—
Deferred Revenue, less current portion	79,826	133,382
	121,378	133,382
Total Long Term Liabilities	121,378	133,382
Total Liabilities	3,140,077	3,412,750
Commitments and contingencies		
<b>STOCKHOLDERS' EQUITY</b>		

Common Stock, \$.001 par value; 150,000,000 shares authorized, 11,178,933 issued and outstanding as of July 31, 2024 and 11,117,695 shares issued and outstanding as of October 31, 2023

	11,179	11,118
Treasury Stock	(61,933)	(46,300)
Additional Paid-in Capital	63,045,766	62,958,984
Accumulated Other Comprehensive Loss	(2,457,272)	(3,442,549)
Accumulated Deficit	<u>(7,732,703)</u>	<u>(11,052,487)</u>
Total Stockholders' Equity	<u>52,805,037</u>	<u>48,428,766</u>
Total Liabilities and Stockholders' Equity	\$ 55,945,114	\$ 51,841,516

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

	<u>Three Months Ended July 31,</u>		<u>Nine Months Ended July 31,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Net Revenues	\$ 5,476,544	\$ 4,890,532	\$ 15,260,913	\$ 15,788,325
Cost of Revenues	<u>1,428,006</u>	<u>1,525,308</u>	<u>\$ 4,387,205</u>	<u>\$ 5,046,855</u>
Gross Profit	4,048,538	3,365,224	10,873,708	10,741,470
OPERATING EXPENSES				
Research & Development	496,359	568,287	1,524,817	1,538,684
Selling, General & Administrative	<u>2,161,405</u>	<u>1,934,323</u>	<u>6,052,350</u>	<u>6,138,968</u>
Total Operating Expenses	<u>2,657,764</u>	<u>2,502,610</u>	<u>7,577,167</u>	<u>7,677,652</u>
INCOME FROM OPERATIONS	<u>1,390,774</u>	<u>862,614</u>	<u>3,296,541</u>	<u>3,063,818</u>
OTHER INCOME (EXPENSE)				
Other Income	10,463	2,848	42,847	8,532
Interest Income	<u>230,009</u>	<u>211,704</u>	<u>716,017</u>	<u>395,161</u>
Total Other Income	<u>240,472</u>	<u>214,552</u>	<u>758,864</u>	<u>403,693</u>
INCOME BEFORE INCOME TAX EXPENSE	1,631,246	1,077,166	4,055,405	3,467,511
INCOME TAX (EXPENSE) BENEFIT				
Current Tax (Expense)	(325,625)	(68,771)	(482,683)	(137,555)
Deferred Tax (Expense) Benefit	<u>(30,963)</u>	<u>30,385</u>	<u>(252,938)</u>	<u>115,158</u>
Total Income Tax (Expense) Benefit	<u>(356,588)</u>	<u>(38,386)</u>	<u>(735,621)</u>	<u>(22,397)</u>
NET INCOME	\$ 1,274,658	\$ 1,038,780	\$ 3,319,784	\$ 3,445,114
NET INCOME PER SHARE:				
Basic	\$ 0.11	\$ 0.09	\$ 0.30	\$ 0.31
Diluted	\$ 0.11	\$ 0.09	\$ 0.29	\$ 0.31
WEIGHTED AVERAGE SHARES:				
Basic	11,173,819	11,092,420	11,157,799	11,044,624
Diluted	11,311,236	11,284,137	11,295,216	11,236,341
NET INCOME	\$ 1,274,658	\$ 1,038,780	\$ 3,319,784	\$ 3,445,114

Foreign Currency Translation Adjustment	<u>393,380</u>	<u>392,483</u>	<u>985,277</u>	<u>2,538,506</u>
Total Other Comprehensive Income	\$ 393,380	\$ 392,483	\$ 985,277	\$ 2,538,506
COMPREHENSIVE INCOME	\$ 1,668,038	\$ 1,431,263	\$ 4,305,061	\$ 5,983,620



Coda Octopus Group, Inc.  
 Leaders in Cutting-Edge Underwater Technologies

Source: Coda Octopus Group, Inc.