

Ocean Power Technologies, Inc.
Form 10-Q
March 14, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the Quarterly Period Ended January 31, 2014

Or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

For the Transition Period From _____ to _____

Commission file number: 001-33417

OCEAN POWER TECHNOLOGIES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

22-2535818

(State or Other Jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification No.)

1590 REED ROAD, PENNINGTON, NJ 08534

(Address of Principal Executive Offices, Including Zip Code)

(609) 730-0400

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of February 28, 2014, the number of outstanding shares of common stock of the registrant was 13,755,519.

**OCEAN POWER TECHNOLOGIES, INC.
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FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2014**

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PowerBuoy® is a registered trademark of Ocean Power Technologies, Inc. and the Ocean Power Technologies logo is a trademark of Ocean Power Technologies, Inc. All other trademarks appearing in this report are the property of their respective holders.

Special Note Regarding Forward-Looking Statements

We have made statements in this Quarterly Report on Form 10-Q that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements convey our current expectations or forecasts of future events. Forward-looking statements include statements regarding our future financial position, business strategy, budgets, projected costs, plans and objectives of management for future operations. The words "may," "continue," "estimate," "intend," "plan," "will," "believe," "project," "expect," "anticipate", "goal" and similar expressions may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking.

Any or all of our forward-looking statements in this report may turn out to be inaccurate. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. They may be affected by inaccurate assumptions we might make or unknown risks and uncertainties, including the risks, uncertainties and assumptions described in Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended April 30, 2013 and elsewhere in this report. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this report may not occur as contemplated and actual results could differ materially from those anticipated or implied by the forward-looking statements.

You should not unduly rely on these forward-looking statements, which speak only as of the date of this filing. Unless required by law, we undertake no obligation to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise.

PART I — FINANCIAL INFORMATION**Item 1. FINANCIAL STATEMENTS****Ocean Power Technologies, Inc. and Subsidiaries****Consolidated Balance Sheets**

ASSETS	January 31, 2014 (Unaudited)	April 30, 2013
Current assets:		
Cash and cash equivalents	\$5,916,638	\$6,372,788
Marketable securities	11,496,164	13,996,705
Accounts receivable, net	8,499	796,332
Unbilled receivables	333,139	127,598
Other current assets	327,190	152,962
Total current assets	18,081,630	21,446,385
Property and equipment, net	562,586	700,968
Patents, net	884,679	1,044,902
Accounts receivable	209,906	—
Restricted cash	2,149,992	1,366,256
Other noncurrent assets	427,736	272,548
Total assets	\$22,316,529	\$24,831,059
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$280,102	\$510,031
Accrued expenses	3,599,451	3,900,623
Unearned revenues	667,666	1,117,115
Current portion of long-term debt	100,000	100,000
Total current liabilities	4,647,219	5,627,769
Long-term debt	175,000	250,000

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Long-term unearned revenues	252,164	232,033
Deferred credits	600,000	600,000
Total liabilities	5,674,383	6,709,802
Commitments and contingencies (note 8)		
Ocean Power Technologies, Inc. stockholders' equity:		
Preferred stock, \$0.001 par value; authorized 5,000,000 shares, none issued or outstanding	—	—
Common stock, \$0.001 par value; authorized 105,000,000 shares, issued 12,741,217 and 10,403,215 shares, respectively	12,741	10,403
Treasury stock, at cost; 37,852 and 33,771 shares, respectively	(130,707)	(123,893)
Additional paid-in capital	165,663,826	159,155,365
Accumulated deficit	(148,431,628)	(140,671,311)
Accumulated other comprehensive loss	(213,697)	(79,786)
Total Ocean Power Technologies, Inc. stockholders' equity	16,900,535	18,290,778
Noncontrolling interest in Ocean Power Technologies (Australasia) Pty Ltd	(258,389)	(169,521)
Total equity	16,642,146	18,121,257
Total liabilities and stockholders' equity	\$22,316,529	\$24,831,059

See accompanying notes to consolidated financial statements (unaudited).

Ocean Power Technologies, Inc. and Subsidiaries

Consolidated Statements of Operations

(Unaudited)

	Three Months Ended		Nine Months Ended	
	January 31,		January 31,	
	2014	2013	2014	2013
Revenues	\$ 199,622	865,553	\$ 1,124,157	3,208,248
Cost of revenues	193,213	890,051	1,115,925	3,116,188
Gross profit (loss)	6,409	(24,498)	8,232	92,060
Operating expenses:				
Product development costs	785,946	601,748	3,666,980	5,466,742
Selling, general and administrative costs	1,771,560	2,367,849	6,128,211	6,856,815
Total operating expenses	2,557,506	2,969,597	9,795,191	12,323,557
Operating loss	(2,551,097)	(2,994,095)	(9,786,959)	(12,231,497)
Interest income, net	3,336	21,804	6,573	112,116
Foreign exchange gain	23,448	21,778	152,575	16,196
Loss before income taxes	(2,524,313)	(2,950,513)	(9,627,811)	(12,103,185)
Income tax benefit	1,745,895	1,453,243	1,745,895	1,453,243
Net loss	(778,418)	(1,497,270)	(7,881,916)	(10,649,942)
Less: Net loss attributable to the noncontrolling interest in Ocean Power Technologies (Australasia) Pty Ltd.	38,628	31,499	121,599	96,578
Net loss attributable to Ocean Power Technologies, Inc	\$(739,790)	(1,465,771)	\$(7,760,317)	(10,553,364)
Basic and diluted net loss per share	\$(0.06)	(0.14)	\$(0.71)	(1.02)
Weighted average shares used to compute basic and diluted net loss per share	12,163,239	10,304,277	10,995,525	10,300,626

See accompanying notes to consolidated financial statements (unaudited).

Ocean Power Technologies, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Loss

(Unaudited)

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2014	2013	2014	2013
Net loss	\$(778,418)	(1,497,270)	\$(7,881,916)	(10,649,942)
Foreign currency translation adjustment	(42,395)	16,549	(101,180)	(7,411)
Total comprehensive loss	(820,813)	(1,480,721)	(7,983,096)	(10,657,353)
Comprehensive loss attributable to the noncontrolling interest in Ocean Power Technologies (Australasia) Pty Ltd.	18,802	32,260	88,868	97,812
Comprehensive loss attributable to Ocean Power Technologies, Inc	\$(802,011)	(1,448,461)	\$(7,894,228)	(10,559,541)

See accompanying notes to consolidated financial statements (unaudited).

Ocean Power Technologies, Inc. and Subsidiaries**Consolidated Statements of Cash Flows****(Unaudited)**

	Nine Months Ended	
	January 31,	
	2014	2013
Cash flows from operating activities:		
Net loss	\$ (7,881,916)	\$(10,649,942)
Adjustments to reconcile net loss to net cash used in operating activities:		
Foreign exchange gain	(152,575)	(16,196)
Depreciation and amortization	321,237	376,105
Loss on disposals of property, plant and equipment		310
Treasury note premium amortization	5,391	27,598
Compensation expense related to stock option grants and restricted stock	569,540	755,570
Allowance for doubtful accounts receivable	(296,174)	
Changes in operating assets and liabilities:		
Accounts receivable	664,225	405,354
Long-term receivables	209,906	
Unbilled receivables	(205,541)	(302,215)
Other current assets	(176,254)	526,232
Other noncurrent assets	(141,788)	(48,803)
Accounts payable	(229,680)	(32,503)
Accrued expenses	(305,655)	511,490
Unearned revenues	(452,864)	(608,275)
Long-term unearned revenues	20,131	841,524
Net cash used in operating activities	(8,052,017)	(8,213,751)
Cash flows from investing activities:		
Purchases of marketable securities	(18,494,272)	(12,680,022)
Maturities of marketable securities	20,989,422	20,913,831
Restricted cash	(745,000)	75,000
Purchases of equipment	(21,191)	(387,626)
Net cash provided by investing activities	1,728,959	7,921,183
Cash flows from financing activities:		
Proceeds from the sale of common stock, net of issuance costs	5,933,259	
Proceeds from the exercise of stock options	8,000	
Repayment of debt	(75,000)	(75,000)
Acquisition of treasury stock	(6,814)	(21,505)
Net cash provided by (used in) financing activities	5,859,445	(96,505)
Effect of exchange rate changes on cash and cash equivalents	7,463	(9,446)

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Net decrease in cash and cash equivalents	(456,150)	(398,519)
Cash and cash equivalents, beginning of period	6,372,788	9,353,460
Cash and cash equivalents, end of period	\$ 5,916,638	\$ 8,954,941

Supplemental disclosure of noncash investing and financing activities:

Capitalized purchases of equipment financed through accounts payable and accrued expenses	\$	\$6,681
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See accompanying notes to consolidated financial statements (unaudited).

Ocean Power Technologies, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity

(Unaudited)

	Common Shares		Treasury Shares		Additional	Accumulated	Other	Noncontrolling	
	Shares	Amount	Shares	Amount	Paid-In Capital	Deficit	Comprehensive Loss	Interest	
Balance, April 30, 2012	10,407,389	\$ 10,407	(23,544)	\$(102,388)	158,296,458	(125,989,474)	(78,990)	(28,632)
Net loss	—	—	—	—	—	(10,553,364)	—	(96,578)
Stock based compensation	—	—	—	—	713,635	—	—	—	
Issuance (forfeiture) of restricted stock, net	(841)	—	—	—	41,933	—	—	—	
Acquisition of treasury stock	—	—	(10,227)	(21,505)	—	—	—	—	
Other comprehensive loss	—	—	—	—	—	—	(6,177)	(1,234)
Balance, January 31, 2013	10,406,548	\$ 10,407	(33,771)	\$(123,893)	159,052,026	(136,542,838)	(85,167)	(126,444)
Balance, April 30, 2013	10,403,215	\$ 10,403	(33,771)	\$(123,893)	159,155,365	(140,671,311)	(79,786)	(169,521)
Net loss	—	—	—	—	—	(7,760,317)	—	(121,599)
Stock based compensation	—	—	—	—	499,985	—	—	—	

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Issuance of restricted stock, net	79,822	80	—	—	69,475	—	—	—
Stock issued upon exercise of stock options	4,000	4	—	—	7,996	—	—	—
Acquisition of treasury stock, net	—	—	(4,081)	(6,814)	—	—	—	—