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Ocean Power Technologies, Inc.
Form 10-Q
March 15, 2013

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, 2013

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
(State or Other Jurisdiction of Incorporation or
Organization)

22-2535818
(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):

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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, 2013, the number of outstanding shares of common stock of the registrant was 10,406,548.

OCEAN POWER TECHNOLOGIES, INC.
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FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2013

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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" 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, 2012 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

	January 31, 2013 (Unaudited)	April 30, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$8,954,941	9,353,460
Marketable securities	14,101,205	22,369,484
Accounts receivable	655,254	1,064,796
Unbilled receivables	525,266	223,050
Other current assets	314,533	842,820
Total current assets	24,551,199	33,853,610
Property and equipment, net	815,384	682,933
Patents, net	1,106,830	1,269,457
Restricted cash	1,398,656	1,453,712
Other noncurrent assets	229,038	181,925
Total assets	\$28,101,107	37,441,637
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$375,570	440,773
Accrued expenses	3,261,245	2,770,094
Deferred credits payable	—	600,000
Unearned revenues	463,677	1,073,389
Current portion of long-term debt	100,000	100,000
Total current liabilities	4,200,492	4,984,256
Long-term debt	275,000	350,000
Long-term unearned revenues	841,524	—
Deferred credits	600,000	—
Total liabilities	5,917,016	5,334,256
Commitments and contingencies (note 9)		
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 10,406,548 and 10,407,389 shares, respectively	10,407	10,407
Treasury stock, at cost; 33,771 and 23,544 shares, respectively	(123,893)	(102,388)
Additional paid-in capital	159,052,026	158,296,458

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Accumulated deficit	(136,542,838)	(125,989,474)
Accumulated other comprehensive loss	(85,167)	(78,990)
Total Ocean Power Technologies, Inc. stockholders' equity..	22,310,535	32,136,013
Noncontrolling interest in Ocean Power Technologies (Australasia) Pty Ltd...	(126,444)	(28,632)
Total equity	22,184,091	32,107,381
Total liabilities and stockholders' equity	\$28,101,107	37,441,637

See accompanying notes to consolidated financial statements (unaudited).

Ocean Power Technologies, Inc. and Subsidiaries

Consolidated Statements of Operations
(Unaudited)

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2013	2012	2013	2012
Revenues	\$865,553	923,619	3,208,248	4,349,908
Cost of revenues	890,051	934,142	3,116,188	4,319,634
Gross (loss) profit	(24,498)	(10,523)	92,060	30,274
Operating expenses:				
Product development costs	601,748	1,388,380	5,466,742	6,551,507
Selling, general and administrative costs	2,367,849	1,822,806	6,856,815	5,857,656
Total operating expenses	2,969,597	3,211,186	12,323,557	12,409,163
Operating loss	(2,994,095)	(3,221,709)	(12,231,497)	(12,378,889)
Interest income, net	21,804	95,261	112,116	341,631
Foreign exchange gain (loss)	21,778	(113,373)	16,196	(93,080)
Loss before income taxes	(2,950,513)	(3,239,821)	(12,103,185)	(12,130,338)
Income tax benefit	1,453,243	1,053,427	1,453,243	1,053,427
Net loss	(1,497,270)	(2,186,394)	(10,649,942)	(11,076,911)
Less: Net loss attributable to the noncontrolling interest in Ocean Power Technologies (Australasia) Pty Ltd.	31,499	19,708	96,578	32,804
Net loss attributable to Ocean Power Technologies, Inc	\$(1,465,771)	(2,166,686)	(10,553,364)	(11,044,107)
Basic and diluted net loss per share	\$(0.14)	(0.21)	(1.02)	(1.07)
Weighted average shares used to compute basic and diluted net loss per share	10,304,277	10,276,788	10,300,626	10,273,636

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,	
	2013	2012	2013	2012
Net loss	\$(1,497,270)	(2,186,394)	(10,649,942)	(11,076,911)
Foreign currency translation adjustment	16,549	(47,605)	(7,411)	(267,454)
Total comprehensive loss	(1,480,721)	(2,233,999)	(10,657,353)	(11,344,365)
Comprehensive loss attributable to the noncontrolling interest in Ocean Power Technologies (Australasia) Pty Ltd.	32,260	20,266	97,812	34,085
Comprehensive loss attributable to Ocean Power Technologies, Inc	\$(1,448,461)	(2,213,733)	(10,559,541)	(11,310,280)

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,
2013 2012

Cash flows from operating activities:		
Net loss	\$(10,649,942)	(11,076,911)
Adjustments to reconcile net loss to net cash used in operating activities:		
Foreign exchange (gain) loss	(16,196)	93,080
Depreciation and amortization	376,105	294,820
Loss on disposals of property, plant and equipment	310	9,715
Treasury note premium amortization	27,598	(31,633)
Compensation expense related to stock option grants and restricted stock	755,570	935,370
Changes in operating assets and liabilities:		
Accounts receivable	405,354	334,946
Unbilled receivables	(302,215)	316,084
Other current assets	526,232	20,340
Other noncurrent assets	(48,803)	54,183
Accounts payable	(32,503)	(761,241)
Accrued expenses	511,490	(860,101)
Unearned revenues	(608,275)	928,016
Long-term unearned revenues	841,524	—
Net cash used in operating activities	(8,213,751)	(9,743,332)
Cash flows from investing activities:		
Purchases of marketable securities	(12,680,022)	(12,849,207)
Maturities of marketable securities	20,913,831	26,727,857
Restricted cash	75,000	53,936
Purchases of equipment	(387,626)	(210,316)
Payments of patent costs	—	(138,889)
Net cash provided by investing activities	7,921,183	13,583,381
Cash flows from financing activities:		
Repayment of debt	(75,000)	(114,378)
Acquisition of treasury stock	(21,505)	(55,783)
Net cash used in financing activities	(96,505)	(170,161)