

September 13, 2018



Coda Octopus Group Reports Fiscal 2018 Third Quarter Financial Results

ORLANDO, FL, Sept. 13, 2018 (GLOBE NEWSWIRE) -- Coda Octopus Group, Inc. (CODA) (Nasdaq: CODA) today reported its unaudited financial results for its fiscal third quarter ended July 31, 2018.

Annamarie Gayle, CODA's Chairman and CEO commented: "We are pleased to report that in the fiscal third quarter both business segments' earnings were back into positive territory, after a disappointing first two quarters. We saw an increase in product orders, with strong demand for our patented fourth generation (4G) of real-time 3D/4D sonars in our products business. Our engineering segment continues to receive backlog orders for calendar year 2016, and negotiations are underway with our defense customers for the lion's share of the backlog orders for 2017 and 2018.

"Also during the fiscal third quarter, we were very pleased to enter into a Navy Cooperative Research and Development Agreement with Naval Surface Warfare Center, Panama City Division (NSWC PCD), for the multi-generation development of the Divers Augmented Vision Display-Head Up Display system (DAVD-HUD). Our engineers are working in collaboration with NSWC PCD, to develop the first generation of the naval real-time 3D DAVD-HUD from the existing prototype. This presents a significant opportunity for the Group as it positions us to roll out our unique real-time 3D sonar capabilities, both hardware and software, across the Navy – a very important group of users. Although we are under a 12-month contractual commitment to develop the first generation of the DAVD-HUD by July 2019, we are on track to deliver this product, considered a critical deliverable to NAVSEA and other naval bodies, into operation across the Navy Community well ahead of schedule," continued Ms. Gayle. "We also continue to progress our strategy to increase market share in the imaging sonar space by positioning our technology in the defense market. To this end, during the fiscal third quarter we were pleased to enter another Navy Cooperative Research and Development Agreement, with Naval Surface Warfare Center, Crane Division. Under this agreement, NSWC Crane Division will evaluate the CodaOctopus[®] Underwater Inspection System (UIS), and Echoscope[®] technology, for suitability for a number of its critical operations. If these evaluations are successful, the CodaOctopus[®] UIS and our Echoscope[®] technology will be listed as Approved Navy Use items. Also, under another Navy program, we were pleased to receive funding to evaluate existing, and develop new, technology for higher precision 3D tracking of underwater assets. Additionally, in the fiscal third quarter, we received our second-year funding from the U.S. Coast Guard for the ongoing use of our real-time 3D technology for the dynamic ship hull scanning pilot program, in place since late 2016. We are very pleased with these developments in the defense space.

"As a result of our strong fiscal third quarter performance, our overall financial results for

the nine months ended July 31, 2018 has brought the Group back into positive earnings territory for fiscal year 2018. We remain strong on cash with \$6.7 million at the end of the third quarter, are generating cash flow from our operations, and have accomplished a significant reduction in our long-term debt from \$7.279 million to \$1.637 million. This gives the Group added strength. Even though on a year-to-date basis we are behind our business plan, largely due to delays in receiving the backlog of defense orders for both financial years 2017 and 2018, we are pleased that we are back in positive earnings territory and look forward to expected increased order flow in the coming months,” concluded Ms. Gayle.

CODA reported overall total revenue of \$5.778 million for the three months ended July 31, 2018, compared to \$5.044 million for the comparable quarter ended July 31, 2017, an increase of 14.6%. Revenues in the engineering segment increased 15.5% compared to the third quarter of 2017, and revenues in the products business increased by 14.2% over the same period. The increase in revenues in the three months ended July 31, 2018 is largely due to an increase in product orders across both business segments. R&D expenditures were, as per the Group’s business plan, 165% higher over the previous quarter at approximately \$530,000. Gross margins across the Company were stronger at 73%, compared with 61% in the comparable quarter.

The Company reported a net income of approximately \$1.998 million or \$0.19 per share for its fiscal third quarter 2018, compared to net income of \$1.125 million or \$0.12 per share for the comparable quarter ended July 31, 2017. Operating expenses for the fiscal third quarter were \$2.171 million, compared to \$1.917 million for the comparable quarter, an increase of 13.2%, attributed to an increase in R&D of \$330,274 and a decrease of \$76,422 in Selling, General and Administrative (SG&A) expenditures. The increase in operating expenses includes \$193,511 in non-recurring costs attributable to operational rationalization, as described in the Company’s current quarterly report.

For the first nine months of fiscal year 2018, ended July 31, 2018 CODA reported overall total revenue of \$12.355 million, compared to \$15.681 million for the comparable period ended July 31, 2017, a reduction of 21.2%. Revenues in the Group’s engineering businesses declined 35.1%, compared to the nine months of 2017; revenues in the products business declined 11.4% over the comparable period. R&D expenditures were significantly higher at \$1.841 million, an increase of 163.4%, compared to the nine months of 2017. This was primarily attributable to the continued development of the fourth-generation Echoscope® product line. Gross margins were stronger across the Group, at 72% compared with 62% for the comparable period last year. The Company reported a net income of approximately \$1.752 million or \$0.18 per share for its fiscal first nine months of 2018, compared to a net income of \$3.972 million or \$0.44 per share for the comparable period ended July 31, 2017. The decrease in net income was primarily due to the decrease in revenues generated by the Company’s two business segments over the nine-month period; a significant increase in R&D expenditures in line with budgetary expectations, and a hiatus in orders in the products business in the first two fiscal quarters due to the marine industry’s primary international trade show, Oceanology International, held every two years and occurring in late March, which resulted in potential customers waiting to place orders. Operating expenses for the fiscal year’s first nine months were \$7.014 million, compared to \$5.441 million for the comparable period in 2017, an increase

of 28.9%, attributed to an increase in R&D of \$1,142,302 and an increase of \$430,261 in SG&A expenditures. The increase in operating expenses includes \$740,258 in exceptional non-recurring costs, a significant portion of which is attributable to operational rationalization, as described in our quarterly report for the third quarter.

The Company's full financial results including its report for the third quarter of Fiscal Year 2018 are available at www.nasdaq.com/symbol/coda/sec-filings.

About Coda Octopus Group, Inc.

The Company, founded in 1994, manufactures and markets patented real-time 3D/4D subsea sonar technology, Echoscope[®], which enables real-time 3D/4D imaging and mapping in zero visibility conditions underwater, and is used globally in numerous applications including defense, marine construction, oil and gas subsea infrastructure installation and surveys, and port and harbor security. 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. 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, 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/4D 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, 2017, filed with the Securities and Exchange Commission on January 30, 2018. 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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