

Ocean Power Technologies, Inc.

Form 10-Q

March 14, 2011

Table of Contents

**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, 2011

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):

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, 2011, the number of outstanding shares of common stock of the registrant was 10,411,498.

OCEAN POWER TECHNOLOGIES, INC.
INDEX TO FORM 10-Q
FOR THE THREE AND NINE MONTHS ENDED January 31, 2011

	Page Number
<u>PART I FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements (unaudited):</u>	
<u>Consolidated Balance Sheets as of January 31, 2011 and April 30, 2010</u>	3
<u>Consolidated Statements of Operations for the Three and Nine Months Ended January 31, 2011 and 2010</u>	4
<u>Consolidated Statements of Cash Flows for the Nine Months Ended January 31, 2011 and 2010</u>	5
<u>Consolidated Statements of Stockholders' Equity and Comprehensive Loss for the Nine Months Ended January 31, 2011 and 2010</u>	6
<u>Notes to Consolidated Financial Statements</u>	7
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	28
<u>Item 4. Controls and Procedures</u>	29
<u>PART II OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	29
<u>Item 1A. Risk Factors</u>	29
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	30
<u>Item 3. Defaults Upon Senior Securities</u>	30
<u>Item 5. Other Information</u>	30
<u>Item 6. Exhibits</u>	31
<u>Ex-10.1: Form of Restricted Stock Agreement</u>	
<u>EX-31.1: CERTIFICATION</u>	
<u>EX-31.2: CERTIFICATION</u>	
<u>EX-32.1: CERTIFICATION</u>	
<u>EX-32.2: CERTIFICATION</u>	

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.

Table of Contents

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 other 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, 2010 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.

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

	January 31, 2011	April 30, 2010
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,502,624	4,236,597
Marketable securities	25,538,538	32,536,001
Accounts receivable, net	720,699	1,474,600
Unbilled receivables	649,863	448,686
Other current assets	693,291	1,005,885
Total current assets	37,105,015	39,701,769
Property and equipment, net	543,486	710,563
Patents, net	1,132,542	1,036,881
Restricted cash	1,480,136	1,205,288
Marketable securities	16,324,661	28,865,046
Other noncurrent assets	726,010	1,458,646
Total assets	\$ 57,311,850	72,978,193
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 1,126,407	1,843,378
Accrued expenses	3,306,877	4,092,113
Unearned revenues	752,038	1,101,541
Current portion of long-term debt	114,378	95,386
Total current liabilities	5,299,700	7,132,418
Long-term debt	475,000	250,000
Deferred credits	600,000	600,000
Other noncurrent liabilities		140,685
Total liabilities	6,374,700	8,123,103
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	10,419	10,391

Edgar Filing: Ocean Power Technologies, Inc. - Form 10-Q

Common stock, \$0.001 par value; authorized 105,000,000 shares, issued 10,419,183 and 10,390,563 shares, respectively		
Treasury stock, at cost; 6,673 and 1,072 shares, respectively	(37,302)	(6,443)
Additional paid-in capital	156,680,382	155,726,672
Accumulated deficit	(105,541,701)	(90,413,098)
Accumulated other comprehensive loss	(202,736)	(503,322)
Total Ocean Power Technologies, Inc. stockholders' equity	50,909,062	64,814,200
Noncontrolling interest in Ocean Power Technologies (Australasia) Pty Ltd	28,088	40,890
Total equity	50,937,150	64,855,090
Total liabilities and stockholders' equity	\$ 57,311,850	72,978,193

See accompanying notes to consolidated financial statements (unaudited).

Table of Contents

Ocean Power Technologies, Inc. and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended January		Nine Months Ended January	
	31,		31,	
	2011	2010	2011	2010
Revenues	\$ 1,523,601	856,482	4,762,415	2,749,294
Cost of revenues	1,453,397	691,090	4,818,623	2,243,465
Gross profit (loss)	70,204	165,392	(56,208)	505,829
Operating expenses:				
Product development costs	2,026,336	3,681,118	9,731,592	8,467,866
Selling, general and administrative costs	1,884,950	2,557,931	6,060,705	6,915,435
Total operating expenses	3,911,286	6,239,049	15,792,297	15,383,301
Operating loss	(3,841,082)	(6,073,657)	(15,848,505)	(14,877,472)
Interest income, net	148,480	231,683	546,829	764,504
Other income		17,668		549,258
Foreign exchange (loss) gain	(38,014)	172,128	(205,824)	674,517
Loss before income taxes	(3,730,616)	(5,652,178)	(15,507,500)	(12,889,193)
Income tax benefit	364,105		364,105	
Net loss	(3,366,511)	(5,652,178)	(15,143,395)	(12,889,193)
Less: Net loss (income) attributable to the noncontrolling interest in Ocean Power Technologies (Australasia) Pty Ltd.	3,693	2,682	14,792	(50,551)
Net loss attributable to Ocean Power Technologies, Inc.	\$ (3,362,818)	(5,649,496)	(15,128,603)	(12,939,744)
Basic and diluted net loss per share	\$ (0.33)	(0.55)	(1.48)	(1.27)
Weighted average shares used to compute basic and diluted net loss per share	10,248,092	10,213,900	10,242,528	10,211,536

See accompanying notes to consolidated financial statements (unaudited).

Table of Contents

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

	Nine Months Ended January 31,	2011	2010
Cash flows from operating activities:			
Net loss	\$	(15,143,395)	(12,889,193)
Adjustments to reconcile net loss to net cash used in operating activities:			
Foreign exchange loss (gain)		205,824	(674,517)
Depreciation and amortization		270,209	274,226
Loss on disposals of property, plant and equipment		933	
Treasury note premium amortization		57,752	135,325
Compensation expense related to stock option grants and restricted stock		953,738	872,109
Changes in operating assets and liabilities:			
Accounts receivable		776,316	64,961
Unbilled receivables		(192,577)	76,224
Other current assets		325,440	12,858
Other noncurrent assets		756,172	(191,505)
Accounts payable		(715,927)	423,534
Accrued expenses		(787,537)	(553,942)
Unearned revenues		(351,625)	549,983
Other noncurrent liabilities		(142,586)	133,505
Net cash used in operating activities		(13,987,263)	(11,766,432)
Cash flows from investing activities:			
Purchases of marketable securities		(7,528,436)	(34,048,490)
Maturities of marketable securities		27,011,971	41,838,886
Restricted cash		(250,000)	(250,000)
Purchases of equipment		(67,356)	(199,089)
Payments of patent costs		(190,547)	(119,017)
Net cash provided by investing activities		18,975,632	7,222,290
Cash flows from financing activities:			
Proceeds from long-term debt		250,000	
Repayment of debt		(6,008)	(93,398)
Acquisition of treasury stock		(30,859)	

Edgar Filing: Ocean Power Technologies, Inc. - Form 10-Q

Net cash provided by (used in) financing activities	213,133	(93,398)
Effect of exchange rate changes on cash and cash equivalents	64,525	837,636
Net increase (decrease) in cash and cash equivalents	5,266,027	(3,799,904)
Cash and cash equivalents, beginning of period	4,236,597	12,267,830
Cash and cash equivalents, end of period	\$ 9,502,624	8,467,926

Supplemental disclosure of noncash investing and financing activities:

Capitalized patent costs financed through accounts payable and accrued expenses	\$ 6,429	13,419
Capitalized purchases of equipment financed through accounts payable and accrued expenses	1,956	6,894

See accompanying notes to consolidated financial statements (unaudited).

Table of Contents

Ocean Power Technologies, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity and
Comprehensive Loss
(Unaudited)

	Common Shares		Treasury Shares		Additional	Accumulated	Other	Total Ocean	Int
	Shares	Amount	Shares	Amount	Paid-In Capital	Comprehensive Deficit	Comprehensive Loss	Power Technologies, Inc, Noncon Stockholders Equity	
2009	10,210,354	\$ 10,210		\$	154,568,931	(71,242,791)	(553,323)	82,783,027	
						(12,939,744)		(12,939,744)	50
translation adjustment							292,180	292,180	1
loss								(12,647,564)	52
l to stock option grants and					872,109			872,109	
d unvested restricted stock	180,209	181			39,806			39,987	
2010	10,390,563	\$ 10,391		\$	155,480,846	(84,182,535)	(261,143)	71,047,559	52
2010	10,390,563	\$ 10,391	(1,072)	\$ (6,443)	155,726,672	(90,413,098)	(503,322)	64,814,200	40
translation adjustment						(15,128,603)		(15,128,603)	(14
loss							300,586	300,586	1
l to stock option grants and					953,738			953,738	
d unvested restricted stock	28,620	28			(28)				
ry stock			(5,601)	(30,859)				(30,859)	
2011	10,419,183	\$ 10,419	(6,673)						