



30 January 2023

## **Fluence Corporation Quarterly Activities Report**

Fluence Corporation Limited (ASX: FLC; the “Company”) presents its Quarterly Activities Report and accompanying ASX Appendix 4C (the “Quarterly Cashflow Report”) for the quarter ended 31 December 2022 (“Q4 2022”). All financial numbers herein are subject to audit finalization and are in US dollars unless noted otherwise.

### **Q4 and FY 2022 Summary**

The Company is pleased to report that it has exceeded its adjusted underlying EBITDA guidance, resulting in its third consecutive year of being EBITDA-positive. Revenue ended slightly below adjusted guidance primarily on account of continued Covid-related slowdown in China. Strong recurring revenue and pipeline growth underpin expectations for revenue and EBITDA growth in 2023. Key achievements for Fiscal Year 2022 (“FY 2022”) include:

- **FY 2022 EBITDA<sup>1</sup> of \$2.3M versus adjusted guidance of \$2M** – a significant increase over FY 2021 EBITDA of \$0.1M (in both cases, including the Italy business formerly held for sale).
- **Q4 Revenues of \$25.9M; FY 2022 Revenue of \$119.1M up 6.6% over FY 2021** - below adjusted guidance of \$123M.
- **SPS Revenues for FY 2022 of \$35.2M**, below adjusted guidance of \$38M due in large part to the continued Covid-related business slowdown in China.
- **Recurring Revenue in FY 2022 of \$9.7M, up 43% from FY2021.**
- **Operating Cash Flow Positive \$3.9M in Q4 2022** – Overall cash flow was negative \$20.5M for FY 2022, in-line with expectations.
- **Net Cash Position of \$30.9M** – in addition to \$13.6M in short and long-term liquid investments provides adequate operating reserves.
- **Guidance reflects a strong outlook for FY 2023** – guiding combined SPS and Recurring Revenue growth of more than 65% versus FY 2022 due to a bolstered team and strong pipeline.

### **Key Wins in Q4 2022**

During Q4, the Company secured several new wins that were not announced publicly, including:

- A \$1.2M contract with Coca-Cola at their bottling plant in Cordoba, Argentina to turn industrial wastewater into industrial service water. The Company anticipates an O&M and supply contract to follow; and
- A 2-year O&M and supply contract with a subsidiary of Dow Inc. in Argentina to operate an ultrapure industrial water plant the customer purchased from Fluence in 2018. The Recurring Revenue contract is expected to generate approximately \$1M over 2-years for the Company.

Also as previously announced, Fluence secured three strategic wins in Q4 2022 including:

---

<sup>1</sup> Underlying EBITDA excludes any significant one-off items.

- Our first SPS wastewater treatment plant sale in Taiwan, which is now due to be commissioned in February 2023 in Taoyuan City. Fluence will also operate the plant for at least 18 months following commissioning. The plant will serve approximately 13,000 people and the value of the contract is approximately \$520k;
- The Company's first MABR contract in Korea for Seojin Energy Co with a value of \$200k. The Nitro unit is targeted for delivery during Q1 2023. This will be the first Nitro installation in Asia to treat highly concentrated wastewater, with elevated levels of ammonia and nitrogen that could not be treated successfully using traditional approaches; and
- The Company won an additional contract with existing customer Eramine to treat lithium brine and soda ash streams at a lithium mine in Argentina. The contract is valued at \$1.9M, bringing the total value of Fluence projects at this site alone to over \$10M.

## **Ivory Coast Progress**

In FY 2022, Fluence continued its successful execution of the Ivory Coast Water Treatment Project, including achieving sign-off on Milestones 6, 7 and 8, resulting in receipt of €36.0M (\$37.9M) of payments. In addition, the Company secured the release of €8.3M (\$9.7M) of the advanced payment that had been held back. The project has now recognized 91.1% of total revenue and 80.4% collected from the customer. The final €16M of revenue is anticipated to be recognized in FY 2023 with plant commissioning expected in Q3 2023. The latest video showing plant progress is available on the Fluence YouTube channel and can be viewed at <https://youtu.be/2JMo63o3WY8>.

## **Repositioning and Reorganization Status**

The repositioning and reorganization announced in November 2022 is well underway with a \$3.5M reserve taken in Q4 2022 to implement this restructuring. CFO Ben Fash joined the Company at the beginning of January and Chief Operating Officer Tony Hargrave will be departing in Q1 2023. The Company does not currently anticipate filling the COO position with a new hire.

## **Q4 and FY 2022 Commentary**

Reflecting on Q4 2022 and FY 2022 as well as the outlook for FY 2023, Fluence CEO and Managing Director Thomas Pokorsky said:

"We are pleased to achieve FY 2022 EBITDA of \$2.3M, exceeding our adjusted guidance despite the shortfall in both total and SPS revenue, primarily due to the continued challenging business and operating environment in China. We are particularly encouraged to see strong growth in our recurring revenues from BOO projects and O&M contracts as well as sales of aftermarket parts. This is a very important focus for us going forward."

"We are also encouraged by the progress we have made on our restructuring and reorganization plan along with enhancing our US sales team with further additions anticipated this quarter. And despite the challenges we've faced in China over the past 2 years, we are cautiously optimistic about the re-opening in China and the potential positive impact on orders and sales. For these reasons, we're seeing growth in our sales pipeline in the Americas and Asia."

"As we advance our repositioning, we continue to focus on the growth of SPS and recurring revenue including all BOO-related revenues. These revenue streams offer higher margins, faster execution times and repeat customers. We continue to de-emphasize CES projects, which consist almost entirely of the Ivory Coast project. For FY 2023, we expect significant growth in both SPS and Recurring Revenue, leading to accelerated EBITDA growth. This growth is anticipated to come from the Americas and Asia, supported by a recovering China business environment."

"I am particularly excited to welcome Ben Fash to the Company as our new CFO. Ben and I have worked together for almost 10 years successfully delivering profitable growth in the water industry. Finally, I would like to thank our departing COO Tony Hargrave for his contributions over the last 5 years and wish him the very best of success in future endeavours. Investors will note new options issued to Ben and two other existing senior managers as reflected in form 3G also filed today. These grants are in line with option awards typical for senior managers in North America and are subject to both time and performance vesting. Note also that more than 6.7M options have lapsed or been forfeited during the course of FY 2022."

### **FY 2023 Guidance**

- Guidance for total revenue of \$95-100M in FY 2023, including SPS and Recurring Revenue of \$75-80M, together representing meaningful growth over FY 2022.
- EBITDA of \$4M, an increase of more than 70% over FY 2022.

### **Q4 2022 Cash Flows**

The Appendix 4C quarterly cashflow report for Q4 2022 is attached.

Cash and Cash Equivalents at 31 December 2022 were \$30.9M. In addition, the Company held \$13.6M in short and long-term deposits, of which \$11.6M is applied as collateral for bank guarantees for the Ivory Coast Project. Most of these guarantees are expected to be released to the Company during the course of FY 2023 as the Ivory Coast project is completed and commissioned. Net Cash generated by Operating Activities in Q4 2021 was \$3.9M, in addition to a \$1.4M redemption of a short-term investment. Collections during Q4 were \$38.5M, of which approximately \$14.2M was received from the Ivory Coast Project.

The weakening of the Euro relative to the US dollar during 2022 resulted in a reduction in expected revenue, receipts and EBITDA from the Ivory Coast Project. Exchange rate fluctuations resulted in the recognition of the exchange rate gain in the Group's profit and loss statement in Q4, but an overall exchange rate loss for 2022. This is also reflected in the negative foreign currency translation reserve movement in the statement of changes in equity.

### **Quarterly Update – Conference Call**

Thomas Pokorsky (CEO and Managing Director), Ben Fash (CFO) and Richard Irving (Chairman) will host an investor conference call regarding the Company's quarterly update on Monday 30 January 2023 at 9.30am Melbourne Time (AEST) / Sunday 29 January 2023 at 5:30pm US EST.

For those wishing to dial into the call or access the webcast, you must register in advance via the link:

<https://s1.c-conf.com/diamondpass/10028414-kd91qv.html>

Questions must be submitted electronically through the webcast interface.

A link to the archived webcast will be accessible on the Company's website following the call:

<https://www.fluencecorp.com/investor-news/>

-ENDS-

**For further information, please contact:**

**Australia**

Andrew Angus  
Investor Relations  
E: [andrewangus@overlandadvisers.com.au](mailto:andrewangus@overlandadvisers.com.au)  
P: +61 402 823 757

**United States of America**

Thomas Pokorsky  
CEO and Managing Director  
E: [rirving@fluencecorp.com](mailto:rirving@fluencecorp.com)

This announcement is authorised for lodgement on the ASX by Thomas Pokorsky CEO and Managing Director, Fluence Corporation Limited.

**About Fluence Corporation Limited (ASX: FLC)**

Fluence is a leader in wastewater treatment and reuse, high-strength wastewater treatment, wastewater-to-energy, industrial and drinking water markets, with its pre-engineered, standardized Smart Products Solutions (SPS), including Aspiral™, NIROBOX™, SUBRE and Nitro. In addition to rapid delivery and commissioning of solutions to meet a broad range of needs from smaller communities to city-scale systems, Fluence offers ongoing operation and maintenance support, Build Own Operate (BOO) and other recurring revenue solutions. Fluence has a broad international footprint and focuses on high growth markets including North America and South East Asia.

Further information can be found at <https://www.fluencecorp.com/>

**Forward looking statements**

"This quarterly business update contains "forward-looking" statements. Forward looking words, such as "expect", "anticipate", "should", "could", "may", "predict", "plan", "will", "believe", "forecast", "estimate", "target" and other similar expressions are intended to identify forward-looking statements. Forward-looking statements, opinions and estimates provided in this update are based on estimates and assumptions related to future business, contractual, economic, market, political and other conditions that, while Fluence considers them to be reasonable, are inherently subject to significant uncertainties, contingencies and (potentially) delays.

Many known and unknown factors could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward-looking statements. Such factors include, but are not limited to operating, competition and development risks, economic and political risks, economic uncertainty associated with COVID-19, and a number of other risks and also include unanticipated and unusual events, many of which are beyond Fluence's ability to control or predict.

---

**USA**

7135 Madison Avenue West  
Minneapolis, MN 55427  
Phone: +1-763-746-8400  
Facsimile: +1-763-746-8408

---

**Fluence Corporation Limited**

ABN: 52 127 734 196  
[www.fluencecorp.com](http://www.fluencecorp.com)

---

**AUSTRALIA**

Level 4, 96-100 Albert Road,  
South Melbourne, Victoria 3205  
Phone: + 61 3 9692 7222  
Facsimile: + 61 3 9077 9233

---