

**Fourth Quarter 2019 Business Update
Conference Call
Webcast Script**

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Henry Charrabé, Managing Director & Chief Executive Officer:

Thank you, operator.

Good morning to those of you in Australia, and good evening to our US listeners. My name is Henry Charrabé, Managing Director and CEO of Fluence, and I am joined on the call today by Francesco Fragasso our Chief Financial Officer.

To begin the call, I will start by providing some detail about our operational performance over Q4 2019, and importantly, the positive outlook for Fluence in 2020. I will then hand over the call to Francesco to cover the Q4 cash flow metrics, and finally we will answer questions you might have.

I also want to note that all financial references are in US Dollars and that we will make forward-looking statements, which are protected under the safe harbor provisions of Australian securities law. Further details are provided in the ASX release.

By now, you have hopefully had the opportunity to review our Q4 2019 business update, along with the Appendix 4C cash flow report that were released on the ASX on Friday. As Francesco and I were in Argentina last week for important business meetings, we were both on planes returning to the United States Thursday evening. As such, our quarterly business update and cashflow report could only be lodged on Friday afternoon and our call scheduled for this morning in Australia. So rather than summarize the releases as the market has had time to absorb our quarterly update, we would like to provide additional context, and highlight some of the key points.

We were very excited to announce to the market the very significant financial close for the Ivory Coast project in early January. Signing the financial agreements for the Ivory Coast Project 7 days into the new year, deferred the timing of Fluence achieving sustainable EBITDA profitability by one fiscal quarter. It has now underpinned our ability to deliver strong growth in revenue, as well as earnings in FY 2020. Achievement of financial close allows Fluence to immediately recognize no less than \$20 million of revenue for work that has already largely been completed.

The margin contribution from this project allows Fluence to remain EBITDA profitable and focus even more of our efforts in expanding our activities in the decentralized, pre-engineered Smart Products Solutions segment of our business.

Fluence becoming EBITDA positive is an important achievement, opens a new chapter in Fluence's story, and allows us to plan for 2020 and beyond. Although we are focused on making sure that Fluence will remain EBITDA profitable, we also believe that our 2020 revenue will exceed annual revenues of 2019 and 2018 respectively.

With planning work on the Ivory Coast Project now largely completed, Fluence can fully focus on moving towards construction commencement of this important turnkey water treatment plant.

The substantial contract backlog amounting to \$265 million as at 31 December 2019 provides us with revenue visibility, mainly for our Custom-Engineered-Solutions business, which will be the bulk of 2020 and 2021 revenues due to the size of the Ivory Coast Project.

In addition, Fluence continues to help create the industry narrative on the new strategic approach of decentralized and distributed, pre-engineered Smart Products Solutions for water and wastewater treatment applications. We are very pleased that our Smart Products Solutions continued to gain traction, and we are seeing continued strong growth.

The size of the SPS opportunity and pipeline has never been greater, especially in China, where SPS revenue is expected to double from 2019's record level. 2020 SPS guidance is underpinned by the previously announced Chinese partnerships, which provides us strong visibility for the 20%+ growth. Guidance is for at least \$32 million, with upside from ex-China markets and new China partnerships, both of which have been treated conservatively in calibrating guidance due to lower visibility.

Our revenue from China was approximately \$8 million in the last quarter of 2019. As anticipated, the strong final quarter of 2019, helped to underpin Smart Products Solutions revenue for the full year of \$26.5 million, representing 20% year on year growth, and exceeding our previously revised guidance of \$26 million for this strategic product segment.

MABR sales continue to materialize in China, representing the bulk of our MABR revenue. Our flagship MABR-based products continue to build a strong sales pipeline in China. We have received multiple contracts during 2019 through our channel partners and, in coordination with provincial governments, are creating the foundation of a strong platform for future growth for our products in the region. We expect that

in 2020, we can further strengthen our market position in China, by signing additional volume partnerships.

As a result of this strong demand, and the support by both existing and new investors during the October capital raising, we have established new MABR assembly lines in Yiyang and Panjin.

As all of us around the world follow the dynamic situation regarding the outbreak of the coronavirus in China, Fluence is monitoring any impact it may have on our business, and particularly as it relates to the well-being of our staff. At the moment, we are not aware of any negative implications for our staff or our 2020 business forecast as a result of the outbreak. But we will obviously continue to closely monitor the situation.

It's important to remember just why we are so excited by the opportunities we see for Fluence longer term given our environmentally safe and sustainable products that help governments and corporations combat the negative effects of pollution and reduce energy use.

Our Smart Products Solutions save on average 19 gigawatts per hour annually, compared to conventional technologies. This is equivalent to saving about 13,500 tons of CO₂ emissions, and in addition to this pollution reduction, Fluence's waste-to-energy installations around the world produce biogas from biomass and generate approximately 120 gigawatt hours annually of clean energy.

As we live in a time where pollution, and water scarcity particularly, is one of the most important areas of focus across multiple regions around the world, we are committed to decreasing traditional, fossil-fuelled energy production. Currently, Fluence is removing 500 tons of excess nitrogen and phosphorus annually and recycles more than 8.6 billion litres of water through our wastewater solutions.

We are committed to continuing our work to provide products which align with the United Nations' Sustainable Development Goals.

Let me now turn to our recurring revenue segment. Our guidance for this segment in 2020, is that revenues are expected to grow a further 30% to \$9 million compared to \$7 million in 2019. During the year, we successfully completed the Bahamas project, which is expected to deliver annual recurring revenue of \$1.7 million for 15 years. We have also begun development work on our Peru project, which should reach commercial operation during the second half of 2020 and is expected to generate \$3 million of annual recurring revenue over a 10-year period once completed.

As for San Quintin, Fluence expects to receive guidance from the State Water Commission of Baja California (CEA) and the local municipality, in Q1 2020, following completion of an ongoing re-evaluation of all projects undertaken by the new local

government in Mexico, which had been inaugurated in the fall of 2019. This guidance from CEA will then enable construction to commence thereafter.

Before turning the call over to Francesco, I would like to briefly remind everyone of our established policy with respect to disclosure of material contracts on the ASX platform. Only new contracts with a value greater than \$3 million or that are strategic wins are published to the ASX platform. If there are brief periods of time where no such announcements are made, we can assure you that this does not mean we are not actively pursuing and executing new contracts. It may simply mean the contracts we execute in that period do not rise to the level where they warrant public disclosure. Of course, all of the contracts we execute, regardless of disclosure, build our backlog and grow revenues even if no announcements are being released by the company with respect to each and every contract.

I would like to turn over the call to Francesco Fragasso to discuss our Q4 2019 revenue and cashflows. Francesco, please go ahead.

Francesco Fragasso, Chief Financial Officer:

Thank you, Henry.

We expect to release our audited 2019 financial results by the end of March, but I would like to share some preliminary unaudited results with you.

Fourth quarter unaudited revenue of \$23.4 million was negatively impacted by the delays of the San Quintin and Ivory Coast projects. Unaudited revenue for 2019 will be approximately \$60 million.

In addition to the \$20 million from Ivory Coast, which will now be recognized in Q1 2020 and the about \$18 million from San Quintin, which were expected in 2019, there has also been a delay in recognizing revenues from new orders booked at the beginning of 2019, such as the \$10 million contract won in Brazil and \$20 million New Mansoura contract won in Egypt, just to mention the largest. Both contracts are signed and already in the execution phase and will contribute to 2020 revenue. This delay impacted the timing of revenue recognition mainly for the CES segment in 2019.

Second half 2019 unaudited revenue was \$37.1 million, of which: 50% or \$18.3 million was derived from Smart Products Solutions; \$3.9 million from Recurring Revenue and After-market; and \$15 million from Custom Engineered Solutions. Revenue from Smart Products Solutions increased 20% year on year.

We are very pleased to continue to transform the organization by reducing overhead costs, with at least unaudited annual savings of \$5 million in 2019, achieving a 12% reduction year on year. This reflects the Company's continued shift towards pre-engineered Smart Products Solutions, which require lower headcount and lower overhead.

With the financial close of the Ivory Coast Project, we will be sustainably EBITDA positive from the beginning of the year.

Historically, Fluence's revenue has been skewed to the second half of the year, however given the financial close of Ivory Coast, we can expect a more balanced year in 2020.

Turning now to cashflow. Cash and Cash Equivalents stood at \$21.9 million at the end of 2019. In addition, the Company held \$5 million in term deposits. Net Cash used from operating activities in Q4 was \$9.3 million, approximately \$3.3 million higher than what we had forecasted previously. This is caused by the delay of receiving two payments in December from CES contracts in the Middle East. One million has already been collected in January and the second payment of \$2 million is expected in the coming weeks.

Based on current contracts, we expect \$22 million of cash receipts from customers during Q1 and cash payments of \$27.8 million, resulting in an expected net operating cash outflow of \$5.8 million. While cash outflow in Q1 2020 includes payments related to work already performed for the Ivory Coast project, the first disbursement from this Project, is only expected in Q2 2020.

Our contract backlog of \$265 million underpins our near-term goals, and we have the capacity to utilize non-dilutive funding options to capitalize on the opportunities ahead of us.

Let me now turn the call back to Henry.

Henry Charrabé, Managing Director & Chief Executive Officer

Thank you, Francesco.

As I discussed earlier, our Smart Products Solutions continue to grow strongly, led by the demand for our Aspiral and SUBRE products.

Fluence's plan for 2020 is to continue to execute its strategy to be a leader in the global decentralized water, wastewater and reuse treatment markets. Our focus will be on executing the Ivory Coast Project to budget, increased sales of Smart Products Solutions - particularly in China - and securing further recurring revenue contracts.

To summarize, we are providing the following outlook for FY 2020:

- Our Smart Products Solutions revenue is expected to grow to at least US\$32 million, a more than 20% increase from FY 2019
- Our recurring revenue is expected to continue to grow by 30% to US\$9 million as compared to FY 2019 of US\$7 million.
- And we expect to be sustainably EBITDA positive in FY 2020.

With water scarcity increasing and having seen the impacts of pollution, our conviction in the thesis that there will be strong and growing demand for decentralized, pre-engineered Smart Products Solutions for water and wastewater treatment has only strengthened.

We believe our market position is very strong. There is growing acceptance of our proprietary MABR technology. We are well positioned to deliver on the high expectations we have for Fluence in 2020 and beyond, and thank you for your interest in Fluence, and especially to our supportive shareholders.

Francesco and I are scheduled to visit Australia during the first week in March and look forward to meeting with many of you in person.

I will now hand back over to the operator for Q&A instructions. Operator, could you please repeat the instructions for how to submit questions?