



29 April 2021

## **Fluence Corporation Q1 2021 Quarterly Business Update**

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 March 2021 (“Q1 2021”). All financial numbers herein are in US dollars.

### **Q1 2021 Summary**

- **New orders of \$13.3M** - an 11% increase on Q4 2020 and a 6% increase on Q1 2020
- **Smart Product Solutions (“SPS”) new orders of \$7.5M** - up 36% on Q4 2020 inc. \$5.0M in China bookings
- **Strong Revenue Growth in Key Areas** – Revenue of \$18.2M with SPS revenue up 28% on Q1 2020 and China up 38% on Q1 2020 showing strong China momentum
- **Backlog Strong** - \$191M contracted backlog of which SPS backlog is \$23M, showing strong SPS momentum
- **Cost Out Improvement** - Continued operating efficiency gains - operating expenses down 10% on Q4 2020.
- **Cashflow Consistent With Plan** - Operating cash outflow of \$21M, \$13M of which was due to anticipated Ivory Coast project expenses, after receiving \$60M in payments for this project in Q4 2020.
- **Net Cash Position** - Cash balance of \$14.9M plus \$27.4M in short and long-term liquid investments provides adequate operating reserves.

### ***Smart Products Solutions (SPS) and Business Development***

Strong sales growth and partner engagement in China and South East Asia including key wins in China and Taiwan, with continued project execution and partner and pipeline development in the Middle East.

### ***Ivory Coast Progress***

Continued on time execution of the Ivory Coast Water Treatment Project, including completion of all items allowed invoicing on 2 April 2021 of the next milestone payment. Cash outflows in Q1 were as scheduled and the project remains cash flow positive overall as a result of payments received in 2020.

### ***Strategic Focus***

Key target segments now include USA:

- MABR wastewater solutions in China and South East Asia
- NIROBOX™ desalination solutions in the Middle East and South East Asia
- Recurring revenue opportunities in USA & Caribbean targeting water as a service to commercial customers
- The Ivory Coast Water Treatment Project

### **FY2021 Outlook**

Strongly positioned for growth with reiterated guidance for SPS sales in the range of \$35 – 50M and positive

underlying EBITDA<sup>1</sup> for FY 2021.

## **Q1 2021 Commentary**

Reflecting on Q1 2021 and the outlook for the remainder of FY 2021, Fluence Chairman and Chief Executive Officer Richard Irving, said:

“The first calendar quarter is usually the slowest of the year for Fluence, and COVID-19 related travel quarantines slowed down face-to-face meetings, plant commissioning and new orders. Despite these factors, we are very pleased with this quarter’s results and remain on track to deliver guidance for the year. Our MABR volume partnerships in China have now reached the national level, an important milestone in driving further sales growth and momentum. Our NIROBOX™ win in Taiwan was due to our ability to ship and commission these desalination units rapidly, as well as their small footprint and energy efficiency. With 120 units already sold into 28 plants, we anticipate significant additional NIROBOX business in South East Asia and the Middle East. Meanwhile we continue to execute the Ivory Coast Project which remains on target for completion in early 2023.”

## **Q1 2021 Detailed Business Update**

### ***Smart Product Solutions (SPS) – MABR and NIROBOX™***

With the Q1 contracts from China, the Company has now sold 250 MABR plants and is recognised as a market leader with this technology. The highest growth MABR markets in the near-term continue to be China and South East Asia, with near-term potential for water reuse as a service in the USA and Caribbean.

#### ***China***

Despite continued COVID-19 quarantines significantly slowing travel that is critical to secure new orders, China delivered strong bookings of \$5.0M. This included a volume contract with Three Gorges Group for the Great Protection of Yangtze River (“Three Gorges”) and existing volume partner Aerospace Kaitian Environmental Protection Technology Co., Ltd., as well as repeat orders from Beijing China Railway Science New Technology Co. Ltd. (“China Rail”). Both Three Gorges and China Rail are state owned enterprises (“SOE’s”) with national scope. Existing and prospective China partners, particularly those with national scope, are key to our future growth.

Fluence received the Breakthrough Technology Award for its MABR technology and the Award For Operating Stability for its SUBRE plant in Panjin, Liaoning province at the most recent China Rural Wastewater Union Annual Conference.

These awards, combined with Fluence’s market leading position, help to further underpin Fluence’s strong and growing reputation in China and South East Asia.

#### ***South East Asia***

Fluence’s \$2.4M contract to supply 3 NIROBOX™ units to drought-stricken Taiwan leverages a proven product with quick turnaround time. Commissioning is anticipated in Q2 2021. The units will be installed in Taichung and will convert sea water into enough fresh water to meet the needs of up to 30,000 people in central Taiwan. Fluence partner ADE Corporation facilitated the order from the Water Resources Agency, which is part of the Ministry of Economic Affairs of Taiwan.

---

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

Fluence's MABR plants in Cambodia, the first wastewater treatment plants of any kind in the country, are nearing completion and we are pursuing additional projects. Given these successful deployments and strong local relationships, Fluence anticipates continued business growth in these and other South East Asian countries, driven both by enforcement of stricter wastewater treatment standards and steadily worsening water scarcity as local economies develop.

### ***Middle East***

NIROBOX™ and related desalination products are well established with 120 units sold to date. As in other geographies, Fluence continues to develop strong partnerships to accelerate sales and several such discussions are underway, driven by a number of near-term projects in the pipeline.

### ***Ivory Coast***

In Q1 2021 Fluence continued to execute the Ivory Coast Project including significant scheduled disbursements to suppliers and subcontractors. All necessary work was completed in the quarter to enable the Company to bill the next milestone payment on 2 April 2021. Fluence anticipates receiving a net payment of €16.5M (approx. US\$20M) during Q2 2021. As with all such large projects, cash flows will fluctuate quarter by quarter. As anticipated, the significant payments received in Q4 2020 funded significant cash outflows in Q1 2021. The Ivory Coast Project is cash flow positive overall as a result of payments received in 2020 and is forecast to remain cashflow positive for the duration of the project.

### **Q1 2021 Cash Flows**

The Appendix 4C quarterly cashflow report for Q1 2021 is attached.

Cash and Cash Equivalents were \$14.9M as at 31 March 2021. In addition, the Company held \$27.4M in short and long-term deposits, of which \$22.4M is applied as collateral for bank guarantees for the Ivory Coast Project which will be released over the next 18 months. Net Cash used in Operating Activities in Q1 2021 was \$(20.9)M, of which \$5.5M was funded through the redemption of a short term investment. Revenue in Q1 2021 was \$18.2M, of which \$3.7M was derived from SPS sales. No receipts were scheduled or received from Ivory Coast Project during Q1. Operating expenses in Q1 2021 were 10% lower than Q4 2020.

During Q1 2021 Fluence made payments to suppliers and subcontractors of approx. \$13M which were related to the Ivory Coast Project and expects to make further payments in similar amounts in Q2 2021. Such additional payments will be more than offset by anticipated collections from the Ivory Coast Project.

### **Positive Outlook Reiterated for FY 2021**

Fluence 2021 guidance includes the following:

- SPS sales range of \$35M to \$50M; and
- EBITDA positive on an annual basis

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

Richard Irving (Chairman & CEO) and Francesco Fragasso (CFO) will host an investor conference call regarding the Company's quarterly update on Thursday 29 April 2021 at 9.30am Melbourne Time (AEST) / Wednesday 28 April 2021 at 7:30pm 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/10013644-dj843a.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**

Richard Irving  
Chairman and CEO  
E: [rirving@fluencecorp.com](mailto:rirving@fluencecorp.com)

This announcement is authorised for lodgement on the ASX by Richard Irving, Chairman & CEO, Fluence Corporation Limited.

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

Fluence is a leader in the decentralized water, wastewater and reuse treatment markets, with its pre-engineered, standardized Smart Products Solutions, including Aspiral™, NIROBOX™ and SUBRE. In addition to rapid delivery and commissioning of decentralized solutions to meet a broad range of needs, Fluence offers ongoing operation and maintenance support, as well as Build Own Operate Transfer (BOOT) and other recurring revenue solutions. Fluence has a broad international footprint and focuses on high growth markets including China, the Middle East, Southeast Asia, and North America.

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**

10 Bank Street, Suite 830  
White Plains, NY, 10606  
Phone: +1-212-572-5700  
Facsimile: +1-212-572-5704

**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

---