



27 October 2022

## **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 30 September 2022 (“Q3 2022”) and for the three quarters year to date (“YTD”). All financial numbers contained herein are in US dollars, are unaudited and include the Italy business which as noted below is no longer an asset held for sale.

### **Q3 and YTD 2022 Summary**

The Company is pleased to report continued growth of revenue and in Q3 and YTD achieving positive underlying EBITDA<sup>1</sup>. Key achievements include:

- Q3 revenues were \$29.0M - up 33% from \$21.7M in the prior period with YTD revenues of \$93.2M - up 39% from \$67.0M in the prior period
- Q3 SPS revenues were \$10.9M - up 95% from \$5.6M in the prior period with YTD revenues of \$25.1M - up 22% from \$20.5M in the prior period
- Q3 recurring revenues were \$2.3M - up 77% from \$1.3M in the prior period with YTD revenues of \$6.8M - up 24% from \$5.5M in the prior period.
- Underlying EBITDA was positive for both Q3 and for the YTD to September 30.
- Cash Balance of \$25.8M was down from \$31.8M at end of Q2 2022 and up from \$16.3M at the end of Q3 2021. Operating cashflow was negative \$7.2M. Significant payments to vendors of \$22.2M were largely offset by collections of \$15.0M.

### **Adjusting Guidance**

- Due to exchange rate variations and continued slow business in China, 2022 revenue guidance is being adjusted from \$144M to \$123M, 2022 SPS revenue from \$45M to \$38M and EBITDA from \$3M to \$2M.
- Exchange rate changes are expected to lower the revenue forecast by approx. \$8.4M for the year and explains the adjusted EBITDA guidance
- China’s continued Covid slowdown is largely responsible for the balance of revenue. Since Ivory Coast revenue and most costs are in Euros, the impact on cash is modest.

### **Q3 and YTD 2022 Commentary**

This week the Company closed the sale of 4 MABR units in Ream City, Cambodia with a value of \$270K. Ream City is a \$16B, 2,000 acre new city development within Sihanoukville<sup>2</sup>. While Fluence has already built two large plants with a third in construction in Sihanoukville, this is the first sale made in Ream City. This project represents one sale from the previously mentioned pipeline of more than 40 projects spanning wastewater

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<sup>1</sup> Underlying EBITDA = Statutory EBITDA excluding one-off items

<sup>2</sup> <https://www.khmertimeskh.com/50880407/how-cambodias-ream-city-development-is-leveraging-decades-of-asian-development-experience/>

reuse and treatment using MABR and desalination using NIROBOX.

As previously announced, the Company secured its first contract to provide MABR wastewater treatment as a service. The facility will be installed for Couples Resorts at its San Souci property in Ocho Rios, Jamaica. Couples operates four resorts on the island. The initial contract period will be five years with annual renewals for up to an additional five years. Construction will be financed from Fluence's balance sheet and is expected to generate annual revenue of more than \$175,000 once the plant commences operation in the first half of 2023. The Jamaican Water Resources Authority has already approved the use of MABR wastewater treatment systems and this will be Fluence's fourth MABR plant in Jamaica. Last year Jamaica received 1.5 million overnight visitors<sup>3</sup> and has approximately 30,000 hotel rooms<sup>4</sup> on the island. The Company continues to progress a strong and geographically diverse pipeline of recurring revenue water treatment as a service projects.

In Q3 the Company also sold 5 MABR plants in China.

The Company is seeing strong interest in its high-strength wastewater treatment solutions which generate energy from wastewater. Accordingly the Company has decided to retain its Italian business to leverage their expertise and significant references in this area. Therefore this business is no longer being classified as an asset held for sale.

The Company is pleased to announce that Ben Fash has accepted an offer to join the Company as Chief Financial Officer, with such appointment expected to become effective by the end of this year. Ben brings 18 years of experience including seven years as CFO and seven years in private equity. He has performed a successful turnaround at Newterra, working with Fluence CEO and Managing Director Thomas Pokorsky for 7 years and culminating in its sale to private equity buyers. He has led the successful integration of several M&A transactions and brings substantial capital markets experience to Fluence.

Reflecting on Q3 2022, Fluence Chief Executive Officer and Managing Director Thomas Pokorsky said:

"We are pleased to report sales growth and YTD positive EBITDA, despite substantial adverse movements in Euro/US Dollar exchange rates which lowered Ivory Coast revenues and profit and the continued Covid-related slowdown in China. While the China situation has not resulted in lost business the continued delays in closing and executing contracts there and the increasingly strict wastewater treatment standards and drought conditions elsewhere in Asia require us to stay nimble and shift to a more regional focus. We are also excited to see strong interest in our waste-to-energy solutions which we provide as SPS rather than custom designs, allowing their rapid, profitable deployment."

"I am also delighted to welcome Ben Fash as our new CFO. Ben and I worked together at Newterra for seven years and Ben brings significant US capital markets experience to Fluence. I am most grateful to our VP and Corporate Controller Natalya Medinina for providing invaluable CFO-level support during the CFO search."

### **Q3 2022 Cash Flows**

The Appendix 4C quarterly cashflow report for Q3 2022 is attached.

Cash and Cash Equivalents were \$25.8M as at 30 September 2022. In addition, the Company held \$13.8M in short and long-term deposits, of which \$12.2M is applied as collateral for bank guarantees for the Ivory Coast Project which are expected to be released over the course of the next 18 months. Net Cash used by Operating Activities in Q3 2022 was \$7.2M. Revenue in Q3 2022 was \$29.0M. Operating expenses continue to be reduced as a percentage of revenue, falling 4% to 21% for Q3 YTD 2022 versus 25% for Q3 YTD 2021.

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<sup>3</sup> <https://www.travelpulse.com/news/destinations/jamaica-visitor-arrivals-rebounding-strongly.html>

<sup>4</sup> <https://gotourismguides.com/jamaica/hotels-accomodations-jamaica/>

The weakening of the Euro relative to the US Dollar (-14%) during 2022 resulted in a reduction in reported revenue and profit for the Ivory Coast project.

The negative exchange rate fluctuations resulted in the recognition of the exchange rate loss in Q3 2022 in the Group's profit and loss statement, as well as the negative foreign currency translation reserve movement in the statement of changes in equity.

## **Quarterly Update – Conference Call**

Thomas Pokorsky (CEO & Managing Director), Natalya Medinina (VP & Corporate Controller) and Richard Irving (Chairman), will host an investor conference call regarding the Company's quarterly update on 27 October 2022 at 9:30 am Australia AEDT / 26 October 2022 at 6:30 pm US EDT.

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/10026000-afs65dc.html>

Questions will need to be submitted electronically through the webcast interface.

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

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

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

-ENDS-

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### **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 (SPS), 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, South East 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.

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