



27 April 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 March 2023 (“Q1 2023”). All financial numbers contained herein are in US dollars and are unaudited.

### **Q1 2023 Summary**

The Company is reporting the following Q1 results:

- **Q1 revenues of \$14M** – Down 49% from Q1 2022 mainly due to the reduction in Ivory Coast revenue and several SPS project delays.
- **SPS revenues in China/SEA up 50%** from Q1 2022 due to growth in key SEA markets like Cambodia, Vietnam, and Taiwan as well as the re-opening in China.
- **New orders in Recurring Revenue up 100%** in Q1 2023 over Q4 2022 leading to 35% growth in backlog, while backlog in SPS plus Recurring Revenue remained flat over Q4 2022.
- **Visibility on large, near-term orders** – Several orders already booked or expected to be booked in Q2 2023.
- **Fixed Costs savings of \$1.2M in Q1 2023** and down 17% from Q4 2022, reflecting the impact of implementing the restructuring announced in Q4 2022.
- **Cash Balance of \$15.2M and \$13.7M in short and long-term deposits** - down from \$30.9M at end of Q4 2022 primarily due to the payment of more than \$8M of payables on the Ivory Coast project, for which we received payment late in Q4 2022. Received significant payment of Milestone 9 of \$18.8M in April and anticipate positive Operating Cash flow in Q2 2023.
- **Maintaining guidance of total revenue of \$95-100M in FY 2023 (of which SPS plus Recurring Revenue is \$75-80M) and EBITDA of \$4M** – An increase in EBITDA of more than 70% over FY 2022.

### **Key Recent Wins**

The Company secured several new wins recently that were not announced publicly, including:

- Coca Cola Water Reuse Plant (\$1.1M)
- Dow Operations Contract (\$1.0M)
- Red Bluff Dam Brackish Desalination Plant – first Nirobox in the USA (\$0.5M)
- Coca Cola Service Contract (\$0.3M)
- YPF Luz Demineralized Water Treatment Plant (\$0.5M)
- Arabian Maize – first food processing wastewater plant in Saudi Arabia (\$0.2M)
- Select Energy Services - three new MABR plants for existing customer (\$0.7M)

## ***New Chairman***

The Company announced the appointment of Doug Brown as a Director and Chairman of the Board effective 20 March 2023. Mr. Brown is one of only a handful of globally recognized senior executives to have led multiple successful billion dollar exits in the water space. He was the founder, Chairman and CEO of AquaVenture Holdings, which he led to a listing on the New York Stock Exchange (“NYSE”) in 2016 and subsequently sold to Culligan Water for US\$1.2 billion in 2020 while he was serving as Chairman. Mr. Brown was also CEO of Seven Seas Water, an AquaVenture Holdings business. He was previously CEO of NYSE-listed Ionics, Inc., which was acquired by GE Water for US\$1.3 billion in 2005. Prior to Ionics, Mr. Brown was CEO of Advent International, a global private equity firm. Mr. Brown’s experience spans the US, Europe, South America, the Middle East, the Caribbean, Africa and Southeast Asia.

## ***Ivory Coast Progress***

In Q1 2023, Fluence saw continued successful execution of the Ivory Coast Water Treatment Project, including achieving sign-off on Milestone 9. Payment of \$18.8M was received in April 2023 and the release of an additional \$3.0M in advance payments that had been held back is also expected in Q2 2023. The Company continues to progress well toward planned plant commissioning in Q3 2023. The latest video showing plant progress is available on the Fluence YouTube channel and can be viewed at: <https://www.youtube.com/watch?v=zUnzV8H2JPI>

## **Q1 2023 Commentary**

The Company began operating under the repositioned structure starting on 1 January 2023. Reporting for Q1 2023 is now based on the new product-based business units announced in Q4 2022. While there will still be some adjustments and improvements going forward, the majority of the restructuring is now complete. As illustrated by the 17% reduction in fixed costs for Q1 2023, the new structure has already begun to pay dividends. Additionally, due to enhanced cross-selling and collaboration between the business units, the pipeline for new projects is growing in all regions. While Q1 2023 revenues were lower than Q1 2022 due to the wind down of the Main Works under the Ivory Coast project, we anticipate SPS revenue to accelerate in Q2 through Q4 2023 based on recent orders, verbal awards, and growth in the sales pipeline. In addition to the lower Ivory Coast revenue, overall SPS revenue was lower due in large part to project delays experienced in the Industrial business unit from supply chain delays, which we anticipate alleviating and catching up by the end of Q2. Another 25% is attributable to delays in China where certain projects have been awarded and are ready to proceed but will not move forward until down payment is received. Customers, including a number of government owned SOEs, have been slow to release funds in the wake of COVID shutdowns, though this is expected to improve. The remaining amounts result from order delays in the Municipal business unit, mainly in North America. However, we also see improvement in these orders throughout the balance of 2023.

The Company has hired four new senior sales and technical roles in North America to develop the market for Municipal, High-Strength Wastewater (wastewater-to-energy) and Industrial products, which is leading to significant pipeline growth including over \$50M of qualified projects. Multiple municipal and private projects in North America are scheduled to bid utilizing MABR technology. The food and beverage industry in particular has been very active with high levels of interest in our Industrial products as well as our High-Strength Wastewater (wastewater-to-energy) technology. The Company has secured several letters of intent for large new projects including a major project for a large chip manufacturer. Further, the Company continues to see strong interest in its High-Strength Wastewater treatment solutions which generate renewable natural gas from wastewater. Such interest is being driven, in part, by government subsidies, like the Inflation Reduction Act in the US, which has allocated \$270B in tax credits for clean energy projects. The High-Strength Wastewater business unit is actively marketing the wastewater-to-energy projects in both North and South America and seeing significant order potential. The Company has recently been notified it was selected by a major food producer to partner in developing a large waste to energy facility. In addition, a design agreement has been signed with a major fish processing company for multiple projects.

## **Q3 2022 Cash Flows**

The Appendix 4C quarterly cashflow report for Q1 2023 is attached.

As at 31 March 2023, Cash and Cash Equivalents were \$15.2M. In addition, the Company held \$13.7M in short and long-term deposits, of which \$11.8M 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 Main Works on the Ivory Coast project are completed and commissioned. Net Cash used by Operating Activities in Q1 2023 was \$15.2M, primarily due to the payment of more than \$8M in payables related to the Ivory Coast project after collecting in excess of \$14M of cash at the end of Q4 2022. In general, Fluence receives payments for the Ivory Coast project in advance of making payments to suppliers. Fluence has already received the payment for Milestone 9 of \$18.8M in April and expected to generate positive operating cash flow in Q2 2023.

## **Quarterly Update – Conference Call**

Thomas Pokorsky (CEO and Managing Director), Ben Fash (CFO) and Doug Brown (Chairman) will host an investor conference call regarding the Company's quarterly update on 27 April 2023 at 9:30am Melbourne Time (AEST) / 26 April 2023 at 7:30pm 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/10030393-yuvrc7.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-

### **For further information, please contact:**

#### **Australia**

Andrew Angus  
Investor Relations  
E: andrewangus@overlandadvisers.com.au  
P: +61 402 823 757

#### **United States of America**

Thomas Pokorsky  
CEO and Managing Director  
E: tpokorsky@fluencecorp.com

## 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

---