Research as a Service

Fluence Corporation Ltd

Q2 2024 Business Update

Timing delays mask growth progress

Industrials – Capital Goods

12 August 2024

Fluence Corporation (ASX:FLC) specialises in the delivery of water and wastewater solutions in industrial, municipal and commercial industries across the globe. The company has released an update on its second quarter (Q2) performance, its quarterly 4C cashflow statement and group progress for the first half of 2024 (H1 FY24) [ASX release 31 July 2024]. Note, FLC has a December balance date. The highly-experienced management team that has now been in place for around 18 months is still fighting the transition between execution of its clearly-stated growth strategy and managing some of the legacy issues it has inherited from the previous business model. The company is gaining traction in its areas of growth focus, is winning contracts and has built a strong pipeline of opportunities exceeding US$1.0b. However, ongoing delays in its singe remaining large construction project in the Ivory Coast (which has 18 months to completion) has changed the timing on revenue recognition. As a result, the company has reduced full year guidance from revenue of US$90-100m to US$70-75m and EBITDA of US$3.5-4.0m to EBITDA break-even. Accordingly, we adjust our FY24 forecasts to reflect the timing delays, resulting in both our revenue and EBITDA forecasts reducing to a conservative stance just below guidance. We think this result can be viewed as a timing issue rather than any change to the medium-term investment case. We continue to believe the business is very well positioned to grow strongly into the North American region with a high-margin product suite in industries with tailwinds.

Business model

Fluence is a diversified business, by product, customer profile and geography, and derives revenue from the design and sale of equipment solutions for water and wastewater treatment in municipal, industrial and commercial settings. This is complemented by the ongoing provision of parts and service, and operation and maintenance contracts.

H1 FY24 results discussion

A challenging H1 FY24 has resulted in a mixed bag of results. Overall revenue was down 34% against H1 FY23, a decline of ~$10m. This was largely due to delays in the Ivory Coast (IVC) project, which contributed only $0.7m as compared to $13.3m in H1 FY23. On a positive note, the recent strategy of focusing away from large construction engineering projects (such as IVC) and towards high-growth, higher-margin proprietary product solutions (SPS) and recurring revenue is gaining traction. Over the half, SPS and recurring revenue represented 96% of total revenue, at a gross margin of 30.6%, a material improvement over the 22.3% of H1 FY23. The contract backlog sits at US$96.6m, up 83% on the previous corresponding period (pcp) and represents 80+% of FY24 revenue guidance being secured. The company has put the pipeline of opportunities at US$1.03b, growing 126% over the 12 months, across more than 450 projects. The conversion of the pipeline remains key and management communicated its confidence on new contract wins, suggesting H2 FY24 and FY25 will be a "real proving ground" for the business. Likewise, after a weak cashflow performance in Q2 FY24, with an operating cash outflow of $6.3m, the company has guided to a positive performance in H2 FY24. We believe the balance sheet remains in a solid position to execute growth initiatives without the material debt burdens of the past.

DCF valuation of $0.23/share (previously $0.25/share)

Our discounted cash-flow (DCF) valuation reduces marginally from $0.25/share to $0.23/share. All forecasts and reported financials are in US$, so we have adjusted the DCF valuation and all per-share metrics at an A$/US$ exchange rate of US$0.65. Our valuation represents 130% upside potential from the current share price.

Earnings history and RaaS' estimates (in US$m unless otherwise stated)

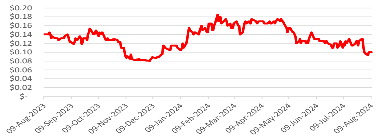
Year end	Revenue	Gross profit	EBITDA adj.*	NPAT adj.*	EPS adj.* (c)	EV/Sales (x)	EV/EBITDA (x)	PER (x)
06/22a	116.3	26.8	0.5	(18.8)	(1.9)	0.6	134.4	n/a
06/23a	68.8	17.8	0.2	(18.1)	(1.7)	0.9	366.9	n/a
06/24f	69.4	19.7	(0.4)	(4.8)	(0.4)	1.1	n/a	n/a
06/25f	113.6	31.7	7.7	3.0	0.5	1.1	15.7	22.2

Source: RaaS estimates for FY24f and FY25f; Company data for historical earnings; *Adjusted for one-time and non-cash items

Share Details

ASX code	FLC
Share price (9-Aug)	$0.10
Market capitalisation	$108.1M
Shares on issue	1,076M
Net debt at 30-Jun-2024	US$6.8M

Share Performance (12 months)



Upside Case

- New contract win-rate ahead of forecasts
- The emergence of a clear BOO model backed by contract wins
- M&A opportunities

Downside Case

- Failure or delays in conversion of pipeline
- Margin expansion story doesn't play out
- Further Ivory Coast delays

Catalysts

- Strong H2 FY24 contract win-rate
- Proof of strong US traction
- Ongoing evidence of margin expansion story

RaaS Fluence Initiation Report

Fluence Corporation RaaS Initiation Report

Board and Management

Doug Brown	Chair
Tom Pokorsky	CEO/Managing Director
Paul Donnelly	Non-Executive Director
Richard Irving	Non-Executive Director
Ross Haghighat	Non-Executive Director
Mel Ashton	Non-Executive Director
Nikolaus Oldendorff	Non-Executive Director

Company Contact

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RaaS Contact

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Q2 FY24 Result Discussion

The Q2 FY24 result (and the overall H1 FY24 result) was weaker than we expected at group level but contained a mix of divisional-specific strengths and weaknesses, illustrating that the core business and growth strategy remains intact. Exhibit 1 illustrates the divisional contributions for the half, with the obvious outlier being the IVC contribution. Note all references to Fluence's earnings from here are in US$ unless otherwise stated.

Exhibit 1: Q1 FY24 Divisional Contribution versus pcp (US$m)

	H1 FY23a		H1 FY24a		% chg
	Revenue	**EBITDA**	**Revenue**	**EBITDA**	**Revenue**
Municipal Water & Wastewater	5.3	(0.5)	3.7	(0.2)	(30)
Industrial Water & Biogas	3.4	(0.1)	3.2	(0.2)	(6)
Industrial Water & Reuse	5.7	(0.1)	8.7	1.5	50
SEA & China	2.2	(1.5)	2.4	(0.7)	9
BOO	1.2	0.2	1.5	0.2	25
IVC	13.3	1.5	0.7	(0.2)	(95)
Corporate	(0.6)	(1.2)	(0.1)	(4.0)	
Total	**30.5**	**(1.7)**	**20.1**	**(3.6)**	**(34)**

Source: Company data

The update released by the company contained cashflow, key metrics and revenue, and EBITDA guidance only. The half year results with detailed financials will be released later in August, at which time we will release a more comprehensive research report.

The key discussion points regarding the recent release are:

- **Group revenue dropped from $30.5m to $20.1m**, however in H1FY23 the Ivory Coast (IVC) project contributed $13.3m, versus $0.7m in the half year just gone. We discuss IVC in more detail later in this report, but this has been clearly communicated as a delay and the company has said there have been no changes to the ongoing scope of work. Therefore, it is expected to be completed over the next 18 months (from a capital works perspective), which results in pushing the revenue and EBITDA contribution more materially into FY25 rather than a more even split between FY24 and FY25 as we expected previously. From a forward-looking investment perspective, we believe the focus should be on the rest of the business. Excluding IVC, revenue grew 13% from $17.2m to $19.4m. Importantly, SPS and recurring represented 96% of group revenue which remains the key growth engine of the business going forward.

- **Negative EBITDA half (as expected)**, but the magnitude of the loss at $3.6m is higher than we forecast (RaaS estimate was -$1.7m). The key differences were the ongoing delay in commencement of the IVC Addendum project and other new contract wins that look to have been pushed into H2 FY24. We discuss the impact of these changes in the "Earnings Adjustment" section later in the report.

- **Gross margins expanded from 22.3% to 30.6%.** It is not unexpected that performance is lumpy as the business transitions from the previous large engineering projects into smaller higher-margin projects in new markets and regions. The positive results of the change are evident in the more diversified mix of business at higher gross margins in the current half. Over the next 18 months the revenue line should be much stronger, but we expect margin volatility to continue as IVC contributes at gross margins closer to 15%. However, we see the benefit of the SPS and recurring revenue focus to drive strong margin expansion over the medium term.

- **IVC the notable exception**. The delay in finalising the finance element of the Ivory Coast Addendum project (total project value ~US$45m over the next 18 months) has dragged on much longer than we anticipated, but there have been no changes to the contract itself, so it appears this is truly an issue of timing. We now forecast a ~$15m contribution in H2 FY24 (which includes a milestone payment) with the balance of the contract ($30m) to be completed in FY25 (we previously expected it to be completed by mid-year 2025). In our view, delays in a material project such as this highlight the risks with the previous business model (particularly given the lower margins). That said, management highlighted its confidence in securing an operation and maintenance contract on the site. This could be a long-term opportunity but is yet to be formally secured.

- **Cash flow number was weak and worse than we forecast.** We expected negative operating cash flow for Q2 FY24, but the outflow of $7.3m was a negative surprise to us. Management cited the delay in commencement of the Ivory Coast Addendum and the first milestone payment, plus "delays in certain large collections expected to be received in H1 FY24 and project delays". The company has guided to operating cashflow positivity in H2 FY24. Again, this illustrates the uncertainty associated with the previous business model whereby large engineering and construction projects, which can represent the lion's share of revenue, are susceptible to lumpy cashflows due to the milestone payment structure and potential delays.
- **Debt repayment and refinance complete.** In November 2023 FLC undertook a material capital raise to remove an existing shareholder, fund a material debt repayment and provide working capital for the business to execute is growth strategy under the new management team. The first portion of the term loan was repaid in H2 FY23, but the balance has now been repaid in full, along with a project loan to the same lender "Upwell" for the Bimini Build-Own-Operate (BOO) project. The total repayment in the current year has been US$14.3m across the two loans. This was funded partly by cash reserves and partly by a new revolving line of credit (US$15m limit), which we note has been provided by Niko Oldendorff and Doug Brown, both of whom are Fluence Board Directors and the two largest shareholders of the business, representing ~25% of ordinary shares on issue. The terms of the loan are more favourable that the previous facility, with the interest rate mirroring the US Prime Rate, which is currently 8.5%. The initial term of the loan is 21 months with security capped at 5% of the equity interest of the company.

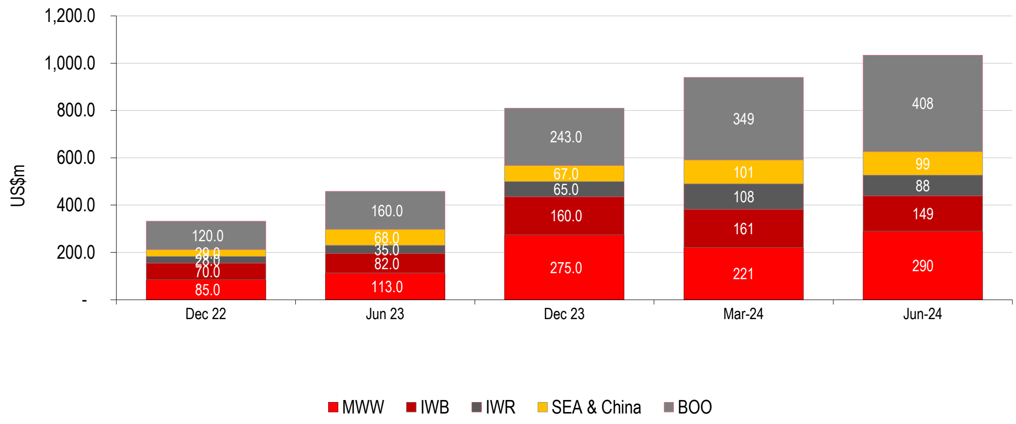
Contract Backlog And Sales Pipeline

FLC signed $14.9m in new orders in Q2 FY24, an increase of 48% on the pcp (and $24.8m for H1 FY24 overall). The key here is that the three divisions on which the new management team is placing its current growth focus were the strong performers. Municipal Water & Wastewater (MWW), Industrial Wastewater & Reuse (IWR) and Industrial Water and Biogas (IWB), collectively increased 289% over H123. Management pointed out that it was still slightly disappointed with some timing slippage in the award of new contracts and stated that a further $16m of orders are under letter of intent or expected to close imminently. Management also communicated an expectation of $50-60m of new orders to be secured in H2 FY24 and that although not all delays will be "made-up" in the second half, a good proportion will be.

The backlog for the total company now sits at $97m, which has grown from $53m over the past 12 months. The backlog includes the $51m IVC Addendum project, but the balance appears to be well diversified by division and geography. The company has guided to $39m of the backlog to be recognised in H2 FY24, of which we estimate ~38% to be the IVC project.

The sales pipeline also continues to grow strongly, as illustrated in Exhibit 2.

Exhibit 2: Sales Pipeline



Source: Company data

The pipeline has more than doubled since June 2023, to now sit at $1.03b. Importantly, most of the pipeline growth has come from North America, a key strategic focus of the new US-based management team and a key market to the growth story. The pipeline is highly diversified containing over 450 projects at an average size of $1.4m (excluding Build Own Operate (BOO) projects which tend to be larger in size but are not included in our forecasts). The timeline from scope to signing varies markedly from two weeks to three years. As yet, we don't have the track record under new management to correlate the success rate, but we expect this to become evident over the course of the next 12 months.

Guidance And Outlook

Management has revised guidance as follows:

- FY24 Revenue of $70-75m (from $90-95m)
- FY24 EBITDA of break-even (from $3.5-4.0m)

When management provided its original FY24 guidance in January 2024 for revenue of $90-95m it assumed a material contribution from the IVC project across both the first and second half of the year at ~$30m. We assume that is now more likely to be ~$15m, therefore representing $15m of the $20m reduction in revenue guidance. We believe the balance can be attributed to disappointing outcomes in other identified opportunities, either due to a lack of success or delays (most likely a combination).

We note that current guidance represents a materially improved H2 FY24 with revenue more than double that of the first half, providing strong momentum into FY25.

Around 80% of the revenue guidance has been written or is contained in the order backlog, so the company requires a new order contribution of $11-16m over H2 FY24 to meet guidance. This appears achievable to us given management confidence in expected second half bookings already discussed.

Earnings Adjustments

In response to the update we amend our forecasts as illustrated in Exhibit 3:

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Exhibit 3: RaaS earnings adjustments (in US$m unless otherwise stated)

Year ending June 30	FY25f Old	FY25f New	% chg	FY26f Old	FY26f New	% chg
Revenue	95.60	69.44	(27)	114.60	108.98	(5)
EBITDA underlying	3.15	(0.35)	n/a	8.40	7.71	(8)
NPAT underlying	0.10	(4.84)	n/a	3.35	3.04	(9)
EPS (cps)	0.01	(0.36)	n/a	0.50	0.45	(9)

Source: RaaS estimates

We adjust for timing issues and move marginally below the bottom end of the company guidance range to allow for any potential ongoing delays in FY24. We also reduce our forecasts for growth in the IWR, MWW and IWB divisions in FY25 due to slower pipeline conversion, but the revenue impact is partly offset by the ongoing contribution from the IVC project through a full year in 2025. The lower margin of the IVC project dilutes earnings to the EBITDA line to the tune of 8%. Slightly higher forecast debt levels increases costs marginally below the EBITDA line in FY25.

Our forecasts in FY26 and beyond remain largely unchanged and maintain our position of confidence that the business is very well positioned to grow strongly into the North American region with a high-margin product suite in industries with tailwinds. Execution risk remains, but we continue to gain confidence that the stated strategy and business model are gaining traction and believe further evidence of this will emerge in H2 FY24, potentially providing positive share price catalysts.

DCF Valuation is A$0.23/share

Our valuation reduces from $0.25/share to $0.23/share on slightly increased debt levels and growth off a marginally lower base in FY24. We believe the DCF methodology is the most appropriate method to value FLC and given our forecast changes are predominantly relating to timing issues, it is not surprising that the medium- to longer-term valuation of the company hasn't changed materially. We apply a discount rate of 10.6% (beta 1.2, terminal growth rate of 3.0%). This derives a base-case valuation of A$0.23/share (US$0.15/share), as illustrated in Exhibit 4.

Exhibit 4: Base-case DCF valuation

	Parameters
Discount rate / WACC	10.6%
Beta (observed beta is 0.86)*	1.2
Risk Free Rate	4.0%
Terminal growth rate assumption	3.0%
Sum of Present Value (PV) (US$M)	46.2
PV of terminal value (US$M)	109.0
PV of enterprise (US$M)	155.2
Net debt at 30 Jun 2024 (US$M)	6.8
Net value – shareholder (US$M)	162.0
No of shares on issue (M)	1,076.2
NPV per share (US$)	US$0.15
NPV per share A$ (ER 0.65)	**A$0.23**

Source: RaaS estimates *LSEG observed beta is 0.86

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Exhibit 5: Financial Summary

Fluence Corporation	All financials in US$ unless stated otherwise				
Profit and Loss (US$m)					
Y/E 30 December	**FY22A**	**FY23A**	**FY24F**	**FY25F**	**FY26F**
Sales Revenue	116.3	68.8	69.4	109.0	113.6
Gross Profit	26.8	17.8	19.7	31.7	37.3
EBITDA underlying	0.5	0.2	(0.4)	7.7	11.4
Depn	(2.0)	(1.8)	(1.6)	(1.8)	(1.8)
Amort	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)
EBIT underlying	(1.7)	(1.4)	(2.2)	5.7	9.3
Interest	(4.0)	(5.7)	(1.5)	(1.3)	(1.3)
Tax	(1.0)	(0.7)	(1.1)	(1.4)	(2.4)
Minorities	0.0	0.0	0.0	0.0	0.0
Equity accounted assoc	(0.1)	0.0	0.0	0.0	0.0
NPAT pre significant items	(9.0)	(9.2)	(4.8)	3.0	5.6
Significant & non-cash items	(9.8)	(8.8)	0.0	0.0	0.0
NPAT (reported)	**(18.8)**	**(18.1)**	**(4.8)**	**3.0**	**5.6**
Cash flow (US$m)					
Y/E 30 December	**FY22A**	**FY23A**	**FY24F**	**FY25F**	**FY26F**
EBITDA	0.5	0.2	(0.4)	7.7	11.4
Interest	(3.9)	(5.7)	(1.7)	(1.3)	(1.3)
Tax	(0.1)	(0.2)	(0.7)	(1.4)	(2.4)
Working capital changes	(17.0)	(13.4)	(11.0)	1.7	(0.2)
Operating cash flow	(20.5)	(19.1)	(13.7)	6.7	7.4
Mtce capex	0.0	0.0	(1.5)	(0.4)	(0.4)
Free cash flow	(20.5)	(19.1)	(15.2)	6.3	7.0
Capex	(0.4)	(1.8)	(1.5)	(2.0)	(2.0)
Acquisitions/Disposals	0.3	0.1	1.6	0.0	0.0
Other	10.9	6.1	0.0	0.0	0.0
Cash flow pre financing	(9.8)	(14.7)	(15.1)	4.3	5.0
Equity	3.7	26.6	0.0	0.0	0.0
Debt	(0.4)	(13.4)	(3.6)	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0
Net cash flow for year	(6.5)	(1.5)	(18.7)	4.3	5.0
Balance sheet (A$m)					
Y/E 30 December	**FY22A**	**FY23A**	**FY24F**	**FY25F**	**FY26F**
Cash	30.9	24.6	5.1	9.2	14.0
Accounts receivable	49.0	35.3	22.2	24.0	24.9
Inventory	9.3	5.7	4.9	7.4	7.7
Other current assets	10.6	8.7	8.7	8.7	8.7
Total current assets	*99.8*	*74.3*	*40.9*	*49.2*	*55.3*
PPE	9.7	8.1	8.0	8.3	8.5
Intangibles and Goodwill	1.3	1.1	1.2	1.3	1.4
Investments	0.3	0.3	0.3	0.3	0.3
Deferred tax asset	0.0	2.0	3.6	3.6	3.6
Other non current assets	12.4	7.2	7.1	8.9	10.1
Total non current assets	*23.8*	*18.8*	*20.3*	*22.4*	*23.8*
Total Assets	123.6	93.1	61.1	71.7	79.1
Accounts payable	51.5	32.4	19.7	25.7	26.7
Short term debt	1.3	15.8	12.2	12.2	12.2
Tax payable	0.1	0.7	0.7	0.7	0.7
Other current liabilities	32.3	28.7	17.8	19.3	20.2
Total current liabilities	*85.1*	*77.6*	*50.4*	*57.9*	*59.8*
Long term debt	32.9	2.6	2.6	2.6	2.6
Other non current liabs	2.6	0.8	0.8	0.8	0.8
Total long term liabilities	*35.6*	*3.4*	*3.4*	*3.4*	*3.4*
Total Liabilities	120.7	80.9	53.7	61.3	63.1
Net Assets	**2.9**	**12.2**	**7.4**	**10.4**	**16.0**
Share capital	217.7	232.3	232.3	232.3	232.3
Accumulated profits/losses	(198.9)	(214.9)	(219.7)	(216.7)	(211.1)
Reserves	(13.9)	(3.3)	(3.3)	(3.3)	(3.3)
Minorities	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Total Shareholder funds	**2.9**	**12.2**	**7.4**	**10.4**	**16.0**

Share price (9 August 2024)	All per share mettrics in A$					0.100
Interim (US$m)	**H123a**	**H223a**	**H124F**	**H224F**	**H125F**	**H225F**
Revenue	30.4	38.4	20.2	49.2	51.9	57.0
EBITDA (adj)	(1.6)	2.2	(3.6)	3.2	3.7	4.0
EBIT (adj)	(2.6)	1.2	(4.5)	2.4	2.8	3.1
NPAT (normalised)	(5.1)	(3.8)	(3.7)	1.2	1.5	1.7
EPS (normalised/diluted)	(0.69)	(0.48)	(0.34)	0.11	0.14	0.16
Dividend (cps)	-	-	-	-	-	-
Imputation	-	-	-	-	-	-
Operating cash flow	(12.9)	(0.5)	(13.6)	(0.1)	4.6	2.1
Divisions	**H123a**	**H223a**	**H124F**	**H224F**	**H125F**	**H225F**
MWW	5.3	5.8	3.7	6.8	8.5	10.5
IWB	3.4	3.6	3.2	7.0	8.5	9.8
IWR	5.7	9.2	8.7	13.5	12.0	14.5
SEA & China	2.2	11.4	2.4	5.0	6.0	6.0
BOO	1.2	0.9	1.5	1.9	1.9	1.9
IVC	13.2	9.1	0.7	15.0	15.0	14.3
Sales revenue	**30.4**	**38.4**	**20.2**	**49.2**	**51.9**	**57.0**
EBITDA (normalised)	(1.6)	2.2	(3.6)	3.2	3.7	4.0

Margins, Leverage, Returns		**FY22A**	**FY23A**	**FY24F**	**FY25F**	**FY26F**
Gross Profit Margin		23.1%	25.9%	28.3%	29.1%	33%
EBITDA		0.4%	0.3%	(0.5%)	7.1%	10.0%
EBIT		(1.5%)	(2.1%)	(3.2%)	5.2%	8.2%
NPAT pre significant items		(16.2%)	(26.3%)	(7.0%)	2.8%	4.9%
Net Debt (Cash)		3.3	(6.3)	9.7	5.6	0.8
ND/ND+Equity (%)	(%)	933.1%	34.0%	423.7%	(114.3%)	(5.2%)
EBIT interest cover (x)	(x)	n/a	n/a -	1.5	4.3	7.0
ROA		n/a	n/a	(2.8%)	8.6%	12.4%
ROE		n/a	n/a	(49.3%)	34.1%	42.2%
ROIC		n/a	n/a	(109.3%)	(238.1%)	193.5%
Working capital		6.8	8.6	7.4	5.7	5.9
WC/Sales (%)		5.9%	12.5%	10.6%	5.2%	5.2%
Revenue growth		6.3%	(40.9%)	1.0%	56.9%	4.2%
EBITDA growth pa		n/a	n/a	-304%	-2286%	48%
Pricing		**FY22A**	**FY23A**	**FY24F**	**FY25F**	**FY26F**
No of shares (y/e)	(m)	651	1,076	1,076	1,076	1,076
Weighted Av Dil Shares	(m)	710	791	1,163	1,163	1,163
EPS Reported (A$)	cps	(1.91)	(1.67)	(0.36)	0.45	0.81
EPS Normalised/Diluted (A$)	cps	(0.82)	(0.76)	(0.36)	0.45	0.81
EPS growth (norm/dil)		n/a	n/a	n/a	-226%	80%
DPS	cps	-	-	-	-	-
DPS Growth		n/a	n/a	n/a	n/a	n/a
Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%
Dividend imputation		0	0	0	0	0
PE (x)		n/a	n/a -	28.0	22.2	12.3
PE market		18.0	18.0	18.0	18.0	18.0
Premium/(discount)		n/a	n/a	(255.8%)	23.4%	(31.6%)
EV/EBITDA		134.4	366.9 -	354.6	15.7	10.2
EV/Revenue		0.6	0.9	1.8	1.1	1.0
FCF/Share (A$)	cps	-4.8	-2.7	-2.2	0.9	1.0
Price/FCF share	x	n/a	n/a	n/a	11.1	10.0
Free Cash flow Yield		-48.4%	-27.4%	-21.7%	9.0%	10.0%

Source: RaaS estimates; Company data for actuals

FINANCIAL SERVICES GUIDE

RaaS Research Group Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415, of

BR SECURITIES AUSTRALIA PTY LTD; ABN 92 168 734 530; AFSL 456663

Effective Date: 26th March 2024

About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License ("AFSL") number 456663. RaaS Research Group Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR.

This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS's services and includes such things as who we are, our services, how we transact with you, how we are paid, and complaint processes

Contact Details, BR and RaaS

BR Head Office: Level 1, 160 Edward Street, Brisbane, QLD, 4000 www.brsecuritiesaustralia.com.au

RaaS:. c/- Rhodes Docherty & Co Pty Ltd, Suite 1, Level 1, 828 Pacific Highway, Gordon, NSW, 2072.

P: +61 414 354712

E: finola.burke@raasgroup.com

RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

What Financial Services are we authorised to provide? RaaS is authorised to

- provide general advice to retail and wholesale clients in relation to
  - Securities

The distribution of this FSG by RaaS is authorized by BR.

Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities.

How are we paid?

RaaS earns fees for producing research reports about companies we like, and/or producing a financial model as well. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report. Sometimes we write reports using our own initiative.

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BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS's representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

Complaints

If you have a complaint about our service, you should contact your representative and tell them about your complaint. The representative will follow BR's internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren't satisfied with an outcome, you may contact AFCA, see below.

BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.

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Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than $50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise.

The science of climate change is common knowledge and its impacts may damage the global economy. Mitigating climate change may also disrupt the global economy. Investors need to make their own assessments and we disclaim any liability for the impact of either climate change or mitigating strategies on any investment we recommend.

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