

# Fluence Corporation Ltd

FY24 Result

## Smoother water ahead

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 its FY24 full year result which is in line with previously amended guidance. The Q4 cashflow statement and a Q4 financial and operating update was released in January 2025 and included significant detail and guidance for FY25. No new material information was contained in the recently-released Appendix 4E, other than some clarity around significant and one-off items (most notably provisions around receivables, restructuring and inventory plus currency impact). In early February we wrote “having endured a disappointing FY24 overall, driven largely by the ongoing delay in the Ivory Coast (IVC) project and a softer performance in China the Q4 result was a welcome turnaround and provides momentum heading into FY25”. A link to that comprehensive report is available [here](#). The company delivered FY24 revenue of US\$51.5m and an underlying EBITDA loss of US\$4.0m. FLC has provided a strong outlook for FY25 guiding to revenue of US\$80-\$95m and EBITDA of US\$3.0-\$5.0m. The backlog of the contracted order book sits at US\$88.0m, ~US\$58.1m of which is expected to be recognised in FY25, representing 66% of forecast revenue at the guidance mid-point. This provides confidence on the back of legacy issues being de-risked, the progression of the IVC project and the solid forward order book. Our FY25 previously amended forecasts remain unchanged and in-line with the mid-point of the guidance range with revenue at US\$87.4m and EBITDA at US\$4.1m. Our DCF valuation also remains unchanged at A\$0.18 per share, representing potential upside of 195% from the current share price.

### 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, service and consumables, and operation and maintenance contracts.

### Placed to build momentum

The financial performance in FY24 was a disappointment to us but it appears FY25 has begun well with the progress of the IVC contract which is expected to generate ~US\$38m over the next 18 months and early contract wins in other divisions, most predominantly in the US, through the first quarter to date. In a press release on 3 March 2025, the company stated “it is pleased to announce it has been awarded four Municipal Water and Wastewater contracts, two Industrial Wastewater and Biogas contracts and one Industrial Water and Reuse Contract so far....with more than US\$6m in sales year-to-date 2025”. The strategic push into the US market is a key growth driver for the business and traction appears to be building. This also puts the business on track to deliver to revenue guidance in regard to new contact wins, albeit early in the year. With the recent refinance and increase of the debt facility (now provided by the company’s two largest shareholders) and likely cash generation in FY25, we believe FLC remains fully funded and does not require further equity capital.

### DCF valuation unchanged at A\$0.18/share

Our recently amended forecasts remain unchanged. Our DCF valuation is retained at A\$0.18 per share. Execution risks remain but in our view, FLC presents a risk-adjusted opportunity for long-term capital growth in a business that should continue to transition towards higher-quality, lower-risk earnings in FY25 and beyond.

Historical earnings and RaaS' forecasts (in US\$m unless otherwise stated)								
Year end	Revenue	Gross profit	EBITDA adj.*	NPAT adj.	EPS (c)	EV/Sales (x)	EV/EBITDA (x)	PER (x)
12/23a	68.8	17.8	0.2	(18.1)	(1.8)	0.3	107.8	n.m.
12/24a	51.5	15.5	(4.0)	(13.0)	(1.1)	1.0	n.a.	n.m.
12/25f	87.4	24.0	4.1	0.3	0.04	0.5	11.8	156.1
12/26f	92.4	29.1	6.5	1.6	0.21	0.5	7.1	28.5

Source: Company data, RaaS estimates for FY25f-FY26f; Adjusted for one-time and non-cash items

Water Utilities

7 March 2025

### Share Details

ASX code	FLC
Share price (6-Mar)	\$0.059
Market capitalisation	\$63.7M
Shares on issue	1,080M
Net debt at 31-Dec-2024	\$11.7M

### Share Performance (12 months)



### Upside Case

- New contract win-rate ahead of forecast
- 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 problems in the Ivory Coast project

### Catalysts

- Strong pipeline conversion
- Proof in delivering IVC profitably
- Evidence of maintainable margin expansion

### Board of Directors

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

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## DCF Valuation

In our view, given the early-stage of the turnaround for the Fluence business, the discounted cash-flow (DCF) methodology is the most appropriate way to value the company. We use a weighted average cost of capital of 11.2% (risk-free rate 4.0% and equity risk premium 6.0%). We use a beta of 1.2 (LSEG observed Beta is 0.86). This gives us a base-case valuation of A\$0.18/share fully diluted which remains unchanged. The recent timing issues do not materially impact our mid- and long-term earnings forecasts.

<b>Exhibit 1: DCF valuation</b>	
<b>DCF valuation</b>	<b>Parameters</b>
Discount rate / WACC	11.2%
Beta*	1.2
Terminal growth rate	3.0%
Sum of PV (US\$m)	18.6
PV of terminal value (US\$m)	95.3
PV of enterprise (US\$m)	113.9
Net debt 30 Dec US(\$m)	11.7
Net value – shareholder (US\$m)	124.6
No. of shares on issue (in millions and fully diluted)	1,080
<b>NPV in US\$</b>	<b>\$0.12</b>
<b>NPV in A\$ (ER 0.65)</b>	<b>\$0.18</b>

Source: RaaS analysis; \*LSEG observed beta is 0.86

## Exhibit 2: Financial Summary

Fluence Corporation	All financials in US\$ unless stated otherwise					Share price (6 March 2025)	All per share metrics in A\$						\$	0.059
Profit and Loss (A\$m)						Interim (A\$m)								
Y/E 30 December	FY22A	FY23A	FY24A	FY25F	FY26F		1H23A	2H23A	1H24A	2H24A	1H25F	2H25F		
Sales Revenue	116.3	68.8	51.5	87.4	92.4	Revenue	30.4	38.4	20.1	30.7	39.0	48.4		
Gross Profit	26.8	17.8	15.2	24.0	29.1	EBITDA (adj)	(1.6)	2.2	(3.5)	(0.5)	2.2	1.9		
EBITDA underlying	0.5	0.2	(4.0)	4.1	6.5	EBIT (adj)	(2.6)	1.2	(4.4)	(1.3)	1.2	0.9		
Depn	(2.0)	(1.8)	(1.6)	(1.8)	(1.8)	NPAT (normalised)	(5.1)	(3.8)	(5.9)	(2.0)	0.3	0.1		
Amort	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	EPS (normalised/diluted)	(0.69)	(0.48)	(0.55)	(0.18)	0.03	0.01		
EBIT underlying	(1.7)	(1.4)	(5.9)	2.0	4.4									
Interest	(4.0)	(5.7)	(2.8)	(1.6)	(1.6)									
Tax	(1.0)	(0.7)	(0.3)	(0.2)	(1.2)									
Equity accounted assoc	(0.1)	0.0	0.0	0.0	0.0									
NPAT pre significant items	(9.0)	(9.2)	(9.0)	0.3	1.6									
Significant & non-cash items	(9.8)	(8.8)	(13.0)	0.0	0.0									
NPAT (reported)	(18.8)	(18.1)	(22.0)	0.3	1.6	<b>Divisions</b>	<b>1H23A</b>	<b>2H23A</b>	<b>1H24A</b>	<b>2H24A</b>	<b>1H25F</b>	<b>2H25F</b>		
						MWW	5.3	5.8	3.7	7.4	7.6	8.0		
						IWB	3.4	3.6	3.2	5.7	5.5	9.8		
						IWR	5.7	9.2	8.7	9.3	9.6	10.3		
						SEA & China	2.2	11.4	2.4	1.4	3.5	3.5		
						BOO	1.2	0.9	1.5	1.4	1.8	1.8		
						IVC	13.2	9.1	0.7	7.0	11.0	15.0		
						<b>Sales revenue</b>	<b>30.4</b>	<b>38.4</b>	<b>20.2</b>	<b>30.7</b>	<b>39.0</b>	<b>48.4</b>		
						EBITDA (normalised)	(1.6)	2.2	(3.5)	(0.5)	2.2	1.9		
<b>Cash flow (A\$m)</b>						<b>Margins, Leverage, Returns</b>	<b>FY22A</b>	<b>FY23A</b>	<b>FY24A</b>	<b>FY25F</b>	<b>FY26F</b>			
Y/E 30 December	FY22A	FY23A	FY24A	FY25F	FY26F	Gross Profit Margin	23.1%	25.9%	29.4%	27.5%	31.5%			
EBITDA	0.5	0.2	(4.0)	4.1	6.5	EBITDA	0.4%	0.3%	(7.8%)	4.7%	7.0%			
Interest	(3.9)	(5.7)	(2.3)	(1.6)	(1.6)	EBIT	(1.5%)	(2.1%)	(11.4%)	2.3%	4.8%			
Tax	(0.1)	(0.2)	(0.8)	(0.2)	(1.2)	NPAT pre significant items	(16.2%)	(26.3%)	(42.7%)	0.3%	1.7%			
Working capital & other	(17.0)	(13.3)	(13.0)	5.3	1.4	Net Debt (Cash)		3.3	(6.3)	11.7	6.7	4.3		
Operating cash flow	(20.5)	(19.0)	(20.1)	7.6	5.0	ND/ND+Equity (%)	(%)	933.1%	34.0%	61.0%	44.5%	38.9%		
Mtce capex	0.0	0.0	0.0	(0.4)	(0.4)	EBIT interest cover (x)	(x)	n/a	n/a	2.1	1.3	2.8		
Free cash flow	(20.5)	(19.0)	(20.1)	7.2	4.6	ROA	n/a	n/a	(7.0%)	2.6%	5.3%			
Capex	(0.4)	(1.8)	0.0	(2.0)	0.0	ROE	n/a	n/a	(929.8%)	(3.6%)	(20.6%)			
Acquisitions/Disposals	0.3	0.1	2.0	0.0	0.0	ROIC	n/a	n/a	91.0%	(15.3%)	(49.2%)			
Other	10.9	6.1	(1.0)	(0.2)	(0.2)	Working capital	6.8	8.6	9.9	6.3	6.2			
Cash flow pre financing	(9.8)	(14.6)	(19.1)	5.0	2.4	WC/Sales (%)	5.9%	12.5%	19.2%	7.2%	6.7%			
Equity	3.7	26.6	0.0	0.0	0.0	Revenue growth	6.3%	(40.9%)	(25.1%)	69.7%	5.7%			
Debt	(0.4)	(13.4)	2.3	(3.2)	0.0	EBITDA growth pa	n/a	n/a	-2416%	-202%	58%			
Dividends paid	0.0	0.0	0.0	0.0	0.0	Pricing		FY22A	FY23A	FY24A	FY25F	FY26F		
Net cash flow for year	(6.5)	(1.4)	(16.9)	1.9	2.4	No of shares (yle)	(m)	651	1,076	1,076	1,076	1,076		
						Weighted Av Dil Shares	(m)	710	791	1,163	1,163	1,163		
<b>Balance sheet (A\$m)</b>						EPS Reported (A\$)	cps	(4.07)	(3.51)	(2.91)	0.04	0.21		
Y/E 30 December	FY22A	FY23A	FY24A	FY25F	FY26F	EPS Normalised/Diluted (A\$)	cps	(1.94)	(1.79)	(1.19)	0.04	0.21		
Cash	30.9	24.6	8.9	10.8	13.2	EPS growth (norm/dil)		n/a	n/a	n/a	-103%	448%		
Accounts receivable	49.0	35.3	38.9	41.2	40.3	DPS	cps	-	-	-	-	-		
Inventory	9.3	5.7	5.8	6.3	6.2	DPS Growth		n/a	n/a	n/a	n/a	n/a		
Other current assets	10.6	8.7	3.2	6.3	6.3	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%		
Total current assets	99.8	74.3	56.8	64.6	66.0	Dividend imputation		0	0	0	0	0		
PPE	9.7	8.1	8.0	8.2	8.4	PE (x)		n/a	n/a	n/a	156.1	28.5		
Intangibles and Goodwill	1.3	1.1	1.0	1.2	1.3	PE market		18.0	18.0	18.0	18.0	18.0		
Investments	0.3	0.3	0.3	0.2	0.2	Premium/(discount)		n/a	n/a	n/a	767.4%	58.4%		
Deferred tax asset	0.0	2.0	1.9	1.1	1.1	EV/EBITDA		52.1	107.8	n/a	11.8	7.1		
Other non current assets	12.4	7.2	6.1	7.0	7.0	EV/Revenue		0.2	0.3	1.0	0.5	0.5		
Total non current assets	23.8	18.8	17.3	17.7	18.0									
<b>Total Assets</b>	<b>123.6</b>	<b>93.1</b>	<b>74.1</b>	<b>82.3</b>	<b>83.9</b>									
Accounts payable	51.5	32.4	34.8	41.2	40.3									
Short term debt	1.3	15.8	3.2	0.0	0.0									
Tax payable	0.1	0.7	0.1	0.0	0.0									
Other current liabilities	32.3	28.7	25.1	30.9	31.9									
Total current liabilities	85.1	77.6	63.2	72.1	72.2									
Long term debt	32.9	2.6	17.5	17.5	17.5									
Other non current liabs	2.6	0.8	1.0	1.0	1.0									
Total long term liabilities	35.6	3.4	18.5	18.5	18.5									
<b>Total Liabilities</b>	<b>120.7</b>	<b>80.9</b>	<b>81.6</b>	<b>90.7</b>	<b>90.8</b>									
<b>Net Assets</b>	<b>2.9</b>	<b>12.2</b>	<b>(7.5)</b>	<b>(8.4)</b>	<b>(6.8)</b>									
Share capital	217.7	232.3	232.6	232.6	232.6	FCF/Share (A\$)	cps	-4.8	-2.7	-2.9	1.0	0.7		
Accumulated profits/losses	(198.9)	(214.9)	(236.3)	(236.0)	(234.4)	Price/FCF share	x	n/a	n/a	n/a	5.7	9.0		
Reserves	(13.9)	(3.3)	(1.6)	(3.1)	(3.1)	Free Cash flow Yield		-82.1%	-46.1%	-48.7%	17.5%	11.1%		
Minorities	(2.0)	(2.0)	(2.2)	(1.9)	(1.9)									
<b>Total Shareholder funds</b>	<b>2.9</b>	<b>12.2</b>	<b>(7.5)</b>	<b>(8.4)</b>	<b>(6.8)</b>									

Source: RaaS estimates, Company data for actuals

# FINANCIAL SERVICES GUIDE

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