

Fluence Corporation Ltd

H1 FY25 Result

Delivering to strategy

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 H1 FY25 full year result (December year-end) which is in-line with pre-released data points and commentary. The Q2 cashflow statement and financial and operating update was released in July 2025 and included significant detail on group and divisional performance and guidance for the FY25 year. A link to our comprehensive research report in response to that release is available [here](#). No new material information was contained in the recently released Appendix 4E, other than new contracts secured post period end in July have increased from US\$m to US\$10m. The company delivered H1 FY25 revenue of US\$33.1m (+64.7% YoY) and an underlying EBITDA profit of US\$0.1m (a US\$3.6m improvement over the previous corresponding period). FLC has provided a strong outlook for the second half in maintaining FY25 guidance for revenue of US\$80-95m and EBITDA of US\$3.0-5.0m. The backlog of the contracted order book sits at US\$79.5m, and the proportion forecast to be recognised in H2 FY25 plus H1 FY25 revenue equates to US\$74.6m, or 85% of forecast revenue at the guidance mid-point (note this doesn't include the new contracts won in July so if 50% of those are delivered in CY25 then the number increases to 91%). This provides us with confidence that the previously delayed IVC project is being executed well and the solid forward order book is progressing to contract delivery. Our FY25 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/share, representing potential upside of 200% 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.

A strong H2 FY25 ahead

The financial performance in H1 FY25 gives confidence that the material problems of the past are largely behind the group and the (relatively) new team is executing its strategy well. IVC project milestones are helping to drive improved cashflow performance (Q2 25 operating cashflow of +US\$5.1m), and the contribution from the higher margin SPS (Smart Product Solutions) products continues to increase. The strategic push into the US market is a key growth driver for the business and traction appears to be building. North American based CFO Ben Fash has been instrumental in the turnaround and has been appointed CEO of the group going forward. The US push has been complemented by a strong half out of Europe and South America and all the strategically important divisions of Municipal Water & Wastewater (MWW), Industrial Water & Biogas (IWB) and Industrial Water & Reuse (IWR) have strong order books and are well positioned to continue to drive growth. The Southeast Asia and China region continues to face challenges but only represented 7.6% of H1 FY25 group revenue. The company remains capitalised with the debt facility (now provided by the company's two largest shareholders who are also Directors) complemented by forecast positive cash generation in FY25.

DCF valuation unchanged at A\$0.18/share

Our DCF valuation is retained at A\$0.18 per share. Execution risks remain (but have subsided) and 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.

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	110.2	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	0.6	11.9	158.8
12/26f	92.4	29.1	6.5	1.6	0.21	0.5	7.2	29.0
12/27f	95.4	30.0	10.8	4.9	0.65	0.4	3.9	9.2

Source: Company data, RaaS estimates for FY25f-FY27f; Adjusted for one-time and non-cash items #In A\$

Water Utilities

4 September 2025

Share Details

ASX code	FLC
Share price (3-Sep)	\$0.06
Market capitalisation	\$65.1M
Shares on issue	1,085M
Net debt at 30-Jun-2025	\$8.1M
Free float	54.1%
Avg. daily volume (12 mths)	0.6M

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
Ben Fash	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 methodology is the most appropriate method for valuing 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.

Exhibit 1: DCF valuation

DCF valuation	Parameters
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)	125.6
No. of shares on issue (in millions and fully diluted)	1,085
NPV in US\$	\$0.12
NPV in A\$ (ER 0.65)	\$0.18

Source: RaaS analysis; *LSEG observed beta is 0.86

Exhibit 2: Financial Summary

Fluence Corporation	All financials in US\$ unless stated otherwise					Share price (3 September 2025)	All per share metrics in A\$						\$ 0.060
Profit and Loss (US\$m)						Interim (US\$m)							
Y/E 30 December	FY23A	FY24A	FY25F	FY26F	FY27F		H123A	H223A	H124A	H224A	H125A	H225F	
Sales Revenue	68.8	51.5	87.4	92.4	95.4	Revenue	30.4	38.4	20.1	30.7	33.1	54.3	
Gross Profit	17.8	15.2	24.0	29.1	30.0	EBITDA (adj)	(1.6)	2.2	(3.5)	(0.5)	0.1	4.0	
EBITDA underlying	0.2	(4.0)	4.1	6.5	10.8	EBIT (adj)	(2.6)	1.2	(4.4)	(1.3)	(0.7)	2.7	
Depn	(1.8)	(1.6)	(1.8)	(1.8)	(1.9)	NPAT (normalised)	(5.1)	(3.8)	(5.9)	(2.0)	(1.6)	1.9	
Amort	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	EPS (normalised/diluted)	(0.69)	(0.48)	(0.55)	(0.18)	(0.00)	0.00	
EBIT underlying	(1.4)	(5.9)	2.0	4.4	8.7								
Interest	(5.7)	(2.8)	(1.6)	(1.6)	(1.6)								
Tax	(0.7)	(0.3)	(0.2)	(1.2)	(2.2)	Divisions	H123A	H223A	H124A	H224A	H125A	H225F	
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	MWW	5.3	5.8	3.7	7.4	5.0	9.5	
NPAT pre significant items	(9.2)	(9.0)	0.3	1.6	4.9	IWB	3.4	3.6	3.2	5.7	4.9	9.1	
Significant & non-cash items	(8.8)	(13.0)	0.0	0.0	0.0	IWR	5.7	9.2	8.7	9.3	7.9	11.0	
NPAT (reported)	(18.1)	(22.0)	0.3	1.6	4.9	SEA & China	2.2	11.4	2.4	1.4	2.5	4.5	
						BOO	1.2	0.9	1.5	1.4	1.3	2.4	
						IVC	13.2	9.1	0.7	7.0	12.7	15.3	
Cash flow (US\$m)						Sales revenue	30.4	38.4	20.2	30.7	33.1	54.3	
Y/E 30 December	FY23A	FY24A	FY25F	FY26F	FY27F	EBITDA (normalised)	(1.6)	2.2	(3.5)	(0.5)	0.1	4.0	
EBITDA	0.2	(4.0)	4.1	6.5	10.8								
Interest	(5.7)	(2.3)	(1.6)	(1.6)	(1.6)								
Tax	(0.2)	(0.8)	(0.2)	(1.2)	(2.2)	Margins, Leverage, Returns	FY23A	FY24A	FY25F	FY26F	FY27F		
Working capital & other	(13.3)	(13.0)	5.3	1.4	(0.6)	Gross Profit Margin	25.9%	29.4%	27.5%	31.5%	31.5%		
Operating cash flow	(19.0)	(20.1)	7.6	5.0	6.4	EBITDA	0.3%	(7.8%)	4.7%	7.0%	11.3%		
Mtce capex	0.0	0.0	(0.4)	(0.4)	(0.4)	EBIT	(2.1%)	(11.4%)	2.3%	4.8%	9.1%		
Free cash flow	(19.0)	(20.1)	7.2	4.6	6.0	NPAT pre significant items	(26.3%)	(42.7%)	0.3%	1.7%	5.2%		
Capex	(1.8)	0.0	(2.0)	(2.0)	(2.0)	Net Debt (Cash)	(6.3)	11.7	6.7	4.3	0.5		
Acquisitions/Disposals	0.1	2.0	0.0	0.0	0.0	ND/ND+Equity (%)	(%)	34.0%	61.0%	44.5%	38.9%	22.1%	
Other	6.1	(1.0)	(0.2)	(0.2)	0.8	EBIT interest cover (x)	(x)	-	0.3	2.1	1.3	2.8	5.5
Cash flow pre financing	(14.6)	(19.1)	5.0	2.4	4.8	ROA	n/a	(7.0%)	2.6%	5.3%	9.8%		
Equity	26.6	0.0	0.0	0.0	0.0	ROE	n/a	(929.8%)	(3.6%)	(20.6%)	(113.4%)		
Debt	(13.4)	2.3	(3.2)	0.0	0.0	ROIC	n/a	91.0%	(15.3%)	(49.2%)	(256.9%)		
Dividends paid	0.0	0.0	0.0	0.0	0.0	Working capital		8.6	9.9	6.3	6.2	6.8	
Net cash flow for year	(1.4)	(16.9)	1.9	2.4	4.8	WC/Sales (%)		12.5%	19.2%	7.2%	6.7%	7.1%	
						Revenue growth		(40.9%)	(25.1%)	69.7%	5.7%	3.2%	
						EBITDA growth		(65.4%)	(2415.6%)	-202%	58%	67%	
Balance sheet (US\$m)													
Y/E 30 December	FY23A	FY24A	FY25F	FY26F	FY27F								
Cash	24.6	8.9	10.8	13.2	17.0	Pricing		FY23A	FY24A	FY25F	FY26F	FY27F	
Accounts receivable	35.3	38.9	41.2	40.3	44.2	No of shares (y/e)	(m)	1,076	1,076	1,076	1,076	1,076	
Inventory	5.7	5.8	6.3	6.2	6.8	Weighted Av Dil Shares	(m)	791	1,163	1,163	1,163	1,163	
Other current assets	8.7	3.2	6.3	6.3	6.3	EPS Reported (A\$)	cps	(3.51)	(2.91)	0.04	0.21	0.65	
Total current assets	74.3	56.8	64.6	66.0	74.3	EPS Normalised/Diluted (A\$)	cps	(1.79)	(1.19)	0.04	0.21	0.65	
PPE	8.1	8.0	8.2	8.4	8.5	EPS growth (norm/dil)		n/a	n/a	n/a	448%	215%	
Intangibles and Goodwill	1.1	1.0	1.2	1.3	1.4	DPS	cps	-	-	-	-	-	
Investments	0.3	0.3	0.2	0.2	0.2	DPS Growth		n/a	n/a	n/a	n/a	n/a	
Deferred tax asset	2.0	1.9	1.1	1.1	1.1	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%	
Other non current assets	7.2	6.1	7.0	7.0	7.0	Dividend imputation		0	0	0	0	0	
Total non current assets	18.8	17.3	17.7	18.0	18.2	PE (x)		n/a	n/a	158.8	29.0	9.2	
Total Assets	93.1	74.1	82.3	83.9	92.5	PE market		18.0	18.0	18.0	18.0	18.0	
Accounts payable	32.4	34.8	41.2	40.3	44.2	Premium/(discount)		n/a	n/a	782.1%	61.1%	(48.8%)	
Short term debt	15.8	3.2	0.0	0.0	0.0	EV/EBITDA		110.2	n/a	11.9	7.2	3.9	
Tax payable	0.7	0.1	0.0	0.0	0.0	EV/Revenue		0.3	1.0	0.6	0.5	0.4	
Other current liabilities	28.7	25.1	30.9	31.9	32.0	FCF/Share (A\$)	cps	-2.7	-2.9	1.0	0.7	0.9	
Total current liabilities	77.6	63.2	72.1	72.2	76.2	Price/FCF share	x	n/a	n/a	5.8	9.1	7.0	
Long term debt	2.6	17.5	17.5	17.5	17.5	Free Cash flow Yield		-45.4%	-47.9%	17.2%	10.9%	14.4%	
Other non current liabs	0.8	1.0	1.0	1.0	0.7								
Total long term liabilities	3.4	18.5	18.5	18.5	18.2								
Total Liabilities	80.9	81.6	90.7	90.8	94.4								
Net Assets	12.2	(7.5)	(8.4)	(6.8)	(1.9)								
Share capital	232.3	232.6	232.6	232.6	232.6								
Accumulated profits/losses	(214.9)	(236.3)	(236.0)	(234.4)	(229.5)								
Reserves	(3.3)	(1.6)	(3.1)	(3.1)	(3.1)								
Minorities	(2.0)	(2.2)	(1.9)	(1.9)	(1.9)								
Total Shareholder funds	12.2	(7.5)	(8.4)	(6.8)	(1.9)								

Source: Company data for actuals, RaaS estimates

FINANCIAL SERVICES GUIDE

RaaS Research Group Pty Ltd

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Corporate Authorised Representative, number 1248415, of

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

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