

ANALYST
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RISK - SPECULATIVE

FLUENCE CORPORATION (FLC)

Moving up the margin curve

RECOMMENDATION (unchanged)

SPECULATIVE HOLD

*See key risks on Page 7.

PRICE

A\$0.085

TARGET (12 MONTHS)

A\$0.11 (prev. A\$0.085)

Expected return

| | |
|-----------------------|--------------|
| Capital growth | 27.8% |
| Dividend yield | 0.0% |
| Total expected return | 27.8% |

Sector

Water Utilities

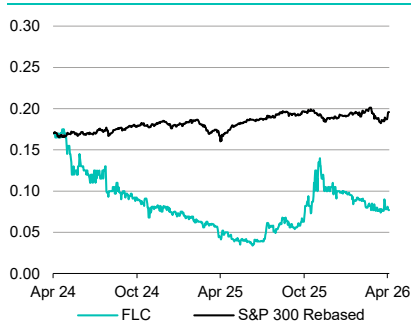
Capital structure & trading data

| | |
|------------------------|---------------------|
| Enterprise value | \$101m |
| Market cap | \$97m |
| Issued capital | 1,143m |
| Free float | 69% |
| Avg. daily val. (52wk) | \$56.3k |
| 12 month price range | A\$0.03-0.15 |

Price performance

| | (1m) | (3m) | (12m) |
|----------------|------|-------|-------|
| Price (A\$) | 0.08 | 0.10 | 0.05 |
| Absolute (%) | -2.5 | -19.8 | 57.1 |
| Rel market (%) | -5.6 | -22.2 | 40.7 |

Share price (A\$/sh) vs. XKO



Source: IRESS

Positive long-term view maintained

We have transferred analyst coverage of FLC, maintained our Hold (Speculative) recommendation and raised our Valuation to \$0.11/sh (previously \$0.085/sh). Our investment thesis is predicated on: (1) A transition from lower margin, large, Custom-Engineered Solutions (CES) towards higher margin Smart Products Solutions (SPS) and recurring revenue offerings; (2) Favourable environmental tailwinds including growing recognition of safe wastewater discharge limits and importance of water reuse; (3) A proprietary, patent-protected membrane aerated biofilm reactor (MABR) which uses less space, energy and is lower maintenance compared to legacy wastewater treatment products; and (4) An already >1,000 install base from which to monetise via recurring O&M and aftermarket services at gross margins of ~40% (FY25 group gross margin 29%).

Turning point nears completion

Late in 2020, FLC repositioned its strategy from lumpy multi-year CES-style projects towards its core product suite of SPS and recurring revenue work targeted at the mid-market. These pre-engineered, packaged solutions command higher gross margins (25-40%) compared to CES (<15%). The final large legacy contract for FLC is the €48m Ivory Coast (IVC) addendum which is due to be completed in Q3 FY26. This addendum had a gross margin of 13% in FY25, far below overall segment margins of 29%. Once finished, the turnaround story will be complete, allowing the company's gross and EBITDA margins to progress towards its medium-term targets of 32%+ and 10%+, respectively.

Investment thesis: Val\$0.11/sh (prev. \$0.085/sh)

Fluence has spent the last few years restructuring, lowering its fixed cost base and focusing on higher margin, decentralised solutions. We see upside risk to our valuation on the potential award of the IVC O+M contract, which we have chosen to leave out of our numbers. We believe the scope of this contract could be as large as €8m annually within 3 years and FLC is in the box seat to win it. Whilst positive on the future of FLC, our Hold (Speculative) recommendation is predicated on awaiting further execution of FLC's strategy shift and is in accordance with our rating structure.

Earnings estimates

| Year ending 30 June | 2025 | 2026e | 2027e | 2028e |
|---------------------------|--------|--------|--------|--------|
| Sales (US\$m) | 78.4 | 85.4 | 89.9 | 112.1 |
| Gross Profit (US\$m) | 23.1 | 25.5 | 29.9 | 38.9 |
| Underlying EBITDA (US\$m) | 2.5 | 3.6 | 4.5 | 9.4 |
| NPAT (adjusted) (US\$m) | (1.1) | 0.2 | 1.2 | 4.6 |
| EPS (adjusted) (US¢ps) | (0.1) | 0.0 | 0.1 | 0.4 |
| EPS growth (%) | na | na | 396.4% | 290.0% |
| PER (x) | -59.6x | 286.3x | 57.7x | 14.8x |
| FCF Yield (%) | 15.1% | -1.9% | 6.5% | 3.3% |
| EV/EBITDA (x) | 28.4x | 19.9x | 15.7x | 7.6x |
| Dividend (¢ps) | - | - | - | - |
| Yield (%) | 0.0% | 0.0% | 0.0% | 0.0% |
| Franking (%) | 0% | 0% | 0% | 0% |

Source: Bell Potter Securities estimates

Investment thesis

Investment thesis: Hold (Speculative) & Val\$0.11/sh

We are transferring coverage of FLC, retaining the Hold (Speculative) recommendation. Our investment thesis is predicated on:

- Approaching inflexion point:** In 2022, the company decided to exit away from lower-margin, higher-risk Custom Engineering Solutions (CES) towards repeatable Smart Product Solutions (SPS) and recurring revenue work. SPS and RR jobs are between +10-25ppts higher gross margin than CES. The transition will be complete once the €48m Ivory Coast addendum works are finalised, due to be in Q3 2026. FLC's medium-term target is to achieve \$120m+ revenue, 32%+ gross margins and 10%+ EBITDA margins.
- Global challenge of clean water:** Fluence's offering tackles the growing challenge of water scarcity with the UN estimating that 2.1 billion people still lack safely managed drinking water. According to Meticulous Research, the Water and Wastewater treatment market is set to grow at a CAGR of 6.1% from 2025-2034 to US\$652b. This growth is attributed to rapid population growth, urbanization, and stringent water treatment regulations. Fluence offers a breadth of solutions from Municipal wastewater treatment for safe discharge to desalination of seawater and brackish water, as well as Industrial water re-use options and Water-to-Energy products.
- Proprietary patented MABR:** FLC's flagship proprietary Membrane Aerated Biofilm Reactor (MABR) technology features highly effective biological nutrient removal. The self-respiring MABRs provide an energy-efficient solution for high quality effluent. FLC offers the MABR technology in two formats: Aspiral for small-to-medium-sized smart packaged plants and SUBRE for upgrading existing aerobic wastewater treatment plants. FLC's IP covers the physical way the membrane is wound but it does not protect the use of the MABR technology itself, as such Veolia and DuPont have competing products but target the larger end of the market.
- Monetise install base:** Through its >1,000 global installations, FLC has an outsized opportunity to convert the majority of these into recurring O&M and aftermarket work. A key growth strategy is seen to be the signing of O&M + Service contracts with the initial project contract win. Currently 16% of the Group's revenue comes from O&M + Service which command the highest gross margins across the business at 40%. The largest potential opportunity in this space is with the Ivory Coast project with negotiations already ongoing for the award of a long-term O&M contract. FLC currently maintains the plant on an interim basis which positions the company to be awarded the contract. We estimate annual revenues of €8m within 3 years if awarded.
- Increased industrial wastewater regulation:** Wastewater limits for nitrates and phosphates have become a central compliance issue for industrial facilities worldwide. Essential in agriculture and manufacturing processes, nitrates and phosphates when discharged into waterways cause eutrophication leading to dense algal blooms and severe oxygen depletion. Industrial sectors such as food and beverage processing and dairy and meat processing generate wastewater with elevated nutrient concentrations requiring advanced effluent nutrient removal technologies. The stakes for noncompliance are growing, with risks ranging from fines and permit loss to reputational damage.
- Decentralized, modular treatment:** Traditional centralized water treatment plants involve long lead times for planning, permitting, and construction. Decentralized and modular systems are gaining traction because they're delivered faster, are cost effective and can be placed closer to the point of use.

FLC Company Structure

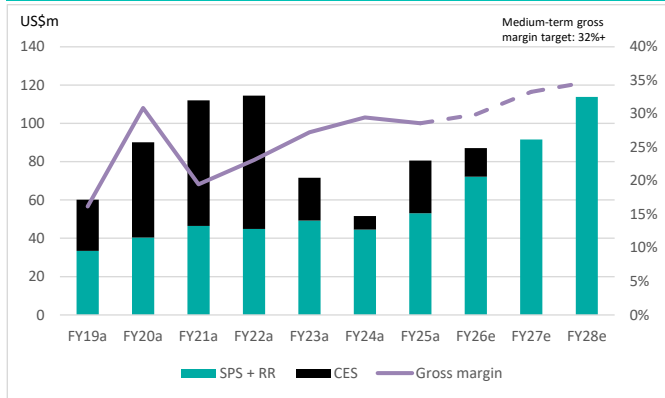
Figure 1: FLC Company Structure

| Fluence Corporation | | | | | |
|--|--|---|--|--|--|
| Business segment | | | | | |
| Municipal Water & Wastewater | Industrial Wastewater & Biogas | Industrial Water & Reuse | South-East Asia & China | Ivory Coast | Build Own Operate (BOO) |
| Services and products offered | | | | | |
| Decentralized, cost-effective water & wastewater treatment for Municipalities. | Custom designed waste-to-energy treatment systems and safe discharge for high-organic-load wastewater. | Fully automated, containerized solutions to treat processed water for re-use. | Provision of all solutions in SEA and China markets. | €48m addendum to a large EPC project. | Water-as-a-service. FLC fund and operate system to sell water to customer. |
| Key end markets | | | | | |
| Municipalities in North America, the Caribbean and the Middle East. | Meat, Milk, Fish & Fruit processing among others. | Food & beverage, Power, Lithium mining, Industrial re-use. | Municipalities & Industrial companies. | Water treatment plant in Abidjan, Ivory Coast. | Public and private entities. |
| Core products | | | | | |
| MABR suite (Aspiral, SUBRE & Nitro) + Nirobox | Aerobic + Anaerobic digestors | Nirobox, NiroFlex, EcoBox | All products. | €200m+ drinking water plant. | 10-15 year take-or-pay contracts. |
| Customers | | | | | |
| | | | | | |
| FY25 revenue/split/gross margins | | | | | |
| \$12m / 15% / 44% | \$14m / 17% / 33% | \$17m / 22% / 40% | \$7m / 8% / 21% | \$28m / 34% / 13% | \$2.8m / 4% / 24% |

Source: Company Data

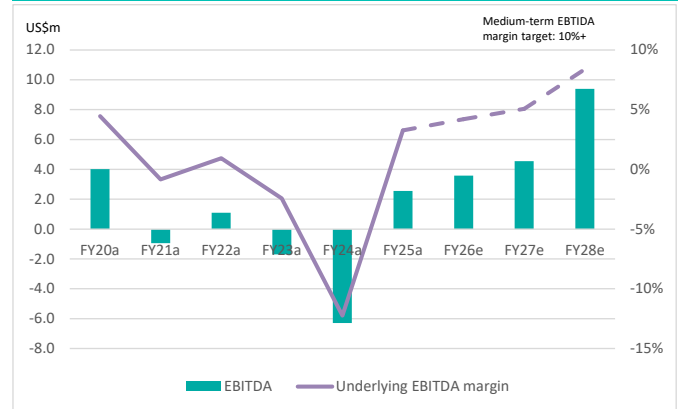
Key charts and Industry trends

Figure 2: FLC’s revenue growth outlook highlight that as SPS + RR increase share of overall revenue contribution, gross margin lifts as lower margin CES projects get phased out.



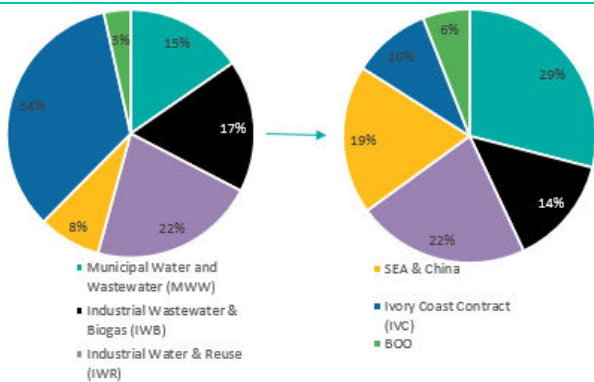
Source: Company data & Bell Potter Securities estimates

Figure 3: FLC Underlying EBITDA and margin uplift. We forecast continued underlying EBITDA margin uplift as FLC transition towards higher margin solutions.



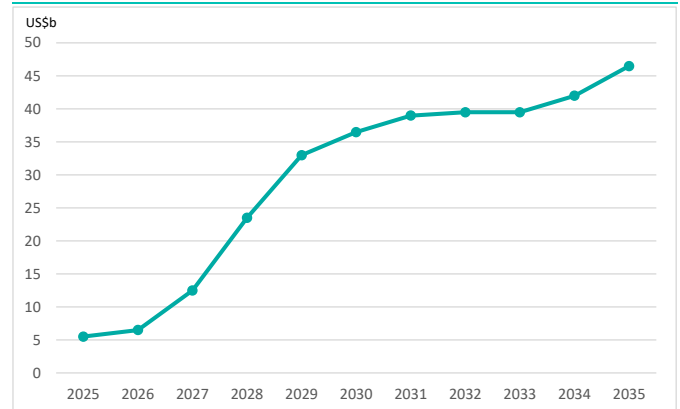
Source: Company data & Bell Potter Securities estimates

Figure 4: FY25 revenue segmentation (left); Medium-term targets highlight a move away from large one-off contracts to repeatable higher margin projects with large growth to come from MWW and SEA & China



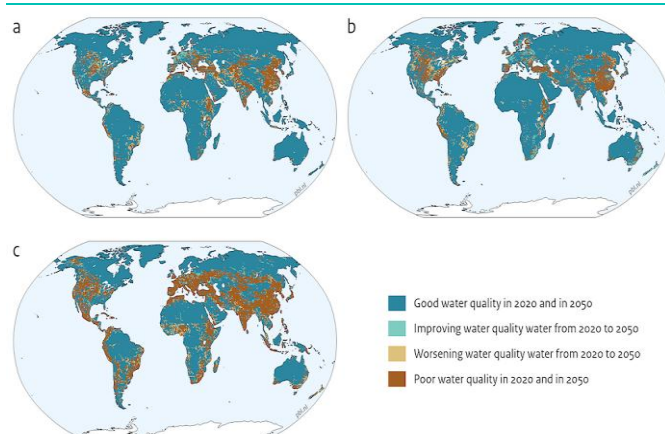
Source: Company Data & Bell Potter Securities estimates

Figure 5: U.S. forecast Capex for Municipal water reuse infrastructure and treatment systems. FLC is targeting medium-term revenue split of 30% from North America & Caribbean, up from 11% in FY25.



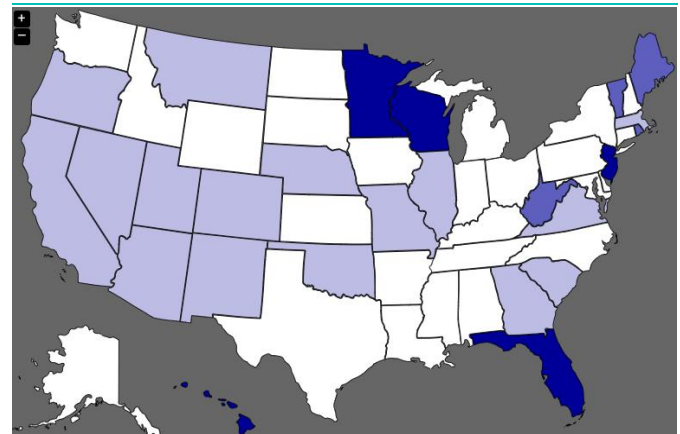
Source: Bluefield Research & Bell Potter Securities estimates

Figure 6: Change in areas exceeding critical thresholds for a) nitrogen concentration in surface water, b) nitrogen concentrations in groundwater, c) phosphorus concentrations in surface water



Source: Organisation for Economic Co-operation and Development (OECD)

Figure 7: U.S. States with nutrient criteria 2025. White shade represents states with no criteria; dark blue shade represents States with 2 or more water types with N and/or P criteria.



Source: US Environmental Protection Agency

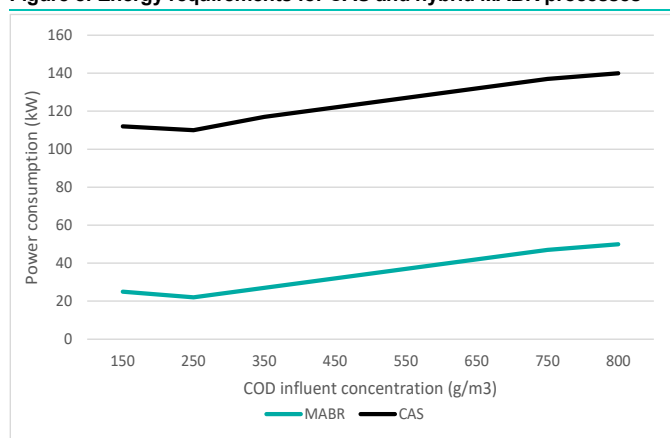
Membrane Aerated Biofilm Reactor

A growing global problem

Despite a rightful focus on PFAS in recent years, excessive nutrient levels in water bodies are another major problem for governments globally. Eutrophication sets off a chain reaction in the ecosystem, starting with an overabundance of algae which eventually decompose, producing large amounts of carbon dioxide. In some worst-case scenarios, algal blooms can occur which cause mass marine-life death.

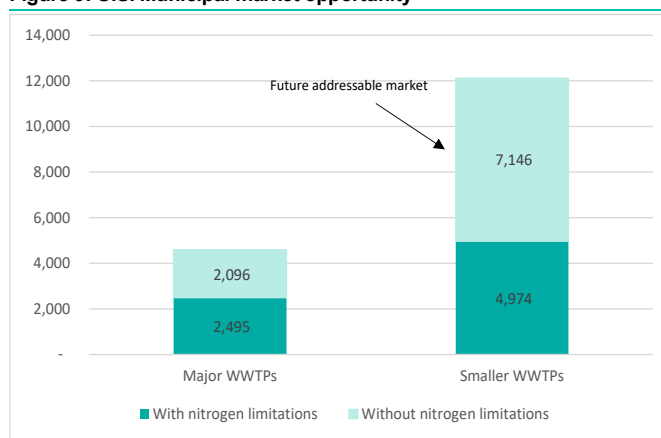
Locally, a current example of this is the ongoing toxic algal bloom which has affected 30% of the South Australian coastline. According to the Biodiversity Council, nutrient pollution is one of the likely causes for the bloom. Nutrient pollution is primarily caused by agriculture run-off and discharge from industrial and municipal wastewater treatment plants.

Figure 8: Energy requirements for CAS and hybrid MABR processes



Source: Martin, K.J. and Nerenberg, R., The membrane biofilm reactor MBfR for energy efficient wastewater treatment & Bell Potter Securities estimates

Figure 9: U.S. Municipal market opportunity



Source: US Environmental Protection Agency

SOLUTION TO THE PROBLEM

The Membrane Aerated Biofilm Reactor (MABR) technology uses significantly lower energy consumption compared to legacy wastewater treatment processes and the simultaneous nitrification and denitrification enables high nutrient removal. The MABR technology was first commercialised by OxyMem (DuPont) in 2014 and as such FLC’s IP does not protect the use of MABR. At the heart of FLC’s patent is a self-respiring, spirally wound membrane envelope that passively delivers oxygen directly into the wastewater so that helpful bacteria can grow. The oxygen transfer mechanism, where air is supplied to the process at very low pressure, is the reason MABRs have significantly lower energy consumption compared to other wastewater treatment processes, such as conventional activated sludge (CAS). DuPont and Veolia (main MABR competitors) both target the larger municipal market leaving a large mid-market tail for smaller solutions businesses like FLC.

Expansion in North America & Caribbean is a key focus for FLC with the medium-term target to grow its revenue segmentation from 11% at the end of FY25 to 30%. The North American market is highly fragmented with different regulations in each State. As more States accept and adopt the MABR technology (even from competitors), FLC will stand to benefit as their target market grows.

Valuation Summary

50:50 VALUATION BLEND

We combine a Discounted Cashflow methodology with an EV/Revenue relative valuation to derive a valuation of \$0.11/sh, implying a 12-month total return of 28%. Therefore, we have a Hold (Speculative) recommendation on FLC in accordance with our rating structure.

Figure 10: Combined DCF and EV/Revenue valuation methodology

| Valuation method | Weight (%) | Val. (\$/sh) |
|---------------------------------|-------------|--------------|
| DCF | 50% | 0.06 |
| EV/Sales | 50% | 0.05 |
| Blended equity valuation | 100% | 0.11 |
| Current share price \$/sh | | 0.09 |
| Upside to current share price % | | 28% |

Source: Bell Potter Securities estimates

PEER GROUP COMPARISON

Given FLC is still in the relatively early stages of its turnaround we consider an EV/sales multiple is most appropriate for valuation. Comparing FLC, to other ASX-listed companies, we see that it is fairly valued at the current price. We utilise a 50% discount to the mean FY26e EV/Sales for FLC's global peer group and set our target multiple at 1.2x, which results in a valuation of \$0.09/sh.

FLC's globally listed peer group is presented in the table below:

Figure 11: Globally listed peers

| Company | Code | Currenc | Last Price | Mkt Cap (A\$m) | EV (A\$m) | Sales (A\$m) | | | EV/Revenue | | | EBITDA (A\$m) | | | EV/EBITDA | | |
|----------------------------|------|---------|------------|----------------|-----------|--------------|--------------|--------------|-------------|-------------|-------------|----------------|----------------|----------------|--------------|--------------|-------------|
| | | | | | | FY26 | FY27 | FY28 | FY26 | FY27 | FY28 | FY26 | FY27 | FY28 | FY26 | FY27 | FY28 |
| Global-listed comps | | | | | | | | | | | | | | | | | |
| Ecolab | ECL | USD | 272.47 | 108,823 | 120,681 | 24,772 | 26,265 | 27,828 | 4.9x | 4.6x | 4.3x | 6,191 | 6,765 | 7,309 | 19.5x | 17.8x | 16.5x |
| Xylem | XYL | USD | 129.40 | 44,070 | 45,907 | 13,010 | 13,594 | 14,325 | 3.5x | 3.4x | 3.2x | 3,020 | 3,280 | 3,550 | 15.2x | 14.0x | 12.9x |
| Energy Recovery | ERII | USD | 11.06 | 826 | 733 | 172 | 213 | 245 | 4.3x | 3.4x | 3.0x | 49 | 78 | - | 14.9x | 9.4x | - |
| Kurita Water | 6370 | JPY | 8,151 | 8,410 | 8,847 | 3,728 | 3,940 | 4,128 | 2.4x | 2.2x | 2.1x | 782 | 838 | 892 | 11.3x | 10.6x | 9.9x |
| Organo | 6368 | JPY | 16,275 | 6,700 | 6,786 | 1,562 | 1,731 | 1,905 | 4.3x | 3.9x | 3.6x | 344 | 397 | 439 | 19.7x | 17.1x | 15.5x |
| Metawater | 9551 | JPY | 3,680 | 1,446 | 1,487 | 1,801 | 1,931 | 2,013 | 0.8x | 0.8x | 0.7x | 133 | 145 | 156 | 11.2x | 10.2x | 9.5x |
| Environmental Group | EGL | AUD | 0.21 | 80 | 91 | 127 | 139 | 145 | 0.7x | 0.7x | 0.6x | 13 | 16 | 17 | 7.0x | 5.8x | 5.4x |
| SciDev | SDV | AUD | 0.19 | 36 | 32 | 106 | 120 | 127 | 0.3x | 0.3x | 0.3x | 5 | 10 | 12 | 6.3x | 3.3x | 2.7x |
| De.Mem | DEM | AUD | 0.09 | 29 | 27 | 38 | 42 | 46 | 0.7x | 0.6x | 0.6x | 4 | 7 | 8 | 7.2x | 4.1x | 3.5x |
| Total Average | | | | | | 5,035 | 5,330 | 5,640 | 2.4x | 2.2x | 2.1x | 1,171.3 | 1,281.8 | 1,547.7 | 12.5x | 11.3x | 9.5x |
| Total Median | | | | | | 1,562 | 1,731 | 1,905 | 2.4x | 2.2x | 2.1x | 133.0 | 145.4 | 297.4 | 11.3x | 10.2x | 9.7x |
| Fluence Corporation | FLC | AUD | 0.09 | 97 | 69 | 85.4 | 89.9 | 112.1 | 0.8x | 0.8x | 0.6x | 3.6 | 4.5 | 9.4 | 19.4x | 15.2x | 7.4x |

Source: Bloomberg & Bell Potter Securities estimates

Fluence Corporation (FLC)

BUSINESS OVERVIEW

Fluence Corporation (FLC) is a global supplier of decentralised water treatment solutions for plant asset operators in municipal, commercial, and industrial markets.

VALUATION METHOD

We utilise an equal weighted blend of our two valuation methodologies: DCF and EV/Sales to determine our 12-month valuation.

RISKS

Risks to an investment in FLC include but are not limited to:

Contract: Successful execution of contracts is imperative for the continued success of FLC. Most notably, the IVC project represents a significant share of FLC's current revenue and cashflow. Some of the key risks associated with these material contracts include executing on time and on budget, cash flow, contract management, performance and quality of the equipment being delivered and reputation. The award of new contracts is key to FLC's future growth.

Supply chain: Rising input costs and global supply chain constraints experienced over the past few years across industries have the potential to reduce profit margins where those costs cannot be recovered from customers and project delays. Significant input costs include labour, components and materials, and freight.

Political and Regulatory: FLC is a global company and operates in numerous countries around the world. FLC must comply with a range of governance requirements which are conditions of its listing on ASX. New or evolving regulations as well as international standards are outside FLC's control and can often be complex and difficult to predict. The potential development of international opportunities can be jeopardised by changes to fiscal or regulatory regimes, adverse changes to tax laws, etc.

Intellectual property: FLC has executed international patents covering the biofilm delivery process and membrane design of its Aspiral and SUBRE products – both of which we understand are distinct from competitors. FLC will be required to maintain valid patent protection and there is a risk that competitors may create, or have already created, intellectual property rights that restrict FLC's ability to exploit its own technology. There is also a risk that FLC will not be able to enforce its property rights or that employees, former employees or third parties will infringe or misappropriate intellectual property.

Competition: FLC's competitors include large established and well-funded corporations which may be able to adopt aggressive R&D and marketing strategies to capture market share as well as aggressive, fast moving early-stage start-up companies.

Currency: FLC undertakes transactions denominated in non-USD currency and is exposed to foreign currency risk, the greatest of which include the Euro, Argentinian Peso, Egyptian Pound and the Brazilian Real.

RECOMMENDATION (unchanged) **PRICE**
Speculative Hold A\$0.085

TARGET (12 MONTHS)
A\$0.11 (prev. A\$0.085)

Table 1: Financial summary

| Date | | 10/04/26 | | | | | Bell Potter Securities | | | | |
|--------------------------------------|--------------|---------------|---------------|--------------|--------------|--------------|--|--|--|-------------------|---------------------|
| Price | A\$/sh | 0.09 | | | | | Ritesh Varma (rvarma@bellpotter.com.au, +61 3 9235 1658) | | | | |
| Target price | A\$/sh | 0.11 | | | | | | | | | |
| PROFIT AND LOSS | | | | | | | | | | | |
| Year ending 30 December | Unit | 2024a | 2025a | 2026e | 2027e | 2028e | | | | | |
| Revenue | US\$m | 51.5 | 78.4 | 85.4 | 89.9 | 112.1 | | | | | |
| Cost of goods sold | US\$m | -36.3 | -55.3 | -59.9 | -60.0 | -73.2 | | | | | |
| Gross Profit | US\$m | 15.2 | 23.1 | 25.5 | 29.9 | 38.9 | | | | | |
| Underlying EBITDA | US\$m | -6.3 | 2.5 | 3.6 | 4.5 | 9.4 | | | | | |
| Depreciation | US\$m | -1.7 | -1.5 | -1.7 | -1.6 | -1.8 | | | | | |
| Amortisation | US\$m | -0.2 | -0.1 | -0.1 | -0.2 | -0.2 | | | | | |
| Underlying EBIT | US\$m | -8.2 | 0.9 | 1.7 | 2.8 | 7.4 | | | | | |
| Net interest expense | US\$m | -2.8 | -1.5 | -1.4 | -1.1 | -0.7 | | | | | |
| Underlying profit before tax | US\$m | -11.0 | -0.6 | 0.3 | 1.7 | 6.6 | | | | | |
| Tax expense | US\$m | 0.2 | -0.5 | -0.1 | -0.5 | -2.0 | | | | | |
| Underlying NPAT | US\$m | -10.8 | -1.1 | 0.2 | 1.2 | 4.6 | | | | | |
| Adjustments (post-tax) | US\$m | -10.9 | -7.0 | 0.0 | 0.0 | 0.0 | | | | | |
| Reported NPAT | US\$m | -21.7 | -8.1 | 0.2 | 1.2 | 4.6 | | | | | |
| CASH FLOW STATEMENT | | | | | | | | | | | |
| Year ending 30 December | Unit | 2024a | 2025a | 2026e | 2027e | 2028e | | | | | |
| OPERATING CASH FLOW | | | | | | | | | | | |
| Receipts from customers | US\$m | 44.2 | 89.4 | 88.0 | 85.4 | 105.5 | | | | | |
| Payments to suppliers and employees | US\$m | (61.2) | (78.0) | (86.5) | (77.8) | (98.5) | | | | | |
| Tax paid | US\$m | (0.8) | (0.3) | (0.1) | (0.5) | (2.0) | | | | | |
| Net interest | US\$m | (2.3) | (0.2) | (1.4) | (1.1) | (0.7) | | | | | |
| Other | US\$m | - | - | 0.0 | 0.0 | 0.0 | | | | | |
| Operating cash flow | US\$m | (20.1) | 10.9 | 0.0 | 6.0 | 4.3 | | | | | |
| INVESTING CASH FLOW | | | | | | | | | | | |
| Capital expenditures | US\$m | (1.7) | (1.2) | (1.2) | (1.5) | (1.8) | | | | | |
| Payments for acquisitions | US\$m | - | - | - | - | - | | | | | |
| Disposal of assets | US\$m | 2.0 | 0.1 | - | - | - | | | | | |
| Other | US\$m | 3.8 | 0.2 | (0.1) | (0.1) | (0.2) | | | | | |
| Investing cash flow | US\$m | 4.1 | (1.0) | (1.3) | (1.6) | (2.0) | | | | | |
| Free cash flow | US\$m | (16.0) | 9.9 | (1.3) | 4.5 | 2.3 | | | | | |
| FINANCING CASH FLOW | | | | | | | | | | | |
| Proceeds from share issues (net) | US\$m | (0.0) | - | - | - | - | | | | | |
| Debt proceeds / (repayments) | US\$m | 2.3 | (2.1) | 5.0 | (5.0) | (5.0) | | | | | |
| Dividends paid | US\$m | - | - | - | - | - | | | | | |
| Other | US\$m | (1.0) | (0.7) | (1.0) | (1.0) | (1.0) | | | | | |
| Financing cash flow | US\$m | 1.2 | (2.8) | 4.0 | (6.0) | (6.0) | | | | | |
| Change in cash | US\$m | (14.8) | 7.1 | 2.7 | (1.5) | (3.7) | | | | | |
| BALANCE SHEET | | | | | | | | | | | |
| Year ending 30 December | Unit | 2024a | 2025a | 2026e | 2027e | 2028e | | | | | |
| ASSETS | | | | | | | | | | | |
| Cash | US\$m | 8.9 | 16.6 | 19.4 | 17.8 | 14.1 | | | | | |
| Receivables | US\$m | 13.8 | 16.0 | 12.8 | 15.4 | 19.2 | | | | | |
| Contract assets | US\$m | 25.1 | 8.8 | 9.4 | 11.3 | 14.1 | | | | | |
| Inventories | US\$m | 5.8 | 4.6 | 5.1 | 6.1 | 7.7 | | | | | |
| Capital assets | US\$m | 7.2 | 7.9 | 8.1 | 8.8 | 9.6 | | | | | |
| Intangibles | US\$m | 1.0 | 0.6 | 0.6 | 0.5 | 0.5 | | | | | |
| Long-term deposits | US\$m | 3.6 | 4.1 | 4.1 | 4.1 | 4.1 | | | | | |
| Other assets | US\$m | 8.7 | 8.6 | 8.9 | 9.0 | 9.0 | | | | | |
| Total assets | US\$m | 74.1 | 67.3 | 68.3 | 73.0 | 78.3 | | | | | |
| LIABILITIES | | | | | | | | | | | |
| Payables | US\$m | 16.4 | 16.7 | 12.3 | 19.4 | 23.4 | | | | | |
| Contract liabilities | US\$m | 21.5 | 7.0 | 7.4 | 8.8 | 10.5 | | | | | |
| Borrowings | US\$m | 20.7 | 18.2 | 23.2 | 18.2 | 13.2 | | | | | |
| Provisions | US\$m | 3.6 | 3.0 | 3.0 | 3.0 | 3.0 | | | | | |
| Leases | US\$m | 0.8 | 1.1 | 1.0 | 0.9 | 0.8 | | | | | |
| Accrued project expenses | US\$m | 18.4 | 16.2 | 16.2 | 16.2 | 16.2 | | | | | |
| Other liabilities | US\$m | 18.7 | 31.3 | 31.3 | 31.3 | 31.3 | | | | | |
| Total liabilities | US\$m | 81.6 | 77.4 | 78.2 | 81.7 | 82.3 | | | | | |
| NET ASSETS | | | | | | | | | | | |
| Share capital | US\$m | 232.6 | 234.8 | 234.8 | 234.8 | 234.8 | | | | | |
| Reserves | US\$m | (1.6) | 1.5 | 1.5 | 1.5 | 1.5 | | | | | |
| Retained earnings | US\$m | (236.3) | (244.4) | (244.1) | (242.9) | (238.3) | | | | | |
| Minorities | US\$m | (2.2) | (2.1) | (2.1) | (2.1) | (2.1) | | | | | |
| SHAREHOLDER EQUITY | US\$m | (7.5) | (10.1) | (9.9) | (8.7) | (4.0) | | | | | |
| Weighted average shares | m | 1,079 | 1,092 | 1,142 | 1,142 | 1,142 | | | | | |
| FINANCIAL RATIOS | | | | | | | | | | | |
| Year ending 30 December | Unit | 2024a | 2025a | 2026e | 2027e | 2028e | | | | | |
| VALUATION | | | | | | | | | | | |
| EPS (underlying) | US\$/sh | (0.9) | (0.1) | 0.0 | 0.1 | 0.4 | | | | | |
| EPS growth | % | na | na | na | 396.4% | 290.0% | | | | | |
| PER | x | -6.0x | -59.6x | 286.3x | 57.7x | 14.8x | | | | | |
| DPS | US\$/sh | - | - | - | - | - | | | | | |
| Franking | % | 0.0% | 0.0% | 100.0% | 100.0% | 100.0% | | | | | |
| Yield | % | 0% | 0% | 0% | 0% | 0% | | | | | |
| FCF/share | US\$/sh | (1.5) | 0.9 | (0.1) | 0.4 | 0.2 | | | | | |
| FCF yield | % | -24.7% | 15.1% | -1.9% | 6.5% | 3.3% | | | | | |
| EV/EBITDA | x | -11.3x | 28.4x | 19.9x | 15.7x | 7.6x | | | | | |
| NTA | US\$/sh | 0.0x | 0.0x | 0.0x | 0.0x | 0.0x | | | | | |
| P/NTA | x | -10.8x | -8.7x | -9.3x | -10.6x | -21.3x | | | | | |
| LIQUIDITY & LEVERAGE | | | | | | | | | | | |
| Net debt / (cash) | US\$m | 12.5 | 2.7 | 4.9 | 1.3 | (0.1) | | | | | |
| Net debt / Equity | % | -237% | -33% | -63% | -20% | 4% | | | | | |
| Net debt / Net debt + Equity | % | 173% | -50% | -167% | -25% | 4% | | | | | |
| Net debt / EBITDA | x | -2.0x | 1.1x | 1.4x | 0.3x | 0.0x | | | | | |
| EBITDA / net interest expense | x | -2.9x | 0.6x | 1.2x | 2.5x | 9.9x | | | | | |
| PROFITABILITY RATIOS | | | | | | | | | | | |
| EBITDA margin | % | -12% | 3% | 4% | 5% | 8% | | | | | |
| EBIT margin | % | -16% | 1% | 2% | 3% | 7% | | | | | |
| Return on assets | % | -13% | -2% | 0% | 2% | 6% | | | | | |
| Return on equity | % | -243% | 17% | -3% | -17% | -109% | | | | | |
| Return on capital employed | % | -75% | 15% | 7% | 13% | 34% | | | | | |
| Return on invested capital | % | -85% | 71% | -140% | -67% | -256% | | | | | |
| Segmental information | | | | | | | | | | | |
| Year ending 30 December | Unit | 2024a | 2025a | 2026e | 2027e | 2028e | | | | | |
| Municipal Water and Wastewater (MWW) | US\$m | 11.0 | 12.4 | 18.0 | 23.5 | 27.9 | | | | | |
| Industrial Wastewater & Biogas (WB) | US\$m | 8.9 | 13.9 | 21.7 | 27.8 | 35.5 | | | | | |
| Industrial Water & Reuse (IWR) | US\$m | 18.0 | 17.4 | 20.0 | 24.1 | 29.1 | | | | | |
| SEA & China | US\$m | 3.8 | 6.5 | 9.4 | 13.1 | 18.3 | | | | | |
| BOO | US\$m | 2.9 | 2.8 | 3.0 | 3.0 | 3.0 | | | | | |
| Revenue excl. IVC | US\$m | 44.6 | 53.1 | 72.1 | 91.6 | 113.8 | | | | | |
| Ivory Coast Contract | US\$m | 7.0 | 27.5 | 15.0 | 0.0 | 0.0 | | | | | |
| Corporate | US\$m | -0.1 | -2.1 | -1.7 | -1.7 | -1.7 | | | | | |
| Total Revenue | US\$m | 51.5 | 78.4 | 85.4 | 89.9 | 112.1 | | | | | |
| Municipal Water and Wastewater (MWW) | US\$m | 0.9 | 1.9 | 3.1 | 4.2 | 5.6 | | | | | |
| Industrial Wastewater & Biogas (WB) | US\$m | 0.6 | 2.3 | 3.8 | 5.0 | 7.1 | | | | | |
| Industrial Water & Reuse (IWR) | US\$m | 3.1 | 3.6 | 3.8 | 4.5 | 5.7 | | | | | |
| SEA & China | US\$m | -1.1 | -0.3 | -0.1 | -0.1 | 0.3 | | | | | |
| BOO | US\$m | 0.5 | 0.7 | 0.3 | 0.3 | 0.3 | | | | | |
| Segment EBITDA excl. IVC | US\$m | 4.0 | 8.2 | 10.9 | 13.9 | 19.0 | | | | | |
| Ivory Coast Contract | US\$m | 0.2 | 3.4 | 2.0 | 0.0 | 0.0 | | | | | |
| Corporate | US\$m | -8.2 | -7.7 | -7.8 | -8.0 | -8.1 | | | | | |
| Share-based payments | US\$m | -2.3 | -1.4 | -1.4 | -1.4 | -1.4 | | | | | |
| Underlying EBITDA | US\$m | -6.3 | 2.5 | 3.6 | 4.5 | 9.4 | | | | | |
| VALUATION SUMMARY | | | | | | | | | | | |
| 12-month valuation | | | | | | | | | | | |
| Valuation method | | | | | | | | | | Weight (%) | Val. (\$/sh) |
| DCF | | | | | | | | | | 50% | 0.06 |
| EV/Revenue | | | | | | | | | | 50% | 0.05 |
| Blended equity valuation | | | | | | | | | | 100% | 0.11 |
| Current share price \$/sh | | | | | | | | | | | 0.09 |
| Upside to current share price % | | | | | | | | | | | 28% |

Source: Bell Potter Securities estimates

**RECOMMENDATION
STRUCTURE**

| | |
|-------------|---|
| BUY | Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected. |
| HOLD | Expect total return between -5% and 15% on a 12 month view. |
| SELL | Expect <-5% total return on a 12 month view. |

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