

Fluence Corporation

Structural growth

Fluence is a compelling play on the structural growth of water treatment led by a refreshed team with a strong record of value creation. Operations have been streamlined, costs cut and balance sheet improved. A strategic shift toward higher-margin Smart Product Solutions (SPS) and Recurring Revenue (RR) services should improve earnings and the rating. We initiate with a Buy recommendation and a target price of 15c per share, ~100% upside.

A one-stop play on structurally rising demand

Fluence Corporation is a water and wastewater treatment solutions provider with over 1,000 installations globally. Water treatment is a structural growth market driven by: increased regulation, water scarcity, strategic importance of water, and the AI hyper-scaler capex cycle. This growth underpins our forecast for a near doubling of Smart Product Solutions and Recurring Revenue by FY28 (Figure 1).

Doing it again

Fluence's new management have laid the groundwork for future profitability by: simplifying the operating structure, improving gross margins and lowering the cost base. The turnaround bears the hallmarks of management's past successes which include the billion dollar exits of AquaVenture and Ionics. Chairman Doug Brown and NED Nikolaus Oldendorff have >A\$50m invested in the company: 31% of the equity and all the debt.

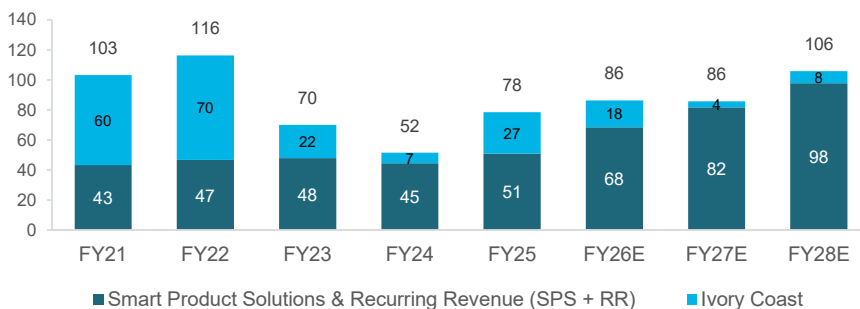
Rental-fleet optionality

Fluence is a global leader in modular water treatment, wastewater treatment and desalination. Fluence's ability to respond to evolving market conditions for on-demand treatment would be enhanced by building a rental fleet. The company has missed ~US\$25m of contract opportunities by not having assets to deploy in this space. IRR on a rental fleet is likely to be 20-25%.

Nearly 100% share price upside

Our target price of 15c per share implies a re-rating to 9x EV/EBITDA in FY28, in line with the average of Australian peers. Even the lowest EV/Revenue multiple of comparable transactions is approximately double what Fluence trades on today (Figure 27).

Figure 1. Fluence revenue forecasts (US\$m)



Source: Company data, Blue Ocean Equities.

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Date	7 April 2026
Stock rating	BUY
Price target	\$0.15
Closing price	\$0.078
Ticker	ASX: FLC
Implied return (%)	95
Market cap (m)	89
Enterprise value (m)	87
Shares outstanding (m)	1,142.9
52 wk avg daily vol (m)	0.64
12-month price range	\$0.03 - 0.14
GICS Sector	Water & Related Utilities

Y/E Jun (A\$m)	FY25	FY26E	FY27E	FY28E
Revenue	122	124	123	152
Growth (% YoY)	1.9	2.3	-0.7	23.4
EBITDA	6.1	8.4	10.8	19.7
Margin (%)	5.0	6.8	8.8	12.9
NPAT	1.1	3.3	5.2	13.0
EPS adj. (cps)	0.1	0.3	0.5	1.1
DPS (cps)	0.0	0.0	0.2	0.6

Valuation	FY25	FY26E	FY27E	FY28E
P/E (x)	78.5	27.3	17.2	6.9
EV/Revenue (x)	0.7	0.7	0.7	0.6
EV/EBITDA (x)	14.2	10.3	8.0	4.4
EV/EBIT (x)	37.2	20.9	15.2	7.4
Div. yield (%)	0.0	0.0	2.9	7.3
Net debt (cash)	-1.5	-4.8	-8.0	-21.0

Top Shareholders	%
Nikolaus Oldendorff	NED 15.2
Doug Brown	Chairman 15.2
Ardasley Advisory	11.1
Regal Funds	6.8

Share price



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Fluence Corporation (ASX: FLC)

	A\$m		US\$m		A\$m		US\$m							
Closing price (A\$)	\$0.078		\$0.05		Market cap (\$m)		89 62							
Price target (A\$)	\$0.15		\$0.11		Enterprise value (\$m)		87 60							
Expected return	95%				Shares outstanding (m)		1,142.9							
Income statement (Y/E December, US\$m)	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY23	FY24	FY25	FY26E	FY27E	FY28E		
Revenue	70.0	51.5	78.4	86.3	85.7	105.8	P/E (x)	N/A	N/A	78.5	27.3	17.2	6.9	
Cost of sales	(51.0)	(36.3)	(55.3)	(58.6)	(55.7)	(68.5)	EV/Revenue (x)	0.8	1.1	0.7	0.7	0.7	0.6	
Gross Profit	19.1	15.2	23.1	27.7	30.1	37.3	EV/EBITDA (x)	326.6	N/A	14.2	10.3	8.0	4.4	
Other income	0.0	0.0	0.0	0.0	0.0	0.0	EV/EBIT (x)	N/A	N/A	24.0	14.5	10.6	5.1	
Operating costs	(18.9)	(19.2)	(19.1)	(21.9)	(22.5)	(23.6)	Equity FCF yield (%)	N/A	N/A	14.5	5.4	5.2	24.0	
EBITDA adj.	0.2	(4.0)	4.0	5.9	7.5	13.7	Dividend yield (%)	N/A	N/A	N/A	N/A	2.9	7.3	
One-off gains/(losses)	(9.2)	(13.5)	(9.7)	(1.0)	0.0	0.0	Price to book value (x)	N/A	N/A	N/A	N/A	N/A	N/A	
EBITDA	(9.0)	(17.5)	(5.8)	4.9	7.5	13.7	Australian Dollar Metrics (Y/E Dec, A\$m)							
D&A adj.	(1.6)	(1.6)	(1.6)	(1.7)	(1.8)	(1.9)	Revenue AUD	105.6	78.1	121.6	124.4	123.5	152.4	
EBIT adj.	(1.5)	(5.6)	2.3	4.2	5.7	11.8	Revenue ex. Ivory Coast AUD	72.1	67.5	79.0	98.4	117.7	140.9	
Finance costs	(5.7)	(2.8)	(1.5)	(1.5)	(1.5)	(1.2)	EBITDA adj. AUD	0.3	(6.1)	6.1	8.4	10.8	19.7	
Pre-tax profit adj.	(7.1)	(8.4)	0.8	2.7	4.2	10.6	EBIT adj. AUD	(2.2)	(8.5)	3.6	6.0	8.3	17.0	
Tax adj.	2.0	2.3	(0.1)	(0.4)	(0.6)	(1.6)	NPAT adj. AUD	(7.9)	(8.8)	1.1	3.3	5.2	13.0	
Minority interest	0.1	(0.3)	(0.0)	0.0	0.0	0.0	EPS adj. AUD	(1.1)	(0.8)	0.1	0.3	0.5	1.1	
NPAT adj.	(5.2)	(5.8)	0.7	2.3	3.6	9.0	DPS (cps) AUD	0.0	0.0	0.0	0.0	0.2	0.6	
One-off items (post-tax)	(10.1)	(15.6)	(10.1)	(2.3)	0.0	0.0	Net debt inc. leases AUD	(14.6)	13.5	(2.3)	(6.9)	(11.5)	(30.3)	
Reported profit to holders	(15.4)	(21.4)	(9.4)	1.4	3.6	9.0	Net debt ex. Leases AUD	(16.8)	12.4	(4.0)	(8.5)	(13.1)	(31.9)	
Per share metrics (US\$)	FY23	FY24	FY25	FY26E	FY27E	FY28E	Balance sheet metrics (\$USm)							
EPS diluted - adjusted (cps)	(0.7)	(0.5)	0.1	0.2	0.3	0.8	Gross debt (\$m)	19.3	21.4	19.3	7.3	7.3	7.3	
EPS diluted (cps)	(2.2)	(2.0)	(0.9)	0.1	0.3	0.8	Net debt inc. leases and deferred consid.	(9.7)	8.9	(1.5)	(4.8)	(8.0)	(21.0)	
DPS (cps)	0.0	0.0	0.0	0.0	0.2	0.4	Net debt/EBITDA (x)	N/A	N/A	N/A	N/A	N/A	N/A	
Franking	0.0	0.0	0.0	0.0	0.0	0.0	Fixed charge cover (x)	N/A	N/A	1.5	2.8	3.8	9.8	
Net assets (\$ps)	1.7	(0.7)	(1.0)	(0.9)	(0.6)	0.1	Segmental forecasts (US\$m)							
Shares on issue - avg. basic (m)	704	1,079	1,092	1,143	1,143	1,143	Municipal Waste Water	11.1	11.0	12.4	16.7	20.0	24.1	
Shares on issue - avg. diluted (m)	704	1,079	1,092	1,143	1,143	1,143	Industrial Wastewater & Biogas	7.0	8.9	13.9	21.6	25.9	31.0	
Cash flow statement (Y/E Dec, US\$m)	FY23	FY24	FY25	FY26E	FY27E	FY28E	Industrial Water & Reuse	14.9	18.0	17.4	20.9	25.1	30.2	
EBITDA	(9.0)	(17.5)	(5.8)	4.9	7.5	13.7	SEA & China	13.6	3.8	6.5	7.8	9.4	11.3	
Non cash items	0.0	0.0	0.0	0.0	0.0	0.0	BOO	2.8	2.9	2.8	2.8	2.8	2.8	
Cash interest	(5.7)	(2.3)	(0.2)	(1.5)	(1.5)	(1.2)	Ivory Coast	22.2	7.0	27.5	18.0	4.0	8.0	
Cash tax	(0.2)	(0.8)	(0.3)	(0.2)	(0.6)	(1.6)	Corporate	(1.5)	(0.1)	(2.1)	(1.5)	(1.5)	(1.5)	
Working capital/other	(4.1)	0.5	17.2	2.2	(0.2)	5.9	Revenue	70.0	51.5	78.4	86.3	85.7	105.8	
Operating Cash Flow	(19.0)	(20.1)	10.9	5.3	5.2	16.8	Municipal Waste Water	2.3	0.9	1.9	2.5	3.8	5.2	
Capex	(1.8)	(1.7)	(1.2)	(2.0)	(2.0)	(2.0)	Industrial Wastewater & Biogas	0.1	0.6	2.3	3.6	4.9	6.5	
Finance leases	(1.4)	(1.0)	(0.7)	0.0	0.0	0.0	SEA & China	0.2	(1.1)	(0.3)	0.1	0.4	0.8	
Free Cash Flow	(22.2)	(22.8)	9.0	3.3	3.2	14.8	BOO	0.3	0.5	0.7	0.5	0.5	0.5	
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	Ivory Coast	1.7	0.2	3.4	3.1	0.7	2.3	
Proceeds from disposals	0.1	2.0	0.4	0.0	0.0	0.0	Corporate	(5.8)	(8.2)	(7.7)	(7.5)	(7.7)	(8.1)	
Proceeds from issue of shares	26.6	0.0	0.0	0.0	0.0	0.0	EBITDA	0.2	(4.0)	4.0	5.9	7.5	13.7	
Transaction costs	(1.8)	(0.0)	(0.0)	0.0	0.0	0.0	Municipal Waste Water	20.7	8.5	15.2	15.1	18.9	21.8	
Net borrowings	(13.4)	2.3	(2.1)	(12.0)	0.0	0.0	Industrial Wastewater & Biogas	1.3	6.5	16.8	16.7	19.0	20.8	
Other	4.4	2.9	0.5	0.0	0.0	(1.8)	Industrial Water & Reuse	9.8	17.1	20.7	16.9	19.6	21.7	
Net change in cash	(6.3)	(15.7)	7.7	(8.7)	3.2	13.0	SEA & China	1.3	(29.3)	(4.5)	0.7	4.2	6.8	
Cash at beginning	30.9	24.6	8.9	16.6	8.0	11.2	BOO	10.5	17.9	23.9	19.0	19.0	19.0	
Cash at end	24.6	8.9	16.6	8.0	11.2	24.2	Ivory Coast	7.6	2.7	12.5	17.4	18.0	28.7	
Balance sheet (Y/E Dec, US\$m)	FY23	FY24	FY25	FY26E	FY27E	FY28E	EBITDA margin (%)	0.3	(7.8)	5.0	6.8	8.8	12.9	
Cash	24.6	8.9	16.6	8.0	11.2	24.2	Key Performance Ratios (%)	FY23	FY24	FY25E	FY26E	FY27E	FY28E	
Receivables	35.3	38.9	23.6	25.9	25.7	31.6	Gross margin	27.2	29.4	29.5	32.1	35.0	35.3	
Prepayments	2.5	2.6	3.2	3.6	3.5	4.3	Opex margin	27.0	37.2	24.4	25.3	26.3	22.3	
Inventories	5.7	5.8	4.6	5.2	5.2	6.4	EBITDA margin	0.3	(7.8)	5.0	6.8	8.8	12.9	
Other current assets	6.2	0.5	0.3	0.3	0.3	0.3	EBIT margin	(2.1)	(10.9)	3.0	4.8	6.7	11.1	
Current Assets	74.3	56.8	48.3	43.0	45.9	66.9	Revenue growth USD (YoY)		-26	52	10	-1	23	
Property, Plant & Equipment	5.4	7.2	7.9	8.2	8.4	8.5	EBITDA growth USD (YoY)		-94	N/A	-199	48	28	82
Intangibles	1.1	1.0	0.6	0.6	0.6	0.6	EBIT growth USD (YoY)		-281	N/A	N/A	78	38	106
Right-of-use Assets	2.7	0.8	1.1	1.1	1.1	1.1	Directors and Key Management Personnel	Shares		Holding				
Term deposits	4.3	3.6	4.1	4.1	4.1	4.1	Doug Brown	Non Exec Chairman	174.0m	15.2%				
Other non-current assets	5.2	4.7	4.0	4.0	4.0	4.0	Nikolaus Oldenforff	NED	174.1m	15.2%				
Non Current Assets	18.8	17.3	17.8	18.1	18.3	18.4	Mel Ashton	NED	1.0m	0.1%				
Total Assets	93.1	74.1	66.1	61.0	64.2	85.3	Paul Donnelly	NED	0.7m	0.1%				
Payables	32.4	34.8	32.9	36.3	36.0	44.4	Ben Fash	MD	1.3m	0.1%				
Contract liabilities	22.4	21.6	22.1	24.2	24.0	29.6	Osvaldo Llanes	CFO	0.0m	0.0%				
Borrowings	17.8	20.7	18.2	6.2	6.2	6.2								
Lease Liabilities	1.5	0.8	1.1	1.1	1.1	1.1								
Provisions	5.0	3.6	3.0	3.0	3.0	3.0								
Deferred tax and other	1.9	0.1	0.1	0.1	0.1	0.1								
Total Liabilities	80.9	81.6	77.4	70.9	70.5	84.4								
Shareholder Funds	12.2	(7.5)	(11.3)	(9.9)	(6.3)	0.9								

Source: Company data, Blue Ocean Equities.

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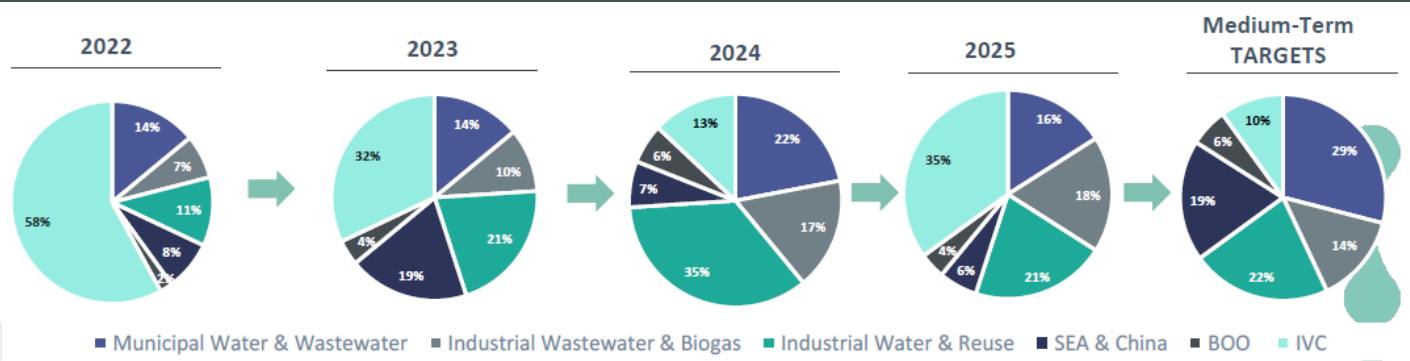
A global one-stop water shop

Fluence Corporation is a water and wastewater treatment solutions provider with over 1,000 installations globally. The breadth of offer is a point of difference versus regional and typically single-segment competitors.

Fluence’s six end markets include:

- **Municipal Water and Wastewater** - Treatment of sewerage for municipal, private developers and resort owners and government entities, often using patented Membrane Aerated Biofilm Reactor (MABR) technology for the removal of organic matter and nitrogen. The company has a significant installed base with ~90% market share of decentralised and ~20% share of centralised MABR capacity globally. MABR is taking share of legacy approaches to wastewater treatment such as extended aeration.
- **Industrial Wastewater & Biogas** - Treatment of effluent from industrial operations, often combined with reclamation of energy from the methane contained in the effluent. Industrial wastewater treatment is technically more challenging than Municipal wastewater treatment due to different and more concentrated contaminants. Fluence is unique in its ability to treat industrial effluent and reclaim energy. Most of its competitors specialise in either water treatment or energy reclamation – not both.
- **Industrial Water & Reuse** - Purifying water for input to industrial processes. Use cases include the demineralisation of water used in power stations to be converted into steam for turbines.
- **South East Asia and China (SEA and China)** – The segment was historically dominated by local government infrastructure spending in China. The slowdown in Chinese property development activity means the business has pivoted to the broader South East Asian region.
- **Build Own Operate (BOO)** – The provision of clean ‘water as a service’ with treatment assets held on the Fluence balance sheet.
- **Ivory Coast (IVC)** – Fluence’s last remaining major Custom Engineered Solutions (CES) project. A Custom Engineered Solution is a bespoke and turnkey project to design and construct a water treatment solution. The original Ivory Coast project was a EUR164m project to build a water treatment plant for supplying 0.15 million tonnes of water per day to the city of Abidjan. The plant received Provisional Acceptance on 27 December 2024, with Final Acceptance targeted for March 2026. Addendum works of EUR48m (connecting the plant to the Abidjan water network) are under way across FY25 and FY26, with six milestones already collected totalling EUR35.4m. Fluence is in active negotiations for a long-term Operations and Maintenance (O&M) contract, which management estimates could generate EUR3-5m per annum at gross margins above 35%, rising to EUR8-10m per annum once fully ramped.

Figure 2. Fluence is reducing exposure to lower margin Ivory Coast work (% of total revenue)

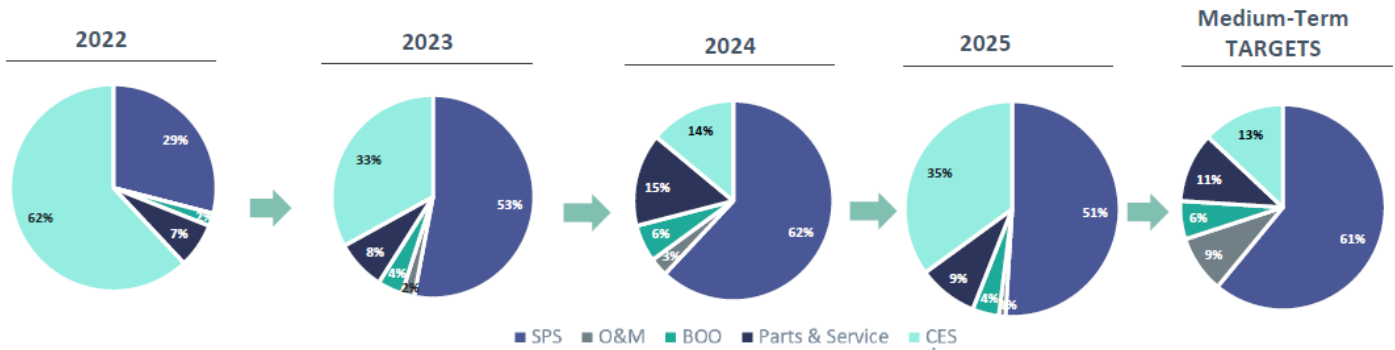


Source: Company, Blue Ocean Equities.

Sales of higher-margin Smart Product Solutions are increasing

Management is repositioning Fluence towards higher-margin Smart Product Solutions (SPS) with a target for the products to represent more than 60% of group revenue in the medium term from 29% in 2022 and more than half in 2025 (Figure 3).

Figure 3. The evolution of Fluence product revenue (% of total)



Source: Company, Blue Ocean Equities.

Smart Product Solutions are:

- **Standardised:** pre-designed units are configurable across a wide range of applications.
- **Modular:** well-suited to deployment in smaller or remote installations due to lower capex and more rapid deployment. Plants can be scaled as required to suit the requirements of fixed facilities.
- **Products include:** Aspiral and Subre for wastewater treatment (Figure 4), Nirobox and Niroflex for desalination (Figure 5) and Anaerobic Digestors for converting organic matter in waste streams to energy.

Figure 4. Wastewater treatment products



Source: Company, Blue Ocean Equities.

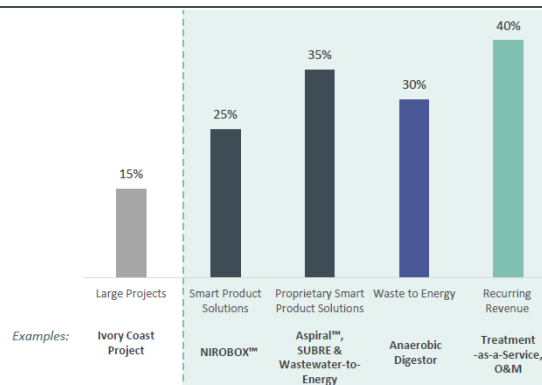
Figure 5. Desalination products



Source: Company, Blue Ocean Equities.

Smart Product Solutions typically have gross margins at 25-35%, significantly higher than Custom Engineered Solutions (CES) such as the Ivory Coast project with a ~15% gross margin (Figure 6).

Figure 6. Gross margins by product (illustrative)



Source: Company, Blue Ocean Equities.

A total addressable market of more than US\$1.3bn

Fluence currently has a 3-4% share of a US\$1.3–1.5 billion directly addressable market across its core product segments: decentralised desalination, Membrane Aerated Biofilm Reactors (MABR) and Industrial Wastewater, Biogas and Reuse.

Figure 7. Combined TAM summary — Fluence’s core product segments

Segment	Annual Addressable TAM (US\$m)	Growth (CAGR)	Fluence Revenue (US\$m)	Implied Share
Decentralised Desalination	350-450	5-7%	15	4%
MABR	250-300	10-13%	22	7-9%
Wastewater, Biogas and Reuse	700-800	6-8%	14	2%
Total	1,300-1,550		51	3-4%

Source: Blue Ocean Equities estimates. Revenue contributions based on FY25 actuals and management commentary.

Leaders in modular desalination

Fluence’s Niro range of desalination plants are pre-engineered and modular which means a 65% shorter construction time and 40% less capex than typical custom desalination plants, according to the company. We estimate a directly addressable market for Fluence’s decentralised desalination proposition of ~US\$400m of revenue per year (Figure 8) on the assumptions:

- Market growth of 6% per year, consistent with global contracted desalination capacity growth over the past decade according to Global Water Intelligence (GWI) (Figure 14).
- Capex of US\$600k per 1,000 m³/day of capacity consistent with industry averages on GWI data.
- Decentralised plants (of capacity less than 100,000 m³/day) representing 10% of total installed desalination capacity according to GWI.

Figure 8. Desalination is a ~US\$400m market for Fluence

Item	Units	Value
Desalination capacity total	m m ³ /day	120
Desalination capacity – decentralised plants of <100k m ³ /day	m m ³ /day	12
Capacity growth per year	%	6%
Capacity growth per year	m m ³ /day	0.72
Capex per m ³ /day	USD	600
Desalination Design & Construct TAM	USDm	432

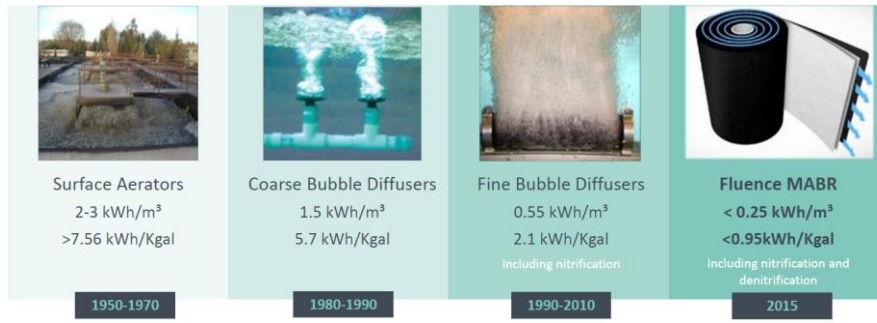
Source: Company, Blue Ocean Equities estimates.

The leading decentralised Membrane Aerated Biofilm Reactor (MABR) provider

Fluence’s core intellectual property is its patented Membrane Aerated Biofilm Reactor (MABR) - an economical way to remove biodegradable organic matter (sugars, fats, oils, alcohol, detergent) from wastewater. A leading position in the market for these reactors was a key motivating factor for the new board and management backing the company.

Biodegradable organic matter is removed from wastewater via aeration. Fluence MABR uses less than half the energy to aerate the same volume of wastewater as the incumbent technology of Fine Bubble Diffusers (Figure 9) which is a A\$1bn market in 2025 according to Data Bridge Research ([link](#)). MABR was voted “one of the top 10 water tech inventions of the decade” by the Global Water Institute in 2019.

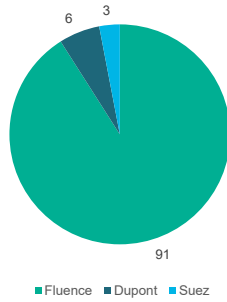
Figure 9. Evolution of the wastewater aeration process



Source: Company, Blue Ocean Equities.

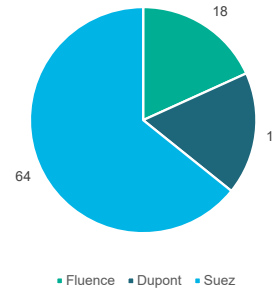
The competitive set in the MABR segment is narrow. Fluence dominates the decentralised market with >90% market share of installed capacity (Figure 10). Veolia with the ZeeLung product and DuPont with OxyMem are primarily focused on centralised installations (Figure 11). The decentralised market is around 5% of the size of the centralised market.

Figure 10. Fluence market share in decentralised MABR



Source: Company, Blue Ocean Equities.

Figure 11. MABR market share centralised



Source: Company, Blue Ocean Equities.

High switching costs create a competitive moat. Once an MABR system is commissioned, the operator trains maintenance staff on Fluence technology, integrates the system into its site infrastructure, and relies on Fluence for membrane replacements and technical support. Switching to an alternative technology requires capital expenditure, retraining, regulatory re-approval and system downtime.

Unique capability to reclaim energy from Industrial Wastewater

The Industrial Wastewater & Biogas business, headquartered in Padova, Italy, removes concentrated organic matter from water in food and beverage, dairy, brewing, and pulp and paper industries. Its key differentiator is the ability to recover energy as biogas while simultaneously treating water for discharge - a capability that few competitors offer as an integrated solution. Primary geographies include Europe, North America and Latin America (Figure 12). We estimate a directly addressable market of US\$700-\$800m including Industrial Water and Reuse. The reuse market is twice the size of desalination according to GWI (Figure 14).

Figure 12. Fluence built Industrial Wastewater & Biogas facilities



Source: Company, Blue Ocean Equities.

Upside potential from building a rental fleet

Some of Fluence’s best selling products, including Aspiral (Figure 13) for wastewater treatment and NIROBOX for desalination, are container-based. This creates a natural opportunity to build a rental fleet. Benefits include:

- No upfront capex and reduced operational risk for the customer.
- Predictable recurring revenue for Fluence at significantly higher lifetime margins.

The model is well-established among all of Fluence’s major decentralised water and wastewater treatment competitors including Seven Seas, Newterra and Natural Systems Utilities. It is increasingly adopted for emergency, temporary and fast-growing demand situations.

Management has identified approximately US\$25m of missed contract opportunities by not having rental assets available to deploy. In markets such as the Middle East, Latin America and South-East Asia, where water infrastructure investment is accelerating but procurement processes are slow, customers frequently require fast-deploy rental solutions.

The IRR on a rental fleet deployment is estimated to be >20%, with capital payback in 12–15 months. At these economics, even a modest initial fleet would generate returns well above Fluence’s cost of capital and deliver a meaningful uplift to recurring revenue mix, which is currently the most significant driver of valuation discount versus global peers.

We view the rental fleet as an option on a step-change in recurring revenue that is not discounted by the current share price. Execution would require incremental capital investment at compelling returns. Management’s experience at AquaVenture (where the rental fleet was central to the business model) and Newterra provides relevant precedent for successful execution.

Figure 13. CENTA case study demonstrates that Fluence’s Aspiral MABR system meets EU regulatory requirements

MABR Pilot, CENTA, Spain

Location	The Centre for New Water Technologies (CENTA), Seville, Spain
Project	Fluence partnered with CENTA which operated and tested the Aspiral S1 packaged plant during a year to provide 3 rd party validation.
Capacity	20 m ³ /day
Solution	Aspiral S1 packaged plants
Raw waste water Influent	<ul style="list-style-type: none"> • COD: 743 mg/L • BOD5: 432 mg/L • TSS: 404 mg/L • TKN: 78 mg/L • NH4-N: 61 mg/L • TP: 10 mg/L
Effluent Requirements	<ul style="list-style-type: none"> • EU sewage regulations for higher than 10,000 P.E were the objective although the plant treated much lower capacity
Results	COD removal >90% BOD5 and TSS removal > 95% NH4-N removal: 82% TN removal: 77% TP removal: 67% (biological only)



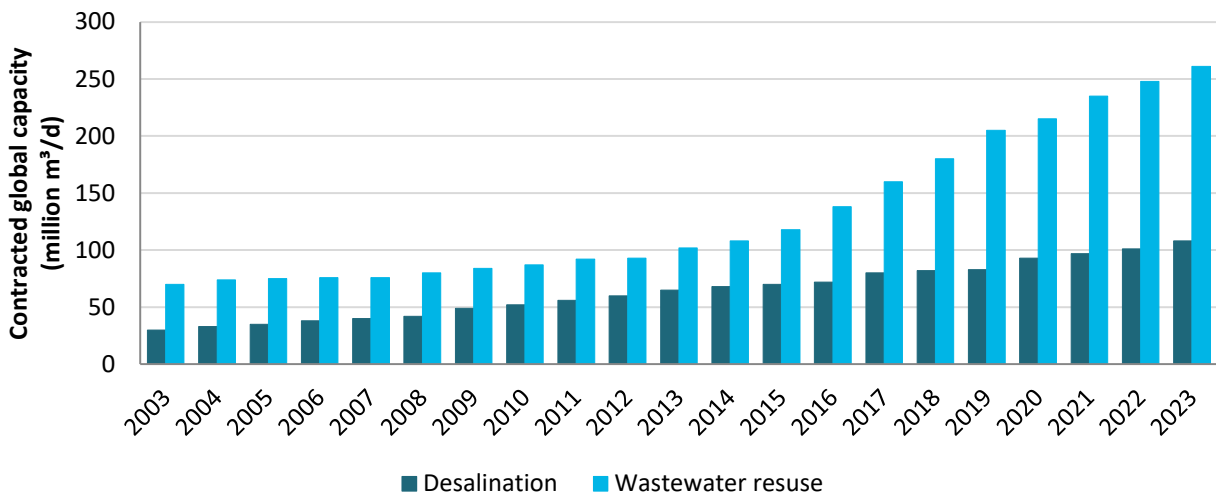
Source: Company, Blue Ocean Equities.

Structural growth

Growth in Fluence’s end markets of desalination and wastewater reuse has grown at 6% and 10% CAGR over the past decade (Figure 14) with an acceleration since 2015. We expect similar rates of growth should be sustained over the medium term due to:

- Increased regulation
- Water scarcity
- The growing strategic importance of water
- The AI hyper-scaler capex cycle.

Figure 14. Global cumulative contracted desalination & wastewater reuse capacity by year (million m³/d)



Source: GWI DesalData, Blue Ocean Equities.

Increased regulation

The regulatory environment is becoming more stringent across Fluence’s key geographies, creating a tailwind for advanced water treatment solutions. Recent regulatory changes include:

- **USA, Updated EPA guidance:** The EPA provides guidance to inform the US Federal Budget, most recently the Clean Watershed Needs Survey published in 2022. The survey indicates that US\$630bn investment is required over the next 20 years to keep wastewater systems in compliance with regulatory standards. US\$75bn is required for decentralised wastewater treatment, which Fluence’s MABR and Niro technologies are well suited to addressing ([Clean Watersheds Needs Survey](#)).
- **EU, Revised Urban Wastewater Treatment Directive:** The EU adopted the revised Urban Wastewater Treatment Directive in November 2024, the most significant update to wastewater rules in around 30 years. The changes extend a requirement to treat water to towns with more than 1,000 people versus 2,000 previously and require removal of nitrogen and phosphorus at plants serving over 150,000 people by 2039. Fluence’s MABR technology is particularly well suited to doing this. Countries must implement the rules by July 2027 ([European Law](#)).
- **Saudi Arabia, Water Infrastructure Buildout:** Saudi Arabia is executing a large-scale water infrastructure programme, with c.\$9.3bn (SR35bn) of projects approved across desalination, transmission and wastewater. Desalination capacity is targeted to increase from ~2.5m m³/day (2021) to ~7.5m m³/day by 2027, implying a ~3x expansion over six years and reinforcing desalination as a core pillar of national water security ([zawya.com](#)).
- **UAE, Water Security Strategy:** The UAE’s Water Security Strategy 2036 targets 42% of desalinated water to be powered by renewable energy by 2030, driving demand for next-generation, energy-efficient desalination technologies similar to Fluence’s Niro range. The strategy also aims for 100% reuse of treated wastewater, supporting structural growth in advanced water reuse solutions ([u.ae](#)).

Water scarcity

Global drinking water systems are under pressure. The UN estimates 4 billion people already experience severe water scarcity for at least one month per year, while 2.2 billion lack access to safely managed drinking water. Looking forward, the UN Environment Programme (UNEP) projects that global water demand could exceed sustainable supply by ~40% by 2030, with roughly half the world's population exposed to severe water stress. Aquifer depletion, urbanisation and climate-driven drought are accelerating ([UN-Water](#))

The imbalance is most acute in the Middle East and North Africa. The region holds <1% of global renewable freshwater resources and 6% of the population. Governments are responding with sustained investment across desalination, transmission and reuse capacity underpinning long-term demand for Fluence technologies ([World Bank](#), [Zawya](#)).

Fluence's NIROBOX, which offers faster deployment and lower upfront capex than traditional builds, is an ideal solution to the challenge. At the same time, tightening water availability is driving investment in water recycling which expands demand for decentralised solutions across municipal and industrial markets.

Water becoming strategically important

Escalating conflict in the Middle East is sharpening focus on the strategic importance of water.

- Iran has reportedly damaged desalination facilities in the UAE (Fujairah), Kuwait (Doha) and Bahrain. The Iranian government has warned that additional water plants could become targets. The Gulf states source >70% of potable water from desalination ([CSIS](#)) and comprise 46% of total global desalination capacity in 2024, according to the GWI.
- Houthi attacks on Saudi desalination infrastructure including Yanbu, Jazan and Al-Shaqeeq demonstrate the vulnerability of large, centralised assets.

Gulf governments are increasingly likely to complement existing mostly centralised plants with modular Fluence capacity that reduces single-point-of-failure risk. At the same time, the need to repair existing infrastructure is likely to drive increased activity in the near term.

A beneficiary of increased AI capex

The build-out of AI infrastructure is driving a step change in capex by global technology companies. The big six US technology companies are projected to spend more than US\$500bn on capex in 2026 alone, more than double the level of 2024 (Figure 15). Most of the investment is going into data centres, GPUs and the power needed to run them, with two major opportunities for Fluence: power generation and data centre cooling.

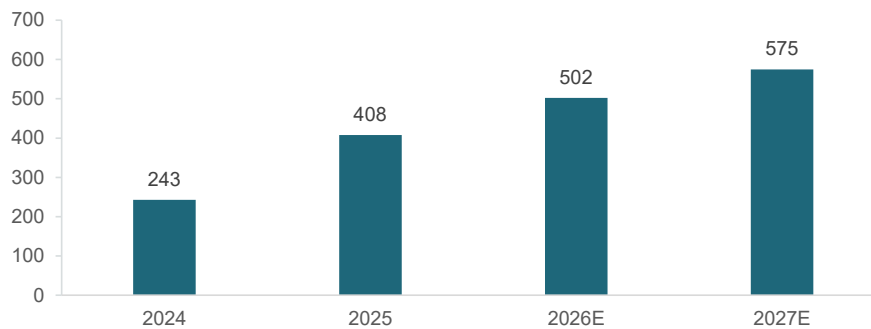
Power generation

Data centres are typically powered by gas-fired plants. These plants rely on ultra-pure water, used to make steam which drives the turbines which create the electricity. Poor water quality leads to turbine damage and outages. Fluence’s Nirobox and Niroflex platform provides demineralised water systems to power operators. In November 2024, Fluence secured a US\$12m contract for a combined-cycle power plant in Saudi Arabia, incorporating pretreatment and demineralisation. The project is due online in 1H27.

Data centre cooling

High-density compute also requires demineralised, high-purity water. Data centre water use is projected to more than double by 2030 by the International Energy Agency. A single data centre can consume up to ~1bn gallons of water per year. Supplying and treating this water is a growing niche. For context, a demineralisation system sized for this level of demand would typically equate to a ~US\$5–10m contract value.

Figure 15. Consensus capex forecasts for Alphabet, Amazon, Meta, Microsoft, Oracle and CoreWeave (US\$bn)



Source: Bloomberg, Blue Ocean Equities.

The foundations for profitable growth are in place

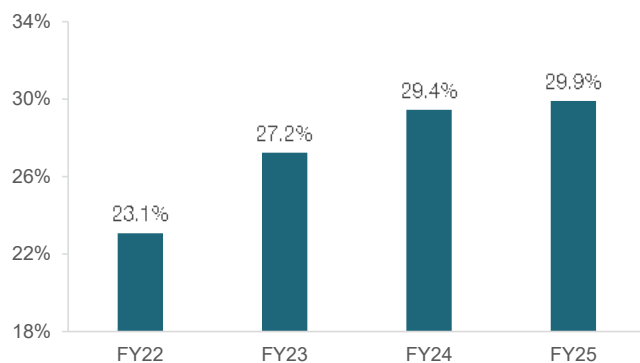
The board and the management team of Fluence have been transformed over the past four years:

- **Doug Brown appointed Chair in 2023.** Doug is well known for leading the exits at AquaVenture as Chairman and CEO (US\$1.1bn EV, 2020) and Ionics Inc as CEO (US\$1.3bn, 2004). Doug has significant alignment with other Fluence shareholders through his ~15% shareholding in the company.
- **Nikolaus Oldendorff appointed NED in April 2024.** Nikolaus is Managing Director and shareholder of European shipping company Reederei Nord GmbH. Niko is also a significant shareholder in Fluence with ~15% of the company.
- **Ben Fash appointed CEO in Q4 2025, having joined as CFO in January 2023.** Ben played a major role in the turnaround and sale of US water treatment business Newterra.
- **Tom Pokorsky retired in Q4 2025.** Tom led the initial restructuring phase of the turnaround after being appointed Fluence CEO in 2Q 2022, reduced costs and shifted the company away from construction projects to higher margin Smart Product Solutions.
- **Oswaldo (Ozzie) Llanes appointed CFO in Q4 2025.** Oswaldo previously spent 14 years at Xylem (US\$25bn market capitalisation) as Chief Audit Executive. Prior to that Ozzie held various divisional CFO roles at Arch Chemical, Lipo Chemicals and Polytype America.
- **Mel Ashton, appointed NED in 3Q23** has extensive experience with ASX listed companies from 45 years in corporate finance. He has held senior roles including Chair of Cullen Wines, CEO of the Royal Flying Doctor Service (WA), and President of Chartered Accountants ANZ, and currently chairs Bellavista Resources (BVR).
- **Paul Donnelly, NED, is the only original Fluence board member to remain** after Doug became chair. Paul was appointed to the board in July 2018 after a 25-year career at Macquarie Bank which culminated in being the Global Head of Equity and Debt Capital Markets.

Since joining, new management have:

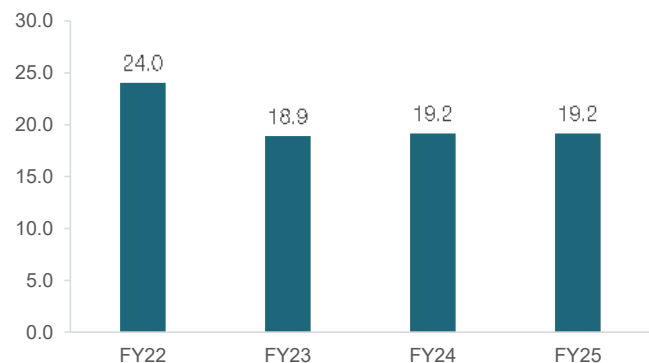
- **Invested.** Fluence Chairman Doug Brown and Non Executive Director Niko Oldendorff have invested more than A\$50m in Fluence. This comprises 31% of the equity, worth A\$27m at the current share price, and all the debt, worth US\$18m or A\$25m at spot exchange rates.
- **Simplified** the organisation from 11 divisions to 6.
- **Grown Smart Product Solutions and Recurring Revenue by 19%** from US\$43m FY21 to US\$51m FY25.
- **Improved the revenue mix:** the proportion of revenues from Smart Product Solutions and Recurring Revenue has increased from 38% in FY22 to 65% of the total in FY25.
- **Expanded gross margins by 700bps** from 23.1% in FY22 to 29.9% in FY25 (Figure 16).
- **Reduced underlying operating costs by 21%** from US\$24m in FY22 to US\$19m in FY25 (Figure 17). Underlying operating costs are defined as gross profit less underlying EBITDA.

Figure 16. Fluence gross margins (US\$m)



Source: Company, Blue Ocean Equities.

Figure 17. Fluence underlying operating costs (US\$m)



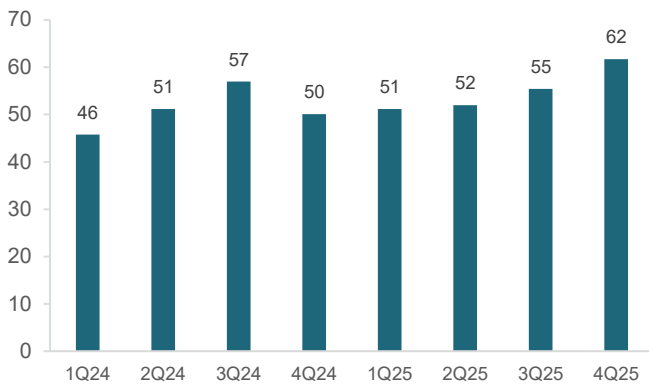
Source: Company, Blue Ocean Equities.

Growth in backlog underpins our forecasts

Fluence’s backlog for higher-margin Smart Product Solutions and Recurring Revenue stood at US\$62m in 4Q25, the highest level on record (Figure 18). The backlog comprises firm orders in hand which makes it a leading indicator for revenue growth.

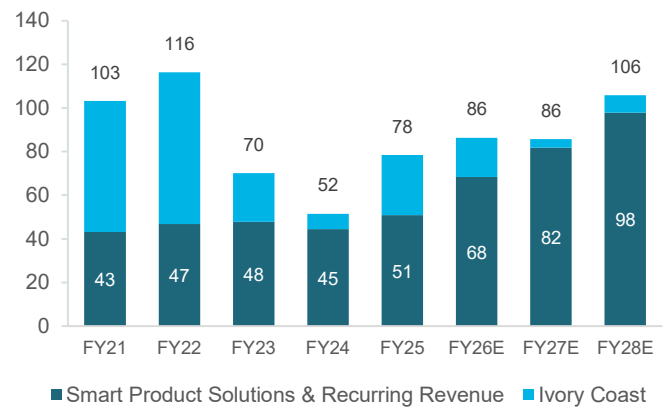
We forecast group revenue of US\$86m in FY26, 10% growth YoY, comprised of US\$68m from Smart Product Solutions/Recurring Revenue and the remainder from the Ivory Coast project (Figure 19). This is consistent with management guidance for double-digit revenue growth in FY26 including a decline in Ivory Coast revenue due to the build phase of the project ending. The current backlog covers an estimated 70-80% of total projected revenue in FY26.

Figure 18. Fluence backlog - Smart Product Solutions and Recurring Revenue (US\$m)



Source: Company, Blue Ocean Equities.

Figure 19. Fluence revenue – Smart Product Solutions and recurring revenue vs. total (US\$m)



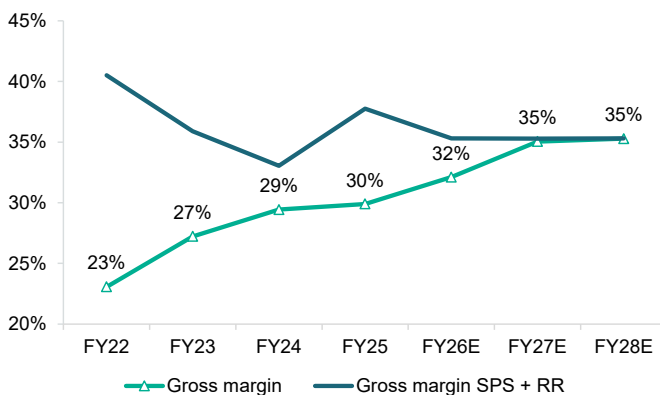
Source: Company, Blue Ocean Equities.

EBITDA to more than triple by FY28

We forecast Fluence adjusted EBITDA will more than triple to US\$13.7m in FY28 versus \$4.0m in FY25 on:

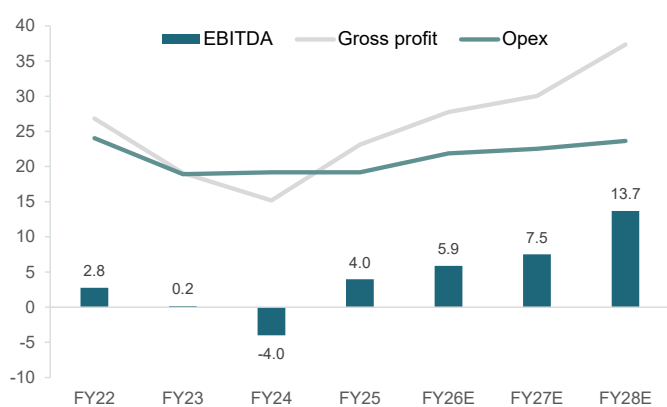
- Growing Smart Product Solutions & Recurring revenue from US\$51m in FY25 to US\$98m in FY28.
- A Smart Product Solutions & Recurring Revenue gross margin of 35%, consistent with recent history adjusted for one-offs, which drives the group gross margin higher on mix (Figure 20).
- Growing operating costs at 3-5% per year on inflation (Figure 21).

Figure 20. Fluence gross margin (%)



Source: Company, Blue Ocean Equities.

Figure 21. Fluence Gross Profit, Opex, adj. EBITDA (US\$m)



Source: Company, Blue Ocean Equities.

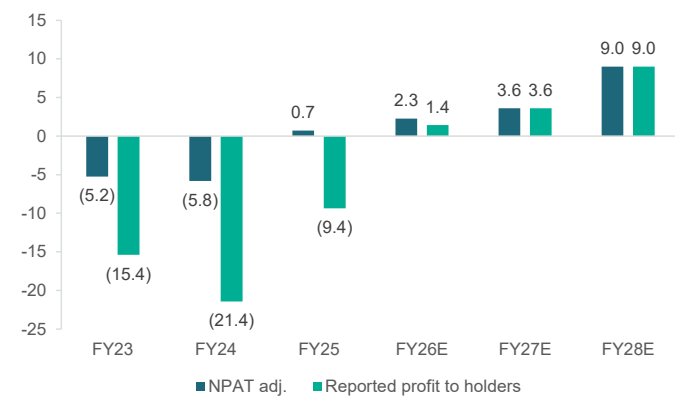
Bottom line profitability from FY26 onward

We expect FY26 will be the first year of positive statutory net profit after tax under new management due to lower one-off costs on the completion of the operational restructure (Figure 22). This gives adjusted earnings in Australian dollar terms of 1.1c per share in FY28 (Figure 23).

In July 2024, new management refinanced a debt facility provided by Upwell that had a fixed 13% cost of funds with a US\$15m Revolving Credit Facility with a ~7% cost of funds (the US prime rate). This was extended to a \$20m facility in October 2024, yielding annualised interest savings of \$0.9m - \$1.2m per year. Major shareholders Nikolaus Oldendorff and Doug Brown provided the facility. The maximum security on the facility is US\$6m.

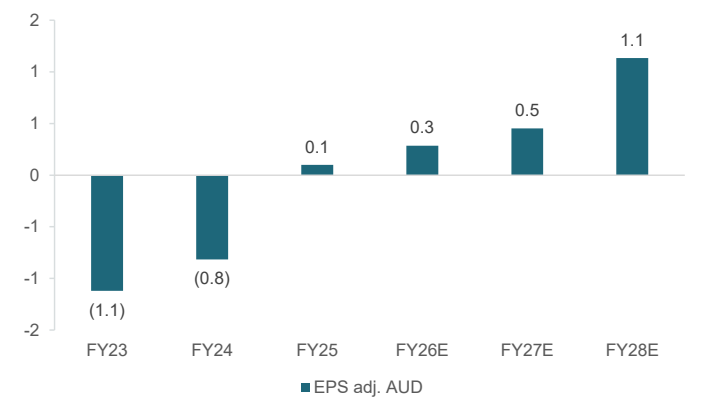
As of December 2025, the company had US\$18m drawn on the facility which is due to be repaid in April 2026 with an option to extend to July 2026. We forecast the company will take the option, repay US\$12m of the facility and refinance the remainder. The risk that the company will be unable to refinance the debt is low because it is held by directors who are incentivised to extend the facility if attractive terms cannot be obtained from a third party.

Figure 22. Fluence NPAT (US\$m)



Source: Company, Blue Ocean Equities.

Figure 23. Fluence adjusted EPS (Australian dollar cps)



Source: Company, Blue Ocean Equities.

Bearing the hallmarks of past success

The Fluence board and executive has a strong record of value creation in the sector which includes involvement with:

- AquaVenture delivered a 23% return for shareholders over a 3.5-year listed life.
- Ionics was acquired by GE Water for US\$1.3bn, a ~2.5x equity value uplift in less than 2 years.
- Newterra repositioned from a distressed valuation to sale to European major Grundfos.

The average turnaround took approximately three to five years and created value through operational improvement and strategic repositioning. The Fluence turnaround is more than three years in. We believe Fluence is taking slightly longer due to greater geographic diversity. The other listed turnarounds were predominantly US focused.

AquaVenture

Fluence Chairman Doug Brown was the Founder, CEO (2007-2018) and Chairman (2007-2020) of AquaVenture Holdings (NASDAQ: WAAS). AquaVenture was approximately 2.3x the size of Fluence in revenue terms when it was acquired for an Enterprise Value of \$1.1bn in March 2020. AquaVenture delivered a 23% return for shareholders over its three and a half year listed life. AquaVenture was:

- Listed on the NASDAQ in October 2016 with an issue price of US\$22.00 per share and a market cap of US\$680m.

- Acquired by Culligan International and Morgan Stanley Infrastructure Partners on 30 March 2020 for US\$27.10 cash per share and a market capitalisation of US\$866m.
- Taken out at an EV/revenue of 5.6x and EV/EBITDA of 18x.

Ionics

Acquired by GE Water for an Enterprise Value of US\$1.3bn in 2004 and an equity value of US\$1.1bn, within ~2 years of Doug Brown's appointment as CEO. At the time he joined (2003), Ionics' market capitalisation was approximately US\$400–500m, implying ~2.5x equity value uplift.

Newterra

Ben Fash was the CFO of Newterra prior to joining Fluence as CFO in January 2023. Under management including Doug Brown, Newterra grew from a distressed position in 2014 (equity value close to zero) to being sold to Grundfos in 2025 for an undisclosed sum. Over that period, we estimate the team doubled the size of the business, materially improved EBITDA and achieved a healthy return for Private Equity shareholders. Ben played a major role in the financial turnaround and eventual sale of the business.

A fair value of \$0.15 per share

Our DCF derived fair value for Fluence is A\$0.15 per share (Figure 24). Key assumptions include:

- EBITDA margins stabilising at 14% in the terminal year which is lower than the 20-30% average margin of scaled US competitors like Xylem at 23% and Pentair at 28% in FY26.
- Organic sales growth fading to 1.5% beyond the explicit forecast period of FY26 to FY29.
- A WACC of 11% in line with our standard sector assumptions.

Figure 24. Fluence DCF valuation

Year end Dec	Units	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	TV
Revenue	US\$m	86	86	106	127	130	132	134	136	138	140	141
Revenue growth	%	10.1	-0.7	23.4	15.0	2.0	2.0	1.5	1.5	1.5	1.2	1.0
EBITDA	US\$m	4.9	7.5	13.7	20.3	18.2	18.5	18.8	19.1	19.4	19.6	19.8
EBITDA margin	%	5.6	8.8	12.9	15.9	14.0	14.0	14.0	14.0	14.0	14.0	14.0
EBIT	US\$m	3.2	5.7	11.8	18.3	15.6	15.9	16.1	16.4	16.6	16.8	17.0
EBIT margin	%	3.7	6.7	11.1	14.4	12.0	12.0	12.0	12.0	12.0	12.0	12.0
Tax rate	%	15	15	15	15	20	20	20	20	20	20	20
NOPAT	US\$m	2.7	4.9	10.0	15.5	12.4	12.7	12.9	13.1	13.3	13.4	13.6
DA	US\$m	1.7	1.8	1.9	2.0	2.6	2.6	2.7	2.7	2.8	2.8	2.8
Margin	%	2.0	2.1	1.8	1.6	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Working capital	US\$m	2.2	-0.2	5.9	6.5	0.4	0.4	0.3	0.3	0.3	0.2	0.2
As % of incremental sales	%	28.1	29.9	29.5	30.4	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Capex	US\$m	-2.0	-2.0	-2.0	-2.0	-2.6	-2.6	-2.7	-2.7	-2.8	-2.8	-2.8
Capex/D&A	x	1.2	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
FCF	US\$m	4.6	4.5	15.9	22.0	12.8	13.1	13.2	13.4	13.6	13.7	13.8
Discount factor	%	90%	81%	73%	66%	59%	53%	48%	43%	39%	35%	
NPV of FCF	US\$m	4.2	3.6	11.6	14.5	7.6	7.0	6.4	5.8	5.3	4.8	

Item	Units	Value
NPV of the forecast period	US\$m	71
NPV of terminal value	US\$m	49
NPV of cash flows	US\$m	119
Add net cash after deferred cons.	US\$m	1
Fair value of equity	US\$m	121
Fair value of equity per share	US\$ps	0.11
AUD:USD		0.69
Fair value of equity per share	A\$ps	0.15
Share count	m	1,143

Item	Units	Value
WACC	%	11.0
Terminal growth	%	1.0
Terminal EBITDA margin	%	14.0
Terminal value nominal	\$m	138
Terminal EV/Revenue	x	1.0
Terminal EV/EBITDA	x	7.0

Source: Company, Blue Ocean Equities.

Shares to re-rate

Fluence is currently trading on an EV/EBITDA multiple of 4.4x in FY28, a ~50% discount to ASX listed and a ~60% discount to global listed peers respectively (Figure 25).

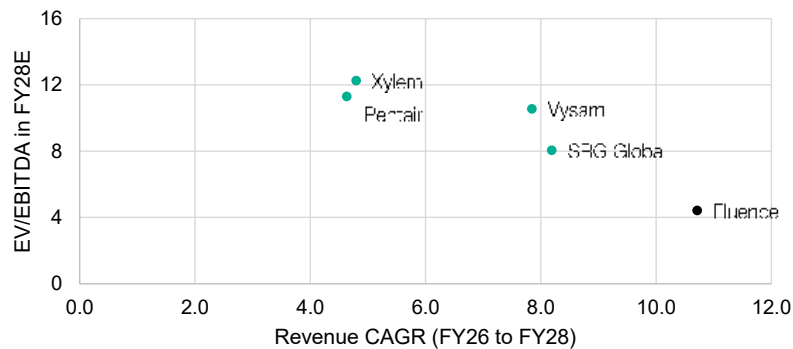
Figure 25. Fluence valuation versus ASX listed peers

Stock	Code	Price LC m	Mkt Cap LC m	EV LC m	EV/Sales				EV/EBITDA				P/E			
					FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
Fluence	FLC-ASX	0.078	89	87	0.7	0.7	0.7	0.6	14.2	10.3	8.0	4.4	N/A	27.3	17.2	6.9
SRG Global	SRG-ASX	2.54	1,592	1,607	1.2	1.0	0.9	0.8	12.6	9.7	8.5	8.1	24.7	19.6	16.9	15.8
Vysam	VYS-ASX	0.66	348	348	3.3	2.6	2.4	2.2	17.4	12.5	11.3	10.6	32.2	24.2	21.5	19.8
Domestic comparables					2.2	1.8	1.6	1.5	15.0	11.1	9.9	9.3	28.4	21.9	19.2	17.8
<i>Fluence vs. domestic comps</i>					<i>-68</i>	<i>-61</i>	<i>-56</i>	<i>-63</i>		<i>-7</i>	<i>-19</i>	<i>-53</i>		<i>25</i>	<i>-10</i>	<i>-61</i>
Xylem	XYL-USA	123.9	30,113	30,598	3.4	3.3	3.2	3.0	15.2	14.4	13.3	12.3	24.4	22.5	20.4	18.4
Pentair	PNR-USA	86.5	14,118	15,745	3.8	3.7	3.5	3.3	14.1	13.1	12.2	11.3	17.6	16.2	14.8	13.7
International comparables					3.6	3.5	3.3	3.2	14.7	13.7	12.8	11.8	21.0	19.3	17.6	16.0
<i>Fluence vs. international comps</i>										<i>-25</i>	<i>-37</i>	<i>-63</i>		<i>41</i>	<i>-2</i>	<i>-57</i>

Source: FactSet consensus, Blue Ocean Equities for Fluence.

Our target price of A\$0.15 per share implies a re-rating to 9x EV/EBITDA multiple in FY28, in line with the average of Australian peers and a 24% average discount to larger US peers Xylem and Pentair (Figure 26).

Figure 26. Fluence valuation versus comparables in FY28



Source: FactSet consensus, Blue Ocean Equities for Fluence.

Transaction comparables

At our target price, Fluence would trade at a ~50% discount to the average sector transaction EV/EBITDA multiple of 19.1x (Figure 27). The discount should narrow as the company achieves statutory profitability in FY26 and the mix of higher margin Smart Product Solutions and Recurring Revenue work increases. Even the lowest comparable EV/Revenue multiple of 1.3x is approximately double what Fluence trades on today.

Figure 27. Water sector M&A transaction comparables

Target	Acquirer	Date	EV (US\$m)	Revenue (US\$m)	EBITDA (US\$m)	EV/ Revenue (x)	EV/ EBITDA (x)
Hydra-Stop	Pentair	18-Aug-25	290	50	N/A	5.8	N/A
Newterra	Grundfos	24-Jun-25	N/A	N/A	N/A	N/A	N/A
Bradley Corporation	Watts Water	30-Aug-23	303	200	N/A	1.5	N/A
Davey Water Products	Waterco	07-Aug-23	43	N/A	N/A	N/A	N/A
Evoqua Water Technologies	Xylem	23-Jan-23	7,500	1,740	298	4.3	25.2x
Zurn Water Solutions	Elkay Manufacturing	14-Feb-22	1,560	700	110	2.2	14.2x
Nexsight	IDEX Corporation	23-Nov-21	120	50	N/A	2.4	N/A
Pleatco	Pentair	15-Sep-21	255	95	N/A	2.7	N/A
Suez	Veolia	12-Apr-21	26,300	20,468	N/A	1.3	N/A
AquaVenture	Culligan	23-Dec-19	1,086	193	60	5.6	18.0x
Ionics	GE Infrastructure	24-Nov-04	1,300	347	-20	3.7	N/A
Average						3.3	19.1

Source: Company announcements, FactSet, Blue Ocean Equities.

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