BLUE OCEAN
EQUITIES

EQUITY RESEARCH

Fluence Corporation

Repositioning complete

Fluence is entering growth mode after several years of repositioning. 1H26 results showed order momentum, US traction, and gross-margin expansion. We are upgrading our FY26 to FY28 EBITDA forecasts by 3-23%. Our DCF derived target price moves to $0.16 per share from $0.15 prior.

Revenue mix shift starting to pay off

Fluence's 1H26 results validate the three-year strategic repositioning: Smart Product Solutions and Recurring Revenue grew 35% YoY driving gross margin up by 870bp (or 200bp excluding Ivory Coast O&M fees). EBITDA of $3.4m was nearly double the $1.5m Blue Ocean estimate and was the strongest first-half result in more than five years. CEO Ben Fash is confident: the company hired a new COO from leading mid-market Water player Newterra; the order backlog sits at $60m with expectations for growth in the second half.

Texas win is the beachhead

Fluence booked its first US industrial wastewater contract with a Texas steel mill forced to replace municipal water supply by November 2026. Fluence won the contract on the ability of its modular design to be rapidly deployed. A second California industrial water reference is already in hand.

Order momentum

2Q26 saw $16.1m in new orders, +54% YoY, bringing the total new orders for 1H26 to $24m. CEO Ben Fash expects stronger orders in second half, underpinning guidance for double-digit revenue growth, despite lower Ivory Coast revenue on finalisation of the Addendum project. Profits may rise further if Fluence is awarded the Ivory Coast O&M contract which is under negotiation.

Margin upside

The company is targeting double-digit EBITDA margins within the next few years vs. 9% in 1H26 and 5% in FY25. We are upgrading our EBITDA margin forecasts to: 8.4% from 6.8% in FY26 and 9.4% from 8.8% in FY27 due to higher than expected 1H26 profit. Our DCF derived target price moves to $0.16 per share from $0.15 previously.

Figure 1. Changes to Blue Ocean forecasts for Fluence (US$m)

	FY26E			FY27E			FY27E		
Year ending Dec (US$m)	Old	New	Chg (%)	Old	New	Chg (%)	Old	New	Chg (%)
Revenue	86.3	86.3	0	85.7	87.8	2	105.8	107.4	1
Growth (% YoY)	10.1	10.1	0	-0.7	1.7	2	23.4	22.4	-1
EBITDA adj.	5.9	7.2	23	7.5	8.2	9	13.7	14.2	3
Margin (%)	6.8	8.4	2	8.8	9.4	1	12.9	13.2	0
Profit before tax adj.	2.7	4.0	51	4.2	4.9	16	10.6	11.1	4
EPS adj. (cps)	0.2	0.3	51	0.3	0.4	16	0.8	0.8	4
Net debt/(cash)	-4.8	-0.5	-91	-8.0	-10.8	35	-21.0	-23.9	13

Source: Blue Ocean Equities.

Date	6 August 2026
Stock rating	BUY
Price target	$0.16
Closing price	$0.074
Ticker	ASX: FLC
Implied return (%)	113
Market cap (m)	85
Enterprise value (m)	83
Shares outstanding (m)	1,142.9
52 wk avg daily vol (m)	0.64
12-month price range	$0.05 - 0.14
GICS Sector	Water & Related Utilities

Y/E Jun (A$m)	FY25	FY26E	FY27E	FY28E
Revenue	122	123	125	153
Growth (% YoY)	1.9	1.2	1.3	22.4
EBITDA	6.1	10.3	11.7	20.1
Margin (%)	5.0	8.4	9.4	13.2
NPAT	1.1	4.9	5.9	13.4
EPS adj. (cps)	0.1	0.4	0.5	1.2
DPS (cps)	0.0	0.0	0.3	0.6

Valuation	FY25	FY26E	FY27E	FY28E
P/E (x)	74.5	17.4	14.3	6.3
EV/Revenue (x)	0.7	0.7	0.7	0.5
EV/EBITDA (x)	13.4	8.0	7.1	4.1
EV/EBIT (x)	35.3	15.0	12.9	6.7
Div. yield (%)	0.0	0.0	3.5	7.9
Net debt (cash)	-1.5	-0.5	-10.8	-23.9

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

Share price

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BLUE OCEAN EQUITIES

Fluence Corporation (ASX: FLC)

	A$m	US$m
Closing price	$0.074	$0.05
Price target	$0.16	$0.11
Expected return	113%	

Income statement (Y/E December, US$m)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue	**70.0**	**51.5**	**78.4**	**86.3**	**87.8**	**107.4**
Cost of sales	(51.0)	(36.3)	(55.3)	(56.9)	(56.7)	(69.2)
Gross Profit	**19.1**	**15.2**	**23.1**	**29.4**	**31.1**	**38.2**
Other income	0.0	0.0	0.0	0.0	0.0	0.0
Operating costs	(18.9)	(19.2)	(19.1)	(22.2)	(22.9)	(24.0)
EBITDA adj.	**0.2**	**(4.0)**	**4.0**	**7.2**	**8.2**	**14.2**
One-off gains/(losses)	(9.2)	(13.5)	(9.7)	(1.0)	0.0	0.0
EBITDA	**(9.0)**	**(17.5)**	**(5.8)**	**6.2**	**8.2**	**14.2**
D&A adj.	(1.6)	(1.6)	(1.6)	(1.7)	(1.8)	(1.9)
EBIT adj.	**(1.5)**	**(5.6)**	**2.3**	**5.5**	**6.4**	**12.3**
Finance costs	(5.7)	(2.8)	(1.5)	(1.5)	(1.5)	(1.2)
Pre-tax profit adj.	**(7.1)**	**(8.4)**	**0.8**	**4.0**	**4.9**	**11.1**
Tax adj.	2.0	2.3	(0.1)	(0.6)	(0.7)	(1.7)
Minority interest	0.1	(0.3)	(0.0)	0.0	0.0	0.0
NPAT adj.	**(5.2)**	**(5.8)**	**0.7**	**3.4**	**4.2**	**9.4**
One-off items (post-tax)	(10.1)	(15.6)	(10.1)	(0.9)	0.0	0.0
Reported profit to holders	**(15.4)**	**(21.4)**	**(9.4)**	**2.6**	**4.2**	**9.4**

Per share metrics (US$)	FY23	FY24	FY25	FY26E	FY27E	FY28E
EPS diluted - adjusted (cps)	**(0.7)**	**(0.5)**	**0.1**	**0.3**	**0.4**	**0.8**
EPS diluted (cps)	(2.2)	(2.0)	(0.9)	0.2	0.4	0.8
DPS (cps)	0.0	0.0	0.0	0.0	0.2	0.4
Franking	0.0	0.0	0.0	0.0	0.0	0.0
Net assets (¢ps)	1.7	(0.7)	(1.0)	(0.8)	(0.4)	0.2
Shares on issue - avg. basic (m)	704	1,079	1,092	1,143	1,143	1,143
Shares on issue - avg. diluted (m)	704	1,079	1,092	1,143	1,143	1,143

Cash flow statement (Y/E Dec, US$m)	FY23	FY24	FY25	FY26E	FY27E	FY28E
EBITDA	**(9.0)**	**(17.5)**	**(5.8)**	**6.2**	**8.2**	**14.2**
Non cash items	0.0	0.0	0.0	0.0	0.0	0.0
Cash interest	(5.7)	(2.3)	(0.2)	(1.5)	(1.5)	(1.2)
Cash tax	(0.2)	(0.8)	(0.3)	(0.5)	(0.7)	(1.7)
Working capital/other	(4.1)	0.5	17.2	(3.8)	6.4	5.8
Operating Cash Flow	**(19.0)**	**(20.1)**	**10.9**	**0.5**	**12.4**	**17.1**
Capex	(1.8)	(1.7)	(1.2)	(1.4)	(2.0)	(2.0)
Finance leases	(1.4)	(1.0)	(0.7)	0.0	0.0	0.0
Free Cash Flow	**(22.2)**	**(22.8)**	**9.0**	**(0.9)**	**10.4**	**15.1**
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from disposals	0.1	2.0	0.4	0.0	0.0	0.0
Proceeds from issue of shares	26.6	0.0	0.0	0.0	0.0	0.0
Transaction costs	(1.8)	(0.0)	(0.0)	0.0	0.0	0.0
Net borrowings	(13.4)	2.3	(2.1)	(3.8)	(4.4)	(5.0)
Other	4.4	2.9	0.5	(0.1)	0.0	(2.1)
Net change in cash	**(6.3)**	**(15.7)**	**7.7**	**(4.8)**	**6.0**	**8.0**
Cash at beginning	30.9	24.6	8.9	16.6	11.8	17.8
Cash at end	**24.6**	**8.9**	**16.6**	**11.8**	**17.8**	**25.8**

Balance sheet (Y/E Dec, US$m)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Cash	24.6	8.9	16.6	11.8	17.8	25.8
Receivables	35.3	38.9	23.6	29.1	26.3	32.1
Prepayments	2.5	2.6	3.2	4.0	3.6	4.4
Inventories	5.7	5.8	4.6	5.8	5.3	6.5
Other current assets	6.2	0.5	0.3	0.3	0.3	0.3
Current Assets	**74.3**	**56.8**	**48.3**	**51.1**	**53.4**	**69.2**
Property, Plant & Equipment	5.4	7.2	7.9	7.6	7.8	7.9
Intangibles	1.1	1.0	0.6	0.6	0.6	0.6
Right-of-use Assets	2.7	0.8	1.1	1.1	1.1	1.1
Term deposits	4.3	3.6	4.1	4.1	4.1	4.1
Other non-current assets	5.2	4.7	4.0	4.0	4.0	4.0
Non Current Assets	**18.8**	**17.3**	**17.8**	**17.4**	**17.6**	**17.7**
Total Assets	**93.1**	**74.1**	**66.1**	**68.6**	**71.0**	**86.9**
Payables	32.4	34.8	32.9	35.2	36.9	45.0
Contract liabilities	22.4	21.6	22.1	23.6	24.6	30.0
Borrowings	17.8	20.7	18.2	14.4	10.0	5.0
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**	**77.5**	**75.7**	**84.3**
Shareholder Funds	**12.2**	**(7.5)**	**(11.3)**	**(8.9)**	**(4.7)**	**2.6**

Source: Company data, Blue Ocean Equities.

	A$m	US$m
Market cap ($m)	**85**	**60**
Enterprise value ($m)	**83**	**58**
Shares outstanding (m)		**1,142.9**

Valuation multiples	FY23	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	N/A	N/A	74.5	17.4	14.3	6.3
EV/Revenue (x)	0.8	1.1	0.7	0.7	0.7	0.5
EV/EBITDA (x)	309.5	N/A	13.4	8.0	7.1	4.1
EV/EBIT (x)	N/A	N/A	22.7	10.5	9.1	4.7
Equity FCF yield (%)	N/A	N/A	15.1	N/A	17.5	25.4
Dividend yield (%)	N/A	N/A	N/A	N/A	3.5	7.9
Price to book value (x)	N/A	N/A	N/A	N/A	N/A	N/A

Australian Dollar Metrics (Y/E Dec, A$m)						
Revenue AUD	**105.6**	**78.1**	**121.6**	**123.1**	**124.7**	**152.6**
Revenue ex. Ivory Coast AUD	72.1	67.5	79.0	93.2	116.2	141.2
EBITDA adj. AUD	**0.3**	**(6.1)**	**6.1**	**10.3**	**11.7**	**20.1**
EBIT adj. AUD	(2.2)	(8.5)	3.6	7.9	9.1	17.4
NPAT adj. AUD	**(7.9)**	**(8.8)**	**1.1**	**4.9**	**5.9**	**13.4**
EPS adj. AUD	(1.1)	(0.8)	0.1	0.4	0.5	1.2
DPS (cps) AUD	0.0	0.0	0.0	0.0	0.3	0.6
Net debt inc. leases AUD	(14.6)	13.5	(2.3)	(0.6)	(15.4)	(33.9)
Net debt ex. Leases AUD	(16.8)	12.4	(4.0)	(2.3)	(17.0)	(35.5)

Balance sheet metrics ($USm)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Gross debt ($m)	19.3	21.4	19.3	15.5	11.1	6.1
Net debt inc. leases and deferred consid.	(9.7)	8.9	(1.5)	(0.5)	(10.8)	(23.9)
Net debt/EBITDA (x)	N/A	N/A	N/A	N/A	N/A	N/A
Fixed charge cover (x)	N/A	N/A	1.5	3.7	4.3	10.2

Segmental forecasts (US$m)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Municipal Waste Water	11.1	11.0	12.4	13.5	16.2	19.5
Industrial Wastewater & Biogas	7.0	8.9	13.9	23.5	31.7	39.6
Industrial Water & Reuse	14.9	18.0	17.4	18.7	22.5	27.0
SEA & China	13.6	3.8	6.5	8.3	9.9	11.9
BOO	2.8	2.9	2.8	2.9	2.9	2.9
Ivory Coast	22.2	7.0	27.5	21.0	6.0	8.0
Corporate	(1.5)	(0.1)	(2.1)	(1.6)	(1.5)	(1.5)
Revenue	**70.0**	**51.5**	**78.4**	**86.3**	**87.8**	**107.4**
Municipal Waste Water	2.3	0.9	1.9	1.6	2.6	3.8
Industrial Wastewater & Biogas	0.1	0.6	2.3	4.7	7.5	10.0
Industrial Water & Reuse	1.5	3.1	3.6	2.8	3.9	5.3
SEA & China	0.2	(1.1)	(0.3)	0.4	0.8	1.3
BOO	0.3	0.5	0.7	1.0	1.0	1.0
Ivory Coast	1.7	0.2	3.4	4.8	1.0	1.8
Corporate	(5.8)	(8.2)	(7.7)	(8.0)	(8.7)	(9.1)
EBITDA	**0.2**	**(4.0)**	**4.0**	**7.2**	**8.2**	**14.2**
Municipal Waste Water	20.7	8.5	15.2	11.7	16.1	19.5
Industrial Wastewater & Biogas	1.3	6.5	16.8	19.9	23.8	25.4
Industrial Water & Reuse	9.8	17.1	20.7	14.7	17.5	19.6
SEA & China	1.3	(29.3)	(4.5)	4.4	8.2	11.0
BOO	10.5	17.9	23.9	35.3	35.4	35.5
Ivory Coast	7.6	2.7	12.5	23.0	16.0	22.4
EBITDA margin (%)	**0.3**	**(7.8)**	**5.0**	**8.4**	**9.4**	**13.2**

Key Performance Ratios (%)	FY23	FY24	FY25E	FY26E	FY27E	FY28E
Gross margin	**27.2**	**29.4**	**29.5**	**34.1**	**35.4**	**35.5**
Opex margin	27.0	37.2	24.4	25.7	26.1	22.4
EBITDA margin	**0.3**	**(7.8)**	**5.0**	**8.4**	**9.4**	**13.2**
EBIT margin	**(2.1)**	**(10.9)**	**3.0**	**6.4**	**7.3**	**11.4**
Revenue growth USD (YoY)		**-26**	**52**	**10**	**2**	**22**
EBITDA growth USD (YoY)	-94	N/A	-199	82	14	72
EBIT growth USD (YoY)	-281	N/A	N/A	136	16	91

Directors and Key Management Personnel		**Shares**	**Holding**
Doug Brown	Non Exec Chairman	174.0m	15.2%
Nikolaus Oldenforff	NED	174.1m	15.2%
Mel Ashton	NED	1.0m	0.1%
Paul Donnelly	NED	0.7m	0.1%
Ben Fash	MD	1.3m	0.1%
Osvaldo Llanes	CFO	0.0m	0.0%

BLUE OCEAN EQUITIES

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The author of this report owns shares in Fluence Corporation Limited.