

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)

Year ending Dec (US\$m)	FY26E			FY27E			FY28E		
	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.

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EQUITY RESEARCH

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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Fluence Corporation (ASX: FLC)

Fluence Corporation (ASX: FLC)						A\$m	US\$m							A\$m	US\$m						
Closing price							\$0.074	\$0.05	Market cap (\$m)						85	60					
Price target							\$0.16	\$0.11	Enterprise value (\$m)						83	58					
Expected return							113%		Shares outstanding (m)						1,142.9						
Income statement (Y/E December, US\$m)	FY23	FY24	FY25	FY26E	FY27E	FY28E	Valuation multiples			FY23	FY24	FY25	FY26E	FY27E	FY28E						
Revenue	70.0	51.5	78.4	86.3	87.8	107.4	P/E (x)	N/A			N/A	74.5	17.4	14.3	6.3						
Cost of sales	(51.0)	(36.3)	(55.3)	(56.9)	(56.7)	(69.2)	EV/Revenue (x)	0.8			1.1	0.7	0.7	0.7	0.5						
Gross Profit	19.1	15.2	23.1	29.4	31.1	38.2	EV/EBITDA (x)	309.5			N/A	13.4	8.0	7.1	4.1						
Other income	0.0	0.0	0.0	0.0	0.0	0.0	EV/EBIT (x)	N/A			N/A	22.7	10.5	9.1	4.7						
Operating costs	(18.9)	(19.2)	(19.1)	(22.2)	(22.9)	(24.0)	Equity FCF yield (%)	N/A			N/A	15.1	N/A	17.5	25.4						
EBITDA adj.	0.2	(4.0)	4.0	7.2	8.2	14.2	Dividend yield (%)	N/A			N/A	N/A	N/A	3.5	7.9						
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)	6.2	8.2	14.2															
D&A adj.	(1.6)	(1.6)	(1.6)	(1.7)	(1.8)	(1.9)	Australian Dollar Metrics (Y/E Dec, A\$m)														
EBIT adj.	(1.5)	(5.6)	2.3	5.5	6.4	12.3	Revenue AUD	105.6			78.1	121.6	123.1	124.7	152.6						
Finance costs	(5.7)	(2.8)	(1.5)	(1.5)	(1.5)	(1.2)	Revenue ex. Ivory Coast AUD	72.1			67.5	79.0	93.2	116.2	141.2						
Pre-tax profit adj.	(7.1)	(8.4)	0.8	4.0	4.9	11.1	EBITDA adj. AUD	0.3			(6.1)	6.1	10.3	11.7	20.1						
Tax adj.	2.0	2.3	(0.1)	(0.6)	(0.7)	(1.7)	EBIT adj. AUD	(2.2)			(8.5)	3.6	7.9	9.1	17.4						
Minority interest	0.1	(0.3)	(0.0)	0.0	0.0	0.0	NPAT adj. AUD	(7.9)			(8.8)	1.1	4.9	5.9	13.4						
NPAT adj.	(5.2)	(5.8)	0.7	3.4	4.2	9.4	EPS adj. AUD	(1.1)			(0.8)	0.1	0.4	0.5	1.2						
One-off items (post-tax)	(10.1)	(15.6)	(10.1)	(0.9)	0.0	0.0	DPS (cps) AUD	0.0			0.0	0.0	0.0	0.3	0.6						
Reported profit to holders	(15.4)	(21.4)	(9.4)	2.6	4.2	9.4	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)						
Per share metrics (US\$)	FY23	FY24	FY25	FY26E	FY27E	FY28E	Balance sheet metrics (\$USm)			FY23	FY24	FY25	FY26E	FY27E	FY28E						
EPS diluted - adjusted (cps)	(0.7)	(0.5)	0.1	0.3	0.4	0.8	Gross debt (\$m)	19.3			21.4	19.3	15.5	11.1	6.1						
EPS diluted (cps)	(2.2)	(2.0)	(0.9)	0.2	0.4	0.8	Net debt inc. leases and deferred consid.	(9.7)			8.9	(1.5)	(0.5)	(10.8)	(23.9)						
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	3.7	4.3	10.2						
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	Segmental forecasts (US\$m)			FY23	FY24	FY25	FY26E	FY27E	FY28E						
EBITDA	(9.0)	(17.5)	(5.8)	6.2	8.2	14.2	Municipal Waste Water	11.1			11.0	12.4	13.5	16.2	19.5						
Non cash items	0.0	0.0	0.0	0.0	0.0	0.0	Industrial Wastewater & Biogas	7.0			8.9	13.9	23.5	31.7	39.6						
Cash interest	(5.7)	(2.3)	(0.2)	(1.5)	(1.5)	(1.2)	Industrial Water & Reuse	14.9			18.0	17.4	18.7	22.5	27.0						
Cash tax	(0.2)	(0.8)	(0.3)	(0.5)	(0.7)	(1.7)	SEA & China	13.6			3.8	6.5	8.3	9.9	11.9						
Working capital/other	(4.1)	0.5	17.2	(3.8)	6.4	5.8	BOO	2.8			2.9	2.8	2.9	2.9	2.9						
Operating Cash Flow	(19.0)	(20.1)	10.9	0.5	12.4	17.1	Ivory Coast	22.2			7.0	27.5	21.0	6.0	8.0						
Capex	(1.8)	(1.7)	(1.2)	(1.4)	(2.0)	(2.0)	Corporate	(1.5)			(0.1)	(2.1)	(1.6)	(1.5)	(1.5)						
Finance leases	(1.4)	(1.0)	(0.7)	0.0	0.0	0.0	Revenue	70.0			51.5	78.4	86.3	87.8	107.4						
Free Cash Flow	(22.2)	(22.8)	9.0	(0.9)	10.4	15.1	Municipal Waste Water	2.3			0.9	1.9	1.6	2.6	3.8						
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	Industrial Wastewater & Biogas	0.1			0.6	2.3	4.7	7.5	10.0						
Proceeds from disposals	0.1	2.0	0.4	0.0	0.0	0.0	Industrial Water & Reuse	1.5			3.1	3.6	2.8	3.9	5.3						
Proceeds from issue of shares	26.6	0.0	0.0	0.0	0.0	0.0	SEA & China	0.2			(1.1)	(0.3)	0.4	0.8	1.3						
Transaction costs	(1.8)	(0.0)	(0.0)	0.0	0.0	0.0	BOO	0.3			0.5	0.7	1.0	1.0	1.0						
Net borrowings	(13.4)	2.3	(2.1)	(3.8)	(4.4)	(5.0)	Ivory Coast	1.7			0.2	3.4	4.8	1.0	1.8						
Other	4.4	2.9	0.5	(0.1)	0.0	(2.1)	Corporate	(5.8)			(8.2)	(7.7)	(8.0)	(8.7)	(9.1)						
Net change in cash	(6.3)	(15.7)	7.7	(4.8)	6.0	8.0	EBITDA	0.2			(4.0)	4.0	7.2	8.2	14.2						
Cash at beginning	30.9	24.6	8.9	16.6	11.8	17.8	Municipal Waste Water	20.7			8.5	15.2	11.7	16.1	19.5						
Cash at end	24.6	8.9	16.6	11.8	17.8	25.8	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						
Balance sheet (Y/E Dec, US\$m)	FY23	FY24	FY25	FY26E	FY27E	FY28E	EBITDA margin (%)	0.3			(7.8)	5.0	8.4	9.4	13.2						
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	Key Performance Ratios (%)									FY23	FY24	FY25E	FY26E	FY27E	FY28E
Inventories	5.7	5.8	4.6	5.8	5.3	6.5	Gross margin	27.2			29.4	29.5	34.1	35.4	35.5						
Other current assets	6.2	0.5	0.3	0.3	0.3	0.3	Opex margin	27.0			37.2	24.4	25.7	26.1	22.4						
Current Assets	74.3	56.8	48.3	51.1	53.4	69.2	EBITDA margin	0.3			(7.8)	5.0	8.4	9.4	13.2						
Property, Plant & Equipment	5.4	7.2	7.9	7.6	7.8	7.9	EBIT margin	(2.1)			(10.9)	3.0	6.4	7.3	11.4						
Intangibles	1.1	1.0	0.6	0.6	0.6	0.6	Revenue growth USD (YoY)				-26	52	10	2	22						
Right-of-use Assets	2.7	0.8	1.1	1.1	1.1	1.1	EBITDA growth USD (YoY)	-94			N/A	-199	82	14	72						
Term deposits	4.3	3.6	4.1	4.1	4.1	4.1	EBIT growth USD (YoY)	-281			N/A	N/A	136	16	91						
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	Directors and Key Management Personnel									Shares	Holding				
Borrowings	17.8	20.7	18.2	14.4	10.0	5.0	Doug Brown							Non Exec Chairman	174.0m	15.2%					
Lease Liabilities	1.5	0.8	1.1	1.1	1.1	1.1	Nikolaus Oldenforff							NED	174.1m	15.2%					
Provisions	5.0	3.6	3.0	3.0	3.0	3.0	Mel Ashton							NED	1.0m	0.1%					
Deferred tax and other	1.9	0.1	0.1	0.1	0.1	0.1	Paul Donnelly							NED	0.7m	0.1%					
Total Liabilities	80.9	81.6	77.4	77.5	75.7	84.3	Ben Fash							MD	1.3m	0.1%					
Shareholder Funds	12.2	(7.5)	(11.3)	(8.9)	(4.7)	2.6	Osvaldo Llanes							CFO	0.0m	0.0%					

Source: Company data, Blue Ocean Equities.

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