



31 October 2024

Fluence Corporation Quarterly Activities Report

Fluence Corporation Limited (ASX:FLC; “Fluence” or the “Company”) presents its Quarterly Activities Report and accompanying ASX Appendix 4C (the “Quarterly Cashflow Report”) for the quarter ended 30 September 2024 (“Q3 2024”). All financial numbers contained herein are in US dollars and are unaudited.

Q3 2024 Highlights

The Company is reporting the following highlights for Q3 2024:

- **Total YTD Q3 2024 Revenue of \$30.3M** was 28% lower than YTD Q3 2023 primarily due to the continued delays in commencing work on the Ivory Coast Addendum project (the “IVC Addendum”). YTD Q3 2024 revenue from the Ivory Coast was \$1.0M as compared to \$15.9M in YTD Q3 2023.
 - Excluding the impact of the Ivory Coast, revenue growth would have been \$2.9M (+11%).
- **YTD Q3 2024 SPS and Recurring Revenue of \$29.1M**, representing 13% growth over YTD Q3 2023.
- **YTD Q3 2024 New Orders of \$40.5M (+3%)**, highlighted by an increase of \$6.5M in MWW, IWR and IWB YTD Q3 2024 orders (+21%) over YTD Q3 2023.
- **Gross margins of 31.8%** YTD Q3 2024, an increase of 5.5% over YTD Q3 2023.
- **Backlog as of Q3 2024 sits at \$101.8M**, of which \$70.2M is expected to be recognized in the next 12 months.
- **SG&A and R&D savings YTD Q3 2024 and Q3 2024 of \$3.1M (-20%) and \$0.7M (-12%)**, respectively, when compared to YTD and Q3 2023¹.
- **Cash balance of \$4.9M plus \$7.5M in security deposits as at September 30, 2024**. Negative cash flow YTD Q3 2024 primarily due to the delayed start of the IVC Addendum project. H2 2024 is still expected to be operating cash flow positive once the initial milestone from the IVC Addendum project is received.
- **The Company fully repaid its loan facility with Upwell Water LLC (the “Upwell Facility”) and secured new revolving credit facility for up to \$20.0M (the “Revolving Facility”)**, which provides the Company with considerable interest savings and operating flexibility. Expanded the size of the Revolving Facility by \$5.0M on October 31, 2024 to provide additional working capital and support new project wins.
- **Revising guidance for FY 2024 to \$50-60M of revenue and EBITDA² loss of \$3.5-4.5M primarily due to the continued delays related to the IVC Addendum project.**

¹ SG&A and R&D in YTD Q3 2023 excludes the reversal of the Chief Scientist liability.

² EBITDA excludes the impact of Other Gains and Losses, which include FX gains and losses, gains and losses related to various legacy balance sheet items, restructuring, and other exceptional items.

Financial and Operating Update

During the first 3 quarters of 2024, Fluence continued to execute its renewed strategy of shifting focus to high-margin SPS and Recurring Revenue through its realigned and product-focused business units while transitioning away from low-margin CES projects. YTD Q3 2024 revenue of \$30.3M was \$12.0M lower than YTD Q3 2023, however, when adjusting for the impact of Ivory Coast, revenue in the core business grew by \$2.9M or 11%. It is expected that revenue will be significantly higher in Q4 2024 than it has been in the first 3 quarters of 2024 as the IVC Addendum is expected to move ahead along with a number of other recent orders and existing projects.

The shift in focus toward our SPS and Recurring Revenue products and services is having the desired effect of improving gross margins, which has seen an increase to 31.8% YTD Q3 2024 (up 5.5% vs. YTD Q3 2023).

SG&A and R&D costs also continued to be reduced. With the full benefit of the FY2023 reorganization combined with the sale of the Aeration & Mixing assets ("Aeration Assets") in Q1 2024, the Company has realized \$3.1M (20%) savings YTD Q3 2024 as compared to YTD Q3 2023¹ and \$0.7M in savings in Q3 2024 as compared to Q3 2023 (12%).

Despite the increase in SPS and Recurring Revenue, higher gross margins and lower SG&A and R&D, the continued administrative delays in the IVC Addendum project has resulted in an EBITDA² loss YTD 2024 of \$5.1M.

As a reminder, the Company is now organized around product lines with the following principal areas of focus:

- Municipal Water and Wastewater ("MWW") treatment includes MABR (Aspiral, SUBRE and Nitro) and Nirobox products (formerly Decentralized Municipal Water & Wastewater or DMWW);
- Industrial Wastewater & Biogas ("IWB"), provides solutions that support the shift to global decarbonization, taking advantage of government incentives such as the Inflation Reduction Act in the United States and the new nitrogen removal laws in Mexico (formerly High-Strength Wastewater and Waste-to-Energy or HSWW);
- Industrial Water & Reuse ("IWR") solutions, focusing on water reuse applications and high-growth markets such as lithium mining that supports the trend toward electrification (formerly Specialized Industrial Water or SIW);
- Southeast Asia and China ("SEA & China"), with a particular focus on efforts in countries such as Taiwan, Vietnam, Cambodia and South Korea to strengthen and diversify its sales pipeline;
- Recurring Revenue, including Build-Own-Operate ("BOO") projects and Operations & Maintenance ("O&M") contracts for equipment sales; and
- The Ivory Coast Main Works and IVC Addendum projects.

FY2024 Guidance

The Company has revised its forecast for FY2024:

- Revenue of \$50-60M from previous guidance of \$70-75M, primarily due to the delays in the IVC Addendum;
- EBITDA² loss of \$3.5-4.5M from previous guidance of \$0M; and
- Forecasted order bookings of \$50-60M in H2 2024.

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Table1: Segmented Financial Results

(US\$ millions)	YTD Q3 2023 ⁽³⁾		YTD Q3 2024 ⁽³⁾		YTD Variance	
	Revenue	EBITDA ⁽²⁾	Revenue	EBITDA ⁽²⁾	Revenue	EBITDA ⁽²⁾
MWW	\$6.8	\$0.9	\$6.6	(\$0.3)	(\$0.2)	(\$1.2)
IWB	\$4.7	(\$0.1)	\$5.5	\$0.1	\$0.7	\$0.2
IWR	\$10.5	\$0.5	\$12.3	\$1.9	\$1.8	\$1.4
SEA & China	\$3.3	(\$2.2)	\$2.9	(\$0.9)	(\$0.5)	\$1.3
BOO	\$1.7	\$0.3	\$2.2	\$0.3	\$0.6	\$0.0
IVC	\$15.8	\$1.3	\$1.0	(\$0.5)	(\$14.8)	(\$1.7)
Corporate ⁽⁴⁾	(\$0.5)	(\$3.3)	(\$0.2)	(\$5.7)	\$0.3	(\$2.4)

(3) Aeromix removed as an asset-held-for-sale.

(4) Includes all intercompany eliminations and unallocated expenses

YTD Q3 2024 revenue increased in IWR, IWB and BOO while EBITDA² improved in IWR, IWB, SEA & China and BOO. More specifically:

- IWR saw strong Revenue and EBITDA² growth of \$1.8M (+17%) and \$1.4M (+281%), respectively.
- IWB saw revenue and EBITDA² growth of \$0.7M (+15%) and \$0.2M in YTD Q3 2024. With backlog sitting at \$12.8M (an increase of \$1.9M or 17% over Q3 2023), IWB expects significant growth in FY2024 compared to FY2023 based on a strong Q4 to finish 2024.
- MWW saw a reduction in revenue in and EBITDA² YTD Q3 2024 primarily due to the recognition of a significant amount of remaining revenue (~\$2M) in YTD Q3 2023 from the completion of the \$20M New Mansoura WTP project in Egypt in H1 2023. This project had minimal costs against the final \$2M in revenue recognition, therefore margins were higher than normal given the size of the project and revenue.
 - MWW North America revenue YTD Q3 2024 increased by \$1.0M (+44%).

The most significant revenue and EBITDA² reduction across the Company is related to the Ivory Coast. In FY2023, the Company was still completing the Main Works project. In FY2024, the majority of the work on the Main Works had already been completed. The IVC Addendum project, which was initially expected to commence in Q1 2024, was projected to contribute revenue of \$20.2M YTD Q3 2024 and \$25-30M of revenue overall in FY2024. Due to the administrative and bank delays, revenue contribution from the Ivory Coast has only been \$1.0M YTD Q3 2024 and overall revenue contribution in FY2024 is significantly reduced from original projections. YTD Q3 2024 revenue growth excluding Ivory Coast grew by \$2.9M or 11%.

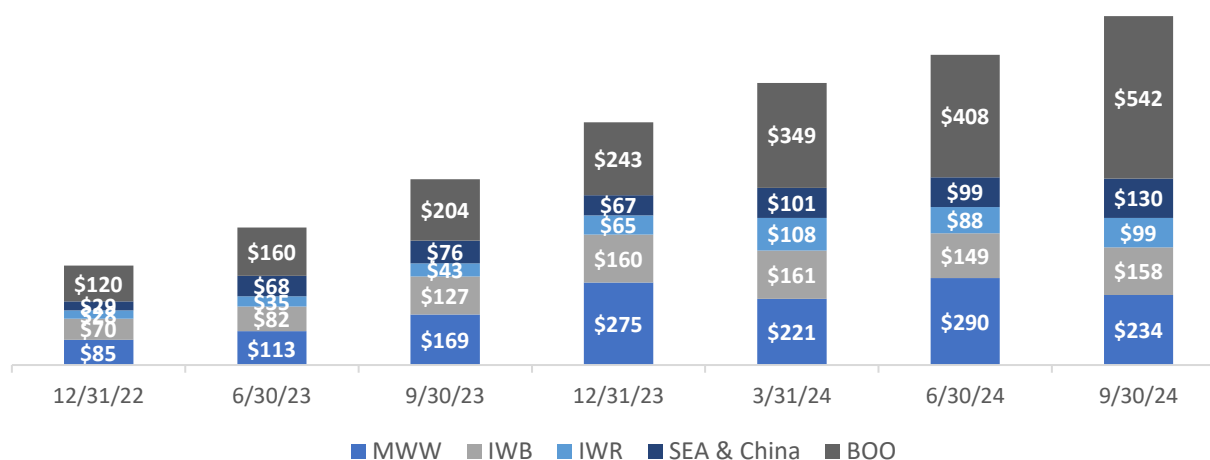
The other significant impact has been the weak performance in China, driven by a slowdown in government spending overall, which has had a detrimental impact on projects that utilize Fluence's water treatment solutions. We anticipate FY2024 revenue from our SEA & China business unit to be less than 50% of FY2023 levels. The Company is reviewing all aspects of the SEA & China business to stabilize the region and ensure sustainable profitability going forward.

Lastly, while Corporate costs appear higher YTD Q3 2024 vs. YTD Q3 2023, this is due to the impact of the reversal of the Chief Scientist accrual. Adjusting for this reversal, Corporate EBITDA² would have been \$0.2M lower YTD Q3 FY2024 vs. YTD Q3 2023.

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Chart 1: Fluence Sales Pipeline⁴



(4) Excludes Ivory Coast O&M.

Our overall sales pipeline saw continued strong growth in Q3 2024 and has increased by \$544M since Q3 2023 to \$1,163M (+88%). North America continues to lead the way and we have begun to see conversion of the pipeline in North America, particularly in the IWB business that landed several orders in the US over the past quarter. The total sales pipeline represents over 430 opportunities, which results in an average project size of approximately \$1.5M (excluding BOO).

Key Recent Wins

The Company secured several notable new orders in Q3 and October 2024, including:

- Stereau: 10,000 m³ SWRO water treatment plant – Mayotte, French Territory (\$7.1M)
- Coca Cola Solar: Two (2) orders for BWRO and UF water treatment plants – Brazil (\$1.7M and \$1.1M)
- Meijer: Industrial wastewater treatment plant – Ohio, USA (\$1.5M);
- iTest: Six (6) orders from repeat customer for wastewater treatment plants – China (\$1.5M);
- Eurofish: Wastewater and tertiary treatment for reuse – Ecuador (\$0.7M);
- Arcelor Mittal: RO replacement membranes – Brazil (\$0.6M);
- Global insulation manufacturer: Industrial sanitary wastewater plant – New York, USA (\$0.5M); and
- Austin Powders: Condensate Treatment via BWRO – Argentina (\$0.2M).

Fluence signed \$15.7M in new order bookings during Q3 2024 and \$40.5M in YTD Q3 2024 overall (+\$1.3M or 3%) compared to YTD Q3 2023, excluding the impact of the IVC Addendum contract. Most notably, MWW, IWR and IWB YTD Q3 2024 orders increased by \$6.5M (+21%) over YTD Q3 2023. New order bookings are still expected to be \$50-60M in H2 2024, driven by a very strong Q4 2024. Backlog as of Q3 2024 sits at \$101.8M, an increase of \$5.2M (+5.4%) higher than Q2 2024. Of the \$101.8M of backlog, \$22.9M is forecasted to be recognized in Q4 FY2024 and \$70.2M is expected to be recognized over the next 12 months.

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Corporate Update

In July 2024, the Company fully repaid the Upwell Facility. Since the Upwell Facility was put in place in July 2020, Fluence had drawn down on \$30.3M, a substantial portion of which was repaid in 2023 and in the first half of 2024. In addition to repayment of the balance of the Upwell Facility term loan, the Company also fully repaid the balance of the Bimini Project Loan for a total repayment of \$14.1M across both loans. As a result of the repayment, the Upwell Facility was terminated and all collateral underlying the loan was fully released. Upwell will continue to have the option to provide project debt financing on future BOO projects presented by Fluence.

Also in July 2024, the Company replaced the Upwell Facility with the Revolving Facility for up to \$15.0 million (the “Revolving Facility”) on more favorable terms for the Company than the Upwell Facility. The Revolving Facility was initially used to pay off the Upwell Facility and for working capital and new project wins. The interest rate on the Revolving Facility is variable and equal to the US Prime Rate, which is currently 8.0%. The initial term is 21 months with a Company option to extend for up to three (3) months at Prime Rate plus 5%. The Revolving Facility has been provided by Nikolaus Oldendorff and Doug Brown (the “Lenders”), each of whom currently sit on the Company’s Board of Directors and have been long-term supporters of the business. On October 31, 2024, the Revolving Facility was expanded by \$5M to \$20M total to provide additional working capital and new projects. Security in respect of the Revolving Facility is initially limited to no more than five percent (5%) of the equity interests of the Company. As contemplated at the time the Revolving Facility was put in place, the Company will be calling a shareholder meeting to obtain approval to grant additional security for the Lenders under ASX Listing Rule 10.1. The repayment of the Upwell Facility and securing the Revolving Facility provides the Company considerable interest savings, operating flexibility and will support our continued growth.

Additionally, the Company will be executing a further restructuring of its global MWW business to further align resources, increase efficiency and reduce fixed costs. The restructuring is expected to occur in Q4 2024 and result in annualized SG&A and R&D savings of \$1-2M per year.

Q3 2024 Cash Flows

The Appendix 4C quarterly cashflow report for Q3 2024 is attached. As at September 30, 2024, Cash and Cash Equivalents were \$4.9M. In addition, the Company held \$7.5M in short and long-term deposits, of which \$7.2M are held as collateral for bank guarantees for the Ivory Coast Project. Operating cash flow used in Q3 2024 was \$3.5M.

While it was expected that that the Company would generate negative cash flow in early 2024, operating cash flow has underperformed compared to forecast primarily due to:

- Delays in the IVC Addendum project and securing the preliminary milestone payment;
- New Mansoura and other collection delays in the MWW Middle East;
- Slowdown in China resulting in lower project revenue and delays in collections; and
- Repaying the Upwell Facility in full.

Fluence forecasts that operating cash flow will be positive in H2 2024 with significant positive cash flow in Q4 2024.

The Company repaid \$14.1M in debt in Q3 2024 and \$17.7M YTD 2024. As a result, the Company has repaid

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the entirety of the Upwell Facility, which was \$30.3M as at September 30, 2023.

Fluence also generated \$2.1M in investing cash flows YTD 2024 due to the sale of the Aeration Assets (less closing costs) and return of collateral related to project bonds and guarantees. The Company has also invested \$0.7M and \$1.4M in capital expenditures in Q3 and YTD 2024, respectively.

Ivory Coast Progress

In Q3 2024, Fluence continued commissioning of the Main Works. Due to large rainfalls in Q2 2024, commissioning was delayed and is now expected to be completed in Q4 2024.

During the quarter Fluence continued to work to advance the financing of the IVC Addendum contract toward closing but have encountered continued administrative delays. While the Company anticipated a Notice to Proceed would be granted in Q1 2024, the administrative delays have significantly delayed the startup of the project. We have received the Entry into Force from the client and are now expected to receive the Notice to Proceed in Q4 2024. As noted in prior updates, these IVC Addendum works are a critical step to connect the Main Works water treatment plant to the distribution system allowing delivery of the water produced by the plant to the people of Abidjan. The IVC Addendum works are expected to take approximately 18 months to complete and a significant amount of the revenue was originally forecasted to be recognized in 2024 with the balance in 2025. Delayed commencement of the project has significantly reduced the expected revenue recognition in FY2024 from the IVC Addendum project. Despite the negative impact to 2024 financial performance, the IVC Addendum project is expected to proceed in Q4 2024 and revenue would be recognized in late 2024, 2025 and 2026.

Fluence is also actively seeking to secure an O&M contract for the plant from the customer. The start of the long-term O&M contract requires the work being undertaken pursuant to the IVC Addendum to be completed. There may, however, be an interim O&M contract awarded which Fluence is well-positioned to receive. Operating the plant on an interim basis would also position the Company well for the long-term O&M contract.

This announcement is authorised for lodgement on the ASX by Thomas Pokorsky, CEO and Managing Director, Fluence Corporation Limited.

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About Fluence Corporation Limited (ASX: FLC)

Fluence is a leader in Wastewater Treatment and Reuse, High-Strength Wastewater Treatment, Wastewater-to-Energy, Industrial and Drinking Water markets, with its pre-engineered, standardized Smart Products Solutions (SPS), including Aspiral™, NIROBOX™, SUBRE and Nitro. In addition to rapid delivery and commissioning of solutions to meet a broad range of needs from smaller communities to city-scale systems, Fluence offers ongoing operation and maintenance support, Build Own Operate (BOO) and other recurring revenue solutions. Fluence has a broad international footprint and focuses on high growth markets including North America and Southeast Asia.

Further information can be found at <https://www.fluencecorp.com/>

Forward looking statements

"This quarterly business update contains "forward-looking" statements. Forward looking words, such as "expect", "anticipate", "should", "could", "may", "predict", "plan", "will", "believe", "forecast", "estimate", "target" and other similar expressions are intended to identify forward-looking statements. Forward-looking statements, opinions and estimates provided in this update are based on estimates and assumptions related to future business, contractual, economic, market, political and other conditions that, while Fluence considers them to be reasonable, are inherently subject to significant uncertainties, contingencies and delays.

Many known and unknown factors could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward-looking statements. Such factors include, but are not limited to operating, competition and development risks, economic and political risks, economic uncertainty associated with COVID-19, and a number of other risks and also include unanticipated and unusual events, many of which are beyond Fluence's ability to control or predict.

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