



29 July 2021

## **Fluence Corporation Q2 2021 Quarterly Activities Report**

Fluence Corporation Limited (ASX: FLC; the “Company”) presents its Quarterly Activities Report and accompanying ASX Appendix 4C (the “Quarterly Cashflow Report”) for the quarter ended 30 June 2021 (“Q2 2021”). All financial numbers herein are in US dollars.

### **Q2 2021 Summary**

- **Strong Revenue Growth** – Revenue of \$27.2M up 49% over Q1 2021 and 169% over Q2 2020. China revenues for Q2 2021 up 48% on Q2 2020. SPS revenues of \$7.8M in Q2 2021.
- **Continued strong adoption of MABR Smart Products Solutions** – 15 MABR plants sold in Q2 2021 and 34 year to date, bringing the total sold worldwide to 281.
- **Backlog<sup>1</sup> Strong** - \$175M contracted backlog of which SPS backlog is \$18.7M, showing strong SPS momentum
- **Cost Out Improvement** - Continued operating efficiency gains - operating expenses down 7% for 1H 2021 versus 1H 2020.
- **EBITDA positive in Q2 2021**
- **Cash Flow Positive** – Operating cash flow positive of \$13.0M.
- **Net Cash Position** - cash balance of \$23.7M, as well as \$38.4M in short and long-term liquid investments.

### ***Smart Products Solutions (SPS) and Business Development***

The first MABR plant in Sihanoukville, Cambodia has now been fully commissioned and is operating well with capacity to treat wastewater for 60,000 people. This enables discussions on new projects there to move forward.

Fluence sold 15 MABR plants in Q2 2021 and a total of 34 year to date bringing the global total sold to 281 MABR plants. Year to date, 25 of these plants were bought by existing China volume partners Three Gorges, Hubei ITEST, Kaitian, Liaoning Huahong, and China Rail. 5 MABR plants sold in China were to new partners. Revenue in China for 1H 2021 was up 45% on 1H 2020.

In Q2 3 MABR plants were sold in the US, bringing the total in US to 10. A SUBRE plant was sold in Israel to be installed at an important Christian pilgrimage site.

The 281 plants have been sold in 11 countries and have collective capacity to treat wastewater for 750,000 people.

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<sup>1</sup> Note: “Backlog” only includes amounts that have been formally contracted for sale and not yet delivered to the customers and therefore still to be recognized as revenue. In particular for revenue from BOT contract it includes only 12 months of future revenue and does not include the remaining amount previously announced under volume partnerships. There are approx. \$50M that remain from existing Volume Partnership Agreements that are yet to be contracted for sale.

## ***Ivory Coast Progress***

In Q2 2021 Fluence continued to execute the Ivory Coast Project including collecting Euro 16.5M (approx. US\$20.1M) in payment of the latest milestone. The Ivory Coast Project is cash flow positive overall as a result of payments received in 2020 and is forecast to remain cashflow positive for the duration of the project. The project is expected to be completed within the contractual schedule of 24 months or Q1 2023.

## ***Strategic Focus***

Key target segments now include USA:

- MABR wastewater solutions in China and South East Asia
- NIROBOX™ desalination solutions in the Middle East and South East Asia
- Recurring revenue opportunities in USA & Caribbean targeting water as a service to commercial customers
- The Ivory Coast Water Treatment Project

## ***FY2021 Outlook***

Strongly positioned for growth with reiterated guidance for SPS sales in the range of \$35 – 50M and positive underlying EBITDA<sup>2</sup> for FY 2021.

## **Q2 2021 Commentary**

Reflecting on Q2 2021 and the outlook for the remainder of FY 2021, Fluence Chairman and Chief Executive Officer Richard Irving, said:

“COVID-19 related travel quarantines slowed down face-to-face meetings, plant commissioning and new orders. Despite these factors, we are very pleased with this quarter’s results and our quarter-on-quarter and year-on-year growth. We remain on track to deliver guidance for the year. With 281 MABR plants sold we are the clear leader globally with this technology which we believe provides the most cost-efficient and energy-efficient way to achieve high quality wastewater treatment. We see continued evidence that countries are setting and enforcing much higher standards of wastewater treatment for which our MABR is an ideal solution. We also see a continued trend towards decentralized treatment, for which our Aspiral™ and Nirobox™ solutions are a perfect fit due to their neighbourhood-friendly, automated, low maintenance operation. Meanwhile we continue to execute the Ivory Coast Project which remains on target for completion in early 2023.”

## **Q2 2021 Cash Flows**

The Appendix 4C quarterly cashflow report for Q2 2021 is attached.

Cash and Cash Equivalents were \$23.7M as at 30 June 2021. In addition, the Company held \$38.4M in short and long-term deposits, of which \$31M is applied as collateral for bank guarantees for the Ivory Coast Project which will be released over the next 18 months. Net Cash generated by Operating Activities in Q2 2021 was \$13.0M. Revenue in Q2 2021 was \$27.2M, of which \$7.8M was derived from SPS sales. No receipts were scheduled or received from Ivory Coast Project during Q1. Operating expenses continue to be reduced, falling 7% for 1H 2021 versus 1H 2020.

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<sup>2</sup> Underlying EBITDA excludes any significant one-off items

## **Positive Outlook Reiterated for FY 2021**

Fluence FY 2021 guidance includes the following:

- SPS sales range of \$35M to \$50M; and
- EBITDA positive on an annual basis

## **Quarterly Update – Conference Call**

Richard Irving (Chairman & CEO) and Francesco Fragasso (CFO) will host an investor conference call regarding the Company's quarterly update on Thursday 29 July 2021 at 9.30am Melbourne Time (AEST) / Wednesday 28 July 2021 at 7:30pm US EST.

For those wishing to dial into the call or access the webcast, you must register in advance via the link:

<https://s1.c-conf.com/diamondpass/10015453-o37st3.html>

Questions must be submitted electronically through the webcast interface.

A link to the archived webcast will be accessible on the Company's website following the call:

<https://www.fluencecorp.com/investor-news/>

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This announcement is authorised for lodgement on the ASX by Richard Irving, Chairman & CEO, Fluence Corporation Limited.

### **About Fluence Corporation Limited (ASX: FLC)**

Fluence is a leader in the decentralized water, wastewater and reuse treatment markets, with its pre-engineered, standardized Smart Products Solutions, including Aspiral™, NIROBOX™ and SUBRE. In addition to rapid delivery and commissioning of decentralized solutions to meet a broad range of needs, Fluence offers ongoing operation and maintenance support, as well as Build Own Operate Transfer (BOOT) and other recurring revenue solutions. Fluence has a broad international footprint and focuses on high growth markets including China, the Middle East, South East Asia, and North America.

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 (potentially) 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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