

Fluence Corporation Ltd

Progress on Strategic Priorities

Fluence Corporation Ltd specializes in providing decentralized and pre-engineered water, wastewater treatment, and reuse solutions for both municipal and industrial applications operating on a global scale with an established business presence in North America, South America, the Middle East, Europe and Asia. Fluence is the exclusive developer and owner of a unique wastewater treatment system based on a membrane aerated biofilm reactor technology (MABR). The company was formed in 2017 following the predominantly scrip-based merger of Australian listed Emefcy Ltd and US group RWL Water. Fluence subsequently raised an additional ~\$60m in private and institutional placements and share purchase plans, with the last raise, in October 2019, at \$0.44/share to raise A\$38.3m. In Q4 2020 FLC clarified its strategy setting the business focus on selling MABR wastewater treatment in China and SE Asia and NIROBOX desalination solutions in the Middle East and SE Asia. Fluence is moving to become a provider of “Smart Product Solutions” for water treatment with the transition supported by profit and cash flow from a US\$190M project in Ivory Coast.

Business model

Fluence supplies a range of technology solutions for decentralised water and wastewater to water authorities and corporates across the globe. The company has several proprietary pre-engineered, standardised Smart Products Solutions (SPS) including Aspiral™, NIROBOX™ and SUBRE. Fluence’s strategy is to become a global leader in decentralised Smart Product Solutions, generating recurring revenues from operations and maintenance and Build Own Operate (BOO) solutions. The company has focused on small footprint (containerised) packaged solutions which can be aggregated to deliver larger scale solutions for decentralised water treatment, desalination, retrofitting of waste treatment and remote siting of water filtration processing and re-use. A current major project in Ivory Coast is due for completion in 2023 and will provide profit and cash flow to support the company’s new direction.

Cost Efficiencies and Revenue Growth

FLC has delivered on the new strategic direction in 2021 with revenue up strongly in Q1 and Q2 and solid sales with 34 MABR plants sold in the first half of the year. A large MABR plant was commissioned in Sihanoukville in Cambodia to treat wastewater for 60,000 people. The Ivory Coast wastewater project was cash positive through progress payments received and is on track for completion by Q1 2023. The company reiterated guidance of US\$35-\$50m sales of SPS products and positive underlying EBITDA for FY2021.

Trading at a significant discount to peers

We view Aeris Environmental and Sunrise Energy metals (formerly Clean Teq) as peers to Fluence. The companies are of a similar scale and are delivering environmentally focused technology solutions. Fluence, is trading on 0.7 times EV/Revenue while Aeris is trading on almost 1.5x.

Historical earnings and ratios (A\$m)

Year end	Revenue	EBITDA Adj.*	NPAT Adj.*	NPAT Rep.	EPS Adj.*(c)	EPS Rep.	EV/Sales
12/17a	42.5	(30.2)	(30.3)	(30.3)	(4.85)	(4.85)	2.1
12/18a	143.5	(12.6)	(90.4)	(90.4)	(14.48)	(14.48)	0.6
12/19a	85.7	(39.9)	(44.4)	(44.8)	(7.11)	(7.17)	1.0
12/20a	126.5	2.7	(4.1)	(22.1)	(0.65)	(3.54)	0.7

Source: Company data *EBITDA and NPAT adj for one-time, non-cash items

Environmental solutions

10th September 2021

Share details

ASX Code	FLC
Share price	\$0.19
Market Capitalisation	\$118.7M
Shares on issue	624.9M
Net cash at 30 June	\$29.2M
Free float	46.6%

Share performance (12 months)



Upside Case

- Cashflow, EBITDA & NPAT positive for H2 FY21
- Revenue backlog of US\$175m
- Growing revenues from SPS & recurring revenues

Downside Case

- COVID-19 delaying project starts and decisions
- Project revenue tends to be lumpy
- Long lead times from tenders to project commencement

Catalysts/upcoming events

- Q3 Result October 2021 / AGM May 2022
- FY Results FY21 February 2022

Comparable companies (Aust/NZ)

Aeris Environmental (ASX:AEI), Sunrise Energy Metals (ASX:SRL)

Top 5 shareholders

RSL Investments Corporation	26.47%
Watermark Services LLC	9.86%
Pond Ventures/Richard Irving	5.96%
Plan B Ventures LLC	3.20%
Employee Equity Administration	2.27%

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FINANCIAL SERVICES GUIDE

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AFSL 456663

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- our services
- how we transact with you
- how we are paid, and
- complaint processes

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In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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