



FLUENCE

A Siemens and AES Company

# 3Q FY2022 Earnings Presentation

AUGUST 16, 2022

# Disclaimer

## Forward-Looking Statements

The statements described herein that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements set forth above under “Total Revenue Guidance” and other statements regarding future financial performance, revenue guidance for fiscal year 2022, anticipated demand for Fluence’s energy storage products, impact of the proposed Inflation Reduction Act of 2022 or any other proposed legislation, business strategies, expansion plans, future results of operations, future revenue recognition and estimated revenues, losses, projected costs, prospects, plans and objectives of management and expectations as to resolution of supply chain disruptions. Such statements can be identified by the fact that they do not relate strictly to historical or current facts. When used in this presentation, words such as “may,” “possible,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “targets,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these terms or other similar expressions and variations thereof and similar words and expressions are intended to identify such forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking.

The forward-looking statements contained in this presentation are based on our current expectations and beliefs concerning future developments, as well as a number of assumptions concerning future events, and their potential effects on our business. These forward-looking statements are not guarantees of performance, and there can be no assurance that future developments affecting our business will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements, which include, but are not limited to, our ability to achieve or maintain profitability, our ability to successfully execute our business and growth strategy, including realizing the expected benefits of our partnerships with ReNew, Pexapark and QuantumScape and from our acquisition of Nispera as well as other strategic initiatives we may enter into in the future, our ability to develop new product offerings and services, the potential adverse effects of the ongoing global COVID-19 pandemic, including capacity constraints within the shipping industry, increased shipping costs and delays in the shipping of our energy storage products, projects delays and site closures and cost-overruns and other factors set forth under Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended September 30, 2021, filed with the Securities and Exchange Commission (“SEC”) on December 14, 2021, Item 1A. “Risk Factors” in our Quarterly Reports on Form 10-Q, and in other filings we make with the SEC from time to time. New risks and uncertainties emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the effect of all such risk factors on our business or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements. Should one or more of these risks or uncertainties materialize, or should any of the assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. **You are cautioned not to place undue reliance on any forward-looking statements made in this presentation. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that occur, or which we become aware of, after the date hereof, except as otherwise may be required by law.**

## Non-GAAP Financial Measures

Included in this presentation are certain non-GAAP financial measures, including Adjusted EBITDA, Adjusted Gross Profit (Loss), Adjusted Gross Profit Margin, Adjusted Net Income (Loss), and Free Cash Flow among others, which are designed to complement the financial information presented in accordance with GAAP because management believes such measures are useful to investors. Our non-GAAP metrics have limitations as analytical tools, and you should not consider them in isolation. The Company believes that these measures are important and supplement discussions and analysis of its results of operations and enhances an understanding of its operating performance. See the Appendix to this presentation for a reconciliation of the non-GAAP financial measures to the nearest GAAP measure, which should be carefully evaluated.





# FY2022 Q3 Quarterly Highlights

**Manuel Perez Dubuc**  
CHIEF EXECUTIVE OFFICER

# Third Quarter FY22 Highlights

REVENUE

**\$239M**

PRODUCT  
ORDER INTAKE

**311 MW**

GAAP  
GROSS MARGIN

**(2%)**

vs. (4%) Q2/FY22

SERVICES  
ORDER INTAKE

**81 MW**

BACKLOG

**\$2.1B**

FLUENCE IQ  
ORDER INTAKE

**804 MW**



**Progress on Gross Margin improvement** quarter over quarter. Continued focus on profitable growth.



Generated **positive cash flow** for the second consecutive quarter increasing our liquidity as we focus on improving our margin profile.



**US Inflation Reduction Act** provides 30% investment tax credit for standalone storage and other incentives, expect 20%+ upside for US energy storage demand.



**Starting production** at **US contract manufacturing** in September 2022.



**Signed India JV with ReNew Power**, capitalizing on the first mover advantage for this strategic market, and opened India Tech Hub in Q3.



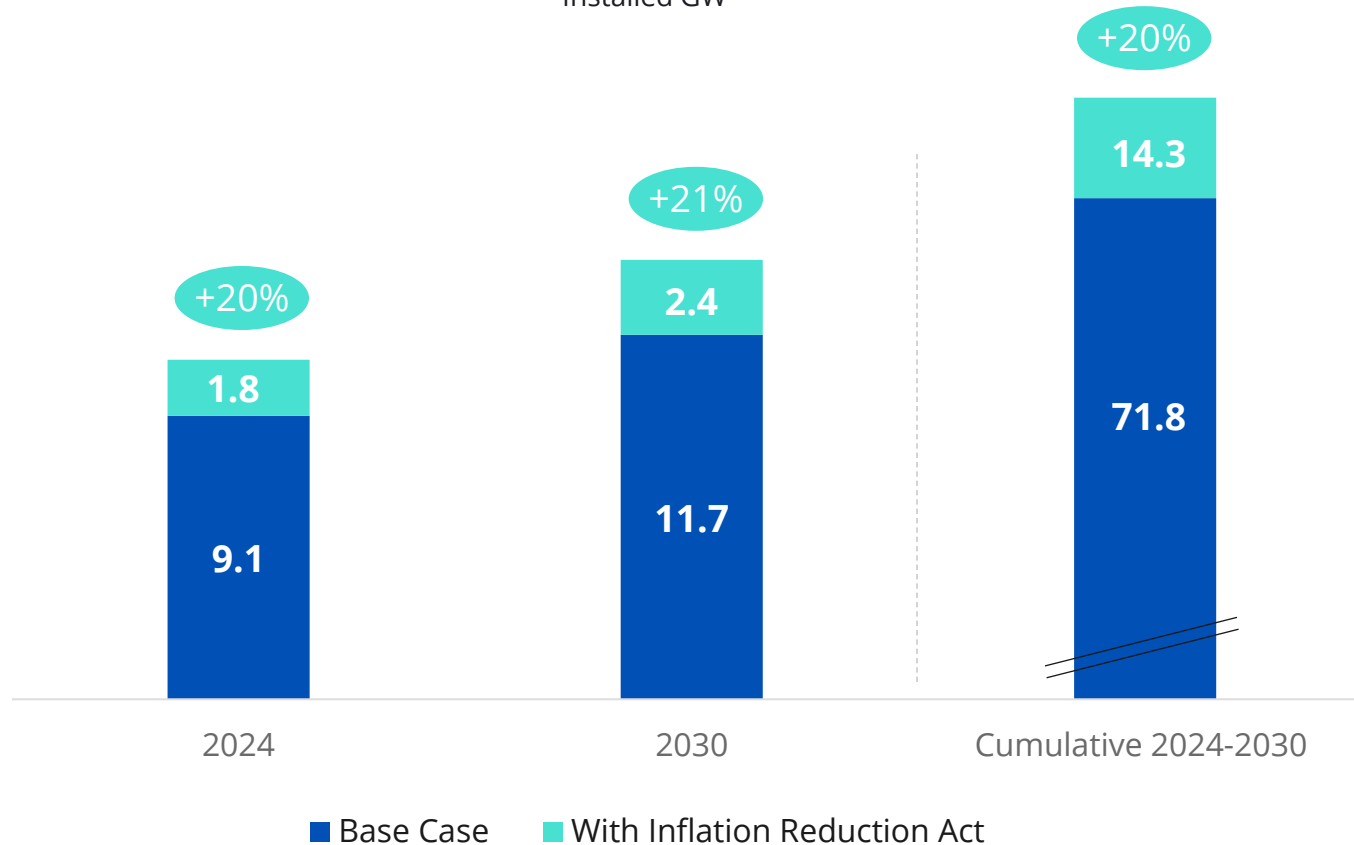
Hired Krishna Vanka as **new Chief Digital Officer**.



# Passage of Inflation Reduction Act Expected to Drive 20%+ Incremental Growth in US Energy Storage

## PROJECTED US ENERGY STORAGE CAPACITY INSTALLATIONS 2024- 2030

Installed GW



- Accelerates energy storage capacity by more than 14 GW by 2030
- Creates increase in overall US demand for energy storage
- Enhances business cases and provides upside for incremental margin expansion in 2024+
- Potentially creates supply / demand imbalance, shifting pricing power in favor of suppliers
- Domestic manufacturing benefits from IRA Section 48C















<sup>1</sup> BNEF 1H 2022 Energy Storage Market Outlook + Fluence Internal Market Analysis for Inflation Reduction Act of 2022

# Update on Improvement Actions

## PROGRESS ON IMPROVEMENT ACTIONS

### TRENDS VS Q2

#### Trending vs PQ

<b>SUPPLY CHAIN DISRUPTIONS</b>		<b>Shipping</b> <ul style="list-style-type: none"> <li>Shipping rates flattening</li> <li>Port of Shanghai seeing delays</li> </ul>	<ul style="list-style-type: none"> <li>Seeing benefits of expanding to multiple shipping partners through increased options</li> </ul>	
		<b>Battery Production</b> <ul style="list-style-type: none"> <li>Still under Force Majeure, yet seeing recovery in volumes delivered</li> <li>Expect to be fully recovered by end of Q1 FY23</li> </ul>		
<b>COMPOUNDING EFFECTS OF COVID-19</b>		<ul style="list-style-type: none"> <li>Fully remediated, expect to remove from list</li> </ul>		
<b>RAW MATERIAL PRICE VOLATILITY</b>		<b>Legacy Contracts</b> <ul style="list-style-type: none"> <li>Working with customers to reprice contracts in light of the higher price environment; mild success so far, more work to be done</li> </ul>		
		<b>New Contracts</b> <ul style="list-style-type: none"> <li>RMI (raw material indexed) pricing is now the industry standard</li> </ul>		
<b>PROJECT COST OVERRUNS</b>		<ul style="list-style-type: none"> <li>Continued unanticipated costs associated with installation and commissioning including balance of plant and transformer challenges at a few specific projects</li> <li>Faulty or sub-standard supplier components driving overruns and impeding project completion; working on diversifying vendors yet seeing long lead times; implementing quality assurance testing</li> </ul>		



●○○ Challenges largely mitigated

○●○ Improvement actions ongoing

○○● Require step-up of improvement actions



# FY2022 Q3 Financial Update

**Dennis Fehr**

SVP & CHIEF FINANCIAL OFFICER

# Key Financial Takeaways

1

Solid \$239 million revenue as expected given the Q2 and Q3 lockdowns in China.

2

Solid Gross Profit development in line with expectations:

- Improved GAAP Gross Profit margin from (4%) in Q2/FY22 to (2%) in Q3/FY22 and turning to positive Adj. Gross Profit.
- Executing plan and reducing adverse margin impacts by about half of the previous quarterly level:
  - (\$53) million in Q1/FY22;
  - (\$23) million in Q2/FY22 – 43% of Q1/FY22;
  - (\$11) million in Q3/FY22 – 48% of Q2/FY22.

3

Strong cash collections again in Q3, increasing our liquidity (cash) by \$39 million to approximately \$762 million as of June 30, 2022.

4

Reaffirm our FY22 revenue guidance of approximately \$1.1 billion.



# Key Performance Indicators

## Q3/FY22

- First nine months of fiscal year 2022 energy storage product order intake of 1,493 MW already surpasses prior fiscal year order intake of 1,311 MW
- 26% service attachment rate in Q3/FY22

\* Quarterly attachment rate is defined as the quarterly energy service contracts signed divided by the quarterly energy storage contracts signed.



## New Orders

(AMOUNTS IN MW)	THREE MONTHS ENDED JUNE 30,			
	2022	2021	CHANGE	CHANGE %
<b>ENERGY STORAGE PRODUCTS</b>				
CONTRACTED	311	338	(27)	(8.0)%
<b>ENERGY STORAGE SERVICES</b>				
CONTRACTED	81	870	(789)	(90.7) %
<b>DIGITAL CONTRACTS</b>				
CONTRACTED	804	575	229	39.8 %

## Key Performance Indicators

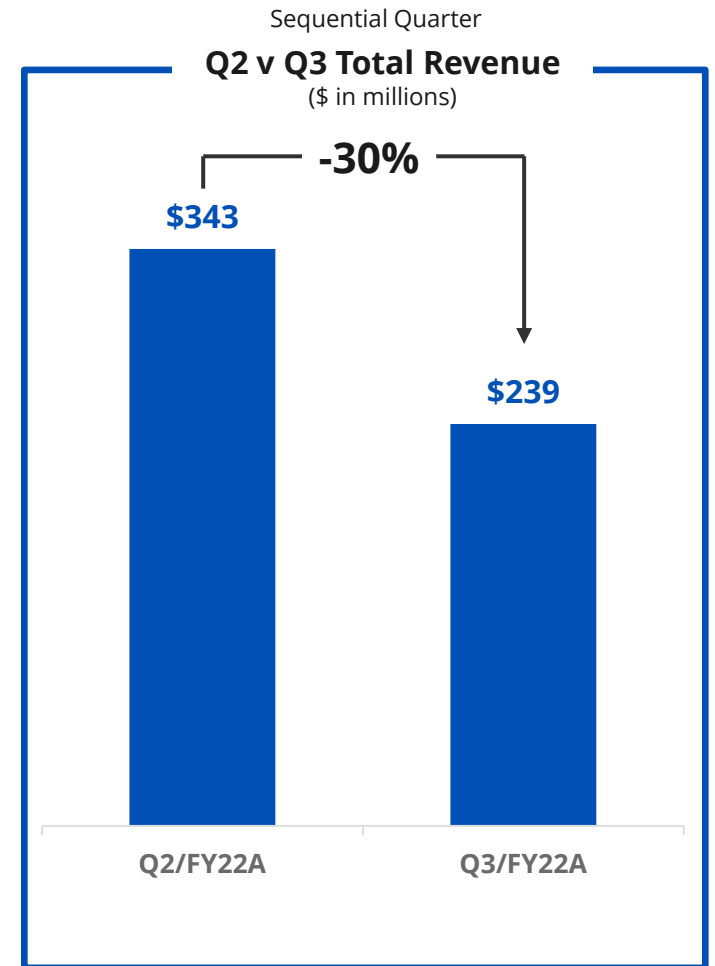
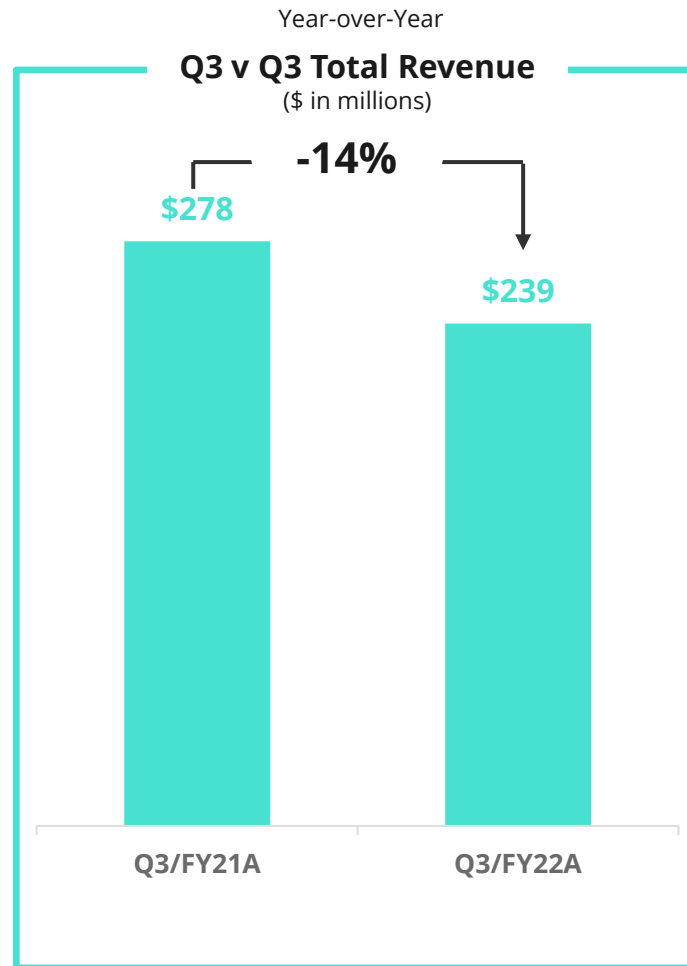
(AMOUNTS IN MW)	AS OF			
	JUNE 30, 2022	SEPTEMBER 30, 2021	CHANGE	CHANGE %
<b>ENERGY STORAGE PRODUCTS</b>				
DEPLOYED	1,580	971	609	62.7%
CONTRACTED BACKLOG	3,564	2,679	885	33.0%
PIPELINE	16,999	14,161	2,838	20.0%
<b>ENERGY STORAGE SERVICES</b>				
ASSET UNDER MANAGEMENT	1,511	772	739	95.7%
CONTRACTED BACKLOG	1,853	1,918	(65)	(3.4%)
PIPELINE	15,565	10,930	4,635	42.4%
<b>DIGITAL CONTRACTS</b>				
ASSET UNDER MANAGEMENT	12,753	3,108	9,645	310.3%
CONTRACTED BACKLOG	3,676	1,629	2,047	125.7%
PIPELINE	18,475	3,301	15,174	459.7%

Refer to slide 16 in the appendix for definitions

# Total Revenue

## Q3/FY22

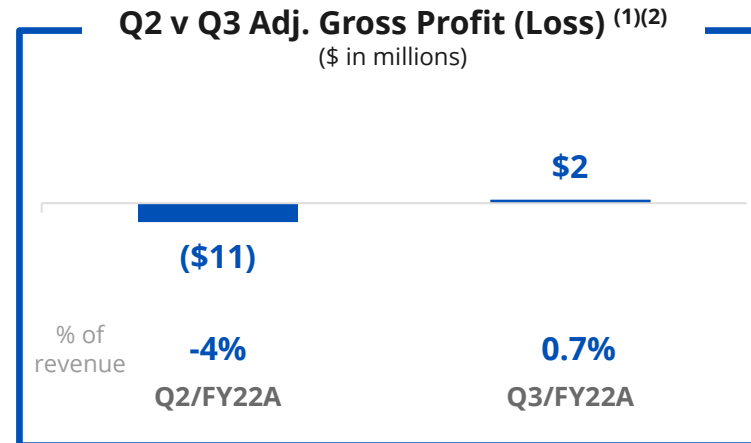
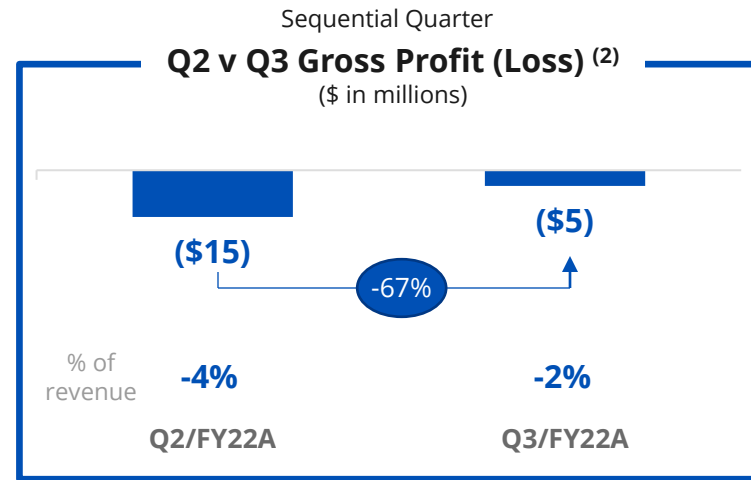
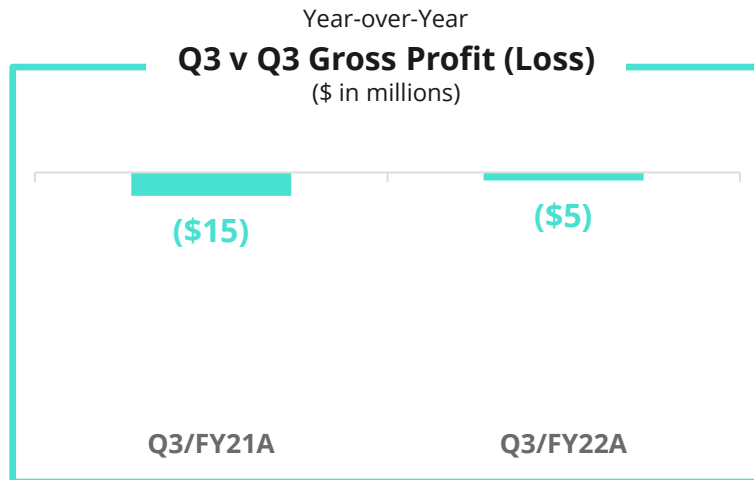
- Revenue decreased 14% year over year
  - Decrease expected due to COVID-19 driven lock downs in China delaying shipments of batteries and project completion
  - Expect to be fully caught up by end of Q1/FY23
- Revenue decreased 30% quarter over quarter
  - Q2/FY22 revenue benefited from ~\$60M acceleration of revenue from Q3/FY22



# Gross Profit & Adjusted Gross Profit

## Q3/FY22

- Gross Profit improved quarter over quarter mostly attributable to reduction of adverse margin impacts
- Adjusted Gross Profit excludes ~\$7 million of other expenses in Q3/FY22, primarily:
  - +\$3.9 million related to COVID-19 pandemic costs related to project charges net of other excess shipping costs
  - +0.4 million related to the Cargo Loss Incident
  - +\$2.6 million related to stock-based compensation



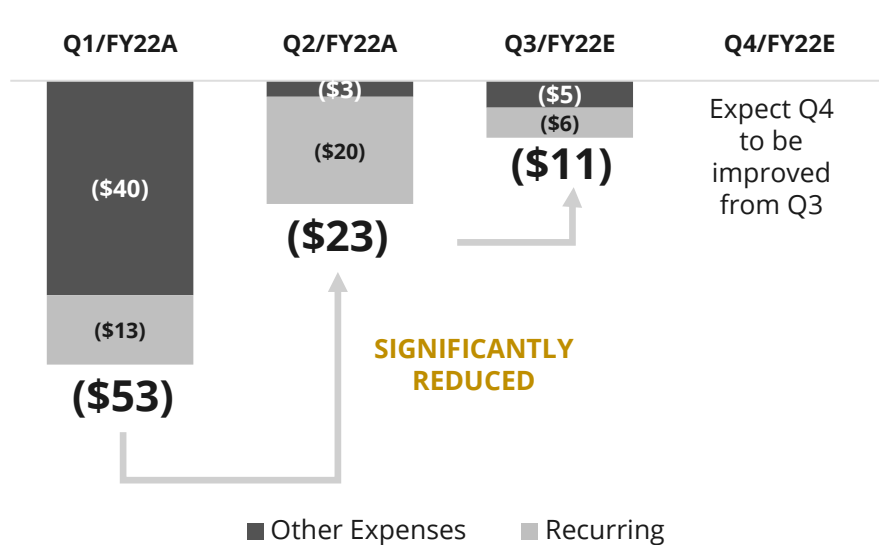
(1) Adjusted Gross Profit (Loss) is a non-GAAP financial metric and is calculated using gross profit (loss), adjusted to exclude certain other expenses. Refer to reconciliation in Appendix.  
 (2) Reflects the reclassification of certain prior year amounts from "Cost of goods and services" to "Sales and marketing" and "General and administrative" to conform to current period presentation on the condensed consolidated statements of operations and comprehensive loss.

## PRODUCTS GROSS PROFIT

Reducing adverse margin impacts in FY22; Increasing margin through pricing & other levers in FY23/24; Upside from Inflation Reduction Act in FY24+

### LEVER #1: REDUCE FY22 ADVERSE MARGIN IMPACTS

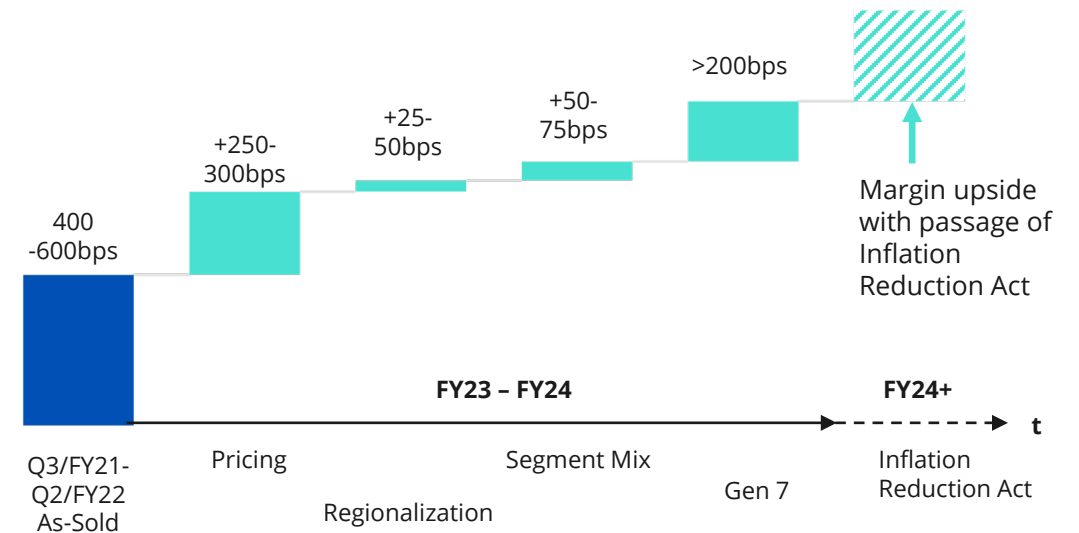
Adverse impacts on GAAP Margin by quarter – in \$MM



- As mitigation efforts are underway, we've seen significant quarter over quarter improvement on reducing adverse margin impacts. Expect progress to continue in Q4.

### LEVER #2: INCREASE AS-SOLD MARGIN FOR FY23 and FY24 REVENUE

Margin expansion Energy Storage Products



- Successfully pushing pricing on new contracts – [on track](#)
- Expect first US contract manufacturing facility to come online September 2022 – [on track](#)
- Seeing traction in transmission segment – [early stage](#)
- Executing on our Gen 7 roadmap – [early stage](#)
- Enhanced business cases from Inflation Reduction Act provides margin upside.

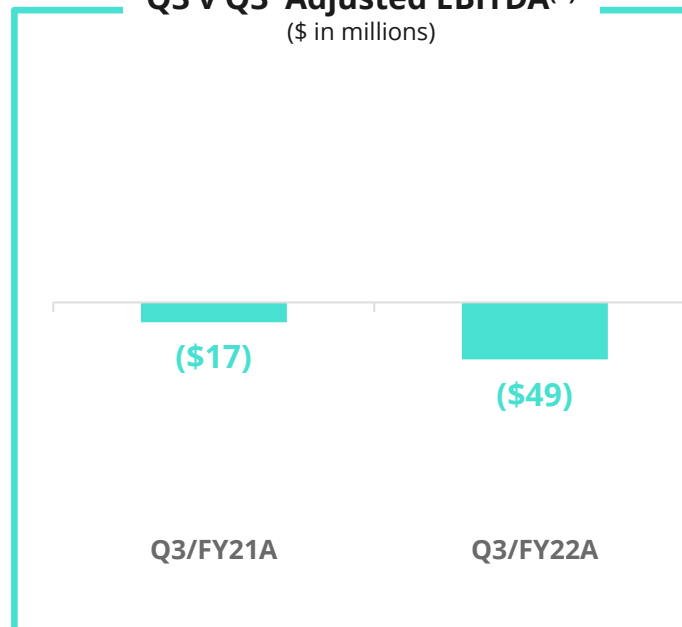


# Adjusted EBITDA

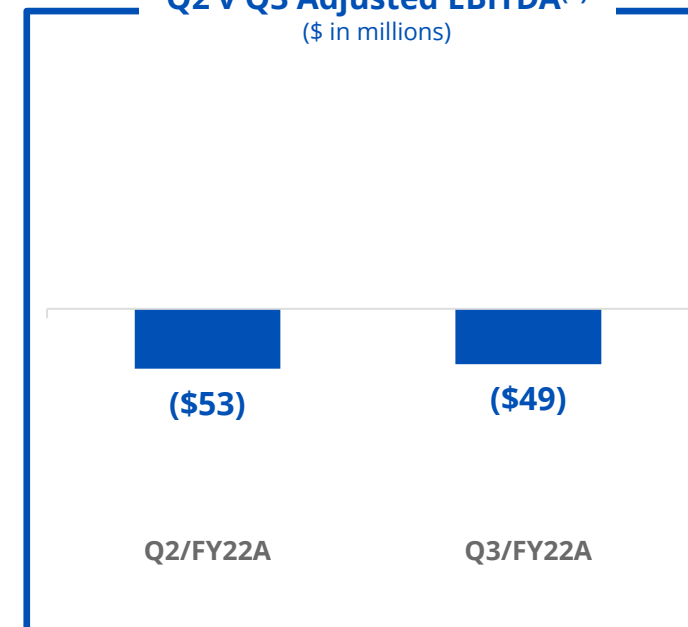
## Q3/FY22

- Q3/FY22 Net Loss of \$(61) million vs Q3/FY21 Net Loss \$(39) million
- Other expense adjustments mainly included in Q3/FY22 Adjusted EBITDA:
  - +\$3.9 million related to COVID-19 pandemic costs related to project charges net of other excess shipping costs
  - +0.4 million related to the Cargo Loss Incident
  - +\$7.3 million related to stock-based compensation
- Expect to be Adj. EBITDA break-even in FY24

Year-over-Year  
**Q3 v Q3 Adjusted EBITDA<sup>(1)</sup>**  
(\$ in millions)



Sequential Quarter  
**Q2 v Q3 Adjusted EBITDA<sup>(1)</sup>**  
(\$ in millions)



(1) Adjusted EBITDA is calculated from the consolidated statements of operations using net income (loss) adjusted for (i) interest expense (income), net (ii) income tax expense, (iii) depreciation and amortization, (iv) stock-based compensation expense, (v) other expenses. Adjusted EBITDA may in the future also be adjusted for amounts impacting net income related to the Tax Receivable Agreement liability.

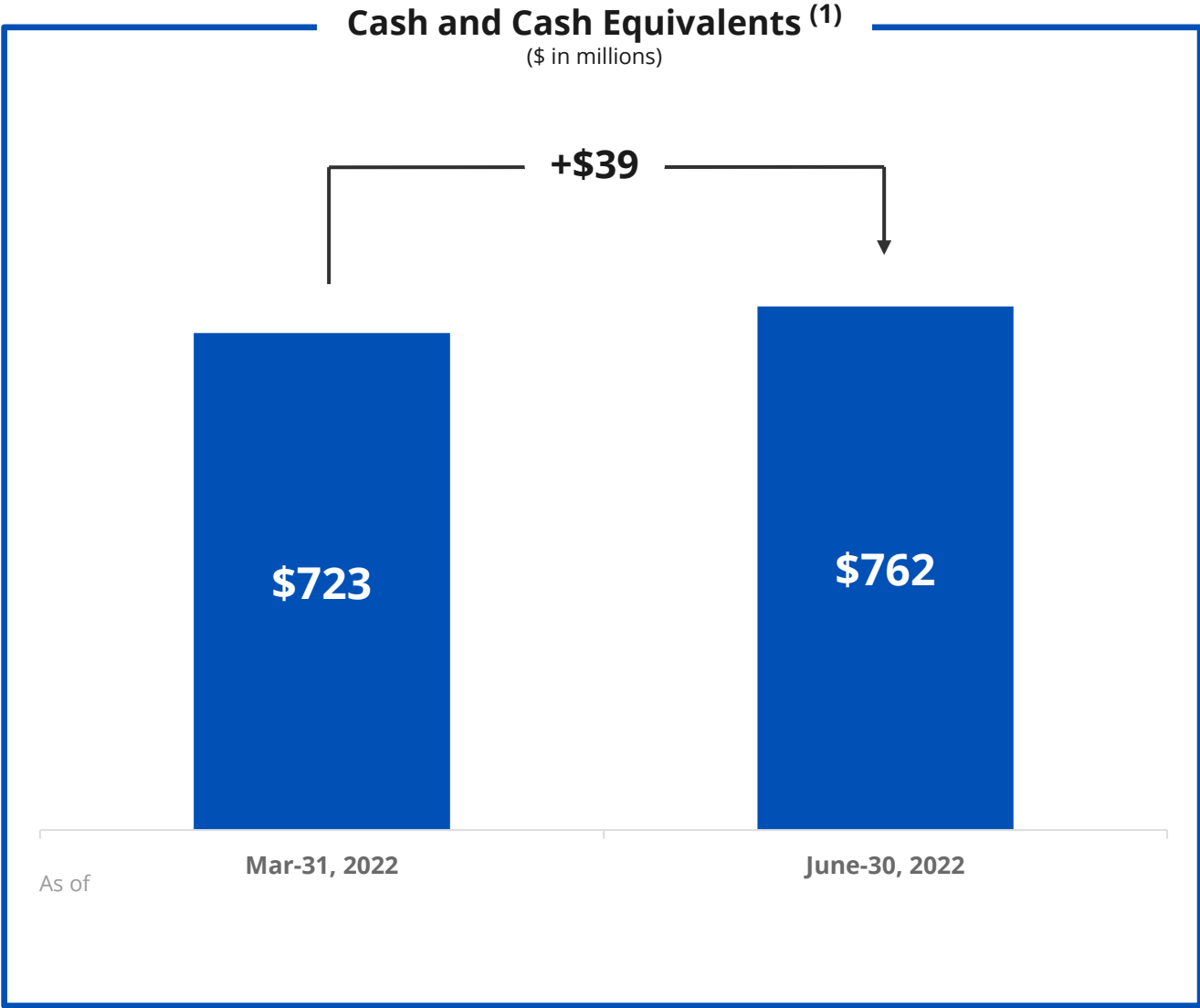


# Cash and Cash Equivalents

Q3/FY22

## Cash and cash equivalents

- Total cash increased approximately \$39 million from the end of Q2/FY22 due to better collections from our customers as well as prepayments for projects.
- Cash balance is post ~\$30 million cash outflow in Q3/FY22 related to the Nispera acquisition.



(1) Includes restricted cash







# Total Revenue Guidance

**Reaffirming guidance for FY2022 revenues of approximately \$1.1 billion.**

**We expect Q4/FY22 total revenue of approximately \$345 million.**

Our guidance is based on a contracted backlog of \$2.1 billion as of June 30, 2022.

### CONTRACTED BACKLOG IN MW AS OF 6/30/2022:

<b>3,564 MW</b> ENERGY STORAGE PRODUCTS	<b>1,853 MW</b> ENERGY STORAGE SERVICE CONTRACTS	<b>4,166 MW</b> FLUENCE IQ DIGITAL CONTRACTS
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# Appendix





# Definitions

**Pipeline** - Represents our uncontracted, potential revenue from energy storage products, service, and digital software contracts currently in process, which have a reasonable likelihood of contract execution within 24 months.

**Contracted Backlog** - Represent signed purchase orders or contractual minimum purchase commitments with take-or pay provisions.

- For our energy storage product contracts, contracted backlog includes signed customer orders or contracts under execution prior to when substantial completion is achieved.
- For service contracts, contracted backlog includes signed service agreements associated with our storage product projects that have not been completed.
- For digital applications contracts, contracted backlog includes signed agreements where the associated subscription has not started.

**Deployed** - represents cumulative energy storage products that have achieved substantial completion and are not decommissioned.

**Assets Under Management** - Asset under management for service contracts represents our long-term service contracts with customers associated with our completed energy storage products. We start providing maintenance, monitoring, or other operational services after the storage product projects are completed. Asset under management for digital software contracts represents the amount of MW under signed digital application contracts, including Fluence IQ Bidding Application.

# Appendix: Non-GAAP Financial Measures & Reconciliations

(\$ in thousands)

	THREE MONTHS ENDED JUNE 30,			
	2022	2021	CHANGE	CHANGE %
<b>NET LOSS</b>	\$ (60,829)	\$ (38,776)	\$ (22,053)	(56.9) %
ADD (DEDUCT):				
INTEREST EXPENSE (INCOME), NET	(226)	424	(650)	153.3
INCOME TAX EXPENSE (BENEFIT)	(979)	1,680	(2,659)	(158.3)
DEPRECIATION AND AMORTIZATION	1,972	1,262	710	56.3
STOCK-BASED COMPENSATION <sup>(a)</sup>	7,397	—	7,397	n/a
OTHER EXPENSES <sup>(b)</sup>	4,270	18,150	4,270	n/a
<b>ADJUSTED EBITDA</b>	\$ (48,395)	\$ (17,260)	\$ (31,135)	(180.4) %

(a) Includes awards that will be settled in shares and awards that will be settled in cash.

(b) Amount for the three months ended June 30, 2022 included a \$3.9 million related to COVID-19 pandemic costs related to project charges net of excess shipping costs, and a \$0.4 million loss related to the 2021 Cargo Loss Incident.



# Appendix: Non-GAAP Financial Measures & Reconciliations

(\$ in thousands)

	THREE MONTHS ENDED JUNE 30,			
	2022	2021	CHANGE	CHANGE %
<b>TOTAL REVENUE</b>	\$239,010	\$278,195	\$(39,185)	(14.1) %
COST OF GOODS AND SERVICES	244,207	293,150	(48,943)	(16.7)
<b>GROSS PROFIT (LOSS)</b>	(5,197)	(14,955)	9,758	(65.2)
ADD (DEDUCT):				
STOCK-BASED COMPENSATION <sup>(a)</sup>	2,604	—	2,604	n/a
OTHER EXPENSES <sup>(b)</sup>	4,270	16,637	(12,367)	n/a
<b>ADJUSTED GROSS PROFIT (LOSS)</b>	\$ 1,677	\$1,682	\$(5)	(0.3)%
<b>ADJUSTED GROSS PROFIT (LOSS) MARGIN %</b>	0.7 %	0.6%		

(a) Includes awards that will be settled in shares and awards that will be settled in cash.

(b) Amount for the three months ended June 30, 2022 included a \$3.9 million related to COVID-19 pandemic costs related to project charges net of excess shipping costs, and a \$0.4 million loss related to the 2021 Cargo Loss Incident.



# Appendix: Non-GAAP Financial Measures & Reconciliations

(\$ in thousands)

	THREE MONTHS ENDED JUNE 30,			
	2022	2021	CHANGE	CHANGE %
<b>NET LOSS</b>	\$ (60,829)	\$ (38,776)	\$ (22,053)	(56.9)%
ADD (DEDUCT):				
<b>AMORTIZATION OF INTANGIBLE ASSETS</b>	1,334	888	446	50.2
STOCK-BASED COMPENSATION <sup>(a)</sup>	7,397	—	7,397	n/a
OTHER EXPENSES <sup>(b)</sup>	4,270	18,150	(13,880)	n/a
<b>ADJUSTED NET (LOSS) INCOME</b>	\$ (47,828)	\$ (37,888)	\$ (28,090)	(142.3)%

(a) Includes awards that will be settled in shares and awards that will be settled in cash.

(b) Amount for the three months ended June 30, 2022 included a \$3.9 million reduction related to COVID-19 pandemic costs as a result of release of prior period project charges net of excess shipping costs, and a \$0.4 million loss related to the 2021 Cargo Loss Incident.

(\$ in thousands)

	NINE MONTHS ENDED JUNE 30,			
	2022	2021	CHANGE	CHANGE %
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	\$(60,943)	\$(139,277)	\$78,334	56.2%
LESS: PURCHASE OF PROPERTY AND EQUIPMENT	(2,675)	(2,999)	324	(10.8)
<b>FREE CASH FLOWS</b>	\$(63,618)	\$(142,276)	\$78,658	55.3%



# Upcoming Events

August 16, 2022	Q3 Earnings Call
Sept 6-8, 2022	Barclays CEO Energy – Power Conference
Sept 28-29, 2022	Wolfe Conference
Nov 7-8, 2022	JP Morgan Global Energy Conference London
December 2022	Q4 Earnings Call

# Investor Relations Contact



**Lexington May**  
Director of Investor Relations  
[Lexington.may@fluenceenergy.com](mailto:Lexington.may@fluenceenergy.com)

