



GRIFFIN RESEARCH GROUP

MONTHLY DEEP DIVE

October 2026

Price as of October 16, 2026 close

Deep Dive: Fluence Energy (FLNC)

A record \$6.4B backlog priced like a broken factory: grid batteries for utilities and AI data centers, at ~0.5x sales

PRICE	RATING	CONVICTION	BEAR / BASE / BULL	HORIZON
\$5.80	Speculative Buy	MEDIUM	\$2.56 / \$8.30 / \$17.15	12 mo. tracked

Executive Summary

Fluence Energy (FLNC), the battery-storage company formed by Siemens and AES, closed at \$5.80 on October 16, 2026, down about 83% from its 52-week high of \$33.51 and at a new low. The market is pricing it as a broken manufacturer after two guidance cuts tied to a Houston contract-manufacturing ramp that went badly (manual instead of automated welding). FY26 revenue guidance fell from a \$3.4B midpoint to about \$2.4B, with an adjusted EBITDA loss of about \$200M.

Demand never broke. Q3 FY26 order intake was more than \$1.44B (nearly triple a year earlier), backlog reached a record ~\$6.4B on June 30, 2026, and Fluence won about \$850M of data-center business through July, including ~\$550M of hyperscaler awards. At about \$1.1B of market value, the stock trades at roughly 0.46x FY26 guided revenue and about 1/6 of backlog.

Our view: if Houston gets to target output in FY27 and margins return toward the mid-teens gross margins of a year ago, the stock can re-rate 2-3x. This is a high-risk turnaround (cash burn, a class action, possible dilution), so we rate it a Speculative Buy with Medium conviction, sized as a small position.

I. The Business

Grid-scale storage hardware, services and software

Fluence designs and delivers grid-scale battery energy storage systems (its Gridstack and Smartstack platforms), provides long-term operations and maintenance services, and sells bidding and optimization software (Mosaic and Nispera) to utilities, independent power producers and, increasingly, data-center owners. It does not make battery cells. It integrates cells, power electronics, controls and enclosures, using contract manufacturers in the U.S. and abroad.

As of June 30, 2026, Fluence had 7.4 GW (19.3 GWh) deployed, 12.6 GW of storage in contracted backlog (+38% since Sept 30, 2025), and a 163.7 GWh storage pipeline (+34%). Siemens and AES remain the founding holders through Class B-1 units, and Fluence is a Nasdaq 'controlled company'. The recurring line (services plus digital) was targeted at about \$180M of annual recurring revenue by FY26 year-end (Sept 30).

II. The Thesis & Why the Market Is Mispricing It

An execution problem being priced as a demand problem

- The problem is execution, and it is fixable. Both guidance cuts (Aug 5 and Sept 16, 2026) came from production timing: \$400M of deliveries slipped into FY27, and automated welding at the Houston contract plant is still 'in the learning process'. Management says the delayed revenue stays in backlog. It built its \$2.9B FY27 backlog-coverage plan assuming manual welding only, which is a conservative base.
- Demand is accelerating. Q3 FY26 orders were more than \$1.44B versus ~\$509M a year earlier. Storage intake was 2.6 GW versus 0.7 GW. The total pipeline is \$33.1B, including 16 GWh tied to data centers. Behind-the-meter storage for AI campuses is a new and potentially large market for Fluence.
- Margins should recover as production normalizes. Adjusted gross margin was 15.4% in Q3 FY25 and fell to 5.9% in Q3 FY26 because of delay costs, late-delivery penalties and new-platform startup costs. These are mostly one-time. A partial recovery on ~\$3B+ of revenue would turn adjusted EBITDA solidly positive.
- The valuation already reflects the bad news. At \$5.80 the equity is worth about \$1.07B against a \$6.4B backlog, \$956M of deferred revenue (customer prepayments) and ~\$863M of total liquidity. Analysts have capitulated: after Sept 16, targets were cut to \$5-\$7 (Mizuho \$6, Jefferies downgraded to Hold at \$7, BNP Paribas Exane \$5).
- There is strategic optionality. The 10-Q shows ~\$3.8M of fiscal-2026 'legal and consulting fees related to potential strategic transactions'. With two industrial sponsors and a collapsed share price, a strategic outcome is possible, though not part of our base case.

III. Key Numbers

Latest reported figures (fiscal year ends Sept 30)

METRIC	VALUE	SOURCE / NOTE
Q3 FY26 revenue	\$649.8M	+8% y/y vs \$602.5M (10-Q, qtr ended Jun 30, 2026)
9M FY26 revenue	\$1,590.0M	+30% y/y vs \$1,220.9M
FY26 revenue guidance	~\$2.4B	Cut Sept 16, 2026 from \$3.0B midpoint (orig. \$3.4B)
FY26 adj. EBITDA guidance	~(\$200)M	Prior midpoint (\$10)M
Adj. gross margin (Q3)	5.9%	vs 15.4% in Q3 FY25
Q3 FY26 order intake	> \$1.44B	vs ~\$508.8M in Q3 FY25
Backlog	~\$6.4B	Record; \$2.9B covers FY27 (mgmt, Sept 16 call)
Pipeline	\$33.1B	Incl. 16 GWh data-center pipeline
Cash (incl. restricted)	\$365.0M	Total liquidity ~\$863M (Jun 30, 2026)
Convertible notes (2030)	\$400M face	Carrying value \$392.2M
9M FY26 free cash flow	(\$299.0)M	Company non-GAAP definition
Shares (Class A + B-1)	184.6M	143.1M A + 41.4M B-1 units (Jun 30, 2026)
Market value at \$5.80	~\$1.07B	Our calc: 184.6M x \$5.80
Enterprise value	~\$1.11B	Mkt value + \$400M converts - \$365M cash
EV / FY26 guided revenue	~0.46x	Our calc
Backlog / market value	~6.0x	Our calc
52-week range	\$5.79 - \$33.51	Weekly price bars; close Oct 16 \$5.80

IV. Catalysts & Timeline

What should move the stock over the next 12 months

TIMING	CATALYST	WHAT WE WANT TO SEE
Late Nov 2026 (date TBA)	Q4/FY26 results plus a detailed FY27 business plan and guidance (promised on the Sept 16 call)	FY27 revenue ≥ \$2.9B backlog coverage; path to positive operating cash flow
Nov 27, 2026	Lead-plaintiff deadline in the securities class action	Overhang only; no material reserve

TIMING	CATALYST	WHAT WE WANT TO SEE
Q1-Q2 FY27 (Oct 2026-Mar 2027)	Houston automated welding qualified; production at target levels 'early in fiscal 2027'	Management confirms the ramp; no new penalties
Ongoing	New data-center and hyperscaler awards (~\$850M secured through July 2026)	Conversion of the 16 GWh data-center pipeline
FY27 quarterly prints	Adjusted gross margin recovers from 5.9% toward the low-to-mid teens	≥ 10% by mid-FY27
Any time	Strategic review or transaction (sponsor-related fees disclosed)	Upside optionality; not in base case

V. Price Cases

Our estimates, derived from reported figures; not company guidance

CASE	FY28 REVENUE	ADJ. EBITDA MARGIN	EV/EBITDA	SHARES	PRICE	VS. ENTRY
Bull	\$4.0B	10%	8x	185M	\$17.15	+196%
Houston is fixed in 1H FY27. FY28 revenue reaches \$4.0B on backlog conversion plus data-center wins (about 1.7x FY26 guidance and well under the \$6.4B backlog). The adjusted EBITDA margin returns to 10%, and the market pays 8x EBITDA. No dilution.						
Base	\$3.2B	7%	7x	185M	\$8.30	+43%
The ramp is slow but works. FY28 revenue is \$3.2B, modestly above the ~\$2.9B FY27 coverage. Margin recovers only partially to 7% EBITDA, at 7x. No dilution.						
Bear	\$2.6B	3%	8x	230M	\$2.56	-56%
Delays persist and margins stay thin (3%). Revenue is flat around \$2.6B. An equity raise adds ~25% to the share count.						

Method (our estimates): price = (FY28 revenue x adjusted EBITDA margin x EV/EBITDA multiple - net debt) / shares. Net debt is \$35M (\$400M converts less \$365M cash at Jun 30, 2026). The share count is 184.6M Class A + B-1, or 230M in the bear case. FY28 means the fiscal year ending Sept 2028. These are 18-24 month scenarios, not forecasts. Interim cash burn could change net debt.

VI. Key Risks

Why this is rated speculative

- Execution: the Houston ramp could slip again. Each delay adds penalties and cost (management flagged ~\$25M of extra FY26 cost from manual welding and subcontractors).
- Cash and dilution: free cash flow was -\$299M over the first nine months of FY26, and cash fell from \$715M to \$365M. Management targets neutral-to-positive FY27 operating cash flow 'without external capital', but an equity raise at these prices would be very dilutive. Our bear case assumes ~25% dilution.
- Litigation: securities class actions cover purchases from Nov 24, 2025 to Sept 16, 2026 (lead-plaintiff deadline Nov 27, 2026).

- Policy and trade: tariffs, foreign-entity-of-concern sourcing rules, and changes to U.S. clean-energy tax credits affect cell costs and customer economics.
- Competition and margins: Tesla's Megapack business, Chinese integrators and others compete hard on price, so margins may not return to mid-teens.
- Governance: as a controlled company with a Tax Receivable Agreement owed to its sponsors, minority holders have limited influence.

VII. What Would Prove Us Wrong

Exit triggers we will monitor

- FY27 guidance (with Q4 FY26 results, expected around late November) below the \$2.9B of FY27 backlog coverage management cited, or a third consecutive cut.
- Houston automated welding still not working by mid-FY27, or adjusted gross margin stuck below 10% for two more quarters.
- An equity raise or new debt that signals the 'no external capital' plan has failed.
- Order intake rolling over (quarterly storage orders back under ~1 GW) or data-center awards cancelled or deferred.
- A close below \$4.00, about 31% under entry. We would reassess the thesis there rather than average down.

VIII. How We Will Track It

Scorecard rules

Entry price: \$5.80, the October 16, 2026 close. Horizon: 12 months, through October 16, 2027, reviewed monthly on the website scorecard and in future Deep Dives. We will report the total % change from entry, progress against the base, bull and bear cases, and any thesis changes or exit triggers hit. The pick stays on the scorecard even if it goes wrong.

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Sources: Fluence Energy Q3 FY26 earnings release and financial statements (SEC filing, Aug 5, 2026); Fluence revised FY26 guidance release (GlobeNewswire, Sept 16, 2026) and the Sept 16 conference call; Investing.com (Oct 13, 2026) for analyst target changes; Hagens Berman notice (PR Newswire, Oct 16, 2026); price history from market data (Oct 16, 2026 close).