

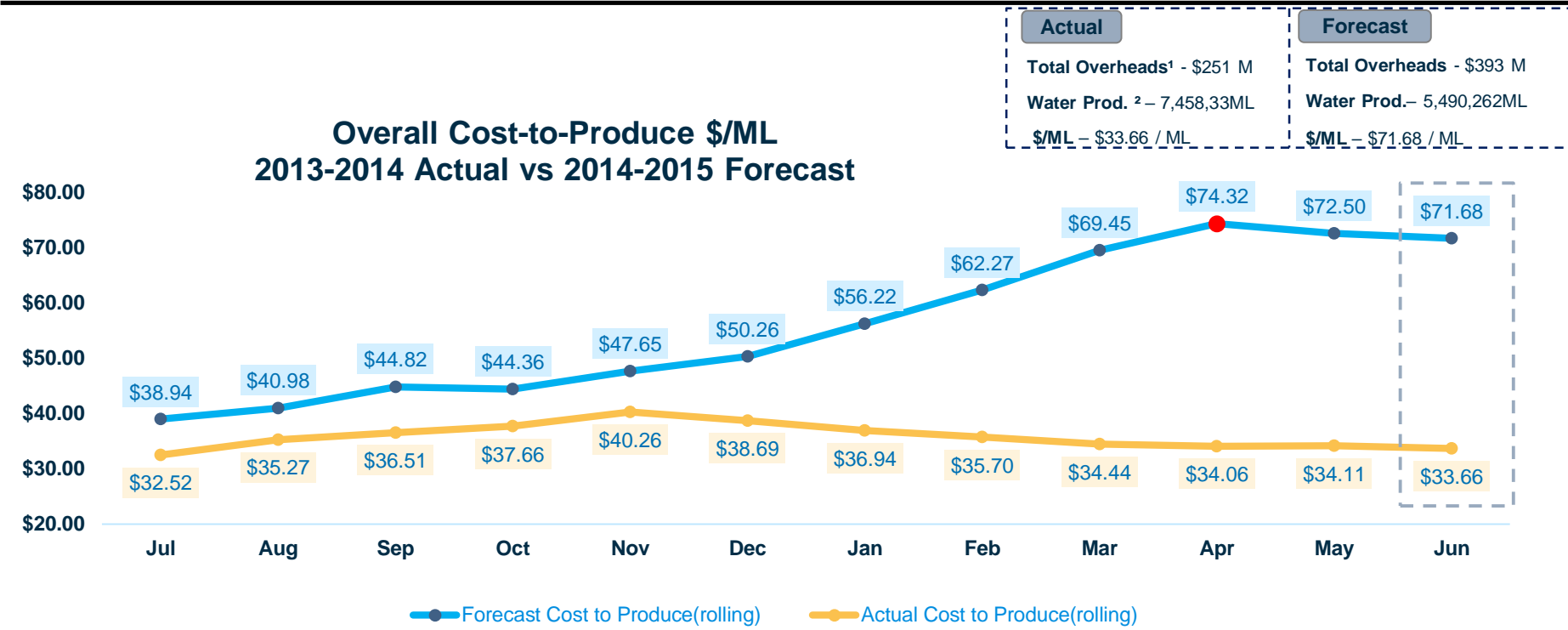


Southern Water Corp – Executive Presentation

Date: 4/5/2020

Presenter: Jia Li

Cost-to-Produce is expected to increase double for the forecast year 2015 due to the Four Month Maintenance Event with low forecast revenue, high COGS and Overhead costs, and low water Production. EBIT would decrease \$234M if no actions be taken on maintenance.

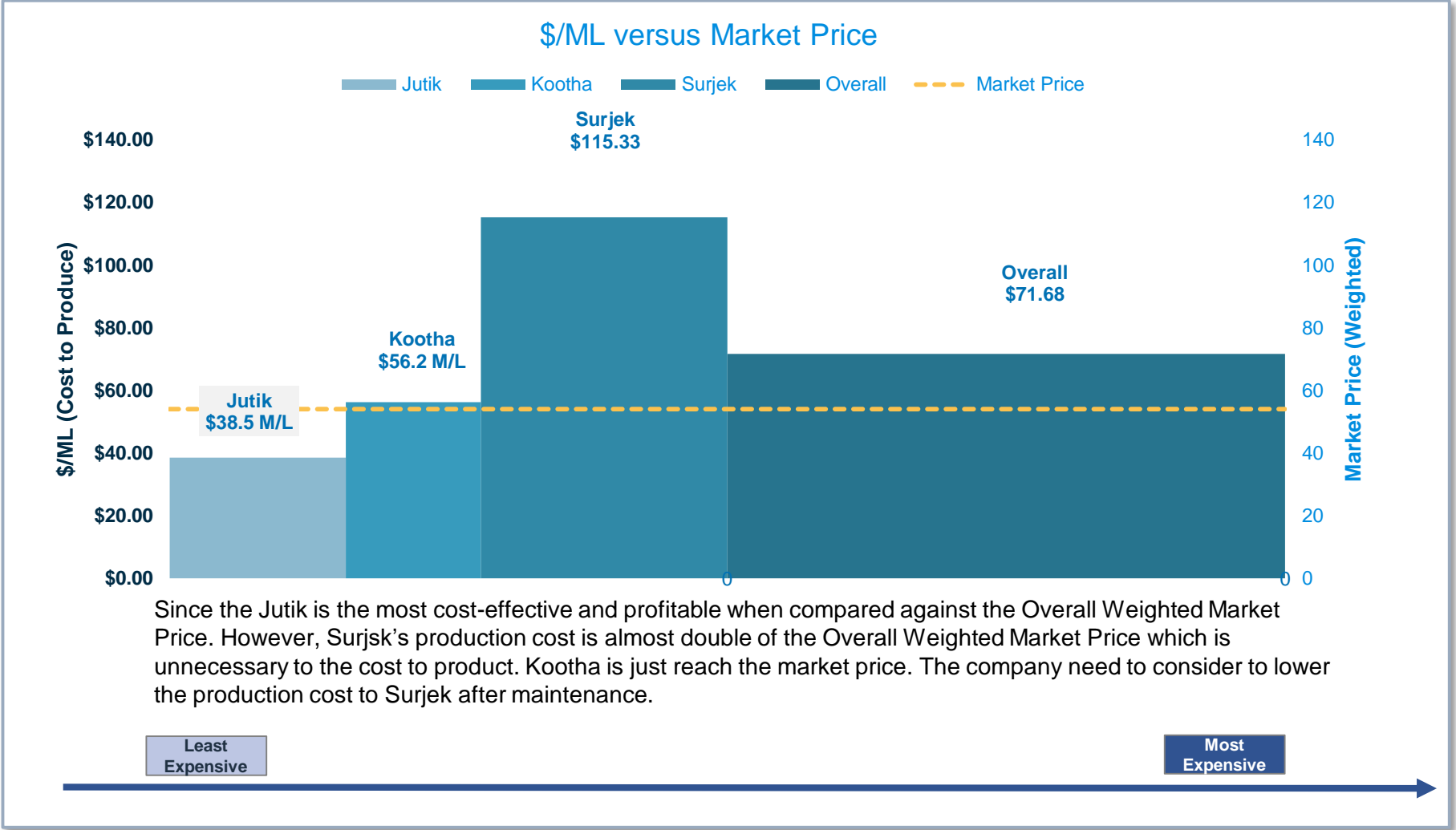


- Key Insights**
- 1. **Operating Expenses:** If nothing is done for Unit Surjek, then the operating cost are forecast to be more than total of Kootha and Jutik.
 - 2. **Cost of Goods Sold:** With respects to forecast EBIT, Unit Surjek will run negative for all months exept for the first month.
 - 3. **Water Production:** From Jan to Apr, due to the Four Month Maintenance, two units: Surjek and Kootha have to stop produce water to have the Maintanance.

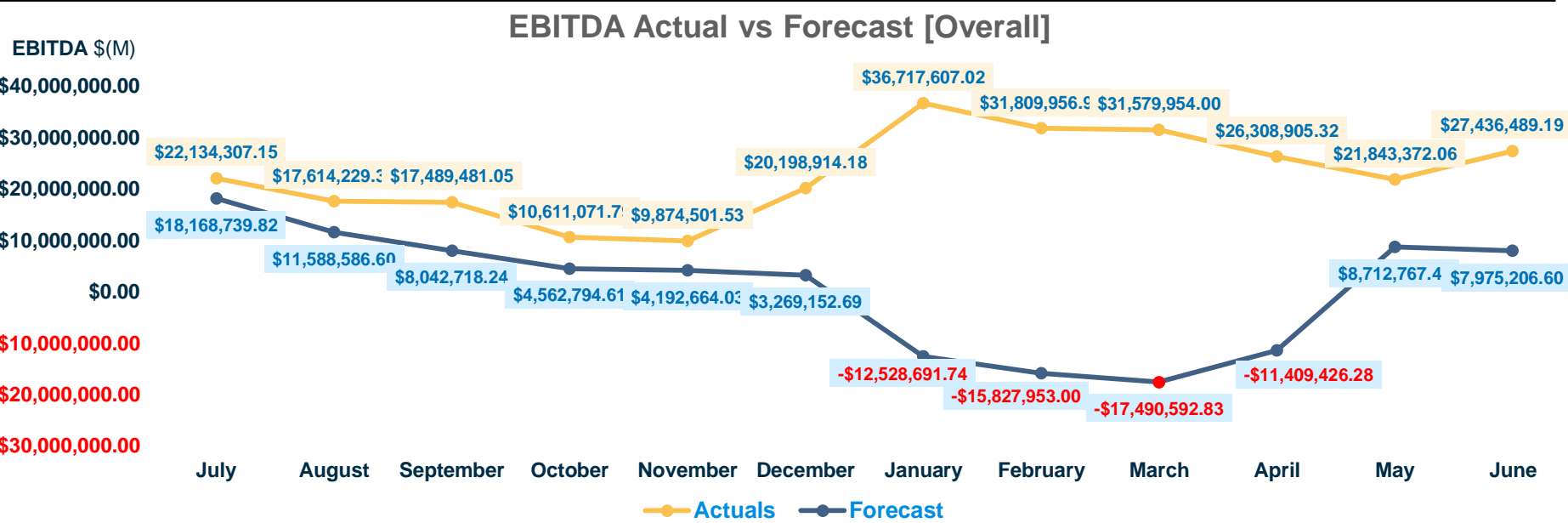
Note: ¹ Total Overheads Include Plant Maintenance (1200), Plant Outages (1100), Plant Op. Costs (1300), Admin (100)
Note: ² Water Production actuals have been sourced from the Cost to Produce tab in the SW_Corp_Economics_Student_Facing 3.11 file.
Source: Southern Water Corp Financial Records (SAP) 2013-2015

Surjek has the highest Cost to Produce \$/ML compare to other units and Overall Market Price by the forecast year.

Pseudo Cost Curve Highlighting Cost to Produce versus Market Price



The EBIT is projected to become negative from Jan – April due to the Maintenance Event, and overall will decrease\$264M by the forecast year.



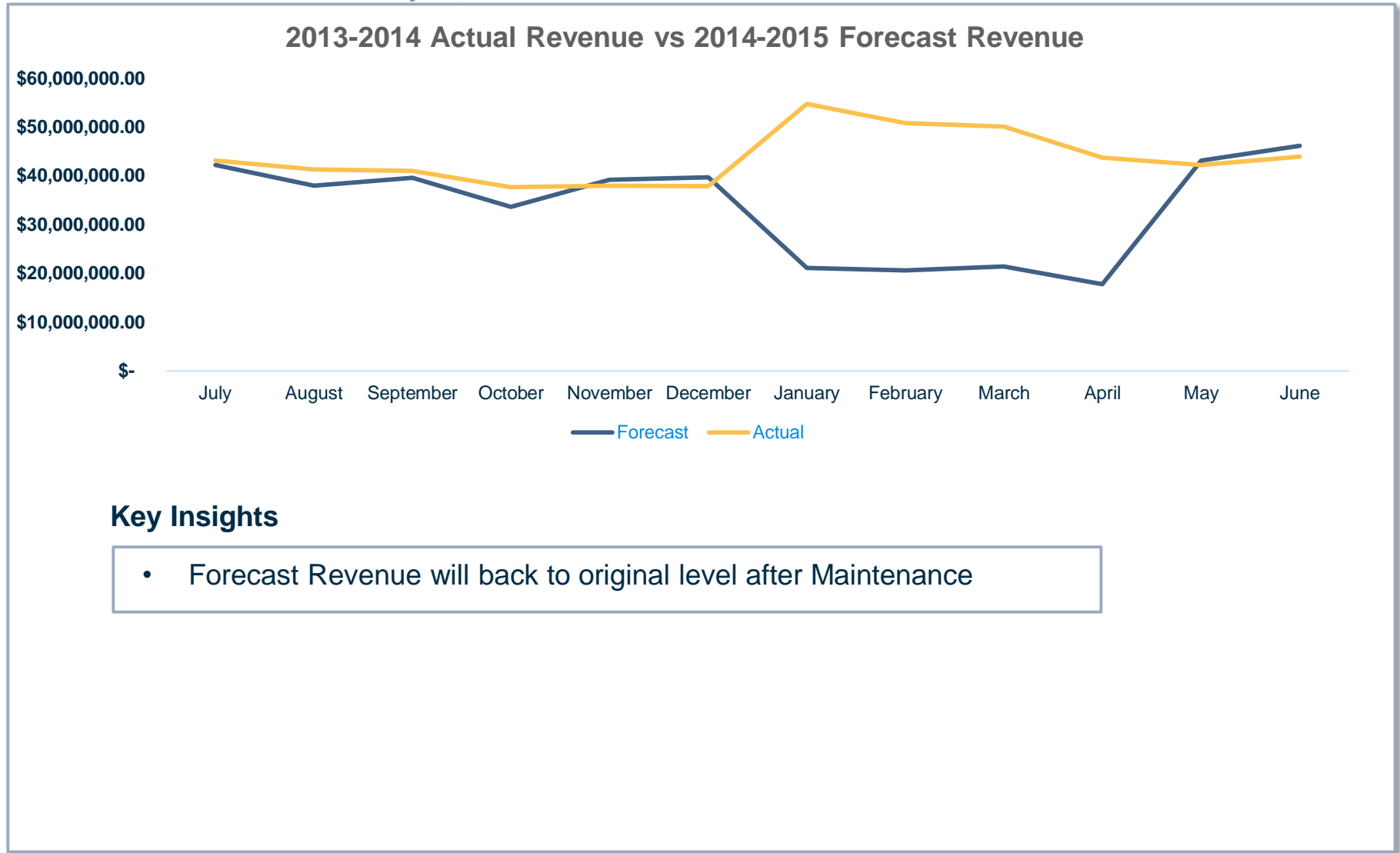
Overall Revenue, COGS and Operational Expenses Variances comparing 2013-2014 Actuals vs. the 2014-2015 Forecast

| Actual vs Forecast PL variances, YTD, \$m | | | |
|---|--------------------|------------------|------------------|
| | | Actual | Forecast |
| Revenue | \$(121,895,947.34) | \$524,667,422.37 | \$402,771,475.03 |
| COGS (Production Costs) | \$27,577,185.58 | \$9,778,794.62 | \$37,355,980.20 |
| Operational Expenses (Overheads) | \$114,889,690.47 | \$241,269,838.19 | \$356,159,528.66 |
| EBIT | -\$264,362,823.39 | \$273,618,789.56 | \$9,255,966.17 |

¹ EBIT is calculated as Revenues – COGS – Operational Expenses
Source: Financial and operational data from Exemplar

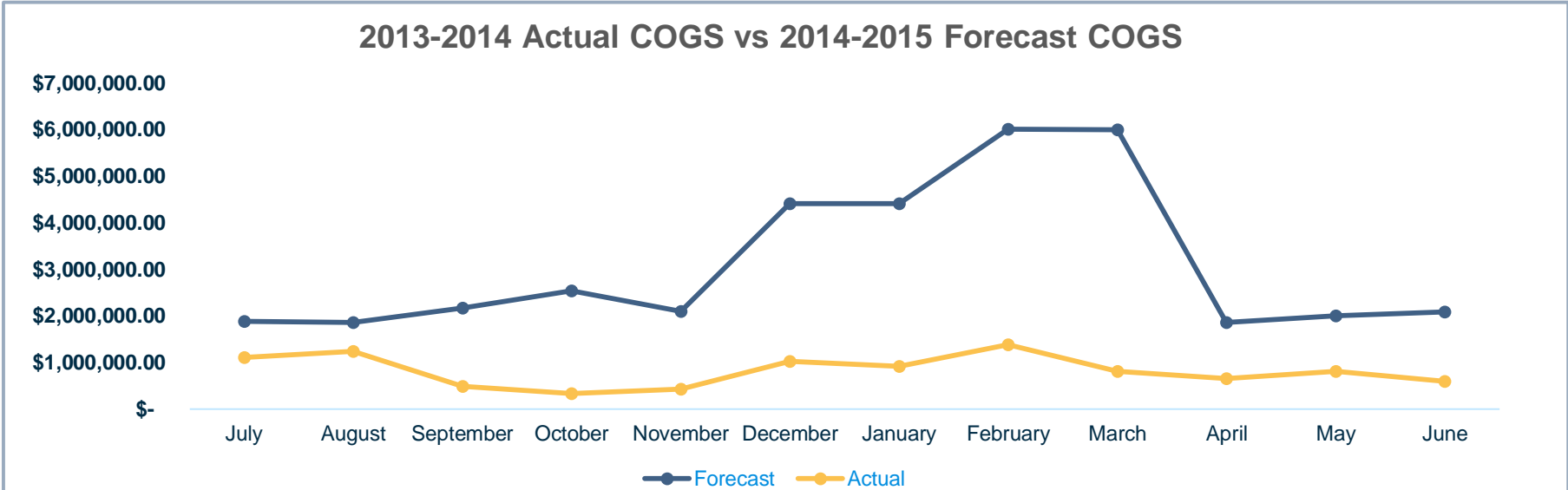
Actual Revenue has boom from January, but revenues are expected to take a dive in with the scheduled maintenance of two units:Soojek and Kootha

Actual vs Forecast PL Revenue Analysis, YTD, \$m



Forecast COGS increase about 30% during the maintenance periods

Actual vs Forecast PL COGS Analysis, YTD, \$m

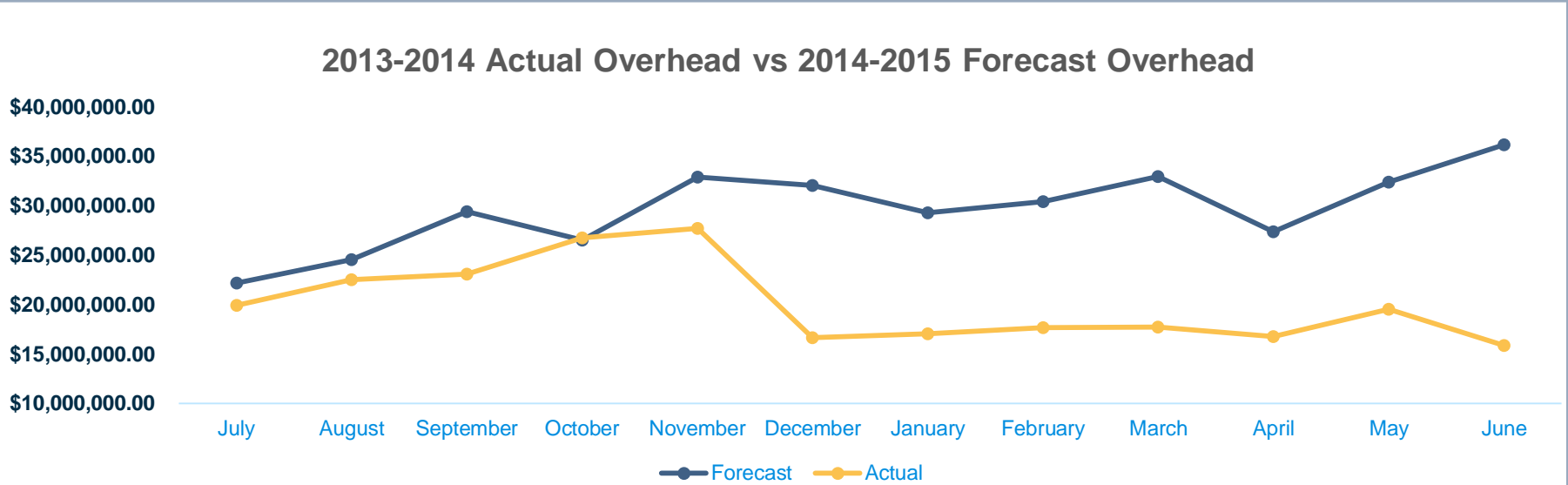


Key Insights

- Forecast COGS is projected drop the normal from the beginning in July.

Forecast Overhead costs are increasing over the year and particularly boom after the Maintenance Event

Actual vs Forecast PL Operational Expenses Analysis, YTD, \$m



Key Insights

- Overhead is forecast to increase after Maintenance Event

Cost-to-Produce is expected to increase 47% for the forecast year 2015 due to the Four Month Maintenance Event with low forecast revenue, high COGS and Overhead costs, and low water Production

Actual Cost to Produce and Forecasted Delta Stacked

Forecast \$/ML Actual \$/ML

