



# **Southern Water Corp – Executive Presentation**

Date: 2020/08/18

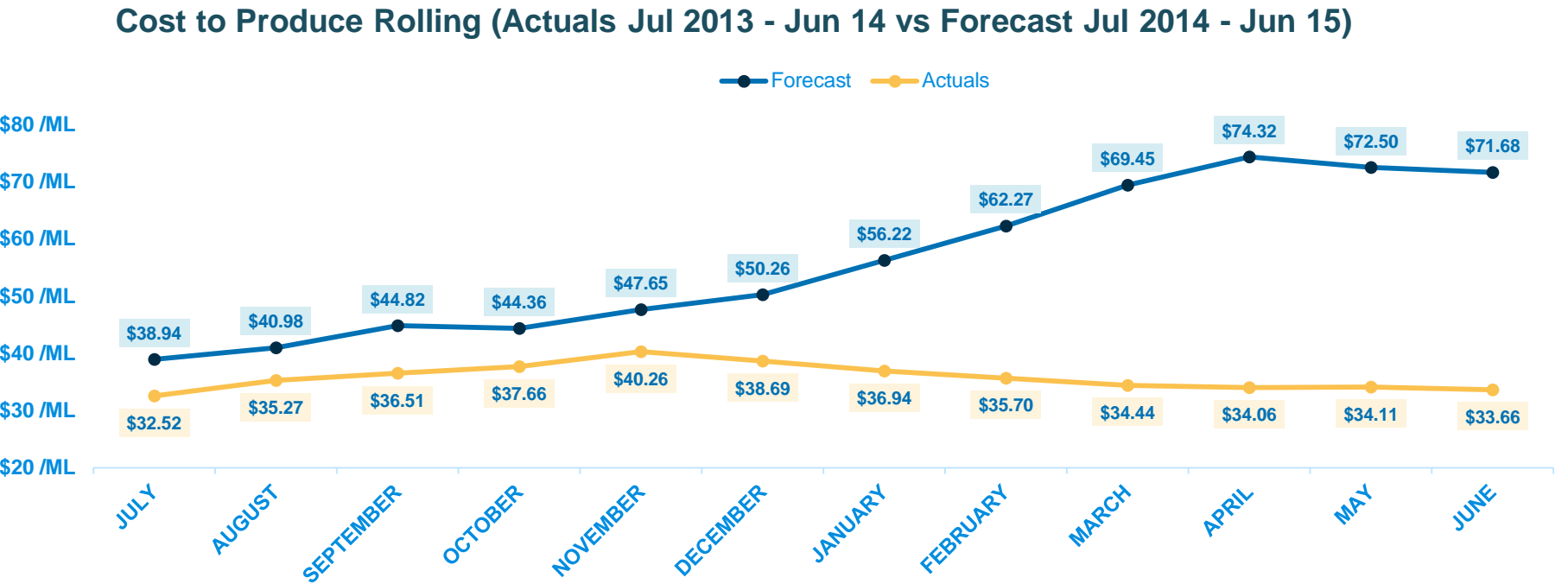
Presenter: Puneeth Nagarajaiah

# Introduction

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- Focus on upcoming major maintenance event (Four Month Maintenance Event)
- Understand impact on Revenue, Operating Costs and EBITDA
- Impact on Economic Competitiveness of Desalination Units

**Cost To Produce will hit a peak price point of \$74.32/ML in April, more than double the Actuals for the corresponding period. Revenue and EBITDA are impacted negatively**



**Key Insights**

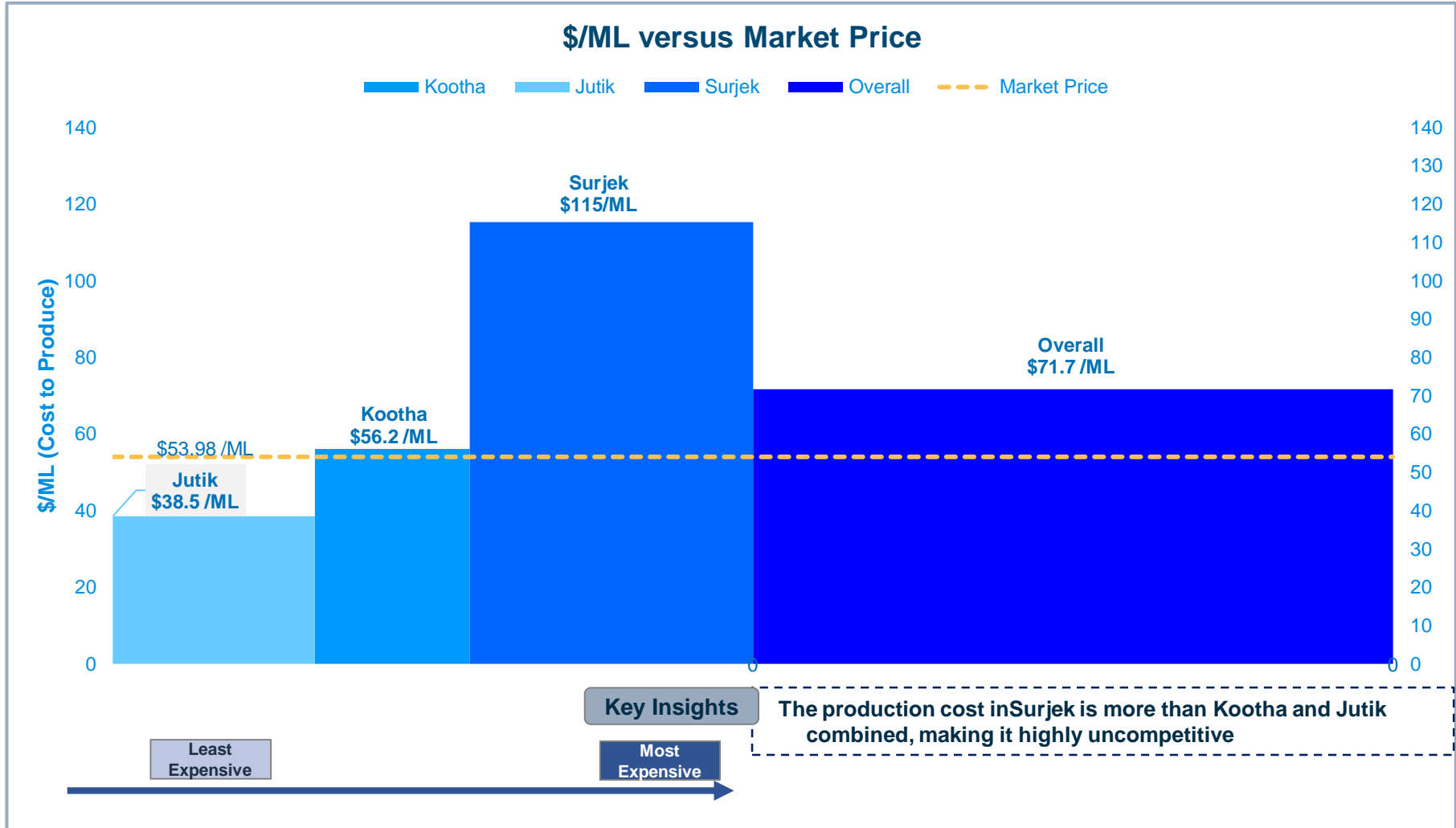
1) Revenue: Loss of revenue may be reduced by postponing Kootha maintenance event

2) Cost of Goods Sold (Production Costs + Other Production Costs): Jutik is the most economically competitive plant

3) Overheads (Operating Expenses): Costs to run Surjek are more than Jutik and Kootha combined

## Jutik must be dispatched first, followed by Kootha and then Surjek

### Pseudo Cost Curve Highlighting Cost to Produce versus Market Price



# A revenue shortfall of \$122.51 M in DESAL Water Sales, coupled with increasing overheads at \$ 115.35 M will impact EBITDA by \$ 264.36 M

■ Negative Var.
■ Positive var.

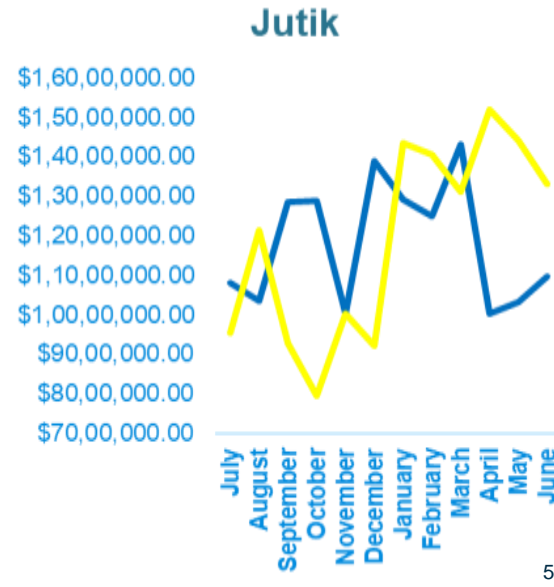
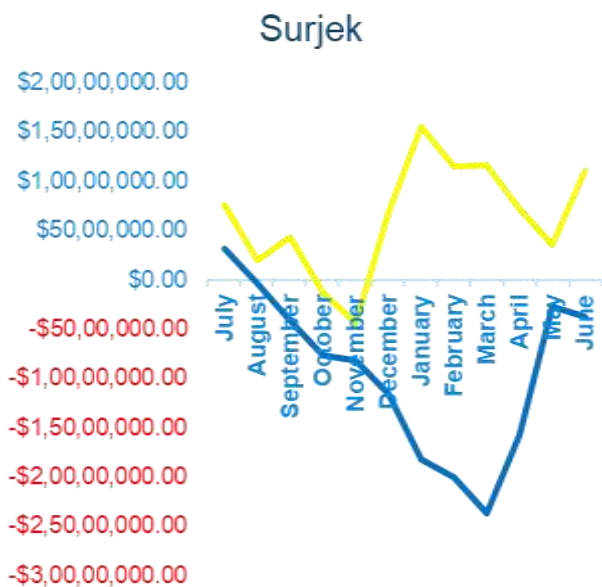
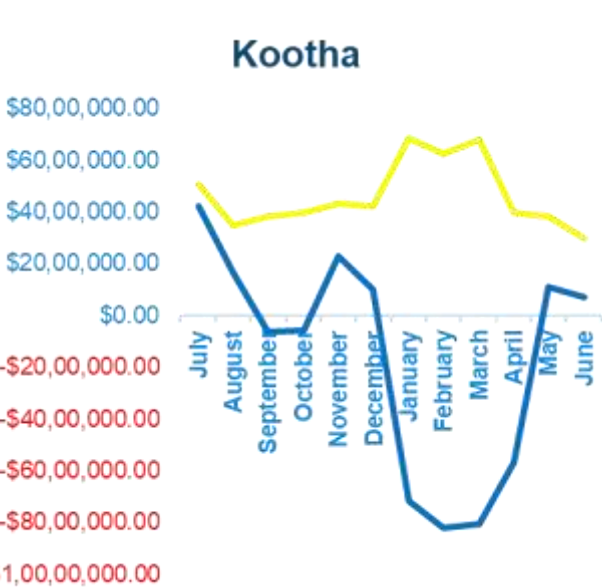
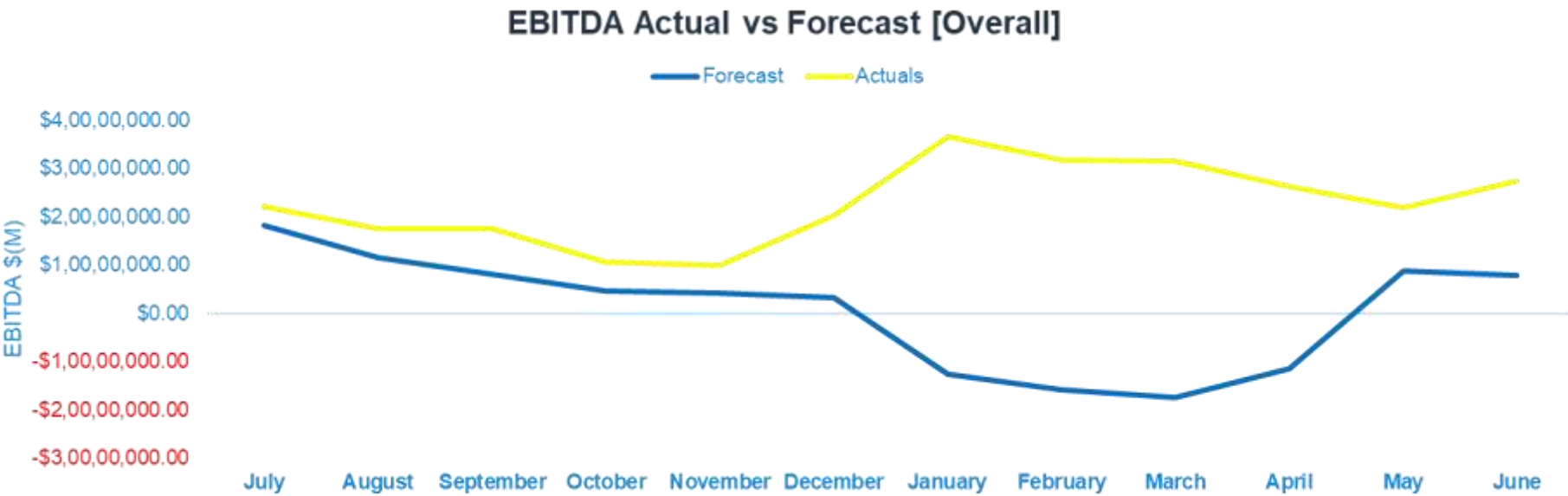
Actual vs Budget PL variances, YTD, \$m				Actual	Forecast
Revenue	Water Hedge Sales - W-Transact	0.53		8.23	8.76
	DESAL Water Sales W-Transact	-122.51		506.35	383.85
	Miscellaneous Sales - W-Transact	-0.76		1.29	0.54
	Miscellaneous Sales - Plant Maintenance	0.17		0.145	0.31
	Miscellaneous Sales - Plant Op Costs	0.08		0.62	0.71
	Miscellaneous Sales - Admin	-0.41		9.01	8.6
COGS (Production Costs)	Purchases - Plant Op Costs	19.4		0.97	20.37
	Purchases - Plant Maintenance	0.027		0	0.027
	Other Production Costs - Plant Op Costs	-0.0002		0.0002	0
	Other Production Costs - Plant Maintenance	12.17		0.67	12.84
	Other Production Costs - Admin	4.05		0.05	4.10
Overheads	Plant Maintenance	45.04		117.28	162.32
	Plant Op Costs	48.39		83.23	131.62
	Plant Outages	17.83		34.94	52.77
	Projects Opex	-0.5		0.50	0
	Admin	4.13		5.31	9.44
EBIT		-264.36		273.61	9.25

<sup>1</sup> EBIT is calculated as Revenues – COGS – Operational Expenses

Source: Financial and operational data from Exemplar

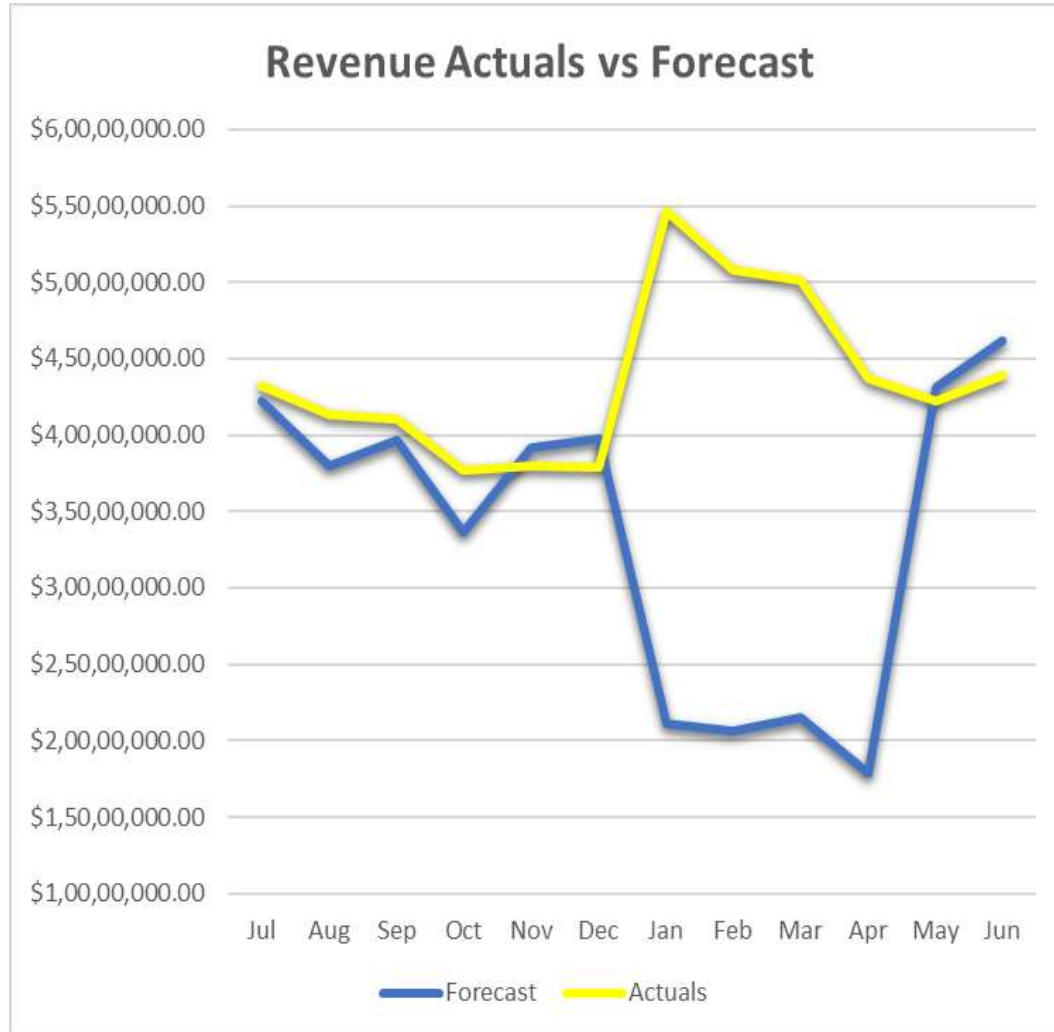
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Maintenance Event pushes EBITDA for Kootha into negative territory. Surjek remains negative throughout Forecast year, expect July.



# Revenue loss is forecasted for maintenance months with situation normalizing in May

## Actual vs Budget PL Revenue Analysis, YTD, \$m



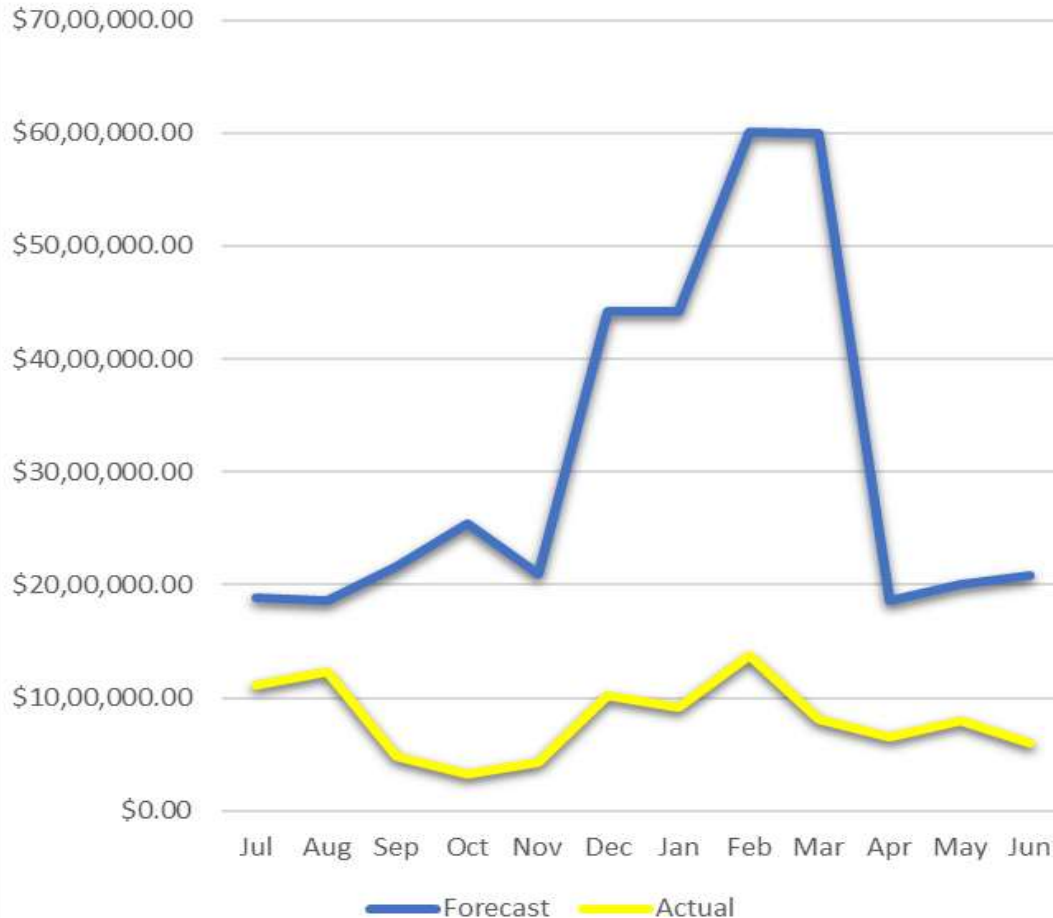
### Key Insights

- The discrepancy is led by zero revenue from Kootha during maintenance period Jan-April
- Surjek continues to record \$ 0.71 M in revenue through **Cost Centre Miscellaneous Sales – Cost Element Admin** even during maintenance
- The Forecast Revenue is short by approximately \$ **123 M** when compared with Actuals

# COGS increases drastically during Maintenance Event and returns to normal level in April

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

## COGS Actuals vs Forecast



## Key Insights

- The discrepancy is led by massive spike in **Maintenance** and **Operational Costs**
- The COGS increases by approximately **\$ 36 M** when compared with Actuals



# Overheads show increasing trend even after the Maintenance Event

## Actual vs Budget PL Operational Expenses Analysis, YTD, \$m

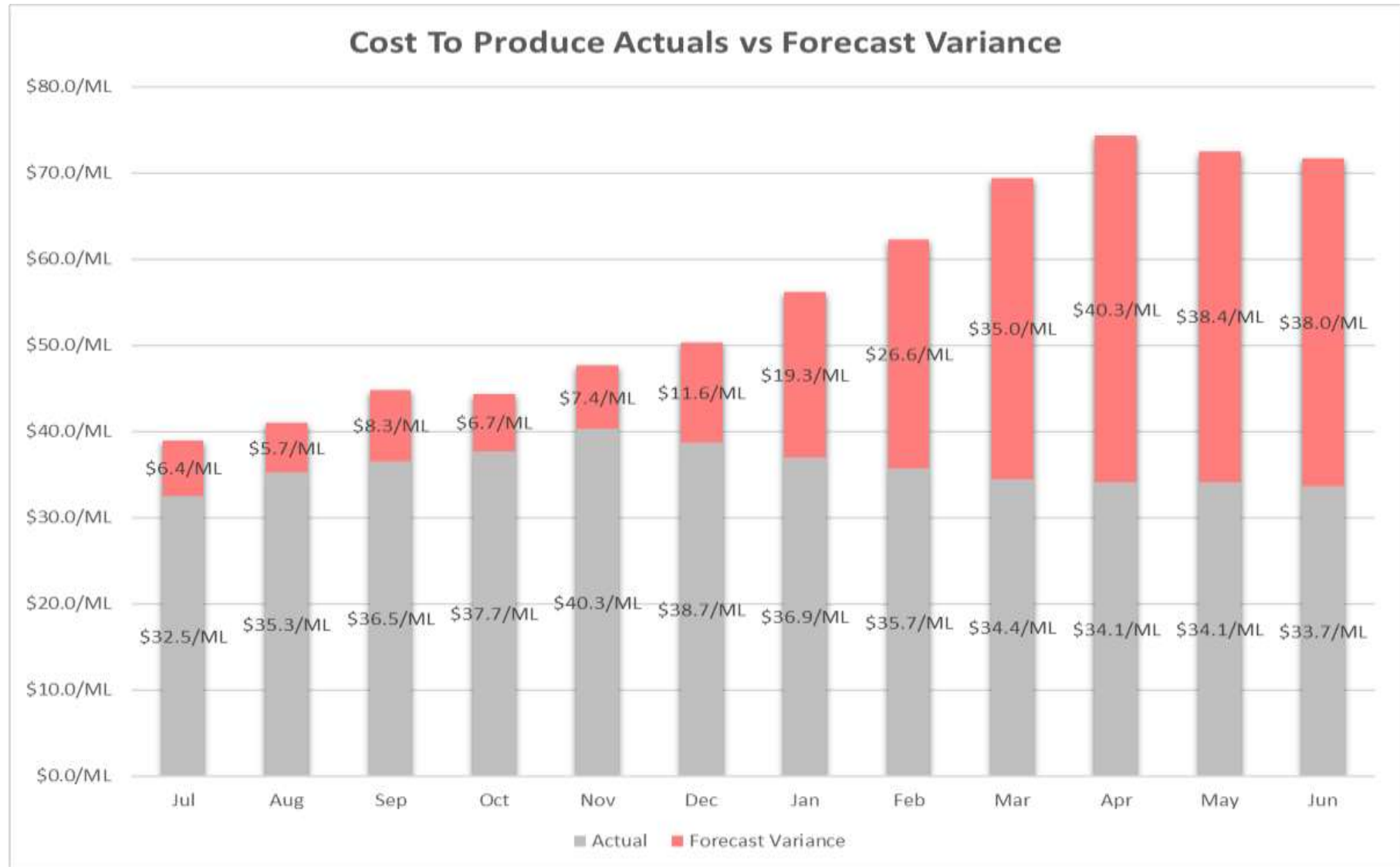
Overheads Actuals vs Forecast



### Key Insights

- Overheads Forecast for Jutik is **\$ 73.30 M** and Kootha is **\$ 65.61 M**
- The Overhead Forecast for Surjek is **\$ 217 M**
- Again, this is more than Jutik and Kootha combined
- The Forecast Overheads is up by approximately **\$ 115 M** when compared with Actuals

## Cost To Produce varies from a minimum of 16.18% in August to a maximum of 118.07% in April



# Conclusion

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- Situation looks grim, immediate action is required
- Dispatch Jutik first, then Kootha
- Allow Maintenance Event only at Surjek
- Reconsider operating Surjek Desalination Plant on a long-term basis