

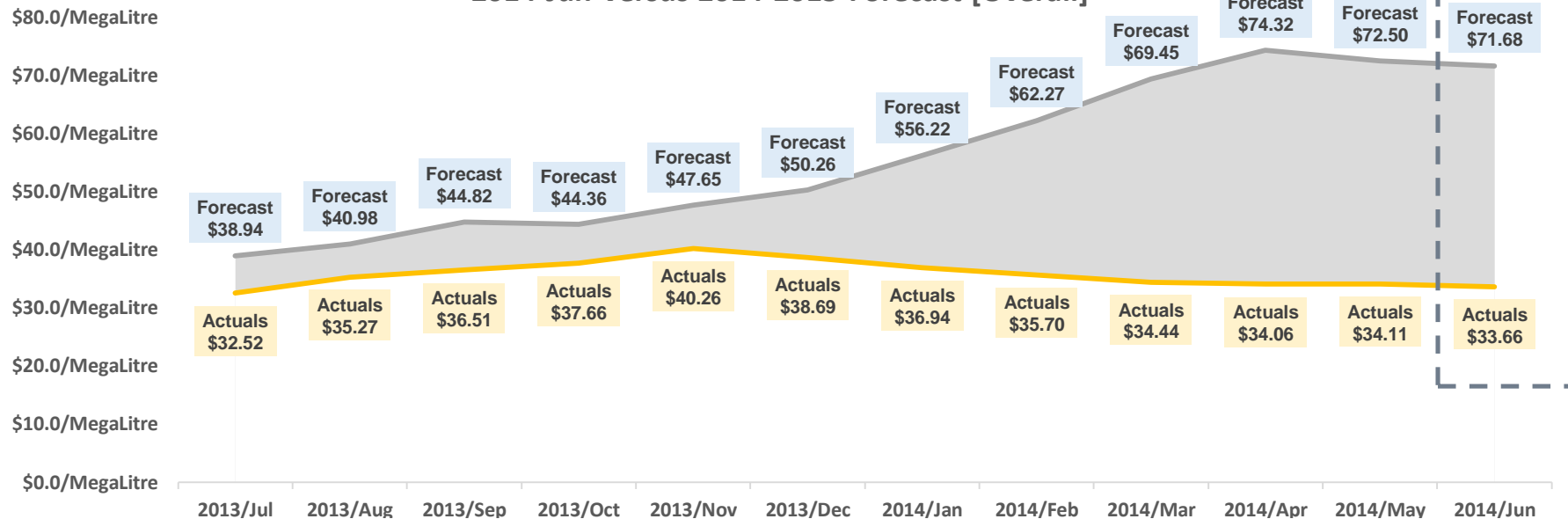
Southern Water Corp – Executive Presentation

Date: 2014

Presenter: Tosin Ayedebinu (Business Analyst)

Rolling Year-to-Date Cost to Produce in comparison to 2014 actual will increase by \$38.02 (\$/ML) in 2015 leading to a drop in overall ¹EBIT by \$264.3m because OPEX is expected to spike in response to scheduled annual maintenance while Revenue may also drop in response to competition.

Rolling Year-to-Date Cost to Produce per MegaLitre (\$/Mega-Litre) Actual 2013-Jul to 2014-Jun Versus 2014-2015 Forecast [Overall]



Key Insights

- 1) Cost to Produce** – Looking into the future, cost to produce will increase by \$38.02 (\$/ML) in line with forecasted increase in OPEX and COGS. **Management should implement Lean Manufacturing to curtail cost and improve efficiency of production**
- 2) EBIT** – EBIT will see a drop by \$264.3m compared to current performance because major plants will experience negative Revenue with increase in operation cost and increased market competition since government regulations have lowered entry barriers. **Management should create a niche in the market for her products by selling more personalized services at premium prices.**
- 3) OPEX** – This is expected to increase by as much as 48%YTD when compared to actual. (\$241m to \$356m). This is largely due to major maintenance event scheduled for 2014/2015. **The impact on such major maintenance should be further spread out into the future to smoothen out the impact on EBIT.**

YTD EBIT compared to Forecast will pose challenges given mostly negative variances. But Jutik Plant should be maximized for greater returns in the future being +ve in forecast.

Negative Var.

Positive Var.

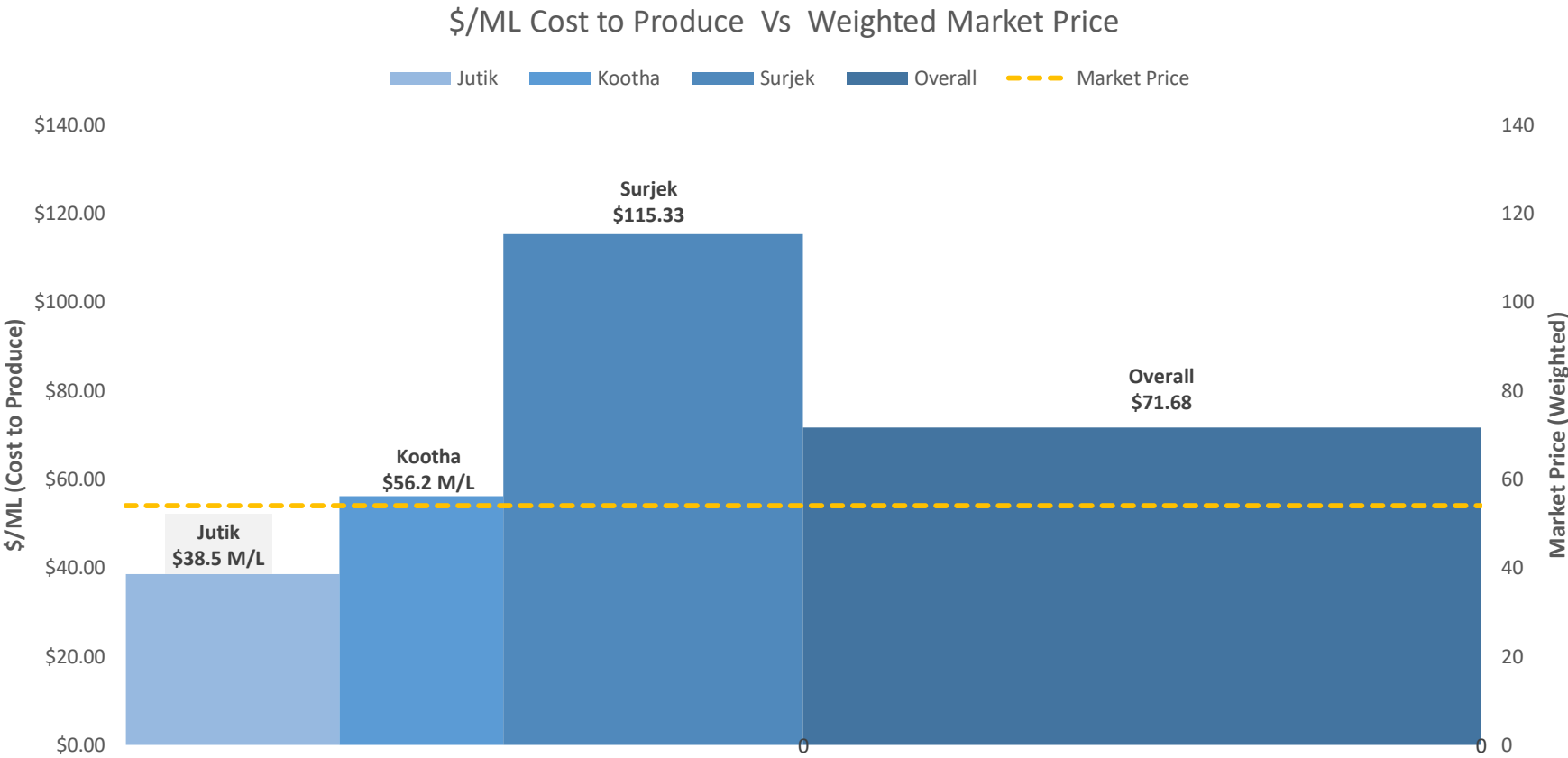


Forecast Vs Actual EBIT Variances, YTD \$m		Variance (\$m)	Forecast	Actual
Revenue	'Jutik	32.5	\$222.7m	\$190.2m
	'Surjek	-108.21	\$124.8m	\$233.0m
	'Kootha	-46.19	\$55.3m	\$101.5m
Production & Other Production Cost	Jutik	-5.5	\$7.5m	\$2.0m
	'Surjek	-14	\$21.1m	\$7.1m
	'Kootha	-8.1	\$8.8m	\$0.7m
Overheads	'Jutik	-27.77	\$73.3m	\$45.5m
	'Surjek	-66.56	\$217.0m	\$150.5m
	'Kootha	-20.56	\$65.8m	\$45.3m
EBIT		-264.3	\$9.3m	\$273.6m

Source: Southern Water Corp Financial Records (SAP) 2013-2015

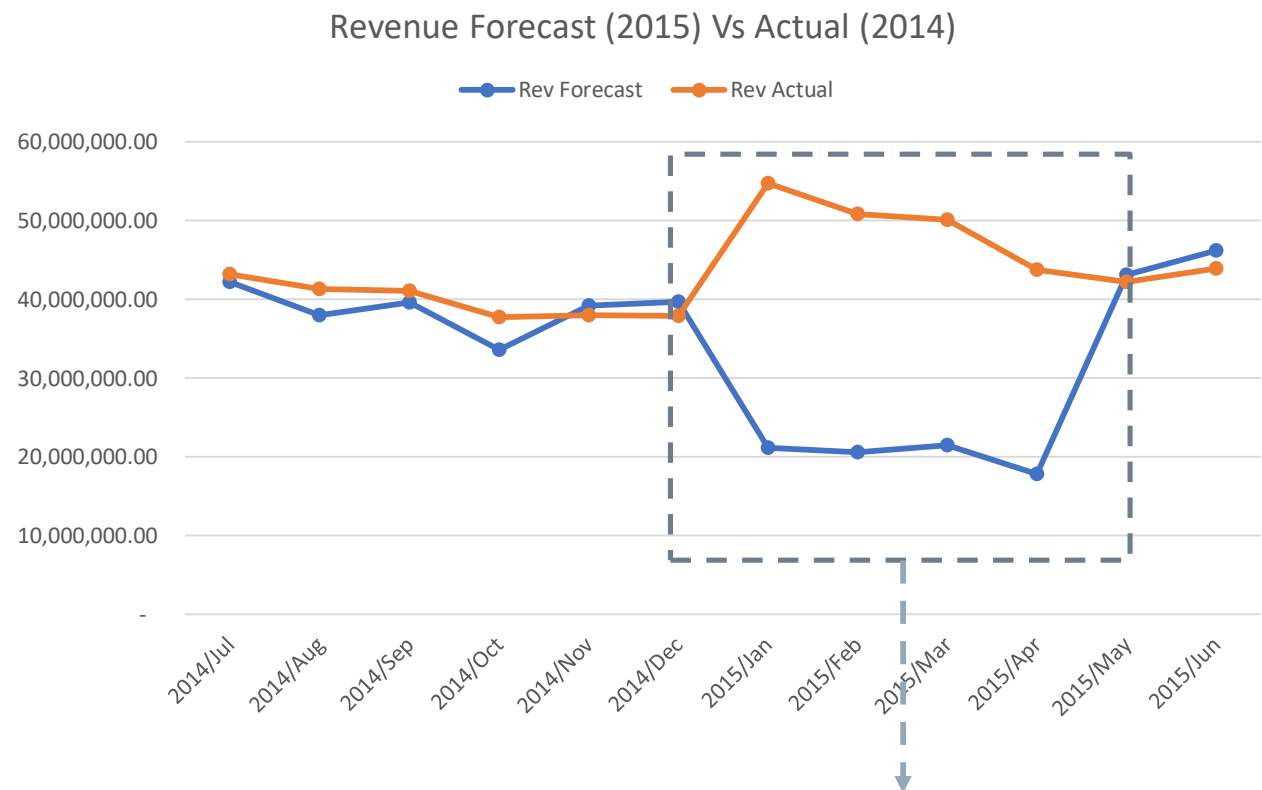
Note: 1 EBIT tab, Southern Water Corp Data ,

In comparing unit economic data between actual and forecast, the ¹weighted market price shows that Jutik will be the most economic plant to run in 2015, thus it should take on greater capacity to produce for cost effectiveness.



Source: Southern Water Corp Financial Records (SAP) 2013-2015
Note: ¹ Overall Cost Curve tab

¹Revenue is expected to drop significantly in the first two quarters of 2015 given expected stiff competition in the market. Management to adopt already designed strategic countermeasures.

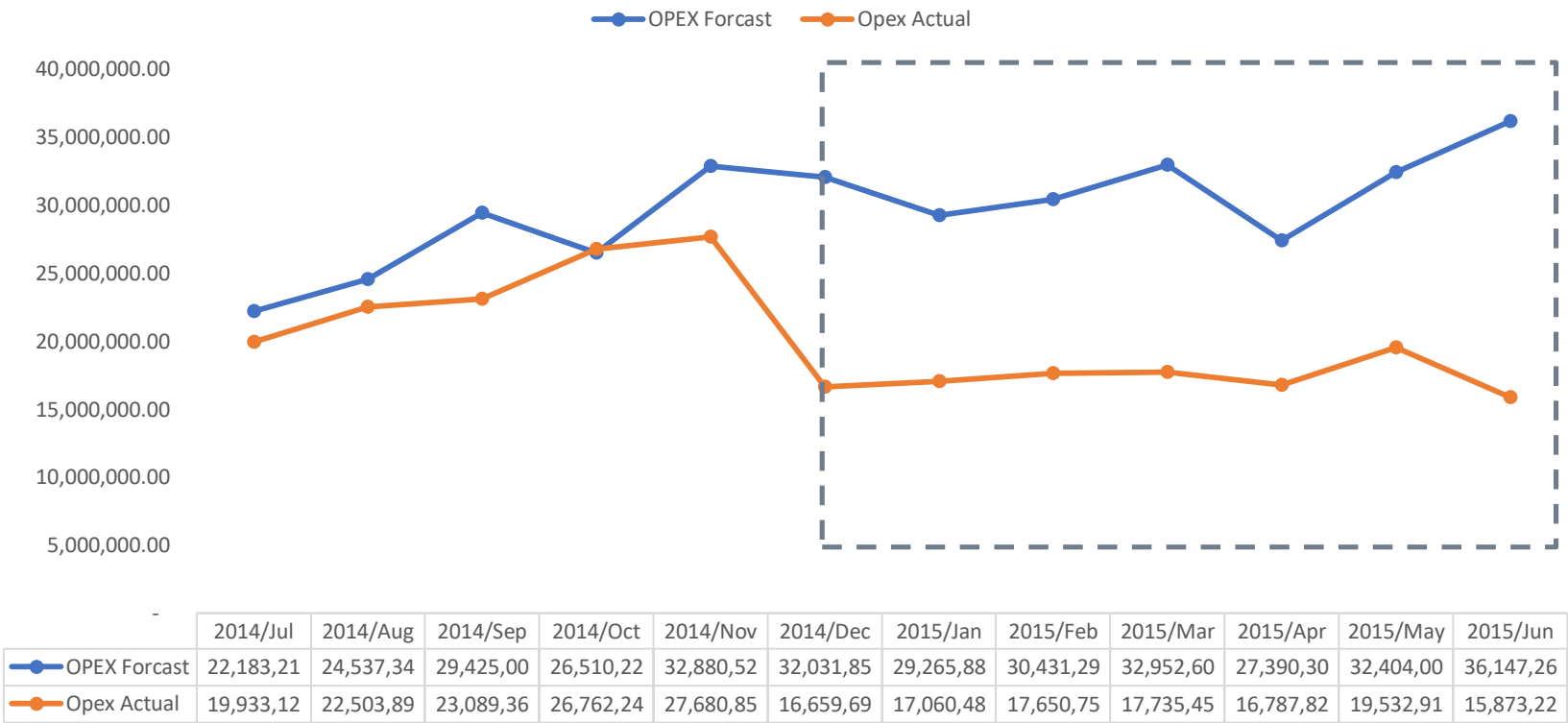


With two competing corporations setting their launch date for Jan 2015, a drop in sales is expected across all product and service offerings, but within 5 months, it's expected that SW will regain balance given strategic initiatives already in place to simultaneously launch 2 new varieties of desalinated water into the market.

With major maintenance work scheduled for to run in the first half of 2015, a spike in maintenance cost and downtime is expected to see ¹OPEX gap widening further, creating negative impact on EBIT.

Management to avoid shutting down more than one plant at a time to optimize production during this period.

OPEX Forecast 2015 Vs Actual 2014



Key Insights

- 1) **Maintenance Work Plan**—Planners should use personal experience and information on file to develop work plans that avoid anticipated work delays, quality or safety problem. Time saving is cost saving
- 2) **Execution Payoffs** —Simply stated, it is better to have good execution of a proper job plan, rather than perfect execution of the wrong job plan. Management to ensure workplan in properly laid out and executed.

