



# **QUARTERLY REPORT**

**Period Ending  
30 September 2020**

**FOR PUBLIC RELEASE**

## 1. PERFORMANCE OVERVIEW

### 1.2 FINANCIAL PERFORMANCE

Synergy's financial performance for the period ending 30 September 2020 is presented along with the FY2020-21 State Budget Forecast (**SBF**).

\$ Millions	Actual	SBF	Variance
Revenue	762.5	775.3	(12.8)
Direct costs	640.5	634.4	(6.1)
<b>Gross Profit</b>	<b>122.0</b>	<b>140.9</b>	<b>(18.9)</b>
Other income	4.4	0.8	3.7
Operating costs	98.6	107.3	8.7
Doubtful debt expense	5.2	5.6	0.4
<b>EBITDA</b>	<b>22.6</b>	<b>28.7</b>	<b>(6.1)</b>
Depreciation & amortisation	18.0	17.9	(0.1)
<b>EBIT</b>	<b>4.6</b>	<b>10.8</b>	<b>(6.2)</b>
Net finance costs	1.0	3.7	2.6
Share of profit of joint ventures	0.1	0.7	0.7
<b>Reported NPBT</b>	<b>3.6</b>	<b>6.4</b>	<b>(2.8)</b>

Synergy's net profit before tax is \$3.6 million and is \$2.8 million adverse.

The material results underpinning this performance are:

- (a) Adverse revenue of \$12.8 million, predominantly the result of:
- (i) higher retail sales revenue of \$11.3 million, driven by an increase in sales of 14 GWh and on average higher realised price on contestable energy sales, offset by:
    - (A) lower non-contractual Wholesale Energy Market (**WEM**) sales totaling 222 GWh, primarily due to lower South West Interconnected System (**SWIS**) demand, resulting in a reduction in revenue of \$15.8 million;
    - (B) lower ancillary service revenue of \$1.7 million, due to ongoing competition to provide those services; and
    - (C) lower retail and wholesale gas sales of 962 TJ, resulting in lower revenue of \$5.1 million.
- (b) Adverse direct costs of \$6.1 million, predominantly the result of:
- (ii) lower fuel costs of \$27.0 million, as a result of a reduction in generation, sent outs of 569 GWh. Lower overall SWIS demand coupled with earlier than anticipated sent outs from new large-scale renewable facilities account for most of the reduction; offset by:
    - (A) higher energy purchases of \$11.8 million from both power purchase agreements and the WEM totaling 152 GWh;
    - (B) higher network costs of \$5.0 million, primarily due to higher retail sales volumes and account numbers;

- (C) higher costs payable to the market operator totaling \$5.3 million; and
- (D) higher renewable energy costs of \$8.9 million, primarily due to a higher quantity of certificates required and a higher than anticipated large-scale generation certificate market price.

(c) Favourable operating cost, predominantly the result of:

- (iii) timing of generation unit maintenance spends and reduction in planned outage scope arising from resource constraints due to COVID-19; and
- (iv) reduction in outsourced customer service costs due to lower than forecast call volumes and a reduction in metering costs due to the State Government moratorium on customer disconnections.

(d) Doubtful debt expense is in line with the SBF. The impact of the WA household electricity bill credit is forecast to reduce the cost of doubtful debt over the next three to six month period.

(e) Depreciation and net finance costs are in line with the SBF.

## 2. CORPORATE PERFORMANCE INDICATORS

Measure	YTD Actual	Target	Variance
EBITDA (\$M)*	22.6	57.5	(34.9)
RIFR**	3.66	1.90	(1.8)
Customer Engagement***	70.5%	67.5%	3.0%

\* FY 2020-21SCI. End of year target is \$57.5 million.

\*\* RIFR - recordable injury frequency rate. End of year target is 1.9

\*\*\* Customer engagement score: Percentage of customers taht rate Synergy at least 9 out of 10 or 10. End of year target is 67.5%

## 3. COMMERCIAL IN CONFIDENCE

Commercially sensitive information deleted in accordance with section 109(3) of the *Electricity Corporations Act 2005*.

## SEGMENT REPORT FOR PERIOD ENDING 30 SEPTEMBER 2020

The Group is required to present segment information under Part 2 of the *Electricity Corporations (Electricity Generation and Retail Corporation) Regulations 2013 (the Regulations)*. Regulations do not require comparative information to be presented.

For management purposes, the Group is organised into business units based on functions and activities. The Group has four reportable operating segments detailed as follows:

- (a) generation business unit (**GBU**) - manages operations involving the construction or operation of generating works (as defined in the *Electricity Industry Act 2004* section 3);
- (b) wholesale business unit (**WBU**) - manages operations involving the wholesale supply of energy and related products (including pricing in respect of such acquisition or supply);
- (c) retail business unit (**RBU**) - manages operations involving the pricing, sale and marketing of energy and related products to customers;
- (d) corporate shared services (**CSS**) - manages operations relating to the following activities:
  - (i) corporate development and strategy;
  - (ii) accounting;
  - (iii) finance;
  - (iv) compliance and legal matters;
  - (v) human resources;
  - (vi) information technology support; and

any other operations undertaken in connection with two or more business units. CSS includes the operations of the South West Solar Development Holdings Pty Ltd and its subsidiary Synergy Renewable Energy Development Pty Ltd which is in the business of providing asset management services and vehicle management services.

Inter-segment revenues are eliminated upon consolidation. No operating segments have been aggregated in arriving at the reportable segments of the Group.

Formal arrangements exist between:

- (a) WBU and RBU whereby WBU sells energy to RBU in accordance with the Regulations; and
- (b) WBU and GBU whereby GBU is compensated by WBU for both maintaining and making available a fleet of plant, as well as the efficient utilisation of that plant.

30-September-2020	GBU \$'000	WBU \$'000	RBU \$'000	CSS \$'000	Eliminations \$'000	Group \$'000
<b>Revenue</b>						
External customers	3,458	65,548	694,438	0	0	763,444
Inter-segment	109,611	251,063	0	0	(360,674)	0
<b>Total Revenue</b>	<b>113,069</b>	<b>316,611</b>	<b>694,438</b>	<b>0</b>	<b>(360,674)</b>	<b>763,444</b>
Cost of sales	(94,172)	(287,247)	(610,599)	0	360,674	(631,344)
Operating costs	(54,804)	(1,267)	(16,103)	(25,184)	0	(97,358)
Impairment	(572)	0	(5,185)	(58)	0	(5,815)
Other income	105	21	7	3,432	0	3,565
<b>EBITDA</b>	<b>(36,374)</b>	<b>28,118</b>	<b>62,558</b>	<b>(21,810)</b>	<b>0</b>	<b>32,492</b>
Depreciation and amortisation	(12,903)	(3,566)	(768)	(3,930)	0	(21,167)
Finance income	0	0	0	1,051	0	1,051
Finance costs	(486)	(7,146)	0	(1,222)	0	(8,854)
Net finance costs	(486)	(7,146)	0	(171)	0	(7,803)
<b>Segment profit/ (loss)</b>	<b>(49,763)</b>	<b>17,406</b>	<b>61,790</b>	<b>(25,911)</b>	<b>0</b>	<b>3,522</b>
<b>Unallocated items</b>						
Share of profit of joint ventures and associates						78
Tax equivalent expense						0
<b>Profit for the year from continuing operations</b>						<b>3,600</b>

Note: The segment report is prepared based on accounting conventions under the Australian Accounting Standards. Hence some of the line items may not match the summary table of financial performance on page 1.