

THE CONNECTOR

NEWS 'N VIEWS FROM THE GROUP | NOVEMBER 2017

CHAIRMAN'S UPDATE

The directors are pleased to present the NZPM Group interim report for the six months ended 30 September 2017. The headline financial indicators for the half-year were:

- Consolidated revenue grew 5% from the comparative period last year to \$109.2 million;
- Profit before net finance costs, dividends, rebate dividends and taxation increased by \$1.5 million to \$4.3 million; and
- Operating cash inflow of \$1.3 million decreased by \$3.0 million over the prior comparative period due to rebate dividend payments and taxation increasing by \$3.5 million.

NZPM experienced a strong start to the year with first quarter sales exceeding our expectations, however momentum stalled in the second quarter as prolonged periods of wet weather and a level of uncertainty relating to the general election impacted on the construction sector. Overall growth continues to be constrained by the availability of skilled plumbing labour throughout New Zealand, and on a regional basis, sales in Canterbury continues to soften as the earthquake rebuild work decreases.

Profitability increased from the higher level of sales and our continued focus on operating margins and cost control. Key drivers for this margin growth were the relative increases in Metrix sales and Plumbing World own brand and exclusive ranges.

The rebate dividend of \$2.9 million for the March 2017 year was paid in cash during September. This charge to earnings resulted in the company recording a net loss after taxation and dividends for the period of \$0.3 million.

Ongoing investment in the branch network during the period has seen the opening of a new branch and regional distribution centre at Hornby in Christchurch and the completion of upgrades at our Nelson, Blenheim and Taupo branches. During the second half of the year, we will open new branches at Te Rapa in Hamilton and Richmond in Nelson, together with the relocation of our Invercargill branch to new purpose built premises. This period will also see the completion of a major upgrade at our Palmerston North branch, the start of an upgrade to the Mt Wellington branch, and a number of enhancements to Metrix and other Plumbing World outlets.

NZPM continues to work with our staff, customers and suppliers to embed robust health and safety practices into our culture. In May, we extended our personal protective equipment procedures to require staff to wear gloves for an extended range of manual handling tasks, and this initiative has resulted in a significant reduction in cuts and lacerations, and has reinforced that continued small improvements can have tangible benefits to the wellbeing of our staff.



Chairman's Update Continued...

During the period, Plumbing World also successfully launched the LeVivi brand to replace Astivita. The LeVivi brand is owned by Plumbing World and is the anchor brand for our exclusive range of products. During the September quarter we ran an increased "Go for Gold" shareholder rebate of 5% for LeVivi that was well supported by our shareholder members, and we are celebrating the Toto 100 Year Anniversary with a special "Go for Gold" shareholder rebate of 4% for the December quarter.

Our inaugural Plumbing World Young Plumber of the Year competition was completed in October, and received wide praise from across the industry. This initiative sits very well with our desire to foster strong industry links, encourage youth and skills development and to celebrate excellence.

Perhaps one of the most significant lead indicators that NZPM is improving its value proposition is the continued growth in our shareholder membership. During the period, 60 new ordinary shareholders joined the co-operative to lift our total membership to 846 ordinary shareholders. Taking into account the prior year, we have added 130 new shareholder members in the last 18 months.

Looking forward, we expect steady demand with the constraint on labour continuing. There is a heightened risk that the New Zealand dollar could weaken which would result in increased product prices, however, we don't see the recent change in government as having a significant impact on near term activity levels.

The board and management thank all of our staff and shareholders for your continued support of the NZPM co-operative.



John DeBernardo
Chairman and on behalf of the board and executive team

INTERIM FINANCIAL STATEMENTS

The complete interim financial statements can be found within the Investor Centre section of the NZPM website (www.nzpm.co.nz/investor-centre).

SHAREHOLDER WEBINAR

For those of you interested in hearing an update, we invite you to join a webinar where we will be discussing this Interim Report. During the webinar, shareholders will be provided with the opportunity to ask questions of the board and executive team.

You must pre-register for the webinar using the below link. After registration, you will be emailed a link to the webinar.

Pre-registration link:

<https://attendee.gotowebinar.com/register/6680016209952362243>

Date:

Thursday 30 November 2017

Time:

11:00am - 12:00pm

If you have any technical difficulty, or have any questions in regards to the webinar, feel free to contact helen@maggiemedia.biz or Brett Cruickshank on brett.cruickshank@nzpm.co.nz.



NZPM GROUP LIMITED

Condensed consolidated interim statement of profit or loss and other comprehensive income

For the 6 months ended 30 September 2017

	(Unaudited) Group	(Unaudited) Group	(Audited) Group year ended
Six months ended	30/09/17	30/09/16	31/03/17
	\$'000	\$'000	\$'000
Revenue	109,234	104,151	200,474
Cost of sales	(77,466)	(74,818)	(141,592)
Gross profit	31,768	29,333	58,882
Other income	24	68	146
Depreciation and amortisation expenses	(945)	(1,110)	(1,891)
Other operating expenses	(26,503)	(25,480)	(49,976)
Profit before net finance costs, rebate dividends and dividends paid, and taxation	4,344	2,811	7,161
Net financing costs	(246)	(390)	(441)
Rebate dividends and dividends paid	(3,344)	(1,729)	(2,176)
Profit before taxation	754	692	4,544
Taxation expense	(1,088)	(642)	(2,237)
(Loss)/profit for the period	(334)	50	2,307
Total other comprehensive (loss)/income for the period, net of taxation	0	0	0
Total comprehensive (loss)/income for the period	(334)	50	2,307

* Extract - this statement has been extracted from the NZPM Group Limited Consolidated Interim Financial Statements for the six months ended 30 September 2017. The full report is available at www.nzpm.co.nz/investor-centre.

NZPM GROUP LIMITED

Condensed consolidated interim statement of financial position

As at 30 September 2017

As at	(Unaudited) Group 30/09/17 \$'000	(Unaudited) Group 30/09/16 \$'000	(Audited) Group 31/03/17 \$'000
ASSETS			
Current assets:			
Cash and cash equivalents	357	323	1,486
Trade and other receivables	24,548	26,385	28,353
Derivative financial instruments	46	0	61
Inventories	31,186	29,803	30,304
Total current assets	56,137	56,511	60,204
Non-current assets:			
Property, plant and equipment	4,826	4,014	4,118
Intangible assets	8,622	9,113	8,861
Investments in associates	2,610	2,624	2,627
Deferred tax assets	1,746	2,084	1,816
Total non-current assets:	17,804	17,835	17,422
Total assets	73,941	74,346	77,626
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables	21,544	21,461	23,887
Loans and borrowings	601	977	922
Other liabilities	2,474	3,579	2,594
Current tax liabilities	466	263	818
Co-operative share capital	0	11	0
Total current liabilities	25,085	26,291	28,221
Non-current liabilities:			
Loans and borrowings	5,658	6,244	6,781
Other liabilities	1,327	1,745	1,325
Co-operative share capital	26,562	26,680	25,656
Total non-current liabilities	33,547	34,669	33,762
Total liabilities	58,632	60,960	61,983
Net assets	15,309	13,386	15,643
Equity:			
Retained earnings	15,309	13,386	15,643
Total equity	15,309	13,386	15,643

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NZPM GROUP LIMITED

Condensed consolidated interim statement of cash flows

For the 6 months ended 30 September 2017

	(Unaudited) Group	(Unaudited) Group	(Audited) Group year ended
Six months ended	30/09/17	30/09/16	31/03/17
	\$'000	\$'000	\$'000
Cash flows from operating activities:			
Cash receipts from customers	113,039	107,056	201,411
Interest received	21	25	48
Dividends received from associates	38	78	153
Other income received	3	1	1
Cash paid to suppliers and employees	(107,293)	(101,642)	(190,694)
Taxation paid	(1,365)	(561)	(1,339)
Interest paid	(293)	(431)	(756)
Rebate dividends and dividends paid	(2,823)	(166)	(1,423)
Net cash generated by operating activities	1,327	4,360	7,401
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	23	15	126
Acquisition of intangibles	(20)	(638)	(643)
Acquisition of property, plant and equipment	(1,400)	(543)	(1,316)
Net cash used in investing activities	(1,397)	(1,166)	(1,833)
Cash flows from financing activities:			
Proceeds from issue of shares	1,469	1,966	3,025
Payment for share buy-back	(1,084)	(1,660)	(4,198)
Repayment of finance lease	(544)	(514)	(1,032)
Repayment of borrowings	(900)	(3,000)	(2,000)
Repayment of interest rate swap	0	0	(214)
Net cash used in financing activities	(1,059)	(3,208)	(4,419)
Net (decrease)/increase in cash and cash equivalents	(1,129)	(14)	1,149
Cash and cash equivalents at the beginning of year	1,486	337	337
Cash and cash equivalents at the end of the period	357	323	1,486

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PURPOSE

To contribute to our members' and customers' business success by representing their interests and delivering performance excellence

PART OF THE NZPM COOPERATIVE

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