

Connector

News and views from the co-operative.

April 2022

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Chair's update

Having just completed the March financial year, I'm delighted to report that we've finished with another strong quarter of revenue and earnings, and early indicators suggest this will be another record level of earnings for our co-operative. Coupled with net shareholder growth of 6% and having recently received the award for Co-operative Business of the Year, both your Board and Management are immensely proud of our people for their outstanding performance for the second straight year in what has continued to be a hugely disrupted environment.

And whilst the significant headwinds of People, Product, Price and Productivity remain a continuing challenge, we're confident that our co-operative has the right strategy to improve even further, and that we'll continue to add value for our shareholders during the new financial year and beyond. To support this strategy, the Board and Executive are working on a number of key initiatives, including a raft of service and digital & technology solutions that will improve efficiencies and productivity for both our staff and our customers.

Fundamental to these solutions will be a decision in respect of the core technology systems that we'll utilise for the future, and we expect to finalise this pathway over the next couple of months. The selection of this core technology will represent a

significant milestone for both our business and our technology development plans, and undoubtedly this will require significant investment over the forthcoming period. Being mindful of the need to fund these initiatives whilst supporting both organic growth and our rebate dividend policy, we have updated our ongoing bank facilities with Westpac and are balancing that with the opportunity for increased capital investment in the co-operative through the expansion of our existing Redeemable Preference Share (RPS) scheme.

Aside from a lift in the quarterly RPS investment cap from \$50,000 to \$250,000, we're also increasing the maximum individual RPS investment limit from 1 million to 2 million shares of \$1 each from 1st April. We expect these changes will offer greater opportunity for members to invest in the co-operative, and this aligns with a number of shareholders' enquiries we've received over recent months. Further details about the latest changes to the RPS scheme can be found later in this edition of Connector.

April will also see the opening of applications for our 2022/2023 Future Governance Programme, as we look to continue development of the governance training pathway for our ordinary shareholder membership pool. Following the success of the programme over the last 5 years, our Board recognises the need to develop the core governance competencies of our potential future directors, with the expectation that appointees will continue to build their individual capabilities beyond their initial programme term.

This is a great opportunity for members who demonstrate the core attributes to become involved in the governance aspects of the co-operative by learning more about your Board and how they operate, whilst at the same time receiving independent professional training and mentoring as a company director. If you've got any questions or would like to apply to participate in the programme, please email us at: governance@nzpm.co.nz or you can give me a call on 021 424 944.

Kind Regards,
John DeBernardo
NZPM Chair



A word from Rob Kidd, CEO

As I write this article of Connector, we have just finished the March 2022 financial year.

Once again, despite nationwide and regional lockdowns from COVID-19, the challenges of the Omicron variant in the final quarter and continuing supply chain disruptions, it is pleasing to let you all know that your co-operative has had another very good year.

Our revenues increased by 16% over the previous year, and it's great to see the number of NZPM shareholders climb by 6% taking our total number of members to over 1,000.

We opened a new Plumbing World Express store in Kilbirnie (Wellington) and in conjunction with ITM, opened a new store in Turangi, in the central plateau region.

The Business and Technology Scoping Project progressed well during the year. The review is almost complete and is showing us which technology platforms we need in the future to enable the business to continue to grow revenues, increase efficiencies, and expand on our already great service to customers.

Over the next couple of months, we expect to finalise our decisions regarding the core IT system and corresponding customer and shareholder digital and technology offerings. We want to make it progressively easier for you to do business with us and technology is a key component in helping to achieve that.

We have been pleased with the progressive uptake of customers utilising the **pwGO App** and **pwGO online** platforms during the year. This is helping the businesses of those users to be considerably more efficient with pricing and product ordering and saving significant time in reduced travel. We now have over 4,200 pwGO users.

To support our customers higher business activity over the past year and to help offset many of the supply chain disruption challenges we are all facing, we significantly increased our inventory levels to ensure the product you needed was there when you required it. While some of the product has now been held for extended periods, we are working with our customers to take the product as soon as they can.

Giving back to the community is one of the seven key principles of being a successful co-operative. It was a privilege for NZPM to be able to donate all the toilets, basins, tapware, shower equipment, hot water cylinders and pipe product from the Plumbing World Young Plumber of the Year Final to Habitat for Humanity in the Waikato. Among the many families they work with, one has been without hot water for over ten years.

During March, we also gathered together approximately \$150,000 of surplus stock from across the country along with an old forklift to donate towards the rebuild of Tonga after the devastating volcanic explosion and corresponding tsunami.

Finally, thank you once again for your support of NZPM, Metrix and Plumbing World - the only 100% trade-owned plumbing merchant in NZ.

Regards,
Rob Kidd
NZPM Chief Executive Officer

NZPM AGM - Save the date!

19th – 20th August 2022 — Novotel Rotorua Lakeside, Rotorua

Shareholders will once again be able to meet with the directors, executives and fellow shareholders to review the company's performance and strategy as well as enjoy the fellowship of being a member of the NZPM co-operative. More information, and registration instructions will be available soon.





Director's point of view

It's been almost 12 months since I had the opportunity to write my article for The Connector. What a year it's been both for the co-operative and myself. The teams at Plumbing and Metrix have had to manage the disruption caused by COVID-19 with all its complications, availability of materials, difficulty with transporting product into the country and distribution throughout New Zealand along with rising costs in all areas.

The decision to acquire a one-third shareholding in Aquasource was an astute move. Having the ability to

source our Own Brand product, LeVivi and TIVA, has benefited shareholders at a time when other product has been difficult to come by. It has also given the trade better margins which benefits your "bottom line".

Each of the five board members, apart from the Chairman, is responsible for a specific committee. I chair the Remuneration Committee and at this time of year there are several procedures that need to be actioned. I work with a company called Strategic Pay who accumulate material that evaluates the roles and market value analysis relating to the general market and private sector for our two senior executives, the CEO and CFO. This information is used to ascertain a relevant TFR, Total Fixed Remuneration for the ensuing year. Another task is fixing the Key Performance Indicators, KPIs, that need to be achieved for the short and long-term incentive scheme that is a discretionary component reliant on achieving the KPI's. You can be sure that it is a transparent and thorough process.

Looking forward, my wish is that all shareholders have a year less affected by COVID-19 and continued prosperity. In saying that make time for family and the things you enjoy. Time is short!

All the best,
Mark Whitehead



Metrix update

As we finalise the March 2022 financial year it is really pleasing to be able to report that Metrix has had an excellent year. Despite the challenges of COVID-19 which included the Parnell showroom being closed for more than two months we have delivered the highest EBIT result in 10 years.

The higher level of earnings was from continued strong sales of Metrix products through all our market channels and the re-alignment of the Metrix business with Plumbing World in 2021 has allowed us to streamline a number of areas but particularly the Wiri Distribution Centre which now holds and distributes all Metrix product alongside LeVivi. Another challenge for the team has been the consistently inconsistent supply chain out of Europe. This continues to highlight for us the need to work closer with our customers

and shareholders to forecast upcoming projects as shipping lead times have extended significantly. If you have a project with Metrix product specified please engage with us or your local Plumbing World store early in the planning process to enable us to work with you to deliver product to your project on time.

Looking forward, we have made a commitment to increase our investment in product specification. The appointment of a National Specification Manager to drive and lead this strategy for NZPM will be welcome reading to many. This nationwide team will be responsible for securing specification of high-end residential projects, and the commercial market in segments such as apartments, education and hospitals for all NZPM brands. A further key appointment is the newly created role of NZPM Strategic Brands Manager. This role will lead the own brand, front of wall product strategy across NZPM and will provide a clear direction in the market for LeVivi, Toto and Metrix brands to ensure we are able to maximise all opportunities ahead of us.

As restrictions ease up and travel becomes easier around the country, I am looking forward to working with the Plumbing World branches to ensure Metrix is well represented in showrooms so your clients can view our world leading brands. As always, should you have any feedback to give the team please don't hesitate to contact me directly: karin@metrix.co.nz.

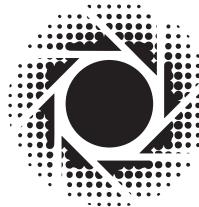
Karin Cunningham
Metrix General Manager

Future Governance Programme

Following the success of this initiative over the last five years, and the continued support shown for the programme by our members, NZPM is pleased to invite applications for our 2022/2023 Future Governance Programme, as we continue to foster future elected director capability from within our ordinary shareholder membership pool.

The objective of the programme is to identify potential future elected directors for the NZPM Co-operative, by selecting up to two shareholder applicants to join and participate in our board and committee meetings each year. It is expected that the successful applicants will be shareholders who have indicated a strong desire to be involved in the future governance of the co-operative, and who also demonstrate the core attributes for development and mentoring as potential future directors.

Applicants will be interviewed by an independent selection panel and the successful candidates will be announced at this year's AGM in Rotorua in August. The appointees will be expected to attend and participate in our board and board committee meetings between September 2022 and August 2023, and during that time they'll also undergo some Institute of Directors structured



NZPM Future Governance Programme

governance training and receive one-on-one mentoring from independent governance professional Richard Westlake of Westlake Governance.

The NZPM Future Governance Programme offers a great opportunity for members to become involved in the governance aspects of the co-operative by learning more about your board and how they operate, whilst at the same time receiving professional development as a company director.

We are currently seeking applications from interested ordinary shareholder members until Friday 22nd July this year.

If you have any questions or would like to apply to participate in the programme, please contact us at: governance@nzpm.co.nz or you can speak directly with NZPM Group Chair John DeBernardo on 021 424 944.

Past Appointee's Testimonials:



Dave Morgan

2019 Appointee

"I found the programme to be a great shareholder experience. The future governors of NZPM should get involved and contribute to your co-operative."



Sam Tyson

2019 Appointee

"The great thing about being a future governor with NZPM is being able to learn and grow in a safe place and have the freedom to ask the "why" questions, which has helped me build confidence for my governance career."



Scot Pearce

2020 Appointee

"I have witnessed the preparation and hard work that goes on behind the scenes to keep the momentum behind the machine moving forward. This experience with the board has been both personally and professionally invaluable, and I would highly recommend the programme."



Sarah Jamieson

2021 Appointee

"The Future Governance Programme has cemented my desire to pursue further governance roles. The experience has been invaluable and I highly recommend the programme to shareholders of the cooperative."

Social

Responsibility

StarLight Easter

Support Office had a collection for the Starlight Foundation to supply Easter eggs, colouring books and treats to children and adults with mental health issues in our community.

Kathy who organises the delivery of the donation on behalf of Starlight said "the patients get such joy, knowing someone has cared so much. Many patients feel really down on special occasions like Easter, when they would love to be celebrating with family and friends. Some have no family or friends to celebrate with". A huge thank you to the PW staff who kindly donated so generously to StarLight for Easter.



Donated plumbing products to Tonga

In January 2022, due to a volcanic eruption, a large tsunami devastated the islands of Tonga. Since that time we have been gathering useful plumbing and bathroom products to send to Tonga as part of the relief effort.

We have now delivered \$150K worth of product, as well as a much needed forklift, to a Tongan Church in Auckland who are arranging the transportation of these goods to Tonga.

One of our Cooperative principles is 'Concern for Community', and we are extremely grateful that we can give these useful and practical sanitation products that will help to rebuild the Tongan communities after such a devastating event. Basic sanitation is a human requirement and we are pleased to be able to help meet these needs for our friends in Tonga.



On the right is local Church Minister, Milaioti Veikoso, receiving the donated PW goods from one of our Wiri Distribution staff members Makisua Mika.



Products donated by Plumbing World

Shareholder loyalty



Adrian Thompson at A T Plumbing & Gas



Justin Barber, Reuben and Narelle Cutts (Fixed Price Plumbing)



Sven Roskvist at Titirangi Plumbing & Drainlaying

NZPM Funding

NZPM Group Limited (NZPM) meets its funding needs from a combination of shareholder equity, bank debt and retained profits.

The funding needs of NZPM have increased over the past 12 months, driven in large part by the requirement to hold higher levels of inventory. Looking forward, we expect NZPM's funding needs to further increase with new investment in technology and the continuation of our investment in strategically located properties.

NZPM recently approved changes to the terms of issue for our Redeemable Preference Shares to attract new investment into the co-operative. The maximum quarterly new investment that each shareholder* is able to make has been increased from \$50,000 to \$250,000. The maximum investment by a single shareholder* has also been increased from 1 million to 2 million shares of \$1 each.

To manage NZPM's liquidity risk, new terms for redemption over \$750,000 have been introduced so that an individual shareholder* can redeem up to \$750,000 in the first quarter and the remainder of their investment in the next quarter.

We have agreed to increase our working capital funding facility with Westpac by \$4 million to \$18 million and added a new \$3.4 million development loan facility to support the building development at Drury.

Further information on our capital structure and share issue terms are set out in our Product Disclosure Statement which is available at disclose-register.companiesoffice.govt.nz. You can also get share information by contacting our NZPM Share Registrar, Lauren McEniry direct on 09 379 1832 or by emailing shares@nzpm.co.nz.

Investors should seek independent financial advice before making investment decisions.

On behalf of NZPM, I wish to thank all shareholders for their continued support of the co-operative.

Brett Cruickshank
Chief Financial Officer

* Shareholder including all related parties of a controlling shareholder

#23 Beat the big C

Don't wait for a reason

Some of New Zealand's most dangerous cancers are the ones we don't like to talk about. So we're lending our support to help raise awareness about prostate, bowel and gynaecological cancers.

And remember, if in doubt, get it checked out! You can find out more at plumbingworld.co.nz



NZPM's Mission

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

Part of our NZPM Co-operative

plumbingworld | metrix