

Connector

News and views from the co-operative.

Chair update.

Thank you to all of our co-operative members who attended our NZPM/Plumbing World roadshow on one of the three available Zoom video conference sessions in July, and it was great to see so many of our members adopting this modern technology. Whilst there's no doubt these audio-visual platforms have a great number of benefits, we also recognise how important it is as a co-operative to connect with our wider shareholder base in multiple ways, so I expect that next year's roadshows will quite likely incorporate a mixture of both physical and digital events.

During the roadshow presentations we outlined the NZPM co-operative's ongoing strategic initiatives, and the results for the previous financial year, and by now you will have received our 2020 Annual Report highlighting the growth in our revenue to \$246 million, and improved operating earnings of \$11.6m, despite the almost complete loss of the last few trading days in March due to the sudden restrictions imposed by the Covid-19 pandemic. The roadshows also saw the announcement of our 2020 rebate dividend for ordinary shareholders, which the board has declared as a 4% interim rebate dividend to be paid out in cash in September, and looking ahead we'll review any available dividend funding again early in the new year to establish whether a further or final dividend might be possible.

As I write this article, we've just completed our first hybrid annual meeting utilising a mixture of physical locations in Wellington and Christchurch, and a Zoom digital platform for our members who were unable to attend our Auckland venue due to the Alert Level 3 restrictions in place at the time. Aside from the business presentations for NZPM, Finance, Plumbing World and Metrix, we also had an update from Garry Ivill about the sustainability initiatives that the co-operative is carrying out, including our programmes for wellbeing, reduction of waste, environmental impact and carbon footprint, and the innovative solutions that many of our suppliers are providing.

Some of the other highlights from the annual meeting included:

- The expansion of our own brand and exclusive product offering, and the continued rise in that sales segment, with over 20% annual growth.
- A net growth of over 3% in our ordinary shareholder membership again in FY2020, with 31% of our current members now having joined the co-operative in the last four years.
- The continued improvements in our health & safety metrics with significant reductions in our lost time injury frequency rate and lost time injury days.
- The ongoing development and delivery of our digital customer solutions, and

the recently completed implementation of the Frameworks technology platform throughout the Plumbing World network. ▶



Chair update cont.

- Details of our recent investment to secure a one-third shareholding in Aquasource who've been our supply chain partner in China for many years.
- Dave Morgan and Sam Tyson provided video presentations recapping their year participating in the 2019 NZPM Future Governance Programme, and thanking the shareholders for that opportunity.
- Scot Pearce from Auckland was announced as the successful appointee for our 2020 Future Governance Programme.
- Deloitte were re-appointed as the company's auditors for a further term.
- John DeBernardo and Mark Whitehead were re-elected to the NZPM Board following the electronic and postal voting

conducted by Link Market Services over the last month.

- The meeting attendees recognised the service of Ngaire Mansfield upon completion of her term as an Appointed Director.

Whilst the co-operative's sales have steadily picked up since we moved back to a lower alert level in May, and are now much closer to budget, the recent rise in alert levels has again cast a shadow over the market. Looking forward it seems clear that we should expect some level of economic downturn during the 3rd or 4th quarters of this financial year, and possibly well into 2021, and this will undoubtedly impact on our future results.

What's not clear however is the extent or duration of any possible recession, but from an NZPM

perspective we believe that we're well prepared for what might occur, and we're both ready and flexible enough to adjust the business to suit what happens in the market. Your board and the executive team remain confident that if we follow our strategy to broaden our customer and revenue base, invest in capability and use technology to improve efficiency and lower costs, the co-operative will continue to be a strong long-term value proposition.

Kind Regards,



John DeBernardo
NZPM Chair

A word from Rob Kidd.

A key learning from the challenges of Covid-19 is the need for New Zealanders to support one another and their local region and wider communities. That is the way we as a country will come through the next challenging period in better shape.

Plumbing World is fully committed to the plumbing industry in New Zealand. We have 54 strategically located branches across the country to ensure you can easily and conveniently purchase your plumbing requirements.

Our stores are fully supported with a service proposition which includes an excellent range and quantity of inventory, an outstanding delivery offer, the pwGO App and pwGO Online digital ordering and business management tools and staff who know what they are doing; all of which is designed to provide you

and your business the service, efficiency and extra productivity you require.

When you buy from Plumbing World, all of our profits go back to your 100% New Zealand owned NZPM co-operative and are then dispersed to our kiwi shareholders through the profit rebate dividend paid each year. Our profits do not go back to privately owned merchant operators, or to big institutional merchant investors, or offshore to Australia to prop up their economy.

Now is the time to fully support NZ, your region and your co-operative through buying more of your plumbing requirements from Plumbing World which in turn will provide you profit rebate dividends to support your family and local community businesses.

Thank you for your ongoing support of Plumbing World, the

only 100% trade owned plumbing merchant in NZ and we look forward to continuing to work with you to support your business and to ensure your co-operative continues to be strong and resilient through the months and years to come.

Regards,

Rob Kidd
Plumbing World GM



2020 Future Governance Programme.



Scot Pearce from Water to Waste Plumbing & Drainage has been appointed to our 2020 Future Governance Programme, and will join our board meetings until the 2021 AGM.

During the course of the programme Scot will also undertake some structured governance training with the Institute of Directors, and receive one-on-one mentoring from an independent professional director

The NZPM Future Governance Programme offers a great opportunity for shareholder members to become involved in the governance aspect of the co-operative by learning how the Board operates, whilst receiving professional development as a company director.

Environment and Sustainability.

Over the past 12 months a lot has been happening under the Environment and Sustainability umbrella within Plumbing World. Staff and shareholders alike are getting involved in different activities encompassing recycling, sharing ideas, and enjoying the benefits of caring for our environment in general.

With PVC a major component and area of waste generation in the plumbing industry a trial of PVC recycling bins was introduced at the beginning of 2020 into key branches in the Lower Central Region. These recycling bins have been increasing in popularity with shareholders throughout the year. Not only reducing their rubbish disposal costs, but also redirecting materials back into the production line for Marley, thereby reducing their reliance on virgin materials in manufacturing.

A revamp of Health & Safety for Plumbing World has seen the introduction of a standardized template for monthly meetings. Included in this is a specific Environment and Sustainability section, bringing consistency

across the branches and encouraging discussion and ideas sharing within each branch on a regular basis.

Across the branch network we've also seen environmentally friendly gifts for Shareholders, in the form of Gather reusable shopping bags around Christmas time. We also have regular giveaways of Plumbing World branded reusable coffee cups and thermos flasks.

Another exciting development this year has been the introduction of the Environment and Sustainability category in the Plumbing World annual awards, recognising at a national level the work of our people in this area. It is an honour to be the first recipient of this award and a great avenue to share my passion and ongoing learning around sustainability.

This is an area that has rocketed into the spotlight worldwide with more consumers wanting to make conscious purchasing choices and pushing for transparent and accountable supply chains. It is exciting to be part of the team

helping Plumbing World achieve Environmental and Sustainable best practices for our shareholders.

Regards,
Claire Mason



Claire Mason, Porirua Trade Supervisor
Plumbing World's 2020 Environment and Sustainability Award recipient



Director's point of view - Craig McCord.

What an extraordinary ride it's been these past few months. I don't recall a pandemic previously being at the top of my risk management list, but as fellow director Mark Whitehead pointed out in the last Connector, a massive amount of work has been done to weather this situation.

We're in an enviable industry position with a strong balance sheet and paying a 4% interim profit dividend, and all the while our co-operative is hitting the ball out of the park supported by our digital and technology improvements, which are starting to add some real value to the business.

Recently, a couple of our shareholder members have asked me why employee costs have proportionally increased by more than our revenue growth, so I've outlined a few key points below to help explain that.

Firstly, to ensure we continue to offer great service we generally have to adjust staffing levels to match changes in sales, and also to fill the roles in the new branches that we've opened, however those new branches are relatively inefficient in the first year as they build a critical mass of sales. As an aside, we're very happy with all of our new branches which are meeting their targeted growth.

Secondly, just like our members companies we need to remain

competitive in the market, so with the support of industry benchmark information we annually review staff wages and salaries, and in 2020, this amounted to almost 3% (on average). Looking after our people has paid dividends for us as evidenced by the great way they reacted to the lockdown, and our staff retention is at an all-time high. Whilst we're uncertain about future sales demand we've slowed recruitment, however the extra commitment being shown by everyone in the business is allowing us to manage with a few less people than normal.

Finally, to continue to grow our technology solutions, we've added more staff cost in this area with most of our team now being permanent in-house people. We've chosen to do this as external contractors and consultants would be roughly double or triple the cost, and we also think it's critical to retain expertise in the business to take our platforms forward. Doing it this way is a significant long-term cost saving to the business, and we're not going to make the mistake of spending huge sums with consultants who walk out the door, taking our business knowledge with them.

Just like you, we're constantly reviewing all of our fixed costs. The co-operative is in great operational shape and we strongly believe we can build

further on this progress. No doubt we'll get productivity gains from our customers and our investment in technology, but as always securing, training and retaining great people are the cornerstone of our success.

Finally one of my portfolios with the board is as chair of the membership committee. During the past three months our membership applications have trebled I believe this is a testament to the success we are experiencing both now and for the future.

Regards,
Craig McCord
NZPM Director



Dry July - Fundraising for Bowel Cancer NZ.

Plumbing World Support Staff were proud to support fundraising efforts for Bowel Cancer NZ by participating in Dry July. While some found this more "challenging" than others, it was fantastic to raise over \$2,100 for Bowel Cancer NZ.

Since Dry July launched in New Zealand in 2012, the campaign has inspired 37,000 Kiwis to go dry, raising \$5.1 million for people affected by cancer — will you go dry next July?



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\$2,100
raised for
DRY JULY

Blue September.

Plumbing World and Metrix are once again pleased to show our support to the Prostate Cancer Foundation with their annual Blue September campaign.

It provides an opportunity to create awareness about prostate cancer and the importance of early detection while raising much needed funds. Over 3,500 men are diagnosed with prostate cancer in New Zealand annually.

Funds raised during the Blue September campaign enables the Prostate Cancer Foundation to provide support to men and their families living with prostate cancer.

Check out your local branch to find out how you can help show your support this September.



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PROSTATE cancer
it's a REAL THINGEE

For long-time Blue September Ambassador Jason Gunn, Blue September 2020 is much more personal. Long-time friend and puppeteer Alan Henderson died in February from prostate cancer.

Find out more
blueseptember.org.nz

Prostate Cancer Foundation NZ
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4% Gold Rebate

Exclusive offer for our trading shareholders.

Grab a 4% Gold Rebate on all LeVivi, Pipe King and TIVA purchases during July, August and September!

.....
1st July – 30th September 2020
.....

4% Gold Rebate is across all LeVivi, Pipe King and TIVA branded products only. Usual 2% Gold Rebate applies to Metrix and Toto products. Offer is exclusive to NZPM Shareholders. Account must be current as at 31st October 2020 to receive this rebate payment.

LE·VIVI Pipe King TIVA

Branches Nationwide
plumbingworld.co.nz

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Shareholder loyalty.

We love celebrating your loyalty to our co-operative and it's great to see shareholders being acknowledged. Congratulations to everyone who has recently received their loyalty awards.



Denis Reid, Reid Plumbing
50 years



Steve Risdon, S J Risdon Plumbing
30 years



Greg Durrant, Insight Plumbing
20 years



Wayne Miscal, Tararua Roofing Ltd
20 years



Laurie Nola, General Plumbers
10 years



Mark Chapple of Acacia Plumbing
10 years

Long Service - Recognising our team.



Matt Smith - Christchurch Branch
15 years



Stephen Smith - Pukekohe Branch
10 years



Boaz Peach - New Lynn Branch
5 years



NZPM's Mission

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

Part of our NZPM Co-operative
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