

THE CONNECTOR

NEWS 'N VIEWS FROM THE GROUP | FEBRUARY 2017

CHAIRMAN'S UPDATE

Firstly, a happy new year to all shareholders, and I hope that everyone was able to enjoy a decent holiday break with family and friends, despite many parts of the country suffering some fairly winter-like weather.

Many of you will recall that Plumbing World conducted a customer survey towards the end of last year, and the feedback has provided some valuable information about your thoughts and expectations for the business. As part of that survey we also asked our shareholders a few questions about the NZPM Group, and it was pleasing to see that the majority of members are happy with the current co-operative company structure, and this was most noticeable with respondents who have been shareholders for more than 10 years.

A couple of clear themes did emerge from the survey, and one of these was for the board to be more in touch and communicating better with shareholders, so this will be a focus for your directors to work on over the forthcoming months. With many members suffering a daily avalanche of email, one predominant request was for the Connector to also be produced in hard copy, so starting with this edition you'll again be receiving the Connector in both printed and electronic format.

The other main suggestion received was the desire for the co-operative to improve rebate dividends, and we firmly believe this will be achievable through the improvements and initiatives that have been implemented over the last 12-18 months. One of those initiatives was the introduction of a 2% 'Go for Gold' rebate on our own brand products that many shareholders are already taking advantage of, and I'm sure this offering will continue to improve the overall returns that our members receive.

In line with the above, I'm also pleased to report that our improved operating and financial performance will allow NZPM to increase the 2017 Rebate Dividend to transacting shareholders, and based on the rebate dividend policy of distributing 80% of our net profit after tax, we expect this dividend will be in the range of 3.5-4.0%. The rebate dividend will be finalised and declared in the middle of the calendar year.

In addition to this significantly improved rebate dividend compared to the 2.0% dividend of the last financial year, your board has also resolved to redeem the Rebate 2015 Shares in March this year. This early redemption replaces the planned progressive conversion of the Rebate 2015 Shares to Redeemable Preference Shares in 2017 and 2018, and the redemption payment will be made on 29 March 2017.

We look forward to introducing further initiatives and improvements over the forthcoming year that will continue to improve our returns to our shareholder members.

Kind regards,

John DeBernardo
Chairman



EARLY REDEMPTION OF REBATE 2015 SHARES

NZPM Group Limited (NZPM) has resolved to redeem the Rebate 2015 Shares in March 2017.

The early redemption replaces the planned progressive conversion of the Rebate 2015 Shares to Redeemable Preference Shares in September 2017 and September 2018. The redemption payment will be made on 29 March 2017. All shareholders who hold Rebate 2015 Shares have been sent a form to complete and return to the share registrar (Cheryl Coulter) to allow a smooth payment process.

The early redemption is possible due to the improved operating and financial performance of your Co-operative. As reported in NZPM's interim accounts, the initiatives implemented in 2015 and 2016, the new computer system, the stronger market and the continued support of our shareholders, have combined to boost revenue, earnings and cash flow.

In addition to returning funds to shareholders earlier than planned, the increased performance will allow NZPM to increase the 2017 rebate dividend to transacting shareholders.

Based on the rebate dividend policy of distributing 80% of our net profit after tax, NZPM expects that the gross 2017 rebate dividend will be in the range of 3.5 – 4.0%. By comparison, the 2016 rebate dividend was 2.0%.

This forecast rebate dividend is based on a continuation of trading conditions for the remainder of the year and there being no material changes to NZPM's financial position. The rebate dividend will be declared in the middle of the calendar year after the completion of NZPM's annual financial statements.

The board of directors and management wish to thank all shareholders for their continued support of the Co-operative.

Brett Cruickshank
Chief Financial Officer

A MESSAGE FROM PLUMBING WORLD'S GM

Happy New Year everyone.

As you might expect, we have hit the ground running at Plumbing World after the Christmas holidays.

The final details are being completed to start the Plumbing World inaugural Young Plumber of the Year competition. This will be run in three stages; a local competition at all 45 Plumbing World branches (during March and April) where a winner will be selected at each branch to then enter a regional competition. There will be eight regional competitions (around July/August) with a winner selected from each region to then participate in the national competition (October) where the Young Plumber of the Year will be awarded and recognised.

The Young Plumber of the Year competition is an integral part of the Young Plumbers Club and is designed to help advance plumbing, gas fitting and drainlaying as sort after career options. More information will be available at your Plumbing World branch shortly.

The construction of our new branch at Hornby in Christchurch is running to schedule for opening by the end of March. Negotiations are well underway with the landlord of the preferred site for the Invercargill branch relocation. The Board have approved the relocation of both the Queenstown and East Tamaki (in Auckland) branches to bigger and better premises to meet the demand of increasing activity in these areas.

We are also in the final stages of registering the new replacement name for the Aktivita range of products and will be able to communicate that with you most likely in May.

You will also read in this issue of Connector some of the findings from our trade survey conducted last year. In summary Plumbing World are continuing to focus on recruiting the right staff, training our staff to a high level and providing you the high level of service you require.

Thank you for your continued support of Plumbing World – we look forward to continuing to deliver on the many initiatives implemented over the past 12-18 months all to improve the returns to NZPM shareholders.

Rob Kidd
General Manager, Plumbing World NZ



YOUNG PLUMBER OF THE YEAR COMPETITION

Big announcement time – we are happy to be formally introducing the inaugural 'YOUNG PLUMBER OF THE YEAR' COMPETITION!

This competition is designed to celebrate trade excellence - from the employers who offer on the job training for our Plumbers, our suppliers who supply top quality product, to the talented tradesmen who install this for the health of our nation. All of whom contribute to the success of the NZ Plumbing Industry and we want to take time out, and formally recognise this through the Young Plumber of the Year Competition launching in 2017.

We aim to raise awareness of the career opportunities in our industry, put the spotlight on our star tradies and ultimately find the best Young Plumber in our country. During the process we hope to instill some pride and camaraderie within the trade by celebrating this through a formal, structured series of events.

Plumbing World is proud as punch to be championing the cause and formally recognising excellence among our Plumbing trades. More information will follow in the coming month so check in with your branch manager to see what's happening. In the meantime, get talking to your team to see who's keen to test their metal against their industry peers. Exciting times ahead!



young
plumber
of the year



DIRECTOR'S POINT OF VIEW

I would imagine you have all read numerous commentaries about the strange and unstable world we find ourselves in, so I won't add to that. We could spend a lot of time worrying about what might happen, but we can't do much about that. I would rather focus on our own country and our own industry, both of which seem to be in great shape, and are likely to be for some time to come. Never was there a better time to be a small independent country in the South Pacific, with a functioning and relatively stable democracy, and a strong economy.

Yes there is an issue around housing and traffic, particularly in Auckland, but compared to some regions of the world I visit, our traffic problems are not the worst by a country mile. The reality is that we are seeing a construction boom across many parts of NZ, with over 60 tower cranes erected in Auckland alone. Yes there is a shortage of skilled tradesmen, but that has been the case for some time and we have to work with the resources that are available. And yes, there needs to be significant additional investment in infrastructure, but the South Island earthquakes have undoubtedly soaked up a lot of investment capital that would otherwise have been available for other projects. But on balance, I see a glass much more than half full.

So from where I sit, there are opportunities everywhere, and we need to be focused on reaping the rewards those opportunities can provide. For the life of me I cannot understand why our industry remains so competitive with huge pressure on margins. Surely now is the time to take a longer term view and use some of the profitability available to build stronger foundations for our businesses for the future. I believe this level of activity will go on into the 2020s, so this is not about the short term. NZ is now on the global map in many ways, and our relationships with our SE Asian neighbours will provide a solid base for expansion of many NZ companies, and our industry will benefit from the flow on effect from that.

So think about opportunities to leverage off your capability for greater profitability. Plumbing World is committed to being your merchant partner in those endeavours, so please consider your relationship with Plumbing World and NZPM Group in that light. On behalf of the Board I wish you every success in 2017.

Alister Lawrence



OVERSEAS TRIPS

In just over 3 months' time in mid-May, 144 delegates, suppliers and PW staff will be heading to the magnificent European city of Rome!

This desired destination has been eagerly anticipated by all those registered since it was launched back in July 2015. The programme allows them to 'tick' all the boxes of the must do sights this fabulous city has to offer while discovering the incredible history, experiencing its wonderful cuisine and spectacular sightseeing, and of course the amazing shopping.

We would also like to acknowledge the fantastic support we have had from many of our Partner and Preferred Suppliers who will be travelling with the group. Their contribution allows us to enhance the events within our programme to make them all that more special.

At the same time we are continuing to receive registrations for our Funtimes in Fiji 2018 Convention in May next year. If you haven't already registered why not consider doing so, and give yourself and your family a fabulous relaxing warm holiday break just before winter.

Don't miss out on the opportunity to experience a wonderful and memorable Plumbing World Overseas Convention for yourself. Plus you can use your MaxPoints to help offset your travel costs. Talk to your local branch manager now.



TRADE RESULTS SUMMARY

In the second half of last year we conducted a Trade Survey via email for all our Shareholders and Trade Account Holders. These surveys allow us to gather feedback directly from you as to what you want and need from a merchant, and a cooperative. This then enables us to come up with new initiatives and make changes that can help improve your experience with Plumbing World.

Below are some of our key findings and we look forward to sharing more insights with you in future issues:

- On average our Shareholders are older than our Account Holders (43% aged over 55 for Shareholders and 26% aged over 55 for A/C Holders).
- A high % of shareholders describe their business as being well established (43%) while 13% are thinking about retirement. Only 3% of Shareholders say they are just starting out, while 14% of account holders are in this starting out stage.
- Trade customers continue to value efficiency when making merchant selection. Top priorities for Shareholders and Account Holders are the same as 2012, being:
 - » Service (efficient customer service and good staff product/industry knowledge)
 - » Availability of core stock
 - » Competitive pricing
- Personalised service and a positive staff attitude are seen as particularly important for Shareholders when determining which merchant gets their spend.
- Satisfaction levels are relatively high for both Shareholders and Account Holders at 75% and 72%.
- Only 2% of Shareholders and 4% of account holders stated they were very dissatisfied.
- Quality products is PW's strongest selling point for trade customers, with 'being easy to deal with' a second area of strength.
- The biggest thing both Shareholders and Account Holders are looking for from their plumbing supplier is better service and friendly, helpful and knowledgeable staff.
- 39% of Shareholders and 26% of Account Holders are happier today than they were 12 months ago, a strong indication that PW is delivering improvement in areas that matter to account holders and shareholders.

REGISTER NOW

Don't forget to secure your spot to this years Master Plumbers' Conference.

There is still time to register!

For more information, and to register, go to: www.masterplumbers.org.nz



Master
Plumbers®

NEW ZEALAND PLUMBING CONFERENCE 2017

10-12 APRIL 2017, RUTHERFORD HOTEL, NELSON

SHAREHOLDER LOYALTY



**10
years**

Allgas & Plumbing Services Ltd



**40
years**

Jock Clark Plumbing



**First
Builder
Shareholder**

Mike O'Meeghan | GJ Gardner

HEALTH AND SAFETY

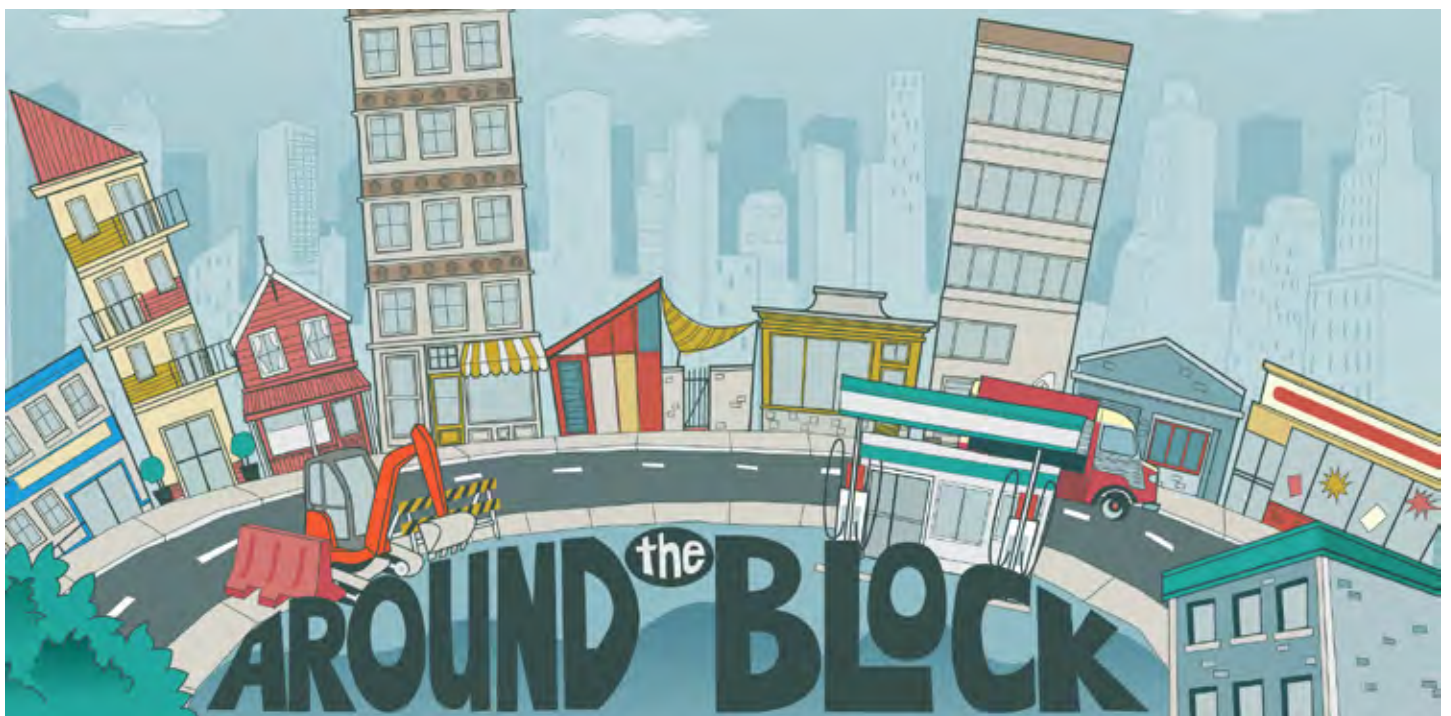
Late last year WorkSafe NZ released new tools to help understand and develop Health and Safety in the workplace.

"Around the Block" is a fun animated programme built in collaboration with ACC to help you better understand your obligations under the new Health and Safety at Work Act. Check out each of the workplaces and see if you can spot the Health and Safety issues!

This is a great tool for educating your team on some of the hazards in and around a workplace.

You can check out this interactive tool by clicking the image below or visiting:

<http://www.worksafe.govt.nz/worksafe/toolshed/around-the-block>





WHAT'S GOING ON IN YOUR REGION?

YOUNG PLUMBERS' CLUB LOCAL EVENTS

Plumbing World Wanaka's YPC Volleyball team joined in the inaugural Wanaka Social Summer Volleyball League at the brand spanking new Wanaka Recreation centre. They had a good hit-out but unfortunately didn't quite make the cut for the finals but all in all, had a lot of fun playing. Well done to Corrine and the team, there's always next season!



There's a bunch of events happening in the regions with Felton, SPK, and MM Kembla. There are events running with our branches and shareholders in Northland, V8 simulators hitting Tauranga and Napier shortly, and plenty of events on the horizon with our 'Young Plumber of the Year' Competition. We hope you can get along and get involved sometime in the coming months. If you want to know what's going on with your local club please get in contact with your local branch manager.

SHAREHOLDER EVENINGS

There are a few shareholder meetings coming up throughout the branch network so please keep a look out for these. There's plenty of things going on in the branch network with system upgrades, new exclusive product releases, MaxPoints and exclusive rebates among many other things. Not to forget our annual Shareholder Roadshow that will also be kicking off later in the year with Rob, John, and NZPM board members on hand to update you on your co-operative and answer any questions you may have. Check in with your local branch manager to see what meetings are coming up.

Save the date - The NZPM Group annual meeting will be held on Friday 18 August in Blenheim. More details to follow.

GET GEARED UP WITH MAXPOINTS

Did you know you can use your MaxPoints to organise Hunting excursions with Te Awaiti hunting Adventures? Pay for your Master Plumbers Conference registration? Organise an overseas trip with PIC travel? There's over 3,000 rewards available and new options being loaded all the time - there's so much on offer and so much you can do with your MaxPoints so if you're not a member or want to know your points balance talk to your rep or local branch manager, visit the website www.maxpoints.co.nz, or call them on 0800 221 202 and start getting the rewards you deserve!



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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