

9 June 2025

## **NZPM Shareholder Announcement - FY25 Co-operative Dividend Update and Strategic Outlook**

Dear Shareholders,

We are writing to update you on NZPM's unaudited financial results for the year ended 31 March 2025 and the board's decision regarding the Co-operative Dividend for Ordinary Shareholders.

### **Financial Overview**

The past financial year has been one of the most challenging periods NZPM has faced in over a decade.

Persistently soft market conditions, highlighted by weak residential demand and commercial project deferrals have impacted our sales revenue which fell by 8% to \$296 million. The decline in revenue increased since our half-year report where revenue was 6% behind the prior comparative period. The weaker market also placed downward pressure on our sales margins which reduced by 1%.

Enduring lower revenue and sales margins are particularly challenging for NZPM as we have a relatively high fixed cost business model from rent, staff and vehicle costs. While we have been able to reduce operating costs including reducing the number of employees, retaining capable staff and our branch footprint is important to service our customers. During the period, we have closed and re-leased a warehouse in Wellington and removed a number of roles from the business. Looking forward, we will continue to make further cost cuts.

The lower sales revenue and margins have combined to reduce our underlying earnings for the year ended 31 March 2025 compared to the prior year. We will communicate these with you in detail in July when we complete our audit and finalise our annual report.

### **Co-operative Dividend**

Given the financial result, and in line with our Co-operative Dividend Policy, NZPM will not be paying a Co-operative Dividend to Ordinary Shareholders for the year ended 31 March 2025.

We recognise the significance of this decision and the impact it may have on many of our shareholders, and we assure you it was not made lightly.

### **Strategic Outlook**

Looking ahead, consistent with most companies in the New Zealand construction industry, NZPM faces continued headwinds through ongoing subdued market demand. In addition, as earlier communicated, our Kainga Ora maintenance contract ends in June 2025.

We are focused on protecting and strengthening our customer base and shareholder support through paying Go for Gold rebates on purchases of Metrix, LeVivi, TIVA, Toto and Pipe King products, competitive pricing, inventory levels and high-quality customer service.

Our view continues to be that reinvesting in technology is vital for the long-term viability of the business. Over the past four years, NZPM's heavy investment in technology has been aimed at supporting customer growth by improving connectivity, improving our margin management and

business productivity. We have completed the computer system replacement which was a critical long-term investment project to enable these benefits and reduce operational and technology risks. Concurrently, we have invested in our pwGO platform, and we continue to upgrade our technology hardware. These projects have been funded from a combination of selling our Drury properties and our cash reserves from the strong trading period of 2020 – 2023.

In these challenging economic times, it is more important than ever that NZPM maintains liquidity and financial flexibility. For this reason, the company has made the decision to explore the sale of a property that it owns in Kingsland, Auckland to lower our bank debt. We have also renegotiated a change to an earnings bank covenant with Westpac while we work on improving our profitability.

We will continue to apply prudent cost management across our cost base which includes managing our overall staff levels to match our revenue demands. We also remain committed to carefully controlling our inventory, which includes having the right stock on hand for our customers.

We believe our own-brand product strategy is essential to the co-operative's long-term success, and sustaining strong partnerships with our trusted suppliers to support our customer base.

### **Shareholder Support**

We recognise that providing a sobering update on the difficult trading conditions and announcing our decision to not pay a Co-operative Dividend will be disappointing for our members.

We do ask that you to continue to partner with us as we trade back to a sustainable level of profitability that will allow NZPM to restart Co-operative Dividend payments in the future.

Our shareholders are central to our co-operative with approximately two-thirds of our revenue coming from our shareholder customers and a large portion of our balance sheet funding coming from our ordinary and redeemable preference shareholder base.

### **Final Comments**

We understand the wider challenges in the market and how this may be impacting your businesses.

We remain focused on maintaining a long-term view and delivering sustainable value for our shareholders. Your support of NZPM through both prosperous and more difficult times is greatly appreciated, and we are very committed to retaining your confidence. We continue to take all necessary steps to position the co-operative for a strong and resilient future.

We will continue to communicate openly and ensure you are updated as we navigate the path ahead.

Thank you for your continued loyalty and support.

Yours sincerely,

**Kathy Meads**  
Chair