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Connector

News and views from the Group.

Chairman's update.

A very happy New Year to all of our NZPM co-operative members, and I trust that everyone enjoyed a relaxing summer break with family and friends.

2019 will be an interesting year for our industry as the government continues to grapple with its issues in the housing market, changing behaviours in the construction market, and the flow on effects from some of the major world economies as they soften. Internally, we will continue to focus on building our own resilience and capability.

In December the Board approved the sale of our 12.5% shareholding in CMS (Construction Marketing Services Limited) to another shareholder of CMS. The sale of this minority shareholding aligns with our group strategy to focus on our plumbing businesses, and the final price agreed represents a healthy premium on NZPM's carrying value of \$1.2 million. The proceeds from the sale have been applied to debt reduction.

Financially, the co-operative had a solid December quarter and we expect that business momentum to continue in the short and medium term, so 2019 promises to be an exciting year for NZPM Group. We will look to further grow our network

and footprint throughout the country and continue to build on our customer service offering, including the introduction of some of the new technology we've been working on.

Both the Board and Management are genuinely excited by the innovative work that our Digital and Technology team are carrying out, and this will remain a big area of focus and investment for us over the next period of time. From both a member and customer perspective, there are some really exciting things coming in the technology space, and NZPM expect to be a market leader in delivering a range of exceptional service solutions.

Some of the other key topics for the Board this year will be developing our environmental and sustainability profiles as we seek to match best practice, together with continued development toward realising the seven Rochdale principles that are enshrined in all co-operatives:

- Voluntary and open membership
- Democratic member control
- Member economic participation
- Autonomy and independence
- Continuing co-operative education, training and information

- Co-operation amongst co-operatives
- Concern for community

Finally, later on in this edition of Connector there are articles from our Appointed Director Kathy Meads, and from one of our 2018 Future Governance Programme appointees Reuben Cutts. We hope that Reuben's experiences will encourage more of our members to put their name forward when we open our 2019 Future Governance Programme applications later in the year.

Kind Regards,



John DeBernardo
Chairman



A word from Rob Kidd.

To continue providing excellent shareholder and customer service across the country, I am pleased to confirm we now have 50 Plumbing World branches operating with the two newest branches opened in December and January located in Papamoa (BOP) and Cromwell.

Our 51st branch in Kumeu (West Auckland) is under construction and due for opening mid-year.

As I've mentioned over the past months, to both support and leverage off our strong "bricks and mortar" store base across the country, Plumbing World are investing significant funds into developing a number of very exciting digital and technology platforms. These will enable you to more easily and efficiently purchase product from us and help provide significant operating benefits for your business.

The first two are the Commercial Quoting System (CQS) and Trade Purchasing App.

The CQS will enable you to accept quotes from Plumbing World without your business or Plumbing World having to rekey the product information when you accept a quote and turn it into a purchase order – this will save time and help eliminate human error. We expect the CQS to be up and running by mid-year.

The Trade Purchasing App is progressing very well and is currently being branch tested with customer orders in both Auckland and Palmerston North. The App will enable you or your staff to purchase product from any location utilising your mobile device. You will be able to select product, add an order number and provide a delivery address to link to our delivery service saving you valuable time (unless of course you want to come into the store to pick the product up).

At this stage we envisage the initial release of the Purchasing App to be mid-year.

Thank you for your ongoing support of Plumbing World, we look forward to delivering many exciting initiatives for you.

Regards,



Rob Kidd
Plumbing World GM



Redeemable Preference Share dividend rates.

Dividend rates for Redeemable Preference Shares issued by NZPM Group Limited (NZPM) are set in advance of each quarter by the board. Dividend rates are formally reviewed annually or more frequently if there are significant changes in market yields.

The board recently reviewed market data for similar investments and concluded to retain rates at the current levels:

- Quarterly fixed dividend period – 6.00% per annum
- Two year fixed dividend period – 6.10% per annum
- Three year fixed dividend period – 6.25% per annum
- Four year fixed dividend period – 6.25% per annum

We continue to encourage investors to consider investing for fixed term periods of two, three and four years. Investing in fixed term dividend periods holds the rate steady over the investment period and only allows shares to be redeemed at the end of the fixed dividend period rather than at the end of each quarter. Dividends are paid quarterly for all investment periods.

All existing Redeemable Preference Share investments continue to default to the quarterly rate and can be redeemed quarterly. To apply for fixed investment periods, please contact Cheryl Coulter by email (cheryl.coulter@nzpm.co.nz).

NZPM will continue to monitor market dividend yields for similar investments and will continue to take advice as required to ensure that we are offering competitive returns to our investors.

NZPM continues to enjoy strong support from investors with the maximum new investment in Redeemable Preference Shares for individual shareholders (and related parties) limited to \$50,000 per quarter.

NZPM thanks all shareholders for their continued support of the co-operative.



Brett Cruickshank
Chief Financial Officer

Director's point of view - Kathy Meads.

I was delighted to join the NZPM Group Board in November 2018 as an Appointed Director, and am thoroughly enjoying the challenge of learning how the plumbing industry operates, which is a new business sector for me. I have been very warmly welcomed into the NZPM family by the Board and the staff in Auckland. I am based in Christchurch, and did my first Plumbing World branch visit at Papanui just before Christmas.

My fellow directors are all very engaged in the Group's activities, and have an excellent knowledge of the industry which they are happy to share with me in spades! I have been hugely impressed with the passion for what NZPM is doing by everyone I have spoken to over the last two months. I have become an avid recruiter for members as well – every time I meet a plumber nowadays I ask if they are a member of the NZPM Group!

Because of my background in finance, I was asked to chair the Audit and Risk Committee (ARC). Brett Cruickshank and I recently met with Bryce Henderson, the partner from Deloitte who oversees our annual audit. I am happy to report that we are in

good shape for the upcoming audit, with no areas of significant concern being raised by Bryce – a wonderful start as a new ARC Chair!

I have recently read a thought provoking article about focus areas for Boards, and the duty of Directors to encourage Management to plan for the longer term. The article outlines what is being labelled as the fourth industrial revolution or "Industry 4.0" – this is driven by new technologies and what is defined as "relentless" digitalisation. This includes scanning and sensing, artificial intelligence, machine learning and the 'Internet of Things'. We are now seeing the beginnings of a changing world—driverless vehicles, drone delivery, wearable technology and robotic teams. We need to be constantly questioning how to create value in a more digitised world.

We do need to be careful to distinguish between the hype of all those possibilities and the real opportunities within our co-operative. However, there is a lot we can do in the technology space to make things work more smoothly and efficiently for you all, and I believe we can

achieve tangible benefits in the near term. Examples include managing our stock levels in a more automated way and getting ahead of our competitors in service delivery. The Digital and Technology Team is working hard on several projects which will deliver more streamlined processes using digital tools. It is an exciting time for the Group, and a great time for me to have begun my journey with you all.

I look forward to getting to know more of you in 2019, through branch visits and conferences.

Best regards,
Kathy Meads
NZPM Director



Young Plumber of the Year.

Plumbing World's Young Plumbers Club is gearing up for another fabulous Young Plumber of the Year competition in 2019.

Registrations are now open and it's free to enter. For full terms and conditions, and to check out the prize pool (for both contestants and employer) please visit our website: www.ypc.co.nz

Our first branch events kicking the competition off, will be held in Palmerston North and Timaru during the first week of April. For a full list of events and to see when your local branch is hosting theirs, you can head to the Young Plumbers Club website for details.

We are thankful to have such great industry support from our sponsors, as well as a few

well known brands such as Red Bull and Puma Golf.

We look forward to seeing you during the many branch events held nationwide from April 2019.



Future Governance - Reuben Cutts.

I was gutted. My first board meeting on the NZPM Future Governance Programme and I had contracted a heinous case of the Man Flu (my Doctor said it was one of the worst she'd seen). But a month later following recovery, I was able to attend my first meeting.

Here are some observations. These are formal affairs. Rules and etiquette of the boardroom are met, discussion is kept on point, agenda is followed relatively strictly. Each board member contributing to discussion, each with their own style, angle and value. Dale Carnegie said in business "when two partners always agree, one of them is not necessary." This holds true here.

There is no lack of encouragement to participate in the discussions, and if there is some point the group has not thought of, they are thankful when it's brought to their attention. Do not expect to get involved in discussion about what is happening at your local branch. Do not expect there to be an open forum where you'll have the opportunity to promote ideas that will ultimately benefit your own business. This is about the big picture. This is about the co-operative.

In economics, adopting a 'cool head and a warm heart' attitude

is the foundation of promoting growth and opportunity. I believe this principle is present within our boards culture, which I think is healthy. I have observed situations where great empathy has been present, and a genuine willingness to provide guidance through tough circumstances. However, I have also seen a less empathetic approach for other situations, where a ruthless but calculated approach is required.

There is considerable emphasis on risk management and compliance obligations, and this part of governance is so vitally important to ensure the integrity of NZPM. I have been impressed with the diligence applied to tasks that can be tedious and mundane. I have been equally impressed with the emphasis placed on ensuring an over bearing compliance and risk management policy does not hinder performance and efficiency. The good news is that the bad news is not left out. The board wants to know the answers, warts and all—and not just the good stuff, and for this, the future bodes well.

So, unless you have prior board experience, I believe the Future Governance Programme is an essential stepping stone on the path to becoming a board member for NZPM. I would encourage you to participate when you're ready. The selection

process it's not for the faint hearted, especially for those who have little interview experience. My one recommendation to those considering applying is to read up and gain a good understanding about the basics of governance. Without this knowledge, I believe some shareholders who possess the acumen required to make a valuable contribution as a board member, may not necessarily present well during the interview process. As a new generation of shareholders become part of NZPM, we will need a new generation of shareholder directors to guide us in the future, and the NZPM Future Governance Programme is the perfect place to start.

Regards,
Reuben Cutts



Burt Munro Street Race.



Invercargill's streets were congested with motorbike enthusiasts from around the country as yet another successful Burt Munro Challenge took place in the first week of February.

Plumbing World Invercargill was right on the circuit for the Burt Munro Street Race and had over 100 people on site to see the action in person. Invercargill branch dished up plenty of kiwi hospitality to the locals and a few international visitors who stopped by.

Did you know - Burt Munro's 1967 record of 183.58mph that he recorded at the Bonneville Salt Flats in the United States still stands today.

Decembeard.

A challenge was put out in December to all male staff members from Plumbing World and Metrix to grow a beard for Bowel Cancer NZ's annual fundraiser called 'Decembeard'. Two Marketing team members, a couple of branches and Garry Ivill from Metrix helped to raise just over \$3,400. In total Bowel Cancer NZ raised just over \$16,000, it was great to know that we contributed 20% to Bowel Cancer NZ's fundraising efforts.

A special mention goes to Garry Ivill who single handedly raised just over \$2,100 and our Pukekohe Branch who raised just over \$1,000.

Bowel Cancer NZ were very pleased to announce that they exceeded their fundraising target of \$15,000, which will go directly towards educating New Zealanders on the early symptoms of bowel cancer as well as providing educational resources and support services.



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young plumber of the year

2019-WILL YOU MAKE THE CUT?

PRIZES VALUED OVER **\$25,000** TO BE WON

INCLUDING A TRIP FOR TWO TO BEIJING, CHINA IN 2020

Hayden Findlay 2018 Young Plumber of the Year winner - Eco Plumbing & Gas Ltd

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SUPPORTED BY: Allproof Industries, Auckland Master Plumbers, Bromic Ltd, Greens Tapware, Heron Plumbing Ltd, HiFlo Plumbing, Hutt Gas & Plumbing Systems Ltd, Peter Jackson Plumbing, Precision Group, Toto and Whitehead Plumbing & Gas Ltd

Shareholder loyalty.



Brett from Watkins Plumbing, Henderson, Auckland



Nick from Gas Appliance Specialists, New Lynn, Auckland
Left to Right: Jared Williams (Area manager), Nick Ray (owner), Boaz Peach (Branch manager)

Metrix update.

The 800 square metre Metrix architecturally designed showroom is full of displays of mostly European branded front of wall bathroomware.

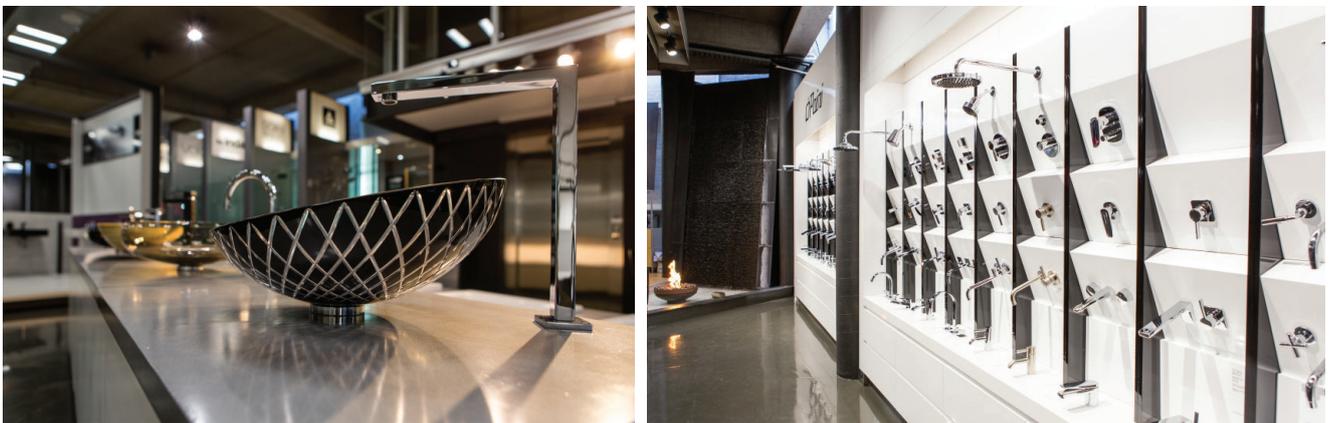
Our major brands are all represented – Duravit basins, toilets, baths and furniture; Dornbracht tapware from Germany; Vola tapware from Denmark; Kaldewei baths and basins from Germany; Paini tapware; Valsir inwall cisterns; and Glass Design basins from Italy, plus several other brands.

Architects and interior designers use our showroom and our expertise to turn their plans and their clients' dreams into a reality.

NZPM shareholders can utilise this resource as well. Any shareholders anywhere in New Zealand, who have clients building or renovating a large house, can introduce them to Metrix, and we will look after the specification and product selection. We will also reward the shareholder for introducing their client to us. All it takes

is an initial conversation and some fundamental rules of engagement that need to be agreed up front, and from there we can work together for you and your client.

If you have an opportunity please phone Garry Ivill, General Manager of Metrix, on 021 494949 to discuss how we can help.



Metrix app competition winner.

From October 2018 through to just before Christmas, Metrix offered the chance for NZPM Shareholders and their staff to **win a \$500 Prezy card** if they downloaded our new Metrix app.

We are pleased to announce that the lucky winner is Ray Shepherd from Foreshore Plumbing on Auckland's North Shore. Ray received his \$500 Prezy card two days before Christmas and is planning to use it on their family fishing trip up north.

Ray is one of hundreds of NZPM shareholders who downloaded the Metrix app and are using it regularly as an information tool in their business.

You can download the app by searching "Metrix New Zealand" on the App Store or Google Play. Fill out the online form and you will be underway.



NZPM's Mission

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

Part of our NZPM Co-operative
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