

Connector

News and views from the co-operative.



Chair's update

Welcome to our December Connector Magazine.

What a difference a year makes. In December 2022, we announced that our consolidated revenue for the six months to September 2022 had increased by 18% from the same period in 2021 to \$169.7 million. Last month we announced that consolidated revenue to 30 September 2023 had remained static for the six months at \$169.4 million.

It is clear we are facing challenging headwinds with sales demand softening, particularly in the new residential construction sector. On the flip side, our sales to customers who operate in the commercial and maintenance segments have remained steady and this helped buffer the business from an overall decline. We are grateful to our shareholders and customers who continue to support us during these tougher market conditions.

Looking forward, we expect that the pressures of high interest rates, high inflation and soft market demand will continue for the short to medium term. We are maintaining a cautious approach in managing these market dynamics, and are focused on operating the business prudently by closely monitoring our costs and cashflows.

The Board continues to be appreciative of the hard work and dedication demonstrated on a daily basis by our staff who continue to deliver great service to you all. When I visit our branches, I am always impressed with our teams' knowledge and enthusiasm. Simply put, our people are the heart and soul of the business.

I am delighted to advise that we have staff turnover levels that are significantly lower than what the co-operative has experienced in recent years. As well as a number of market factors that have changed the labour market, we believe the quality training and development programmes put in place over the past two years, along with an increased level of wellbeing support now available to all staff have contributed to the decline.

In September, a Master Plumbers/NZPM liaison committee meeting was held at our new NZPM Parnell Head Office/Metrix showroom. It was a very valuable and wide-ranging discussion, with the benefits of the two organisations working together for the betterment of the industry reinforced.

In November, your Board and Management team met for our annual strategic planning review for the co-operative. NZPM operates annual, five year and ten year rolling strategic plans that we update towards the end of each calendar year, and these in turn feed into our business and budgetary planning for the upcoming financial year that starts in April.

At a high level, there are three key strategic focus areas required for NZPM to be successful and deliver the strategic plan. They are:

- Investing in technology initiatives — including our Microsoft Dynamics 365 implementation and pwGO ongoing development;
- Enhancing our customer service model; and
- Growing our own brand and Metrix products.

The team are focused on doing all the right things at both the strategic and operational levels to ensure the co-operative remains competitive and viable in the long term. You can be assured that every discussion we have and all decisions we

make around the board table are centred around and tested against our commitment to continue delivering sustainable shareholder value to you all.

Finally, as this is our last Connector for 2023, I'd like to acknowledge the support of my fellow directors and our great team across NZPM for their hard work and dedication throughout the year. Likewise, I want to thank our shareholder members and

customers who continue to support us every day with your business.

On behalf of the Board, I wish all of you and your families a safe and enjoyable Christmas and New Year.

Kind Regards,
Kathy Meads
NZPM Chair



CEO update

With another year having raced by and the Christmas and New Year holiday season once again upon us, I thought it was a good opportunity to reflect on the past twelve months and consider what we have collectively achieved as a co-operative.

Our shareholders and customers remain at the centre of everything we do in our commitment to continue delivering sustainable shareholder value:

- In February, we completed the rollout of pwGO Express to every Plumbing World branch across the country to enable the over 4,000 shareholder and customer users of pwGO a fantastic opportunity to shop with us more efficiently.
- In May, we opened our 57th Plumbing World branch in Drury to support our members and customers who are undertaking work in this fast-growing part of South Auckland.
- In July, we relocated our Metrix showroom and NZPM support office to Parnell Rise providing our customers a stunning new showroom away from a flood-prone zone of Auckland while also saving lease costs.
- In the final quarter of the year, we relocated both our Kerikeri and Papamoa branches to new and bigger sites to support strong customer demand in both areas.

- We completed the build phase and first round of system testing for our new Microsoft Dynamics 365 technology project. This is an exciting project that will enable NZPM to implement globally recognised technology, improve efficiencies and help make dealing with us everyday that much more frictionless.
- In September, we paid a 5% Co-operative Dividend to Ordinary Shareholders, made possible by our staff's great service and our shareholders loyalty, despite a much more challenging market environment.
- In November, we crowned Cody Hall from C F Reese in Hamilton as the 2023 Young Plumber of the Year winner. Cody headed off over 450 contestants during the branch and regional events and nine other exceptional finalists to be crowned this year's winner.

As we head into a New Year with continued market uncertainty, we will continue to introduce new ways of delivering sustainable value to our shareholders. Of course, you can help us in that endeavour — the more you buy from Plumbing World, the stronger your 100% New Zealand owned NZPM Co-operative will be, which in turn, helps enable a dividend payment to our shareholders and supports your local community.

Next year we will be commemorating NZPM turning 60 years young. We will have a series of events, activities, and promotions throughout the year to celebrate such a major milestone.

In the meantime, thank you for your support of NZPM, Metrix and Plumbing World (the only 100% trade owned plumbing merchant in NZ) during 2023 and we look forward to continuing to ensure your co-operative continues to be strong and resilient through the months and years to come, providing the great service that you expect from us.

On behalf of everyone at NZPM, we wish you a Merry Christmas, great holidays, a safe and wonderful New Year and look forward to seeing you in 2024.

Regards,
Rob Kidd
NZPM Chief Executive Officer



Director's point of view

One of the most rewarding parts of my role at NZPM is talking to new members. As Chair of the Membership Committee for NZPM, I co-ordinate a committee member to personally call all of our new shareholders — to both welcome them as a shareholder and congratulate them on their choice to join our great co-operative. It is a privilege to introduce ourselves and listen to their journey so far as business owners.

While many new members are experienced in the trade and have been trading successfully for several years, there are a significant number of new members who have taken the leap into a relatively new world of running and maintaining a business. To be successful and sustainable, it's not enough to just be a top tradesperson. The first piece of advice that I give new business owners is to take advantage of the myriad of professional development courses available to make this transition easier. With the economy now well into a softer trading period, I encourage you to use some of your time to seek out courses that build your business skills as the old saying that "knowledge is power" still rings true today.

As with all personal development, you should consider your weaknesses as well as your strengths. I've highlighted a few areas for our newer business owners to consider, especially during a downturn.

Number one is cashflow. Without it, all new businesses struggle, and banks hesitate to support them. To achieve strong cashflow you need to be extremely diligent with your invoicing and debtor collections. While this is a job which is easy to defer, it is vital for your business health.

Next on my list is staff productivity and accountability. To get both working well, it is really important to have good systems with in-built controls and easily repeatable processes. Think about how you can leverage off Plumbing World to help with productivity and process efficiency by using our pwGO app and pwGO Express for ordering. You can also download your invoices so that you can quickly generate your customer invoice. You should also explore how our various service delivery solutions could help improve your productivity.

It is more important than ever to monitor your margins. Inflation is currently eating into the good work that many of us have taken years to increase. My advice is to carefully assess the impact of a cut in your margin to win a contract — always look for alternative solutions.

Lastly, be aware of a "really good contract" just walking in the door. Do your due diligence carefully. If it looks like it is too good to be true — it usually is. The contractor could be in financial trouble, or you could be placed under unrealistic time pressures to get the work done.

As a director of NZPM, our responsibilities are no different. It matters little which cycle the industry is working through — we ultimately look for the same outcomes as you the business owner — to navigate whatever is put in front of us professionally, and to achieve the optimum results in conjunction with our fantastic team.

I hope you all have a great Christmas with your families and wish you a profitable New Year.

Regards,
Craig McCord

Kerikeri Branch Relocation

Plumbing World Kerikeri began welcoming customers to their stunning new location in October. If you are in the area, drop in and say hello to the team.





Metrix Update

As we head into the final weeks of the year it's a good time to reflect on the challenges and successes we have experienced. Without a doubt the biggest challenge was 27th January when along with many other homes and businesses, our Parnell showroom flooded extensively. This resulted in us needing to demolish a lot of our displays, our work areas and for six months operating from what was left of our showroom. However, out of that stressful environment came the great outcome of an even more cohesive team working together to still provide outstanding customer service in the face of adversity.

Our new showroom was already underway before the events in January so moving into a custom designed space in July was great timing! The feedback for our beautiful building from shareholders, designers and our NZPM people has been outstanding. All of our major agencies

such as Duravit, Dornbracht, Vola and Valsir are displayed in lifestyle settings to appeal to homeowners and designers.

Whilst the year has been challenging mainly due to events out of our control, we have still delivered a good financial result to the end of the calendar year with the start of 2024 and the final quarter of our financial year looking strong with good projects specified and the Parnell showroom performing above expectations.

I would like to take this opportunity to thank our NZPM shareholders for your support of Metrix with your projects and would welcome you to visit the team in Parnell or meet with one of our team at your premises.

Wishing you all a relaxing Christmas with your loved ones.

Thanks
Karin Cunningham



Shareholder loyalty



Social Responsibility

Big Buddy Golf Day

For the past eight years the Plumbing World Auckland team have hosted an annual golf tournament at Chamberlain Park in Mt Albert. As the years have passed the tournament has continued to evolve with charity sponsorship becoming more of a focus each year. From humble beginnings the tournament now hosts over 100 participants along with 50 staff and suppliers and for the past two years has provided donations to the Big Buddy charity. Supporting us has been former All Black Grant Fox, who amongst other things is also an ambassador for the Big Buddy charity. In November 2023, on top of some stunning weather and very good golf, we witnessed more generosity from our supply partners and customers, meaning another \$12,000 was raised. When added to the \$10,000 raised in 2022, the total donated to Big Buddy from this tournament is now over \$22,000. Plumbing World is proud to partner with Big Buddy to support the boys in New Zealand who need their help.



Breast Cancer Foundation

As a follow on from our previous article in October, we finished up our fundraising for the Breast Cancer Foundation with over \$10,000 raised. This is a great result for our first time supporting the Breast Cancer Foundation with a national month of fundraising across all our sites. Many thanks to all our generous shareholders who helped support this cause.



Young Plumber of the Year 2023

The 2023 Young Plumber of the Year Competition was recently completed at Claudelands, Hamilton with local entrant, Cody Hall from CF Reese Plumbing, Hamilton taking out the title.

The final brought together the ten very best young tradespeople from around the county with the finalists coming from the nearly 350 young plumbers who competed in nationwide branch and regional stages.

Cody won the final against a very high calibre field. A third generation certifying Plumber/Gasfitter/ Drainlayer, Cody is a former 2021 national finalist so had a good foundation to work from and take out the title. It was fantastic to see him supported by his partner Sarah, and his wider family, legacy shareholders, Hallrite Plumbing.



Our runner-up, Liam DeWar, (Quantum Waste Water Systems Ltd - Lower North Island) is a very talented Certifying Plumber and Tradesman Drainlayer/Gasfitter, while third place Blake Patrick, (Limitless Plumbing and Gas Limited – Northern Region) capped off an exceptional first year in business for this certifying Plumber/Gasfitter, Tradesman Drainlayer. Our MVP (Most Valuable Plumber) at the national final was Ben Howie (Foley Plumbers – Southern Region) who demonstrated the core Young Plumber Club values of positive attitude, integrity, growth, and an exceptional skillset.

The three-day event was a mix of learning, camaraderie, competition and finished with a bit of glamour. Starting in Auckland, our finalists spent two days visiting some of our platinum sponsor suppliers and Plumbing World locations to learn more about the industry and the day-to-day products they use in their roles. Once the team arrived in Hamilton, the finalists went straight into a demanding 45-minute theory test before meeting up for dinner with the Plumbing World Young Plumbers team and getting set for the big day the following morning.

It was an early start at Claudelands Event Centre with live AM Show crosses just after 7:30am showcasing our industry with William Waiirua, followed by a panel interview and a somewhat

gruelling 4-hour practical skills test to install a complete bathroom including the hot water cylinder and valve train and then the front of wall installation for a shower, basin, toilet and tapware.

The event was given a bit of energy with the Red Bull DJ event vehicle team and car racing simulator as well as keeping everyone fuelled with Red Bull close at hand. The day concluded with everyone getting into their No. 1's for the National Awards Gala Dinner, hosted by the very entertaining Laura Daniels.

It was a long and action-packed day for our finalists who all walked away with some fantastic products from Toolware and Milwaukee and small shareholdings of NZPM Redeemable Preference Shares. Cody's winners' prize includes a trip for two to join our shareholders on the Plumbing World Pearls of Port Douglas holiday in May 2024.

Cody's employer, C F Reese Plumbing who is a loyal NZPM Co-operative shareholder received almost \$5,000 of prizes including a Cobra Fly-XL Golf Club package thanks to Puma in recognition of their employee taking out the Young Plumber of the Year crown for 2023.

We were once again able to work with our generous sponsors to donate all the plumbing product used in the final to Habitat for Humanity. This local community focused charity will use these products to repair and upgrade affordable homes for local families.

Young Plumbers and the Young Plumber of the Year competition would not be possible without the ongoing support of our valued family of sponsors. We would like to again thank our sponsors for their ongoing loyalty, innovation, collaboration and investment in the competition and the plumbing industry's up-and-coming talent.

A huge congratulations to all ten very deserving national finalists who proudly represented their respective regions and our trade on the national stage, a significant achievement in and of itself. The competition continues to go from strength-to-strength and reinforces that the future of the plumbing trades is in very safe hands.

With the support of our customers and suppliers, Plumbing World and Young Plumbers will continue to celebrate and showcase our trade excellence on the national stage.

See you all again in 2024!

