



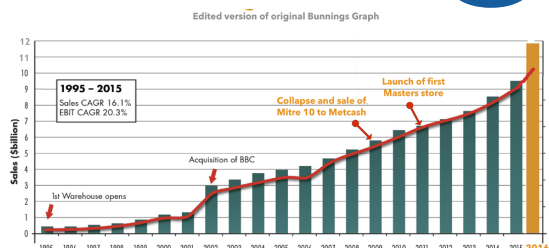
Vol. 2 No. 14

Masters

Home Improvement



MASTERS' LAST STAND



BUNNINGS BRINGS IT 2015/16 RESULTS

LOWE'S RESULTS • KINGFISHER RESULTS • METHVEN RESULTS • APARTMENT BUILDING APPROVALS GROW • ACE CONTINUES TO THRIVE • CHINESE HARDWARE GROUP SEEKS SITES IN SYDNEY

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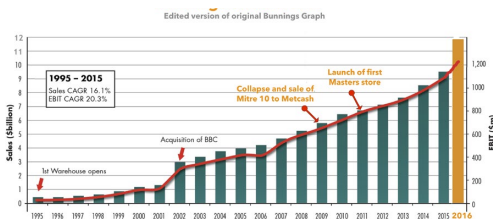
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Masters Exits

Woolworths unveils exit strategy with three parts for Hydrox Holdings. Lowe's challenges strategy in Federal Court. How will this affect the industry?

29: click to view



Bunnings 2015/16 results

The biggest name in Australian home improvement retail continues to get bigger, posting record sales and EBIT. How is Bunnings continuing to improve its stores?

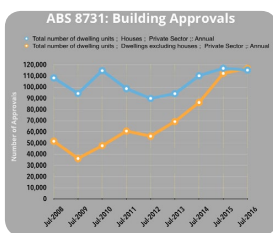
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TSCM / CC316

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big box update

Another “threat” to Bunnings?

in this update:

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Small format Bunnings in Toombul

Opposition gathering to Bunnings in Coolum

Bunnings to build store in Virginia, QLD

China chain has plans for Sydney sites



LESSO 联塑

China Lesso Group Holdings, a major Chinese building materials and homewares company has been characterised as a “looming threat” to Bunnings. It is buying two sites in Sydney as it lays the foundations for a local operation.

The Hong Kong-listed group has bought a bulky goods site in the inner western suburb of Auburn and is picking up a warehouse development in the western suburb of Prospect.

China Lesso manufactures a large range of building materials

and interior decoration products from about 20 “production bases” in mainland China. The company’s move into Australia may be driven by its diversification from its core business that also includes plastic pipes and pipe fittings — into e-commerce.

It set up Lesso Mall, a platform for hardware, electrical equipment and building material products in China, last year out of a warehouse in the central Chinese city of Wuhan. The firm now hopes to take this global. China Lesso said in its annual

report:

With continued investment in information technology and logistics, enhanced customer services and more diverse products including hardware, electrical equipment and building materials, the introduction of Lesso Mall to the southern China market has already generated a revenue of 621 million yuan.

The group also warned that this would be a challenging year in China because of market volatility but said its Lesso Mall would be developed

into a competitive business.

The Chinese company purchased the Auburn site for \$65 million. The office park has been identified as more suitable to being a large goods centre and could serve as a pick up point for products bought from Lesso Mall.

China Lesso is also eyeing the acquisition of a parcel of industrial land in Sydney’s Huntingwood East. The 21.56ha of vacant industrial land carries general industrial zoning and fronts the M4 Motorway and Great Western Highway.

The property is being sold by the NSW government. A spokesman for Property NSW told The Australian that “following evaluation of tenders received, a contract for sale was exchanged early August 2016”.

China Lesso hopes to develop Lesso Mall into an e-commerce business for sourcing of hardware, electrical equipment and building materials. It is planning to expand to Toronto, Bangkok and further in the US.

goo.gl/oL4pbk

Opposition gathering in Cooloom



Local residents challenging the proposed Bunnings Warehouse at Cooloom (QLD) hope to gather more support for its upcoming legal battle following a community meeting recently.

Bunnings is appealing the Sunshine Coast Council's rejection of its original 12,150sqm proposal.

Community group Development Watch is a co-respondent to the appeal alongside the

council while Cooloom Residents Association president Mark Bizzell confirmed it too would co-respond, supporting the fight against the proposal.

Cooloom Business and Tourism president Mal-

colm Chilman would not take a position on the Bunnings proposal.

Development Watch president Lyn Saxton said she expected some to be put off from joining the legal battle for fear of incurring legal costs.

Cooloom resident Fiona Sykes said a survey conducted as part of submissions on previous Bunnings proposals had indicated many local businesses were not operating at capacity already, and she feared the Bunnings development could lead to business closures and job losses.

Her survey had found 18 local businesses in relevant trades (hardware, landscaping

etc.) were currently operating below full staff capacity. The data showed that 127 employees were currently employed by those stores but 184 people could be employed if the stores were at 100% capacity.

Ms Sykes said that indicated the area was not ready for a Bunnings and that the introduction of the retail giant could see jobs lost.

An economic development report handed to councillors in June indicated even the scaled-down, 5850sqm Bunnings proposal would deliver an extra 70 retail jobs.

goo.gl/Ad3mAO

Bunnings in Panorama defeated

Residents have rejected Bunnings' proposal to open a store in Panorama (SA) after Mitcham Council's Development Assessment Panel turned down the hardware retailer's \$42 million proposal.

After a four-hour debate, residents made the decision to refuse the development on the grounds it did not suit the area, was too big, out of character and would create traffic issues.

Say No to Bunnings Panorama Group Spokesman Peter Bryant told Adelaide Now:

What I am most

impressed with is as a community member I feel like we have been genuinely listened to.

About 10 residents spoke on behalf of about 80 people at the meeting, raising concerns about traffic in residential streets, car parking, more traffic lights and the building's design.

Amanda Price-McGregor, who spoke on behalf of Domain Mitre 10 in Westbourne Park, Banner Mitre 10 in Blackwood and Mitre 10 Barrow & Bench in Malvern, said if the development was approved, local



hardware stores could be forced to shut their doors. She said:

It will have a detrimental impact on other businesses (in the area) ... It cannot be supported.

GT Legal spokesman Mr Adrian Tisato,

representing about 12 residents, said even though the development would create jobs, more in the area would be lost. He said:

This does not take into account the jobs that will be lost in the surrounding areas.

James Levinson, from Botten Levinson lawyers on behalf of Bunnings, said the development would have benefited the community.

goo.gl/S5b9EX

Masters staff integration



Woolworths said most of the staff from Masters can be redeployed across its other businesses.

The company's soon-to-close home improvement businesses employed around 7,700 people — about 6,300 in Masters and the rest in Home Timber and Hardware (HTH).

The HTH staff are likely to be safe in their

jobs, with the operation being bought by Mitre 10 owner, Metcash. Woolworths chief executive Brad Banducci has offered hope for the Masters staff. He told the ABC:

Everyone of those team members will have an opportunity to come and work somewhere else within the Woolworths group. We recruit 30,000

people a year, so it's not like we can't accommodate it. But even if we have to be slightly over-resourced in the short-term, I think it's incredibly important for us in terms of the culture we want to build in our business.

The president of the Shop Distributive and Allied Employees' Association (SDA) — the union that rep-

resents retail workers — Gerard Dwyer said he was working with Woolworths, as well as its rivals, to find new roles for the workers. He said:

We've actually already commenced discussions with Masters, with HTH and also with Bunnings.

goo.gl/bElgQR

Small format store opening

Bunnings will soon officially open inside Toombul Shopping Centre in Queensland. The 3000sqm store on the site of the old Bi-Lo recently served its first customers and hopes to partner with community groups keen to host fundraising cake stalls rather than the traditional sausage on bread.

Store manager Jodie Ianna told the Courier Mail:

As much as they are very similar to the warehouses, it's obviously a slightly restricted range. We have full ranges in most of our hardware and paint is very close to the full offer.

The Toombul store is about half to a quarter the size of Bunnings Warehouse outlets.

goo.gl/wTtXe4

Bunnings building a store in Virginia

Bunnings has received development approval for a new store in Virginia (QLD), a nine-minute drive down the road from the Toombul branch.

The big box retailer was given the green light for a 10,012sqm warehouse, 4368sqm timber trade area, 3329sqm nursery area, and 388-space underground car park, soon after the Toombul store opened its doors.

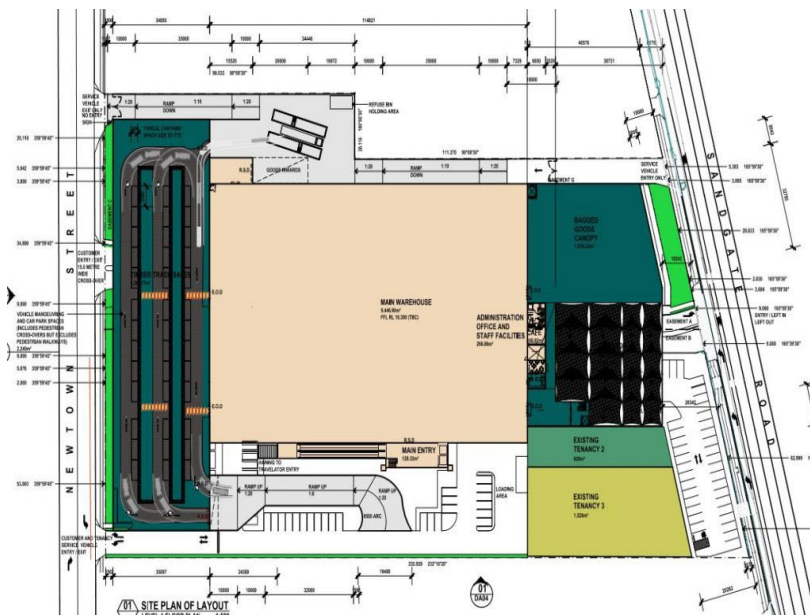
The site is just 5km from the small format

store at Toombul, and 8km from Bunnings Albion.

Bunnings general manager – property Andrew Marks has not given any indication when works on the Virginia store would start. He told the Courier Mail:

While we don't have any timings around the development at this stage, we will continue to keep the local community updated as things progress.

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indie update

Beaumonts aim for 130



strength of our brand.

The Beaumont Tiles moniker has enormous credibility and our focus on a broader range, especially in designer ware, is winning us more business in up-market housing and in commercial sectors.

In South Australia, Mr Beaumont said trading conditions were expected to remain challenging due to the pervading negative sentiment. However there are pockets of opportunity.

!In SA there is a lot of infill housing and we have not come under the influence of high-rise apartments as strongly as other states.

goo.gl/iCnkqe

in this update:

Mitre 10 New Zealand has launched its own video streaming channel

Beaumont Tiles is targeting 130 stores by June 2017

Beaumont Tiles has launched a new clearance centre in the Adelaide CBD as part of a push towards 130 stores nationally by the end of June 2017.

Managing director Bob Beaumont said the tile, bathroomware and stone products company was on track to deliver 15% year on year growth despite a

slow and difficult retail environment.

Mr Beaumont referred to the performance as "excellent" and put it down to the company's strong brand and the eastern states property boom. He told Adelaide Now:

In a hot housing market it's more and more expensive to sell and buy another house

so many people are renewing what they have. Rather than just doing one aspect of a home, they're ripping out and starting again, room by room.

It may be a slow retail market but we're growing at over 15% a year due to growth in the number of outlets – we will crack 110 outlets next month – and the

Mitre 10 NZ online channel

New Zealand's largest home improvement retailer, Mitre 10 has launched its own video streaming channel, with world champion rower Eric Murray anchoring the channel's first series.

Mitre 10 On Demand is a response to the enormous growth in consumer demand for streaming video, and features content that aims to tell Kiwi DIY stories and help New Zealanders with their projects.

It will include Mr Murray and his family's bespoke house build, UK TV architect George Clarke's experience of being locked in a Mitre 10 MEGA store overnight with a crew of DIYers, plus tool tips, building and home styling advice.

Mitre 10's general manager – marketing, Dave Elliott, said as TV viewership declines and the demand for online video content continues to rise – particularly amongst

those aged under 40 – introducing its own digital channel was a natural step.

Our purpose is to help Kiwis improve their homes, and by having our own centralised channel of great content we will do this even better. While we are a retailer, we believe that we have to be much more than just a product end-point. To truly meet our customers' needs we've got to be where they are and have a much broader,

more engaging package.

Mr Elliott said the content has been carefully curated to provide a balance of short and long form entertainment and information.

Mitre 10's Easy As videos on YouTube has clocked up more than 15 million views, and will continue to complement the Mitre 10 On Demand channel.

To view On Demand visit:

goo.gl/SoOoV7

goo.gl/QnBmYJ

retail update

JB Hi-Fi gains approval

in this update:

UK's Lakeland to open concessions in The Good Guys

Kogan gets value from Dick Smith purchase

Masters final discount to hit Beacon Lighting revenues

JB Hi-Fi wins approval for possible The Good Guys acquisition

JB Hi-Fi has been given regulatory approval by the Australian Competition and Consumer Commission (ACCC) to acquire whitegoods retailer The Good Guys but it is not clear if any takeover will go ahead.

The decision comes after the electronics retailer declared it was in preliminary discussions to acquire its \$800 million retail rival in May, with The Good Guys simultaneously weighing an IPO.

The ACCC concluded that JB Hi-Fi and The Good Guys focus on different product categories and customers, so an acquisition would not significantly reduce competition. ACCC chairman Rod Sims said:

JB Hi-Fi has traditionally focused on selling consumer electronics, with stores located mostly in shopping centres or CBDs. On the other hand, The Good Guys has mostly focused on whitegoods and other home appliances, with stores generally located in home centres or similar locations.

Other retailers such as Harvey Norman have a much higher degree of overlap with the Good Guys than JB Hi-Fi.

The ACCC admitted in a statement the deal did pose some



worries given JB Hi-Fi's potential expansion in the home appliances sector, with the cross-over in TV sales a particular focus. Despite this, competition was deemed strong enough to withstand a combination of two retail sector heavyweights. Mr Sims said:

JB Hi-Fi and the Good Guys are clearly in competition with each other to a degree. [However], on balance, the ACCC did not consider that the acquisition would substantially lessen competition in any market.

We considered that the combined company would continue to face strong competition from Harvey Norman and other existing retailers such as Betta, Retravisson, Bing Lee and Radio Rentals.

In response to the ACCC decision, JB Hi-Fi said it has yet

to make a decision on any formal offer for The Good Guys. The company said:

JB Hi-Fi understands that The Good Guys are looking at a range of options including an IPO on the ASX. JB Hi-Fi evaluates all possible opportunities against a range of factors and would only pursue an acquisition if it made compelling financial sense for its shareholders.

The Financial Review reports that chief executive Richard Murray is keen to buy The Good Guys to accelerate his three-year old home appliances strategy. An acquisition of The Good Guys would boost JB Hi-Fi's sales from \$3.9 billion to almost \$6 billion, add \$110 million to earnings before interest, tax, depreciation and amortisation – before synergies estimated to

be worth as much as \$40 million – and lift its total store footprint by 100 stores to 294.

Billionaire Gerry Harvey said his retail chain Harvey Norman had approached The Good Guys to look at its books as a stepping stone to making a possible takeover bid, but to date has been ignored and not allowed to conduct any due diligence.

Mr Harvey said even if Harvey Norman did make a bid for The Good Guys, an offer that topped everyone else, they could still be knocked back.

IBISWorld estimates The Good Guys has a 12.5% slice of the domestic appliance market, while JB Hi-Fi has 13.9% and Harvey Norman is the biggest player with 15.3%.

goo.gl/VWuEzo

goo.gl/o3TBmZ

Masters lighting impacts Beacon

Beacon Lighting executive chairman Ian Robinson said he expects sales and profit growth in 2017 after aggressive discounting by Masters curbed its profit growth in 2016.

The lighting retailer should return to double-digit profit growth this year once the Masters chain stops using downlights, desk lamps and globes as loss leaders. Beacon has blamed aggressive discounting by Masters and the weak Australian dollar for a slump in June-half earnings that restricted full-year profit growth.

Chief executive Glen Robinson said sales and margins were squeezed when Masters, which is progressively clearing stock before being wound up, advertised price reductions of 40% on lighting nationwide.

According to the Financial Review, Mr Robinson told analysts:

This was the first time we'd seen these large DIY players advertising lighting on a national basis on TV.

He revealed that Beacon's net profit had fallen 14.6% in the June half, cutting underlying profit growth for the year to just 5.1%.

You're going head to head with a national player advertising on TV with average offers for 40% off all lights – they'd almost be selling at cost price or below cost. It's not sustainable for the future but there's no doubt it affected us in the second half.

The company has lifted full-year statutory net profit 8% to \$18.3 million. First-half profit increased 22% to \$11.1 million, but profits fell 14.6% to \$6.7 million



in the second half.

Sales rose 7.7% to \$193.2 million, less than half the rate of growth in 2015, and same-store sales rose 2.7%, compared with 10.4% in 2015.

However Mr Robinson said same-store sales had returned to growth in the first five weeks of the new year.

Due to Masters' discounting, Beacon struggled to pass on currency-related price rises and gross margins fell from 65.3% to

61.8% in the June half.

Earnings before interest, tax, depreciation and amortisation (EBITDA) rose 6.5% to \$29.2 million, in line with the company's May guidance but well short of earlier forecasts of about \$32 million. EBITDA fell 10.2% in the June half.

More stores

Beacon opened five stores in 2016, taking its network to 96, and plans to open six

stores this year while growing its wholesale, lighting solutions and solar businesses and expanding overseas through e-commerce.

Independent research had identified scope for a further 50 stores, which would take the network to 146, up from Beacon's previous target of 130 stores.

goo.gl/pjtyDE

Dick Smith delivers for Kogan

The Dick Smith website now owned by Kogan, has generated \$6.5 million in sales in its first two months of operations, according to CRN magazine.

Kogan acquired the website from the failed bricks-and-mortar retailer earlier this year for just \$2.6 million after Dick Smith fell into administration. It reopened two months later, online-only.

The acquisition included Dick Smith's

branding, website, customer database and 1.2 million active subscribers. Kogan also revealed that Dick Smith had 32,000 active customers since re-launching in May.

Kogan and Dick Smith's combined subscriber base topped 3.7 million for the year with 702,000 active customers.

In its maiden financial report since becoming a public company in July, Ko-

gan reported revenue of \$211.2 million for the year ending 30 June, an increase of \$10.9 million from the previous year. Kogan returned to profit with \$800,000 for the year, up from a \$300,000 loss in financial year 2015.

Kogan's other new business, Kogan Mobile, was relaunched last year on the Vodafone 3G and 4G network. The telecommunications business grew its revenue

by \$100,000 to hit \$500,000 for the year.

Chief executive Ruslan Kogan said third-party domestic products outperformed expectations off the back of expanded vendor partnerships, including Microsoft and Dell. Third-party domestic products now count for 24.2% of Kogan's sales, compared to 38.6% for third-party international and 37.2% for private-label prod-

ucts. He said:

The above-forecast expansion of the third-party domestic product division demonstrates the increased propensity of third-party brands to choose Kogan.com as an online retail channel partner. Our ability to instantly talk to over 3.7 million Aussie consumers provides a compelling platform for leading consumer brands.

goo.gl/A1FY53

Kitchen concessions at The Good Guys



The biggest kitchenware retailer in the United Kingdom, Lakeland, has partnered with The Good Guys, to roll out 12 "shop-in-shops" across the country by Christmas. It has negotiated a concession-style deal with The Good Guys, hoping to open 100 retailing locations in Australia over the next two years.

Lakeland will also look to establish its e-commerce offering and first stand-alone bricks-and-mortar stores on Australian shores by early 2017.

Tony Preedy, Lakeland's director of marketing and international development, told Fairfax Media that is a good fit for the retailer "both commercially and culturally." He said:

The Good Guys is the market leader in kitchen electricals, so it seems like a very good marriage – their strength in electricals could be married to Lakeland's strength in non-electrical kitchenware and housewares.

Mr Preedy hesitates to compare the business to fast-fashion retailer Zara, but said:

We are a fast-product company – we sell more than 4000 products and we introduce around 150 products a month...consumers who come in every six to eight weeks are likely to see a considerable amount of change each time they visit.

The partnership enables Lakeland to quickly build scale and brand awareness through The Good Guys' national network of stores, identify the right locations for standalone stores, tap into The Good Guys' local supply chain and

logistics expertise and overcome issues such as Australian specifications for electrical appliances.

For The Good Guys, the licence agreement allows the chain to grow sales by expanding into complementary categories, attracting new customers, and moving into high-street locations and shopping centres with a new retail offer. The Good Guys chief executive Michael Ford told Fairfax Media:

The Lakeland partnership forms part of The Good Guys' growth strategy and adds a whole new dimension to our 'Everything for the Cook' offering. As the market leader in Australia for large and small kitchen appliances, kitchenware is a logical category extension for us..

David Gordon, retail expert and director at LZR Partners, believes The Good Guys' strategy makes sense, as the

retailer is not strong in the kitchenware sector, being better known for its whitegoods. He SmartCompany:

Partnering with Lakeland creates an area of capability and specialisation that they didn't have previously. Lakeland's standalone stores will be the first time The Good Guys will be opening up a secondary brand, so it will be interesting to see how that goes.

The licence agreement will proceed whether or not The Good Guys' owner, Andrew Muir, decides to pursue an \$800 million to \$1 billion initial public offer or accepts an offer from suitors such as JB Hi-Fi and South African-based discounter Steinhoff, which owns Freedom Furniture, Harris Scarfe and Best & Less.

<http://goo.gl/ETPXuP>

<http://goo.gl/rkEv6C>

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RETAIL CASE STUDY #35

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Any other comments?

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statistics

Housing approvals: not so detached

a few quick stats:

A "state of the industry" survey from Houzz lists some interesting facts about building-related professions

70% expect to increase revenues in 2016, while 64% expect to increase profits

63% are spending more on marketing as a growth strategy

27% plan to increase number of employees, while 10% will employ fewer

There is something of a statistical "stoush" brewing in those who follow the housing industry in Australia. There is a very determined camp of analysts who insist that the detached housing market is just going from strength to strength, and that any apparent gains for multi-unit dwellings such as apartments are mere temporary fluctuations.

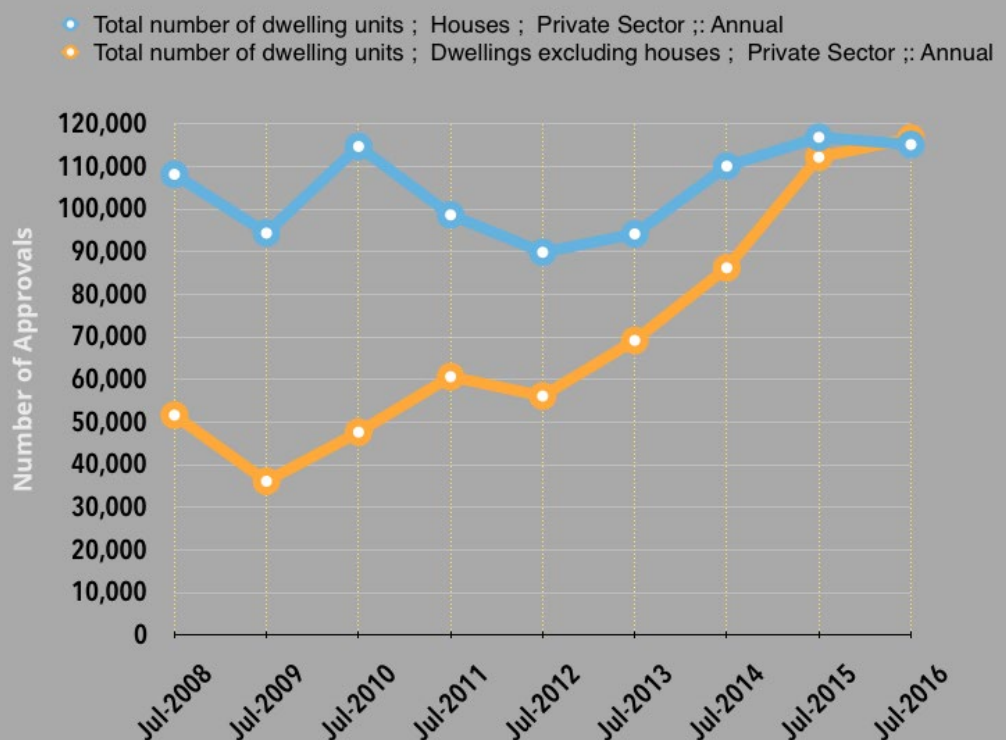
As HNN has detailed in the past, our view is very different to that. It seems quite evident looking at the statistics for the individual states and territories that what we are seeing is a gradual fusion of the detached housing and the multi-unit dwelling markets. It is our belief that this fusion has already occurred in the Sydney market. It is spreading elsewhere in New

South Wales, as well. The Melbourne market is gradually trending in the same way, and it seems very likely that both Brisbane and Adelaide are set to follow. The reasons behind this trend are economic and social. In economic terms, as house prices continue to rise, while wages remain relatively low, and rates of under-employment high, the only affordable dwellings

for many in urban regions are apartments, or, at most multi-unit residences.

It is equally our belief that this trend is spreading to more regional areas. While land prices are less in these areas, construction costs can be higher than in urban areas. Most importantly, however, these areas have been harder hit by the very slow economic recovery than

ABS 8731: Building Approvals



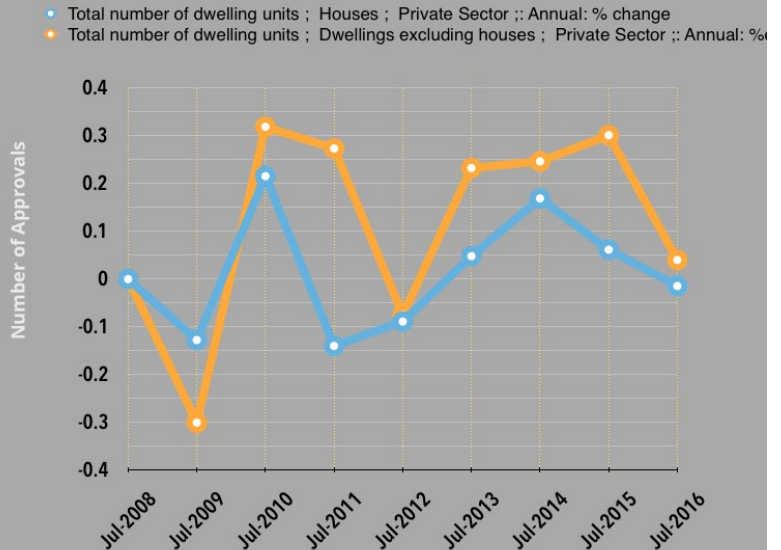
urban regions.

The most recent numbers released by the Australian Bureau of Statistics (ABS) for dwelling approvals tend to bear this view out. Viewing these numbers for all of Australia for the 12 months to July for the past nine years, the steady climb of approvals for non-detached dwellings is evident to see. In this series, for the 12 months ended July 2016, the number of non-detached dwelling approvals has for the first time exceeded that for detached dwellings.

Of course, those who want to insist that the detached market continues to rule over the Australian housing market will have other stats that would seem to support that view. What has to be acknowledged, however, whatever the end position that is adopted, is that non-detached dwellings are exerting a far more powerful influence on the Australian housing market in general, and that it is evident that influence is growing consistently, and strongly.

ABS 8731: Building Approvals

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supplier update

Kingspan looks to more acquisitions

in this update:

Lowe's to stock Australia's SharkBite plumbing products

Brexit tempers optimism for Mr Fothergill's

Kingspan considers acquisitions in India and Latin America



Kingspan is eyeing acquisitions in India and Latin America as the Irish building materials group looks to diversify further into new, high growth markets. The company already owns Kingspan Environmental and Springvale Insulation.

Rainwater harvesting systems maker, Tankworks Australia recently reached an agreement to join Kingspan Group.

goo.gl/X5zBvZ

County Cavan-based Kingspan reported a 19% rise in global sales in the first six months of 2016, taking revenue to EUR1.47 billion. Profits were up 50% to EUR167.3 million in the same period, the company said. Its first half financial results were

bolstered a big increase in margins.

Ireland was Kingspan's fastest growing market in the period – with sales up almost 50% to EUR59.5 million from EUR40.4 million during the same period in 2015.

Chief executive Gene Murtagh said sales to the Irish construction sector are still as much as 60% to 70% below peak levels, but that the market here has seen continuous improvement since 2010.

Kingspan, which back in 2005 relied on Ireland and the UK for around 80% of its sales, has since diversified, with mainland Europe now its largest market for the sale of insulated panels used in the construction

industry. Sales of such panels rose 26% in the six months to June 30, with particularly strong demand in Western Europe and North America. Ireland is now a relatively small market for Kingspan.

The UK, with sales of EUR410 million in the first six months of the year is Kingspan's biggest single market. Despite warnings that June's Brexit vote would dampen demand from the construction sector, Mr Murtagh said there is no evidence so far of a slowdown there.

Since the June 23 vote, Kingspan's UK order book has increased by 7%, the company said.

However big swings

in the value of sterling before and since the UK vote to leave the European Union, have had an impact, according to Mr Murtagh.

Every 1% move in sterling versus the euro has an impact of around EUR1.5 million on Kingspan, he said. But he described the impact so far of the UK vote as "nothing compared to 2009".

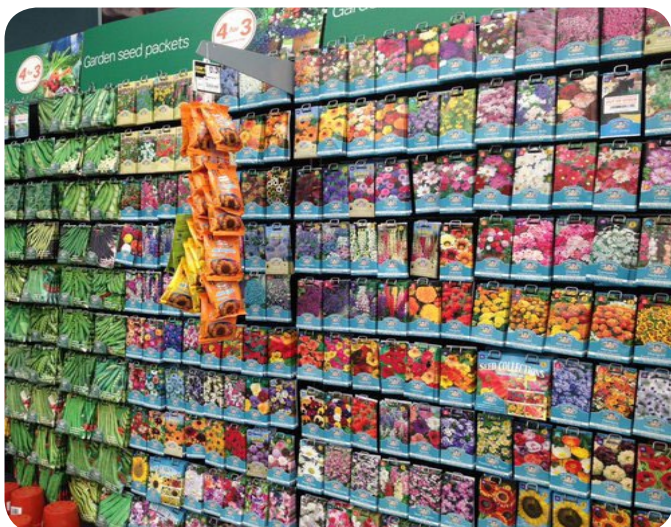
Kingspan was one of the few companies to foresee Ireland's property market collapse following the 2008-09 financial crisis,

goo.gl/Ta8OXQ

goo.gl/eAb9Oo

supplier update

Mr Fothergill's mixed expectations



18

Joint managing director John Fothergill of seed company Mr Fothergill's recently told Horticulture Week that potential increased sales through Wesfarmers-owned Homebase is being tempered by uncertainty over Brexit.

A flat year in like-for-like seed sales has been helped by gains at UK independent garden centre group, the Tillington Group and late-season mail-order sales as the weather picked up.

Mr Fothergill said the Suffolk company is "lucky to have a long-standing good relationship with Bunnings in Australia" among its 20-25% of export business. He said:

We work hard to support them. They expect a lot from their suppliers but they are fair. There's clearly an opportunity for them in the UK.

Mr Fothergill also said Homebase "moving away from private label is good and moving away from seasonal sales and promotions to everyday low pricing, [Bunnings'] brand message in Australia, makes sense".

He believes new owner Wesfarmers is "bringing a greater sense of confidence to Homebase" while Brexit means a possible "impact on consumer confidence and export opportunities" and "uncertainty that no one likes", especially with trading relations with European seed suppliers, the single market, tariffs and phytosanitary regulations.

Mr Fothergill's said its Jekka McVicar herb ranges have been successful, while products such as salad Pot Toppers and Microgreens have appealed to those with small urban gardens.

Scotts Miracle-Gro also has a strong relationship with Bunnings in Australia and has high hopes for more business in the UK. Scotts is launching a Levington Essentials range to match rivals in the competitively priced market at garden event Glee.

goo.gl/Fn3XBa



Chris Bird

Owner

The Tool House

Dandenong South, VIC

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supplier update

Lowe's stocking SharkBite product

Recently-listed plumbing supplies company, Reliance Worldwide has announced a deal that will see its core product hit the shelves of US home improvement retail chain Lowe's, although potentially at the expense of shelf space at The Home Depot.

In a statement to the Australian Stock Exchange, Reliance said it had signed a single supplier agreement with Lowe's to supply its SharkBite-branded push-to-connect (PTC) fittings to its network

of 1700 stores.

The nature of the single supplier contract means Lowe's will only stock the Australian group's products in that particular range, although Reliance is able to continue selling the products to Lowe's competitors, including current customer The Home Depot.

The deal does, however, force the cessation of its current exclusive agreement with The Home Depot, meaning the latter is free to introduce competitors to SharkBite in the range. The company said:

Reliance is confident that these changes will position the SharkBite product range optimally for the long-term in the US market. The PTC product category has excellent growth prospects and this will be aided by SharkBite products being sold and marketed as widely as possible across all sales channels.

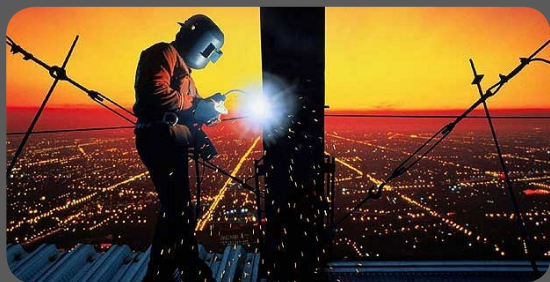
The rollout into Lowe's will be implemented through 2017 and 2018, with no material impact seen on profit for fiscal 2017.

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19

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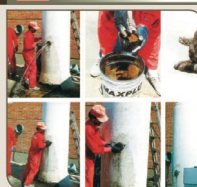
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companies

Methven grows at home, progresses in UK



20

Methven grew sales by 8.1% and increased profit by 30.6%

Sales were strongest in its home, New Zealand market

Revenue disappointed in the UK market, but EBIT increased



Rendering of Methven Aio Aurajet showerhead by Andrew Jackson of AJ Design Studio Ltd in Wellington, New Zealand. goo.gl/UziayF

New Zealand tapware and bathroom fittings company Methven has released results for FY 2015/16. Sales revenue for the year came in at NZD105,822, up by 8.1% on the previous corresponding period (pcp), which was FY 2014/15. Net profit after tax (NPAT) increased by 30.6% over the pcp, at NZD7680.

In its home New Zealand market, sales were NZD35,771, up by 10.8% over the pcp, while earnings before interest and taxation (EBIT) increased by 17.3% over to pcp to reach NZD4703. In Australia, sales revenue was AUD39,607, up by 6.9% over the pcp. EBIT was AUD3326, an increase of 9.2% on the pcp.

In its newest market, the UK, sales fell by 2.3% over the pcp, coming in at GBP11,914. EBIT, however increased to GBP553, an increase of 122.1%.

Business goals

In reviewing its business goals for the year, Methven communicated that it had achieved its objectives in growing revenue in New Zealand, and launching the Aio product as an incremen-

tal development of its Satinjet showerhead. In the UK market it achieved its goal of increasing earnings, but did not manage to increase revenue. In the Australian market Methven increased revenue, but had only partial success in growing earnings.

Board reports

In a joint statement from Methven's chairman, Phil Lough, and its group CEO, David Banfield, they said:

We highlighted our desire to become the partner of choice to key customers and plumber groups and are delighted to have been asked to lead, or become part of total category initiatives in Australia, the United Kingdom and New Zealand. This gives us further opportunity to think and act like the market leader and also tell our proud story more effectively, thus supporting sustainable sales performance. We are particularly pleased to launch our brand new plumber App that has been developed with input from plumbers in August this year.

usa update

Lowe's own improvement project continues to do well

in this update:

Lowe's has returned good results, but they narrowly missed expectations

The company is focussing a bit more on the tradie market at the moment

Lowe's continues to tweak both product assortment and display techniques

Paint is becoming an interesting product, with Lowe's now stocking Sherwin-Williams and Olympic paints

US-based big-box home improvement retailer Lowe's has reported results for the first half of 2016/17 that are overall very good, though they have not met forecast expectations. Sales for the first half of FY 2016/17 were USD33,494 million, up by 6.40% over the previous corresponding period (pcp), which was the first half of 2015/16. Earnings before interest and taxation (EBIT) were USD3638 for the current half, up by 13.55% over the pcp. Net earnings for the half were USD2051, up by 14.01% over the pcp.

In other performance measures, Lowe's also reported largely positive outcomes. Comparative (comp) sales, the size of the average transaction (ticket) and the number of customer transactions all rose. Ticket size grew more strongly for larger transactions. There was a decline for the most recent (second FY quarter) in EBIT margin, though, in positive news. Lowe's selling, general and administrative expenses (SG&A) fell.

Among the best performing categories were kitchens, lumber & building materials, and tools & hardware. Some of the slight fall-off in expected performance was put down to changing weather conditions in the US, which did not favour some home improvement projects, and the re-launch of the Lowe's website (www.lowes.com). The company reported that the latter results in some impairment to transactions for a five-week period, which was, they report, the period that past experience indicates can be expected.

While the write-down consequent to the failure of the Lowe's/Woolworths joint venture in the Australian home improvement market, was noted, Lowe's chief financial officer, Bob Hull, chose not to include this in the company's performance numbers. He stated:

USD millions

Lowe's Companies	FY 2016 H1	FY 2015 H1	Change
Net Sales	33,494	31,478	6.40%
EBIT	3638	3204	13.55%
Net earnings	2051	1799	14.01%
Diluted earnings per share	\$2.29	\$1.90	20.5%

For the EBIT growth rate, we are excluding the impact of last year's Australian joint venture impairment charge and this year's net FX hedge gain. We believe excluding these large one-time items is a better representation of our operating performance.

Pro (tradie) market

Pro (tradie) market

In recent years Lowe's has focused on two key areas of its business: the Professional (Pro or tradie) market, and larger ticket projects from DIY and do-it-for-me (DIFM) homeowners.

The comments during this second quarter/half-year report would indicate that Lowe's is increasing its focus on the Pro market. It is likely this has been triggered by two events. Firstly, the housing market trends in the US are not only currently positive, but there are indications it is set for at least a

medium-term recovery. The company's well-respected CEO, Robert Niblock, outlined these trends in his opening remarks at the presentation of the results to analysts:

Looking ahead to the second half of 2016, the outlook for the home improvement industry remains positive. Persisting gains in the job market and disposable income growth that continues to outpace the economy should further contribute to solid growth in consumer spending. And the outlook for housing remains bright, with strong home sales and construction in the first half of the year posed -- poised to benefit growth in the second half of the year.

With home value appreciation expected to persist and incomes continuing to rise, we expect homeowners to be motivated to spend on their homes. Over-

all, strong consumer housing fundamentals should continue to benefit the home improvement industry.

The second factor is that Lowe's main competitor, The Home Depot, has made a strong, and well-facilitated expansion in this area, acquiring a business that is central to the maintenance, repair and operations (MRO) industry in the US.

In preliminary comments at the start of a presentation of these half-year results to analysts, Mr Niblock, introduced the topic:

Today, we have a strong foundation for the pro customer including dedicated service in store, solid inventory depth, field based pro account executives and a national accounts team.

Our LowesForPros.com website, re-launched in the second quarter of last year, continues to gain traction. And we will continue to build on this strong foundation by incorporating the feedback we've received from Pros and our ProServices team to constantly improve the customer experience and deepen our relationships with this important customer segment.

This theme was taken up later by Lowe's chief customer officer, Mike Jones, in commenting on the product lines

Lowe's was featuring that are aimed at Pros:

Beyond improvements in our tools offering, we have also strengthened our portfolio of pro-focused brands with the addition of GAF roofing, Owens Corning insulation, Lenox HVAC, Masonite entry and interior doors, and Hubbell residential wiring devices.

Mr Niblock returned to the theme of the Pro market later, in response to an analyst's question specifically about the MRO market:

We still -- we continue to be pleased with what we're seeing from the MRO customer segment, especially when you look the pro. In general, we continue to make and leverage our investments. As Mike highlighted earlier, continue to drive relevance and build relationships with those customers.

You look at our LowesForPros launch, it's really something that we continue to see the MRO customer gravitate to as they -- it becomes easier for them to shop at our stores and make it easier for them to purchase and build segmented project list. And then you look at the investments in our inventory depth as well as our AEP networks, international sales teams, I think, all combined to help us



Lowe's volunteers assisting with recovery after tornadoes ripped through North Texas.

continue to drive that performance.

As we've talked about, pro is now approximately 30% of our total volume, continues to grow at a faster rate than our DIY business, as the Pro continues to leverage our strength in the categories. The brands that we're bringing in and continue to introduce as well as our 5 Ways to Save value proposition. So, we think, holistically, those aspects drive greater relationships and synergies across all Pro customers, not just one segment.

Product and presentation

In response to an analyst's question, Mr Jones suggested that Lowe's is in a particularly strong position in relation to its brands:

I like how we're positioned from a product perspective with our strength in appliances. Our full vignettes, our

delivery, all brands and installation. I like how we're positioned in fashion lighting. With our three-brand strategy around Kichler, Progress, and Quoizel, our flooring lineup is second to none, with Pergo laminate, Cali bamboo and our Stainmaster brand. We like our position in paint.

We've talked a lot about our Sherwin-Williams, Valspar and PPG/Olympic, the exclusives that we have there. We've done a lot of work around stain, bringing back Cabot, and expanding our Minwax.

And if you think about the pro business, we continue to be more relevant with pro with return of brands like Marshalltown on top of those other brands that we took back and spoke to earlier in the year. So we think we're well positioned going into the second half.

In other remarks, Mr Jones also noted that

the company had continued to evolve and improve its store presentation and displays, to good effect:

Adding to our attractive product offering, we also simplified the presentation, grouping lighting fixtures by style and collection to provide a cohesive decorating solution and make selection easier. Customers have responded well, driving strong comps in fashion fixtures.

He also detailed some of the changes that were made to the Lowe's website:

This quarter, we launched our new Lowes.com site, advancing our online shopping experience with optimised functionality and display for touch-screen devices to support a better mobile experience, improved product and content recommendations, refined search algorithms, improved click-to-chat capabilities,

usa update

larger project images and expanded product views, including video content.

Analysis

Looking at today's results from Lowe's, one of the main focus points is actually how well the company has been managed through the economically difficult times from 2008 to 2013. Lesser companies would either have suffered sharply, or been drawn into a defensive contraction of their operations.

Lowe's continued to invest through the

lean years, to manage its operations to take advantage of the growth opportunities that presented themselves, and to limit losses in other areas to the best of its ability.

It also continued its established tradition of making great hires, and building the expertise and experience of its top management team - Mike Jones is a classic example of this.

The good results from Lowe's today (and likely throughout this year) are a testament to those efforts during difficult times. What does remain to be seen

is whether the company can take advantage of the positive growth opportunities in a recovering economy with the same skill it managed to navigate the tough times.

It has sometimes seemed the case that between its good, solid day-to-day operations, and its futuristic, innovative research and development (in fields such as virtual reality and robotics), there is an area where Lowe's does not always do as well as it could.

For example, the launch of its Kobalt 24-volt cordless tools

this year was a great move in establishing a product line that created a unique reason to buy tools from Lowe's. However, this kind of initiative will not flourish unless it is backed-up by further developments in this area. To deliver the kinds of returns that the recovering US economy will make possible, Lowe's will need to place some risky bets on new developments, and be able both to take advantage of the successes and reduce the effect of the inevitable failures.

One indication that

this is a challenge Lowe's will meet in the near future is how generous Lowe's continues to be in supporting the communities with which it does business. Its recent help for stressed communities in the US state of Louisiana is one example of the community support that has become a part of the Lowe's culture. And it's a fact, for both the US and Australia, that it is always the big-hearted companies that, in lean and good times, tend to do the best.



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New store growth at Ace

US hardware retail cooperative, Ace Hardware has reported second quarter 2016 revenues of USD1.4 billion, an increase of USD8.7 million or 0.6% from the second quarter of 2015.

Net income was USD63.4 million for the second quarter of 2016, an increase of USD3.5 million from the second quarter of 2015 and the second highest in company history. President and CEO John Venhuizen said:

New store growth was the primary driver of our record revenue. While records are nice, we are not satisfied with the growth as the enterprise and our retailers are working far too hard to settle for modest increases...

For the first six months of 2016, the 2.4% increase in retail same-store-sales reported by the approximately 3,000 Ace retailers who share daily retail sales data was primarily the result of a 2.2% increase in average transaction size.

Revenues

Consolidated revenues for the quarter ended July 2, 2016 totalled USD1.4 billion. Total wholesale revenues were USD1.3 billion, an increase of USD6.7 million, or

0.5%, as compared to the prior year second quarter.

Increases were noted across many departments with outdoor living, paint and lawn and garden showing the largest gains.

Retail revenues from Ace Retail Holdings – essentially sales from Westlake Ace Hardware – were USD87.4

million in the second quarter of 2016. This was an increase of USD2.0 million, or 2.3%, from the second quarter of 2015.

Same-store-sales increased 1.6% compared to the prior year with the largest increases in outdoor living and lawn and garden.

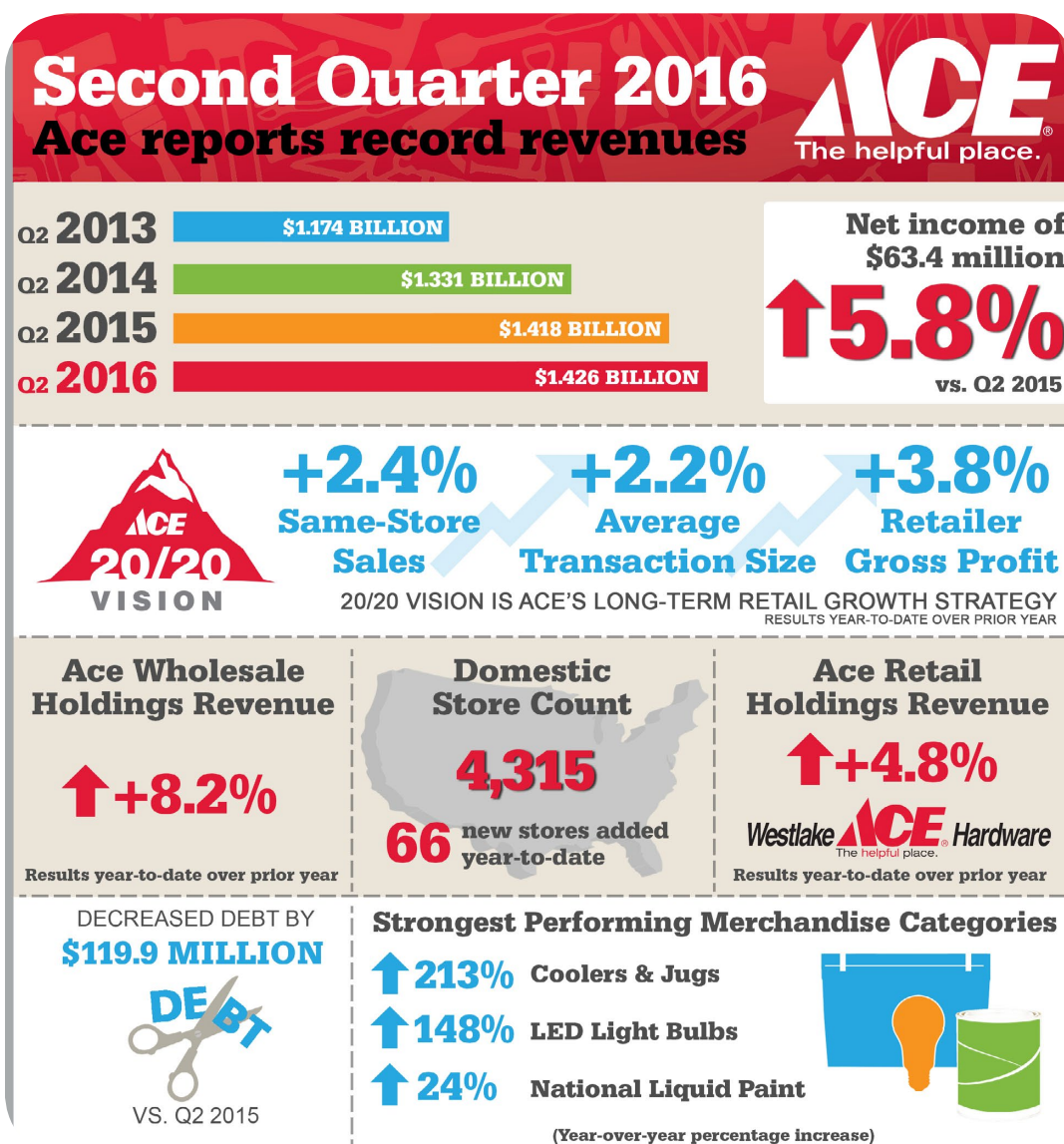
Ace added 42 new domestic stores in

the second quarter of 2016 and cancelled 29 stores. This brought the company's total domestic store count to 4,315 at the end of the second quarter of 2016, an increase of 59 stores from the second quarter of 2015.

The company's Ace Wholesale Holdings LLC subsidiary contributed USD4.1 million

of incremental revenue in the second quarter of 2016, which was an increase of 4.4% from the prior year second quarter.

goo.gl/EbXpiB



Porch.com links Lowe's Pro's



25

Home services platform, Porch.com debuted two products to help home service professionals, including an enterprise integration tool and a rewards program called Porch Perks.

Porch is featured in Lowe's stores as part of a partnership with the retailer, which is also an investor in the Seattle-based startup. It connects customers with home improvement professionals.

Enterprise Direct Connect is a new feature that allows larger companies to integrate Porch's platform into their CRM systems, making it easier to view requests from homeowners.

For home improve-

ment professionals who prefer little upfront commitment, "Pay As You Go" is designed as an easy way to get started. By adding a credit card, they can browse a list of homeowner projects in a desired area and choose who to connect with.

Professionals can set criteria based on type of work and a monthly budget. Projects that meet the criteria will automatically be "reserved" and delivered to the pro each month. This feature is for professionals who want a steady stream of project requests from the Porch marketplace.

Porch also an-

nounced Porch Perks which gives professionals on the Porch platform discounts and deals at a handful of retailers, including existing partners like Lowe's (Lowe'sForPros.com) and online home store Wayfair, along with others like tax software-maker Intuit and legal advice com-

pany Avvo.

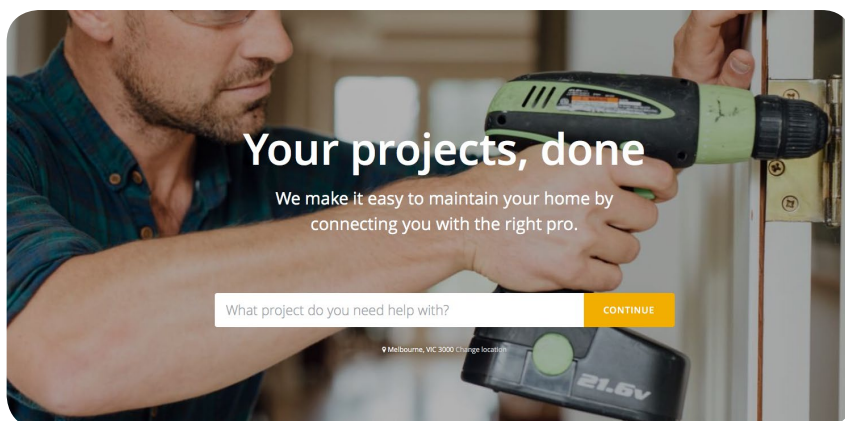
Porch offers free home improvement data to homeowners, including detailed information about projects in their neighborhood. The company, founded in 2012, makes money from its relationships with home improvement professionals, charging

them for market insights and promotional exposure.

Porch told GeekWire it is "actively engaged" with approximately 141,000 professionals, while there is a directory of more than three home service million professionals on the site. Project request volume spiked nearly 100% from January to June of this year, mainly because the startup cut its unit acquisition expense in half.

Porch has raised USD100 million to date and employs 300 people, which is down from 400 people this past October. That's when it laid off 90 employees, including key executives, as the Seattle company went through a strategic shift.

goo.gl/DrkTdi



Porch website is highly project focussed.

europa update

Kingfisher thrives on Screwfix growth

in this update:

London inventor develops shovel to the next stage

Kingfisher results mixed, with strong growth in Screwfix, Poland and Spain



Screwfix distribution centre.

UK-based home improvement big-box retailer Kingfisher has reported on its second quarter for FY 2016/17. Overall sales for the group came in at GBP3026 million, indicating an increase of 3.2% in constant currency terms over the previous corresponding period (pcp), which was second quarter FY 2015/16.

In the UK, results for its DIY chain B&Q were subdued at GBP1046, an increase of 0.3% in constant currency. The company noted that this was despite a number of stores closing.

However, its Screwfix online/offline brand for professionals reported a robust increase in sales to GBP311 million, showing growth of

24.5% in constant currency over the pcp. Overall UK sales increased by 5.0% in constant currency over the pcp.

Kingfisher's second largest market, France, produced less positive results. Overall sales came in at GBP1130 million, a fall of 1.4% in constant currency terms over the pcp, though in translated currency terms this represented a rise of 10.4% on the pcp. The fall was led by the Castorama brand, with Brico Depot performing substantially better.

Sales in both Poland and Spain improved, while sales in Russia continued to fall.

Kingfisher's "other international" division returned sales of GBP539 million for the

quarter, up by 9.0% in constant currency terms over the pcp.

In half-yearly terms, Kingfisher is showing total sales of GBP5749, an increase of 2.7% over the first half of 2015/16 in constant currency terms. Screwfix also shows the most growth for the overall half, at 24% in constant currency terms. Poland is also showing good growth at 11.4% growth in constant currency terms.

CEO statements

Veronique Laury, CEO of Kingfisher, stated that:

We have delivered another solid sales performance in Q2 driven by the UK and Poland. In the UK, the EU referendum result has

created uncertainty for the economic outlook, although there has been no clear evidence of an impact on demand so far on our businesses. In France, widespread industrial action and exceptionally wet weather created a more challenging environment, after a more encouraging Q1. We remain cautious on the short-term outlook.

In the meantime, we continue to focus on our ONE Kingfisher plan, based on always putting customer needs first. We look forward to updating you on our early progress at our half year results next month.

Kikka Digga shovel



27

London-based Nick Skaliotis has invented his own gardening tool to make heavy digging easier. The Kikka Digga shovel adds a footplate and clamp pivot bar to forks and spades to make both digging into the ground and pulling back out of the ground to break up soil easy. It is designed to take the strain, not the user's back.

Mr Skaliotis never saw himself as an entrepreneur or an inventor. But having created his own gardening tool and receiving positive feedback, he decided to launch his own business on eBay earlier this year. He explains:

After a long day toiling in the garden I decided there must be a way to make the activity of digging weeds and planting shrubs less painstaking – so I

decided to have a tinker around the garden to find a way to make digging easier.

... I then did some research to see if there was a similar product on the market but couldn't find anything similar to what I'd created – so I concluded that there's a gap in the market for a gadget to take the strain out of digging.

By creating a retrofitting detachable digging pivot that allows for easy leverage by adding a footplate and clamp fulcrum, I thought this is a product that could genuinely help gardeners, taking the backache and physical stress out of digging.

The next question he had to ask himself was: "How do I turn this concept into a sus-

tainable business?" Mr Skaliotis said:

I attended many inventor clubs and networked with fellow creatives and problem solvers. I needed to bring someone on board to help with the prototype; so I employed the services of a skilled South London blacksmith

who worked from my designs and fabricated the first prototype of Kikka Digga.

Once we had worked up a prototype it was time for me to get the product market ready, and think about new manufacturing methods. Kikka Digga is now made by a UK manufacturer using

sophisticated laser cutting techniques.

The process wasn't cheap and the sacrifices I have had to make in my life in order to see this through were tough. I'm now there, the R&D is finished, all ready to go to market.

Mr Skaliotis said of his eBay store: "I needed a platform to get my creation out there and found eBay the place for it. eBay attracts a huge audience to my business, and has a great community for gardening and DIY."

After a first few months in business, he is now looking to the future. Mr Skaliotis added:

Even though I've only been trading for a few months, my first batch sold out! I've ramped up production to keep up with demand ... I've [also] had garden centres taking it on for a trail run.

<http://goo.gl/yCD87R>



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Masters' Last Stand

The final collapse of a major retail enterprise can, it seems, be every bit as exciting as its launch.

In late August 2011, when Woolworths launched its first Masters Home Improvement (Masters) big-box store in Braybrook, a suburb in the outer North-West of Melbourne, Victoria, it seemed that a whole new way of doing home improvement retail was about to enter the Australian market.

Based on principles borrowed from US partner Lowe's, the new stores would be of higher amenity, and include new categories such as whitegoods and high-end kitchens.

Fast-forward to August 2016 (nearly exactly five years later), and it is evident that this new enterprise has failed significantly. Not only have the hardware retail operations of Woolworths managed to rack up around \$3.2 billion in total losses, but the other operations of what was once one of Australia's highest-flying corporations are also experiencing tough times. It's so bad the company has posted a \$1.23 billion loss for FY 2015/16. Much of that was made up of write-downs, but even outside that, earnings from its supermarket and discount department store Big W have failed to meet even downgraded expectations.

On 24 August 2016, Woolworths announced that it had finalised plans for its exit from the joint venture home improvement company Hydrox Holdings (Hydrox). Hydrox is 67% owned by Woolworths, and 33% owned by Lowe's, the US-based big-box home improvement chain. The announcement stated that the company's assets would be split into three parts: the Home Timber & Hardware Group (HTH), which would be sold to Metcash for \$165 million; the inventory assets of Masters, the sale of which would be managed by retail inventory liquidation specialist GA Australia; and the Masters property assets, including its store sites, and property obtained for the purpose of later development, which would be bought by a group of investors calling itself the Home Consortium.

While Woolworths presented these deals — in a somewhat terse press release — as being all but fait accompli, on 29 August 2016 Lowe's made a move that indicates this is anything but the case. Lowe's has made a filing with the Federal Court of Australia, which asks that the Court appoint an independent liquidator to oversee the winding up of Hydrox. Lowe's has issued a press release explaining its actions, which states:

Lowe's Companies, Inc. today filed a motion requesting that the Federal Court of Australia appoint a liquidator to oversee the equitable and orderly wind up of the Masters Joint Venture vehicle, Hydrox Holdings, as part of a liquidation process that has been initiated by Woolworths.

...

Despite every effort to reach a fair resolution with its JV partner, Lowe's has been left with no other option but to seek the guidance of the court to achieve an equitable and orderly wind-up of the Masters business. Lowe's has acted in good faith at every stage in both the development and operation of Masters, and has been at all times an engaged investor, a committed partner and proud employer. On the other hand, Woolworths has engaged in oppressive conduct, including by invalidly and in bad faith attempting to terminate the JV.

Subsequent reports have clarified that Lowe's believes



Masters' unquiet end

- The winding up of the Woolworths/Lowe's joint venture, Hydrox Holdings, is likely to occur in three parts.
- The first part is well under way, with the acquisition of the Home Timber and Hardware Group by Metcash/Mitre 10 for \$165 million.
- The second part, the sale of the inventory from Masters is also proceeding, though early signs are it may not be handled in the best possible way.
- The third part involves the sale of the property assets of Masters Home Improvement to a group of investors who have formed something called the Home Consortium
- The Home Consortium seems to have bought the 97 properties at stake for over \$800 million
- 15 of these properties go to Bunnings
- 21 of these properties go to Chemist Warehouse
- The remaining 61 will be used by variety of retailers, including Woolworths
- However, this third part of the deal is under question, as Lowe's has called for it to be halted, and a liquidator appointed to oversee the winding down of the Masters property assets

it was, among other issues, given inadequate time to review lengthy documents related to decisions on how Hydrox would be wound up, a claim that Woolworths so far seems to have deflected. As things currently stand, both parties will complete their submissions to the Federal Court in New South Wales by 15 September 2016, and events will proceed from there.

Fairfax Media is reporting that the Home Consortium remains confident that the sale will go ahead. There is no indication as to the basis for this claim.

The windup basics

As of 24 August 2016, we know that the joint venture company that owned the hardware retail operations of Woolworths and Lowe's, Hydrox Holdings, has plans to dispose of its assets in three parts. These are:

- Home Timber & Hardware Group (HTH). These operations (owned by the holding company Danks Holdings Pty Limited) will be sold to Metcash's hardware division, Mitre 10, for \$165 million. This sale should complete by the first half of October 2016.
- The remaining inventory allocated to Masters. GA Australia, part of the US-based Great America Group, which is a subsidiary of B. Riley Financial Inc., will take over the sale of these goods. The Great America Group has special expertise in the sale of inventory.
- Masters' property assets. This is by far the trickiest of the three parts. These assets will most likely be acquired by Home Consortium. This is a group of retail property investors, along with key retailers such as Chemist Warehouse and Spotlight Group. What appears to have been suggested is that Home Consortium has agreed to acquire 100% of the shares in Hydrox. However, Woolworths can only provide the 67% of those shares it owns. The other 33% has to come from Lowe's. Exactly how that is going to happen is not at all clear.

In the long run, the discount sale of ex-Masters inventory stock, and the acquisition of HTH by Metcash/Mitre 10 are the more important aspects of this for the home improvement retail industry. The inventory sale will affect earnings during September and October 2016 for many retailers. The combined force of Mitre 10 and HTH will help to define much of what happens in independent hardware retailing during 2017/18.

Nonetheless, we should probably start by examining what will happen with the Masters real estate, as this is likely to shape both public perception and much of the reporting on the home improvement retail industry for the next six months or so.



While Masters frequently did put time and attention into its store displays, there were also many failures, such as this display from the original Braybrook store in 2015,



The displays did evolve considerably at Masters, especially after Matt Tyson was brought onboard as managing director in late January 2014. Top shows the "original" shelf display for power tools. Middle display shows what this evolved into: a series of themed wall bays for each tool brand. On the bottom, the final evolution, shown here at Masters near Northland in Melbourne's north. This is a very good display, exciting and clean. Unfortunately, the modifications to Masters could not halt its decline.

The end of Masters

For the home improvement retail industry, there are really only two details that will matter past January 2017: Masters is to completely exit the industry, probably by 11 December 2016; and some 15 of the Masters sites will, under the current arrangement (and likely any different future arrangement as well), go to Bunnings.

The dispute

The background to the current dispute between Woolworths and Lowe's, at least as it has been publicly discussed, is that an agreement has been in place that states if Lowe's chooses to end the Hydrox joint venture, the two partners will provide their own valuation of its worth. Should the partners not be able to agree on a shared valuation amount, then a third valuer agreeable to both parties would be appointed.

What seems to have happened is that the two valuations are very far apart. It would also appear that the two parties have, in their discussions, not been able to agree on a third valuer.

If those statements somewhat reflect the reality of the situation (and we can't know), then Lowe's move to have a court-appointed liquidator determine the value of the enterprise would be quite logical and valid.

At a guess, Lowe's has a number in mind for its total involvement in Hydrox that it wants to reach. In announcing its write-down of Hydrox-related assets for its FY 2015/16, Lowe's had this to say:

As previously announced, the Company provided notification to Woolworths Limited, its joint venture partner in Australia, of its intent to begin the process of exiting its investment in the joint venture, which operates Masters Home Improvement stores and Home Timber and Hardware Group's retail stores and wholesale distribution in Australia. Woolworth's owns two-thirds of the joint venture, and Lowe's owns one-third. The [USD]530 million non-cash impairment charge, which includes the cumulative impact of the strengthening U.S. dollar over the life of the investment, was based on the Company's best estimate of the value of its portion of the joint venture, and is subject to possible adjustment based on completion of the valuation process.

Lowe's is estimated to have invested \$1110 million into Hydrox. As recently as October 2015, Masters listed the put option held by Lowe's as being a potential \$866 million liability.

A likely number, given the current circumstances, might be USD400 million (\$565 million), which would



The people who worked at Masters can be really proud of some of what they created. For example the "nooks" in the kitchen department, which gave customers a place to discuss their needs in private (top). The lighting carousels, here in the Cranbourne store, were really well done and effective (middle). The kitchen appliance displays were some of the most lush we've seen in the world (bottom).

put the value of Hydrox at around USD1200 million (\$1595 million).

Fairfax Media initially reported the sale price to Home Consortium as being \$725 million, but later changed this to over \$800 million. If that is a payment for two-thirds of the business, that would mean the value of the Lowe's one-third share of the business would be \$400 million. However, Fairfax Media is reporting estimates that Lowe's has instead been offered around \$180 million.

The filing by Lowe's in the Federal Court would indicate that Lowe's believes that any independent arbitrator would be likely to award it substantially more than whatever sum it has been offered.

(As a side issue, it is currently unclear how much, if any amount at all of the \$165 million that is to be paid to Woolworths for the HTH holdings of Hydrox will be paid to Lowe's.)

The three most likely outcomes are: 1) the case before the Federal Court will appear likely to succeed, and Woolworths will seek to resolve the matter by offering Lowe's a greater share of the proceeds of the Masters' sale; 2) the case actually does succeed, and an administrator is appointed to oversee the liquidation; or 3) The case does not succeed, and the arrangement currently in place goes ahead.

Of the three, the first outcome is the most likely at the moment. If the third succeeds, the deal will go ahead. Even if the second outcome happens, a deal with Home Consortium might still go ahead (though that is closer to just a 50% probability). Bearing that in mind, it's worth taking a closer look at the details of this deal.

The details of the deal

Unfortunately, very little information has been released directly about this aspect of the Masters liquidation, with the information instead shared with a few journalists at Fairfax Media and News Corporation. For the public and investors in Woolworths, what seems to be a very complex deal is covered in a few terse paragraphs of Woolworths "update" on its home improvement business, released on 25 August 2016. The basic facts are:

- An Australian company named Home Consortium has agreed to acquire 100% of the shares of Hydrox.
- Woolworths has granted Home Consortium a



Robert Niblock has served as chairman and chief executive officer of Lowe's Companies, Inc., since January 2005. He joined Lowe's in 1993, and during his career with the company, has served as director of taxation, vice president and treasurer, senior vice president, and executive vice president and chief financial officer. Mr Niblock holds a bachelor's degree in accounting from the University of North Carolina at Charlotte.



Brad Banducci was appointed the managing director and chief executive officer of the group in February 2016. Before this role he was managing director of Woolworths Food Group from March 2015 to February 2016. He was formerly director of liquor from 2012 until March 2015.

Mr Banducci joined the Group in 2011 after the acquisition of the Cellarmasters Group, a direct wine retail and production company. He was chief executive officer of Cellarmasters from 2007 to 2011. Prior to this, he was the chief financial officer and director, and later a non-executive director at Tyro Payments and a vice president and director with The Boston Consulting Group, where he was a core member of its retail practice for fifteen years.

call option (right to buy) over its 67% stake in Hydrox.

- Woolworths has terminated its joint venture agreement with Lowe's, as a result of a dispute about how to value Lowe's share of the joint venture.

Home Consortium is made up of three main groups of investors. The driving force behind the company are investors currently involved with aged-care operator Aurrum. According to reports in the Australian Financial Review (AFR), these include: the chairman of Aurrum, David Di Pilla, who was formerly with UBS; UBS managing directors Robert Vanderzeil and Matthew Grounds; Greg Hayes; Mary Shaw; and Alex Shaw.

Two retail companies are also involved. The first is Spotlight Group, which operates both fabric stores under the Spotlight brand, and outdoor equipment/fashion stores under the Anaconda brand. This company is owned by Zac Fried and Morry Fried. The second retail company is the Chemist Warehouse chain, which is owned by Mario Verrocchi and Jack Gance.

The total number of properties to be transferred in this deal has been reported elsewhere as 82. In fact, however, there were 97 properties made available in the original packages of properties. The former number results from the pre-allocation of 15 properties to Wesfarmers for use by its home improvement big-box retail chain, Bunnings.

In a press release dated 24 August 2016, Wesfarmers has courteously outlined the broad details of this deal. To quote directly from that release:

Assuming the above-mentioned consent is obtained, the transaction between Home Consortium and Bunnings will provide Bunnings with 15 new sites comprised of 6 freehold trading locations (to be leased from Home Consortium), 2 freehold development sites (to be leased from Home Consortium) and 7 leasehold trading locations. 11 of the 15 sites will be replacement stores and 4 of the sites will be new locations.

In a further comment from the managing director of Wesfarmers, Richard Goyder, more light is shed on the nature of the transaction. Mr Goyder states:

The 15 sites covered by this agreement is a small proportion of the overall 97 locations that were offered, and they are of high quality and a good fit with our existing store portfolio and pipeline. 11 of the 15 locations will be replacement stores and provide us with a great opportunity to improve our offer in these areas. We're also pleased to have the opportunity to bring the Bunnings offer to 4 new locations.

goo.gl/1Ux4Dt

Outside of the Bunnings allocation, there are 61 properties currently operating as retail outlets, comprising an estimated 700,000 square metres of floorspace. This means that 21 of the properties are proposed development sites. The Spotlight Group is believed to be interested in acquiring the 21 undevel-

97
sites offered
in total

15
sites go to
Bunnings



21
sites go to
Chemist
Warehouse



61
sites go to a
mix of
retailers

oped sites.

Speaking to the AFR, Mr Di Pilla suggested the remaining retail space would be acquired by a wide range of Australia's mall-based retailers. These include: JB Hi-Fi, The Good Guys, Super Amart, BBQs Galore, Boating Camping Fishing, Super Cheap Auto and Amart Sports. The operations of both Spotlight Group and Chemist Warehouse will feature prominently in the retail space provisioning. Woolworths is also likely to open supermarkets at some of the sites, along with outlets for its Dan Murphy's liquor retail business.

Retail effects

Outside of the closure of Masters, the addition of four new Bunnings Warehouses in new locations, and the expansion of another 11 Bunnings Warehouses in new premises, much of what Home Consortium does with the retail space will not affect the home improvement retail industry.

It is likely, however, to have a marked effect on the other aspects of retail, especially in Sydney and Melbourne. With increasing road congestion, consumers have become more reluctant to travel distances of over five or six kilometres to get their shopping done. The addition of a wide range of what will be "mini-malls" to retain in these major cities could begin to undermine both the larger, more established shopping malls, and some of the surviving strip shopping areas.

Masters inventory sales

Woolworths does seem to have gained the agreement of Lowe's to sell off the Masters inventory. Once again, the details of this are opaque. The first issue that is not entirely clear regards the payment terms between Woolworths and GA Australia. The two most common arrangements are either a fixed fee, or an equity share. The phrasing used in the Woolworths' press release is that:

The underwritten recovery is subject to certain adjustments and is estimated to deliver gross proceeds of approximately \$500 million.

This sounds as though the arrangement is for a fee-based transaction, where GA Australia has guaranteed a return of \$500 million, but would keep all or a proportion of sales that exceed that amount. This would likely be subject to factors such as actual stock-on-hand versus projected stock-on-hand, as it has been some time since the last stocktake at Masters.

Some sources have suggested that manufacturers and distributors of brands that will go on sale, such as whitegoods made by Electrolux, Westinghouse and Fisher & Paykel, are seeking an opportunity to buy back the stock currently held by Masters, so as to escape price dilution caused by discounting.

While this is understandable, it would seem unlikely to oc-

cur, especially for floor stock and stock held in inventory at individual stores. The logistics would be difficult, and such a move would simply result in a higher level of stress under already difficult operating conditions. As a result, the net return on the goods sold even at a considerable discount would be greater than a possible bonus paid by suppliers for return of stock. Two other factors which indicate this is unlikely is that the terms of sale have already been concluded between GA Australia and Woolworths, and discounts on whitegoods will help drive customer traffic.

Also, it's worth remembering that Woolworths is exiting this business entirely, and not overly concerned with maintaining good relationships with former suppliers to Masters. About the only overlap between Masters' stock and ongoing Woolworths operations would be some brands sold through Big W, such as Dyson vacuum cleaners and microwave brands such as Sharp.

All that said, as covered below, the sale discount applied to appliances seems to be lower than that for other goods.

Sale conditions

Early reports about the conditions of the sale indicate discounts starting at 25% to 30%, and reaching as high as 80% by sale end. Melbourne's Herald-Sun newspaper, for example, quotes the general manager of GA Australia, Kevin Olsen, as saying:

The entire store will be on sale. The lion's share will be anywhere up to probably 30 per cent [off].

Mr Olsen is also quoted in a Great American Group press release as saying:

Loyal customers and the general public will be able to shop in stores and receive significant savings on a wide variety of quality merchandise. Every item in every department will be discounted until all the merchandise is sold.

In terms of how long the sale may go on, there is only this quote from the same press release to go on:

The going-out-of-business sales are expected to last several weeks before all of the merchandise is sold in all locations.

A store visit to Masters after the sale began indicates this statement might be focused on the end weeks rather than the starting weeks of the sale. On the first day of the sale, 29 August 2016, the general store discount seemed to be 10%, though some specific items were discounted by larger amounts. As you might expect, the higher discounts applied to items that are unlikely to be hot sellers, such as garden gnomes in the form of



Not a discount that has been met with a great deal of enthusiasm. Tool display at Masters, late August 2016



Appliances have been discounted by even less, around 6%.



Every consumer's dream: discounted "Minion" garden gnomes.

“minions” from the animated film of the same name.

Appliances and whitegoods were even more disappointing. It seemed the average discount on these goods was around just 6%.

One element the organisers of the sale seem not to have fully taken account of is simply that consumers have been treated to months of quite steep discounts at Masters. In many cases these discounts seem almost like a form of price increase.

Recent research indicates this is likely a very inefficient way to run such sales. Harvard Business School professor Ananth Raman and graduate student Nathan Craig studied the dynamics at work in retail liquidation sales, and wrote up their conclusions in a 2013 article entitled “Improving Store Liquidation”.

goo.gl/7iPCpU

By modelling a number of store liquidations in the US, they were able to determine that the best results were obtained from practices that differed from those normally implemented. They found three main means of improving the results of liquidation sales:

We have identified three key operational levers for central managers to improve efficiency during store liquidations: markdowns, inventory transfers, and store closings.

In terms of markdowns, the paper suggests that the standard practice of beginning with small discounts, then slowly ramping up to very large discounts might not produce the best results. Better results can be obtained by beginning with relatively steep discounts, at 40% and more. This is because interest in liquidations typically peaks in the first week. Rather than relying on customers “re-shopping” later in the sale, early steep discounts assure most of the stock is sold while attention is highest.

Similarly, the modelled results show that very steep end discounts, designed to clear all stock, do not result in the best return on the sales. Going lower, but not too low, and ending up with some stock unsold can actually result in greater overall sales numbers. Some commentators have assigned such an outcome to poor original stocking decisions by Masters. In fact they may indicate a better understanding of how to obtain the best results from a liquidation sale.

Transfers and store closures come down to modelling individual store performance during the liquidation sale. It turns out, according to the paper, that the performance of a store during the first week of a liquidation sale provides a good indicator of overall performance. This provides the sale managers with a good idea of where stock can be shifted to for the best results.

Sale effects

Even with a less-effective and longer-running liquidation,

hnn.bz

it is likely that at least the bulk of sales will be completed in the first five weeks. This would mean that the majority of sales will occur in the month of September 2016. Forecasting hardware retail sales for a specific month on an individual state basis is difficult. To create a rough estimate, we've converted the Australian Bureau of Statistics (ABS) revenue for the six years 2010 to 2015 into 2015 dollars, and averaged the growth across the most recent five years. As the general forecasts indicate continued strength in building and construction, but a slowdown in renovation activity, we've foregone the inflation adjustment from 2015 to 2016 and reduced the average growth by 1%. We have then applied that growth number to the 2015 revenue to produce state-by-state estimates.

While the estimated amount to be earned from the sale of Masters inventory is \$500 million, its actual retail value is estimated at around \$700 million. The \$700 million would indicate the retail "displacement" of the sale, that is, the amount of intended retail spending for which the sale goods will substitute.

However, it's likely that there will be two types of consumer behaviour triggered by this liquidation sale. Some consumers will have decided to purchase a specific item, and, finding that item at a discount, will shift their savings to spending elsewhere. Others will instead upgrade the quality of their purchase, while spending essentially the same amount of money. If we presume a 50/50 split to these behaviours, the displacement effect of the liquidation sale should be around \$600 million.

Further, we should also factor in the fact that Masters is selling stock that does not fit in the standard definition of hardware, such as whitegoods, home furnishings (e.g., cushions, artwork), and home lighting. A rough estimate would be that this will make up (by price) about 20% of the overall sale merchandise. That would mean that the true effect of the liquidation sale would be around \$480 million.

Assuming that this \$480 will be distributed in-line with the number of Masters stores in each state, the states most affected will be Victoria, New South Wales, Queensland and Western Australia. The percentage of sales that could potentially be displaced by the Masters liquidation for the month of September are as follows:

- Victoria: 28%
- New South Wales: 28%
- Queensland: 37%
- Western Australia: 34%

These are towards worst-case scenario numbers, but they do indicate something of the magnitude of the effect. No doubt retailers will find ways to lessen those effects, where possible, through their own merchandising and promotional

efforts. It is also likely that a larger proportion of the effect will be felt by Bunnings, though independents will also be affected. Bunnings has both a similar store format to Masters, and a range of goods more closely matched to it as well, which means it will also experience the effects of displacement in areas such as appliances and home lighting.

While some media reports have indicated that the CEO of Bunnings Group, John Gillam, is somehow “fearful” of these discounts, the reality is that Bunnings has been planning for them since February 2016.

On the more positive side, of course, once this sell-off is completed, all Masters stores will be closed as of 11 December 2016. That means something around \$1100 million in annual sales will be released back into the market for 2017. Using the same methodology used above to forecast sales, applied to the period January to June 2017, but decreasing average growth by 2% instead of 1%, and assuming 46% of annual sales fall in the first calendar half of the year, the absence of Masters should generate around 6.1% additional growth for existing home improvement stores that were previously affected by proximity to Masters.

Mitre 10 acquisition of HTH

HNN has covered the details of the undertaking between Metcash and the Australian Competition and Consumer Commission (ACCC) at some length in previous issues of HI News. We will also provide a condensed and consolidated version of that coverage here. To begin with, however, we need to cover the details of the acquisition itself.

The acquisition

Metcash has released details of its acquisition of hardware retailer and hardware wholesale supplier Home Timber and Hardware Group (HTH) by Metcash's hardware operations, Mitre 10. The sale price was above expectations fostered by most media stories, coming in at \$165 million. The sale is set to complete in early October 2016.

The intent of the acquisition is to combine HTH's direct retail and wholesale retail assets with those of Metcash's Mitre 10 hardware operations. This will result in a retail operation with close to \$2 billion in annual sales and estimated combined earnings before interest and taxation (EBIT) of \$59 million.

According to statements by the managing director of Metcash, Ian Morrice, made in a press release:

Both Mitre 10 and HTH are passionate about supporting independent retailers. The combination of the two businesses will mean that Metcash's hardware business will have a turnover of ~\$2bn. This increased scale, together with the opportunity to realise significant efficiencies, will enable us to be more competitive and deliver a better outcome for both our hardware

retailers and their customers.

The interests and values of Mitre 10 and HTH retailers are closely aligned. Our objective is to continue to build successful independent retailers and grow a vibrant independent hardware sector, for the long term.

Metcash will pay for the acquisition through the combination of an additional equity raising for \$80 million, and an extension of its current borrowing by \$85 million. The company believes that the acquisition will add 4% to its earnings per share in FY 2017/18, exclusive of the operational costs of combining the two hardware businesses. The added debt will increase Metcash's leverage from a 17% ratio to 20%, the company states.

Metcash will be acquiring most but not all of HTH's assets. Excluded from the acquisition will be HTH's only distribution centre (DC) in Victoria, and two underperforming stores wholly-owned by HTH.

A major goal of the acquisition is to take advantage of what seem to be synergies between the operations of the two companies. According to Metcash, these synergies include:

- Reduce supply cost through increased volume through suppliers
- Consolidation of distribution network
- Logistics route efficiencies and leverage through scale
- Combining and using the best from two strong management teams
- Combining marketing budgets
- Consolidation of working capital
- Use of single unified information technology system

Acquisition details

Mitre 10 will acquire 41 of HTH's company-owned stores, as well as supply contracts with its 363 independently-owned bannered stores, and its 865 independently-owned unbannered stores. In addition it will acquire three DCs, two in New South Wales and one in Western Australia. Some 36% of its stores are in Victoria, 25% are in Western Australia, 20% are in New South Wales, and 10% are in Queensland. HTH also has stores in South Australia, Tasmania and the Northern Territory.

HTH includes the brands Home Timber & Hardware, Thrifty-Link Hardware, and Hudson Building Supplies. The combined workforce of HTH amounts to 1600 employees.

Background

Selling HTH has taken over seven months to complete. In the final bidding process, there have been several extensions of the deadline. The current deal has closed the day before Woolworths was due to reveal its results for FY 2015/16.

A key part of the bidding process consisted of Metcash approaching the ACCC in July 2016 for an informal ruling on its proposal to acquire HTH. The ACCC developed an initial undertaking for Metcash to conform to, which was then made public. Public consultation led to a further tightening of restrictions in this undertaking, which was then accepted by Metcash, clearing the way for it to acquire HTH.

It is believed that as regards HTH, the final bidding war came down to Anchorage Capital Partners and Metcash. Initial estimates had suggested the sale price would be over \$200 million, but these estimates were later reduced to around \$150 million.

Risks

As is required of them in these circumstances, Metcash has detailed a number of risks that relate to this transaction.

Losing members

The primary risk, which has not been thoroughly understood by the general media reporting on this matter, is outlined by Metcash in its announcement presentation like this:

HTH's business relies on its customers. Metcash cannot prevent HTH's customers who operate independent stores from ceasing to use HTH as their supplier or giving its competitors' products higher priority, thereby reducing their efforts to sell HTH's products. Metcash may not be able to quickly replace such customers.

In more direct terms, it is likely that some of the former HTH stores will consider leaving their arrangements when Mitre 10 takes over. A number of HTH member stores have previously operated under Mitre 10, and decided that they did not care to be directly associated with that company. Seeing 20 to 30 stores leave HTH over the next 18 months would not be surprising.

Conversely, as Mitre 10 will be engaged in just making things work for the next 18 months, it is unlikely they will be able to attract replacement stores until the conclusion of FY 2017/18.

Integration costs

This includes disruptions to the operations of both businesses, difficulty in combining IT, finance and accounting operations, and a possible loss of key personnel.

Another element that has not been given adequate attention is that the corporate culture between the two companies is quite different. Mitre 10 people tend to be very tough and somewhat aggressive, while HTH people tend to be a little friendlier and more adaptive.

Mitre 10 are, in particular, known for their difficulties in handling media, while HTH has a good reputation with media.

A revealing indication of the difference in cultures can be seen by the advertisements the two organisations run. Mitre 10 ads — which are currently running at very low rotation during the reality DIY TV series “The Block” — are somewhat matter-of-fact and straightforward. They rely on the personality of Mitre 10’s spokesperson, TV presenter Scott Cam, to make them memorable.

Under the leadership of HTH general manager James Aylen, its advertisements have come to be entertaining, with a dose of offbeat wackiness. Most are surprisingly well done, and carry through a kind of “fake macho” approach that sends up the “tough as a tradie” attitude of many of its customers.

It seems highly unlikely that Mitre 10 would consider continuing the more whimsical HTH ad campaigns. It may not need to, but it is certainly the case that all of Mitre 10’s marketing needs to be refreshed, and repositioned for its new market reach.

Counterparty agreements

The acquisition presentation describes the risk like this:

!As the Acquisition involves, in part, the acquisition of shares in a company, the Acquisition will result in a change of control of that entity. This could have adverse consequences for Metcash. For example, contracts with counterparties may be subject to review or termination in the event of a change of control.

In particular, a number of leases for corporate stores owned by HTH contain change of control clauses. There is no guarantee landlords will provide their consent to a change of control (although under most leases the landlord will be required to act reasonably in deciding whether to grant or withhold consent). If consent is not obtained, HTH may not be able to continue to operate a store at the relevant site and may incur significant costs in connection with its make-good obligations under the lease.

The consequences of this kind of risk are likely to extend beyond leases. An associated risk will involve contracts that HTH has entered into which are not to Mitre 10’s liking.

The ACCC undertaking

This is perhaps the most interesting of the risks that Metcash lists. To quote from the presentation:

Metcash has provided an undertaking to the ACCC, which will be in force for a 10 year period, and is designed to benefit consumers by giving all Combined Entity owned and independent retailers and non-bannered retailers access to hardware and home improvement wholesale supply on a non-exclusive and non-discriminatory basis.

While this is consistent with Mitre 10’s present business practices, should Mitre 10 wish to change those business practices in the future for any reason, its ability to do so may be restrict-

ed in the 10 year period of the undertaking.

There is little doubt that part of Mitre 10's growth strategy will be to continue to increase the number of corporate-owned stores under its control. Where on stores it supplies on a wholesale basis its EBIT to revenue margin is around 2.6%, on corporate-owned stores, where it collects the direct retail margin as well, this is hugely increased. To some extent the ACCC makes this kind of growth more difficult to achieve.

Bunnings

This is not a risk that is mentioned by Metcash. In fact, the acquisition document makes it clear that Mitre 10 will become the "number two" in the market, and this will provide some advantages.

HNN remains concerned that the combination of HTH and Mitre 10 will encourage Bunnings to increase competition, particularly in the trade sector. Where before it might have hesitated to take actions which would eliminate an independent retailer in, say, a regional area, Bunnings might feel less concerned about this in the future. It would not be that surprising if the current combined revenues of \$2 billion ended up being more like \$1.8 billion in another two to three years.

The Metcash ACCC undertaking

There are six basic areas that the undertaking covers:

- Enabling retailers which have entered into a wholesale supply contract with Metcash to source products from other suppliers.
- Allows Metcash to impose supply requirements under certain set circumstances.
- Ensuring that stores that are not corporate-owned and are within 20km of a corporate-owned store receive the same supply terms and conditions as the corporate store.
- Regular auditing to ensure these undertakings are met.
- Ensures that Metcash/Mitre 10 will not interfere in manufacturers supplying goods directly to stores, even when Mitre 10 has a supply agreement with that manufacturer. The only exception to this relates to "private label" products.
- Provides for a buffer zone of three months from the date of acquisition for unbannered stores, during which the terms of supply by Metcash will be the same or better as those at the time of acquisition.

The most interesting element of the above is the ability for Metcash to impose supply requirements. There are three circumstances that enable this:

- For goods listed in an advertising catalogue
- For goods listed on the website
- For stores where Metcash has made a substantial invest-

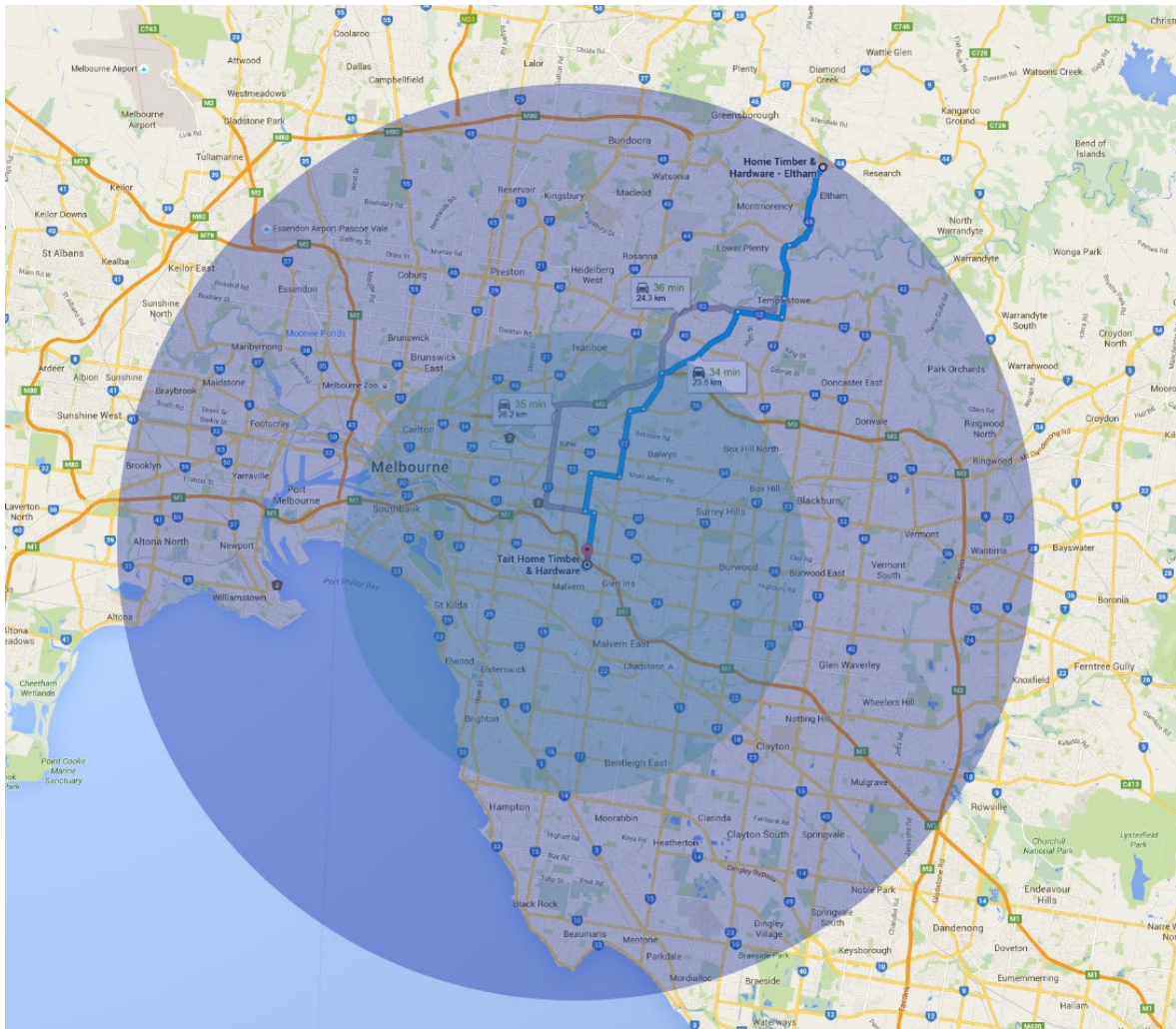
ment so that it passes a threshold amount (which is determined via a formula which has been kept private to Metcash and the ACCC). In that event can impose a restriction that requires a store to “...purchase a sufficient quantity of goods from Metcash within a defined period”.

Conclusion

One of the more surprising statements in the acquisition presentation was that, as HTH was weighted 38%/62% DIY retail/trade sales, and Mitre 10 is weighted 45%/55% DIY retail/trade sales, HTH would be positive in balancing the combined entity more towards trade sales.

Mitre 10 has to some extent “sold” this acquisition on the basis of providing an alternative retailer to Bunnings. Yet without seeking to expand more into the much more profitable DIY retail market, it’s difficult to see how Mitre 10 can provide a truly effective alternative. Retail sales value does to some extent indicate market shaping control, but EBIT indicates reinvestment potential, and it is the latter that has become so important in forming modern retail markets.

Will Mitre 10 seek to rebrand HTH stores? It seems highly likely that this will take place, but it’s more probable in another 20 months or so.



What the 20km radius around a corporate store looks like on a map of Melbourne. The inner-suburb Tait hardware store will influence what happens in the outer-urban Diamond Creek area.

The real question, of course, is what attitude the parent company Metcash is going to take to an expanded Mitre 10 operation. Over the past three years, we have seen Mitre 10's marketing budget (among other factors) gradually reduced. Mitre 10 has done well in providing the EBIT Metcash desperately needs to continue funding its supermarket strategy, which consists largely of buying market share by sacrificing profit on low prices.

Will Metcash, after the initial investment to get things going, continue with this approach? Or will the company instead put Mitre 10 to the path of being spun out in another 30 to 36 months, listed on the ASX as a separate entity and sold to provide ongoing cash for Metcash's supermarket investments?

While it is too early to tell with any certainty, it seems slightly more likely that the second scenario will win out over the first. Metcash has made a vast investment of time, effort and funding into its supermarket business, and it seems unlikely it will be fully committed to diversification at this stage.

Analysis

How much will these changes affect the day-to-day operations of hardware stores both already associated with Mitre 10, and those currently associated with HTH?

In the short term, during the remainder of 2016, any effects are likely to be fairly muted. In 2017 some of the initial challenges will relate to both getting the delivery logistics working in an effective and efficient manner, and integrating the entire operation into a single IT system.

For the first half of 2017, there is likely to be a certain amount of "churn" in the members of Mitre 10. Some of this will come from those who find it difficult to get along with aspects of that enterprise, and some will come simply from hardware stores that think it is not a bad idea to "step out" of those arrangements for at least a couple of years while things get sorted out.

The real effects of these changes are going to be felt during FY 2017/18. It is at that time that the underlying strategies of Mitre 10 will begin to emerge. Will it seek to own more of the stores that carry its banner, either wholly or in a joint venture arrangement? Will it use the Sapphire upgrades as a means to exert more control over the stock stores choose to carry? Will the company adopt a more conciliatory attitude toward members, or continue its current hardline, driving style?

Most importantly, will Metcash actually begin to invest in Mitre 10 in direct proportion to its EBIT contribution, or continue to rely on it as an earnings source to help drive its expansion in the independent supermarket business?

We can't know. One thing is clear, however: Mitre 10 is going to receive more attention, both from investment analysts and the media than it has in the past. It will be interesting to see how it chooses to deal with that.

Who is at fault for Masters' failure?

This question has been a source of endless speculation over the past six months. The two main camps are those who think the idea was simply “wrong” from the start, or deeply flawed at best, and those who think the idea had potential, but the execution was very poor.

One of the more interesting patterns in the media reporting on the Lowe's/Woolworths conflict over the value of Hydrox, is an effort by some Australian journalists to somehow assign most of the blame for the failed Masters enterprise to Lowe's.

Certainly Lowe's played its part, but there seems little doubt that Woolworths made many significant mistakes. In a slightly wry comment at the 2016 Wesfarmers Strategy Day, Mr Gillam seemed to make an offhand reference to one of the major mistakes Woolworths made. Asked to disclose more information about the strategy Bunnings is pursuing in its UK expansion, Mr Gillam noted that he would not reveal more and that “we are currently seeing the consequences” of what happens when you telegraph planning and strategy to the market — a likely reference to the failure of Masters.

As HNN has reported in the past, the failure of Masters seems in many ways more of a Bunnings story than a Masters story. As impossible as it seems today, it was as though the then-management of Woolworths did not see the possibility of Bunnings responding swiftly to the threat, doing even better deals with distributors, expanding its store fleet, upgrading the amenity of its stores, and actively competing with Masters for property.

For anyone who has any doubt about how big a part Woolworths played in the failure of Masters, HNN strongly recommends reading the legal case of *North East Solution Pty Ltd v Masters Home Improvement Australia Pty Ltd* [2016] VSC 1 (28 January 2016), which is available on the Austlii site:

goo.gl/S0mHHG

Not only does this provide a clear illustration of the poor management of the property acquisition process at Masters, there are also some haunting similarities to the current conflict between Lowe's and Woolworths.

The Australian law firm Corrs, Chambers, Westgarth provides a good summary of the case:

In North East Solutions Pty Ltd v Masters Home Improvement Australia Pty Ltd and Woolworths Limited, the parties entered into an arrangement whereby North East Solutions Pty Ltd (NES) agreed it would develop a Masters store for Woolworths

at a particular site in Bendigo. Once the store had been developed, Woolworths would lease the store for a period of 12 years, with options for a further five terms of six years each.

So as to not to delay the development of the store whilst the suite of technical and design documents was being prepared, Woolworths agreed that NES should commence the development as soon as possible, and that because a precise price could not be ascertained without the suite of technical and design documents, Woolworths would contribute the difference between the estimated cost of building a Bunnings store and a Masters store on the site.

The arrangement also included a provision that allowed either party to terminate the arrangement if the parties, acting reasonably and in good faith, were unable to resolve any disagreement that arose in relation to Woolworths' contribution of the construction costs (being the difference between the estimated cost of building a Bunnings store and a Masters store on the site).

Ultimately a disagreement did arise as to Woolworths' contribution to the construction costs, and Woolworths terminated the agreement on that basis. NES commenced proceedings against Woolworths, arguing that Woolworths did not negotiate "reasonably" and in "good faith". Woolworths countered by arguing that the relevant provision of the arrangement was not sufficiently certain to be enforceable, and was instead, merely an "agreement to negotiate".

Justice Croft found that, in the circumstances and having regard to the express terms of the arrangement entered into by NES and Woolworths, that the parties committed to act reasonably and in good faith in an attempt to resolve differences in relation to a cost estimate. The object of this process and of the clause itself was to enable the parties to quantify the difference in cost as between the development of the site as a Bunnings store and the development of the site as a Masters store, costs which Woolworths had already committed to pay.

goo.gl/OBlwZi

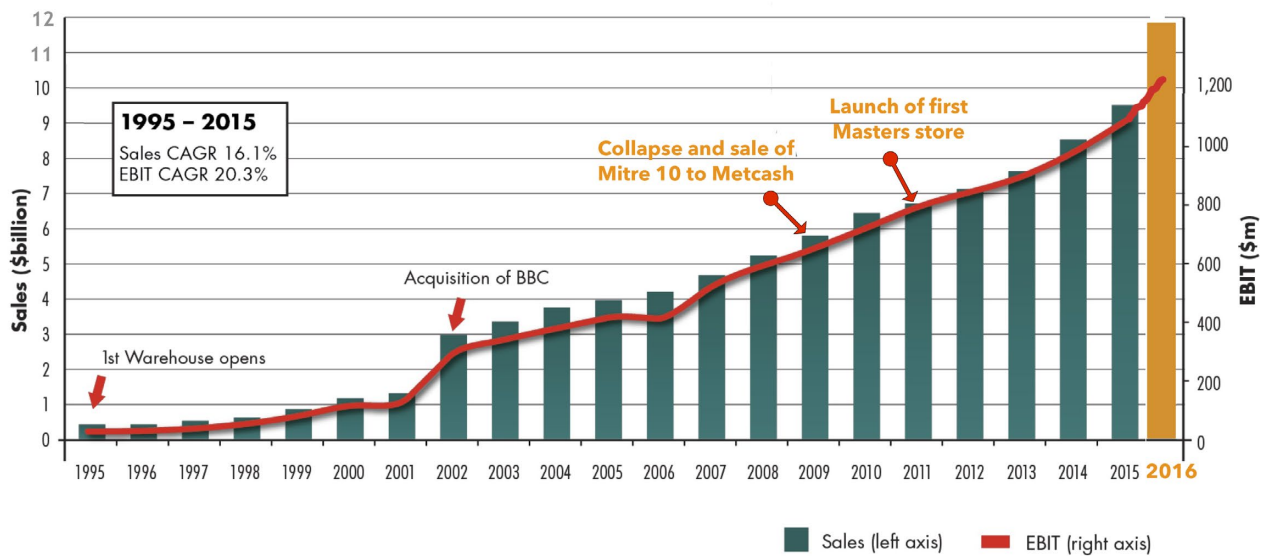
The end conclusion of Justice Croft stated:

In conclusion, for the preceding reasons, I do find on the evidence that Woolworths, in breach of cll 2.2(b) and (c) of the Agreement for Lease, did not act reasonably and in good faith to resolve differences in relation to the estimate of the Landlord's Works Costs by NES and terminated the Agreement for Lease for reasons that were not permitted under the agreement.

The outcome of the court case was an award of nearly \$11 million in damages, paid by Woolworths to North East Solutions.

Bunnings Sales & EBIT

Edited version of original Bunnings Graph



Bunnings 2015/16 Results

The results for Wesfarmers as a whole for FY 2015/16 were somewhat equivocal, while those for Bunnings itself were typical of the strong growth seen over the past three years.

Overshadowing what was otherwise a slightly disappointing year for Wesfarmers overall, was a \$1844 million write-down for its poorly performing Target discount department store, and the operations of its Curragh resources business. The write-down for Target's goodwill and non-current assets was \$1,266 million (\$1,249 million after-tax). The write-down for Curragh's was \$850 million (\$595 million after-tax).

Outside of these one-time impairments, Wesfarmers managed overall revenues of \$65,981 million, up by 5.7% on its performance for the previous corresponding period (pcp), which was FY 2014/15. Earnings before interest and taxation (EBIT) came in at \$3607 million, down by 4.0% on the pcp. This gave rise to a net profit of \$2,353 million, down by 3.6% on the pcp.

Including the impairments, EBIT was down 64.2% and net profit was down 83.3%.

In comparison with the pcp, Wesfarmers' Coles supermarket operation grew revenue by 2.7%, and increased EBIT by 4.3%. Target increased revenue by 0.5%, but saw EBIT fall by 8.2%. KMart grew revenue by 14.0%, and increased EBIT by 8.8%.

Bunnings

Bunnings increased revenue by a very substantial 21.4% over the pcp, reaching \$11,571 million in sales. Its EBIT for the year was \$1214 million, up by 12.6% over the pcp. Store on store sales growth was lower than the pcp's 8.8%, coming in at a still substantial 8.1%. The vast majority of the revenue and EBIT was provided by Bunnings New Zealand and Australia. Bunnings UK and Ireland contributed \$996 million in revenue, and around one million in EBIT.

During the year, Bunnings opened 14 Warehouse stores and closed 6 to come up with 244 at the end of the FY. It also opened 7 of its smaller format stores, and closed two of this size, leaving a total of 70. The number of Bunnings Trade Centres remained the same at 33, with the company closing one and opening another. The total number of all types of store stood at 347 at the end of the FY.

Bunnings has acquired the assets of the Homebase home improvement chain, based in the UK and Ireland. In these operations, Bunnings closed five stores, leaving a total of 260.

In a press release dated 24 August 2016, Wesfarmers revealed that, if the deal between Woolworths and Home Consortium for the disposal of properties and development sites formerly owned by Hydrox Holdings, the corporate entity formed by a joint venture between Woolworths and US-based big-box home improvement chain Lowe's Companies goes ahead, it stands to acquire 15 sites. According to a comment by Richard Goyder, the managing director of Wesfarmers:

Consistent with what we have said publicly since February, we identified specific sites of interest if the Masters home improvement business was closed. The 15 sites



Results Wesfarmers and Bunnings

- Wesfarmers has written down both its Target discount department store and some of its resources business for a total of \$2116 million pre-tax, or \$1844 million post-tax
- Even without this write-down Wesfarmer shows a decline in some key performance numbers
- Bunnings, however, has had a very good year, with profit improving by over 20%, and EBIT up over 11%.

AUD millions

Bunnings	FY 2016 H1	FY 2015 H1	Change
Revenue	11,571	9,534	21.4%
EBIT	1,214	1,088	11.6%
Return on Capital	36.6%	33.5%	up 3.1%
Diluted earnings per share	\$2.29	\$1.90	20.5%
Wesfarmers			
Revenue	65,981	62,447	5.7%
EBIT (without write-down)	3,607	3,759	-4.0%
Net profit after tax (without write-down)	2,353	2,440	-3.6%
Earnings per share	\$2.09	\$2.16	-3.1%

covered by this agreement is a small proportion of the overall 97 locations that were offered, and they are of high quality and a good fit with our existing store portfolio and pipeline. 11 of the 15 locations will be replacement stores and provide us with a great opportunity to improve our offer in these areas. We're also pleased to have the opportunity to bring the Bunnings offer to 4 new locations

Analysis

In the pages that follow, HNN provides a transcript of the remarks made by the CEO of Bunnings Group, John Gillam, during the presentation of Wesfarmers' results to financial analysts. We also provided an overview of how Bunnings' small format store in Collingwood, just outside the Melbourne CBD, continues to develop, as well as an overview of one of its newest stores at Chadstone, on the edge of Melbourne's inner suburbs.

It might seem that, outside of its involvement in Homebase, the task ahead for Bunnings may be easier now the Woolworths has abandoned its effort to take revenue away from Bunnings with its Masters Home Improvement big-box chain. However, the overall hardware/home improvement/outdoor living market seems to be in the midst of a developmental shift at the moment.

Where for the past 12 or more years, retailers have assumed more control in the overall system, there are signs that some of this control is shifting back to manufacturers. One consequence of this is that in some areas the product range has begun to both broaden and deepen. This is raising increasing problems of selection for most retailers. For example, alongside the now-standard 18-volt cordless tools, there is a strong move to develop variants in 10.8/12-volt tools, as well as at voltages higher than 18-volts.

Will the single, unsegmented market that Bunnings has serviced well for the past dozen years and more begin to fragment? If it does, how will Bunnings respond to that change?



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The CEO of Bunnings Group, John Gillam, spoke at the Global DIY conference in June 2016

<https://youtu.be/O5iCKviChXE>

Bunnings Analyst Presentation Transcript

On 24 August 2016, Wesfarmers presented its results for the 2015/16 financial year to investment analysts. The CEO of Bunnings Group, John Gillam, spoke about the results and the past year at Bunnings. What follows is an edited transcript of this remarks.

It has been a very busy time for Bunnings with a lot achieved in the year. Looking at the headline numbers what is evident is the pleasing momentum in revenue, earnings and returns. The numbers include four months of trading results for the acquisition of Homebase, which completed at the end of February. All of the growth drivers within our strategic agenda are delivering good outcomes as are the many actions we continue to implement to make our business stronger and healthier. We are pleased to report another year of improved safety performance and increased returns in our Australian/New Zealand operations. On slide 28 you can see revenue and EBIT reported for both the Australian and New Zealand business, and acquired UK and Ireland business, with the latter expressed in both pounds and Australian dollars. This is in line with our previously advised disclosure format.

There are two points of interest here. Firstly you can see the strong revenue and EBIT performance with the Australian and New Zealand business, with EBIT margin a point better on a like-for-like basis on 11.5%. Secondly, the modest results for the Homebase business, after incurring sizeable restructuring and repositioning expenses, in line with our previous guidance.

[In our Australian/New Zealand business] total store sales growth of 11.1% for the year was pleasing, with underlying store-on-store growth of 8.1% over the same period. We were cycling strong numbers throughout the year, and given that it was great to see revenue increases in every Australian region, in all store categories, and in both consumer and commercial.

The breadth of contribution to increased revenue highlights our total market capability. We reported a good increase in trading EBIT, which as noted here, came from all parts of our strategic agenda. Our good trading performance was supported by ongoing productivity improvements and disciplined cost management. This allowed us to absorb network development impacts and to fund the creation of more value for customers.

As I mentioned at the half-year results, our property development activity has been intense across the past six or so years, and divestment outcomes being achieved in what are favourable market conditions are a good reward. Lease terms are being enhanced alongside good development outcomes. The level of RoC continues to lift as shown [in the graph]. Pleasingly you can see a healthy continued level of investment for growth, within the Australian/New Zealand markets, with CapEx per year of \$534 million, taking the total level of CapEx across the past six years to \$3.5 billion.

The continuing acceleration of our brand reach is exciting. The investments being made into our digital ecosystem and our physical network are delivering good results. Twenty-two new trading locations opened, with major expansion works

completed at a further five locations. Our digital strategies are supporting large increases in customer engagement. This data is a three-year view of monthly visitations to the core bunnings.com.au site. As explained before, our digital ecosystem is much broader and wider-reaching than this.

We continue to invest in our team, helping build more product and project know-how, making our workplace safer, and strengthening diversity. Our team is the heart of our business, and their performance has been top-notch across this year. There has been smooth transition to new leadership structures to support the business in Australia, New Zealand, and in the UK and Ireland. Making our offer better for customers than ever before is how we challenge ourselves. That has resulted in more value creation, great new products, range enhancements and improvements in service which support pleasing engagement trends with consumers and with commercial customers.

I will now comment on the Homebase business. In January 2016 we announced our plans to enter the UK and Irish markets by the acquisition of Homebase, with completion occurring at the end of February. It has been a very busy first few months of ownership, with good progress made on all fronts. I won't repeat our acquisition rationale in this forum, but you can find that detail in our June Strategy Day briefing, and in our acquisition announcement. We've rolled our sleeves up, and dived into a comprehensive and rapid repositioning of the Homebase business. From our due diligence work we knew that the business we acquired had a poor and confusing offer, with very low stock availability and low stock levels. New trading strategies have been formulated and implemented across merchandising, pricing, marketing and operations. We are exiting all non-core product, as well as removing all the concession operations in the store network. The offer is now very firmly focussed on the home improvement and garden market. To support the repositioning we have invested

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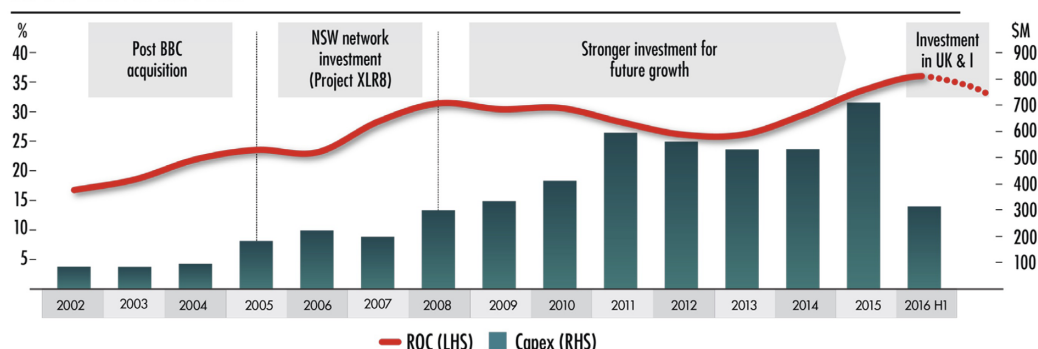
Achieving long-term growth & sustainable returns



Investing for growth... acquisition & organic

Delivering market leading returns

ROC & CAPEX HISTORY



approximately GBP60 million to both widen product choices and increase stock depth.

We have also completed a restructure of the support team, and incurred costs associated with the repositioning agenda. This has resulted in GBP30 million in costs in total, and the modest EBIT result we reported for the period is offset by that amount. The Homebase team is energised by the opportunity, and we have commenced a strong supporting investment program aimed at developing our new team. All this work is essential to creating the platform we need to implement our acquisition plans. We are pleased that the inevitable disruption has been well-managed.

Encouragingly we have seen store transaction increase by 7.5% on a like-for-like basis across the period of ownership, and that trend has continued at a similar level into July.

As we commented at the June Strategy Day, our leadership team in the UK is now well-established, and we are supported by special purpose advisory board, which is assisting us with strategic oversight, and insights into the UK and Irish markets. There has been substantial activity and progress made in integrating Homebase into Bunnings and into the Wesfarmers Group. This involves transitioning and separating Homebase from its previous owner. Detailed planning has commenced for the opening of Bunnings Warehouse pilot stores. As we commented in June, proof of concept is a critical step, and we will take our time to get this right. The first of these stores will hopefully be open early in the New Year, as part of a plan to have four to six pilot stores open for trialling by the end of June 2017.

Turning now to Outlook [33], our strategic agenda is giving the Bunnings business in Australia and New Zealand great drive. We see favourable long-term prospects, and we will invest to best position ourselves for those prospects. As we outlined in June, we have expressed our strategic agenda with three main themes: Creating better experiences, strengthening the core, and driving stronger growth.

As regards Homebase, the year ahead is very clear. We have a laser focus on the high-quality execution needed to successfully activate the first phase of our acquisition plan. We must establish strong foundations for the business we are aspiring to create. As we implement the Homebase plan, our overall RoC will decline, in a similar fashion to previous periods of growth-loaded investment. In that regard we can confirm the financial guidance provided at the time of the Homebase acquisition announcement.

Before I close, I would like to thank everyone on our expanded Bunnings team for the high quality of their work across the year, and I would especially like to commend the tremendous team effort and commitment at all levels of our business that underpin all that we have achieved.

Store Development

Where another company might have been content to rest on its laurels, Bunnings has continued to develop both display and products. Here we highlight some of the developments at one of Bunnings smaller urban stores in Collingwood, Victoria



Kaboodle continues to surprise. Here are some store displays the company has developed, which seem in part a reworking of the displays that Hafele features in Masters stores. Above, the lucite door of this cabinet makes visualising the bin within easier.

Right, is an indication that Kaboodle is investigating more elaborate storage options, with this fitted wire compact pantry.



Bunnings may be moving a little towards “vignette” style displays instore. This bathroom display is a good mix between the practicality of stacked, multi-selection, and a display of the fittings that helps to visualise how they will fit into a home.



While it's developing expertise in compact displays, Bunnings still really likes the idea of size and scale. Here bathroom vanities are lined up on the second floor of the Collingwood store. It is a display that makes selection easy, and also provides the consumer with the real luxury of range and choice.





Appliances also get the scale treatment. Bunnings has expanded the variety of these slightly, with small 45cm wide models of dishwashers for urban apartment. However, the retailer has remained quite brand constrained. It's unclear if this lack of strong branding will eventually be overcome.

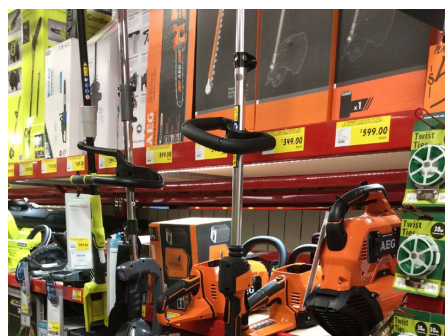
As the sheer number and range of products continues to proliferate, Bunnings has introduced "special orders" to more areas of its retail space. Pictured here is a neat special order stand in the Collingwood store, dedicated to helping customers order sheds.



56



Bunnings has used vignettes to good affect for kitchens and bathrooms. It is increasingly moving to using them for storage as well. Here is a fully developed garage workbench setup.



Meanwhile, Bunnings continues to help develop t new tools in partnership with companies like the Techtronic Industries owned AEG.

The new line of 58-volt tools promises the convenience of cordless electric with most of the power of petrol power.

Above the 58-volt lawnmower, at far left the 58-volt chainsaw.

The Block seven



Audience numbers

The Mumbrella website reports that last year The Block posted its lowest finale audience to date, with 1.57 million tuning in for the grand final, climbing to 1.81 million when Dean and Shay Paine were declared the outright winners.

Since 2010, the show's premiere and grand finale, traditional audiences have slowly diminished. However Ms Young asserts the audience is simply consuming the show in different ways. She told Mumbrella:

We've spent this year addressing that and ensuring our content distribution strategy meets what the audience wants and to that end we launched 9Now, our live-streaming and video on demand product in February, and we've got 1.5 million signed up subscribers to that product – and that means for this season of The Block it is available to the entire audience anytime, anywhere, on any device.

goo.gl/xBoWIR

goo.gl/wBff11

in this update:

The HIA is forecasting growth in renovations as construction activity slows in coming years

The WalabotDIY is a 3-D imaging tool designed for everyday consumers

Mitre 10 has plans for how to better leverage its marketing through "The Block" TV show

Mitre 10 is among the commercial partners of season twelve of The Block TV series. Other partners include ALDI, Domain, McCafe, Stayz, Suzuki and Telstra.

The seven partners will integrate their brands across all facets of Australia's longest running realty reality program, as five new teams of renovators go head-to-head to modernise the derelict headquarters of a historic Australian soap and candle factory in Melbourne. Lizzie Young, Nine Entertainment director of innovation, partnerships and customer experience told B&T:

Advertisers' appetite for quality Australian content has never been more apparent, and when you consider five of the seven commercial partners on the next season are returning year-on-year it demonstrates the

impact such a format has when it comes to delivering real outcomes for clients.

Returning for its ninth season to help build The Block, Mitre 10 will launch an online how-to series featuring Mitre 10 ambassador and The Block host, Scott Cam.

As the official supermarket partner, ALDI will fuel The Block, feeding contestants as well as inspiring consumers with a range of affordable Special Buys. ALDI will also give one viewer the chance to win \$30,000 in cash.

New partner, Telstra, will harness the power of the renovation format to unveil its connected home of the future, showcasing the latest smart home technology innovation.

Property portal Domain will have a weekly 360-degree photo series that

brings viewers closer to the Sunday room reveals.

McCafe will feature The Block All Star and resident "Foredan", Dan Riley as a quality controller across a weekly content series on 9Now, profiling him in its TV commercials and with coffee opportunities within the show.

As the official car partner, Suzuki will keep The Block moving with its latest Suzuki Vitara Turbo and Suzuki Baleno models, and a viewer car giveaway.

As a new partner for The Block, holiday rental site Stayz will offer viewers the chance to win one night's accommodation for two at The Block in their apartment of choice, along with a \$20,000 giveaway to spend on Stayz escapes all over Australia.

HIA sees more renovations

New home building is set to fall away in coming years as Australians turn their focus to renovations according to new forecasts from the Housing Industry Association (HIA).

According to the HIA's latest National Outlook, the current construction cycle is set to slow after peaking this year which will coincide with growth in the renovation sector. HIA chief economist Harley Dale said:

recession. This cycle is marked by substantial regional divergences in the levels of activity in various markets around the country; and the mix of dwelling types being built has changed dramatically.

As the down cycle in new home building unfolds, the record pipeline of medium/high density dwellings in particular creates considerable uncertainty as to the timing and magnitude of the decline in construction.

The current new home building boom is unlike any other that has come before it. It is the longest and largest in Australia's history and has provided an unprecedented economic boost to the nation, without which domestic demand would be in or close to

While this year may be the beginning of the end for the new home construction cycle, it is set to be the year growth in the renovation sector kicks into gear.

The HIA expects the strongest growth in renovation spending in more than 10 years



as annual spending on renovations is set to grow past \$33 billion per year. Dr Dale said:

National renovations investment got off to a great start in 2016, growing by 2.2% in the March quarter. HIA expects that renovations activity grew by 4.2% in 2015/16 – the fastest rate of increase in over a decade. Further

growth over subsequent years is forecast to take renovations activity to a value of nearly \$33.2 billion by 2018/19.

and will fall away for the next three years. Commencements are set to bottom out over 2018/19 at 166,500.

goo.gl/CTwDLI

New housing

According to the HIA, new home commencements likely peaked over the 2015/16 financial year with 232,500

3D imaging tool for renos, DIY

Vayyar Imaging is the 3D-imaging sensor company whose technology makes it possible to see through objects, liquids and building materials. It has released a 3D imaging tool for consumers called WalabotDIY.

Created especially for the home renovator, construction worker and DIY enthusiast, WalabotDIY gives users "Superman-vision" to see through

plasterboard, cement and other materials to determine the location of pipes, wires, and even rodents' nests.

WalabotDIY is compatible with all Android smartphones 5.0 and higher, equipped with USB OTG, and connects magnetically to the back of the phone.

After downloading the WalabotDIY app via Google Play and a short calibration

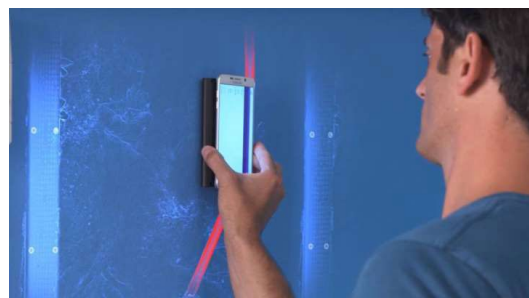
process, WalabotDIY can be used to scan the wall, and the wall images are then projected on the smartphone's screen.

It also helps users know precisely how deep to cut or how far to drill to avoid damaging pipes, wires, and objects hidden behind walls. The robust 3D imaging sensors detect both the depth and location of objects and easily "sees" through

up to four inches or 10 centimetres of concrete or plasterboard.

WalabotDIY also has an adjustable sensitivity setting for optimal calibrations on specific

renovation and construction projects, offers two sensing modes of pipes and raw data, and can easily snap photo screenshots for use in offline analysis.



products

Smart doorbell home security

ADT has announced a partnership with Ring, the developer behind the Ring Video Doorbell.

On its own, Ring allows users to access a video doorbell and speak through it either from home or remotely. It also offers a zone monitoring system that will alert users if there is activi-

ty in designated zones.

The way the new system works is by integrating the ADT Pulse security features into the Ring app. Once users access the video doorbell through which they can see and talk to visitors, they will also be able to check the locks on doors and turn on lights with Pulse. All

this is done through one app, giving users easier access to their features in one convenient place.

Ring claims that most burglars will ring the doorbell on a potential target home, presumably to assess whether homeowners are in or not. With the ability to quickly see if someone suspicious is lurking on the steps and then quickly turning on a light in a darkened home, homeowners are much more likely to dissuade potential intruders from proceeding. The convenience of being able to do this from a smartphone further adds to the security users feel.

Currently, there are



no industry standards in the field of home automation. Perhaps further partnerships between these smart home companies will pave the way for such standards. That, in turn, will make things even more convenient for users.

ADT boasts the ability to monitor homes and offers re-

mote access to alarms, lights, and doors. The company has a history of partnering with other smart home companies such as Nest thermostats and August smart locks.

goo.gl/yx9Plp

My Paint Saint

A product called My Paint Saint has been creating buzz in the home improvement market. Using My Paint Saint, homeowners can touch up paint anytime, anywhere, in minutes, without ever cleaning the brush.

The Paint Saint was invented by Mark Lacy, a single father and first-time business owner. After a successful Kickstarter campaign, he is now

bringing the product to painters everywhere.

In just its first six months, the product has already been picked up by Ace Hardware and True Value in the US, and is available online. The Paint Saint has a number of unique features:

- A customised silicone gasket that hermetically seals the paint inside the container, keeping the oxygen out and the paint moist
- A silver closing ring, which seals the brush to the paint container and also screws to the bottom of the contain-

er while in use

- Shelves inside the cup to remove excess paint from the bristles
 - A large writing space on the rear label for the paint colour and paint code
- The Paint Saint

allows someone wearing a tuxedo to see a mark on the wall and touch it up in about two minutes and then head on out the door to a wedding. It can be used just about anywhere where paint

needs to be touched up including commercial buildings, hospitals and churches.

goo.gl/tT2O6g



Flooring featuring Oz species

To meet the growing demand for European-inspired stained wood flooring, Boral Timber has launched its metallon™ collection featuring Australian Blackbutt and Spotted Gum species.

It offers an alternative in a category that until now has been dominated by imported species.

The high quality, easy to install metallon boards are inspired by the aesthetics of precious metals, trans-

forming the earthy beauty of Australian hardwoods into the colours of Copper, Tungsten, Pewter, Cobalt (pictured) and Titanium. Leon Travis, national sales and distribution manager at Boral Timber, said:

Stained engineered floors are extremely popular and when matched with the natural beauty of Australian species, prove to be a versatile and multi-dimensional timber flooring

solution that aligns with evolving Australian architecture and design trends...

Incorporating the click-lock installation system, the hard-wearing Blackbutt and Spotted Gum boards are pre-finished for minimal fuss and mess, and can be sanded back for a more natural finish or re-stained as design preferences evolve.

metallon is also a sustainable engineered timber flooring choice. It is Chain of Custody certified by the Australian Forestry Standard (AFS).

(Boral Timber has implemented AFS Chain of Custody certification to support responsible and sustainable forest management in Australia. Boral Timber's



Chain of Custody certification meets the AFS AS 4707-2006. The Australian Forest Certification Scheme has mutual recognition by the Programme for the Endorsement of Forest Certification Scheme, the world's largest forest management certifier. All Boral Timber manufacturing sites are Chain of Custody certified.)

This means the tim-

ber is produced using certified, legal and sustainably managed sources.

goo.gl/IQRE35

Easiest-to-use ladder system

Transporting ladders for tradies can be fiddly, especially if they are not operating a van. With that in mind, Rhino-Rack has designed the Multi Slide Extension Ladder Rack.

Most ladder racks are up to 3-metres long, and in their original form are only really useful on vans. The

Rhino-Rack Multi Slide Extension Ladder Rack is shorter, and can be used for smaller vehicles including single and dual cab utes.

At 1.5-metres, the Multi Slide Extension Ladder Rack can still carry long ladders, and has similar features that Rhino-Rack's other ladder racks do. This includes side rails

that prevent lateral movement, as well as a rear strap, which reduces excess rope and straps. This means users only need the one strap to secure the ladder to the rack.

The ladder rack system is fully OH&S compliant and has been rigorously crash-tested to ensure that the product is as tough as it gets. It is also constructed

from anti-corrosive materials. The system is compatible with any ute with a canopy via Rhino-Rack's range of vortex and/or heavy duty bars (sold separately).



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Agmer Workwear

From the 1940s to today, an Australian company offering style, comfort, durability and safety.

Agmer has been proudly Australian owned and operated since the early 1940s.

We have been keeping Australians safe and dry for over 70 years and have built our reputation in the industry on the backs of the Australian worker.

As a trusted supplier of the iconic bluey jacket, we continue to expand our range from quality hi vis garments to specialised fire retardant clothing.

Incorporating the latest advances in fabric technology and modern designs, our range of workwear continues to appeal to a spectrum of tradies and corporations looking for that edge over their competition.

This can be found with our industry leading ultra hi vis polos, vests, and large range of jackets and pants.



Agmer makes the iconic "Bluey" jacket at its factory in Thornburym, Victoria, drawing on over 60 years experience at this craft.

We are also leading the pack with our Hardline workwear range, built and designed for the modern craftsman. Nothing has been spared to bring about the hardest wearing and street inspired designed pants and jackets to Australia's tradies.

In addition to our ever growing product range, we also offer an in house embroidery service, ensuring you an easy road from order to completed product.

We look forward to continuing to ensure the safety and protection of the "Aussie battler" from the dangers of the workplace and the elements of nature.

Bluey Flying Jacket

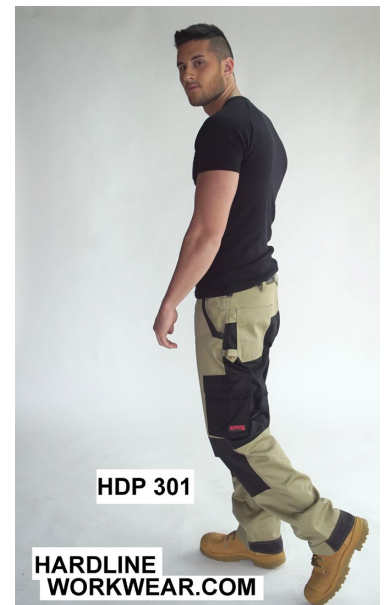
Australian iconic jacket that has served to protect the Australian worker year after year. The Agmer Bluey Jacket is made from 21 oz wool fabric with cotton flannel lining. Heavy duty zip ensures quality and continued durability of jacket on the work site. Deep side pockets for all your bits and pieces, with quality waist and wrist band. Colours - Black, Navy, Charcoal. Sizes Sm to 6xl. Also available in Hi Vis Style.



BLUEY FLYING JACKET

HDP - 301 Craftman Pants

The HDP 301 is the next level in the craftman's gear on the work site. Built from our harden poly-cotton 310 oz fabric, double stitching along the seams and reinforced with cordura, you got one helluva of pant. Add the Hardline styling with our black contrast trade mark, and your assets will be demand. Black trimming at the botton of the leg keeps the dirt where needed. Deep side pockets for all your nuts and bolts. No bulls\$^%@ 3D designs here. Black, Navy and Khaki. Sizes 77R



HDP 301

HARDLINE
WORKWEAR.COM



Contact Agmer:

03 94806255

sales@agmer.com.au

agmer.com.au

hardlineworkwear.com

19 Anderson Rd, Thornbury, Victoria 3071

Drizoro Construction Products

The most comprehensive range of cement based waterproofing and concrete repair products.

One of the most common causes of damage and durability problems to concrete and masonry surfaces is water. Damage caused by moisture, is rapidly becoming the major cause of structural destruction to masonry structures.

The range of Drizoro Construction Products available from Scientific Waterproofing Products (SWP) makes waterproofing of concrete and masonry surfaces a simple undertaking. Specific brands include Maxseal Foundation, Maxseal Flex, Maxplug and Maxjoint Elastic. They have been widely used in Australia since 1992, and manufactured in Spain since 1977.

Each of these products from Drizoro is cement

based so they penetrate the pores and actually become part of the surface. This provides a totally dry interface against either positive or negative flow.

Once cured, Drizoro products can be rendered, tiled or painted over. Furthermore, they can be tinted to achieve decorative colours, textured and troweled to achieve a

decorative finish.

The Drizoro range is user-friendly, suitable with potable water and non-toxic. This makes suitable for extremely confined places, and clean up is achieved with water, eliminating the use of toxic chemicals and solvents.

Surfaces requiring resistance to hydrostatic or static pressure such retaining

walls (including DINCEL) in car parks and basements pose no problems for Drizoro materials. They must be applied to a wet surface, making it ideal for this type of work.

Drizoro Construction Products are available from Scientific Waterproofing Products.

Contact details

Unit 4/92 Bryant Street
Padstow NSW 2211

Phone: (02) 9771 0011
Fax: (02) 9771 0077

Website:

<http://www.scientificwaterproofingproducts.com.au/>

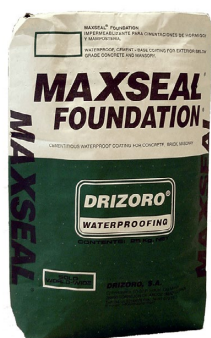
Email:

info@scientificwaterproofingproducts.com.au



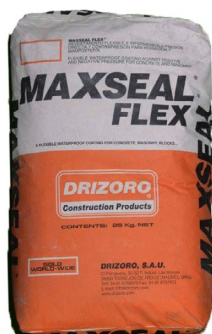
Maxseal Foundation

Maxseal Foundation is a cement-based product that, with special additives and selected aggregates, can provide total waterproofing protection to concrete, bricks and blocks due to its high resistance to aggressive waters. It will seal against positive and negative water pressure.



Maxseal Flex

Maxseal Flex is a coating with flexible and waterproofing properties that adheres to practically every surface including concrete, natural and artificial stone, mortar plasters, bricks, concrete blocks – when they are subjected to both positive or negative high water pressure. Once applied and cured, Maxseal Flex provides a non-toxic, flexible and waterproof coating.



Maxplug

Maxplug is a quick-setting cement-based mortar that instantly stops running water from cracks, fissures, holes or other openings in concrete and masonry. It is non-shrink and sets within three to five minutes depending on the temperature. Once Maxplug sets, it adheres perfectly to the substrate. It only requires water for mixing.



Maxjoint Elastic

Maxjoint Elastic is a two-component product. Component A is a liquid based on special synthetic resins. Component B is supplied in powder form, as a mortar based mixture of cements, additives and special aggregates. When both components are mixed, an elastomeric product with high bond strength is achieved.



Malco Shear Attachments

Labour-saving, cost-effective, Malco makes power tools even more capable

Malco shear attachments are labour saving and cost effective.

A metal-cutting power shear is now a more accessible and practical job-site addition than ever before. Cost-effective TurboShear attachments from Malco Products quickly insert into the chuck of a corded or cordless drill, or impact driver, to make fast straight, curved or square cuts in sheet metal, metal roofing and building panels.

A sleek, lightweight aluminium cast shear head and a compact, moulded polymer drill clamp allow maximum portability and ease to go wherever the work is. The telescoping clamp adjusts to fit both length and width of a drill motor housing as well as smaller bodied impact drivers. The clamp collar allows the shear head to be rotated 360-degrees and set in any position to optimise tool clearance and facilitate easy material flow.

Malco TurboShears can be operated at high or low speeds for the control users need to make precise trim cuts, follow tight patterns or navigate cuts over profiles.

A Malco model TSCM TurboShear attachment provides enormous value for both the time savings it offers and the low investment required to achieve clean precise cuts in corrugated metal roofing panels every time.

Specialised, elongated blades with compact jaws create a steep 75-degree offset so that the drill is held at a more vertical

approach when starting a cut. As the offset blades follow the rising angle of a corrugated profile, the drill handle or battery pack has clearance to naturally tip downward and still clear the roofing panel surface. These hardened carbon steel blades offer long service life in 0.31 to 0.61 mm steel roofing material.

A versatile model TSHD TurboShear attachment features heavy-duty gearing and larger, wider-opening blades for cutting up to 1.22mm cold rolled steel, including layered metal and seams. The model TSHD is easily manoeuvrable and capable of making precise trim cuts, following tight patterns. With the head rotated for adequate clearance, it can also navigate mild corrugated profiles.

Both of the TurboShear models have a lateral blade adjustment capability to ensure that cutting performance and manoeuvrability can be maintained for the life of the blades. Replacement blades are available and can be easily installed on the job.

**Contact
BND Australia on**

1300 883 520

for your nearest retailer.

More information on the Malco range in Australia can be found at

<http://bndaustralia.com.au/>



Merlin Software

Merlin's **cobalt** is Australian retail management software-as-a-service tailored for hardware stores

Providing retail management software is something of a balancing act between its true cost (the software itself, installation and ongoing support), the features it provides, and the way the product fits with the specific needs of individual retailers.

What makes Merlin Software's Cobalt Retail outstanding in its field is that it has found the right balance between these elements. By designing not only the software, but its provision and support services, Merlin enables its clients to get just the right features, along with the best levels of support and service. This makes using the software convenient and easy, while also providing a high value proposition.

At the core of these innovations is Merlin's understanding that the best way to deliver retail software is through what has been called "software as a service". Rather than, as in the old days, selling software as a standalone product, then charging extra for everything – such as support and upgrades – Merlin provides Cobalt Retail for a single monthly fee that covers most of what a retailer needs, including regular quarterly upgrades.

As a result, there's no initial capital investment, only a monthly budget friendly figure to rely on (subject to each client's installation requirements).

This also means that Merlin works to maintain a constant relationship with

its customers. The software costs are also much easier to forecast and plan, with the system remaining up-to-date, and functioning at its highest efficiency.

History

Merlin has been providing software for over 30 years, and its Cobalt Retail product has been around for 15 years. Its happy clients include the Sanders H Hardware in South Australia, the famous Pedders Suspension Australia-wide Group, and TAFCO Rural Supplies in Victoria.

Installation

Replacing existing and familiar software – even if it is just MYOB or other non-customised solutions – can be a difficult task. There is bound to be some business disruption, and a learning curve. Even when it is evident the long-term advantages make the short-term inconveniences well worth it, that initial few weeks spent adopting a new system can seem daunting.

Merlin has really thought through this process with its Cobalt Retail software. To begin with, rather than having retailers struggle installing software on their existing computers, Merlin supplies a complete, high-specification, fully warranted server with the software completely pre-loaded. There are simply no concerns at all about making an installation work.

This server is simply



The Merlin Software team at the Hardware & Building Traders' 2016 National Conference in Townsville, Queensland. From left: Michael Procyk, Sam Roberts and David Beard.

Merlin Software organises user group meetings, and regularly attends tradeshow, making it easy for clients to interact directly with the team.

plugged into the existing network in the retail management location. To make integrating the server as easy and cost-effective as possible, Merlin offers a range of assistance even at this level. The monthly fee for using Merlin includes a generous allotment of time for initial assistance with installation, including remote access by Merlin staff, who can work directly on the server via an internet connection.

Merlin is equally happy to provide technical assistance and information to third-party or in-house IT support teams, or directly to retailers themselves, if they prefer to look after their own installation details. Merlin leaves that choice entirely up to its Cobalt Retail clients.

Getting started

When the Cobalt Retail software is up and running,

there remains (of course) still quite a bit of setup work to get done. Merlin has worked hard to make sure this process is as easy as possible for its clients. For example, in creating new databases for the client information, Merlin supplies its clients with a set of master spreadsheets. The client fills out the database details in the spreadsheet (or exports the details from an existing system), then uploads these into Cobalt Retail, and the necessary databases are automatically created.

Once again, Merlin is happy to provide online support to make this task easier and faster for its clients. The company can also provide on-site staff to work through the process.

Continues
following page

Inside Cobalt Retail

Cobalt Retail consists of five separate modules: Point of Sale (Pos), Accounting, Payroll, Commission Sales, and Ecommerce.

Clients are free to select all or any of these modules to use.

PoS: Sales

Cobalt Retail's PoS module has been designed to enable the user to access almost all of its functions from a single screen.

The Sales component includes cash, account and layby sales, as well as estimates and suspended sales. It also provides management features, such as creating accounts and products, changing price level, and calculating discounts to maintain margins. It also integrates with the Accounting and Ecommerce modules.

From a management perspective, the Sales component enables a wide range of reporting features.

All of these functions are designed to scale as needed. Cobalt Retail works just as well for a single store operation, on up to franchises with over 100 sites.

PoS: Stock

Hardware retailers need a really robust stock database. The Stock component can allocate three sort levels of sub-categories to product files. Stock movement is fully integrated with Cobalt Accounting. Receipting of stock into Cobalt Retail will automatically generate a creditor invoice (or accrual). Supplier information allows stock to be ordered and tracked, and stock-take facilities ensure accuracy.

Of course, the system scales easily. Retailers can maintain a product and pricing file for a single

store, or a group network.

Merlin has a history of working with large buying groups to create integrations with their ordering systems and other features. This helps to achieve the best result for both the stores and the group.

PoS: Customer

Cobalt Retail's Customer component combines aspects of accounting with functions from customer relationship management (CRM) software to help retailers get the most from their client relationships. The Debtors Ledger looks after customer accounts on an ongoing and historical basis, never deleting transactions, so that past accounts can be easily viewed.

Individual pricing contracts can be recorded, customer accounts can be consolidated, customer details can be used for marketing purposes.

Accounting module

Cobalt Retail's Accounting component fully integrates the Sales and Payroll modules. Adding supplier invoice details when stock is receipted, for example, will update Accounting, eliminating the double-handling found on some other systems.

Cobalt Retail Payroll

Designed for small to medium businesses, and fully compliant with Australian Taxation Office requirements, Cobalt Retail Payroll had help eliminate such annoyances as repetitive data entry into separate systems after a pay run. Its facilities include: Tracking employee information and accrued leave, importing or entering tax scales as released



Merlin Software's Cobalt retail management system provides a modern, clean interface, that works the way today's employees expect software to work.

by the ATO, and preparation of PAYG taxation.

Cobalt Retail Ecommerce

The Ecommerce module of Cobalt Retail is designed to make it as easy as possible for web designers to access the data they need directly from Cobalt Retail. This leaves them free to use the latest web techniques to deliver the best possible web site.

Cobalt Retail Multi-Site

Users with more than one retail site using Cobalt Retail can access the software's multi-site systems. Based on internet technology, Cobalt Retail Multi-Site combines the best of connected systems, with the addition of individual site robustness. The

system enables "real time" control of sites. Should one site suffer an interruption to internet connectivity, it continues to function for normal sales functions, then reports back to the centralised system automatically whenever connection is restored.

Services

Merlin provides a full range of services to support its Cobalt Retail product. These include:

- Configuration of the system to suit your business
- Training of relevant staff in each module POS, computer and other IT hardware and software
- Hardware quotes from major suppliers
- Website and email hosting under your domain name (charges apply)

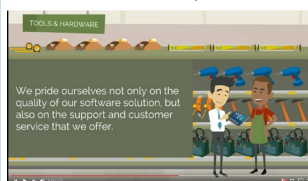
Contact Merlin Software:

08 8354 1600

sales@merlinsoftware.com.au

www.merlinsoftware.com.au

240-280 Morphett Road. North Plympton, SA 5037



[Click here](#) to visit Merlin Software's YouTube channel for more information.



Imex Lasers

Imex looks after its retailers as well as it looks after its end users

The Australian-owned Imex Lasers is not only about making great laser levels and measuring tools, it's also about supporting the retailers who stock its products. It aims to assist retailers to maximise sales growth in this category by providing a truly complete range of display options. This is backed up with a high level of service and end user support, making sure both retailers and end users are happy with its comprehensive range of products.

Store Displays

67

The display options provided by Imex will suit both large and small stores. Imex measureMART point of sale options include a complete walk in, store-within-a-store, down to compact counter displays for smaller items.

The display systems are enhanced with video screens which can run product videos to assist store staff in helping their customers choose the right tool for their tasks. To ensure that both retail staff and tradies are kept up to date with latest in the fast-moving world of laser-based devices, Imex offers the tradieCONNECT program. This links stores, retail staff and their end user customers with Imex to help them find the right tool through correct advice.

Imex also has two warehouses for prompt despatch, as well as representatives covering all of Australia.

In short, through offering long warranties (two years and five years), a staff training program and exceptional after-sales service, Imex brings a holistic approach to what has traditionally been a difficult, ad-hoc category for stores. It helps retailers offer an extensive product offer, in what is now a fast growing category.

Products

Great displays and great service need to be backed up by great tools. Imex is constantly innovating to make sure Australian retailers and tradies have access to the latest and best new technologies.

Imex has a comprehensive range of line and dot lasers, rotating lasers, spirit and digital levels, stud finders, laser distance measurers, testing tools and various tape measures, along with all accessories and options.

The latest line and dot laser range from Imex has some of the most innovative laserEDGE features available, with the new technology diodes producing the brightest Class 11 beams in the world and red and green beam versions across the whole range. Most models are one-metre drop test winner in their respective categories.

Made for the harshest of jobsites, they are also oven test winners, with all beams continuing to accurately emit at high temperatures. An expansive range with different line



Display options from Imex suit all store sizes

and dot variations, is tailor made for every professional trade and they all have pulse mode for outdoor use for up to 55m with optional detectors.

As well as the new line and dot laser range there are two new high accuracy Bullseye laser distance measurers; 30m and 80m range models, which are very competitively priced and are loaded with innovative features. The 80m model has a tilt function to give angles and a 99 measurement recall, and both models have superfast measuring engine technology for faster and accurate measuring.

The construction range of rotating lasers continues to become the class leader and the 66,77,88, and 99 series are used on jobsites throughout Australia and Europe every day, with great efficiency and reliability. With 5-year warranties and quality inclusions like dual batteries and heavy duty receivers the Imex rotating laser range is the choice of professionals.

All Imex lasers come with Calibration Certificates and are control checked and pre-tested before being sent out to retail customers.

Contact Imex Lasers:

1800 669 110

www.imexlasers.com.au

info@imexlasers.com.au

accurate for life **imex**™ accurate for life

Methven Satinjet Showerhead

Satinjet sets standards for affordable high-efficiency showerheads with luxury performance

For today's savvy home bathroom designer, the ultimate mark of prestige is fast becoming environmental awareness. The high end of that market is defined by products that manage to be both environmentally aware and, through great design, actually enhance the user's experience of their bath time as a luxurious treat at the start and end of their day.

Few products satisfy that requirement as well as Methven's award-winning Satinjet range of showerhead products. The water flow-rate for Satinjet products is between 7.5 litres a minute (L/min) and 9.0 L/min, which means they qualify for the highest, three-star rating under the

Australian Government's Water Efficiency Labelling and Standards Scheme (WELS).

This contrasts with standard showers, which can use over 20 L/min.

Satinjet uses an effectively patented technology, and as such it is unique to Methven products. Satinjet is designed and engineered in New Zealand and carries a Lifetime Warranty.

Making consumers happy

Consumer testing identified spray force and coverage as being the most important showering characteristics. Based on this research, Methven's design team was able to



Water-stream comparison. On the left, a standard showerhead. On the right, the Satinjet provides a more diffuse stream of water.

evolve Satinjet technology by improving the pressure and spray coverage to create an even more luxurious showering experience at the low flow rate of 9L/min.

Standard showers use single jets of water that produce a needle-like spray, whereas the patented Satinjet technology works by colliding twin-jets of water to produce over 300,000 droplets per second. Improved jet geometry ensures optimum droplet size and velocity. This makes for a more efficient performance especially at lower flow rates. The re-defined jet interaction has been fine-tuned

by Methven's designers to create superior spray coverage and warmth.

Award winning

Methven's efforts have not escaped the attention of the world's design community. Methven has won many prestigious awards, including Red Dot Design Awards (Germany), German Design Council Awards, Good Design Awards (USA), Good Design Green Award (USA), UK Designer Awards, Australian International Design Awards and NZ Best Design Awards.



Curved edges and faces soften the geometric styling of Waipori Satinjet shower range, making it a modern alternative to square styles. Waipori offers a widespread Satinjet spray coverage for relaxation and cleansing.

Contact Methven:

1300 638 483

<https://www.methven.com/au/homepage>

METHVEN

G&L Wholesalers

This family-owned business started in 1993, and today distributes over 6000 product lines

A family owned and operated business since 1993, G&L Wholesalers Pty Ltd prides itself on customer service and satisfaction. We are a 100% Australian Owned Company.

In its first year G & L Wholesalers became distributors for several companies, distributing quality products in the areas of gate and fence fittings, fasteners, garden, hardware, automotive, service station, pets, and more.

From there the business grew rapidly to meet the demands of our customers.

Today, GLW has evolved to being the "alternative" warehouse in the hardware industry.

GLW's motto

Our strength in growing successfully was our promise to our customers to abide by our motto:

"If we don't stock an item, but we can access it & provide it at a competitive rate, we will get it in for you."

This proved very successful for us. G&L Wholesalers Pty Ltd is now one of Australia's Largest Independent Wholesalers. The company is still run and owned by the founders and are still very active in the day to day running of the company.

Our stock

We are proud to be associated with some of Australia's largest suppliers.

We now stock and distribute all around Australia over 6000 lines into Hardware Stores, Auto Stores, Landscaping Stores, Fencing Stores, Building Outlets, Pet Outlets

& Service Stations.

We source products that are locally made and we also have imported products. We are always looking for more products to add to our range to provide our customers with the best competitive prices.

If you have end of line stock, overstocked items or you need to convert old stock into dollars, we can help you. Call us today and speak to one of our friendly staff.

Our retail customers

G&L Wholesalers Pty Ltd is an authorised supplier to major chains and independent retailers in hardware, including HBT Group, H Hardware, and ITT Industrial.

Our customer service team are always ready to help you with the range that suits you and what your customers are asking for. We don't push you to buy products that you don't need or want. Why have a product sit on your shelf that you can't sell and turn into profit?

Our suppliers

- Are your brands disappearing from the store shelves?
- Are your brands being replaced by generic brands?

We will help put your brands back on the shelves. We pride ourselves on working with companies to help them bring the brand back!

Website

Our website has a full interactive shopping cart facility which can be used to search our full range of products and you can place your orders online any time you wish.



SAFE AS.



G&L Wholesalers distributes many of the world's best and most iconic brands.



G&L Wholesalers' warehouse facility, top, and its dispatch centre, bottom.



G&L Wholesalers

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PH: 02 9756 1121

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sales@glwholesalers.com.au
Fax: 02 9756 1151

Special Advertising Section

Flexovit Ultra Thin Grinding

Saint-Gobain's Flexovit introduces grinding wheels made specifically for use with cordless tools

Cordless tools have come to dominate worksites and construction sites everywhere. Tool manufacturers work hard to develop cordless tools that are powerful, light-weight, robust, and yet deliver great battery-life. Now Saint-Gobain's Flexovit is introducing a range of grinding wheels that can help your customers take their cordless tools to the next level.

The **ion** version of Flexovit's Ultra Thin Grinding (UTG) wheels have been engineered specifically for cordless tool use. Their key advantage is that they are only 3mm thick. This makes the UTG wheels much lighter than conventional grinding wheels.

Longer battery life

The light weight reduces power use in the tool, helping to extend bat-

tery-life. This also provides better cutting control, which means more accurate grinding. Ultimately the benefit is that jobs can be finished to a higher quality in less

used on the UTG wheels. The wheels are made by utilising silicone carbide grain, with three layers of reinforcing.

These advantages come together to

provides a higher level of comfort.

Safety

Less fatigue and more comfort translate directly into safer, better use of grinders over the long-term.

Safe Work Australia, for example, explicitly lists "ensuring built-for-purpose plant, machinery and equipment is used at the workplace" as a major factor in limiting worker fatigue and improving safety.

The UTG wheels are ideal for plumbers, electricians, general light industrial usage, and the DIY handyman.

FORMULATED FOR
**BATTERY
POWERED
GRINDERS**



time.

That benefit is boosted further by the fast cutting formula

deliver a superior grinding feel. This substantially reduces user fatigue, and



SAINT-GOBAIN
PH: 1300 007 650

sales.au@saint-gobain.com.au

Saint-Gobain Abrasives Pty Ltd
14 Edgars Rd, Thomastown, VIC 3071

Norton Expert Quantum

Norton introduces a quantum leap in power sanding in its A975 product

Norton Expert Quantum is designed for the most demanding sanding applications on primed and painted parts, composites, marine gel coat, wooden furniture and non-ferrous metals.

Using a combination of SG and premium heat treated aluminium oxide, A975 provides the most aggressive, coolest cut to date. With good wear resistance, it provides longer product life, up to twice as long as conventional discs. A975 achieves a more consistent and uniform scratch pattern, maintaining an excellent surface finish.

The fibre-reinforced latex saturated paper provides 50-60% better tear resistance while maintaining excellent flexibility.

In addition, the water-based stearate No-Fil coating provides maximum load resistance. With our unique coloured backing technology, no pigment is used in the bond or No-Fil coating, eliminating any colour contamination or transfer.

Laser holes

In typical abrasive discs the holes used to extract dust so as to ensure constant high performance are

added to the disk through a die-punch process. That process tends to distort the disk material, which can lead to less surface contact between the disk and especially flat surfaces which are being abraded.

Norton Expert Quantum Discs use a laser process to add dust extraction holes to the discs. This means the abrasive surface had next to zero distortion, ensuring that the maximum available surface

area is available. This change can lead to a 32% improvement in productivity as compared to die-punched abrasive discs.

Mathematical holes

Norton Expert Quantum discs not only have better holes, but they have more of them, and their placement has been determined by making a new use of ancient mathematics.

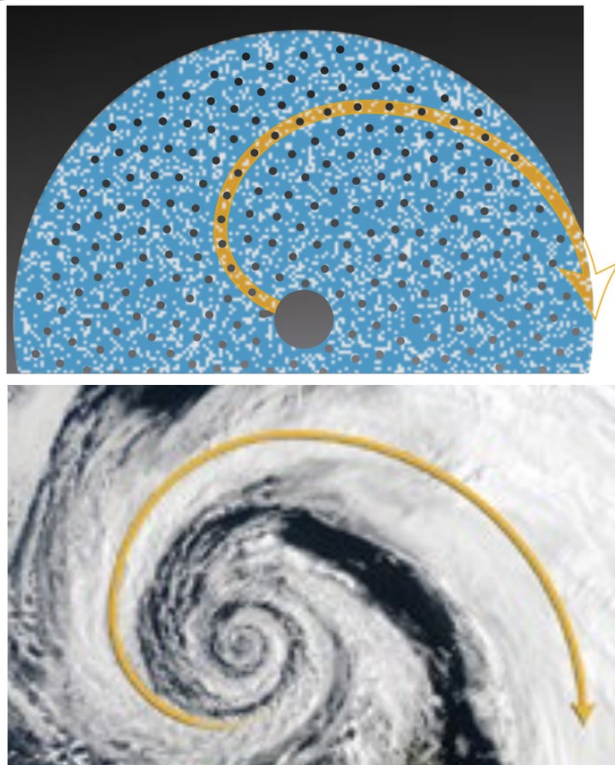
The 150mm Norton Expert Quantum disc is 346, which is close to double the number on the original Norton Multi-Air 150mm disc.

Just as important, however, is that Norton has applied some clever mathematics to how these holes are placed. Using the "Golden Ratio" originally discovered by the Greek sculptor Phidias, the holes have been placed in an arrangement that closely follows the actual movement of air in a cyclone-like situation – such as would occur at the spinning surface of an abrasive disc.

This combination of more holes and better hole placement makes the Norton Expert Quantum discs far more effective.

Key Benefits

- Higher cut rates
- Cool cut
- Maximum load resistance
- Extended life and lower downtime
- Higher productivity
- Ideal for large and hard surfaces



Markets, Applications & Materials

- Automotive Aftermarket (sanding on filler, primer, paint and clear-coat; suited for ceramic coating)
- Automotive Industry (body assembly, subcontractors for bumpers, etc.)
- Wood Industry (furniture, kitchens)
- Marine and Composites (mould sanding, gel coat repair)
- Aircraft Industry (body assembly and repair)
- Wind Power Industry (blade finishing and rework)
- Filler, primer, paint and lacquers
- Ceramic coatings
- Composites
- Epoxy coating
- Wood (hard and soft)
- Metal (aluminium, steel etc.)


SAINT-GOBAIN
PH: 1300 007 650

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Cowdroy Weatherseal range

Easy-to-install range of weather seals and gap fillers for windows and doors

Cowdroy's Weatherseal range can be integrated into any design, or fitted by the consumer to existing doors or windows. The range is made as easy as possible to install and come complete with fitting instructions and self-adhesive backing tape. They are a cost-effective way to seal gaps and cut energy bills.

The range of weatherseals and gap fillers can be fitted to jambs, faces or edges of most windows and doors. Choosing the right product depends on the specific needs.

CM11 Gap Filler

Gap Filler seals gaps in most windows and doors that are 3mm to 4mm. It is easy to apply and saves time and money on expensive sealants when large gaps or cracks require filling.

It is suitable for domestic and commercial applications and is available in 6mm, 10mm and 15mm diameters. The product comes in a 5m roll and is available in white.

CM14 Foam Windows & Door Seal

This continuous foam seal may be fitted to jambs, faces or edges of most windows and doors. It is suitable for most windows and doors and seals against the heat, cold, dust, draughts, noise and insects.

It is available in three different sizes. CM14 measures 9mm x 6mm, suitable to seal gaps 3mm to 5mm and is 5m long. It is available in grey and white.

CM14A is 19mm x 6mm, suitable to seal gaps 3mm to 5mm, is 5m long and is white.

CM14B is 12mm x 12mm, seals gaps 8mm to 11mm, is 2.5m long and is white.

CM48 Rubber Windows & Door Seal

This continuous rubber seal may be fitted to jambs, faces or edges of windows and doors. It suits most windows and doors and will seal against the rain, heat, cold, dust, draughts, noise, insects and seals against rodents. It will seal gaps 3mm to 5mm, is 5m long and comes in white or brown.

CM59 Rubber Window & Door Seal

This continuous rubber seal can be fitted to jambs, faces and edges of windows and doors. It suits most windows and doors and seals against the rain, heat, cold, dust, draughts, noise, insects and rodents. It seals gaps 2mm to 3mm, is 5m long and comes in white and brown.

CM61 Brush Window & Door Seal

This continuous brush seal may be fitted to jambs, faces or edges of windows and doors and seals against the heat, cold, dust, draughts and insects. It suits all windows and doors and seals gaps 3mm to 5mm. It is 5m long and comes in grey.

Contact Cowdroy

Cowdroy can be contacted by phone at:

1800COWDROY

or by email at:

sales@cowdroy.com.au

The Cowdroy website is located at:

www.cowdroy.com.au

