

At PlaceMakers, we've developed a 'win win' partnership for branch operators, customers, suppliers and employees alike. It's called the Joint Venture Partnership. Each of our stores is jointly owned by a local business person and Fletcher Distribution Limited. This combines the strength and buying power of Fletcher Distribution with the commitment and entrepreneurial skills of our Joint Venture Partners.

From its inception in 1991, the partnership has operated successfully by shifting the day to day running of each store from a head office environment into the hands of expert local business people, who play an integral part in their local community.

Why does the partnership work so well? Our Joint Venture Partners get to run their own business 'hands on' but with the support of a big business success story. Our customers benefit from cost savings that only a national operation can negotiate – while enjoying the personal service of a local business. Suppliers get to distribute product nationally from a central point of administration. And employees enjoy all the benefits of working for one of New Zealand's largest companies while being part of a tight knit local team. We think you'll agree, it adds up to a win-win situation all around.

The PlaceMakers Joint Venture Partnership provides a degree of freedom and increased responsibility to proven business people, together with earning opportunities that are not normally available within other small or large New Zealand businesses.

### *So how does the Joint Venture Partnership work?*

Each Joint Venture Company is established as a separate legal entity. The two partners are Fletcher Distribution at 50.1% and the local Joint Venture Partner at 49.9%. The Joint Venture Company operates under the PlaceMakers umbrella but trades using a company name selected by the Joint Venture Partner (ie Smith's Building Supplies Limited). The Board of each Joint Venture Company comprises two members, the Joint Venture Partner and the Chief Executive of Fletcher Distribution Limited.

### *How is a Partnership funded?*

Each Joint Venture Company is funded through 45% equity and 55% debt. Each Joint Venture Partner obtains their equity from their own resources, house mortgage, seeking personal investors (trusts are excluded) and through personal bank loans. The debt portion will be arranged in conjunction with PlaceMakers with a trading bank probably in the form of a term loan. Operating overdrafts to cater for changes in business cash flow are arranged with a trading bank with PlaceMakers involvement. The funding required to enter into a Joint Venture Partners is strictly related to the size of each branch. The smallest PlaceMakers branch would require a personal investment in the order of \$200k.



## *How long does a Partnership last for?*

The Joint Venture Partnership agreement is put in place for any period between 1 and 3 years – and is traditionally renewed on an ongoing basis. If the venture is successful and both partners remain happy with the results there will be no reason not to renew – or to terminate – the agreement. Terminating the agreement at any time can happen if both parties agree or if default occurs.

## *How are earnings calculated?*

Each Joint Venture Partner receives a management fee on a monthly basis. In addition to this, the profits made by each Joint Venture Partnership are shared between the Joint Venture Partner and Fletcher Distribution Limited. There is no limit on the amount a Joint Venture Partner can make and thus the earning opportunities for Joint Venture Partners are totally open ended. In short, the Joint Venture Partnership offers the ultimate incentive scheme to an individual with energy, enthusiasm and world class leadership and business skills.

## *What fees are charged to the partnership?*

Each Joint Venture partnership pays a royalty to cover services provided by PlaceMakers National Office, including central purchasing, promotions, creditors payments, business systems development and support, legal requirements, accounting and business advice together with Human Resources expertise. The royalty is based on a percentage of annual gross sales achieved by each individual branch.

## **Other facts about the Joint Venture Partnership**

- There is no goodwill paid with entering the Joint Venture Partnership or when leaving the programme.
- There are no sales or other types of territories defined for any Joint Venture Partnership
- The majority of purchasing takes place through the PlaceMakers National Office, based in Auckland
- All suppliers are paid through National Office, every month and on time.

## **How can I find out more?**

To learn more about becoming a Joint Venture Partner, please contact Jo Martell, General Manager Human Resources on 09 525 5167.

