

Mullumbimby Rural Co-Operative Society Ltd

Members' Communications Brief- Purchase of Wards Landscape Supplies

1. Executive Summary

- 1.1 The purchase of the Wards Landscape Supplies (WLS) business presents an outstanding opportunity for the Mullumbimby Rural Co-Operative Society Ltd (MRC) in terms of business synergies and growth. The MRC has circa 900 members that would be expected to increase with a broadening of its business offering. The MRC has created a strong business and financial platform from which to grow and the sale of WLS provides an appropriate and timely opportunity to achieve this aim.

2. Wards Landscape Supplies

- 2.1 WLS (established 1997) supports the local region with a significant variety of landscaping supplies. WLS has a broad customer footprint and is reputationally well regarded throughout the rural community. The map and site plan at Figures 1 and 2 provide an overview of the land and house for sale. The WLS site is approximately 1km by road from the MRC. Sites are separated by farm land and a golf course.
- 2.2 Hours of operation are 6 days per week aligning with that of MRC. Deliveries are carried out Monday to Friday in and around Byron Shire.
- 2.3 The house has recently been fully refurbished and comprises the following: 4 Bedroom or 3 and a study; 1 ensuite and 1 main bathroom, separate laundry; new kitchen; new air-conditioning units across house including bedrooms; above ground pool; restored original timber floors, house and Business on Solar.
- 2.4 Land is zoned RU1. Site includes 5 acres of vacant useable land which lends itself to additional opportunities – note that the MRC has recently initiated nursery operations and this opportunity provides room for expansion in this respect.

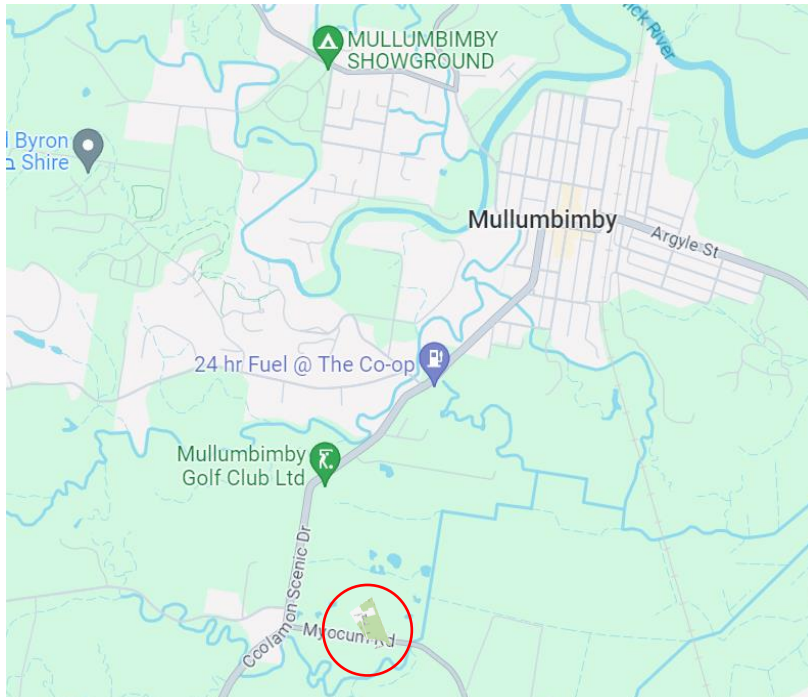


Figure 1 – MRC and WLS locations



Figure 2 – WLS site layout

3. SWOT Analysis:

3.1 Figure 3 provides a Strengths, Weaknesses, Opportunities and Threats analysis that includes opportunities to maximise growth in a combined business model.

<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none"> • High performing going concern with strong Net Margins • Includes recently renovated house on property • Business improvements (delivery timings, bin management, supplier deals, introduction of own mixes, plants, pots etc) has contributed to strong performance • Strong Co-Op customer base (over 900 members) • Existing staffing in place – no recruiting or training burden • Expands current member/customer offering • Bore water on site • House and business on solar • No easements or encumbrances • Currently very good relationship with adjacent neighbours and quarry suppliers 	<p style="text-align: center;">Weaknesses</p> <ul style="list-style-type: none"> • High dependency on vehicle serviceability • Security cameras in place although upgrade may be required
<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> • Functional/System rationalisation: <ul style="list-style-type: none"> ○ Management ○ Purchasing ○ Invoicing ○ Stock ○ Suppliers ○ Marketing ○ Operating systems • Rent property - expected income circa \$700p/w or potentially as home for related staff member • Further rental opportunity from 5 acres of useable land • Consolidate business overlap to maximise footprint across both sites especially in land management at the Wards location and gardening at the Co-Op • Listed opportunities include café and nursery that aligns closely with the Co-Op's future vision • Cross-functional teaming/skilling of staff • Due to existing high demand, increase operational footprint • Increase Co-Operative membership through broader offering 	<p style="text-align: center;">Threats</p> <ul style="list-style-type: none"> • Wards business purchased by direct MRC competitor [no longer applies] • Blackrock only main Wards competitor in the area • Land zoning is RU2 – no impediment envisaged

Figure 3 – SWOT Analysis

4. Risk

4.1 Wards is well placed geographically to support Byron Shire council plans for new housing and a number of landscape design businesses in the area. The top 10 WLS customers covers a broad-base demand from local customers. The main competition to WLS in the area would be Blackrock Garden Centre that as the name suggests, is a mix of landscape and gardening supplies.

4.2 The following table provides an overview of potential risk relating to this opportunity:

Ser	Risk	Impact (H/M/L)	Likelihood (H/M/L)	Mitigation
1	Competitor purchased WLS	H	H	Acquire early approval/agreement [achieved]
2	Downturn in sales/demand	H	L	Maximise Co-Op membership loyalty and support
3	Weather event impacts trading	M	L	Suitable insurances in place

5. Joint Operations:

5.1 Mullumbimby is a rural location that has experienced a shift in recent years with a reduced number of traditional farms to greater numbers of smaller holdings involving hobby-farms (especially in equine and laying birds), food production and new concepts such as regenerative farming. This shift has placed a greater emphasis on land management and gardening across an increased customer base.

5.2 A summary in the overlap of products and services between MRC and WLS is summarised in the following table:

Mullum Co-Op	Both	Wards
Fencing (e.g. posts, wires, mesh etc)	« Gardening Tools	Pavers
Plant management products	« Bagged Potting Mixes and Fertilizers	Decorative Pots
Animal Management treatments	Cement »	Bulk Soils
Homewares and tools	« Plants	Garden timbers/sleepers
Irrigation (e.g. pipes, fittings etc)	« Mulch and composts	
Automotive (e.g. oils and lubricants)	Land erosion prevention products »	
Animal Feed		
Fuel		
Footwear		

5.3 The close proximity of both locations would not impact existing members in terms of convenience and the increased scope in both service and product offering would increase likelihood of new members seeking to join the MRC.

5.4 It is envisaged that operations will initially run in isolation with common General Management overview. The intent would be to sustain current performance of both businesses and resist any urge to seek early integration.

- 5.5 Strategic change could seek to investigate further efficiencies through the following:
 - 5.5.1 Common management, administrative support and processes. This amalgamation could deliver savings in areas such as purchasing, invoicing, supplier management and marketing.
 - 5.5.2 System alignment could provide potential operating cost savings along with process efficiencies in reporting and analysis.
 - 5.5.3 Product rationalisation where for example WLS was set up as a dedicated land management site and MRC operate as a rural store. Stock could be consolidated for common products, as indicated in the Product Overlap table (column 'Both').
 - 5.5.4 Consolidated vehicle delivery scheduling.
 - 5.5.5 Functional pooling such as drivers, sales and office support.

6. Conclusion

6.1 An exceptional opportunity for growth of Mullumbimby Rural Co-Operative Society Ltd (MRC) business has become available. The acquisition of Wards Landscape Supplies (WLS) builds on step-change improvements made to the MRC business in recent years and provides opportunities to consolidate and expand products and services. While there are many opportunities to improve efficiencies, any integration would be approached in a strategic and measured way to help minimise financial and operational impact. The financial position of WLS and the MRC is strong and business model alignment presents a unique window of opportunity to build capability, grow its membership and safeguard MRC's future as a progressive presence in the community.