

JOHNSON

LEADERSHIP SERIES
JOHN DOUMANI—ZIP INDUSTRIES

Johnson is one of Australia's leading Executive Search and Leadership Advisory firms with a 15-year history working with ASX100, multinational, venture capital and private equity backed organisations at the Board, CEO and c-suite level. Johnson has the privilege of interacting with Australia's leading Chairs, Directors, CEOs and executives across some of the country's most iconic brands. With intimate access to these leading industry professionals, we have embarked on a journey to document some of their stories. Throughout the series, we will be interviewing incredible individuals who have not only made a significant mark professionally, but who have also been responsible for influencing the lives of many others throughout their illustrious careers.

Episode 2: Billion-dollar businessman turned family company leader

Until recently, John Doumani was a key name in the FMCG sphere, known for driving multinational success in large, blue chip companies. At an early age, John was VP Marketing at Johnson & Johnson in the US, where he led a team of 90. He returned to Australia to take up the role as Managing Director for J&J Pacific. He then had a series of leadership roles which all saw him grow his scale leadership experience.

He ran Meadow Lea Foods for Goodman Fielder then led the US\$1 billion Asia-Pacific business of Campbell Soup before stepping up to run the US\$2 billion International business of Campbell Soup. He then joined Fonterra to lead the \$3 billion Australian, New Zealand and Latin American business for what is now the world's largest dairy company.

In 2014, in an unconventional career shift, John transitioned from Fonterra and was looking for his next challenge when he came across Zip Industries. Initially commencing in a consulting role, John was invited to take the reins as CEO. The business had sold to Quadrant in 2013 and had an annual turnover of \$200 million.

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The Zip business had enormous opportunity for growth. It is very on trend and still had a huge upside in terms of penetration
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Zip Industries — Making a Splash

Zip Industries had humble beginnings; founded in Sydney's Western suburbs as a water heating company and purchased in 1962 by Michael Crouch. Under Michael's leadership, Zip became the world's first installer of boiling water faucets.

Proudly Australian, the company is still anchored in Western Sydney with its manufacturing hub situated in Condell Park.

Innovation is the backbone of their unique product offerings, such as the Hydrotap, and is pivotal to defending the brand as a market leader. It was under Crouch's initiative that the company first began operating abroad, starting with the UK in 1991. Despite being a global operation, over 400 of Zip's 700 employees are located at the Condell Park plant and headquarters.

Crouch retired shortly after Quadrant bought the company. This catalyzed a series of changes, including the appointment of John Doumani as Chief Executive Officer as well as other changes to the Senior Leadership Team. Five years on, Zip's instant, chilled, boiling, and sparkling water appliances are installed in 70 per cent of workplaces in Australia and New Zealand and 50 per cent in Britain. They boast a gross sales revenue of \$250 million per annum, with sales growth increasing an estimated 8-10 per cent each year.

Quadrant's Investment Thesis

Zip's first interaction with private equity was in 2013, when Quadrant purchased 70% of the company.

Quadrant's interest in the company was sparked by its leading market position, history, brand reputation and potential to expand both in the residential segment and internationally. The group executed their strategic desire to drive sales growth, stimulate store footprint, reassess the supply chain, redefine purchasing disciplines and ensure effective management.

In a few short years, under Quadrant's ownership, Zip drove residential growth, accelerated growth in the UK business, and invested in several new senior management team members as well as leveraging the servicing segment to acquire recurring revenue. The focus on after sales revenue is what differentiates Zip's business model – with after-market service, parts and labor accounting for a third of the firm's revenue. Under Quadrant's ownership, EBITDA increased by over 33 per cent.

IPO to Trade Sale

In August 2016, Zip began their sale process which lasted 14 months. Initially the business considered a trade sale and in the course of that process identified Culligan, a world leader in water treatment, as a potential acquirer. However, Quadrant felt that the market conditions had changed and that it was a good time to explore an IPO.

"For me it was a great experience - we went through the whole IPO process, over 100 presentations. At the beginning of the process we felt the market was right, but by the time we got to the end we realized the market was not as buoyant and as accepting as we thought. 30 minutes before signing off we decided that it wasn't the right time. We re-engaged with Culligan, and strategically there was some real appeal. Culligan was a business that had very complimentary products and geographies to ours, and they also had an international presence that allowed us to take our expansion to the next level."

In late 2017, Zip was sold to Culligan, a US company - owned by Private Equity firm, Advent International.

John credits the success of the trade sale to leadership and culture, recollecting that "whilst the CFO and I were moving through the sale process, we had a strong team in place running the business. They didn't skip a beat and we hit our targets every month".

In order to keep momentum after the sale, John outlines how the team "immediately produced our own five-year projection on the business, and the good news was that it was above the Culligan acquisition model. I wanted us to own these strategic projections up front. And in 2018, we clearly exceeded the acquisition targets."

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Aligned Philosophy

Through his experience working with two private equity firms, John has reconciled his initial reservations about the PE industry's motives and management.

"I have a fundamental philosophy in business. Your first responsibility is to the men, women and children that use your product and you never compromise on that. The second is to your employees; they deserve to work in an environment where they feel supported in doing the right things and that you add value to their skills. The third is to the community, whether that's through environmental responsibility or philanthropy."

"My concern looking at private equity on the outside was that they would go after the short-term financial gain at the expense of building the business for the long term. However, my experience with Quadrant and Advent has reinforced that they want to do the right thing by the business in the long term.

No matter what your ownership structure is, in my experience, people generally want you to come in and do the right things, build a stronger business and deliver great results.”

Expansion — The World at Their Feet

The next step for Zip is undoubtedly strengthening their global presence. The company has already appointed distributors in China, South East Asia and Europe. In addition, they have established a subsidiary in New Zealand, the UK and a joint venture partner in South Africa.

It has been critical for the Zip leadership team, in conjunction with Culligan, to consider the long-term multinational strategy. “We were probably initially a bit overly ambitious in terms of international expansion. You have to spend a lot of time and energy in building relationships in each country to get our product specified - architects, designers, hydraulic engineers to name a few, and then it can take a year or more to see a sale” John reveals.

Culligan has been an ideal owner with a commitment to supporting Zip to realise its ambitions. For example, a recent \$6 million investment in the manufacturing plant at Condell Park by Culligan has been implemented to dramatically increase production capacity and provide the momentum for growth.

Zip is a great example of a leadership team performing well pre and post-sale. The ability to outstrip expectations is a testament to the quality of leadership within the business and a supportive shareholder.

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