John O'Brien of Poolwerx advises testing the waters before plunging in

John O'Brien's passion and experience in franchising and the pool industry is difficult to rival. He is a visionary leader and dynamic entrepreneur with a penchant for bringing order to disorganised industries.

He founded Poolwerx 30 years ago and has grown this multi award-winning business into the world's largest global franchise pool service brand, with operations throughout Australia, New Zealand, and the US with further international expansion on the horizon. The brand has more than 160 stores and 600 service vans.

John is an inductee into the FCA Hall of Fame and past chair of the World, Asia Pacific and Australian franchise councils and founding member of the Australian federal government franchise advisory group. He also co-founded the Swimming Pool Retail Association of Australia and served on the industry's peak governing board, the Swimming Pool and Spa Association of Australia.

John O'Brien, founder and executive director of Poolwerx, has been at the helm of the company since its inception and has been instrumental in building the business from the ground up. Under his leadership, Poolwerx has evolved and adapted to the ever-changing marketplace, consistently pushing the boundaries and achieving new heights of success. John reflects on his journey as the CEO of Poolwerx and what it took to build the business to where it is today.

As the founder and executive director of a successful business, you recently announced a very successful partnership of your company. But what does success mean to you, and what made you realise the time was right for this sale?

For me, success is about constantly evolving and adapting to the marketplace. My business was turning 30, which is a long time in the lifecycle of any brand, and I had been the founder and CEO for all of that time. Additionally, I was turning 65. While we had always managed to reinvent ourselves, putting those three things together, I was becoming increasingly concerned, particularly due to the ever changing need for technology in business, about how the brand and myself could remain fresh and relevant in the marketplace. I wasn't sure (despite feeling confident and invigorated) that at that age and with that tenure that I was the right person to lead that brand. The brand needed a different equity partnership, different leadership, and different input to take it to the next level.

When it came to finding the right partner for your business, you took a strategic approach.

We had fielded many enquiries over a period of time, especially with expansion into the US, and the number of enquiries was accelerating. In September 2020, we found ourselves at a unique point in time where in the franchise and private equity world, there were private equity aggregators who were buying up founder-established brands that had reached a certain stage, and were looking to aggregate brands in common industries. As part of the home services industry we found ourselves in a wave – 7-10 years ago private equity discovered franchises, and about three years ago they discovered home services. We saw that we were at the right time. Although we weren't particularly looking to sell, we thought it would be irresponsible for us not to test the market.

You explain that your chairman, Troy Hazard, spoke to nearly 50 suitors that had come on your radar.

We had established criteria earlier — for example, we were looking for someone with minority equity; we wanted people we could work with from a relationship point of view; we wanted them to most likely be US-based as that is where our biggest opportunity is, and we wanted them to have the smarts and ability to take us to the next level. We have five brand values that we live and breathe as a business, and they needed to be aligned. Troy quickly reduced the list of suitors to a dozen based on our criteria and then with more discussions to a few.

At the end of the process, you ended up with a US East Coast and a US West Coast suitor, and in doing due diligence on those suitors with a number of other founders, you noticed a bit of a trend.

Really it felt like two types: East Coast PE bring in MBAs and finance professionals, push aside what you have done, and leverage their smarts to triple the brand and sell, whereas West Coast seemed to want a relationship, more

casual, look to see how they can add value and they want to include your smarts and experience in incorporating the new plan. In the end, it was a pretty easy choice, we went with Norwest from California — they aligned with our values and our brand.

As the founder of a successful business, you knew that you needed to keep your eye on the ball and make sure that business as usual kept ticking over during the transaction and not to get distracted.

We did our homework, we wanted an advisor on the transaction from our hometown that was well-regarded in Australia, but also had strong international experience. We identified Clairfield Australia with yourself (Sharon Doyle) and the team who could take us by the hand and guide us through the process, to get the best deal for us while we focused on the day to day.

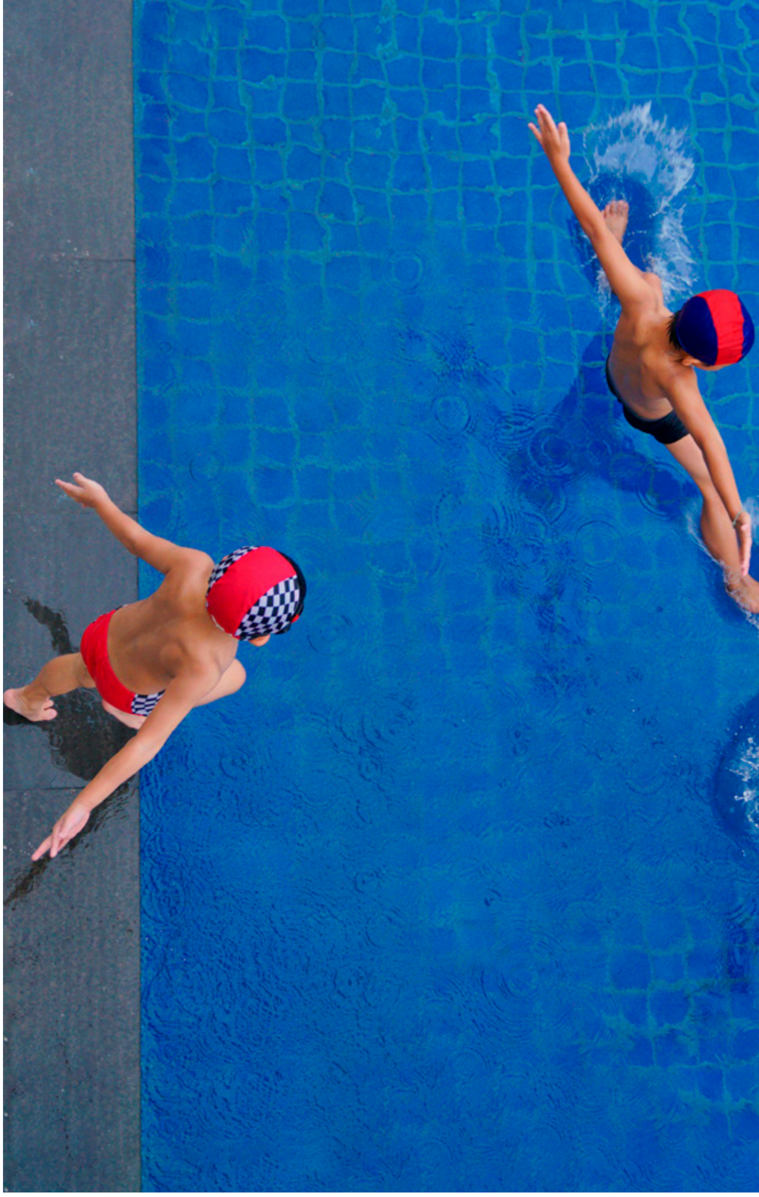
With your new US-based partners, have you noticed any differences in management styles from your Australian team? Are ideas behind success and achieving success different culturally?

There are certainly changes in style and focus, particularly when it comes to business culture. Historically, we have been very focused on results, and our new majority partners are more focused on the next transaction event. So, everything flows back from that. We're thinking about what we can do now, today, next week, and next quarter to build value for that event.

The five-year plan for the business has had a major overhaul since the new partners have come on board. We know exactly where we want to be in five years, including EBITDA and valuation. So, we have this very definitive target and event to work towards and everything we do is geared towards that. A key part of that is growth.

We're focused on how we can give us growth and how we can add value, but also investment — we're not shy about investing now to build that growth and make us faster. This is very different to where we have been previously, when we were privately held and had to balance future investment and growth against profitability.

> "You can have the best brand, sales, or technology, but it is the team of 2,000 people that deliver that to the client in the last three feet – if they aren't happy and trained well and recruited well, then it all falls down."



You also note that the new partners have a more relaxed and longer-term approach to the outcome of the business.

Our business has always been action oriented, time-driven, make it happen now. Our new partners are a bit more relaxed, more long-term driven about the whole outcome. Board meetings have been tipped on our head – no matter how much we pushed to have a strategic focus in the past, we were always drawn back into operational. Historically, we were 70:30 operational-to-strategic, we've now reversed that.

What were your initial expectations on the process, and how did they change over time?

It did change during the process; initially we were looking for a minority position from PE, but as the deal progressed and as the suitor did their initial due diligence, they were pleasantly surprised at a couple of things – foremost the

sophistication of our own business, compared to some other businesses they have purchased. We had set up our business from day one: formal board, structured board meetings, protected IP, good governance, etc. They could see they could ramp up more quickly than initially considered. I think they had also underestimated the strength and success of the Australian business and the amount of upside in that market. Following initial due diligence, they came back, and upped the ante for majority.

So, you have executed a successful transaction, was that aligned with your personal definition of success? Has that changed over your career?

Yes. I started my first business when I was 28 years of age; I traded in my corporate career for a small business with six home-delivery soft drink trucks. All I wanted to do was survive — not go broke and just learn. At 31, I got married and started a family, and for next 20 years all I wanted to do was pay the mortgage and the school fees and not go broke. In the last 10 years, having built a very solid successful cashflow-friendly business with the family in good place, the focus was on achieving success for the business. Interestingly, what is unique in the franchise world is that your motivation is the success of the franchise partners. To have people come to you at 40 years old, they want to have a better future, they put their house on the line and put their education and experience to the test — guiding them to be successful — and then more successful. We have franchise partners nearing AU$10 m in revenue — that is now the measure of my success: the success of our franchise partners.

Have you learned from any business failures?

Trying to crack Western Australia and New Zealand markets. In the case of Western Australia, I spent 10 years with direct involvement in that market trying to crack it and I was unsuccessful, barely scratched the service. It wasn't until I bought the largest business in Western Australia that we cracked that market. They wanted local, not some guy from the East Coast. New Zealand was magnified much more — we showed the arrogance of believing we could run New Zealand as another state, but it wasn't until we master franchised New Zealand to a well-proven local Kiwi that we flipped on New Zealand and we took off. One way of doing business doesn't necessarily work in other geographies. We used that experience when we entered the US — we entered not by going in and setting up from scratch, we made an acquisition in Arizona and tested our model before we expanded. We are now in 10 states.

And on the operational level, how do you look at success?

We have a combination of hard and soft metrics. We have five corporate KPIs that have been in place for 20 years, even though we challenge them all the time. And really, that comes down to increasing our franchise partners' profit every year. But beyond that, the soft metrics, such as our five values of people first always, doing the right thing, finding a better way, daring to succeed, and energise. We have been around for 30 years and we have our franchise partners survey the network every year to get a satisfaction score, which includes a focus on how we are doing in honouring those values. Every year we find that honouring our values is reflected in success in the hard metrics and if we are not hitting those metrics you find that it is because we have disrespected the values. You can have the best brand, sales, or technology, but it is the team of 2,000 people that deliver that to the client in the last three feet — if they aren't happy and trained well and recruited well, then it all falls down. ■

For more information on Poolwerx, contact Sharon Doyle: sdoyle@clairfield.com.

10 definitions of success

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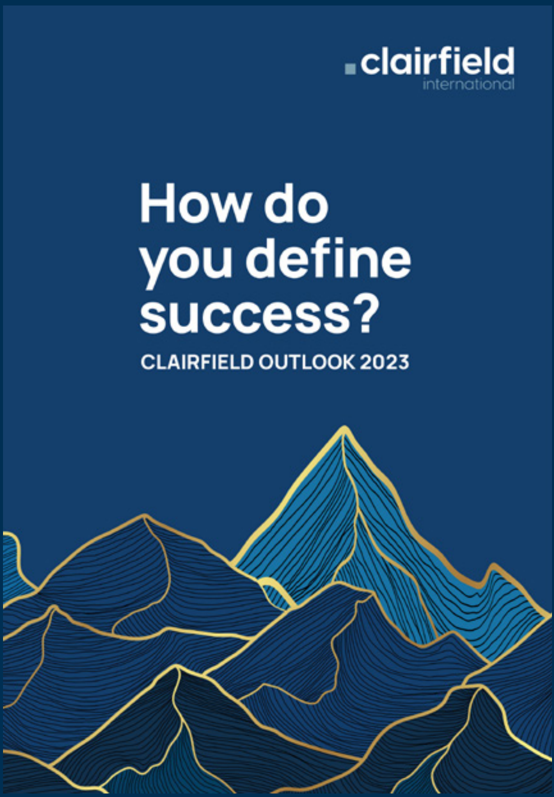

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