

"IN THEIR OWN WORDS"



Pemba
Capital Partners

JOHN FISHER / Co-founder / Zenith



BARBARA SCHMIDT / Zenith



ZENITH'S GROWTH PLAN

was to turn a set of small state based office interiors suppliers into a leading national group and establish a presence in Asia. The business owners knew they needed to bring the right investment partner on board to support them. They chose Pemba Capital Partners, an investor in supporting growth strategies, to work with them and their management teams to achieve their goal of becoming a national leader in office interiors.

Two of the founders, John Fisher, from Zenith in Melbourne, and Barbara Schmidt, the Canberra business owner, reflect on the successful formation of the national group and the realisation of the “buy and build” strategy. They talk about setting up in China and how the group is becoming a major player across Asia.

After 20 years as independent suppliers of office interiors services, the owners of six state based office interiors businesses decided to come together as a national operator. They recognized that to accelerate growth they needed to win large national corporate and government contracts. To do this they needed to be national, well funded, have a broader product offering and be capable of investing more into product development.

BACKGROUND

Zenith was established in Melbourne in 1990 by John Fisher and Andrew Farr. Zenith built its reputation on reliable service and customized products.

JOHN COMMENTED: “Our roots go back to the 1950s when workstations were basically partitions. In the 90's the Zenith brand was born when workstations started becoming more dynamic and became office furniture. From there the business continued to evolve.”

In 2005 Zenith licensed the brand to a distributor in Perth. Similar arrangements were established in Darwin, Brisbane and then in 2006 with Barbara Schmidt's business in Canberra. Barbara held agencies for a comprehensive collection of loose furniture for the group such as chairs, lounges and tables which contributed to the diversification and growth strategy for Zenith's product offer.

Through this evolution there was only one national player in the industry. However, customers were increasingly looking to buy on a national basis and so it became clear that there was great value in combining these small state based companies. They each had a strong local position, they had common products all sold under the Zenith brand. What they needed was to come together to justify business infrastructure that could provide great growth potential and would attract an investor.

The Zenith logo consists of the word "ZENITH" in a bold, black, sans-serif font. To the right of the text is a thick black horizontal line that extends to the right and then angles downwards to the right, ending in a short vertical stroke.

www.zenithinteriors.com/au/

THE TRANSACTION

In 2007, after years of discussions and several months of careful planning, InteriorCo was formed. The breakthrough moment for the founders was finding the right financial partner who could not

only structure and execute a simple and attractive transaction but would also bring much more to the table than just funding and structuring skills.

JOHN COMMENTED: “Pemba Capital Partners was chosen to help us bring InteriorCo into being due to their track record as an investor who work in a real partnership with business owners. Crucially they recognised the need to build it right and had the skills to help us achieve that. Having completed many buy and build style investments they brought real strengths to our Board. In particular they are strong at strategy, acquisitions and on financial management capabilities”.

Each of the founders from the six state-based companies invested into a newly formed group alongside Pemba along with 25 top employees. These key managers believed so strongly in InteriorCo that they invested \$5m of their own money.

MARK COMMENTED: “We offered the various owners the opportunity to take some money off the table and re-invest the balance tax effectively for a stake in the new group alongside Pemba. We then did a roadshow to explain the transaction, the group vision and the implementation plan to the people at the heart of the organisation. The response from the shop floor was overwhelming. Not only did everyone want to invest alongside us but they were enthused by the career opportunities that InteriorCo presented.”

JOHN COMMENTED: “Prior to the investment led by Pemba, InteriorCo was a collection of small companies with disparate shareholders that were not united in any meaningful way. Pemba has helped InteriorCo position itself for the next stage of its growth.”

WORKING WITH PEMBA

JOHN COMMENTED: “Since the acquisition in 2008, Pemba has provided ongoing mentoring and support for the founders, senior management and key employees. They have helped guide us through some major steps in our growth.

Some other key achievements supported by Pemba not mentioned already include:

- Establishment of group support office and ERP implementation
- Establishment of the R&D centre of excellence

“The InteriorCo group has become an outstanding leader in its industry here and is now breaking into the Asian market none of which would have been possible without the investment and guidance of Pemba Capital Partners.”

JOHN FISHER



“Pemba has been instrumental in the growth and success of Zenith / InteriorCo. Working alongside our management structure, Pemba Capital Partners helped us establish the initial business platform and then accelerate growth.”

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BARBARA SCHMIDT
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- Upgrade of factories into state of the art local customization facilities
- Purchase and integration of 10 strategic 'bolt-on' acquisitions to expand both product and geographic coverage
- Establishment of Shanghai low cost component manufacturing plant
- Expansion into Asia
- Establishment of Board and appropriate corporate governance.”

MARK ADDED: “We consciously set out in 2008 to expand Zenith into a global company that provided the best solutions for office furniture and services for the corporate, government and commercial market. The mass customisation positioning is now backed up by a low cost global supply chain with state of the art finishing and assembly equipment locally backed up by a lowest cost component supplier in Shanghai. Once we made this decision we then set out to do everything that was required to help the founders and managers achieve their goals.”

INTERIORCO TODAY

BARBARA COMMENTED: “It is just amazing to look back at where we started with just a few small independent businesses. We are now a strong national leader with excellent management, real vision and a world class product development capability. We have been able to broaden our product and service offering. We have expanded our client base and our business infrastructure. We are in a very strong position for continued growth with the focus now being China and SE Asia.”

JOHN COMMENTED: “Zenith is a now a clear leader in furniture and services for the corporate, government and commercial market. We provide organizations across Australasia with new and innovative ways to engage their employees by creating spaces with products that are functional, appealing and forward thinking. Major clients include Coca Cola, BUPA, NAB, Westpac, KPMG, PWC, Ernst & Young, Wesfarmers, BHP, Rio Tinto and many Government departments.”

BARBARA COMMENTED: “Without a doubt our move into Asia will be instrumental in the next stage of our growth. With Pemba’s expertise and backing of our management team, we are in a strong position to leverage off our existing strength as we move into the Asia Pacific region.”

“In their own words is a series of interviews between Pemba Capital Partners and the people we partner. In these conversations we explore our working relationships and how, with Pemba Capital Partners’ support, the businesses we invest in are achieving their growth strategies. Zenith is a leader in furniture and services for the corporate, government and commercial market.”

Mark Summerhayes is a Managing Director of Pemba Capital Partners, a leading investor in small and mid sized private businesses in Australia and New Zealand.



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