

The following article was written by Jane Phare (Senior Business Reporter) and published by the New Zealand Herald on the 30th December 2020

Veteran businessman, entrepreneur, ex Rich Lister and philanthropist Tony Falkenstein tells Jane Phare about the "lost decade" and why NZX-listed water and home tech company Just Life Group is in growth mode to reach a \$100 million turnover.

In the Just Water warehouse a worker is sniffing large water bottles, thousands of them. One by one, sniff, wipe it clean, stack ready for sterilising and filling, sniff the next one.

The worker, Amal Jagadeesan, is checking for petrol fumes or any other odour that shouldn't be there. Tony Falkenstein shrugs off the labour-intensive process. In this age of automation and technical wizardry, there is nothing quite as efficient as the human nose, he says.

"The best sniffer machines are about 90 per cent effective. It just doesn't work. So right round the world it's the same."

And if anyone knows about the bottled water business, it's Falkenstein. He first started selling Onehunga's clear spring water more than 30 years ago, bottling it in flagons and delivering it to offices.

He'd seen workers gathered around the water cooler on American sitcoms and thought the idea could work in New Zealand. It was 1989. He bought six bottles, ran a "dreadful" ad in the Herald warning of greebies in the town water and sold them straight off.

On the back of that success he ordered a container of water bottles and was soon selling 100 water coolers a month.

"I thought this was heaven. Now if we only did a 100 [a month] we'd really be in trouble."



Just Water worker Amal Jagadeesan sniffs empty water containers to check for noxious substances at the company's factory in Penrose, Auckland. Photo / Brett Phibbs

But, as Falkenstein has learned, man cannot live on water alone. Just Water has since morphed into Just Life Group, operating within two divisions – healthy living (water) and healthy homes.

The home-technology businesses include Solatube, a natural lighting system and Unovent, a duct-free ventilation business. Two years ago Just Life Group bought Hometech, a similar-sized company to Just Water, to expand the healthy homes side of the business, which includes installing bathroom ventilation in state housing for Kainga Ora.

Last September they added hot-water cylinder company The Cylinder Guy and revenue rose in that company by 30 per cent in the first month. Falkenstein says 1.8 million homes in New Zealand have hot water cylinders and they're going to need replacing at some stage.

Apart from buying up smaller water companies to expand their customer base, it's the home technology side of the business that Falkenstein's team is working to expand by scooping up "cash-positive and profitable" companies that fit with Just Life Group's divisions. Falkenstein has got his eye on other assets, too, plans that are still under wraps.

With Covid-19 in the mix, expansion by acquisition is the only way the company will reach its five-year target, to increase turnover from \$35m to \$100m, he says.

Is that do-able? "Easy," Falkenstein grins. He's not denying the ongoing impact of Covid-19. During lockdown the company's revenue fell by 30 per cent and he's anticipating the coming year will be down by 20 per cent.

With more people working from home and companies vacating office spaces, Falkenstein knows that business won't be returning any time soon. Of the 30,000 water filters and bottled water tanks rented out, 20,000 of those are in offices.

As he told shareholders at the company's AGM last month: "If you don't drink a glass of water today, it doesn't mean you'll drink two glasses tomorrow. That business is gone."

But Falkenstein doesn't do gloomy, nor does he have plans to slow down. At 73, he's fit – thanks to regular tennis games on the court at his Mission Bay home and morning Pilates with Heather, his wife of 38 years.

Years ago he wrote a book, *The ABCs of Business*, in which he famously wrote "Never hire anyone who walks slowly".

Would Falkenstein still write that in this PC world? Absolutely, he says. When applicants come for a job interview, he asks the receptionist to report on how they walked.

To that end, Falkenstein sets off at a fast trot of the company's 3835sq m bottling plant, warehouse and offices in Penrose during a tour with the Herald. Built four years ago, it's modern and efficient, even more so since lockdown.

Faced with a closed bottling plant and distribution centre, and a drop in revenue, Falkenstein spent less time walking fast and more time thinking. Out of daily Zoom meetings with his senior management team came a plan to restructure, amalgamating the two divisions to create a leaner and more efficient company.



Covid-19 caused Tony Falkenstein's executive team to restructure the business, bringing both divisions under one roof at their Penrose headquarters. Photo / Supplied

The process led to redundancies, an aspect Falkenstein found both "tough" and enlightening. At least five staff members, earmarked for redundancy, presented a strong case as to why they should stay, he says.

"And they were right. We listened and they stayed. We were really happy with the process.

The external sales team disappeared, a move accelerated by changed buying methods. Falkenstein thinks that corporates no longer want to be bothered by a regional sales rep knocking on their doors.

Now the company's internal sales team, social media experts, IT and finance staff are under one roof. A centralised call centre deals with, depending on the phone line, queries about water coolers, hot water cylinders, orders from Kainga Ora, or ventilation or lighting systems.

Large TV screens above the work stations show staff at a glance how sales, deliveries and jobs are tracking across the various companies, including bottling plants in Hamilton and Wellington. The company also invests in search engine optimisation (SEO).

"We want to be up there as number one when people Google water coolers," Falkenstein says.

And when Just Water's website does pop up, there is Falkenstein's smiling photo with a promise to treat every customer "as though they were my own family", a message that is

on all the product's websites. His mobile phone number and email is below an invitation to call him about any problem.

And they do, sometimes just to tell him that their Friday water delivery hasn't turned up yet.

Falkenstein is almost unfailingly upbeat, once throwing a "recession bash" in 2009 at his home to jointly celebrate his and his daughter's birthday. Back then, as the owner of Just Water and Bartercard, he was on NBR's Rich List, listed as being worth around \$60m. He's since disappeared off the list but he's not too fussed. He knows he's on his way back up there.

The company, listed in 2004 and now worth more than \$70m, is 70 per cent owned by Harvard Group Ltd, in turn owned by Falkenstein and his brother Tom, and their two wives.



Tony Falkenstein with Heather, his wife of 38 years. Photo / Norrie Montgomery

That tight family group has ridden through some tough times, in particular what Falkenstein describes as "the lost decade" (2006-2016), when the GFC knocked millions off

the worth of the shares, and a disastrous takeover of Australian water cooler company Clearwater that saw debt soar to \$27m.

Falkenstein, busy managing the New Zealand operation, says the post-acquisition process was "done poorly".

"The whole sales team left and took about 40 per cent of the business almost immediately."

Things went from bad to worse, including court cases which became a distraction.

"The board started focussing on that and not seeing what was really happening. We went for four or five months without getting accounts. So the big learning for me was if you don't get the monthly accounts, bring in PWC."

Before long, the New Zealand operation was subsidising the Australian disaster. But Falkenstein knew he could work his way out of it.

"We had the cash flow coming through. The bank understood the business and didn't put any pressure on us because they could see the rental flow coming through."

It was a decade the company spent fighting for survival, he says.

"In terms of innovation and being an entrepreneur, that was off the table."

Clearwater was eventually sold to a private equity company and Falkenstein has wisely backed away from the Australian water cooler market, but he's still eyeing expansion opportunities across the ditch for the home tech side of the business.

Falkenstein is realistic about the coming year and the economic implications of Covid-19. Just Life Group took a \$887,000 wage subsidy then, in June, reported earnings for the full year were up 53 per cent.

He thinks there are tough times ahead and says the company has no plans to refund the subsidy. The way Falkenstein sees it, the company paid \$1.25m in taxes and the government refunded part of that to help them get through Covid-19.



Just Life Group is gearing up for the summer months when customers drink 30 per cent more water. Photo / Brett Phibbs

Down in the factory, lines of bottles are being readied for an expected upturn in business in the hot summer months ahead, when clients are expected to drink 30 per cent more water.

The offering of Onehunga spring water disappeared with Auckland's water restrictions and Falkenstein has no plans to reintroduce it. Customers are happy with Auckland tap water, with the chlorine and any impurities filtered out. However, the fluoride is left in by popular demand.

Even at 73, retirement is not an option for Falkenstein. "To me it's like a game. Maybe I'll feel differently in 10 years."

Doing business, and doing it well, is something about which he feels strongly and he has spent years supporting the development of business schools. When the company listed, he gave two million shares each to the University of Auckland Business School, Unitec and he pays the equivalent dividend from two million shares to AUT each year.

He also gave two million shares to his old school, Onehunga High, to help develop their business programme and has taken groups of students on trips overseas.

Last year he pledged \$500,000 to the Waikato Management School to send students to study overseas for one semester either with a university or a corporation. He's also on the advisory boards of the four tertiary institutions.

If he's asked for advice by young would-be business moguls he'll tells them: "Keep it simple. Do the things you're good at. Focus - which is very difficult for me. I have a brain that is going a million miles an hour in a million different directions - enjoy what you do, it's all about having people you enjoy working with."