



# 1H FY2018 Results Presentation

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February 21, 2018  
Mark Schuessler, CEO

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# What is Yowie?

**Confectionery • Collectables • Yowie World**

Yowie Group Ltd is a global brand licensing company specialising in the development of consumer products designed to promote learning and increase both understanding and engaging with the natural world through the adventures and exploits of six endearing Yowie characters.



# YOWIE

- Performance Overview
- Financial Review
- Outlook









# 2018 H1 Results: Context

Since December the business has worked through a significant reset period

## Point of Departure

- Broad vision but requiring more focused execution
- Marketing spend needs to be more targeted with greater near term impact on sales
- A need to improve cost focus
- More attention required on immediate task of distribution expansion

## Re-set the Organisation

	<u>Status</u>
<b>A</b> Ensure the right operational structure, executives and reporting is in place	
<b>B</b> Establish operational processes, controls and reporting to hold management to account for performance	
<b>C</b> Re-focus the business on execution, near-term rapid distribution growth and getting to profitability	
<b>D</b> Execute a clear long-term strategy that leverages our brand asset	



# 2018 H1 Business Focus

Under new governance and management, Yowie has been focused on rapidly broadening distribution while addressing cost areas to shift the business quickly to profitability.

## Business Focus

- 1 People & Leadership**
  - Refresh of leadership
  - Re-focus the team
- 2 Financial performance**
  - Push to near-term profitability
  - Maintain strong financial discipline/stability
- 3 Growth**
  - Relentless focus on broadening of distribution in North America and Australia
  - Continue to deliver Yowie brand product innovation
- 4 Cost Controls**
  - Organisational restructure and cost-out program
  - Better spending of marketing \$s
  - Deliver product and supply chain efficiencies
- 5 Governance**
  - Board refresh
  - Significantly improve transparency and governance quality



# 2018 H1 Notable Achievements

2018 H1 saw strong progress on the expansion of distribution channels globally. The business successfully navigated significant but necessary governance and management changes.

## 2018 H1 Achievements

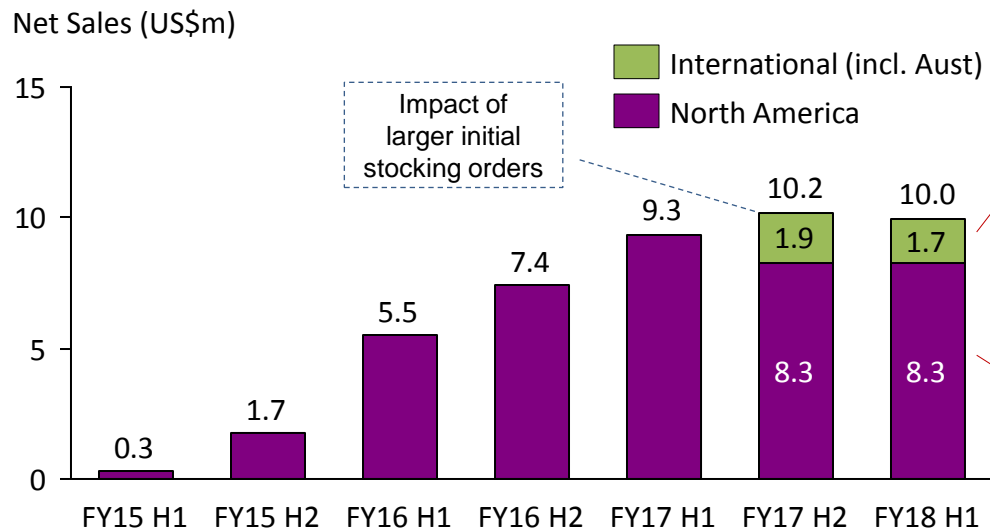
- 1 People & Leadership**
  - 🐾 Appointment of Mark Schuessler as Global CEO
  - 🐾 Re-alignment of personnel: Maximise customer touch points, eliminate unnecessary outside resources
- 2 Financial performance**
  - 🐾 H1 Net Sales growth\* YoY **7%** while maintaining strong Gross Margins
  - 🐾 Maintaining a very strong balance sheet with **US\$22.7m** cash
- 3 Growth**
  - 🐾 Significant account wins in the US & Successful entry into Canada
  - 🐾 Strong growth trajectory in Australia including WoW listing
- 4 Cost Controls**
  - 🐾 ~**US\$1m** (run-rate) admin overhead removed
  - 🐾 ~**50%** reduction in marketing spend H2 vs. H1
- 5 Governance**
  - 🐾 Addition to board of significant FMCG & operational turnaround experience
  - 🐾 Stronger reporting and controls brought into the business



\* Figures exclude impact of one-off stock adjustment claim

# Yowie: In Transition

Yowie is in transition with strong progress in the expansion of distribution impacted by sales fluctuations in its largest customer



## Medium-term trajectory International (incl. Aust)



*Very early in Australia & International expansion. Penetration into Aust grocery channel from Mar-18 expected to step-change sales profile*

## Medium-term trajectory North America



*Mature in initial major customer. Strong penetration growth outside of this, but need time to scale into these channels*

**We will continue to see some volatility in the near-term as broadening distribution is offset by single customer fluctuations – however the business has demonstrated its ability to broaden distribution across all channels and there remains significant further white space to penetrate**



Note: Figures exclude impact of one-off stock adjustment claim



# One-Off Stock Adjustment Claim

A one-off stock adjustment claim, recognised against revenue, has had a US\$1.95m impact on 2018 H1 revenue / EBITDA

## Stock Adjustment Claim

- 🐾 In late December 2017, a major customer lodged a claim based on various stock adjustment factors relating to the last two years
- 🐾 Yowie agreed to pay a total of US\$1.95m for claims related to the last 2+ years
- 🐾 Periodic stock adjustments are a regular occurrence in the confectionery industry

## Significant Customer Relationship

- 🐾 This customer remains a cornerstone account for Yowie. We are seen as an integral part of their front end with significantly above threshold velocities as the **#1 selling novelty product** and **#6 out of 134 chocolate items** in the past 52 weeks
- 🐾 We are having continued discussions regarding the ranging of new products
- 🐾 However we are mature and in full distribution with the account, creating the imperative to accelerate broadening of our distribution footprint







# Building the Yowie Brand – Social Media

We continue to strengthen and broaden recognition of the Yowie Brand via our social media strategy which to-date is proving impactful

## Social Media Strategy

- Global and Local community reach with agency partners in US, Canada and Australia/New Zealand
- 365 days of Yowie, Social posting campaign on Facebook and Instagram
- Capsule recycling video content bi-weekly upload on Facebook, Instagram, YouTube
- Commercial content boosted on all channels to reach; chocolate, collectibles, conservation and Yowie Fans.
- Repost and engagement campaign to grow community
- Social influencer seeding and page promotions

## Results: Continued growth in brand presence

	<u>June 2017</u>		<u>Dec 2017</u>
	612K views	➔	813k views
	4.4K followers	➔	10.4K followers
	50 million views	➔	66 million views
	30 million views	➔	61 million views



# Building the Yowie Brand – Publishing

We have achieved a number of significant milestones in our longer-term publishing strategy with launches of the book and webisode series in H2 FY2018

## Educational Marketing – Book Series



- 🐾 Launch of first series of Yowie books (“Ditty the Lillipilli Yowie”)
- 🐾 Distributed through Scholastic Bookclub Q3 2018
- 🐾 Go-to market with positive results - 2018 promotion sees distribution through to 90% of Australian and 75% of NZ public schools

## Cartoon Webisode Series



- 🐾 Webisodes by Icon Animation now complete
- 🐾 Series narration includes Mel Gibson with a unique painted water-colour style lending itself to the natural beauty of the Yowie habitats
- 🐾 Builds on the Yowie story by targeting families with wholesome and fun content
- 🐾 Now targeting network channel distribution







# Re-cap & Focus: Next 6 Months

With an aligned structure and a refocused organisation, the business is heavily focused on near-term operating execution and longer-term a clear strategy that leverages our brand strength

## Point of Departure

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## Go Forward: Execution

- Continue to accelerate new account wins across North America / Australia
- Manage the competitive threats in major US channels
- Continue to focus on cost-containment with a target of rapidly shifting to profitability
- Capitalise on Yowie brand investments into new product innovation



# YOWIE

- Performance Overview
- **Financial Review**
- Outlook





# 2018 H1 Performance Highlights

Underlying shows modest growth, stronger performance at Gross Margin but an increase in EBITDA loss, driven by a step-up in overhead and admin costs through the half

US\$ / YoY growth	FY18 H1 excl. Stock Adj. Claim	FY18 H1 Reported	Comments
<b>Net Sales</b>	\$10.0m ▲ 7.3%	\$8.0m ▼ 14.1%	🐾 New accounts in US/Australia yet to gain scale impacting net sales growth
<b>Gross Margin</b>	\$5.5m ▲ 9.3%	\$3.5m ▼ 30.4%	🐾 GM increase +\$0.5m driven by supply chain efficiencies
<b>EBITDA (excl. SBP)</b>	\$(2.2)m ▼ 89.7%	\$(4.2)m ▼ 257.8%	🐾 Front-ended investment in marketing in H1 impacted EBITDA performance
D&A	\$(0.1)m	\$(0.1)m	
SBP Expense	\$0.8m	\$0.8m	🐾 Reversal of SBP expense for former Execs/Directors
Asset Write-back	\$0.5m	\$0.5m	🐾 Write-back of provision on recovery of the wrapper
EBIT	\$(1.0m)	\$(3.0m)	
NPAT		\$(3.5m)	
EPS		\$(1.61)/share	
Net Cash		\$22.7m	

While EBITDA loss has increased YoY, we anticipate the loss narrowing considerably in FY18 H2 due to substantially lower marketing and overhead costs following a detailed cost review program

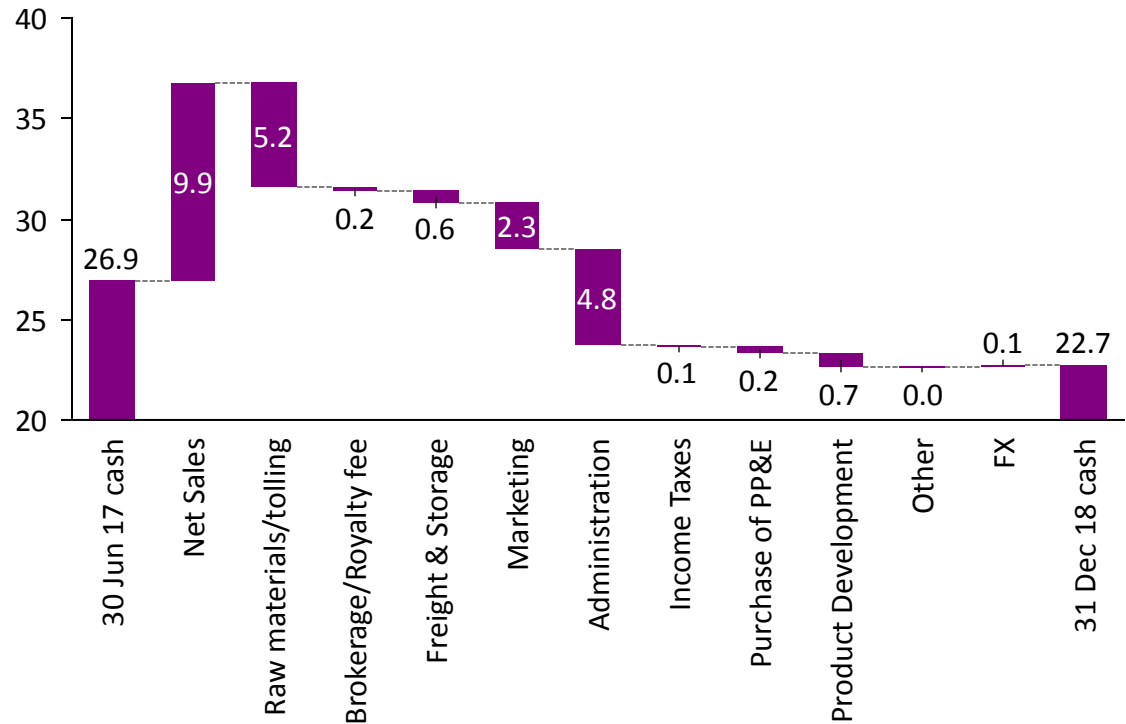


# 2018 H1 Performance Highlights

The business continues to have a very strong balance sheet with US\$22.7m net cash

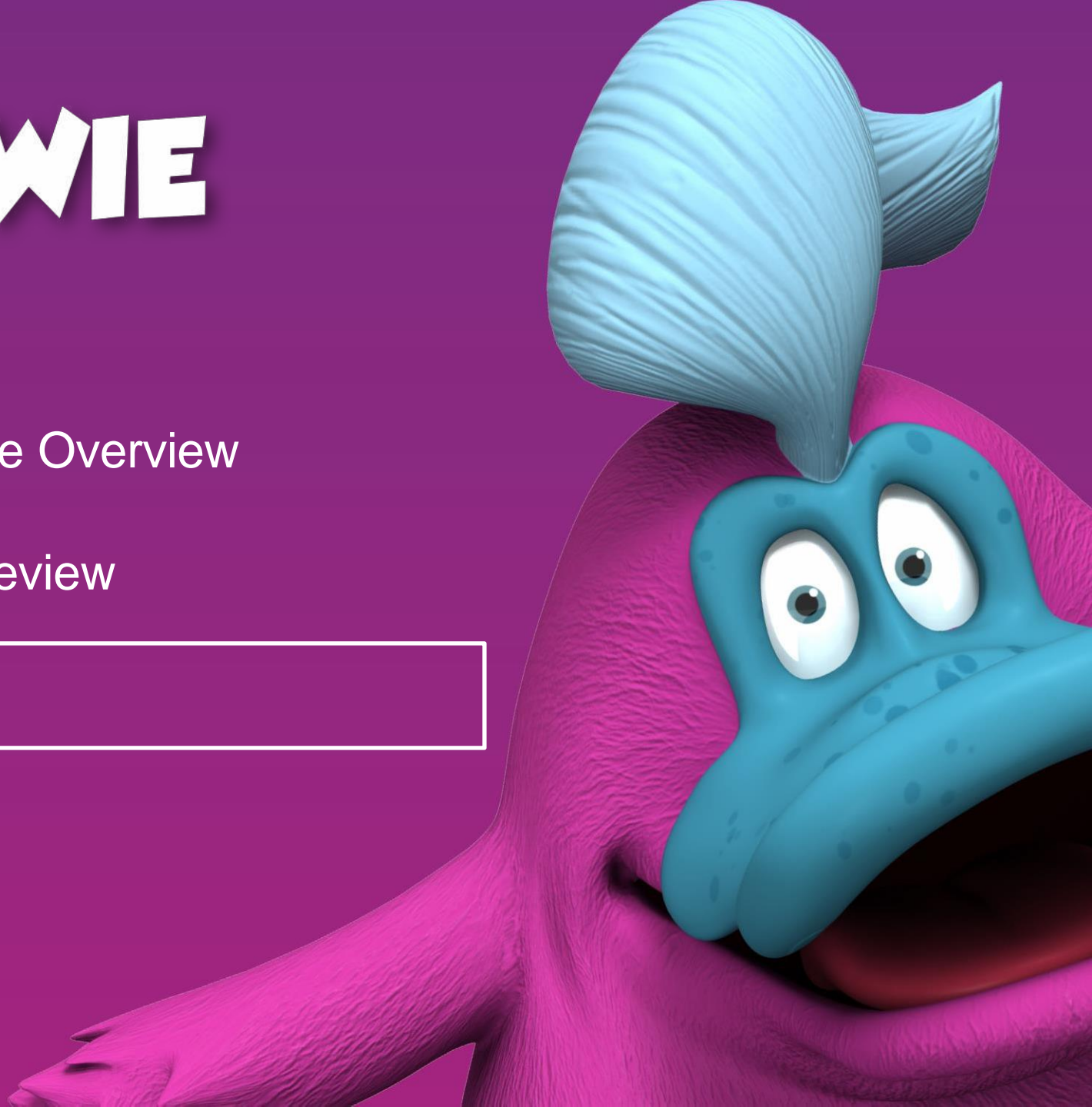
US\$	Consolidated	
	31-Dec-17	30-Jun-17
<b>Current Assets</b>		
Cash and cash equivalents	22.7	26.9
Trade and other receivables	1.6	1.5
Prepayments	1.0	1.2
Inventories	4.0	3.7
<b>Total Current Assets</b>	<b>29.3</b>	<b>33.3</b>
<b>Non-Current Assets</b>		
Plant and equipment	4.1	3.5
Intangible assets	1.8	1.1
Deferred tax assets	0.9	1.0
<b>Total Non-Current Assets</b>	<b>6.8</b>	<b>5.7</b>
<b>Total Assets</b>	<b>36.1</b>	<b>39.0</b>
<b>Current Liabilities</b>		
Trade and other payables	4.0	2.7
Provisions	0.0	0.0
Current tax liabilities	0.0	0.0
Unearned income	0.1	0.1
<b>Total Current Liabilities</b>	<b>4.1</b>	<b>2.8</b>
<b>Total Liabilities</b>	<b>4.1</b>	<b>2.8</b>
<b>Net Assets</b>	<b>32.0</b>	<b>36.2</b>

Cash Flow Waterfall (US\$m)



# YOWIE

- Performance Overview
- Financial Review
- **Outlook**



# Outlook: US growth

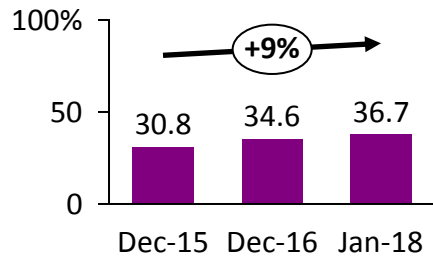
We are seeing continued strong momentum in distribution growth in the US

## Yowie's US – Distribution Momentum and Penetration Opportunity

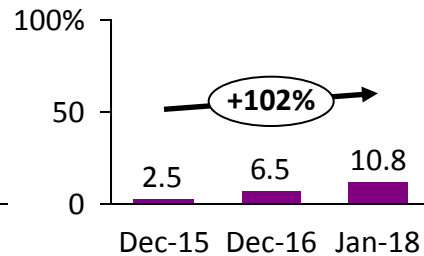
Since refocusing the sales team in August 2017 we have seen significant momentum in broadening distribution, particularly in the convenience and food channel. We are still **not distributed in two thirds** of the market, presenting substantial penetration opportunity for the business

*All Commodity Volume (ACV) % - A standard measure of distribution depth, represents Total Sales of Stores Carrying Yowie divided by Total Sales of All Stores*

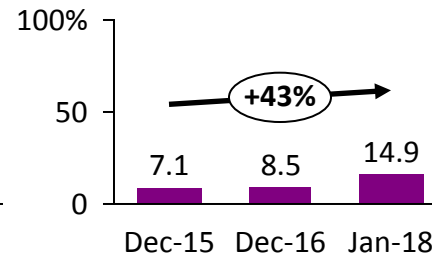
ACV%: Total US\*



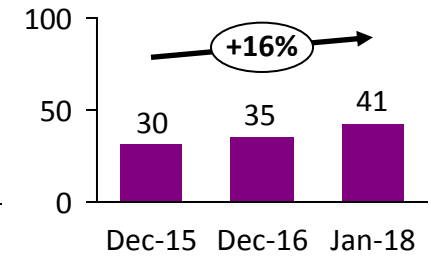
ACV%: Total US Convenience



ACV%: Total US Food



Number of Stores – '000



We have a high degree of conviction on the long-term potential for scaling Yowie in North America. Series 4 will launch in the US featuring our Wildlife Conservation Society partnership to further accelerate this trajectory

### Series 4 US Launch – July



\* Represents "xAOC" = eXtended All Outlets Combined, which includes food/grocery, drug, mass merchandisers, Walmart, Club Stores, Dollar Store (Dollar General, Family Dollar, Fred's Dollar) and Military DECA (commissaries)

Source: Nielsen



# Outlook: ANZ growth

Initial launch has been received well, with national chain ranging impact ahead of us

- Series 1 sell through has been very good in regional chains (Big W, K Mart, Target, Reject Shops), independents and convenience chains
- Series 2 Ranger Series being launched in time for Easter
- Woolworth's ranging Series 2 in 500 of 900 stores on shelf week of Feb 19<sup>th</sup>
- New Zealand entry expected within FY18
- Market specific social media, PR and consumer events will continue



**Yowie is a very strong brand in Australia and we are just at the beginning of our journey in the relaunch in this market**





# Outlook: FY18

Yowie is at the beginning of a global market opportunity for a well-known and loved brand.

- 🐾 Reset of Yowie was required – business now focused on execution and growth
- 🐾 In the short-term, sales volatility driven in our major customer due to competitor activity will impact growth
- 🐾 We are seeing significant traction in distribution growth in North America and Australia and Yowie is committed to continuing to drive this momentum towards profitability as soon as possible
- 🐾 While our focus immediately is on growth and operational execution to shift the business to profitability, we believe we have an iconic brand and the process of establishing a clear long-term strategy to leverage these brand assets is well under way



**Significant volatility of sales in our largest customer continues to impact the near-term outlook and we believe Yowie's sales performance over FY18 will be flat year on year. However, given recent traction in distribution expansion we are currently confident of Yowie's ability to continue to diversify its revenue base and grow over the medium term horizon.**



# Yowie™

