



1 November 2018

ASX Market Announcements  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

## **FY 2019 Q1 TRADING UPDATE**

### **FY19 Q1 Trading Update - Improving EBITDA performance and positive operating cash flow**

Yowie Group LTD (ASX: YOW) (the “group” or “Yowie”) wishes to provide the following update for the quarter ending 30 September 2018;

#### **Q1 Highlights**

- Positive operating cash flow for the quarter of US\$581k; first operating cash flow positive for the quarter since Q3 of FY16.
- Strong net cash balance of US\$19,673k to self-fund growth strategy.
- Improving EBITDA trajectory; loss US\$178k versus loss US\$1,549k in prior corresponding period (pcp).
- Continuing increases in US distribution across all channels and a growth in market share.
- Shipment timing issues in ANZ and discontinuation of Discovery World impacted Q1 sales.
- Innovation continues with the US launch of Wildlife Conservation Series 4 and the digital launch of Yowiescope™ and Yopter™.
- Expect positive EBITDA in the 5% margin range for the full FY19 and operating cash flow positive run rate in the 2<sup>nd</sup> half of the fiscal year.

#### **Strategy Update - Expanding Distribution**

We continue to see encouraging progress as we execute on the key strategy to increase distribution with a further uptick in US market share. Distribution across all channels in the US and Australia continues to expand with more competitive promotional and merchandising activity and more competitive pricing, plus great visibility to Yowie by consumers.

**Head Office**  
Yowie Group Ltd  
Level 4, 216 St Georges Terrace  
Perth WA 6000

PO Box 7315, Perth WA 6850  
Phone +61 8 6268 2640  
Fax +61 8 6268 2699

ABN 98 084 370 669



For personal use only



## US Market Share Increasing

Market share in the US as reported by Nielsen for the 52 weeks ending September 8, 2018 AOC (™eXtended All Outlet Combined) plus Convenience was .5473%, an increase .0126% share points versus pcp. This is the Yowie share of the total front of store chocolate segment and includes Food, Drug, Mass, Dollar, Club and Convenience channels. Yowie is the #2 seller in \$'s per store where available. In our largest US customer, we are the #2 selling novelty item and #6 in overall \$ Sales. This solid performance is despite the massive launch of a competing surprise inside egg.

Yowie continues to grow in **all** channels. For the past 13 weeks compared to the same period last year, ACV%:

<u>Channel</u>	<u>2018</u>	<u>2017</u>	<u>Change</u>
Total US + Conv	43.5	34.4	+9.1
Convenience	21.8	10.4	+11.3
Food	20.7	13.9	+6.8
Drug	27.3	17.0	+10.3
Mass	98.2	97.2	+1.0

The increase in distribution equates to an increase from 24.5k to 42.0k total outlets, with more coming on board. This quarter we have commitments from several regional grocery chains: Basha's (Arizona = 118 stores), Homeland Foods (Oklahoma = 90 stores) and Dierberg's (Missouri = 25 stores). We also have commitments from several substantial Convenience chains: Circle K Arizona, Circle K Texas and Kroger Convenience.

## Australia - Growth

The Australian market continues to be a focal point for our growth. With full distribution in Woolworths, we are getting more aggressive to compete nationally in a very competitive, entrenched novelty segment. We have been accepted in Caltex, the largest service station operator in Australia. We expect more distribution throughout Australia and we anticipate growth in New Zealand in as well.

## Q1 Financials - Revenue Update

Overall, the quarter sales were close to plan at \$3.7M, but declined versus last year due to series timing and hurricane delayed shipments to Australia, the discontinuation of the Discovery World Series and last year's high US sales base which included results prior to the major competitor launch in the US during Q2. Gross margin continued strong near 50%.

### Head Office

Yowie Group Ltd  
Level 4, 216 St Georges Terrace  
Perth WA 6000

PO Box 7315, Perth WA 6850  
Phone +61 8 6268 2640  
Fax +61 8 6268 2699

ABN 98 084 370 669



For personal use only



Yowie reported a positive operating cash flow for the quarter of US\$581k. Cash receipts of US\$4,400k were partially offset by raw material and operating costs of US\$2,553k, marketing costs of US\$129k and staff, administrative and corporate costs of US\$1,178k. Cash levels are stabilizing at a strong US\$19,673k. Yowie is well placed to self-fund its growth strategy.

### **EBITDA – Improving Trajectory**

Q1 EBITDA was a substantial improvement on the prior corresponding period with a positive trajectory. Our financial results for the quarter reflect our restructured company and more prudent marketing investments, resulting in a Group EBITDA loss of US\$178k compared to US\$1,549k in the previous year. We expect EBITDA in the 5% range for the year.

### **Marketing**

The Q1 marketing focus was the Series 4 Wildlife Conservation Society launch into the US market. Our focus remains on social media, and using influencers to share our unique brand proposition and our mission to educate children about the natural world and conservation.

We continue to invest in innovation with a new Series being launched in the US (Series 4 Wildlife Conservation Society) and a new confectionary item scheduled for this fiscal year.

We also continued our focus on providing unique digital experiences to our consumers. We launched our collector app, Yowiescope™, that allows consumers to scan their collectible animals or characters, keep track of their collection, earn incentives and compare their collections to other collectors. This is a key element for Yowie to build the collector community in any market.

We also launched Yopter™, a new digital app game with upgraded playability from our previous games. We continue to plan for more enhanced digital engagement as a core to our keeping consumers engaged with the Yowie brand.

We have launched our new eCommerce, yowieshop.com, site offering 12 and 8 pack Yowies and the Travel Retail pack, with more items planned, including books.

### **Growth and Outlook – FY19 Guidance Affirmed**

With our clear strategy to deliver strong organic profitable growth over time, our execution priorities are as follows:

- We continue to focus on distribution growth across all channels of trade in our current markets through aggressive account management to better compete in the entrenched novelty segment. We are also developing strategic account plans with all of our customers to take advantage of our unique product positioning.

#### **Head Office**

Yowie Group Ltd  
Level 4, 216 St Georges Terrace  
Perth WA 6000

PO Box 7315, Perth WA 6850  
Phone +61 8 6268 2640  
Fax +61 8 6268 2699

ABN 98 084 370 669



For personal use only



- Innovation is key to growing our brand awareness, whether with digital experiences, publishing related, or new item introductions that will be announced shortly.
- Fiscal discipline is in place and our infrastructure and cash reserves have us poised to grow the brand and company.

We reaffirm expected positive EBITDA of 5% margin range for the fiscal year and operating cash flow positive run rate by the 2nd half of the fiscal year.

**Mark Schuessler**  
**Global CEO & Managing Director - Yowie Group Ltd**

#### **About Yowie**

Yowie Group Ltd is a global brand licensing company specializing in the development of consumer products designed to promote learning, understanding and engagement with the natural world through the adventures and exploits of six endearing Yowie characters. Educating children and adults about the environment and ecology is at the heart of the Yowie proposition.

Yowie Group employs its company-owned intellectual property rights in the outsourcing of the manufacturing and distribution of the Yowie chocolate confectionery product and in the development of a Yowie digital platform and Yowie branded licensed consumer products. The Company's vision for the Yowie brand is to distribute on a widening basis the Yowie product in North America and ANZ, with further international expansion.

For more information on the company go to [www.yowiegroup.com](http://www.yowiegroup.com)  
The Yowie consumer website can be found at [www.yowieworld.com](http://www.yowieworld.com)

#### **DISCLAIMER**

This Announcement contains interpretations and forward-looking statements that are subject to risk factors associated with the confectionery and retail industries. You are cautioned not to place reliance on these forward-looking statements, which are based on the current views of the Company on future events. The Company believes that the expectations reflected in the announcement are reasonable but may be affected by a variety of variables and changes in underlying assumptions which could cause actual results to differ substantially from the statements made.

The Company and its Directors, agents, officers or employees do not make any representation or warranty, express or implied, as to endorsement of, the fairness, accuracy or completeness of any information, statement, representation or forecast contained in this announcement and they do not accept any liability for any statement made in, or omitted from, this Announcement.

**Head Office**  
Yowie Group Ltd  
Level 4, 216 St Georges Terrace  
Perth WA 6000

PO Box 7315, Perth WA 6850  
Phone +61 8 6268 2640  
Fax +61 8 6268 2699

ABN 98 084 370 669

