



31 October 2023

September 2023 Quarterly Activities Report

Yowie Group Limited (ASX: YOW) (the “Group” or “Yowie”) Yowie, a leading novelty confectionary brand is pleased to provide this Quarterly Activities Report based on unaudited results and Q1 FY24 Appendix 4C:

(all numbers are stated in United States Dollar, unless otherwise stated)

Highlights:

- Acquired Australian confectionary company Ernest Hillier for A\$375k (US\$241k), providing a significant strategic asset for the Group’s product innovation and growth in Australia.
- Renewed leadership commencing with the engagement of Nicolas Georges as Global Strategic Advisor to build a new Global strategy and realise the value of Ernest Hillier. Nicolas has over 25 years in the food industry spanning Nestle, Vitasoy, Grill’d, Bakers Delight, Mondelēz and Koko Black.
- Secured the rights from BBC Studios to develop, manufacture and sell Bluey Seasonal Confectionery for Easter and Christmas in Australia and New Zealand through to 30 June 2026. A strong Easter sales program is underway with key retail partners in Australia.
- Licence agreements signed with the AFL & NRL for sports themed Yowie confectionary products sold in Australian major retailers during seasonal easter and sporting peaks.
- Innovation & range expansion underway with YowiePop – a lollipop with a surprise toy rolling out in North America.
- Group net sales for Q1 FY24 was \$3.2m down 13% versus prior year with softer than expected sales in our core product.
- Operating cash flows for the quarter were -\$1 mil, versus +\$153k in the previous year.
- Cash on hand at 30 September was \$5.98m.

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Operational Review:

Acquisition of Ernest Hillier

On the 30th of August, Yowie announced that it has entered into a binding Asset Purchase Agreement with the administrators of Chocolate and Confectionary Company Pty Limited to acquire the assets of the Ernest Hillier chocolate business for **A\$375k** (US\$241k). This is Australia's first chocolate manufacturer and oldest privately owned chocolatier, established in 1914.

Yowie is acquiring all the owned plant and equipment and all the IP of Ernest Hillier, including all business names and brands of the Ernest Hillier chocolate business, and has entered into new leases for the premises and either new leases or assignments in respect of leased plant and equipment used by Ernest Hillier. Yowie is not assuming any of the existing liabilities of the sellers.

The business, located in Coburg North, Victoria, has the capability to produce a large range of confectionary and chocolate products from its leasehold operations (of circa 4,000 sq metres). Some of its manufacturing capability includes chocolate molding, chocolate coating, bar manufacturing and packing.

We are investing in bringing the facility back up to a reputable operating standard, meeting strict employee safety, food safety and customer requirements. We anticipate the Ernest Hillier business to be operational and generating sales by the end of Q2 FY24.

Leadership Changes

Recently CEO Mark Schuessler & CFO Wayne Brekkie retired from the Yowie leadership. We thank them for their work in scaling the Yowie brand in North America and wish them all the best. The Board seeks to renew the leadership, paving the way for a new strategy across Australia & North America and supporting our recent acquisition of Ernest Hilliers.

The Board has engaged Nicolas Georges as Global Strategic Advisor, on a part-time basis, to build a new strategy, build out a captive innovation pipeline, align the global team for success and realise the value of Ernest Hillier. Nicolas has over 25 years in the food industry spanning Nestle, Vitasoy, Grill'd, Bakers Delight, Mondelēz and Koko Black. Nicolas is also a Director, Food and Agriculture Practice Professor at Monash University.

In North America, Leonidas Valle has been promoted from Vice President of Supply Chain Operations at Yowie to Country Manager – North America. Prior to Yowie, Leonidas was the Business Development Director – Gums & Candy at Mondelēz International. We thank Leo for his continued contribution and congratulate Leonidas on his appointment.

Subsequent to quarter end, Jarrod Milani had been appointed as Country Manager – Australia & New Zealand. Jarrod was previously the Chief Operating Officer at Forbidden Foods (FFF.ASX) and prior to that had various marketing roles at Coles Group (ASX:COL). Jarrod is tasked with scaling the Yowie sales in Australia, integrating the newly acquired Ernest Hillier operation into Yowie Group and realising the full potential of the acquisition.

We anticipate further announcements to the leadership team as Nicolas and wider team settle in.

Merchandise Agreements

Yowie uses merchandise licenses to elevate the Yowie brand, increase sales and distribution and improve buying power with suppliers. It has become a core pillar of our business, and we are pleased with the tier 1 brand merchandise agreements we have been able to secure.

During the quarter Yowie secured a merchandise agreement with BBC Studios Australia Pty Ltd for the number 1 Australian Childrens TV show – Bluey. Under the merchandise agreement, Yowie is permitted to design, manufacture, promote and distribute Bluey seasonal confectionary in the key trading periods of Easter & Christmas through to June 2026. A strong Easter sales program is already underway with key retail partners in Australia.

Previously announced Australian Football League (AFL) and Australian Rugby League (NRL) merchandise agreements has seen its flagship products released in Australia during the quarter. Four SKUs were launched including a large footy themed 150g chocolate and a small footy themed 50g chocolate egg with a team themed surprise Yowie toy (*pictures below*). It launched during the AFL & NRL finals period, with strong sell-through rate and the Group plans to build on this success for the 2024 sporting season.



North America - Innovation & Marketing Programs

Yowie North America introduced a new naturally flavoured 3D lollipop that can be dipped in a sour powder and comes with a surprise toy. The product was presented and well received at key tradeshows in North America.

Further marketing activity is supporting the Yowie brand in North America including targeted YouTube promotional advertising which has reached over 3M views thus far in 2023 and targeted influencer marketing campaigns which exposed the Yowie brand to over 250k new consumers.



Financial and Corporate Overview

Group net sales for Q1 FY24 was \$3.2m down 13% versus prior year with softer than expected sales in our core product in Australia and North America. Uncertain economic condition continued this quarter, negatively impacting U.S. consumer purchasing decisions on discretionary food items, particularly novelty category.

Group EBITDA loss for the quarter was -\$353k compared to \$51k in the pcp, primarily driven by lower sales.

The Group remains committed to driving sales growth through increased distribution in both the US and AUS, expanding product offerings and develop effective marketing and merchandising programs across key trade channels.

ASX additional Information

The aggregate amount of payments to related parties and their associates in the current quarter cash flows from operating activities were \$150k, comprising directors fees, salaries and superannuation.

This ASX announcement has been approved for the release by the board of Yowie Group Ltd.

ENDS

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.

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.

Appendix 4C

**Quarterly cash flow report for entities
subject to Listing Rule 4.7B**

Name of entity

Yowie Group Limited

ABN

98 084 370 669

Quarter ended ("current quarter")

30 September 2023

Consolidated statement of cash flows	Current quarter \$US'000	Year to date \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers ¹	3,262	3,262
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs ²	(3,088)	(3,088)
(c) advertising and marketing	(213)	(213)
(d) leased assets	-	-
(e) staff costs	(584)	(584)
(f) administration and corporate costs	(422)	(422)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	47	47
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (royalty income)	-	-
1.9 Net cash from / (used in) operating activities	(998)	(998)

¹ Receipts from customers are net of trade discounts, volume rebates and various bill-backs

² Operating costs also include freight, storage, brokerage commission, royalties and merchandising

Consolidated statement of cash flows		Current quarter \$US'000	Year to date \$US'000
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	(241)	(241)
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property ³	(37)	(37)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (security deposit)	(32)	(32)
2.6	Net cash from / (used in) investing activities	(310)	(310)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (return of capital)	-	-
3.10	Net cash from / (used in) financing activities	-	-

³ New series development

Consolidated statement of cash flows		Current quarter \$US'000	Year to date \$US'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,402	7,402
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(998)	(998)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(310)	(310)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(112)	(112)
4.6	Cash and cash equivalents at end of period	5,982	5,982

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	2,495	1,335
5.2	Call deposits	3,487	6,067
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,982	7,402

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	150
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	Financing facilities	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	N/A		

8.	Estimated cash available for future operating activities	\$US'000
8.1	Net cash from / (used in) operating activities (item 1.9)	998
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,982
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	5,982
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 October 2023

Authorised by: Neville Bassett
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.