



ABN 98 084 370 669

October 19, 2017  
ASX Market Announcements  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

## **CANADIAN ENTRY, TWO U.S. MARKET LAUNCHES & HIGHER GROSS MARGIN**

*(1Q highlights & events for Yowie choc-toy-entertainment group)*

### **Financial**

- **Steady 1Q group net sales revenue of US\$4.58m (-7% from US\$4.9m in 1Q17), strong start in Q2.**
- **Reflects one-off hurricane-related sales impacts in two key States of biggest US retail customer - and - previously flagged delayed end-of-quarter new US launches**  
*(The new US products will deliver a full trading contribution over 2Q18)*
- **Higher gross margins (+2pp) achieved**
- **Net sales growth outlook of 55%+ YoY re-affirmed**
- **Strong cash-in-bank of plus US\$25 million**

### **Marketing & Development**

- **US launch of 3<sup>rd</sup> series (Rescue range) and Discovery World range**
- **Milestone expansion into Canadian market with Mondoux agreement**

### **Corporate**

- **Louis Carroll joins Yowie as non-Executive Chair**
- **Interim favourable court ruling against previous US manufacturer**
- **Legal gains also see key packaging plant returned to Yowie's ownership**

### **2018 Outlook**

"Given our Q1 financial performance in line with expectations, and our excellent progress on 2018 growth plans, Yowie's FY18 outlook remains unchanged at 55%+ net sales growth and generating positive EBITDA before share based compensation by Q4. We remain confident regarding the prospects for the Yowie brand in the US & selective international markets. Our five key strategies: US and International expansion, talent development, innovative marketing, efficient manufacturing and longer term entering new categories remain our focus areas. I look forward to working with our new non-Executive Chair, Louis Carroll, and the whole Group to build shareholder value in fiscal 2018." – **Yowie Global CEO, Mr. Bert Alfonso**

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## **SUMMARY OF YOWIE GROUP ACTIVITIES FOR 1Q 2018 (ending 30 September, 2017)**

**ASX-listed iconic collectable toy confectionary, licensing and entertainment-based Yowie Group Ltd** (ASX: YOW, OTC ADR: YWRPY) (the **“Group”** or **“Yowie”**) advises that for the First Quarter of FY 2018 ending September 30th, 2017, group net sales revenues were US\$4.58M (-7%) versus Q1 2017, as previously announced, impacted by the timing of innovation launch and related merchandising in 2018 versus 2017. In addition, about half of the variance versus Q1 2017 is attributed to disruption from Hurricanes Harvey and Irma that negatively affected all retail trading across Texas and Florida, two important sales states for Yowie. This weather-related impact is considered temporary and confined to Q1. We are also pleased to report a strong start in Q2. Gross margin for the same period comparison was a strong 55% in Q1 2018 versus 53% in 2017.

**“Our overall Q1 2018 performance results are in line with expectations,”** said Yowie Group CEO, Mr. Bert Alfonso. **“Net sales were about where we expected and previously reported, coming off the end of our 2017 structural changes, and we were able to execute our innovation plan through the launch of our Rescue Series 3, and Discovery World in the US toward the end of Q1. In addition, Yowie continued its retail expansion in Australia and completed an initial shipment into Canada via our new partnership with Mondoux Confectionery Inc. Yowie’s Q1 innovation combined with Q2 2018 marketing programs put the Group in a good position from which to grow in the remaining quarters of 2018.”**

**Highlights for Q1 fiscal 2018 include:**

- **Total Yowie Group Net Sales for Q1 2018 were \$4.58M (-7%) versus Q1 2017. Yowie North America (YNA) Net Sales USD \$3.83M in Q1 fiscal 2018 were -22%, versus Q1 2017, driven by later innovation of Series 3 and related merchandising in 2018 versus Series 2 in Q1 2017 (which included a feature end cap) as well as the later launch of Discovery World as noted in our Q4 2017 report. US sales were also one-off negatively impacted by Hurricanes Harvey and Irma in Q1. As expected, both Series 3 and Discovery World were launched in the US toward the end of Q1.**
- **Initiated sales into Canada through an agreement with Mondoux Confectionery Inc., a strong national distribution partner with significant experience in the category and a broad reach across all trade channels in Canada.**
- **Australia Net Sales were \$734k in Q1 as Yowie brand expanded into full system at Kmart and Big W, and was supported by social media marketing including 5 prizes for a special day at the Chris Humphey’s Wildaction Zoo. This campaign generated more than 3.7 million cross-platform impressions on social media.**

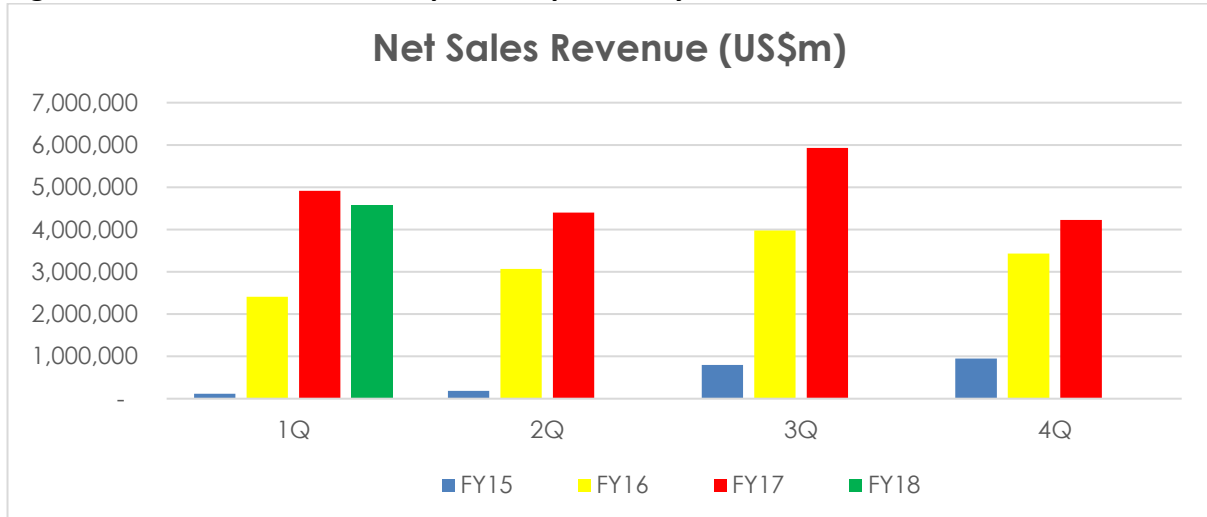
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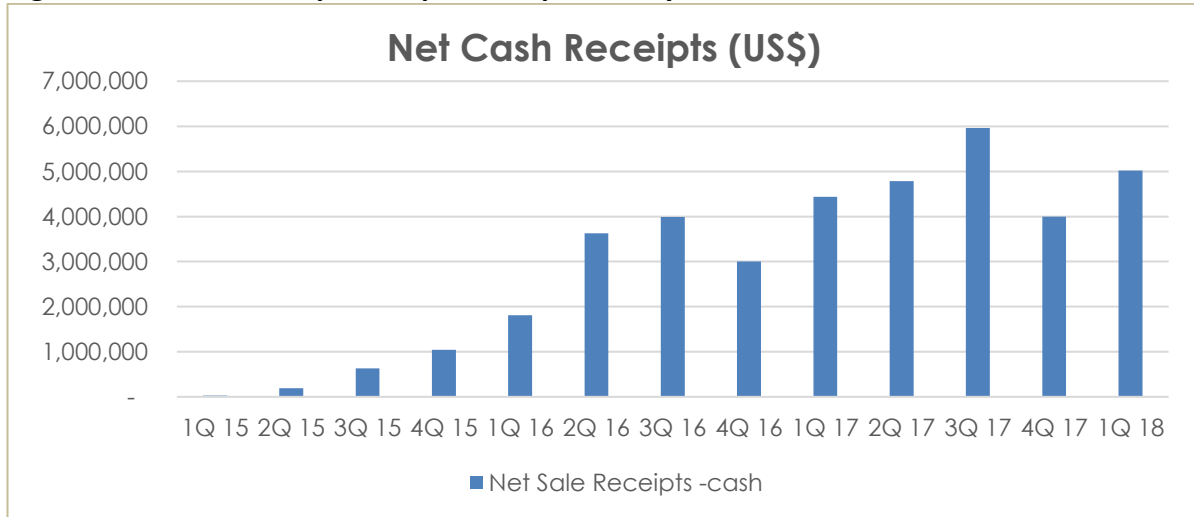


- Mr Louis Carroll joined the Yowie Board as non-Executive Chair following a successful international career in CEO, senior executive management and Chair roles across a range of founder-backed, entrepreneurial organisations and public companies. He replaced interim Acting Chair, Mr Trevor Allen.

**Figure 1: Net sales revenue compared to previous years**



**Figure 2: Net cash receipts compared to previous years**



**Financial Results**

Yowie Group financial results for Q1 reflect investments being made in geographic market expansion, selling and marketing/advertising as well as the impact of equity-based

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compensation, and a US\$121k foreign exchange translation. From a cash flow perspective, net operating cash outflow was US\$1.438M in the quarter, reflecting cash receipts of US\$5.019M, offset by raw material purchases and operating costs of US\$2.713M, marketing costs of US\$1.145M, and staff, administrative and corporate costs of US\$2.577M. Advertising costs were elevated in Q1 versus expectations for Q2, as the majority of Series 3 launch expenses in the U.S. were incurred in Q1. Cash levels remain very healthy at US\$25.2M.

Gross margin for Q1 2018 was a strong 55%, 2 full % points above the comparable period in 2017, reflecting lower manufacturing costs resulting from improvements in scale efficiency and reductions in commodity and packaging costs.

### **Yowie North America (YNA)**

Total YNA Q1 fiscal 2018 net sales \$3.83M, (-22%) versus Q1 2017. Sales were driven by continued expansion into Convenience and Grocery channels, more than offset by declines in Yowie's largest retailer due to promotional programming. As previously noted, net sales in YNA were impacted by the later timing of innovation (Series 2 versus Series 3) and related merchandising. While net sales of both Series 3 and Discovery World were not significant due to their launch late in Q1, they mark significant milestones for Yowie and the Group is truly excited about their prospects in the coming quarters.

While a temporary impact, US sales were negatively impacted in the quarter by Hurricanes Harvey and Irma that affected Texas and Florida, both important trading states for Yowie's largest retailer. Importantly, Net Sales in Q2 are off to a strong start.

In Q1, the group added key US accounts including Bed, Bath and Beyond, Ralph's, Associated Wholesale Grocers and Royal Farms C Stores. Several other new accounts are also scheduled to commence in Q2. The US remains highly competitive with new products entering the "novelty segment", including the expected entry of Kinder Joy in Q3. However, management believes Yowie is well positioned in 2018 with innovation and strong marketing support including feature merchandising for Series 3 in the US holiday season.

### **US market share**

Overall, market share as reported by Nielsen for the 52 weeks ending September 9, 2017 xAOC (™eXtended All Outlet Combined) plus Convenience, was stable at .50 share versus the prior reported period. This Nielsen data reflects Yowie's share of the total front of store Chocolate segment plus Convenience, normally referred to as Instant consumables (Single serve).

In the US, Q1 distribution levels (ACV) increased in both Grocery and C Stores as measured by Nielsen, with C Store growth particularly strong, improving from 8.3% on a 52-week basis to

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10.2% on a 4-week basis. In Grocery, ACV grew from 11.2% on a 52-week basis to 14.2% on a 4-week basis.

**Figure 3: Yowie and Discovery World on shelf at a major US retailer**



### **Canada**

Yowie is very pleased to report that during the quarter, the Group entered into a distribution agreement with Mondoux Confectionery Inc, of Laval Quebec, and made its initial shipment into Canada. Founded in 1967, Mondoux is the largest confectionery distributor in Quebec with a strong national reach across all retail channels. **“We are really excited about the opportunity for Yowie in Canada and confident that our new partnership with Mondoux will allow Yowie to bring our unique Brand to Canadian consumers. We plan to support our launch with social media marketing to accelerate Yowie’s brand awareness throughout 2018”**, said Mark Schuessler, President & COO Yowie Group Ltd.

### **Australia**

Distribution gains continued a strong expansion in Q1 in Australia in the Convenience and Mass Merchandiser channels. During the quarter, K Mart, Reject Stores and Big W expanded into full system including K Mart New Zealand. Yowie also added Coles Express which will commence shipping in Q2. In addition, the Group’s marketing investment supporting the “Yowie Is Back” campaign on social media, generated 3.7 million cross-platform impressions as we concluded a special prize event for 5 contestants to spend a day with zoologist, Chris Humphrey, at the Wildaction Zoo in Victoria, Australia. Chris is a strong supporter of the Yowie Mission and was featured in the Group’s first Yowie social media advertising in Q4 2017. **Finally, Board and management is pleased to report that Yowie received another “Product Launch of the Year**

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**Award” from the JB Metropolitan, a group of Distributors servicing Sydney Retailers since 1983.**

### **Marketing**

In Q1, Yowie made significant investments to build on previous brand awareness through innovative marketing/advertising in the US and Australia. In the US, group investment of \$1.1M in Q1 specifically targeted the introduction of the new Series 3 (Rescue Series). The campaign features the use of influencer families to drive new product awareness. Two new social media commercials that commenced airing early in October, will run throughout November. “The introduction of Series 3 in the US marks an important first opportunity to combine the launch of new product innovation with a significant investment in social media advertising,” said Cove Overley, Yowie Group Global CMO. “We anticipate that it will further increase Yowie brand awareness with US consumers to drive product demand and conversion of impulse with an ultimate goal to long-term Yowie collector growth.”

### **Legal Matters**

On October 5, 2017, a court order granted Yowie’s motion to dismiss ACC’s and Whetstone’s counterclaim because it was filed in violation of the Federal Rules of Civil Procedure. In addition, the Court also entered an order denying Whetstone Chocolate’s, ACC’s and Whetstone’s motions to dismiss in part, Yowie’s claims. The order further allowed Yowie to re-file an amended complaint to further clarify Yowie’s legal claims. However, in light of these positive findings, Yowie has determined not to pursue the claims further. This will also allow the Company to focus solely on the two State court actions previously reported.

An agreement was reached with Whetstone regarding the packaging equipment that had been the subject of a lawsuit between the parties. On October 17th, Yowie recovered the contested Rausch Foil Wrapper machinery that had been the subject of a now resolved legal case. The equipment will be installed at our now New York manufacturer and ensure capacity requirements for fiscal 2019.

### **Growth Plans**

Yowie made very good progress in Q1 against its 2018 priorities, gains including:

- The launch of Series 3 (Rescue Series) and Discovery World in the US and entered new accounts
- First time entry into the Canadian market and continued strong growth in Australia
- Initiated a market test in the UK
- Restructured the US sales team against key account and geographic priorities under new leadership

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- Developed a strong social media marketing campaign airing in Q2 to support the Series 3 launch
- The development of Series 4 is well advanced as is a new Discovery World innovation for a launch later in 2018
- Gross margins remain strong and expanded versus a year ago, and
- The Group is beginning to gain P&L leverage versus 2017 in both marketing and administrative expenses.

### **Investor conference call**

A conference call is scheduled for 6am Perth time (AWST) / 9am Sydney time (AEST) later today to allow investors the opportunity for Q&A and to clarify any of the elements of this announcement and the overall state of the business. The details of the call are attached below.

Yours sincerely



Bert Alfonso  
**Global CEO & Managing Director**  
**Yowie Group Ltd**

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### **Conference call details:**

Date: Thursday, 19<sup>th</sup> October.

Time: 6am Perth time (AWST) / 9am Sydney time (AEST). Participants are required to dial in 5 minutes prior to the start time.

Australia Dial-in Number      1800 804 595  
International Dial-in Number + 61 3 8687 0650

No passcode is required. An operator will ask the name and company of those wanting to participate in the call.

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## **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 includes distribution of Yowie product in North America, with further expansion planned into Australia, New Zealand and throughout Asia, where the Yowie brand is known and brand equity remains strong, even with the brand not having been active in the market for around ten years. Expansion into Europe and the Middle East are key strategic priorities for a second-stage brand rollout.

Yowie Group Ltd was first listed on the Australian Securities Exchange [www.asx.com.au](http://www.asx.com.au) in December 2012 under code name 'YOW'. The Company's registered head office is in Perth, Western Australia.

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 confectionary 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.

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## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

YOWIE GROUP LTD

**ABN**

98 084 370 669

**Quarter ended ("current quarter")**

30 September 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$US'000</b>	<b>Year to date 3 months) \$US'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers <sup>1</sup>	5,019	5,019
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs <sup>2</sup>	(2,713)	(2,713)
(c) advertising and marketing	(1,145)	(1,145)
(d) leased assets	-	-
(e) staff costs	(1,386)	(1,386)
(f) administration and corporate costs	(1,191)	(1,191)
1.3 Dividends received	-	-
1.4 Interest received	13	13
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(37)	(37)
1.7 Government grants and tax incentives	-	-
1.8 Other (royalty income)	2	2
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,438)</b>	<b>(1,438)</b>

<sup>1</sup> Receipts from customers are net of trade discounts and volume rebates.

<sup>2</sup> Operating costs also include freight and storage, brokerage, royalties and commissions.

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$US'000</b>	<b>Year to date 3 months) \$US'000</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(101)	(101)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property (product development costs for intangible assets)	(292)	(292)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(393)</b>	<b>(393)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(5)	(5)
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 (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(5)</b>	<b>(5)</b>

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$US'000</b>	<b>Year to date 3 months) \$US'000</b>
<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	26,878	26,878
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,438)	(1,438)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(393)	(393)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(5)	(5)
4.5 Effect of movement in exchange rates on cash held	121	121
<b>4.6 Cash and cash equivalents at end of quarter</b>	<b>25,163</b>	<b>25,163</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$US'000</b>	<b>Previous quarter \$US'000</b>
5.1 Bank balances	24,380	26,109
5.2 Call deposits	783	769
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>25,163</b>	<b>26,878</b>

**6. Payments to directors of the entity and their associates**

- |  | <b>Current quarter<br/>\$US'000</b> |
|--|-------------------------------------|
| 6.1 Aggregate amount of payments to these parties included in item 1.2             | 143                                 |
| 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3 | -                                   |

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Payments include:

- Payments of directors' fees and salary to directors

<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter \$US'000</b>
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$US'000</b>	<b>Amount drawn at quarter end \$US'000</b>
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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<b>9. Estimated cash outflows for next quarter</b>	<b>\$US'000</b>
9.1 Research and development	-
9.2 Product manufacturing and operating costs	3,500
9.3 Advertising and marketing	1,000
9.4 Leased assets	-
9.5 Staff costs	900
9.6 Administration and corporate costs	950
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>6,350</b>

<b>10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

### 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.

Sign here:                N J Bassett  
                                  (Company secretary)

Date: 19 October 2017

Print name: Neville Bassett

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.