



24 April 2020

ASX Market Announcements  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

### **Q3 FY20 March Quarter Update and Cash Commentary**

Yowie Group LTD (ASX: YOW) (the "Group" or "Yowie") wishes to provide the following update for the quarter ending 31 March 2020:

#### **Q3 Summary**

- Q3 FY20 sales were disappointing due to challenging market conditions with significant competitive activity from the major confectionery companies led by the ramping up of the new chocolate brand launch by the largest global novelty competitor.
- The onset of COVID-19 shutdowns negatively affected March sales with consumers focused on staple purchasing in the first half of the month and a huge drop in retailer foot traffic the back half of March.
- US distribution for Core slowed with the current market circumstances, though Bites and Gummies distribution is expanding, albeit slowly.
- Q3 EBITDA loss of -US\$682k due to soft sales, though not as severe as Q2's -US\$955k loss. YTD EBITDA loss of -US\$1,871k versus -US\$1,162k loss previous year.
- Negative operating cash flow -US\$1,267k for the quarter; net cash flow of -US\$1,935k for the quarter versus -US\$1,768k pcp.

#### **Q3 FY20 March Quarter Cash Review**

- For the March quarter, Yowie reported US\$1.78m of cash receipts from customers.
- US\$3.05m was spent on administration, manufacturing and operating costs, net of interest received.
- US\$0.54m was spent on investing activities and there was a foreign exchange loss of US\$0.12m.
- Net cash outflow for the quarter was US\$1.94m.

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### Q3 Financials – Update

Q3 net sales were US\$2,364k, -36% versus the pcp, slightly ahead of Q2's US\$2,092k, due to significant competitive activity throughout the quarter, including the new chocolate line launch related to our largest novelty competitor. Also, COVID-19 related shutdowns in the US and Australia negatively affected March sales. Specifically, the buying rush in the first 2 weeks of March were focused on consumer staples, including bagged chocolate, but immediate consumption and novelty confections were not a priority. The back half of March showed a huge drop in retailer foot traffic. Also, shoppers were not bringing children for shopping, further affecting novelty sales.

Group EBITDA (unaudited) loss for the quarter was -US\$682k compared to -US\$407k in the previous year; YTD loss was -US\$1,871k compared to -US\$1,162k due to the sales decline and increased legal fees. Margins remained healthy at 49% for the YTD compared to 48% for the pcp.

### Revenue Guidance

The quarter trend and the uncertainty of the current market environment resulting from COVID-19 confirms the overall outlook from the December report. We will fall short of FY19 revenue affecting EBITDA. Operating cash flow for Q4 will be significantly improved to 2<sup>nd</sup> and 3<sup>rd</sup> quarter cash outflows.

### Future Cash Flow

Despite lower sales, Yowie's cash reserves will not be reduced by operations during the next several months, due to a combination of current high inventory levels as a result of preparing for temporary manufacturing shutdown and further salary and cost reductions.

### US Distribution

Regarding distribution, Yowie has slowed slightly, except for the critical Food channel, due to the erratic market conditions. For the past 52 weeks ending 21 March 2020 compared to the same period last year, ACV%:

<u>Channel</u>	<u>2020</u>	<u>2019</u>	<u>Change</u>
Total US + Conv	41.6	42.4	-0.8
Convenience	21.3	22.3	-1.0
Food	21.4	20.3	+1.1
Drug	17.9	22.5	-4.6
Mass	95.2	97.6	-2.4

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Despite the challenging environment, previously announced core Yowie in Food Lion (>1,000 grocery stores in the US Southeast) will be distributed as scheduled in Q4. Distribution continues to be a focal point for our team in both the US and Australia, but timing will become an issue until business gets back to normal.

### **New Product Updates**

- Our core Multipack (2 Yowie + an extra toy) will hit the back of store candy aisle in the US's largest retailer starting May, as scheduled.
- Both US Bites and Gummies consumer response has been positive, and we are gaining distribution across Grocery, Drug and Convenience. Ecommerce has been gaining strength as well.
- We have other products in the planning stage with announcements coming in Q4.

### **Outlook**

Not only are we dealing with extremely competitive US and Australian confectionery categories, but the current market environment presents a high level of uncertainty. We continue to be aggressive in expanding our consumer awareness and building the Yowie story to:

1. Continue expanding distribution in the US and Australia across all channels of trade, including Ecommerce and Club stores, to expand buying opportunities for consumers. Once the market settles, we anticipate additional major retailers to commit.
2. Develop and bring to market new items consistent with our brand mission to educate consumers about conservation and endangered species.
3. Continue to focus on fiscal discipline, including planned administration cost cuts, to keep margins healthy and allow us to invest in the trade.
4. Yowie is actively seeking strategic partnerships that can help the company compete more effectively in the US and Australian confection markets.

### **Appendix 4C – Quarterly cash flow**

Yowie Group's cash position at 31 March 2020 was US\$10.55 million.

The aggregate amount of payments to related parties and their associates included in the current quarter Cash flows from operating activities were US\$168K, comprising Directors fees, salaries and superannuation and office rent.

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This announcement is authorised by the Board.

**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.yovieworld.com](http://www.yovieworld.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.

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