

Lodged by ASX Online

30 October 2017

The Manager
Company Announcements Office
ASX Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

APPENDIX 4C: QUARTERLY COMMITMENTS REPORT

We attach the Company's Appendix 4C report for the three months ended 30 September 2017.

EXECUTIVE SUMMARY

The Q1 FY2018 underlying operating cash result is a deficit of \$0.39m (Q4 FY2017 surplus of \$0.34m).

- Total receipts from Customers increased by 6% on last quarter to \$53.2m (Q4 FY2017: \$50.3m).
- Net receipts from customers after branch and supplier pay away increased 1% to \$8.3m (Q4 FY2017: \$8.2m).
- Operating cash outflows increased by 7% (\$0.6m) to \$8.7m (Q4 FY2017: \$8.1m). Current quarter expenditure included a \$0.1m increase in discretionary marketing and \$0.2m in legal and contractor expenditure that is unique to this period.

Other operating outcomes include:

- Loan Book is continuing to grow, increased by 5% to \$46.0b (Q4 FY2017 \$44.1b).
- In a tighter market, the embedded value of underlying loan book has been maintained at \$49.9m.

Summary of operating cash flows (\$m)	Q4 FY 2017 (PP)	Q1 FY 2018	Q1 FY18 vs PP % Change (+ ve is favourable)
Receipts from customers	50.29	53.20	6%
Branch and supplier pay away	(41.90)	(44.93)	(7%)
Underlying surplus of receipts over direct costs	8.39	8.27	(1%)
Trail rights acquisition	(0.19)	-	100%
Surplus of receipts over direct costs	8.20	8.27	1%
Marketing	(0.62)	(0.73)	(19%)
Other operating	(7.44)	(7.93)	(7%)
Underlying operating cash outflows	(8.05)	(8.66)	(8%)
Acquisition & integration costs	(0.02)	-	100%
Total operating cash outflows	(8.07)	(8.66)	(7%)
Reported operating deficit/surplus	0.13	(0.39)	(392%)
Acquisition & integration costs	0.02	-	
Trail rights acquisition	0.19	-	
Underlying operating cash deficit/surplus	0.34	(0.39)	(214%)

At 30 September 2017, the Company holds \$4.6 m in cash and cash equivalents, and \$1.2m in undrawn finance facilities (total available \$5.8m).

For details please see the attached Financial and Operating commentaries and Appendix 4C.



Kind regards

Richard Shaw

Chief Financial Officer

Yellow Brick Road Holdings

Yellow Brick Road Group

FINANCIAL COMMENTARY

Summary

The reported net operating cash deficit for Q1 FY2018 is \$0.39m (Q4 FY2017: surplus of \$0.13m).

As at 30 September 2017 the Company has \$4.6m in cash and \$9.8m in available borrowing facilities (\$8.6m drawn and \$1.2m undrawn).

Operating Cash Receipts

Receipts from customers increased by 6% to \$53.20m (Q4 FY2017 \$50.29m).

The surplus in receipts from customers, after branch and supplier pay away (Net Receipts), increased by \$0.07m to \$8.27m (Q4 FY2017 \$8.20m).

Operating Cash Outflows

Operating cash outflows, excluding branch and broker share of revenue, increased by \$0.6m to \$8.7m (Q4 FY2017 \$8.1m).

Key Cash Outcomes	Q1 FY2018	Chg. Vs Q4 FY2017
Gross Receipts	\$53.2m	+6%
Net Receipts	\$8.27m	+1%
Other Op. O'flows - Normalised*	\$8.7m	-7%
Operating deficit	\$0.4m	-
Cash and investments at call	\$4.6m	-9%

*Normalised other operating outflows excludes acquisition and integration costs

OPERATING COMMENTARY

The Company's Wealth business continues to gain scale, underlying FUM has grown 65% to \$1.3b * vs Q1FY2017 (PCP) and Premiums under Management (PUM) is up by 31% vs. PCP to \$17.1M.

Group loans under management grew 17% vs PCP to \$46b. Overall settlements came in at \$3.8b, -2% vs. PCP, under tightened lending conditions. A strategic rationalisation removed 10 non-performing branches from the YBR network, improving productivity.

The following progress is being made on our operational priorities:

1. Train and Enable Branches to Improve Lending Productivity

- Recruitment – 7 new branches expected to join this quarter behind new team and advertising push. Most new branch principals are highly experienced.
- Rationalisation – 10 non-performing branches have been removed from the YBR network, improving focus and productivity.
- Vow Lending Platform change – a new market leading broker lending platform has been announced with strong buy-in from brokers. Will significantly improve productivity and compliance. To be rolled out in H2 FY2018.
- Lead management – Ruby application provides feedback on sales outcomes to lead sources. This has led to a lift in lead quality, conversion to meeting improving by 300 basis points in the last 8 months.

2. Drive Expansion of Proven Wealth Model

- Overall FUM is up strongly, increasing by 65% to \$1.3b*. Smarter Money inflows continue to outperform, with FUM up 103% vs. PCP to \$667m*; while the balance of wealth management FUM is up 42% vs. PCP to \$516m.
- Ongoing advice – a major push to improve our recurrent revenues is yielding a 28% lift in ongoing advice revenues vs. PCP.
- Insurance uplift – the increase in specialist financial planners is yielding a healthy increase in PUM of 31% vs. PCP to \$17.1m.

3. Leveraging the Strong YBR Brand

- New lead partners – improved analytics and new partners contributed to a 37% increase in lead flows vs. PCP.
- Rate freeze campaign – this new campaign taps the shift in consumer sentiment to fix rates in anticipation of rate increases.
- Online visibility – Lead flow from free search is growing behind a major program to strengthen the content and visibility of branch microsites to lift overall site visibility.

* Excludes \$402M of institutional funds in SMI, that sit outside YBR assets under management. Total SMI is \$1069M

Key Operating Outcomes	Q1 FY2018	Chg. Vs Q1 FY2017
Settlements	\$3.8b	- 2%
Mortgage Book	\$46b	+17%
FUM *	\$1.3b	+ 65%
PUM	\$17.1M	+ 31%
Representatives	1,538	- 4%
Leads (YBR)	-	+37%

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

Yellow Brick Road Holdings Limited

ABN

44 119 436 083

Quarter ended ("current quarter")

30 September 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	53,202	53,202
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(44,929)	(44,929)
(c) advertising and marketing	(732)	(732)
(d) leased assets	-	-
(e) staff costs	(3,048)	(3,048)
(f) administration and corporate costs	(4,803)	(4,803)
(g) net payment to insurance underwriters on behalf of clients ⁽¹⁾	60	60
1.3 Dividends received (see note 3)		
1.4 Interest received	11	11
1.5 Interest and other costs of finance paid	(148)	(148)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(387)	(387)

⁽¹⁾ The Company receives general insurance premiums from clients and remits these to underwriters between 60 and 90 days after receipt. The difference between premiums received and paid is recorded as an underwriter deficit or surplus. As a consequence of these timing differences, payment to underwriters in the period was less than receipts from clients by \$60,000.

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3months) \$A'000
	Net operating cash flows (carried forward)	(387)	(387)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(13)	(13)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	(297)	(297)
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	260	260
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material) ³	-	-
2.6	Net cash from / (used in) investing activities	(50)	(50)

3.	Cash flows from financing activities		
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	-	-
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)	-	-
3.10	Net cash from / (used in) financing activities	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	5,072	5,072
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(387)	(387)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(50)	(50)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	4,635	4,635

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 \$A'000	Previous quarter \$A'000
5.1	Bank balances	4,635	5,072
5.2	Call deposits	-	-
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)	4,635	5,072

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	61
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	
-	Directors' fees \$61,000	

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	309
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	
<p>- Golden Wealth Holdings Pty Ltd (GWH), a director related entity of Mark Bouris received contracted payments of \$309,375 (inc GST) covering consultancy fees during the period.</p>	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	9,800	8,650
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.		
<p>The Company has a secured bill facility with CBA. The Company has secured bank overdraft facilities with CBA.</p>		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs *	(45,000)
9.3 Advertising and marketing	(750)
9.4 Leased assets	-
9.5 Staff costs	(3,000)
9.6 Administration and corporate costs	(4,500)
9.7 Other (provide details if material)	(200)
9.8 Total estimated cash outflows	(53,450)

* Product Manufacturing and Operating costs are predominantly branch and franchisee share of commission revenue received. This is a direct variable cost that may fluctuate significantly in line with variations in receipts from customers.

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:
(Director/Company secretary)

Date: 30 October 2017....

Print name: Richard Shaw

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.