



3 January 2018

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

Second quarter FY18 sales update, revised net sales growth guidance and CEO appointment

Yowie Group Ltd (ASX:YOW, OTC ADR: YWRPY) (the "Group" or "Yowie") provides the following update:

- Q2 global net sales increased by 23% versus the prior corresponding period, but flat sales in the US and Canada.
- Net sales growth guidance for FY18 revised to 17%, from 55%.
- Mark Schuessler, Global COO and Head of Yowie North America, appointed as new Global CEO replacing Bert Alfonso, effective today.

Q2 FY18 sales update

Yowie's group net sales for the second quarter of FY18 were US\$5.4 million, a 23% increase on sales in the corresponding period of FY17. Group net Sales for H1 FY18 were US\$10 million, representing growth of 7.5% over the opening half of the previous year.

- North America Q2 net sales were US\$4.4M; flat versus the prior corresponding period and below plan. Factors include disappointing results of the Discovery World launch, Canada coming on board late in Q1, the total chocolate category declined by 1.5% in the quarter, and Yowie had one less promotional feature with our largest US customer due to the retailer scaling back feature activity throughout the chain.
- Australia Q2 net sales reached US\$1M and achieved plan.
- North America net sales for H1FY18 were US\$8.2M, an 11.7% decline versus last year and below plan.
- Australia net sales for 1HFY18 were US\$1.8M, beating plan by 15%.

Gross margin remained strong for the quarter at 55%. Nielsen share remained steady for the quarter. Yowie continues to perform above required threshold levels in our major customer.

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New FY18 net sales growth guidance

Given the sales performance for the first half of the current financial year, net sales growth guidance for the full FY18 financial year has now been revised to 17% versus FY17, from 55%.

Key factors in the revised sales guidance include:

- Discovery World was expected to add US\$3M to FY18's budget but is now expected to fall short of this as retailers are hesitant to bring on more, lower priced offerings to the crowded set. Where Discovery World is carried, it is meeting retailers' thresholds.
- Canada was planned for a full year of on shelf activity. With the launch deferred to October, the expected contribution for FY18 will now be lower.
- Reduced feature opportunities at Yowie's largest US retailer.

CEO appointment

The Board of Yowie has agreed with Bert Alfonso that he will step down from his position of Global CEO and resign as a director, effective 2nd January 2018.

Mark Schuessler, formerly Global COO and Head of Yowie North America, will assume the role of Global CEO from that date. Bert will assist in an orderly handover to Mark.

Notwithstanding the disappointing revenue performance for the half and the reduced full year sales guidance, the Board would like to thank Bert for his efforts. Much was achieved on Bert's watch and he has laid the foundations for the continued growth and path to profitability for the Yowie business.

Mark Schuessler joined Yowie in mid-2016, leading international market development and operations initially, then the whole North American business from August 2017. Prior to joining Yowie, he was President and COO of Doumak, a US manufacturer of marshmallows with business in over 70 countries. Mark – who doubled Doumak's revenues in less than five years – was originally in Finance and Sales, with companies including Procter and Gamble and Campbell Soups. He has a Finance Degree from Georgetown University and an MBA from the University of Chicago.

The material terms of Mr Schuessler's executive service agreement are detailed in the attached annexure. Mr Schuessler's executive service agreement was entered into in June 2016 on his appointment as Global COO. There has been no change to his agreement on taking on the role as Global CEO.

Mark Schuessler will be in Australia in February.

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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 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
The Yowie consumer website can be found at 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.

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Annexure

The material terms of the executive service agreement with Mr Schuessler, which had a commencement date of 13 June 2016, are as follows:

1. A base salary of US\$522,600
2. Rights to fully paid shares ordinary shares (**Shares**) to be issued under the YOW Employee Incentive Plan, as follows:
 - 2.1 265,850 Service Rights remain to be issued in tranches of 132,925 rights on the 2nd and 3rd anniversary of commencement of employment;
 - 2.2 Short Term Incentive Performance Rights to the value of US\$100,000 per annum to be paid in cash or awarded as fully vested service rights (at the Boards discretion). The number of service rights, if granted, will be calculated based on the 5 day VWAP of Yowie Shares after the release of the annual financial results each year; and
 - 2.3 Long Term Incentive Performance Rights to the value of US\$150,000 per annum with a first vesting date 24 months from date of commencement and thereafter vesting each subsequent 12 months with the number of Performance Rights to be determined based on the 5 day VWAP of Yowie Shares immediately before the date of commencement of employment in respect to the first two tranches of Performance Rights and thereafter the 5 day VWAP of Yowie Shares immediately before the 30th June of each financial year.

The issue of Performance Rights under 2.2 and 2.3 will be subject to vesting conditions based on key performance indicators to be agreed between the parties.

The Performance Rights will be granted at no cost. Once the vesting conditions are met (or waived) the Performance Rights will be automatically exercised for nil consideration. Each Performance Right will convert to one Share.
3. The agreement is for a term of 3 years and may be terminated:
 - 3.1 by Mr Schuessler or the Company without cause with 3 months' notice. The Company may pay Mr Schuessler in lieu of the notice period; and
 - 3.2 by the Company with immediate effect in the event of serious or willful misconduct.