



8 January 2018

Ms Hayley Pratt
Adviser, ASX Listings Compliance
ASX Compliance Pty Ltd
Level 40, Central Park
152 – 158 St Georges Terrace
Perth WA 6000

Dear Hayley

Yowie Group Ltd – ASX aware query

Yowie Group Ltd (**Yowie** or **the Company**) refers to your letter dated 4 January 2018 and provides the following responses to your letter:

- 1. Does YOW consider the Revised Revenue Guidance to be information that a reasonable person would expect to have a material effect on the price or value of its securities?**

Yes - The revised guidance contains a range of information. The board considers the revision to net sales growth guidance (Guidance) would be likely to have a material effect on share price.

- 2. If the answer to question 1 is “no”, please advise the basis for that view.**

Not applicable

- 3. When did YOW first become aware of the Revised Revenue Guidance?**

On 29 December 2017 the board became aware of the need to revise the Guidance. At that point it halted trading in YOW securities.

See further Yowie’s responses below.

- 4. If the answer to question 1 is “yes” and YOW first became aware of the Revised Revenue Guidance before 3 January 2018, did YOW make any announcement prior to 3 January 2018 which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe YOW was obliged to release the information under Listing Rules 3.1 and**

Head Office
Yowie Group Ltd
Level 4, 216 St Georges Terrace
Perth WA 6000

PO Box 7315, Perth WA 6850
Phone +61 8 6268 2640
Fax +61 8 6268 2699

ABN 98 084 370 669





3.1A and what steps YOW took to ensure that the information was released promptly and without delay.

- (a) On 28 December 2017 management informed directors separately of its opinion that the Guidance should be reviewed and offered an opinion about the extent of the reduction. At 8am (EDST) on 29 December 2017 the board met and concluded that there was a need to revise the Guidance. The board became aware of that need at that time following review, interrogation and discussion of the material provided by management.
- (b) At some time after 8am (EDST) on 29 December 2017 and before commencement of trade on that date, the directors of Yowie determined that Yowie should request a trading halt and Yowie's Company Secretary was instructed to request that a trading halt be implemented prior to the commencement of ASX market trading on Friday 29 December 2017.
- (c) A halt in trading in Yowie's securities was implemented from the commencement of trading on Friday, 29 December 2017 until the commencement of trading on Wednesday, 3 January 2018.
- (d) Over the New Year long weekend, the board spent time forming a considered view of the extent to which sales growth guidance needed to be revised. Having done so, it made the revised guidance available before trading in its securities recommenced from its trading halt on Wednesday, 3 January 2018.
- (e) Yowie considers that by reason of the trading halt being implemented from the commencement of trading on Friday 29 December 2017, it was obliged by Listing Rules 3.1 and 3.1A to announce the information in the Announcement prior to the market opening on Wednesday, 3 January 2018.
- (f) The Announcement was given by Yowie to ASX for release to the market prior to the commencement of trading on Wednesday, 3 January 2018

5. When did YOW first become aware of the information that there was an 11.7% decline in North America net sales?

The board became aware that there was an actual 11.7% shortfall in North American net sales compared to the prior corresponding half year period after the end of the half year on 31 December 2017 and whilst the company was in trading halt.

6. If YOW first became aware of the information that there was an 11.7% decline in the North American net sales before 3 January 2018, did YOW make any announcement prior to 3 January 2018 which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting

Head Office
Yowie Group Ltd
Level 4, 216 St Georges Terrace
Perth WA 6000

PO Box 7315, Perth WA 6850
Phone +61 8 6268 2640
Fax +61 8 6268 2699

ABN 98 084 370 669





specifically on when you believe YOW was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps YOW took to ensure that the information was released promptly and without delay.

In the context of all information, trading history and disclosures to the market the board is not of the view that the North American H1 2018 shortfall to the prior corresponding period of 11.7% is material. It is relevant to the assessment of the revision of the Guidance. In any event, the board is of the view that the information was disclosed promptly and without delay.

- 7. Please confirm that YOW is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.**

Yowie confirms that it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

- 8. Please confirm that YOW's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Entity with delegated authority from the board to respond to ASX on disclosure matters.**

Yowie confirms that its responses to the questions above have been authorised and approved by its board.

Yours sincerely,

Neville Bassett
Company Secretary

Head Office
Yowie Group Ltd
Level 4, 216 St Georges Terrace
Perth WA 6000

PO Box 7315, Perth WA 6850
Phone +61 8 6268 2640
Fax +61 8 6268 2699

ABN 98 084 370 669





4 January 2018

Neville Bassett
Company Secretary
Yowie Group Ltd
Level 4, 216 St George's Terrace
PERTH WA 6000

By email

Dear Mr Bassett

YOWIE GROUP LTD ("YOW"): AWARE LETTER

ASX Limited ("ASX") refers to the following.

- A. YOW's announcement entitled "Updating Revenue Guidance and Conference Call" released on the ASX Market Announcements Platform ("MAP") on Wednesday, 21 June 2017 at 8:40 am (AEST) ("Revenue Guidance"), which disclosed the following.

"Looking forward to fiscal 2018 our current outlook for Net Sales growth is in the 55% to 70% range for both US and non-US reflecting the pipeline fill in Australia in Q3/Q4 2017 and entry into Canada and one additional international market. We will continue to invest behind brand marketing in the low to mid-teens as a percentage of Net Sales via social media to increase brand awareness. In fiscal 2018, we anticipate that we will achieve positive EBITDA and positive net profits in the second half of the year. Additional details regarding fiscal 2018 will be provided in July with our Full Year/Q4 report."

- B. The following announcements released by YOW at the times and dates set out below, which confirmed the Revenue Guidance:

- (a) The announcement entitled "June 2017 Quarterly Report and Appendix 4C" released on MAP on 25 July 2017 at 8:26 am (AEST);
- (b) The announcement entitled "2017 Annual Report" released on MAP on 24 August 2017 at 8:14 am (AEST);
- (c) The announcement entitled "Yowie Appoints Louis Carroll as Non-Executive Chair" released on MAP on 19 September 2017 at 9:16 am (AEST);
- (d) The announcement entitled "September 2017 Quarterly Report and Appendix 4C" released on MAP on 19 October 2017 at 8:26 am (AEDT); and
- (e) The announcement entitled "Yowie Group - 2017 AGM Presentation" released on MAP on 16 November 2017 at 12:01 pm (AEDT).

- C. YOW's announcement entitled "Revenue Guidance Update and CEO Appointment" released on MAP on Wednesday, 3 January 2018 at 9:52 am (AEDT) ("Revised Revenue Guidance"), which disclosed the following.



"Yowie Group Ltd 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%."*

"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."

"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 retailer's 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."*

- D. The change in the price of YOW's securities from a closing price of \$0.21 on Thursday, 28 December 2017 prior to YOW requesting a trading halt on Friday, 29 December 2017, to a closing price of \$0.14 on Wednesday, 3 January 2018.
- E. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- F. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:

"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come



into possession of the information in the course of the performance of their duties as an officer of that entity”,

and section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B “When does an entity become aware of information”*.

- G. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

“3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- It would be a breach of a law to disclose the information;*
- The information concerns an incomplete proposal or negotiation;*
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- The information is generated for the internal management purposes of the entity; or*
- The information is a trade secret; and*

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed.”

- H. ASX’s policy position on market sensitive earnings surprises set out in section 7.3 of Guidance Note 8 *“Continuous Disclosure: Market sensitive earnings surprises”*, which states that:

“If an entity becomes aware that its earnings for the current reporting period will differ (downwards or upwards) from market expectations, it needs to consider carefully whether it has a legal obligation to notify the market of that fact. This obligation may arise under Listing Rule 3.1 and section 674, if the difference is of such magnitude that a reasonable person would expect it to have a material effect on the price or value of the entity’s securities – referred to below as a “market sensitive earnings surprise”. Alternatively, in the case of an entity which becomes aware that its earnings for a reporting period will differ from earnings guidance it has published to the market, it may arise under section 1041H, because failing to inform the market that its published guidance is no longer accurate could constitute misleading conduct on its part.”

- I. ASX’s policy position on the concept of “confidentiality”, which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. In particular, the Guidance Note states that:

“Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider



information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule.”

Having regard to the above, ASX asks YOW to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market in accordance with Listing Rule 18.7A.

1. Does YOW consider the Revised Revenue Guidance to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is “no”, please advise the basis for that view.
3. When did YOW first become aware of the Revised Revenue Guidance? In answering this question, please state the date and time that YOW first became aware of the Revised Revenue Guidance.
4. If the answer to question 1 is “yes” and YOW first became aware of the Revised Revenue Guidance before 3 January 2018, did YOW make any announcement prior to 3 January 2018 which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe YOW was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps YOW took to ensure that the information was released promptly and without delay.
5. When did YOW first become aware of the information that there was an 11.7% decline in North America net sales? In answering this question, please state the date and time that YOW first became aware of this information.
6. If YOW first became aware of the information that there was an 11.7% decline in North America net sales before 3 January 2018, did YOW make any announcement prior to 3 January 2018 which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe YOW was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps YOW took to ensure that the information was released promptly and without delay.
7. Please confirm that YOW is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
8. Please confirm that YOW’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of YOW with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, **by not later than 6:30 am AWST on Monday, 8 January 2018**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in YOW’s securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A YOW’s



obligation is to disclose the information “immediately”. This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at tradinghaltspert@asx.com.au. It should **not** be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to YOW’s obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that YOW’s obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading Halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in YOW’s securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Please contact me if you have any queries about the above.

Yours sincerely

[sent electronically without signature]

Hayley Pratt
Adviser, ASX Listings Compliance