

Lodged by ASX Online

30 October 2015

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 2015.

EXECUTIVE SUMMARY

During Q1 FY2016, the Company continued to deliver strong growth in settlements (+42% versus a year ago (VYA)), FUM (+45% VYA) and network reach (+26%). This drove a significant increase in receipts from clients.

The YBR brand stepped up its investment in growth with significantly increased marketing activity. This is generating promising growth in leads and applications.

The settlements associated with this spend will be realised in Q2 and Q3. Because the Company stepped up Marketing activity in Q1 FY2016, the underlying operating cash result (excluding integration, acquisition and underwriters payments) declined from last quarter to a deficit of \$0.7m (Q4 FY2015 surplus \$1.8m).

The Q1 FY2016 result included the reversal of creditor timing benefits that had a \$0.5m positive impact last quarter but a \$0.5m negative impact this quarter. In the absence of this timing adjustment the Company's Q1 FY2016 underlying operating cash deficit would have been \$0.2m.

For the details behind this, 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

Q1 FY16 – Investing in Growth

FINANCIAL COMMENTARY

Overview

A significant new drive for growth commenced during Q1 FY2016, with an increase in YBR media investment to \$1.10m (+250% versus a year ago: \$0.46m). This investment will flow into our settlements and bottom line in Q2 and Q3.

The increased investment in marketing and sales support activity is the primary driver behind a reduction in the Company's underlying operating cash result (excluding acquisition, integration and underwriter payments) to a deficit \$0.70m (Q4 FY2015: Surplus \$1.77m).

The total net operating result (including acquisition, integration and underwriter payments) reduced by \$2.87m to a deficit of \$1.54m (Q4 FY2015: surplus of \$1.33m).

As at 30 September, the Group has \$8.55m in cash and \$12.20m in available borrowing facilities (\$5.00m drawn and \$7.20m undrawn).

Operating Cash Receipts

Receipts from customers grew 13% to \$47.21m (Q4 FY2015 \$41.68m) driven by strong lending growth.

Operating Cash Outflows

Increased marketing and sales support activity during the quarter is reflected in an increase in operating cash outflows. Underlying cash outflows (excluding acquisition, integration and underwriter payments) increased by \$2.30m to \$8.00m (Q4 FY2015: \$5.70m). This increase included:

- Payments for Advertising and Marketing increased by \$0.64m (138%) to \$1.10m (Q4 FY2015: \$0.46m)
- Investment in additional marketing and sales support staff resulted in an increase in Payments to Staff of \$0.30m. The increase in Payments to Staff also included \$0.31m in FY15 annual bonuses, paid during Q1 FY2016 in line with the Company's normal practice.
- Payments to other suppliers increased by \$1.01m to \$3.19m (Q4 FY2015 \$2.18m). This increase is attributable to the reversal of creditor timing benefits that had a \$0.50m positive impact on operating cash flows last quarter but a \$0.50m negative impact this quarter i.e. creating a swing of \$1.00m.

Key Cash Outcomes	Q1 FY16	Chg. Vs. Q4 FY15
Gross Receipts	\$47.2m	+ 13%
Net Receipts	\$7.3m	- 1%
Other Op. O'flows	\$8.0m	+ 10%
Underlying Operating Surplus	(\$0.7m)	- 138%
Cash	\$8.5m	- 21%

OPERATING COMMENTARY

A substantial increase in YBR media investment during Q1 FY2016 has driven a strong growth in leads (+97%) Versus a Year Ago (VYA) and mortgage pipeline (+76% VYA).

Volume

- Settlements Up Strongly – Q1 FY2016 settlements were up by 42% VYA to \$4.1B, behind strong FY15 lead flow and highly competitive rates in July. The YBR network was a star performer with 71% growth VYA.
- Significant Underlying Book – Group loan book ended the quarter at \$32b up 20% VYA.
- FUM Growth – Overall FUM was up 45% VYA. Growth was strong on YBR's RetireRight product which will top \$100m for the first time in October. But the star performer was YBR's funds management JV, Smarter Money Investments (SMI), which more than doubled its FUM reaching \$343m.

Key Operating Outcomes	Q1 FY16	Chg. Vs. Q1 FY15
Settlements	\$4.1B	+42 %
Mortgage Book	\$32B	+20 %
FUM	\$693m	+45 %
Outlets	790	+26 %
Leads (YBR)		+97 %
Loan Pipeline (YBR)		+76 %

Marketing

- Lead Growth – YBR leads doubled (97% VYA) behind a significant increase in marketing investment and 50 bps advantage vs. the big 4 banks in rates on YBR's lead home loan.
- Pipeline – the YBR lending pipeline has shown strong growth with YBR's applications in train up 76% VYA.
- Celebrity Apprentice - Series IV of Celebrity Apprentice (CA) is the focus for H1. Campaign features a major promotion, product placement and heavy TV media. CA IV provides YBR with a doubling of commercial entitlements vs prior series.

Product Innovation

Guru – YBR's new robo-advice service was launched nationally to consumers in CA and with ongoing media support. Initial lead flow is strong and quality high with conversions ahead of norms.

Diversification

- Life Insurance – the Group has announced a joint venture with Metlife, one of the world's leading insurers to launch a "loan protection" product. Unlike traditional life insurance offerings, YBR Loan Protect, will be offered during the lending process and should drive a significant increase in cross sell of wealth into the mortgage customer base.

Distribution

- Distribution Growth Continues – point of sale agreements grew strongly (+26% VYA) in the quarter to 790 across the Group. YBR and VOW channels are both growing at this rate.
- Individual representatives are also up by 32% VYA to 1233, with Vow going on to attract its 1000th broker during October.

YBR Holdings

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**Quarterly report
for entities admitted
on the basis of commitments**

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

Name of entity

Yellow Brick Road Holdings Limited

ABN

44 119 436 083

Quarter ended ("current quarter")

30 September 2015

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (3 months) \$A'000
1.1	Receipts from customers	47,209	47,209
1.2	Payments for		
	(a) staff costs	(3,545)	(3,545)
	(b) advertising and marketing	(1,095)	(1,095)
	(c) Transfer of business	-	-
	(d) leased assets	-	-
	(e) other working capital	(43,144)	(43,144)
	(f) Net payment to insurance underwriters on behalf of clients ⁽¹⁾	(198)	(198)
	(g) Acquisition and integration costs	(643)	(643)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	43	43
1.5	Interest and other costs of finance paid	(171)	(171)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
Net operating cash flows		(1,544)	(1,544)

⁽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 exceeded receipts from clients in the period by \$198,000.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (3 months) \$A'000
1.8 Net operating cash flows (carried forward)	(1,544)	(1,544)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	(690)	(690)
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Purchase of available for sale investments: (Working capital held in YBR Smarter Higher Income Fund, available at 3 days notice)	(1)	(1)
Net investing cash flows	(691)	(691)
1.14 Total operating and investing cash flows	(2,235)	(2,235)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc. Cost of capital raising and debt arrangements.	-	-
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
Net financing cash flows	-	-
Net increase (decrease) in cash held	(2,235)	(2,235)
1.21 Cash at beginning of quarter/year to date	10,783	10,783
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	8,548	8,548

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	347
1.25	Aggregate amount of loans to the parties included in item 1.11	

1.26 Explanation necessary for an understanding of the transactions

Payments to related parties in 1.24 above include:

- Directors' fees \$37,500
- Golden Wealth Holdings Pty Ltd (GWH), a director related entity of Mark Bouris received contracted payments of \$309,375 covering consultancy fees during the period.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

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Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	12,200	5,000
3.2 Credit standby arrangements		

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	5,308	6,556
4.2 Deposits at call	3,240	4,227
4.3 Bank overdraft		
4.4 Other (provide details)		
Total: cash at end of quarter (item 1.23)	8,548	10,783

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does ~~/does not~~* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: Date: 30 October 2015
(Company Secretary) 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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.