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28 April 2016

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 31 March 2016.

EXECUTIVE SUMMARY

Throughout FY2016 Yellow Brick Road Holdings Ltd ('the Company') is investing in a major market share push, with increased marketing spend versus prior years (details of our 5-year growth strategy are available in our H1 Investor Presentation issued 26/02/2016). This investment is having its desired effect with settlements up 53% vs. prior corresponding period (PCP), well ahead of market. However, during FY2016 the upfront cash impact of the investment outweighs the initial improvement in revenues, as payback will occur over multiple financial years given the annuity nature of mortgage revenues.

In the March quarter the Company achieved an operating surplus of \$0.12m (or \$0.37m if underwriter payments are excluded) which compares favourably to the prior quarter (Q2 FY2016) deficit of \$1.70m (\$1.54m excluding net underwriter payments).

This result is influenced by the following timing effects:

- Relative to Q2 a planned reduction in media spend of \$0.47m post Celebrity Apprentice
- Relative to trend
 - A payment timing benefit of \$0.60m in media spend which will reverse next quarter
 - Lump sum sponsorship receipts totalling \$1.20m of which only \$0.60m relates to Q3.

In the absence of these timing effects, the result would have been an operating deficit of \$1.55m (or \$1.30m if underwriter payments are excluded).

As at 31 March 2016, the Company has \$6.60m in cash and \$6.60 m in undrawn finance facilities (total \$13.20m), with drawn debt of \$5.00m.

As expected, the marketing investment is delivering significant uplift in new customer introductions to Yellow Brick Road branches, with Q3 FY2016 leads up +102% vs. PCP and settlements up a strong 53% vs. PCP.

Across the group settlements grew by 27%, FUM by 18% and representative numbers to 1,417, up 33% vs PCP.

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

Kind regards

Richard Shaw
Chief Financial Officer
Yellow Brick Road Holdings Limited

Yellow Brick Road

FINANCIAL COMMENTARY

Summary

The reported net operating cash surplus for Q3 FY2016 (including acquisition and integration outflows and net underwriter payments) improved by \$1.82m to a surplus of \$0.12m (Q2 FY2016: deficit of \$1.70m). Excluding net underwriter payments, the surplus was \$0.37m.

On a normalised basis* the operating cash result improved by \$1.79m to \$0.47m (Q2 FY2016: deficit of \$1.32m).

As at 31 March 2016, the Company has \$6.60m in cash and \$11.60m in available borrowing facilities (\$5.0m drawn and \$6.60m undrawn).

Operating Cash Receipts

Receipts from customers declined by 1% to \$47.62m (Q2 FY2016: \$48.09m) in line with normal lending seasonality, but high margin sponsorship receipts in the quarter generated a 6% \$0.40m increase in the surplus of receipts over branch pay away. Excluding net underwriter payments, the current quarter surplus was \$0.37m.

Operating Cash Outflows

Operating cash outflows, excluding the branch and broker share of revenue, decreased by 17% to \$7.25m (Q2 FY2016: \$8.77m). This \$1.52m decrease included a 62% (\$1.07m) decrease in advertising and marketing outflows to \$0.67m (Q2 FY2016: \$1.73m).

Other operating outflows (excluding advertising & marketing and net underwriter payments) reduced by \$0.45m (6%) to \$6.59m, (Q2 FY2016: \$7.03m).

Key Cash Outcomes	Q3 FY2016	Chg. Vs. Q2 FY2016
Gross Receipts	\$47.6m	-1%
Net Receipts	\$7.6m	6%
Normalised* Other Op. O'flows	\$7.2m	16%
Normalised* Operating Surplus	\$0.5m	135%
Operating Surplus (excluding underwriters)	\$0.4m	124%
Cash	\$6.6m	1%

*Normalised results exclude acquisition and integration outflows and net underwriter payments.

OPERATING COMMENTARY

A substantial increase in YBR media investment versus PCP drove a doubling of leads (+102% vs. PCP) in Q3 FY2016 and mortgage pipeline (+31% vs. PCP) and this flowed into growth in the lending business.

Volume

- Settlements Responding – YBR Q3 FY2016 settlements were up by 53% vs. PCP behind the lead generation drive. Growth in the Vow Financial ('Vow') business was also well ahead of industry, helping drive group settlements up 27% vs. PCP to \$3.9B.
- Growth in Underlying Book – the lift in settlements in turn flowed into an increase of 32% vs. PCP in group loan book which ended the quarter at \$35.1B.
- FUM Growth – overall FUM was up 18% vs. PCP to \$701m, but flat vs. Q2 FY2016. A restructure (below) increases organisational focus on wealth to ensure quarter on quarter growth is reignited.

Key Operating Outcomes	Q3 FY2016	Chg. Vs. Q3 FY2015
Settlements	\$3.9B	+ 27%
Mortgage Book	\$35.1B	+ 32%
FUM	\$701m	+ 18%
Representatives	1417	+33%
Leads (YBR)	-	+ 102%
Loan Pipeline (YBR)	-	+ 31%

YBR Network Marketing

- YBR's \$300 offer Campaign – is generating an 102% increase in leads vs. PCP behind strong TV support.
- Pipeline – these leads are flowing into applications. YBR's pipeline of applications in train is up 31% vs. PCP.
- Store Refresh – a more contemporary look and feel has been developed for YBR and is being rolled out to branches. Over 20 branches updated during the quarter with the balance expected over the next six months.

Product Innovation

- Brightday acquisition – in March the Company announced the purchase of the Brightday direct investment platform from News Ltd. This will become the platform for our direct to client offering in FY17.
- Loan Protect – life insurance offering integrated into Vow mortgage workflow. Licensed brokers required to become accredited and to discuss life insurance with all mortgage customers.

Distribution

- Individual representatives are also up by +41% vs. PCP to 1417.
- Points of purchase grew to 688 in the quarter (+8 vs. Q2).

Management Structure

- Leadership structure – the group leadership team was restructured in February to align leadership to lines of business. Tim Brown was appointed CEO Lending (previously CEO Vow business); while Matt Lawler is CEO Wealth (previously CEO YBR business). While providing increased operating efficiency, this also gives improved focus on the wealth business, a critical driver of long term value.

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")

31 March 2016

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from customers	47,619	142,915
1.2 Payments for		
(a) Staff costs	(3,299)	(10,213)
(b) Advertising and marketing	(666)	(3,495)
(c) Transfer of business	-	-
(d) Leased assets	-	-
(e) Other working capital ⁽¹⁾	(43,029)	(130,464)
(f) Net payment to insurance underwriters on behalf of clients ⁽²⁾	(257)	(615)
(g) Acquisition and integration costs	(93)	(957)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	23	124
1.5 Interest and other costs of finance paid	(183)	(428)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net operating cash flows	115	(3,133)

⁽¹⁾ Includes branch and broker share of revenue, current quarter (\$40.0m), year to date (\$120.8m).

⁽²⁾ 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 \$257,000.

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

	Current quarter \$A'000	Year to date (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	115	(3,133)
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	(414)	(1,655)
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	351	667
1.13 Purchase of available for sale investments: (Working capital held in YBR Smarter Money Higher Income Fund, available at 3 days notice)	-	(4)
Net investing cash flows	(63)	(992)
1.14 Total operating and investing cash flows	52	(4,125)
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	52	(4,125)
1.21 Cash at beginning of quarter/year to date	6,607	10,784
1.22 Exchange rate adjustments to item 1.20	-	-

Appendix 4C
Quarterly report for entities
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1.23	Cash at end of quarter	6,659	6,659
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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	11,600	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	5,743	5,687
4.2 Deposits at call	916	920
4.3 Bank overdraft		
4.4 Other (provide details)		
Total: cash at end of quarter (item 1.23)	6,659	6,607

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 give a true and fair view of the matters disclosed.



Sign here:

Richard Shaw