

31 October 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 30 September 2016.

EXECUTIVE SUMMARY

In the first quarter of FY2017, Yellow Brick Road Holdings delivered \$3.9b in settlements, the third highest result in group history. The Yellow Brick Road retail business which delivers a higher margin to the group, delivered strong growth of 17% versus the prior comparative period of Q1 FY2016 (PCP). Vow Financial (Vow) aggregation settlements were down versus PCP due to the impact of regulatory pressures on lending practices; but this has made little impression on the bottom line. Underlying this, Vow applications were up for the third quarter in a row demonstrating a recovery of momentum in that business.

The net operating cash result for the quarter was a (\$0.98m) deficit, a strong result in a period where cash inflows are typically low. For perspective Q1 FY2016 result was a (\$1.54m) deficit. Our Net Underlying Operating Cash surplus (deficit) was (\$0.17m) vs. (\$0.90m) in Q1 2016. This improvement is due to our recent cost restructuring and greater scale. For the quarter, acquisition and integration payments grew to (\$0.80m) as a large portion of Loan Avenue related acquisition expenses were booked.

Summary of operating Cash flows (\$m)	Q1 2016	Q1 2017
Receipts from customers	47.21	50.14
Branch and supplier pay away	(39.96)	(41.42)
Surplus of receipts over direct costs	7.25	8.72
Marketing	(1.10)	(0.86)
Other operating	(7.06)	(8.03)
Underlying operating cash outflows	(8.15)	(8.89)
Underlying cash surplus	(0.90)	(0.17)
Acquisition & integration costs	(0.64)	(0.80)
Reported operating deficit/Surplus	(1.54)	(0.98)

Going forward, our underlying wealth business is trending positive; integration outflows will reduce significantly in the second half of FY2017, and our cost restructuring will continue to have positive effects.

We remain on track to meet market expectations.

At 30 September 2016, the Company holds \$7.5m in cash and cash equivalents, and \$3.2m in undrawn finance facilities (total \$10.7m).

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 Holdings Limited | ABN 44 119 436 083

Yellow Brick Road Group

FINANCIAL COMMENTARY

Summary

The reported net operating cash deficit for Q1 2017 (including acquisition and integration outflows) declined by \$1.72m to a deficit of \$0.98m (Q4 FY2016: surplus of \$0.74m).

On a normalised basis* the net underlying operating cash surplus declined by \$1.8m to a deficit \$0.2m (Q4 FY2016 surplus of \$1.6m).

As at 30 September 2016 the Company has \$7.5m in cash and \$11.0m in available borrowing facilities (\$7.8m drawn and \$3.2m undrawn).

Operating Cash Receipts

Receipts from customers increased 5% to \$50.1m (Q4 FY2016 \$47.82m).

The surplus in receipts from customers, over branch pay away, decreased by \$0.99m to \$8.72m (Q4 FY2016 \$9.71m). This reflects a reduction in scale income receipts. \$1.6m was received in Q4 FY2016, reduced to \$0.4m in Q1 FY2017.

Sponsorship revenue stream is seasonal; the majority is received in the second half of each financial year.

Operating Cash Outflows

Operating cash outflows, excluding the branch and broker share of revenue, increased by 8% to \$9.70m (Q4 FY2016 \$8.9m). This \$0.7m increase is mainly due to creditor timing.

Advertising and marketing outflows decreased by 54% to \$0.87m (Q4 FY2016 \$1.87m). Acquisition and Integration outflows remained stable at circa \$0.8m.

YBR terms with media providers mean that \$1.0m in media spend from FY2016 will be paid in Q2 FY2017. As a consequence, Marketing Cash Outflows in Q2 FY2017 are expected to increase to circa \$2.0m (Q1 FY2017: \$0.9m). Other Operating Cash outflows (excluding the branch and broker share of revenue and Integration costs) are expected to decrease to circa \$7.3m (Q1 FY2017: \$8.0m).

Investing Cash Flows

During the quarter the Company completed the sale of the assets of its Accounting and Wealth division. Cash proceeds of \$1.93m were received.

*Normalised results exclude acquisition and integration outflows.

Key Cash Outcomes	Q1 FY2017	Chg. Vs Q4 FY2016
Gross Receipts	\$50.1m	5%
Net Receipts	\$8.7m	-10%
Normalised*	\$8.0m	+24%
Other Op. O'flows		
Normalised* Operating Deficit	-\$0.2m	-113%
Operating Deficit (excluding underwriters)	-\$0.98m	-278%
Cash and investments at call	\$7.5m	9%

OPERATING COMMENTARY

Overall settlements came in at \$3.9b, the third highest quarter of settlements in group history. The group book of loans under management grew 24% vs PCP to \$39.4b.

Lending market conditions continued to be tough during the quarter versus PCP, but the impact was mostly felt on the lower margin Vow business.

In contrast the higher margin YBR lending business continued to perform well, with settlements up 18% vs PCP behind sustained enquiries.

Wealth is responding to increased focus and incentives, with FUM growth reignited and up 17% vs. PCP.

Significant new fintech innovations were rolled out to enable (digital) local area marketing and to enable higher conversion of leads.

Key Operating Outcomes	Q1 FY2017	Chg. Vs Q1 2016
Settlements	\$3.9b	- 3%
Mortgage Book	\$39.4b	+ 24%
FUM	\$820m	+ 17%
Representatives	1598	+30%
Leads (YBR)	-	- 60%
Loan Pipeline (YBR)	-	+ 17%

Volume

- Settlements – while overall settlements were down by 3% vs PCP, higher margin YBR settlements continued to grow strongly at +18% vs. PCP behind sustained customer enquiry. Vow settlements were down 9% vs PCP, but up 12% vs Q4 FY2016. Momentum is evident in the third consecutive quarter of increased applications.
- Growth in Underlying Book – the group loan book grew 24% vs PCP ending the quarter at \$39.4b.
- FUM Growth – Overall FUM was up 17% vs PCP to \$820m; and 17% vs. Q4FY2016. Organisational restructure announced in Q4FY16 is reigniting growth in wealth as intended.

YBR Marketing

- Digital Platform – YBR's new digital marketing platform was rolled out during the quarter and will give significant additional local area marketing support and lead flow to the business from Q3 onwards.
- Mobile Lead Manager – "Ruby" a new smart phone based lead manager completed pilot testing in Q1 and will be rolled out in Q2FY16. It improves ease of action and accessibility to lift contact rates and conversion to meetings.
- YBR 3.68% offer – a shift from national TV campaigns to local area marketing created a decline in "head office" leads vs. PCP of -60%, but the digital campaign is generating a strong flow of higher quality leads.
- Pipeline – leads are flowing into increased applications, driving an increase of 17% in YBR's pipeline of applications vs PCP.

Partnerships

- Australian Military Bank – a new distribution agreement gives group brokers access to Australian Military Bank's range of DHOAS (Defence Home Ownership Assistance Scheme) Loans. These provide generous subsidies to help defence personnel purchase their own home. This extends the market for YBR in key markets like far north Queensland.

Distribution

- Individual representatives – recruitment continues to be strong with representative count up by +30% vs PCP to 1598.

YBR Holdings

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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 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	50,135	50,135
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(41,418)	(41,418)
(c) advertising and marketing	(860)	(860)
(d) leased assets	-	-
(e) staff costs	(3,122)	(3,122)
(f) administration and corporate costs ⁽¹⁾	(5,567)	(5,567)
(g) net payment to insurance underwriters on behalf of clients ⁽²⁾	7	7
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	13	13
1.5 Interest and other costs of finance paid	(165)	(165)
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	(977)	(977)

⁽¹⁾ Includes integration related costs of \$802,000 in current quarter.

⁽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 in the period was less than receipts from clients by \$7,000.

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	Net operating cash flows (carried forward)	(977)	(977)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(7)	(7)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	(345)	(345)
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	1,932	1,932
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material) ³	(217)	(217)
2.6	Net cash from / (used in) investing activities	1,363	1,363

⁽³⁾ Includes a deferred payment of \$217,000 for acquisition of Loan Avenue Pty Ltd. The acquisition was completed in FY16.

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	223	223
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	223	223

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$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	6,853	6,853
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(977)	(977)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1,363	1,363
4.4	Net cash from / (used in) financing activities (item 3.10 above)	223	223
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	7,462	7,462

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	7,462	6,853
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)	7,462	6,853

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	584
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

- 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.
- BBB Capital a director related entity of Adrian Bouris received payments of \$275,000 (inc GST) for consulting services related to the acquisition of Loan Avenue.

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	11,000	7,816
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.

The Company has unsecured bill facility with CBA. For the quarter the Company was charged 4% fixed rate on finance facility plus a variable rate of \$1.83%

The Company has secured bank overdraft facilities with CBA. The company pays interest at overdraft index rate less 2.00%

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs *	(46,215)
9.3 Advertising and marketing	(1,966)
9.4 Leased assets	-
9.5 Staff costs	(3,135)
9.6 Administration and corporate costs	(3,930)
9.7 Other (provide details if material)	(223)
9.8 Total estimated cash outflows	(55,469)

* 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: 31 October 2016...

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.