

20 November 2020

ASX Codes: KBC; KBCPA

Upcoming Yowie AGM

Keybridge Capital Limited (Keybridge) has proposed the nomination of two (2) new directors to the board of Yowie Group Ltd (Yowie and/or the Company), being Mr John Patton and Mr Nicholas Bolton at Yowie's AGM on 27 November 2020.

Keybridge has been a shareholder in Yowie, both directly and indirectly (through its substantial holding in HHY Fund (ASX: HHY)), since 5 January 2018. Today, Keybridge has a relevant interest of approximately 25% in Yowie.

Keybridge is a strategic long-term investor who is fundamentally supportive of Yowie's long-term success. During the period of its investment, Keybridge has:

- watched the Company incur operating losses that have destroyed over **\$23 million** (excluding the capital returns) in shareholder wealth from 1 January 2018 to 30 June 2020;
- watched, over the same period, a **44% decline** in the size of the business, as evidenced by its run-rate revenue declining from approximately \$28m pa to \$15.7m pa.
- proposed a number initiatives to improve Yowie's financial performance, each of which have been rebuffed;
- proposed, and supported, the return of capital, in the absence of superior alternative business options;
- made a takeover offer¹ for Yowie, at 9.2 cents per share, which was rebuffed by the Yowie board; and
- watched the changes to the composition of the Yowie board which have not led to any tangible improvement in the Company.

Keybridge has taken the step of proposing new directors to the Yowie board in an effort to change the direction of the Company, so that it becomes sustainable, with the Company being returned to an acceptable level of profitability. It is critical that the Company sees the trend in sales being reversed, whilst introducing more stringent financial disciplines around expenditure. The current level of operating costs is out of step for a business the size of Yowie and left unabated are simply unsustainable in the near term.

Keybridge anticipates resistance in its efforts, as it has been rebuffed at each step along the way by the board of Yowie, for reasons that are not abundantly clear – as the Company has continued to flounder and shrink, with shareholders 'carrying the can' for a board that has no material money of their own at stake. As such, Keybridge calls on shareholders to appoint Mr Patton and Mr Bolton to represent the interests of ALL shareholders. A repeat of the same performance from the current Board is only likely to produce the same results and Yowie no longer has the luxury of a large cash balance to absorb the continued losses.

¹ The takeover offer for Yowie was announced on 13 March 2019, with the Bidder's Statement released on 24 April 2019, with the takeover bid being abandoned on 2 May 2019

It is for this reason that Keybridge has requested the Company to include, and if thought fit pass, the following ordinary resolutions at the upcoming AGM:

- Election of John Patton as a director; and
- Election of Nicholas Bolton as a director

Keybridge will be voting its interests against the re-election of Mr Bassett and Mr Marsden-Huggins at the upcoming AGM.

Yours faithfully,



John Patton
Company Secretary
Keybridge Capital Limited

FOR FURTHER INFORMATION:

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