

ASX/MEDIA ANNOUNCEMENT

ASX: YPB | 28th June 2017

YPB issues updated profit expectations

- **Delays in contract closure see breakeven timing and 2017 profit expectations withdrawn**
- **2018 profit expected to be at least \$5m pre-tax**
- **Revenue lag is primarily timing related not due to loss of opportunity**
- **Financial transformation is imminent despite timing challenges**

Brand Protection and Customer Engagement solutions Company YPB Group Ltd (ASX: YPB) is pleased to provide an update to our market guidance.

On 3 February 2017 and again at the AGM on 31 May 2017, YPB informed the market that we expected to achieve profit breakeven by end June 2017 and to achieve a \$5m pre-tax profit for 2017. At both those times it was made clear that revenue growth was the key variable in achieving those goals and that the closure of key contracts was the driver of revenue growth.

Unfortunately, those contract closures have not been achieved and the Company will not hit breakeven by end June which also creates doubt around the expectation of a \$5m pre-tax profit for 2017.

The Board observes that an accurate prediction of the timing of closures has proven elusive and, therefore, feels it is not judicious to offer a new estimate of the timing of breakeven nor of profit for 2017. Nevertheless, it is still probable that the Company can hit breakeven in H2 2017, but again that is dependent on contract closures.

Despite the lack of revenue success so far in 2017, the prospects of closure of the most valuable contracts are unchanged and closure leading to strong revenues is still expected in H2 2017. To emphasise, this change in expectation for 2017 is not related to revenue opportunities being lost from the pipeline.

The Company is intensely focussed on closing contracts and commencing revenue generation from those contracts. Currently, there is minimal attention to winning new opportunities but despite that the total new business pipeline has increased from \$118m as per the AGM update on 31 May to now stand at \$122m of possible revenue per annum. With non-COGS costs on track to be cut 40% by Q3 2017 to \$6.5m from \$11.1m, on an annualised run rate basis, converting only a modest proportion of the pipeline into revenue would see the Company strongly profitable.

Given this profit leverage to revenue growth, and given that numerous valuable contracts are likely to close prior to end 2017, the Board is comfortable in stating that it expects the Company to achieve at least \$5m of pre-tax profit in 2018.

YPB Executive Chairman John Houston said: "While extremely disappointed to have not hit breakeven in June with its consequent impact on 2017 profit, our confidence in YPB being on the cusp of financial transformation as presented at the AGM is undiminished. Our large pipeline, tighter focus, intense effort and lower cost base all point to profitability being close, despite the precise timing remaining unclear."

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ABOUT YPB

YPB Group (ASX: YPB) is a pioneer in advanced brand protection solutions. Listed on the Australian Securities Exchange, YPB is expanding its global footprint with an established presence in Australia, China, Thailand, USA, and Mexico.

YPB's patented Anti-Counterfeit technology combined with its Security Packaging and Anti-Theft solutions, Consulting Services and YPB's proprietary CONNECT platform enables clients to PROTECT their high value brands from the risks of counterfeit, product diversion and theft while providing the tools to CONNECT directly with their customers.

PROTECT

Smart Security Packaging and labeling for Brands

YPB offers a wide range of Smart Security Packaging and Labeling solutions that can be incorporated into almost any material and offer cost effective strategies to PROTECT the integrity and value of products and brands in high-risk markets.

Government Vital Documents

YPB offers solutions to Governments to PROTECT their Vital Documents that include ID cards, Visas, Passports, Vehicle Labels and many other applications.

Retail Anti-theft

YPB offers clients the latest technology in Retail Anti-Theft and Labeling solutions effective for mainstream retailers, boutiques and exporters to PROTECT against theft.

IP solutions & forensic services

YPB's IP solution specialists work with quality brands and Governments, to develop bespoke brand protection strategies and solutions that will deliver real protection and safety for brands, products and consumers.



PROTECT | DETECT | CONNECT

Secure Supply Chain

YPB offers secure supply chain solutions to Governments, banks and companies wanting to ensure the integrity of their supply chain using a combination of YPB's authentication technology and secure track and trace solutions, delivering real protection for high value documents, brands, products and consumers.

DETECT

Scanner and Tracer protection solutions

YPB's patent protected state-of-the art Tracer technology is invisible, cannot be copied or destroyed. Brand owners who include YPB's tracers in their packaging can use YPB's scanners to verify their product's authenticity. If a counterfeit is detected YPB's forensic services can consult with a brand owner to develop strategic, tailored solutions to protect the brand against counterfeiting and product diversion.

CONNECT

Smartphone applications to Detect and Connect

YPB's sophisticated, user friendly and powerful smartphone applications allow brand owners and consumers to identify and report suspected counterfeit or diverted products. They also allow brands to connect and engage directly with their customers via QR codes, Near Field Communication, secure track and trace and product scanning. The YPB CONNECT platform delivers brand owners valuable and actionable intelligence about their products and customers to measure, tailor and individualise direct marketing campaigns through a 'big data' analytics capability.

www.ypbsystems.com