

ASX/MEDIA ANNOUNCEMENT

ASX: YPB | 31st October 2016

YPB PROVIDES REVIEW OF Q3 ACTIVITIES

- **Net cash outflow higher in Q3 due to timing issues**
- **Q4 to show sound improvement to deliver best cashflow quarter for 2016**
- **On track for key 2017 milestones – breakeven (run-rate) by end Q1 and \$5m pre-tax profit**

Brand Protection and Customer Engagement solutions company YPB Group Limited (ASX: YPB) is pleased to provide a summary of activities for the quarter ended 30 September 2016.

Key achievements for the quarter included:

- Concluding a three year supply agreement with TGA-accredited manufacturer Universal Pharmaceuticals Ltd for Brand Protection and Customer Engagement technologies.
- Partnering with Impact International to offer YPB's full solutions suite to its customers, which includes many of Australia and New Zealand's leading manufacturers of cosmetics, fast moving consumer goods, pharmaceuticals, health products and nutraceuticals.
- Rolling out YPB's Lexcaps re-usable security cap as an anti-theft device across the Dan Murphy's retail chain.
- Secured the first commercial contract in Mexico, as part of the Affyrmx JV, to supply YPB's proprietary tracer solution to PROTECT redeemable food coupons against counterfeits.
- Winning the first entertainment sector contract to PROTECT entry tickets for a major, private Beijing museum, with YPB's tracer solution.
- Signing a three year agreement with Combiphar, a leading Indonesian pharmaceuticals and wellness company, for the supply of Brand Protection and Customer Engagement technologies.

In addition to the new clients noted above, and as reported to the market on 4 October 2016, the period since May has also seen substantial progress in new business development with the total pipeline growing to \$128m. Conclusion of advanced projects in the new business pipeline has been slower than originally expected but progress is nevertheless sound and closure with important and prominent clients is still anticipated in the current quarter and Q1 2017.

FINANCIAL SUMMARY

Q3 2016 cash receipts were slightly softer than expected at \$0.529m, down \$0.205m from Q2 2016 due primarily to timing of receipts. Q4 2016 is expected to show clear improvement and prove the strongest quarter for receipts in 2016 but is unlikely to see a step-change in inflows. First obvious evidence of progress toward the key breakeven and profit milestones for 2017 is likely in Q1 2017.

As at the end of Q3, year to date cash receipts were \$2.039m, demonstrating a significant increase of \$1.720m on the prior comparable period in 2015, and the clear progress YPB has achieved.



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In Q3 2016 the cash outflow from operations was \$2.634m compared with \$2.270m for Q2 2016. This reflected the lower cash receipts (as noted previously) and higher costs (up circa 8% qoq). However it should be noted that growth in costs-of-goods-sold (for product delivery in Q4 2016) accounted for roughly half this cost increase. Controllable cost growth, therefore, was around 4% on the prior quarter with important new hires partly funded from other cost initiatives.

Also notable is that the Appendix 4C includes, for the first time, 'estimated cash outflows for next quarter' at item 9. Please be aware that this is a *gross* cash outflows forecast and should not be compared to the *net* cashflow figure in item 1 of the Appendix 4C. On a gross cash outflow basis, Q3 saw gross outflows of \$3.163m as compared to the \$3.033m expected for Q4 as detailed in item 9. Controllable outflows (expenses) are expected to grow approximately 2% in Q4 and the expected fall in total gross outflows from Q3 to Q4 will flow from GST adjustments (not taken through the cash receipts line but as a negative outflow when a refund occurs).

Q4 *net* cash outflows are likely to be the smallest for the year as a consequence of Q4 cash receipts likely being the largest for the year. Therefore Q4 is expected to be the best cashflow quarter for YPB in 2016.

Post quarter end, the company raised an additional \$4m in new equity at \$0.25 per share.

YPB continues to manage its operating costs closely. As revenues grow there is likely to be significant profit leverage from much lower growing costs. It is this effect that supports the expected run-rate breakeven by end Q1 17 and \$5m pre-tax profit for 2017.

YPB Executive Chairman John Houston said: "The quarter was largely in line with expectations while Q4 2016 is expected to be the best cashflow quarter for the year. Clear progress is being made across the business and YPB is on track to achieve its key profit milestones for 2017."

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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, Mexico and India.

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.

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.

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Name of entity

YPB Group Limited

ABN

68 108 649 421

Quarter ended (“current quarter”)

September 2016

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers		529	2,039
1.2 Payments for			
(a) research and development		(158)	(554)
(b) product manufacturing and operating costs		(444)	(1,164)
(c) advertising and marketing		(43)	(144)
(d) leased assets		(92)	(201)
(e) staff costs		(1,551)	(4,554)
(f) administration and corporate costs		(894)	(2,372)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		7	24
1.5 Interest and other costs of finance paid		(49)	(154)
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		-	-
1.8 Other (provide details if material)		61	4
1.9 Net cash from / (used in) operating activities		(2,634)	(7,076)

2. Cash flows from investing activities

2.1 Payments to acquire:			
(a) property, plant and equipment		(188)	(250)
(b) businesses (see item 10)		-	(135)
(c) investments		-	-

⁺ See chapter 19 for defined terms.

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
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	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(188)	(385)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	339	5,936
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	(70)	(742)
3.5	Proceeds from borrowings	-	-
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	269	5,194

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	3,164	2,902
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,634)	(7,076)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(188)	(385)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	269	5,194
4.5	Effect of movement in exchange rates on cash held	(11)	(35)
4.6	Cash and cash equivalents at end of quarter	600	600

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	600	3,164
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)	600	3,164

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	267
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	
N/A		

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	-
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	
N/A		
8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>		
		Total facility amount at quarter end \$A'000
8.1	Loan facilities	-
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.	
9. Estimated cash outflows for next quarter		\$A'000
9.1	Research and development	(300)
9.2	Product manufacturing and operating costs	(388)
9.3	Advertising and marketing	(58)
9.4	Leased assets	(108)
9.5	Staff costs	(1,467)
9.6	Administration and corporate costs	(928)
9.7	Other (provide details if material)	216
9.8	Total estimated cash outflows	(3,033)

+ See chapter 19 for defined terms.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)		Acquisitions	Disposals
10.1	Name of entity	-	-
10.2	Place of incorporation or registration	-	-
10.3	Consideration for acquisition or disposal	-	-
10.4	Total net assets	-	-
10.5	Nature of business	-	-

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: ROBERT WHITTON..

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.

+ See chapter 19 for defined terms.