



ASX ANNOUNCEMENT

ASX: YPB | 26 April 2019

Review of Q1 (March Quarter) 2019 Activities

Key highlights:

- **39% increase in cash receipts from sales on previous quarter as well as:**
 - o Improved gross profit margin
 - o Reduced operating costs
- **42% decrease in operational cash shortfall**
- **Investors support \$1.25m capital raise in February 2019**
- **Bracknor facility repaid**

Anti-Counterfeit and Customer Engagement solutions provider YPB Group Ltd (ASX: YPB) presents a summary of activities for the quarter ended 31 March 2019.

Operating cash flows – strong increase in the March quarter

As flagged in the commentary for the previous quarter (Dec 2018), the March quarter has delivered a significantly improved operating result at the revenue line while also delivering improved margins through lower cost of goods sold (COGS) and reduced general operating expenses.

Cash receipts from sales were boosted by the payment receipted from a significant order placed in the previous quarter by one of the group's key clients in relation to the application of YPB's anti-counterfeit mark on one of the world's most issued passports.

Complementing the lift in the top-line, the gross profit margin improvement was enabled by a 26% decrease in COGS due to the proportion of higher-margin anti-counterfeit sales with a lower relative contribution from lower margin retail anti-theft.

General overhead expenditure also reduced by 12% on the previous quarter primarily due to stabilisation of the staff costs. This reflects the positive flow-through of the operational streamlining initiatives that took effect from October 2018 as well as further head count reductions made in January 2019.

Although the associated payouts are a one-off in the March quarter, the Company has reorientated some of the cost savings to the recruitment of new staff in sales and IT development. Furthermore, the Company has implemented stronger controls on overhead expenditures.

Other significant payments include the quarterly interest payment of \$37,000 to the convertible loan note holders that will continue while the notes remain outstanding. The aggregate principal balance of the notes has reduced by \$50,000 to \$1.45m with the first conversion notice received during the quarter.

Other significant receipts during the quarter include the R&D tax refund of \$172,000 in relation to the corporate income tax return for FY2017.



Research & development costs will continue into Q2 (June quarter) 2019 with particular focus on commercialising Motif Micro, developing the associated smartphone application for the Android platform and ongoing enhancements to the YPB Connect platform as part of the product development roadmap.

Capital raise and debt repayment

On 13 February 2019, the Company announced that it had received commitments for \$1.25m to be received across two tranches. The issue of shares under the first tranche of \$1.1m was completed on 20 February 2019, with the balance of \$150,000 to be received subject to shareholder approval at the Company's AGM.

A free attaching listed YPBOA option will also be issued for each share issued under the placement subject to shareholder approval.

YPB expects to raise further capital in the June quarter and the Company is in discussions with its advisors and is fielding a number of enquiries from potential strategic investors.

As noted in the commentary for the previous quarter, on 2 January 2019, YPB paid USD145,000 to fully settle the outstanding loan balance with Bracknor and obtained a signed Deed of Release. This will reduce the burden of debt on our balance sheet.

Capital Markets

In February 2019 the Company engaged EverBlu Capital as its lead Capital markets advisor. The Company is working with EverBlu to liaise with the investment community and assist with the management of the Company's external capital requirements while internally revenues continue to grow. EverBlu successfully led the most recent placement and continues to assist the Company in considering its funding requirements.

EverBlu has also introduced Stocks Digital that have been engaged to complement the groups investor relations and public relations activities. Significantly Stocks Digital has agreed to receive their fees entirely in YPB shares that will be issued subject to shareholder approval at the Company's AGM.

Sales momentum

The sustained activities of the newer sales team members appointed over the last two quarters are starting to flow through to the pipeline numbers.

This uplift in the effectiveness of sales activities has been enabled primarily through the calibre of our current team bolstered by key appointments that come with strong sales and industry experience. The sales team has also been reorganised under a more efficient and effective reporting and management structure with greater accountability and focus on achieving key commercial objectives.

We are receiving excellent feedback from our current and prospective clients and distributors. The industry-driven refinement of our products particularly in the wine and broader caps and closures space is starting to yield early results and the strong promise of significant distribution by packaging and product producers.

We look forward to being in a position to update the market in the coming weeks on several of these major initiatives that we believe will materially contribute to our earnings performance this calendar year.



Update on YPB's Token

With the recent improvement in the global market for digital tokens the Company had sought to progress it's token plans however the Company has put any further work on hold while it works through the ASX queries that were initiated following the announcement released 3 April 2019. YPB will provide an update to the market when it is able to do so.

--End--

For further information please contact investor@ypbsystems.com

About YPB

YPB Group Ltd (ASX:YPB) brings packaging to life through its proprietary technology suite that provides certainty of authenticity and connects brands directly to consumers enabling new levels of market intelligence and ROI data capture. In an evolving marketplace and with the rapid growth of cross border commerce, our expertise presently focuses on the rapidly growing consumer markets of Australia, South East Asia and China.

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

YPB Group Limited

ABN

68 108 649 421

Quarter ended ("current quarter")

March 2019

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|------------------------------------|---|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 512 | 512 |
| 1.2 Payments for | | |
| (a) research and development | (23) | (23) |
| (b) product manufacturing and operating costs | (113) | (113) |
| (c) advertising and marketing | (5) | (5) |
| (d) leased assets | (102) | (102) |
| (e) staff costs | (902) | (902) |
| (f) administration and corporate costs | (344) | (344) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 1 | 1 |
| 1.5 Interest and other costs of finance paid | (38) | (38) |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (provide details if material) | 172 | 172 |
| 1.9 Net cash from / (used in) operating activities | (842) | (842) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | - | - |
| (b) businesses (see item 10) | - | - |
| (c) investments | - | - |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (12 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 | - | - |
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of shares | 998 | 998 |
| 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 | - | - |
| 3.6 | Repayment of borrowings | (207) | (207) |
| 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 | 791 | 791 |
| 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 | 484 | 484 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (842) | (842) |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|--------------------------------------|--|----------------------------|--|
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | - | - |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 791 | 791 |
| 4.5 | Effect of movement in exchange rates on cash held | (6) | (6) |
| 4.6 | Cash and cash equivalents at end of quarter | 427 | 427 |

| 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 | 427 | 427 |
| 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) | 427 | 427 |

6. Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

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

| Current quarter \$A'000 |
|----------------------------|
| 86 |
| - |

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

8. Financing facilities available
Add notes as necessary for an understanding of the position

**Total facility
amount at quarter
end
\$A'000**

**Amount drawn 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

(20)

9.2 Product manufacturing and operating costs

(100)

9.3 Advertising and marketing

(15)

9.4 Leased assets

(100)

9.5 Staff costs

(970)

9.6 Administration and corporate costs

(340)

9.7 Proceeds from issues of shares

-

9.8 Interest and other costs of finance paid

(36)

9.9 Other (provide details if material)

-

9.10 Total estimated cash outflows

(1,581)

| 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.

Signed:



Adam Gallagher
Company secretary
26 April 2019

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.