

ASX/MEDIA ANNOUNCEMENT

ASX: YPB | 31st January 2018

REVIEW OF Q4 2017 ACTIVITIES

- **Q4 net cash outflow reduced 26% on Q3, 43% on Q2 and 50% on Q1**
- **Non-COGS cash costs hit \$6.5m annualised target**
- **Annualised burn rate fell to \$4.8m**
- **Post quarter-end equity raise of \$5.2m (with \$1.2m subject to EGM approval)**

Brand Protection and Consumer Connection solutions company YPB Group Ltd (ASX: YPB) is pleased to provide a summary of activities for the quarter ended 31 December 2017.

The quarter saw further significant and pleasing reduction in cash burn due primarily to the benefit of the \$4.5m cost cutting initiative commenced in February 2017. Although Q4 2017 cash receipts did rise sharply on Q3, revenue remains well below potential. The leadership change of July 2017 has been of clear benefit to client activity, progress to contract closure and capacity to execute but there was substantial contract slippage from Q4 2017 into Q1 2018. Contract closures will lift in Q1 2018 with some immediate revenue benefit but with an accelerating impact as the year progresses.

Q4 2017 net cash burn fell \$0.4m on Q3 to \$1.2m and halved relative to Q1. This was in line with expectations. The two biggest contributors to the improved Q4 result relative to Q3 were a 58% lift in cash receipts (+\$0.26m) and a 32% fall in corporate and administration costs (-\$0.21m).

The benefit of the cost cutting programme was further evident with quarterly non-COGS gross spend falling from \$2.8m in Q1 2017 to \$1.6m in Q3 2017 or \$4.6m annualised (adjusted for rounding). Most of these gains were achieved by Q3 but gross non-COGS spend fell another \$0.64m annualised in Q4.

As expected, cash receipts rose strongly in Q4 to \$0.712m (+\$58%) but the quantum of receipts remains well sub-par. Q1 2018 should demonstrate further revenue growth but a step-change in revenue is now unlikely before Q2 2018 due to the delays in contract closure previously expected in Q4.

Quarter end cash balance was \$0.859m. Post quarter-end, \$5.2m in new equity was raised with \$1.2m of that subject to shareholder approval at an EGM on March 2nd, 2018.

Despite deal closure again lagging, a \$5m pre-tax profit in 2018 remains the Board's guidance. The present pipeline amply supports that target and Brands increasingly pushing into high counterfeit risk markets with almost zero knowledge of their end consumer means our opportunity set is expanding rapidly. Driving contract closure is the key to success.

The company's shares remain in voluntary suspension pending the announcement of a significant strategic partnership. Good progress is being made in the finalisation of that partnership and the voluntary suspension will be lifted at the earliest opportunity.

Developments in Q4 2017 included:

- Successful completion of a pilot project to capture and analyse foot-traffic data using YPB CONNECT functionality in conjunction with Monash University's Institute of Railway Technology;
- Supporting Cellmid Limited (ASX:CDY) in its export push into China for its FGF5 hair loss inhibitor products to profile and directly connect with its customers in China;
- Expanding YPB's e-commerce capabilities with the appointment as CFO of Mr Adrian Tan, previously CFO of Alibaba subsidiary and SE Asian e-commerce leader Lazada Global Express, Thailand; and
- Signing a five year, multi-million dollar, Master Service Agreement with Unilever Pakistan for a range of Consumer Connection and supply chain management solutions.

Other comments on financial items

Other than the revenue and admin costs previously mentioned, most items in the Appendix 4C had only minor variations between Q3 and Q4.

R&D spend remained modest in the quarter after the heavy spend in finalising YPB CONNECT which was achieved in Q2. Development spend is likely to rise in the current and subsequent quarters but remain below that of earlier in the year.

Staff costs rose 2% in Q4 primarily reflecting a non-recurring staff cost brought forward as part of the business restructuring. Staff costs are likely to rise somewhat in Q1 2018 with additional critical hires but not dramatically so.

Please note that the Appendix 4C includes "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* cash flow figure in item 1 of the Appendix 4C. Q1 2018 gross cash outflow is likely to be in line with Q4 2017. Net cash outflow should improve to the extent that cash receipts improve.

YPB Executive Chairman John Houston said: "Delivery of our cost out targets is pleasing. As noted contract closures disappointed expectations in Q4 but we are very hopeful of a number of significant new clients commencing in Q1 2018. The business has made much greater progress in the past six months than is yet evident in our financial results, but we are on track to clearly demonstrate major financial progress to hit our 2018 target of at least \$5m pre-tax profit."

For further information please contact;

Mr. John Houston
Executive Chairman
YPB Group Limited
T: +61 458 701 088
E: john.houston@ypbsystems.com
W: www.ypbsystems.com

Mr. Gerard Eakin
Director
YPB Group Limited
T: +61 427 011 596
E: eakin@manifestcapital.com



PROTECT | DETECT | CONNECT

ABOUT YPB (ASX: YPB)

In a rapidly changing world, brands need to do more than make great products, they need to **PROTECT** their consumer by allowing them to verify that their purchase is real and as a result buy with confidence. This is a proven initiative to trigger the consumer to **CONNECT** with brands.

YPB provides real protection for quality brands with a focus on product authenticity. Simultaneously, we provide a gateway for brands to connect with their consumers and engender trust in authenticity by utilising the power of the smartphone.

In an evolving marketplace and with the rapid growth of cross border commerce, YPB leverages serialisation and patented authentication solutions so that insightful data can flow between brands and their consumers.

YPB is the obvious choice to **PROTECT**, **DETECT** and **CONNECT**.

www.ypbsystems.com

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")

December 2017

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	712	2,463
1.2 Payments for		
(a) research and development	(67)	(1,071)
(b) product manufacturing and operating costs	(221)	(1,091)
(c) advertising and marketing	(11)	(196)
(d) leased assets	(30)	(222)
(e) staff costs	(1,071)	(4,807)
(f) administration and corporate costs	(438)	(2,345)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received		6
1.5 Interest and other costs of finance paid	(96)	(193)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	45	303
1.9 Net cash from / (used in) operating activities	(1,177)	(7153)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(49)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(d) intellectual property		(1,016)
(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		(1,065)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	501	6,305
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	(22)	(260)
3.5 Proceeds from borrowings		402
3.6 Repayment of borrowings	(78)	(80)
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	401	6,365

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	1635	2752
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,177)	(7,153)
4.3 Net cash from / (used in) investing activities (item 2.6 above)		(1,065)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	401	6,365

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		(40)
4.6	Cash and cash equivalents at end of quarter	859	859

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	859	1,635
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)	859	1,635

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**

108

-

N/A

7. Payments to related entities of the entity and their associates

- 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

**Current quarter
\$A'000**

-

-

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	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.		

N/A

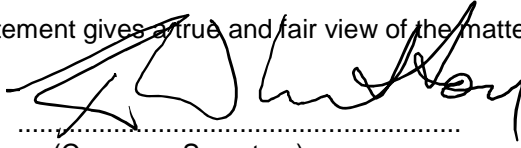
9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	(80)
9.2	Product manufacturing and operating costs	(200)
9.3	Advertising and marketing	(50)
9.4	Leased assets	(40)
9.5	Staff costs	(1000)
9.6	Administration and corporate costs	(450)
9.7	Other (provide details if material)	120
9.8	Total estimated cash outflows	(1,700)

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:


.....
(Company Secretary)

Date: 31 January 2018.

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.