



## ASX ANNOUNCEMENT

### ASX:YPB | 28 July 2021

## QUARTERLY ACTIVITIES REPORT – Q2 2021

### A quarter of significant business development

- **Global marketing launch of MotifMicro1 in quarter**
- **Encouraging engagement with targeted high value partners**
- **Strong financial control with cashflows broadly steady versus Q1 2021**

Anti-counterfeit and consumer engagement solutions provider **YPB Group Limited (ASX: YPB)** presents highlights of activities for the quarter ended 30 June 2021 (Q2 2021).

#### **Major business advances but not externally apparent**

Q2 2021 can be characterised as one in which major business advances occurred, although they were not visible to the external observer nor apparent in the quarter's financial results.

The key event in the quarter, and one of the most significant in the company's history, was the first concerted global marketing launch of MotifMicro1, YPB's breakthrough forensic, smartphone-readable, anti-counterfeit technology for mass markets.

The launch consisted of self-drive demonstration materials and access to the MotifMicro1 App being sent to targeted potential partners globally. These parties were able to use both iOS and Android smartphones to experience the ease of use, speed and accuracy of the MotifMicro1 App in detecting the presence of MotifMicro1 in demonstration cards infused with MotifMicro1 tracer.

The campaign was targeted at market leaders in key geographies with ultra-high-volume applications and high need for strong anti-counterfeit technologies. As stated at the recent AGM, given their scale, any one of these leaders has the potential to transform YPB's financial results should full commercial relationships eventuate.

Feedback from the launch has been enthusiastic with discussions progressing for paid production line trials with parties in the USA, Europe, SE Asia and Australia. Although clearly not guaranteed, the potential for at least several paid trials in H2 2021 is encouraging.

#### **Other business development progressing but COVID restrained**

Development of further new business with YPB's original anti-counterfeit technology and Connect consumer engagement platform progressed but was plainly frustrated by COVID restrictions. In China, crossing provincial borders is restricted, preventing the personal interactions so critical to business development there. New and existing relationships are being advanced but more slowly than would normally be the case.



In Australia, both business development and contract start-ups have been and continue to be hindered by rolling COVID restrictions, both government and company imposed. A new Connect implementation, for example, where Track and Trace capability was added to the customer's specification was unable to be integrated due to strict restrictions on factory floor access.

In Bangkok, YPB's head office, rolling restrictions have severely limited office attendance for many months. This has been especially difficult for the tech team who largely worked remotely in the quarter.

Nevertheless, given the reality of COVID and despite wanting to advance more rapidly, overall business development progress was good and a testament to the creativity and determination of our commercial teams. At least some of this groundwork is expected to flow into increased orders and revenues in H2 2021.

### **Technical progress strong**

The technical team did an outstanding job given testing COVID circumstances to:

- Complete the MotifMicro1 app to commercial release standard on both IOS and Android platforms;
- Expand the portfolio of MotifMicro1 enabled smartphones to include the latest models;
- Add Track and Trace capability as per customer requirements to Connect on schedule; and
- Advance new derivatives of the original YPB tracer/scanner technology in response to commercial opportunities, particularly in China, that potentially meaningfully expand the addressable market for this tech.

In-housing all technical development not only increased team productivity but reduced costs in the quarter.

### **Financials broadly stable with strong cost control**

Net operating cash use by the business (prior to interest etc) increased by circa 8% in Q2 on the prior quarter. This was caused by a fall in cash receipts with cash operating costs steady.

The fall in cash receipts was due to variability in customer order flow again driven by COVID. Restrictions in home markets saw lower end-market product sales which resulted in softer order flows to YPB. Present expectations are that these orders, along with cash receipts, will recover in subsequent quarters.

Operating cash costs in aggregate were almost unchanged in Q2 versus Q1 with R&D (from in-housing), staff costs and administrative costs all lower but offset by an increase in marketing with the launch of MotifMicro1 and other promotional initiatives. Cost control remains an ongoing focus and costs are not expected to grow significantly with future revenue growth.

### **Corporate**

As at 30 June 2021, the Company held \$1.347m in cash and cash equivalents.

The 2020 Annual General Meeting was held in the quarter with all resolutions approved, including specific approval for potential new share issues.



During the quarter the Company made payments of \$55,000 to related parties and associates being payments under the CEO/Chairman's remuneration agreement with the Company.

**YPB Group CEO John Houston said:** *"The largely stable cashflow result in Q2 2021 demonstrates the closely controlled, lean and stable operations of the company.*

*More importantly, despite nothing yet being reportable to shareholders, I am excited by the progress made with potentially highly valuable customers following the launch of MotifMicro1. The engagement with true market leaders in ultra-high-volume applications holds great potential for YPB. These parties have critical anti-counterfeit needs and they have confirmed MotifMicro1 is a truly novel technology with wide commercial relevance.*

*I am optimistic that paid commercial trials will occur in H2 2021. Should that prove true, that step alone would elevate YPB's profile dramatically on a global scale and be a meaningful value-enhancing event for the company."*

This announcement has been authorised by the Board of YPB Group Limited.

**Ends.**

**For further information please contact:**

**Investor enquiries**

[investors@ypbsystems.com](mailto:investors@ypbsystems.com)

About YPB Group

YPB Group Limited (ASX:YPB) is an Australia-based product authentication and consumer engagement solutions provider. YPB's proprietary smartphone enabled technology suite allows consumers to confirm product authenticity and, for brands, that triggers consumers' engagement.

The combination of YPB's smartphone authentication solutions and its SaaS Connect platform, creates 'smart' product packaging, opening cost-effective, digital and direct marketing channels between brands and their consumers. Connect gathers actionable data on consumer preferences. It can then host tailored marketing campaigns directly back to the scanning smartphone.

YPB is currently focused on the rapidly growing Australian, South East Asian, and Chinese markets. Its focus is dairy, cannabis, alcohol and cosmetics where the viral growth of fake products, particularly in Asia, affects brand value and endangers consumers. To learn more please visit: [ypbsystems.com](http://ypbsystems.com)

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

YPB Group Ltd

**ABN**

68 108 649 421

**Quarter ended ("current quarter")**

30 Jun 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	120	315
1.2 Payments for		
(a) research and development	(49)	(127)
(b) product manufacturing and operating costs	(4)	(7)
(c) advertising and marketing	(67)	(85)
(d) leased assets	(58)	(110)
(e) staff costs	(485)	(987)
(f) administration and corporate costs	(299)	(615)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(66)	(102)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	3	3
1.8 Return of deposits from office rentals	-	-
1.9 Concession and rebates from financial support measures	-	-
1.10 Other (GST refund)	(11)	72
<b>1.11 Net cash from / (used in) operating activities</b>	<b>(916)</b>	<b>(1,642)</b>

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(7)	(7)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) 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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(7)</b>	<b>(7)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	750
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	750
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(56)	(56)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-

## Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(56)</b>	<b>1,444</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	<b>2,326</b>	<b>1,559</b>
4.2	Net cash from / (used in) operating activities (item 1.11 above)	(916)	(1,642)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7)	(7)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(56)	1,444
4.5	Effect of movement in exchange rates on cash held	-	(7)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,347</b>	<b>1,347</b>

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	1,347	2,326
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,347</b>	<b>2,326</b>

<b>6. Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1 Aggregate amount of payments to related parties and their associates included in item 1	55
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-

*Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.*

<b>7. Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	-	-
<b>7.5 Unused financing facilities available at quarter end</b>		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.11)	(916)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,347
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	1,347
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	1.5
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: Yes – Present or improved cash flows are expected	

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Yes, YPB is prepared to raise funds if and when necessary. The Company has obtained shareholder approval to issue Company securities the proceeds of which are expected to allow the advancement of the Company's activities. Shareholders have also approved the additional 10% placement capacity under listing rule 7.1A. These approvals to issue new equity will be used as necessary to fund the business. YPB has an existing mandate with a Sydney based AFSL holder who has successfully raised capital for the Company previously. The Company will update the market in this respect and in accordance with its continuous disclosure obligations as necessary.

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, YPB expects to be able to continue its operations and meet its business objectives based on the response to Question 2.

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

## 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.

Date: 28 July 2021

Authorised by: by the board  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".



5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.