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ASX: YPB

ASX ANNOUNCEMENT

19 May 2016

YPB GROUP – EARNINGS GUIDANCE 2017

- **Substantial revenue pipeline established**
- **Profit and cashflow breakeven by end Q1 2017**
- **Pre-tax profit of \$5m for 2017**

YPB Group is pleased to provide earnings guidance for the Company's financial year commencing 1 January 2017.

Progress made since the early 2016 launch of YPB's end-to-end solution suite has provided the Board with sufficient information to reasonably judge earnings prospects. Significant revenue growth is anticipated in 2016 and 2017, which together with diligent cost management is expected to result in breakeven being reached by the end of Q1 2017 and pre-tax profit of \$5m being realised for 2017.

As previously advised, YPB completed the assembly of the technologies, talent, relationships and geographies necessary for the development of a genuine global franchise in late 2015. The subsequent commercial launch of the full solution suite across a number of industries and countries has confirmed major interest in YPB's Anti Counterfeit, direct Customer Engagement and Government Vital Documents solutions.

This interest has resulted in a significant project pipeline and YPB expects the high rate of conversion of opportunities into revenue to build a substantial revenue base over 2016 and 2017. Revenue is likely to build slowly through 2016 with strong acceleration in Q4 2016 and leading to further acceleration in 2017. There are three primary drivers of business for this revenue growth:

1. Existing clients

YPB has a broad existing base of 152 accounts across a range of solutions and technologies. To date, the company has not had the resources to fully capture the revenue potential of this customer base but increased focus and servicing of this hitherto lightly tapped resource is leading to increased revenue flow to YPB.

2. New projects

The expanded senior management, sales and business development teams have created a record pipeline opportunity for YPB with over 150 active projects in well-targeted geographies, sectors and products. While the majority of these projects are in early stage, there are 66 Advanced and Intermediate projects included in the revenue opportunity tabulation below. By number, the pipeline is weighted to smaller, although still highly valuable and profitable projects, resulting in a stable potential revenue portfolio. It is notable that the engagement level of prospective clients is high and almost all pipeline customers are solely considering YPB's solutions and a number of these are new projects with existing YPB clients.

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3. Multiplier partnerships

YPB continues to build strategic partnerships in key markets to multiply its own resources. This will allow more rapid, capital-efficient market penetration with lower risk than the company could possibly achieve alone. The recently announced MOU with global packaging giant Orora is a prime example of YPB's *multiplier partnership* model in action.

While revenue is expected to grow strongly, the range of possible revenue outcomes for 2017 is wide. The tables below demonstrates the breadth and depth of YPB's present opportunity set. Table 1 "Existing Clients and Advanced Opportunities" refers to either existing business, projects in advanced negotiation or projects where the client has declared its clear intention to move to commercial negotiation.

Due to business realities, it is not possible to identify precisely whether any opportunity will conclude successfully. However as noted above, YPB believes it is competing with alternate suppliers in only one major project (where advice to YPB is that its technological superiority puts it in a strong position). Nor is it possible to conclude precisely when first revenues will flow post contract conclusion due to the time that may be needed for clients to make adjustments to their business processes.

Multiple opportunities support the likelihood of a well-diversified revenue base that in turn means YPB's profit expectations are not reliant on the success of any one specific opportunity. So while a range of revenue outcomes are possible, the variety and size of opportunities are likely to result in a substantial revenue base sufficient to support profitability in 2017.

Critically, YPB's profit expectations are achievable under a range of revenue outcomes due to the flexibility of its cost base. Typical of an intellectual property company, approximately 80% of YPB's non-COGS cost base are personnel and related costs and expected growth in that cost base can be flexed as needs be to achieve profit targets without harming the business or its prospects. Additionally, COGS depends directly on production volumes in relevant areas so it is a direct function of production-related revenues. Further, YPB Connect software revenues have minimal COGS.

Table 1 should not be interpreted to mean that YPB expects to achieve \$37.8m revenue in 2017, although such an outcome is possible. Nor should it be interpreted to mean that \$37.8m is necessary for the profit expectation to be achieved. As discussed above, expected profit is achievable under a wide range of revenue scenarios.

Table 2, "Intermediate Opportunities", is disclosed separately to demonstrate that YPB's present opportunity set is not limited to the projects presented in table 1. Intermediate Opportunities are defined as having registered clear client interest but not yet clear intent to proceed to commercial negotiation. When the intent to proceed to commercial negotiation is recorded, they graduate into the advanced opportunities group.

It should be noted that the Board's expectation and a key assumption in the profit guidance herein is that the company will have sufficient access to capital if and when necessary until profit breakeven and self-sufficiency are achieved. .

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It should also be emphasised that the Board is insistent that the company become self-sustaining as quickly as prudently possible in order to control its own destiny and to secure the futures of all stakeholders. While intent on capturing as much opportunity as possible, YPB will carefully manage its cost base to maximise profitability. Successful execution and prudent, profitable growth is a reliable path to self-determination. Once self-sufficient, YPB will have minimal need for external capital as growth-capital and working capital needs are modest.

Executive Chairman John Houston said: "YPB is on the road to commercial success and profitability. We have developed clearly beyond a very good idea hoping for success, we are now well into the execution stage of commercialisation. Existing and prospective clients have confirmed they both want and need our unique Anti-Counterfeit, Customer Engagement and Government Vital Documents solutions. Determined, diligent execution is now key to YPB fully realising its potential. Achieving our \$5m profit expectation for 2017 is now set as a primary marker of success

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About YPB

YPB Group (ASX: YPB) is a pioneer in advanced brand protection solutions. Listed on the Australian Securities Exchange, we are expanding our global footprint with an established presence in China, USA, Australia and South East Asia.

YPB's patented anti-counterfeit technology combined with its security packaging solutions, consulting and forensic services enables businesses to protect their high value brands from the risks of counterfeit and product diversion.

YPB's full range of services will give businesses the ability to cost effectively protect their brands, easily detect counterfeits and give them the opportunity to connect with their consumers about the authenticity of their brand.

PROTECT

Security print packaging and labeling

YPB offers a wide range of intelligent security packaging and labeling solutions that can be included into almost any material and is a cost effective brand protection solution for companies wanting to protect the integrity and value of their brands in high-risk markets.

IP solutions & forensic services

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

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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 that 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 will consult with a brand owner to develop strategic solutions to protect the brand 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 divergent products and allows brands to connect and engage with consumers via QR codes, near field communication, track and trace, product scanning and consumer engagement. Giving brand owners valuable and actionable "big data" about their consumers and products through a powerful data analytics capability.

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2017 REVENUE OPPORTUNITIES

EXISTING CLIENTS AND ADVANCED OPPORTUNITIES

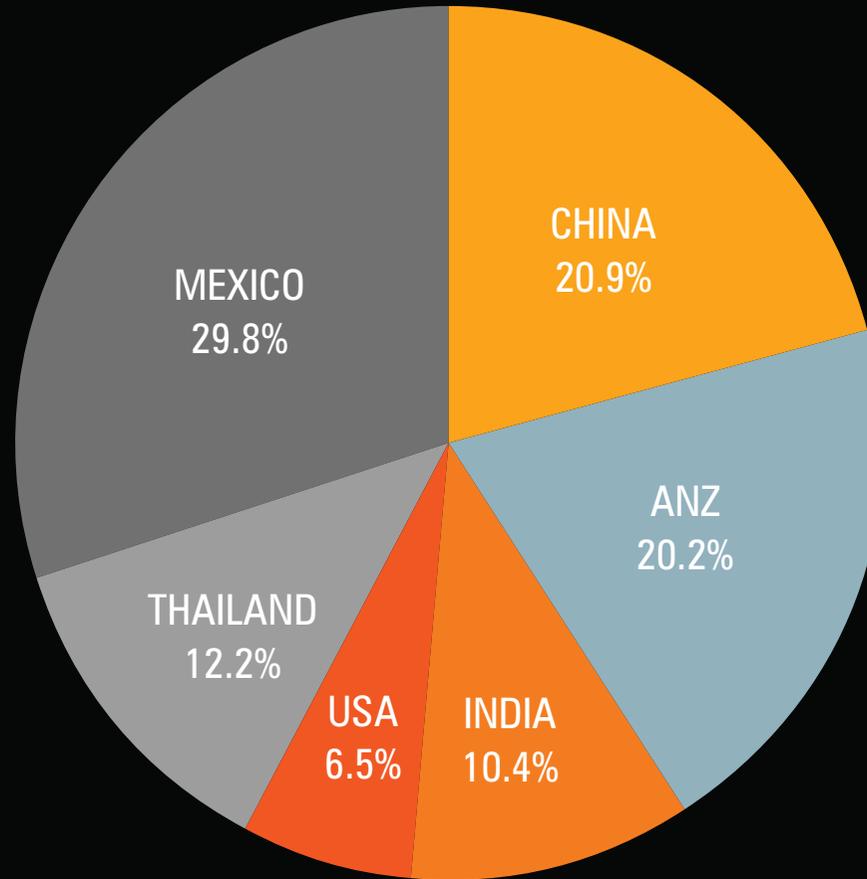
PROJECT VALUE	NUMBER OF PROJECTS	TOTAL VALUE \$M PA	AVG VALUE/PROJECT \$M PA
>\$10m	1	10.0	10.000
\$2-5m	2	5.5	2.750
\$1-2m	7	9.2	1.307
\$0.5-1m	8	5.6	0.694
<\$0.5m	178	7.5	0.043
	196	37.8	

INTERMEDIATE OPPORTUNITIES

PROJECT VALUE	NUMBER OF PROJECTS	TOTAL VALUE \$M PA	AVG VALUE/PROJECT \$M PA
\$2-5m	6	19.0	3.167
\$1-2m	1	1.3	1.300
\$0.5-1m	3	1.7	0.557
<\$0.5m	12	0.8	0.069
	22	22.8	

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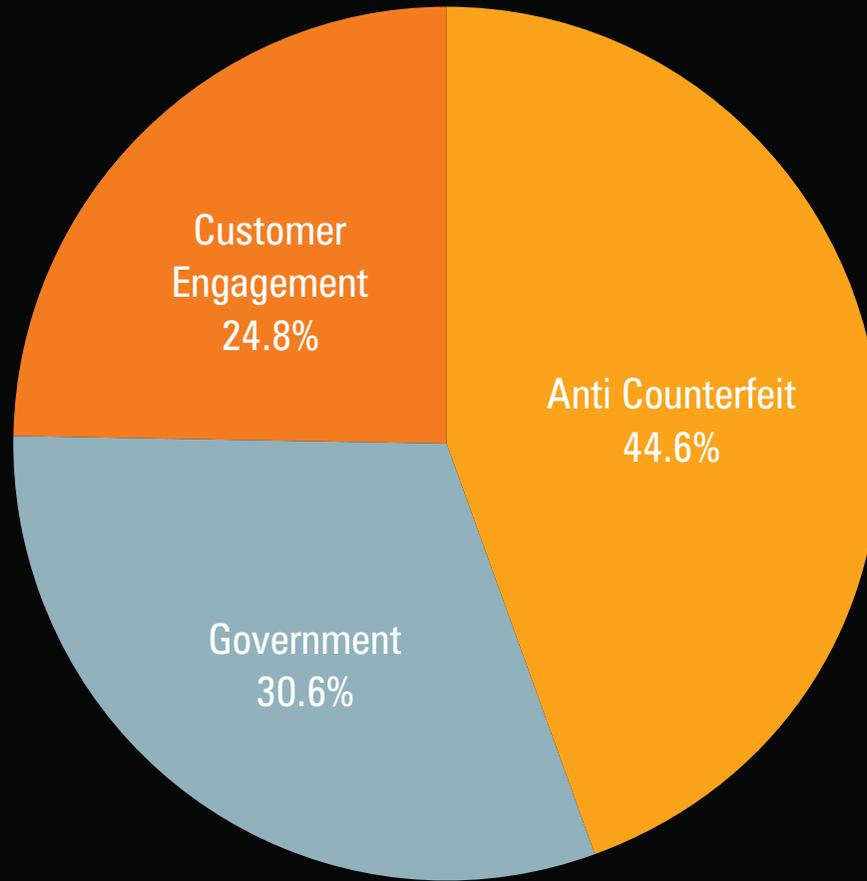
2017 REVENUE OPPORTUNITIES - GEOGRAPHIC MIX



EXISTING CLIENTS AND ADVANCED OPPORTUNITIES

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2017 REVENUE OPPORTUNITIES - SECTOR MIX



EXISTING CLIENTS AND ADVANCED OPPORTUNITIES