

ASX ANNOUNCEMENT

ASX:YPB | 30 April 2024

YPB posts solid improvement in Q1 2024 cash use

- Q1 2024 cash burn down 24% on Q4 2023 with revenue bounce
- Operating cash costs below 2023 quarterly average despite high investment in R&D and marketing
- ConnectQR launch in Q1 potentially transformational for the Company
- Major recycling project in Kenya potentially the Company's largest-ever deal

Authentication and consumer engagement technology group **YPB Group Limited (ASX: YPB)** presents highlights of activities for the quarter ended 31 March 2024 (Q1 2024).

Net operating cash consumption in Q1 2024 of \$475k was a 24% improvement on Q4 2023. The improvement was despite increased investment in R&D and marketing. Although Q4 was the highest cash burn quarter of 2023, Q1 2024 was in line with the quarterly average of 2023 demonstrating ongoing tight cost control throughout the business.

The most important development in the quarter was the launch of Connect QR, YPB's new QR code generation and management platform. ConnectQR is the latest module of YPB's proven Connect™ SaaS platform and is replete with financial opportunity for the Company due to its capacity to rapidly scale both revenue and profit.

Post quarter end, YPB signed its potentially largest ever deal, with YPB solutions being deployed in a major beverage container recycling initiative in Kenya.

Q1 2024 higher receipts and lower cash spend combined for clear improvement on Q4 2023

Cash receipts in Q1 2024 of \$119k bounced well from the \$76k of Q4 2023 and were in line with plan, driven by repeat customer orders. Cash receipts in 2024 are anticipated to show both less quarterly variability than the wide swings of 2023 and an improving trend through the year as new contracts contribute and ConnectQR gains traction.

Cash gross margin remained steady in Q1 at 98%, showcasing the intellectual property inherent in the Company's products. The very high gross margin remains a key element in the Company's profit-leveraged path to profitability, with ConnectQR's excellent margins expected to be a major contributor.

Operating cash costs fell 15.5% from Q4 2023 into Q1 2024 due to lower staff and admin costs, and despite increases in R&D and marketing with heavy investment supporting the ConnectQR launch. The Q1 2024 cash cost base was circa 10% below the quarterly average of 2024. Timing impacted some of the falls in staff and admin costs and they are likely to revert to a modestly higher plane in



coming quarters. The significantly increased spend on marketing is likely to be sustained due to the funding of the digital marketing strategy propelling ConnectQR awareness and adoption.

ConnectQR and Africa recycling offer financial step-change possibilities

The launch of ConnectQR in Q1 2024 was perhaps the most important milestone in the Company's history due to its financial potential. The ConnectQR website went live in February 2024, billing functionality went live in early March 2024, and the release of AI-generation of customisable codes is expected in May 2024. The conception, creation, and launch of ConnectQR is testament to the creativity and capabilities of both our tech and commercial teams, building on our years in QR code technology with our Connect™ platform and our ProtectCode™ product. In fact, Q1 2024 saw codes generated and managed by YPB's technology pass 250 million, clearly a major milestone.

ConnectQR is a fully self-service QR code generation and management platform. It is built around a "feature led pricing" freemium entry model, where pricing tiers with volume and functionality.

The offer itself is a high volume, low-price, AI-driven revenue model with no need for direct sales by YPB staff. Sales will be propelled by sophisticated, targeted SEO (search engine optimisation) campaigns.

The expected net result to YPB is accelerated revenue growth, with a much smoother revenue profile, at minimal incremental cost. Please visit [Connect QR - Customisable QR Code Generator | ConnectQR](#) for further information.

Self-service QR is a young but proven B2B market with only a handful of global players. YPB's legacy in sophisticated QR technology and management and the powerful simplicity of the Connect™ platform sees ConnectQR immediately competitively well positioned at product launch. QR code customers wanting to benefit from serialised products or supply chain track'n'trace can simply add modules within the YPB suite. To the best of the Company's knowledge, no other QR generation platform has such capabilities.

Post quarter end, the Company signed a 3-year Master Service Agreement (MSA) with Ecocan Recycling Company Limited of Kenya (ASX 17 April 2024) for a major beverage container recycling initiative. Kenya is a nation of 56m people and success of the scheme envisages roll-out to other African countries.

Under the Ecocan contract, YPB's ProtectCode™ will be used to prevent fraudulent value redemption of beverage containers in reverse vending machines.

The financial benefit of this deal to YPB is potentially multiples of any prior single contract, with an annualised revenue above A\$800,000 per annum, should the full rollout anticipated be achieved, [see announcement here](#).

Investment in MotifMicro continued during Q1 2024 with valuable progress made. MotifMicro is YPB's revolutionary smartphone-based, invisible and unspoofable authentication technology capable of widespread deployment. MotifMicro employs a smartphone's camera to detect the presence of minute amounts of MotifMicro tracer material. Despite development being at an advanced stage, two key challenges to commercial release have been scan accuracy in harsh light and the vast number and proliferation of smartphone camera technologies. Important progress on both issues was made in the quarter via creative application of additional AI-based methodologies. A commercial re-release of MotifMicro will be announced when the technical challenges are overcome.





Corporate

Further loan funds of \$250k were made available by Executive Chairman John Houston under the terms and conditions announced to the market (ASX 02/04/2024).

As of 31 March 2024, the Company held \$293k in cash and cash equivalents.

During the quarter the Company made payments of \$12k to related parties and their associates. This comprised payments related to the CEO/Chairman's existing remuneration agreement with the Company.

YPB Executive Chairman and Group CEO John Houston said: "Q1 2024 is likely to prove a watershed for our financial future. We have again demonstrated that costs are diligently managed and controlled. Now, ConnectQR and Ecocan have the potential to drive a step-change in the Company's revenues and literally transform our financial performance. We have hit the ground running on both projects and expect their contribution to build through the year, along with other slow-burn opportunities that are progressing well.

My assessment of the Company's prospects is evident in my continued willingness to personally fund the Company in very difficult small cap capital markets. Our product suite and market entry strategies are light years ahead of those of even only a year ago and the prospects of rapidly scaling revenue at high margin are the best ever. I remain very optimistic as to 2024 proving our best year yet by a considerable margin.

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

Ends.

For further information please contact:

YPB investor enquiries
investors@ypbsystems.com

Ben Jarvis
0413 150 448
Ben.jarvis@mdir.com.au
Six Degrees Investor Relations

About YPB Group

YPB Group Limited (ASX: YPB) is listed on the Australian Stock Exchange and has developed and sells of a suite of physical, digital, and AI-based authentication technologies with a vast range of applications. Our solutions can easily authenticate a myriad of items, such as FMCG (fast-moving consumer goods) products, official identification documents, pharmaceuticals, nutraceuticals, dairy products, tax stamps, transactions - and even people.

Our solutions trigger engagement with consumers in a consented, cost-effective, and direct manner. Our proprietary technologies utilise Bluetooth and/or smartphones to capture and analyse invaluable authentication data in our Connect™ global platform, providing real-time, first-party, and worldwide market intelligence data. This actionable data enables brands to establish digital and direct marketing channels with their customers.

The markets YPB is targeting comprise many billions of items, and this number is growing rapidly, providing YPB with significant growth opportunities for its authentication and consumer engagement. To learn more please visit: 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")

31 March 2024

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	119	119
1.2	Payments for		
	(a) research and development	(180)	(180)
	(b) product manufacturing and operating costs	(1)	(1)
	(c) advertising and marketing	(72)	(72)
	(d) leased assets	(43)	(43)
	(e) staff costs	(185)	(185)
	(f) administration and corporate costs	(113)	(113)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	1
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Return of deposits from office rentals	-	-
1.9	Other (Refund from legal deposit)	-	-
1.10	Other (GST/VAT refund)	32	32
1.11	Net cash from / (used in) operating activities	(442)	(442)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(c) property, plant and equipment	-	-
	(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	Deposit into an escrow account	-	-
2.6	Other (provide details if material)	-	-
2.7	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	250	250
3.6	Repayment of borrowings	(54)	(54)
3.7	Transaction costs related to loans and borrowings	(10)	(10)
3.8	Dividends paid	-	-
3.9	Other (Corporate Advisory, Research, investor relations, etc.)	(19)	(19)
3.10	Net cash from / (used in) financing activities	167	167

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	568	568
4.2	Net cash from / (used in) operating activities (item 1.11 above)	(442)	(442)
4.3	Net cash from / (used in) investing activities (item 2.7 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	167	167
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	293	293

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	43	568
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other - Undeposited	250	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	293	568

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	12
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

7.	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>			
7.1	Loan Facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end	-	
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.		
<p>Note to Items 7.3 (above)</p> <p>The Company established an "At-The-Market" (ATM) Facility with Dolphin Corporate Investments (DCI) announced to the market on 2/11/2023 also being the ATM establishment date. The facility is equity based and limited to \$2m. The actual facility capacity is a function of share price and available capacity over a request and option exercise period. The actual facility capacity will change up or down over time. The Company may not sell shares through the facility to DCI above the maximum AUD\$2m which operates as a cap on the facility. The Company cannot request DCI to exercise its option to buy shares at or above the Company's nominated floor price (the Company has discretion). DCI has the right to decline an option request or may only partially exercise its option to buy shares (it is DCI's decision to buy once YPB Group Limited has made the request). Whilst an ATM is a "facility" it is also a "sold contingent option", contingent on the company activating the option and DCI exercising that option, and the Appendix 4C does not properly cater for the cashflow from options, or potential future placements that are subject to prevailing placement capacity that may or may not require shareholder approval which may not be obtained. In keeping with Australian Accounting Standards and the intent of 4C reporting, the Company has chosen to not report any ATM facility amount in item 7.3, to ensure it is giving a true and fair view of facility positions that have conditions precedent for the funding to be attained.</p>			

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.11)	(442)
8.2	Cash and cash equivalents at quarter end (item 4.6)	293
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	293
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.66
<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

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: The Company is proposing to raise Equity from Australian based Brokers and/or AFSL holders with shareholder approval at the upcoming (end May 2024) Annual General Meeting (AGM) and proposes to raise further cash to fund operations through debt in advance of the AGM. The Company believes it can secure additional funds to fund its operations. Additionally, the Board has agreed with the Chairman the conversion of all debt into equity subject to shareholder approval at the AGM.

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, in view of the answer to 8.6.2.

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: 30 April 2024

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 – e.g., 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.