

## ASX ANNOUNCEMENT

ASX:YPB | 30 October 2023

### Operating cash burn continues to shrink

- **Q3 2023 operating cash use lowest ever and follows record low Q2**
- **Cash receipts up 108% on Q2, best in 2 years**
- **New business pipeline continues to advance**

Authentication and consumer engagement solutions creator **YPB Group Limited (ASX: YPB)** presents highlights of activities for the quarter ended 30 September 2023 (Q3 2023).

Operating cash consumption in Q3 2023 of \$437k marked another record low for the company.

The primary driver of the result was cash receipts more than doubling on Q2 2023 as broader YPB product coverage was adopted by clients.

The pursuit of profitability remains the company's key focus with the recently achieved full-suite connectivity and IP library flexibility creating new opportunity in new markets.

### Q3 2023 sharp receipts increase drives record result despite periodic cost increase

Net operating cash performance of the business (excluding interest, GST, FX etc.) improved by a further 7% on the record low achieved in Q2 to -\$437k.

Cash receipts excluding the legal settlement in Q1 2023 had been flat in Q1 and Q2 2023 but bounced sharply in Q3 as foreshadowed, more than doubling to \$207k. A prime contributor was a major client completing the rollout of YPB product across its sku range in Q3 triggering a billing point for YPB. Recurring and increased orders from a range of customers were also contributors.

Cash gross margin rose from 97% in Q2 to 99% in Q3, again highlighting 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.

Operating cash costs rose 13% in Q3 from Q2 with higher staff costs from an additional team member and the timing of variable payments, plus admin and corporate costs rising, the periodic variability of which has been previously noted.

Over the balance of the year, receipts have the potential to lift further but are subject to the success and timing of several exciting projects in train. The rollout of new projects such as RimLock and US Instant Lotteries are progressing to plan. Costs are expected to be largely stable to down, quarterly variability aside.



## Corporate

As at 30 September 2023, the Company held \$711k in cash and cash equivalents. Executive Chairman John Houston made an additional \$500k loan to the company in the quarter (ASX 4 Sept 2023).

During the quarter the Company made payments of \$56k 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:** "Another 'best ever' quarter demonstrated that tight cost management and increased revenues from our now highly flexible, connected, solution suite is moving us ever closer to profitability. We are relentless in our efforts to get there as rapidly as possible."

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

**Ends.**

**For further information please contact:**

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## 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](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 September 2023

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	207	635
1.2	Payments for		
	(a) research and development	(125)	(366)
	(b) product manufacturing and operating costs	(2)	(7)
	(c) advertising and marketing	(13)	(41)
	(d) leased assets	(23)	(93)
	(e) staff costs	(274)	(772)
	(f) administration and corporate costs	(207)	(603)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	4	14
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)	-	200
1.10	Other (GST/VAT refund)	(13)	(15)
<b>1.11</b>	<b>Net cash from / (used in) operating activities</b>	<b>(446)</b>	<b>(1,048)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(c) property, plant and equipment	-	2
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	(250)	(300)
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)	-	-
<b>2.7</b>	<b>Net cash from / (used in) investing activities</b>	<b>(250)</b>	<b>(298)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	1,400
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	500	500
3.6	Repayment of borrowings	(44)	(154)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Corporate Advisory, Research, investor relations, etc.)	(84)	(329)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>372</b>	<b>1,417</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
<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	1,036	641
4.2	Net cash from / (used in) operating activities (item 1.11 above)	(446)	(1,048)
4.3	Net cash from / (used in) investing activities (item 2.7 above)	(250)	(298)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	372	1,417
4.5	Effect of movement in exchange rates on cash held	(1)	(1)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>711</b>	<b>711</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	711	1,036
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>711</b>	<b>1,036</b>

<b>6.</b>	<b>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	56
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>		

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>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	Capital raise	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	-	-
7.5	<b>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.		
	N/A		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.11)	(466)
8.2	Cash and cash equivalents at quarter end (item 4.6)	711
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	711
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	1.53
	<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: Yes the Company is exploring the establishment of a financing facility which it anticipates being finalised in early November additionally the Company intends to call a meeting of Shareholders before year end to seek approval to raise additional capital. The Company believes it will be able to secure additional cash to fund operations.	

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 October 2023

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.