

ASX/MEDIA ANNOUNCEMENT

ASX: YPB | 3rd May 2017

YPB SECURES US\$10m FUNDING FACILITY

- **Funding facility with Dubai based Bracknor Investment Group**
- **Convertible Bond with warrants structure**
- **Zero coupon and mandatory conversion**
- **YPB controls the timing of the use of the facility**

Brand Protection and Customer Engagement solutions company YPB Group Ltd (ASX: YPB) has secured a USD 10,000,000 (US Ten million dollar) flexible funding facility with Bracknor Investment Group (Bracknor).

Bracknor is a Dubai-based investment group demonstrating a strong partnership focus with its investee companies. Its portfolio companies are primarily in France, the UK and Finland. Bracknor views itself as an “investor-partner in businesses” and aims to “finance outstanding but not yet fully recognized business models that need uplifting capital to achieve their true potential”. YPB will become Bracknor’s first investment in Australia.

YPB has directly confirmed with a number of Bracknor investee companies that it is a valuable and reputable funding partner. It has strong relationships with management and is a trusted advisor on business strategy and capital management.

The facility is a USD 10,000,000 interest free mandatory convertible bond with warrants funding programme over 3 years. Bracknor must convert its convertible bonds to equity (at all times subject to shareholder approval, if required). Each convertible bond has a zero percent coupon rate. The effective interest rate for the whole facility if fully drawn to USD 10,000,000 will be 10.3% with conversion for the first tranche at a 12% discount to face value and conversion of each subsequent tranche at a 10% discount.

There is also a facility commitment fee of 2.5% of the total commitment payable in proportion to each drawdown for the first \$6,000,000 to be satisfied by the issue of YPB shares. This takes the budgeted total cost of funds if fully drawn to 12.8%. The payment in shares aligns Bracknor’s interests with those of shareholders.

YPB controls the timing of the use of the facility and can draw:

- up to USD 1,500,000 at closing; and
- a further USD 8,500,000 in 17 tranches post the first drawdown.

YPB has committed to drawing USD 4,000,000 in year 1 and USD 2,000,000 in year 2 of the programme. Importantly, should those funds not be needed there is a 50% redemption ability and the capacity to deliver existing, rather than new, stock to Bracknor.

Timing of conversion of the bonds into equity is at Bracknor's discretion with the conversion price set with reference to the share price at the time of conversion, (subject to shareholder and other approvals, if required). Bracknor's model is to convert the bonds somewhat regularly and recycle its capital via selling equity at opportune times. It is important to emphasise that Bracknor can only profit from a stable to rising share price.

The agreement specifically protects against manipulation of the share price in order to affect the conversion price, namely:

- A "cool down period" between cash drawdowns which ensures Bracknor does not exceed its desired maximum portfolio position relative to the market turnover of the stock;
- A shorting prohibition agreed to by Bracknor;
- A trading volume restriction of 16.7% of turnover on days when the share price has fallen more than 10%, except when there is strong buying interest in the stock (specifically when volume is 150% greater than the average volume of the 5 prior days);
- A trading volume restriction of 25% on any day (both up and down) during the conversion pricing period; and
- A redemption facility allowing the company to redeem 50% of the intended conversion in cash, thereby protecting the company against being forced to issue equity at unattractive prices. The redemption is at a premium of not less than 15% to the nominal value of the notes. Further, the company can deliver existing stock to satisfy the conversion requirement should it deem the stock too undervalued to issue new equity.

The initial tranche may see a maximum of approximately 30 million YPB shares issued, although the present expectation is that the actual number of shares likely to be issued will be a substantially lower number. Shareholder approval will be required for share issues related to all drawdowns on the facility subsequent to the initial tranche and will be sought as appropriate.

The bonds also carry a detachable warrant in the ratio of one warrant for every two dollars of bond (i.e. a 1-for-2 warrant). The exercise price of the warrant is set at the time of the company's request to drawdown a tranche and thus pricing of the warrant is partly under the company's control. The exercise price of the first tranche of warrants is at a 30% premium to the share price at the time of drawdown and subsequent tranches are at a 15% premium. The warrants have a four year term.

Pierre Vannineuse, Chief Executive Officer & Founder of the Bracknor Investment Group commented: "Bracknor is extremely proud to start investing in Australia through this long-term partnership with YPB Group. In the numeric era counterfeiting is becoming an ever-growing concern across the globe, we believe YPB is the best possible answer to this situation and a risk adjusted exposure for the growing demand of this market"

Executive Chairman John Houston said: "We welcome Bracknor's endorsement of YPB's strategy and potential. The bond facility offers a flexible, less dilutive, committed funding source that fits well with our future capital needs. We look forward to working closely with Bracknor to maximise YPB's value to the benefit of all shareholders."



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ABOUT BRACKNOR

Bracknor is a specialised investment fund based in Dubai (UAE) acting as a family office which is mandated to invest globally in SMEs that bears unique competitive advantages and true potential, providing them with paramount working capital or growth capital needed to foster and ignite their growth.

www.bracknor.com

ABOUT YPB

YPB Group (ASX: YPB) is a pioneer in advanced brand protection solutions. Listed on the Australian Securities Exchange, YPB is expanding its global footprint with an established presence in Australia, China, Thailand, USA, Mexico and India.

YPB's patented Anti-Counterfeit technology combined with its Security Packaging and Anti-Theft solutions, Consulting Services and YPB's proprietary CONNECT platform enables clients to PROTECT their high value brands from the risks of counterfeit, product diversion and theft while providing the tools to CONNECT directly with their customers.

PROTECT

Smart Security Packaging and labeling for Brands

YPB offers a wide range of Smart Security Packaging and Labeling solutions that can be incorporated into almost any material and offer cost effective strategies to PROTECT the integrity and value of products and brands in high-risk markets.

Government Vital Documents

YPB offers solutions to Governments to PROTECT their Vital Documents that include ID cards, Visas, Passports, Vehicle Labels and many other applications.

Retail Anti-theft

YPB offers clients the latest technology in Retail Anti-Theft and Labeling solutions effective for mainstream retailers, boutiques and exporters to PROTECT against theft.

IP solutions & forensic services

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

Secure Supply Chain

YPB offers secure supply chain solutions to Governments, banks and companies wanting to ensure the integrity of their supply chain using a combination of YPB's authentication technology and secure track and trace solutions, delivering real protection for high value documents, 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 who 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 can consult with a brand owner to develop strategic, tailored solutions to protect the brand against 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 diverted products. They also allow brands to connect and engage directly with their customers via QR codes, Near Field Communication, secure track and trace and product scanning. The YPB CONNECT platform delivers brand owners valuable and actionable intelligence about their products and customers to measure, tailor and individualise direct marketing campaigns through a 'big data' analytics capability.

www.ypbsystems.com