

Shareholder Update

- **COVID-19 response plan implemented**
- **Cost reduction program reduces costs by 36% to 170k per month**
- **Two-year MSA signed with Australia's Nature's Care that extends to 75 SKUs**
- **Three-year supply agreement secured for high security PET animal identity authentication in China**

Product authentication and consumer engagement solutions provider **YPB Group Limited (ASX:YPB)** is pleased to provide this update to shareholders on the Company's response to the impact of the COVID-19 pandemic, cost reduction measures and two new revenue-generating contracts.

COVID-19 response and impact on business operations

YPB's first priority is to ensure the health and wellbeing of staff and other stakeholders during this period with the Company adopting recommendations from governments in Australia, China and Thailand. All staff are now working remotely from home.

Australian tracer sales to existing export customers have been impacted and delays in exports are expected until the end of the second quarter. However, the impact of this is mitigated through growing Connect sales to new customers already contracted and new customers recently secured.

In Thailand, the development of our Connect platform and onboarding of new customers has not been affected nor has our Artificial Intelligence (AI) capability for our smartphone readable technology (MM1), all of which are now being managed by our Head of Technology with our machine learning operations re-located.

In China, MM1 print trials, originally scheduled for December 2019 and then delayed until Chinese New Year, are planned to re-commence at the PanPass print facility this month (April 2020). This delay on the original timetable was caused by COVI-19 restrictions in China. Business activity in China resumed in March and YPB has initiated a new business development and sales program that is already yielding positive results with the securing of a new client (see below).

New trading terms have been implemented which will see contracted revenue and cash now booked and received upfront where possible and minimum order quantities put in place throughout contract terms.

Cost reduction program

YPB has continued to aggressively reduce its cost base and the impact of the COVID-19 pandemic has intensified these efforts. A further \$100,000 worth of costs savings per month have been identified reducing the monthly operating costs by 36% to ~\$170,000 per month. These cost savings have not hampered business development and tendering activities which are ongoing but moving slower than anticipated due to obvious restrictions imposed by the pandemic. In addition, cash burn is alleviated through other initiatives such as negotiating longer credit terms with suppliers and vendors and applying for the financial support measures offered under the stimulus packages announced by the Australian and Chinese governments. Where possible we have sought financial support and have been successful in terms of salary support in Australia and China, and rental support in China.

New contracts secured

Despite the impact of COVID-19, the Company is pleased to report progress on opportunities to secure new contracts that will generate revenue over the next twenty four to thirty six months. These have been



concluded recently and together are estimated to provide a total of A\$145,000.00 in revenues over the term of both contracts.

The first contract is a two-year Master Services Agreement (MSA) in the Australian natural wellness and beauty sector with Australian privately held Nature's Care. YPB will provide Nature's Care with its Connect digital authentication and consumer engagement solution. Consumers will scan product QR codes, opening an authentication window in which entry of a serial number checked against a cloud based database confirms product authenticity.

Nature's Care manufactures a range of natural supplements, skin care and children's health products in Australia. The contract initially envisages two stock keeping units (SKUs) with a paced rollout to 75 more SKUs. Revenue is earned from supply of QR codes on a fee per unit volume basis, SaaS fees for the provision and management of Connect, and marketing support.

The second contract is a 3-year agreement to supply Tengfei Pigeon Foot Ring with PET (polyethylene Terephthalate) infused with YPB's forensic tracers. Tengfei is one of a select few manufacturers of foot rings for homing pigeons certified by the "General Administration of Sport of China". Foot rings contain numbered individual identities for each bird. (国家体育总局制定的赛鸽足环生产厂) Pigeon racing is a major sport in China.

YPB has previously supplied forensic tracer-infused PET for use as ID tags for high value consumer markets in China including gourmet seafood. This latest customer is indicative of the flexibility and wide application possibilities of YPB's authentication solutions. This is a pleasing win for YPB in China and is a direct result of a recently revamped and intensified sales strategy now underway there.

Comment

YPB Group CEO John Houston said: "COVID-19 is of course having an impact on our operations and we have swiftly implemented measures to manage the business through this period including health and safety initiatives, remote sales and business development activities and cost reductions.

"The new contract wins reported are encouraging and help us incrementally build our revenue base. The MSA with Nature's Care is pleasing given the ability to grow the contract value by progressively adding more SKUs. As well, the new customer in China reflects the hard work and dedication by our team in Beijing and we are witnessing increasing levels of business activity there. The contract with Tengfei gives us excellent market visibility and will be a useful reference point as we tender for more contracts.

"We will keep shareholders updated on progress and the Board is pleased with the level of business continuity across all our markets at this time."

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

For further information please contact:

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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's technology is also trusted by the world's largest passport issuing nation to ensure the authenticity of its passports. 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: www.ypbsystems.com