

YPB Group

FY17 PBT guidance of A\$5m

Company guidance

Industrial support services

YPB Group (YPB) combines patented anti-counterfeiting technology with security packaging solutions, consulting and forensic services to help businesses protect their brands from the risk of counterfeiting and product diversion. YPB has announced that it expects to reach cash flow break-even by end Q117 and to deliver profit before tax of A\$5m for the year ending 31 December 2017. This is the first time the company has given guidance for FY17 and follows a spate of successful contracts for the group, the latest being a memorandum of understanding to supply its technology to global packaging group Orora. YPB's guidance is 16% ahead of Edison's FY17 PBT forecast.

Year end	Revenue (A\$m)	PBT* (A\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/14	0.1	(2.3)	(2.2)	0.0	N/A	N/A
12/15	1.7	(5.5)	(4.5)	0.0	N/A	N/A
12/16e	8.5	(2.7)	(1.6)	0.0	N/A	N/A
12/17e	22.2	4.3	2.0	0.0	14.0	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, share-based payments

YPB has announced significant revenue growth is anticipated for FY16 and FY17, which together with diligent cost management is expected to result in break-even being reached by the end of Q1 of FY17 and profit before tax of A\$5m being achieved for FY17.

YPB noted that its forecast was achievable across a range of revenue outcomes due to the flexibility of its cost base. The company highlighted that one of these revenue outcomes, based on existing clients and advanced opportunities, could result in FY17 revenues of A\$37.8m. YPB however stressed that this revenue outcome was not necessary to achieve its profit expectation. A key assumption in the profit guidance is the company will have sufficient access to capital until it reaches break-even and is self-sustainable.

Our fully diluted DCF valuation of A\$0.44/share is based on our current forecasts, which include a forecast for profit before tax of A\$4.3m for FY17.

19 May 2016

Price **A\$0.28**

Market cap **A\$48m**

Net cash (A\$m) at 31 December 2015 4.8

Shares in issue 171.4m

Free float 27%

Code YPB

Primary exchange ASX

Secondary exchange N/A

Share price performance



Business description

YPB Group has developed a three-pronged strategy designed to detect and protect brands from counterfeiters. The company owns four Chinese patents over invisible tracers and has secured several contracts for its technology.

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