

YPB

Finding counterfeit goods

YPB has developed materials designed to detect product counterfeiting and pirating. The solutions use technology for detection and monitoring systems to help brand owners, supply chains and consumers deal with the rising tide of counterfeiting. YPB listed on ASX in April 2014 and in March 2015 raised A\$6m (A\$0.30/share) via a share purchase plan. Proceeds of the offer were used to pay costs of the fund-raising and to provide working capital.

Counterfeiting

There is a need for more effective solutions to detect and prevent counterfeiting, pirating and non-compliant products. Global counterfeiting is estimated to cost brands over US\$1.7tn by 2015. In China it is estimated that there are up to 300,000 fatalities each year as a result of fake pharmaceuticals and medicines. In Asia, companies spend an estimated US\$14bn on anti-counterfeit and authentication solutions.

The product

YPB has developed counterfeiting detection and monitoring systems to protect brands. The systems involve covert markers and additives which are applied to products before, during or after manufacture. These markers and additives can be applied to all forms of materials and become an invisible part of the product throughout its life. YPB holds two current Chinese-registered patents on its covert markers. An integral part of YPB's system is its patented scanner technology which detects and decodes the tracers inherent in the product. The scanners are used to authenticate products within the supply chain. Mobile phone technology is used to interact with the consumer market and lets customers compile actionable data on when and where products are being counterfeited.

Valuation: Early stage

The business is early stage with little operating revenue to date. In FY14 there was a A\$2.2m impairment to goodwill and at 31 December 2014 the intangible assets were ~A\$11m. If there are further delays in earnings it is possible that there will be more goodwill impairments. Earnings uncertainty makes an investment in YPB a high-risk play.

Historical financials

Six months ending	Revenue (A\$m)	PBT (A\$m)	EPS (c)	DPS (c)	P/E (x)	Yield (%)
12/13	0.4	(1.2)	(1.1)	0.0	N/A	N/A
12/14	0.1	(4.5)	(4.3)	0.0	N/A	N/A

Source: Company data

Industrials

Price* **A\$0.28**

Market cap **A\$33m**

*As at 12 May 2015

Share price graph



Share details

Code	YPB
Listing	ASX
Shares in issue	119.0m

Business description

YPB has designed a multi-layered anti-counterfeit strategy using mobile smartphone technology. Markers are added to products before, during or after manufacture and detection devices and scanners are used to detect fake products.

Bull

- Large market.
- Holds two patents registered in China.
- No debt.

Bear

- Intellectual property risks.
- Competition and new technologies.
- Third-party development of IP and provision of manufacturing services.

Analysts

Moirá Daw	+61 (2) 9258 1161
Finola Burke	+61 (2) 9258 1161

industrials@edisongroup.com

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