

Forbidden Foods Limited ASX: FFF

ASX Announcement

30 April 2021

Strong brand distribution growth as footprint expands into Asia

Q3 FY21 Quarterly Activities Report

Forbidden Foods Limited (“Forbidden Foods” or “the Company”) is pleased to provide an update on its activities during the quarter ended 31 March 2021.

Key Highlights

- *Cash receipts from customers of \$1.07 million in Q3 FY21, up 13% from Q2 FY21 driven by increasing customer demand for the health focussed FUNCH® and Sensory Mill® product ranges.*
- *Domestic distribution and growth strategy continues to accelerate with first sales to Baby Bunting, FoodWorks and Pharmacy Alliance recorded during the quarter, extending the company’s distribution channels and providing greater opportunity for brand awareness and growth.*
- *In February 2021, FUNCH® Baby Foods successfully launched in China via its flagship E-commerce Global Tmall store, with over 500 orders received through our Flagship Tmall store since its launch at a compound monthly growth rate of 272.9%, with over 300 orders in March 2021 alone.*
- *Alibaba Group’s Tmall Global platform is a Chinese language e-commerce marketplace for B2C online retail with over 881 million monthly users and a cross border eCommerce market worth USD 89 billion and marks the company’s strong entry into Asia.*
- *Significant advancements in global e-commerce offering with the completion of new websites for both FUNCH® and Sensory Mill® focussed on improving cart conversion rate and providing backend infrastructure for a large-scale global ecommerce offering.*

Forbidden Foods Co-founder and Chief Executive Officer, Marcus Brown said: *“Throughout this quarter we have made pleasing progress in both our domestic and international markets, with new distribution channels converting into sales and extending the global awareness and relevance of our brands.*

Our local retail partnerships which rolled out over the last quarter were the foundation for our Asia entry strategy which is making excellent progress. In Q3, we announced the launch of our flagship Tmall store in China under our FUNCH brand. This is a significant step in gaining international recognition for our brand and puts us side by side with other leading Australian brands already on the marketplace, including Swisse, Bellamys, Blackmores, Woolworths & Chemist Warehouse. On the back of our Tmall launch we have been fielding strong international interest from overseas distribution partners.”

“During the period we also identified the need to streamline our plant-based offering and merged our Forbidden Rice range into our Sensory Mill brand. This means there is a wider selection of Sensory Mill plant-based products for all customers and now gives us the scope to push more aggressively into the plant-based protein space. We supported this transition with a new Sensory Mill website which also plays a role in our eCommerce strategy. The existing Forbidden Foods brand now remains as the corporate profile.”

“Our strong distribution growth in the quarter reaffirms the growing appetite for and appeal of both our key brands FUNCH and Sensory Mill, in line with our strategic plans on building strong, valuable brands with sustainable margins and opportunity for further global expansion.”

Domestic Sales Business Update

In the third quarter Forbidden Foods focused on the execution and supply of our earlier announced deals with Foodworks (AUR), Baby Bunting and Pharmacy Alliance.

- After some initial setup delays the FoodWorks network received their first Forbidden Food products in March. Under the agreement Forbidden Foods will range its FUNCH Baby Foods, FUNCH Healthy Snacks and Sensory Mill Plant-Based Flours in FoodWorks / AUR’s store network nationally.
- In December 2020, the Company announced that Baby Bunting would start ranging its seven FUNCH Australian baby food lines. In the March quarter, Baby Bunting received their first orders nationally and Forbidden Foods has since seen repeat purchases from Baby Bunting.
- Pharmacy Alliance group received their first orders in the first week of March via their distribution partner Sigma Health Care. The relationship with Pharmacy Alliance provides Forbidden Foods an additional distribution channel and will increase brand awareness.

To further drive awareness Forbidden Foods under their FUNCH brand has signed up celebrity Australian Ambassadors Jimmy & Tori Rees exclusively in baby foods and baking mixes until December 2021 (Pictured). Jimmy & Tori who combined have over 500,000 followers on Facebook & Tiktok are well known for their fun, family posts with their three children.

FUNCH has also partnered with BaoBag, the leading premium pregnancy gift hamper distributor to deliver 30,000 samples and flyers to new parents.



Pictured: Jimmy & Tori Rees with Family.



Pictured: Pharmacy Alliance members store launch.

International Sales Business Update

Forbidden Foods launched its FUNCH® Baby Foods range on Alibaba's Tmall Global flagship store, which is China's largest cross-border marketplace. This platform exposes the FUNCH brand to more than 881 million monthly users. Working directly with Yaru Ventures and Alibaba ensured a smooth launch in February with over 500 orders already fulfilled.

The launch of this flagship FUNCH store has assisted in driving international distribution enquires which Forbidden Foods is working through with suitable partners for targeted channels and markets.

E-Commerce Update

During Q3, the FUNCH website went through a significant upgrade. The new website, launched in April, will provide richer product information, improve customer experience with the FUNCH brand, improve cart conversion rate and provide backend infrastructure for a large-scale global ecommerce offering.

The Sensory Mill website has been modernised to include an e-commerce offering and roll in the Forbidden rice range. By combining the two ranges under SensoryMill.com.au, customers can choose from a wider plant-based range of SKUs, while the business can streamline its marketing and fulfilment efforts.

Corporate

Release of restricted securities

On 19 February, Forbidden Foods advised at the commencement of trading on 1 March 2021, 3,173,835 securities were released from voluntary escrow. These securities were already quoted on the ASX.

This reflects the balance of the "Existing Shareholders (other than Founders and Company Secretary)" category of escrowed securities as disclosed in the Prospectus dated 21 July 2020.

ASX Additional Information

Pursuant to ASX Listing Rule 4.7C.2, Forbidden Foods provides the following comparison of its actual expenditure since admission to the ASX against the “use of funds” statement in its Prospectus dated 21 July 2020.

	Prospectus \$,000	Actual Expenditure \$,000
Sales, marketing and brand development	3,000	2,924
Administration costs	994	571
Working capital	949	1,171
Costs of the offer	1,057	1,137
Total	6,000	5,803

In accordance with ASX Listing Rule 4.7C.3, Forbidden Foods advises that an amount of \$117,500 was paid to executive and non-executive directors in payment of their directors’ fees, salaries and post-employment benefits.

This ASX announcement has been approved for release by the Board of Directors of Forbidden Foods Ltd.

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About Forbidden Foods Ltd

Forbidden Foods Ltd (ASX: FFF) is a multi-brand premium food, beverage and ingredients company focusing on the infant, toddler, health and plant-based markets. The Company was established in 2010 with a vision to provide the very best foods to meet growing consumer demand for clean, sustainable plant-based and health-oriented products. The business sells products via its two key brands – Sensory Mill and Funch – direct to consumer, retailers and food service companies, fulfilled through its distribution partners and via e-commerce across its diverse national and international sales channels.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

FORBIDDEN FOODS LIMITED (ASX: FFF)

ABN

82 616 507 334

Quarter ended ("current quarter")

31 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,072	2,994
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,657)	(4,598)
(c) advertising and marketing	(250)	(582)
(d) leased assets	-	-
(e) staff costs	(397)	(1,016)
(f) administration and corporate costs	(56)	(111)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(2)	(27)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	115
1.8 Other (provide details if material)	-	59
1.9 Net cash from / (used in) operating activities	(1,290)	(3,166)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(13)	(52)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(29)	(84)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
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	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(42)	(136)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	6,000
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	-	(993)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(32)	(105)
3.10	Net cash from / (used in) financing activities	(32)	4,902

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,100	136
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,290)	(3,166)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(42)	(136)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(32)	4,902
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,736	1,736

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,736	3,100
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,736	3,100

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	120
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>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000																																								
7.1	Loan facilities	738	-																																								
7.2	Credit standby arrangements	-	-																																								
7.3	Other (please specify)	210	19																																								
7.4	Total financing facilities	948	19																																								
7.5	Unused financing facilities available at quarter end		929																																								
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.																																										
	<table border="1"> <thead> <tr> <th>Facility</th> <th>Facility limit \$A'000</th> <th>Amount drawn \$A'000</th> <th>Interest rate</th> <th>Secured</th> </tr> </thead> <tbody> <tr> <td>American Express – Credit cards</td> <td>200</td> <td>15</td> <td>19.99% p.a.</td> <td>No</td> </tr> <tr> <td>ANZ – Bank overdraft ¹</td> <td>9</td> <td>-</td> <td>14.55% p.a.</td> <td>No</td> </tr> <tr> <td>NAB – Bank overdraft</td> <td>100</td> <td>-</td> <td>6.47% p.a.</td> <td>Yes</td> </tr> <tr> <td>NAB – Credit cards</td> <td>10</td> <td>4</td> <td>15.50% p.a.</td> <td>Yes</td> </tr> <tr> <td>NAB – Revolving facility</td> <td>300</td> <td>-</td> <td>3.95% p.a.</td> <td>Yes</td> </tr> <tr> <td>ScotPac – Trade finance ²</td> <td>329</td> <td>-</td> <td>Management charge 3.00% Term charge 1.50% per 30 days Provision for settlement discount 7.50%</td> <td>Yes</td> </tr> <tr> <td>Totals</td> <td>948</td> <td>19</td> <td></td> <td></td> </tr> </tbody> </table>	Facility	Facility limit \$A'000	Amount drawn \$A'000	Interest rate	Secured	American Express – Credit cards	200	15	19.99% p.a.	No	ANZ – Bank overdraft ¹	9	-	14.55% p.a.	No	NAB – Bank overdraft	100	-	6.47% p.a.	Yes	NAB – Credit cards	10	4	15.50% p.a.	Yes	NAB – Revolving facility	300	-	3.95% p.a.	Yes	ScotPac – Trade finance ²	329	-	Management charge 3.00% Term charge 1.50% per 30 days Provision for settlement discount 7.50%	Yes	Totals	948	19				
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	<p>¹ The ANZ bank overdraft limit is NZD \$10,000 and has been converted to AUD in the above table.</p> <p>² The ScotPac trade finance facility limit is USD \$250,000 and has been converted the AUD in the above table.</p> <p>The items included as other facilities are the American Express and NAB credit cards.</p>																																										

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,290)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,736
8.3	Unused finance facilities available at quarter end (item 7.5)	929
8.4	Total available funding (item 8.2 + item 8.3)	2,665
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.1
	<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:

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:

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:

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 April 2021.....

Authorised by: .Board of Directors – Forbidden Foods Limited.....