

Forbidden Foods Limited ASX: FFF

ASX Announcement

30 July 2021

Further international market penetration boosting export and e-commerce sales

Q4 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 30 June 2021.

Key Highlights

- Cash receipts from customers of \$1.33 million in Q4 FY21, up 24% from Q3 FY21, with overall cash used in operating activities improving 58.1% from Q3 FY21.
- Strong operating performance in Q4 FY21 with revenue up 37.2% on the prior corresponding period (pcp) to \$1.21 million.
- Month of June achieved record monthly revenue of \$524,000 on the back of rapid growth in export markets.
- Positive momentum continued with our e-commerce strategy, with revenue of \$135,000 via owned and partner digital channels in Q4 FY21, up 282.6% on Q3 FY21, with revenue from e-commerce representing 11.2% of revenue in Q4 FY21.
- Exclusive agreement signed in June with AusCom International to distribute the FUNCH[®] brand in Vietnam, targeting minimum sales of \$3.15 million over an initial three-year term with two purchase orders already placed and shipped.
- The Company signed an exclusive cross-border e-commerce (CBEC) agreement with Winhealth Pharma to distribute FUNCH[®] on China's second largest cross-border e-commerce platform, Kaola, and China's largest online retailer, JD.com and signed an exclusive agreement with Moshi Wellness OPC ("Moshi") to distribute FUNCH[®] and Sensory Mill[®] in the Philippines.
- Successfully launched FUNCH[®] range of 100% Australian plant-based edible oils in May, targeting the emerging Baby Food Seasoning category in Australia and China with other global markets to follow.
- Strong financial position at the end of Q4 FY21 with a cash position of \$1.15 million and inventory holdings of approximately \$1.94 million.

Forbidden Foods Co-founder and Chief Executive Officer, Marcus Brown said: *“During the quarter, we were able to further cement our footprint in Asia with our entry into Vietnam via the AusCom International agreement. We were pleased to secure and deliver two purchase orders within the first month of our agreement and make further headway as we pursue our strategy to increase our presence on Asian e-commerce stores, drive brand awareness and support the growth of FUNCH in South-East Asian and Chinese markets.*

“Our penetration into Asia was further solidified post-quarter end with the execution of the cross-border e-commerce agreement with Winhealth Pharma, which is targeting minimum sales of \$3.215 million over an initial two-year term, making it our largest sales agreement executed to date.

“Our ambitions to tap into the rise of plant-based diets led to the launch of our new plant-based edible oils range in May. The range was developed in conjunction with Alibaba, based on market research and forecast trends for its e-commerce platform. Initial uptake for FUNCH on our Tmall Global store has continued to be strong with positive customer feedback on the edible oils and revenue continuing to grow month-on-month.

“Going forward, we are in a strong position with sufficient inventory holdings to fulfil the growing sales pipeline. We will continue to prudently manage our inventory holdings to ensure we have the working capital capacity to execute key initiative across the business to enable the business to continue to grow.”

Australia and New Zealand (ANZ)

The ANZ market continues to require a proactive and responsive approach to managing the Covid-19 pandemic. Despite challenges with ongoing lockdowns continuing to impact foodservice, we have continued to strengthen and grow our business by increasing the accessibility to our brands both in-store and online.

On the back of launching new websites for both *FUNCH®* and *Sensory Mill®* in Q3 FY21, direct revenue from this channel has continued to grow, up 182.6% on Q3 FY21. As the ranges under both brands continue to expand, this online channel is expected to continue to grow and provide both brands with a steady stream of high margin revenue.

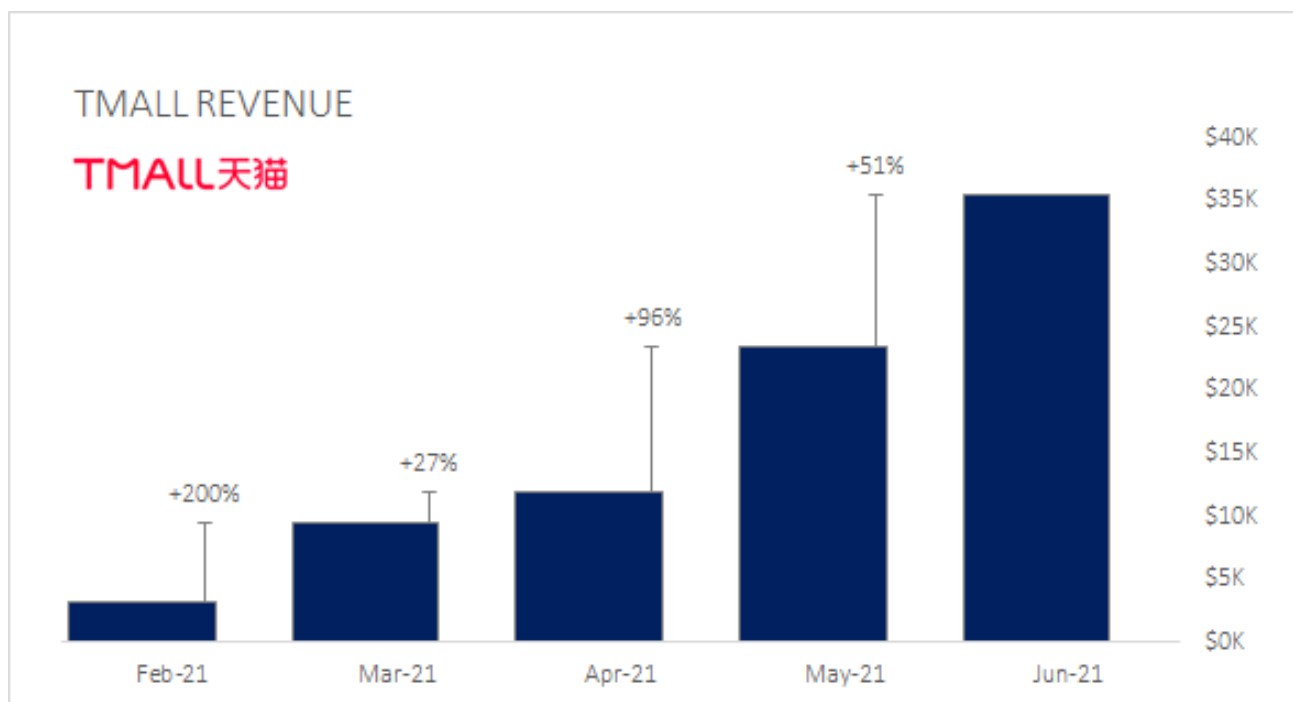
The Company will continue to work on increasing penetration through existing distribution channels and will assess potential ranging opportunities in major supermarkets.

China & South-East Asia

China

The major social policy shift to introduce China’s three-child policy during the quarter is expected to significantly increase the baby food market, which is already growing globally at a rate of 5.4% per annum. The Company is well positioned to take advantage of the baby boom over the medium to long term as one of the only ASX-listed baby food companies shipping into China.

The *FUNCH®* Tmall Global store continues to grow month-on-month, with sales of ~\$71k in Q4 FY21, up 465.7% on Q3 FY21. The short-term focus in the region is to continue building brand awareness and education about the nutritional benefits of the Forbidden Foods products through targeted marketing campaigns. The brand awareness strategy is designed to maximise conversion for the November Double 11 shopping festival in China.



South-East Asia

In early June, the Company announced its entry into the Vietnamese market after signing an exclusive agreement with AusCom International to distribute its *FUNCH*® branded products to supermarkets, baby stores, pharmacies and on local eCommerce marketplaces in the region. Targeting minimum sales of \$3.15 million over an initial three-year term, the Company was pleased to have already secured two purchase orders which have been since shipped to the customers.

To support the Company's recently penned agreement with AusCom International in Vietnam, a *FUNCH*® Vietnam website, *FUNCH*® Vietnam Shopee store and *FUNCH*® Vietnam Facebook page have all been launched immediately capturing an audience in the region.

Innovation

In May, Forbidden Foods released a new range of 100% Australian plant-based edible baby oils targeting the emerging Baby Food Seasoning category. Enhanced by the infusion of DHA Omega-3, the macadamia and walnut oils give rise to multiple health benefits and were created in conjunction with Alibaba's Tmall Global store's market research and consumer demand reports. Initially selling into China and Australia, this new product innovation highlights the benefit of direct consumer engagement via e-commerce channels and strong distribution partner relationships.

Forbidden Foods is currently in the final stages of developing a unique market first, health orientated plant-based meat range of products, targeted for release in Q2 FY22. This range has been diligently formulated to cater for a variety of modern diets expected from millennial consumers such as nutrient density, low sugar, low salt, and non-allergen requirements. The company aims to distribute this straightaway through its existing sales channels and for immediate export. Accompanying the release of these products is an exciting brand refresh of Sensory Mill to ensure it continually evolves to establish itself as one of the key next generation plant-based and healthy meat alternative brands in the international market.

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 Replacement Prospectus dated 21 July 2020.

	Prospectus \$,000	Actual Expenditure \$,000
Sales, marketing, and brand development	3,000	3,121
Administration costs	994	571
Working capital	949	1,171
Costs of the offer	1,057	1,137
Total	6,000	6,000

The funds raised by the Company in the IPO have been fully deployed in the business and are included in the working capital of the business.

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.

For further information, please contact:

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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 consumers, retailers, and food service companies, fulfilled through its distribution partners and via e-commerce across their 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")

30 June 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	1,330	4,324
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(1,195)	(5,793)
	(c) advertising and marketing	(322)	(904)
	(d) leased assets	-	-
	(e) staff costs	(321)	(1,337)
	(f) administration and corporate costs	(33)	(144)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	(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	(541)	(3,707)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(3)	(55)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	(11)	(95)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	(14)	(150)

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)	4,870

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,736	136
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(541)	(3,707)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(14)	(150)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(32)	4,870
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,149	1,149

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	1,149	1,736
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)	1,149	1,736

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	118
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.</i> <i>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	9	-																									
7.2	Credit standby arrangements	-	-																									
7.3	Other (please specify)	120	18																									
7.4	Total financing facilities	129	18																									
7.5	Unused financing facilities available at quarter end		121																									
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" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Facility</th> <th style="width: 15%;">Facility limit \$A'000</th> <th style="width: 15%;">Amount drawn \$A'000</th> <th style="width: 20%;">Interest rate</th> <th style="width: 20%;">Secured</th> </tr> </thead> <tbody> <tr> <td>American Express – Credit cards</td> <td style="text-align: center;">90</td> <td style="text-align: center;">16</td> <td style="text-align: center;">19.99% p.a.</td> <td style="text-align: center;">No</td> </tr> <tr> <td>ANZ – Bank overdraft ¹</td> <td style="text-align: center;">9</td> <td style="text-align: center;">-</td> <td style="text-align: center;">14.55% p.a.</td> <td style="text-align: center;">No</td> </tr> <tr> <td>NAB – Credit cards</td> <td style="text-align: center;">30</td> <td style="text-align: center;">2</td> <td style="text-align: center;">13.25% p.a.</td> <td style="text-align: center;">No</td> </tr> <tr> <td>Totals</td> <td style="text-align: center;">129</td> <td style="text-align: center;">18</td> <td></td> <td></td> </tr> </tbody> </table>			Facility	Facility limit \$A'000	Amount drawn \$A'000	Interest rate	Secured	American Express – Credit cards	90	16	19.99% p.a.	No	ANZ – Bank overdraft ¹	9	-	14.55% p.a.	No	NAB – Credit cards	30	2	13.25% p.a.	No	Totals	129	18		
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	¹ The ANZ bank overdraft limit is NZD \$10,000 and has been converted to AUD in the above table.																											
	The items included as other facilities are the American Express and NAB credit cards.																											

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(541)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,149
8.3	Unused finance facilities available at quarter end (item 7.5)	111
8.4	Total available funding (item 8.2 + item 8.3)	1,260
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.3
	<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 July 2021.....

Authorised by:Board of Directors - Forbidden Foods Limited

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.