

Forbidden Foods Limited ASX: FFF

ASX Announcement

29 October 2021

Acquisition drives international growth; Q1 revenue up 30.4%

Q1 FY22 Quarterly Activities Report

Forbidden Foods Ltd (ASX: FFF) ("Forbidden Foods" or "the Company"), is pleased to provide an update on its activities during the quarter ended 30 September 2021.

Key Highlights

- Revenue of \$1.19m in Q1 FY22, up 30.4% pcp, reflecting strong growth in export markets and repeat customer orders.
- Cash receipts from customers of \$1.24m in Q1 FY22, up 28.0% pcp.
- Completed the acquisition of Blue Dinosaur, a plant-based snack bar company, for up to \$4.0m on a cash-free and debt-free basis.
- Successfully completed a \$5.5m placement to new and existing institutional and sophisticated investors, to fund the acquisition of Blue Dinosaur and accelerate other initiatives
- Launched the 'KID-POW' kids nutrition shakes with first in-store ranging secured throughout Australia via Go Vita's 135+ store network and a simultaneous launch on FUNCH[®]'s own eCommerce channel
- Entered into an exclusive general trade distribution agreement with China-based Orange Group to distribute FUNCH[®] products to over 10,000 stores in Northern and Central China over an initial two-year term
- Secured debt facilities of \$1.25m with Moneytech, significantly increasing the funding available to the company
- Total available funding at 30 September of \$4.90m, allowing the company to continue to execute its growth strategy and development of its plant-based meat range

Forbidden Foods Co-founder and Chief Executive Officer, Marcus Brown said: "It has been a particularly momentous period for the Company as we successfully executed on our first acquisition since listing, bringing the thriving Blue Dinosaur business into our fold. The transaction has provided the opportunity for us to accelerate our international growth, leveraging our existing e-commerce capability and Asian partnerships to enhance distribution in global markets.

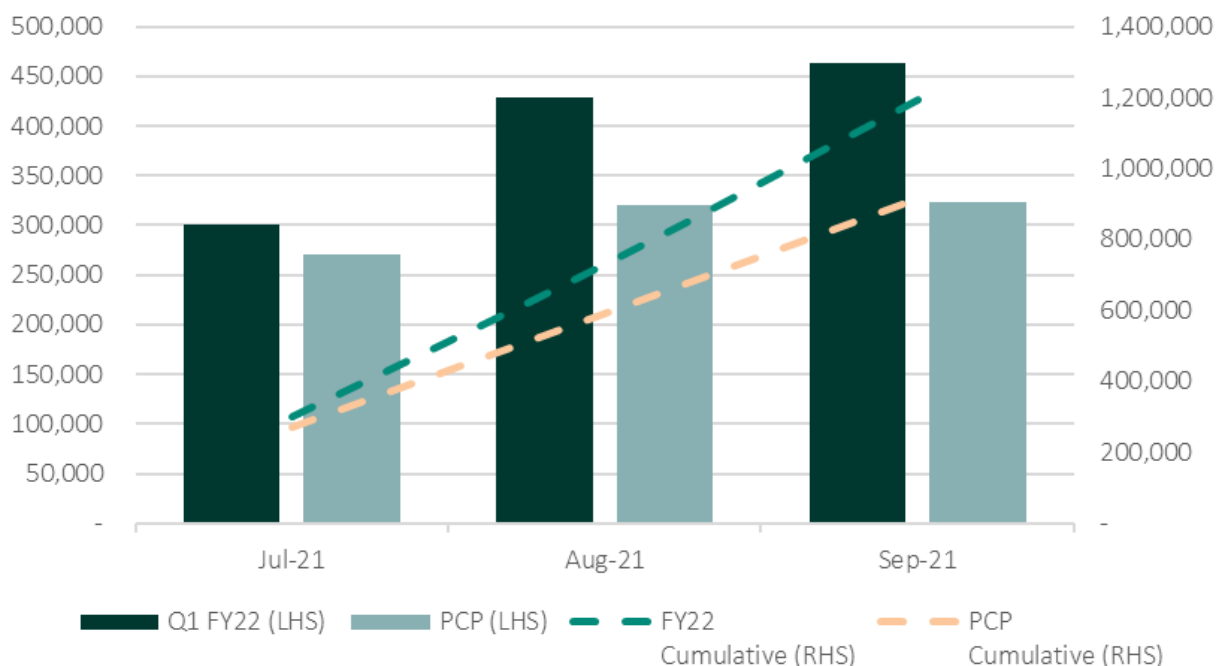
"We have always had a strong focus on product and brand innovation to ensure we evolve with our millennial and young family demographic which was evidenced during the period with the release of our Funch Kid-Pow Kids Shakes. The new range of 100% plant-based shakes has been formulated with children's nutrition and taste in mind - containing plant-proteins, vitamins, minerals, and probiotics which will give children 50% of their recommended daily intake of calcium, which is important for growth & development.

"In the background we have been finalising the development of a unique market first, health orientated plant-based meat range which we look forward to sharing with our customers in Q2. As Australians and consumers globally increasingly chose to eat less meat, we are energised by the opportunity to establish ourselves as one of the key next generation plant-based and healthy meat alternative brands in the international market."

Operational Review

Forbidden Foods is pleased with the results for Q1 FY22 with revenue up 30.4% pcp to \$1.19m, with each month consistently outperforming the prior comparable period. The Company's ability to move quickly during FY21 to establish strong relationships with retail, export and E-commerce customers has been a key success factor in achieving strong revenue growth in Q1 FY22 in comparison to Q1 FY21.

Revenue - Q1 FY22 v PCP



Australia and New Zealand (ANZ)

During the period Forbidden Foods secured product ranging of its FUNCH® and Sensory Mill® brands into Harris Farm Markets network of 26 stores and also ranging into all 135+ Go Vita stores nationally.

As lockdowns end and restrictions ease across Australia and New Zealand, Forbidden Foods anticipates foodservice and bricks & mortar retail revenue will recover as consumer demand for foodservice and quick-service restaurants returns, albeit potentially not to levels seen prior to the COVID-19 pandemic.

China & South-East Asia

The Q1 FY22 performance in China & South-East Asia was particularly pleasing, with multiple export customers reordering, placing their 2nd and 3rd orders during the period, further consolidating our newly established relationships in the region.

Forbidden Foods expects sales from export channels to continue to grow as FUNCH® continues to gain momentum with the brand establishing itself in the respective market. We continue to work with our partners to conduct targeted marketing activities through varying channels to engage consumers and drive sales both in-store and online.

Forbidden Foods expects revenue to continue to grow throughout the region through increased sales of existing products and the development of new products which can be immediately launched through the established channels. The product team continues to work closely with its international partners to develop products to service their customer base. The acquisition of Blue Dinosaur will allow its unique product range to be offered to these same partners, with interest from one distributor to range the brand.

United States

The acquisition of Blue Dinosaur has provided Forbidden Foods with immediate access to the market in the United States.

Blue Dinosaur has established relationships to export products from Australia to the United States whereby products are sold directly in-store and online, including via Amazon.

Forbidden Foods will work with existing partners to promote and grow this market and will deploy resources to address the demands of the market in the United States.

Acquisition – Blue Dinosaur

On 30 September 2021, Forbidden Foods successfully completed the acquisition of Blue Dinosaur Pty Ltd (“Blue Dinosaur”), an engaging health-focused bar and snacking company which resonates strongly amongst the active and health-conscious millennial demographic, for a purchase price of up to \$4.0m on a cash-free and debt-free basis.

The purchase price of up to \$4.0m (inclusive of earnout) comprised the following:

- \$2.0m of the purchase price as cash consideration at completion of the acquisition
- \$1.2m of ordinary fully paid shares in Forbidden Foods issued at completion of the acquisition. Shares priced at the volume weighted average price (“VWAP”) of Forbidden Foods shares for the five (5) ASX trading days prior to the date of the Share Purchase Agreement. Shares escrowed in one third portions over 12, 18 and 24 months.
- An earnout of \$0.8m to be paid in cash subject to Blue Dinosaur achieving minimum revenue of \$3.75m within twelve months from completion.



The \$2.0m completion payment cleared on 1 October 2021. The \$1.2m of ordinary shares in Forbidden Foods resulted in the issue of 4,166,667 shares on 1 October 2021, representing an issue price of \$0.288 per share.

Since completion, the founder-led team at Blue Dinosaur has seamlessly integrated with the Forbidden Foods team, with both teams benefitting from shared strengths and knowledge.

Forbidden Foods has made immediate changes which have resulted in significant cost savings realised through the improvement of processes and reduction of duplicate overhead tasks with these now serviced through Forbidden Foods existing head office operations.

With an established domestic distribution network, the strategic focus for Blue Dinosaur over the next twelve months will be to capitalise on existing domestic sales channels and expand this offering in export markets with the initial focus to deploy the new branding to the United States market.

Innovation

Accelerated release of Tiny Drops

In May 2021, Forbidden Foods announced the release of a new range of enhanced plant-based edible baby oils under the FUNCH® brand targeting the emerging baby food seasoning category.

Since the initial launch of the 250ml bottles, the 250ml bottles have become the number one selling product through Forbidden Foods' e-commerce Tmall Global store.

On the back of the initial success of the 250ml bottles, Forbidden Foods accelerated the release 'Tiny Drops', which are 50ml droppers specifically designed for convenience for parents to add to infant and toddler's meals.



Launch of 'KID-POW' shakes

In September 2021, Forbidden Foods launched its new range of 100% plant-based 'KID-POW' kids nutrition shakes.

The new range of 100% plant-based shakes have been carefully formulated with children's nutrition and taste in mind, with the range including three different flavours: Chocolate, Vanilla, and Caramel. The innovative range was designed to service the demand from health-conscious parents for more children's nutritional food products to solve several nutritional shortfalls in children's diets that food choices alone are unlikely to resolve.¹

Forbidden Foods secured an initial launch partner in Go Vita, Australia's largest health food group and a leader in health & wellness retail, to launch the range across its 135+ store network in Australia, giving the range significant visibility to the core target customer demographic for FUNCH®. Forbidden Foods also simultaneously launched the 'Kid-Pow' shakes through its own eCommerce store and will pursue distribution through other existing sales channels, both domestic and international.



Plant-based meats

Forbidden Foods has made significant advancements with the development of the range of plant-based meats to be released under the Sensory Mill® brand.

The final recipes have been completed with each product 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 products will now move from the development phase to production with the expected release date to be late Q2 FY22.

In anticipation of the launch of the range of plant-based meats, Sensory Mill® will be rebranded to align to the targeted demographic of the plant-based range of products. The rebrand will be released to market simultaneously with the range of plant-based meats.

Sustainable Compostable Packaging

Post-quarter end, Blue Dinosaur became the first major Australian snack bar brand to implement home compostable wrappers with the release of its new Custard Bar. The bar wrapper is 100% organic, plant-based packaging which has been tested to decompose in home compost bins in 26 weeks, leaving no toxic residues in the soil. Over time, Blue Dinosaur will roll out compostable packaging across all existing products in their portfolio.



With the future of packaging strongly heading towards all home compostable alternatives, major retailers are phasing out single use plastics and some states in Australia are banning their use entirely. Forbidden Foods believes that the socially active Millennials who consume its products will be imminently demanding this from the brands they consume. The Company is excited for Blue Dinosaur to be a first mover in the space, with no other brand or product in the FMCG space or in a Major Grocery making the transition.

Corporate

Placement and Share Purchase Plan

On 10 September 2021, the Company announced it had received binding commitments from a range of new and existing institutional and sophisticated investors to subscribe to an equity placement ('Placement') of \$5.5m at an issue price of \$0.24 per share.

The Placement was conducted in two tranches, which comprised the following:

- Tranche 1 – approximately \$3.50m (14.58m shares) under Listing Rule 7.1 and 7.1A Placement capacity; and
- Tranche 2 – approximately \$2.00m (8.33m shares) subject to shareholder approval at the 2021 Annual General Meeting (AGM).

The Company also conducted a Share Purchase Plan, at the same price as the Offer, raising total proceeds of \$316,500.

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 \$130,000 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 company focusing on the infant & toddler and health & wellness plant-based markets. The Company was established with a vision to provide the very best foods to meet consumer demand for clean, sustainable, plant-based and healthy products. The business sells products via its three brands – Blue Dinosaur[®], FUNCH[®] and Sensory Mill[®]