

Forbidden Foods Limited ASX: FFF

ASX Announcement

31 January 2022

Acquisition drives growth with record revenue and cash receipts

Q2 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 31 December 2021.

Key Highlights

- *Record quarterly revenue of \$2.04m, up 96.7% vs the prior corresponding period (pcp) with record cash receipts of \$1.90m, up 99.7% vs pcp. The acquisition of Blue Dinosaur contributed \$753k in revenue and \$684k in cash receipts for the quarter*
- *The integration of Blue Dinosaur is achieving strong operational and financial performance, generating positive operating cash flow in the first quarter since acquisition*
- *Record high margin eCommerce revenue of \$324k in the quarter, up 630% vs pcp. The eCommerce distribution channels represented 15.8% of group revenue in Q2 FY22 compared to 4.3% in Q2 FY21*
- *Strong demand from Asian distribution channels with over \$113k in repeat orders received from our distribution networks in China and Vietnam during the quarter. Ongoing revenue from these distribution networks reflects strong consumer demand for our products in these rapidly growing markets*
- *Due to COVID, and its impact on supply chains, major retailers have deferred new product launches to ensure the availability of existing product ranges, delaying the ranging of our plant-based meat range to early CY2022*
- *Operating cash flows improved by \$839k in Q2 FY22 vs Q2 FY21 with cash used in operating activities totalling \$827k. Operating cashflow outflow for the quarter was a result of continued inventory and new product build ahead of future sales growth*
- *As part of our commitment to the environment and food sustainability, the Company has initiated a process to become Carbon Neutral by the end of 2022*
- *Strong balance sheet with \$2.95m cash in bank, \$2.86m of inventory and an additional \$1.36m in unused financing facilities*

Forbidden Foods Co-founder and Chief Executive Officer, Marcus Brown said: *“The Company had an outstanding quarter, successfully integrating the Blue Dinosaur business into the Forbidden Foods group, achieving increased distribution for our brands into a growing list of prominent retailers, and further solidifying our relationships with key domestic and international customers.*

“The acquisition of Blue Dinosaur has resulted in a meaningful increase in our scale and revenue levels. The integration is progressing ahead of expectations with cross sell and brand identity opportunities across our complementary distribution networks.

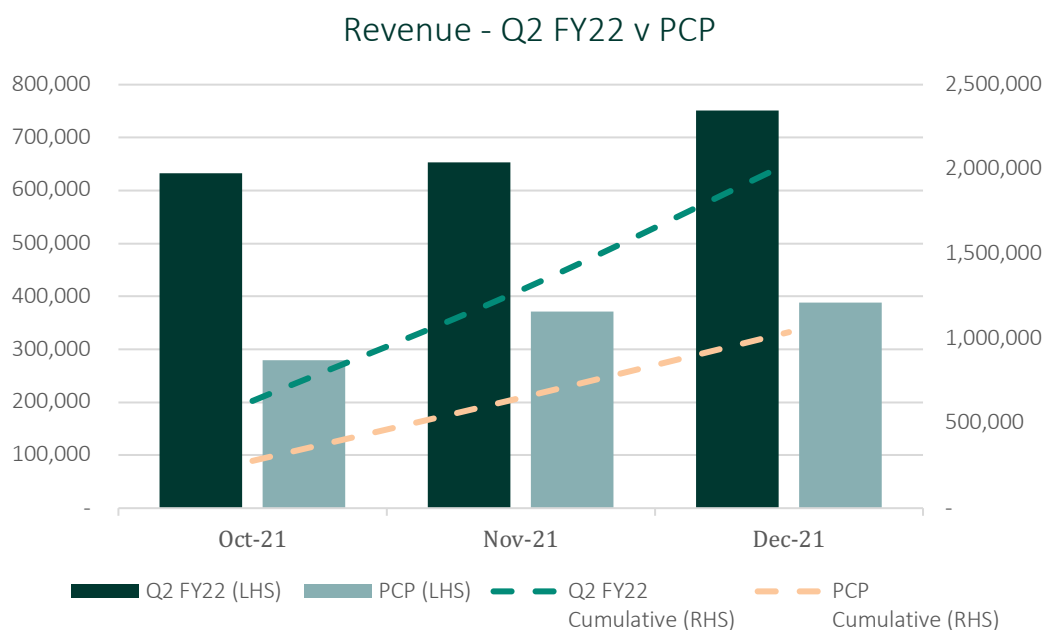
“Digital and eCommerce sales during the quarter were particularly pleasing and validate the investment of resources we have made over the last 12 months to grow the digital side of our business. This continues to be an integral part of our growth strategy.

“As the plant based and natural food product markets continue to grow in consumers consciousness, Forbidden Foods is rapidly establishing ourselves as an industry leader. With a recognised and growing product range and a strong balance sheet, we are well positioned to meet the growing demand and drive returns for our shareholders.”

Quarterly Financial Highlights

December quarter revenue of \$2.04m and cash receipts of \$1.90m (unaudited), bolstered by the acquisition of Blue Dinosaur. Momentum within the business was strong with month-on-month growth recorded through the period.

Blue Dinosaur’s performance for the quarter was in line with the Company’s expectation immediately after acquisition, contributing \$753k in revenue and \$684k in cash receipts. (see Operational Review for further update on Blue Dinosaur performance).



Key sources and utilisation of cash for the period included:

- Customer receipts of \$1.90 million;
- Settlement of Tranche 2 of the Placement and the Share Purchase Plan of \$2.17 million, net of cost related to the issue; and
- Payment for the acquisition of Blue Dinosaur of \$1.80 million, net of cash received upon completion.

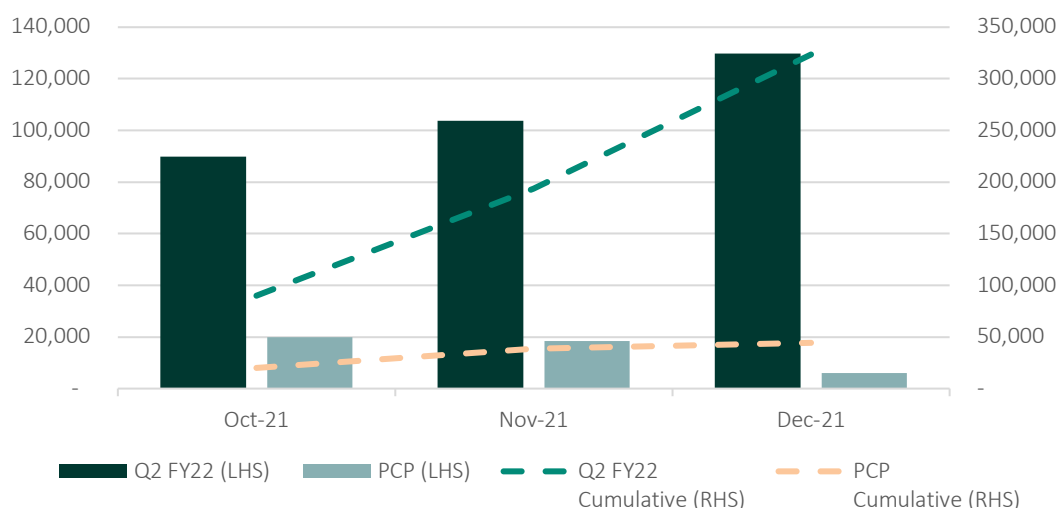
The Company finished the quarter with cash of \$2.95 million and unused financing facilities of \$1.36 million.

Operational Review

The combined growth of the Company's brands through digital channels has contributed significantly showing very strong growth in digital revenue, achieving 630% net sales growth in Q2 FY22 over Q2 FY21, with consistent month-on-month growth during the quarter. Blue Dinosaur contributed \$99k in digital revenue highlighting the upside opportunity of placing Blue Dinosaur through our digital marketing channels.

The attractive growth over the last 12 months in digital revenue solidifies the Company's digital strategy and is a direct result of investments made over the previous 12 months building first-class websites, driving customers to engage with our brands, and ensuring B2C orders a fulfilled efficiently.

Digital Revenue - Q2 FY22 v PCP



The Company continues to build on its momentum from recently signed distribution channels withing the large and rapidly growing Asian baby and health food markets. Key updates include:

- **Winhealth Pharma (China):** Exclusive \$3.2m cross border e-commerce distribution agreement was signed in July (ref ASX release 2 July 2021). The Company has received multiple orders for a range of FUNCH® with sales to 31 December totalling approximately \$163k.
- **Orange Group (China):** Exclusive general trade distribution agreement (ref ASX release 31 August 2021). The Company has received multiple orders for a range of FUNCH® with sales to 31 December totalling approximately \$55k.

- **Shanghai Qia Ken Technology Company** (China). The Company entered into a distribution agreement with the customer to distribute the Sensory Mill® Apple Cider Vinegar range through general trade in China with a sales target for FY22 of \$54k. The Company is pleased to have already surpassed this threshold already fulfilling orders totalling \$90k.
- **AusCom International** (Vietnam): Exclusive agreement for distribution into Vietnam. Sales total \$47k with target of a minimum of \$3.15m over a 3-year term.

The initial results from our recently established relationships with our export partners are exceptionally pleasing and reflect the growing demand for natural and health based products in the Asian markets. We anticipate the relationships will continue to grow as the brands build their reputation in each respective market, delivering future growth optionality for the Company.

Blue Dinosaur®

During the quarter, EG Group agreed to extend the Blue Dinosaur range through EG Group's 500+ fuel and convenience sites nationally from 1 line to 3 lines showing the increasing popularity of the brand. This change will be reflected in store by February 1st, 2022.

After the end of the quarter, Blue Dinosaur also secured the successful ranging of 3 products with Pharmacy 4 Less for all 100 stores in their Australia-wide network.

The international focus for the Blue Dinosaur brand over the remainder of the financial year will be to evolve the brand in the United States. The Company will be exhibiting the Blue Dinosaur brand at Expo West in Anaheim, California, in March 2022. The Expo West exhibition will expose the brand to approximately 55,000 to 60,000 attendees, with buyers expected to make up 60% of that total.

FUNCH®

During the quarter, FUNCH launched 3 new products to its customers in China & Vietnam including FUNCH® Apple Baby Puree & FUNCH® Pear Baby Puree. The extension on the FUNCH® Puree range was driven through customers demanding line extensions resulting in the sale of 29 pallets of the 100% Australia baby apple & pear puree which were delivered to customers in Vietnam & China during the quarter.

After the initial launch of the 'KID-POW' kids nutrition shakes range in September 2021, the shakes have sold well through the eCommerce channels.

Sensory Mill®

Sensory Mill launched its Sensory Mill® Australian Apple Cider Vinegar in China, selling 20 pallets to a new partner supporting this line in China. Demand for Apple Cider Vinegar is increasing during the pandemic as consumers shifted further into healthier food options.

The demand from the foodservice channel continues to be lower than historical demand. The Company continues to assess the strategic importance of the foodservice channel as the working capital intensity and low margin revenue do not align with the strategic goals of the Company. To date, the Company has managed to substitute the downturn in foodservice revenue with higher margin revenue from other sources to ensure continued growth.

Innovation

Plant-based meats

The company is currently awaiting final ranging decisions with major retailers for its first four key alternative meat products - Chicken, Pork, Beef and a Burger mix. Due to COVID, and its impact on supply chains, major retailers have delayed new product launches to ensure the availability of existing product ranges. New store ranging's are likely to return in coming months and the Company anticipates having further updates during the quarter to comment the progress of our alternative plant-based meat products.

The business will bolster its ecommerce B2C growth with the launch of these alternative meat products online and in tandem with key retailer partnerships.

Environmental, Social, and Governance (ESG) and Carbon Neutral

Forbidden Foods has implemented a robust framework for assessing existing policies for the measurement and impact of operations against set ESG and sustainability criteria. The company has engaged ESG Consultants, Cress Consulting, to assist develop and audit the operations of the company. Initial audits that have shown Forbidden Foods has been conducting business positively against initial measurements.

The company will continue to develop our ESG practices to ensure we deliver our product to our customers in a sustainable, environmentally friendly, and socially conscious manner. We believe sustainability and social conscious is an important purchasing consideration for our core consumer demographic and we will continue to be transparent in our communications to the market and ensure our plans meet the ESG operating standards expected.

As part of our commitment to the environment and food sustainability, the Company has initiated a process to become Carbon Neutral by the end of 2022.

Corporate

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.

For further information, please contact:

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Craig Sainsbury

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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[®]

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 December 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers		1,897	3,141
1.2 Payments for			
(a) research and development		-	-
(b) product manufacturing and operating costs		(1,767)	(2,976)
(c) advertising and marketing		(344)	(666)
(d) leased assets		-	-
(e) staff costs		(578)	(983)
(f) administration and corporate costs		(35)	(87)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		-	-
1.5 Interest and other costs of finance paid		-	-
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		-	-
1.8 Other (provide details if material)		-	-
1.9 Net cash from / (used in) operating activities		(827)	(1,571)
2. Cash flows from investing activities			
2.1 Payments to acquire or for:			
(a) entities		(1,797)	(1,797)
(b) businesses		-	-
(c) property, plant and equipment		(50)	(55)
(d) investments		-	-
(e) intellectual property		-	-
(f) other non-current assets		(35)	(35)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	3	3
	(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)	(23)	(97)
2.6	Net cash from / (used in) investing activities	(1,902)	(1,981)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,316	5,816
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	(149)	(400)
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)	(33)	(66)
3.10	Net cash from / (used in) financing activities	2,134	5,350

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,542	1,149
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(827)	(1,571)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,902)	(1,981)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,134	5,350
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,947	2,947

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	2,947	3,542
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)	2,947	3,542

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	130
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	1,260	-																																								
7.2	Credit standby arrangements	-	-																																								
7.3	Other (please specify)	125	23																																								
7.4	Total financing facilities	1,385	23																																								
7.5	Unused financing facilities available at quarter end		1,362																																								
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;">95</td> <td style="text-align: center;">19</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;">10</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;">4</td> <td style="text-align: center;">13.25% p.a.</td> <td style="text-align: center;">No</td> </tr> <tr> <td>Moneytech:</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Debtor finance</td> <td style="text-align: center;">1,000</td> <td style="text-align: center;">-</td> <td style="text-align: center;">7.24% p.a.</td> <td style="text-align: center;">Yes</td> </tr> <tr> <td>Trade finance</td> <td style="text-align: center;">250</td> <td style="text-align: center;">-</td> <td style="text-align: center;">7.65% p.a.</td> <td style="text-align: center;">Yes</td> </tr> <tr> <td>Totals</td> <td style="text-align: center;">1,385</td> <td style="text-align: center;">23</td> <td></td> <td></td> </tr> </tbody> </table>			Facility	Facility limit \$A'000	Amount drawn \$A'000	Interest rate	Secured	American Express – Credit cards	95	19	19.99% p.a.	No	ANZ – Bank overdraft ¹	10	-	14.55% p.a.	No	NAB – Credit cards	30	4	13.25% p.a.	No	Moneytech:					Debtor finance	1,000	-	7.24% p.a.	Yes	Trade finance	250	-	7.65% p.a.	Yes	Totals	1,385	23		
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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)	(827)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,947
8.3	Unused finance facilities available at quarter end (item 7.5)	1,362
8.4	Total available funding (item 8.2 + item 8.3)	4,309
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	5.2
	<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.

31st January 2022

Date:

The Board of Directors of Forbidden Foods Limited

Authorised by:

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.