

Forbidden Foods Limited ASX: FFF

ASX Announcement

29 July 2022

# Multiple secured rangings and successful product trials to drive FY23

## Q4 FY22 Quarterly Activities Report

Forbidden Foods Ltd (ASX: FFF) ("Forbidden Foods" or "the Company"), provides an update on its activities during the quarter ended 30 June 2022.

### Key Highlights

- Quarterly revenue of \$1.58m, up 31.0% on the prior corresponding period (pcp) with cash receipts of \$1.83m, up 37.2% on pcp
- Cash used in operations reduced to \$51k, improving by \$631k on the previous quarter
- E-commerce channel revenue continues momentum to account for 12.8% of total revenue, generating \$203k in revenue for the quarter, up 57% pcp
- Blue Dinosaur<sup>®</sup> successfully completed manufacturing trials in the United States for its snack bar range and is proceeding with full production
- After period end, Blue Dinosaur<sup>®</sup> secured national ranging of three of its snack bites into 350 Coles supermarkets commencing 31 October 2022. Annual revenue estimated to be over \$300,000
- Blue Dinosaur<sup>®</sup> expanded into Malaysia with ranging secured at selected Cold Storage & Mercato Supermarkets. Agreement with distributor targets total sales of \$810,000 by 20 June 2024
- Forbidden Foods launches innovative, long shelf-life range of functional plant-based meats under its Sensory Mill<sup>®</sup> brand. The range includes a plant-based minced pork, beef and chicken offering and a plant-based burger mix
- Appointed a new independent Chair and two new non-executive directors on 1 July with significant experience in FMCG sales and growing brands to provide the skill set and experience to support the Company's management team and accelerate growth initiatives

**Forbidden Foods' Chief Executive Officer, Marcus Brown said:** "This past quarter, Forbidden Foods has continued to build strong momentum within its multi-premium brand offering, diversifying revenue streams, and expanding operations. We are seeing the positive results of moving our focus away from traditional high working capital and low-margin revenue sources, and into branded retail, e-commerce, and export sales.

*“The launch of the functional plant-based meats range, under the Sensory Mill brand, meets the need for an increase in demand of healthy protein options, which traditional meat farms may not be able to address. This opens more avenues into the market of younger consumers and bolsters the Company’s e-commerce revenue.*

*“Blue Dinosaur saw its orders and revenue significantly increase over the past quarter. This resulted in an expansion of the Blue Dinosaur range across Australia, Asia, and the US. Blue Dinosaur is laying the pathway for Forbidden Foods’ other premium brands to grow in key markets, and to increase the Company’s revenue.*

*“The additions of Anthony Rowlinson, Katie Eshuys, and Justin O’Sullivan to the team increases the Company’s significant industry experience, and ensures that Forbidden Foods builds its brands in its respective markets and increase its distribution points, while advancing and creating new opportunities. With strong product sales and a growing opportunity in the North American market, the Company is well placed to continue to drive innovative product development and sales leading to continued revenue growth in to FY23 and beyond.”*

## Quarterly Financial Highlights

Key outcomes include:

- Quarterly revenue of \$1.58m, up 31.0% pcp
- Quarterly digital revenue exceeded \$200k for the second consecutive quarter
- Operating cash flows improved on the previous quarter by \$631k to near breakeven, with cash used in operating activities totalling \$51k.
- Cash and cash equivalents at the end of the quarter totalled \$2.30m

## Operational Review

Forbidden Foods has shifted its focus to branded retail, e-commerce, and export sales, as it continues to see lower demand from foodservice channels that supply bulk raw materials to restaurants and food manufacturers for further use. The foodservice channel for Forbidden Foods has high working capital intensity and low margin revenue, therefore it does not align with the strategic goals of the Company. Forbidden Foods anticipates it will substitute the reduction in foodservice revenue with higher margin revenue from other sources to ensure continued growth.

The COVID-19 pandemic, among other macro events, continue to impact global supply chains with ongoing cost increases for freight and raw materials. Forbidden Foods continues to address these through diversification of its manufacturing and freight partners.

The Company is also in the process of securing Halal certifications for specific lines. Halal Certification refers to food items and beverages that are strictly prepared according to the rules underlined by the Islamic dietary law. Once received, the Halal Certification will further open sales opportunities in Malaysia and other countries where Halal Certification is required.

## Blue Dinosaur<sup>®</sup>

The Australian online flagship store for Blue Dinosaur<sup>®</sup> has experienced its biggest quarter to date, with orders up 96% on pcp and revenue up 46% on pcp. Blue Dinosaur also soft launched its dedicated online store in the US as it can now fulfill orders from stock residing in the US. The business sees this as a significant step in supporting the brand in market with an Amazon store expected to follow.

The Company also completed successful product trials of 4 SKUs to be manufactured and sold in the US. The trials were conducted at a manufacturing facility in the US, with the first full production run scheduled in late August 2022. The successful trials mark a milestone for the Company as the ability to manufacture in the US will avoid the Company having to absorb additional working capital, international freight costs and will allow the Company to readily fulfil customer demand in the US market.



*Blue Dinosaur<sup>®</sup> product trials coming off the line in the US facility*

In May, Forbidden Foods announced its new partnership with Uway, with Uway distributing Blue Dinosaur<sup>®</sup> bars in Malaysia; having secured ranging at selected Cold Storage and Mercato supermarkets. Uway, through its partner H&W food, are targeting total sales of \$810,000 by 30 June 2024. The agreement was already supported by an initial purchase order of \$30,000.

After quarter end, Forbidden Foods secured national ranging for the Blue Dinosaur® plant-based 'Bites' range in Coles Supermarkets across its 350 Australian stores from 31 October 2022. The 3 x 30g 'Bites' to be sold include Chocolate Brownie, White Chocolate, and Cheesecake Base, and will be placed in the "Grab n Go" section at the front of Coles stores, providing Blue Dinosaur® excellent point of sale exposure. It is anticipated to generate revenue of \$300,000 within 12 months of being on shelf.



*Blue Dinosaur® Hand-Baked Bites Range*

## FUNCH®

The Australian flagship online store for FUNCH® continues its momentum with over 2000 orders shipped to Australian families during Q4 FY22. The brand achieved its largest digital revenue quarter to date in Australia, closing the quarter 71% up on the pcq.

From 1 July 2022, FUNCH has implemented international shipping options with both Australia Post and UPS. This improvement in delivery services will help international customers shop with ease. The improved delivery service will also assist Forbidden Foods in proactively testing and targeting larger international markets like the US & UK where FUNCH has trademarks.

During Q4 FY22, Forbidden Foods had meetings with each of its China-based distribution partners to better understand recent trading conditions during COVID-19 impacts and prepare a FY23 growth plan. Whilst there are challenges to work through, Forbidden Foods is working positively with its partners including expanding the FUNCH range further to meet the opportunities presented to the Company.



## Sensory Mill®

Sensory Mill® launched its range of ambient plant-based meats which include minced pork, beef, chicken, and a plant-based burger mix. The range is made entirely from plants, and without GMOs, soy, wheat, or gluten.

Plant-based meats are a rapidly growing sector of the broader food market aimed at addressing the world's increased demand for protein foods from a shrinking farming ecosystem.

The plant-based food market is currently estimated at US\$7.4bn globally and is expected to grow at a 15% CAGR over the next 5 years.<sup>1</sup>

The range, which launched end of May, has been sold online and into the Company's independent distribution channel. Forbidden Foods continues to seek strategic partners in major retail and export.

The Sensory Mill brand was also given a renewed look which has been rolled out across all customer touch points. The e-commerce infrastructure was also enhanced to give customers the very best experience online.



*Sensory Mill® Plant-Based Meats Range*

## Corporate

### Board Appointment

To accelerate sales and brand penetration in Australia and the US, Forbidden Foods appointed three new board members in Anthony Rowlinson (Chair), Katie Eshuys and Justin O'Sullivan (independent non-executive directors) on 1 July. These three board members have extensive FMCG experience and the necessary mix of skills to add value to the next stage in Forbidden Foods growth strategy.

- Anthony Rowlinson has extensive international experience in senior executive roles in many leading FMCG companies including Simplot, Coca Cola, International Paper and Bristol Myers in Australia, the United Kingdom, and Southern Africa. He has a strong record of effective leadership across key business functions, whilst demonstrating the ability to engage and build a strong rapport with major customers and other key stakeholders.

<sup>1</sup> The Insight Partners, Plant Based Meat Product Market Size, 18<sup>th</sup> May 2022

- Katie Eshuys is an experienced executive in the global food and beverage industry, specialising in scaling emerging brands and delivering global revenue growth with a passion for ushering in the next wave of bold, innovative CPG products, and continuing to accelerate global expansion for high growth brands.
- Justin O'Sullivan is an experienced international FMCG business manager with a demonstrated history of developing sophisticated sales and marketing strategies, whilst building strong teams. Justin is currently Head of Operations and a member of the Australian leadership team at Red Bull Australia.

Mark Hardgrave resigned as Chair and non-executive director Colleen Lockwood also resigned.

## 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
<b>Total</b>	<b>6,000</b>	<b>6,000</b>

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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Chief Executive Officer

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#### Craig Sainsbury

Investor & Media Enquiries

[craig.sainsbury@marketeye.com.au](mailto:craig.sainsbury@marketeye.com.au)

### 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<sup>®</sup>, FUNCH<sup>®</sup> and Sensory Mill<sup>®</sup>

## 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 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,825	6,571
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(956)	(5,249)
(c) advertising and marketing	(441)	(1,501)
(d) leased assets	-	-
(e) staff costs	(528)	(2,067)
(f) administration and corporate costs	(21)	(126)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(9)	(11)
1.6 Income taxes paid	(6)	(6)
1.7 Government grants and tax incentives	85	85
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(51)</b>	<b>(2,304)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	(1,584)
(b) businesses	-	-
(c) property, plant and equipment	-	(60)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(20)	(91)

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	-	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)	-	(97)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(20)</b>	<b>(1,829)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	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	-	(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)	(132)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(33)</b>	<b>5,284</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,403	1,149
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(51)	(2,304)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(20)	(1,829)



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)	(33)	5,284
4.5	Effect of movement in exchange rates on cash held	(2)	(3)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,297</b>	<b>2,297</b>

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	2,297	2,403
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,297</b>	<b>2,403</b>

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>		

<b>7.</b>	<b>Financing facilities</b> <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>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>																																													
7.1	Loan facilities	1,259	118																																													
7.2	Credit standby arrangements	-	-																																													
7.3	Other (please specify)	108	59																																													
7.4	<b>Total financing facilities</b>	1,367	177																																													
7.5	<b>Unused financing facilities available at quarter end</b>		1,190																																													
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;">53</td> <td style="text-align: center;">53</td> <td style="text-align: center;">19.99% p.a.</td> <td style="text-align: center;">No</td> </tr> <tr> <td>ANZ – Bank overdraft <sup>1</sup></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>CBA – Credit card</td> <td style="text-align: center;">25</td> <td style="text-align: center;">2</td> <td style="text-align: center;">20.74% 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;">(46)</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;">164</td> <td style="text-align: center;">7.65% p.a.</td> <td style="text-align: center;">Yes</td> </tr> <tr> <td><b>Totals</b></td> <td style="text-align: center;"><b>1,367</b></td> <td style="text-align: center;"><b>177</b></td> <td></td> <td></td> </tr> </tbody> </table>	Facility	Facility limit \$A'000	Amount drawn \$A'000	Interest rate	Secured	American Express – Credit cards	53	53	19.99% p.a.	No	ANZ – Bank overdraft <sup>1</sup>	9	-	14.55% p.a.	No	CBA – Credit card	25	2	20.74% p.a.	No	NAB – Credit cards	30	4	13.25% p.a.	No	Moneytech:					Debtor finance	1,000	(46)	7.24% p.a.	Yes	Trade finance	250	164	7.65% p.a.	Yes	<b>Totals</b>	<b>1,367</b>	<b>177</b>				
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	<sup>1</sup> 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.																																															

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(51)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,297
8.3	Unused finance facilities available at quarter end (item 7.5)	1,190
8.4	Total available funding (item 8.2 + item 8.3)	3,487
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	68.4
	<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: 29th July 2022 .....

Authorised by: The Board of Directors of 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.