

Forbidden Foods Limited ASX: FFF

ASX Announcement

28 April 2023

## Q3 FY2023 Quarterly Activities Report: Strong operational progress continued with leading Blue Dinosaur<sup>®</sup> brand

### Key Highlights

- *First shipment of Blue Dinosaur<sup>®</sup> products to US retail groups completed via distribution partner, KeHE*
- *Central Market, part of the HEB group in the US, secured as a new banner store with 10 high volume supermarkets which generate over US\$330 million in revenue*
- *Kum & Go, one of the US's largest convenience and gas station chains, operating 400 stores in 13 states has been secured as a new customer for Blue Dinosaur<sup>®</sup>*
- *150+ independent supermarkets now ordering Blue Dinosaur<sup>®</sup> through KeHE in the USA with purchase order volumes growing quickly*
- *Discussions with other major US retail groups continue to advance pleasingly – additional stockists pending as brand awareness in the USA grows*
- *Australian brand awareness of Blue Dinosaur continues to grow – WHSmith Australia agreement increases ranging with the major travel retail group by 57%*
- *Separate agreement with Lagardère Travel Retail ("Lagardère") secured – Lagardère to stock 8 Blue Dinosaur<sup>®</sup> products across all major Australian airports*
- *Post quarter end, Chief Financial Officer Mr Sam Fraser announced his resignation from the role. Mr Fraser's CFO duties are being distributed among the current team and he is assisting the Company with handover duties*

Forbidden Foods Ltd (ASX: FFF) ("Forbidden Foods" or "the Company") is pleased to provide the following overview of activities undertaken during the three-month period ended 31 March 2023 (the "quarter").

### Management commentary:

Forbidden Foods' Chief Executive Officer, Marcus Brown said: "We are pleased to present this quarterly trading update, which highlights ongoing progress the Company has made in the execution of its multi-jurisdictional growth strategy, led by sales of its leading Blue Dinosaur product range in the US and Australia. During the March quarter, Forbidden Foods continued to establish its foothold in the lucrative US consumer market, with an expanded distribution footprint and the first shipment of products through KeHE, one of the Company's major distribution partners. As the group's operations become more streamlined, we are focused on driving revenue growth while also implementing cost-reduction initiatives across our manufacturing, distribution and marketing divisions. We're excited by the ongoing traction the Blue Dinosaur product range continues to gain in US markets, and look forward to reporting on additional purchase orders and new stocking agreements with major distribution partners in the quarters ahead."

## Operational Review

### Continued operational progress in the US:

During the period, the Company continued to make pleasing progress through its Blue Dinosaur® product line in the US market.

This was especially highlighted by the Company's first shipment Blue Dinosaur® products to US retail partners. fulfilment was carried out through Forbidden Foods' distribution partner KeHE Distributors, one of the largest distribution conglomerates in the US with a national client network of more than 30,000 stores (refer ASX Announcement 19 September 2022).

The first shipment marks a major milestone and validation of the Company's strategy to source distribution partners with established footholds in the US market, and also served to consolidate its end-to-end logistics network, setting it up with on-ground expertise to ramp up distribution for future orders. The Company is confident that this will result in decreased freight costs, an optimised supply chain and stronger gross margins for US sales.

Further to the first shipment of products in the US, the Company continued to advance discussions and submissions with additional retail groups. Forbidden remains in ongoing negotiations with a range of large US retail groups and anticipates additional purchase orders in the coming months.

Forbidden also increased its marketing and business development initiatives through participation the KeHE Summer Show, a major food industry trade show that connects suppliers with retailers in the US market.

Forbidden Foods management also had the opportunity to meet with several key retailers who showed significant interest in the Company's products at the KeHE event. These meetings facilitated strong connections with new distribution partners, which are expected to contribute to broader distribution and sales growth over the coming months.

### Increased Australian distribution footprint:

Forbidden Foods continued to make a number of in-roads in the Australian market, which resulted in new and increased ranging opportunities announcement subsequent to the end of the period.

Post quarter end, the Company extended its ranging with WHSmith Australia ("WHSmith"). WHSmith a leading global retailer in convenience and are known to be a quick, one-stop-shop solution for the world's travelling customer with over 1,300 stores across the globe, including operating over 50 stores in Australia which are predominantly located in Australia's major airports.

Under the revised agreement with WHSmith, Forbidden Foods increased its ranging by 57%, growing total Blue Dinosaur® stockkeeping units (SKU) sold with the retailer from 7 to 11. The Company has also agreed to progress a targeted promotional program with WHSmith along with other marketing initiatives including preferential product placement to accelerate sales in-store. Further details on the development can be found in the Company's ASX announcement dated 3 April 2023.

Broadening the Company's exposure to the travel sector, Forbidden Foods also secured nationwide ranging for Blue Dinosaur® with Lagardère Travel Retail ("Lagardère").

Lagardère is a global leader in the travel retail industry, operating over 5,000 stores across 42 countries specialising in offering customers and partners a unique experience, which includes 150 retailers across Australia and New Zealand under core store banners including NewsLink, Relay and Watermark amongst others, located across 26 airports.

Lagardère will become a major stockist of Blue Dinosaur<sup>®</sup>, agreeing to range an initial 8 SKUs, including a combination of snack bars, protein bars, peanut butter bars and bite size products. The agreement directly complements the Company's expanded ranging with WHSmith and will ensure the Company's products are exposed to more than 11.5m monthly passengers through the top 20 airports across Australia.

## Financial and corporate overview:

### Cash receipts and cost reduction initiatives:

During the quarter, the Company placed a focus on maintaining high quality revenue while concurrently implementing several cost-reduction initiatives to improve net operating cash flows. Cash receipts from customers exceeded \$1m in the quarter, while material reductions in production costs, advertising and marketing spend and employee expenses resulted in a collective cost reduction of more than \$630,000 compared to the prior quarter. The Company expects to further drive growth in cash receipts during the high-demand USA summer period while maintaining a disciplined focus on cost management in Q2 CY2023. Purchase order activity in the first month of the June quarter is indicative of that strong growth trend.

### Board and management changes:

During the period, Mr Justin O'Sullivan tendered his resignation as a Non-Executive Director. Mr O'Sullivan was instrumental in the Company's strategic shift away from its food service business and the continued development of higher margin retail sales. The Board and Management wish him well for future endeavours.

Subsequent to the end of the period, the Company advises that Mr Sam Fraser has tendered his resignation as Chief Financial Officer. The Board and management would like to acknowledge his contribution to the Company and wish him well for the future. A replacement process for Mr Fraser's role is underway with some functions already being distributed among other members of the management team, and he is helpfully assisting with the handover.

### ASX additional information:

In accordance with ASX Listing Rule 4.7C.3, Forbidden Foods advises that an amount of \$92,178 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 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")**

31 March 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,022	3,682
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(970)	(3,901)
(c) advertising and marketing	(73)	(670)
(d) leased assets	-	-
(e) staff costs	(377)	(1,563)
(f) administration and corporate costs	(38)	(113)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	1
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	73
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(436)</b>	<b>(2,491)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(17)	(45)

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	6	6
	(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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(11)</b>	<b>(39)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	131	1,049
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	(20)	(108)
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)	(7)	(87)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>104</b>	<b>854</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	964	2,297
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(436)	(2,491)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(11)	(39)

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)	104	854
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of period</b>	<b>621</b>	<b>621</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	621	964
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>621</b>	<b>964</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	92
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	1,250	3																														
7.2	Credit standby arrangements	-	-																														
7.3	Other (please specify)	46	46																														
7.4	<b>Total financing facilities</b>	1,296	49																														
7.5	<b>Unused financing facilities available at quarter end</b>	1,247																															
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;">46</td> <td style="text-align: center;">46</td> <td style="text-align: center;">21.99% 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;">1</td> <td style="text-align: center;">10.41% 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;">2</td> <td style="text-align: center;">11.61% p.a.</td> <td style="text-align: center;">Yes</td> </tr> <tr> <td><b>Totals</b></td> <td style="text-align: center;"><b>1,296</b></td> <td style="text-align: center;"><b>49</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	46	46	21.99% p.a.	No	Moneytech:					Debtor finance	1,000	1	10.41% p.a.	Yes	Trade finance	250	2	11.61% p.a.	Yes	<b>Totals</b>	<b>1,296</b>	<b>49</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)	(436)
8.2	Cash and cash equivalents at quarter end (item 4.6)	621
8.3	Unused finance facilities available at quarter end (item 7.5)	1,247
8.4	Total available funding (item 8.2 + item 8.3)	1,868
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	4.3
	<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: 28 April 2023 .....

Authorised by: The Board .....

## 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.