

Forbidden Foods Limited ASX: FFF

ASX Announcement

28 July 2023

Q4 FY2023 Quarterly Activities Report: New CEO appointment, strategic repositioning for Australian and US growth

Key Highlights

- *Strategic board and management refocus, highlighted by the appointment of a new CEO, Mr Alex Aleksic - an experienced public company executive who was previously Chief Financial Officer at Lark Distillery (ASX:LRK).*
- *With direct experience in domestic and international markets for the consumer goods and food & beverage industries, Mr Aleksic is well-placed to spearhead the execution of the company's growth strategy in the US and Australia for its leading range of Blue Dinosaur® health products.*
- *Two major new distribution partners for Blue Dinosaur® secured in the US market - Gourmet Merchants International (GMI) and McClane Company Inc (MCI).*
- *GMI partnerships complemented by Blue Dinosaur® ranging agreements at 19 stores with upscale grocery chains Bristol Farms and Lazy Acres along with Gelson's Markets in California – all part of the GMI network.*
- *Along with existing US partnerships including major distribution group KeHE Distributors and Associated Food Stores, Forbidden Foods is confident that its long-term distribution strategy will convert to accelerating purchase order growth in the US in H2 CY2023.*
- *Australian operations were highlighted by new distribution agreements with a national network of independent grocery chains across Australia, resulting in access to over 2,300 new points of distribution for Blue Dinosaur® products.*
- *Strategic overview of the business led by new CEO to streamline company operations, finalise one-off costs associated with board and management changes, divest non-core assets, pursue additional revenue channels and establish a framework for future growth based on the achievement of clearly-defined operational objectives and targeted M&A opportunities.*

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 30 June 2023 (the "quarter").

Management commentary:

Forbidden Foods' Chief Executive Officer, Alex Aleksic said: "We are pleased to present this quarterly update following an important transitional period for the business. During the quarter, Forbidden Foods successfully executed on a number of significant strategic changes which have established a framework for the long-term growth."

“With my recent appointment as CEO, I am excited to leverage my career experience in the global consumer goods sector to lead the pursuit of that growth trajectory, with major commercial opportunities for the Company’s Blue Dinosaur® product suite in both the US and Australia.

“Following an operational review, Forbidden Foods has streamlined its business to target high-growth channels with effective cost management, with changes at Board and management level that will complement that strategy. Near-term growth will be driven by the Company’s revenue-generating operations in Australia, with a major addressable market opportunity in the US that has the potential to further accelerate sales and EBITDA.

“As well as getting the fundamentals right to drive growth in the Blue Dinosaur® business, we have also prioritised the ongoing appraisal of bolt-on M&A opportunities to add value. With an established distribution footprint across our core target markets, the company looks forward to converting its position into increased sales and revenue opportunities during the second half of 2023.”

Operational Review

Expanded US distribution footprint lays the groundwork for retail sales growth:

Forbidden Foods made another round of operational progress in the June quarter with respect to its stated growth strategy for Blue Dinosaur® products, with key developments in distribution and manufacturing that have established a strong foundation to drive retail sales growth in the quarters ahead.

Distribution milestones were highlighted by two new agreements with major US retail distribution platforms - Gourmet Merchants International (GMI) and McClane Company Inc (MCI). The distribution partnerships broaden the Company’s addressable market footprint in the US FMCG sector and were accompanied by several product ranging agreements that can bring forward the timeline for retail sales growth in the US market.

With a geographic focus on California, GMI has longstanding relationships with established US retailers including upscale grocery chains Bristol Farms, Whole Foods Markets and Gelson’s Markets, as well as a total of 200 independent and small chain accounts. Headquartered in Temple, Texas, McClane Company operates more than 80 distribution centres across the country and delivers to nearly every zip code in the US.

Following the GMI agreement, Forbidden Foods has secured product ranging for Blue Dinosaur® products at 19 stores with upscale grocery chains Bristol Farms and Lazy Acres in California along with Gelson’s Markets, a regional supermarket chain operating in Southern California. Purchase orders from the GMI network are expected in this quarter.

Strong traction for Blue Dinosaur® in the Australian market:

Continued expansion of Blue Dinosaur® brand through 2,300 new additional points of distribution in a national network of independent grocery chains across Australia.

Blue Dinosaur products now ranged with Ritchies IGA in Victoria, Whites IGA and Queensland, Drake’s Supermarkets in Queensland and South Australia, Romeo’s Retail Group in South Australia, as well as Jones the Grocer and Reddrop Group nationally.

During the quarter, Forbidden Foods also extended its ranging with WHSmith Australia, a leading global convenience retailer, and Lagardère Travel Retail, a subsidiary of the multinational conglomerate Lagardère group.

WHSmith Australia operates over 50 stores in Australia which are predominantly located in Australia's major airports, and along with a ranging agreement to increase stockkeeping units (SKU) sales to WHSmith by 57%, the two parties also initiated a collaborative marketing campaign which will include preferential in-store product placements.

Lagardère will become a major stockist of Blue Dinosaur®, 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 Forbidden Foods' products are exposed to over 11.5m monthly passengers through the top 20 airports across Australia.

Financial and corporate overview:

Board optimisation:

During the period, Forbidden Foods initiated several strategic board and management changes that leave the Company well-positioned to execute on its stated growth strategy.

Key changes were led by the appointment of Mr Alex Aleksic as Chief Executive Officer and Managing Director. Mr Aleksic was previously the CFO of Lark Distillery Limited where he oversaw consistent earnings growth and led a targeted M&A strategy that added significant value to that company's market capitalisation.

An experienced public company executive, Mr Aleksic's skill-set is well suited to lead Forbidden Foods' growth strategy with direct oversight over the group's global distribution channels for Blue Dinosaur products, leveraging his direct experience in domestic and international markets for the consumer goods and food & beverage industries. Since commencing 1 July 2023, Mr Aleksic completed a strategic refocus of group operations where he identified several cost management strategies and set out an operational and capital management framework.

Also, the Company appointed Mr Jarrod Milani as Non-Executive Chairman to replace Mr Tony Rowlinson, who stepped down from the interim Executive Chairman role that he held to assist with the Company's leadership transition. A co-founder of Forbidden Foods, Mr Milani has the skill-set and company knowledge to provide valuable strategic guidance for the group's domestic and international growth strategy.

Accompanying those changes, Marcus Brown transitioned from the CEO role to take direct responsibility for the execution of Forbidden Foods' US growth strategy. During the quarter, Mr Brown completed his relocation from Australia to the US and will spearhead Forbidden Foods' US operations from Chicago. Following his move, Mr Brown is now well-positioned to build on Forbidden Foods' existing US footprint in production & manufacturing, marketing and sales & distribution.

Rounding out board and management changes, Mr Sam Fraser 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.

Share placement:

Forbidden Foods announced commitments to raise \$300,000 (before costs) through the issue of 15 million new fully paid ordinary shares at an issue price of \$0.02 per Share. EverBlu Capital Corporate Pty Ltd ("EverBlu") acted as lead manager and bookrunner to the Placement. Following the placement, the Company made the decision to end its mandate with Everblu, to the mutual agreement of both parties.

Cash receipts and operational costs strategy:

During the quarter, cash receipts from customers amounted to \$761k. Following its review of operations, Forbidden Foods booked several one-off costs in connection with its board & management restructure, offset against targeted reductions across the business. Total operating costs for the quarter amounted to \$1,255k.

With group operations now streamlined under the leadership of Mr Aleksic, the Company is focused on its near-term strategy to expand revenue growth in its core Australian and US markets, with an ongoing focus on cost management and operating margins.

Activities post quarter-end:

Sale of Sensory Mill:

As part of the group's strategic review, the decision was taken to divest the Sensory Mill brand via an IP Asset Sale which was successfully completed post quarter-end.

ASX additional information:

In accordance with ASX Listing Rule 4.7C.3, Forbidden Foods advises that an amount of \$229,644 was paid to executives 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 in Australia and the USA. 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 two brands – Blue Dinosaur® and FUNCH®

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 2023

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	761	4,444
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(745)	(4,647)
(c) advertising and marketing	(128)	(798)
(d) leased assets	-	-
(e) staff costs	(395)	(1,958)
(f) administration and corporate costs	(56)	(170)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	1	2
1.6 Income taxes paid	68	68
1.7 Government grants and tax incentives	-	73
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(494)	(2,986)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(2)	(2)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(19)	(64)

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	27	33
	(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	6	(33)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	251	1,300
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	(28)	(136)
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)	(4)	(90)
3.10	Net cash from / (used in) financing activities	219	1,074

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	621	2,297
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(494)	(2,986)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	6	(33)

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)	219	1,074
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	352	352

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	352	621
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)	352	621

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	230
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>		

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000		
<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>				
7.1 Loan facilities	1,250	3		
7.2 Credit standby arrangements	-	-		
7.3 Other (please specify)	27	20		
7.4 Total financing facilities	1,277	23		
7.5 Unused financing facilities available at quarter end		1,254		
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.				
Facility	Facility limit \$A'000	Amount drawn \$A'000	Interest rate	Secured
American Express – Credit cards	27	20	22.99% p.a.	No
Moneytech:				
Debtor finance	1,000	3	12.54% p.a.	Yes
Trade finance	250	-	12.91% p.a.	Yes
Totals	1,277	23		
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)	(494)
8.2 Cash and cash equivalents at quarter end (item 4.6)	352
8.3 Unused finance facilities available at quarter end (item 7.5)	1,254
8.4 Total available funding (item 8.2 + item 8.3)	1,606
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.3
<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 July 2023.....

Authorised by:Board of Directors.....

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.