

Forbidden Foods Limited ASX: FFF

ASX Announcement

17 October 2023

## Q1 FY2024 Quarterly Activities Report: Blue Dinosaur revenue growth materially accelerates in Australia and the US

### Key Highlights

- Increased traction for the Company's stated strategy to drive sales growth for its leading range of Blue Dinosaur healthy snack products through targeted distribution channels in Australia and the US
- Initiatives during the period resulted in a significant uplift in quarterly revenue growth to \$800,000 – up 41% from the June quarter
- Strong growth in Australia was complemented by the successful conversion of several distribution partnerships in the US into direct store sales, which resulted in a 58% uplift on annual US sales in the 2023 financial year in Q1 2024 alone
- Revenue momentum was achieved alongside a +\$300,000 reduction in quarterly operating cash outflows via targeted cost cutting measures and improved inventory management practices
- Q1 momentum follows Board and management changes and the appointment of CEO Alex Aleksic in the previous quarter, who has subsequently led a strategic restructure of the business to streamline operations and drive growth in targeted revenue channels
- Improved operating trends and financial metrics are on track to be further enhanced in the December quarter with ongoing growth in key markets and recent cost-cutting initiatives that will be reflected in Q2
- Seasoned executive Mr Dominic Douglas appointed as Head of Sales and Marketing to continue momentum – Mr Douglas has 15 years' experience in the FMCG, retail and consumer goods sectors
- Turnaround strategy underpinned by a successful \$1.03m capital raise which attracted strong support from a network of sophisticated and institutional investors, providing FFF with balance sheet strength to execute on growth strategy

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 September 2023 (the "quarter").

### Management commentary:

Forbidden Foods' Chief Executive Officer, Alex Aleksic said: "We are pleased to present this quarterly trading update, which highlights that the stabilisation and turnaround strategy we have clearly articulated to the market following the recent Board and management changes is proceeding as planned, with several key milestones already achieved ahead of schedule."

"While further leveraging our established position in the Australian market to drive sales growth and build awareness of the Blue Dinosaur® brand, these quarterly results also demonstrate how new management has already unlocked some of the inherent value in the business by executing on a targeted strategy to streamline operations and continue the group's upward sales trajectory from a lower cost base."

*"As these cost initiatives flow through to the bottom line in future quarters, the Company is also benefitting from an exciting sales outlook – particularly in the US where an extensive period of distribution initiatives is now converting into a significant pipeline of new sales opportunities."*

*"With the added balance sheet strength from our successful share placement, Forbidden Foods is now positioned with a unique opportunity to establish itself as one of the leading consumer goods companies on the ASX, and we look forward to providing more updates on our progress in the quarters ahead."*

## Operational Review

### Streamlined costs with increased revenue momentum

Revenue growth during the period was underpinned by continued execution of the Company's targeted distribution strategy for Blue Dinosaur® products in Australia across major supermarket chains and independent grocery channels, along with the recent addition of retail outlets at large Australian airports.

The group is pleased to report strong momentum on top-line revenues, which rose to \$800,000 in the September quarter – a gain of 41% from the previous quarter. The sales momentum is expected to flow into an uplift in cash receipts from customers in the December quarter as accounts are settled on recognised revenue.

Concurrently, the new management team led by CEO Alex Aleksic combined sales and distribution initiatives with a more disciplined focus on cost management that resulted in a material reduction in operating cash outflows during the period. Along with a reduction in headcount, the Company targeted specific areas of the business where there was an opportunity to reduce operating efficiencies and manage working capital more effectively.

Operating costs for the period decreased by more than \$300,000, underpinned by reduced staff costs and optimised internal processes. Not all reductions were one-off in nature and the Company expects to benefit from the ongoing reduction to its operating cost base in the quarters ahead as revenue increases.

### US expansion

Along with sales momentum in its core target markets in Australia, Forbidden Foods also took a key step forward in the US market, where a number of distribution agreements that were procured over an extended period during the previous two financial years converted into revenue-generating sales agreements.

Among the group's quarterly distribution highlights, Forbidden Foods secured product ranging agreements for Blue Dinosaur® products at 20 stores at premium California-based supermarkets Bristol Farms and Lazy Acres, as well as 10 stores for the Central Markets store chain in Texas.

Product ranging agreements for a further 104 stores have also been secured with Kum & Go and Maverick – two large petrol station and convenience store chains with over 800 stores in the US Midwest, as well as Strack Van Til (Indiana) – 22 Supermarkets and Green Acres Market (Kansas & Oklahoma) – 6 Supermarkets.

Reflecting the strength of Forbidden Foods' US distribution footprint, Blue Dinosaur products are now stocked at more than 500 stores nationwide. The Company has also started receiving first orders from distributors for the 'Healthy On The Go' program, run in conjunction with Premier Inc – a NASDAQ-listed healthcare group that runs an alliance of over 4,000 US hospitals and more than 300,000 other providers and organisations.

Blue Dinosaur® products were selected from a competitive field to participate in the program, which has opened up additional order channels through hospitals, universities, GP practices and other health care provider offices.

The net result of these initiatives was seen during the September quarter where Forbidden Foods booked quarterly US revenues of \$163,000 – 58% higher than the group's annual sales for the 2023 financial year. This momentum provides the Company with a platform to further springboard its US sales footprint and revenue growth in Q2FY24 and beyond, complementing its existing momentum in key Australian markets.



Image 1: Blue Dinosaur products available for sale at Bristol Farms supermarket in Irvine, California

#### Appointment of Head of Sales and Marketing to capitalise on momentum:

Complementing the recent sales momentum, Mr Dominic Douglas has been appointed as Head of Sales and Marketing. Mr Douglas is a seasoned executive with over 15 years' experience in the FMCG, consumer goods, retail and entertainment sectors. Prior to joining Forbidden Foods, he was CCO of leading online health food store Amazonia, where he was instrumental in delivering strong yearly sales results across Australia and New Zealand. He and his team were also responsible for new market entries in the emerging Gulf Cooperation Council region, Europe and Southeast Asia.

Prior to that, he was the GM of Sales and Marketing and then GM for Pure Sports Nutrition, where he successfully accelerated manufacturing and operating efficiencies and led international expansion across the APAC region. Mr Douglas has also held a variety of senior positions with large international companies including The Walt Disney Company, BEGA, and T2 Tea (Unilever). Since starting with the business, Mr Douglas has already progressed to advanced discussions with a large new customer lead in the Australia/New Zealand region. His appointment follows a staff restructure that included several resignations in the sales & marketing department, positioning the Company to maintain its current sales momentum from a lower cost base. The Company is confident that following Mr Douglas' appointment, it has sufficient resources in place to replace these staff members and continue to drive sales growth.

## Financial and corporate overview:

### Share placement at a premium to trading price:

During the quarter, Forbidden Foods raised \$1.03m at a premium in a strategic share placement that received strong demand from sophisticated and institutional investors. The funding round was comprised of a share placement of approximately 36.68 million new fully paid ordinary shares at \$0.02 per Share to raise approximately \$0.73m. Further firm commitments, which included the participation of Directors, to raise an additional \$300,000 were also received, subject to shareholder approval at the Company's 2023 Annual General Meeting (AGM).

The successful raise was reflective of a consensus view around the Company's value proposition among capital markets participants that was outlined by the new management team following the business restructure that was implemented in the June quarter.

The funds raised provide Forbidden Foods with additional balance sheet strength at an important juncture, as it executes on several key growth initiatives that have been targeted by new management to unlock inherent value in the business heading into the December quarter.

Near-term value drivers highlighted by the business include the ongoing market opportunity in the US, where Forbidden Foods already has an established manufacturing base and is now executing on the conversion of distribution agreements into sales growth.

The Company is also focused on capitalising on its established position in the Australian market with additional marketing campaigns, expanded distribution agreements and premium in-store product positioning. New management is also monitoring potential M&A opportunities within complementary categories as Forbidden Foods' market position continues to grow.

### ASX additional information:

In accordance with ASX Listing Rule 4.7C.3, Forbidden Foods advises that an amount of \$166,613 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.

ENDS

### For further information, please contact:

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### About Forbidden Foods Ltd

Forbidden Foods Ltd (ASX: FFF) is a health & wellness food company. The Company was established with a vision to provide engaging brands that provide the very best foods to meet consumer demand for clean, sustainable and healthy products. The core brand in the portfolio is Blue Dinosaur® which is sold in Australia & USA.

## Appendix 4C

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

<b>Name of entity</b>			
		<b>Quarter ended (“current quarter”)</b>	
<b>ABN</b>		30 September 2023	
<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	593	593
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(442)	(442)
	(c) advertising and marketing	(62)	(62)
	(d) leased assets	-	-
	(e) staff costs	(456)	(456)
	(f) administration and corporate costs	(48)	(48)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	2	2
1.6	Income taxes paid	32	32
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(381)</b>	<b>(381)</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	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
2.2	Proceeds from disposal of:		
(a)	entities	-	-
(b)	businesses	-	-
(c)	property, plant and equipment	-	-
(d)	investments	-	-
(e)	intellectual property	-	-
(f)	other non-current assets	20	20
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>20</b>	<b>20</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	758	758
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	(44)	(44)
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)	(7)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>707</b>	<b>707</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	352	352
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(381)	(381)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	20	20

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	707	707
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of period</b>	<b>698</b>	<b>698</b>
<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	698	698
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>698</b>	<b>698</b>
<b>6. Payments to related parties of the entity and their associates</b>		<b>Current quarter \$A'000</b>	
6.1	Aggregate amount of payments to related parties and their associates included in item 1		167
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>			

**Appendix 4C**  
**Quarterly cash flow report for entities subject to Listing Rule 4.7B**

<b>7. Financing facilities</b>		<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</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>																							
7.1	Loan facilities	1,250	190																				
7.2	Credit standby arrangements	-	-																				
7.3	Other (please specify)																						
7.4	<b>Total financing facilities</b>	1,250	190																				
7.5	<b>Unused financing facilities available at quarter end</b>																						
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"> <thead> <tr> <th>Facility</th><th>Facility limit \$A'000</th><th>Amount drawn \$A'000</th><th>Interest rate</th><th>Secured</th></tr> </thead> <tbody> <tr> <td>Moneytech: Debtor finance</td><td>1,000</td><td>6</td><td>12.41% p.a.</td><td>Yes</td></tr> <tr> <td>Trade finance</td><td>250</td><td>184</td><td>11.61% p.a.</td><td>Yes</td></tr> <tr> <td><b>Totals</b></td><td><b>1,250</b></td><td><b>190</b></td><td></td><td></td></tr> </tbody> </table>			Facility	Facility limit \$A'000	Amount drawn \$A'000	Interest rate	Secured	Moneytech: Debtor finance	1,000	6	12.41% p.a.	Yes	Trade finance	250	184	11.61% p.a.	Yes	<b>Totals</b>	<b>1,250</b>	<b>190</b>		
Facility	Facility limit \$A'000	Amount drawn \$A'000	Interest rate	Secured																			
Moneytech: Debtor finance	1,000	6	12.41% p.a.	Yes																			
Trade finance	250	184	11.61% p.a.	Yes																			
<b>Totals</b>	<b>1,250</b>	<b>190</b>																					

<b>8. Estimated cash available for future operating activities</b>		<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(381)
8.2	Cash and cash equivalents at quarter end (item 4.6)	698
8.3	Unused finance facilities available at quarter end (item 7.5)	1,060
8.4	Total available funding (item 8.2 + item 8.3)	1,377
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	3.6
	<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: ..... 17 October 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.