

ASX Announcement

Forbidden Foods Limited ASX: FFF

31 July 2024

Q4 FY2024 Quarterly Activities Report: Higher revenues and ongoing cost management establishes a strong framework for growth in FY25

Key Highlights

- Expanded production capacity and inventory management flowed through to a rebound in revenue growth across key product lines, resulting in Q4 FY24 sales of \$658,000 – a 16% increase on the prior comparative period (PCP) and a 62% increase on Q3 FY24
- Validation of management’s consistent focus on cost management throughout FY24, which resulted in a cumulative annual reduction in net operating cash outflows of \$1.510m – a +50% reduction in cash outflows
- Sales momentum heading into FY25 following strong monthly results in June 2024, where the Company recorded annual highs in both trade sales and ecommerce channels
- Further improvements to the cost base, with an expanded manufacturing footprint and the capacity to drive increased economies of scale with a strict adherence to quality and control standards
- Operational momentum underpinned by a successful capital raise with firm commitments to raise up to \$0.6m via a Share Placement priced at \$0.018 per share – a 27.4% premium to the 15-day Volume Weighted Average Price (VWAP) of FFF shares prices to the date of the announcement
- Ongoing focus on cost management reflected by an annualised reduction in cash-based product manufacturing costs of 57%, or \$2.661m, with established framework now in place to drive sales growth from a lower cost base
- Board and management have maintained an ongoing review of strategic M&A opportunities presented to the Company during the quarter, where discussions are ongoing with potential commercial partners that have been assessed by the Board to present potential value accretive 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 2024 (the “quarter”).

Management commentary:

Forbidden Foods’ Chief Executive Officer, Alex Aleksic said: “We are pleased with the group’s progress in the June quarter, which saw the ongoing execution of our strategy to consolidate sales through key channels, complemented by an uplift in ecommerce revenues. Those efforts were underpinned by an expanded manufacturing capability, with lower per-unit production costs. The steadfast commitment by the incoming management team to streamline costs and build a more efficient operating model over the past 12 months has created a strong foundation for growth in FY25.”

“Importantly, the June quarter numbers reflected the positive impact of additional per-unit cost savings which are expected to increase in the quarters ahead, generating improved margins alongside ongoing efforts to expand the sales pipeline for the Company’s flagship Blue Dinosaur product range. The group’s revenue strategy is focused on building off its established partnership with key distributors to grow sales through physical store networks, alongside a growing ecommerce profile which is supported by targeted marketing strategies.”

“Alongside our operational focus, the Board and management team are continuing to review potential strategic M&A opportunities which have been assessed to have the potential to unlock additional value from the Company’s asset base. We look forward to providing more updates in the second half of 2024 as the executive team transitions from stabilising the business to driving our operations towards cash-flow break even.”

Operational Review

Sales momentum in key verticals

During the June quarter, Forbidden Foods continued to execute its stated strategy to drive increased sales growth for its flagship Blue Dinosaur product range from a lower cost base, underpinned by improved economies of scale.

The Company reported a rebound in topline sales growth, with net revenues for the quarter of \$658,000 – up 62% from the previous quarter and 16% on the prior year comparative period. The lift in sales was driven by improved inventory management, following the execution of management’s stated strategy in the previous quarter to expand production capacity to ensure demand quotas could be filled.

Forbidden Foods also benefitted during the quarter from ongoing sales and marketing initiatives, including a targeted promotion with the 2024 Noosa marathon, which was a sellout event with more than 7,000 registrants. Q4 sales momentum was highlighted by strong results in June, with net sales of \$358,000 – the highest monthly result for the year which included a new Costco order and record ecommerce sales.

The Q4 sales momentum leaves the company well positioned to maintain its upward sales trajectory in FY25, with ongoing margin growth as economies of scale are maximised through strategic manufacturing partnerships. These efforts were reflected in the June quarter figures which saw Forbidden Foods generate an additional ~\$70,000 in cost savings, with further per-unit cost reductions anticipated in the quarters ahead as production ramps up.

Consistent cash flow trajectory

Forbidden Foods continued to prioritise efforts to extract ongoing savings in operational costs in the June quarter, with a further reduction in headcount which is expected to flow through to a material reduction in staff & wages costs in upcoming quarters.

Net operating cash outflows for the period amounted to (\$333,000), which was largely attributable to production costs required to increase inventory numbers to meet sales orders. For FY24, the June quarter result rounded out an annual reduction in net operating outflows of more than 50%, or \$1.51m, compared to the previous financial year.

The material decrease in operating outflows highlights the ongoing commitment by new management to build a framework for cashflow break-even, by generating increased sales through established distribution channels with lower per-unit production costs. Execution of that strategy is reflected an annualised increase in operating cash receipts less product manufacturing costs, which increased to \$262,000 in FY24 from a deficit of (\$202,000) in FY23.

Financial and corporate overview:

Strategic share placement

During the quarter, Forbidden Foods announced it had received firm commitments to raise up to \$0.6m through the issuance of up to approximately 31.2 million new fully paid ordinary shares in the Company at \$0.018 per share via a share placement.

The placement price represented a 27.4% premium to the 15-day Volume Weighted Average Price (VWAP) of Forbidden Foods' shares to 9 April 2024.

Funds raised supported the Company's operational strategy in the June quarter, providing it with additional balance sheet strength to accelerate sales with key retailers and increase ecommerce revenue through targeted marketing campaigns, while also funding the strategic build-up of inventory to meet future demand.

Cash receipts and operational costs strategy:

During Q4 FY2024, Forbidden Foods reported cash receipts from sales of \$469,000, representing a 13.5% decrease. The quarterly decline was attributed in part to the timing of cash receipts following annual monthly revenue highs in June 2024 across both trade sales and retail channels, as well as expanded production to boost a shortfall in inventory.

The reduced cash receipts were accompanied by management's continued focus on cost management, including a reduced head count flowed through to a \$111,000 cash saving in staff costs compared to the previous quarter.

The Company is now focused on several key KPI's with respect to sales growth and inventory management, as it prioritises the optimisation of its supply chains and assesses potential M&A opportunities to build additional scale.

ASX additional information:

In accordance with ASX Listing Rule 4.7C.3, Forbidden Foods advises that an amount of \$49,167 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.

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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.