

ASX Announcement

Forbidden Foods Limited ASX: FFF

28 October 2024

## Q1 FY2025 Quarterly Activities Report: Strategic acquisition establishes strong platform for a step-change in growth

### Key Highlights

- Activities highlighted by all-scrip acquisition of leading non-dairy business, Oat Milk Goodness (OMG) establishing FFF as a leading brand manager in the 'Better For You' FMCG segment
- OMG generates annual revenues of \$1.2m in a new fast growing market segment with considerable potential to scale post-acquisition
- Operationally, FFF reported cash receipts of \$749,000 from sales of its Blue Dinosaur product range, marking a 60% increase from the June quarter
- Growth in cash receipts supported by strong, immediately cash generative ecommerce sales, which increased 123% on the prior year comparative period following execution of targeted marketing campaigns
- First OMG revenues recognised as combined entity towards end of September quarter
- On a pro forma basis contribution of OMG income resulted in a 19% increase in group revenues compared to the previous corresponding period and 45% on last quarter
- Post-transaction, the Company implemented several board changes, with Ms Katie Eshuys and Mr Marcus Brown both resigning and Mr Daniel Rootes joining as a Non-Executive Director
- Board re-composition and reduction in headcount has generated annualised cost savings of over \$200,000 with additional streamlining opportunities pending
- September quarter operating cash payments to staff reduced 62% to \$174,000 on the prior year comparative period (~\$460,000)
- More favourable terms negotiated with existing manufacturers provide longer repayment terms to facilitate increased capacity to hold more stock to meet growing inventory demand
- Placement completed during the period to raise \$650,000 (before costs) provides financial flexibility to scale combined entity sales
- Company remains focused on driving combined entity sales footprint in domestic market with lower cost base while implementing targeted sales and marketing initiatives – multiple near-term product launches pending

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 2024 (the "quarter").

### Management commentary:

Forbidden Foods' Chief Executive Officer, Alex Aleksic said: "The September quarter marked an important period of transformation for the business with the strategic acquisition of Oat Milk Goodness, which establishes Forbidden Foods as a leading multi-channel brand manager in the FMCG sector. The acquisition aligns with our stated objective to pursue value-accretive M&A opportunities, in accordance with a strict set of investment criteria."

*“As a leading oat milk brand with a unique product offering in the fast-growing non-dairy sector, OMG’s strengths are ideally aligned with the Company’s broader strategy to build scale through a diversified FMCG business. Already, we have seen the benefits from the combined entity with early momentum in group revenues, material cost savings and numerous opportunities for growth across both of our core product lines heading into the end of CY2025.”*

*“Since announcing the completion of the acquisition at the end of September, we’ve been hard at work integrating the business and identifying opportunities for near-term cost savings through economies of scale and streamlined back-office processes. Along with a diversified product offering, the acquisition provides us with an expanded sales and distribution footprint which sets the Company up for an exciting period of growth in the months and years ahead.”*

## Operational Review

### Strategic acquisition of Oat Milk Goodness (OMG)

Quarterly operations were highlighted by the strategic acquisition of Oat Milk Goodness (OMG), a leading Australian brand in the fast-growing non-dairy category with a unique seed oil-free formulation. The transaction marks the first step in FFF’s transition to a leading brand manager in the ‘Better for You’ FMCG segment. It will allow the combined entity to leverage respective strengths of both companies in sales & marketing, logistics and supply chain management to drive growth for a streamlined, multi-channel product offering.

Post-acquisition, the Company plans to leverage its established Australian distribution footprint and relationships with major retail groups to drive uptake of OMG’s plant-based range, which will complement the group’s existing sales. Further, Forbidden Foods can utilise the profile of OMG’s existing ambassadors, which include a number of high-profile sporting identities across the Blue Dinosaur range to broaden awareness.

The acquisition also unlocks a number of operating synergies, including reduced overheads and internal administrative costs. Forbidden Foods has existing internal infrastructure and capacity to manage OMG’s accounting functions, sales and distribution, which is expected to lead to considerable cost efficiencies. Initial focus on streamlining logistics and supply chain management, along with back-office processes to generate cost savings.

Post-transaction, revenues generated by OMG were incorporated into group sales at the end of the September quarter. On a pro-forma basis, the combined entity reported net sales of \$951,000, a gain of 45% from Forbidden Food’s net sales for the June 2024 quarter and up 19% on the prior year comparative period.

The group expects to generate additional momentum in net sales during the December quarter as further integrations are carried out and management reallocates resources to targeted sales and marketing initiatives for both OMG and Blue Dinosaur products, leveraging the combined group’s expanded distribution footprint.

### About Oat Milk Goodness

OMG was established to develop a home-grown oat milk product that takes advantage of Australia’s abundant supply of natural oats, and is also free of industrial seed oils such as canola, rapeseed or sunflower oil which can cause inflammation. Since launching, OMG’s core oat milk product has established strong traction among merchant customers in the café and barista industry.

OMG has since broadened its product range to include flavoured milks and ‘proATein’ options, and has expanded distribution through ranging in Woolworths and Ampol Foodary outlets. Through its distribution channels, OMG is also ranged in leading independent and health food stores.

OMG is actively pursuing international expansion opportunities with an initial focus on India, where it has a unique opportunity to leverage Steve Smith's profile in the Indian market and take advantage of increased demand for health products among Indian consumers.

OMG's near-term priorities are to fast-track the expansion of its existing product range, including more proATein options, overseas expansion, while also building out its sales team and allocating resources to targeted marketing campaigns

### Consistent cash flow trajectory

Alongside the completion of its strategic acquisition of OMG, Forbidden Foods maintained its focus during the quarter on delivering on the rollout of its flagship Blue Dinosaur product range across core distribution channels, while maintaining a focus on cost management.

Cash receipts from operations amounted to \$749,000, marking a gain of 59.7% from last quarter. Quarterly cash receipts were supported by strong growth in ecommerce sales, which are immediately cashflow generative and increased by 123% from the prior year comparative period.

Net operating cash outflows for the period amounted to (\$358,000), which was largely attributable to higher once-off production costs to establish strategic inventory buffers to meet anticipated demand in the coming quarter. Staff payments for the quarter amounted to \$174,000, which represents a material 62% decrease from the prior year period and highlights the Company's ongoing focus on effective and sustainable cost management.

Additional savings in staff costs will be realised for the duration of FY25, with the reduction in Board members (from five Directors to four) alongside a reduction in group head-count. Post-acquisition, the Board determined that the group finance function, which was previously outsourced to consulting group Ingredior, can be managed in-house by existing staff. In turn, the Company agreed with Mr Michael Ryan from Ingredior to annul the CFO outsourcing agreement on amicable terms. Non-Executive Director Mr Nathan Quailey has also agreed to reduce his annual director fee by 50%. Collectively, the post-acquisition staff changes have resulted in immediate annualised cost savings for the group of over \$200,000.

The quarter results continued the trend established in the 2024 financial year where Forbidden Foods reduced annual net operating outflows by more than \$1.51m. Concurrently, the increase in cash receipts highlights the potential for the Company to drive ongoing sales growth from a lower cost base

First revenues from OMG were recognised at the end of September, and the December quarter will be the first full operating quarter where Forbidden Foods will report financial results for the combined entity, with an expanded manufacturing footprint, economies of scale and additional sales and marketing opportunities expected to underpin further upward momentum in group operating cash flows.

## Financial and corporate overview:

### OMG Transaction Details and Placement:

Under the terms of the Share Purchase Agreement with OMG, Forbidden Foods agreed to acquire all the issued capital in OMG for a consideration of \$3.42m, with settlement via the issue of 285m new fully paid ordinary shares in Forbidden Foods at a deemed issue price of \$0.012 (refer ASX Announcement 14 August 2024).

For the purposes of ASX Listing Rule 7.1, the transaction was subject to shareholder approval at an EGM. The Company advises that all 12 resolutions put to members at the meeting were approved by shareholders, thus ratifying the transaction in accordance with ASX Listing Rules (refer ASX Announcement 20 September 2024).

ASX additional information:

In accordance with ASX Listing Rule 4.7C.3, Forbidden Foods advises that an amount of \$93k 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<sup>®</sup> which is sold in Australia & USA.

## 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 September 2024

<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	749	749
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(746)	(746)
(c) advertising and marketing	(114)	(114)
(d) leased assets	-	-
(e) staff costs	(174)	(174)
(f) administration and corporate costs	(51)	(51)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(22)	(22)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(358)</b>	<b>(358)</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	-	-

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	-	-
	(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>(0)</b>	<b>(0)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	550	550
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	(36)	(36)
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 (opening cash balance from Good Oats Pty Ltd received on completion of acquisition)	238	238
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>752</b>	<b>752</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	254	254
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(358)	(358)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(0)	(0)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	752	752
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of period</b>	<b>648</b>	<b>648</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	648	254
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>648</b>	<b>254</b>

\* an additional \$100k received post balance date to complete placement

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	93
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	172																									
7.2	Credit standby arrangements	-	-																									
7.3	Other (please specify)																											
7.4	<b>Total financing facilities</b>	1,250	172																									
7.5	<b>Unused financing facilities available at quarter end</b>		1,078																									
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>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;">8</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;">164</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>1,250</b></td> <td style="text-align: center;"><b>172</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	8	10.41% p.a.	Yes	Trade finance	250	164	11.61% p.a.	Yes	<b>Totals</b>	<b>1,250</b>	<b>172</b>				
Facility	Facility limit \$A'000	Amount drawn \$A'000	Interest rate	Secured																								
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<b>Totals</b>	<b>1,250</b>	<b>172</b>																										

<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)	(358)
8.2	Cash and cash equivalents at quarter end (item 4.6)	648
8.3	Unused finance facilities available at quarter end (item 7.5)	1,078
8.4	Total available funding (item 8.2 + item 8.3)	1,726
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	4.82
	<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 October 2024

Authorised by: The 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.