forbidden FOODS

1H22 Results Presentation

28 February 2022



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Feeding the world with the world's best

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Key messages

Feeding the world with the world's best



Forbidden Foods continues to deliver on its strategic plan, achieving key milestones in 1H22 including the acquisition of Blue Dinosaur Pty Ltd



Strong 1H22 revenue growth and significant improvements in operating cash flows



Successfully secured $1.25m in debt facilities and completed a $5.5m placement, strongly supported by new and existing institutional and sophisticated investors



Accelerated international expansion throughout China, Southeast Asia & USA



Continued ESG and sustainability initiatives across the wider business



01

Introduction and 1H22 highlights

Highlights | 1H22

Revenue

$3.24m

Up 66.1% pcp

Digital revenue

$517k

Up 649.3% pcp

Net assets

$7.87m

Up 157.3% from 30 June 2021

Operating cash outflows

$1.57m

Improved 16.3% from 1H21

Capital raised

$5.8m

Includes $5.5m placement and $0.3m SPP, before costs

New digital customers

3,412

175.8% more than 1H21

Available funding

$4.31m

Up $3.05m from 30 June 2021

Loss per share

2.10c

Improved 80c from 1H21



02

Brand update

Brand update

Sustainable packaging

During the period, Blue Dinosaur became the first major Australian snack bar brand to implement home compostable wrappers with the release of its new Custard Bar.

The wrapper is 100% organic, plant-based packaging which has been tested to decompose in home compost bins in 26 weeks, leaving no toxic residue in the soil.

With the future of packaging strongly heading towards all home compostable alternatives, major retailers are phasing out single use plastics with some states in Australia banning their use entirely. Forbidden Foods believes the socially active millennials who consume Blue Dinosaur products will be imminently demanding this from the brands they consume.

Product pipeline & US Expansion

Blue Dinosaur continues to innovate healthy bars and snacks for consumers. In the short-term, the brand will expand its protein bar offering with a targeted release expected within Q3 22.

The brand is currently in discussions with multiple major supermarket chains in the United States with specific products to be developed for this market and manufactured in the United States. Forbidden Foods has also engaged multiple strategic FMCG/CPG brand brokers to represent Blue Dinosaur in targeted high growth regions and retailers of the country.



Brand update

International development

During the period, FUNCH launched multiple products on the back of demand from our international customers.

On the back of the initial success of the 250ml plant-based edible oils, FUNCH released 'Tiny Drops', which are 50ml droppers specifically designed for convenience for parents to add to infant and toddler's meals.

FUNCH also launched two additional Australian Fruit Purees after demand from our Chinese and Southeast Asian customers. The range was released exclusively to our partners in these regions and the initial orders and feedback from customers have been pleasing.

KID-POW! Shakes

In September 2021, FUNCH launched a new range of 100% plant-based 'KID-POW' kids nutrition shakes.

The range was carefully formulated with children's nutrition and taste in mind, with the range including three different flavours: Chocolate, Vanilla, and Caramel.

The innovative range was designed to service the demand from health-conscious parents for more children's nutritional food products to solve several nutritional shortfalls in children's diets that food choices alone are unlikely to resolve.



Brand update

Plant-based meats

Sensory Mill will be launching a range of plant-based meats in Q3 22, with the range to include Beef, Chicken, Pork and a Burger Mix.

The unique range of plant-based meats has been diligently formulated to cater for a variety of modern diets expected from millennial consumers such as nutrient density, low sugar, low salt, and non-allergen requirements.

Unlike many other plant-based meats, the range will be completely ambient. The ambient product will serve as an alternative to many other offerings in market as the product will not require refrigeration and will have a longer shelf-life.

Product pipeline

After the launch of the plant-based meats range, Sensory Mill will move to develop additional product offerings outside of plant-based meats.

The additional product offerings are already under development with the goal of launching these directly through our own eCommerce channels to bolster the online offering to our customers.

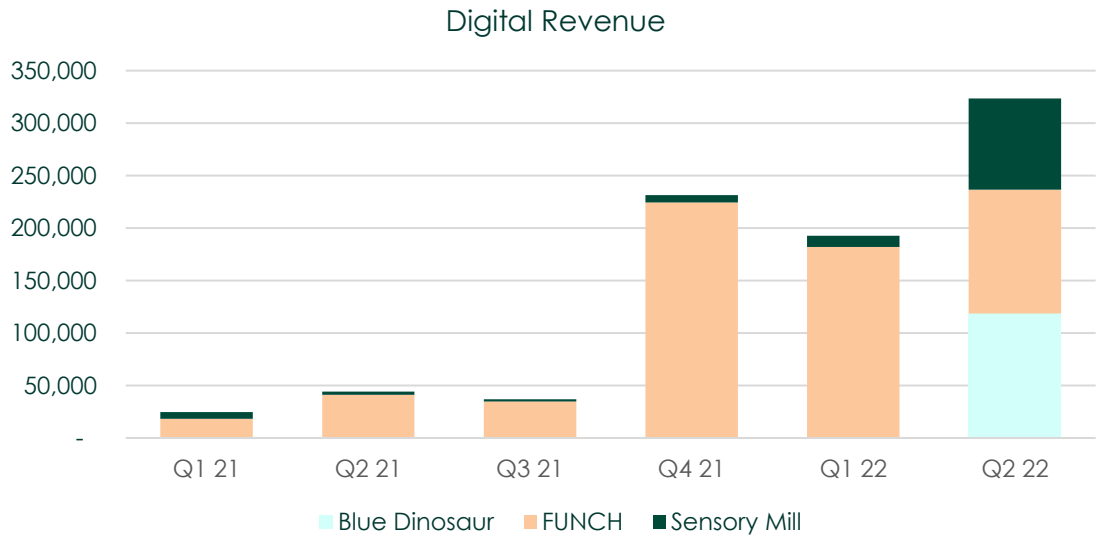


03

Group financial overview

Digital Commerce

Revenue $'000	1H22	1H21	Change	%
Blue Dinosaur	119	-	119	nm
FUNCH	300	60	240	400.0%
Sensory Mill	98	9	89	988.9%
Total	**517**	**69**	**448**	**649.3%**



Digital commerce has continued to grow rapidly, increasing 649.3% pcp to represent 16.0% of revenue in 1H22, an increase from 3.5% in 1H21.

The growth in digital revenue has been driven by an increased investment in targeted digital marketing, product sampling campaigns, and other influencer based marketing initiatives across our brands.

The number of unique eCommerce customers also increased 243.6% in 1H22 compared to 1H21, with 31.3% returning customers. The number of returning customer is pleasing and solidifies the product offering through our digital channel.

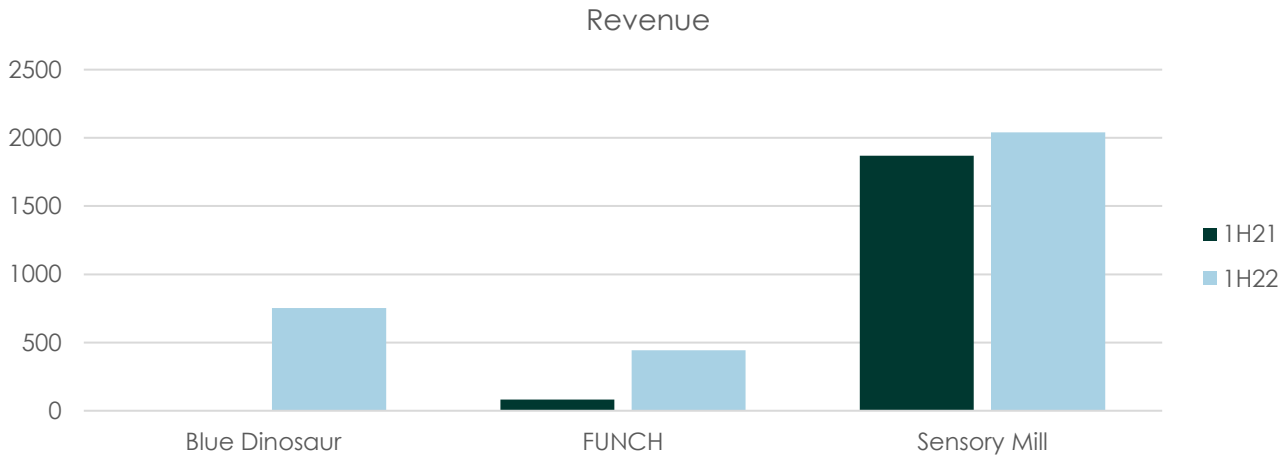
Growing digital revenue continues to be a major focus for Forbidden Foods as the channel provides a diversified revenue stream, high-margin revenue, and is less working capital intensive compared to other existing revenue streams.

Forbidden Foods is focused on growing this channel by driving:

- increased basket sizes;
- increased product offerings;
- increasing the lifetime value of customers; and
- reducing the cost of acquiring customers.

Finance performance

$'000	1H22	1H21	Change	%
Sales revenue	3,238	1,950	1,288	66.1%
Blue Dinosaur	*753*	-	*753*	*nm*
FUNCH	*444*	*82*	*362*	*441.5%*
Sensory Mill	*2,041*	*1,868*	*173*	*9.3%*
EBITDA	(1,757)	(954)	(803)	(84.3)%
Underlying EBITDA	(1,593)	(1,073)	(520)	(48.5)%
Basic LPS (cents)	(2.10)	(2.90)	0.80	27.9%



Strong revenue growth across our brands, bolstered by the acquisition of Blue Dinosaur to the group on 30 September 2021.

1H22 delivered strong revenue growth of 66.1% and resulted in the Forbidden Foods surpassing $3.0m in revenue for the first time in a half-year period.

The decrease in the underlying EBITDA was primarily driven by increased investment in our brands. On the back of significant growth in our digital commerce revenue, Forbidden Foods increased the investment in digital sales channels, including digital advertising, product sampling campaigns and influencer marketing, propelling the growth in digital revenue across our brands.

The improvement in LPS is reflective of an increase of the weighted average share on issue during the period. Forbidden Foods continues to strategically invest in our brands in market and will continue to invest in our brands and expand our offers.

Balance sheet

$'000	Dec 21	Dec 20	Change
Inventories	2,862	2,046	816
Trade and other receivables	1,037	928	109
Trade and other payables	(1,101)	(1,369)	268
Working capital	**2,798**	**1,605**	**1,193**
Property, plant and equipment	99	50	49
Right-of-use assets	364	490	(126)
Intangibles	3,019	101	2,918
Contingent consideration	(800)	-	(800)
Provisions	(300)	(121)	(179)
Other assets / (liabilities)	126	-	126
Capital employed	**5,306**	**2,125**	**3,181**
Net cash / (debt)	2,947	3,100	(153)
Lease liabilities	(387)	(500)	113
Total net assets	**7,866**	**4,725**	**3,141**

Higher inventory due to elevated trading post Blue Dinosaur acquisition and increased holdings due to disruption to international supply chains

Forbidden Foods continues to operate a capital light working model

Balance sheet has been bolstered with the successful acquisition of Blue Dinosaur, with the contingent consideration tied to revenue hurdles for the first twelve months from completion

Strong cash position at the end of the period with an additional $1.36m in unused financing facilities also available

Cash flow movements

$'000	1H22	1H21	Change
EBITDA	(1,757)	(954)	(84.2)%
Working capital and non-cash movements	186	(919)	nm
Operating cash flow before interest and tax	**(1,571)**	**(1,873)**	**16.1%**
Interest	-	(1)	nm
Tax	-	4	nm
Operating cash flow	**(1,571)**	**(1,876)**	**16.3%**
Acquisition of Blue Dinosaur, including costs	(1,899)	-	nm
Capital expenditure	(55)	(39)	(41.0)%
Lease liabilities	(65)	(31)	(109.7)%
Proceeds from issue of shares, net of costs	5,415	5,007	8.1%
Other	(27)	(97)	72.2%
Net increase/(decrease) in cash	**1,798**	**2,963**	**(39.3)%**
Net cash at the beginning of the period	1,149	136	-
Net cash at the end of the period	**2,947**	**3,100**	**(4.9)%**

Forbidden Foods is pleased with the improvement of 16.1% in operating cash outflows, particularly after an increase in inventory holdings and an increased level of marketing and promotion activities during 1H22.

The improvement in operating cash flows is a direct result of the following:

- an increase in high-margin digital revenue;
- new high-value product offerings; and
- reduction in low margin foodservice revenue.

Payment in relation to the acquisition of Blue Dinosaur during 1H22 included the following:

- an upfront payment of $2.0m
- acquisition and integration costs of $102k

Less

- cash received on acquisition of $203k.

After completion of the customary working capital adjustments, a further $213k was received after 31 December 2021.

Working capital and non-cash items

$'000	1H22	1H21	Change
Working capital and non-cash movements			
Increase in inventories	(85)	(994)	(91.4)%
Increase in trade receivables	(132)	(131)	nm
Increase/(decrease) in trade payables	218	(56)	nm
Increase in provisions	41	4	nm
Net change in other working capital and non-cash	144	258	(44.2)%
Total	**186**	**(919)**	**nm**

Working capital

The working capital across Forbidden Foods continues to be diligently managed, increasing by $1.19m to $2.80m at the end of 1H22 in comparison to 1H21. The increase in working capital was largely driven by the addition of the Blue Dinosaur business, with $0.86m of working capital added to the group upon acquisition.

Forbidden Foods continues to carefully forecast our inventory holdings to mitigate supply chain disruptions, whilst ensuring unnecessary capital is not tied up in inventory. International freight continues to be challenging, as a result the inventory holdings of imported products have been increased. Forbidden Foods continues to assess the strategic importance of the imported inventory lines.



04

Strategy update & outlook

Strategy Update

Feeding the world with the world's best

01

International expansion

- Accelerate existing and build new relationships in international markets
- Establish supply chain relationships in respective markets to locally source products to limit supply chain challenges and minimise working capital constraints

02

Digital commerce

- Invest in activities to ensure we own our customer data
- Build diversified high-margin revenue streams
- Deliver a first-class customer experience
- Increase the basket size and lifetime value of customers

03

Innovative product offering

- Expand existing product offerings
- Remain agile to pivot quickly to meet forecasted consumer trends
- Continue to be at the development forefront of plant based foods and proteins

04

ESG & Carbon Neutral

- Continue to improve packaging practices to limit the environmental impact of our product offering
- Ensure we maintain a transparent and sustainable supply chain that is ever evolving to meet key emission and environmental targets

ESG & Carbon Neutral

Strong ESG performance plays a significant role in enabling Forbidden Foods to anticipate and minimise the severity of a wide range of potentially material issues. Australia is one of the most efficient primary producers in the world, and our ESG strategies are designed to take full advantage of this. The increasing incidence of drought and climate variability puts pressure on all food producers to work closely with suppliers, streamline their processes, and mitigate risk wherever possible. Forbidden Foods' 2022 ESG ambition is to continue to pre-empt these issues to minimise disruptions to our operations, while acting as a leader on environmental and social sustainability for others in the food industry to follow.

"Forbidden Foods has a very solid foundation on which to build a robust ESG reporting framework and further develop their sustainability strategies. The business already has a wide range of environmental, social, and governance strategies in place, in some cases deeply embedded within its structure. The vision and values of Forbidden Foods align very closely with that of a strong long term sustainability strategy. This will allow the business to not only meet but exceed the ESG reporting expectations of its diverse suite of stakeholders."

Cress Consulting ESG Audit Report on Forbidden Foods - January 2022



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