Forbidden Foods Limited ASX: FFF

ASX Announcement

29 April 2022

Monthly gross revenue exceeds $1m for first time

Q3 FY22 Quarterly Activities Report

Forbidden Foods Ltd (ASX: FFF) ("Forbidden Foods" or "the Company"), is pleased to provide an update on its activities during the quarter ended 31 March 2022.

Key Highlights

- *Record result as the Company surpassed $1 million in gross revenue in a single calendar month in March 2022, marking the first time this threshold has been surpassed.*
- *Strong quarterly revenue in the traditionally slower third quarter of $1.75m, up 67% on the prior corresponding period (pcp) with cash receipts of $1.60m, up 50% on pcp*
- *High-margin digital revenue continues positive momentum, generating $226k in revenue for the quarter, up 524.8% pcp. E-commerce is a growing contributor to group revenue accounting for 13% of total revenue*
- *Blue Dinosaur® launched an industry leading range of Vegan Protein Bars using zero waste packaging, the first major snack brand to move away from single use plastics and deploy certified home compostable packaging.*
- *Blue Dinosaur® secured national ranging with Chemist Warehouse and expanded ranging with EG Group, and local independent distributors for new and existing SKUs.*
- *Exhibited Blue Dinosaur® at the Expo West tradeshow in Los Angeles, the leading food and beverage trade show in North America, exposing the brand to over 57,000 delegates including all major distributors and retailers.*
- *Accelerated the expansion of Blue Dinosaur® into the United States, appointing four highly regarded brand broking companies, establishing local manufacturing partners, and setting up logistic partners to handle fulfillment across the country.*
- *Sensory Mill® plant-based meats are scheduled to launch in Q4 with a new brand position. The transition to the new brand has already commenced with the website upgrade in progress.*

Forbidden Foods Chief Executive Officer, Marcus Brown said: *"Forbidden Foods continues to pursue the development of a valuable portfolio of highly engaging and emerging brands. Our strong brand presence amongst millennials and younger consumers, elevates our e-commerce revenue, ensuring the Company transitions away from traditional high working capital and low-margin revenue sources, to develop premium high-margin products which can be efficiently procured, manufactured, and supplied to customers in our respective markets.*

"With the addition of Blue Dinosaur, explosive growth in digital revenue, and the transition away from the foodservice channel, the Company anticipates continued improvements in underlying gross margin. The transition away from non-branded foodservice revenue will provide the Company with additional resources to continue to invest in our brands in market, with a particular focus on the United States as the Company penetrates the market, which will allow us to focus on increasing the equity of each of our brands.

"The near term is exciting for Forbidden Foods as we continue to unlock and capitalise on opportunities for our brands whilst we continue to build organic brand growth and increase our points of distribution. We are also extremely excited to launch the new brand position for Sensory Mill® which will coincide with the highly anticipated release of the plant-based meat range."

Quarterly Financial Highlights

After allowing for the traditionally slower third quarter, the underlying performance of each brand continues to accelerate toward the overarching strategic objectives of the Company.

Key outcomes include:

- Quarterly revenue of $1.75m, up 67% pcp
- Quarterly digital revenue exceeded $100k individually for both the Blue Dinosaur® and FUNCH® brands
- FUNCH® fulfilled over 1,000 orders in March 2022 to achieve its highest ever month of digital revenue, ensuring digital revenue for the brand closed the quarter 240.8% up pcp
- Operating cash flows improved on the previous quarter by $145k or 21.3%
- Inventories reduced to $2.29m at the end of the period, down from $2.86m at 31 December 2021

Forbidden Foods maintains a strong balance sheet with $2.4 million in cash reserves as at 31 March 2022. The Company's cash on hand and unused finance facilities available as at 31 March 2022 is sufficient to fund the business operating activities for five quarters based on the FY22 Q3 net cash used in operating activities.

Operational Review

On the back of sustained significant growth in revenue derived from digital channels, the Company continues to invest in our brands and people to continue to grow each brand globally whilst continually improving our fulfilment capabilities and practices, including the introduction of recyclable and sustainable packaging for e-commerce orders.

The demand from the foodservice channel continues to be lower than historical demand. The Company continues to assess the strategic importance of the foodservice channel as the working capital intensity and low margin revenue do not align with the strategic goals of the Company. To date, the Company has managed to substitute the downturn in foodservice revenue with higher margin revenue from other sources to ensure continued growth.

To further accelerate the digital growth and penetration of our brand's, Forbidden Foods has hired Jerome Fu, a seasoned FMCG e-commerce leader with 15 years' experience in domestic and international e-commerce brands, as a dedicated Global e-commerce Manager to drive the digital strategy for all the Company's brands.

Blue Dinosaur®

As announced on 29 March 2022, Blue Dinosaur® launched a new range of Vegan Protein Bars comprising three different bars: Peanut Butter & Mylk Choc, Peanut Butter & Caramel Choc, and Peanut Butter & Jelly. All three bars were in zero waste packaging. This is a significant milestone for Blue Dinosaur leading the industry as the first major snack brand to move away from single use plastics and deploy certified home compostable packaging.



The Company secured national ranging for the new Blue Dinosaur® Vegan Protein Bars range with Chemist Warehouse across their 300+ Australian stores from May 2022, expecting to generate revenue of $200,000 over the next twelve months.

The Company also exhibited the Blue Dinosaur® brand at Natural Products Expo West in Anaheim, California, in March 2022, which was attended by over 57,000 delegates. Natural Products Expo West is the largest trade show for the $274 billion North American natural & organic products industry, drawing distributors and retailers from stores such as Walmart, Albertson's, Kroger, HEB, Aldi, 7-Eleven, Sprouts, Whole Foods Market, GNC, Costco, Natural Grocers and more, all seeking to secure new products and identify emerging brands.

The response to the brand during the trade show was extremely positive, with the brand gaining significant traction in the US market, ahead of the Company's expectations.

Key updates include:

- US Sales Brokers: The Company appointed Apex, Hanson Faso, Premier Sales Solutions and Seidman to represent Blue Dinosaur® in key territories and key retailers in the US including, but not limited to; Walmart, Sprouts, Albertsons, and Publix
- US Sales Director: Rosanna Mugnolo, based in Chicago, Illinois has been appointed US Sales Director. Rosanna has 20+ years of experience in managing fast growing brands in the natural grocery sector. Rosanna's experience in go-to-market planning and implementation along with trade planning and sales broker management will give our brands the best success in secure growing opportunities in the US.

- **Local Manufacturers:** After an extensive search the Company has selected two manufacturers to make the product in the United States. Making the product in the United States will help mitigate COVID delays via importing and exporting, giving the customer great certainty of supply.
- **Warehousing Locations:** The Company has setup a warehouse in Arizona and anticipates having a second warehouse to service large national retailers established in Chicago by the end of 2022.

The Company is pleased with the progress in establishing the foundations to scale the brand in the US, which will lead to greater reach for the Blue Dinosaur® brand as well as provide a roadmap for the Company's other brands in the United States.

FUNCH®

The Australian flagship online store for FUNCH® continues to go from strength to strength, with the brand achieving its largest digital revenue quarter to date in Australia, fulfilling over 1,000 online orders in March 2022 alone.

In Vietnam, FUNCH®'s exclusive distribution partner received their fourth order since the commencement of the relationship, showing ongoing success and reordering or FUNCH® products in Vietnam.

Due to renewed concerns regarding an increased number of COVID cases in China, authorities have implemented widespread measures including lockdowns which have impacted the trading conditions of our China-based distribution partners and the demand through our flagship Tmall store. Whilst there are challenges to work through until restrictions subside, Forbidden Foods is working with its partners to ensure consumers can access our products.

Sensory Mill®

Sensory Mill® is preparing for the launch of the plant-based meats in Q4 with a new positioning of brand to attract a new demographic to its innovative offering. This involves new branding and new website, scheduled for release in Q4.

The Company is currently in production for its plant-based meats consisting of a Chicken, Pork, Beef, and a Burger mix. The range will be soy-free, gluten free and is all natural and made with no artificial ingredients.

The business will bolster its e-commerce B2C growth with the launch of these plant-based meat products online and in tandem with key retail partnerships.

Corporate

Environmental, Social, and Governance (ESG) and Carbon Neutral

The Company continues to develop our ESG practices to ensure we deliver our product to our customers in a sustainable, environmentally friendly, and socially conscious manner. We believe sustainability and social conscious is an important purchasing consideration for our core consumer demographic and we will continue to be transparent in our communications to the market and ensure our plans meet the ESG operating standards expected.

As part of our commitment to the environment and food sustainability, the Company is progressing to become Carbon Neutral by the end of 2022.

Some initiatives we have delivered during Q3 include the continued roll out of sustainable compostable packaging with the Blue Dinosaur® Vegan Bar range after an initial successful trial with a 'Custard Bar'. Blue Dinosaur® will continue to expand on recyclable and compostable packaging.

Our e-commerce warehouse also has transitioned to sustainable and recyclable packaging options for all brands where possible.

ASX additional information

Pursuant to ASX Listing Rule 4.7C.2, Forbidden Foods provides the following comparison of its actual expenditure since admission to the ASX against the "use of funds" statement in its Replacement Prospectus dated 21 July 2020.

	Prospectus $,000	Actual Expenditure $,000
Sales, marketing, and brand development	3,000	3,121
Administration costs	994	571
Working capital	949	1,171
Costs of the offer	1,057	1,137
Total	6,000	6,000

The funds raised by the Company in the IPO have been fully deployed in the business and are included in the working capital of the business.

In accordance with ASX Listing Rule 4.7C.3, Forbidden Foods advises that an amount of $130,000 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 multi-brand premium food company focusing on the infant & toddler and health & wellness plant-based markets. 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 three brands – Blue Dinosaur®, FUNCH® and Sensory Mill®

Appendix 4C

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

Name of entity	
FORBIDDEN FOODS LIMITED (ASX: FFF)	
ABN	**Quarter ended ("current quarter")**
82 616 507 334	31 March 2022

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	1,605	4,746
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(1,317)	(4,293)
	(c) advertising and marketing	(394)	(1,060)
	(d) leased assets	-	-
	(e) staff costs	(556)	(1,539)
	(f) administration and corporate costs	(18)	(105)
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	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(682)**	**(2,253)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	213	(1,584)
	(b) businesses	-	-
	(c) property, plant and equipment	(5)	(60)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	(36)	(71)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	3
	(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)	-	(97)
2.6	**Net cash from / (used in) investing activities**	**172**	**(1,809)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	5,816
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	-	(400)
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)	(33)	(99)
3.10	**Net cash from / (used in) financing activities**	**(33)**	**5,317**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	2,947	1,149
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(682)	(2,253)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	172	(1,809)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(33)	5,317
4.5	Effect of movement in exchange rates on cash held	(1)	(1)
4.6	**Cash and cash equivalents at end of period**	**2,403**	**2,403**

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	2,403	2,947
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)**	**2,403**	**2,947**

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	130
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	1,259	3
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	150	46
7.4	**Total financing facilities**	1,409	49

7.5	**Unused financing facilities available at quarter end**	1,360

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	95	33	19.99% p.a.	No
ANZ – Bank overdraft [1]	9	-	14.55% p.a.	No
CBA – Credit card	25	6	20.74% p.a.	No
NAB – Credit cards	30	7	13.25% p.a.	No
Moneytech: Debtor finance Trade finance	 1,000 250	 3 -	 7.24% p.a. 7.65% p.a.	 Yes Yes
Totals	**1,409**	**49**		

[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)	(682)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,403
8.3	Unused finance facilities available at quarter end (item 7.5)	1,360
8.4	Total available funding (item 8.2 + item 8.3)	3,763
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	5.5

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.

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: 29 April 2022

Authorised by: The Board of Directors of Forbidden Foods Limited

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.