Forbidden Foods Limited ASX: FFF

ASX Announcement

23 December 2022

Forbidden Foods exits foodservice early

Forbidden Foods Ltd (ASX: FFF) ("Forbidden Foods" or "the Company") is pleased to provide the following update with respect to its foodservice contract with FreshMex Sauces Pty Ltd ("Zambrero").

As previously announced and in line with the Company's strategic shift away from foodservice, the Company has negotiated to dissolve its contract with Zambrero in Q3 and not Q4, which was scheduled to expire on 31 March 2023. By way of mutual agreement between the parties, the contract will be dissolved with immediate effect, with existing stock in the pipeline absorbed by Zambrero.

The accelerated exit from this loss-making foodservice contract will unlock significant working capital which will be redeployed to target the growth of Blue Dinosaur® in the United States. Ending the contract will likely result in a reduction in revenue, however, will provide operational efficiencies, a material reduction in freight & storage costs, significant improvements in gross margins and will enable the Company to focus resources on higher-growth, higher-margin business verticals.

The Company is continuing to target existing opportunities to deploy additional resources for the sale and distribution of its high-growth, high-margin Blue Dinosaur® product range, which is building strong traction in domestic and international markets.

It follows the recent logistics integration with the Company's US distribution partner, KeHe Distributors, which will facilitate seamless order flow from KeHe's network of major US retailers.

Forbidden Foods has also secured product ranging for Blue Dinosaur® Associated Food Stores in the United States – a retailer cooperative supplying more than 500 retailers across the Intermountain West – and recently launched its flagship Amazon US online store for Blue Dinosaur® products (*refer ASX Announcement 3 November 2022*).

Forbidden Foods' Chief Executive Officer, Marcus Brown said: *"Forbidden Foods is committed to streamlining its operations to focus on high-margin products with significant growth opportunities which can generate meaningful returns for our shareholders.*

"As previously stated to the market, the foodservice channel has provided many challenges in recent years, particularly with the COVID-19 pandemic significantly increasing the costs to service contracts such as this, with freight costs eroding the profitability of the contract, therefore we were pleased we could work together with the customer in good faith to dissolve this contract early.

"The Board and management team have a clear strategy to leverage the success of our brands and are excited to execute on growth catalysts in 2023 with a particular focus on the expansion of the Blue Dinosaur® brand throughout retail outlets in the United States"

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®