

A close-up, high-resolution photograph of a granola mixture. The granola consists of various ingredients including rolled oats, sliced almonds, cashews, raisins, and small pieces of yellow cornflakes. The granola is spread across the entire background of the slide. A dark, semi-transparent rectangular box is positioned on the left side, serving as a backdrop for the company name and presentation details.

# Murray River Organics™

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H1 FY17 Results presentation

22 February 2017

# H1 FY17 results



*On track to meet FY17 Prospectus forecasts*

## **Statutory H1 FY17 results**

- Revenue of \$16.7m
- EBITDA of \$1.8m
- NPAT of (\$1.2m)

## **Pro forma H1 FY17 results**

- Revenue of \$30.8m
- EBITDA of \$5.7m
- NPAT of \$1.5m

## **Strong balance sheet**

- Gearing ratio of 41% (Net debt (including finance leases) / Equity)
- Net assets increased by \$41m over H1 FY17
- PP&E of \$70.8m

**Completed acquisitions of complementary businesses**

**Increased total acreage to more than 4,700 acres following acquisition of Fifth Street vineyard**

**Established organically certified consumer goods facility in Dandenong**

**Consolidated processing facilities**

**Well positioned to capitalise on growing domestic and international consumer demand for organic, natural, and better-for-you foods**

# H1 FY17 operational summary

*We Say What We Do and We Do What We Say*

- Listed on the ASX on 16 December 2016
- Execution of key projects is on track and on budget
  - Completed and successfully integrated the acquisitions of Food Source International and Australian Organics Holdings
  - Acquired Fifth Street vineyard, increasing the Group's farmland to more than 4,700 acres
  - Established an organically certified consumer packaged goods, value-add, and pick-pack facility which is now operational
  - Upgraded Sunraysia processing facility
  - Consolidation of Sunraysia processing facilities from four sites into one site is well progressed
- Integrated business model generating strong results
  - Growth across products, channels, and regions
  - Operational efficiencies now being driven
- Group remains well placed for further value accretive opportunities



# Well placed for future growth

*Murray River Organics helps provide customers globally with the opportunity to maintain a healthier way of eating, snacking and living*

Strategic driver	MRG actions
<b>Exploit growth trend</b>	<ul style="list-style-type: none"><li>• Acquisitions of Food Source International and Australian Organic Holdings broadens range of healthy products</li><li>• Entered new geographical markets and new channels</li></ul>
<b>Long shelf life focus</b>	<ul style="list-style-type: none"><li>• Products include dried vine fruit, nuts, seeds, chia seeds, prunes, dried ginger, dried mango, quinoa, coconut products, rice, and grains</li></ul>
<b>Leverage multi-use products</b>	<ul style="list-style-type: none"><li>• Increased acreage through Fifth Street vineyard acquisition</li><li>• 4,700 acres now under management, with 2,069 acres planted to dried vine fruit production</li></ul>
<b>Expand packaging capabilities</b>	<ul style="list-style-type: none"><li>• Established an organically certified consumer packaged goods, value-add, and pick-pack facility which enables the Group to expand its service domestically and internationally</li></ul>
<b>Seek value accretive opportunities</b>	<ul style="list-style-type: none"><li>• Completed key acquisitions over the half year</li><li>• Continue to assess new strategic opportunities</li></ul>
<b>Leverage Australian 'clean' and 'green' produce image</b>	<ul style="list-style-type: none"><li>• Continue to implement environmentally sound business practices and manufacturing processes</li><li>• Focus on growing sustainably</li></ul>

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# Growing revenue & earnings

*Pro forma metrics showing strong growth trajectory*

\$m	H1 FY17
<b>Pro forma results*</b>	
Revenue	30.8
Fair value gain	6.9
EBITDA	5.7
EBIT	4.0
NPAT	1.5



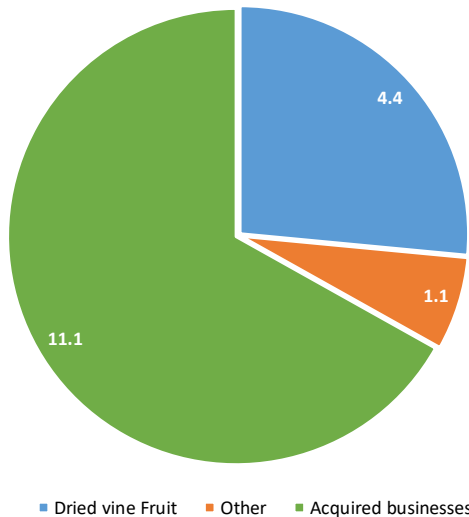
- Strong growth in revenue driven by:
  - Continued growth in global demand
  - Maturing of vine profile
  - Building out of sales team
- Group profitability is naturally skewed to the second half of each financial year due to crop production cycles
  - Growth in distribution activities expected to smooth this over coming years
- Fair value of agricultural produce represents the fair value gain recognised in relation to unharvested biological assets

\* See Appendix for reconciliation of Statutory and Pro forma earnings.

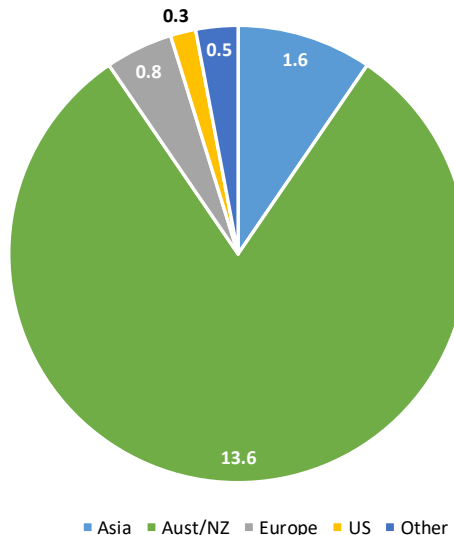
# Revenue streams (statutory)

*Platform in place for further diversification of revenue streams*

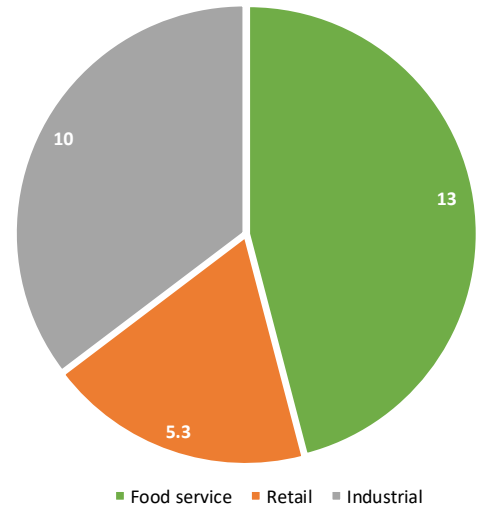
H1 FY17 sales by product (\$m)



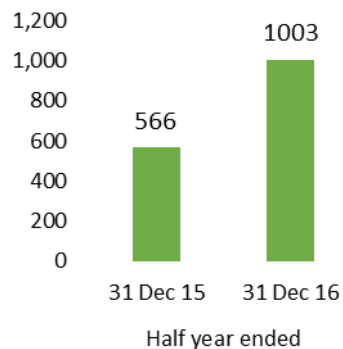
H1 FY17 sales by region (\$m)



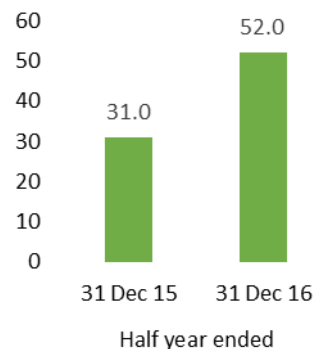
H1 FY17 sales by channel (\$m)



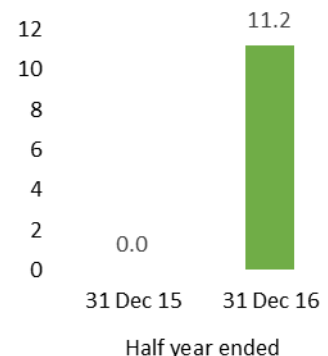
Loose berries (tonnes)



Clusters (tonnes)



Acquired businesses (\$m)



# Strong balance sheet

*Well positioned for future growth*

\$m	31 Dec 16	30 Jun 16
Cash and cash equivalents	11.0	2.2
Inventories	16.7	10.9
Agricultural produce	11.7	0.6
<b>Total current assets</b>	<b>51.8</b>	<b>19.5</b>
Property, plant & equipment	70.8	48.5
Intangible assets	10.7	-
<b>Total non-current assets</b>	<b>81.6</b>	<b>48.5</b>
<b>TOTAL ASSETS</b>	<b>133.4</b>	<b>67.9</b>
Current debt	8.6	3.5
<b>Total current liabilities</b>	<b>27.5</b>	<b>8.0</b>
Non-current debt	31.4	29.1
<b>Total non-current liabilities</b>	<b>35.0</b>	<b>30.1</b>
<b>TOTAL LIABILITIES</b>	<b>62.5</b>	<b>38.1</b>
<b>NET ASSETS</b>	<b>70.9</b>	<b>29.9</b>

- Increase in current assets driven by investment in:
  - inventories
  - agricultural produce (to be harvested in H2)
- Increase in Property, plant & equipment driven by:
  - Fifth Street vineyard acquisition; \$8.7m
  - Expansion of existing vineyards; \$8.1m
  - Fitout of Dandenong facility; \$2.9m
  - Upgrade of Sunraysia processing facility; \$2.6m
- Intangible assets include goodwill on acquisitions
- Increase in borrowings driven by;
  - \$5.2m increase in trade finance loan
  - \$2.3m increase in non current borrowings
    - \$1.5m lease liability
    - \$0.8m equipment finance

# Cash flows reflect investment

*Investing to drive future growth*

\$m	31 Dec 16	31 Dec 15
Receipts from customers	12.5	5.7
Payments to suppliers/employees	(18.6)	(6.0)
<b>Net operating cash flows</b>	<b>(7.3)</b>	<b>0.6</b>
Payments for PPE	(18.7)	(4.5)
Business acquisition payments	(15.2)	-
<b>Net investing cash flows</b>	<b>(33.5)</b>	<b>(4.1)</b>
Proceeds from borrowings	5.2	0.1
Proceeds from capital raise	45.1	8.5
<b>Net financing cash flows</b>	<b>49.6</b>	<b>8.7</b>
<b>NET CASH FLOW</b>	<b>8.7</b>	<b>5.3</b>

- Operating cash outflow of \$7.3m reflects:
  - Investment in the 2017 crop (\$10.8m) – to be harvested in H2
  - Increase in inventories following the acquisition of new businesses
- Investing cash outflow of \$33.5m driven by:
  - Business acquisitions
  - Acquisition of Fifth St vineyard
  - Dandenong packaging facility
  - Conversion and development of vineyards
  - Upgrade of Sunraysia processing facility
- Financing cash flow of \$49.6m driven by IPO and pre-IPO raise



# Prudent capital management

*Strategic investments to build long term shareholder value*

Investments made to deliver strong and sustainable future growth

Project	Investment (\$m)
Acquisitions of Food Source International and Australian Organic Holdings	15.0
Fifth Street vineyard acquisition	10.4
Conversion & development of existing vineyards	8.1
Establishment of Dandenong packing facility	2.9
Upgrade of Sunraysia processing facility	2.6
<b>Total</b>	<b>39.0</b>

Remain well placed for further value accretive opportunities



A yellow agricultural harvester, likely a grape harvester, is shown in operation in a vineyard. The machine is yellow with black accents and has a complex mechanical structure. It is positioned in the center of the frame, with its front end facing left. The background shows a clear blue sky with some light clouds and a green hill in the distance. The foreground is filled with green grapevines. A semi-transparent black rectangular area is overlaid on the left side of the image, containing the text "Operational overview" in white. Below the text is a horizontal dotted line.

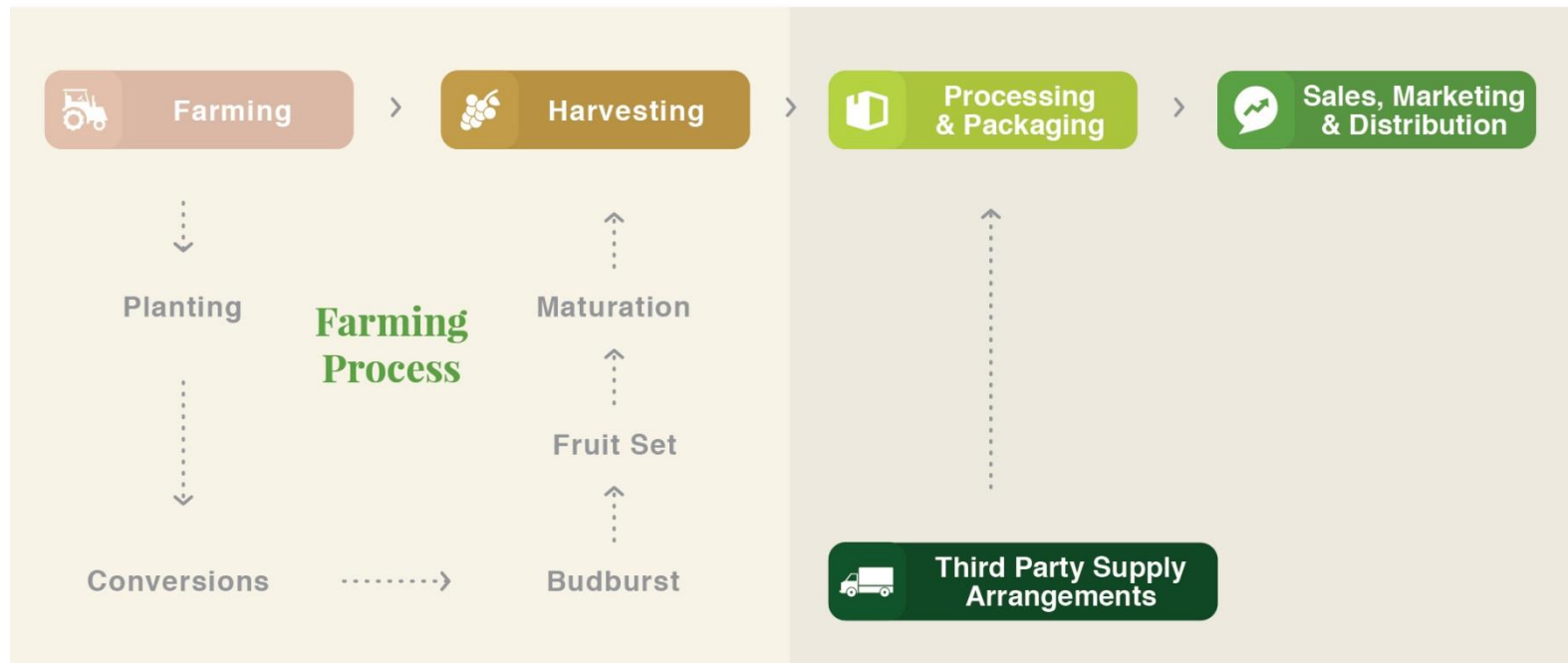
# Operational overview

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# Vertical integration business model

*Vertical integration through farming, processing, packing and sales and marketing operations*

## Vertical Integration Business Model



INTEGRATED PLANNING AND OPTIMISATION

# Vineyard operations

*Increased total acreage to over 4,700 acres*

- Completed acquisition of Fifth Street vineyard
- Group now owns or controls over 4,700 acres of farmland in the Sunraysia region
  - 2,069 acres are planted to dried fruit production
  - 394 acres planted to table grapes/clusters
  - 149 acres planted to citrus
- Largest dried vine fruit producer in Australia
- Largest vertically integrated certified organic producer of dried vine fruit globally

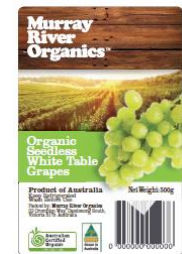


# H1 operational achievements

## *Two significant business acquisitions integrated*

### **Food Source International & Australian Organic Holdings**

- Integration of both businesses is well progressed in terms of operations, assets and brands
- Implementation of uniform operational, marketing, sales & distribution strategies across the Group is on track
- Range of healthy products has now been broadened
- Relationships with key Australian domestic retailers has been strengthened
- New single-solution ERP was implemented on 4 January across entire Group
  - Further streamlining is taking place and will continue until end of March
  - Provides significant benefits in terms of reporting capabilities and efficiencies
- Online shopping portal under development and being rolled out



# H1 operational achievements cont.

## *Certified Organic consumer packaged goods facility established*

- Established new organically certified consumer packaged goods, value-add and pick-pack facility in Dandenong, Victoria
- Facility is now operational and is also the new Head Office of the Group
- 4,219 sqm facility has been fitted with more than 2,500 pallet spaces
- 5 of 6 packaging lines are in operation with the last line to be completed by mid-March 2017
- Multiple differentiated packaging and value-add capabilities
- Designed to service the industrial, retail and foodservice markets domestically and internationally
- Enables the Group to competitively service its large and fast growing customer base
- Additional automation options for end of packing lines being scoped out



# H1 operational achievements cont.

## *Significant upgrade and consolidation of Sunraysia processing facility*

- \$2.5m upgrade to the Sunraysia processing facility
  - Additional metal detection units installed
  - Additional laser sorter installed
  - Elevated walk ways and cat walks installed
  - New processing equipment
- Consolidating four existing processing facilities into one
  - Reduces complexity of pre-production supply chain
  - Significantly improves efficiency around cost and inventory management
  - Planned completion for 2017 crop receival
- Processing facility has the capacity to process approx. 15,000 tonnes of dried fruit in bulk and approx. 1,000 tonnes of clusters per year
- Site will be equipped with renewable sources of low cost energy including solar panels and biomass



# Synergies expected to materialise

*H1 FY17 was a period of significant investment for the Group*

- Cost synergies will be driven by focus on
  - Reduction in packaging costs by insourcing all packing, and eliminating packing previously undertaken by Australian Organics Holding
  - Eliminating warehouse rent in Sydney
  - Reduction in input costs
  - Strengthened distribution relationships
  - New / improved procurement opportunities
  - Efficiencies from consolidated and improved processes
  - Further automation benefits at organic packing facility
  - Reduced handling costs from consolidated Sunraysia processing facilitiesWhich is expected to deliver savings of \$3 million run-rate exiting FY18
- New revenue opportunities driven by
  - Roll out of international sales team
  - Broadened product portfolio
  - Dedicated new product development efforts
  - Organic packaging facility opens up new domestic and international revenue opportunities



# Growth strategy

## *Dual track growth strategy*

### Growth through existing operations

- Maturing and expansion of current producing assets
- Growing portfolio of products
- Growing geographically – currently selling into 26 countries
- Growing sales channels
- Roll out of international sales team
- Scale benefits from strengthened relationships with key suppliers and customers
- Efficiencies through new ERP system and consolidated processing facilities

### Value accretive opportunities

- Full integration of recently completed acquisitions (Food Source International and Australian Organic Holdings) provides a broader product range to sell to domestic and international customers
- Fifth Street vineyard providing operational flexibility to produce to the highest margin market, and expansion opportunities
- Ongoing disciplined evaluation of acquisition opportunities of additional accretive assets, businesses and brands

A close-up photograph of several granola bars on a light-colored wooden surface. The bars are made of oats, nuts, and dried fruit, with some chocolate chips visible. The lighting is warm and natural, highlighting the textures of the ingredients. A dark, semi-transparent rectangular overlay covers the bottom left portion of the image, where the word 'Outlook' is written in white.

# Outlook

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# H2 FY17 outlook

*On track to meet FY17 Prospectus forecasts*

## **Strong start to H2 FY17**

- Realised price of table grapes sold to date higher than forecast
- MRG FY17 yield expectations are in line with forecast
  - Despite reduced market supply of Australian dried vine fruit by 25% due to weather events
- Significant new customer wins

**Domestic and international demand for organic, natural and better-for-you foods continues to experience significant growth**

**Roll-out of international sales team gaining good traction**

**Continued execution on key projects**

**Synergies to flow in FY18**



# Summary

*Foundations in place to build significant shareholder value*

- H1 FY17 was a milestone period for MRG
- On track to meet FY17 Prospectus forecasts
- Building blocks have been put in place to capitalise on strong domestic and international demand for organic, healthy and better-for-you produce
- Strong revenue and earnings growth profile
- An integrated business model that offers multiple revenue sources
- Well positioned for further disciplined value accretive growth





# Appendix.

# Profit & Loss reconciliation

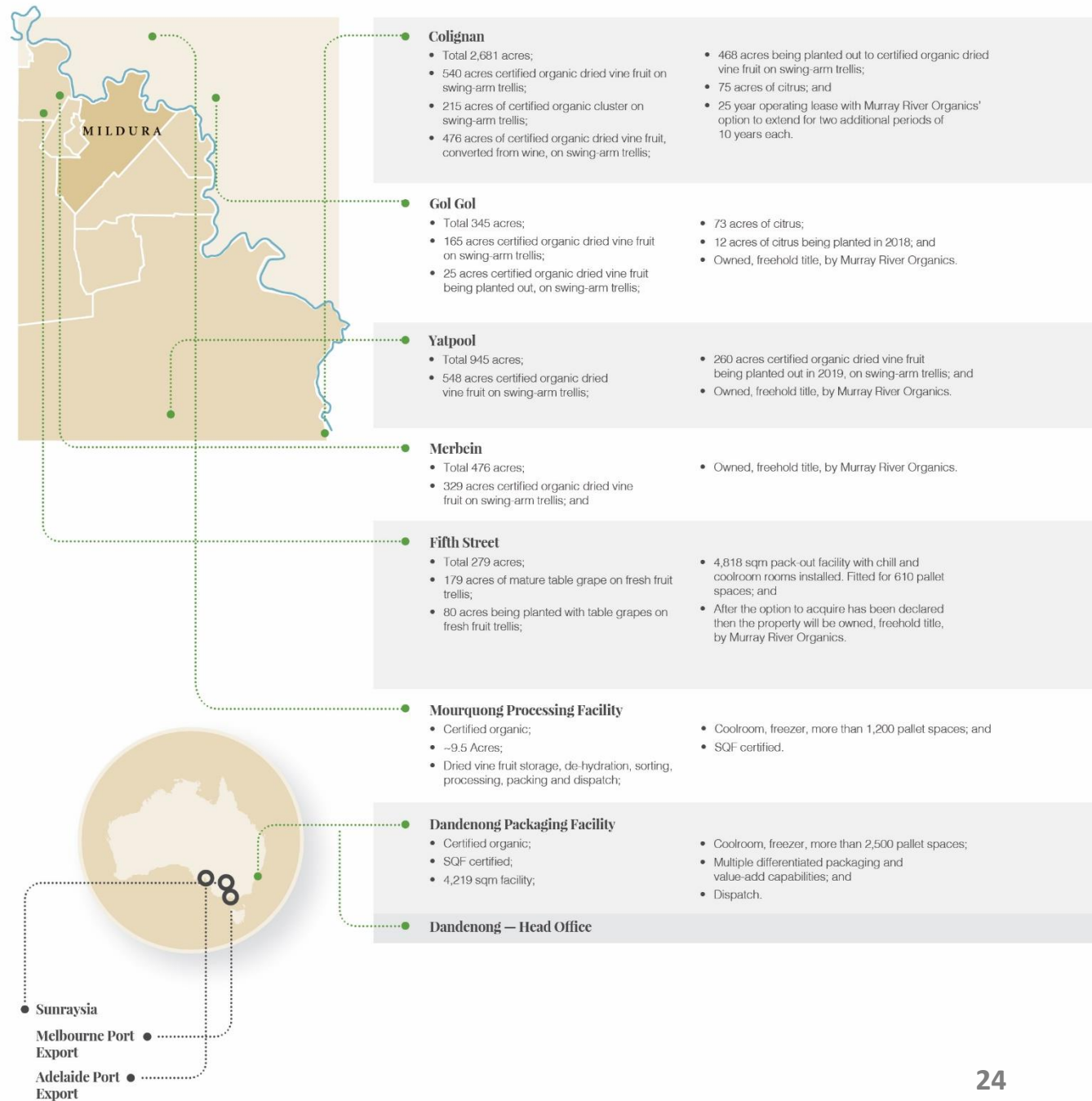
\$m	31 Dec '16 Statutory	Proforma Adjustments				31 Dec '16 Proforma
		AO Acquisition	FSI Acquisition	Fifth Street Acquisition	IPO one-off's	
Revenue	16.7	9.2	4.9	-	-	30.8
Other Income	0.6	(0.2)	-	-	-	0.4
Fair value of agricultural produce	6.9	-	-	1.0	-	7.9
Raw materials, finished goods consumed and change in finished goods and work in progress	(16.7)	(6.9)	(4.2)	-	-	(27.8)
Employee benefits expense	(2.2)	(0.6)	(0.1)	-	-	(2.9)
Other operating expenses	(3.5)	(0.7)	(0.0)	-	1.5	(2.7)
<b>EBITDA</b>	<b>1.8</b>	<b>0.9</b>	<b>0.6</b>	<b>1.0</b>	<b>1.5</b>	<b>5.7</b>
Depreciation	(1.7)	-	-	-	-	(1.7)
<b>EBIT</b>	<b>0.1</b>	<b>0.9</b>	<b>0.6</b>	<b>1.0</b>	<b>1.5</b>	<b>4.0</b>
Finance costs	(0.9)	(0.1)	(0.1)	-	-	(1.1)
<b>PBT</b>	<b>(0.9)</b>	<b>0.8</b>	<b>0.5</b>	<b>1.0</b>	<b>1.5</b>	<b>2.9</b>
Tax	(0.3)	(0.2)	(0.2)	(0.3)	(0.4)	(1.4)
<b>Profit / (loss) after tax</b>	<b>(1.2)</b>	<b>0.6</b>	<b>0.4</b>	<b>0.7</b>	<b>1.0</b>	<b>1.5</b>

- Adjustments relating to acquisitions include:
  - Pre-acquisition earnings (excluding intercompany)
  - Elimination of impact of PPA accounting (eg. FV of inventory)
  - Fifth Street includes FV gain on agricultural produce (net of vineyard costs)
- IPO costs exclude those already included in equity
- Through the half-year end stock take process the inventory mix was reviewed and MRG consciously decided to convert some of its cluster inventory to loose berries, to ensure that any sales to the developing high margin cluster market, are of superior product quality.

# Farmland

*Murray River Organics was founded in 2010 on the Acquisition of a 72 acre organic vineyard in Merbein, Victoria.*

Since then MRO has acquired or gained control of additional acreage such that it now holds a total of 4,726 acres (of which 4,447 acres is certified Organic) farmland through a series of strategic acquisitions over the past six years, making it the largest dried vine fruit producer in Australia, and the largest Organic producer globally.



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