

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 corn or fruit. The granola is spread across the entire image, with a darker, semi-transparent rectangular area on the left side where the text is located.

# Murray River Organics™

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March 2017





# Introduction to Murray River Organics.

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# Company Overview

*Murray River Organics is a leading Australian producer, marketer, manufacturer and seller of organic, natural and 'better-for-you' food products*

- MRG is the world's largest vertically integrated organic dried vine fruit grower, producing sultanas, currants, raisins and muscats with 4,726 acres of owned or controlled farmland
  - Significant growth in production as vines mature and land holdings are planted out
- Strategy focused on using various degrees of vertical integration in product lines; integrated farming, processing, packing, product innovation and marketing
  - Strong focus on end markets
- Has grown acquisitively since 2010, acquiring primary production assets and food product / distribution businesses, and intends to seek future growth through:
  - acquisition of complementary certified organic, natural and better-for-you primary production assets, brands, food product companies and product lines
  - broadening the distribution of key products and brands
- Recently established new organically certified packaging, value-add and pick-pack facility in Dandenong

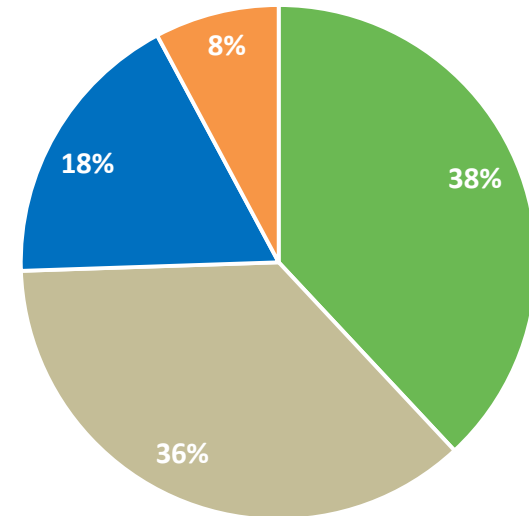


# Corporate Snapshot

## *Corporate Information*

- ASX:MRG – listed December 2016
- Market cap – \$104m (as at 24 March 2017)
- Shares on issue: 87,086,550
- Corporate offices located at MRG's certified organic consumer goods facility in Dandenong South
- Sales offices in Australia, Europe, North America, and Asia.

## *MRG share register*

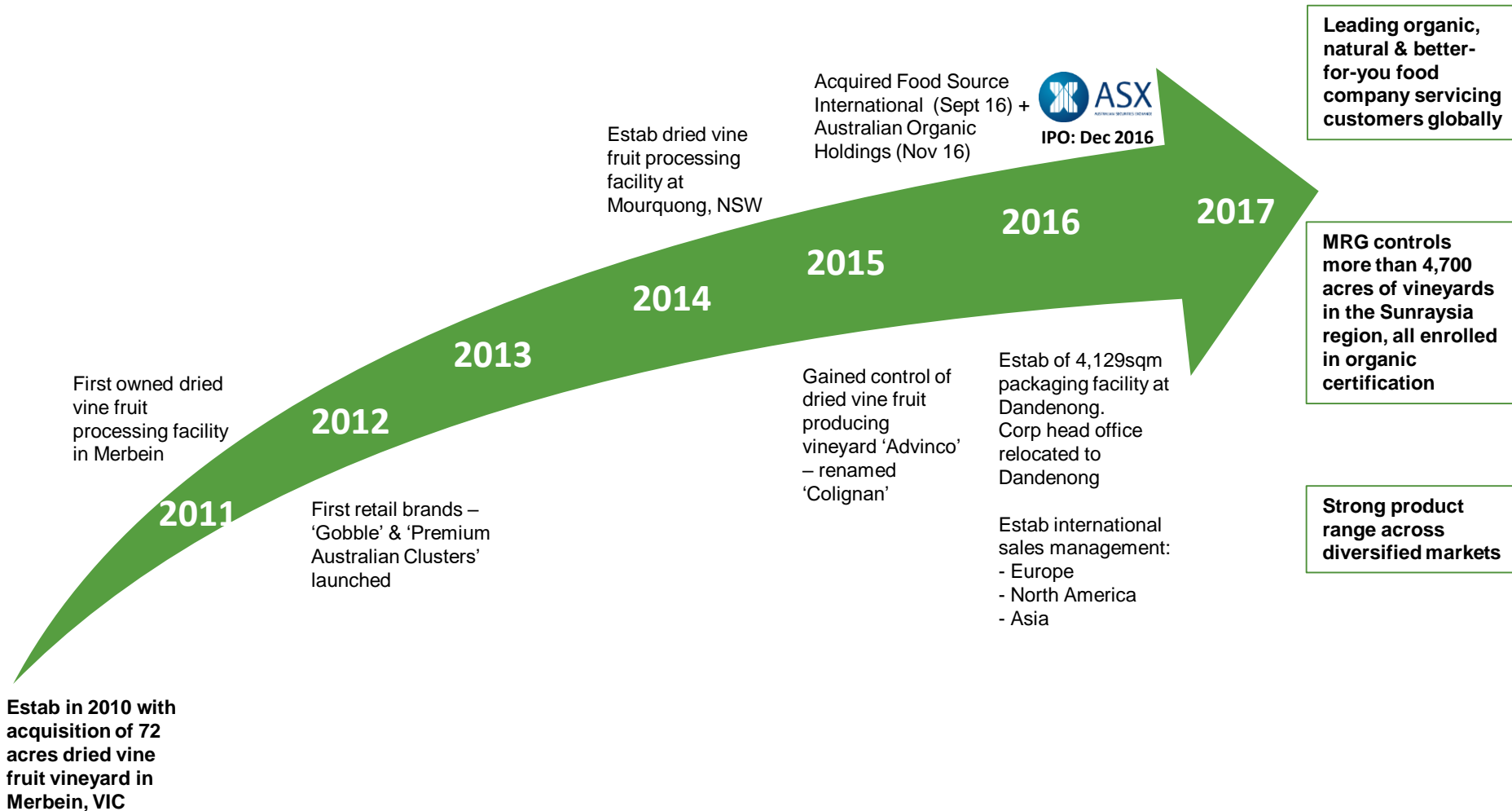


■ Institutions ■ Retail ■ Board & Mgt ■ Other



# History of the business

*MRG has grown rapidly since its formation in 2010*



# H1 FY17 results



*MRG recently released its maiden half year results as a listed entity...*

## **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 asset increased by \$41m over H1 FY17
- PP&E of \$70.8m

**Completed acquisitions of complementary businesses**

**Acquisition of Fifth Street Vineyard**

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

**Consolidated processing facilities in Sunraysia**

**Well positioned to capitalise on growing global consumer demand for natural, healthy and organic foods**

*On track to meet FY17 Prospectus EBITDA forecast*



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 lower-left portion of the image, serving as a background for the text.

# Board & management

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# Board and executive management

*Skilled and experienced executives bring a broad range of skills to MRG*



**Craig Farrow**

Independent Chair  
& Non-Executive Director



**Erling Sorensen**

Managing Director



**Jamie Nemtsas**

Executive Director  
& Chief Operating Officer



**Lisa Hennessy**

Independent Non-Executive Director



**Donald Brumley**

Independent Non-Executive Director



**Matthew O'Brien**

Chief Financial Officer

Craig has 30 years' experience in the accounting and advisory services profession. Experienced Company Director across ASX, public unlisted, and private company sectors. Deep agribusiness experience

Erling is a co-founder of Murray River Organics and has a significant international management experience. Erling was previously the Chief Commercial Officer of Nyrstar Nv

Jamie is a co-founder of Murray River Organics and has significant experience in farming operations wealth and asset management, predominately with high net worth individuals, families and corporations

Lisa has held executive roles within Del Monte Foods, General Electric, and Bain & Co. Lisa has also been an advisor to several global growth-stage companies based in Australia

Don was a senior partner of Ernst & Young Oceania, significant experience in IPO's, transactions and audit

Matt is an experienced Chartered Accountant and joined MRG in 2016 after 8 years in Assurance at Ernst & Young



# Operational management team

## **Bill Avery – Head of Agronomy**

Bill has more than 30 years' experience in the farming sector – holding various lead roles in agronomy, operations, and management

## **Tim Wilson – Head of Food Technology & Food Safety**

Tim is a Food Technologist with more than 10 years' industry experience, in Australia, and the UK.

## **Andrew Nemtsas – Dried Vine Fruit Operations Manager**

Andrew has significant management experience in farming and food processing, and is a qualified organic auditor.

## **James Tudehope – Value-Add Operations Manager**

James is a Food Technologist with over 30 years' experience in the food industry.

## **Carlos Guitierrez – Joint Global Sourcing Manager**

Carlos has more than 35 years' experience in the grocery industry domestically and internationally and was the founder of Food Source International.

## **Cameron Gough – Joint Global Sourcing Manager**

Cameron has 25 years' experience in the organic farming and food industries and founded Australian Organic Holdings in 2005.

## **Maarten de Leeuw – Sales Manager, EMEA**

Maarten has over 20 years' management experience in various commercial and trading roles in large global publicly listed companies.

## **Jeff Pascoe – Sales Manager, North America**

Jeff has over 30 years' experience in the food industry across diversified channels, including food service, vending, ingredient, small club stores, fresh, and frozen.

## **Joe Gayton – Sales Manager, North Asia**

Joe holds a Graduate Diploma of Agribusiness as well as a Bachelor of Agricultural Science. His career has covered food quality, business, and government roles.



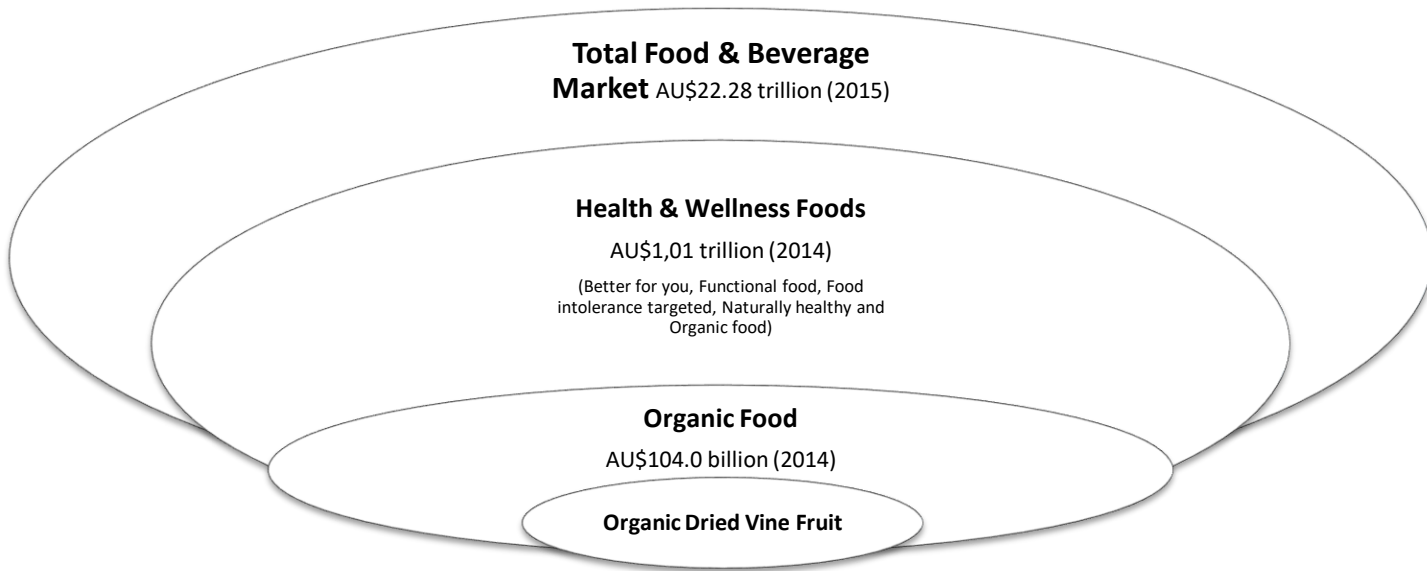
# Market Opportunity

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# Rapidly increasing global demand for organics

*The global market for certified organic food and drink was worth AU\$104.0 billion in 2014; a compound annual growth rate (CAGR) of 9.5% since 2006*

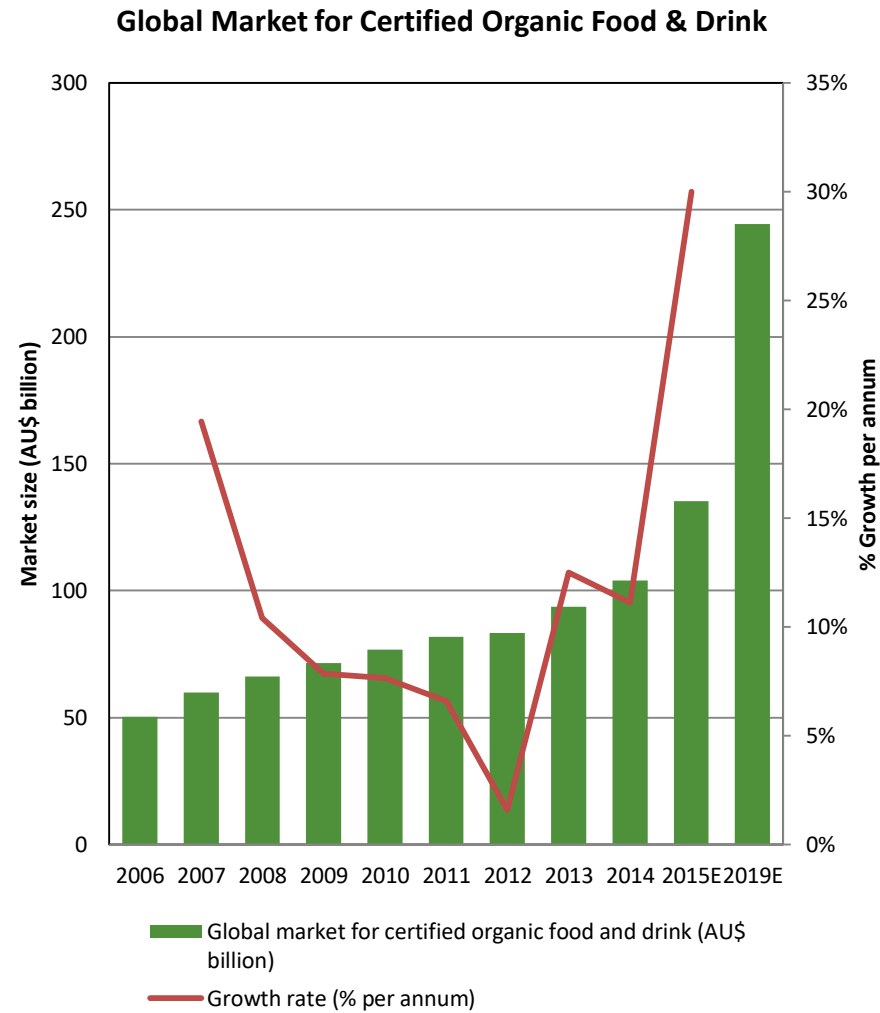


- ✓ “Healthy food snacks” are one of the fastest growing segments
- ✓ A number of dynamics are driving demand for natural, healthy, certified organic and safe food
  - Population growth and an aging population, prevalence of chronic disease and higher healthcare expenditure, urbanisation and higher disposable incomes, higher consumer awareness of the impact of food on health and safety

# Strong outlook for organics food market

## *A number of factors driving demand*

- *Food safety concerns* – Consumers increasingly aware of the high use of fertilizers and pesticides used in conventional food production.... driving the demand for 'chemical and additive free' organic products
- *Sustainability concerns* – organic farming is more efficient, sustainable and profitable than conventional farming
- *Increasing urbanisation* – The main addressable market for organic food exists within urban areas, which are growing steadily.... forecast to reach 58.2% (globally) by 2025
- *Increasing accessibility* – Mainstream distribution channels including global retail chains seek increasingly catering to the health-and-safety-conscious consumer
- *Organic certification recognition* – as certifications become associated with quality amongst consumers and wholesalers, demand for certified organic products will grow



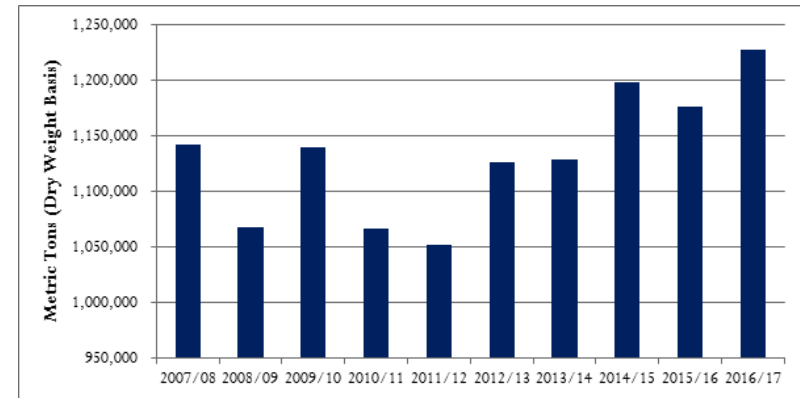
Source: The Global Market for Organic Food & Drink, Organic Monitor, 2016 and McKinsey Analysis



# Health-conscious consumers driving demand for health foods

- *Aging population trend underpins demand for health foods.....* The population percentage aged 65 and over is rising. This segment of the market tend to be more health-conscious
- *Rising healthcare expenditure.....* prompting governments and communities to seek ways to proactively reduce future healthcare spend through healthy food choices
- *Increased understanding of the link between nutrition and health.....* In a 2015 survey of 1,500 respondents in the United States, the single most mentioned action taken to improve health was change to diet. This underlines the importance given to nutrition as a means of improving health
- *Increasing preference for natural.....* Food and beverage manufacturers are increasingly adding natural ingredients into everyday foods as a means of driving competitive differentiation. This trend has also helped drive the 'free-from' food segment

Total Dried Vine Fruit Consumption, World, 2007/08 to 2016/17

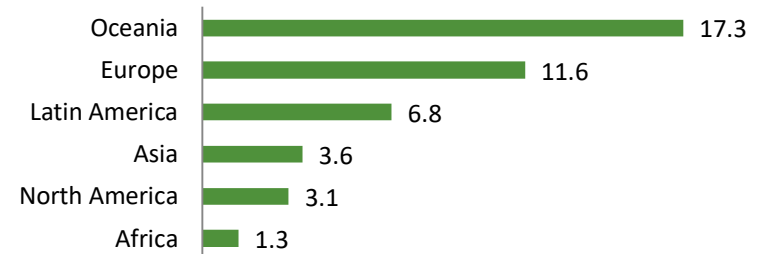


# Barriers to entry & competition

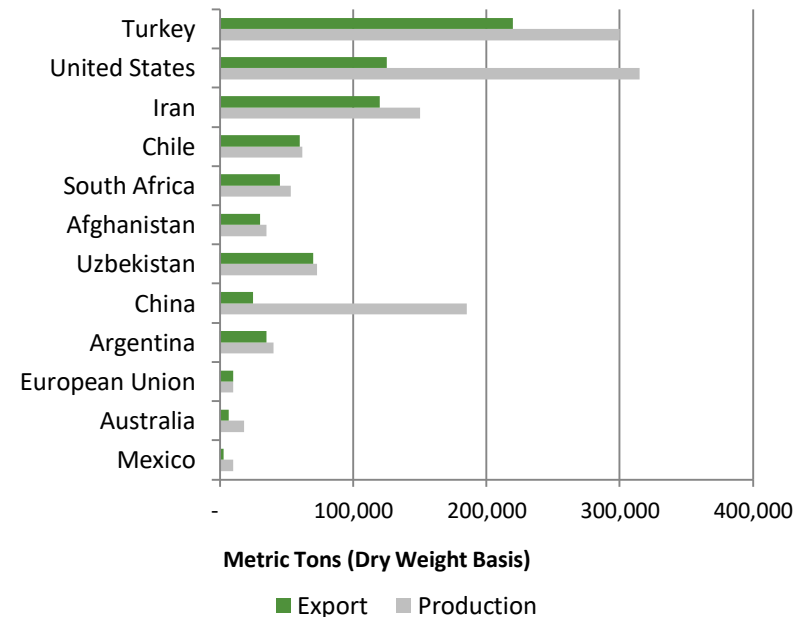
*Within the Global Market, Murray River Organics key competitors are California and Turkey, which are both facing issues with supply (drought and general water access) and questionable organic authenticity*

<b>Climate</b>	Dried vine fruit can only be grown in areas that are hot but dry.
<b>Water Access</b>	Vineyards require reliable access to water.
<b>Organic Certification</b>	The certification requirements to become organically certified in Australia is an comprehensive process that takes a minimum of 4 years for new entrants.
<b>Established Acquisition Targets</b>	There are currently no organically certified dried fruit vineyards in Australia that can produce significant quantities.
<b>Organic Conversion Methods</b>	The method of conversion from wine to dried vine fruit varieties adopted by Murray River Organics is proprietary to Murray River Organics.
<b>Experience</b>	To operate an organic vineyard of scale, significant experience and agronomy capabilities are required.
<b>Capital</b>	Significant capital outlay is required to establish an organic vineyard of scale.

**Organic land Area (million hectares)**



**Dried Vine Fruit Production and Export Volumes: By Major Country 2016/17**





# Dried vine fruit supply

*Supply dynamics working in favour of MRG*

## California

- All dried vine fruit crop is grown in drought-impacted region of California
- Dried vine fruit plantings removed or replaced with tree nuts, unlikely to be replanted
- Up to 4 years of normal irrigation and weather is required for a dried fruit vine to recover from drought
- Significant drawdown from aquifers causing irreversible damage to groundwater supply
- Urban end environmental pressures are expected to continue to increase

## Australia

- Water market is regulated (Murray-Darling Basin Plan)
- MRO's operations are located adjacent to and irrigated from one of the largest river systems in the world
- MRO's water is secure (probability of 100% allocation 98 out of 100 years according to Department of Sustainability and Environment, Victoria)
- MROs crop generate high returns per megalitre (last man standing)
- Risk of higher cost of water, which may lead to more predictable growing conditions

A large yellow agricultural harvester, likely a grape harvester, is shown in a vineyard. The machine is positioned in the center, with its complex mechanical structure and yellow frame visible. It is surrounded by green grapevines. The background features a clear blue sky with some light clouds and a distant hill. A semi-transparent dark grey rectangular box is overlaid on the left side of the image, containing the text.

# Business Model & Operations.

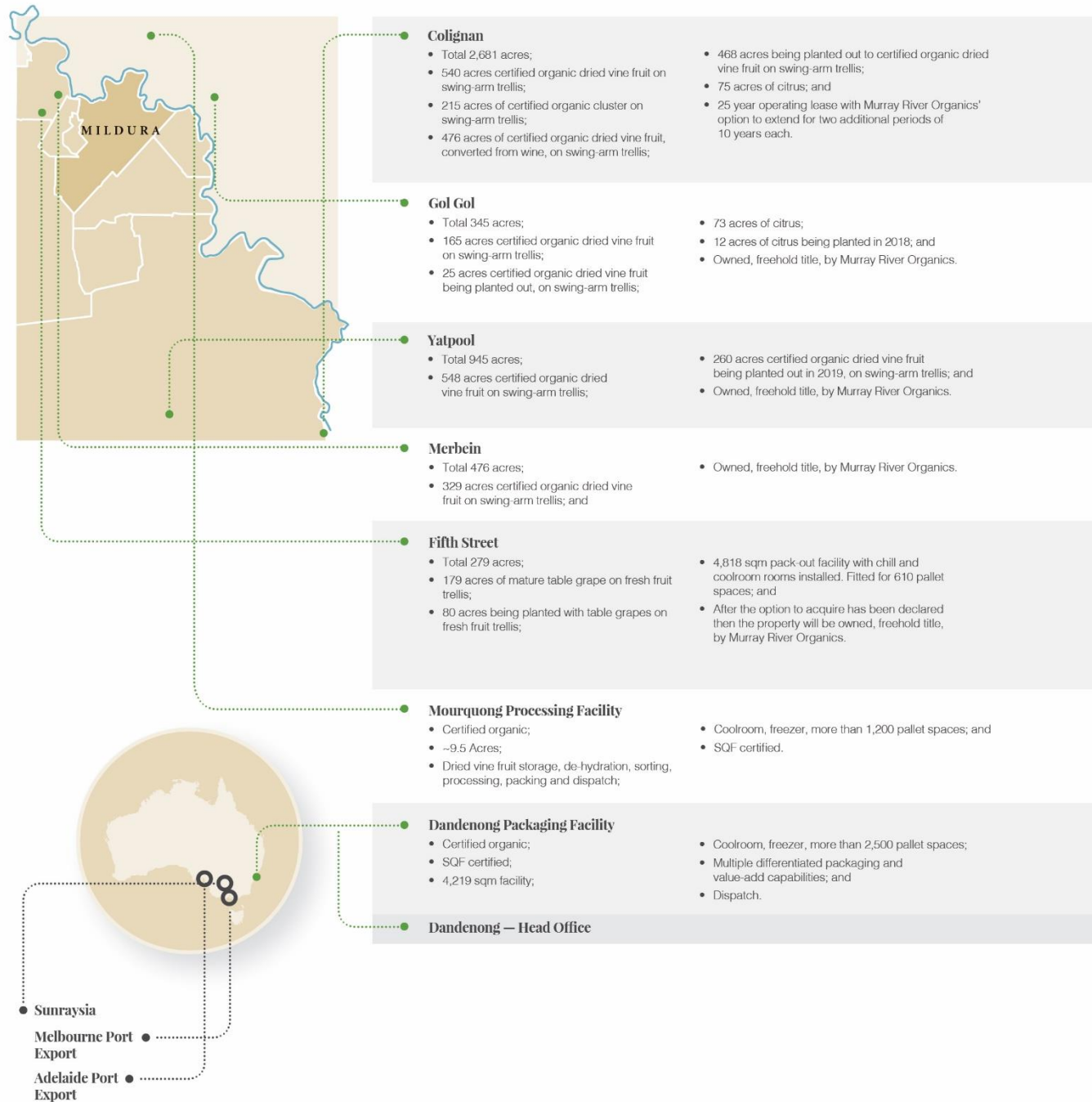
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# Farmland

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

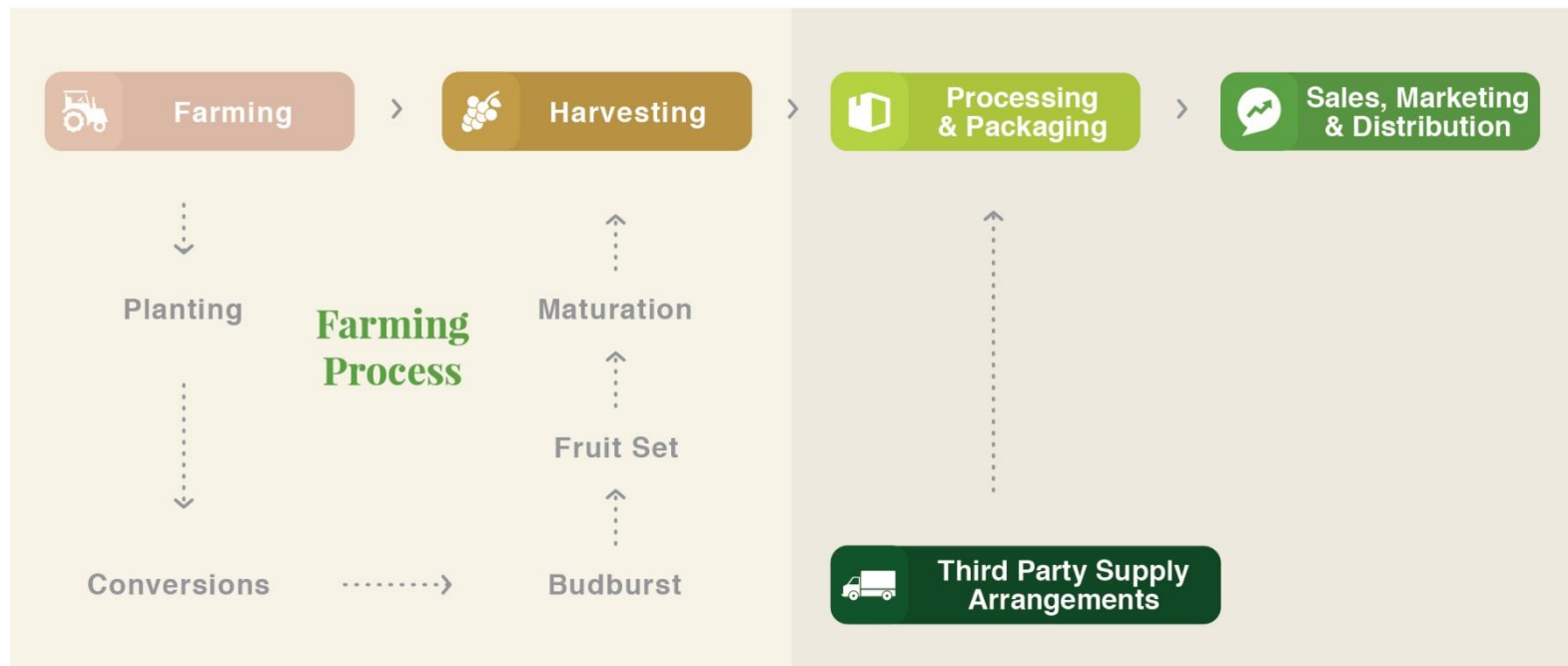
Since then MRO has acquired or gained control of additional acreage such that it now holds a total of 4,447 acres of certified Organic farmland through a series of strategic acquisitions over the past six years, making it the largest dried vine fruit producer in Australia, and the largest Organic producer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



# Farming Operations

*One of the defining characteristics of Murray River Organics' current operations is its use of vertical integration through integrated farming, processing, packing and sales and marketing operations*

## Vertical Integration Business Model



# Processing & Packaging

Murray River Organics' processing facilities are located centrally to its vineyards. These are complemented by the establishment of an organically certified consumer goods packaging, value-add and pick-pack facility, in Dandenong Victoria. This allows multiple differentiated packaging and value-add capabilities and is designed to service the retail, wholesale and foodservice markets globally



## **Sunraysia Facilities:**

- Dried vine fruit sorting, processing, bulk packing and storage
- Dehydration and raw material storage;
- Four acre property with packing shed and cool room;
- Freezer and cool room facility on a separate one acre property
- 15,000 tons bulk dried vine fruit capacity
- 1,000 tons clusters capacity
- Fifth Street acquisition contributes a fully equipped pack out facility of 4,818 sqm with chill and cool rooms installed. The facility is fitted for 610 pallets and accredited for export dispatches

## **Dandenong**

- Internalises all of Murray River Organics packaging operations
- 4,219 m2 facility
- Multiple packaging lines for all retail (branded and private label), wholesale and foodservice products
- Plus freezing (for sterilisation) and cool room facilities
- Value add capabilities



# Water Access

Murray River Organics believes that it has sufficient rights / access to water for the purposes of its business operations.

Murray River Organics has entered into two water lease arrangements, pursuant to which it leases water entitlements (representing in aggregate approximately 6.440 megalitres of water over the term of the leases) from third parties. The leases are due to expire on 30 June 2020, with one lease containing an option to extend the term for a further 5 years.

Murray River Organics also buys water in the spot market. In FY16 spot water purchases accounted for less than 10% of its annual water usage.

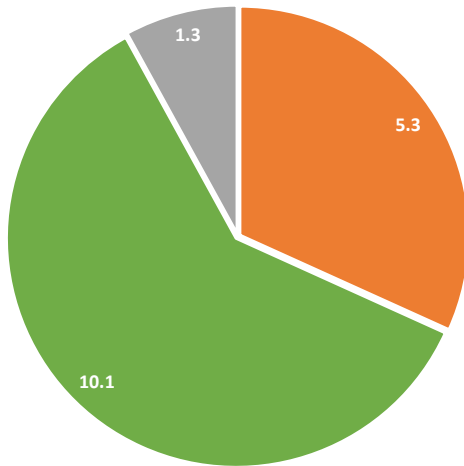
Murray River Organics does not currently own any permanent water rights. However, Murray River Organics may consider acquiring permanent water rights in the future, depending on its circumstances and the costs associated with doing so (at the relevant time), so as to have a diversified portfolio of water rights that are owned, leased and bought in the spot market.



# Markets & customers

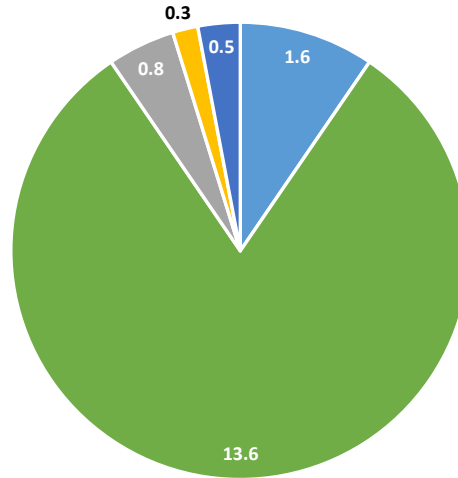
*The Company is building a strong & diversified revenue stream*

H1 FY17 sales by channel (\$m)



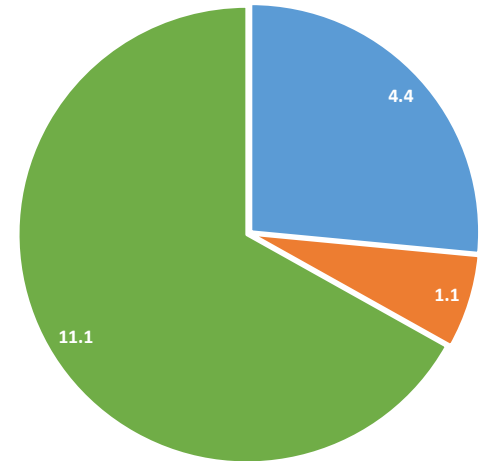
Food service Retail Industrial

H1 FY17 sales by region (\$m)



Asia Aust/NZ Europe US Other

H1 FY17 sales by product (\$m)

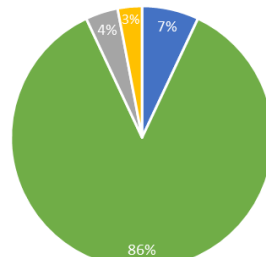


Dried vine Fruit Other Acquired businesses

## *FY17 revenue forecast (Proforma)*

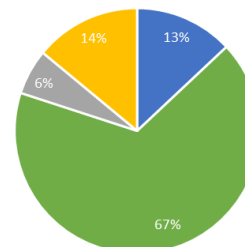
Proforma revenue is forecast to reach \$78m in FY17 with growth in each of the target markets expected to perform in line with expectations:

2016 revenue



Europe Australia/NZ United States Asia

2017F revenue



Europe Australia/NZ United States Asia

# Competitive differentiation

*The company operates in a growing market that is characterised by high market power resting with incumbents, due to entry barriers for new entrants to the industry*

Murray River Organics believes it has differentiation in the following areas:

<b>Conversion Success</b>	Proven history of successful conversion of conventional farmland to organic dried vine fruit
<b>Dynamic Business Model</b>	Scalable growth with significant first mover advantage in terms of leveraging vertical integration, product expansion and economies of scale
<b>Experienced Management Team</b>	Proven track record in organic farming, processing, packing, sales & marketing
<b>Organic Market</b>	Deep understanding of market and drivers of growth
<b>Relationships</b>	Established key relationships with flagship customer



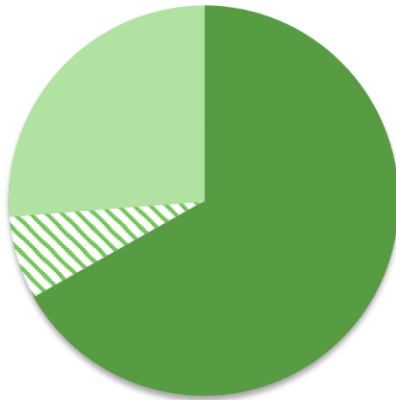


# Future growth opportunities

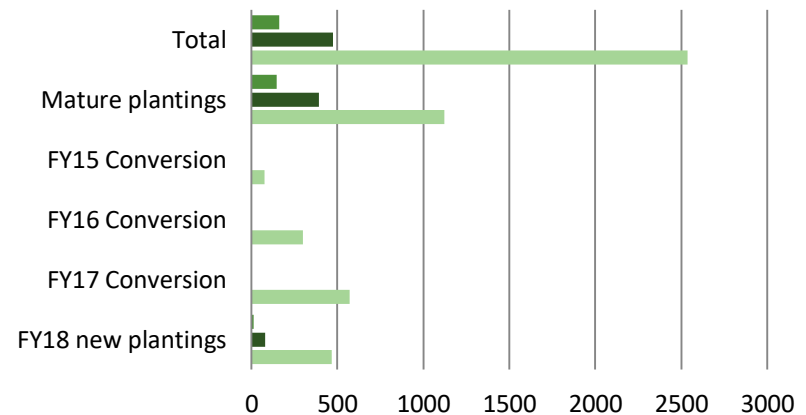
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# Growth through production

*Of the 4,726 acres of farmland held 3,159 acres are planted or are in the process of being planted. A further 327 acres of vacant land is available for planting*



■ Planted    ▨ Vacant Plantable    ■ Vacant Unplantable



■ Citrus    ■ Clusters/Table Grapes    ■ Loose fruit

	FY18 new plantings	FY17 Conversion	FY16 Conversion	FY15 Conversion	Mature plantings	Total
Loose fruit	468	570	298	78	1122	2537
Clusters/Table Grapes	80	-	-	-	394	474
Citrus	12	-	-	-	149	161

**Based on Murray River Organics' operating experience, it believes the following yields can reasonably be expected to be achieved at maturity:**



**Loose tonnage from conversion**  
Year3/Mature = yields  
approximately 2.75 tonnes of  
dried vine fruit per acre



**Loose tonnage from planting**  
Year4/Mature = yields  
approximately 2.75 tonnes of  
dried vine fruit per acre



**Clusters tonnage**  
Year3/Mature = yields  
approximately 2 tonnes  
of dried vine fruit per acre



**Table grape tonnage (from planting)**  
Year4/Mature = yields approximately  
9.75 tonnes per acre



**Citrus tonnage**  
Year6/Mature = yields approximately  
13 tonnes per acre

# Acquisition strategy

*Three significant businesses recently acquired; will continue to seek acquisitions that meet specific criteria*

## Recently acquired businesses

**Food Source International & Australian Organic Holdings** – provides a broader product range to sell to global customers and strengthens relationships with key domestic retail customers

### **Fifth Street Vineyard**

- 279 acres total
- 179 acres of table grape varieties
- 80 acres suitable for expansion
- planted acreage has an average age of 7.75 years
- to be converted to organic at earliest opportunity
- includes fully equipped pack out facility of 4,818 sqm with chill and cool rooms installed. The facility is fitted for 610 pallets and accredited for export dispatches

## Acquisition criteria

### **“Fit” criteria**

- Protect capital invested in our Vertical Activities
- Increase cash generation
- Grow market capitalisation
- Improve financial markets’ perception of MRG
- Increase products' markets awareness of MRG, our products and brands
- Create options for the future
- Where we can utilise our uniform marketing, sales and distribution

### **“Value” criteria**

- Must be material to the future growth of MRG
- Must be financially attractive, delivering returns exceeding our cost of capital
- Must be strategically sound
- Must be or lead to strong competitive position



# Well placed for future growth

*Murray River Organics help 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 focused on 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 globally</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>

# Synergies expected to materialise

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

- Acquisitions expected to add substantial cross-selling opportunities
  - New products to existing customers
  - New customers and new segments
  - Strengthened distribution relationships with key retail and wholesale businesses
  - New procurement opportunities
  - Rationalisation of existing production and operations
- Roll out of international sales team is gaining traction
- Organic packaging facility opens up new global revenue opportunities, with potential for further automation benefits
- Consolidated processing facility in Sunraysia to provide significant operational efficiencies
- Cost synergies expected to deliver savings of \$3 million run rate exiting FY18



# Summary

*Foundations in place to build significant shareholder value*

- H1 FY17 was a milestone period for MRG
- On track to meet FY17 Prospectus EBITDA forecast
- Building blocks have been put in place to capitalise on strong global demand for organic produce
- Strong revenue and earnings growth profile
- A fully vertically integrated business model that offers multiple revenue sources
- Well positioned for future acquisition growth





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# Murray River Organics™