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MRG DELIVERING TRANSFORMATIVE TURNAROUND
RESTRUCTURING AND RESETTING FOR FUTURE SUSTAINABLE GROWTH

Results highlights for the full year ended 30 June 2019 ($AUD)

$M	FY19	FY18	CHANGE
Revenue	60.1	68.5	-12%
Underlying EBITDA-S loss[1]	(3.6)	(14.3)[3]	75%
Underlying EBIT-S loss[2]	(8.0)	(20.5)[3]	61%
NPAT (loss)	(12.0)	(59.6)	80%

- Total revenue of $60.1m, down 12% on last year
- Achieved a $10.7m turnaround in underlying EBITDA before SGARA[2] (EBITDA-S) loss of $3.6m – improved by 75%
- Significant margin improvement was achieved in the value-add business which will be further accelerated with new product innovation
- Net loss after tax of $12m – improved by 80% on last year

Murray River Organics Group Limited (ASX:MRG) ("the Group") today reports its results for the full year ended 30 June 2019, which demonstrate a significant financial and operational turnaround from prior year.

During the period the Group achieved a $10.7m turnaround in EDBITA-S, a 2.5x improvement in Gross Material Margin[4], a reduction in operating costs of 17% and the new team commenced implementation of the 3 year-turnaround strategy.

1. EBITDA-S means Earnings Before Interest, Tax, Depreciation and Impairment less SGARA (fair value revaluation of Self-Generating and Regenerating Assets - agricultural produce) - Unaudited non-IFRS term
2. EBIT-S means Earnings Before Interest and Tax less SGARA (fair value revaluation of Self-Generating and Regenerating Assets agricultural produce) - Unaudited non-IFRS term
3. Excludes one off costs/significant items relating to June 2018
4. Gross Material Margin means Revenue less Change in Finished Goods minus Raw Materials, Consumables Used and Farming Input Costs disclosed on the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Non-IFRS term.

FY19 saw a solid operating foundation established that included: -

- a major reset of all teams,
- significant cost reductions,
- a new corporate farming model,
- customer and grower relationships reset, and
- export relationships developed

A cultural transformation has been driven across the Group, with major staff and capital programs to improve factory capability and efficiency. Crucially, the Group restored its reputation and regained the confidence of growers and customers.

Chief Executive, Valentina Tripp said: "The marked improvement in financial performance and the launch of our five-year strategy to accelerate growth were key achievements in FY19. This has resulted in an already improved Gross Material Margin result of $13.6m, (a 2.5x improvement on the FY18 result), which is the basis of our improved EBITDA result. Change has been achieved across the entire operation with a major focus on developing new products, which is key to our growth. This is reflected in our "Taking Australia to Asia" growth strategy, which has seen the launch of ten new branded products as well as new partnerships in China."

FY19 harvest results

The Group's 2019 harvest yielded 2,081 tonnes of dried vine fruit from across the Group's farms, which was 18% below the previous season's harvest, primarily due to challenging summer conditions (faced by all growers in the Sunraysia region). The replacement of the irrigation system by the landlord at the Colignan farm throughout the season compounded the challenging growing conditions, impacting 2019 harvest yields.

MRG team

The leadership structure was reset, and a new leadership team recruited with extensive agri-business, FMCG and turnaround experience. Under the restructuring, teams were right sized across corporate and operations and 28 roles removed, enabling a more streamlined operating model. Talented and experienced people were recruited to lead MRG's farming, processing, manufacturing, marketing, sourcing and support functions and a strong team and operating backbone is now in place.

Branded Portfolio and Customer Relationships

MRG has established a new marketing capability to accelerate new product development, leveraging core organic DVF supply, and revitalized our brands.

Relationships with major retail customers, specialty retailers and wholesalers were reset, and new pricing and costing disciplines established, and non-profitable lines exited. This drove improved commercial returns on sourced and own-grown branded product.

The Wholesale and Industrial business was reset, and the "Ingredients Business" launched with a goal to grow our organic product supply ranges for Australian food manufacturers.

Growers' Program

MRG launched its "Growing Together" program in December 2018 aimed at increasing the amount of fruit supplied by third party growers to supply MRG's export opportunities. MRG has seen an increase in third-party grower intake of 15% on last year, which was significant considering the challenging growing conditions in Sunraysia, with many growers experiencing lower yields of up to 40% as a result of those challenging conditions.

Focus on Exports

MRG continues to focus on export as a key growth platform and we have made significant progress on several fronts. An important step was restoring confidence in our reliability of supply as well as improving international customer relationships. The "Taking Sunraysia to Asia" program was launched and an initial strategic partnership worth more than $6.5m secured over the next three years. Our Gobble and Premium Clusters products secured ranging positions in China and South East Asia and MRG's customer footprint was extended into USA and European markets.

Project Magnum

Project Magnum, a feasibility scoping study, was initiated to create a vision for the future of Nangiloc, which is MRG's 2,300-ha arable organic accredited property. MRG restructured the leadership and capability of the farming team to support the farm turnaround and capitalise on our farming assets. The opportunity is to extend organic farming into a range of crops at Nangiloc, and a short list of crops which could be potentially planted has been developed. Phase 1 is expected to commence in the first half of FY20 with hemp ('low-THC cannabis') to be planted as an annual rotational crop under the existing pivot. A study is currently underway to determine the most profitable and commercially viable combination of crops to plant at Nangiloc.

Project Muscat - cost savings

Further, cost savings initiated as part of Project Muscat eliminated several inefficient production processes, reduced raw material wastage and reduced logistics and corporate overhead costs. Whilst MRG continues to focus on reducing operational costs and improving efficiencies of the Dandenong and Mourquong sites, the Group has also invested in upskilling its operational teams and refocused its marketing investment to drive branded sales in the coming years.

Restructured Balance Sheet and Debt Facility

The $30.6 m equity raise in late October 2018 facilitated the reset of MRG's balance sheet and allowed the Group to secure a $63.9m three-year multi-option bank facility with its financier, NAB. The current debt facility limit is $55M (excluding equipment finance, bank guarantees, and credit card facilities), and $17M is available for drawdown.

NAB has agreed to accelerate the drawdown of the $55M facility in August 2019 in order to support the growth working capital of the business, including:

- addressing the adverse weather conditions on the FY19 harvest and subsequent reduced sales of Australian DVF;
- additional farm remediation investments;
- seasonal operational capital for Fifth Street Farm, which is held for sale but has seen a strong turnaround in performance; and
- increasing supplier payments to better align supplier terms to meet customer demand.

The Group continues to assess its ongoing capital requirements to support its continued demand growth for both DVF and other products.

Outlook

The Board believes that following the completion of the initial phase of the transformation program, the key foundations are now in place to drive growth and profit and create a truly iconic Australian organic agri-food Group. The Group is strategically located in growing and developing market segments and global demand for organic DVF remains strong.

Despite the lesser 2019 DVF harvest (due to poor weather conditions) resulting in less product to sell in FY20, we expect other operational improvements throughout the business in year 2 of the 3-year turnaround program to reduce the FY20 EBITDA-S loss to between $1m to $3m.

Chief Executive, Valentina Tripp said: “We now have the business model, the capability and the demand for organics to accelerate our growth. Size does matter and through our scale and reach, we will continue to bring organics and 'better-for-you' food to mainstream consumers. The market thematic for organics continues to build across Asia, USA, Europe and now Australia. Our vision is to lead the growth of organics in Australia and throughout the Asian region.”

Chairman, Andrew Monk said: "MRG is emerging as a strategically positioned, purpose-driven business in high growth organic and better-for-you market segments. Whilst we have faced some significant challenges, with the support of our shareholders, our bankers, customers we have achieved a re-set the business. The Board has been impressed by the leadership of Chief Executive Valentina Tripp and the dedication and hard work of the entire team through this year, positioning MRG for longer term growth."

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Murray River Organics Group Limited (ASX: MRG) is a leading Australian producer, manufacturer, marketer and seller of certified organic, natural and better-for-you food products. We service the organic, natural and healthy food and snack market globally.

For further information please visit www.murrayriverorganics.com.au