

**9 November 2017**

## **Murray River Organics appoints George Haggar as Chief Executive Officer and provides trading update**

Murray River Organics (ASX: MRG) is pleased to announce the appointment of George Haggar as Chief Executive Officer, effective 9 November 2017. The appointment follows the resignation of the Company's previous Managing Director & CEO, Erling Sorensen.

Murray River Organics Chairman, Craig Farrow, welcomed the appointment of George Haggar as a key step for the Company as it looks to execute on operational efficiencies and maximise the growth from its exceptional asset base.

Commenting on the appointment, Mr Farrow said, "On behalf of the Board, I am excited to have George join as MRG's Chief Executive Officer. Having served as the Chief Operating Officer of Costa Group for the past eight years, George brings to the company extensive experience in managing operational activities across farming, marketing and supply chain operations. His reference checks proved outstanding across the critical facets of the company's needs and operations, be that from directors, peers, direct reports, or customers".

Mr Farrow added: "I would also like to thank Erling Sorensen for his significant contribution to MRG. Having been a part of the company since its foundation, Erling has been instrumental in building the Company to be the world's largest vertically integrated producer of organic dried vine fruit, and helping to put in place the foundations that will ensure strong future growth. While Erling will no longer be involved in the day to day operations of the business, he will continue to support the Company as a significant shareholder, and has made himself available for an orderly transition."

George Haggar's most recent role was Chief Operating Officer for the Costa Group, Australia's largest fresh produce company. During this time at Costa, George successfully oversaw a range of strategic growth initiatives, including leading a substantial transformation and growth effort across the Australian business units that positively impacted the critical value drivers of the fresh food supply chain. Prior to joining Costa, Mr Haggar was the General Manager of Visy Glama for two years and the Head of Human Resources for Visy Industries for six years.

Commenting on his appointment, George Haggar said, "I am excited to join Murray River Organics as Chief Executive Officer. I am passionate about healthy food and see opportunity to build Murray River Organics into a sustainable enterprise in the organic food sector. I am looking forward to working with the team to forge a path to improved performance and ultimately, enabling the Company to reach its full potential."

### Certifications



A summary of George Haggard's employment contract has been included as an Appendix to this announcement.

## **Trading update**

### *Inventory write down*

As was highlighted in MRG's FY17 result, a combination of weather events and deficient past operating practices had a negative impact on harvest results. The Company undertook a detailed provisioning exercise in August, and as a result a \$2.6 million provision was built into the FY17 financials. Subsequently, it has come to the Company's attention that there have been further operational issues that extend the adverse financial impact beyond those related to the harvesting process.

Given the operational issues identified in some areas over recent months, the Board decided to undertake a full stocktake in October. This included weighing and critically assessing all bins of fruit. Following this, the Board and management have concluded that further write-offs and provisions are required. This will result in an adverse impact on reported earnings before interest, tax, depreciation and amortisation (EBITDA) of approximately \$4.3 million in FY18 (on a reported basis).

It should be noted that the Board does not expect any impact on its banking covenants, as working capital covenant requirements remain positive, and on an underlying basis (given the inventory write down relates to FY17), the Board is comfortable with key EBITDA metrics.

Noting that MRG is only in the early stages of its FY18 farm program, the Board expects FY18 revenue to be in the range of \$87.5 million and \$92.5 million. Following the inventory write downs of \$4.3 million, the Board expects reported EBITDA for FY18 to be between \$10.0 million and \$11.0 million. Excluding one-off items, the Board expects underlying EBITDA for FY18 to be between \$14.3 million and \$15.3 million.

### *External investigation*

The new management structure, which has been in place since August, has introduced a heightened focus and discipline on process and quality throughout the Company.

However, following the findings of significant operational errors and questionable operating decisions during the previous harvest period, the Board has considered it prudent to undertake a comprehensive external investigation into the practices that led to the inventory write downs.

## Certifications



#### *Process underway to strengthen Board*

To further strengthen and revitalise the Board, MRG had previously commenced the search for an additional non-executive Director. This process will now be expanded, and the Board is very encouraged by the candidates already identified through the search process and those put forward by shareholders. MRG is seeking strong backgrounds in farming, agriculture, processing, and marketing.

MRG will provide an update to the market in due course on this process.

#### **Outlook**

Despite the unfortunate findings from the recent stocktake process and subsequent financial impact, it has been a very busy, and productive, few months for MRG. The company has implemented a successful grafting process, its expansion project has progressed significantly, customer engagement continues to grow, and in addition, there have been several global events creating strong market dynamics for dried vine fruit.

The Board of MRG remains confident with the Company's asset base, its vision, the market thematic around healthy and organic food, and is looking forward to the new CEO driving operational efficiencies and profits.

Further details on MRG's outlook will be provided at the company's upcoming Annual General Meeting on 22 November 2017.

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#### **About Murray River Organics**

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. Our customers include industrial customers (such as cereal manufacturers, bakeries and confectionary manufacturers), retail customers (such as supermarkets, organic food stores, mass-market, e-commerce retailers and convenience stores) and food service channels (such as specialty and natural food distributors). We operate both in the domestic and international markets, with customers in 26 countries.

For further information please visit [www.murrayriverorganics.com.au](http://www.murrayriverorganics.com.au)

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## Appendix: George Haggar employment contract – key terms

<b>Commencement Date</b>	9 November 2017.
<b>Fixed Remuneration</b>	\$600,000 per annum, including superannuation.
<b>Retention Incentive</b>	<ul style="list-style-type: none"> <li>2 million options over ordinary shares in MRG (<b>Options</b>), with an exercise price of 50 cents - vesting 1 year after the Commencement Date and expiring 3 years after the Commencement Date;</li> <li>2 million Options, with an exercise price of 55 cents - vesting 2 year after the Commencement Date and expiring 4 years after the Commencement Date; and</li> <li>2 million Options, with an exercise price of 60 cents - vesting 3 year after the Commencement Date and expiring 5 years after the Commencement Date.</li> </ul> <p>Shares issued upon exercise of the Options will be subject to a 1 year trading restriction.</p>
<b>Short Term Incentive</b>	Mr Haggar is entitled to participate in MRG's short term incentive scheme. Mr Haggar's 'at target' incentive will be a cash amount equal to 50% of his Fixed Remuneration, subject to satisfying key performance indicators ( <b>KPIs</b> ) to be determined by MRG and Mr Haggar within two months of the commencement date.
<b>Long Term Incentive</b>	<p>Mr Haggar is entitled to participate in MRG's long term incentive scheme.</p> <p>Mr Haggar will be granted performance rights (<b>Performance Rights</b>) equal to \$300,000 per annum. The number of Performance Rights will be determined by reference to the VWAP of MRG's ordinary shares for the 10 days prior to the date of this announcement. Vesting of the Performance Rights is subject to satisfying 3 year KPIs, to be determined by MRG and Mr Haggar. No amount will be payable by Mr Haggar on grant / vesting of the Performance Rights.</p> <p>Shares issued upon vesting of the Performance Rights will be subject to a 1 year trading restriction.</p>
<b>Term</b>	A notice period of 6 months applies for either party, following completion of the 6 month probationary period. During the probationary period, either party may terminate by giving 1 month's notice. MRG reserves the right to pay Mr Haggar in lieu of notice.
<b>Post-employment restraint</b>	For up to 12 months following the termination of employment, Mr Haggar must not be involved in any business that competes with MRG or entice any client, supplier or employee of MRG to discontinue their relationship with MRG.

### Certifications

