

22 February 2017

## MURRAY RIVER ORGANICS

- **PRODUCES STRONG HALF YEAR GROWTH**
- **REAFFIRMS PROSPECTUS FULL YEAR FORECASTS; AND**
- **IS DELIVERING ON IMPLEMENTATION OF MULTIPLE PROJECTS**

Murray River Organics Group Limited (ASX: MRG), the world's largest vertically integrated certified organic dried vine fruit producer, and a manufacturer, marketer and seller of certified organic, natural and better-for-you food products, is pleased to announce its maiden half year result as a publicly listed company, covering the six months ended 31 December 2016 (HY17).

### HY17 key financial highlights<sup>1</sup>

- Statutory results
  - Revenue \$16.7 million
  - EBITDA \$1.8 million
  - NPAT (\$1.2 million)
- Pro forma results<sup>2</sup>
  - Revenue of \$30.8 million
  - EBITDA of \$5.7 million
  - NPAT \$1.5 million
- Strong balance sheet supports continued growth and provides options for further value-accretive acquisitions
- On track to achieve Prospectus FY17 forecasts

<sup>1</sup> The financial information includes non-IFRS information which has not been specifically audited in accordance with Australian Accounting Standards but has been extracted from the Half-Year Financial Report (Appendix 4D).

<sup>2</sup> Pro forma results include adjustments for half year contributions from Food Source International, Australian Organic Holdings and Fifth Street, and excludes one-off IPO costs.

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## HY17 key highlights

- Listed on ASX on 16 December 2016
- Delivering on key growth projects including Colignan vineyard conversion of approx. 476 acres of wine to dried vine fruit, and preparation to expand, through the development of, approx. 468 acres of vacant land
- Fully integrated Fifth Street vineyard in Sunraysia, planted to 179 acres of table grapes that are also suitable for Cluster production
- Established an international sales force, well placed to service the largest consuming and fastest growing markets for organic, natural and better-for-you food products globally
- Successfully integrated recently acquired complementary businesses, which are expected to deliver synergies of \$3 million run-rate exiting FY18, together with driving domestic and international revenue growth.
- Well progressed with consolidating processing facilities in Sunraysia to one location, in time for 2017 crop receipt.
- Completed the establishment of its new organically certified packaging, value-add and pick-pack facility in Dandenong, designed to service industrial, retail and foodservice markets globally
- Commenced design of SAP Enterprise Resource Planning platform in September 2016, and went live on 4 January 2017 (as planned).

Commenting on Murray River Organics' HY17 results, Managing Director Erling Sorensen said "The results reinforce the strength of the organisation's growth strategy and disciplined operating principles. The combination of a vertically integrated business model, attractive underlying market fundamentals and strong whole-of-management team capability, enables Murray River Organics to benefit from current strong growth consumption trends in organic, natural and better-for-you food products domestically and internationally."

"I'm proud to deliver our first half year financial results since publicly listing. Importantly, I am pleased to report that we are on track to deliver on the Prospectus FY17 forecasts. The past six months has been a very busy period of intense activity. The steady execution of our key projects is on track and on budget, and is testament to the dedication and excellence of our staff right across the business," said Mr Sorensen.

In line with Murray River Organics' growth strategy, part of the IPO proceeds was used to fund a number of capital initiatives including: the \$10.4 million acquisition of Fifth Street vineyard; \$3.2 million establishment of the Dandenong packing facility; \$5.7 million conversion and development of existing vineyards; and \$2.5 million upgrade of the Sunraysia processing facility. These initiatives are all being successfully executed and will continue to drive future growth.

Mr Sorensen said "it has been a transformational six months, where Murray River Organics has executed a decisive strategy and built strong positions within each of the product channels it is operating in."

"The past six months has been a period of rapid growth for Murray River Organics. We are well positioned to realise synergistic benefits from our recent acquisitions and investment initiatives, and we stand prepared to capitalise on new growth opportunities," said Mr Sorensen.

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## Key Growth Projects update

During HY17, two significant acquisitions were completed including the business assets of Food Source International and Australian Organic Holdings. Integration of both acquisitions are well underway and will serve to extend the Australian and global product range.

Murray River Organics also acquired Fifth Street vineyard in the Sunraysia region of Australia that includes 179 acres planted to table grapes, also well suited for Cluster production, and additional valuable acreage available for further expansion.

Murray River Organics currently owns or controls over 4,700 acres of farmland in the Sunraysia region, with 2,612 acres planted to dried vine fruit, Clusters, table grapes and citrus. In FY18, an additional 560 acres will be planted out across all properties.

In September 2016, a new state-of-the-art certified organic consumer packaged goods, value-add and pick-pack facility was established in Dandenong, Victoria designed to service the domestic and global markets. This facility now houses the corporate office and is fully operational.

The facilities in Sunraysia have been significantly upgraded over the last six months including the installation of additional metal detention units, digital laser sorter, elevated walk ways, cat walks and several other pieces of processing equipment. The consolidation of four key sites to achieve storage and processing efficiencies has also commenced.

## On track to achieve Prospectus FY17 forecast

Domestic and international demand continues to grow for natural, healthy, certified organic and safe food. Within the global snack food market, one of the fastest growing segments is healthy snack foods.

Murray River Organics' dried vine fruit products provides it with the flexibility to quickly respond to its customer needs and expectations. The table grapes can be converted to Cluster product which in turn can be converted to loose berries in order to meet demand, or if the quality of the table grapes or Clusters are not to the desired standard.

Being significantly a grower of agricultural produce, the first half of each financial year will see income statement value (and thus balance sheet carrying value) recorded through recognition of biological assets, substantially at market value (as opposed to margin on sales).

As markets evolve and product mix decisions are made, changes may occur in the recognition of final product inventory values. This will affect reported trading margins at points in time, as inventory has already been recognised, substantially at market value. Having reviewed 31 December 2016 inventory and considered immediate market opportunities and the long run focus on ensuring building a sustainable and quality led premium Cluster market, Murray River Organics determined it appropriate to adjust some prior year cluster inventory to loose berries status. This has negatively impacted sales margins to the extent of \$1.8 million. Murray River Organics believe the negative impact to sales margins will be offset in the future by increase in demand for Clusters.

Murray River Organics has seen a substantial growth in Cluster sales activity and is highly confident in this market, yet it will be adopting a more conservative approach to inventory recognition in the future.

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Over the second-half of FY17, Murray River Organics will continue to grow and build scale by: focusing on products that have multiple uses and a long shelf life; seeking to drive efficiencies from various degrees of vertical integration of its product lines; providing innovative and convenient packaging; and seeking to leverage the clean and safe image of Australian produce.

“January has been a positive start to the second half with new customer wins, growing international demand and higher than forecast table grape prices. Whilst the Australian dried vine fruit production is estimated to be down by some 20-25%, largely due to weather events in November '16, pleasingly availability of our product was not affected and our yields remain in line with forecasts. We remain confident that our full year results will meet what we forecast” said Mr Sorensen.

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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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