

7 February 2018

Murray River Organics trading update

Murray River Organics Group Limited (ASX:MRG) (**MRG** or **the Company**) provides the following trading update.

Following the reconciliation of inventory and stocktake matters, communicated to the market on 24 January 2018, a further, and full, evaluation of all key sales, operations and profit drivers was undertaken, and this has now been completed.

Consequently, a further trading update is necessary as the projected profit momentum from trading and other financial drivers will not allow the Company to achieve a result in FY18 at or near previous guidance.

Considering the full impact of the inventory and stocktake issues, and the latest evaluation, management confirms a material variance to the previous guidance communicated to the market. The revised FY18 forecast is for sales revenue in the order of \$75 million to \$80 million, and an Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) loss (including one-off costs) in the order of \$12.5 million to \$13.5 million.

One-off costs, in the order of \$19 million, include the inventory write downs as previously advised, restructuring costs, and an anticipated goodwill impairment which is subject to audit review.

Management also advise the underlying EBITDA, excluding one-off costs is also materially different to previous guidance, with the revised FY18 underlying EBITDA guidance in the order of \$5.5 million to \$6.5 million.

MRG confirms previous communications that banking covenants have been removed for FY18 pending a full review.

Commenting on the latest update, CEO George Haggart said, "As disappointed as I am in having to make this further announcement, I can confidently say that we have a revised baseline financial position underpinned assumptions which appropriately reflect the current state of the business and trading conditions."

Mr Haggart explained that the analysis undertaken has been thorough, particularly on sales mix, pricing and SKU profitability.

"In the case of sales and earnings coming from the two business acquisitions, we are seeing sales deterioration in the wholesale and bulk segments where customers are becoming more discerning about sourcing decisions for commoditised bulk products. Furthermore, there is

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ongoing margin pressure in segments where we are trading in a commoditised and uncontracted environment. Operational challenges post commissioning, equipment installation delays, and not being able to achieve our optimum productivity in Mildura and Dandenong have been further compounding our underlying performance", said Mr Haggar.

Commenting on the outlook for the remainder of FY18 and beyond, Mr Haggar said "Our 2018 harvest has commenced, and our re-vamped supply chain is delivering improvement which will help ensure the sales potential from our own farmed production is maximised. We have a solid pipeline of export orders and continue to see positives in our shifting focus away from bulk and commodity lines and towards the convenience and snacking segments both domestically and overseas where our customer engagement is strong.

"We continue to maintain a strong focus on cashflow, and have recently initiated a new program on costs that we expect will deliver a more competitive outcome on the sourcing and procurement of raw materials we rely on for our growing manufacturing operations. We continue to put in place more efficient internal processes and continue to find ways to utilise our systems more effectively – all of which will combine to improve margins and accelerate momentum in our financial performance in 2018 and beyond", said Mr Haggar.

MRG Chairman, Andrew Monk, commented further, "Management are focused on building on the foundations upon which Murray River Organics was established – supplying into the growing international and domestic market for innovative organic and better for you products. The direct control of the vertically integrated supply chain for organic dried vine fruit has been, and will remain, a core pillar of the Company and we have a line of sight to future expansion at farm level which is expected to deliver positive outcomes for the Company in the years ahead."

As previously advised, a more detailed update of the turnaround plan and outcomes will be presented on 27 February 2018, along with the release of the Company's audited interim FY18 result.

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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

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