FY21 Results Presentation

31 August 2021

Murray River Organics is an Australian leader in certified organic and better-for-you food products. Our ambition is to be a global leader in this $100+ billion market

Murray River Organics™

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MRG Organic Branded Retail Growth gaining traction

<u>Executive Summary</u>

- Murray River Organics Group continues its transformation into an organic and better for you focused branded retail food business with best-in-class sourcing of ingredients.
- Revenues were down due to the ongoing wind down of low margin private label contracts and also as a result of our exit from Fresh following the sale of our Fresh Farming assets during FY21.
- Branded organic food products grew 24%, whilst strong growth in Wholesale & Ingredients and Export were achieved despite significant supply side restrictions from COVID.
- H2 margins were adversely impacted by excess inventory from H1 and quality issues from FY20 harvest.
    - MRO planned for much higher growth and ordered additional inventory during Q4 FY20 and early FY21.
    - For a variety of reasons, the planned growth did not occur, and this resulted in excess inventory, discounting and additional provisioning in H2.
- Asset sales accelerated during FY21 with $22.5m of sales announced – some of which settled in early FY22.
- Further asset sales are being targeted with all remaining farming assets now on the market for sale. Our aim is to secure long term supply agreements with new investors who are willing to invest in new vines and infrastructure in our underperforming farms.
- Our procurement, innovation and production capabilities are keys to our future growth and to providing our shareholders with a future return on their significant investments.
- Our Dandenong plant is functioning very well, but at 20% capacity has significant room to grow.

Executive Summary - continued

Farm Update

- During the year, we sold our Fresh fruit farm assets comprising Nangiloc (part), Fifth Street and Gol Gol properties.
- The remaining Dried Vine Fruit farms comprising our Yatpool and Merbein properties produced very good quality fruit, but yields were well below expectations even whilst up 28% YoY.

The shortfall was due to:

- Poor agronomic decisions affecting a particular variety
- Water delivery issues stemming from poor pump and filter maintenance
- Low investment in new vines in prior periods
- Skilled labour shortages in prior period, adversely affecting pruning and vine management
- Our third-party growers were also down 861 tonnes, primarily due to a hail-storm that affected our former Colignan farm resulting in complete wipeout for the year.

Farm Update – next steps

- We have announced plans to sell our remaining farm assets with a view to entering into long term supply agreements with the new owners.
- Management changes have occurred at our farms and we have developed an IT driven monitoring program that covers Nutrition, Water and vine management programs.
- We have agreements with new third-party pruning teams who have the requisite winter pruning skills to prime the vines for future growth.
- Despite the above, the DVF farms need additional investment in new vines and associated infrastructure.
- It is anticipated that the new owners would over time, deliver MRO significantly higher yields by investing in new vines and infrastructure.
- The additional fruit would bolster our sales and margins as demand for Sunraysia fruit is strong in export markets.

Executive Summary - continued

Working Capital and Bank Funding

- Reduction in working capital predominantly reflects the clearance of excess and aged inventory and redundant packaging.
- Trade receivables reflects the reduction in sales with trading terms in line with prior year
- Trade payable reduction reflects material drop in stock purchases
- Operating cashflows have improved against H1 LY and substantially improved on H2 LY
- MRG has agreed an extension of our bank facilities through to October 2022.
- The remaining farm assets are being marketed with a view to sale during the first half of FY22.

Balance Sheet

- Our key balance sheet items are
  - $10.9m working capital inclusive of Agricultural produce of $0.4 m
  - $4.5m receivable from the proceeds of farm sale expected to settle in September
  - $5.6m assets held for sale that settled in August 2021
  - $18.9m of farming assets and PPE – asset sales program reducing our farm footprint.
  - $40.1m of net debt as at 30 June - anticipated to reduce by $12.25m following settlement of the Wargan and Mourquong settlement properties in August ($7.75m) and the Nangiloc settlement anticipated in September ($4.5m).
- Our goal is to rapidly deleverage the balance sheet to prime the business for further growth

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Refer to Appendix for definitions of unaudited non-IFRS financial measures

MRO is evolving

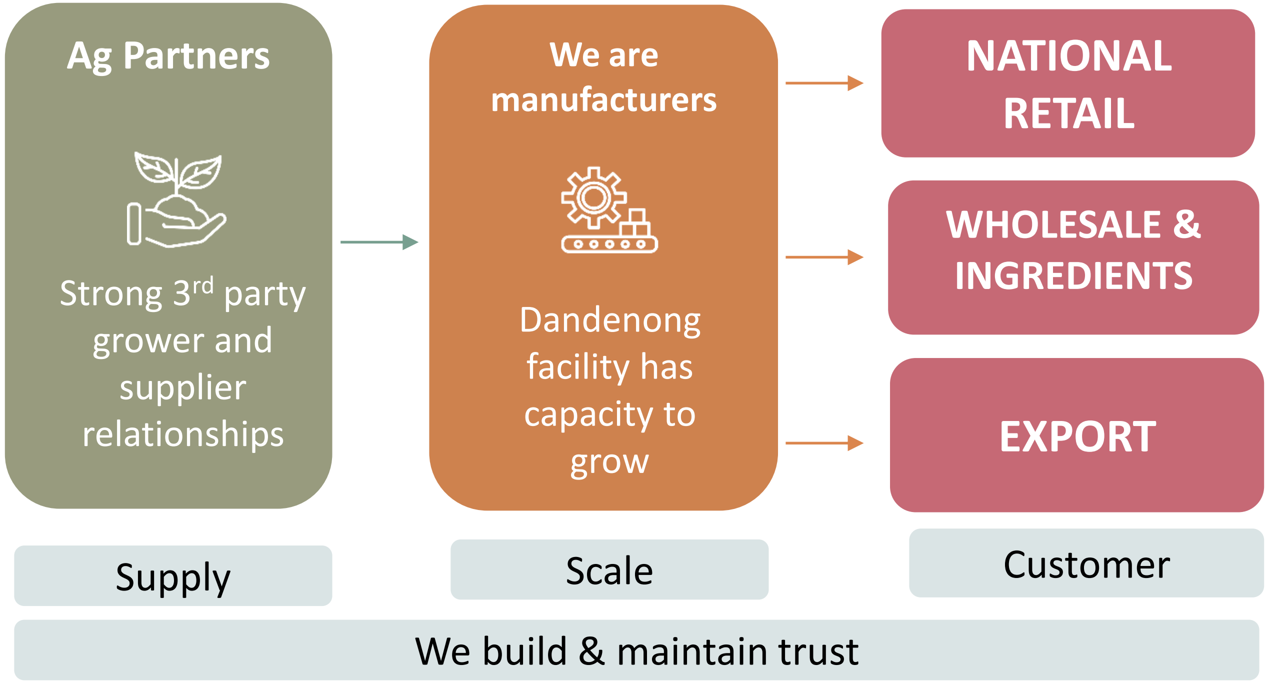
Murray River Organics is evolving - its focus now squarely on its branded organic and better for you FMCG food business.

The remaining farms are being marketed for sale to Ag Partners who can invest in new vines and infrastructure and deliver MRO long term supply agreements.

Our Dandenong facility is a modern, best in class operation with significant capacity to grow.

We will aim to reduce our debt further during FY22 from the sale of our remaining farm assets.

MRO will actively pursue acquisitions in the branded organic and better for you segments.



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Executive Summary

Outlook Summary

- MRO its seeking to accelerate its transformation into a branded retail organic food business (with best-in class sourcing of ingredients). Food is highly competitive in Australia, and our focus on organic food offers a point of differentiation as well as an opportunity to improve the well being of Australians.
- A leadership change occurred in January 2021 with a rigorous focus on cost control, working capital management and process improvement across the business.
- With a strong focus on process excellence and agility, we will form a strong foundation to continue our strong growth in our branded retail categories, whilst reducing net debt and simplifying operations.
- With asset sales already settled in August and expected to settle in September we expect net debt to decrease by a further $12.25m in Q1 FY22.

We will therefore:

- Aim to sell the remaining farm assets during FY22 as well as seek agricultural partnerships with a view to maximise returns on underperforming assets.
- Benefit from higher yields from the investments made by the new owners of the farms.
- Grow our branded retail business across Australia and Internationally with a view to returning the MRO business to profitability
- Engage with appropriate M&A partners to accelerate our growth

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* Refer to Appendix for definitions of unaudited non-IFRS financial measures

FY21 – Financial Performance

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Financial performance

$m	FY21	FY20	Change	%
Sales	42.6	48.3	(5.7)	(12%)
EBIT-L*	(19.6)	(36.3)	(16.7)	46%
One off items	1.7	15.9		
SGARA loss	2.6	5.3		
Depreciation & Amortisation	3.6	4.9		
Underlying EBITDA - SL*	(11.7)	(10.3)	(1.4)	(13)%

- Top line revenues dropped mainly due to loss of low margin private label contracts and exit from Fresh fruit as a result of the sale of our Nangiloc and Gol Gol Citrus and Fifth street Fresh Table Grape farm assets.
- Revenues in branded Retail (up 24%), Wholesale & Ingredients (up 20%) and Export (up 14%) all grew strongly.
- Trading margins in H2 were adversely impacted by inventory provisioning and price discounting due to inventory purchases in H1 reflecting ambitious growth targets. The quality (and in particular the colour) of prior year harvest also impacted margins.
- One-off items in FY21 include
    - Accounting loss on sale of properties $0.2m
    - Revaluation loss on properties $0.8m
    - Business restructuring costs $0.6m
- SGARA accounting losses reflect the less than satisfactory farm performance, where yields were once again below industry expectations despite being up 28% and at significantly improved quality from LY.

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* Refer to Appendix for definitions of unaudited non-IFRS financial measures

Gross Margins – First Half v Second Half

	FY21	H1	H2	H1 v H2	FY20	H1	H2	H1 v H2
Net Sales	**42,603**	**26,503**	**16,100**	**(10,403)**	**48,349**	**24,814**	**23,535**	**(1,279)**
Change in finished goods	(3,389)	(2,389)	(1,000)	**1,389**	5,386	(856)	6,242	**7,098**
Raw materials, and input costs	(35,117)	(20,247)	(14,870)	**5,377**	(46,785)	(19,757)	(27,028)	**(7,271)**
Gross Profit	**4,097**	**3,867**	**230**	**(3,637)**	**6,950**	**4,201**	**2,749**	**(1,452)**
Gross Margin	**9.6%**	14.6%	1.4%	**-13.2%**	**14.4%**	16.9%	11.7%	**-5.2%**

- Sales in H2 were impacted by the ongoing exit from private label contracts as well as the exit from Fresh.
- The H2 gross profit margins were adversely impacted by overstocking from H1, which resulted in significant discounts being applied to move inventory.
- The quality of the prior year Dried Vine Fruit harvests continued to affect both the level of inventory provisioning and the sales price achieved, with product being sold at a significant discount.
- As we have exited from Fresh and other discontinued categories, we have also had to provision for packaging.

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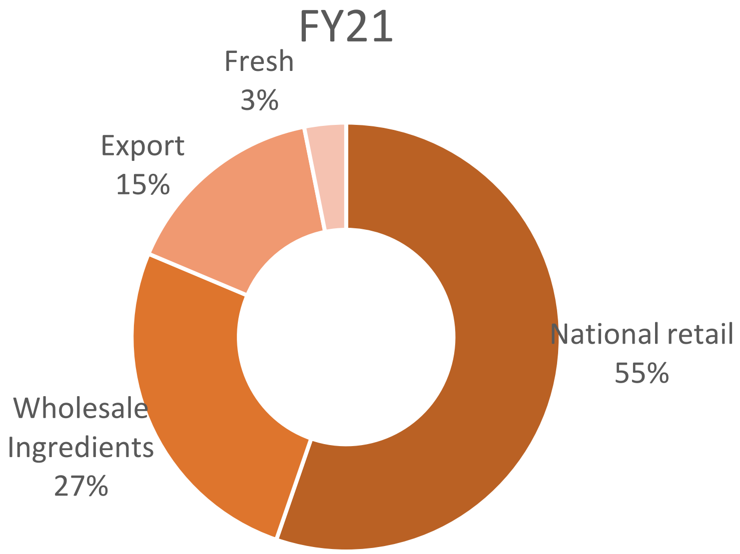
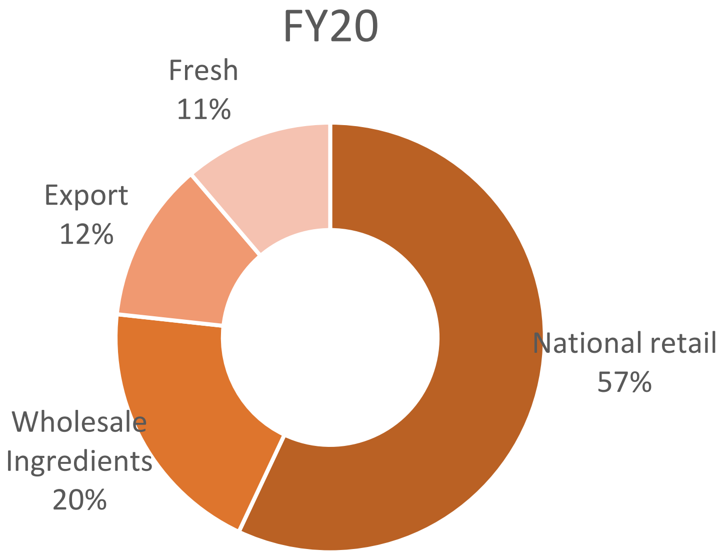
Gross Sales Overview

Gross Sales by channel *	FY21 ($'m)	FY20 ($'m)	%
National Retail	24.5	28.9	-15%
Wholesale ingredients	11.9	9.9	+20%
Export	6.9	6.1	+14%
Fresh	1.4	5.7	-75%

- National Retail - Branded products grew strongly at 24% but were more than offset by a 25% decline in a low margin private label contract.
- The wholesale and ingredients business grew 20% but momentum impacted in H2 as a result of Covid supply side issues on key commodity lines
- Export sales up 14%,
- Fresh sales have now been fully exited as a result of our asset sales program





* Gross Sales exclude trade rebates and commissions

Gross Sales Overview – First Half v Second Half

Gross Sales	FY21	H1	H2	H1 V H2	FY20	H1	H2	H1 V H2
Retail	24,515	15,128	9,387	**(5,741)**	28,912	16,000	12,912	**(3,088)**
Wholesale and Ingredients	11,898	7,101	4,797	**(2,304)**	9,923	4,200	5,723	**1,523**
Export	6,908	4,120	2,788	**(1,332)**	6,069	4,021	2,048	**(1,973)**
Fresh	1,429	1,429	-	**(1,429)**	5,701	1,698	4,003	**2,305**
Total	**44,750**	**27,778**	**16,972**	**(10,806)**	**50,605**	**25,919**	**24,686**	**(1,233)**

Overall a number of factors contributed to the second half sales result. The lack of high quality DVF affected a number of these categories and that was a result of prior years poor harvest as well as the hail event affecting a key third party grower.

- Second half in retail were affected by the ongoing decline in private label contracts, which accelerated.
- The new SKU's and additional sales of the MRO branded products were not enough to offset the decline, but over time this is expected to reverse.
- Wholesale & Ingredients fell in the second half due to a slowdown in some business lines as ongoing lockdowns affected a number of food verticals. This was exacerbated by ongoing supply chain disruptions affecting shipping channels coming into Australia on certain key commodities.
- Export improved in H2 as a result of an emphasis on Retail into China.
- Our exit from Fresh categories as a result of our sale of Citrus and Table grape properties during the year has seen this category fall to nil in H2.

** Gross Sales exclude trade rebates and commissions*

Innovation & NPD the driver of MRO brand performance with >50 products ranged in two years

July 2019
New Five-Year Strategy Launched

Dec 2019
MRO brand first ranged in Costco

100% Organic Sultanas appears in market, followed by 100% Organic Goji Berries & Fruit Medley in May 2020

March 2020
MRO brand first ranged in WW Oils category

100% Organic MCT and Avocado Oil

June 2020
MRO Brand first launch in Coles Breakfast aisle

100% Organic Muesli Range

Aug 2020
MRO Brand launched in Metcash/IGA for across Pantry category

100% Organic Pantry Range

Organic Mylk Chocolate

Sept 2020
MRO Brand enters Confectionery and Dried Fruit & Nut categories with WW

100% Organic Trail Mix & Dried Fruit Mix

100% Organic Trail Mixes

Nov 2020
MRO to extends confectionery with launch of Xmas Gifting for WW

Organic Mylk Chocolate Seasonal Jars

Jan 2021
NEW MRO Coconut Oil 330ml in WW

MRO 330ml Coconut Oil

March 2021
New MRO DF&N x 7 in WW

7 new organic Dried Fruit & Nut branded items in WW, including Sultana, Apricots, Walnuts and others

June 2021
New MRO Muesli x 2 in Coles

MRO Muesli 2x New skus

Sept 2021
New MRO DF&N x 3 in Coles

Export sales up 14% with both retail & bulk fruit in strong growth

- Overall a very strong year with $0.8m (+14% growth) in export.
- Bulk fruit revenue grew by $0.7m (14%) through increased yield and demand for organic fruit
- Extremely strong performance in export retail led by MRO branded products more than tripling in the critical China retail market (+$0.6m, 350%).
- MRO products are now available across more than 2500 stores in China and multiple eCommerce websites (eg: Tmall, JD, PDD) with supporting digital marketing activation.
- MRO branded products are now available in China, Malaysia, Taiwan, Hong Kong, Singapore and Vietnam in a variety of outlets; High end supermarkets, convenience chains (7eleven, Bian Li Feng) , hypermarket and Mother & Baby chains.
- MRO is investing in multiple digital marketing projects to enhance the communication direct to consumer and to provide relevant online content for existing ecommerce customers.
- Continuation of the rapid growth in existing markets as well as entry into South Korea and Japan will be a key component of the growth plans for FY22.
- Digital marketing coupled with improved understanding of consumer needs in various markets and refined innovation strategies will support the ambitious growth agenda in export.

Wholesale & Ingredients - sales growth 16% on prior year

- Wholesale & Ingredients sales increased to $12.1 million, up 20% on FY20
- Second half saw a significant slowdown against the first half across all sub-channels
- Business continued to be challenged by COVID-19 as global freight movements were significantly disrupted
- Growth driven by existing customer base switching more business to MRO based on service performance and availability of supply
- Further strengthened our partnerships with leading Australian brands. Entering FY22 with a number of opportunities in food manufacturing
- Grew our supply across a range of organic categories, leveraging our existing partnerships and processing capabilities to a broader market
- Grower-producer supply partnerships outside Australia (North America, South America, India, Turkey and Asia) remained strong, enabling continuity of supply

~1400 tonnes globally sourced

>100 containers

>40 sourcing partners

>25 countries supplying

Working with our partners around the world

Financial Performance

Balance sheet deleveraged by asset sales and improved working capital

Balance sheet	June 21	Jun 20	Change
Working capital	10.5	19.6	-9.1
Land, PPE, Right of use assets	18.9	39.0	-20.1
Other assets	5.8	0.8	5.0
Assets held for sale	5.6	5.4	0.2
Agricultural produce	0.4	1.7	-1.3
Net Bank Borrowings	-40.1	-41.1	1.0
Right of use (lease) liabilities	-2.9	-3.4	0.5
Provisions and other liabilities	-1.0	-1.4	0.4
Net Assets	**(2.8)**	**20.6**	**-23.4**

- Working capital reduced $9.1m driven by H2 focus on lower inventory and additional provisioning.
- PP&E reduced through asset sales ($22.5m)
- Other assets include funds receivable in relation to Nangiloc part (a) sale of $4.5m anticipated to settle in FY22.
- Assets held for sale relate to Wargan and our Mourquong facility which settled in August 2021.
- Agricultural produce substantially reduced due to the crop cycle being solely DVF (previously included fresh)
- Net Bank Borrowings of $40.1m include equipment loans of $2m and will reduce by $12.25m upon the settlement of the Nangiloc Part (a) and Mourquong/Wargan asset sales.

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Financial performance
Operating cash flow improved significantly

	Full-year ended	
	30 June 2021 $'000	30 June 2020 $'000
Cash flows from operating activities		
Receipts from customers	49,066	58,245
Payments to suppliers and employees	(57,289)	(70,472)
Receipts from government grants – Job Keeper	1,203	555
Interest paid	(2,509)	(3,751)
Net cash used in operating activities	**(9,529)**	**(15,423)**

Commentary

- Operating cashflows improved significantly year on year but reflect the ongoing trading losses of the group.
- Our Second half operating cashflow was a significant improvement on LY.

	FY21	**H1**	**H2**	**FY20**	**H1**	**H2**
Operating Cashflow	(9,529)	(5,529)	(4,000)	(15,423)	(6,096)	(9,327)

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Capital management

Banking facilities

- In February 2021, MRO agreed an extension of the banking facilities until 31 October 2022 subject to principal repayments of $4.5m by June 2021 and a further $10m by 30 April 2022.
- The sale of our Mourqoung processing facility and Wargan farm were settled in August resulting in a $7.75m reduction in banking facility.
- The subdivision process relating to the sale of part of our Nangiloc property has been completed and we are anticipating settlement in September resulting in a further $4.5m reduction in net debt

Share consolidation

- On 20 January 2021, MRG shares were consolidated on a 50:1 resulting in 44,115,143 ordinary shares on issue.

Appendices

Appendix 1 - Non-IFRS financial measures

The following unaudited non-IFRS financial measures are included in this report:

1. **Net Debt -** Net Debt, represents total borrowings less cash and cash equivalents.
2. **EBIT-L -** EBIT-L, represents earnings or losses before interest, tax, excluding the impact of AASB 16 *Leases*.
3. **Underlying EBIT-SL -** Underlying EBIT-SL, represents earnings or losses before interest, tax, and before the fair value gain or loss on Self-Generating and Regenerating Assets ("SGARA" or biological assets), excluding the impact of AASB 16 *Leases*, and excluding one-off items as agreed with the Company's financier.
4. **EBIT-SL -** EBIT-SL, represents earnings or losses before interest, tax, and before the fair value gain or loss on Self-Generating and Regenerating Assets ("SGARA" or biological assets), excluding the impact of and AASB 16 *Leases*.
5. **Underlying EBITDA-SL -** Underlying EBITDA-SL, represents earnings or losses before interest, tax, depreciation, amortisation, impairment and before the fair value gain or loss on Self-Generating and Regenerating Assets ("SGARA" or biological assets), excluding the impact of AASB 16 *Leases*, and excluding one-off items as agreed with the Company's financier.
6. **EBITDA-SL -** EBITDA-SL represents earnings or losses before interest, tax, depreciation, amortisation, impairment and before the fair value gain or loss on Agricultural Produce (SGARA), excluding the impact of AASB 16 *Leases*.
7. **Net Tangible Assets (NTA) -** Net Tangible Assets represents total assets less intangible assets less total liabilities (excluding deferred tax liabilities) less deferred tax assets.

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