Annual General Meeting

Murray River Organics

Managing Director and CEO presentation

31 January 2022

Agenda

1. Executive Summary
2. FY21 Financial Overview
3. FY22 Trading update
4. Strategy overview
5. Recapitalisation update

Executive Summary

FY21 Overview

- Trading results for FY21 were disappointing.
- Sales Targets proved to be optimistic, and margins were low due to products being in the 'launch phase' with a heavy reliance on price promotion but with significant upside potential.
- Whilst good progress was made in obtaining MRG branded ranging in the major retailers, sales momentum was not as strong as anticipated.
- The Farming operations under performed and further SGARA accounting losses were incurred as a result of our yields being below budgeted levels.
- The crop from our largest 3rd party Dried Vine Fruit farm was wiped out due to a hail-storm in January 2021. The estimated reduction in FY22 revenues was approximately $4.5m to $6m (depending on the quality being achieved) on the hail event alone.
- Our largest private label contract decreased by $7.5m due to previous service level issues and was anticipated to decline by a similar amount into FY22.
- With substantial inventory levels built up in early FY21, management reduced inventory levels and focused on exiting from underperforming parts of the business. In doing so, the complexity inherent in the business was also addressed via the sale of non-core farms and the sale of the Mourqoung facility.
- The sale of our non-core farms saw a year-on-year reduction in 'Fresh' categories of $4.3m in FY21 with a further impact of $1.4m of lost revenues into FY22.

Executive Summary

FY21 Overview continued

- With over $22m of asset sales announced during the year, we also announced our intention to sell the remaining dried vine fruit farms with the aim of creating a capital light alternative to our current model. This would involve selling the farms, but keeping the ‘off take’, which would see MRG continue to acquire the dried vine fruit off the farms but rely on the new owners to manage and grow the agricultural footprint.
- During FY21 and into FY22, we have been reviewing and assessing several M&A opportunities that would be expected to accelerate the group to positive EBIT. Our aim is to improve the utilization of our Dandenong facility and grow our existing FMCG assets as we complete the divestment of our farm portfolio with off-take agreements.

FY21 Financial Overview

Financial Performance

$m	FY21	FY20	Change	%
Sales	42.6	48.3	(5.7)	(12%)
EBIT-L*	(21.2)	(36.3)	(16.7)	46%
One off items	3.3	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 $2.2m
- 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.

* Refer to FY21 Appendix 4E for definitions of unaudited non-IFRS financial measures

Gross Margins – First Half vs Second Half

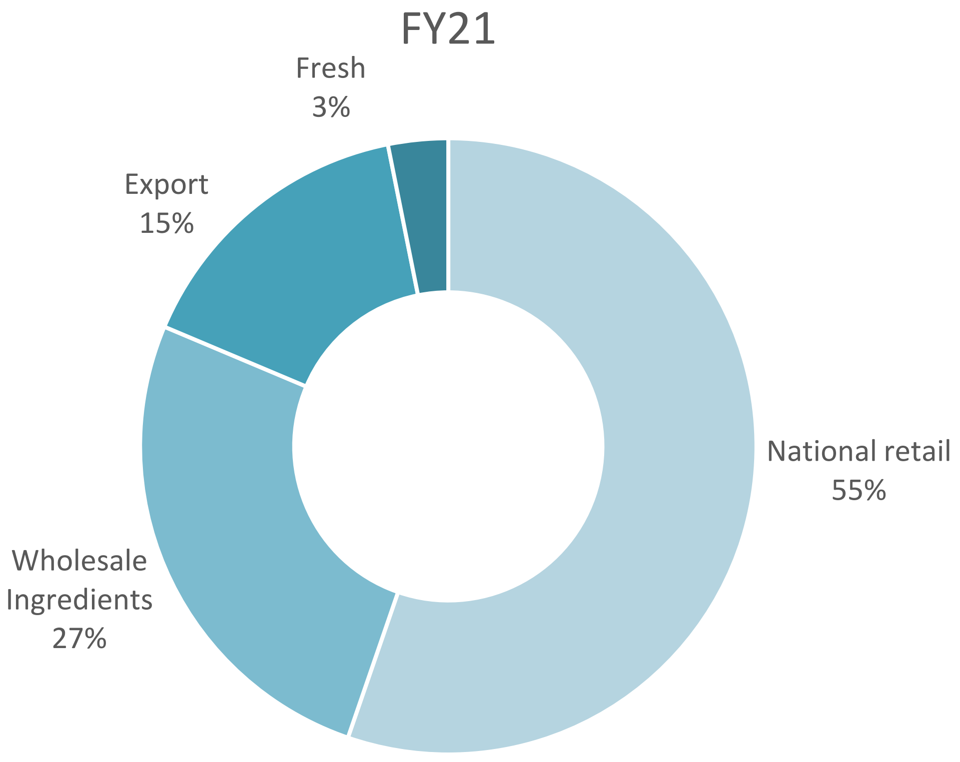
	FY21	H1	H2	H1 v H2	FY20	H1	H2	H1 v H2
Net Sales	**42,603**	**26,503**	**16,100**	**(10,403)**	**48,349**	**24,814**	**23,535**	**(1,279)**
Change in finished goods	(3,389)	(2,389)	(1,000)	**1,389**	5,386	(856)	6,242	**7,098**
Raw materials, and input costs	(35,117)	(20,247)	(14,870)	**5,377**	(46,785)	(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%**

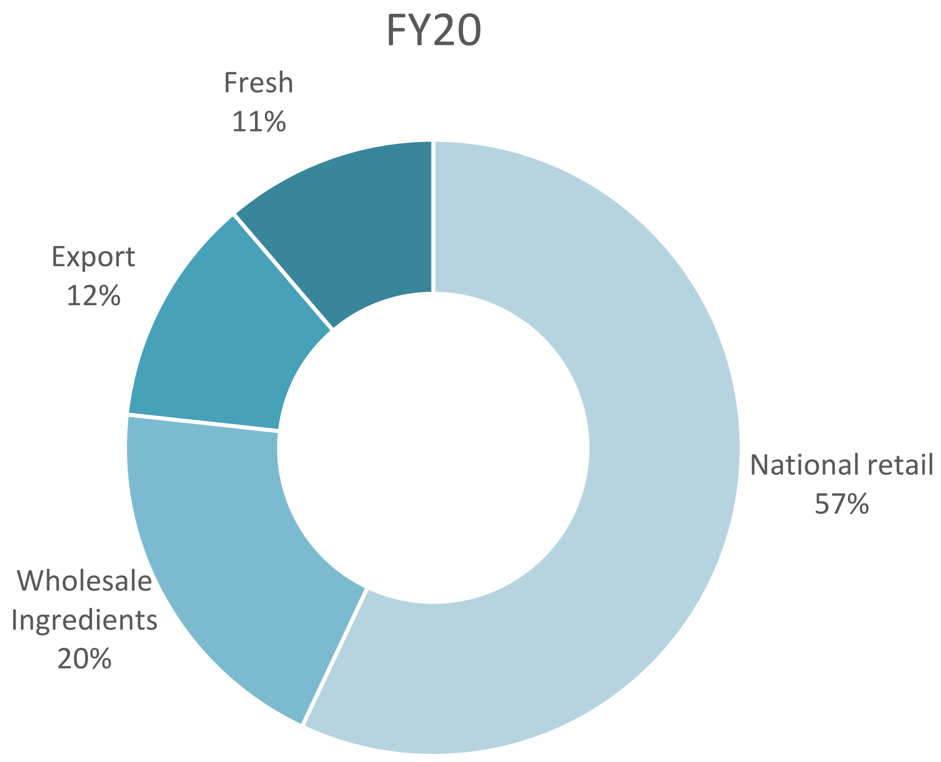
- Sales in H2 were impacted by the ongoing exit from private label contracts as well as the exit from Fresh.
- The H2 gross profit margins were adversely impacted by overstocking from H1, which resulted in significant discounts being applied to move inventory.
- The quality of the prior year Dried Vine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

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 vs 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*

FY22 Trading Update

FY22 Trading Update

- Against the backdrop of a difficult FY21, management targets for FY22 that would significantly reduce debt and the operating losses of the business.
- H1 Underlying EBITDA – SL is an improvement of almost $2m in underlying earnings after normalizing for Job Keeper benefits LY.
- This improvement would have been more were it not for Covid driven supply chain disruptions significantly delaying inbound product.
- Sales efforts were focused on higher margin products and significant cost reductions were targeted.
- Key actions achieved, which drove improvements in operating results and balance sheet outcomes were:
  - The sale of our Mourquong facility was settled in August, resulting in lower processing costs for group.
  - A number of automation initiatives were implemented at our Dandenong facility.
  - Discretionary spending was curtailed, and headcount reductions were also implemented.
  - Cashflow was tightly managed with a strong focus on reducing slow moving inventory
  - Underutilised farm asset sales were sold off.
- The Group also continues to explore the sale of our remaining farm assets and contract a multi year supply agreement.

FY22 Trading Update

Farming Commentary

- Farming operations focused on weed control, restoration of irrigation capabilities and an improved farm management program. We are now monitoring soil moisture levels with recalibrated moisture meters and utilising satellite imaging technology to track vine health.
- All the available data point to improved farm yields above our budgeted levels. Our farm costs are in line with or below budget across the major categories of expenditure.
- We don’t expect that heavy rainfalls experienced in Mildura last week have affected the FY22 crop.

Sales Commentary

- Our Sales are down on last year primarily due to the ongoing loss of a low margin private label contract as well as a decision to exit from non-core Fresh categories (i.e. Table Grapes and Citrus) in the prior year.
- Sales performance against budget is slightly behind due primarily to supply issues for a number of pantry items where supply from overseas has been hampered by shipping and supply chain issues.
- Demand for our Export orders is strong but we are constrained by the lack of availability of Dried Vine Fruit and we view this as a strong growth opportunity.
- Wholesale and Ingredients is down on last year as a result of ongoing supply chain disruptions affecting the group.

FY22 Trading Update

<u>Cash position and Bank Funding</u>

- The group completed the calendar year with over $2m of cash availability as at 31 December 2021.
- We are aiming to work through the buyers due diligence and approval processes over the coming weeks with the aim of settling the Farm sales by mid April 2022.
- The combination of our farm asset sales and planned capital management initiatives is anticipated to leave almost debt free.

Strategy

Murray River Organics

Murray River Organics Strategic Focus

Our Vision

Leader in organic & better- for-you brands & ingredients

Our Purpose

To provide a sustainable, organic, better-for-you offering to more people

Why will we win

Strong movement towards Organic and Sustainability in the community

1. **Agricultural partnerships**
   - Sell Farms, attract new investment and agree multi-year off take agreements.

2. **Build a global organic & better for you ingredients business**
   - Expand our global supply chain for organic ingredients by forming closer relationships based on certification and trust.

3. **Innovate – Focus on organic, providence and better for you.**
   - Invest in innovation – products, packaging and capability

4. **Grow domestic and export – Australian, Organic, Better for You**
   - Build viable retail channels overseas using online and traditional means
   - Partner with retailers and distributers to drive organic markets via NPD and Brand build

5. **Drive process excellence to develop optimal operating model**
   - Invest in capability and build processes which improve :
     - quality of products;
     - efficiency; and
     - our ability to supply

Update on Recapitalisation

- MRG engaged Lion Advisory to assist in guiding the company through the next phase of its capital management program.
- Whilst improvements have been made to our operating model, our strategic review and forward projections highlighted the need for additional funding.
- MRG have engaged with a number of interested parties with a view to recapitalizing the business and to consider alternative transactions.
- As a result of those initiatives, the Board are currently in discussions with our major stakeholders and potential new investors with a view to a recapitalisation initiative in the coming months.

Murray River Organics™