



FY23 Investor and Analyst Presentation

August 2023



Disclaimer

This presentation has been prepared by Midway Limited ACN 005 616 044 (Midway or the Company). The information contained in this presentation is current at the date of this presentation. The information is a summary overview of the current activities of the Company and does not purport to be all inclusive or to contain all the information that a prospective investor may require in evaluating a possible investment. It is to be read in conjunction with the Company’s disclosures lodged with the Australian Securities Exchange, including the Company’s Appendix 4E for the year ended 30 June 23 lodged with the Australian Securities Exchange on 24 August 23. The material contained in this presentation is not, and should not be considered as, financial product or investment advice. This presentation is not (and nothing in it should be construed as) an offer, invitation, solicitation or recommendation with respect to the subscription for, purchase or sale of any security in any jurisdiction.

This presentation is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor which need to be considered, with or without professional advice, when deciding whether or not an investment is appropriate. This presentation contains information as to past performance of the Company for illustrative purposes only and is not – and should not be relied upon as – an indication of future performance of the Company.

To the maximum extent permitted by law, Midway makes no representation or warranty (express or implied) as to the accuracy, reliability or completeness of any information contained in this document. To the maximum extent permitted by law, Midway will have no liability (including liability to any person by reason of negligence or negligent misrepresentation) for any statements, opinions or information (express or implied), arising out of, contained in or derived from, or for any omissions from this document.

Forward looking statements

This document contains certain “forward-looking statements”. The words “anticipate”, “believe”, “expect”, “project”, “forecast”, “estimate”, “outlook”, “upside”, “likely”, “intend”, “should”, “could”, “may”, “target”, “plan” and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance, including Midway’s financial outlook, are also forward-looking statements, as are statements regarding Midway’s plans and strategies and the development of the market. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Midway, which may cause actual results to differ materially from those expressed or implied in such statements.

Midway cannot give any assurance or guarantee that the assumptions upon which management based its forward-looking statements will prove to be correct or exhaustive, or that Midway’s business and operations will not be affected by other factors not currently foreseeable by management or beyond its control. Such forward-looking statements only speak as at the date of this document and Midway assumes no obligation to update such information.

Non-IFRS information

This presentation includes certain financial measures that are not recognised under Australian Accounting Standards (AAS) or International Financial Reporting Standards (IFRS). Such non-IFRS financial measures do not have a standardised meaning prescribed by AAS or IFRS and may not be comparable to similarly titled measures presented by other entities and should not be construed as an alternative to other financial measures determined in accordance with AAS or IFRS. Recipients are cautioned not to place undue reliance on any non-IFRS financial measures included in this presentation. The non-IFRS information has not been subject to audit or review by Midway’s external auditor.

All references to dollars are to Australian currency unless otherwise stated.

Contents

- 1 Executive Summary
- 3 Our Strategy
- 6 Progress in FY23
- 12 Sustainability Update
- 15 Financial Performance
- 20 Operating Environment & Outlook
- 23 Summary



Executive Summary

01

Operating Profit FY23

- Positive underlying EBITDA¹ result of **\$2.9 million**, a **\$4.7 million** turnaround from loss of **\$1.8 million** in the pcg
- Higher prices contributed to improved margins
- Operating performance showed signs of improvement before market downturn

03

Sustainability Progress

- Built internal capability to register ACCU carbon projects
- Planted approximately 1.07 million seedlings in FY23
- 27% of our employees on the Tiwi project are Tiwi

05

Net Tangible Assets

- **\$1.43 per share** in the current year
- Net debt \$3.9m vs \$41.9m in the pcg
- Current asset ratio of 2.00 times

02

Operating Cashflow

- Negative \$12.3 million operating cashflows due to working capital build up as a result of deferred Chinese sales
- Proceeds from the sale of the Victorian plantation assets used to repay all long-term corporate debt

04

Statutory Net profit after Tax

- Statutory NPAT¹ loss of \$2.4 million, after 7.8 million provision (pre-tax) for the Tiwi aged receivable, an improvement of \$10.5 million on pcg
- \$12.5M profit recorded on the sale of the plantation estate

06

Leadership

- Appointment of new Board Director, Kellie Benda
- New General Manager Plantations and Carbon, Hamish Little

¹ Consolidated earnings

Executive Summary

We continue to transform our operations and turnaround under-performing divisions.

Earnings show signs of improvement despite the market slowdown.

Leveraging core capabilities and strategic assets to create value.

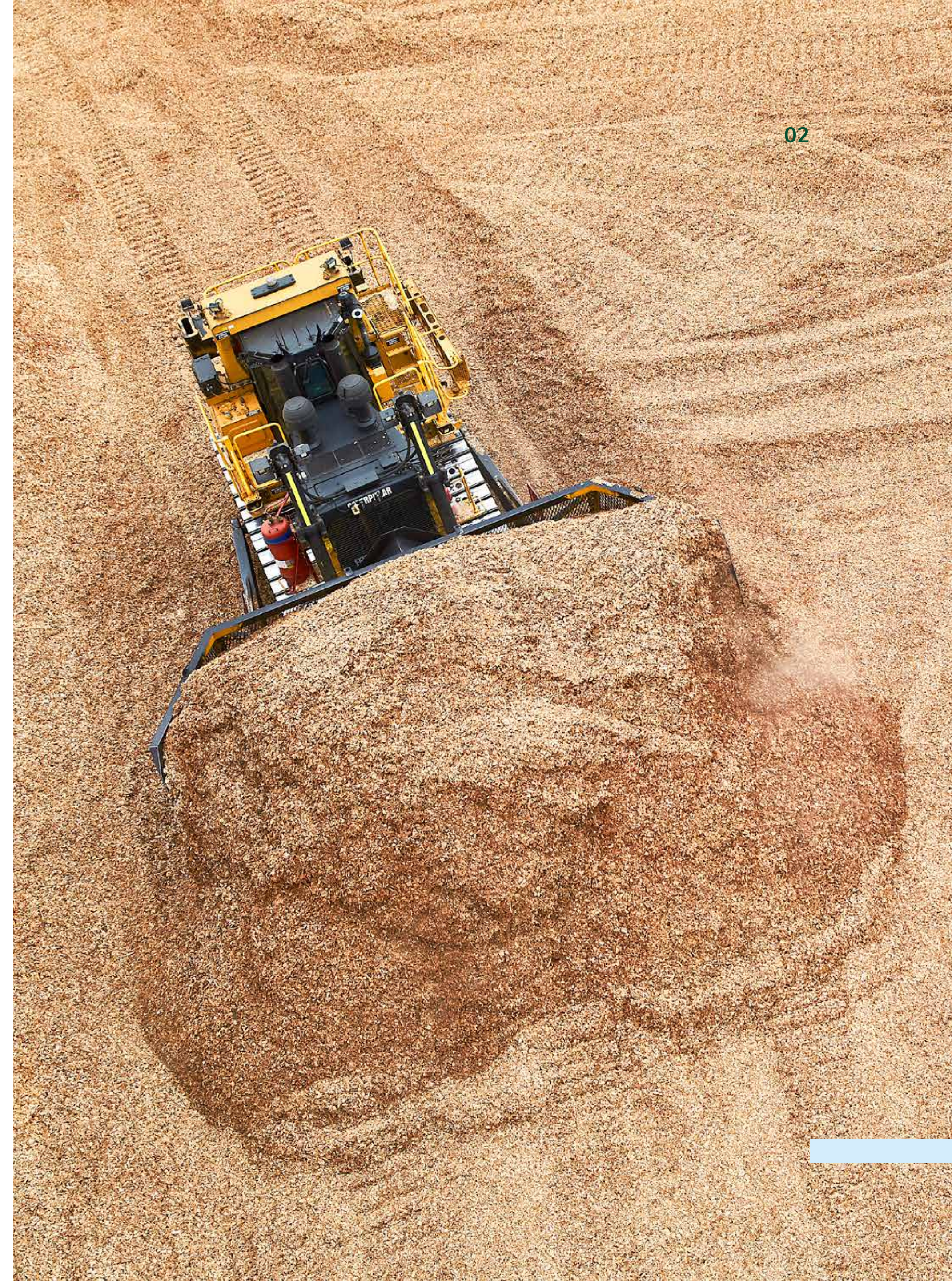
Maximising value of assets with the review of natural ownership:

- \$12.5 million gain on sale of Plantation Estate
- Progressing grain project to better utilise Geelong site assets.

Ongoing focus to deliver a strong balance sheet with reduced volatility.

Progressing a series of initiatives across all business units to exploit the carbon opportunity.

We are in a great space to benefit from demand for carbon offset and abatement projects.



Our Strategy

Midway



Our Strategy

Midway was founded in 1980 by a collective of Victorian sawmillers seeking a valuable market for their sawmill residue waste, that was otherwise being burned.

Today Midway is one of Australia's largest wood fibre processors and exporters, with a strong and growing plantation and carbon management business.

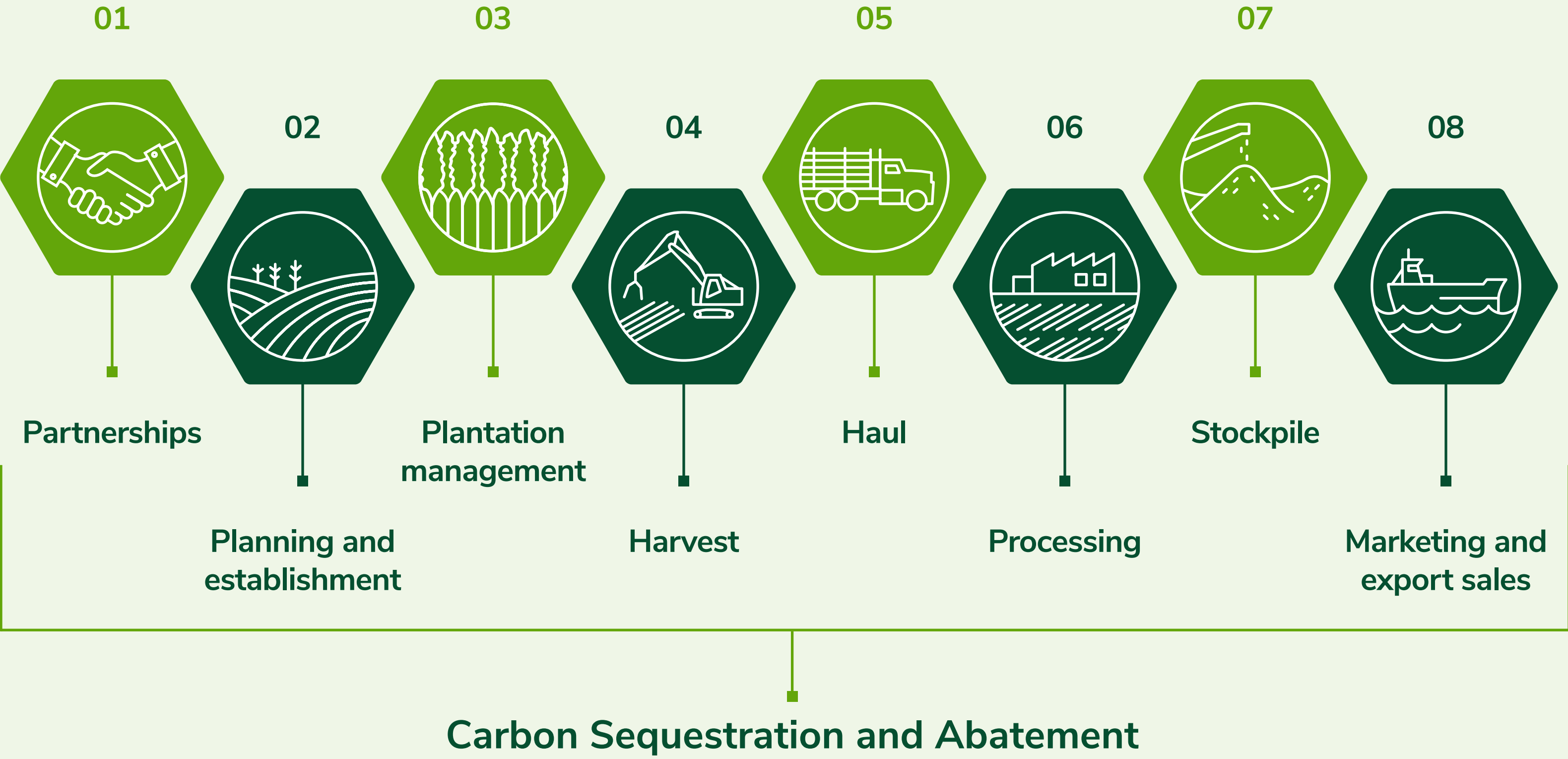
Our fibre goes into recyclable paper & packaging, plastic replacement products and coal replacing energy generation.

We provide solutions for carbon abatement and emissions offsets using natural processes and our expertise.

Our Strategy

- Lifting the operating performance
- Leverage capabilities and maximising value of assets
- Carbon growth strategy

Maximising Shareholder Returns



Progress in FY23

Midway



Progress in FY23

Lifting Operating Performance

We are taking action to improve the operating performance of the business including a strong focus on the Key Drivers.

Woodfibre Segment

Geelong-focus on increasing volume through the site:

- Softwood from Gippsland and other locations
- Other plantation hardwood sources
- Progressing grain project for shiploader volumes.

Midway Tasmania – a very tough year but good progress:

- Mill commissioning completed
- First regrowth thinnings vessel shipped
- Extending supply contracts with Sustainable Timber Tasmania (volume)
- Good market response for thinnings product (Price and Volume)
- Reactivating CIF sales (volume).

Tiwi - a clear turnaround strategy:

- Strong cost focus
- Biomass sales into the Japanese market (volume) and
- Delivering 2nd rotation carbon and plantation project.

Progress in FY23

Lifting Operating Performance

FY23 Investor & Analyst Presentation
August 2023

Plantations and Carbon Segment

MEAG transaction supports turnaround and growth for the segment's operating performance.

- \$122M of assets now generating plantation management income;
 - Will grow to \$350M on completion of MEAG investment commitment
 - Other plantation management opportunities being pursued
- Transitioning the Victorian estate's holding costs out of Midway's cashflow as the MEAG sale tranches settle
- Offtake agreements secure income and long-term timber supply through Geelong.

Plantations segment is driving the Carbon Strategy.

Logistics segment

- Exited the loss making segment.



Progress in FY23

**Leveraging
capabilities and
maximising
asset values**

Plantation Estate

- Sale of Victorian plantation estate at a profit of \$12.5 million.

Geelong Land and Grain Opportunity

- Grain storage and export terminal to be developed on underutilised land in Geelong
- Likely sale of a portion of Corio Quay portside land
- Complex negotiations with multiple counterparties and a change in ownership of Geelong Port delayed discussions.

Woodfibre Export Business

- Maximise value by executing the performance plans.
- Leverage the expertise and geographic footprint into other opportunities.

Plantation Management and Carbon

- Leveraging our core plantation and carbon skillset to enter new markets (carbon, Bio diesel)
- Managing plantations for third parties.

Progress in FY23

Carbon Market Opportunity

Midway is a provider of nature-based solutions to reduce and mitigate carbon emissions.

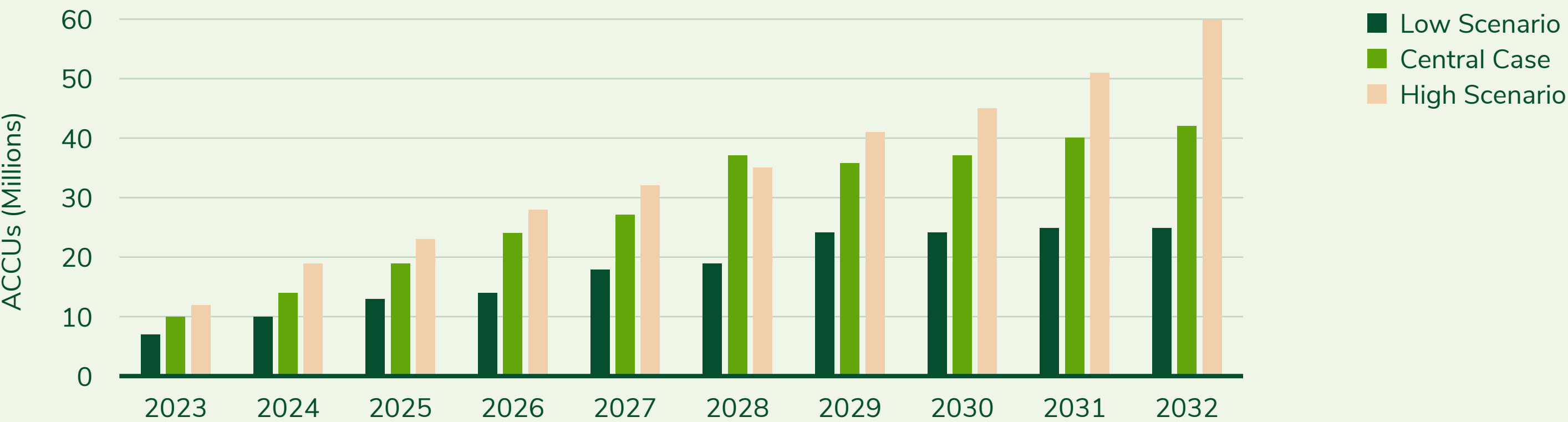
We are using all business units to access and deliver carbon opportunities.

Analysts are forecasting growth in ACCU demand and price.

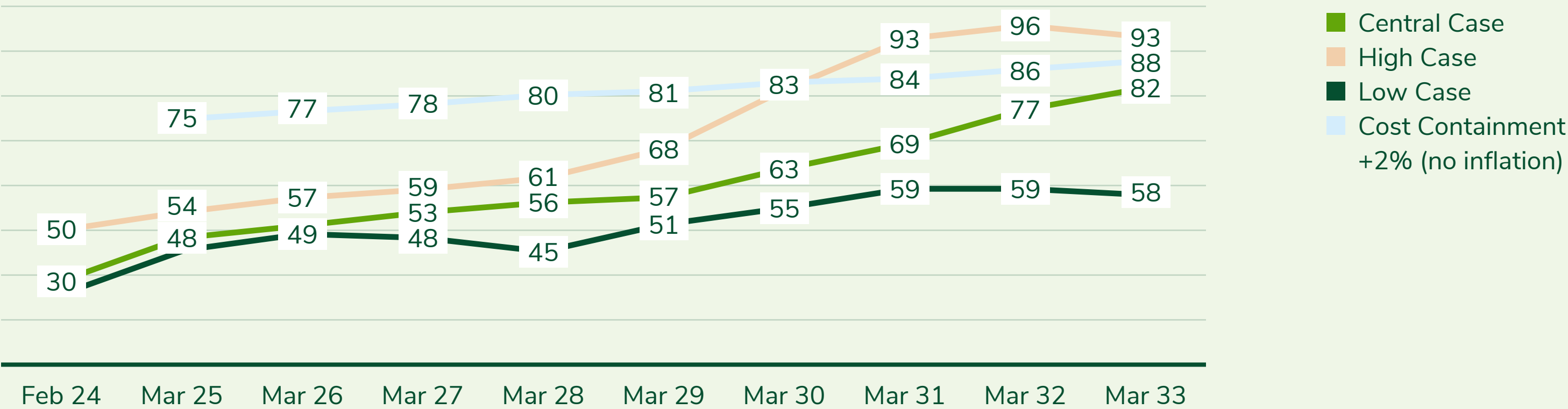
This is consistent with feedback from industry participants.

Strong carbon market economics

Forecasted demand for ACCUs (millions)



ACCU market pricing expectations (A\$)



Source: RepuTex Energy, 2023

Progress in FY23

Carbon Growth Strategy

Midway is a provider of nature-based solutions to reduce and mitigate carbon emissions

We are using all business units to access and deliver carbon opportunities.

Three pronged Carbon Strategy

Plantation owner / lessor

- 2nd rotation on the Tiwi Islands is progressing well
- Aiming for Midway and Tiwi ownership
- Potential ~6.5M ACCUs which could be utilised to fund the project
- Will be the largest Carbon plantation project with Traditional Owner involvement in Australia.

Carbon Aggregator

- Arranged to be a Corporate Authorised Representative under a carbon AFSL allowing the Group to progress carbon projects;
- First properties in Tasmania agreed for FY23 with carbon earnings to commence in FY24, strong pipeline for FY24.

Plantation and carbon manager

- Further carbon opportunities being developed and offered in Tasmania and Victoria for forestry-based projects
- Large scale NT properties being explored with land-owners for further carbon expansion
- Carbon and plantation expertise working on related projects eg. Bio Diesel
- Managing carbon and plantations on behalf of MEAG.

Sustainability Update

Midway



Sustainability Update

Continued progress against our commitments

- Midway has FSC (Forestry Stewardship Council) Certification across all our established operations and in the process of obtaining the certification for Midway Tasmania
- Midway has PEFC (Programme for the Endorsement of Forest Certification) - Sustainable Wood certifications across all our operations
- The team planted 1.07 million seedlings in FY 2023
- There is 4.22 million tonnes CO2 equivalent stored in Midways "Defined Forest Area". The Group is focussed on increasing that figure as more forestry land is developed with our partners
- Midway built a team committed to registering and managing carbon sequestering plantation projects
- 27% of Midway's employees on the Tiwi project are Tiwi people and the Group is committed to ongoing skills and development training
- Over the last 4 years Midway has spent \$3.6 million maintaining public roads on Melville Island
- Safety - 2023 LTIFR was 5.7, below industry average of 14.5
- Our products contributed to the Circular Bioeconomy for: recyclable and biodegradable packaging, hygiene products and print materials; plastic replacement packaging; and coal replacement energy generation.

Sustainability Update

Continued progress against our commitments

				
Certification Status	AFS CoC (AS4707) (PEFC)	FSC FSC-STD-40-004	FSC FSC-STD-40-005	FSC FM FSC-STD-AUS-01-2018
Geelong	✓	✓	✓	Implementation planned FY24
SWF	✓	✓	✓	—
QCE	✓	✓	✓	—
PMP	✓	✓	✓	—
Midway Tasmania	✓	Implementation planned FY24	Implementation planned FY24	—

For personal use only

Financial Performance

Midway



Financial Performance

Financial Results

Underlying EBITDA turnaround of \$4.7M to \$2.9M.

Sales volume flat for the consolidated group including SWF.

Gross margin increased from 6% to 11% with higher prices and better FX in 2H23.

Significant items include:

- \$12.5M profit on sale of plantation estate
- \$7.8M provision for impairment of the Tiwi Islands project trade receivable.

SWF profit contribution increased to \$2.4M vs \$1.1M in FY22 due to higher sales volumes.

Consolidated results \$m	FY23	FY22	Change
Sales revenue	187.8	198.5	↓
Other income	6.7	2.8	↑
Total revenue and other income	194.5	201.3	↓
Expenses	(194.0)	(204.1)	↑
Share of equity accounted profits	2.4	1.0	↑
EBITDA - S	2.9	(1.8)	↑
EBITDA - S Continued	2.9	1.1	↑
Significant items	3.4	(1.2)	↑
Profit/Loss on sale of assets	12.5	1.9	↑
Impairment loss on Non-current Assets	(7.8)	(0.1)	↓
Other significant items	(1.3)	(3.0)	↑
Fair value gain on biological assets	0.2	6.5	↓
EBITDA – Statutory	6.5	3.5	↑

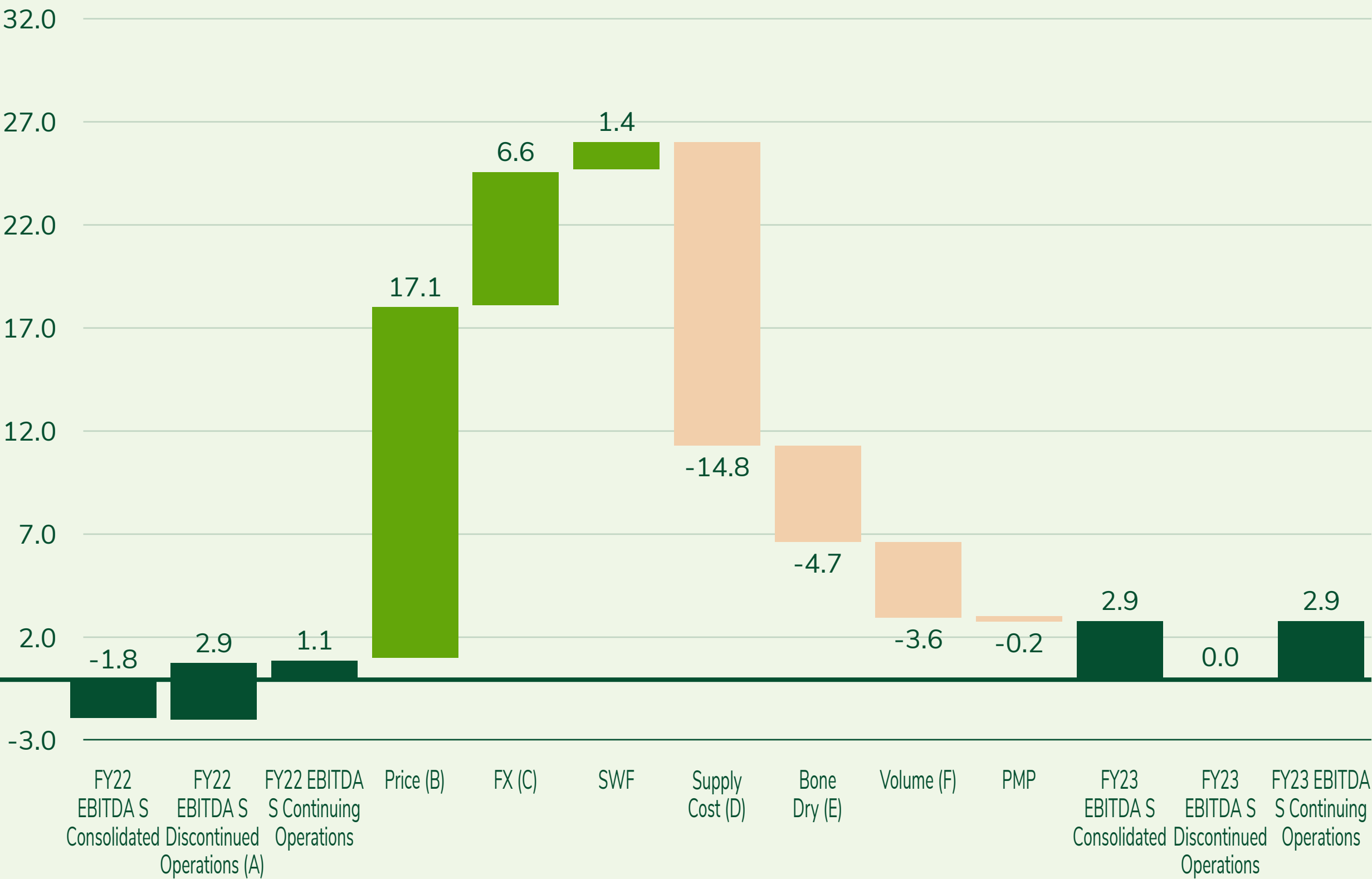
Consolidated GMT '000s	FY23	FY22	Change
Sales Volume GMT '000	1,272	1,416	↓
Sales Volume SWF	721	541	↑
Sales Volume Total	1,993	1,957	↑
Gross Margin	11%	6%	↑

Financial Performance

FY23 Key Drivers

- A \$2.9m improvement from exited Logistics.
- B Favourable pricing negotiated in the second half of FY23 across most products.
- C Effective rate of 0.72 resulting in a slightly favourable variance to pcp.
- D Significant increase in supply costs; key drivers include fuel costs and log purchase price.
- E Dry fibre % was down 1.5% over the pcp, being impacted by wetter than average season and product mix.
- F Volume down due to lower export volumes across key sites – (SWF not included in this line item as presented separately in the bridge).

Midway Group EBITDA-S (\$'M)



Financial Performance

Transformed balance sheet

- Strong balance sheet
- Reduced volatility (no longer any material revaluations of biological assets)
- Following completion of the first three tranches of the sale of the plantation estate, the Group’s net current asset position has increased significantly
- Current asset surplus at 30 June 2023 includes stock build of \$14.2M to \$35.0M (2022: \$20.8M)
- Net debt improvement of \$38.0M to \$3.9M at 30 June 2023 or \$1.0M positive cash excluding AASB 16 lease liabilities.

Key metrics \$m	FY23	FY22	Change	
Assets				
Receivables	27.6	10.8	16.8	↑
Inventories	35.0	20.8	14.2	↑
Biological assets	8.5	47.9	(39.4)	↓
Other Receivables	33.5	7.4	26.1	↑
Property, plant and equipment	51.9	144.8	-92.9	↓
Liabilities				
Borrowings (current)	3.6	21.0	(17.4)	↓
Borrowings (non-current)	7.9	25.9	(18.0)	↓
Strategy financial liability	16.3	39.6	(23.3)	↓
Deferred tax liabilities	2.7	39.6	(8.0)	↓
Cash flow \$m	FY23	FY22	Change	
Operating cash flow	(12.3)	(3.2)	(9.1)	↓
Investing cash flow	80.0	10.0	70.0	↑
Financing cash flow	(65.1)	(16.8)	(48.3)	↓
Net increase / (decrease) in cash held	2.6	(10.0)	12.6	↑

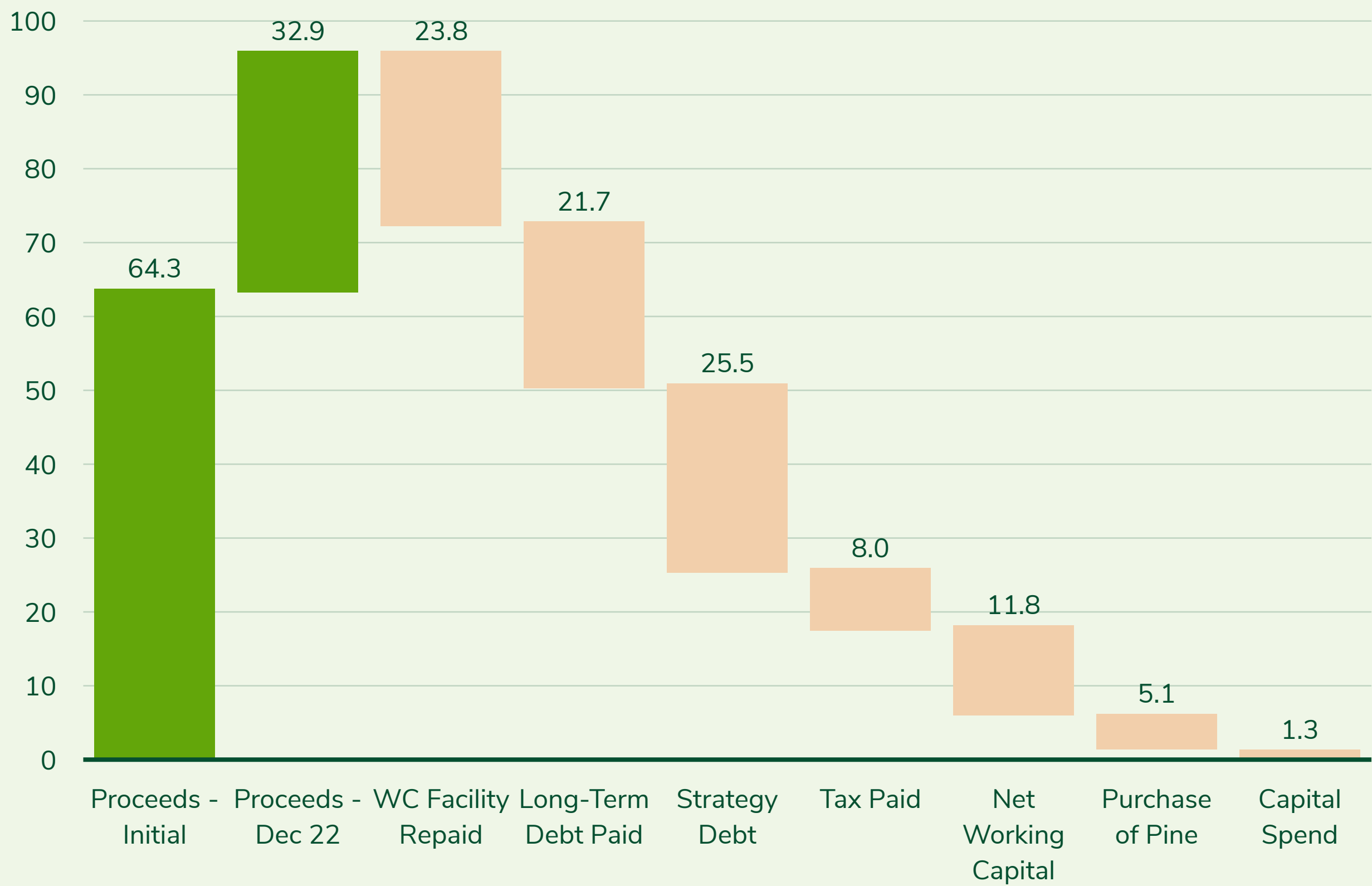
Financial Performance

Proceeds from plantation sale

- MEAG proceeds have been used to restructure the balance sheet and reposition the Company
- Prudent approach to capital management has protected Midway during the downturn and allowed the Company to build working capital that will generate future revenue when the market recovers
- Future MEAG sale proceeds expected to boost cashflow in next two financial years.

MEAG future proceeds \$m	FY24	FY25
Net cash received	23.9	35.1
Less:		
Purchase of strategy timber	(9.5)	(6.8)
Tax payments	(2.0)	(7.1)
Net cash retained	12.4	21.2

Sale of plantation estate - proceeds usage (\$M)



Operating Environment & Outlook

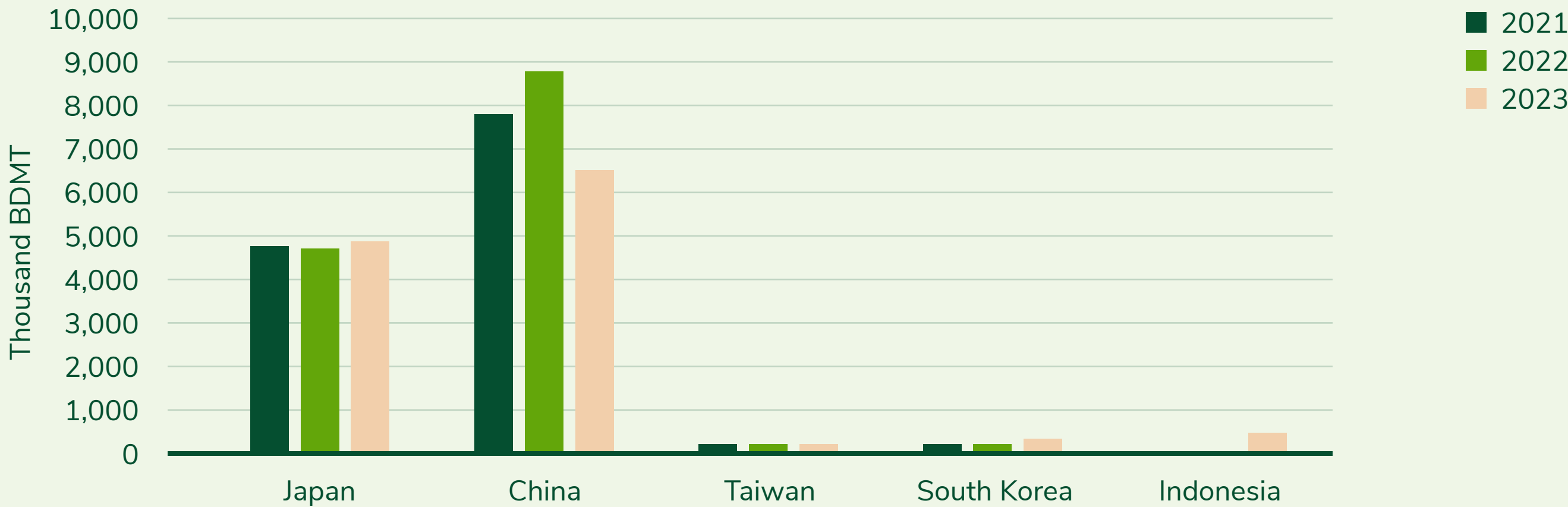
Midway



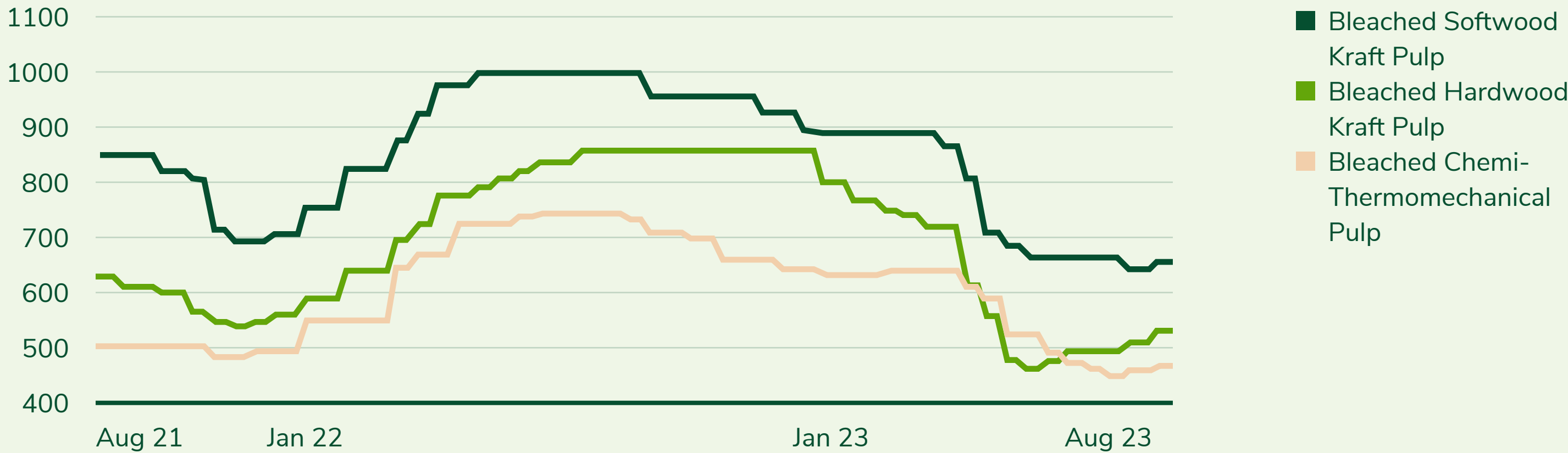
Operating Environment & Outlook

Pulp market fell significantly in 2H23, looks to have stabilised

Hardwood chip markets Asia Pacific YTD June



China Pulp Prices (USD/t CIF)



Extract: RISI and DANA Limited

Operating Environment & Outlook

Pulp market fell significantly in 2H23, looks to have stabilised

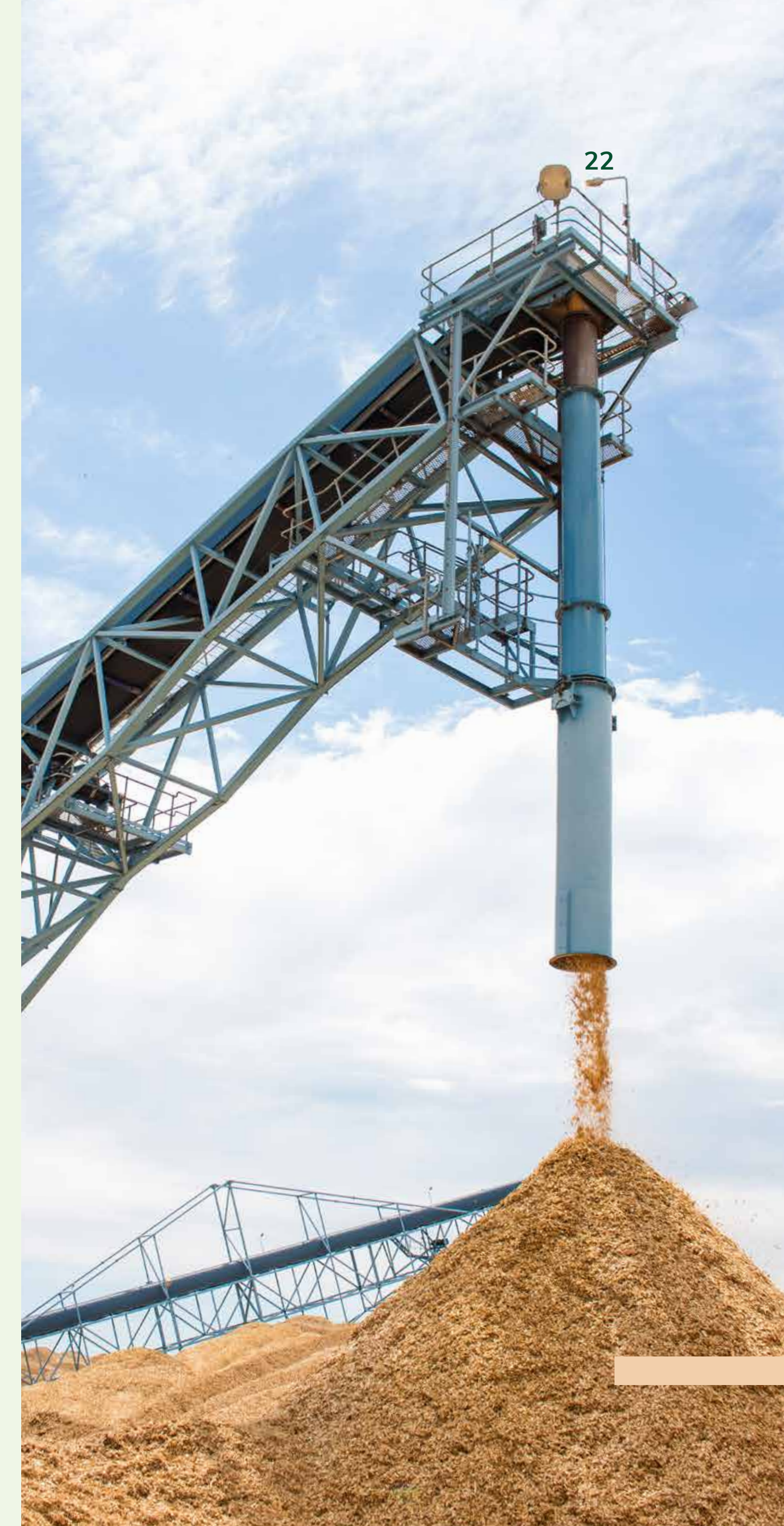
FY23 Investor & Analyst Presentation
August 2023

Woodfibre Demand

- Japanese hardwood chip imports are at 4.9 million BDMTs, relatively flat year on year
- Chinese hardwood chip imports down about 2.3 million BDMTs or 26.2% YTD June
- With new pulp mill capacity in China and South America, global woodchip demand has increased;
- Japanese renewable energy generators are expecting to face restrictions on use of uncertified Palm Kernel Shells for FIT Generation.

Pulp Prices

- Bleached hardwood kraft pulp prices in China are down US\$345/t or over 40% since December 2022
- Hardwood kraft pulp (BHKP) price into China is showing signs of improvement with prices in July up US\$15/t for BHKP and up US\$10/t for BCTMP
- Major Brazilian pulp suppliers into China reportedly seeking US\$20/t increases for BHKP delivered in August.



Summary

Midway



Summary

Lifting operating performance

- 01 2H23 earnings began to show signs of improvement despite the market slowdown.
- 02 Key actions being taken across each segment to continue to lift the operating performance including securing new volume, minimising costs and selling into new markets.
- 03 Finalised the building of port and processing facilities at Bell Bay in Tasmania and securing additional volume.
- 04 Exited the loss-making Midway Logistics business in Western Australia.

Leveraging capabilities and maximizing asset values

- 01 Completed review of natural ownership of assets.
- 20 Sale of Victorian plantation estate at a profit of \$12.5 million.
- 03 Grain project still progressing for a trading company to own and operate the terminal offsetting the take or pay at Geelong.
- 04 Growth of the plantation management business as part of the ongoing relationship with MEAG.
- 05 Leveraging core plantation and carbon skillset to enter new markets (carbon, Bio diesel).

Carbon growth strategy

- 01 Second Rotation on the Tiwi Islands with potential ~6.5M ACCUs will be Australia’s largest plantation carbon project with Traditional Owner involvement.
- 02 Agreement for Corporate Authorised Representative on carbon AFSL allows Midway to progress a range of carbon projects.
- 03 Agreements for first properties in Tasmania for FY23, further properties in pipeline for FY24.
- 04 Registered first carbon projects for MEAG.

Attachments

25



Midway

Export Volumes

Volumes	FY23 (a)	FY22 (a)	
(000's GMT)	12 months	12 months	Comments
Geelong	597	613	Only plantation hardwood No Native or softwood
Portland	721	541	E Globulus only
Brisbane	237	276	Hardwood and softwood mix
Melville Island	143	77	Acacia for pulp and biomass
Tasmania	295	450	Includes third party and Midway wood
TOTAL	1,993	1,957	

Represents both Group owned and third party woodfibre where Midway performs the marketing function.

Reconciliation of underlying Earnings, before interest, tax, depreciation and amortization (EBITDA) to statutory EBITDA

\$'000	FY23	FY22
EBITDA-S – continuing operations	2,858	1,089
EBITDA-S – discontinued operations	(3)	(2,851)
EBITDA - S (underlying)	2,855	(1,762)
Net fair value (decrement)/increment on biological assets	151	6,490
Insurance costs, net of proceeds	93	-
Profit/(loss) on sale of assets – Midway Plantations	12,465	1,943
Impairment loss on non-current assets	(7,842)	(98)
Impairment loss on current assets	(350)	-
Midway Logistics wind-down costs	-	(714)
Transaction costs incurred	(829)	(2,326)
EBITDA – statutory	6,543	3,533
Less: EBITDA (gain) / loss – discontinued operations	(3)	(3,565)
EBITDA – continuing operations	6,546	7,098

Reconciliation of underlying net profit after tax (NPAT) to statutory NPAT

\$'000	FY23	FY22
Net profit/(loss) after tax - S	(3,117)	(8,559)
Net fair value increment on biological assets	105	4,543
Non-cash interest expense (AASB 15 Strategy impact)	(3,218)	(7,997)
Insurance (Fire)	65	-
Profit on sale of asset of non-current assets	8,726	1,361
Impairment loss on non-current assets	(5,489)	(98)
Impairment loss on current assets	(245)	-
Interest received	1,374	-
Transaction costs incurred	(580)	(1,628)
Midway Logistics wind-down costs, net	-	(500)
Net profit/(loss) after tax - statutory	(2,379)	(12,878)
NPAT, Discontinued Operations	(191)	(3,809)
NPAT Statutory (Continuing Operations)	(2,188)	(9,069)

Underlying NPAT refers to statutory net profit after tax adjusted to remove impact of one off or non-recurring items and the net fair value gain/(loss) on biological assets.



For personal use only

Midway

Thank you