



Full Year Result – FY20

Analyst and Investor Presentation

August 2020



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



Financials FY20

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Overview

FY20 Results

- Adverse impacts from external market forces affected financial performance in FY20
- EBITDA – S⁽¹⁾ of **\$12.0M** (FY19: \$37.1M)
- Underlying net loss after tax before significant items of **\$0.4M**
- Statutory net loss after tax of **\$11.7M**
- Significant items after tax include \$5.8M of impairment losses and a net reduction in the value of biological assets of \$3.4M
- Strong operating cashflow **\$11.1M** (FY19: \$9.9)
- Board has decided not to pay a final dividend in relation to FY20

Market Update

- Pulp stocks have been trending back towards long term levels with pulp prices at bottom of cycle
- COVID-19 still depressing demand and prices, especially in Japan but some early signs of recovery
- China GDP recovering quickly – confirmed sales agreements for H1 FY21
- Significant new pulp and paper capacity investment announced recently by Chinese companies, coming online over the next three years

Revenue
\$257.8M
(9.1%)

EBITDA-S⁽¹⁾
\$12.0M
(67.7%)

Gearing
ratio 30%

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Financial Performance – FY20

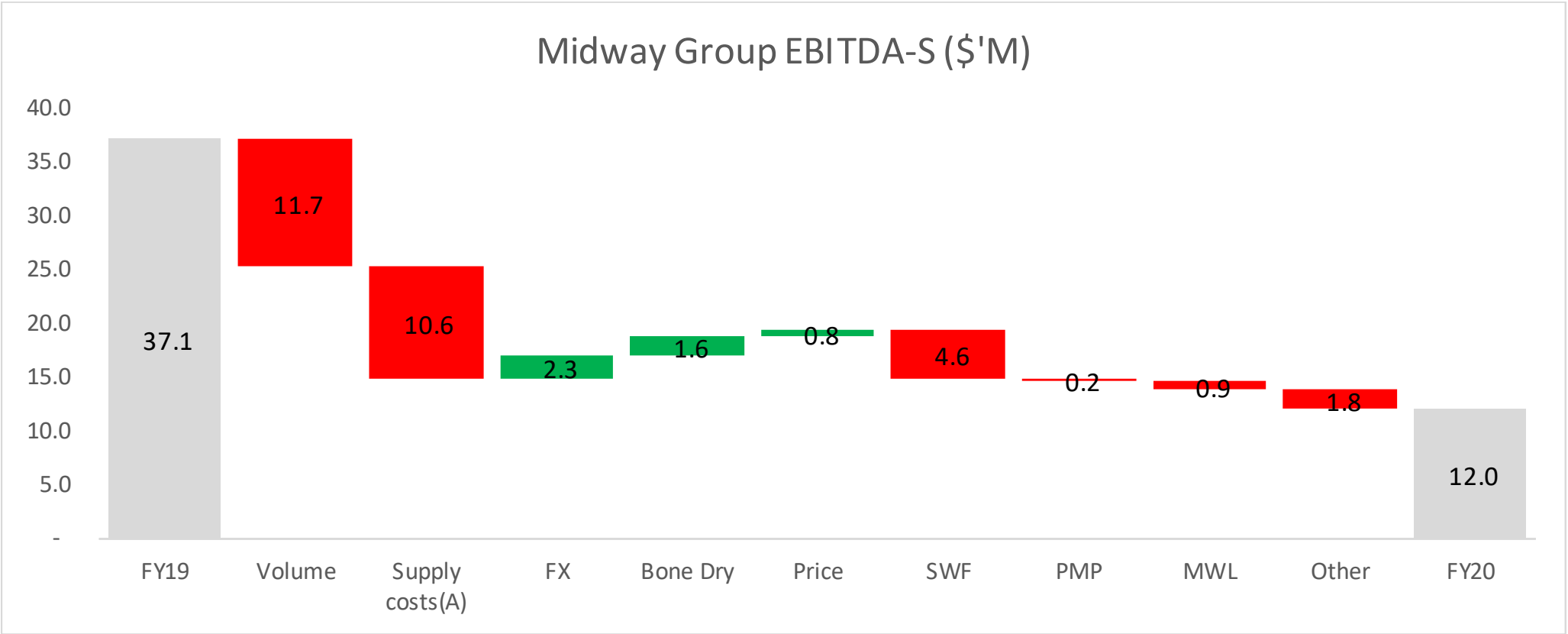
\$Am	FY20	FY19	% Change	
Sales Revenue	257.8	283.6	(9.1%)	↓
Other Income	6.5	5.6	16.1%	↑
Equity Accounted Share of Profits	2.8	6.8	(58.8%)	↓
Operating Costs	(255.1)	(258.9)	1.5%	↑
EBITDA – S ⁽¹⁾	12.0	37.1	(67.7%)	↓
Significant Items ⁽²⁾	(8.2)	3.1	(364.5%)	↓
AASB 16 impact	1.8	-	-	
Net Fair Value Gain on Biological Assets	(4.9)	10.5	(146.7%)	↓
EBITDA	0.7	50.7	(98.6%)	↓
EBIT	(12.3)	42	(129.3%)	↓
Finance Expense ⁽³⁾	(5.5)	(8.9)	38.2%	↑
Pre-tax Profit	(17.8)	33.1	(153.8%)	↓
Tax Expense	6.1	(6.9)	(188.4%)	↑
Statutory NPAT	(11.7)	26.2	(144.7%)	↓

1: EBITDA-S represents EBITDA before significant items and net fair value increment on biological assets.

2: Significant items includes PMP impairment of \$6.5M, write off ADDCO investment of \$2.1M, Job Keeper of \$1.0M.

3: Includes \$3.4M FY19: \$6.9M of non cash net interest expense incurred on the liability created on 1 July 2018 to repurchase trees under the Strategy arrangement, which was deemed a financing arrangement upon the adoption of AASB 15 Revenue from Contracts with Customers.

Financial Performance – FY20



(A) Most supply costs are linked to the USD FOB pricing and they are adjusted typically annually and accordingly there is a lag between sales prices and supply costs.

Cash Flow – FY20

\$Am	FY20	FY19	\$Am Change
Operating Cash Flow ⁽¹⁾	11.1	9.9	1.2
Investing Cash Flow	(3.6)	(13.1)	9.5
Financing Cash Flow	(11.9)	8.3	(20.2)
Net Change in Cash	(4.4)	5.1	(9.5)
Net Debt ⁽²⁾	(39.4)	(29.5)	(9.9)
Interest Cover	5.4	18.7	

(1) Strong operating cash conversion in FY20, coming off FY19 when the Group had a significant inventory build up (\$13.2M).

(2) Net debt excludes the strategy financial liability as this is not taken into account for debt covenant calculations.

Balance Sheet – FY20

\$Am	FY20	FY19	\$Am Change
Total Current Assets	54.8	71.3	(16.5)
Total Non-current Assets	205.8	205.7	0.1
Total Assets	260.6	277.0	(16.4)
Total Current Liabilities	41.4	38.8	2.6
Non-current Borrowings ⁽¹⁾	38.9	38.4	0.5
Total Non-current Liabilities	89.1	95.5	(6.4)
Total Liabilities	130.5	134.3	(3.8)
Net Assets	130.1	142.7	(12.6)

(1) Excludes Strategy arrangement.

A Significant Asset Base

- The Group has a strong asset base that underpins our banking covenants and provides funding options through asset sales.
- The Group recorded an increase in plantation land value of \$7.1M during the period, reflecting higher market prices for agricultural land.
- The value of the tree crop fell \$4.9M as a result of lower USD FOB prices, however the longer term outlook remains favourable.

\$'M	2020
Plantation Land	81.9
Freehold Land (Geelong Site)	17.2
Buildings	2.8
Plant and Equipment	24.4
Roading	6.9
Midway Trees	17.6
	150.8



Business Improvement Actions

LEAN Manufacturing Implementation

- LEAN projects and initiatives have generated >\$0.5M in savings in FY20
- LEAN projects to be implemented in FY21 are expected to deliver an additional \$2.5M in savings
- Intention to roll out LEAN to other business units

Midway Geelong

- Over \$1.0M in cost reductions (R&M, roading, LEAN manufacturing)

South West Fibre – 51% Joint Venture (SWF)

- Temporary closure of mill in response to lower export demand
- A range of cost cutting initiatives in place which will deliver savings into FY21, including LEAN
- SWF is well positioned to rapidly and efficiently scale back up at short notice when export demand recovers



Business Improvement Actions

Plantation Management Partners Pty Ltd (PMP)

- COVID-19 impacting access to Tiwi Islands
- Temporary closure of export operation on Tiwi Islands in response to lower global demand
- A range of initiatives implemented to minimize losses (R&M reduction, capex deferral)
- Short term relocation of some equipment and staff to other business operations in WA and Queensland
- Firebreaks and fuel reduction burns completed safely ahead of schedule with reduced resources
- PMP is well positioned at short notice to cost effectively ramp up production

Midway Logistics Pty Ltd (MWL)

- Scaled back operations in line with weaker domestic market
- Expect recovery in demand in H2 FY21
- Midway Logistics is well positioned to see out the market downturn and scale up cost effectively



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Business Improvement Actions

Queensland Commodity Exports (QCE)

- Third year of improved earnings performance following restructuring of the business
- Working with private growers and contractors to increase timber and residue resource
- Growth opportunities are being explored from additional new fibre supply and other market opportunities to increase revenue

Other Key Focus Areas in FY21

- Progressing opportunities to export other commodities from Geelong





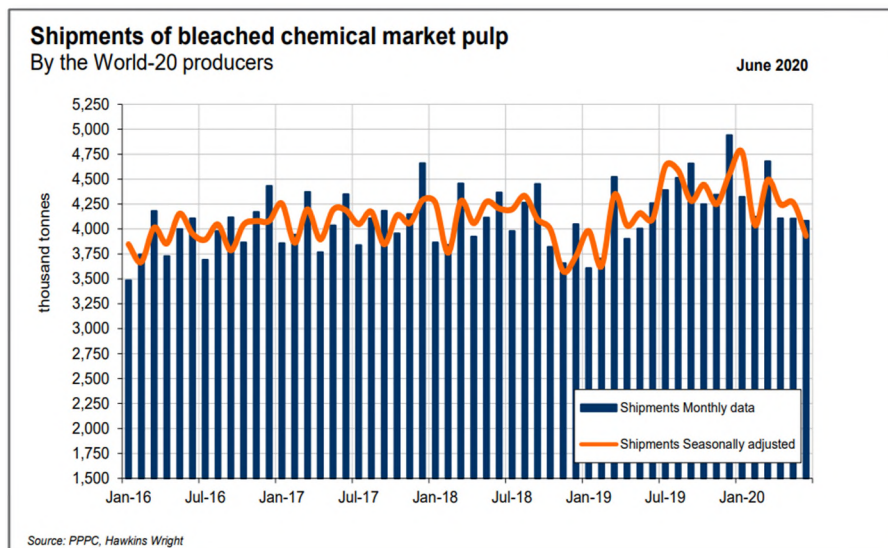
Trading Conditions

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Pulp and Paper Market

Despite COVID-19, Pulp Markets Have Stabilised Over the Past 12 Months

- Bleached hardwood chemical pulp producer inventory days have normalised from 72 days in June 2019 to 49 days in June 2020.
- BHKP prices have remained steady in the \$430 – \$450/ADT range since June 2019.



COVID-19 Impacts on Pulp Market

	Pulp Markets	Tissue	Paper	Packaging
Health	↑	↑		
Remote Work	↓		↓	
E Commerce	↑			↑
Sustainability	→			→
Intervention ^(#)	↑			

China ban on RCP imports.

Source: Fastmarkets: RISI, '...the forces driving the next normal', July 2020.

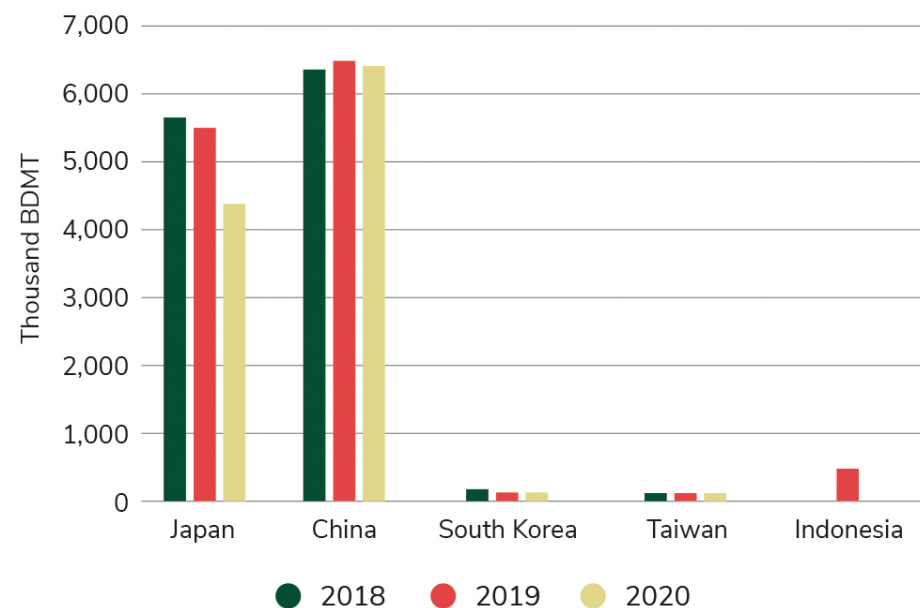
↑ increase

↓ decrease

→ mix

Major Short Term Impact in Japan

Hardwood Chip Markets in Asia-Pacific Jan to Jun Imports



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Japanese Market

COVID-19 Impacts

- Lockdowns and office closures has seen Paper and Board production drop 8.9% with Printing and Writing grades down 16% in the Jan – May period.
- Recycled paper availability declining as well pushing up prices and reducing the discount to virgin pulp.
- Most pulp and paper manufacturers have now reduced their inventories after the COVID-19 impact and woodchip demand has resumed.

Future

- Signs manufacturers are shifting away from printing and writing grades to packaging and hygiene grade which will create changes and opportunities for different species intake – e.g. Tasmania, Softwood.
- The global move to plastics substitution is also seen as a significant opportunity by Japanese manufacturers.

< NEWS

Japan paper companies move to replace 'now-dreaded' plastic products [From the web]

TOKYO, 11 August 2020 (Local News) - Papermakers are viewing the anti-plastic trend as a golden opportunity to pitch "eco-friendly" paper products and rebound from depleted demand for publications and other printed articles.

Following the drive to eliminate plastic straws, store operators in July were obliged to charge customers for plastic bags to help reduce the amount of plastic waste polluting the world's oceans.

The paper companies are not only trying to replace plastic straws and bags but also other products long made of plastic.

[The Asahi Simbun - Paper companies move to replace now-dreaded plastic products](#)

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Chinese Market

COVID-19 Impacts

- Fast and hard lockdowns impacted Chinese demand, but appears to be recovering rapidly.
- Import woodchip volumes on a par with 2019 YTD.
- Imports from Australia, South Africa and Thailand all down.

Future

- New capacity under construction and announced to come online from 2021 to 2025:
 - 6.2M ADT of pulp capacity
 - Requires over 10.3M BDMT pa of woodchip
 - Equal to almost 40% of the current (2019) Asia Pacific woodchip trade of approx. 25M BDMT
- Even if only half of these announcements start on time the likely impact on demand will be significant.
- Vietnam export growth has slowed in CY20.

The collage features several Fastmarkets RISI news snippets and advertisements. The news items include:

- SEARCH** Asia Symbol planning 2 million tonnes/yr of cartonboard capacity in Guangxi, China
- BEIJING, 8 May 2020 (PPI Asia) Asia Pacific Resources Int cartonboard complex in I
- SEARCH** Last week the local gover committed to investing a Tieshangang district of B
- SEARCH** China's Liansheng Paper plans huge BHK, coated ivory board, tissue and UFP mill in Fujian
- The new mill will be built million tonnes/yr of virgin chemi-mechanical wood timeline for the scheme.
- BEIJING, 24 July 2020 (PPI Asia) planning a new integrat Fujian province.
- The company has secur project.
- At present, the company combined capacity of 53 Shandong province.
- It submitted an environ authorities late last mo
- SEARCH** China's Shandong Huatai to build 700,000 tonne/yr BHK line at Dongying mill
- BEIJING, 3 April 2020 (PPI Asia) planning a 700,000 tonne/ its flagship mill in Dongyin
- The company published an on the scheme last month.
- SEARCH** Sun Paper orders record-breaking 600,000 tonne/yr BCTMP line for new Guangxi mill in China
- BEIJING, 3 April 2020 (PPI Asia) planning a 700,000 tonne/ its flagship mill in Dongyin
- The company published an on the scheme last month.
- According to the EIA docu a timeline yet, will involv
- SEARCH** APP China starts building 300,000 tonne/yr BCTMP line in Ningbo
- BEIJING, 25 July 2019 (Fastmarkets RISI) - APP China has started the construction of a new 300,000 tonne/yr bleached chemi-thermomechanical pulp (BCTMP) line at its Beilun mill in Ningbo city, Zhejiang province.
- The Valmet-supplied line is expected to be commissioned in the second half of next year.
- It will be integrated with the two cartonboard machines with a combined capacity of 1.25 million tonnes/yr at the same site, providing furnish for the mid-layer of their output.
- The Beilun mill currently has not on-site virgin pulp line and furnishes the coated ivory board mid-layer with high-grade deinked recovered paper (RCP) as well as some BCTMP pulp sourced from its sister plant in Qinzhou city, Guangxi province.
- The Qinzhou complex, operated by APP China subsidiary Guangxi Jingui Pulp & Paper, runs three chemi-mechanical pulp lines with a combined capacity of 950,000 tonnes/yr.
- Part of the pulp is consumed by the sole 1.2 million tonne/yr cartonboard machine at the site.
- The surplus is shipped to other APP China paper and board production sites.
- The new BCTMP line will not make the Beilun mill entirely self-sufficient for chemi-mechanical pulp but will enhance the quality of its coated ivory products and also reduce its reliance on imported RCP, a company source told Fastmarkets RISI.
- The plant was granted 245,573 tonnes of RCP import quotas in 2018.
- It has been given 125,250 tonnes so far this year.
- The amount may be reduced to zero in 2021 if China implements a complete ban on RCP imports, as anticipated.
- According to the environmental permit for the BCTMP line, when it is kicked into production, APP China must permanently shut two existing deinking pulp lines with a combined capacity of 306,000 tonnes/yr at the same site to avoid additional discharges.
- The mill will still be left with several deinking pulp lines with a total capacity of more than 400,000 tonnes/yr.
- ADVERTISMENT** Valmet IQ Intelligent quality from fibre to finished product
- ADVERTISMENT** Valmet IQ Intelligent quality from fibre to finished product
- ADVERTISMENT** Valmet IQ Intelligent quality from fibre to finished product



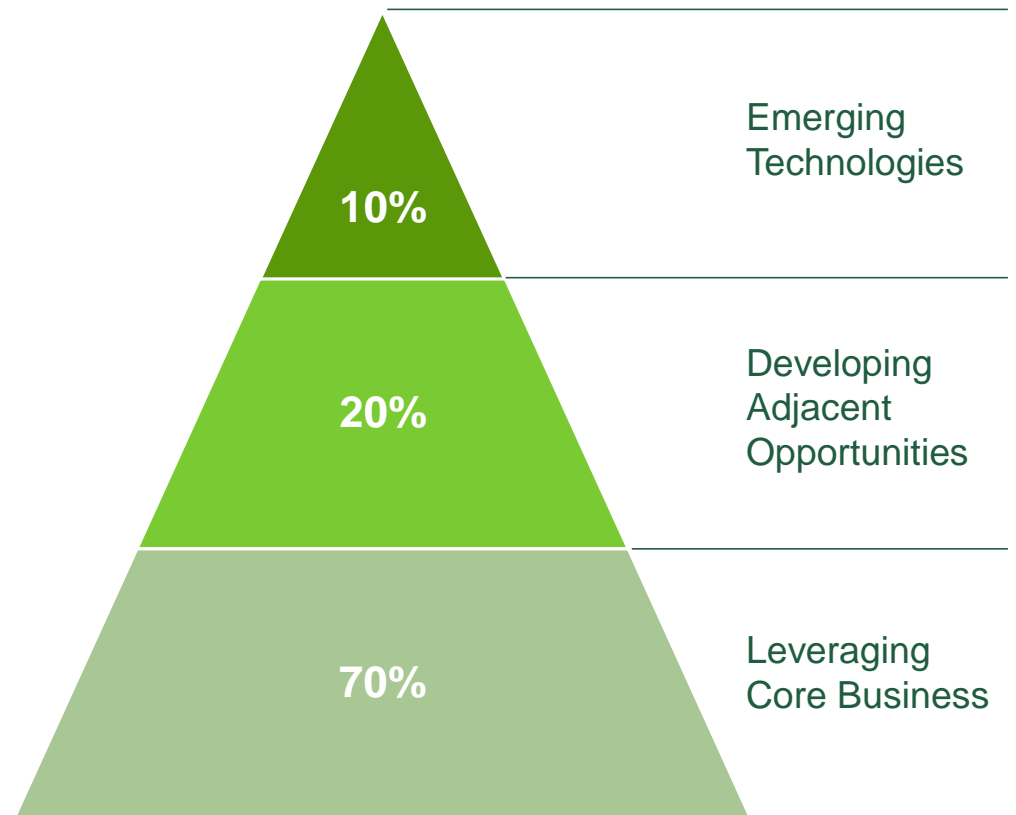
Business Development

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Business Development Focus

Midway is focused on generating greater resilience in its earnings profile:

- **Improve operational efficiency** of existing assets e.g. increase site utilisation in Geelong and Brisbane, greater utilisation of harvest and haul assets.
- **Diversifying our hardwood woodfibre product offering** e.g. develop the North Eastern Tasmania processing operations.
- **Diversifying our customer base** e.g. a broader product offering increases the number of potential customers, both export and domestic.
- **Attract new capital into hardwood forestry plantation** in targeted locations e.g. Geelong, Tiwi, WA and Tasmania.
- **Diversifying our service offering** e.g. develop grain export infrastructure at ports adjacent to Australia's grain belt.
- **Utilise our geographic footprint** to provide new services to forestry and agricultural industry participants.
- **Leverage our commodity supply chain management capability** to source and process plantation residue for renewable energy market opportunities e.g. biomass pellets, biochar, pyrolysis etc.

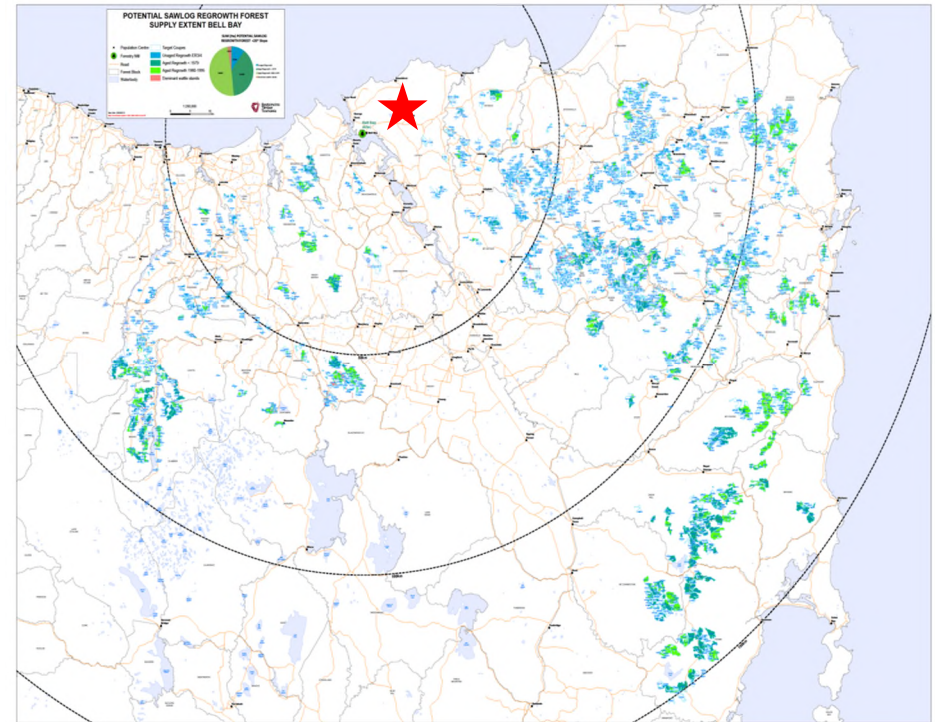


Expanding Core Business

- Midway has identified and developed the opportunity for the export of woodfibre from eucalypt regrowth forests in the east and north-east of Tasmania.
- Midway has contracted significant wood supply from both Sustainable Timber Tasmania and private owners.
- TasPorts has provided land at Bell Bay port precinct for Midway to accommodate processing operations and access to the existing shiploader.
- High level of interest from potential customers for this high quality product.
- Third party Forest Certification and 'Chain of Custody'.



Regrowth hardwood thinnings areas in NE Tasmania



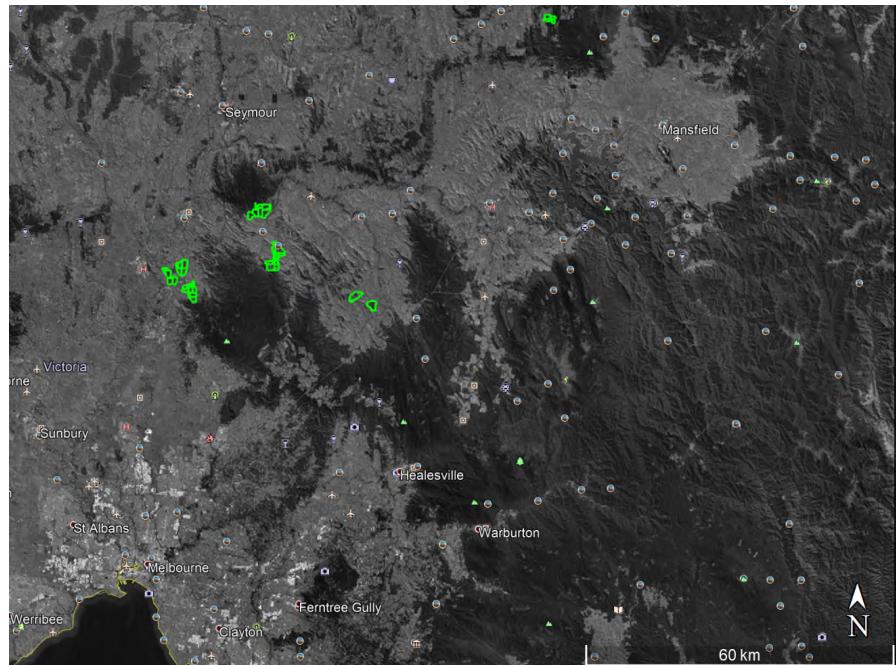
Developing Adjacencies

- Midway has developed an operating model for grain export services in Geelong, utilising the existing shiploader infrastructure at Berth 4.
- Midway is targeting to provide bulk grain export services to Australian grain exporters for the 2021/22 export season (from October 2022).
- Midway has received very strong support from a number of existing grain exporters for this development.
- ACCC approval will be required under the Port Terminal Access Code of Conduct: Midway is confident of securing approval.



Divestment of Non Core Land Assets

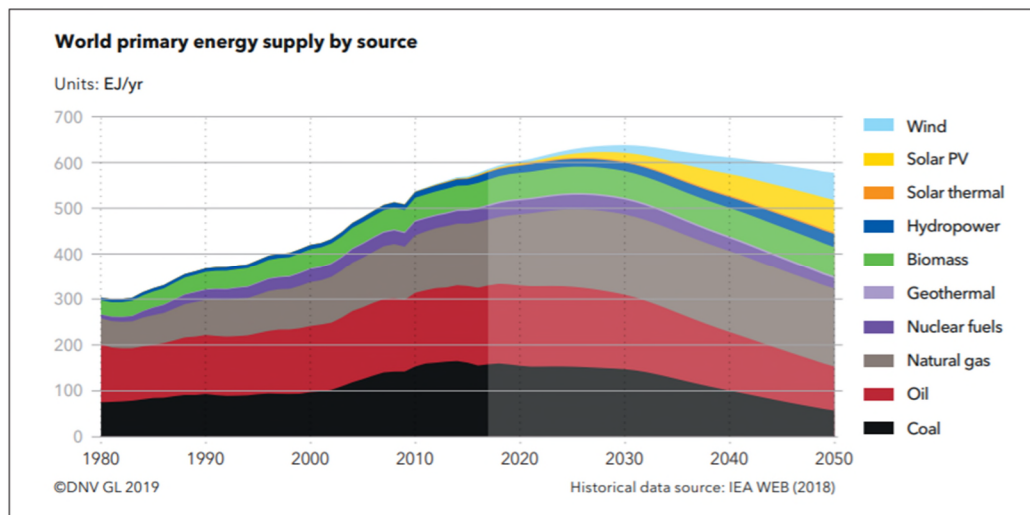
- Midway is continuing to pursue opportunities to divest its non-core land.
- There are 4,076 ha (valued at circa \$25 million) north of Melbourne which is being targeted
- This land, particularly in the Hume Highway corridor is well suited to residential development.
- A plan is being developed to market this land over the next 4-5 years as the properties are harvested.
- The company also plans to continue to divest some small non-core properties in the Otways.



Emerging Technologies

Midway is collaborating with several technology providers in the following areas:

- Plantation residue conversion to pellets for delivery to Japanese biomass customers.
- Converting plantation residue to electricity and high quality biochar through a pyrolysis process.
- Investigation of energy crop opportunities in select location to supplement forestry residue feedstock for pellets and biochar.



Securing Future Timber Supply

- Midway is seeking to attract new investment into Victoria's south western plantation forestry catchments to ensure long term supply.
- Australian Carbon Credit Units will be generated from these developments.
- Midway will provide plantation management and secure offtake agreements from investors.



Potential Timber Volumes Growing with Changing Mix (Domestic and Export)

Volumes (000's GMT)	FY20	FY21	FY22	FY23	Comments
Geelong	683	862	800	700	Excludes grain and softwood
Portland	851	550	800	800	Revised volumes (Alliance agreement renewal)
Brisbane	231	279	350	400	
Melville Island	122	60	150	220	Biomass expected
Tasmania ¹	498	737	700	800	Includes third party and Midway wood
Western Australia	245	281	460	600	Logistics volumes
TOTAL	2,630	2,769	3,260	3,520	

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

Key Points



Global market

- Global market uncertainty remains but signs of economic recovery in China and Japan
- COVID-19 is driving structural change in global pulp and paper markets but underlying net benefit for woodfibre exporters

Business development

- Short term focus on leveraging our existing operations to drive earnings growth
- However, looking at opportunities to expand into adjacencies and exploit emerging technologies

Positive long term international fundamentals

- Favourable export demand outlook for woodfibre forecast by RISI

The background of the slide is a photograph of a logging operation in a forest. A large hydraulic excavator with a grapple attachment is visible, positioned among tall, thin trees. The excavator's arm is extended, and it is holding a large, bundled stack of cut logs. The entire image is overlaid with a semi-transparent dark green filter. The word "Attachments" is written in white, bold, sans-serif font on the left side of the image.

Attachments

Midway

Safety Environment People

Safety

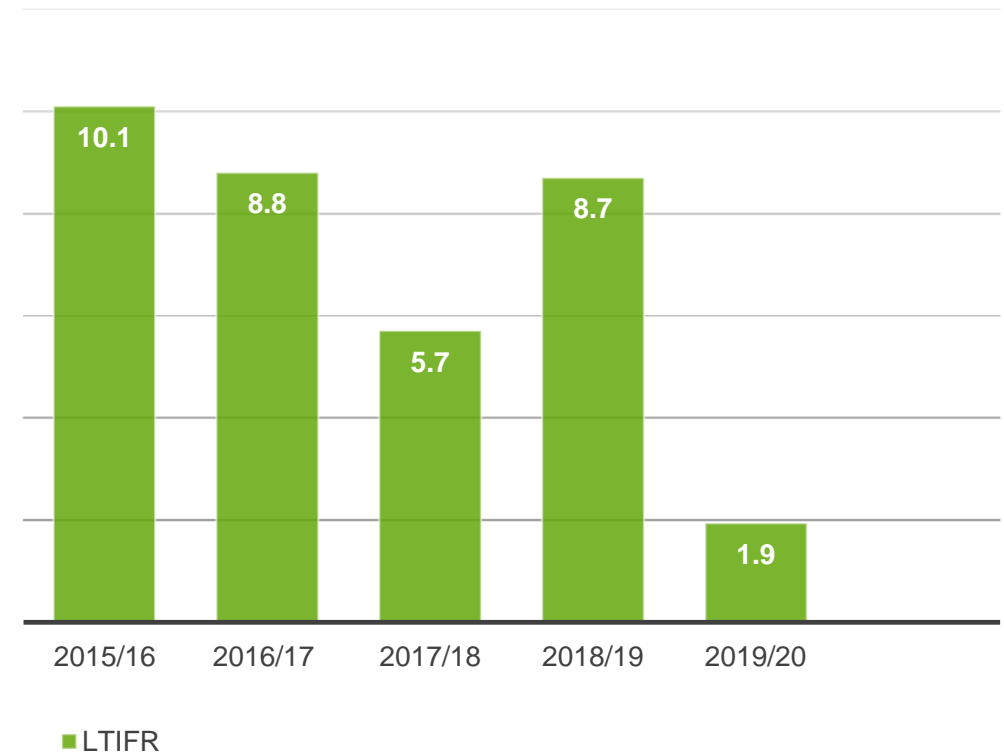
- LTIFR of 1.9 in FY2020, significantly lower than FY19 (8.7)
- COVID-19 Response Plan

Environment

- Supporting CSIRO study into carbon plots on Tiwi Islands

People

- Midway management and staff decreased from 266 to 167 at the end of the financial year due to COVID-19
- Mental health support and monitoring programs
- Tiwi consistently represent at least 35% of our workforce working on the Tiwi Island Forestry Project
- Midway on track to meet gender diversity targets
 - 10 of 48 managers female



New Accounting Standards – Impacts FY20

Key Impacts – AASB 16 Leases

- AASB 16 provides a new lease accounting model which requires a lessee to recognise a right of use asset representing its right to use the underlying asset and lease liabilities. The depreciation of the right of use asset and interest on the lease liability will be recognised in the consolidated income statement. Upon application the key balance sheet metrics such as gearing and finance ratios, and profit or loss metrics such as earnings before interest, tax, depreciation and amortisation (EBITDA) will be impacted. The consolidated cash flow statement will also be impacted as payments for the principal portion of the lease liability will be presented within financing activities, however cash outflows for the group does not change.
- Midway applied AASB 16 using the modified retrospective approach from 1 July 2019, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for previous period is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations.

Balance Sheet Impacts		1/07/2019
Assets		
Right of use assets		\$5,053,936
Liabilities		
Lease Liability		\$5,053,936
Equity		
Retained Earnings		-\$166,428

Profit & Loss Impacts		30/06/2020
Increase in		
Depreciation	\$	1,792,104
Interest expense	\$	189,944
Reduction in		
Operating expenses	\$	1,842,971
Reduction in		
NPAT	\$	97,354



Questions?

Midway