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MIDWAY LIMITED (ASX: MWY)

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Midway Limited 1HFY21 Financial Results

Australia's only listed woodfibre processor and exporter, Midway Limited, (Midway or the Company) today announced a first half operating profit for the six-month period ended 31 December 2020.

In the first half of the FY21 financial year, Midway generated sales revenue of \$150.9 million, up 22.6 per cent on the previous corresponding period as global woodfibre market conditions showed signs of improvement.

On the back of higher sales volumes, Midway recorded underlying EBITDA before significant items of \$7.1 million, up from \$4.2 million in the previous corresponding period and a Net Profit After Tax, before significant items, of \$0.5 million.

The fair value of biological assets was written down by \$2.0 million in the first half compared with a write-up of \$9.0 million in the previous corresponding period.

Consequently, Midway recorded a statutory Net Loss After Tax and significant items of \$1.3 million in the first half of the FY21 financial year compared with a Net Profit After Tax of \$1.0 million in the previous corresponding period.

Operating cash flow of \$1.5 million was a significant turnaround from an operating cash deficit of \$9.1 million in the previous corresponding period.

Net debt at 31 December 2020 was \$43.6 million, slightly up from \$39.4 million as at 30 June 2020. Midway's gearing ratio was 27 per cent at 31 December 2020. Midway is operating within all of its banking covenants.

Directors have decided not to pay an interim dividend to shareholders for the first half of the FY21 financial year. Directors will consider a final dividend subject to the full year FY21 results.

Managing Director, Tony Price, said he was pleased with improved company performance in the first half of the FY21 financial year, given the challenging market conditions.

Business Performance

Increased sales volumes contributed an additional \$7.7 million to EBITDA in the first half of FY21. Sales volumes were higher at Midway in Geelong and Midway Tasmania, but were down at South West Fibre (SWF), Plantation Management Partners (PMP) and Queensland Commodity Exports (QCE).

The temporary shutdown of the SWF Myamyn Mill in southwest Victoria due to the serious market downturn, reduced the Group's EBITDA by \$3.4 million in the first half of FY21. The Mill recently recommenced operations.

Despite lower export prices, an improved mix of export sales, with increased volumes of higher grade woodfibre exported from Geelong, contributed an additional \$3.7 million in EBITDA in the first half of FY21.

Lower export prices were shared with woodfibre suppliers in the first half of FY21. As a result, lower woodfibre supply costs contributed an additional \$1.3 million in EBITDA in the first half of FY21.

There was also a favourable \$1.4 million variance in EBITDA from the previous corresponding period due to exchange rates.

Trading Conditions

Mr Price said global export market conditions began to improve in the latter part of the first half, despite disruptions caused by the ongoing COVID-19 pandemic.

"Pulp stocks held by exporters in countries such as Brazil and producers in China began to fall in the first six months of FY21, resulting in improved demand for woodfibre," he said

"The global market for Acacia woodfibre from PMP in the Tiwi Islands continues to be challenging. This market segment continues to be adversely affected by strong competition from Acacia wood fibre suppliers in Vietnam."

"International industry experts expect improved pulp prices to flow through to woodfibre demand and prices in due course." he said.

Business Development

The Company remains optimistic about the long-term outlook for woodfibre demand and continues to look for opportunities to expand its core operations.

"As part of the Midway growth strategy, the Board of Directors have approved the construction of a dedicated storage, processing and shipment facility at Bell Bay in northern Tasmania," he said.

Midway is well progressed in discussions with a number of parties regarding investment in plantation development.

"PMP has also issued an information memorandum to investors looking to fund a second rotation of plantation timber on the Tiwi Islands," he said. "The COVID-19 pandemic has restricted opportunities for potential investors to visit the Tiwi Islands but we expect to progress these plans when domestic and international travel approvals allow."

Mr Price said the Midway Board of Directors believes it is prudent as part of the Midway growth strategy to look at expanding into complementary business activities.

"The Board has approved plans for a joint venture grain storage and export facility at Geelong," he said. "Negotiations are continuing with the Port of Geelong over access to the port loader to facilitate this grain project. If all negotiations can be satisfactorily completed, Midway Limited expects this facility to be operational in the first half of the FY22."

The Company is also considering a range of options to expand into emerging technologies including; biomass fuel for Asian markets (especially Japan and South Korea); converting plantation residue into biofuel, heat and electricity; converting woodfibre into high value organic carbon for industrial uses; and assessing a range of opportunities to generate and sell carbon credits to a growing number of local and international greenhouse gas emitters.

This announcement has been approved by the Midway Board of Directors.

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About Midway Limited

Midway Limited is a leading Australian forestry company with headquarters in Geelong, with 100% shareholdings in Plantation Management Partners (PMP) based on Melville Island and Midway Logistics (MWL) based in Bunbury, Western Australia, and majority shareholdings in South West Fibre Pty Ltd (SWF) based in the Green Triangle and Queensland Commodity Exports Pty Ltd (QCE) based in Brisbane. Founded in 1980, Midway is primarily involved in the production, processing and export of high quality woodfibre to producers of pulp, paper and associated products in the Asian region. For further information, visit www.midwaylimited.com.au.