



Full Year Result – FY21

Analyst and Investor Presentation

August 2021



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

Overview

FY21 - Key Results

- Revenue up 8.7% to **\$280.2M** (FY20: 257.8M) on back of increased export sales
- Underlying EBITDA ¹ up 5.8% to **\$14.6M** (FY20: \$13.8M) with improved margin mix
- Underlying net profit after tax before significant items of **-\$0.6M** (FY20: -\$0.5M)
- Significant items after tax – net **-\$1.5M** (FY20: -\$8.2M)
- Improved operating cashflow of **\$22.3M** (FY20: \$11.1M)
- Lower net debt of **\$31.5M** (FY20: \$39.4M)
- Midway will not pay a final dividend in respect of FY21, in order to preserve cash to fund growth projects

Improving market conditions

- Pulp market recovery after first wave of COVID-19 pandemic
- World pulp stocks are trending lower, underpinning higher woodfibre prices
- New Chinese pulp mill capacity coming online will drive future woodfibre demand

1: Underlying EBITDA = EBITDA before significant items and net fair value increment on biological assets and after adoption of AASB 16: *Leases*.

149.2 cents
net tangible
asset
backing

Gearing
Ratio
26%

Interest
Cover
7.7 times

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Financials FY21

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Financial Performance – FY21

\$Am	FY21	FY20	% Change	
Sales Revenue	280.2	257.8	8.7%	↑
Other Income	2.2	6.5	-66.2%	↓
Equity Accounted Share of Profits	(1.5)	2.8	-153.6%	↓
Operating Costs**	(268.4)	(255.1)	-5.2%	↓
EBITDA – SL ⁽¹⁾	12.5	12.0	4.2%	↑
(AASB16 leases adjustment - normalised)	2.1	1.8	16.7%	↑
EBITDA – S ⁽²⁾	14.6	13.8	5.8%	↑
Significant Items ⁽³⁾	(1.4)	(8.2)	82.9%	↑
Net Fair Value Gain/(Loss) on Biological Assets	(2.3)	(4.9)	53.1%	↑
Statutory EBITDA	10.9	0.7	1457.1%	↑
Statutory EBIT	(0.4)	(12.3)	96.7%	↑
Finance Expense ⁽⁴⁾	(4.7)	(5.5)	14.5%	↑
Pre-tax Profit	(5.1)	(17.8)	71.3%	↑
Tax Expense	(0.1)	6.1	-101.6%	↓
Statutory NPAT	(5.2)	(11.7)	55.6%	↑

1: EBITDA-SL represents EBITDA before significant items, net fair value increment on biological assets and adjustments for the impact of AASB16.

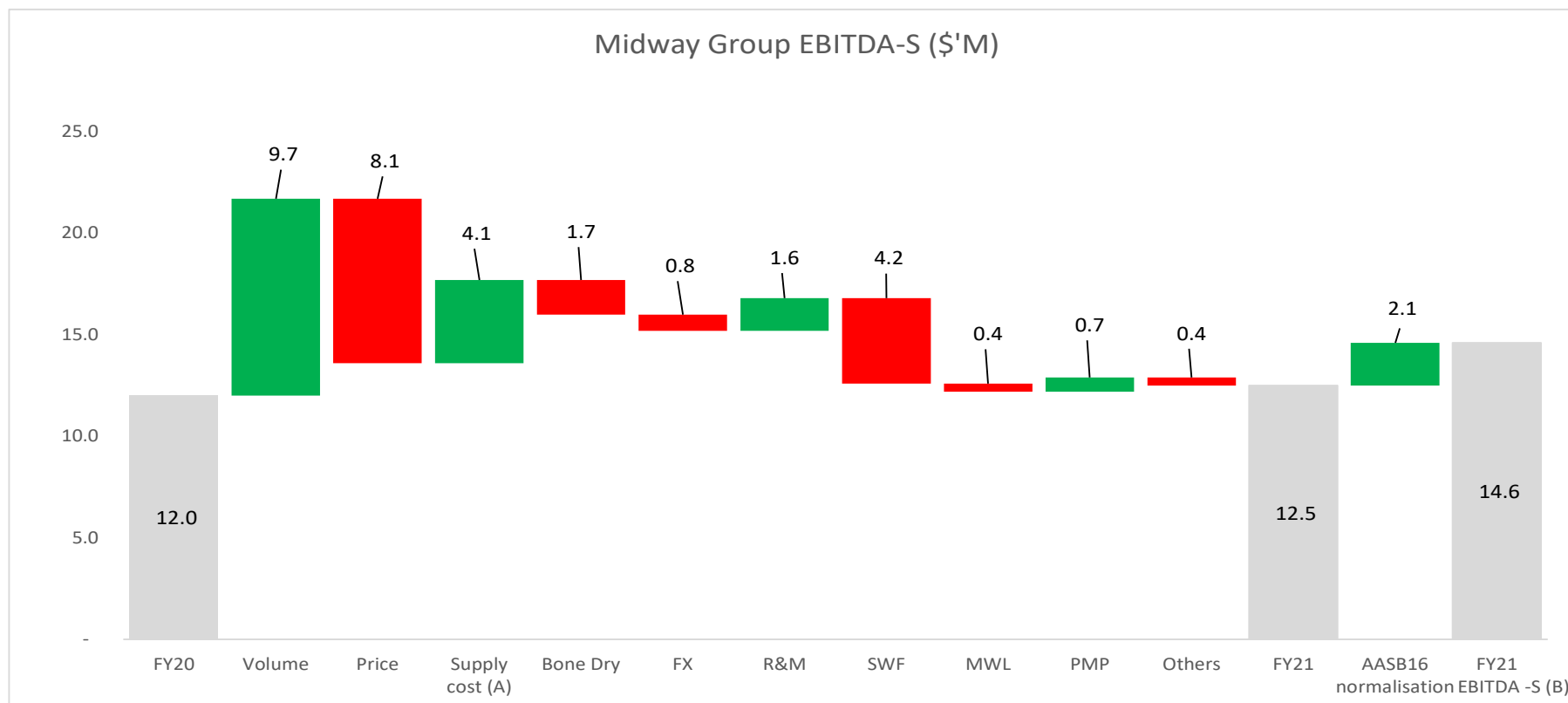
2: EBITDA-S represents EBITDA before significant items and net fair value increment on biological assets.

3: Significant items in FY21 includes BGP impairment of \$2.2M, Job Keeper of \$2.0M.

4: Includes 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.

** Reflects additional purchases of raw materials to meet increased sales volume

Financial Performance – FY21



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

(B) \$14.6M EBITDA-S includes AASB 16: Leases impact post adoption, which will be normalized in underlying future earnings.

Cash Flow – FY21

\$Am	FY21	FY20	\$Am Change
Operating Cash Flow	22.3	11.1	11.2
Investing Cash Flow	(5.2)	(3.6)	(1.6)
Financing Cash Flow	(15.1)	(11.9)	(3.2)
Net Change in Cash	2.0	(4.4)	6.4
Net Debt ⁽¹⁾	(31.5)	(39.4)	7.9
Interest Cover	7.7	5.4	

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

Balance Sheet – FY21

\$Am	30/06/2021	30/06/2020	\$Am Change
Total Current Assets	59.3	54.8	4.5
Total Non-current Assets	203.6	205.8	(2.2)
Total Assets	262.9	260.6	2.3
Total Current Liabilities	46.4	41.4	5.0
Non-current Borrowings ⁽¹⁾	34.9	38.9	(4.0)
Total Non-current Liabilities	84.3	89.1	(4.8)
Total Liabilities	130.7	130.5	0.2
Net Assets	132.2	130.1	2.1

(1) Excludes Strategy arrangement.

Business Improvement

Plantation Management Partners

- Cost reduction initiatives contributed \$0.7M EBITDA in FY21
- Major export contract signed with a new Chinese customer for acacia woodfibre in FY22 and potential biomass sales from Tiwi Islands
- Research project with CRC for Developing Northern Australia to support second rotation of eucalypt for future woodfibre export sales
- An initial eucalypt planting program of 500ha will commence in FY22

Midway Logistics

- Remaining 60% of BioGrowth Partners acquired for nominal amount to provide greater control over the business
- Service and supply contracts signed with large corporate customers starting 1H22
- Biomass contracts also confirmed with major domestic customers in FY22
- Diversification of timber contracts to increase available supply
- Exploring E Globulus and softwood exports through Port of Esperance



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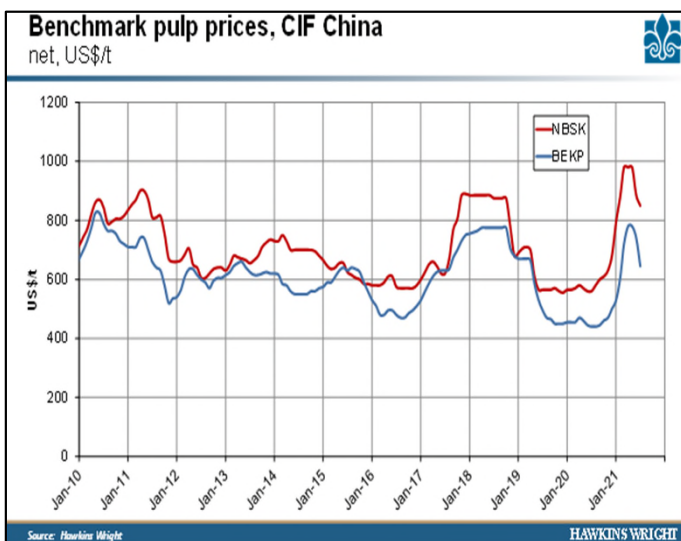
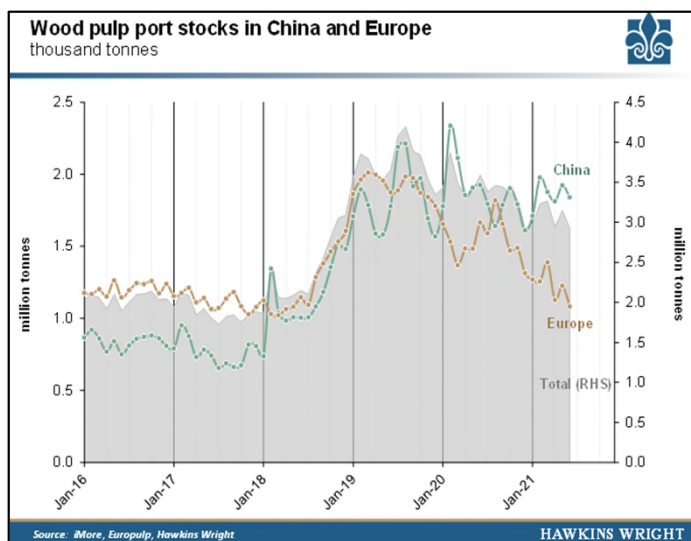
Trading Conditions

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Global Pulp and Paper Market

Market and stocks normalisation driving price recovery

- World pulp stocks are trending lower and dissolving pulp prices have recovered above 2017 - 2018 levels
- China pulp prices higher than last market update - now at commercially attractive rates for producers at US\$660/ADT for BHKP (hardwood pulp) and US\$850/ADT for BSKP (softwood pulp)
- Recovery in pulp market driving demand for woodfibre



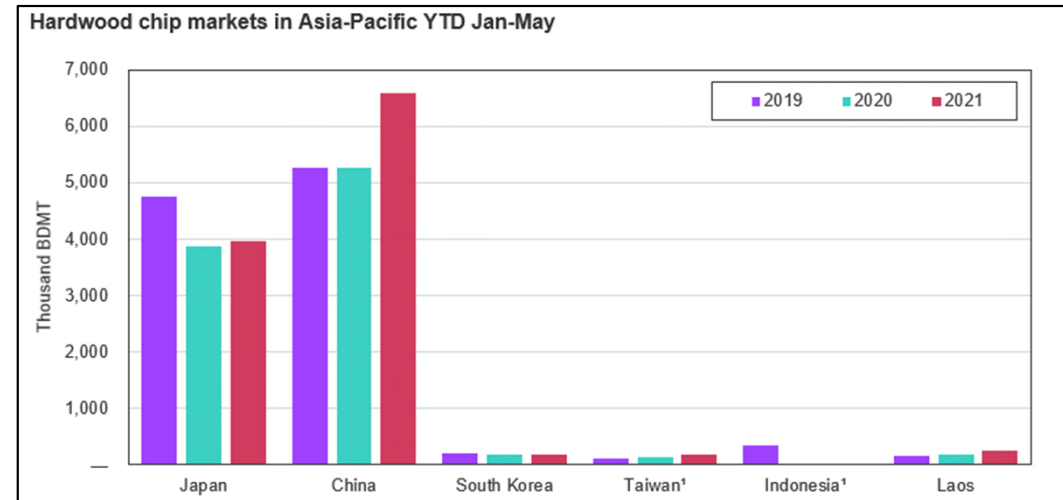
Key Asian Woodfibre Markets

China continues to lead woodfibre recovery

- Chinese pulp and fibre stocks normalising
- China woodfibre imports up 25% so far in CY21
- Chinese price for E Globulus up US\$12.75/BDMT to \$180.00/BDMT in CY21
- Following ban on imported recycled paper, major Chinese pulp companies are importing woodfibre

Japan showing signs of recovery

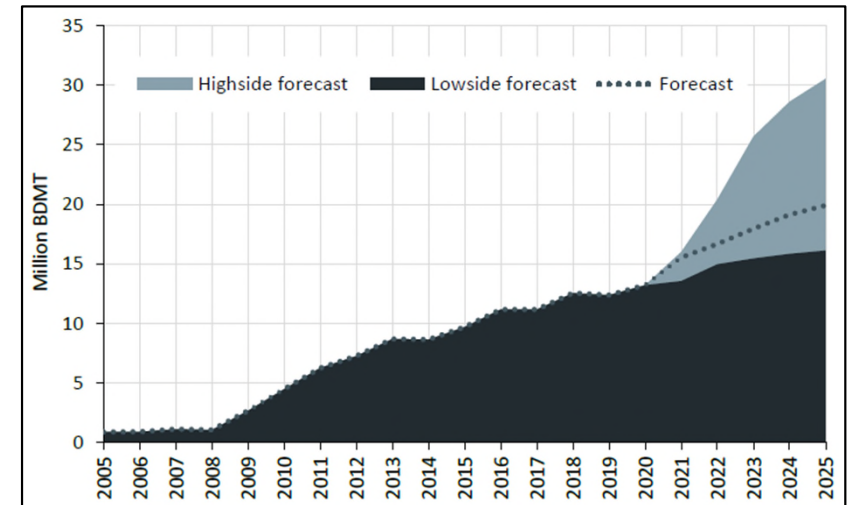
- Japanese woodfibre demand up 2.2%
- Australian volume to Japan up 58% - displacing Chilean and Brazilian volumes
- Japanese price for E Globulus up US\$7.75/BDMT in 2H21 to \$175/BDMT and up US\$5.00/BDMT in 1H22 to \$180/BDMT



Source: RISI International Pulpwood Trade Review 2021

New China mills coming on stream

- Global analytics group Hawkins Wright forecasts 21 new Chinese pulp projects commencing in the next few years
- Hawkins Wright estimates these pulp mills will require a four million air-dry tonne increase in Chinese pulp production over the next five years
- When fully operational, these Chinese pulp mills will require an additional 6.4 million bone dry tonnes pa of imported hardwood fibre
- Midway is in discussions with these new Chinese pulp companies and has confirmed one supply agreement beginning mid calendar year 22



"The ... chip demand implied by all the investments is in excess of what could conceivably be supplied from overseas,"
Hawkins Wright, April 2021



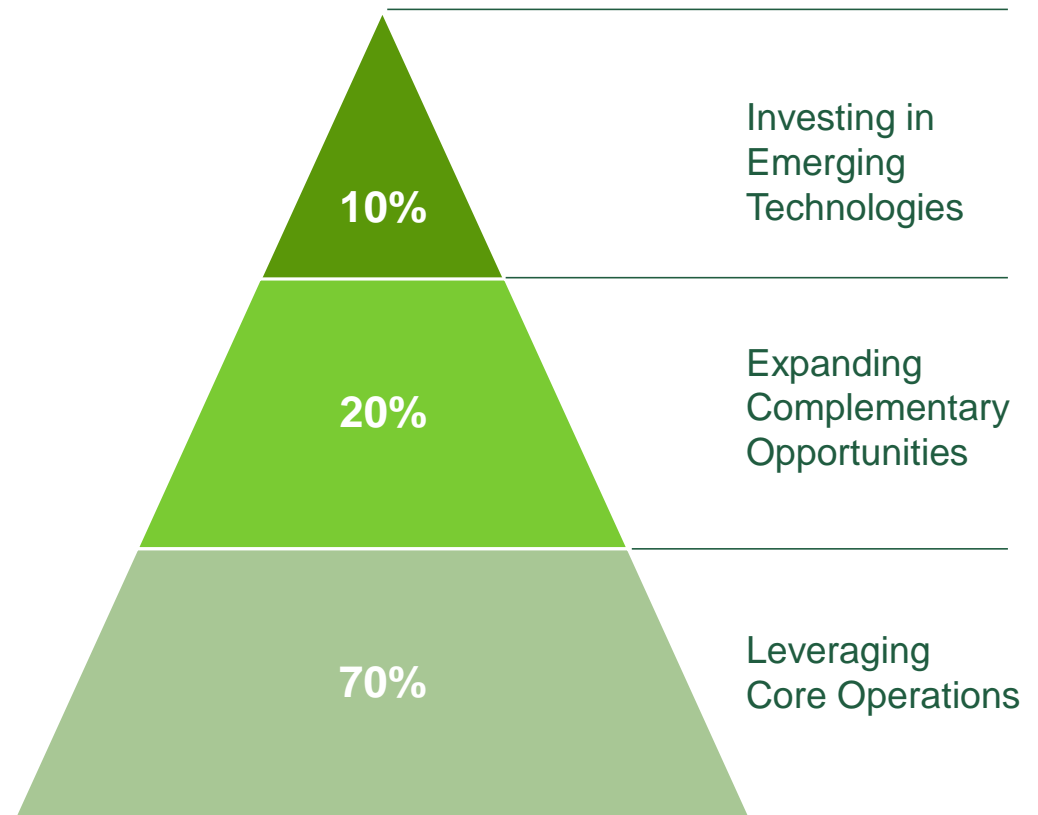
Business Development

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Business Development Focus

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

- **Leveraging core operations** - Progress on developing new operating site in Tasmania: operational design for layout at Bell Bay finalised, supplies secured to underpin the first phase of operation and customers engaged and supportive of the new product lines.
- **Expanding complementary opportunities** - Securing required approvals for grain terminal development in Geelong: development approvals secured, design finalised, engineering provider selected and strong interest received from major grain exporters.
- **Investing in emerging technologies** - Building partnerships to participate in significant opportunities in decarbonisation and the circular economy: feasibility studies commenced on opportunities to use forestry products to create value added carbon solutions for industrial applications such as liquid and gas filtration, soil remediation and food grade applications.



Expanding our Core Business

Bell Bay woodfibre processing development

Phase One

- Timber supply agreements signed with major landholders
- Initial use of in-field mobile chipping equipment
- TasPorts providing access to existing shiploader at Bell Bay
- Berth 7 woodfibre storage facility available from September 2021
- First vessel expected in December 2021 and second vessel in March 2022

Phase Two

- TasPorts agreement to develop Norfolk Street site for woodfibre production
- Norfolk Street project subject to EPA Tasmania and George Town Council approvals
- Initial processing unit with a capacity of 250,000 GMT pa operational May 2022 with second processing unit to increase export capacity to 500,000 GMT pa by July 2023

Funding

- Project to be funded from internal cash flow supplemented by \$7M of asset finance and \$3M of corporate debt



Conveyor equipment constructed in situ at Berth 7



Expanding complementary opportunities

Geelong grain terminal development

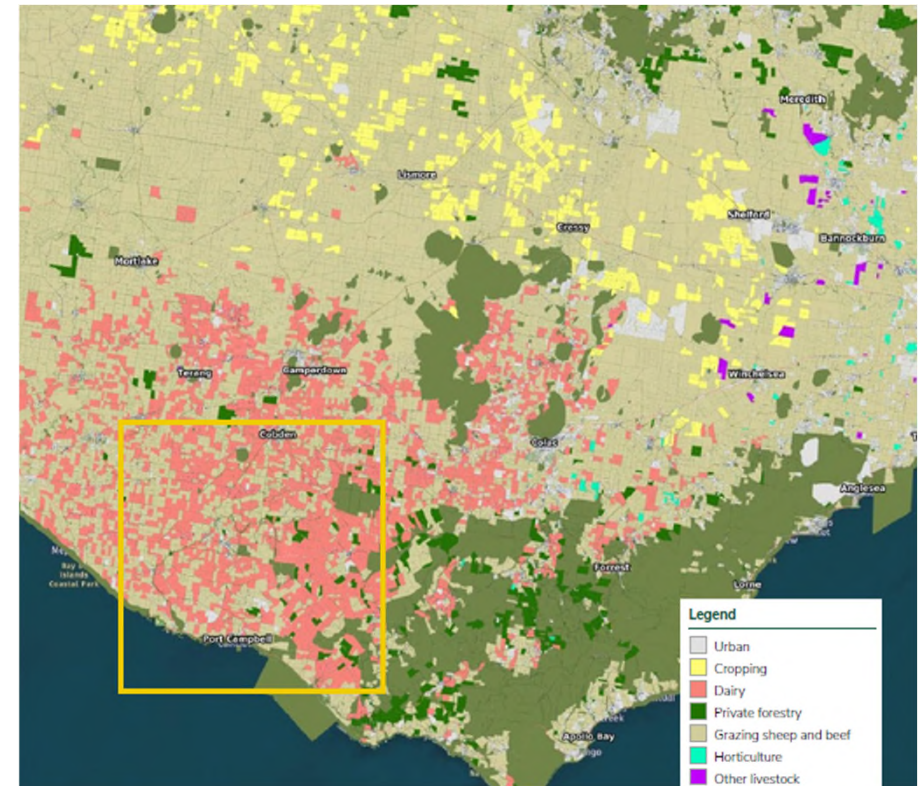
- City of Greater Geelong approved development of grain export facility at North Shore
- Draft agreement with GeelongPort to load grains, oilseeds and pulses through Corio Quay Berth 4 shiploader
- Strong interest to utilise Midway's grain terminal from large Australian bulk grain export market participants
- Exemptions from the ACCC Port Terminal Access (Bulk Wheat) Code of Conduct required
- Fast throughput facility with 35,000 metric tonne storage capacity
- Schedule for operation by October 2022



Future Resource Development

Plantation Estate Investment Vehicle

- Midway is developing a new plantation investment vehicle using part of the existing Midway estate and new plantings funded by third party investors
- Midway will identify and select the most suitable sites for plantation establishment, provide plantation management services and oversee harvesting operations
- Midway will also secure a guaranteed offtake agreement
- Plantation establishment will also lead to significant expansion in carbon storage in the future
- This has the potential to further free-up capital for Midway investments in growth projects and secure a long-term wood supply to the Geelong facility



Investment in Emerging Technologies

Activated Carbon

- Midway has signed an MOU with Australian technology company Bygen Pty Ltd to produce activated carbon using woodfibre
- Activated carbon binds and filters unwanted chemicals and purifies water in industrial processes
- Significant import replacement market: mining, gas refining, food manufacturing, water industry and contaminated soil remediation

Biomass conversion opportunities – under assessment

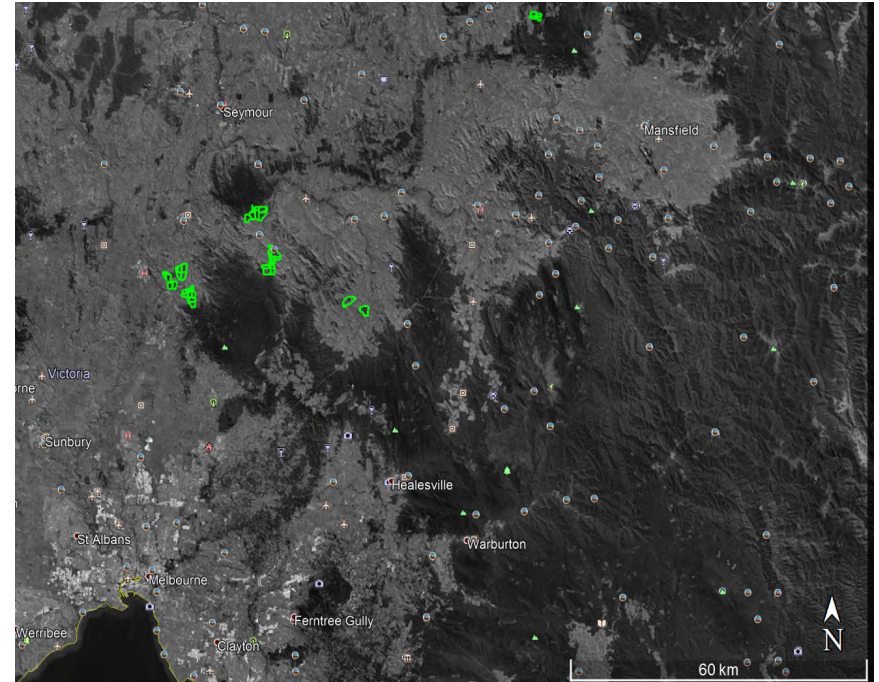
- Processing wood residues into activated carbon
- Residual pyrolysis heat converted to electricity to secure carbon credits - collaboration with local emerging technologies
- Fast pyrolysis of biomass into biofuel for inclusion in local refinery operations
- Biochar inclusion as a fraction in organic fertiliser



Asset Optimisation

Sale of Land

- Midway has signed a contract to sell 785ha of land in the Upper Goulburn region for \$3.2M. Proceeds are expected in FY22 when land unencumbered from trees
- Three more plantation properties in the Wandong / Kilmore region North of Melbourne will be actively marketed in 1H22
- Midway will use some of the sale proceeds to reduce debt and fund growth projects



Participating in the Growing Carbon Economy

Phase One

- Midway has entered into a strategic alliance with Climate Friendly to encourage private plantations in Tasmania
- Climate Friendly will provide advice and administrative support to private land holders on carbon credits
- Midway will provide plantation management expertise
- Planting commenced in CY21 and another 500 hectares are planned in CY22

Phase Two

- A further 2,500 hectares are expected to be signed with private landholders over the next 12 months
- Midway expects to have access to the pulpwood generated from these plantations

Phase Three

- Further expansion of carbon sequestration opportunities in other regions in which we operate.



Key Points



Global market recovery

- Rising Chinese demand and lower stocks supporting higher woodfibre export prices
- Japanese consumption is recovering to pre-COVID-19 levels

Business development

- Short-term focus on leveraging our core operations to drive earnings growth
- Developing opportunities to expand into complementary business opportunities
- Investigating investments in emerging markets and technologies ie. Decarbonisation
- Progressing options to grow the plantation estate with domestic and global investors

Positive long term international fundamentals

- Planned capacity expansion in China to increase regional demand for woodfibre
- Growing opportunity to participate in the developing carbon economy

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Questions?

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The background of the slide features a dark green overlay on a photograph of a logging operation. A large hydraulic excavator with a specialized grapple attachment is positioned in a dense forest of tall, thin trees. The grapple is holding a large, bundled stack of cut logs. In the lower-left foreground, there is a metal cage-like structure, possibly a skidder or a log loader component, and a pile of cut logs.

Attachments

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

	FY21	FY20
Net profit/(loss) after tax - SL ¹	(637)	(430)
Lease expense (AASB16 adjustments)	(24)	(97)
Net profit/(loss) after tax (underlying) ²	(661)	(527)
Net fair value increment on biological assets	(1,583)	(3,421)
Non-cash interest expense (AASB 15 strategy impact)	(1,767)	(2,342)
Job Keeper	1,410	726
Impairment loss on Non-current Assets (PMP)	-	(4,266)
Impairment loss on Non-current Assets (BGP)	(1,749)	-
Impairment loss on Non-current Assets (Addco)	-	(1,446)
Restructuring costs	(105)	(169)
Transaction costs incurred	(723)	(288)
Net profit/(loss) after tax - statutory	(5,178)	(11,733)

(1) NPAT –SL refers to statutory net profit after tax adjusted to remove impact of one off or non-recurring items, the net fair value gain/(loss) on biological assets and impact of AASB 16 (including operating lease expense as it was pre AASB 16, while excluding ROU asset depreciation and interest expenses on lease liability)

(2) 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

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

	FY21	FY20
EBITDA – SL (underlying) ¹	12,518	11,993
Lease expense (AASB16 adjustments)	2,114	1,843
EBITDA – S (underlying) ¹	14,632	13,836
Net fair value increment on biological assets	(2,261)	(4,887)
Job Keeper	2,014	1,037
Impairment loss on Non-current Assets (PMP)	-	(6,516)
Impairment loss on Non-current Assets (BGP)	(2,269)	-
Impairment loss on Non-current Assets (Addco)	-	(2,066)
Restructuring costs	(149)	(240)
Transaction costs incurred	(1,034)	(412)
EBITDA – statutory	10,933	752

- (1) EBITDA - SL refers to statutory Earnings before interest, tax, depreciation and amortization adjusted to remove impact of one off or non-recurring items, the net fair value gain/(loss) on biological assets and impact of AASB16 (including operating lease as it was pre AASB16)
- (2) Underlying EBITDA refers to statutory Earnings before interest, tax, depreciation and amortization adjusted to remove impact of one off or non-recurring items and the net fair value gain/(loss) on biological assets

Sales Volumes Growing with Changing Mix

Volumes (000's GMT)	FY20 (a)	FY21 (a)	FY22 (f)	FY23 (f)	Comments
Geelong	683	848	860	700	Only woodfibre, excludes grain and softwood
Portland	851	296	615	650	Revised volumes under new ABP agreement
Brisbane	231	247	332	400	Hardwood and softwood mix
Melville Island	122	23	146	220	Only woodfibre, excludes biomass proposal
Tasmania ¹	498	823	970	1,000	Includes third party and Midway wood
Western Australia	245	223	146	470	Logistics volumes
TOTAL	2,630	2,460	3,069	3,440	

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