

MIDWAY LIMITED (ASX: MWY)

24 February 2022

1H22 FINANCIAL RESULTS

Australia's only listed forestry manager and woodfibre exporter, Midway Limited (the Company) released its first half results for the 2022 financial year (FY22) to the Australian Securities Exchange today.

First half FY22 sales revenue was down 39.6 per cent to \$91.2 million due to ongoing COVID-19 induced supply chain disruption, freight costs and power cuts in China that adversely affected pulp production and reduced demand for woodfibre by major customers.

Lower sales volumes, a lower dry fibre content and a higher currency compared to the previous corresponding period all contributed to a reduction in underlying EBITDA to \$1.0 million and a net loss after tax and significant items of \$3.6 million in the first half of FY22.

Lower sales volumes and higher working capital due to a \$6.7 million inventory build over the period adversely affected operating cash flow which was down \$11.7 million on the previous corresponding period and net debt increased to \$47.4 million at the end of December 2021. As a result, the Board of Directors has decided not to issue an interim dividend so Midway can preserve cash and meet its banking covenants.

New Midway Managing Director and Chief Executive Officer, Tony McKenna, who commenced in his role on 24 January 2022, said the first half result was clearly disappointing but consistent with the indications provided at the Annual General Meeting in November 2021.

Mr McKenna said trading conditions are showing signs of improvement in the second half of FY22 but the full year result will continue to be adversely affected by ongoing supply disruption caused by the domestic and global impacts of the COVID-19 pandemic and underperforming business units.

"The Company has a strong balance sheet and compelling growth potential, but significant work is needed to improve short-term operating performance and returns to shareholders," Mr McKenna said.

"My first priority is to review every aspect of the business, including the performance of subsidiaries, and I will update company strategy and plans to improve shareholder returns in the coming months."

"We continue to progress a range of business development proposals including a Midway woodfibre processing and export terminal at Bell Bay in Tasmania, establishment of a grain terminal at Geelong and a plantation estate fund with institutional funding that will secure long-term woodfibre for the Geelong processing site."

“In my experience, these are complex investments and transactions that take time to complete, particularly during the COVID-19 pandemic, but I do not see any material constraints to finalising all of these projects in the near term.”

“The proposed sale of surplus land north of Melbourne and the proposed plantation estate fund are particularly important because they will realise assets undervalued by the market and free-up cash to reduce debt and invest in higher returning investments that will generate better returns to shareholders.”

This announcement has been approved by Midway’s 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 wood fibre to producers of pulp, paper and associated products in the Asian region. For further information, visit www.midwaylimited.com.au.