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MIDWAY LIMITED (ASX: **MWY**)

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Midway Limited 1H23 Financial Results

One of Australia's leading plantation management and woodfibre export companies, Midway Limited (the Company), today announced its half year financial results for the period ended 31 December 2022 (1H23).

Highlights of the 1H23 results announcement include:

- An 18.1% increase in sales revenue due to improved export volumes and pricing;
- A break-even EBITDA-S[1] result of $0.2 million despite higher supply costs and a lower bone-dry component of woodfibre exports;
- An operating cash shortfall of $6.4 million due to higher operating costs including fuel and labour and a net working capital build from June 22 of $8.3 million;
- Sale of the Victorian plantation estate for $156.3 million over three years – a $12.3 million profit to book value;
- Repayment of all long-term corporate debt ($21.7 million) and a significant reduction in the 'Strategy' financial liability ($27.4 million);
- A statutory NPAT of $3.3 million – a bottom-line turnaround of $6.9 million after a statutory net loss after tax of $3.6 million in the pcp; and
- Net tangible assets of $132.0 million or 151.1 cents per share compared with $122.8 million or 140.6 cents per share at 30 June 22.

Sales revenue and EBITDA

In 1H23, increased sales volumes and prices from an improving global woodfibre market enabled Midway to generate sales revenue of $107.7 million, an 18.1 per cent increase on the previous corresponding period.

The Tiwi operations and South West Fibre made a positive contribution to EBITDA during 1H23. These positive EBITDA contributions largely enabled Midway to absorb higher supply costs due to labour shortages, higher fuel prices and increased timber costs and a lower bone-dry component of woodfibre exports in Tasmania.

As foreshadowed at the Annual General Meeting in November 2022, the net impact of these operating challenges was effectively a break-even EBITDA-S consolidated result of $0.3 million, down from $1 million in the previous corresponding period.

Footnotes

1: EBITDA-S from continuing operations

Significant items and NPAT

Midway recorded several significant items after tax during 1H23 including a $12.3 million pre-tax profit on the sale of the Victorian plantation estate, interest unwind on the plantation estate sale proceeds and a small increase in the fair value of the unsold portion of the remaining estate due to higher export prices.

These positive items were partially offset by a $2.7 million non-cash interest expense arising from AASB 15 on the 'Strategy' financing transaction, costs arising from the sale of the plantation estate and insurance costs.

The net impact of these significant items was a statutory Net Profit After Tax and significant items of $3.3 million in 1H23 – a turnaround of $6.9 million following a Net Loss after Tax and significant items of $3.6 million in the previous corresponding period.

Cash Flow

Operating cash flow was adversely impacted by higher operating costs including fuel and labour and a net working capital build from June 22 of $8.3 million.

Cash flow from investing activities benefitted from the sale of the plantation estate but these were partly offset by cash outflows including the repayment of bank borrowing and repayment of part of the 'Strategy' financial liability.

The net impact of these cash inflows and outflows was an increase in cash held to $28.8 million at 31 December 2022 – a turnaround of $25.8 million since the end of FY22. Midway remained within its banking covenants as at 31 December 2022.

Net Debt

The repayment of all corporate long-term debt and repayment of the majority of the 'Strategy' financial liability resulted in the extinguishing of net debt and the Company retaining a cash surplus of $12.0[2] million at 31 December 2022, compared to net debt of $36.9[2] million at 30 June 2022.

Dividends

Given the operating cash flow position and EBITDA-S result at the end of 1H23, the Midway Board has decided not to pay an interim dividend.

The Board has also decided to defer consideration of the special dividend because it believes that all levers under the Company's control need to be used to ensure adequate working capital to facilitate the business turnaround.

The Board believes that prudent capital management is necessary to enable the Company to ramp up production, build and sustain higher inventory levels and fully exploit sales opportunities in stronger export markets.

It remains the Company's intention to pay shareholders a fully-franked dividend of up to 19.5 cents per share and timing will be reviewed at the full year results.

Footnotes

2: Excludes AASB 16 lease liabilities

Trading Conditions and Outlook

The H1 result shows the early signs of a turnaround in Midway's operating performance. Midway has completed several export shipments so far in 2H23 which are expected to be retrospectively priced at more favourable prices compared to the previous corresponding period.

Midway has supply agreements for all its expected hardwood woodfibre production for CY23 and expects that higher export prices for the benchmark E.Globulus will be agreed with major customers around US$200 per bone dry tonne, about US$20 per bone dry tonne increase on the pcp shortly.

The trading outlook is encouraging given the easing of COVD-19 supply constraints, the projected easing of adverse La Nina weather conditions, improved FX hedging positions and ongoing demand for Australian woodfibre in China, Japan and Indonesia.

Business Strategy

The MEAG commitment to invest at least A$200 million to double the size of the Victorian plantation estate with Midway offtake agreements, will enhance the ability of the Company to remain a long-term supplier of woodfibre for global customers.

During the period, the first property was contracted under the MEAG greenfields arrangement, commencing the expansion of the estate under management and Midway's carbon and plantation management business. Midway is increasingly focused on growing as an active carbon manager and is very well positioned to benefit from the increasing need for offsets of carbon dioxide emissions.

The second rotation at the Tiwi Islands represents a significant opportunity for the Group to combine the existing woodfibre business with new carbon management opportunities.

Midway continues to pursue a range of further opportunities to expand our national carbon management footprint and further increase the utilization of our woodfibre processing and export sites, including through establishing processing and export of softwood and the development of a grain trading facility at Geelong.

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

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About Midway Limited

Midway Limited is a leading Australian plantation management and woodfibre export company with headquarters in Geelong. Midway was founded in 1980 and is now primarily involved in plantation management and the production, processing and export of high-quality wood fibre to producers of pulp, paper and associated products in the Asian region. Midway owns 100% of Midway Tasmania, based at Bell Bay and Plantation Management Partners (PMP), based on Melville Island. Midway also has a majority shareholdings in South West Fibre Pty Ltd (SWF) based in the Green Triangle and Queensland Commodity Exports Pty Ltd (QCE) based in Brisbane. Midway is also building a carbon management portfolio based on forestry plantations. For further information, visit www.midwaylimited.com.au.