

MIDWAY LIMITED (ASX: MWY)

29 February 2024

1H24 Financial Results

One of Australia's leading wood fibre export and plantation and carbon management companies, Midway Limited (the Company), today announced its half year financial results for the period ended 31 December 2023 (1H24).

Key highlights

- A 7.5% increase in sales revenue due to improved pricing and an improved exchange rate between the Australian and US Dollar;
- A positive underlying EBITDA-S result of \$2.6 million in 1H24, a \$2.3 million improvement on an underlying EBITDA-S profit of \$0.3 million in the pcp;
- Small NPAT loss of -\$1.4 million and the Midway Board has not declared a dividend from 1H earnings;
- Declared and paid a fully franked special dividend of 5.0 cents per share in December 2023 from the proceeds from the plantation estate sale to MEAG;
- Announced a binding Memorandum of Understanding for the sale of land to CHS Broadbent at the Geelong site of approximately five hectares for \$15.5 million for the development of a grain export terminal;
- The agreement with CHS Broadbent has helped demonstrate the value of the Geelong North Shore land and has contributed to an uplift of \$28.6 million in the site's independent valuation;
- Net Tangible Assets of 164.0 cents per share compared with 151.1 cents per share at pcp;
- Refinanced banking facilities with the Commonwealth Bank including a trade finance facility limit increased to \$35 million;
- The Company's strong balance sheet enabled a \$5.0 million inventory build, minimising interruptions to operations and enabling strong sales in January and February 2024.

Financial and Operating Performance

In 1H24 the effects of relatively subdued global pulp prices and the surplus of available domestic Chinese wood fibre due to the Chinese construction slowdown, were felt through reduced demand for Australian wood fibre and deferred contracts for Midway's products.

Despite lower export volumes through Midway's mill and port operations, Midway generated sales revenue of \$115.7 million, a 7.5% increase on the previous corresponding period. This was driven by improved pricing, an improved exchange rate between the Australian and the US Dollar and better dry fibre results.

Lower margin third-party chip trading volumes supplemented softer general production and export volumes.

Midway recorded positive contributions from Midway Geelong, Queensland Commodity Exports (QCE) and Midway Tasmania. Sales volumes through the Group's facilities are down in 1H24 reflecting subdued demand. Sales volumes in January and February are much stronger as deferred volume from 1H24 is realised.

Cash Flow

Due to the sluggish market demand, the Company experienced a build-up of its net working capital position as at 31 December causing negative operating cashflow of \$17.4 million.

This working capital increase, due to carrying \$40.0 million in inventory, has already begun to be divested in 2H24 as export volumes start to move. Additionally, the Group was holding a receivable for one vessel as at 31 December which was received in January 2024.

Balance Sheet

As a result of the anticipated sale of land to CHS Broadbent and industrial property market movements, the land held at the Geelong site was revalued by 174% to \$45.0 million.

The balance sheet also includes a receivable of \$34.2 million from the sale of the plantation assets to MEAG which will be realised in 1H25. The small amount (\$9.8M) of net bank debt puts the balance sheet in a strong position leading into 2H24.

The strength of the balance sheet is highlighted by Net Tangible Assets (NTA) of \$1.64 per share, very low levels of debt and a strong current asset position that has been required to sustain the Company during short-term cyclical downturns in commodity markets.

Strategic initiatives

The downturn in the wood fibre market has masked progress on several important strategic initiatives that will positively reposition Midway for future growth, including:

Lifting operating performance

A softwood line was opened at Geelong, and the first softwood shipment was exported in 1H24.

The first two vessels containing the regrowth thinnings product were shipped from Midway Tasmania.

Margin improvement was achieved with a strong focus on costs in a low volume environment.

Maximising the value of assets

Midway has signed a binding Memorandum of Understanding with CHS Broadbent to sell land at the Geelong site and CHS Broadbent will build and operate an 80,000 metric tonne grain storage and export terminal.

Under the terms of the agreement, CHS Broadbent will initially lease and then acquire freehold title to five hectares (12 acres) of the Midway site at North Shore to receive, store and export grain.

The agreed price for the land sale is \$15.5 million, and CHS Broadbent's grain export volumes will contribute to Midway Geelong's port volumes.

The sale of the land is expected to settle in 1H25, with the first grain tonnes to be exported in calendar year 2025.

The Company is actively looking at ways to maximise shareholder value including closing the gap between market capitalisation and net tangible assets.

Carbon Growth Strategy

The Group has made substantial progress on its carbon strategy, progressing carbon emission offset and abatement solutions with a number of large emitters. Additionally, aggregation projects for plantation carbon activities in Victoria, Tasmania and Queensland are being developed.

In Tasmania, the first plantation carbon project properties will be planted in winter 2024, with a large pipeline of opportunities being worked through for 2025 planting in both Victoria and Tasmania.

An advisor has been appointed to raise equity for the 2nd rotation project on the Tiwi islands. This will be Australia's largest plantation carbon project with Traditional Owner involvement.

Dividends

The Midway Board paid a fully franked special dividend of 5.0 cents per share in December 2023. No dividend has been declared in respect of the period ending 31 December 2023.

Outlook

Global pulp and paper market conditions remained challenging in the first half of FY24 which impacted the volume shipped during the period.

Pulp prices rose for bleached eucalyptus kraft pulp from the lows of US\$450 / tonne to a more sustainable US\$650 / tonne and have remained steady at that level.

The Company is cautiously optimistic for an improvement in volumes in the second half of FY24 as the 2023 deferred sales are delivered, however the 2H24 headline wood fibre price for Eucalyptus Globulus is yet to be settled.

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 wood fibre 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 has operations in five centres around Australia including Midway Tasmania, based at Bell Bay, and Plantation Management Partners (PMP), based on Melville Island. Midway also operates South West Fibre Pty Ltd (SWF) based in the Green Triangle and Queensland Commodity Exports Pty Ltd (QCE) based in the Port of Brisbane. Midway has a strong and growing plantation carbon management business. For further information, visit www.midwaylimited.com.au.