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Midway

1H24 Analyst and Investor Presentation

29 February 2024



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Highlights 1H24

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01

Geelong grain deal

- Sale to CHS Broadbent of approximately five hectares for $15.5M
- A binding Memorandum of Understanding has been signed with settlement expected in 1H25
- The grain volumes will contribute to shiploader volume commitments.

02

Strong balance sheet

- Geelong land revalued to $45.0M at 31 December 2023, following on from the announced sale of a portion of the site to CHS Broadbent
- Current asset ratio 2.99
- Net tangible assets of $1.64 per share.

03

Carbon and Plantation

- Progressing carbon emission offset and abatement solutions with a number of large emitters
- Building expert carbon team
- Strong pipeline of aggregation projects.

04

Performance improvement

- Tough global pulp market in 1H24, with subdued volumes through our facilities
- Positive underlying EBITDA (increase of $2.3M to $2.6M) due to improved gross margin
- Increased lower margin chip trading, offsetting lower volumes through Midway processing and export facilities.

05

Capital management

- Working capital finance facility limit increased to $35.0M with the CBA
- Payment of a fully franked dividend of 5.0 cents per share in December 2023
- $20.0M in net funds expected from final tranche of plantation sale to MEAG in 1H25.

06

Outlook

- Strong January and February shipments following deferrals from 1H24
- Pulp prices remain steady after recovering to US $650/tonne for bleached eucalyptus kraft pulp
- Cautiously optimistic for an improvement in conditions in the second half of FY24.

Financial Performance

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Financial Performance

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Financial Results

- Underlying EBITDA–S increased by $2.3M to $2.6M
- Sales volumes through the Group's facilities is down on 1H24 reflecting subdued Chinese demand
- Third party chip trading volumes increased, partially offsetting the lower volumes through Midway processing and export facilities
- Eight woodfibre shipments in January and February 2024 as deferred sales from 1H24 are realised
- Gross margin increased from 12% to 15%, driven by price, FX and dry fibre
- Fair value gain on biological assets up $0.5M to $0.7M.

Consolidated results $m	**1H24**	**1H23**	**Change**
Sales revenue	115.7	107.7	↑
Other income	3.3	3.8	↓
Total revenue and other income	**119.0**	**111.5**	↑
Expenses	(115.0)	(112.7)	↓
Share of equity accounted profits	(1.4)	1.5	↓
EBITDA - S	**2.6**	**0.3**	↑
Significant items	**(0.2)**	**11.6**	↓
Profit/Loss on sale of assets	-	12.3	↓
Other significant items	(0.2)	(0.7)	↑
Fair value gain on biological assets	0.7	0.2	↑
EBITDA – Statutory	**3.1**	**12.1**	↓

Consolidated GMT '000s	**1H24**	**1H23**	**Change**
Sales Volume Excl. SWF	749	807	↓
Sales Volume SWF	146	393	↓
Sales Volume Total	**895**	**1,200**	↓
Gross Margin	15%	12%	↑

Financial Performance

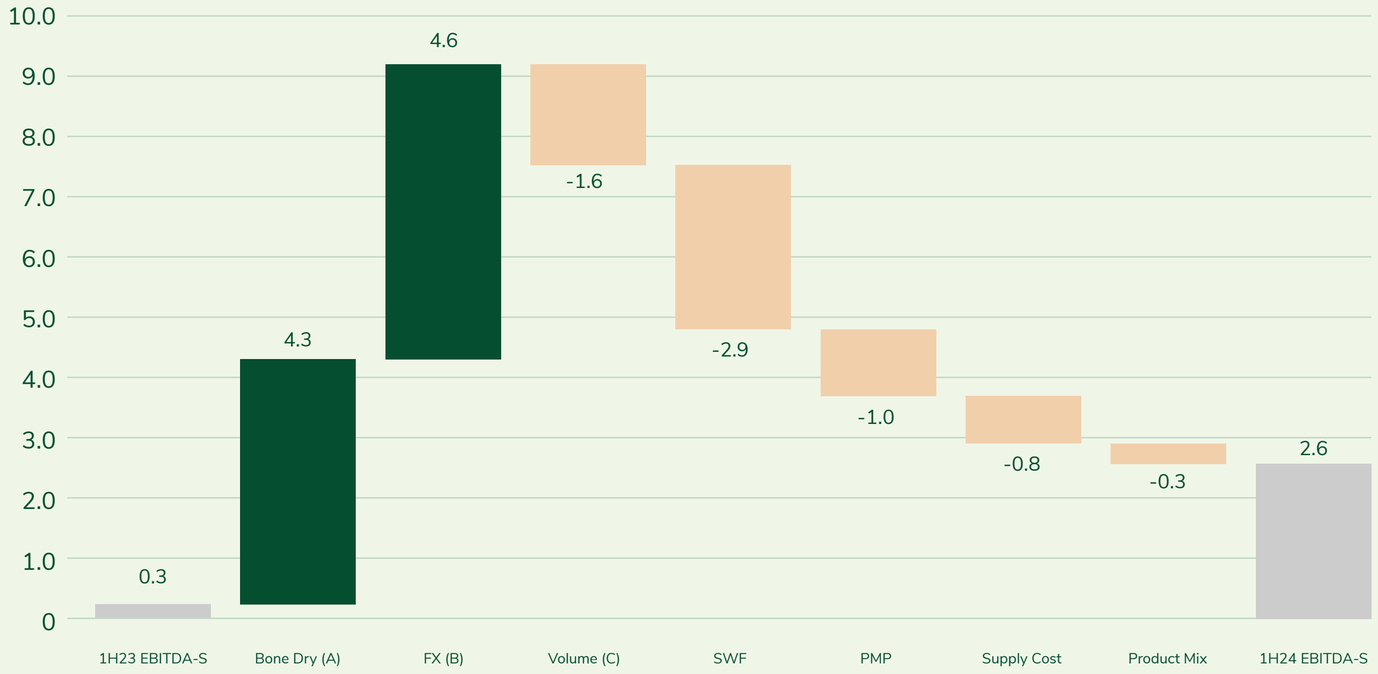
FY24 Key Drivers

A Dry fibre % was up 5.8% over the pcp, driven by product mix, drier weather and holding inventory for longer periods

B Effective FX rate of 0.68 resulting in a favourable variance to pcp

C Lower export volumes and change in product mix resulting in an unfavourable variance to pcp; partially offset by increased third party chip trading volumes.

Midway Group EBITDA-S ($'M)



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Financial Performance

Strong balance sheet

- Current assets have increased including inventory holdings by $5.0M to $40.0M and the final receivables relating to the sale of the plantation estate
- Current asset ratio improved at 31 December 2023 to 2.99 (up from 2.00 at June 2023)
- Land revaluation at the Geelong site to $45.0M, after signing the CHSB grain deal
- Borrowings have increased by $29.2M, reflecting the new lease agreement signed by the Group's Brisbane operations and supporting the Group's working capital position
- Operating cash flow is $17.4M negative, supporting inventory build which has reduced substantially in January and February 2024.

Key metrics $m	1H24	FY23	Change
Assets			
Receivables	45.6	61.1	(15.5)
Inventories	40.0	35.0	5.0
Biological assets	8.8	8.5	0.3
Property, plant and equipment	81.1	51.9	29.2
Liabilities			
Borrowings (current)	18.6	3.6	15.0
Borrowings (non-current)	22.1	7.9	14.2
Strategy financial liability	7.6	16.3	(8.7)
Deferred tax liabilities	17.4	2.7	14.7

Cash flow $m	1H24	1H23	Change
Operating cash flow	(17.4)	(6.4)	(11.0)
Investing cash flow	22.1	83.3	(61.2)
Financing cash flow	1.4	(51.0)	(52.4)
Net increase / (decrease) in cash held	**6.1**	**25.9**	**(19.8)**

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Our Strategy

Midway was founded in 1980 by a collective of Victorian sawmillers seeking a valuable market for their sawmill residue waste.

Today, Midway is one of Australia's largest wood fibre processors and exporters, with a strong and growing plantation and carbon management business.

Our fibre goes into recyclable paper and packaging, plastic replacement products and coal replacing energy generation.

We provide solutions for carbon abatement and emissions offsets using photosynthesis and our expertise.



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Our Value-Creating Strategy

We have a clear focus on delivering our strategy to create value for shareholders



Lifting the operating performance



Maximise value of assets



Carbon growth

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Strategy Progress

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Strategy Progress

Lifting operating performance

Geelong

- Shipped the first softwood vessel
- Good progress on subdivision of Geelong site in preparation of the sale of land to CHS Broadbent for the grain terminal construction
- Site development works are scheduled to commence in March 2024 on the retained Midway site
- Stronger shipping lineup expected in 2H24.

Midway Tasmania

- The Norfolk street mill commenced and the market has been established for the regrowth thinnings product
- Focus on increasing production volumes and efficiency at the mill
- First two regrowth thinnings vessels shipped from Bell Bay
- Increased third party chip trading.

Carbon and Plantation

- Progressing carbon emission offset and abatement solutions with a number of large emitters
- Building expert carbon team
- Strong pipeline of aggregation projects
- $35M invested of $200M MEAG greenfield plantation fund. Further $27M under offer
- Development of carbon project pipeline with offers made to commence eleven projects.

Tiwi

- Engaged advisor to raise equity for second rotation project
- Potential 6.5M ACCUs available for the project.



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Strategy Progress

Maximise value of assets

Benefits of the Geelong Grain project to Midway include:

- Contribution to shiploader volume commitments.
- Increasing land value for the remainder of the Geelong site.
- $15.5M sale of the grain site.
- Lease for the initial period until land settlement.

Geelong Site: Grain project

Midway has signed a binding Memorandum of Understanding with CHS Broadbent to sell approximately five hectares of the Geelong site.

CHS Broadbent will build and operate an 80,000 metric tonne grain storage and export terminal.

- CHS Broadbent is a leading Australian agribusiness supply chain company with grain, marketing, storage, logistics
- CHS Broadbent is 50% owned by CHS Inc, a Fortune 100 global agribusiness and 50% by the Broadbent family.
- CHS Broadbent will lease the site and then acquire freehold title for five hectares (approximately a quarter of the Midway site)
- The sale is expected to settle around 1H25 with grain volumes commencing in 2H25
- Subdivision process has commenced and is tracking well
- Works have commenced to develop the retained portion of the site.



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Strategy Progress

Maximise value of assets

Geelong site – proposed subdivision



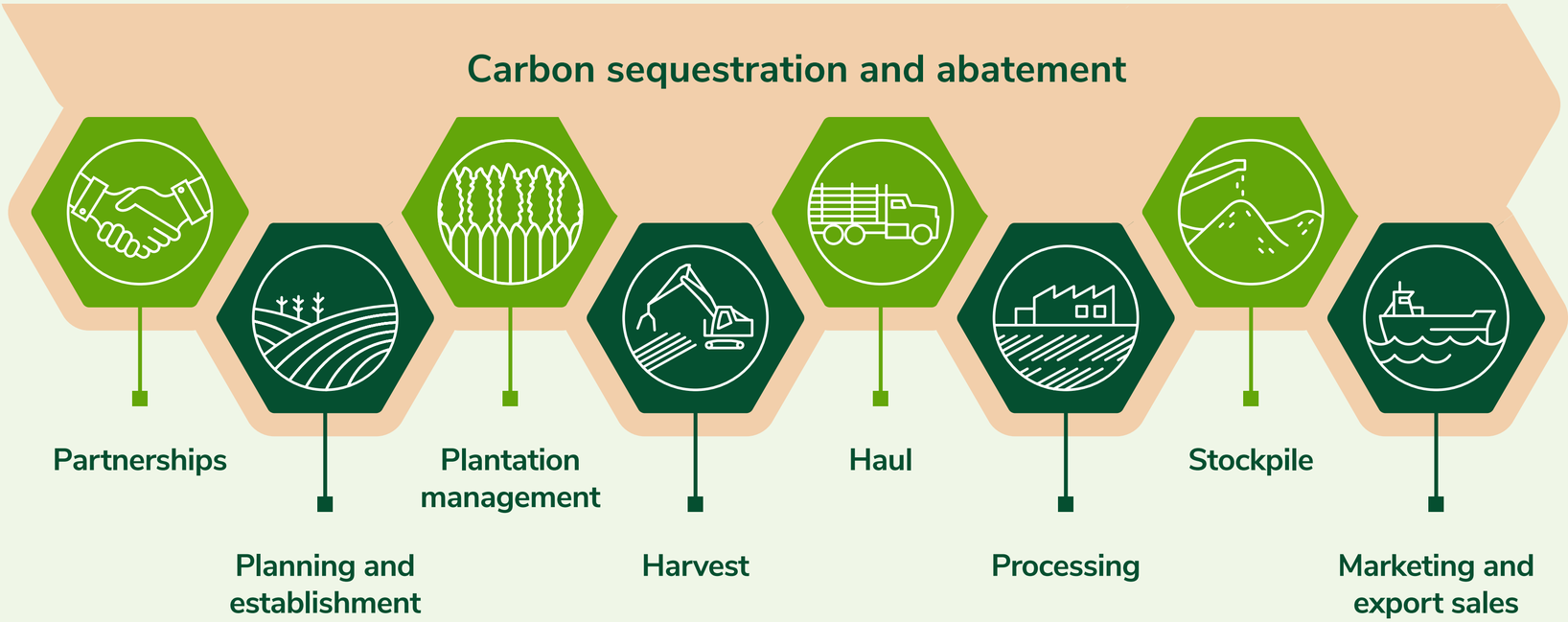
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Strategy Progress

Carbon growth

- Plantation carbon opportunity sits immediately adjacent to Midway's core business
- All business units are being utilised to access and deliver carbon opportunities.

Maximising shareholder returns



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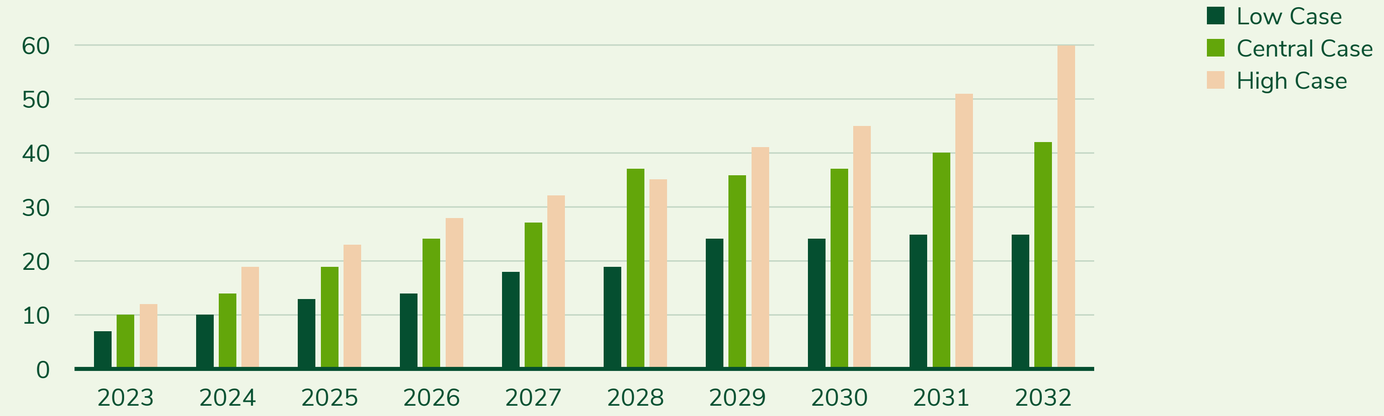
Strategy Progress

Carbon growth

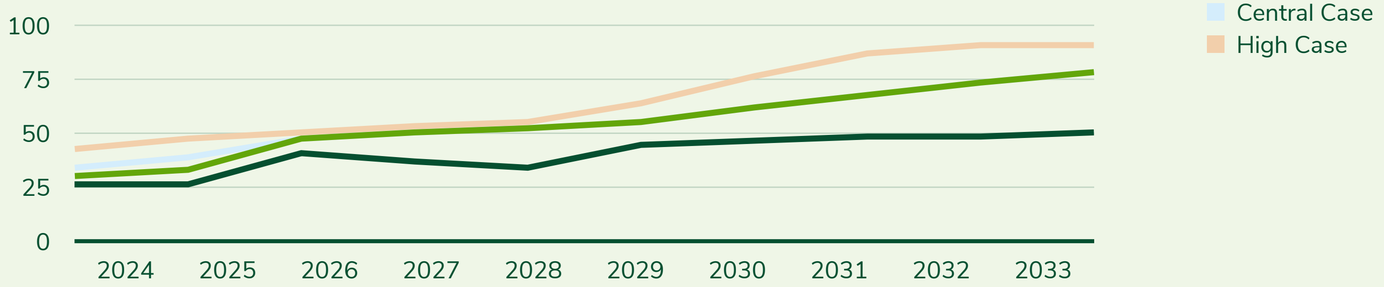
- Analysts are forecasting growth in ACCU demand and price
- The Group is executing on its strategy to develop presence in carbon
- With changes to the Safeguard Mechanism from June 2023, ACCU demand from liable entities is expected to increase significantly between 2026 and 2028
- Plantation forestry and environmental plantings ACCUs trade at a premium to other ACCU types.

Strategy aligned with growth trends

Forecasted demand for ACCUs (millions)



ACCU market pricing expectations (A$)



Source: RepuTex Energy, January 2024

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Strategy Progress

Carbon growth strategy

Midway is a provider of nature-based solutions to reduce and mitigate carbon emissions

There are three broad models that we are progressing in the carbon market.

Elements of carbon strategy

Plantation and carbon manager

- Working on a number of large scale carbon abatement and emission offset projects
- Offerings to maximise the benefit from carbon stored on land through commercial plantations, permanent environmental plantings and other land use activities
- Midway continue to develop and manage carbon and plantations on behalf of MEAG for the Otway Silva Project.

Plantation owner / lessor

- An advisor has been appointed to raise equity for the Tiwi 2nd rotation project
- Project will generate up to 6.5M ACCUs, which would be the largest plantation carbon project with Traditional Owner involvement in Australia.

Carbon aggregation opportunities:

- Aggregation carbon opportunities are being offered in Tasmania, Victoria and Queensland for forestry-based projects
- First properties in Tasmania will be planted in winter 2024 with a strong pipeline of opportunities being worked through for 2025 planting for both Tasmania and Victoria
- A new carbon offering is being developed to further strengthen market share with a pipeline prepared for 2025.

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Capital Management

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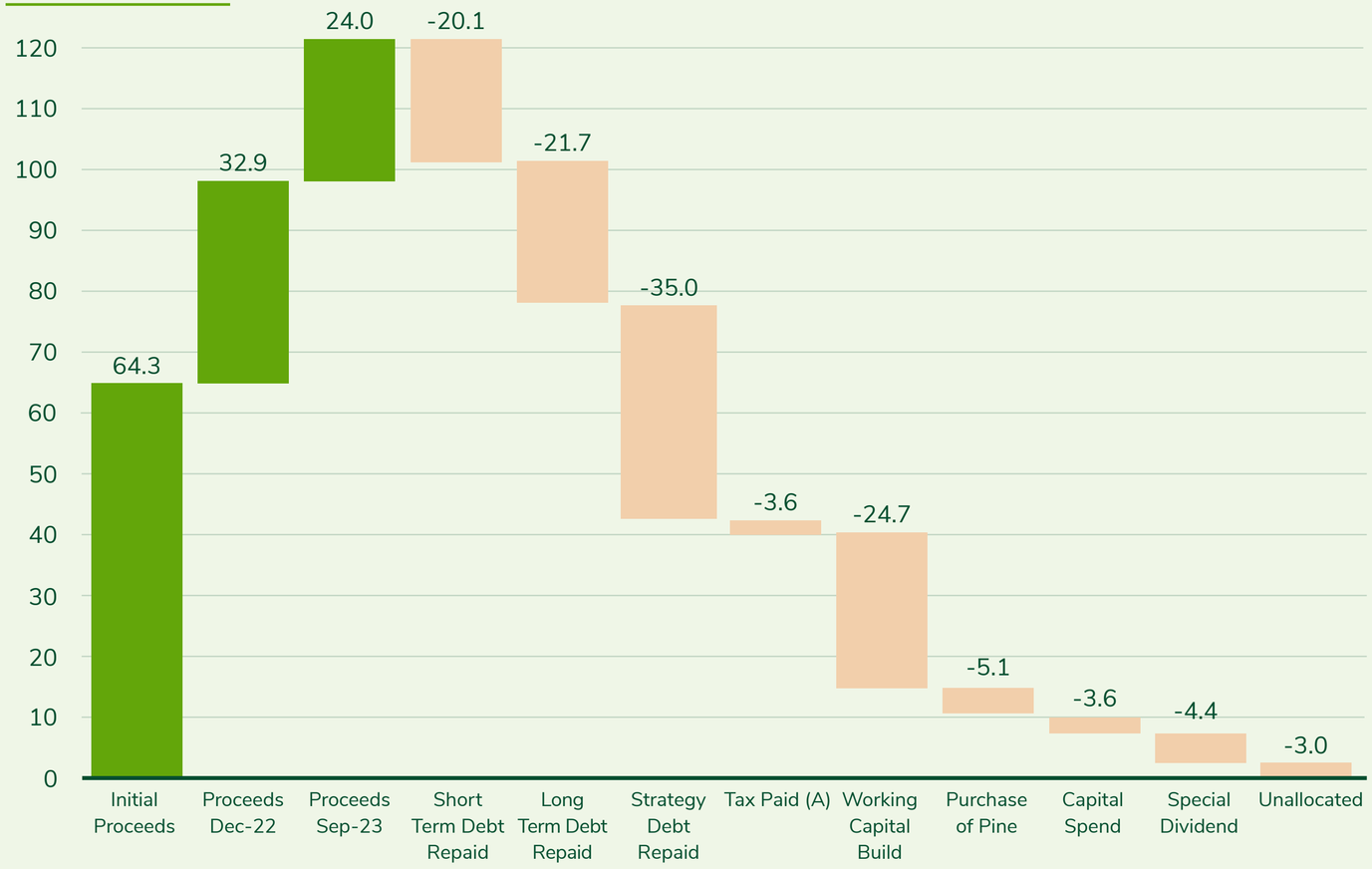


Active Capital Management

- Payment of a fully franked dividend of 5.0 cents per share in December 2023 despite an inventory build of up to $50M during the half
- The Company refinanced its banking facilities with the Commonwealth Bank during 1H24.
- Midway's revised facilities consist of a trade finance facility of up to $35M against inventory and debtors to support working capital build-ups.
- Final tranche of the transaction expected to generate net cash of $20M.

MEAG future proceeds $m	FY25
Proceeds received	35.1
Purchase of AFF timber	(8.8)
Expected tax payments	(6.3)
Net cash retained	20.0

Sale of plantation estate - use of proceeds ($M)



(A) Includes a $4.4M tax refund received in January 2024

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Operating Environment & Outlook

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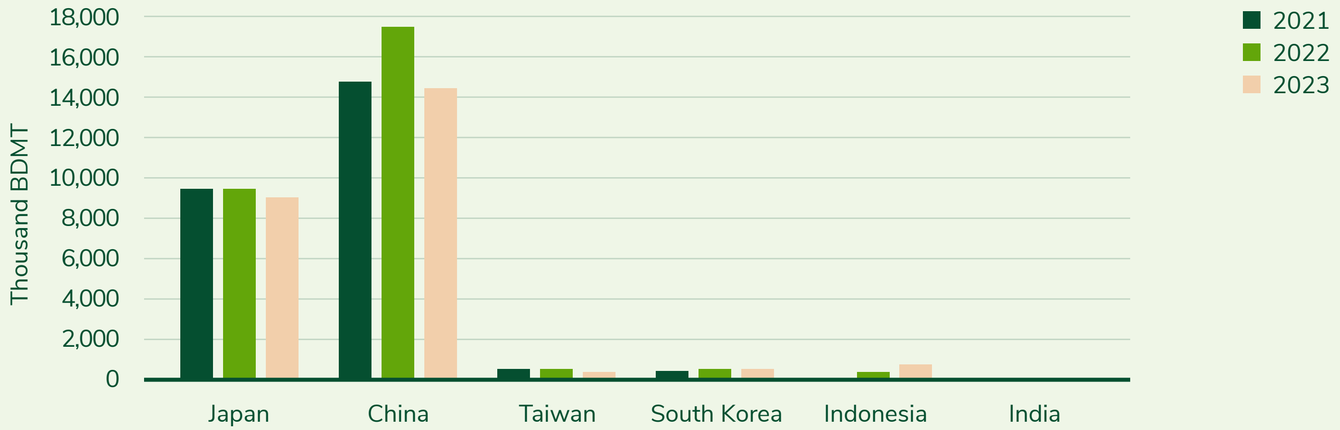


Operating Environment & Outlook

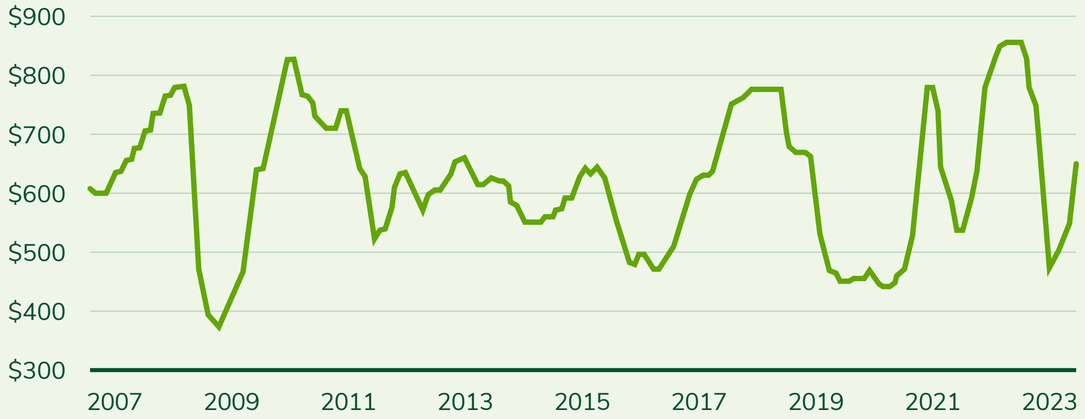
Stronger volumes expected in 2H24, however markets remain subdued

- Substantial drop off in China's woodfibre imports for CY23
- China pulp prices have recovered from lows and are holding steady.

Hardwood Chip Markets Asia Pacific YTD December



Bleached Eucalyptus Kraft Pulp (US$/tonne CIF China)



Extract: RISI and DANA Limited

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Operating Environment & Outlook

Stronger volumes expected in 2H24, however markets remain subdued.

Woodfibre demand

- Total hardwood fibre demand down 11.9% year on year due to the effects of relatively subdued global pulp prices and the surplus of available domestic Chinese woodfibre due to the Chinese property construction slowdown.
- Chinese imports of hardwood fibre recovered slightly in 2H 2023 finishing down about 3.4M BDMTs or 19.2% for calendar year 23 (CY23).
- Japanese hardwood chip imports finished 2023 down slightly by 1.1%.
- January and February 2024 woodfibre shipments are strong.

Pulp prices

- Bleached hardwood kraft pulp prices in China recovered in 2H 2023 increasing 38% since May 2023 and have remained stable at US$650 per tonne since the beginning December 2023.
- Pulp inventories at China ports were sitting at normal levels in January at 1.8 M tonnes
- Uncertain timing for settlement of headline Globulus pricing with Japan.



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Summary

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Summary

Lifting operating performance

01 1H24 underlying EBITDA shows improvement at $2.6M (+$2.3M)

02 Focus is on securing increased sales volumes to drive operational efficiency and profitability

03 Refinanced banking facilities to the CBA allowed the Group to hold high inventory levels to support stronger sales

04 January and February 2024 will have stronger woodfibre shipments from deferred sales in 1H24.

Maximising value of assets

01 Geelong site valuation uplift of $28.6M

02 Preliminary works have commenced at the Geelong site for the CHS Broadbent land sale

03 The final tranche of the MEAG deal is expected to settle in September 2024, completing the sale transaction

04 Special dividend of 5.0 cents per share, fully franked, paid in December 2023.

Carbon growth

01 Working on carbon emission offset and abatement solutions with a number of large emitters

02 Property pipeline in Tasmania and Victoria is strong with several projects proposed and others in assessment

03 Progress is being made on securing the second rotation on the Tiwi Islands, with potential 6.5M ACCUs to be generated.

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Thank you

Attachments

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Export Volumes

Volumes	FY23	1H23 (a)	1H24 (a)	
(000's GMT)	12 months	6 months	6 months	Comments
Geelong	597	341	179	Plantation hardwood and softwood
Portland	721	393	146	E Globulus only
Brisbane	237	140	112	Hardwood and softwood mix
Melville Island	143	109	109	Acacia for pulp and biomass
Tasmania	295	217	349	Includes third party and Midway wood
TOTAL	**1,993**	**1,200**	**895**	

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

	1H24	1H23
EBITDA - S (underlying)	**2,632**	**344**
Net fair value (decrement)/increment on biological assets	683	153
Insurance costs, net of proceeds	-	(157)
Profit/(loss) on sale of assets – Midway Plantations	-	12,283
Transaction costs incurred	(169)	(488)
EBITDA – statutory	**3,146**	**12,135**

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

	1H24	1H23
Net profit/(loss) after tax - S	**(1,943)**	**(2,683)**
Net fair value increment on biological assets	478	107
Non-cash interest expense (AASB 15 Strategy impact)	(567)	(2,691)
Insurance (Fire)	-	(110)
Profit on sale of asset	-	8,598
Interest received	792	460
Transaction costs incurred	(118)	(342)
Net profit/(loss) after tax - statutory	**(1,358)**	**3,339**

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.

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