

MIDWAY LIMITED (ASX: MWY)

29 August 2024

FY24 Financial Results

One of Australia's leading woodfibre export and plantation carbon management companies, Midway Limited (the Company), today announced its financial results for the period ended 30 June 2024 (FY24).

Key financial highlights

- A positive underlying EBITDA-S result of \$14.2 million in FY24, an \$11.3 million improvement on the pcp resulting from improved volumes and margins in the core operational business in the second half;
- Underlying NPAT of \$2.0 million, an improvement of \$5.1 million on the pcp;
- Total Comprehensive Income of \$23.5 million including a net \$20.0 million revaluation of the Geelong North Shore property supported by the sale of land for the grain project;
- Strong balance sheet with net bank debt excluding AASB 16 lease liabilities showing a \$20.5 million net cash position;
- Final tranche of the plantation estate sale to be received in September 2024. Two special dividends have been declared or paid from the proceeds of the sale:
 - A 5.0 cents per share fully franked special dividend was paid in December 2023; and
 - A fully franked special dividend of 14.5 cents per share to be paid to shareholders on 4 October 2024.
- The Midway Board has declared an ordinary dividend from FY24 earnings of 1.6 cents per share.

Midway Limited's Managing Director Tony McKenna said the results for the year demonstrate the improvements in the Company following the comprehensive Strategic Review.

Mr McKenna said: "Midway's financial results and improved positioning demonstrate the significant strides we have made in executing our strategy and the positive impact these initiatives have had on our company's growth and profitability.

"We have made substantial progress in critical areas, including the grain project, asset sales, operational improvements and plantation carbon.

"It is very pleasing to deliver on our plans and to reward our shareholders as we continue to strengthen the balance sheet and build growth momentum. As a result of the asset sales and improved financial performance, the Board has declared a 14.5 cents per share fully franked special dividend and a 1.6 cents per share fully franked ordinary dividend."

Delivering on our Strategy

Since the Strategic review commenced in 2022 a number of important initiatives have been completed including:

- Improvement in the operating performance of the business;
- Exiting the loss-making Logistics business;
- Sale of \$173 million of plantation estate assets enabling repayment of onerous financing liabilities, payment of special dividends and an improved balance sheet position;
- Delivery of the Grain project with an unconditional contract for the sale of land to CHS Broadbent at the Geelong site and grain export volumes to contribute revenue for use of the ship-loader;
- Built an industry-leading plantation carbon team;
- Established plantation carbon business with 10,127 ha under management;
- In the market with a carbon forward sale financing offering for smaller landowners; and
- Contracted to scope and develop a global resources company's decarbonisation pilot program.

Financial and Operating Performance

Following market softness in the first half, second half volumes and margins were much stronger. The Company was able to work with its major customers to deliver built-up inventory into delayed contracts as the market improved. This drove a favourable underlying EBITDA-S result of \$14.2 million.

Sales revenue was 45.6% higher than pcp at \$273.5 million, assisted by better average pricing and FX rates as well as an increase in third party sales volumes.

Midway recorded positive contributions from Midway Geelong, Queensland Commodity Exports (QCE) and Midway Tasmania. The combination of stronger volumes and targeted supply acquisition contributed to the stronger result.

Cash Flow

Operating cash flow was positive \$22.8 million, an improvement of \$35.5 million on the pcp. The Company reduced inventory levels to a more normal level of \$26.7 million at 30 June 24, down from a peak of over \$50 million during the year as a result of the stronger volumes exported in 2H24.

The Company's cash position increased by \$19.3 million to \$24.9 million.

Balance Sheet

As a result of the key initiatives from the strategic review, the Company has a strong balance sheet with net assets of \$146.4 million compared to \$127.0 million in the pcp.

The strength of the balance sheet is highlighted by Net Tangible Assets (NTA) of \$1.65 per share, very low levels of debt and a strong current asset position.

Net debt excluding AASB 16 lease liabilities is a cash surplus position of \$20.5 million.

The land held at the Geelong site was revalued to \$45.0 million, an uplift of \$28.6 million in FY24, supported by the sale of a portion of the site for the grain project.

Strategic initiatives

The Company has made strong progress against its strategic initiatives, including:

Lifting operating performance

Key steps taken to lift the operating performance of the business include:

- A softwood line was opened at Geelong, and two softwood shipments were exported in FY24. Geelong gross margin also increased in FY24 with improved fibre sourcing.
- Midway Tasmania development has been completed, with five regrowth thinnings vessels shipped in FY24 with a focus on increasing volume and margins further in FY25. Tasmania volume has increased by 284k GMT to 579k GMT in FY24, with a combination of increased thinnings and third-party exports.
- The strategy of building inventory through the soft market in the first half reaped results as the market recovered and delayed customer contracts were able to be profitably delivered.

Delivering the Grain Project

Midway signed an unconditional Contract of Sale with CHS Broadbent to sell 5.15 ha of land at the Geelong site for \$15.5 million with settlement expected in 1H25. CHS Broadbent's grain export volumes will contribute revenue to Midway Geelong for use of export infrastructure.

While the subdivision works are underway, CHS Broadbent is leasing the site and grain infrastructure construction has commenced. Midway's site reconfiguration and development of the balance of the site is well progressed with the new chip pad and log yard completed and in use.

Completing Plantation Estate Sales

Proceeds from the third settlement tranche from the plantation estate sale to MEAG were received in FY24 and funded a reduction in the Company's borrowings as well as a special dividend of 5.0 cents per share, paid in December 2023.

The final tranche of the MEAG deal will settle in September 2024.

Carbon Growth Strategy

The Company has built an industry leading team in the plantation carbon market. The Company continues to roll out its strategy working with industrial carbon emitters, financiers, investment funds, traditional owners and landowners in the carbon space.

During the period, Midway contracted with a global resources company to scope the development of a potential decarbonisation pilot project.

The first two plantation carbon aggregation properties have been planted in Tasmania, with a large pipeline of opportunities being worked through for 2025 planting in both Victoria and Tasmania. The Company is working with a major financier with a unique offering to landowners to facilitate plantation establishment utilising ACCU prepayment structures.

Midway has registered 2,272 hectares of plantation carbon projects with the Clean Energy Regulator.

A process is being run to secure an equity investor for the Tiwi second rotation project, which will be Australia's largest plantation carbon project with over 5 million ACCUs and genuine Traditional Owner involvement.

Dividends

The Midway Board declared and paid a special dividend of 5.0 cents per share in December 2023.

The Board declared a further 14.5 cents per share special dividend in August 2024 to be paid on 4 October 2024 following receipt of the final tranche of funds from the plantation estate sale.

Consistent with the Company's long standing dividend policy, an ordinary dividend of 1.6 cents per share based on FY24 earnings was declared in August 2024 also payable on 4 October 2024.

The Board will continue to review capital management initiatives and growth opportunities.

Outlook

The incremental demand from new and upgraded mills in China and Indonesia is encouraging for the long-term demand for higher quality Australian wood fibre. The majority of 1H25 sales volumes are contracted.

Pulp prices remain well above the bottom of the price cycle of US \$470 per tonne that was seen in June 23, despite a recent fall for bleached eucalyptus kraft pulp to US \$630 per tonne.

The headline Eucalyptus Globulus price has been settled, down US\$10.00 to US\$188.75 per bone dry metric tonne for calendar year 2024. The Company is cautiously optimistic that this pricing level will support sustained demand for high quality Australian hardwood in the international market.

The Company continues to develop its experienced carbon team, which is leading the industry in plantation carbon, and is focused on delivering on a strong project pipeline.

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

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About Midway Limited

Founded in 1980, Midway Limited is one of Australia's largest woodfibre processors and exporters with a strong and growing plantation and carbon management business. Midway's fibre is used in recyclable paper and packaging, plastic replacement products and coal replacing energy generation in the Asian region. The Company is building a plantation carbon management business to generate carbon abatement and emissions offsets solutions utilising its expertise in the process. Midway has woodchip processing and exporting operations at five major port locations in key forestry areas around Australia including: Bell Bay, Tasmania; Portland and Geelong in Victoria; Brisbane, Queensland; and Melville Island in the Northern Territory's Tiwi Islands. For further information, visit www.midwaylimited.com.au.