



Full year result – FY18

Analyst and Investor Presentation

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Financials FY18

Midway

Performance Overview – FY18

FY18 results in line with consensus forecasts

- The full year 2018 financial results were in line with consensus forecasts, achieving EBITDA before significant items of \$28.7M (2017: \$28.0M)
- Acquisition of Plantation Management Partners (PMP) contributed \$2.1M EBITDA to the Group
- Net profit before tax was \$24.7M and NPAT was \$18.4M

Cashflow positive and strong balance sheet

- Strong working capital position
- Revised debt profile including new financial covenants which better reflect the business operations
- \$13.3M operational cashflow (down 18%pcp), with cash payment of \$13.5M received early July relating to proceeds from two vessels which sailed at the end of June

Dividend in line with policy

- Shareholders will receive a fully franked final dividend of \$0.09 cents per share

Revenue
\$231.9M +10.8%

EBITDA⁽¹⁾
\$28.7M +3%

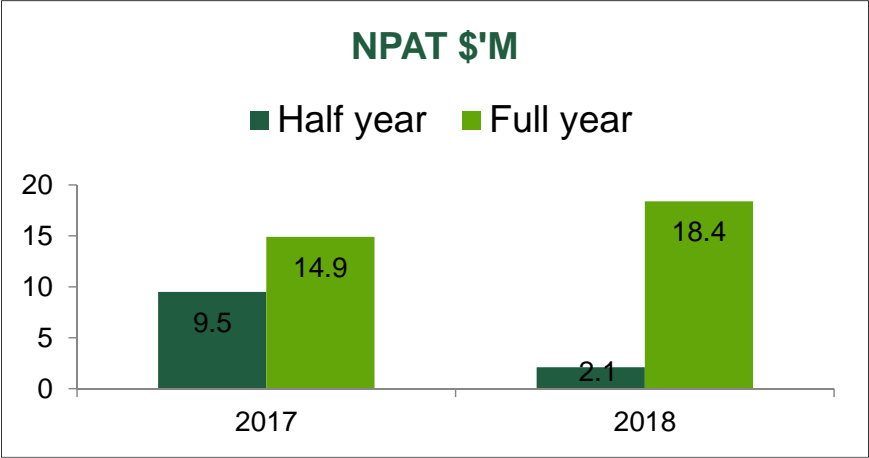
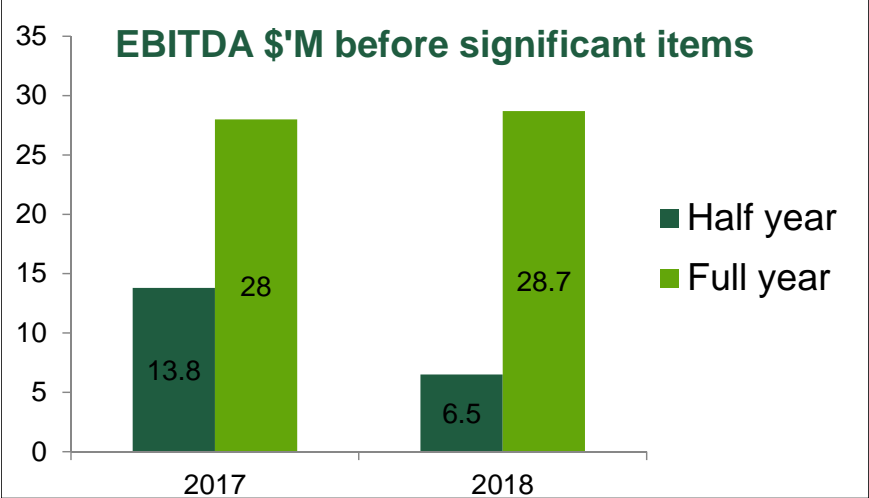
ROCE
17.8% +1.8%

Interest cover
16.38

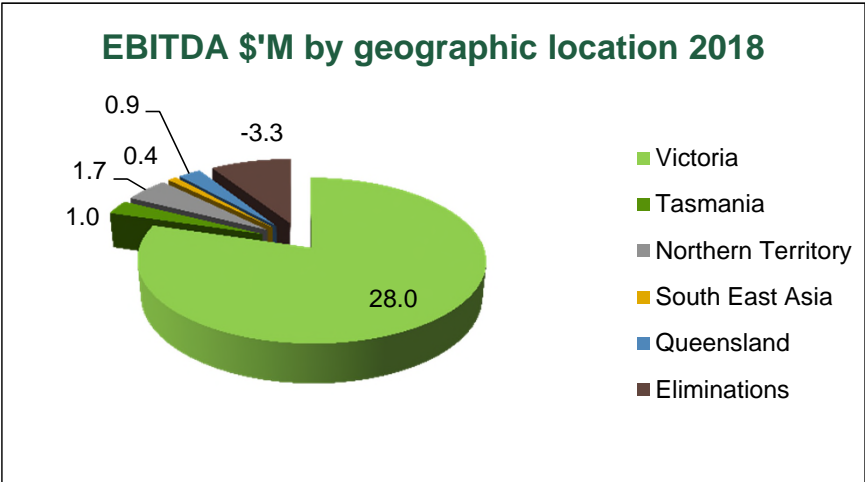
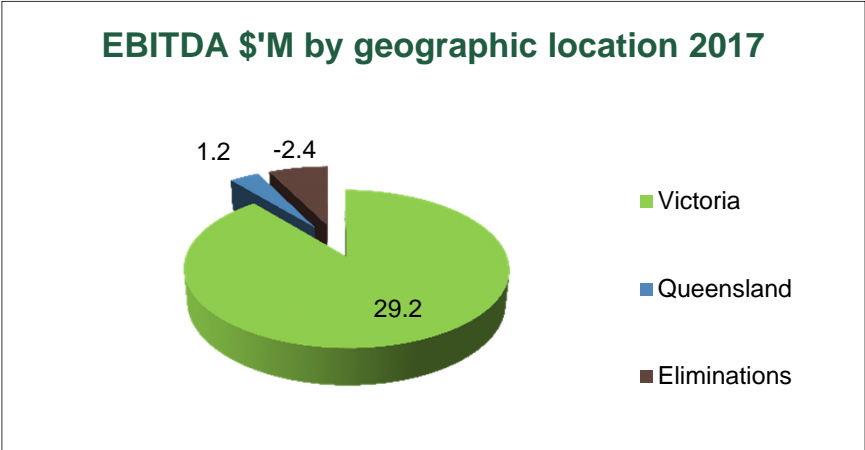
1: EBITDA before significant items

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Strong second half earnings



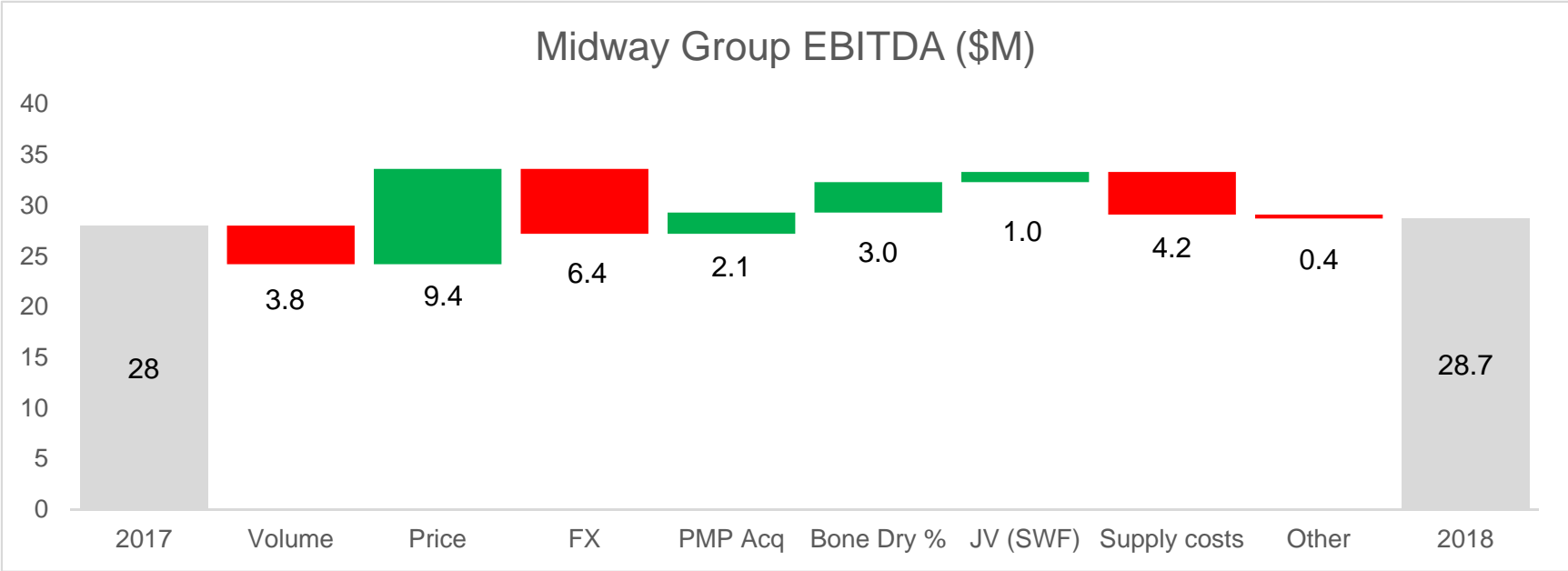
Increasingly diverse earnings



Financial Performance – FY18

\$Am	FY17	FY18	% Change
Sales Revenue	209.2	231.9	10.8%
Other Income	4.1	4.2	2.4%
Equity Accounted Share of Profits	2.8	3.9	29.3%
Operating Costs	(188.1)	(211.3)	(12.3%)
EBITDA before significant items	28.0	28.7	2.7%
Significant items	(3.1)	2.6	184.8%
EBITDA	24.9	31.3	25.7%
EBIT	21.5	26.9	24.9%
Finance expense	(1.6)	(2.2)	(37.5%)
Pre-Tax Profit	19.9	24.7	24.1%
Tax Expense	(5.0)	(6.3)	(26.0%)
Statutory NPAT	14.9	18.4	23.5%

Financial Performance – FY18



Cash Flow – FY18

\$Am	FY17	FY18	\$Am Change
Operating Cash Flow	16.2	13.2	(3.0)
Investing Cash Flow	(0.4)	(15.0)	(14.6)
Financing Cash Flow	(12.0)	(2.9)	9.1
Net Change in Cash	3.8	(4.7)	(8.5)
Net Debt⁽¹⁾	16.6	32.4	(15.8)
Interest Cover	18.58	16.38	

(1) Net debt has increased due to the drawdown of \$14.0M for the purchase of PMP and a land and tree purchase in South West Victoria.

Balance Sheet – FY18

\$Am	FY17	FY18	\$Am Change
Total Current Assets	35.7	52.9	17.2
Total Non-current Assets	119.1	135.4	16.3
Total Assets	154.8	188.3	33.5
Total Current Liabilities	19.9	37.0	17.1
Non-current borrowings	30.9	35.4	4.5
Total Non-current Liabilities	43.9	52.1	8.2
Total Liabilities	63.8	89.1	25.3
Net Assets	91.0	99.2	8.2

Business unit contributions

\$Am	Revenue		EBITDA(1)		NPAT		Comments
	FY18	FY17	FY18	FY17	FY18	FY17	
Midway Geelong Midway 100%	173.6	182.6	22.0	23.8	13.2	11.4	Geelong performed well throughout the year, with price increases and favourable bone dry % mitigating negative FX impacts (\$5.3M NPBT impact)
SWF Midway 51% Mitsui 49%	84.2	77.6	7.0	5.4	3.9	2.8	SWF had strong performance, primarily due to favourable sales pricing and bone dry %
QCE Midway 90% Graincorp 10%	29.2	26.6	0.9	1.2	0.4	0.7	QCE negatively impacted by FX (\$1.1M NPBT) and some operational issues experienced during the year relating to stock management. The business has put in place a range of improved systems and processes to correct these issues
PMP Midway 100%	7.9	-	2.1	-	1.4	-	Strong contribution – apart of Group for 8 months of FY18
Eliminations	(63.0)	(77.6)	(3.3)	(2.4)	(0.5)	0.0	
Total	231.9	209.2	28.7	28.0	18.4	14.9	Revenue increased by \$21.0M due to sales of third party woodfibre (akin to an agency arrangement however Midway is treated as the principal)

(1) Before significant items and net biological fair value increment



Outlook and future opportunities

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Strategic Priorities

Increasing EBIT over time:

1. OPERATING EFFICIENCIES

- Economies of scale
- Margin expansion
- Cost management

2. EXPANSION OF EXISTING BUSINESS

- Development of Hardwood and Softwood log exports
- Better utilisation and expansion of existing infrastructure

3. ACQUISITIONS

- Complementary businesses
- Industry consolidation
- Domestic and international

Good progress continues to be made with our Strategic Objectives for FY18

- Midway continues to assess opportunities to better utilise existing facilities and acquire businesses in key forestry areas in Australia and overseas
- Maximising long term fibre supply by replanting existing land, securing contracts with third party plantation owners and pursuing investment in plantation expansion
- PMP and ADDCO acquisitions completed and integrated into the business
- Commenced exports from Tasmania
- The Group maintains a disciplined approach to capital management to ensure we maximise shareholder value

Contribution from new business activities

- Plantation Management Partners to fully contribute in FY19 (FY18: \$2.1M EBITDA) and is exploring a range of expansion opportunities.
- Woodfibre trading business (marketing and shipping of third party woodfibre) contributed \$1M EBITDA to the Group result.
- Establishment of joint venture marketing company in Tasmania with RMS and Pentarch, called the Plantation Export Group, which has a throughput arrangement with a major wood processor at Bell Bay in North East Tasmania.
- The Group acquired a 25 per cent shareholding in ADDCO Fibre Group Limited, a newly established logistics business
- ADDCO has signed a share sale and purchase agreement for the acquisition of a harvesting and logistics company in Australia with settlement to occur in September 2018.

Changing production mix as new opportunities come on stream

- Midway has a number of short and long term (1 year to 10 year) agreements in place with a number of large plantation managers in each of our operating regions

Facility Volumes (000's GMT)	FY2017	FY2018	FY2019	FY2020	FY2021
Geelong	1,413	1,223	1,191	1,000	900
Portland	1,545	1,448	1,559	1,450	1,350
Brisbane	292	284	264	380	480
Melville Is		197	229	340	400
Tasmania		135	270	450	600
TOTAL	3,250	3,287	3,513	3,620	3,730

- The Group is in discussions with several industrial and institutional partners to invest in the expansion of the plantation estate in the Geelong facility catchment
- Exploring handling Grain and other bulk products at Geelong
- Working with industry stakeholders on a broad strategy to encourage farmers to grow trees on their land in the Geelong facility catchment
- SWF contract has five year extension clause from 2020
- Large volume of hardwood plantation available for Brisbane up to 400K GMT per annum for 8-10 years
- New volume from Melville Is and Tasmania



Outlook for FY19

FY19 results

- First quarter in line with management expectations
- 41% FX cover for USD sales already locked away for FY19 at favourable rates to FY18
- Pine log sales to commence in Northern Australia

Financial changes from FY19

- Accounting changes with the introduction of AASB 15 will impact balance sheet and statutory NPAT (see appendix) however will not impact on operating result
- Capital management initiatives to drive growth

Positive international fundamentals

- Export demand is forecast to remain strong, especially in China with future global supply constraints
- Chinese price negotiations to be performed in Q2; Japan negotiations to take place in Q3 (impacting Half 2 FY2019)

Attachments



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Midway's key business activities

Key areas of expertise



Plantation and land Management

- Existing freehold estate
- Experienced plantation manager
 - Company owned
 - Third party
- Domestic and international



Harvesting and logistics

- Extensive experience in Contract management
- Large fleet of harvesting and haulage contractors
- Operations in most states



Processing and materials

- Management of woodfibre processing plants
- Professional operations and maintenance staff
- Bulk materials handling
- Quality management systems
- Skilled in shiploading

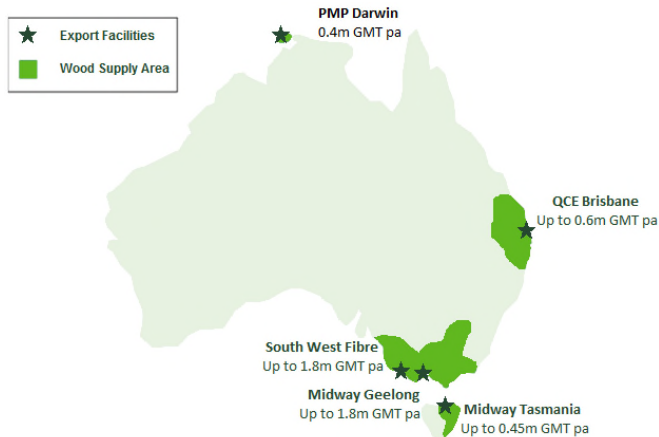


Marketing and shipping

- Market most of own product directly
- Strong market presence in Japan and China
- Trading third party woodfibre
- Ship chartering – 4 vessels currently on charter

Strategically located port and processing facilities

Five Key Export Ports



South West Fibre / Portland

- South West Fibre was the first plantation hardwood processing and marketing operation established in the Green Triangle - provides geographic and future market diversity
- Myamyn - 1.2 million GMT per annum current site capacity + in-field chipping and “upstream” chip and log storage
- Woodfibre receival, storage and loading facilities at the port contracted with GrainCorp
- 80,000 GMT woodfibre stockpile capacity
- Woodfibre receival capacity of 1.8 million GMT per annum
- 10 year x 1.2 million GMT per annum supply agreement with Australian Bluegum Plantations signed in July 2010
- 51% owned Joint Venture with Mitsui



QCE Brisbane

- Only woodfibre exporter from Brisbane Port – provides geographic and market diversity
- 15 year lease on a four ha site with the Port of Brisbane for producing, storing & loading
- Graincorp provides toll ship loading
- 300,000 GMT per annum softwood woodfibre export capacity
- Hardwood exports commenced in 2008.
- Total capacity of 600,000 GMT per annum
- Stockpile capacity: 100,000 GMT of softwood and/or hardwood



Midway Geelong

- 19 hectares of freehold land adjacent to Port of Geelong
- Two woodfibre mills (separate plantation and native processing facilities)
- Three stockpiles including three reclaimers with 200,000 GMT total capacity
- Capacity to process and export up to 1.8 million GMT per annum hardwood and softwood






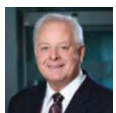



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New accounting standards - impacts

Key impacts – AASB 15 Revenue from contracts with customers

- The Strategy arrangement entered into (disclosed in Appendix 4E note 4.11) to repurchase hardwood trees previously sold is deemed a financing arrangement as a result of Midway's obligation to repurchase the hardwood trees
- Fair value of hardwood trees sold and to be repurchased will be recognised on the balance sheet as a biological asset
- Financial liability will be recognised at amortised cost using the effective interest method for the obligation to repurchase the trees
- Unwinding of interest on the financial liability expected to negatively impact interest expense in the range of \$4M - \$6M per annum. This is non-cash and will not impact EBITDA
- Fair value gains are expected on the treecrop as the discounting unwinds, which will partially offset the interest expense

Board of Directors – overseen strong growth

	Greg McCormack Non-Executive Chairman	Founding Director of Midway in 1980 and has a long-term commitment to the Australian forest products industry, holding senior positions with both the National and Victorian Association of Forest industries (having served as President of both associations). He is the current President of the Australian Forest Products Association and is a current ASX-Listed company Director.
	Tony Price Managing Director and CEO	Mr Price holds a Bachelor of Science (Forestry) and a Post Graduate Diploma in Business Management, has attended the International Executive Programme at INSEAD in France and is a graduate member of the Australian Institute of Company Directors. Before joining Midway, he has held a number of senior management positions in the hardwood plantation sector and has also run his own consultancy business. Mr Price has over 30 years' experience in the forestry sector. He is also currently a Director of Forestworks Ltd, an organisation which provides training packages to the forest industry.
	Anthony Bennett Independent Non-Executive Director	Mr Bennett has extensive background in production management, particularly in the manufacture of high volume/low margin products for use in civil engineering construction.
	Gordon Davis Independent Non-Executive Director	Mr Davis joined the board in 2016 and is currently a Non-Executive Director of Nufarm Limited and a Non-Executive Director of Primary Health Care Limited. Mr Davis was Managing Director and CEO of AWB Limited from 2006 to 2011. He was also Chair of VicForests from 2011 to 2016. He is currently the Chair of Greening Australia, and a Trustee of The Nature Conservancy.
	Nils Gunnensen Non-Executive Director	Joined the board in 2012 and has over 25 years' experience across operations and strategic business improvement within the broader forest industry – forestry, harvest & haul, processing, sales and marketing, finance, IT and administration – in Australia, NZ, USA and Indonesia.
	Tom Keene Independent Non-Executive Director	Mr Keene joined the board in 2008 and has a strong commercial and agribusiness background having held the position of Managing Director of GrainCorp Ltd between 1993 and 2008. He is currently a Director of AACo Ltd.
	Tom Gunnensen Non-Executive Director	Mr Gunnensen joined the Board in 2018 and has 15 years of corporate, investment and capital markets experience, more recently in Asia. Tom is currently a Director of Equities for a Global Investment Bank based in Hong Kong, and is also a Director of Chebmont. Tom holds a Bachelor of Arts from the University of Melbourne and an MBA (Finance) from Bond University.

Senior management team – extensive experience



Stephen Roffey
General Manager – Marketing and Development

Mr Roffey joined Midway in 1994 and holds forestry qualifications. He previously held the position of CEO between June 2012 and February 2013. He then commenced his duties and role as the General Manager – Marketing and Development. Mr Roffey has formerly held management roles in resource supply, operations and plantation estate management and has over 30 years' experience in forest management and operations.



Ashley Merrett
Chief Financial Officer

Mr Merrett joined Midway in 1993 and is responsible for all accounting, tax, group forecasting and capital management (including debt facilities). He is the Company Secretary for SWF and QCE. He has a Bachelor of Commerce and over 25 years of experience in finance, accounting and office management.



Brad Winthrop
General Manager - Operations

Mr Winthrop joined Midway in 2018. He holds qualifications in Forestry, Occupational Health & Safety and Project Management; with 28 years forestry management experience in Australia and internationally. Prior to joining Midway he held senior executive, operational and strategic planning roles.



Malcolm Hatcher
General Manager - Technical Services

Mr Hatcher joined Midway in 2004 and is responsible for technical services. He has formerly held management roles in operations and business analysis. He has a forestry degree, with over 30 years' experience in forest management, forest harvesting, plantation establishment, processing, forest certification and management systems.



Glen Samsa
General Manager - Plantations

Mr Samsa brings over 20 years of industry expertise and is the Chief Executive Officer of the recently acquired Plantation Management Partners. He has extensive knowledge and skills in forestry analysis and valuation, project development, technical management, and financial management and reporting. Glen is a member of the Institute of Foresters of Australia, and the Australian Institute of Company Directors.



Sophie Karzis
Company Secretary

Ms Karzis is a practising lawyer with over 15 years' experience as a corporate and commercial lawyer, company secretary and general counsel for a number of public companies. Ms Karzis is the General Manager of Corporate Counsel, a corporate law practice with a focus on corporate governance for ASX-listed entities, as well as the more general aspects of corporate and commercial law. Ms Karzis is currently the Company Secretary of a number of ASX-listed and unlisted entities, and is a member of the Law Institute of Victoria as well as the Governance Institute of Australia.



Questions ?

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