



Full year result – 1H19

Analyst and Investor Presentation

February 2019



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All references to dollars are to Australian currency unless otherwise stated.





Financials 1H19

Midway

Performance Overview

Strong underlying performance in 1H19 results

- 1H19 EBITDA – S⁽¹⁾ of \$12.2M (1H18: \$6.5M)
- Net profit before tax was \$7.3M and NPAT was \$5.6M
- Favorable sales price increase of \$12 USD / BDMT on average over the pcp
- Bone dry % increased over prior corresponding period

Expected full year FY19 result in line with consensus forecasts

- Strong second half volume growth (subject to shipping schedules)
- 11% price increase agreed with customers for 2H19
- Significant FX cover in place, minimal FX exposure remaining

Growing shareholder returns

- Shareholders will receive a fully franked interim dividend of \$0.09 cents per share
- Successful capital raising supporting continued growth

Revenue
\$124.2M +45.8%

EBITDA⁽¹⁾
\$12.2M +87.7%

1: EBITDA - S represents EBITDA before significant items and net fair value increment on biological assets

Midway

Financial Performance – 1H19

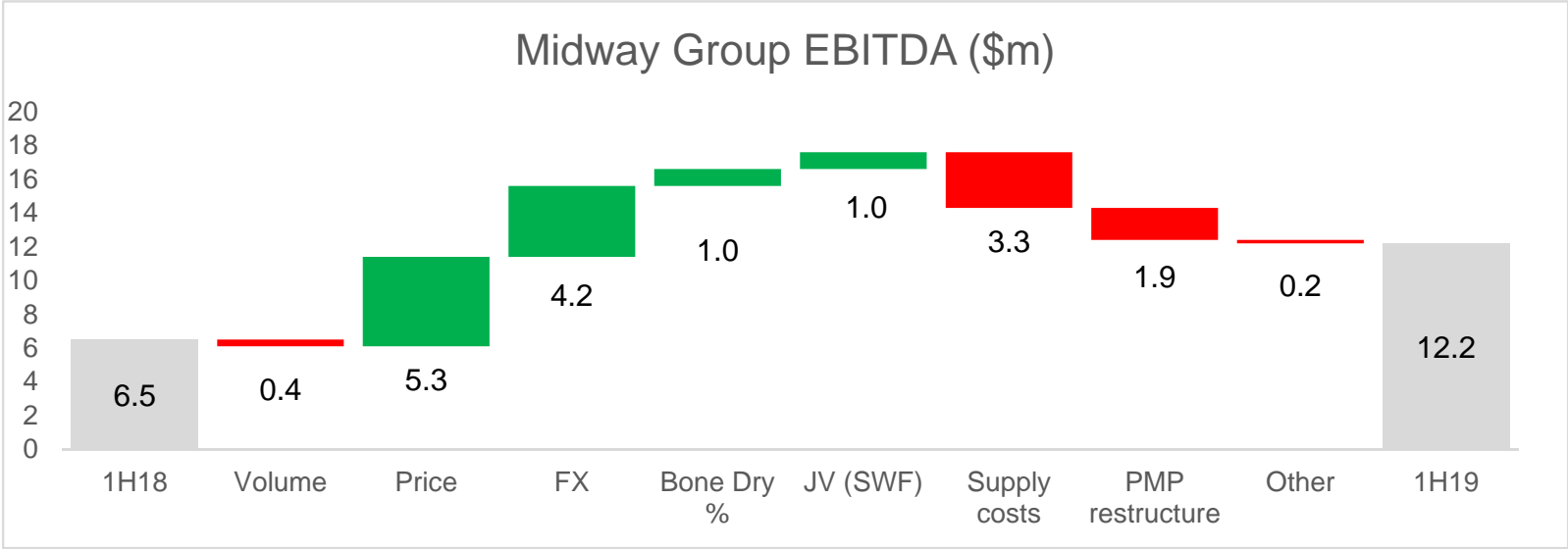
\$Am	1H19	1H18	% Change	
Sales Revenue	124.2	85.2	45.8%	↑
Other Income	2.6	2.0	30.0%	↑
Equity Accounted Share of Profits	2.2	1.2	83.3%	↑
Operating Costs	(116.8)	(81.9)	(42.6%)	↓
EBITDA – S ⁽¹⁾	12.2	6.5	87.7%	↑
Significant items ⁽²⁾	2.7	-	-	↑
Net fair value gain on biological assets	13.8	-	-	↑
EBITDA	28.7	6.5	341.5%	↑
EBIT	25.2	4.5	460.0%	↑
Finance expense ⁽³⁾	(6.8)	(1.1)	(518.2%)	↓
Pre-Tax Profit	18.4	3.4	441.2%	↑
Tax Expense	(4.1)	(0.7)	(485.7%)	↓
Statutory NPAT	14.3	2.7	429.6%	↑

1: EBITDA - S represents EBITDA before significant items and net fair value increment on biological assets

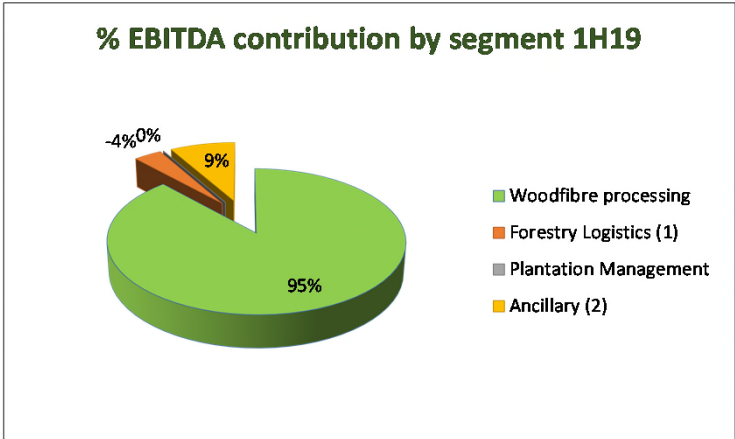
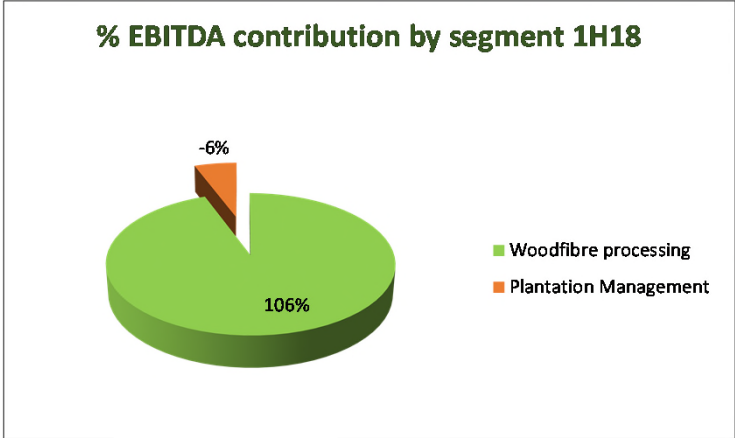
2: Significant items includes gain on bargain purchase of Softwood Logging Services (\$0.6M), reversal of contingent consideration (\$2.4M) and transaction costs (-\$0.3M)

3: Includes \$5.4M of non cash interest expense incurred on the liability created on 1 July 2018 to repurchase trees under the Strategy arrangement, which was deemed a financing arrangement upon the adoption of AASB 15 Revenue from Contracts with Customers.

Financial Performance – 1H19



Segment contribution



- (1) Forestry logistics includes a negative contribution in 1H19 relating to the startup activities of SLS and BGP due to some teething problems and is expected to contribute fully in FY20
- (2) Contribution from Ancillary represents the margin on the third party woodfibre trading business

Cash Flow – 1H19

\$Am	1H19	1H18	\$Am Change
Operating Cash Flow	(13.7)	(11.2)	(2.5)
Investing Cash Flow	(15.7)	(15.2)	(0.5)
Financing Cash Flow	23.6	13.7	9.9
Net Change in Cash	(5.8)	(12.7)	6.9
Net Debt ⁽¹⁾	36.2	49.9	(13.7)

(1) Net debt excludes the Strategy financial liability as this is not taken into account for debt covenant calculations.

Balance Sheet – 1H19

\$Am	1H19	FY18	\$Am Change
Total Current Assets	62.9	52.9	10.0
Total Non-current Assets	206.7	135.4	71.3
Total Assets	269.6	188.3	81.3
Total Current Liabilities	43.3	37.0	6.3
Non-current borrowings ⁽¹⁾	34.5	35.4	(0.9)
Total Non-current Liabilities	87.3	52.1	35.2
Total Liabilities	130.6	89.1	41.5
Net Assets	139.0	99.2	39.8

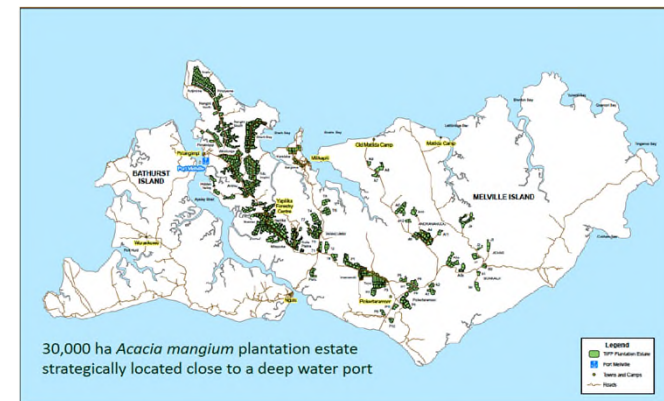
(1) Excludes Strategy arrangement

New business activities

- On 15 October 2018, the Company made two acquisitions in Western Australia (WA):
 - 100% of Softwood Logging Services (SLS), a harvest and haul business in WA. SLS provides Midway with access to equipment, management expertise and contracts for the harvesting and delivery of biomass and other forest products in South-West WA; and
 - 40% of Bio Growth Partners, a biomass procurement and marketing business which supplies woodfibre to the WA biomass market. Bio Growth Partners is not controlled by the Group and as such is equity accounted.
- Integration of new acquisitions well underway, with some teething problems being addressed to ensure full year benefits are realised in FY20
- Strong woodfibre trading business growth (marketing and shipping of third party woodfibre) \$1.4M EBITDA (1H18: \$0.2M).

Investing \$17 million on the Tiwi Islands

- The investment (\$12.0M 1H19) has been used to acquire additional production and port assets on Melville Island that will increase woodfibre production and deliver cost efficiencies
- To date this has entailed acquiring the existing woodfibre stockpile, purchasing additional plant and equipment (majority hire purchase), and reassigned Tiwi Plantations Corporation (TPC)'s loan receivables with financiers
- This represents a change in the business model for PMP, which now manages the entire woodfibre supply chain and will deliver additional margin and three to five extra vessels per annum on behalf of the Tiwi Islanders, whilst significantly de-risking the operations
- The investment is also consistent with the Groups' strategy of growing earnings by leveraging our existing core capability including processing, marketing, harvesting and plantation management and is consistent with other operations in the Group
- Slower than expected start to the restructured operation as production rates not achieved due to breakdown of equipment. Currently being rectified with a new maintenance program and assets being deployed on Melville Island funded by the capital raising





Strategy and Outlook section

Midway

Strategic priorities

Increasing EBIT over time:

1. EXPANSION OF EXISTING BUSINESS

- Growth of plantation management and woodfibre processing
- Increased utilisation and expansion of existing infrastructure
- Development of Hardwood and Softwood log exports

2. ACQUISITIONS

- Complementary businesses
- Industry consolidation
- Domestic and international

3. OPERATING EFFICIENCIES

- Economies of scale
- Margin expansion
- Cost management

Good progress continues to be made with our strategic priorities

- 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
- Entering forestry logistics provides a platform for further growth (ie SLS and BGP)
- Exports from Tasmania have grown substantially (marketing of third party wood fibre and also Midway purchases)
- Midway maintains a disciplined approach to capital management to ensure we maximise shareholder value

Overall volume growth with changing mix

Facility Volumes (000's GMT)	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Geelong	1,413	1,223	1,191	1,000	900	700
Portland	1,545	1,448	1,559	1,450	1,200	1,000
Brisbane	292	284	264	380	480	550
Melville Island		197	229	340	400	500
Tasmania ¹		135	270	450	600	800
Western Australia				200	300	400
TOTAL	3,250	3,287	3,513	3,820	3,880	3,950

¹ Represents both Group owned and third party wood fibre where Midway performs the marketing function

Outlook for FY19

Positive outlook

- On track to meet the current analyst consensus EBITDA forecast range before significant items

Adoption of new accounting standards

- Accounting changes with the introduction of AASB 15 will impact balance sheet and statutory NPAT (see attachments) however will not impact on EBITDA-S¹ or cashflow

Positive international fundamentals

- Favourable export demand outlook for woodfibre, particularly in China and Japan, and more recently Indonesia

(1): EBITDA - S represents EBITDA before significant items and net fair value increment on biological assets

Attachments



Midway

New accounting standards - impacts

Key impacts – AASB 15 Revenue from contracts with customers

- The Strategy arrangement entered into (disclosed in Appendix 4D note 2) 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 is now recognised on the balance sheet as a biological asset
- Financial liability has been recognised at amortised cost using the effective interest method for the obligation to repurchase the trees
- Unwinding of interest on the financial liability negatively impacted interest expense by \$3.8M. This is non-cash and does not impact EBITDA
- As at 31 December 2018, fair value gains of \$13.8M were recorded on the treecrop resulting from the USD FOB prices increase, which offsets the interest expense.
- Impacts at 1 July 2018 shown below:

	\$'000
Opening reserves balance as at 30 June 18 as previously reported	66,983
Decrease due to financial liability created to repurchase the hardwood trees	(34,247)
Increase due to financial asset created to receive plantation management fees	1,618
Increase due to the hardwood biological trees being re – recognised on the balance sheet	27,887
Net deferred tax asset	1,423
Restated opening reserves balance as at 1 July 2018	63,664

Australasian Growth Opportunities



Plantation management

- Further expansion of Midway's position in the supply chain to reduce operational and market risks and capture additional margins
- New and expanded areas of plantation management in Australia, South East Asia and New Zealand



Harvesting and logistics

- ADDCO (logistics business Midway acquired 25% in January 2018) purchased Hoffman Forest Harvesting, a harvesting and logistics company in Australia
- Acquisition of Softwood Logging Services (SLS), a harvest and haul business in WA
- Expansion opportunities throughout Australia



Woodfibre expansion

- Opportunities actively being progressed in Tasmania
- Expansion in marketing of woodfibre on behalf of third parties
- Woodfibre expansion in Victoria through freehold land purchases, leasing and share farming
- Pine log sales to commence from Northern Australia



Biomass production

- Acquisition of a shareholding in Bio Growth Partners providing Midway positive market exposure to the rapidly expanding clean energy sector
- Domestic and export sales of biomass and wood pellets

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

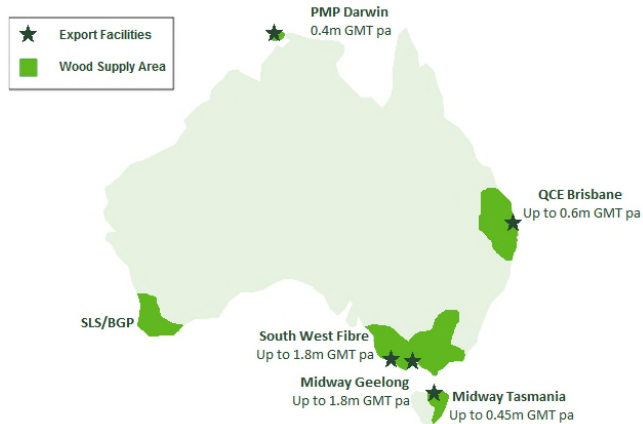


Marketing and shipping

- 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



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



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



Midway Geelong

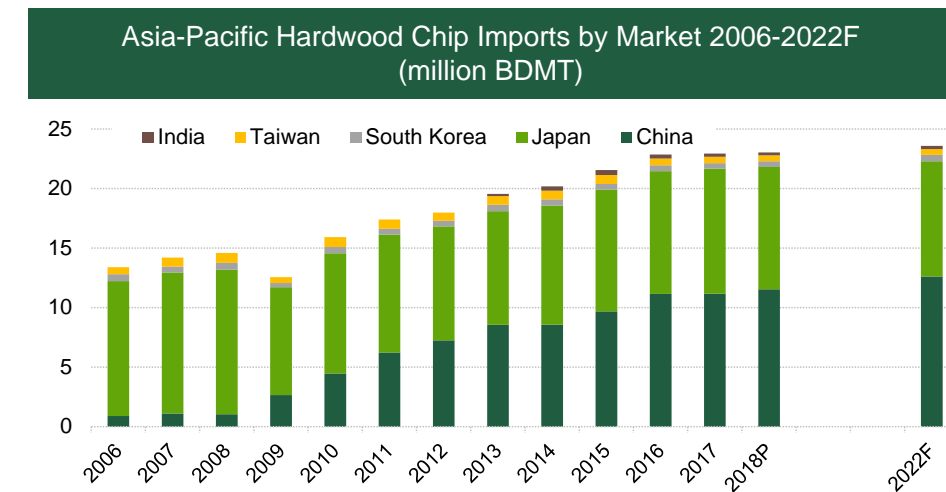
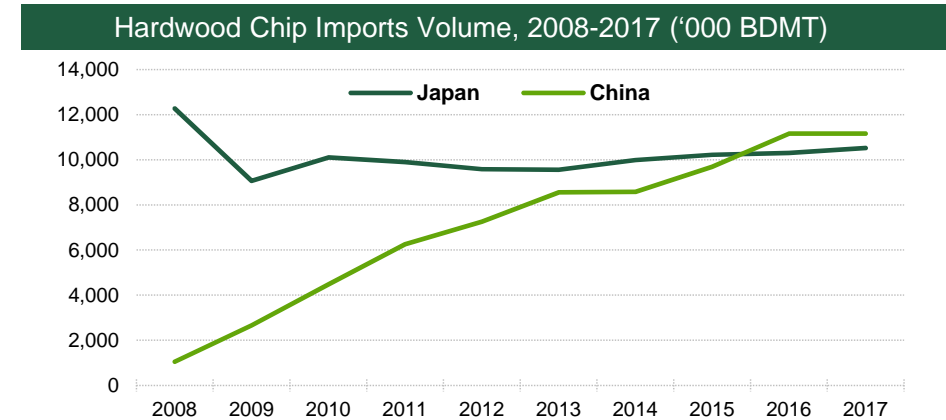
- 19 hectares of freehold land adjacent to Port of Geelong
- Two woodfibre mills (separate plantation and native processing facilities)
- Three stockpiles including three reclaimers with 200,000 GMT total capacity
- Capacity to process and export up to 1.8 million GMT per annum hardwood and softwood



Midway




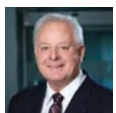



Positive pricing outlook

- Demand for woodfibre in the Asia-Pacific region is expected to continue to grow with most shipments bound for China and Japan
- China demand has exceeded Japan since 2017, while Japan has continued to increase slowly
- China has an increased appreciation of higher quality eucalyptus woodfibre which produces higher yields, requires less chemicals, less energy inputs and the processing cost is lower
- China's woodfibre pricing has increased to match or exceed Japan while also committing to longer term contracts
- Given the growing demand for hardwood woodfibre Midway as Australia's largest woodfibre processor and exporter is well positioned to secure additional volume and new customers
- Indonesia has commenced woodfibre imports from September 2018



Source data: International Pulpwood Trade Review, RISI 2018

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 ?

Midway