

## **MIDWAY LIMITED (ASX: MWY)**

29 November 2024

### **Transcript of AGM (28 November 2024)**

#### **Speakers:**

Gordon Davis, Chair (**GD**)

Tony McKenna, Managing Director and CEO (**TM**)

Georgie Morell, Investor Relations and Media Adviser (**GM**)

**GD:** Good morning, ladies and gentlemen and welcome to Midway's 2024 Annual General Meeting. I'm Gordon Davis, Chair of Midway. All your directors are in attendance: Leanne Heywood, Andy Preece, Nils Gunnensen, Kellie Benda and Tom Gunnensen. On my right is our managing director, Tony McKenna. We have a quorum present, so I now declare the meeting open.

A few procedural steps. Voting on all resolutions at today's meeting will be conducted by way of a poll conducted online. You'll need the link provided in the notice of meeting and your shareholder details to vote in the poll. The poll is now open and you can vote at any time. At the end of today's meeting, you'll be given time to vote if you wish. The results of the poll will be notified to the ASX following the meeting.

As I deal with the resolutions today's meeting to shareholders, I'll provide an opportunity to shareholders to ask any questions or make any comment. Questions or comments should be submitted by the Q&A panel on your screen. For this meeting there are six items of business, five of which will be voted on. There have been proxies received in respect of today's resolutions. The numbers have been announced to the ASX and I'll mention them as we move through the resolutions. The figures are at the closing time for the receipt of proxies. As chair, I will vote all available undirected proxies in favour of each resolution.

Before we move on to the formal business of today's meeting, I would like to address shareholders in relation to the company's performance. I shall then invite our managing director, Tony McKenna to deliver a presentation to shareholders. A copy of my address and Tony McKenna's presentation have been lodged with the ASX.

It's been a pleasing year of progress for Midway, which is concluded with an attractive offer from River Capital to take Midway Limited private. Midway has entered into a binding scheme implementation deed with RCM BidCo Pty Ltd, an entity owned and controlled by River Capital for the purpose of acquisition of all shares in Midway by way of a scheme of arrangement.

If the scheme becomes effective, Midway shareholders will receive \$1.19 cash per Midway share under the scheme, which is inclusive of special dividend expected to be paid of 38 cents per Midway share. The extent to which the special dividend is franked will depend on the availability of franking credits.

The special dividend is expected to be partially franked to the extent of 30 cents per share, and 8 cents per share unfranked. The cash consideration represents a premium to the undisturbed closing price, of \$0.765 on 13th of November. That was the final day Midway traded prior to the announcement that it had entered into a binding Scheme Implementation Deed with River Capital.

Established in 1996, River Capital is an Australian fund manager investing over one billion dollars on behalf of investors across both listed and unlisted companies. River Capital currently has an 8% ownership stake in Midway. The Midway board unanimously recommends that Midway shareholders vote in favour of the scheme in the absence of a superior proposal and subject to an independent expert concluding, and continuing to conclude, that the scheme is in the best interest of Midway shareholders.

The option we are working to put before shareholders is a long time in the making. Since Tony's appointment in January 2022 and my elevation to the chair in May 2022, the board has been discussing strategic options for Midway Limited to create value for shareholders going forward. In that process we've explored many alternatives, including selling assets or finding a strategic partner for our core business. The River Capital proposal has been partly made possible by the progress that has been made in the meantime on delivering Midway's strategy.

A number of strategic achievements can be recognised this year. One of the most noteworthy developments this year has been the realisation of the grain project at our Geelong site. International grain company, CHS Broadbent, took possession of the site under a development lease and commenced work on silos and other infrastructure.

The settlement of the land sale occurred in the first week of November this year. This project marks a pivotal moment in leveraging our assets for enhanced operational efficiency and profitability.

We're delighted to announce our partnership with Rio Tinto on a groundbreaking project in plantation oil seed to produce biodiesel. This collaboration is not only a testament to Midway's capabilities in plantation carbon, but also a promising new avenue for the business. The partnership underscores our commitment to innovation and sustainability. We're excited about the potential it holds for future growth.

In addition, we have entered the second year of our collaboration with MEAG, Munich Re Agriculture, during which we have successfully registered and managed over 1,700 hectares of new plantation carbon projects. This partnership continues to thrive, showcasing our ability to deliver meaningful results and to advance our strategic objectives.

We are also working closely with a major financier to offer a plantation carbon financing product to landowners. The initiative has garnered significant interest and we have signed several aggregations further expanding our reach and impact in the plantation carbon market.

We're also making substantial progress on the Tiwi Island project. Our comprehensive process is nearing resolution, promising significant improvements for the company.

These advancements do not deliver significant short-term earnings, but are expected to deliver considerable value and enhance our strategic positioning in the longer term.

In terms of our financial health, the financial health of Midway has seen a pleasing improvement. Since March 2022, we have sold and settled our land and plantations for a total amount of \$173 million with the final tranche completed in September. These sales have enabled us to eliminate all long-term debt, repositioning and strengthening our balance sheet. The repositioning has been crucial in ensuring the long-term stability and growth of the company.

Our traditional businesses have also seen significant financial improvements. The underlying EBITDA for financial year '24 stands at \$14.2 million reflecting marked improvement on the previous year. This positive progress underscores our commitment to enhancing operational efficiency and delivering value to our shareholders despite the challenging conditions faced by the Tiwi's first rotation project and South West Fibre.

On dividends, I've been pleased that this year we've been able to declare two fully franked special dividends. In December 2023, we paid five cents per share fully franked. In October 2024, we paid 14.50 cents per share fully franked dividend, fulfilling our commitment to provide 19.5 cents per share to our valued shareholders. We also paid an ordinary dividend of 1.6 cents per share fully franked from financial year '24 earnings.

Our disciplined approach to financial management and strategic execution has allowed us to survive the current market volatility and to capitalise on subsequent market improvements and return some capital to shareholders. Looking forward, Midway remains committed to its strategic vision of growth and innovation. Our focus will continue to be on expanding our presence in the plantation carbon space, leveraging our partnerships and enhancing our operational capabilities.

The projects and initiatives we have undertaken this year lay a solid foundation to sustain growth and profitability in future years. We're particularly excited about the potential of our partnership with Rio Tinto and the opportunity it presents in the biodiesel market. Similarly, our collaborations with MEAG and a major financier are expected to yield significant benefits further cementing our leadership in the plantation carbon sector.

In closing, I'd like to once again welcome Mr. Andy Preece, who was appointed to the board in March as a non-executive director. He brings a wealth of experience and capability as a director and businessman. I would also like to extend my gratitude to our shareholders, our employees and partners for their support and dedication.

The progress we've made this year is testament to our collective efforts and shared vision. As we move forward, I'm confident that Midway is well-positioned to continue to improve and deliver genuine value to our shareholders. I'm excited about Midway's future and the opportunities ahead and would like to hand over the meeting to Tony McKenna to talk in more detail about the Midway position. Thank you.

**TM:** Thank you, Gordon. For those of us in the room, the presentation is on the screen behind you, so we can turn around. Are we all good to go with this?

As the Chairman said, there've been a number of substantial developments over the course of the last 12 months. I'll take you through a summary of the River Capital offer and some background on how the board came to agree terms. Then we'll go through our strategy, and progress delivering on it. I'll talk about the wood fibre and carbon markets outlook and touch on people safety and sustainability.

The progress that we've made in delivering our strategy over the past three years has created the opportunity for the company to return funds to shareholders by paying special dividends and to secure an attractive takeover proposal. On the 14th of November, Midway announced that it had entered into a scheme of implementation deed with River Capital. The offer price equates to \$1.19 per share, representing a significant premium of 56% to Midway's undisturbed share price before the announcement.

Midway declared a 14.5 cent per share fully franked special dividend and a 1.6 cents per share ordinary fully franked dividend, both paid in October following the FY24 results. The company has also paid a five cent per share fully franked special dividend in December 2023.

We continue to make improvements to our operations, which is essential in a volatile commodity business. FY24 underlying EBITDA of \$14.2 million was an \$11.3 million improvement on the previous year's results.

In September, we settled the final tranche of the plantation estate sale to MEAG. In November, we settled the sale of part of the Geelong site to CHS Broadbent for \$15.5 million as part of our ongoing strategy to maximise the value of the company's assets. In September, we were very pleased to announce our partnership with Rio Tinto to manage a pongamia plantation to explore the viability of pongamia as a sustainable, renewable diesel feedstock. We are building a high-quality team in Townsville to support and deliver this project.

With our carbon growth strategy, we are making progress on a number of metrics and starting to build a business that will, over time, generate diversification and growth. For the Tiwi project, we've been running a process since the beginning of this year and are currently in exclusive negotiations with River Capital, and we are hopeful of securing their investment in the project.

Regarding the outlook for the company, we are confident that over the coming years we should start to see results from our carbon strategy, growing revenues and becoming profitable. While Asian woodchip imports have grown over the last 12 months, Australia's total volume and market share has fallen. The market remains volatile with pulp prices at US\$560 down from their peaks of US\$745 in July this year.

There has been a long-running and comprehensive process that's led the board to reaching its decision to recommend the River Capital offer. The Midway board unanimously supports the scheme in the absence of a superior offer and subject to the

independent expert concluding that the scheme is in the best interests of Midway shareholders.

For the past three years at least, it has been apparent that Midway suffers the negatives of being listed on the ASX without enjoying any of the benefits. We've spoken about this publicly and have been taking measures to address it. The negatives are obvious and include onerous reporting requirements, compliance costs and the management distraction and the disclosure of sensitive information to our competitors, customers, suppliers, contractors and the industry in general.

With very low liquidity in our stock and a business exposed to the commodity cycles with hard-to-forecast earnings, we feel that the company's share price has not reflected the true value of the company. The share price and limited investor interest in the company has also limited the option of raising capital on the market. We've made a concerted effort to take measures to help the market see the positives and the future potential of the Midway business so that being listed could be an advantage rather than a burden.

We've outlined and executed a strategy to improve the operating performance and to best manage the volatility of the wood fibre business. We've also described our strategy for building a position in the emerging carbon business to provide growth and diversification. While it remains early days, we're making good progress with our carbon strategy.

Now I fully acknowledge that there's a difference between net tangible asset value and net realisable value. In our efforts to deliver value to shareholders, we've sold the company's plantation estates and a portion of the Geelong land all for better than book value. Despite delivering as promised on these initiatives, the share price has not responded. The only thing that's moved the share price has been the announcement of special dividends or the proposed River Capital scheme of arrangement.

It can't be ignored that returning funds to shareholders is an irreversible shrinking of a company that is already subscale for the ASX and is clearly not a sustainable strategy. In 2022, as part of our strategy to explore all options to maximise shareholder value, we engaged Deloitte as corporate advisors to assist with an evaluation of the prospects of Midway, including delisting from the ASX and returning Midway to private ownership.

The Midway board held conversations with various parties covering a wide range of potential transaction alternatives. Part of Deloitte's mandate was to also consider a sum of the parts approach. Despite a number of encouraging engagements and a number of parties undertaking detailed due diligence, nothing came of the process and we terminated it in mid-2023.

We've continued to be public about our thoughts that the Company didn't need to be listed, and maybe better suited to private ownership. However, to achieve that requires a party who shares the belief in the Company's direction and opportunities. We remained open to options and on receiving indications that River Capital were considering acquiring the company, we appointed PwC Securities as lead advisor to sound the market and to help the board negotiate the best outcome for shareholders.

PwC and the board operated with the full benefit of the process run in 2022 and '23. In the months following June this year, the River Capital offer was robustly negotiated until the board was finally satisfied that it secured the best possible offer and one that they were prepared to unanimously recommend to shareholders.

On the 14th of November, Midway announced that it had entered into a binding scheme implementation deed with RCM BidCo Pty Ltd, an entity wholly owned and controlled by River Capital Pty Ltd, for the acquisition of all the shares in Midway by way of a scheme of arrangement.

If the scheme becomes effective, Midway shareholders will receive a \$1.19 total cash payments per share, which is inclusive of a partially franked special dividend of 38 cents per share expected to be paid. The extent to which the special dividend is franked will depend on the availability of franking credits, but the special dividend is expected to be a partially franked dividend equivalent to the aggregate of a 30 cent per share fully franked and an 8 cent per share unfranked dividend.

The River Capital proposal also provides Midway shareholders with the option to roll their existing Midway shareholding into the new River Capital controlled private ownership structure. The Midway board makes no recommendation as to the roll option.

The cash consideration of \$1.19 represents a 56% premium to the undisturbed closing price of 76 cents per share on the 13th of November, being the final trading day prior to Midway's announcement that it had entered into a binding scheme implementation.

Established in 1996, River Capital is an Australian fund manager investing over \$1 billion on behalf of investors across both listed and unlisted companies. River Capital currently has an approximately 8% ownership stake in Midway.

The Midway board unanimously recommends that Midway shareholders vote in favour of this scheme in the absence of a superior proposal and subject to the independent expert concluding and continuing to conclude that the scheme is in the best interests of Midway shareholders.

The scheme remains conditional on shareholder support requiring a majority in number of members who vote and 75% of shares voted being in favour. It is also subject to various standard conditions, including no material adverse change.

In securing a fixed cash payment amount for shareholders, the scheme has been structured such that it's dependent and conditional on the company paying a fixed 38.35 cent per share special dividend prior to implementation of the scheme.

The table on this page sets out a breakdown of the total cash payment under the scheme. The \$1.19 per share is made up of an expected special dividend of 38.35 cents per share to be paid at the time the scheme is implemented. The dividend is expected to be franked at 30.09 cents per share with 8.26 cents per share unfranked. The balance of 80.65 cents per share will be funded by RCM BidCo if the scheme becomes effective.

The payment of the dividend remains subject to determination by the Midway board in its discretion, and if determined will be subject to the scheme becoming effective. The franking of the dividend remains subject to availability of franking credits and is based on an estimated franking balance prior to determining any special dividend.

Shareholders who elect to receive scrip consideration for their shares will receive cash payments of the 38.35 cents per share special dividend and will receive one share in RCM RollCo Ltd for each Midway share subject to a minimum take-up threshold of 5% and a scale-back provision if take-up exceeds 49.99%.

Midway remains focused on delivering our strategy to create value for shareholders. We have a strong focus on constantly and continually improving our operating performance. This has taken the form of a series of initiatives across each of the business units that will put the business in a stronger position regardless of the stage in the cycle.

Geelong operations are performing well with the team securing alternative wood fibre sources, including softwood, to fill the gap left by the closure of the native hardwood industry in Victoria. The reconfiguration of the Geelong site for the grain project has compressed the footprint of the Geelong operations, and will generate future revenue, as CHS Broadbent utilise the shiploader for grain exports.

In Tasmania, production levels continue to improve and supply contracts have been extended with our major supplier, Sustainable Timber Tasmania. Sales of third-party wood have also been an important contributor to our Tasmanian export volumes. QCE has negotiated a lease with the Port of Brisbane securing the long-term future of the operation out of Southern Queensland and Northern New South Wales.

The restructure of the plantations business unit has largely eliminated exposure to biological asset revaluations and plantation management costs. These initiatives along with better FX rates have contributed to improved financial results in FY24 with a \$14.2 million underlying EBITDA and \$1.0 million net profit after tax for the year.

We've made good progress on maximising the value of the assets in the last 12 months. In November, we settled the sales to CHS Broadbent of around five hectares of the Geelong site. The development of the retained portion of the Geelong site is well advanced. Works include the construction of the new chip pad and log yard as you can see in the image, as well as construction of new site offices and a new weighbridge, and those attending in person today are welcome to have a site tour after this AGM.

In September, we settled with MEAG the final tranche of \$35 million for the plantation estate sale. The proceeds have been used in part to repay the last of the strategy liability. Midway's carbon growth strategy is beginning to gain real traction with several initiatives contracted, and showing promise of future earnings growth.

The company has a mandate to manage \$350 million of brownfield and greenfield plantation estates with MEAG with around \$260 million deployed. We've announced a partnership with Rio Tinto to manage a 3,000 hectare pongamia oil seed pilot plantation project.

We are working with Rio Tinto to prove up the production potential of pongamia as a feedstock to produce biodiesel on a large scale. We continue to work with landowners and emitters across Australia to utilise our deep operating knowledge and networks to establish plantation carbon projects.

Our aggregation programme is moving ahead with properties signed for registering and planting in the coming year. Having run a process with advisors Azure Capital, Midway is in exclusivity with River Capital to secure funding for the second rotation of the Tiwi Plantation Project. The status is promising with details to be negotiated and conditions to be satisfied.

From a zero base in 2022, our carbon strategy is showing pleasing progress. On behalf of third parties, Midway has now registered 4,000 hectares of plantation carbon ACCU projects with the Clean Energy Regulator. We've deployed \$260 million invested in plantations and plantation carbon projects with a further \$90 million committed. Projects managed by Midway have committed abatement of almost 900,000 ACCUs over the project lives.

New pulp and paper mill capacity in China and Indonesia has increased wood fibre import demand by 12.4% for the calendar year to date. Supply from Vietnam has increased nearly three million BDMT and is on track to reach the highest ever Vietnamese export level. Australia has lost market share and absolute volume, partly due to being perceived by the market as a high-cost supplier.

The calendar year headline E. globulus price was finally agreed in July this year, down 5% from the previous year to US\$188.75. The China bleached eucalyptus craft pulp price has dropped from highs of \$740 a tonne to \$560 a tonne in October. Softwood pulp prices are recovering slightly from recent lows.

The carbon market outlook. Industry forecasts for ACCU pricing remain positive and plantation methodology ACCUs continue to attract a premium of between \$10 to \$15 per ACCU over generics. The spot price for plantation ACCUs has recently risen with sales being achieved at \$55.50.

The Federal government's Safeguard Mechanism is driving interest from Australia's highest emitting 215 industrial facilities as they position themselves for the 4.9% regulated annual reduction in net emissions each year.

Sustainability, people and safety are at the heart of everything we do at Midway. We are committed to contributing to a sustainable environment, supporting sustainable businesses and ensuring the safety and productivity of those who work with us throughout the supply chain. Our products are sourced from well-managed forests with high conservation values and through controlled supply chains.

This year we were very pleased to achieve 50% reduction in reportable injuries and we believe that some of the safety initiatives that we've implemented have contributed to that outcome. Initiatives include the introduction of voice recognition hazard reporting technology that has increased employee engagement in delivering safety outcomes.



It's important to note that without the commitment of our staff and leadership team, none of the achievements that I've been going through would've been possible.

Over the past three years, Midway has made substantial progress with its strategy that has led to an attractive offer from River Capital. In 2022, the company refreshed the board of directors appointing Gordon Davis as chair and inviting Kellie Benda to join. A new CFO was appointed. We entered a contract to sell the plantation estates and repaid a substantial amount of debt. We commenced entry into the carbon market and exited the loss-making Western Australian logistics business.

In 2023, Midway contracted with Australian and international grain company, CHS Broadbent, to sell part of the Geelong site for the development of a grain terminal, to utilise the company's access to the Corio Quay North ship loader.

We built a strong plantation carbon team, refinanced the business, settled tranche four of the MEAG plantation estate sale, completed the development of a new mill and export facilities in Bell Bay and Tasmania, and paid a five cent per share special dividend.

In 2022 and '23, corporate advisors were engaged to run a process exploring all alternative ownership options for the company. In 2024, we entered into a partnership with Rio Tinto for a 3,000 hectare pongamia trial plantation. The company invited Andy Preece to join the board of directors. We declared and paid a 14.5 cent special dividend, settled the final tranche of the plantation estate sale with MEAG, and settled the land sale contract with CHS Broadbent.

All of this has culminated in entering into a binding scheme implementation deed with River Capital for an offer which will generate total cash payments for shareholders of \$1.19 per share, including an expected 38 cents per share partially franked dividend.

We thank you for your time and interest in Midway and I'll now hand back to the chair.

**GD:** Those who have forgotten: sitting over this side. Thank you, Tony. And now to the formal business of the meeting. The first item of the business of the meeting is the consideration of the audited financial statements and related reports the year ended 30th of June, 2024.

The Corporations Act requires that the audited financial statements and related reports for the financial year are considered at the meeting. Shareholders are not required to vote on these reports, but I welcome any discussion or questions. The company's auditors are KPMG and Simon Dubois, the partner responsible for the company's 2024 audit is present at the meeting today and is willing to answer any questions on the conduct of the audit.

As the reports have been available for some time, I don't believe any further background information on this item is required, so I ask are there any questions from the room on this item? If not, Georgie, are there any questions online or...

**GM:** None at this stage.

**GD:** Good. So if there's no questions, we'll move on to the next item of business. The next item of business is a non-binding resolution to adopt the company's remuneration report, which is set out in the company's 2024 annual report.

The board will take into account any discussion on this resolution and the outcome of the vote when considering future remuneration policies and practices of the company.

The proxy votes we have received are 55.1 million for the resolution and 0.1 million against the resolution, indicating a majority in favour of 99.7%. Are there any questions in the room on the remuneration report? If not, Georgie, any questions online?

**GM:** Not at this stage, Gordon.

**GD:** The next item of business relates to Tom Gunnensen's re-election as director. Tom's qualifications and experience are set out in the notice of meeting. The proxy situation for this resolution is that we have received 55.2 million votes for the resolution and 0.1 million against indicating a majority of 99.8% in favour.

Are there any questions in the room on this resolution? If not, Georgie, any questions online?

**GM:** No, Gordon.

**GD:** The next item of business relates to the re-election of Leanne Heywood as a director. Leanne's qualifications and experience are set out in the notice of the meeting. The approximate votes we have received are 55.2 million for the resolution, 0.1 million against the resolution indicating a majority of 99.8% in favour.

Are there any questions in the room about Leanne's resolution? If not, Georgie, any questions online?

**GM:** No, Gordon.

**GD:** Good. The next item of business relates to the election of Andy Preece as a director. Andy was appointed to the board during the year and his qualifications and experience are set out in the notice of the meeting. The proxy votes we have received are 55.2 million for the resolution and 0.1 million against indicating a majority of 99.8% in favour.

Georgie, are there any questions in the room? If not, then Georgie, any online?

**GM:** No.

**GD:** The next item of business seeks shareholder approval for the issue of performance rights to Tony McKenna, our managing director and chief executive officer. The board believes it's appropriate to offer Tony another issue of rights under the long-term incentive plan in the event that the scheme of arrangement is not approved. If the scheme of arrangement is approved, then the performance rights will not be issued. The terms of the performance rights are set out in the notice of meeting.

The proxy votes we have received are 55.1 million for the resolution, 0.2 million against indicating a majority of 99.6% in favour. Are there any questions in the room about Tony's performance rights? If not, Georgie, anything online?

**GM:** No, Gordon.

**GD:** We now will proceed to the close of the meeting. Shareholders may now, if they wish, vote on the resolutions. Voting is via the voting application as shown in the notice of meeting. You will need your SRN or HIN to access the voting website. The poll will remain open for 20 minutes after the close of the meeting. The results of the poll will be notified to the ASX later this afternoon.

That concludes the business of the meeting. I would like to thank you, our shareholders for your attendance and ongoing support of Midway. I now declare the meeting closed. Thank you.

This announcement has been approved by Midway's Company Secretary.

For further information contact:

Georgie Morell  
**Investor Relations and Media Adviser**  
T: +61 438 008 383  
E: [georgie@morellandco.com](mailto:georgie@morellandco.com)

Rob Bennett  
**Company Secretary**  
T: +61 438 556 145  
E: [rbennett@midwaylimited.com.au](mailto:rbennett@midwaylimited.com.au)

#### **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](http://www.midwaylimited.com.au).