

MIDWAY LIMITED (ASX: MWY)

12 May 2022

Sale of the Victorian plantation estate and greenfield commitment

One of Australia's leading forestry managers and woodfibre exporters, Midway Limited (the Company) has signed an agreement to sell its existing 17,000 hectare plantation estate in south-west Victoria. MEAG, a wholly owned subsidiary of Munich Re, has established a special purpose vehicle (SPV) for a client, and the SPV will acquire the existing 17,000 hectare plantation estate from Midway for A\$154.1 million.

As part of the transaction, the SPV has also committed to invest an additional A\$200 million for land purchases for the development of new hardwood plantations in south-west Victoria over the next five years on land to be sourced by Midway Limited and managed by Midway Plantations Pty Ltd. The transaction is subject to and conditional upon approval by the Foreign Investment Review Board (**FIRB**).

The sale of the Midway plantation estate, and Midway's receipt of the transaction proceeds, will settle in scheduled tranches as Midway unwinds its existing timber supply arrangements with Manulife Investment Management (the 'Strategy' financial liability on the Midway balance sheet). Subject to regulatory approvals, the first tranche is provisionally expected to settle in mid-2022 and the last in or around September 2024.

The use of the net proceeds of the transaction will be considered further and will include paying the existing contractual arrangements under the 'Strategy' financial liability, reduce bank debt, investment in growth initiatives and returns to shareholders.

The allocation of sale proceeds will be determined by the Midway Board of Directors following the conclusion of subsequent stages of the current Strategic Review announced on 14 March 2022.

As part of the transaction, the SPV will engage Midway Plantations Pty Ltd to manage the combined assets under a long-term management agreement and supply Midway Limited with all hardwood log harvested from the combined estate under a long-term offtake agreement, each on arm's length commercial terms.

Managing Director for Midway, Tony McKenna, said the sale of the existing plantation estate and the greenfield plantation development is an excellent outcome for Midway shareholders.

"Midway will realise more than book value from plantation assets. We will generate revenue from the management and offtake agreements and we will secure future additional volume for our processing operations at North Shore.

"When complete, the change in ownership and control of the plantation estate will simplify the Midway balance sheet and remove annual valuation changes in biological assets that have previously created volatility in the valuation of company held assets.

"The proceeds of the transaction and the ongoing management revenue will support our existing business and allow Midway to develop initiatives that will reposition the company for long-term growth."

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Holger Kerzel, member of MEAG's Board of Management, stated that MEAG was very pleased to enter into a long-term commercial relationship with a significant Australian forestry company such as Midway.

"On behalf of our clients, MEAG identified the Australian hardwood production sector as a key growth opportunity in global forestry and Midway is one of the few companies that could create a platform for significant new commercial hardwood forestry investment that meets our criteria especially for sustainable investments", Holger Kerzel said.

The Midway project team was led by the General Manager of Business Development, Mitch Morison and the General Manager, Plantations, Glen Samsa, and was advised by Azure Capital and SBA Law for this transaction.

This announcement has been authorised by the Board of Midway.

Background

MEAG is the asset manager of Munich Re and ERGO. With presence in Europe, Asia and North America, it also offers its extensive know-how to non-US institutional investors in selected European countries and non-US private clients from outside Munich Re Group. MEAG currently manages assets to the value of around €344 billion, €66 billion of which for non-US institutional investors and non-US private clients from outside the company group. MEAG has invested in about 330,000 hectares of forestry and agriculture assets globally across 12 countries, including €420 million in Oceania.

Midway Limited is a leading Australian forestry management and woodfibre export company with headquarters in Geelong, with 100% shareholdings in Plantation Management Partners (PMP) based on Melville Island, processing operations in Tasmania and majority shareholdings in South West Fibre Pty Ltd (SWF) based in the Green Triangle and Queensland Commodity Exports Pty Ltd (QCE) based in Brisbane. Founded in 1980, Midway Limited is primarily involved in the production, processing and export of high-quality wood fibre to producers of pulp, paper and associated products in the Asian region. For further information, visit www.midwaylimited.com.au.

For further information contact:

Robert Hadler
Investor Relations and Media Adviser
T: +61 437 745 462
E: robert.hadler@yahoo.com.au

Rob Bennett
Company Secretary
T: +61 438 556 145
E: rbennett@midwaylimited.com.au