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MIDWAY LIMITED (ASX: **MWY**)

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FY22 Financial Results

One of Australia's leading plantation management and woodfibre export companies, Midway Limited (the Company), today announced its full year financial results for the period ended 30 June 2022 (FY22):

- Midway has taken a number of initiatives to manage a range of factors outside the control of the Company, including the COVID-19 pandemic and industry-wide supply chain disruption, that adversely affected overall FY22 financial performance.
- Midway is exiting the loss-making Logistics business in Western Australia, fast-tracking the turnaround of performance by Plantation Management Partners on the Tiwi Islands and expediting a new processing and export business at Bell Bay.
- Other initiatives have also been taken to ensure the core woodfibre processing and export business at Geelong, QCE in Brisbane and the joint venture operation at SWF in Portland are well placed to meet export demand as domestic supply-chain disruption eases.
- As part of its 2022 strategic review, Midway also sold surplus land at Wandong north of Melbourne and announced the sale of its Victorian plantation estate. The sale proceeds will be used to reduce debt, fund earnings accretive business initiatives and improve future returns to shareholders.

Financial Performance

In FY22, Midway generated sales revenue of $198.5 million, a 29.2 per cent reduction on the previous corresponding year due to adverse global market conditions in the first half of the financial year and domestic supply chain disruption due to the COVID-19 pandemic in the second half of the financial year.

Midway sold just over two million tonnes of woodfibre in the full financial year but industry-wide supply chain disruption meant the Company was not able to fully exploit better trading conditions in the second half of the financial year, and several export shipments will be delayed until the first half of FY23.

Apart from lower sales volumes, other factors that contributed to weaker earnings in FY22 include a rapid increase in fuel and labour costs in the second half of the financial year after export pricing was set for the year, and a two per cent decrease in the dry fibre component of woodfibre exports as a result of wetter conditions. A lower exchange rate of $0.69 than the Company hedging position of $0.75 cents also impacted earnings.

As discussed during the investor call on the plantation sale in May, Midway expected a break-even EBITDA-S result at the full year. However, harvest and haul contractor disruption continued leading to another vessel being deferred and as a result Midway recorded an underlying EBITDA loss before significant items in FY22 of $1.8 million, down from underlying EBITDA of $14.6 million in the previous corresponding period.

Midway also recorded several significant items during FY22 including a non-cash interest expense under AASB15 of $8.0 million after tax on the “Strategy” tree finance arrangement, $1.6 million in transaction costs after tax relating to the sale of the plantation estate and $0.5 million after tax in costs from winding-down WA Logistics.

The significant items offset a $1.4 million gain after tax from the sale of non-current assets and a $4.5 million contribution after tax from a revaluation of biological assets due to higher export prices.

The net impact was a statutory Net Loss After Tax and significant items of $12.9 million in FY22 compared to a Net Loss after Tax and significant items of $5.2 million in the previous corresponding period.

Lower sales volumes, losses incurred at WA Logistics and transactions costs of $2.3M relating to the sale of the plantation estate impacted operating cash flow which was negative $6.5 million in FY22 compared with operating cashflow of $22.3 million in the previous corresponding period. Midway remained within its banking covenants as at 30 June 2022.

Net debt increased to $41.9 million at 30 June 2022 up from $31.5 million in the previous corresponding period due to the operating cash loss of $6.5M which included transactions costs on the sale of the plantation estate, capital initiatives such as Bell Bay and the repurchase of tree-crop under the “Strategy” Liability of which a portion of trees will be sold into the MEAG special purpose vehicle (SPV) that purchased the estate.

The Midway Board has announced it will use a portion of the first tranche of the net proceeds from the Victorian plantation land and trees sale to repay all remaining long-term company debt in 1H23. The sale of the Victorian plantation assets remains subject to FIRB regulatory approvals.

The sale of the Victorian plantation estate and trees is important because it will provide Midway with plantation management income and an off-take agreement for woodfibre for our Geelong processing and export facility for the next 35 years.

The sale will also simplify the Midway balance sheet by removing the plantation land and trees from the asset register and revaluation volatility from the annual financial accounts.

The sale also provides Midway with a platform to become a more active carbon manager of the nation’s plantation estate that will enable the Company to generate carbon credits as well as a long-term source of woodfibre for export.

Midway is currently evaluating a range of opportunities to expand our national carbon management footprint and further increase the utilization of our woodfibre processing and export sites, including through a grain trading facility at Geelong.

In addition to MEAG, a wide range of domestic and global companies and fund managers looking to offset carbon emissions and meet net zero by 2050 commitments have expressed strong interest in Midway’s ability to generate carbon credits through its core competency of sourcing, establishing, managing, and generating a commercial return from forestry plantations.

Given the Net Loss in FY22, the Company will not pay a full year dividend. However, the Midway Board has announced the intention to use the majority of the remaining proceeds from the first tranche of the sale of its Victorian plantation to pay back corporate debt, repay a large portion of the Strategy financial liability, and pay a special fully franked dividend to shareholders of up to approximately 19.5 cents per share in

FY23 (subject to the transaction completing as envisaged, bank approvals and other assumptions based on future events).

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

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About Midway Limited

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