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# 2017 Annual General Meeting of Shareholders

October 2017

**Tony Price**

Chief Executive, Midway Limited



# Agenda

- Financials
- Operations
- Market Outlook
- Development Strategy

# Financials – FY17



## FY17 results exceed pro forma forecasts

- Pro forma NPAT of \$17.3 million exceeding the forecast of \$16.5 million
- Pro forma sales were \$209.2 million exceeding the forecast of \$206.5 million
- Pro forma EBITDA was \$28.4 million exceeding the forecast of \$28.1 million

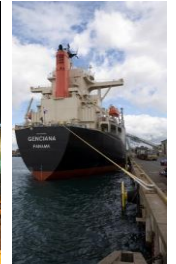
## Cash flow positive and strong balance sheet

- Strong working capital position
- Low credit risk on receivables
- Meeting all financial covenants

# Operations

- Production

- Key focus in 2016/17 was to ensure Prospectus forecast was met
- Near record production levels despite wet conditions in Victoria and NSW
- Expansion of hardwood woodfibre exports from the Brisbane operation (QCE)



# Operations



## • Resources

- Executed supply agreement with a large forest grower for supply from the Otway and Gippsland regions of a minimum of 937kgmt over six years
- Continuing to explore options for the establishment of additional plantation area in the Geelong catchment
- Purchased 600ha of productive plantation land with 150,000 tonnes of mature plantation in SW Victoria
- Continuing to secure wood from small private forest owners in the Geelong catchment for harvest in FY18
- Successfully established around 600ha *E.globulus* on the company estate

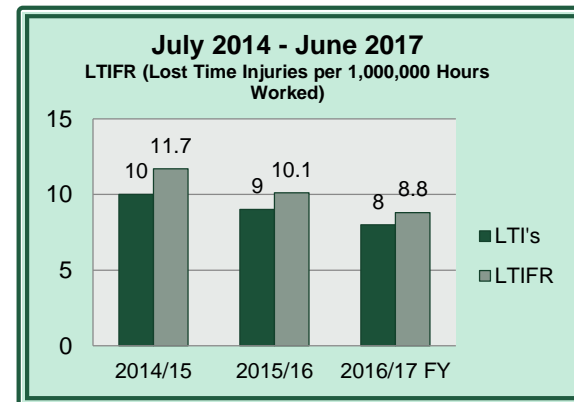


# Operations



## • Safety and Environment

- Midway Group LTIFR **8.8** for 2016/17, reduced from **10.1** for 2015/16
- The “Be a Legend” Safety leadership training program has been completed across the Midway Group
- Currently implementing a pilot behavioural safety observation program at the Geelong site
- Completed a \$1m project at the Geelong site to provide a new concrete exit road with improved drainage to minimise mud being carried off site
- Midway Group continues to manage our forestry operations to the highest possible environmental standards, having both PEFC and FSC certification
- Capital works planned during the 2017/18 financial year to improve management of stormwater collected on site during heavy rainfall events



Midway



# Acquisition



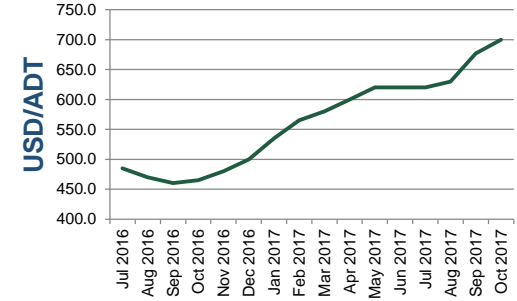
- Proposed purchase of Plantation Management Partners (PMP)
  - Privately-owned plantation management business with over 70,000 ha of plantation under management in Northern Australia and SE Asia
    - 34,000 ha of Acacia on Melville Island (NT)
    - 13,000 ha plantation teak estate in Cambodia
    - 24,000 ha Eucalyptus/Acacia plantation estate in Laos
  - Has developed a strong industry reputation as a high-quality plantation manager
  - High quality team
  - **Value accretive**, with potential to grow revenue from expansion of plantation management business, with a number of growth projects in Northern Australia and South East Asia currently in the pipeline

# Market Update

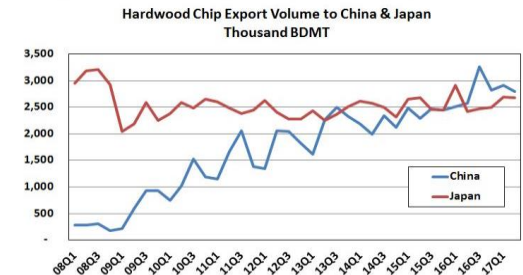


- Strong demand from both China and Japan expected to continue in 2018
- Supplied most major Chinese customers and the two largest Japanese customers
- Chinese customer base is diversified - Pulp and Paper 59%, Textiles 31% and Packaging Board 10%
- Chinese pulp and paper industry profitability increased significantly through 2017
- Market Pulp price in China increased approx. 40% over the past 12 months
- Growing interest in bioenergy as an alternative market for wood fibre, particularly in Japan and Korea is expected to develop further in 2017/18

### BEK Pulp – China Price



### The Volume of China's Hardwood Chip Imports Already Surpasses Japan's





# Development Strategy

## Good progress against Strategic Objectives in FY17

- The company has continued to maximise long term wood supply by entering and contracts with large plantation owners.
- Midway continues to assess opportunities to better utilise existing facilities and acquire businesses in key forestry areas in Australia and overseas.
- The Group maintains a disciplined approach to capital management to ensure we maximise shareholder value.

## Increasing EBIT over time:

### 1. OPERATING EFFICIENCIES

- Economies of scale
- Margin expansion
- Favourable demand/ supply dynamics

### 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 global opportunities

## In Summary

- Delivered on IPO forecast
- Business set up for growth
- Market remains strong
- A number of growth opportunities being pursued