



Full year result – FY18

Analyst and Investor Roadshow Presentation

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Financials FY18



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Performance Overview – FY18

FY18 results in line with consensus forecasts

- The full year 2018 financial results were in line with consensus forecasts, achieving EBITDA before significant items of \$28.7M (2017: \$28.0M)
- Acquisition of Plantation Management Partners (PMP) contributed \$2.1M EBITDA
- Net profit before tax was \$24.7M and NPAT was \$18.4M

Cashflow positive and strong balance sheet

- Strong working capital position
- Revised debt profile including new financial covenants which better reflect the business operations
- \$13.3M operational cashflow (down 18% pcp), with cash payment of \$13.5M received early July relating to proceeds from two vessels which sailed at the end of June

Dividend in line with policy

- Shareholders will receive a fully franked final dividend of \$0.09 cents per share

Revenue
\$231.9M +10.8%

EBITDA⁽¹⁾
\$28.7M +3%

ROCE
17.8% +1.8%

Interest cover
16.38

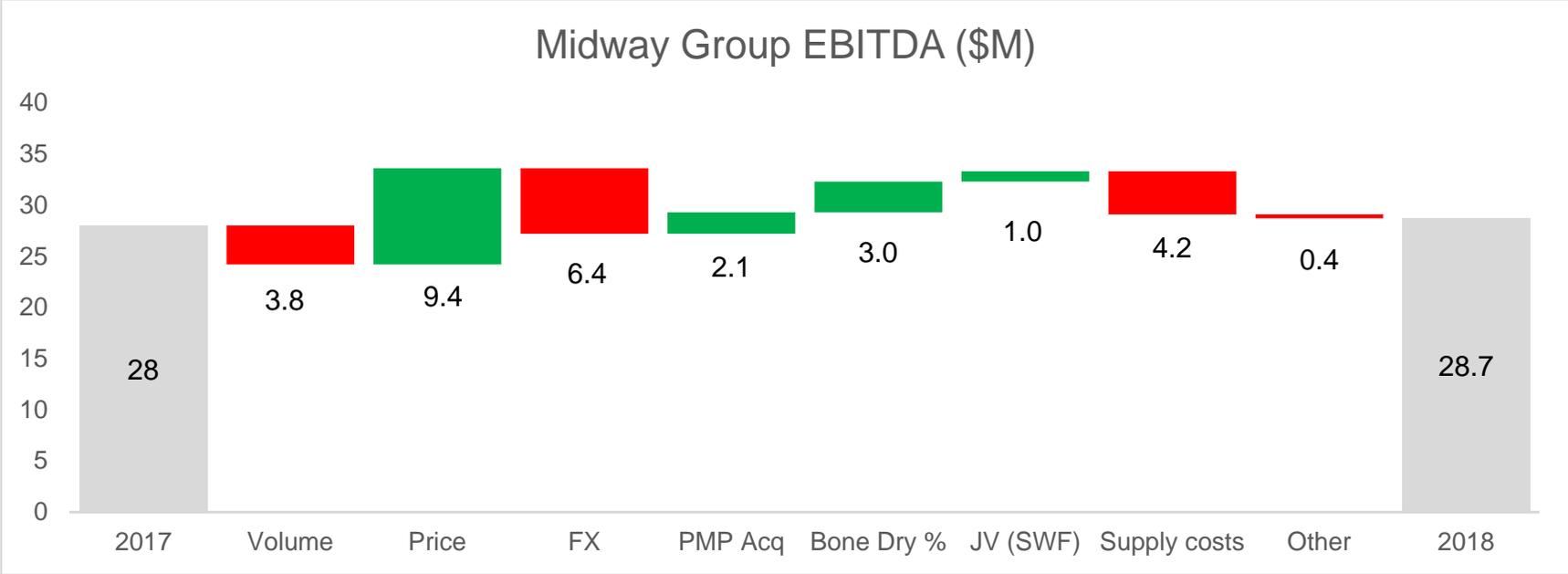
1: EBITDA before significant items

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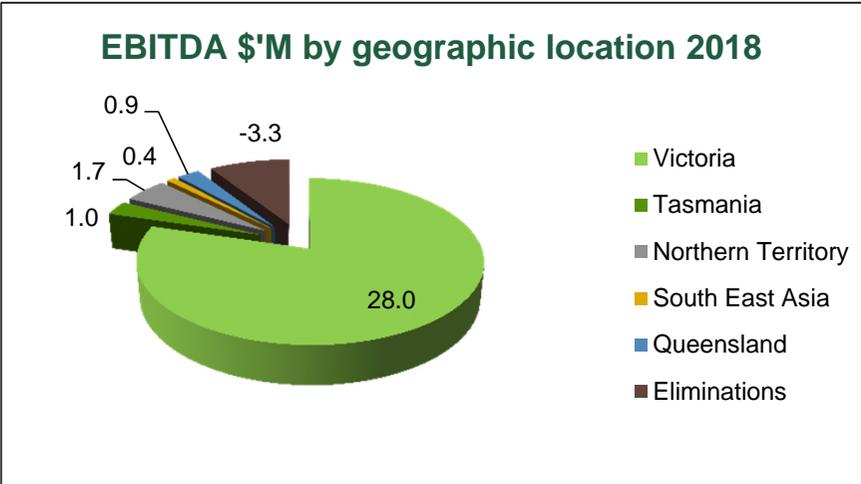
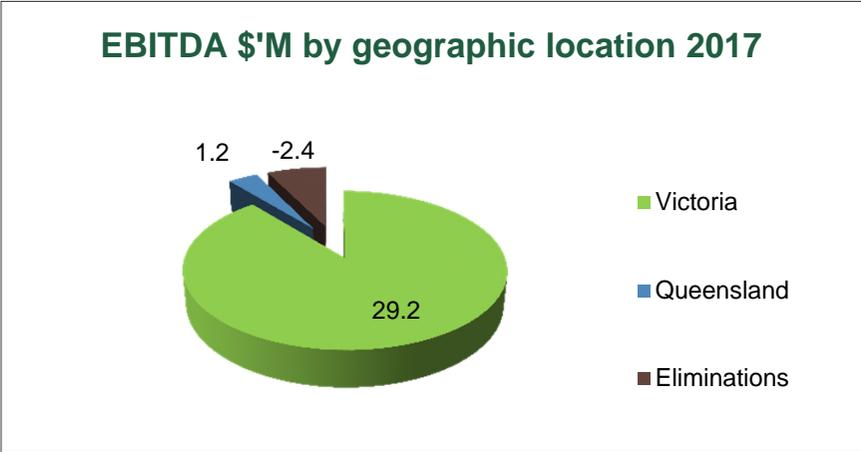
Financial Performance – FY18

\$Am	FY17	FY18	% Change
Sales Revenue	209.2	231.9	10.8%
Other Income	4.1	4.2	2.4%
Equity Accounted Share of Profits	2.8	3.9	29.3%
Operating Costs	(188.1)	(211.3)	(12.3%)
EBITDA before significant items	28.0	28.7	2.7%
Significant items	(3.1)	2.6	184.8%
EBITDA	24.9	31.3	25.7%
EBIT	21.5	26.9	24.9%
Finance expense	(1.6)	(2.2)	(37.5%)
Pre-Tax Profit	19.9	24.7	24.1%
Tax Expense	(5.0)	(6.3)	(26.0%)
Statutory NPAT	14.9	18.4	23.5%

Financial Performance – FY18



Increasingly diverse earnings



Contribution from new business activities

- PMP contributed \$2.1M EBITDA in FY18 (8 months) and is exploring a range of expansion opportunities.
- Woodfibre trading business (marketing and shipping of third party woodfibre) contributed \$1M EBITDA.
- Establishment of joint venture marketing company in Tasmania with RMS and Pentarch, called the Plantation Export Group, which has a throughput arrangement with a major wood processor at Bell Bay in North East Tasmania.
- Midway acquired a 25% shareholding in ADDCO, a newly established logistics business which will assist in the growth of Midway's Harvesting and Logistics segment.



Outlook and future opportunities

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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
- PMP and ADDCO acquisitions providing a platform for further growth
- Commenced exports of woodfibre from Tasmania
- Midway maintains a disciplined approach to capital management to ensure we maximise shareholder value

Growth opportunities FY19 and beyond



Plantation management

- Expand 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 South East Asia
- Other opportunities both domestically and internationally



Harvesting and logistics

- ADDCO has signed a share sale and purchase agreement for the acquisition of a harvesting and logistics company in Australia with settlement to occur in September 2018
- Expansion opportunities throughout Australia



Woodfibre expansion

- Opportunities actively being assessed 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

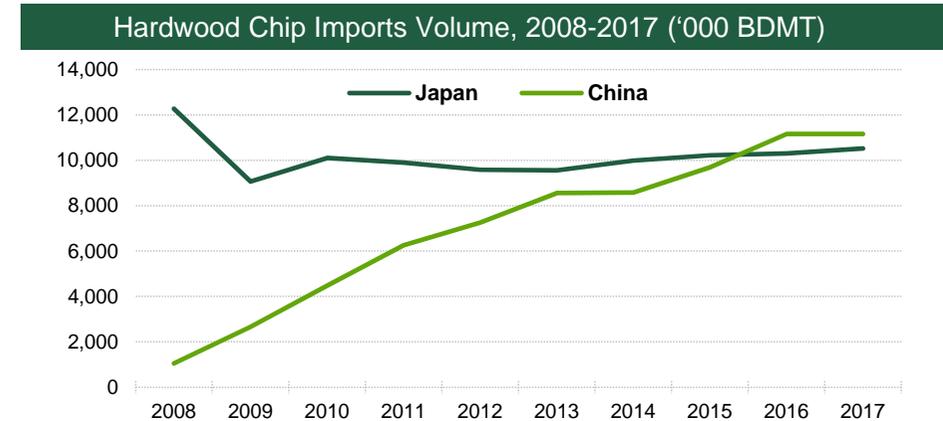


Biomass production

- Potential acquisitions actively being assessed providing Midway positive market exposure to the rapidly expanding clean energy sector

Benefiting from growing Asian demand

- Woodfibre demand in Asia-Pacific expected to continue to increase with most shipments bound for China and Japan
- China demand has exceeded Japan since 2017, while Japan has continued to increase slightly
- 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 contract periods
- Given bluegum eucalyptus is only commercially grown in the Southern Hemisphere due to its specific climate requirements, Midway as Australia's largest woodfibre processor and exporter is well positioned to secure new customers and additional volumes
- Indonesia has commenced woodfibre imports from September 2018



Outlook for FY19

Positive outlook

- Management expect growth in revenues and earnings on FY18
- Significant FX cover for USD sales already locked away for FY19 at favourable rates to FY18
- Acquisitions and investments made in FY18 will contribute for a full year, including PMP and wood fibre trading
- New investments and activities in FY19, including ADDCO and log exports from Northern Australia

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 or cashflow

Positive international fundamentals

- Favourable export demand outlook for woodfibre, particularly to China, expected to result in market price increases
- Chinese price negotiations to be performed in Q2; Japan negotiations to take place in Q3 (impacting Half 2 FY2019)

Attachments



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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

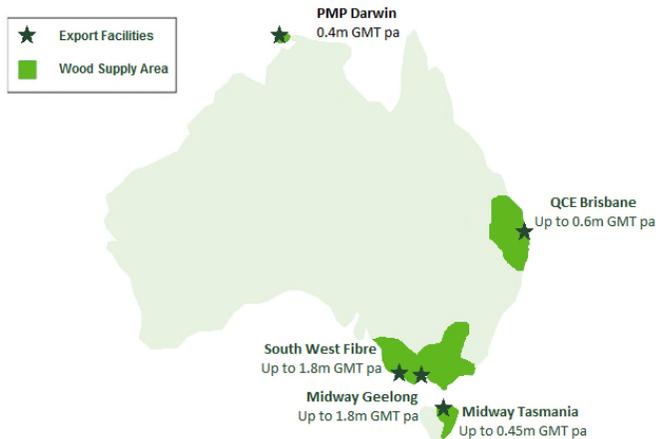


Marketing and shipping

- 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



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Changing production mix as new opportunities come on stream

- Midway has a number of short and long term (1 year to 10 year) agreements in place with a number of large plantation managers in each of our operating regions

Facility Volumes (000's GMT)	FY2017	FY2018	FY2019	FY2020	FY2021
Geelong	1,413	1,223	1,191	1,000	900
Portland	1,545	1,448	1,559	1,450	1,350
Brisbane	292	284	264	380	480
Melville Is		197	229	340	400
Tasmania		135	270	450	600
TOTAL	3,250	3,287	3,513	3,620	3,730

- Midway is in discussions with several industrial and institutional partners to invest in the expansion of the plantation estate in the Geelong facility catchment
- Exploring handling grain and other bulk products at Geelong
- Working with industry stakeholders on a broad strategy to encourage farmers to grow trees on their land in the Geelong facility catchment
- SWF contract has five year extension clause from 2020
- Large volume of hardwood plantation available for Brisbane up to 400K GMT per annum for 8-10 years
- New volume from Melville Is and Tasmania



New accounting standards - impacts

Key impacts – AASB 15 Revenue from contracts with customers

- The Strategy arrangement entered into (disclosed in Appendix 4E note 4.11) 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 will be recognised on the balance sheet as a biological asset
- Financial liability will be recognised at amortised cost using the effective interest method for the obligation to repurchase the trees
- Unwinding of interest on the financial liability expected to negatively impact interest expense in the range of \$4M - \$6M per annum. This is non-cash and will not impact EBITDA
- Fair value gains are expected on the treecrop as the discounting unwinds, which will partially offset the interest expense

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 ?

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