

MIDWAY LIMITED

(ASX: MWY)

ASX Release

31 October 2018

2018 Annual General Meeting – Chairman’s Address

I am pleased to report to shareholders that Midway has delivered improved operating and financial performances in its second year as a listed company.

In the 2018 financial year, Midway achieved:

- a 10.8 per cent increase in sales revenue to \$231.9 million; and
- a 23.5 per cent increase in Net Profit after Tax to \$18.4 million.

Directors were therefore pleased to approve a fully franked, final dividend of 9.0 cents per share paid to shareholders on 8 October 2018. This meant shareholders received a fully franked, full year dividend of 18.0 cents per share, the equivalent of 25.7 cents per share pre-tax. This is comfortably within our policy of paying 70-90 per cent of net profit to shareholders as dividends.

To position Midway for continued growth in shareholder returns, the Board announced on 17 September 2018 a share placement for institutional investors and a Share Purchase Plan. These initiatives have provided opportunities for retail investors to grow their holdings in Midway while attracting institutional investors onto the register.

Long-term Director shareholders in Midway, such as Nils and Tom Gunnensen and myself, are loyal and committed long-term investors in the Company. However, we recognised that greater share trading liquidity was required to boost share market returns to all shareholders. As such, we are comfortable in supporting the share placement and SPP even though this reduced our overall shareholding in Midway.

Long-term shareholders now hold approximately 40 per cent of Midway, retail shareholders 40 per cent and institutional investors the remaining 20 per cent – a much more balanced share register.

The additional capital raised from these initiatives will ensure Midway retains a strong balance sheet while we grow the Company.

We will use our strong balance sheet to:

- build on our strategic investments;
- make bolt-on acquisitions; and
- invest in additional tree plantation capacity.

These initiatives will allow Midway to meet future demand in Asia for high quality wood fibre and take advantage of emerging market segments such as biomass for sustainable energy production.

These investments will also diversify our income flows and reduce our US dollar currency exposure – important risk management initiatives.

During the last twelve months, Midway acquired:

- 100 per cent of Plantation Management Partners (PMP), a forestry business with rights to manage tropical timber plantations with over 70,000 ha on the Tiwi Islands in the Northern Territory and South East Asia; and
- a 25 per cent holding in ADDCO, a fast-growing New Zealand-based forestry and logistics company.

These investments:

- broaden our geographic footprint;
- provide production and supply flexibility; and
- give access to new markets and provide additional management talent.

The additional capital arising from our financial initiatives will be allocated towards growing these and other strategic investments.

Outlook

The Board expects continued strong export demand from Asia, especially China, for high quality wood fibre exports that will underpin a positive price outlook over the next twelve months.

However, the Board recognises that Midway operates in volatile commodity and currency markets.

As such, we take nothing for granted and closely manage the key value drivers that are within our control including log supply, supply chain and operating costs and customer relationships.

We will continue to prudently manage these assets and relationships.

Your Board is confident that our growth strategy will generate increased revenue and earnings.

The Board is also comfortable that our growth strategy represents a prudent approach to growing shareholder returns over time.

Closing

I wish to convey the Board's appreciation to the management and staff of Midway for their effort and capability applied to our business by them.

I appreciate the wise counsel and contribution made by my fellow Directors in overseeing the implementation of policy and strategy for the business.

And most importantly I wish to thank our loyal shareholders, old and new, for their continuing support of the Company.

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About Midway Limited

Midway Limited is a leading Australian forestry company with headquarters in Geelong, with 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 is primarily involved in the production 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/.