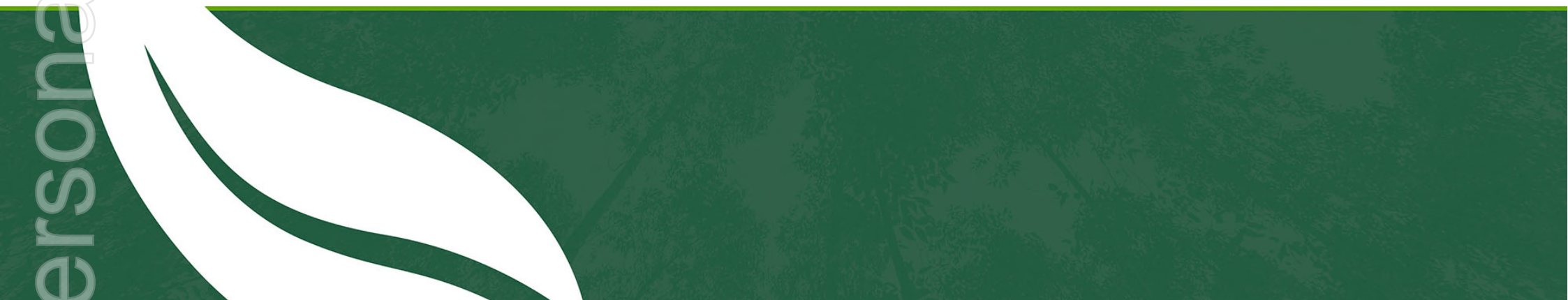




# Half Year Result – 1H21

## Analyst and Investor Presentation

February 2021



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All references to dollars are to Australian currency unless otherwise stated.

# Financials 1H21

Midway

# Overview

## 1H21 Results

- EBITDA – S<sup>1</sup> of **\$7.1M** (1H20: \$4.2M) on the back of stronger sales volumes
- Underlying net profit after tax before significant items of **\$0.5M** (1H20: -\$1.2M)
- Significant items after tax include \$1.2M of Job Keeper and a net reduction in the value of biological assets of \$2.0M
- Strong operating cashflow **\$1.5M<sup>2</sup>** (1H20: -\$9.1M)
- Board has decided not to pay a dividend in 1H21

## Improving market conditions

- Global market recovery leading to higher pulp prices in 2021
- China pulp stocks have been trending back towards normalised levels
- Exports from Australia expected to continue to recover in 2021 due to increasing demand and proximity to market
- New Chinese pulp mill capacity coming online will drive increased demand
- Japanese consumption expected to return to pre COVID-19 levels in 2021

1: EBITDA – S represents EBITDA before significant items and net fair value increment on biological assets.

2: Revenue from two vessels sold as at 31 December was not received until after period end, which would have increased operational cashflow by \$11.3M

Revenue  
\$150.9M  
+22.6%

EBITDA-S<sup>1</sup>  
\$7.1M  
+69.1%

Gearing  
ratio 27%

Midway

## Financial Performance – 1H21

\$Am	1H21	1H20	% Change	
Sales Revenue	150.9	123.0	22.6%	↑
Other Income	1.2	4.5	(73.4%)	↓
Equity Accounted Share of Profits	(1.1)	2.4	(145.8%)	↓
Operating Costs**	(143.9)	(125.7)	(14.4%)	↓
EBITDA – S <sup>(1)</sup>	7.1	4.2	69.1%	↑
Significant Items <sup>(2)</sup>	1.5	(8.6)	117.4%	↑
AASB 16 impact	1.0	0.9	11.1%	↑
Net Fair Value Gain/(Loss) on Biological Assets	(2.9)	12.9	(122.5%)	↓
Statutory EBITDA	6.7	9.4	(28.8%)	↓
Statutory EBIT	1.1	2.6	(57.7%)	↓
Finance Expense <sup>(3)</sup>	(2.6)	(1.8)	(44.4%)	↓
Pre-tax Profit	(1.4)	0.8	(275.0%)	↓
Tax Expense	0.1	0.2	(50.0%)	↓
Statutory NPAT	(1.3)	1.0	(230.0%)	↓

1: EBITDA-S represents EBITDA before significant items and net fair value increment on biological assets.

2: Significant items in 1H20 includes PMP impairment of \$6.5M, write off ADDCO investment of \$2.1M.

3: Includes of non cash net interest expense incurred on the liability created on 1 July 2018 to repurchase trees under the Strategy arrangement, which was deemed a financing arrangement upon the adoption of AASB 15 Revenue from Contracts with Customers.

\*\* Reflects additional purchases of raw materials to meet increased sales volume

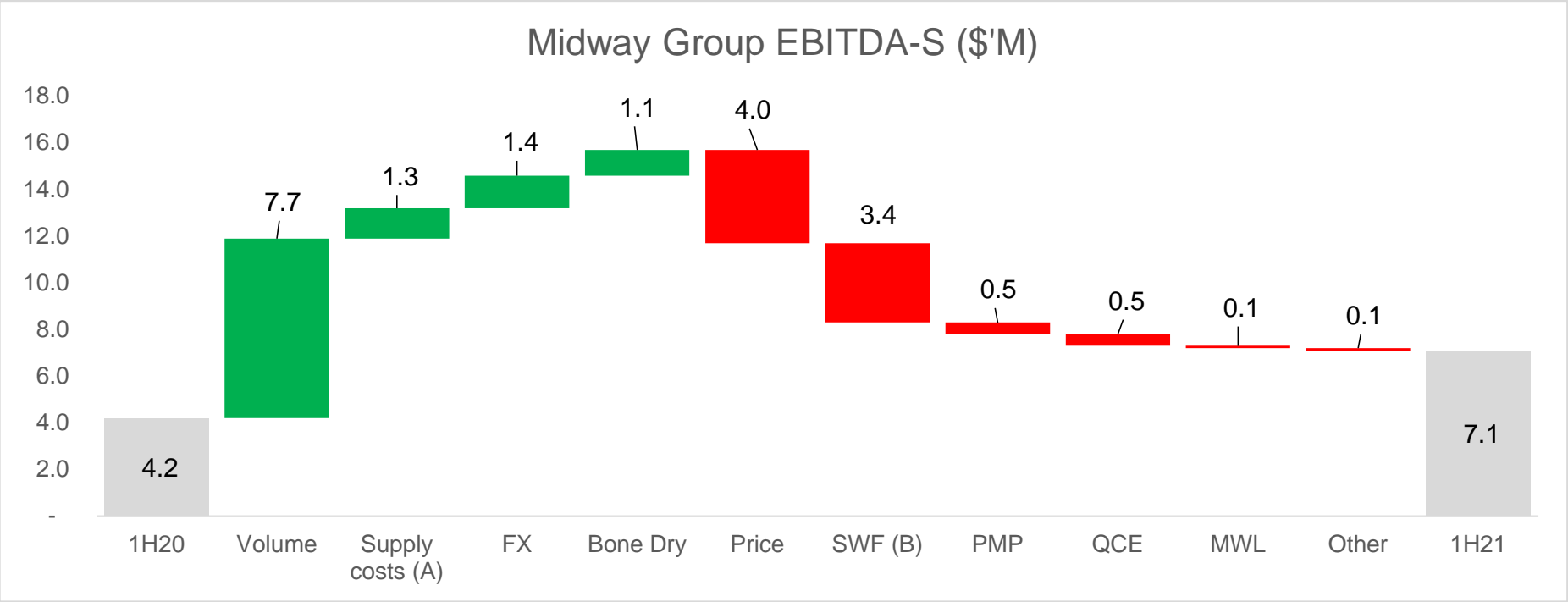
## Cash Flow – 1H21

\$Am	1H21	1H20	\$Am Change
Operating Cash Flow	1.5	(9.1)	10.6
Investing Cash Flow	(2.1)	(2.4)	0.3
Financing Cash Flow	(2.4)	3.7	(6.1)
Net Change in Cash	(3.0)	(7.8)	4.8
Net Debt <sup>(1)</sup>	41.6	55.4	(13.8)
Interest Cover	8.1	14.9	

(1) Net debt excludes the Strategy financial liability as this is not taken into account for debt covenant calculations.



# Financial Performance – 1H21



(A) Most supply costs are linked to the USD FOB pricing and they are adjusted typically annually and accordingly there is a lag between sales prices and supply costs.  
(B) The temporary shut down of the SWF Myamyn Mill in southwest Victoria due to the serious market downturn, however has now reopened.

## Balance Sheet – 1H21

\$Am	31/12/2020	30/06/2020	\$Am Change
Total Current Assets	62.9	54.8	8.1
Total Non-current Assets	198.8	205.8	(7.0)
Total Assets	261.7	260.6	1.1
Total Current Liabilities	41.9	41.4	0.5
Non-current Borrowings <sup>(1)</sup>	35.9	38.9	(3.0)
Total Non-current Liabilities	84.9	89.1	(4.2)
Total Liabilities	126.8	130.5	(3.7)
Net Assets	134.9	130.1	4.8

(1) Excludes Strategy arrangement.

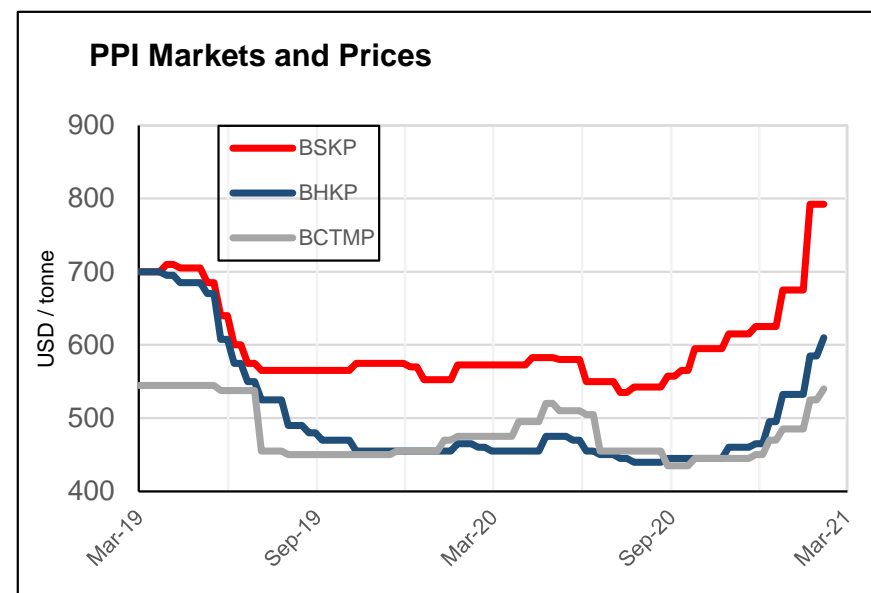
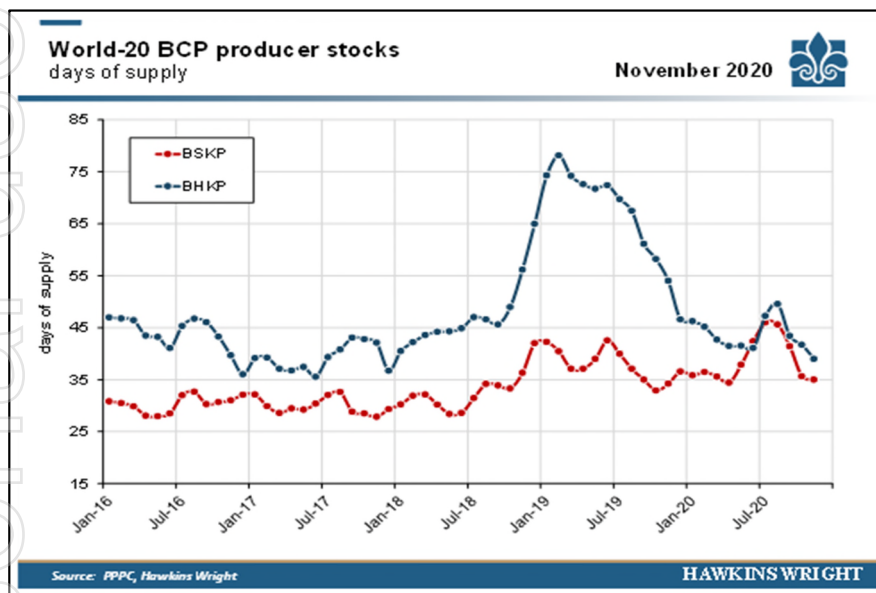


# Trading Conditions

# Global Pulp and Paper Market

## Market and stocks normalisation driving price recovery

- Strong tissue demand and single use plastic replacement driving woodfibre demand.
- Latest (05/02/21) prices BHKP (hardwood pulp) \$620/ADT and BSKP (softwood pulp) \$810/ADT.
- Dissolving pulp prices recovering back to towards 2017 - 2018 levels.



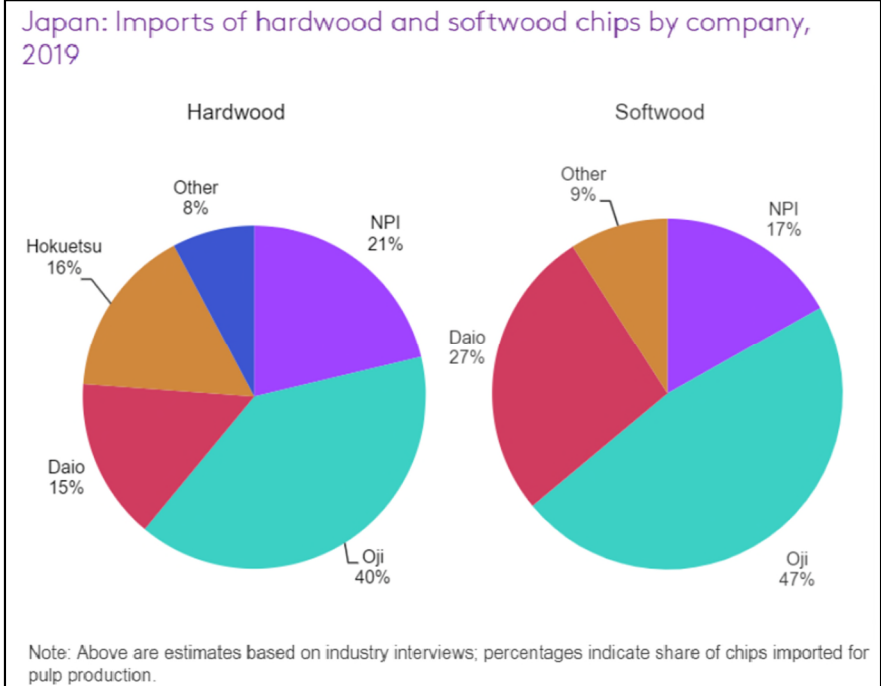
# Japanese Market

## Recovery underway

- Pandemic demand pause in March – October the sole cause of 23% 2020 reduction in woodchip imports.
- Lowest finished product inventories since 2016.
- Paper prices holding at pre pandemic levels, along with printing and writing production.

## Future

- 2021 pulp production levels expected to continue at pre-pandemic levels.
- Manufacturers continue to shift away from printing and writing grades to packaging and hygiene grades.
- Chilean woodfibre exports expected to decline further with diversion to domestic production.



Extract from RISI International Pulpwood Trade Review 2020

12

## China drives global commodity boom

- Despite COVID-19 lockdowns woodfibre imports to China increased 7% in 2020.

## Future

- Recovered paper import ban effective this year. A surge in virgin fibre production capacity is being developed to replace this historical fibre source.
- New production capacity to come on stream during 2021 expected to increase demand a further  $\approx 10\%$ .
- Imports from Australia expected to recover in 2021 due to increasing demand, market proximity and limitations on vessel availability.
- Equipment already being ordered for pulp mill expansions planned for 2022 and 2023.
- Slowing export growth from Vietnam, coupled with increasing future demand from China and improving pulp prices bodes well for Australian exporters.



# Fastmarkets RISI

## SEARCH

### Asia Symbol planning 2 million tonnes/yr of cartonboard capacity in Guangxi, China

BEIJING, 8 May 2020 (PPI Asia) - Asia Pacific Resources International Limited (APRIL) is planning a new integrated cartonboard complex in Linshui, Fujian province.

The new mill will be built on a 1.2 million tonnes/yr virgin pulp line and a 2 million tonnes/yr virgin pulp line. The mill will produce 2 million tonnes/yr of virgin pulp and 2 million tonnes/yr of cartonboard.

At present, the company has combined capacity of 530,000 tonnes/yr of virgin pulp and 530,000 tonnes/yr of cartonboard.

Their main output includes 530,000 tonnes/yr of virgin pulp and 530,000 tonnes/yr of cartonboard.

Due to its ample forest resources, the company is planning to expand its production capacity in the near future.



# Fastmarkets RISI

## SEARCH

### China's Liansheng Paper plans huge BHK, coated ivory board, tissue and UFP mill in Fujian

BEIJING, 24 July 2020 (PPI Asia) - Liansheng Paper is planning a new integrated mill in Fujian province, China. The mill will produce 700,000 tonnes/yr of BHK, 700,000 tonnes/yr of coated ivory board, 700,000 tonnes/yr of tissue, and 700,000 tonnes/yr of UFP.

The company has secured the land for the mill and is currently in the planning stage. It submitted an environmental impact assessment report to the local authorities late last month.

According to the EIA document, the total investment of RMB 1.2 billion will be used for the newly-established facility.



# Fastmarkets RISI

## SEARCH

### China's Shandong Huatai to build 700,000 tonne/yr BHK line at Dongying mill

BEIJING, 3 April 2020 (PPI Asia) - Shandong Huatai Paper is planning a 700,000 tonnes/yr BHK line at its Dongying mill in Shandong province, China.

The company published an environmental impact assessment report for the project in late March. According to the EIA document, the total investment of RMB 1.2 billion will be used for the new line.



# Fastmarkets RISI

## SEARCH

### Sun Paper orders record-breaking 600,000 tonne/yr BCTMP line for new Guangxi mill in China

BEIJING, 25 July 2019 (Fastmarkets RISI) - APP China has started the construction of a new 300,000 tonnes/yr bleached chemical thermomechanical pulp (BCTMP) line at its Beilun mill in Ningbo city, Zhejiang province.

The Valmet-supplied line is expected to be commissioned in the second half of next year.

It will be integrated with the two cartonboard machines with a combined capacity of 1.2 million tonnes/yr at the same site, providing further for the mid-layer of their output.

The Beilun mill currently has no on-site virgin pulp line and furnishes the coated ivory board mid-layer with high-grade deinked recovered paper (RCP) as well as some BCTMP pulp sourced from its sister plant in Ganzhou city, Guangdong province.

The Ganzhou complex, operated by APP China subsidiary Guangxi Jingui Pulp & Paper, runs three chemi-mechanical pulp lines with a combined capacity of 950,000 tonnes/yr.

Part of the pulp is consumed by the sole 1.2 million tonnes/yr cartonboard machine at the site.

The surplus is shipped to other APP China paper and board production sites.

The new BCTMP line will not make the Beilun mill entirely self-sufficient for chemi-mechanical pulp but will enhance the quality of its coated ivory products and also reduce its reliance on imported RCP, a company source told Fastmarkets RISI.

The plant was granted 245,575 tonnes of RCP import quotas in 2018.

It has been given 125,250 tonnes so far this year.

The amount may be reduced to zero in 2021 if China implements a complete ban on RCP imports, as anticipated.

According to the environmental permit for the BCTMP line, when it is kicked into production, APP China must permanently shut two existing deinking pulp lines with a combined capacity of 300,000 tonnes/yr at the same site to avoid additional discharges.

The mill will still be left with several deinking pulp lines with a total capacity of more than 400,000 tonnes/yr.



# Fastmarkets RISI

## SEARCH

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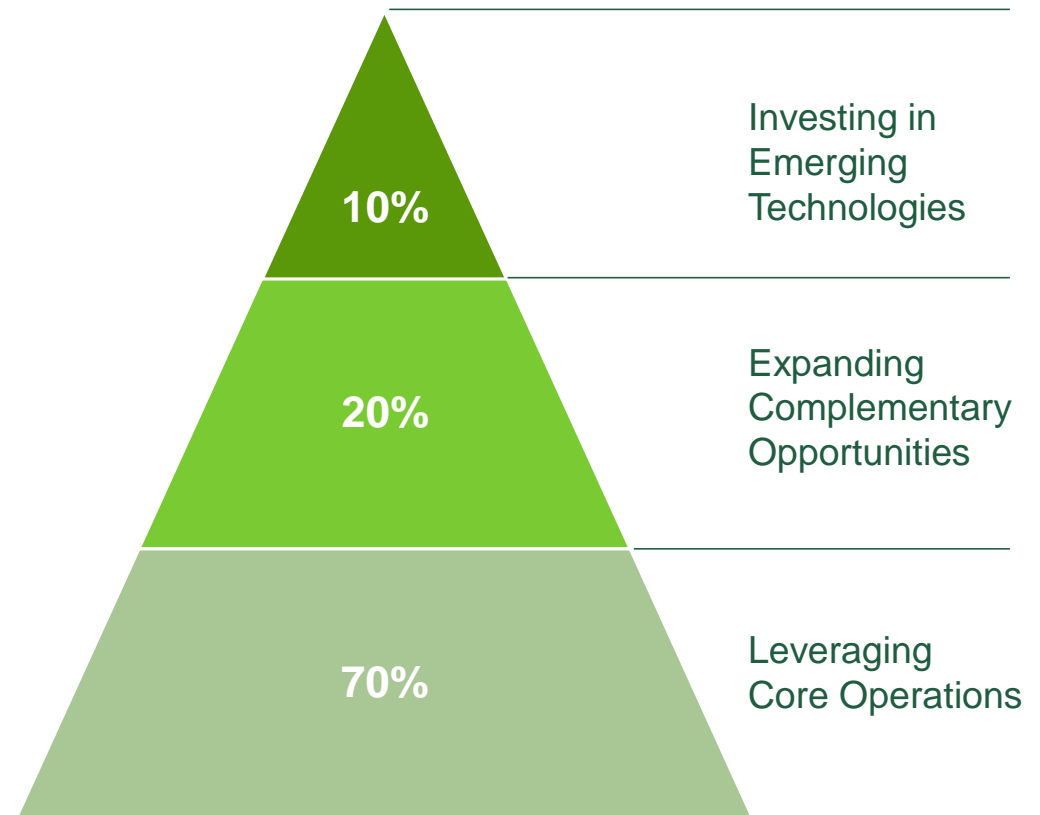
# Business Development

Midway

## Business Development Focus

Midway is focused on generating greater resilience in its earnings profile:

- **Leveraging core operations** - Progress on developing new operating site in Tasmania: operational design for layout at Bell Bay finalised, supplies secured to underpin the first phase of operation and customers engaged and supportive of the new product lines.
- **Expanding complementary opportunities** - Securing required approvals for grain terminal development in Geelong: development approvals secured, design finalised, engineering provider selected and strong interest received from major grain exporters.
- **Investing in emerging technologies** - Building partnerships to participate in significant opportunities in decarbonisation and the circular economy: feasibility studies commenced on opportunities to use forestry products to create value added carbon solutions for industrial applications such as liquid and gas filtration, soil remediation and food grade applications.



Midway

## Leveraging core operations

### Progress update – Bell Bay

- Midway has secured agreement with TasPorts on the operational configuration for the first stage of development to process at Bell Bay.
- Development approvals are in progress with the EPA and local council.
- Midway has commissioned the required engineering work from a local Georgetown engineering firm.
- Significant interest has been received from buyers for the initial product to be produced at Midway's operation at Bell Bay.
- Capacity exists to expand operations subject to market development efforts that Midway will undertake over the next two years.



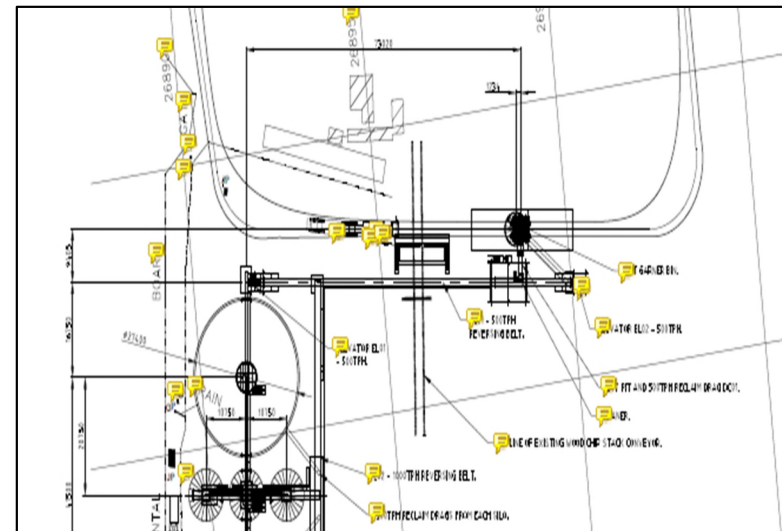


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## Progress update – Geelong Grain project

- Midway has received strong interest from several large Australian based grain exporters regarding access to its export infrastructure at Geelong.
- Development approvals have been secured for the required Grain infrastructure on the North Shore site.
- The design allows for future growth in volume.
- Midway expects to be able to provide services to grain exporters from early 2022.

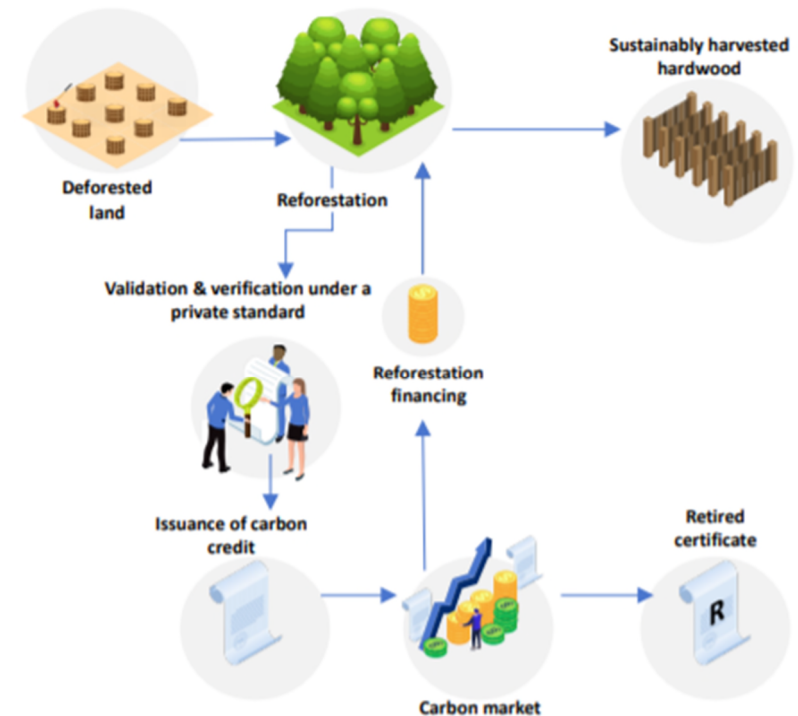


## Aspect of Geelong Grain Terminal design

## Investing in emerging technologies

**Global momentum is rapidly building across the investment community, government and business to invest in key decarbonisation technologies:**

- Forests are a proven and critical carbon sequestration solution.
- A concerted effort to develop a robust global voluntary carbon market has commenced, led by credible private sector interests (*Taskforce on scaling voluntary carbon markets* – January 2021).
- Midway is conducting feasibility studies to commercialise proven technologies in several manufacturing sectors that utilise high purity organic carbon for industrial filtration purposes, and technologies that sequester organic carbon, sourced from local hardwood plantations.
- Significant local opportunities exist to supply heat and energy from biomass, produce carbon for industrial use, and participate in the sequestration of carbon into soils via the utilisation of plantation residues.
- Global market demand for carbon offsets is expected to improve the economics of these opportunities for Midway.

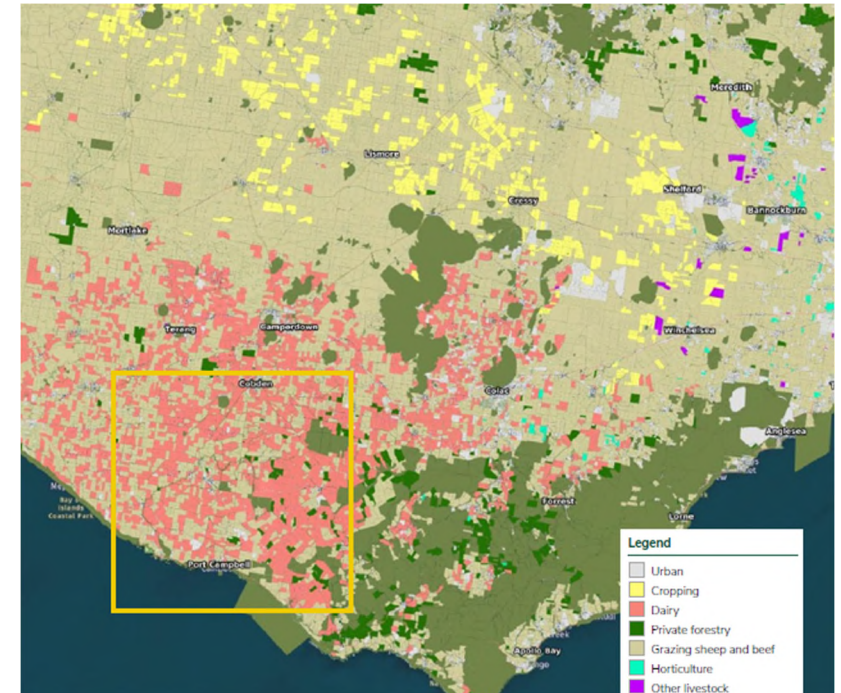


The growth in voluntary global carbon offset markets will create significant new opportunities for Midway

Graphic source: *Taskforce on Scaling Voluntary Carbon Markets* Report January 2021

## Future Woodfibre Supply

- Midway is working to secure new capital and recycle existing assets to develop new plantations in key catchments to build the future woodfibre supply pipeline for Midway.
- During the period, Midway signed a contract to sell 785ha of land in the Upper Goulburn region for \$3.2M, a price significantly higher than book value.
- Midway is well progressed in developing a new plantation investment model that incorporates part of the existing Midway estate.
- Aligning with strengthening global investor appetite for sustainable forestry, Midway is aiming to secure funding for new plantations in prime production regions across Southern Australia.



## Potential Timber Volumes Growing with Changing Mix (Domestic and Export)

Volumes (000's GMT)	FY20	FY21	FY22	FY23	Comments
Geelong	683	862	800	700	Excludes grain and softwood
Portland	851	372	800	800	Revised volumes (New ABP agreement)
Brisbane	231	279	350	400	Hardwood and softwood mix
Melville Island	122	60	150	220	Biomass expected
Tasmania <sup>1</sup>	498	737	700	800	Includes third party and Midway wood
Western Australia	245	223	460	600	Logistics volumes
<b>TOTAL</b>	<b>2,630</b>	<b>2,533</b>	<b>3,260</b>	<b>3,520</b>	

(1) Represents both Group owned and third party woodfibre where Midway performs the marketing function.

## Key Points

### Global market recovery

- Higher pulp prices driven by strong Chinese demand and lower stocks
- Growing evidence of capacity expansion in China and tightening of supply
- COVID-19 is driving structural change in global pulp and paper markets but underlying net benefit for woodfibre exporters
- Japanese consumption expected to recover to pre COVID-19 levels

### Business development

- Short term focus on leveraging our existing operations to drive earnings growth
- Developing opportunities to expand into complementary business opportunities and investing in emerging technologies ie. Decarbonisation initiatives

### Positive long term international fundamentals

- Favourable export demand outlook for woodfibre forecast by RISI



# Attachments

## Reconciliation of underlying net profit after tax to statutory net profit after tax (NPAT)

	1H21	1H20
<b>Net profit/(loss) after tax (underlying) <sup>1</sup></b>	<b>513</b>	<b>(1,208)</b>
Net fair value increment on biological assets	(2,008)	9,020
Non-cash interest expense (AASB 15 strategy impact)	(845)	(528)
Job Keeper	1,222	-
Impairment loss on Non-current Assets (PMP)	-	(4,858)
Impairment loss on Non-current Assets (Addco)	-	(1,446)
Impact of ASSB 16	(8)	(13)
Transaction costs incurred	(186)	-
<b>Net profit/(loss) after tax - statutory</b>	<b>(1,312)</b>	<b>967</b>

(1) Underlying NPAT refers to statutory net profit after tax adjusted to remove impact of one off or non-recurring items and the net fair value gain/(loss) on biological assets



## Reconciliation of underlying Earnings, before interest, tax, depreciation and amortization to statutory Earnings, before interest, tax, depreciation and amortization (EBITDA)

	1H21	1H20
<b>EBITDA – S (underlying) <sup>1</sup></b>	<b>7,092</b>	<b>4,214</b>
Net fair value increment on biological assets	(2,868)	12,885
Job Keeper	1,745	-
Impairment loss on Non-current Assets (PMP)	-	(6,516)
Impairment loss on Non-current Assets (Addco)	-	(2,066)
Impact of AASB 16	954	878
Transaction costs incurred	(264)	-
<b>EBITDA – statutory</b>	<b>6,659</b>	<b>9,395</b>

(1) Underlying EBITDA refers to statutory Earnings before interest, tax, depreciation and amortization adjusted to remove impact of one off or non-recurring items and the net fair value gain/(loss) on biological assets

A background image showing a logging operation. A large crane is lifting a bundle of logs. The scene is set in a forest with many trees. The image is overlaid with a dark green semi-transparent layer.

# Questions?

Midway