
LEARN FROM THE PAST, WATCH THE PRESENT AND CREATE THE FUTURE



Full Year Results– 31 December 2010

Australasia's Leading Marketing Content and Communications Company

2010 IN SUMMARY

1. **Solid growth – all growth organic**
2. **Market share gain – revenues back to pre GFC levels**
3. **Exciting new business wins and organic expansion opportunities outside Australia and New Zealand**
4. **Strong momentum in Digital leadership and integration**
5. **Balance sheet – very strong. New bank facilities negotiated**
6. **Debt and earnouts well in control**
7. **Full year dividend payout ratio increased from 39% to 60% reflecting strong business performance and confidence in outlook.**

31 DECEMBER 2010 FULL YEAR GROUP PROFIT AND LOSS – STW SHARE* (\$M)

	2010	2009	Change Fav/(Adv)
Revenue	304.3	269.2	13.0%
EBITDA	69.4	62.8	10.5%
EBITDA Margin	22.8%	23.3%	(0.5%)
Underlying NPAT	38.7	33.1	17.0%
Impairment of assets, amortisation, losses on sale	-	(11.3)	
Reported Statutory NPAT	38.7	21.8	77.5%
Fully Diluted Underlying EPS**	10.8 cents	11.1 cents	
Fully Diluted Statutory EPS	10.8 cents	7.3 cents	

* STW has a direct and indirect ownership interest in over 70 advertising and communications entities. STW Share takes into account STW's economic interest in their revenues, expenses, profits and losses of the entities, aggregated on a percentage basis.

** Decline due to 7 for 8 rights issue undertaken in 2009

2010 REVENUE CHANGE – GROWTH 100%+ ORGANIC (\$M)

	Full Year	
	\$	% Δ
2009 FY Revenue	269.2	
Foreign exchange impact ^(a)	(1.5)	(0.6%)
Net acquired revenue ^(b)	(0.3)	(0.1%)
Organic revenue growth	36.9	13.7%
2010 FY Revenue	304.3	13.0%

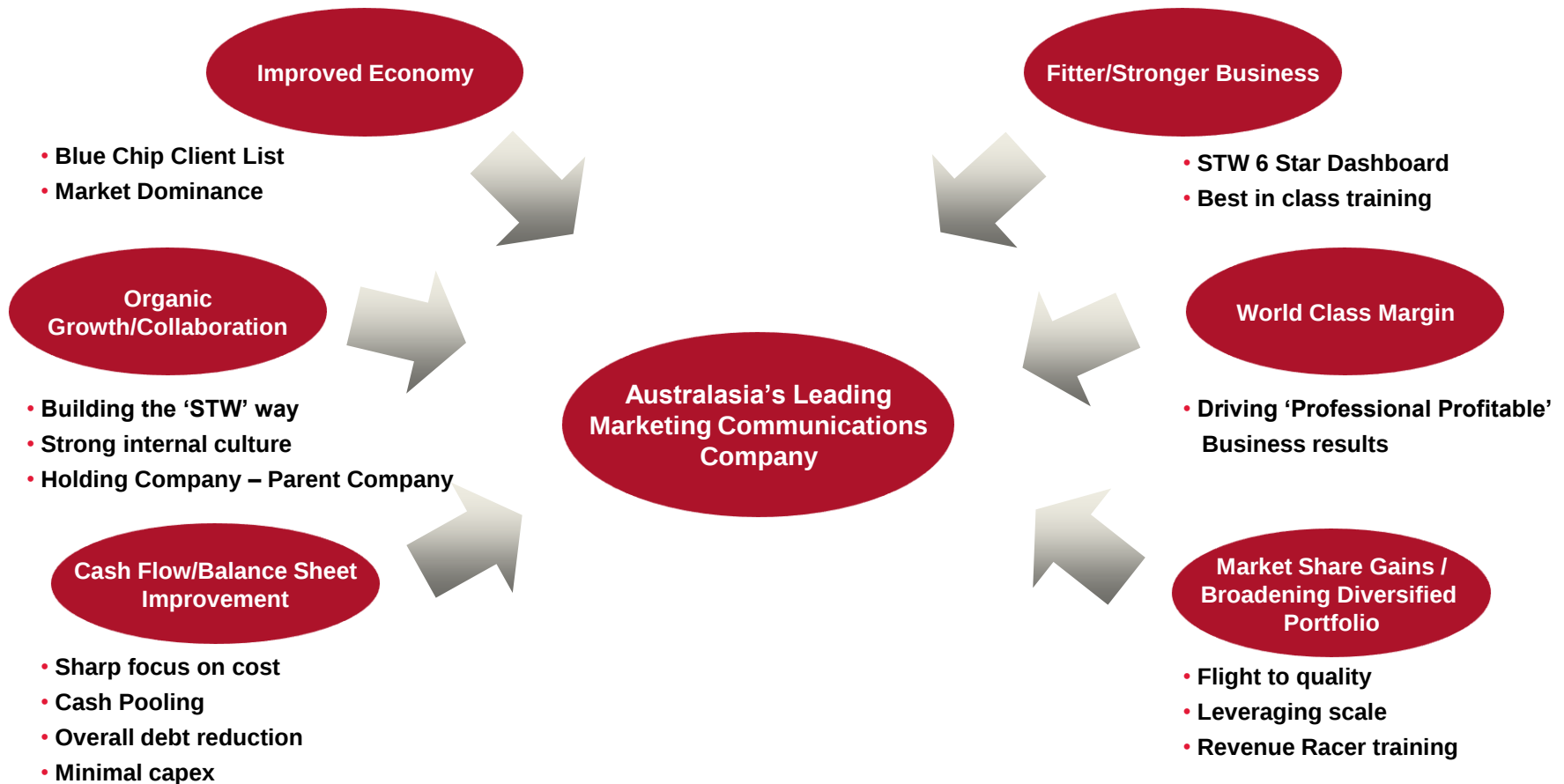
- (a) Reflects the impact of foreign exchange movements on the level of 2009 revenue derived in foreign currencies.
- (b) Represents the net revenue impact of acquisitions and disposals made in 2010 as well as the full year effect of acquisitions and disposals made in 2009.

DIVIDENDS

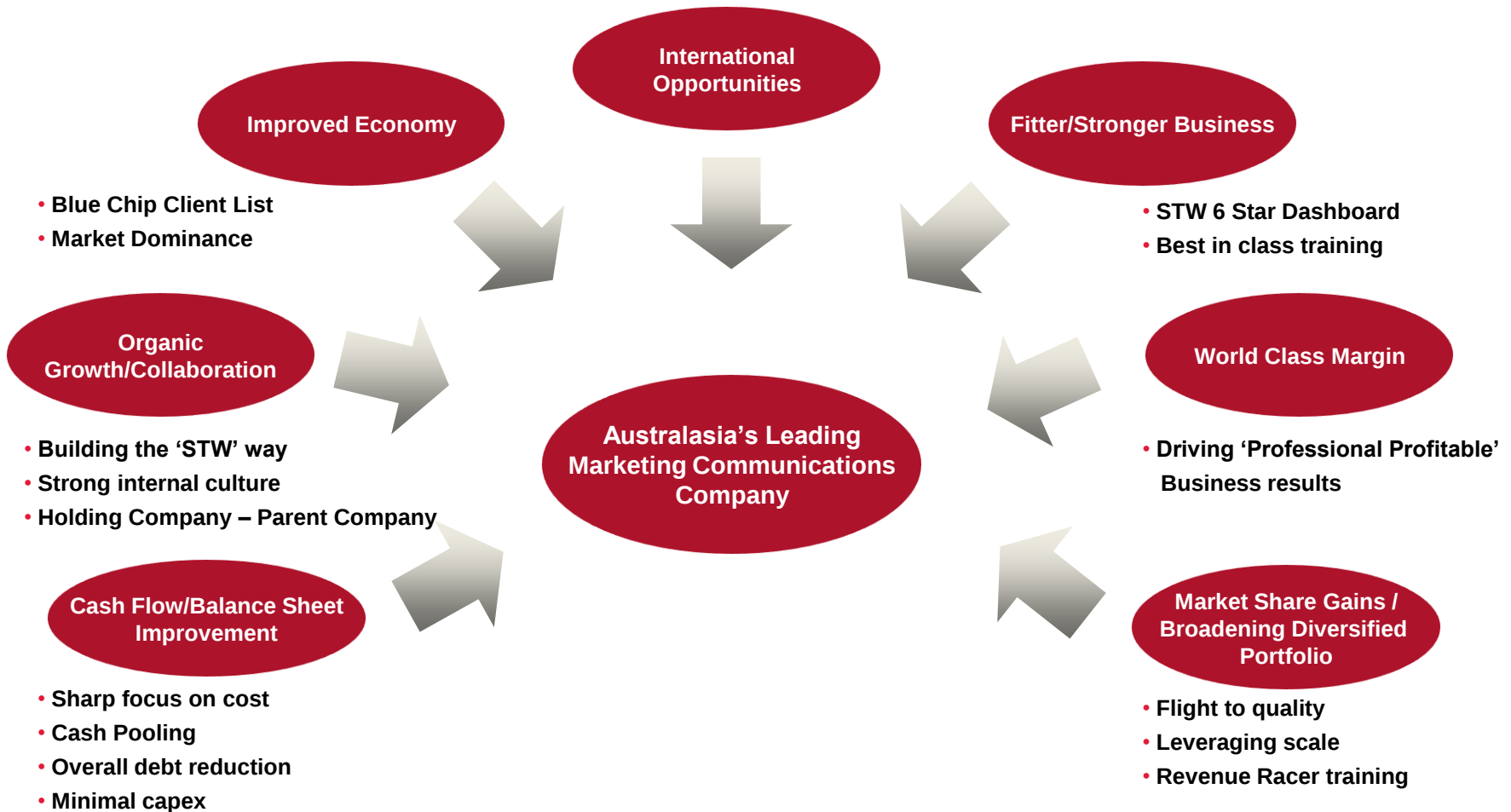
	Fully Franked Dividend per Share	Dividend \$m	% payout ratio
2009 Interim Dividend	1.5 cents	5.5	
2009 Final Dividend	2.0 cents	7.3	
Total 2009 Dividend	3.5 cents	12.8	39%
2010 Interim Dividend	2.3 cents	8.4	
2010 Final Dividend	4.2 cents	15.2	
Total 2010 Dividend	6.5 cents	23.6	60%

- The 2010 final dividend is payable on 22nd April 2011 to all Shareholders registered at 8th April 2011.
- Consistent with our commentary at the AGM we have increased our dividend payout ratio for the full year to 60% consistent with our return to growth and the confidence in our outlook.

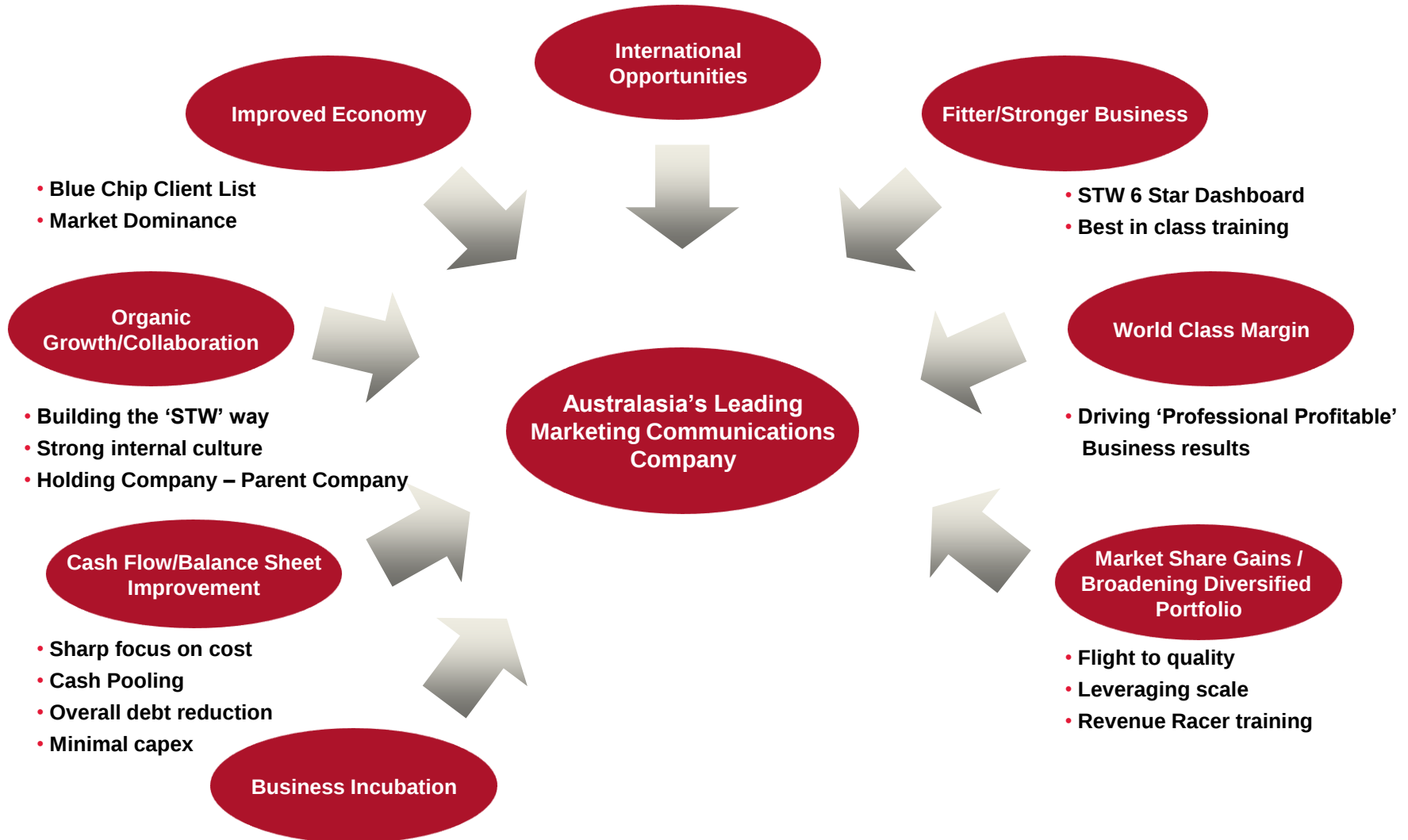
STRONG GROWTH AND MOMENTUM



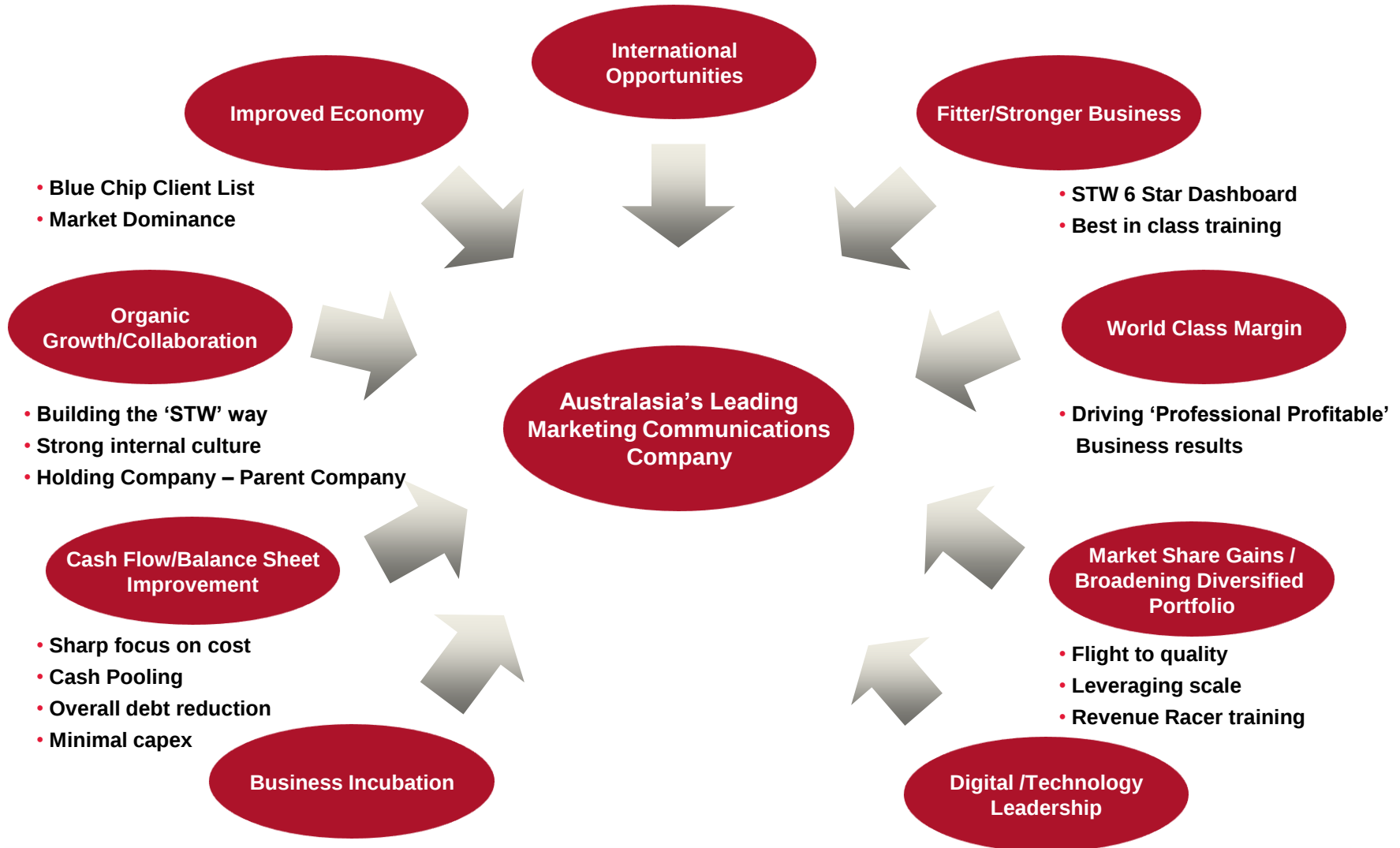
STRONG GROWTH AND MOMENTUM



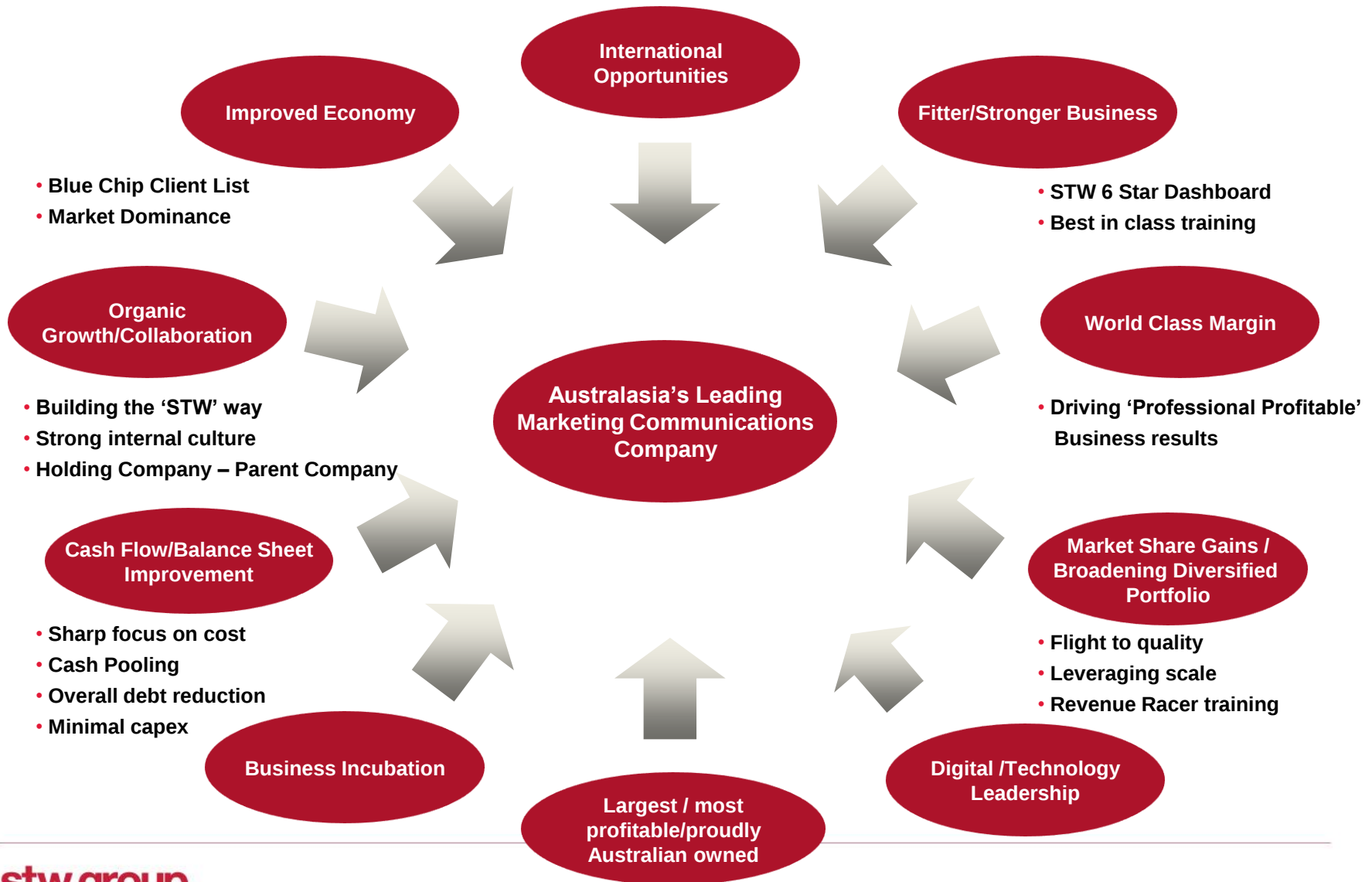
STRONG GROWTH AND MOMENTUM



STRONG GROWTH AND MOMENTUM



STRONG GROWTH AND MOMENTUM



ADVERTISING, PRODUCTION & MEDIA



Lawrence.



human

PARAGON
DESIGN GROUP



Assignment

MAXIS



JWT

D: Project



the
miss
ing link
1208 underriver road - padstington - nsw - 2111



Agilvy

ZOO

neo@Ogilvy

ONE20

hainesattract

catalyst>>>
marketing, communications & online

BADJAR Agilvy



ADVERTISING/MEDIA PRODUCTION (\$M)

AGGREGATED			STW SHARE	
2010	CHANGE PCP		2010	CHANGE PCP
246.8	9.7%	REVENUE	163.1	12.3%
65.9	11.8%	EBITDA	46.0	13.5%
26.7%	0.5%	EBITDA MARGIN	28.2%	0.3%
65.0	15.2%	OPBT	45.5	16.6%
45.3	13.8%	NPAT	31.7	14.9%

- Ogilvy, JWT, Brand Agency - strong performance
- Media companies experienced strongest media market in many years
- Significant new business wins, particularly Lawrence creative

DIVERSIFIED



DIVERSIFIED (\$M)

AGGREGATED			STW SHARE	
2010	CHANGE PCP		2010	CHANGE PCP
190.1	12.8%	REVENUE	141.0	14.9%
45.9	7.4%	EBITDA	35.3	11.3%
24.1%	(1.2%)	EBITDA MARGIN	25.0%	(0.8%)
43.2	8.2%	OPBT	33.5	12.4%
30.9	9.7%	NPAT	23.9	13.8%

Three key drivers:

- Digital business delivered outstanding growth.
- Design companies win significant market share in ANZ and off-shore
- Strong performance in PR and Research

ACQUISITIONS/START UPS/MERGERS 2010

Entity	Specialty	Current Interest
Acquisitions		
QNT	Field Marketing	41%
Start-ups		
STW Smollan Field Marketing	Field Marketing	51%
The Brains Department	Training & Facilitation	13%
BrightHost	Web Hosting	100%
IKON (Melbourne)	Media Buying and Planning	80%
IKON (Perth)	Media Buying and Planning	45%
IKON (New York)	Media Buying and Planning	20%
IKON (NZ)	Media Buying and Planning	71%
Barton Deakin	Public Affairs	75%
Appcast	Mobile Application Developer	100%
Feedback ASAP	Mystery Shopping	40%
Estimated P&L Impact – PBT @ 100%		\$2m (approx)

DISPOSALS/CLOSE DOWNS 2010

Entity	Specialty	Previous Interest
Disposals/Close-downs		
Torque	Data Analytics	40%
Straterjee	Business Strategy	25%

LUKAS AVIANI
CHIEF FINANCIAL OFFICER

31 DECEMBER 2010 - BALANCE SHEET CONTINUES TO STRENGTHEN (\$M)

	31 Dec 2010	31 Dec 2009	31 Dec 2008
Cash ^(a)	43.8	42.0	43.0
Net working capital	(54.6)	(11.7)	17.8
Investments	100.6	98.6	110.2
Intangibles	382.8	381.6	341.3
Other Assets	44.3	42.3	41.1
TOTAL ASSETS	516.9	552.8	553.4
Bank Borrowings - Current ^(b)	(3.5)	(0.5)	(0.5)
- Non Current ^(b)	(73.8)	(113.1)	(205.7)
Deferred Consideration – Current ^(b)	(28.6)	(15.7)	(14.9)
- Non Current ^(b)	(14.0)	(43.8)	(37.5)
Other Liabilities	(12.6)	(11.9)	(14.1)
NET ASSETS	384.4	367.8	280.7
<u>Key balance sheet metrics:</u>			
Net drawn debt	33.5	71.6	163.2
Net debt including earnouts ^(b-a)	76.1	131.1	215.6
Net debt: Net Assets ⁽¹⁾	20%	36%	77%

⁽¹⁾ Net debt for this calculation includes deferred consideration payable.

WORKING CAPITAL - 2 YEARS OF INTENSE FOCUS UNLOCKS CASH (\$M)

Net Working Capital Investment	Media Business	Non Media Business	Total
31 December 2008	(6.2)	24.0	17.8
<i>Cash Unlocked 2009</i>	<i>9.7</i>	<i>19.8</i>	<i>29.5</i>
31 December 2009	(15.9)	4.2	(11.7)
<i>Cash Unlocked 2010</i>	<i>24.6</i>	<i>18.3</i>	<i>42.9</i>
31 December 2010	(40.5)	(14.1)	(54.6)
Total cash unlocked over 2 years	34.3	38.1	72.4

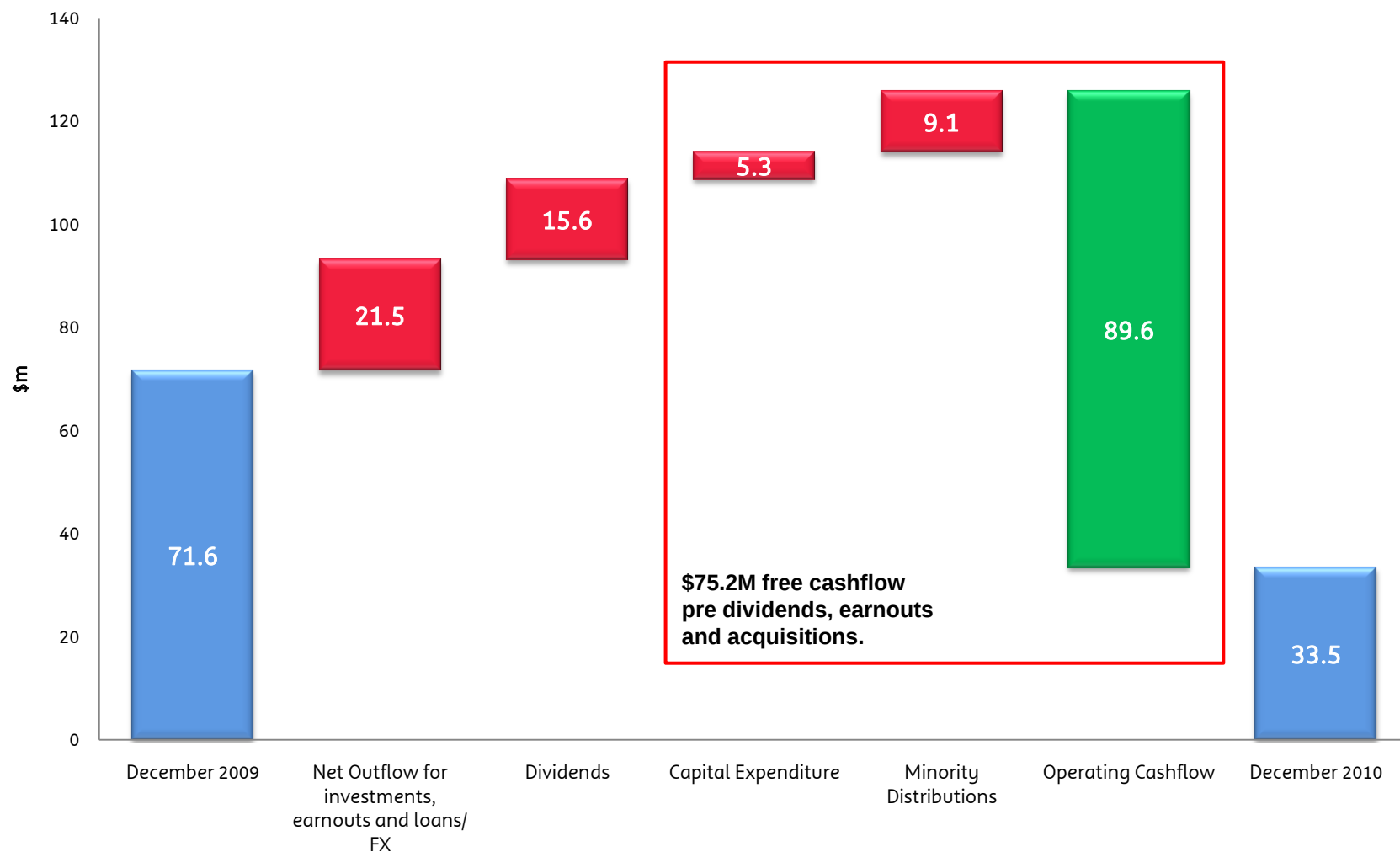
Key initiatives driving change:

- Detailed central reporting, analysis and follow up on the key components of working capital
- Setting targets and benchmarks for improvement
- Improving systems and billing cycles
- Developing the right relationships at the right level within client organisations
- Leveraging the power of the group

31 DECEMBER 2010 FULL YEAR DRIVES STRONG CASH CONVERSION & RECORD FREE CASHFLOW (\$M)

	6 Month Periods ending			
	31 Dec 2010	30 June 2010	31 Dec 2009	30 June 2009
Underlying Statutory EBITDA	44.7	35.7	42.2	31.5
Operating cashflow pre interest and tax	59.2	43.1	47.1	58.9
<i>EBITDA Conversion to cash flow</i>	<i>132%</i>	<i>121%</i>	<i>112%</i>	<i>187%</i>
Tax paid	(5.7)	(0.6)	(3.2)	(14.8)
Net Interest	<u>(2.9)</u>	<u>(3.5)</u>	<u>(3.8)</u>	<u>(5.0)</u>
Operating Cashflow	50.6	39.0	40.1	39.1
Capex	(2.8)	(2.5)	(2.9)	(1.3)
Minority Dividends	<u>(7.4)</u>	<u>(1.7)</u>	<u>(6.6)</u>	<u>(1.7)</u>
Free Cash Flow	40.4	34.8	30.6	36.1

31 DECEMBER 2010 FULL YEAR (\$M) & SIGNIFICANT REDUCTION IN NET DEBT



CORE BANK FACILITIES RENEWED UNTIL 2014 PLUS OPTIONS TO EXTEND

Maturity	\$M
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Core Australian Facility

Cash Advance - Jan 2014**	\$170.0
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NZ Facility Limit

Cash Advance - Jun 2011	<u>\$A3.5</u>
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Total Group Facilities	\$A173.5
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Drawn	\$77.3
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Undrawn	\$96.2
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Ratios	31/12/10	Pro Forma 31/12/09	Covenant
Debt to EBITDA*	1.63x	2.49x	< 3.00x
Interest Cover *	7.35x	5.96x	> 5.00x
Debt:Equity *	26.9%	35.9%	< 40.0%

* Banking facility definition basis. 2009 ratios adjusted to reflect current covenant structure. Definition of debt for covenants includes on balance sheet earnout liabilities.

** In addition the group has access to a guarantee facility supporting property commitments of \$8M. This facility is available through to January 2014

EARNOUT POSITION

	Total earnouts and put/ call options	Expected Settlement	Maturity Profile
	(\$M)		(\$M)
December 2009 @ Future Value	82.3	2011	31.6
Payments made in 2010	(21.0)	2012	15.5
Fresh 2010 earnouts	0.3	2013	5.8
Net revisions to earnout estimates	(0.7)	2014 +	8.0
December 2010 @ Future Value	60.9	Total @ Future Value	60.9

1. Total exposure to earnouts significantly reduced, expected to reduce to below \$30M at Dec 2011 based on current assumptions.
2. 2010 earnout program funded entirely from free cashflow.
3. Approximately 2/3 of remaining earnouts finalised in the next 18 months.
4. Exposure to variability in earnouts remains very low.
5. \$15.9M in earnouts relates to put options delivering incremental earnings when the options are exercised.
6. All earnouts to be comfortably funded through free cash flow and access to debt facilities.

INCREASED FOCUS ON RETURN METRICS

(\$M)	2010	2009
Average shareholders equity	336.7	321.8
Average invested capital	480.6	496.7
Underlying NPAT	38.7	33.1
Underlying EBIT	74.6	68.9
Return on shareholders equity (ROE)	11.5%	10.3%
After tax return on invested capital (ROIC)*	10.9%	9.7%

1. Significant improvement to returns on equity and invested capital – organic growth and capital focus
2. ROIC assisted by strong working capital controls leading to lower absolute capital employed notwithstanding strong return to growth
3. Focus on continuing to improve returns – prudent capital management, driving the assets harder, close scrutiny of new investment opportunities.

* Calculated as underlying EBIT x 0.7 / average invested capital

KEY THEMES

1. Strong growth – growth entirely organic
2. Exciting opportunities for revenue growth outside Australia and New Zealand
3. Strong momentum in digital leadership and integration
4. Margin firmly in control after funding growth initiatives and refilling incentive pools
5. Australasia's largest, most profitable marketing communications business
6. Proudly Australian owned
7. Excellent free cash flow and continued strengthening of balance sheet
8. Renewal of bank facilities to 2014 ensures funding for earnout program
9. Dividend payout ratio increased from 39% to 60% reflecting strong business performance and confidence in outlook
10. Capital management review currently underway – announce at or before May AGM

OUTLOOK

- 1. Macro economy reasonable**
- 2. Retail trading challenged**
- 3. Media expenditure predicted to grow around 5%**
- 4. STW Group scale and skill well positioned for market share again**
- 5. 2011 peak year for earnouts**
- 6. Based on current economic and business conditions, aiming to deliver underlying NPAT growth of between 5% and 10%**



DIGITAL AT STW
WHAT'S NOW,
WHAT'S NEXT

DRIVING DIGITAL INNOVATION AT STW

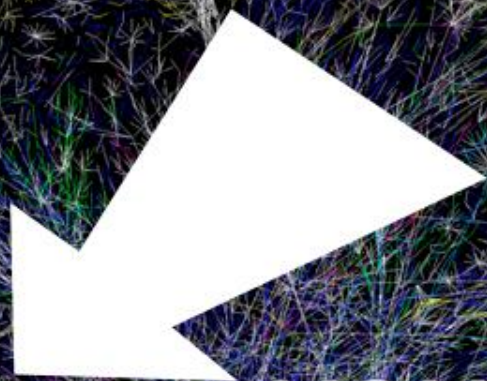
- ★ Practice Director, Digital Innovation
- ★ Founded DTDigital in 1996
- ★ Sold initial stake to STW in 2003
- ★ DTDigital co-located with BadjarOgilvy in 2007
- ★ Grew from 27 to 100 people over past 4 years
- ★ Broader STW role is a natural progression



WHAT IS DIGITAL?
ANY TECHNOLOGY THAT
CONNECTS CUSTOMERS
AND BRANDS.



**DIGITAL
OPPORTUNITY**

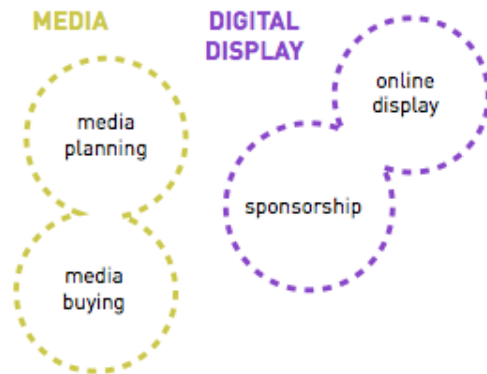


YOU ARE HERE

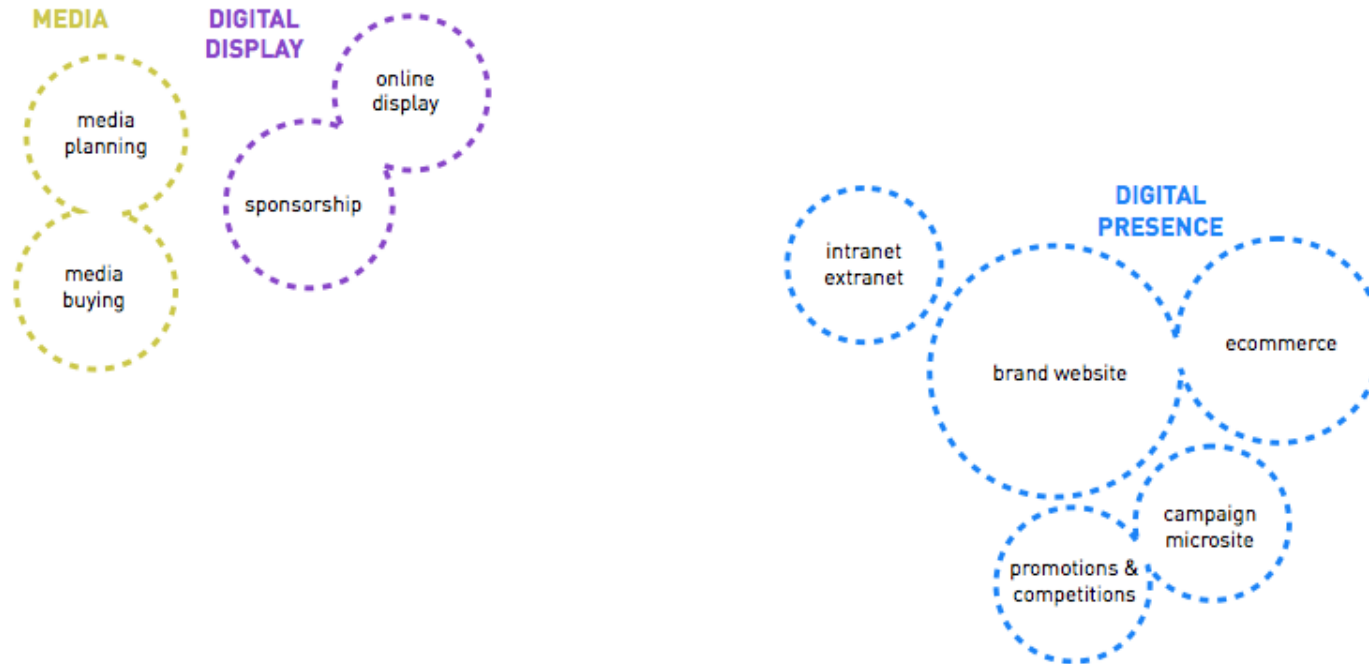
THE DIGITAL OPPORTUNITY

- ★ The Internet will disrupt entire industries for years
 - ★ Technology has always been a catalyst for change in consumer behaviour and marketing
 - ★ Opportunity to reframe and expand our scope of services and value to clients
 - ★ We must innovate and adapt to win
-

STW's EXPANDING DIGITAL OFFER



STW's EXPANDING DIGITAL OFFER



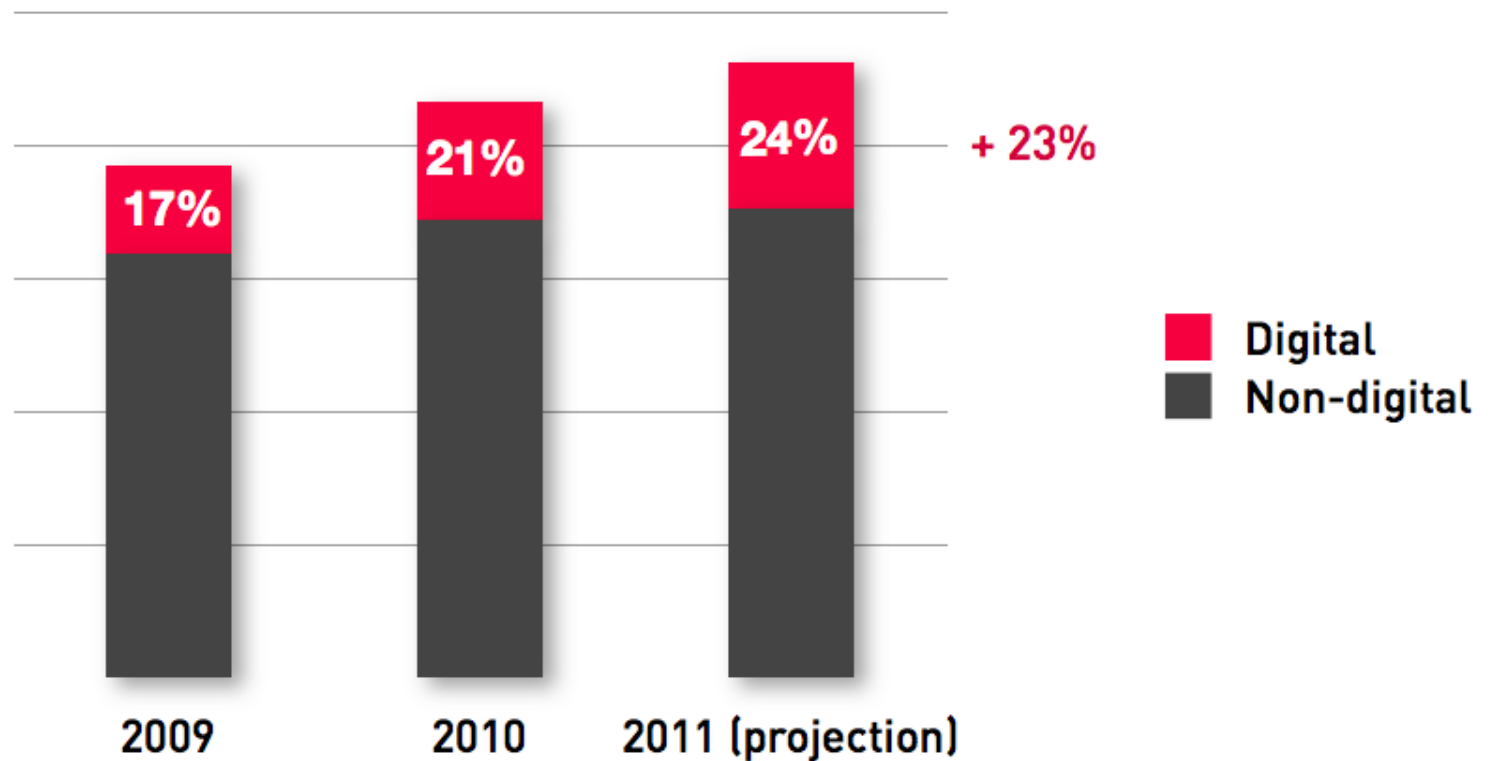
STW's EXPANDING DIGITAL OFFER



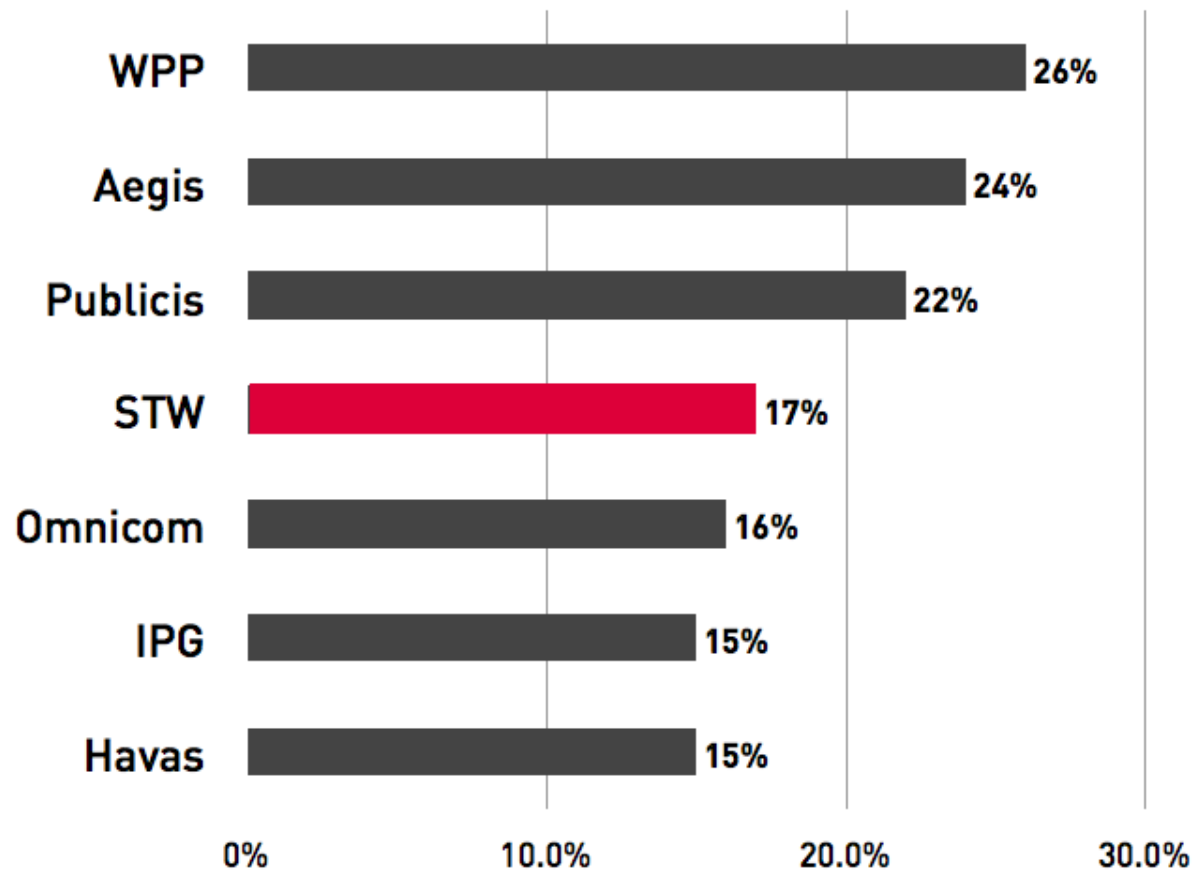


**WHAT'S
NOW**

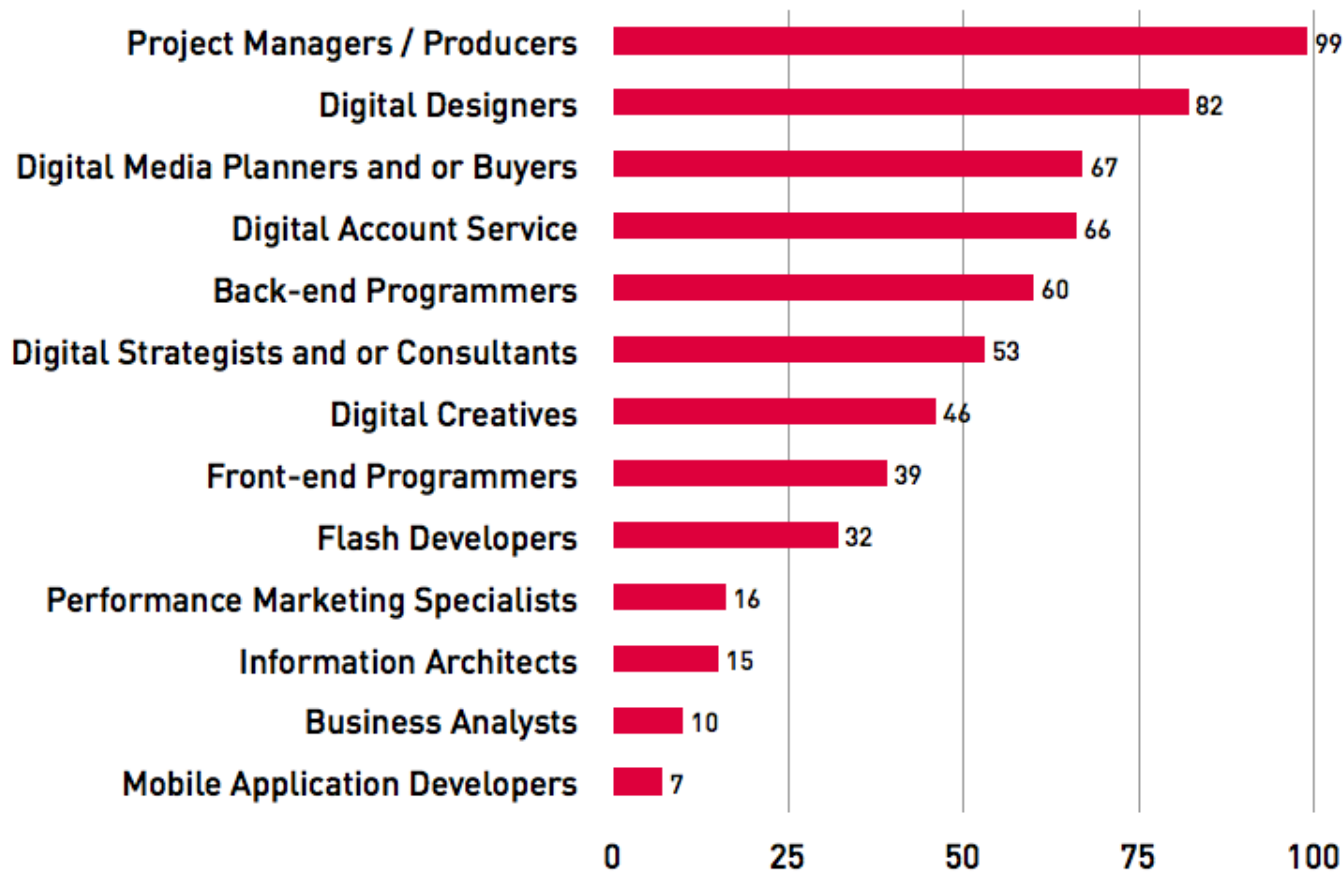
1. DIGITAL ACCOUNTS FOR 24 % OF FORECAST 2011 REVENUE



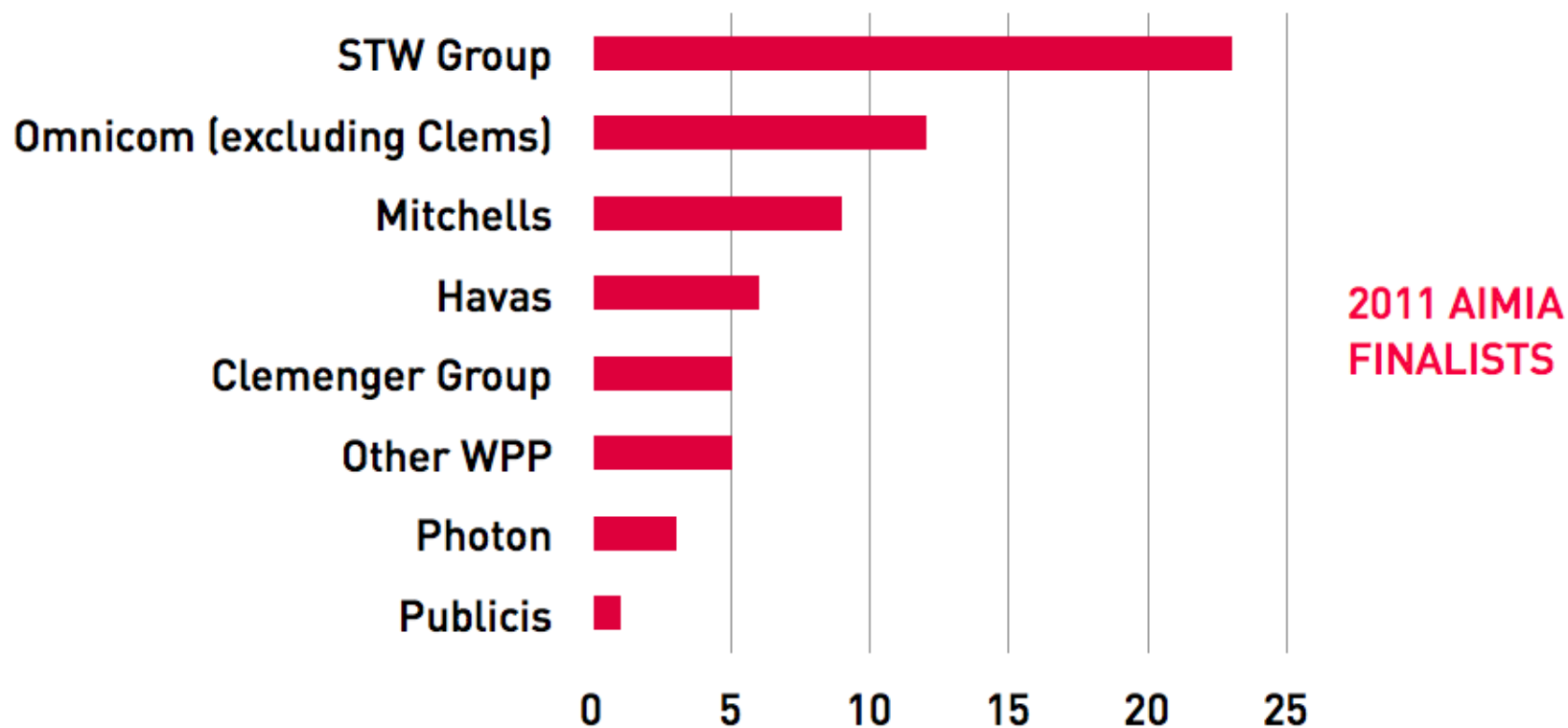
3. STW DIGITAL REVENUE VS PEERS (2009)



5. 592 DIGITAL STAFF EMPLOYED ACROSS GROUP



6. STRONG GROUP SHOWING IN DIGITAL AWARDS



DIGITAL REPORT CARD

- ★ STW has a strong digital offering today
 - ★ Digital services revenue projected to grow to 24% of total in 2011
 - ★ Many of our digital companies are leaders in their field
 - ★ Our position today is strong
 - ★ We will adapt as fast as possible to ensure that:
change = opportunity = results
-

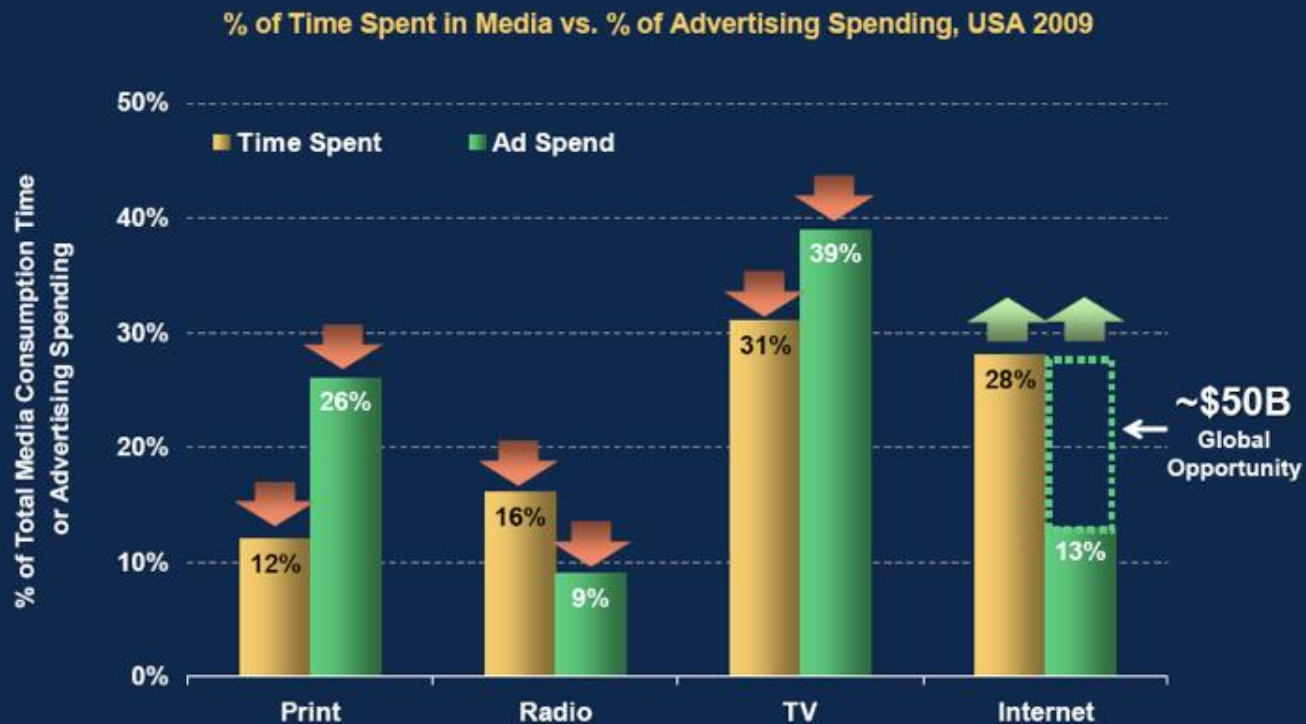


**WHAT'S
NEXT**

**GROWTH THROUGH DIGITAL:
A BIGGER PIECE OF A
GROWING PIE.**

GROWING PIE

Media Time Spent vs. Ad Spend Still Out of Whack Internet / Mobile (upside...) vs. Newspaper / Magazine / TV (downside...)



Morgan Stanley

Note: Time spent data per NA Technographics (2009), ad spend data per VSS, Internet advertising opportunity assumes online ad spend share matches time spent share, per Yahoo!. Source: Yahoo! Investor Day, 5/10. 15

A BIGGER PIECE

Scenario 1 - TRADITIONAL PAID MEDIA LED

Creative fees	\$250,000
Account management fees	\$200,000
External production costs	\$1,000,000
Internal production costs	\$200,000
Paid Media	\$4,000,000
Total cost to client	\$5,650,000

Our share: **\$650,000**
(11.5%)

Scenario 2 - DIGITAL OWNED MEDIA LED

Creative fees	\$350,000
Account management fees	\$300,000
Digital production	\$700,000
In-house video production	\$200,000
Social media	\$100,000
Activation	\$100,000
External production costs	\$750,000
Internal production costs	\$150,000
Paid media	\$3,000,000
Total cost to client:	\$5,650,000

Our share: **\$1,900,000**
(33.6%)

Scenario 2

Generates 300% more revenue for our group.

Has the potential to be more effective for our clients. (Depending upon category and audience).

2011 INITIATIVES

- ★ 3 year Digital / Technology growth plan
- ★ Digital growth plans for each company
- ★ Digital SWAT Team
- ★ Hyper Island 'Digital Harvard'
- ★ Thought leadership and innovation
- ★ STW Digital profile
- ★ Sharing technology resources and IP
- ★ Support development of product / service streams



GROWTH THROUGH DIGITAL

- ★ Change = opportunity
 - ★ Reviewed STW digital operations in 2010
 - ★ Positive results
 - ★ David's new role to drive digital innovation and growth
 - ★ STW well positioned to leverage what we have now, evolve for future
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APPENDIX

31 DECEMBER 2010 FULL YEAR

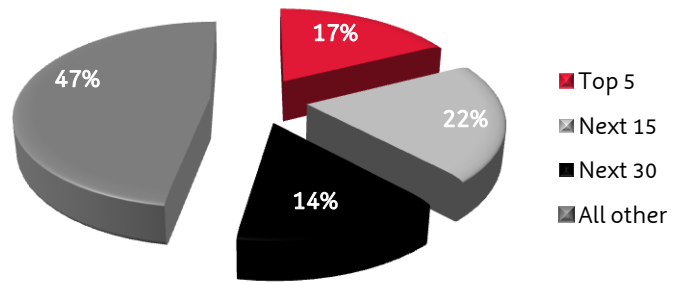
GROUP PROFIT AND LOSS – UNDERLYING NPAT*

(\$M)	2010	2009	Change
Advertising, Media & Production	31.7	27.6	14.9%
Diversified	23.9	21.0	13.8%
Hold-Co	(16.9)	(15.5)	(9.0%)
Group	38.7	33.1	17.0%

*Proportional Share

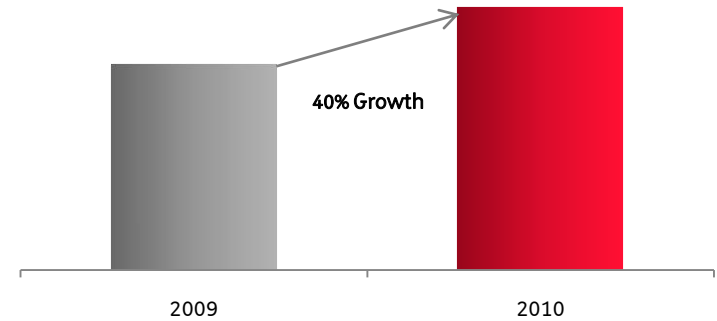
TOP 50 CLIENTS

STW Proportional Client Revenue

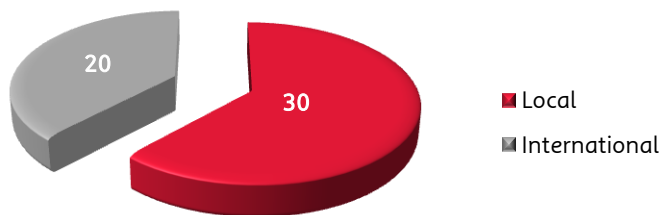


Top 50 represent 53%

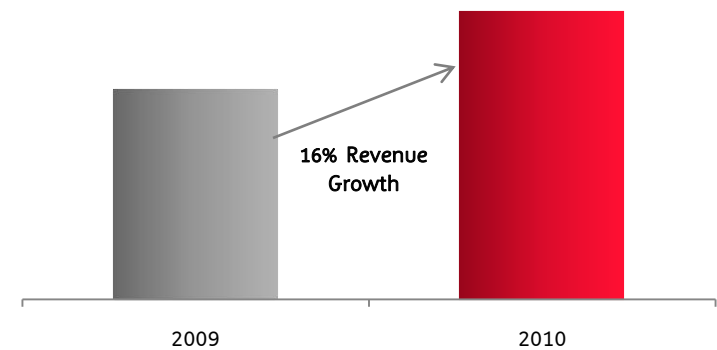
Touchpoints



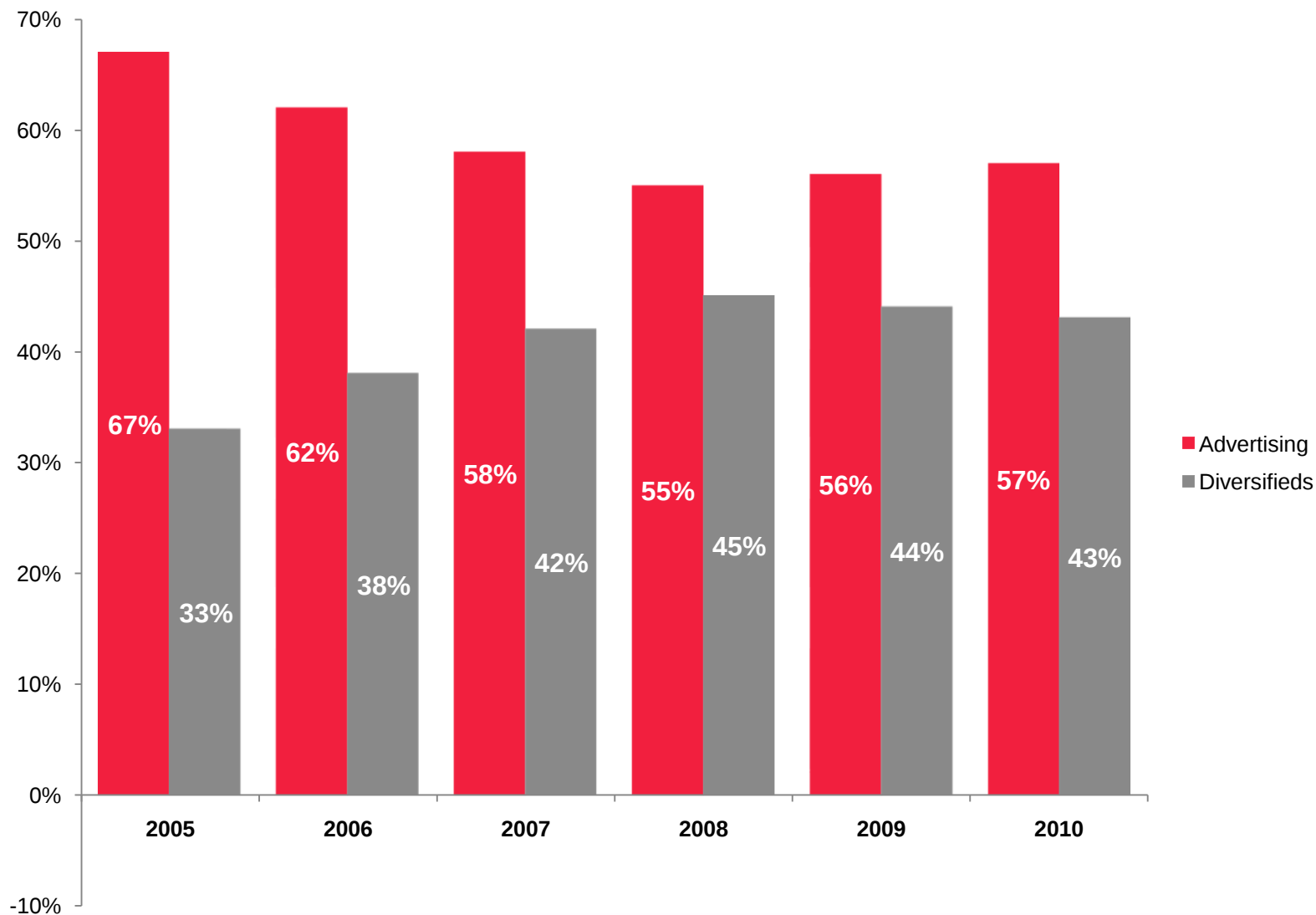
Geographic Split



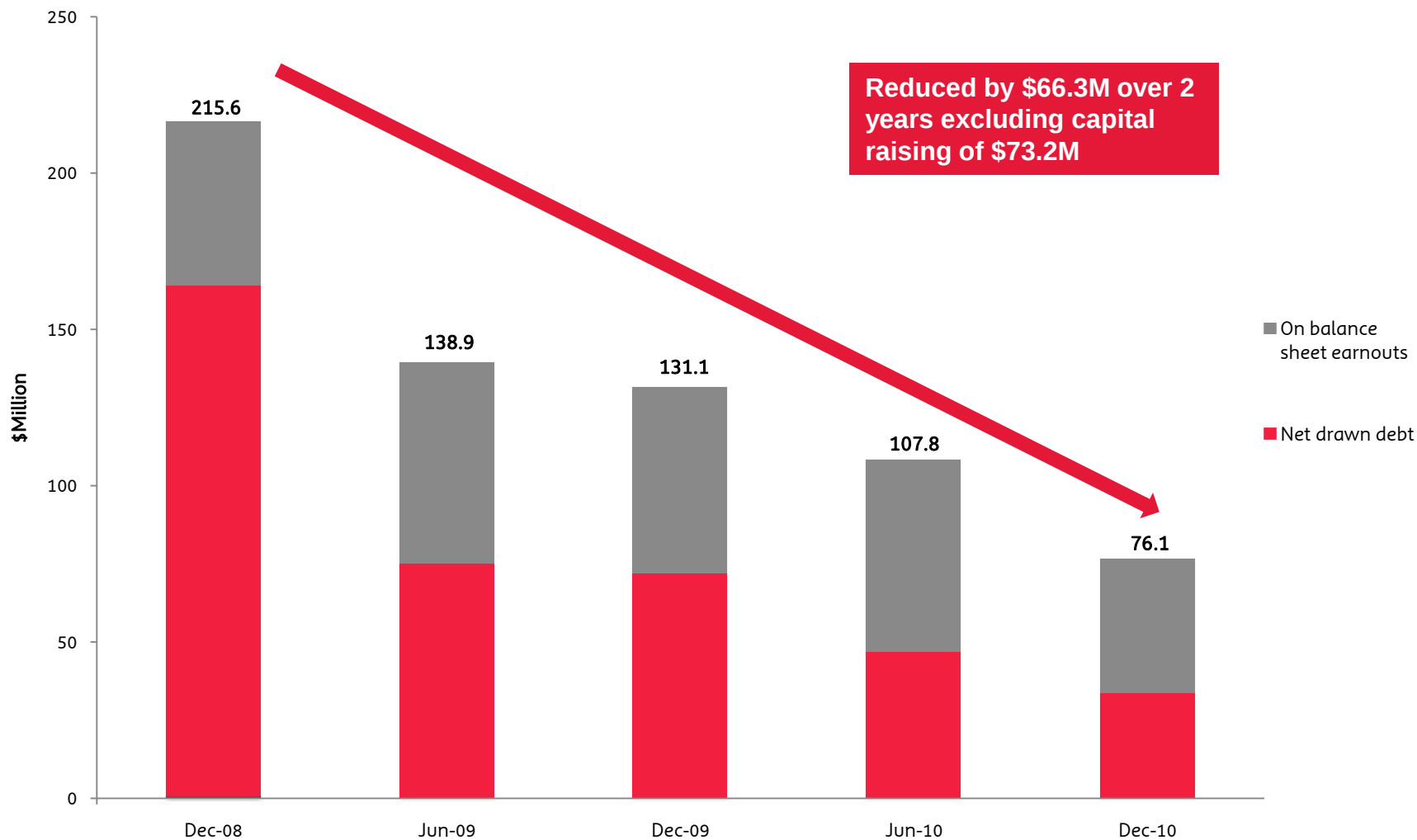
YOY Revenue Growth



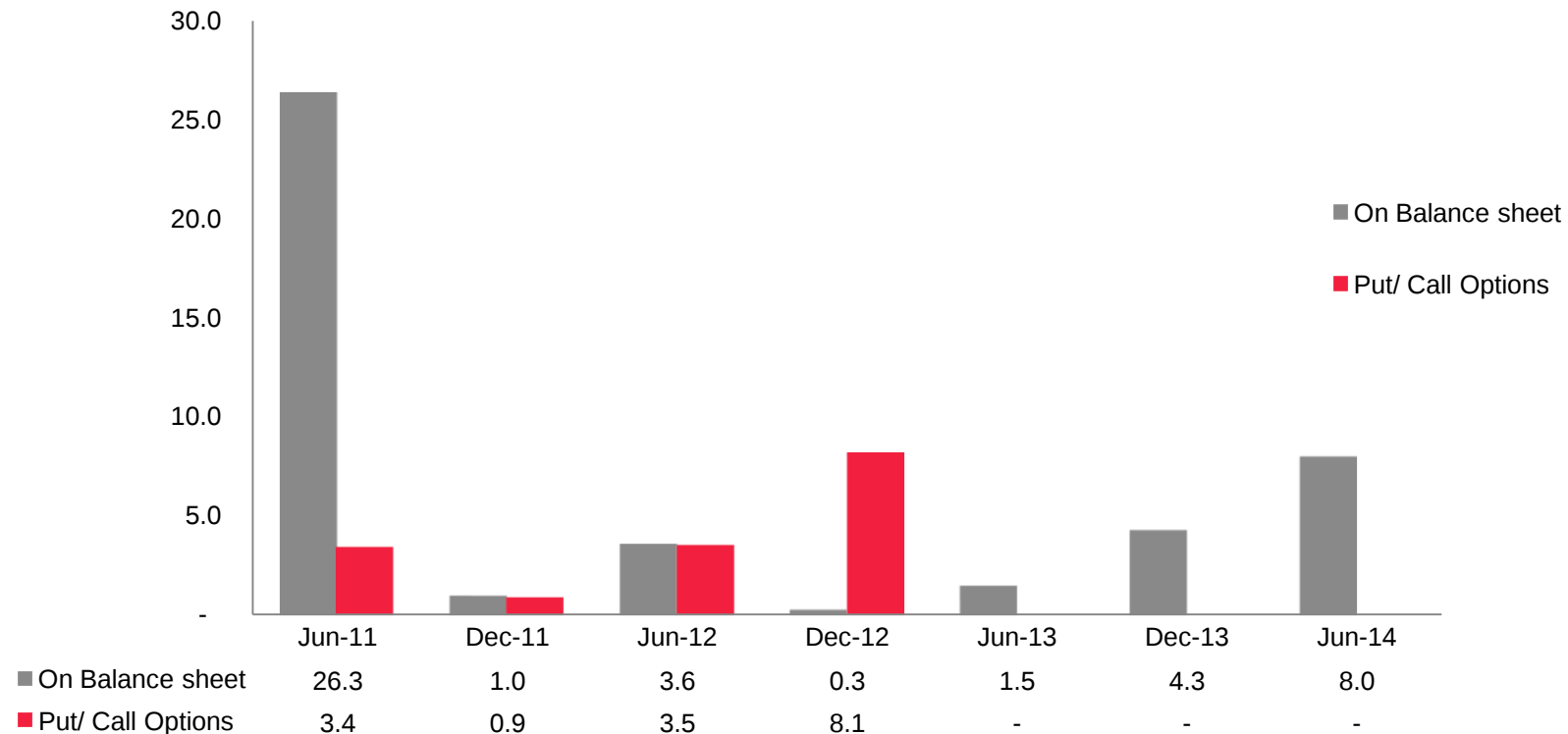
DIVISIONAL NPAT CONTRIBUTION



31 DECEMBER 2010 FULL YEAR NET DEBT & EARNOUTS



FUTURE EARN-OUT PAYMENTS



	On Balance Sheet	Put & Call Options	Total at Dec 10	Total at Dec 09
Total Future Value	45.0	15.9	60.9	82.3
Total Present Value	42.6	14.7		
Total Number of Deals	13	5		

FIRST HALF: SECOND HALF EARNINGS WEIGHTING

