

STW GROUP

Australasia's Leading Marketing Content and Communications Company



Half Year Results – 30 June 2011

LEARN FROM THE PAST, ACT IN THE PRESENT AND CREATE THE FUTURE

2011 HALF YEAR IN SUMMARY

1. Solid growth – challenging consumer sentiment
2. Revenue growth and market share gain
3. Margin in control
4. Continued investment in start-ups and new revenue stream opportunities.
5. Acquisition pipeline robust. Digital and Asian strategy on track.
6. Balance sheet remains extremely robust
7. Dividend increased to 3 cents per share, 30% increase on the prior period
8. Announcement of on-market share buy-back

30 JUNE 2011 HALF YEAR GROUP PROFIT AND LOSS – STW SHARE* (\$M)

	2011	2010	Change Fav/(Adv)
Revenue	155.9	147.4	5.8%
EBITDA	32.1	30.9	3.7%
EBITDA Margin	21%	21%	(0.4%)
Underlying NPAT	17.2	16.3	5.7%
Impairment of assets, amortisation, losses on sale	-	-	
Reported Statutory NPAT	17.2	16.3	5.7%
Fully Diluted Underlying EPS	4.81 cents	4.55 cents	
Fully Diluted Statutory EPS	4.81 cents	4.55 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.

2011 – SOLID ORGANIC GROWTH (\$M)

	Revenue		EBITDA	
	\$	% Δ	\$	% Δ
2010 Half Year	147.4		30.9	
Foreign exchange impact ^(a)	(1.3)	(0.9%)	(0.3)	(0.9%)
Net acquired ^(b)	3.2	2.2%	0.1	0.2%
Organic growth	6.6	4.5%	1.4	4.4%
2011 Half Year	155.9	5.8%	32.1	3.7%

- (a) Reflects the impact of foreign exchange movements on the level of prior year revenue derived in foreign currencies.
- (b) Represents the net impact of acquisitions and disposals made in 2011 as well as the full year effect of acquisitions and disposals made in 2010.

30% INCREASE IN INTERIM DIVIDEND

	Fully Franked Dividend per Share	Dividend \$m	% payout ratio
2009 Interim Dividend	1.5 cents	5.5	39%
2010 Interim Dividend	2.3 cents	8.4	51%
2011 Interim Dividend	3.0 cents	10.9	64%

- The 2011 interim dividend is payable on 9 September 2011 to all Shareholders registered at 26 August 2011.
- Consistent with our commentary at the AGM we have increased our dividend payout ratio for the half year to 64% consistent with our capital management plan and our desire to increase returns to shareholders.

ADVERTISING, PRODUCTION & MEDIA



Lawrence.



Assignment



ONE20

J W T



neo@Ogilvy



catalyst >>>
marketing, communications & online



haines attract

Ogilvy

BADJAR Ogilvy



Spinach

the Missing LINK



plush films

PARAGON
DESIGN GROUP

stw group
★

ADVERTISING/MEDIA PRODUCTION (\$M)

AGGREGATED			STW SHARE	
2011	CHANGE PCP		2011	CHANGE PCP
121.6	0.6%	REVENUE	82.0	1.4%
27.4	(2.0%)	EBITDA	20.0	1.1%
23%	(0.6%)	EBITDA MARGIN	24%	(0.1%)
27.0	(0.3%)	OPBT	19.7	2.8%
19.1	1.4%	NPAT	13.9	2.0%

- EBITDA Growth at STW share all organic
- Media companies experience an exceptional new business performance in 2011
- Lawrence Creative and The Brand Agency strong
- Majority owned companies stronger performers

DIVERSIFIED



Ogilvy Public Relations Worldwide



DIVERSIFIED (\$M)

AGGREGATED			STW SHARE	
2011	CHANGE PCP		2011	CHANGE PCP
96.7	8.1%	REVENUE	73.6	11.4%
21.5	(2.1%)	EBITDA	17.1	2.3%
22%	(2.3%)	EBITDA MARGIN	23.0%	(2.1%)
20.0	(3.3%)	OPBT	16.0	1.3%
13.8	(3.8%)	NPAT	11.1	1.9%

- Significant investment in field and shopper marketing - \$0.8m EBITDA of cost @ 100% drives a portion of the margin decline
- Excluding this investment the growth in STW share of NPAT would have been 2.0% higher and margin would be 0.5% higher.
- Pleasing growth in Branding and Design both domestically and offshore
- Digital companies showing strong growth
- Majority owned companies stronger performers

ACQUISITIONS/START UPS/MERGERS 2011

Entity	Specialty	Current STW Diluted Interest*
Acquisitions		
QNT	Field marketing	51%
Tongue	Digital	100% (increased from 49%)
Ogilvy NZ	Advertising	56.7% (increased from 43.3%)
Start-ups		
IKON (New York)	Media Buying and Planning	20%
Barton Deakin	Public Affairs	50%
Rolfe	Advertising (NZ)	80%
Feedback ASAP	Mystery Shopping	20%

* P&L expenditure on growth initiatives in field and shopper marketing of circa \$0.8m in first half (PBT @ 100%)

LUKAS AVIANI
CHIEF FINANCIAL OFFICER

WORKING CAPITAL – TAX AND MEDIA RESULT BIG DRIVERS IN HALF (\$M)

Net Working Capital Investment	Media Business	Non Media Business	Total
31 December 2009	(15.9)	4.2	(11.7)
30 June 2010	(35.6)	0.5	(35.1)
31 December 2010	(40.5)	(14.1)	(54.6)
30 June 2011	(31.8)	0.8	(31.0)
Δ in 6 months to 30 June 2011			(23.6)

Key factors impacting first half working capital:

- Timing of media receipts – \$10M exceptional receipt at 31 December has reversed
- Tax payments – catch up of \$8.4M from 2010 tax year
- Two agency debtors accounted for circa \$5M of additional working capital tied up at 30 June – rectified post half year end
- Working capital remains a tight focus for the group
- Working capital position expected to improve markedly in the second half

30 JUNE 2011 HALF YEAR RESULTS IN A LOWER 6 MONTHS OF CASHFLOW (\$M)

	6 Month Periods ending				Two year aggregate
	30 Jun 2011	31 Dec 2010	30 Jun 2010	31 Dec 2009	
Underlying Statutory EBITDA	35.8	44.7	35.7	42.2	158.4
Operating cashflow pre interest and tax	25.2	59.2	43.1	47.1	174.6
<i>EBITDA Conversion to cash flow</i>	<i>70%</i>	<i>132%</i>	<i>121%</i>	<i>112%</i>	<i>110%</i>
Tax paid	(16.3)	(5.7)	(0.6)	(3.2)	
Net Interest	(4.0)	(2.9)	(3.5)	(3.8)	
Operating Cashflow	4.9	50.6	39.0	40.1	

Key factors impacting first half cashflow conversion:

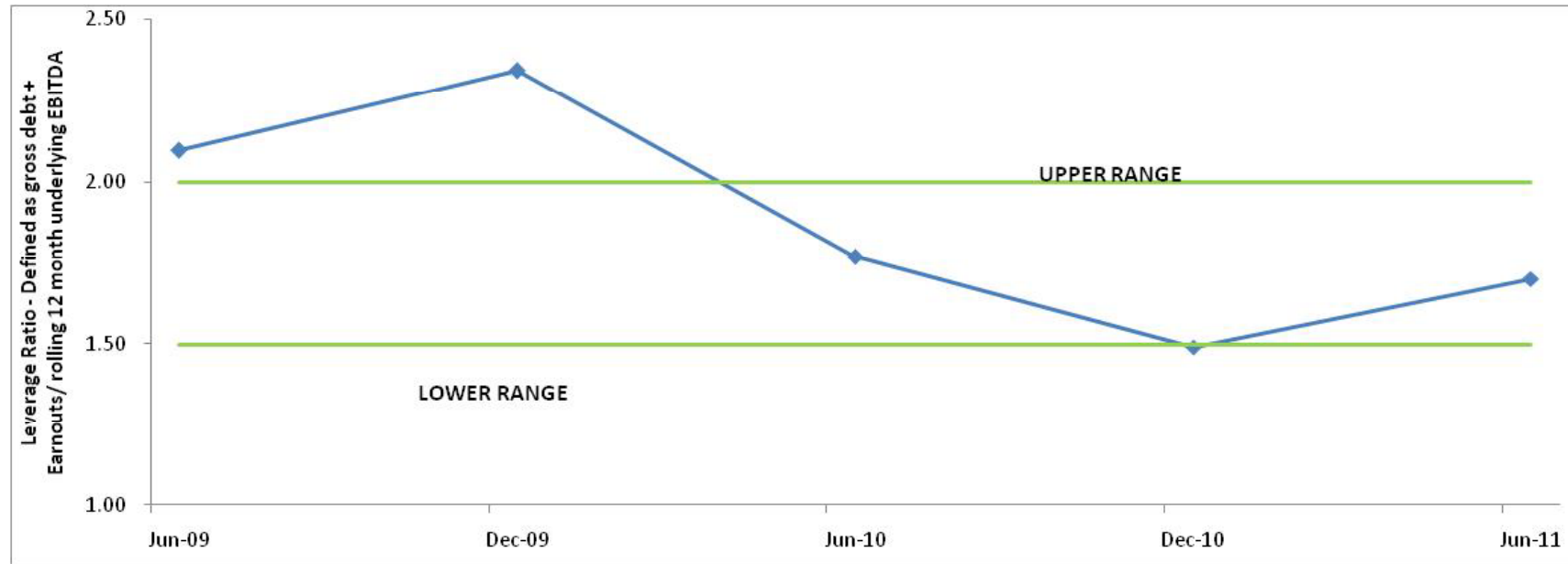
- Timing of media receipts and the delay in agency debtors (circa \$15m combined) more than account for the reduction in cashflow conversion to 70%
- Look to second half cash conversion to be significantly stronger and well above 100%
- Second half operating cashflow to be stronger with agency debtor position now corrected
- Catch up in tax payments - \$15.7M Vs 1H 2010 results in lower operating cashflow

30 JUNE 2011 - BALANCE SHEET REMAINS VERY STRONG (\$M)

	30 Jun 2011	31 Dec 2010	30 Jun 2010	31 Dec 2009
Cash (a)	26.5	43.8	28.6	42.0
Net working capital	(31.0)	(54.6)	(35.1)	(11.7)
Investments	91.8	100.6	98.7	98.6
Intangibles	403.2	382.8	385.3	381.6
Other Assets	45.6	44.3	42.3	42.3
TOTAL ASSETS	536.1	516.9	519.8	552.8
Bank Borrowings - Current (b)	(3.4)	(3.5)	(4.6)	(0.5)
- Non Current (b)	(111.6)	(73.8)	(70.7)	(113.1)
Deferred Consideration – Current (b)	(6.1)	(28.6)	(45.6)	(15.7)
- Non Current (b)	(15.7)	(14.0)	(15.5)	(43.8)
Other Liabilities	(16.9)	(12.6)	(9.0)	(11.9)
NET ASSETS	382.4	384.4	374.4	367.8
<u>Key balance sheet metrics:</u>				
Net debt including earnouts (b-a)	110.3	76.1	107.8	131.1
Net debt: Net Assets (1)	29%	20%	29%	36%

(1) Net debt for this calculation includes deferred consideration as shown above.

30 JUNE 2011 –LEVERAGE VERSUS CAPITAL MANAGEMENT TARGETS (\$M)



- Stated capital management target is for gross debt + on balance sheet earnout liabilities to be between 1.50 and 2.00 times rolling 12 month EBITDA
- At 30 June 2011 STW leverage is in the lower half of the stated range at 1.70 times
- We expect that leverage at Dec 2011 will move back towards the low end of the intended range in the absence of material acquisition.

CORE BANK FACILITIES – NZD FACILITY TERMED OUT

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 2012	<u>\$A3.5</u>
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Total Group Facilities	\$A173.5
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Drawn	\$115.0
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Undrawn	\$58.5
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Ratios	30 Jun 11	31 Dec 10	Covenant
Debt to EBITDA*	1.84x	1.63x	< 3.00x
Interest Cover *	7.55x	7.35x	> 5.00x
Debt:Equity *	29.1%	26.9%	< 40.0%

* Banking facility definition basis. 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 (\$M)	Expected Settlement	Maturity Profile (\$M)
31 December 2010 @ Future Value	60.9	Remainder of 2011	1.3
Payments made in 2011	(31.8)	2012	12.5
New 2011 earnouts	6.1	2013	9.5
Net revisions to prior earnout estimates	2.6	2014 +	14.5
30 June 2011 @ Future Value	37.8	Total @ Future Value	37.8

1. Peak earnout settlement now behind us with \$31.8M paid in 1H 2011.
2. Minimal earnout payment activity on current portfolio until 2H 2012 at the earliest (assumes earliest possible exercise of put/ call options).
3. Exposure to variability in earnouts significantly reduced along with reduction in overall quantum.
4. \$13.4M in earnouts relates to put and call options delivering incremental earnings when the options are exercised.
5. All earnouts to be comfortably funded through free cash flow and access to debt facilities.
6. New accounting standard means earnout revisions on new deals will go through P&L thereby causing some volatility in future reported earnings.

RETURN METRICS – ROLLING 12 MONTH PERIODS

(\$M)	30 Jun 2011	31 Dec 2010	30 Jun 2010	31 Dec 2009
Average shareholders equity	344.5	336.7	328.1	321.8
Average invested capital	478.6	480.6	492.1	496.7
Underlying NPAT – rolling 12 months	39.6	38.7	35.4	33.1
Underlying EBIT – rolling 12 months	73.7	74.6	72.0	68.9
Return on shareholders equity (ROE)	11.5%	11.5%	10.8%	10.3%
After tax return on invested capital (ROIC)*	10.8%	10.8%	10.2%	9.7%

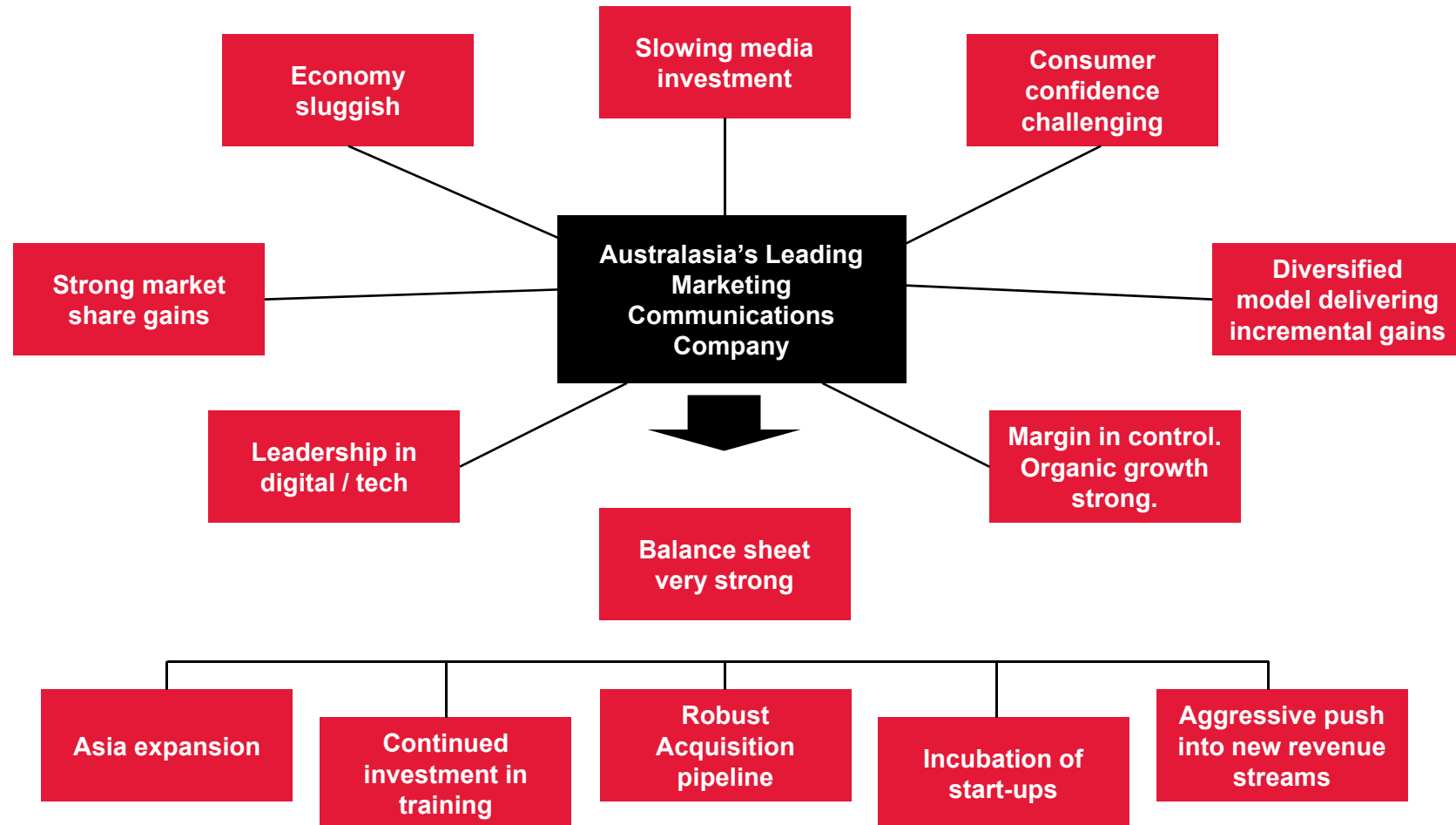
1. Return metrics remain stable in the 6 month period
2. Focus on continuing to improve returns – prudent capital management, driving the assets harder, close scrutiny of new investment opportunities.

* Calculated as underlying EBIT x 0.7 / average invested capital

ON MARKET SHARE BUY-BACK

- **Announcement of on-market share buy-back**
- **Up to 10% of issued capital**
- **EPS accretive use of financial capacity**
- **Current equity market conditions warrant bringing forward capital management initiative**
- **Further capital management initiatives will be announced in conjunction with 2011 full year results**
- **Cautious approach**

STRONG GROWTH AND MOMENTUM



OUTLOOK

1. **Macro economy challenged**
2. **Retail trading weak**
3. **Media expenditure predicted to grow less than 2%**
4. **STW Group scale and skill well positioned for market share again**
5. **Previous guidance of 5 - 10% NPAT growth still achievable**

APPENDIX

30 JUNE 2011 HALF YEAR GROUP PROFIT AND LOSS – UNDERLYING NPAT*

(\$M)	2011	2010	Change
Advertising, Media & Production	13.9	13.6	2.2%
Diversified	11.1	10.9	1.9%
Hold-Co	(7.8)	(8.2)	5.5%
Group	17.2	16.3	5.7%

*Proportional Share

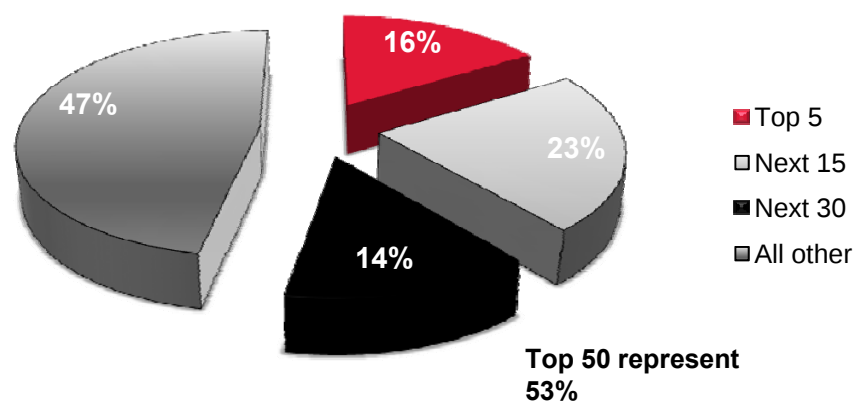
30 JUNE 2011 HALF YEAR DETAILED GROUP PROFIT AND LOSS – STW SHARE* (\$M)

	6 months to 30 June		
	2011	2010	2009
Revenue	155.9	147.4	131.0
EBITDA	32.1	30.9	27.8
EBITDA Margin	21%	21%	21%
Depreciation & amortisation	(3.3)	(2.8)	(2.5)
EBIT	28.8	28.1	25.3
Net Interest expense	(4.3)	(4.4)	(5.9)
PBT	24.5	23.7	19.4
Tax expense	(7.3)	(7.4)	(5.5)
Underlying NPAT	17.2	16.3	13.9
Effective tax rate	30%	31%	29%

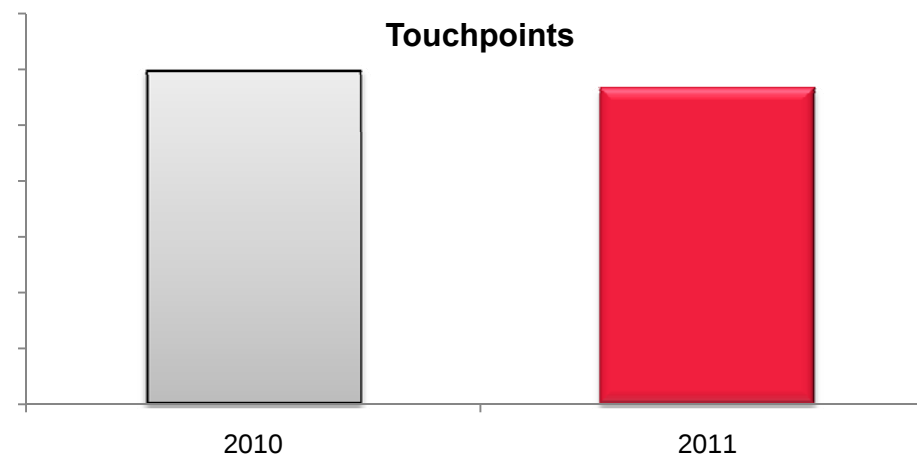
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TOP 50 CLIENTS

STW Proportional Client Revenue

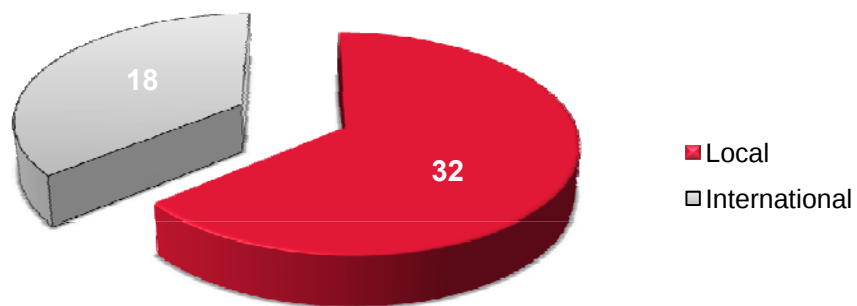


Touchpoints

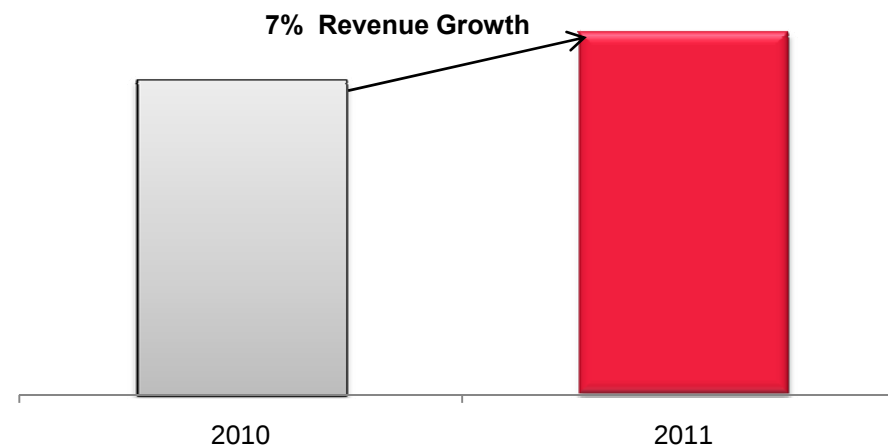


YOY revenue Growth

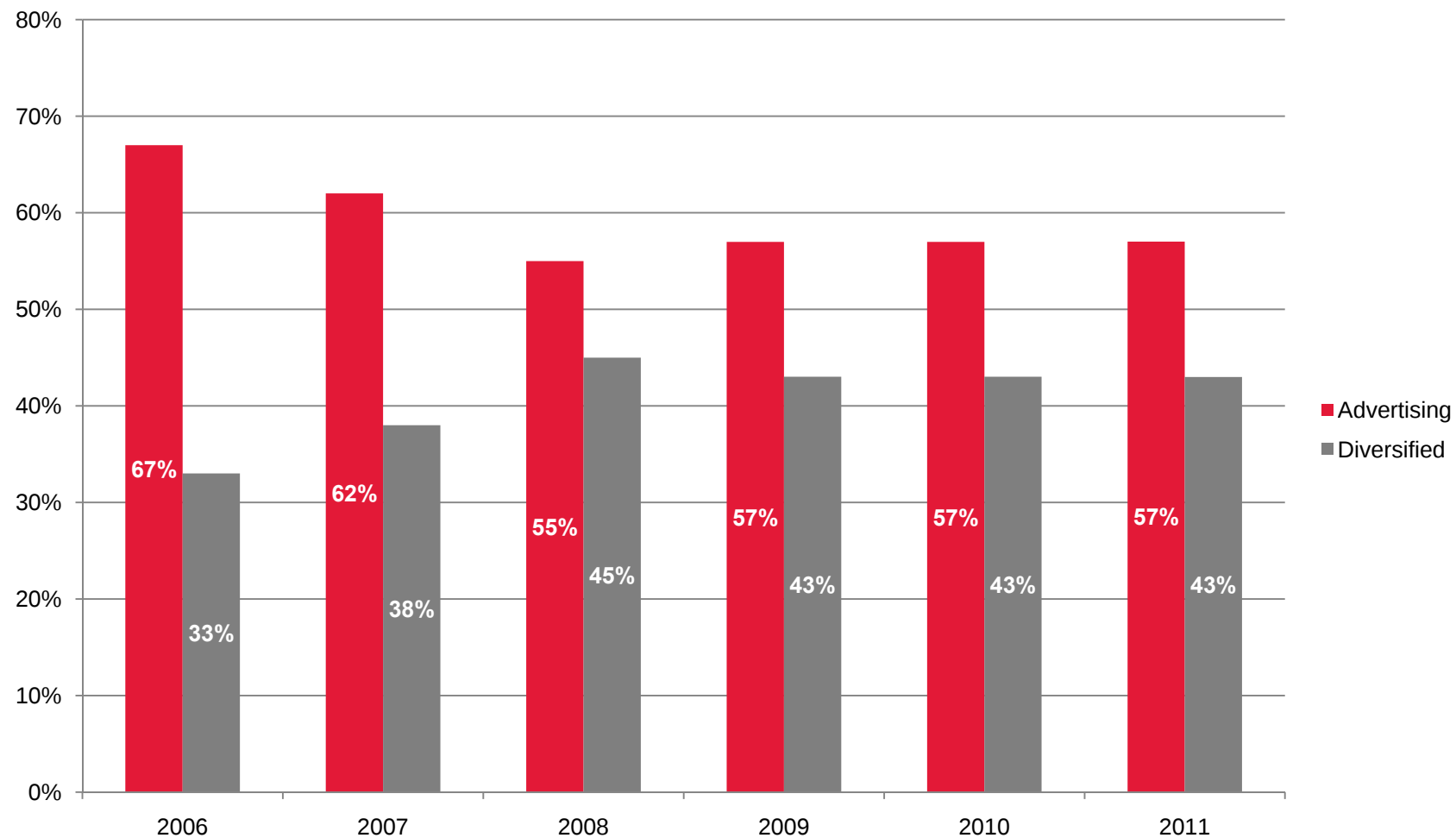
Geographic Split



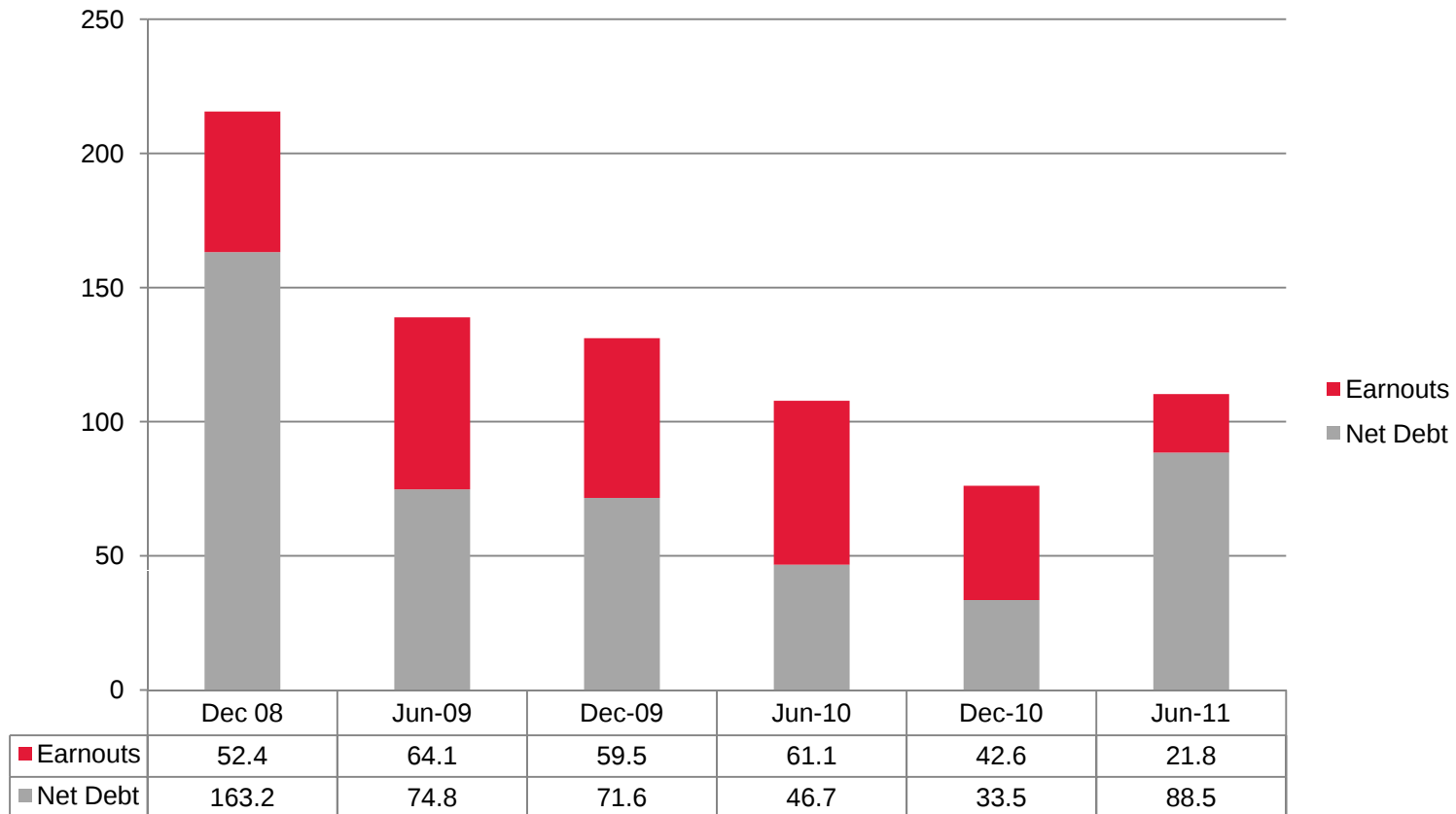
7% Revenue Growth



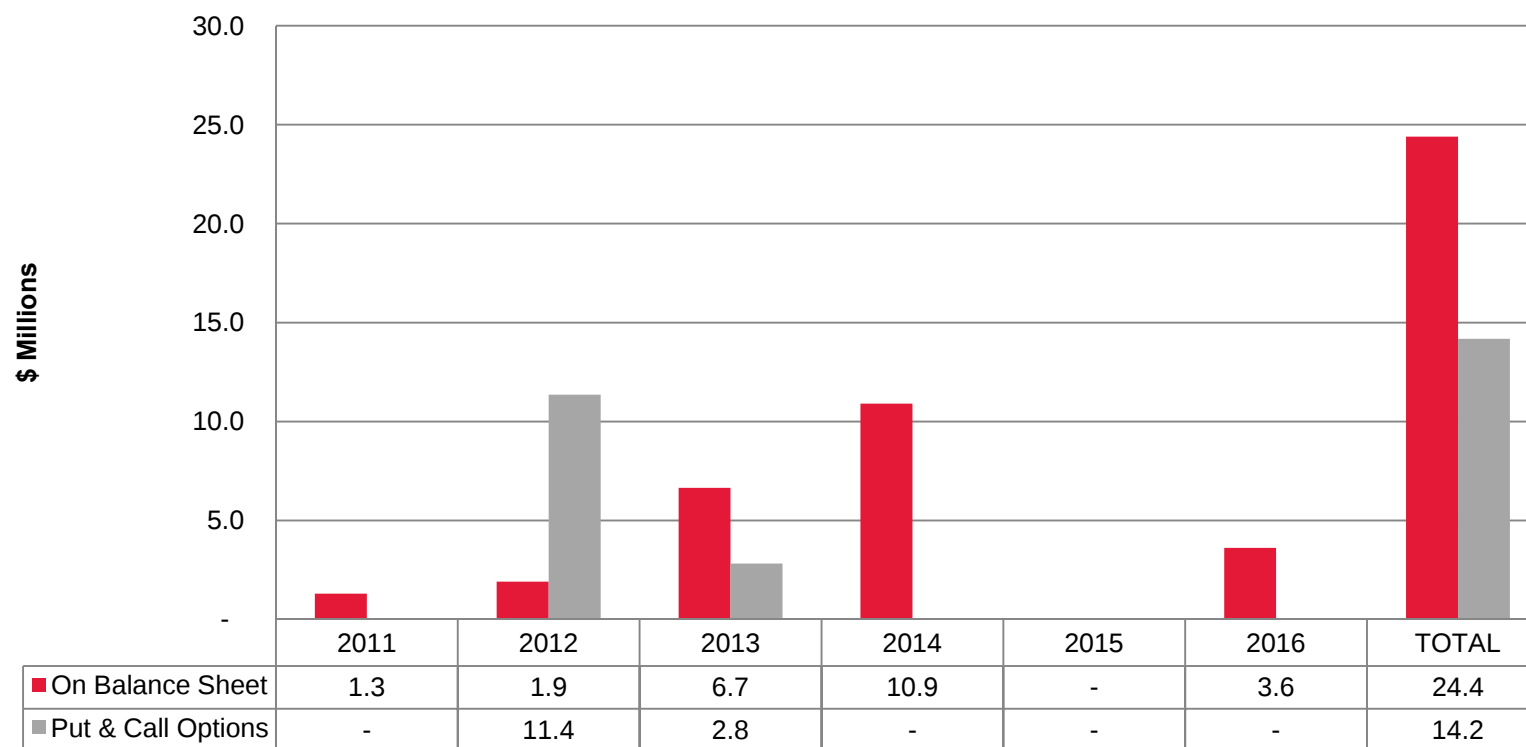
DIVISIONAL NPAT CONTRIBUTION



30 JUNE 2011 FULL YEAR NET DEBT & EARNOUTS

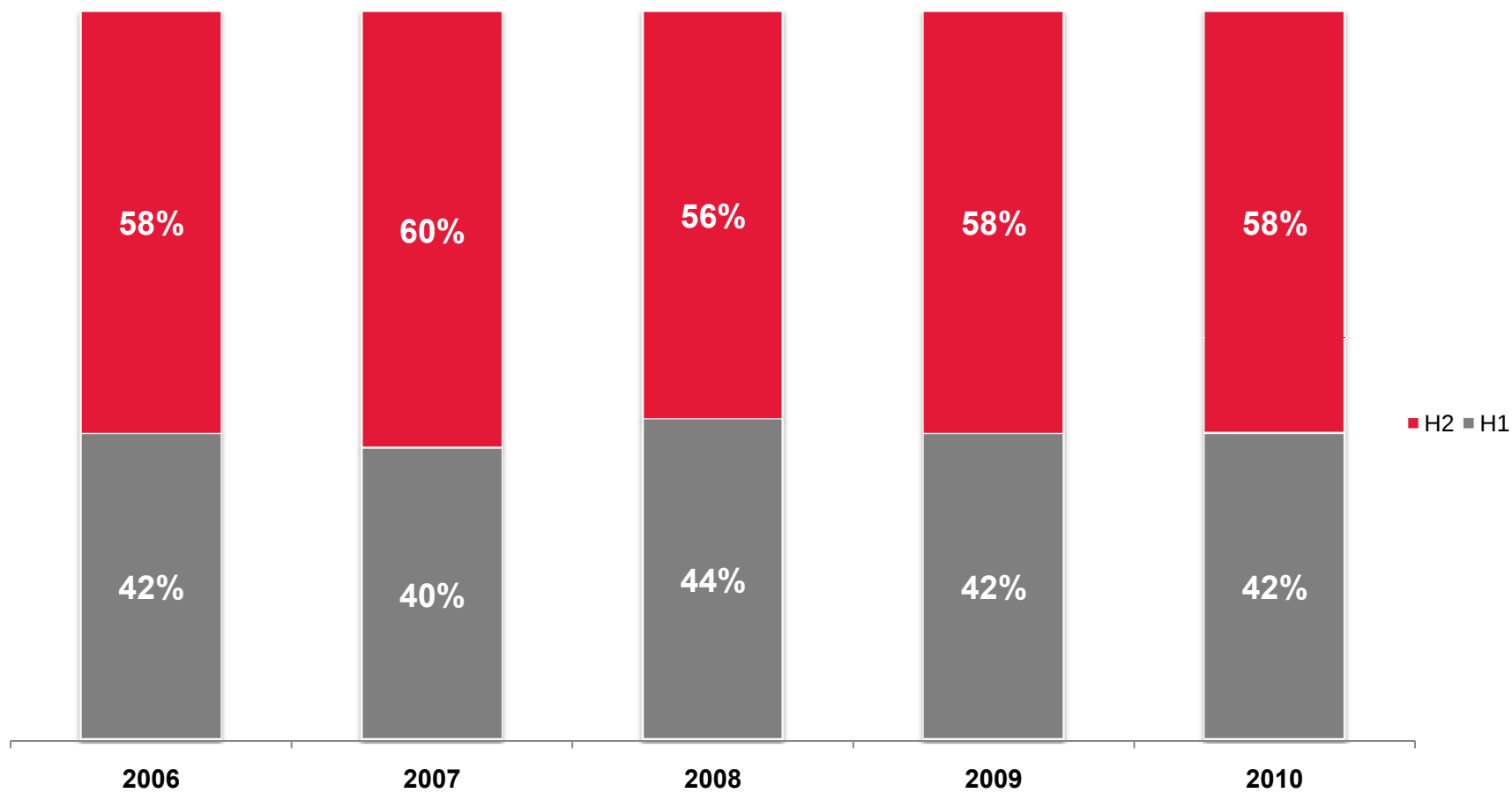


FUTURE EARN-OUT PAYMENTS



	On Balance Sheet	Put & Call Options	Total at Dec 10	Total at Dec 10
Total Future Value	24.4	13.4	37.8	60.9
Total Present Value	21.9	12.6		
Total Number of Deals	12	5		

FIRST HALF: SECOND HALF EARNINGS WEIGHTING

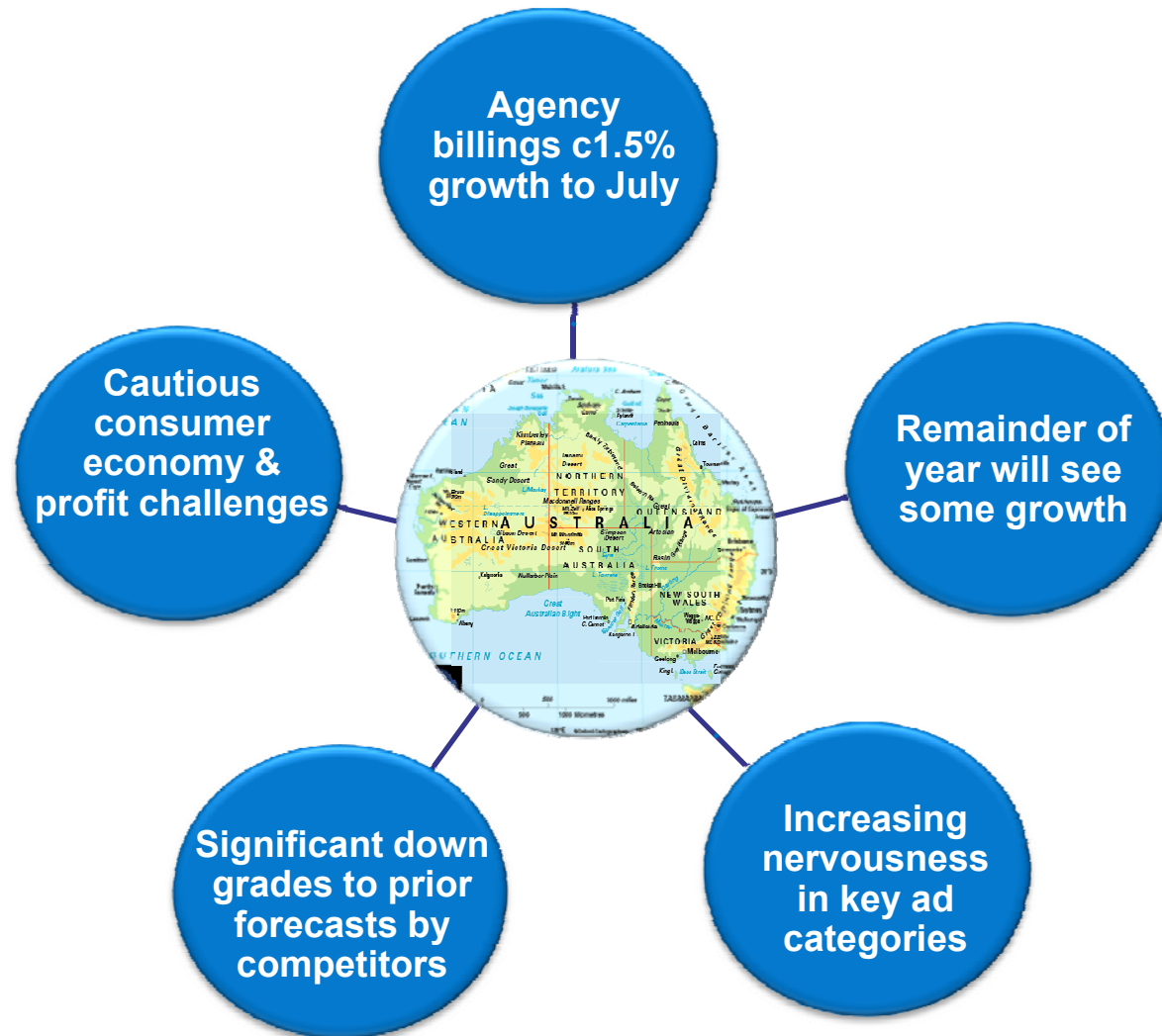


JOHN STEEDMAN
CHIEF EXECUTIVE OFFICER, GROUPEM

Australia

STW media analyst update August 2011

Market conditions are as we expected – small growth forecast across 2011



**2010 revenue base has created challenging comparables -
First half 2011 saw 2% growth yoy but still at 8% in front of 2008 (pre GFC)**



Things to watch out for remainder of the year

- 2011 has no major events (Rugby World Cup won't be a huge revenue driver)
- 2010 had Elections & Mining as incremental
- Categories facing challenges
 - Retail challenged & will continue to impact print media owners
 - Automotive was expected to be strong in 2011, Japan earthquake has had an impact on marketing support as production and parts were impacted
 - Some signs of increased Automotive spends towards back end of the year
 - FMCG looks fairly stable
 - Some increased Banking & Finance activity currently

Second quarter saw 2% decline in agency spend off high comparables



TV multi channels strategy has stabilised their share of the market but not grown it = incremental programming cost base to manage



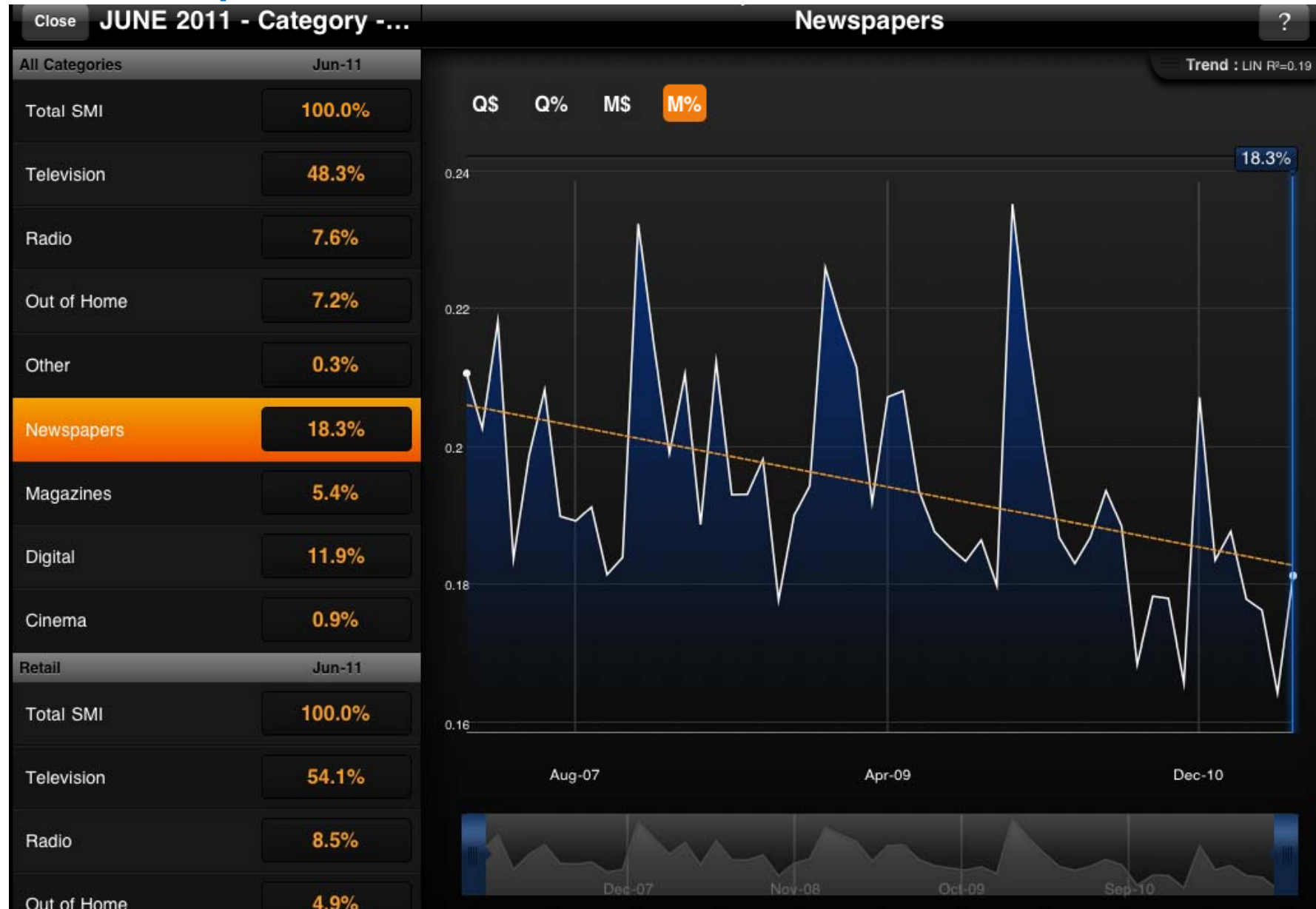
And grown the overall available commercial audience base



But also accelerated audience fragmentation - up to 30% of the Networks audience being delivered outside the main channel



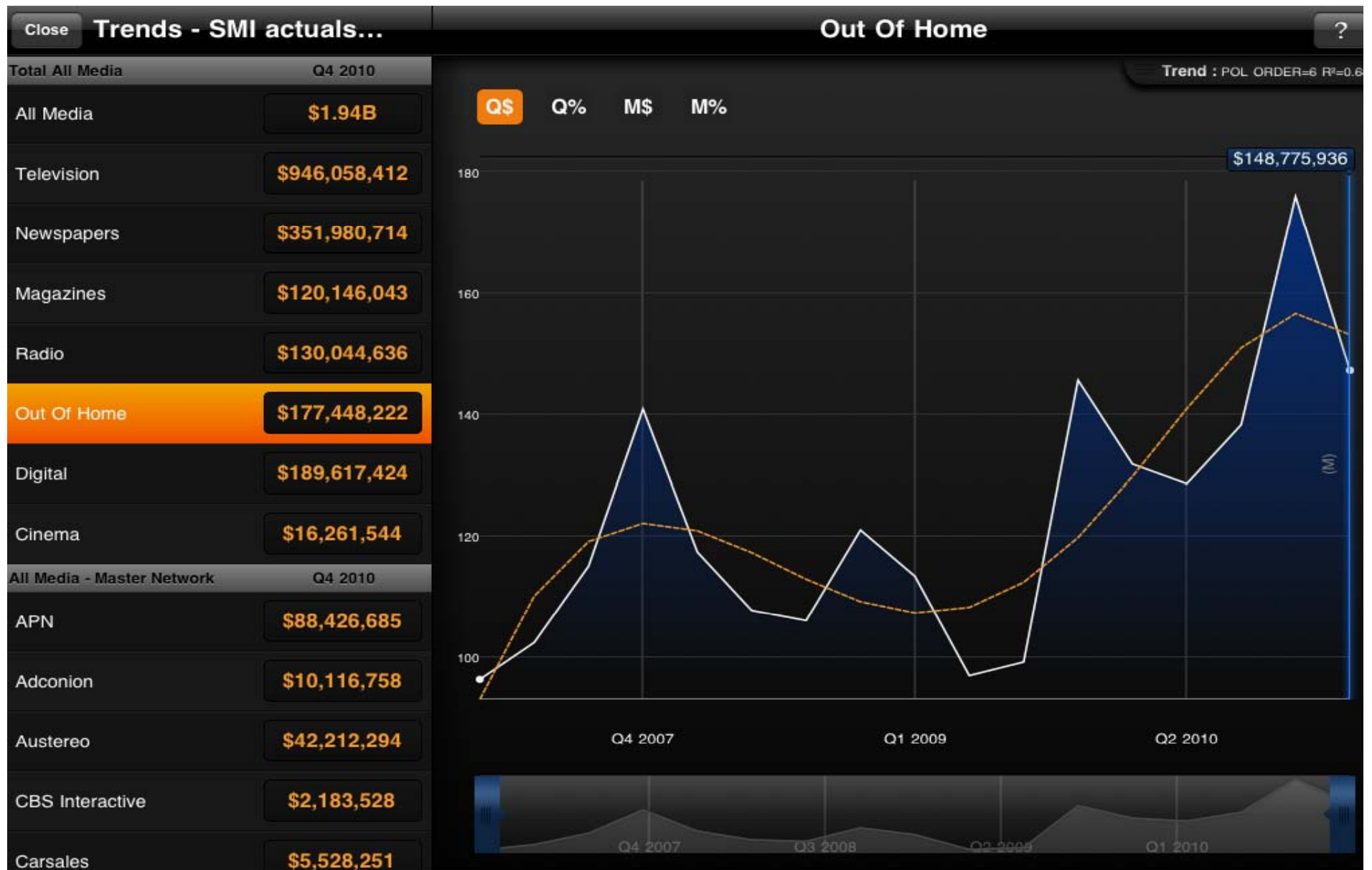
Newspapers seeing increased share loss and revenue declines with agency revenues back 6-7% - Retail spending putting increased downward pressure on



Magazines have seen a decline of c7% and continue to face long-term challenges in an increasingly Digital environment - share of agency revenues 5-6% from c9% five years ago



Out of Home performing consistently strongly and out performing the market between 8-9% of agency revenue (2007 c7%) revenue growth c8%



Digital still the key long term driver of market growth with 20% growth in agency billings. Next phase growth needs to come from under utilised ca like FMCG & Retail which will have knock on impact to other media types



Across the remainder of 2011 confidence and holding our nerve will be the key. In the short term market share will be the key focus for advertisers and media owners alike.



THANK YOU