

STW GROUP

Australasia's Leading Marketing Content and Communications Company



Full Year Results - 31 December 2011

**IDEAS
CREATE
GROWTH**

2011 FULL YEAR IN SUMMARY

1. **Achieved full year guidance**
2. **Organic revenue growth**
3. **Outperformed the market, underlining fact we are not totally beholden to media cycle**
4. **Continued investment in start-ups and new revenue stream opportunities**
5. **Geographic expansion and export of home grown brands and IP very encouraging**
6. **Acquisition pipeline robust. Digital and Asian strategy on track**
7. **Digital revenues grown as planned from 21% to 23% of total**
8. **Deriving great benefits from co-locating businesses, particularly St. Leonards and St. Kilda Road campuses**
9. **Balance sheet remains extremely robust**
10. **Dividend increased to 5.0 cents per share. Total dividend of 8.0 cents per share for the 2011 year, an increase of 23.1% on the prior period**

31 DECEMBER 2011 FULL YEAR GROUP PROFIT AND LOSS – STW SHARE* (\$M)

	2011	2010	Change Fav/(Adv)
Revenue	322.7	304.3	6.1%
EBITDA	72.1	69.4	4.0%
EBITDA Margin	22.3%	22.8%	(0.5%)
Underlying NPAT	41.3	38.7	6.8%
Acquisition expenditure written off	0.4	-	N/M
Reported Statutory NPAT	40.9	38.7	5.8%
Fully Diluted Underlying EPS	11.5 cents	10.8 cents	
Fully Diluted Statutory EPS	11.4 cents	10.8 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 Full Year	304.3		69.4	
Foreign exchange impact ^(a)	(0.4)	(0.1%)	(0.1)	(0.1%)
Net acquired^(b)	7.2	2.4%	0.8	1.2%
Organic growth	11.6	3.8%	2.0	2.9%
2011 Full Year	322.7	6.1%	72.1	4.0%

- (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

2011 Acquisitions

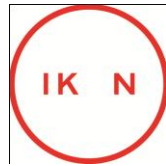
The Brand Agency	Advertising	4% STW share effective 1 July
QNT	Field marketing	51% STW share effective 1 Jan
Tongue	Digital	51% STW share effective 1 Jan
Ogilvy NZ	Advertising	13.3% STW share effective 1 Jan
Feedback ASAP	Mystery Shopping	20% STW share effective 1 Jan

23.1% INCREASE IN FULL YEAR DIVIDEND

	Fully Franked Dividend per Share	Dividend \$m	% payout ratio Underlying NPAT
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%
2011 Interim Dividend	3.0 cents	10.9	
2011 Final Dividend	5.0 cents	18.1	
Total 2011 Dividend	8.0 cents	29.0	70%

- The 2011 final dividend is payable on 20 April 2012 to all Shareholders registered at 6 April 2012.

ADVERTISING, PRODUCTION & MEDIA



Lawrence.



MINDSHARE



Assignment

maxus

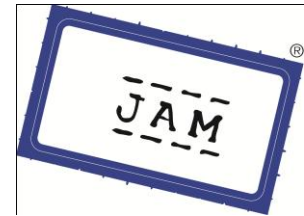
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120b underwood street - paddington - nsw - 2021

ONE20

JWT

neo@Ogilvy



catalyst >>>
marketing, communications & online



hainesattract

Ogilvy

BADJAR Ogilvy



Spinach



theMissingLINK

PARAGON
DESIGN GROUP

stw group
★

ADVERTISING/MEDIA/PRODUCTION (\$M)

AGGREGATED			STW SHARE	
2011	CHANGE PCP		2011	CHANGE PCP
256.8	4.1%	REVENUE	170.5	4.5%
65.7	(0.3%)	EBITDA	45.8	(0.5%)
25.6%	(1.1%)	EBITDA MARGIN	26.8%	(1.4%)
65.3	0.5%	OPBT	45.5	0.0%
45.9	1.3%	NPAT	32.1	1.5%

- Media companies experience an exceptional new business performance in 2011
- Lawrence Creative and The Brand Agency very strong performers
- Geographic expansion of local media business creating national footprint

DIVERSIFIED



CANNINGS
CORPORATE COMMUNICATIONS



edge

< the white agency >



bohemia



subnine



barton deakin
Government Relations

enigma



Houston.



Cornwell



OgilvyEarth

evocatif



OgilvyAction

Parker & Partners
An Ogilvy PR Worldwide Company

swat marketing



Hawker Britton
Public Affairs Solutions
| government relations | strategic communications | campaigns |

Ogilvy PR Health



alpha salmon



OgilvyOne
worldwide

HOED
IMPROVING THE CUSTOMER EXPERIENCE



designworks

Ogilvyimpact
An Ogilvy PR Worldwide Company



Ogilvy

Ogilvy Public Relations Worldwide

OgilvyEarth



stw group



DIVERSIFIED (\$M)

AGGREGATED			STW SHARE	
2011	CHANGE PCP		2011	CHANGE PCP
202.0	6.3%	REVENUE	152.1	7.8%
46.3	1.0%	EBITDA	36.4	3.2%
22.9%	(1.2%)	EBITDA MARGIN	23.9%	(1.1%)
43.9	1.6%	OPBT	34.6	3.3%
31.2	1.1%	NPAT	24.6	2.9%

- Digital strategy reaping rewards
- Significant investment in start ups
- Continued investment in field and shopper marketing – slow growth
- Export of local bred IP to foreign markets
- Start up of local bred businesses internationally

ACQUISITIONS/START UPS/MERGERS 2011

Entity	Specialty	Current STW Diluted Interest*
Acquisitions		
Edge Marketing (Thailand, Vietnam)	Digital marketing	100% ^(a)
Bullseye	Digital marketing	100% ^(a)
Start-ups		
Barton Deakin	Public Affairs	66.67%
Alpha Salmon (Jakarta)	Digital	100%
Bohemia Communications	Media/Content Strategy	37.5%
Houston Group	Branding & Design	40%
IKON (Brisbane/Adelaide/New York)	Media Investment	Various
Divestments		
DT Digital	Digital	66.67% ^(a) (formerly 100%)

(a) Effective 1 January 2012

LUKAS AVIANI
CHIEF FINANCIAL OFFICER

31 DECEMBER 2011 - BALANCE SHEET REMAINS VERY STRONG (\$M)

	31 Dec 2011	31 Dec 2010	31 Dec 2009
Cash ^(a)	27.1	43.8	42.0
Net working capital	(30.6)	(54.6)	(11.7)
Investments	97.4	100.6	98.6
Intangibles	409.9	382.8	381.6
Other Assets	43.9	44.3	42.3
TOTAL ASSETS	547.7	516.9	552.8
Bank Debt - Current ^(b)	(2.7)	(3.5)	(0.5)
- Non Current ^(b)	(109.1)	(73.8)	(113.1)
Earnouts – Current ^(b)	(2.6)	(28.6)	(15.7)
– Non Current ^(b)	(19.3)	(14.0)	(43.8)
Other Liabilities	(17.7)	(12.6)	(11.9)
NET ASSETS	396.3	384.4	367.8

Key balance sheet metrics:

Net debt including earnouts ^(b-a)	106.6	76.1	131.1
Net debt: Net Assets ⁽¹⁾	27%	20%	36%

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

Key 2011 Themes

- Working capital change adverse by \$24M – Media (\$10M), Tax position (\$5M), New Investments/Start-ups (\$3M).
- Net investment/ intangible position increased by \$23.9M – equity uplift (Brand Agency and Ogilvy NZ) and first time consolidation (Tongue and QNT).
- Increase in bank debt funds 2011 earnout program with net earnout position declining by \$20.7M.
- Gearing ratio increases however to a still very comfortable 27% - net debt to net assets basis.

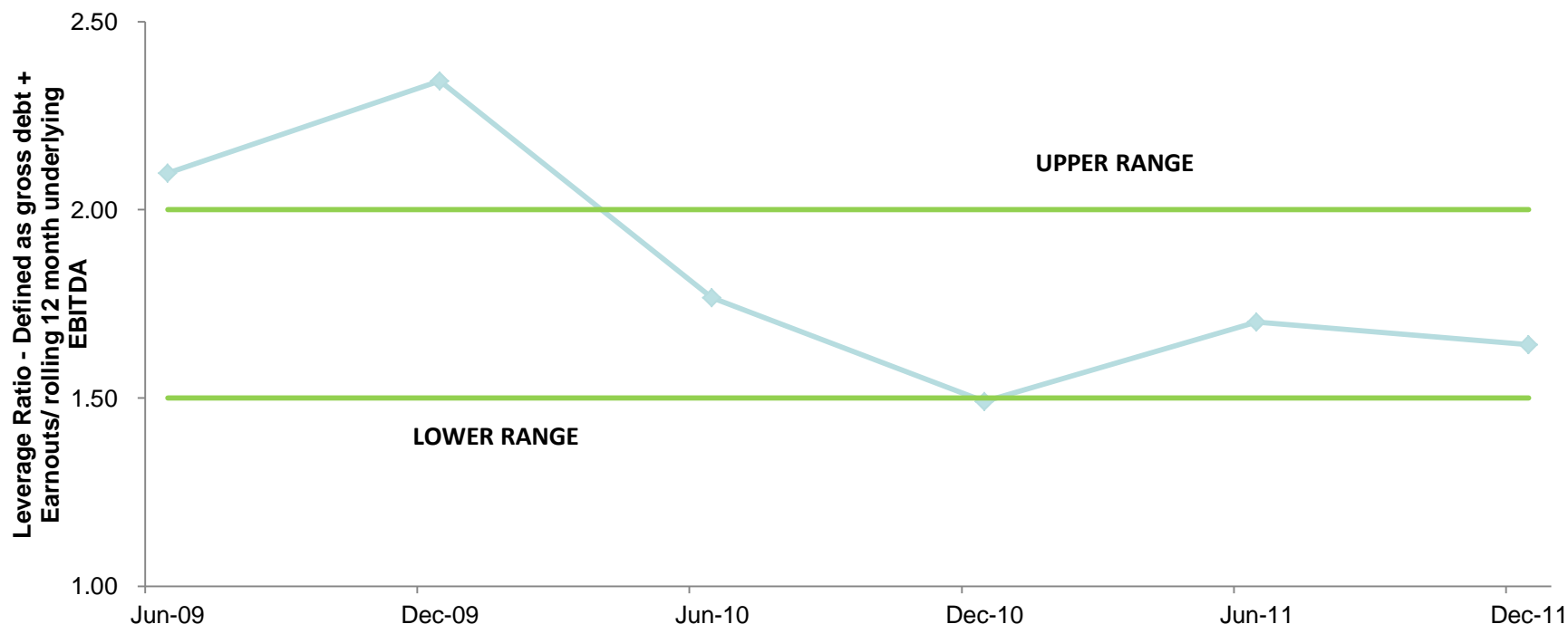
31 DECEMBER 2011 FULL YEAR CASHFLOW (\$M)

	31 Dec 2011	31 Dec 2010	Two year aggregate
Statutory EBITDA	81.5	80.4	161.9
Operating cashflow pre interest and tax	63.3	102.3	165.6
<i>EBITDA Conversion to cash flow</i>	78%	127%	102%
Tax paid	(20.4)	(6.3)	
Net Interest	(8.6)	(6.4)	
Operating Cashflow	34.3	89.6	

Key themes impacting cashflow:

- Timing of media receipts (adverse \$10M) and a larger than expected working capital investment in start ups (\$3M) impacts cash conversion from a working capital perspective.
- Timing of associate dividends to benefit 2012 - \$4.7M of 2011 equity income not received in dividends.
- Catch up in tax payments results in adverse movement of \$14.1M Vs FY2010.
- More normal expectation on operating cashflow would be circa \$55M assuming at 100% conversion level.

31 DECEMBER 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 31 December 2011 STW leverage is in the lower half of the stated range at 1.60 times

BANK FACILITIES – TERM OUT TO JAN 2015 OVER 50% OF AUD FACILITY (a)

Maturity **\$M**

Core Australian Facility - Jan 2014** **\$170.0**

NZ Facility - Jun 2012 **\$A3.5**

Total Group Facilities **\$A173.5**

Drawn **\$111.8**

Undrawn **\$61.7**

Ratios	31 Dec 11	31 Dec 10	Covenant
Debt to EBITDA*	1.85x	1.63x	< 3.00x
Interest Cover *	7.68x	7.35x	> 5.00x
Debt:Equity *	28.1%	26.9%	< 40.0%

* Banking facility definition basis. Definition of debt for covenants includes on balance sheet earnout liabilities and non cash property guarantees

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

(a) Approval received to term out option – subject to customary documentation.

AGGREGATE EARNOUT POSITION – EXCLUDES RECENT ANNOUNCEMENTS

	Total earnouts and put/ call options	Expected Settlement	Maturity Profile
	(\$M)		(\$M)
31 December 2010 @ Future Value	60.9		
Payments made in 2011	(37.8)	2012	8.2
New 2011 earnouts	12.5	2013	12.8
Net revisions to prior earnout estimates	3.4	2014 +	18.0
31 December 2011 @ Future Value	39.0	Total @ Future Value	39.0

1. Peak earnout settlement now behind us with \$37.8M paid in 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. \$13.7M in earnouts relates to put and call options - to deliver incremental earnings when exercised
5. New accounting standard - earnout revisions now go through P&L. Some volatility in future reported earnings
6. Excludes impact of recent acquisition announcements – Edge and Bullseye.

RETURN METRICS – ROLLING 12 MONTH PERIODS

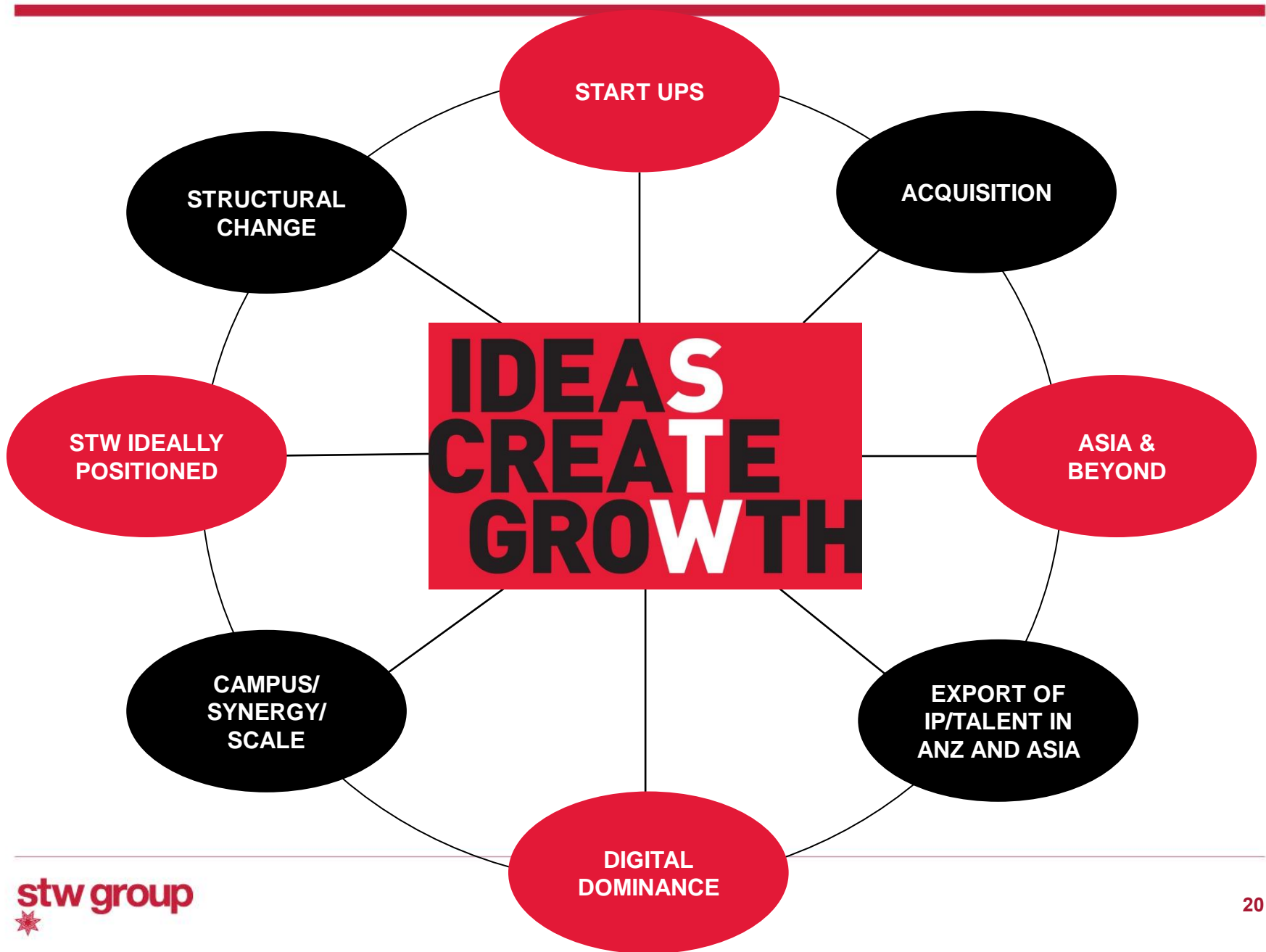
(\$M)	31 Dec 2011	30 Jun 2011	31 Dec 2010	30 Jun 2010	31 Dec 2009
Average shareholders equity	353.0	344.5	336.7	328.1	321.8
Average invested capital	485.4	478.6	480.6	492.1	496.7
Underlying NPAT – rolling 12 months	41.3	39.6	38.7	35.4	33.1
Underlying EBIT – rolling 12 months	75.1	73.7	74.6	72.0	68.9
Return on shareholders equity (ROE)	11.7%	11.5%	11.5%	10.8%	10.3%
After tax return on invested capital (ROIC)*	11.5%	11.3%	11.4%	10.8%	10.2%

1. Return metrics trending up with focus on organic growth
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 – adjusted for tax paid nature of equity accounted income

CAPITAL MANAGEMENT

- **Buyback status to date - outlaid \$1.3M to repurchase 1.5M shares (0.4% of capital)**
- **Progress slow due to very thin trading volumes**
- **On days in market have bought circa 15% of trade**
- **Remains a very accretive use of capital at current share price**
- **To recommence buyback post results**
- **Will retain cautious approach, whilst looking to accelerate volume**
- **Continue to assess capital management during 2012 in light of current investment opportunities as well as macro and market conditions**



OUTLOOK

1. **Macro economy remains challenging**
2. **Retail weak / media flat**
3. **The STW Group has prevailed and is well positioned for further market share gain**
4. **STW ahead of curve on costs – heeding lessons learnt in 2008**
5. **Confident about our ability to continue growth**
6. **Encouraging new business pipeline**
7. **Market shake up provides greenfield opportunities – we have momentum**
8. **2012 guidance mid single digit NPAT growth**

APPENDIX

31 DECEMBER 2011 FULL YEAR GROUP PROFIT AND LOSS – UNDERLYING NPAT*

(\$M)	2011	2010	Change
Advertising, Media & Production	32.1	31.7	1.5%
Diversified	24.6	23.9	2.9%
Hold-Co	(15.5)	(16.9)	8.6%
Group	41.3	38.7	6.8%

*Proportional Share

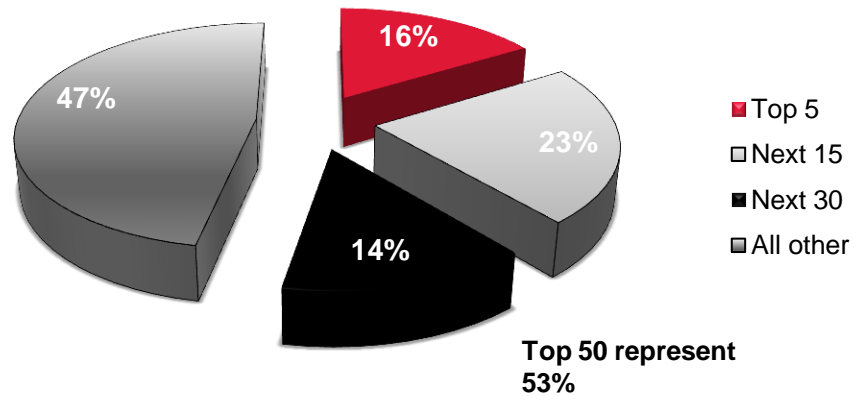
31 DECEMBER 2011 FULL YEAR DETAILED GROUP PROFIT AND LOSS – STW SHARE* (\$M)

	2011	2010	2009
Revenue	322.7	304.3	269.2
EBITDA	72.1	69.4	62.8
EBITDA Margin	22.3%	22.8%	23.3%
Depreciation & amortisation	(6.8)	(5.9)	(5.0)
EBIT	65.3	63.5	57.8
Net Interest expense	(7.6)	(7.9)	(10.5)
PBT	57.7	55.6	47.3
Tax expense	(16.4)	(16.9)	(14.2)
Underlying NPAT	41.3	38.7	33.1
Effective tax rate	29%	30%	30%

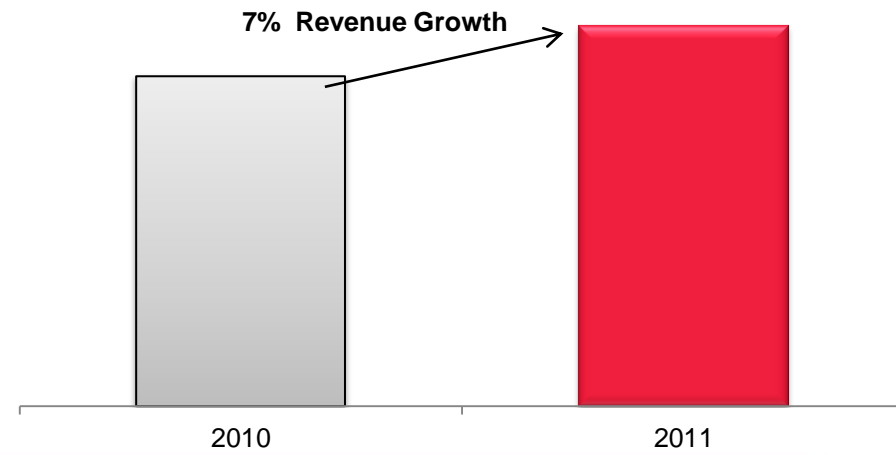
* STW has a direct and indirect ownership interest in over 70 advertising and communications entities. STW Share takes into account STW's economic interest in their revenues, expenses, profits and losses of the entities, aggregated on a percentage basis

TOP 50 CLIENTS

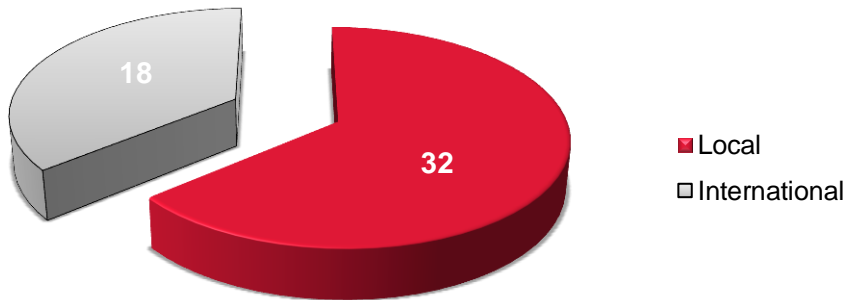
STW Proportional Client Revenue



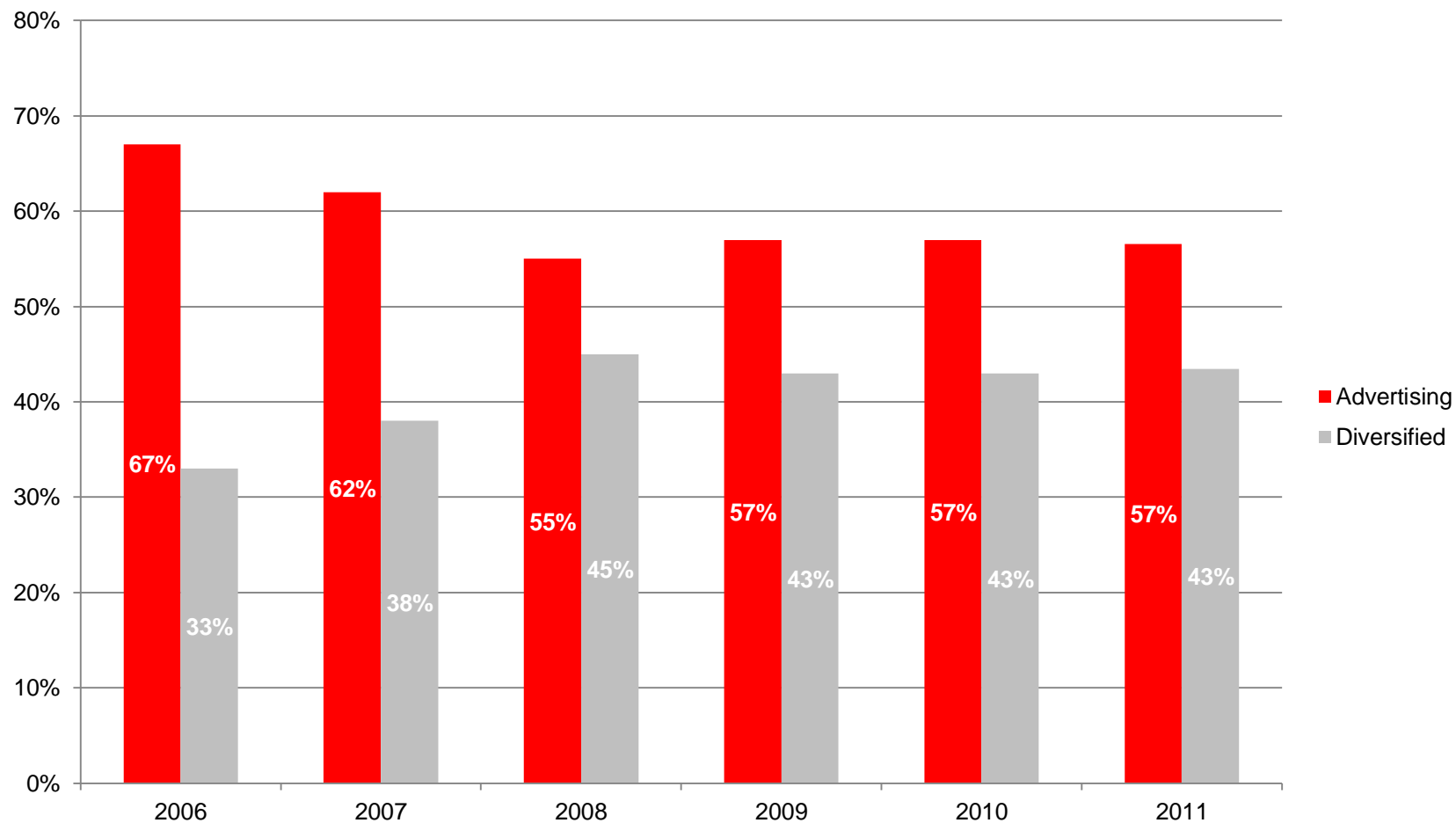
YOY revenue Growth



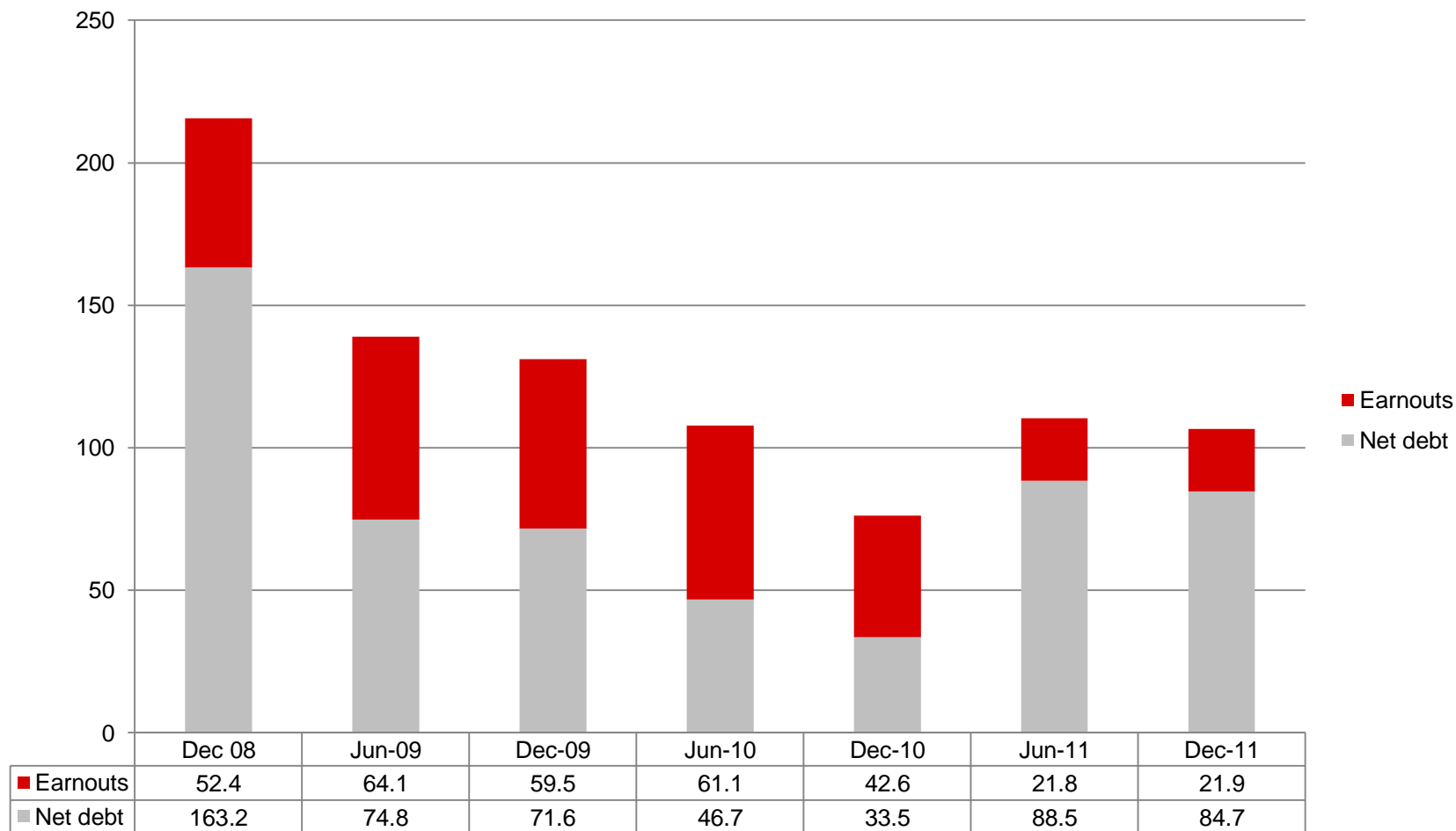
Geographic Split



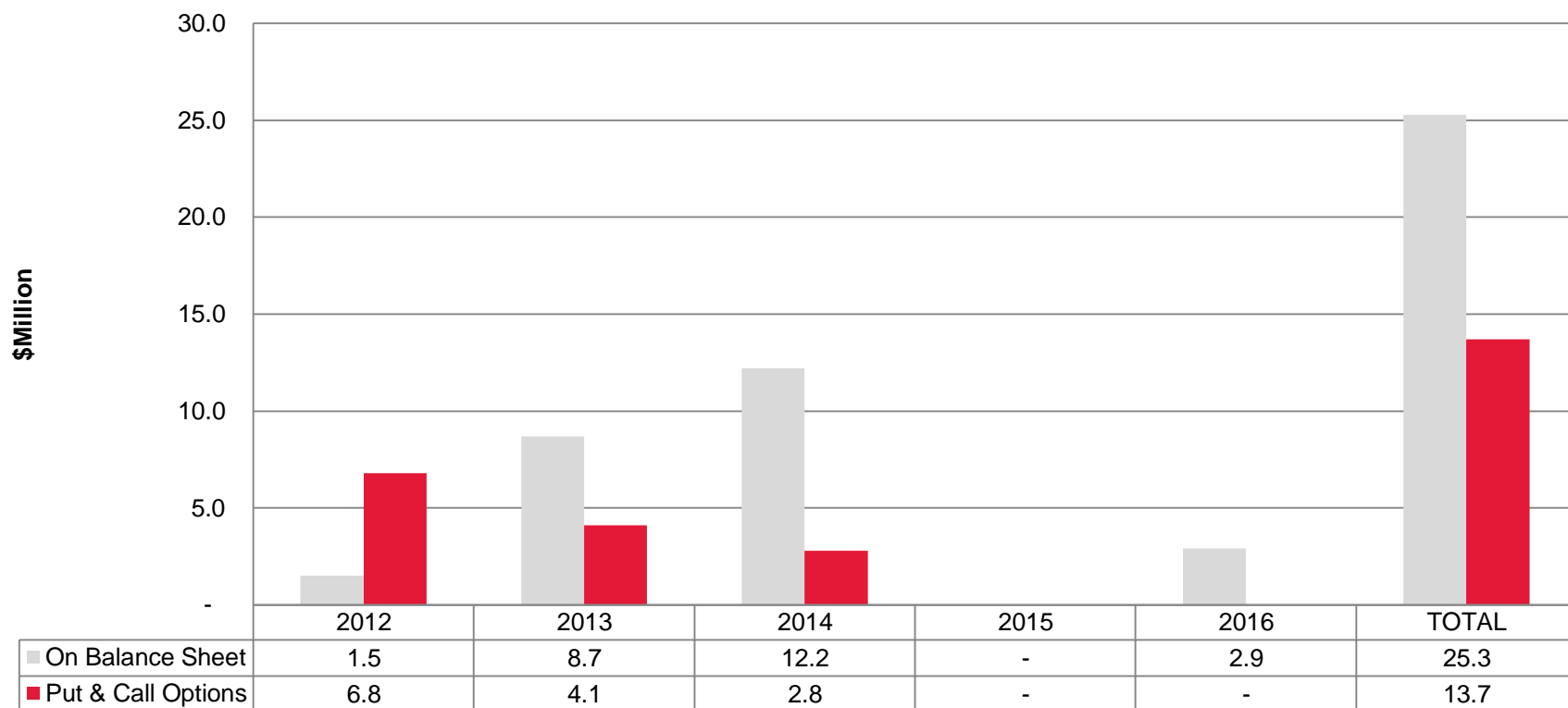
DIVISIONAL NPAT CONTRIBUTION



31 DECEMBER 2011 FULL YEAR NET DEBT & EARNOUTS

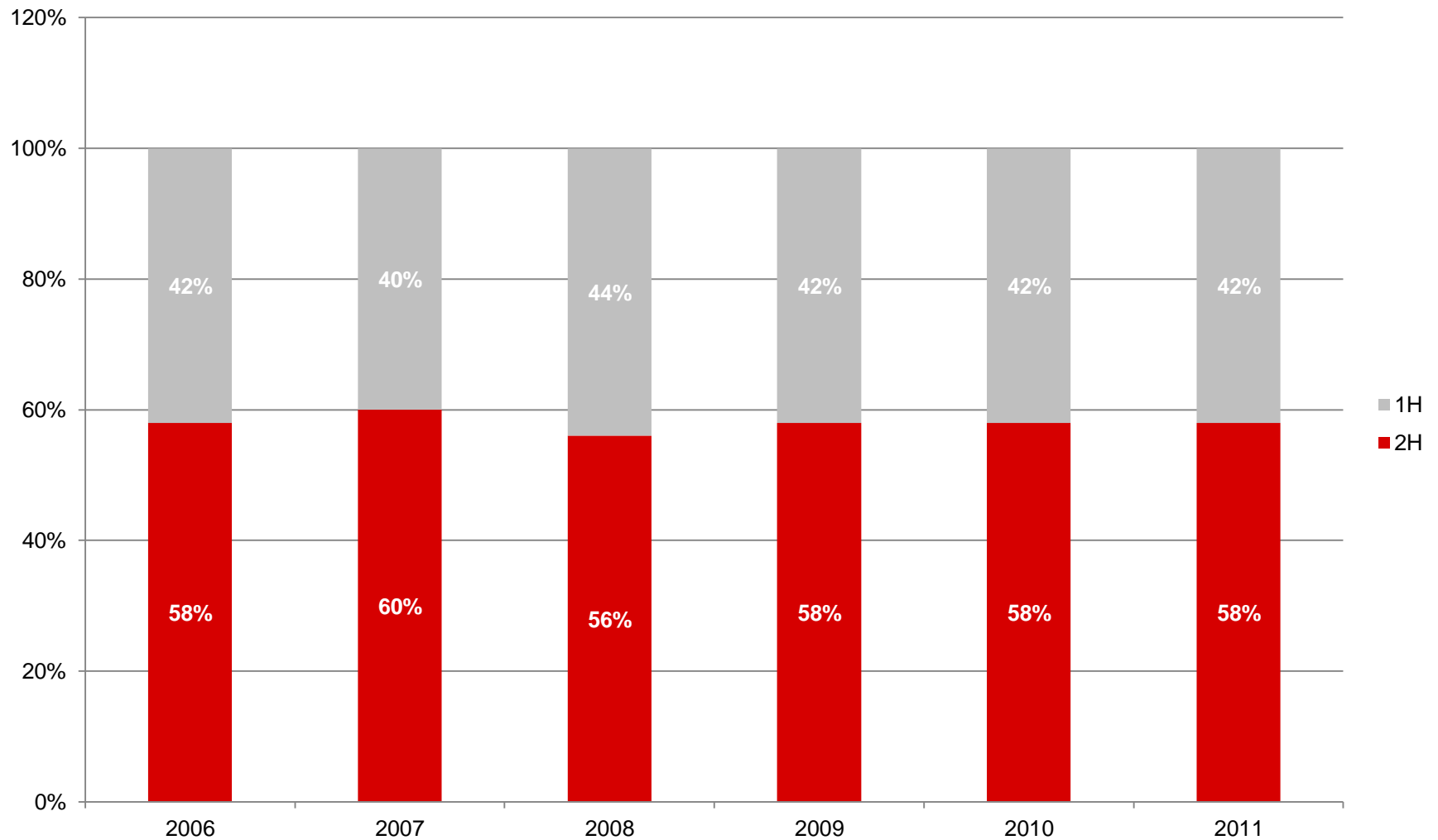


FUTURE EARN-OUT PAYMENTS



	On Balance Sheet	Put & Call Options	Total at Dec 11	Total at Dec 10
Total Future Value	25.3	13.7	39.0	60.9
Total Present Value	21.9	12.2		
Total Number of Deals	12	5		

FIRST HALF: SECOND HALF EARNINGS WEIGHTING





THANK YOU



stw digital
2012 market update

STW DIGITAL: SUMMARY

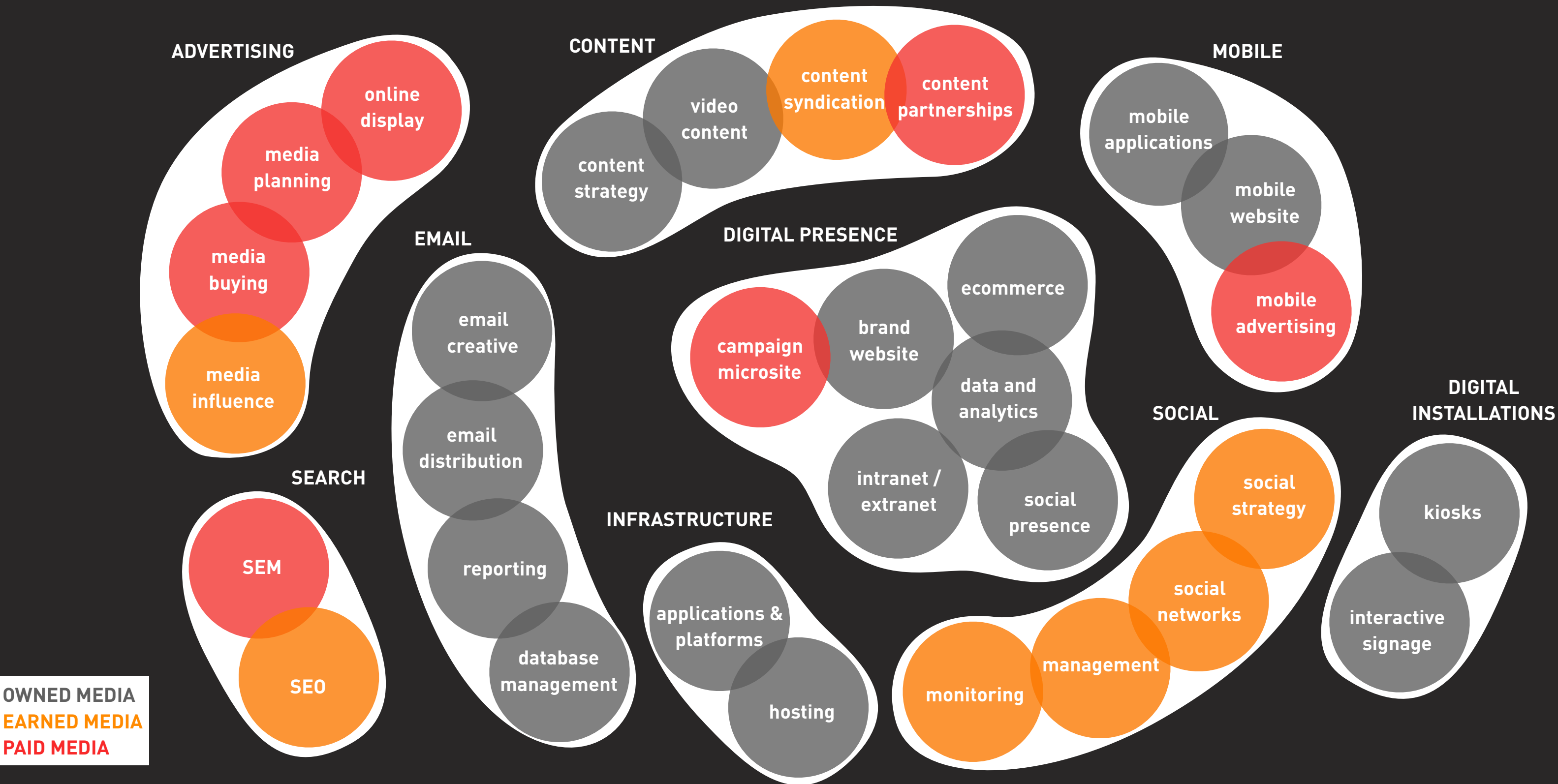
- ★ 2011 was a year of massive action and achievement across STW's digital portfolio
 - ★ Digital revenue growth exceeded our expectations, stronger growth forecast for 2012
 - ★ Several important acquisitions completed, including leading digital agency Bullseye
 - ★ We have a clear strategy in place to continue to drive growth in 2012 and beyond
 - ★ STW Group is better positioned than ever to take advantage of the increasing digital opportunity
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STW GROUP'S DIGITAL PORTFOLIO

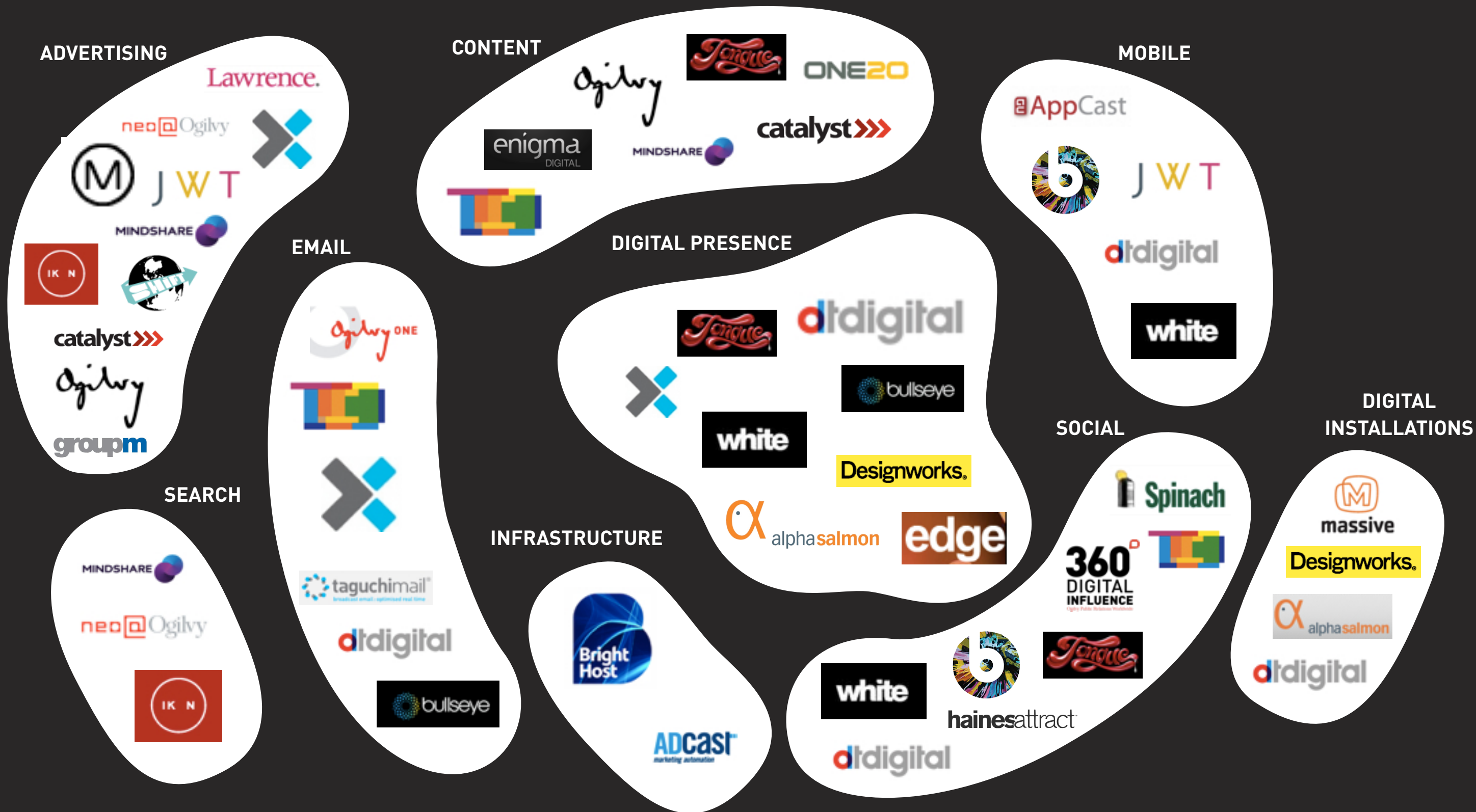
OUR DEFINITION OF DIGITAL:

“where technology
meets brands”

STW DIGITAL SERVICES ECOSYSTEM



STW DIGITAL SERVICES ECOSYSTEM



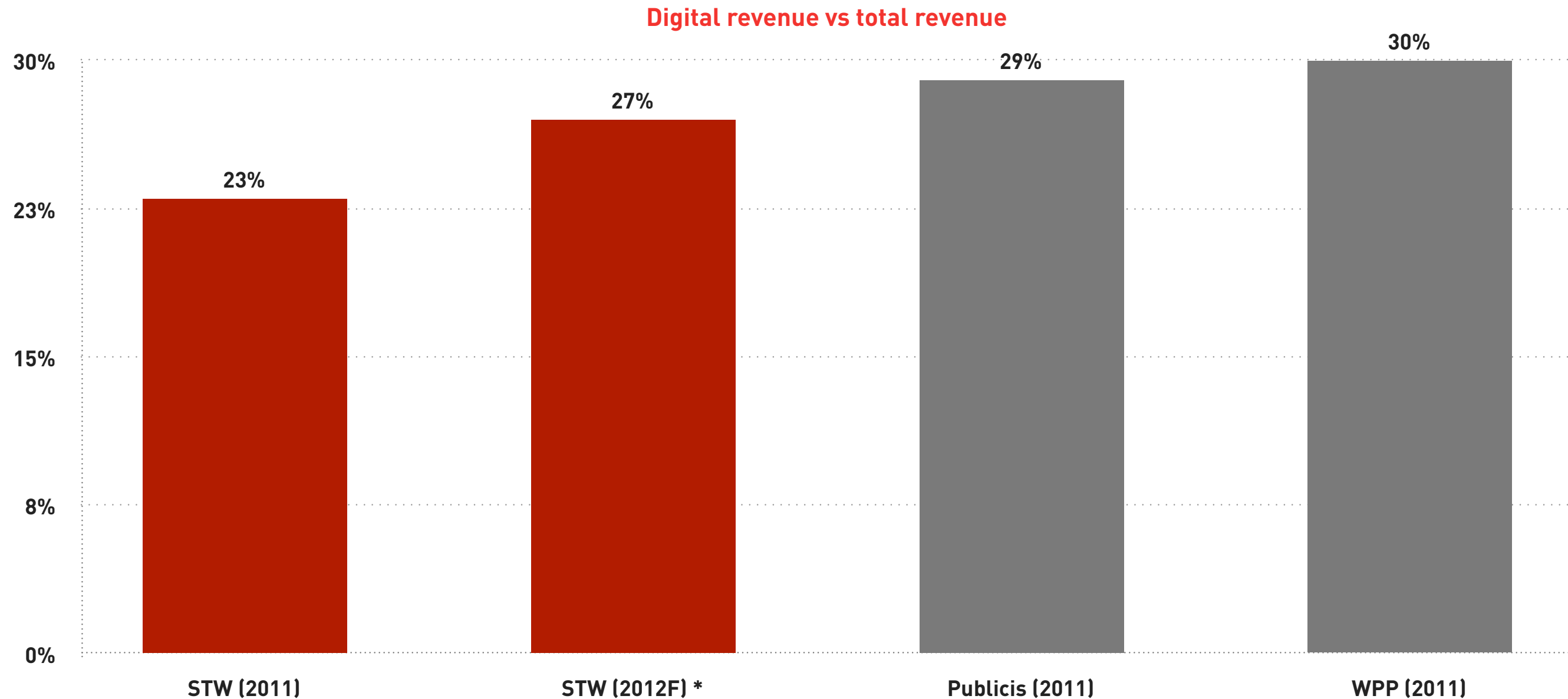
A DIVERSE AND GROWING DIGITAL PORTFOLIO

Digital agency	Media agency	Technology Specialists	Digital department	Agency with integrated digital		Design with digital
DTDigital The White Agency Bullseye* DTDigital Sydney* Alpha Salmon Tongue TCO	Ikon Group M Mindshare Neo@Ogilvy Haines Bohemia*	Massive BrightHost Taguchi Adcast	The Brand Agency JWT Ogilvy NZ Ogilvy 360 DI	Moon Junior Enigma* Edge Marketing* Shift	Spinach Jamshop IM Advertising Assignment Lawrence	Designworks Cornwell

* Joined group in 2011/2012

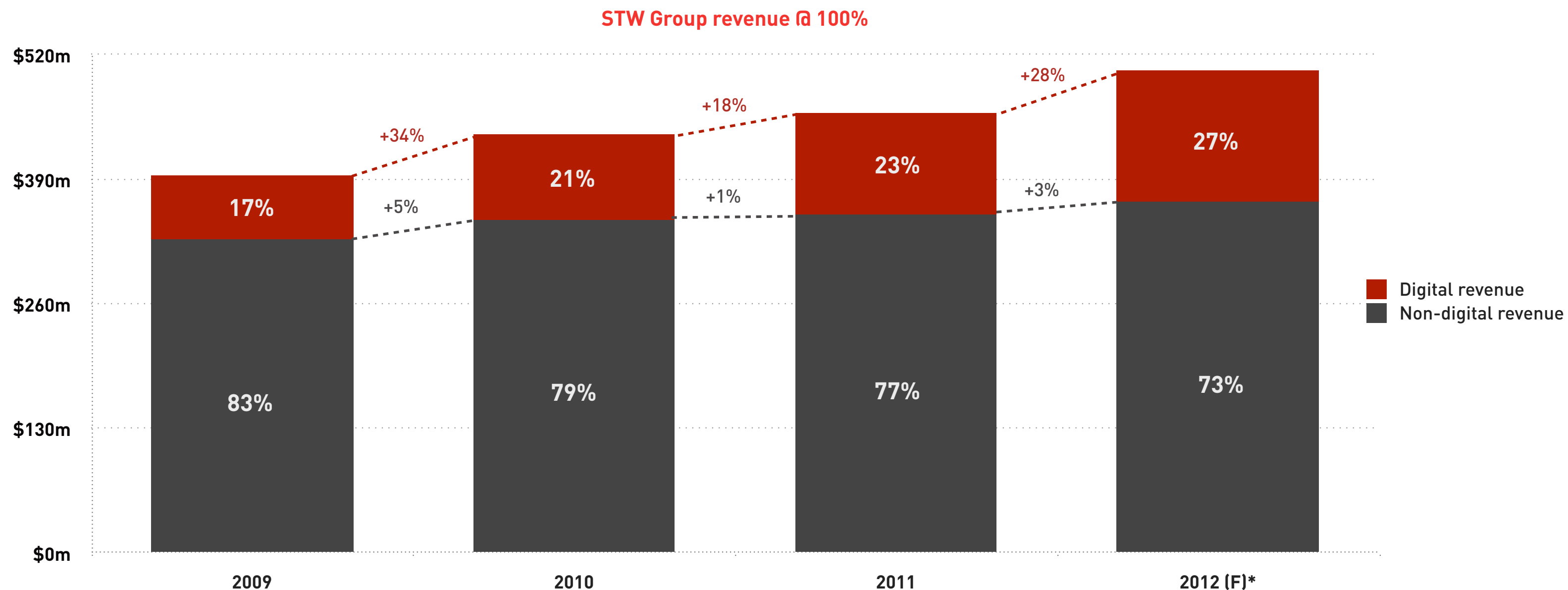
2011 REVIEW 2012 STRATEGY

DIGITAL REVENUE % CATCHING GLOBAL COMPETITORS (WHO OPERATE IN MORE DEVELOPED MARKETS)



DIGITAL REVENUE UP 18% IN 2011

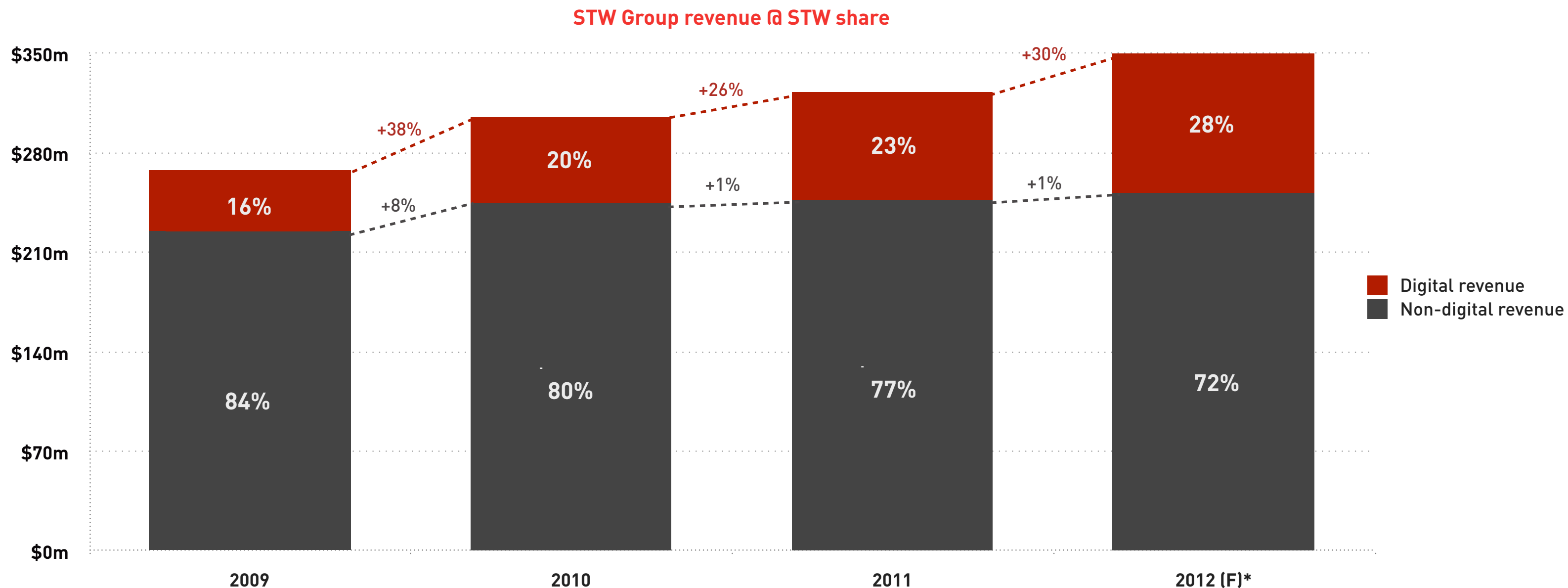
DIGITAL CONTINUES TO DRIVE GROUP REVENUE GROWTH



* Before planned acquisitions

DIGITAL REVENUE @ STW SHARE UP 26% IN 2011

DIGITAL CONTINUES TO DRIVE GROUP REVENUE GROWTH



* Before planned acquisitions

2011: THE YEAR IN REVIEW

SUCCESSFULLY EXECUTING STRATEGY & DRIVING GROWTH

- ★ Bullseye acquisition adds another top tier digital agency in Australia and offshore capability in Indonesia
 - ★ Edge acquisition adds Asia-based digital capability
 - ★ Acquisition of Market United's Perth office adds digital grunt to The Brand Agency
 - ★ Set up strong acquisition pipeline for 2012
 - ★ Start-ups:
 - ★ Alpha Salmon Jakarta (offshore)
 - ★ Bohemia (media)
-

2011: THE YEAR IN REVIEW

SUCCESSFULLY EXECUTING STRATEGY & DRIVING GROWTH

Agency partnerships:

- ★ Ogilvy (DTDigital Sydney)
- ★ Junior (DTDigital Brisbane)

Embedding digital:

- ★ The Brand Agency, Moon, Shift, Cornwell, Haines, Ikon etc.
-

2011: THE YEAR IN REVIEW

SUCCESSFULLY EXECUTING STRATEGY & DRIVING GROWTH

- ★ 100+ senior STW leaders completed Hyper Island digital training
 - ★ Digital community sharing knowledge & resources to leverage group scale
 - ★ Digital new business wins
 - ★ Clear strategy in place for continued digital growth
-

2012 STRATEGY

#1: INVEST ACROSS SEVEN BATTLEGROUND

#2. FUTURE-PROOF EXISTING AGENCIES

#3: MAXIMISE MARGINS ACROSS DIGITAL COMPANIES

2012 STRATEGY

#1: LEADING PORTFOLIO ACROSS SEVEN BATTLEFIELDS

- ★ Acquisitions in battleground areas
- ★ Support and nurture startups within the group
- ★ Work with portfolio companies to develop new specialist capabilities

2012 STRATEGY

#2. FUTURE-PROOF OUR EXISTING AGENCIES

- ★ Ogilvy Sydney: Replicate success of Melbourne (\$4m - \$16m revenue in 5 years)
 - ★ DTDigital 33% sale to WPP crystallises value created, and lays foundations to do it again in Sydney
 - ★ Roll out STW Digital Academy to provide high-quality training to employees
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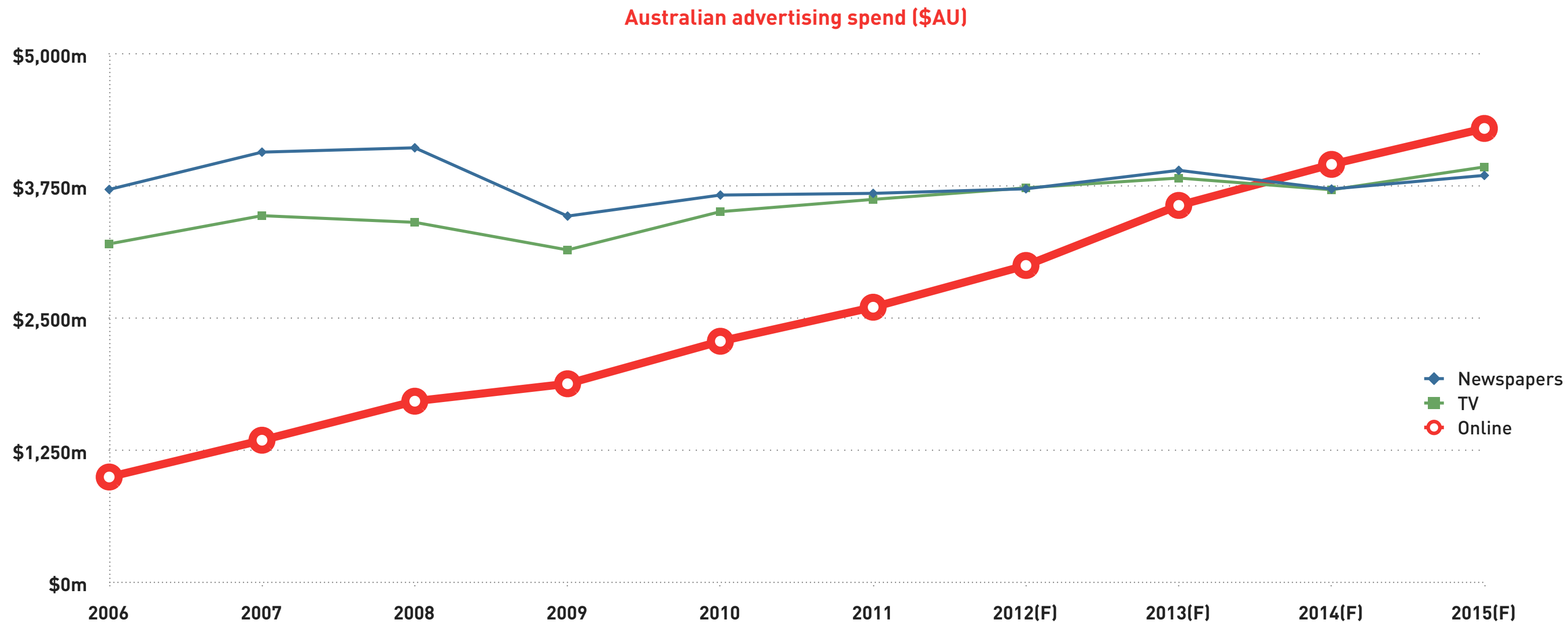
2012 STRATEGY

#3: MAXIMISE MARGINS ACROSS OUR DIGITAL COMPANIES

- ★ Margin improvement project underway
 - ★ Digital community to drive efficiencies and collaboration across the group
 - ★ More resource sharing and efficiencies within portfolio companies
 - ★ Further develop low-cost offshore services, and drive adoption throughout the group
-

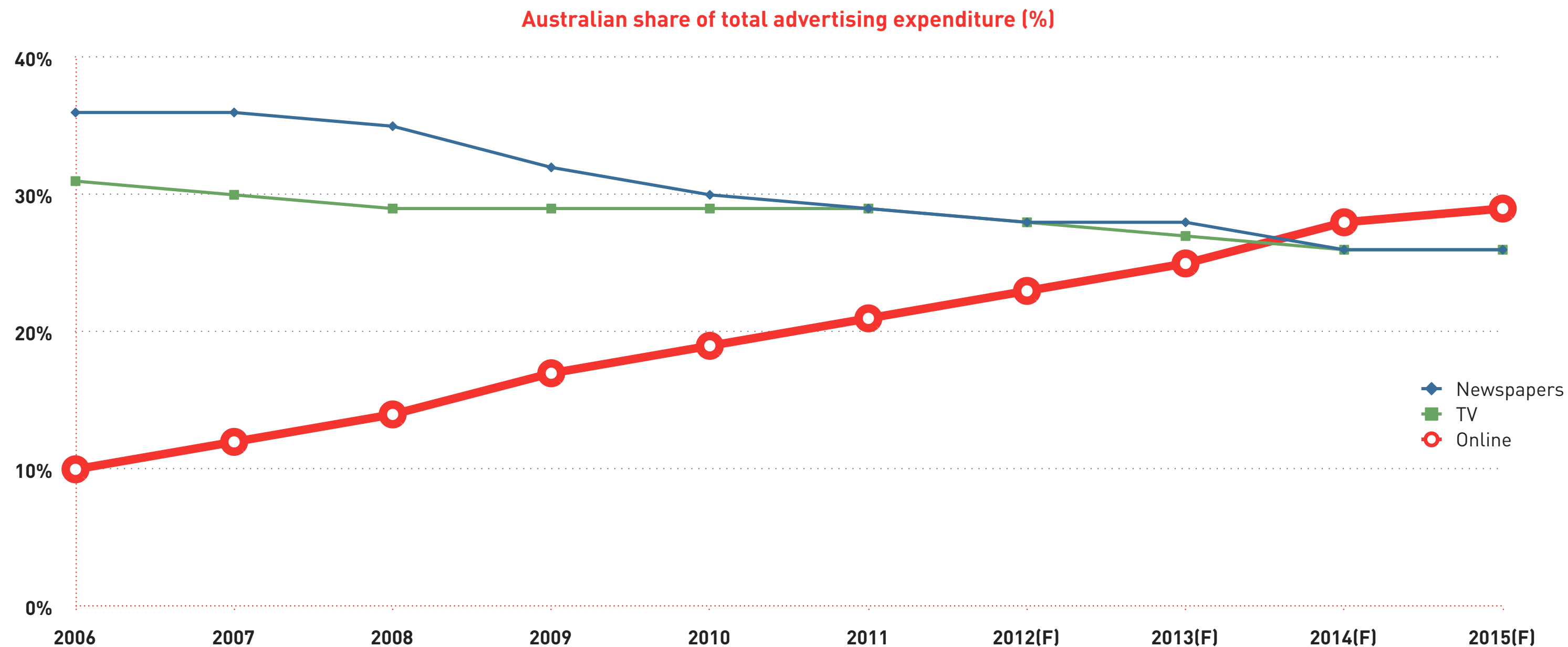
2012 MARKET DYNAMICS

DIGITAL WILL CONTINUE TO DRIVE GROWTH



Source: Group M

DIGITAL WILL CONTINUE TO DRIVE GROWTH



Source: Group M

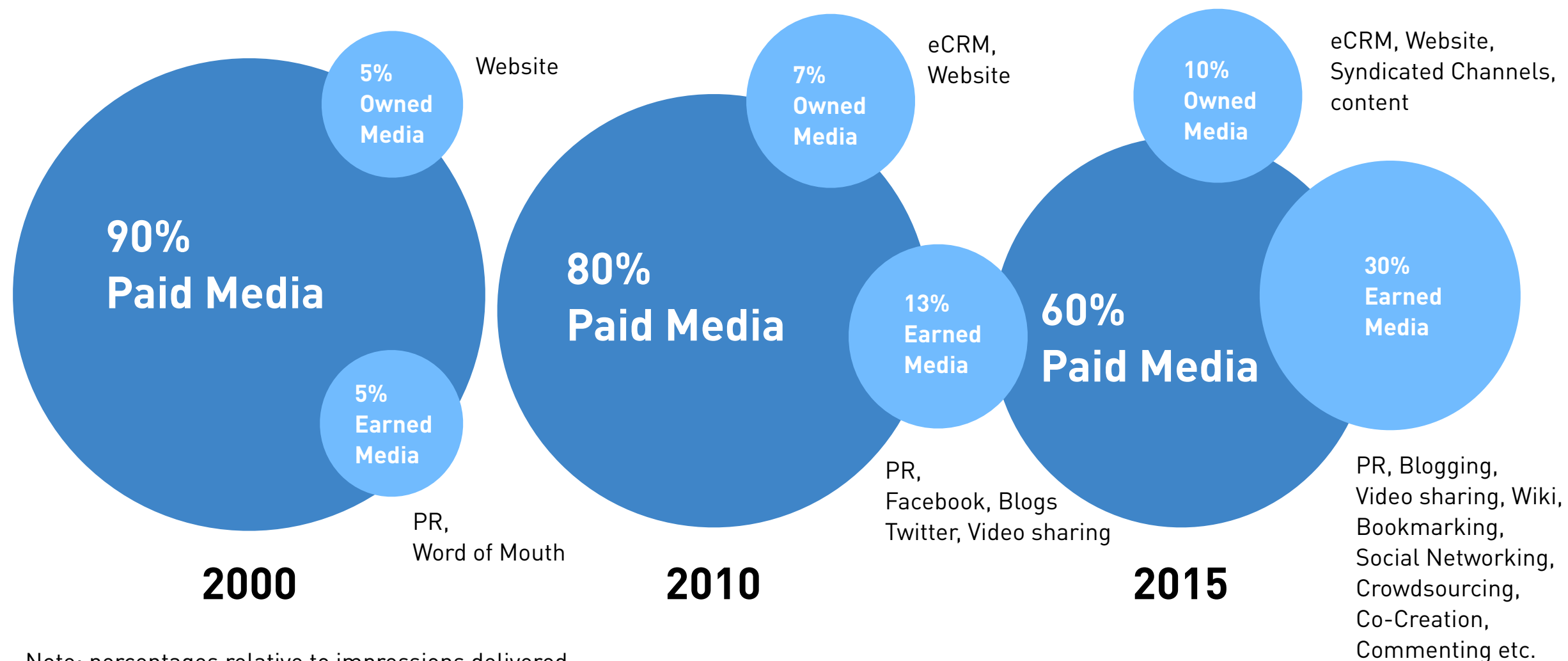
TIPPING POINT REACHED?

"In the digital space, with things like Facebook and Google and others, we find that return on investment of the advertising when properly designed, when the big idea is there, can be much more efficient"

P&G chairman-CEO Bob McDonald, 27th January 2012

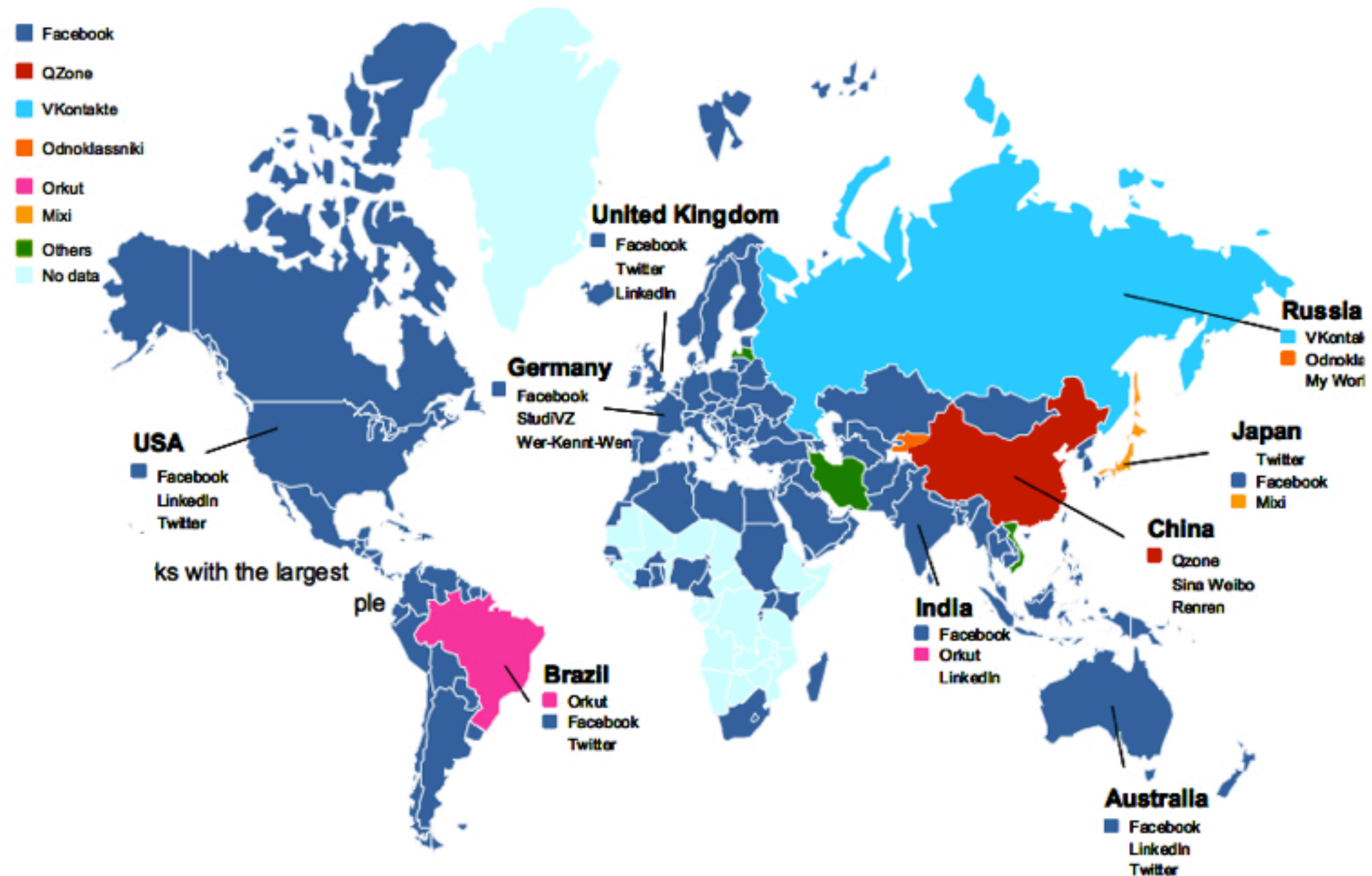
SHIFT TOWARDS OWNED & EARNED MEDIA

Change in the marketing mix: Unilever example

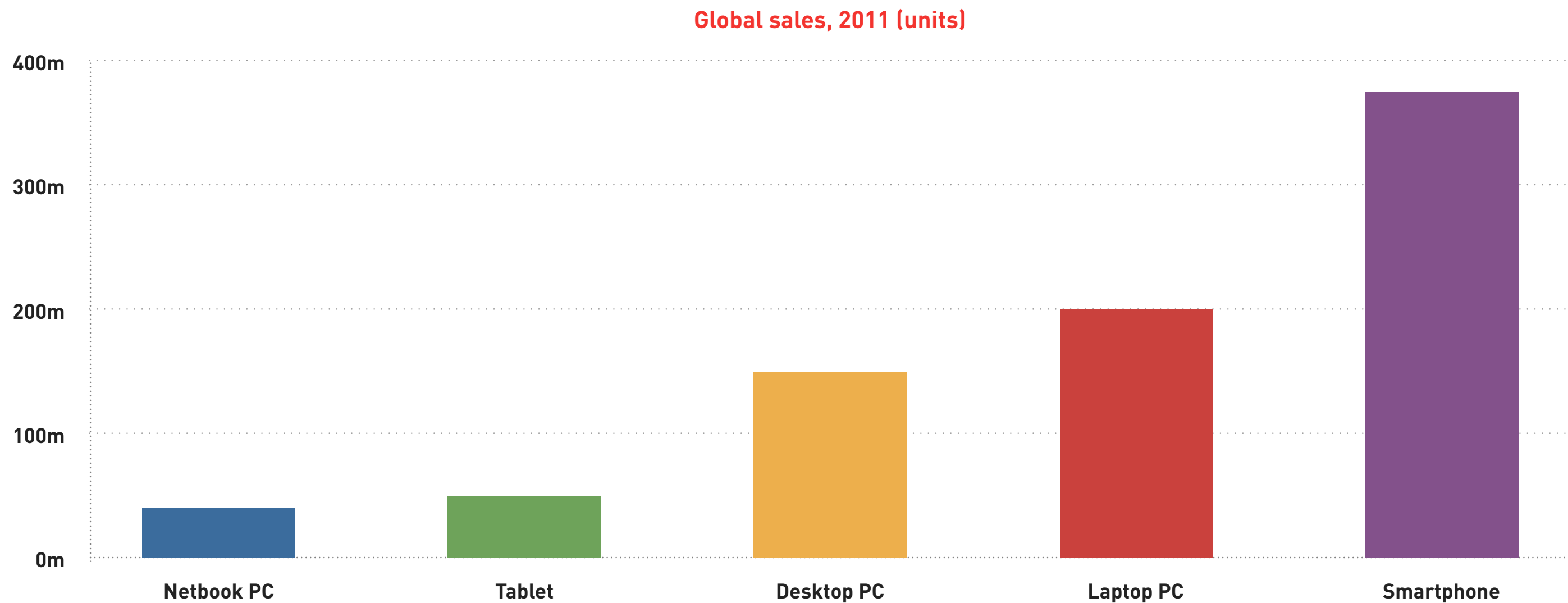


Note: percentages relative to impressions delivered
Source: Unilever, Credit Suisse 'You Follow, I Like' report

GLOBAL CLIENTS NEED LOCAL DIGITAL & SOCIAL



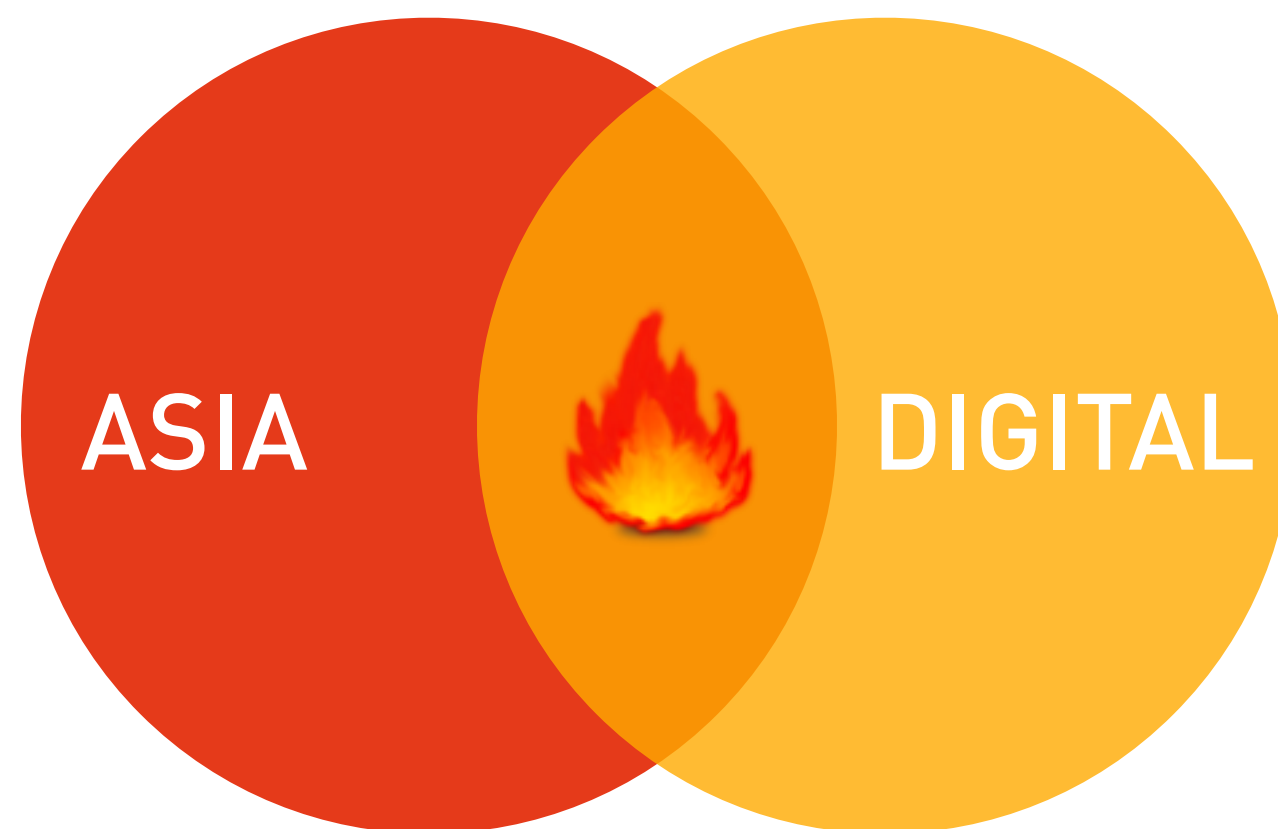
ADOPTION OF MOBILE INTERNET JUST GETTING STARTED



Source: Deloitte Touche Tohmatsu Limited, 2010

2 SPEED ECONOMY?

INTERNET AND ASIA ON FAST TRACK



WHATS NEXT?

THE NEXT HORIZON: BEYOND MARKETING BUDGETS

STW's 700 digital specialists are well placed to leverage the accelerating digital transformation of business.

DIGITAL MARKETING SERVICES



DIGITAL PRODUCT AND
SERVICE EVOLUTION

- DIGITAL TRANSFORMATION CONSULTING
- BRAND AND CULTURE CHANGE MANAGEMENT

DIGITAL TECHNOLOGY APPLICATIONS,
INFRASTRUCTURE AND DATA MANAGEMENT

2012 SUMMARY

- ★ Strong progress made in 2011, double-digit growth delivered and forecast again for 2012
 - ★ The digital opportunity for STW is bigger than ever - and growing every day
 - ★ We have a clear strategy to make the most of this opportunity
 - ★ We are executing our strategy with a strong team and much momentum
 - ★ Our goal is for STW to be Australasia's largest, most profitable digital marketing services group by 2013
-