

STW GROUP

Australasia's Leading Marketing Content and Communications Company



Half Year Results - 30 June 2012

IDEAS
CREATE
GROWTH

2012 HALF YEAR IN SUMMARY

1. On track to achieve full year guidance
2. Group strategy remains unchanged
3. Economic conditions in Australia and New Zealand very challenging
4. Continued investment in start-ups and new revenue stream opportunities
5. Market share gains and new business driving growth
6. Acquisition pipeline strong. Digital and Asian strategy on track
7. Balance sheet in good health
8. Fully Diluted EPS up 5%
9. Dividend increased to 3.3 cents per share, 10% increase (2011: 3.0 cents per share).

30 JUNE 2012 HALF YEAR GROUP PROFIT AND LOSS – STW SHARE* (\$M)

	2012	2011	Change Fav/(Adv)
Revenue	163.2	155.9	4.7%
EBITDA	33.4	32.1	4.0%
EBITDA Margin	21%	21%	(0.1%)
Underlying NPAT	18.0	17.2	4.7%
Acquisition expenditure written off	(0.5)	-	N/M
Accounting gains net of tax	0.5	-	N/M
Reported Statutory NPAT	18.0	17.2	4.7%
Fully Diluted Underlying EPS	5.05 cents	4.81 cents	5.0%
Fully Diluted Statutory EPS	5.05 cents	4.81 cents	5.0%

* 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

HALF YEAR DIVIDEND

	Fully Franked Dividend per Share	Dividend \$m	% payout ratio Underlying NPAT
2010 Interim Dividend	2.3 cents	8.4	39%
2011 Interim Dividend	3.0 cents	10.9	64%
2012 Interim Dividend	3.3 cents	12.0	67%

- The 2012 interim dividend is payable on 10 September 2012 to all Shareholders registered at 27 August 2012.

HALF YEAR 2012 – SOLID ORGANIC GROWTH (\$M – STW SHARE)

	Revenue		EBITDA		NPAT (est)	
	\$	% Δ	\$	% Δ	\$	% Δ
2011 Half Year	155.9		32.1		17.2	
Forex impact ^(a)	0.5	0.3%	0.1	0.2%	0.1	0.3%
Net acquired^(b)	3.0	1.9%	0.3	1.0%	(0.2)	(1.0%) ^(c)
Organic growth	3.8	2.5%	0.9	2.8%	0.9	5.4%
2012 Half Year	163.2	4.7%	33.4	4.0%	18.0	4.7%

- (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 2012 as well as the full year effect of acquisitions and disposals made in 2011
- (c) Based on debt financing of net acquired growth at STW incremental borrowing rate. These acquisitions are expected to be accretive after financing costs for the full year

GROUP PROPORTIONAL PROFIT & LOSS (\$M)

	2012	2011	CHANGE PCP	
REVENUE	163.2	155.9	4.7%	<ul style="list-style-type: none"> • Strong organic revenue growth • Especially strong growth from media and digital business • Somewhat offset by weaker performances in PR and branding.
Staff Costs (SCR%)	(102.2) (62.6%)	(98.0) (62.9%)		
Establishment	(9.2)	(8.7)		<ul style="list-style-type: none"> • Tight cost management • Staff cost growth pleasingly held at just below revenue growth • Net other overheads grow slightly faster than revenue growth – mainly as a result of acquisitions.
Net Other Overheads	(18.4)	(17.1)		
EBITDA & MARGIN	33.4 (20.5%)	32.1 (20.6%)	4.0%	<ul style="list-style-type: none"> • Organic EBITDA growth slightly stronger than revenue growth – showing good conversion • Phasing of acquired EBITDA will lead to stronger conversion in second half
D&A	(4.0)	(3.6)		
Net Interest	(3.9)	(4.1)		
Tax	(7.5)	(7.2)		<ul style="list-style-type: none"> • Higher D&A reflective of acquired business and upgraded technology infrastructure • Net interest costs reflecting overall lower borrowing rates as well as lower comparable net debt despite funding of new investments
NPAT	18.0	17.2	4.7%	

* As previously advised we have moved to present the group results as one P&L.

ACQUISITIONS/START UPS/MERGERS 2012

Entity	Specialty	Current STW Diluted Interest
Acquisitions		
Buchanan Group	Advertising	100%
Edge Marketing (Thailand, Vietnam)	Digital & Direct marketing	100%
Yellow Edge	Training	100%
Catalyst	B2B, Direct & CRM	75% (formerly 50%)
Amblique	E-commerce	40% ^(b)
Start-ups		
Picnic Software	Production	70%
Hatch Entertainment	Branded Content	100%
Fabric	Design	66.67%
Sweet Digital	Digital Production	100%
Divestments		
DT Digital	Digital	66.67% ^(a) (formerly 100%)

(a) Effective 1 January 2012

(b) Effective 1 July 2012

LUKAS AVIANI
CHIEF FINANCIAL OFFICER

30 JUNE 2012 HALF YEAR CASHFLOW (\$M)

	30 June 2012	31 Dec 2011	30 June 2011	31 Dec 2010	Two year aggregate
Statutory EBITDA	36.4	45.7	35.8	44.7	162.6
Operating cashflow pre interest and tax	37.4	38.1	25.2	59.2	159.9
<i>EBITDA Conversion to cash flow</i>	103%	83%	70%	132%	98%
Tax paid	(12.7)	(4.1)	(16.3)	(5.7)	
Net Interest	<u>(4.0)</u>	<u>(4.6)</u>	<u>(4.0)</u>	<u>(2.9)</u>	
Operating Cashflow	20.7	29.4	4.9	50.6	
Capex	(3.5)	(2.3)	(4.2)	(2.8)	
Minority dividends	(4.3)	(7.8)	(6.1)	(7.4)	
Free Cashflow pre Dividend and Investment	12.9	19.3	(5.4)	40.4	

30 JUNE 2012 - BALANCE SHEET IN GOOD HEALTH (\$M)

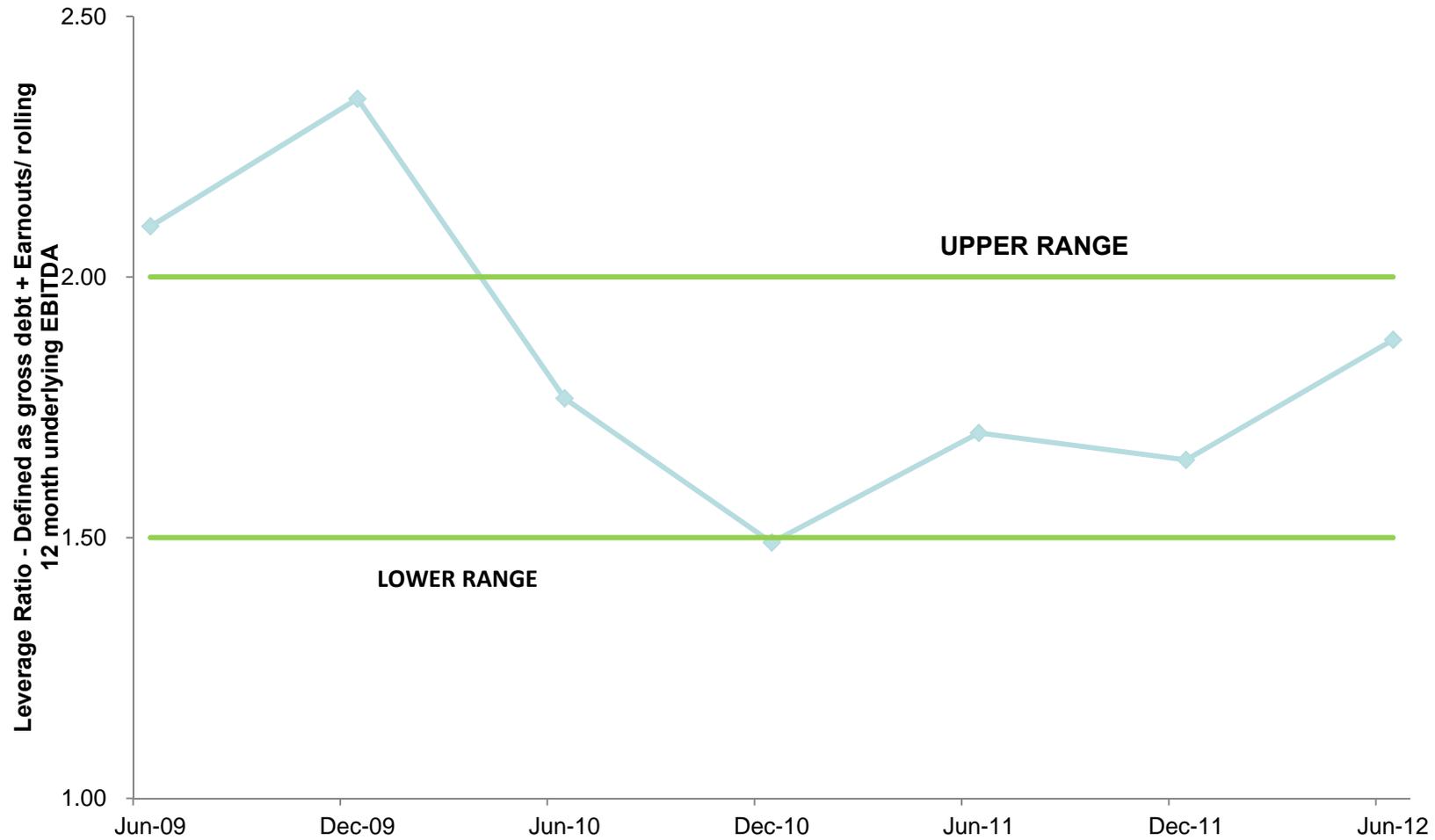
	30 June 2012	31 Dec 2011	30 June 2011
Cash ^(a)	29.3	27.1	26.5
Net working capital	(23.4)	(30.6)	(31.0)
Investments	96.1	97.4	91.8
Intangibles	435.0	409.9	403.2
Other Assets	49.9	43.9	45.6
TOTAL ASSETS	586.9	547.7	536.1
Bank Debt - Current ^(b)	(3.0)	(2.7)	(3.4)
- Non Current ^(b)	(133.9)	(109.1)	(111.6)
Earnouts – Current ^(b)	(6.8)	(2.6)	(6.1)
- Non Current ^(b)	(22.3)	(19.3)	(15.7)
Other Liabilities	(17.6)	(17.7)	(16.9)
NET ASSETS	403.4	396.3	382.4
Key balance sheet metrics:			
Net debt including earnouts ^(b-a)	136.7	106.6	110.3
Net debt: Net Assets ⁽¹⁾	34%	27%	29%

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

Key 2012 Themes

- Working capital change predominantly due to acquisitions
- Net investment/ intangible position increased by \$23 million—equity uplift in Catalyst and first time consolidation of Buchanan, Edge and Yellow Edge.
- Increase in bank debt in 2012 funds acquisitions.
- Earnout position increased due to new earnouts for Edge, Yellow Edge, Buchanan as compared to December 2011.
- Gearing ratio increases however to a still very comfortable 34% - net debt to net assets basis.

30 JUNE 2012 –LEVERAGE VERSUS CAPITAL MANAGEMENT TARGETS (\$M)



- Capital management target is for gross debt + on balance sheet earnout liabilities to be between 1.50 and 2.00 times LTM underlying EBITDA

EXTENDED BANK FACILITIES – WEIGHTED MATURITY OF 2.5 YEARS

<u>Maturity</u>	<u>\$AUD (M)</u>
Jun 2013 - NZD	\$3.5
Jan 2014 – AUD	\$85.0
Jan 2015 – AUD	\$85.0
New July 2015 – AUD *	<u>\$50.0</u>
Total Group Facilities	\$223.5
Drawn	\$136.9
Undrawn	\$86.6

BANK FACILITY DEFINITION BASIS			
Ratios	30 June 12	31 Dec 11	Covenant
Debt to EBITDA	2.17x	1.85x	< 3.00x
Interest Cover	8.24x	7.68x	> 5.00x
Debt:Equity	32.2%	28.1%	< 40.0%

* This facility extension was signed in July after the half year end. Includes 12 month term out option over \$25M extending maturity to July 2016.

AGGREGATE EARNOUT POSITION (@ 30 JUNE 2012)

	Total earnouts and put/ call options (\$M)	Expected Settlement	Maturity Profile (\$M)
31 December 2011 @ Future Value	39.0	Balance of 2012	3.2
Payments made in 2012	(2.4)	2013	11.3
New 2012 earnouts	12.1	2014	19.6
Net revisions to prior earnout estimates	(5.1)	2015 +	9.5
30 June 2012 @ Future Value	43.6	Total @ Future Value	43.6

1. Peak earnout settlement now in 2014
2. \$11.6 million in earnouts relates to put and call options - to deliver incremental earnings when exercised
3. New accounting standard - earnout revisions in respect of new acquisitions to go through P&L. Some volatility in future reported earnings. Any such revisions will be excluded in determining our underlying earnings.

RETURN METRICS – ROLLING 12 MONTH PERIODS

(\$M)	30 June 2012	31 Dec 2011	30 Jun 2011	31 Dec 2010	30 Jun 2010
Average shareholders equity	359.5	353.0	344.5	336.7	328.1
Average invested capital	511.3	485.4	478.6	480.6	492.1
Underlying NPAT – rolling 12 months	42.1	41.3	39.6	38.7	35.4
Underlying EBIT – rolling 12 months	77.7	75.1	73.7	74.6	72.0
Return on shareholders equity (ROE)	11.7%	11.7%	11.5%	11.5%	10.8%
After tax return on invested capital (ROIC)*	11.3%	11.5%	11.3%	11.4%	10.8%

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

- **Current buyback will not be renewed**
- **Interim dividend increased by 10%**
- **Dividend policy unchanged - target payout of 60% - 70% of underlying NPAT**
- **Priority to deploy capital to strategically important acquisition opportunities**

OUR STRATEGY

SOUTH EAST ASIA

- Alpha Salmon
Jakarta/Singapore
(50 people)
- EDGE
Vietnam/Thailand
- Buchanan Group
Kuala Lumpur/Singapore
- Pending finalisation of deals with design, digital, mobile, e-commerce, Data businesses
- Building specialist SEA network

BIG AT HOME

- New Business
- Organic growth from existing clients
- Rapid/deep Digital transformation
- Design works (Auk/Well/Mel/Syd)
- Cannings/Purple
- Ogilvy back on track
- Business incubation yielding great results
- STW media companies driving market growth

DIGITAL DOMINANCE

- Off-shore production
- Strong organic growth of specialist Digital agencies
- Amblique – ecommerce
- Final stages of deals in mobile, search and social
- STW Digital academy roll out
- Ogilvy JWT strong Digital growth
- Partnership/leverage at core of Digital dominance

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OUTLOOK

1. **Macro economy remains challenging**
2. **We are confident in the STW Group strategy and model**
3. **STW ahead of curve on costs – holding margins**
4. **Ideally positioned to capture incremental investment in Digital revolution**
5. **Encouraging new business pipeline**
6. **South East Asia strategy - Phase 1 complete**
7. **2012 guidance remains unchanged at mid single digit NPAT growth**

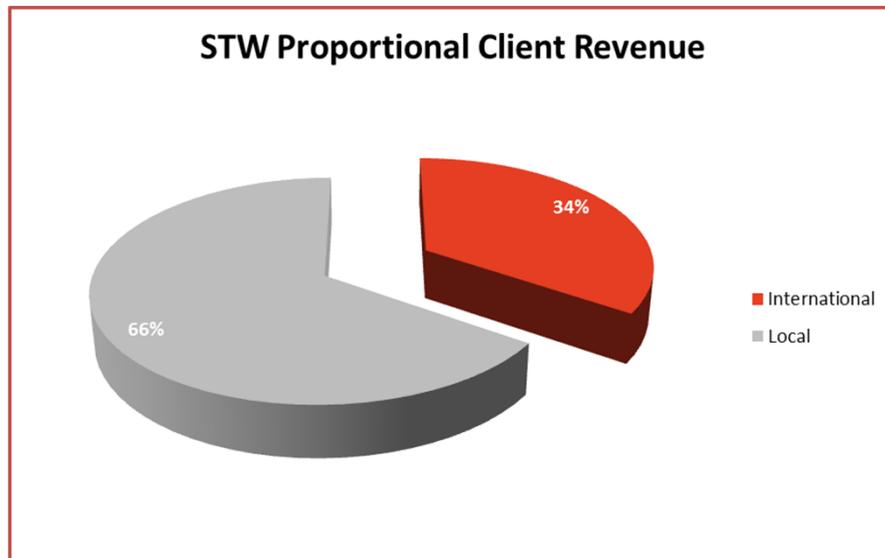
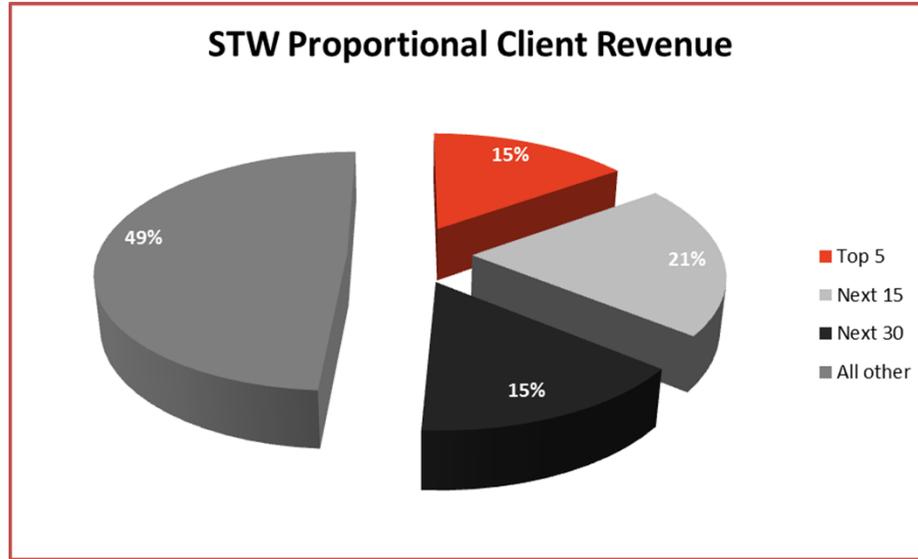


THANK YOU

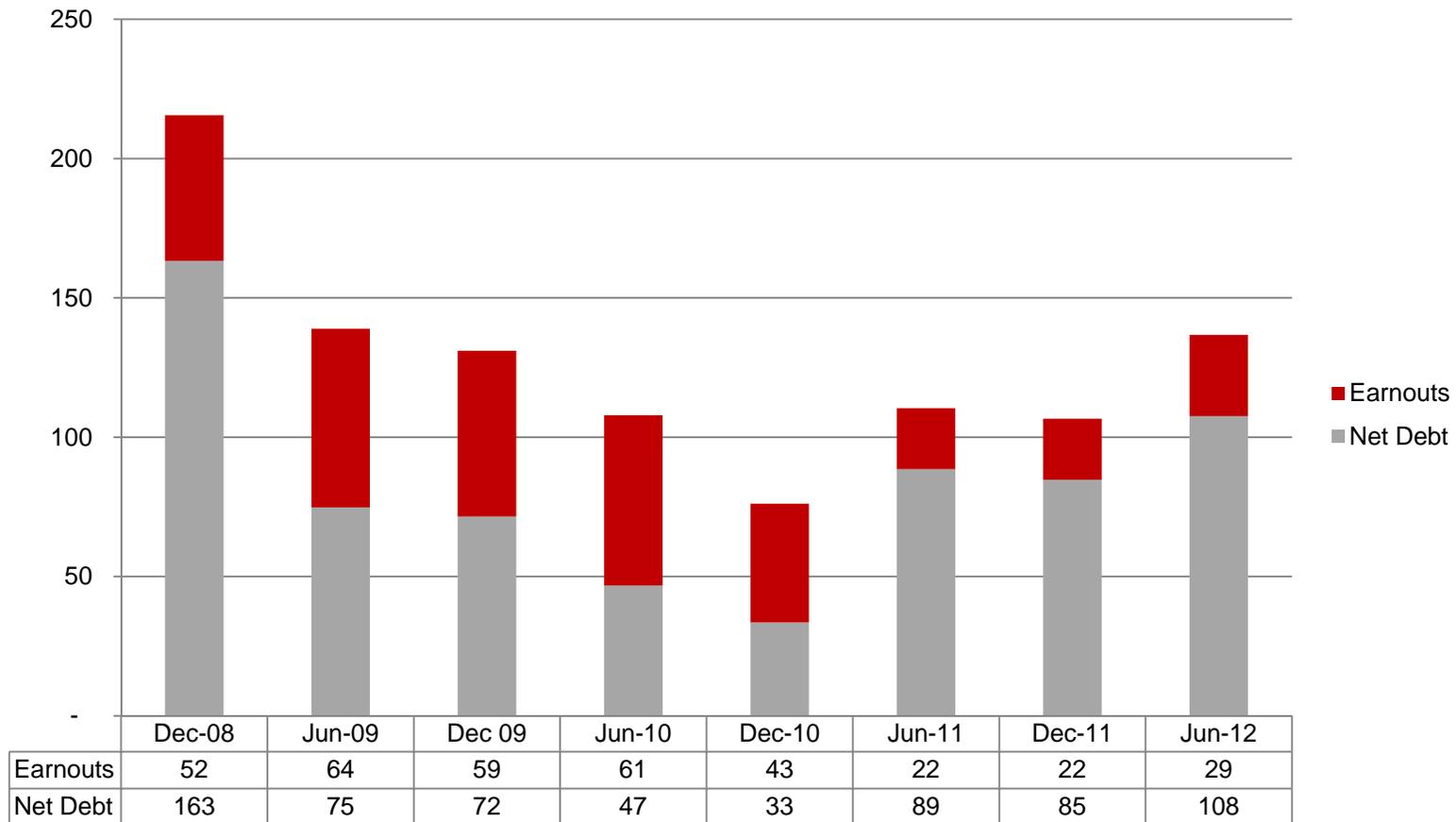


APPENDIX

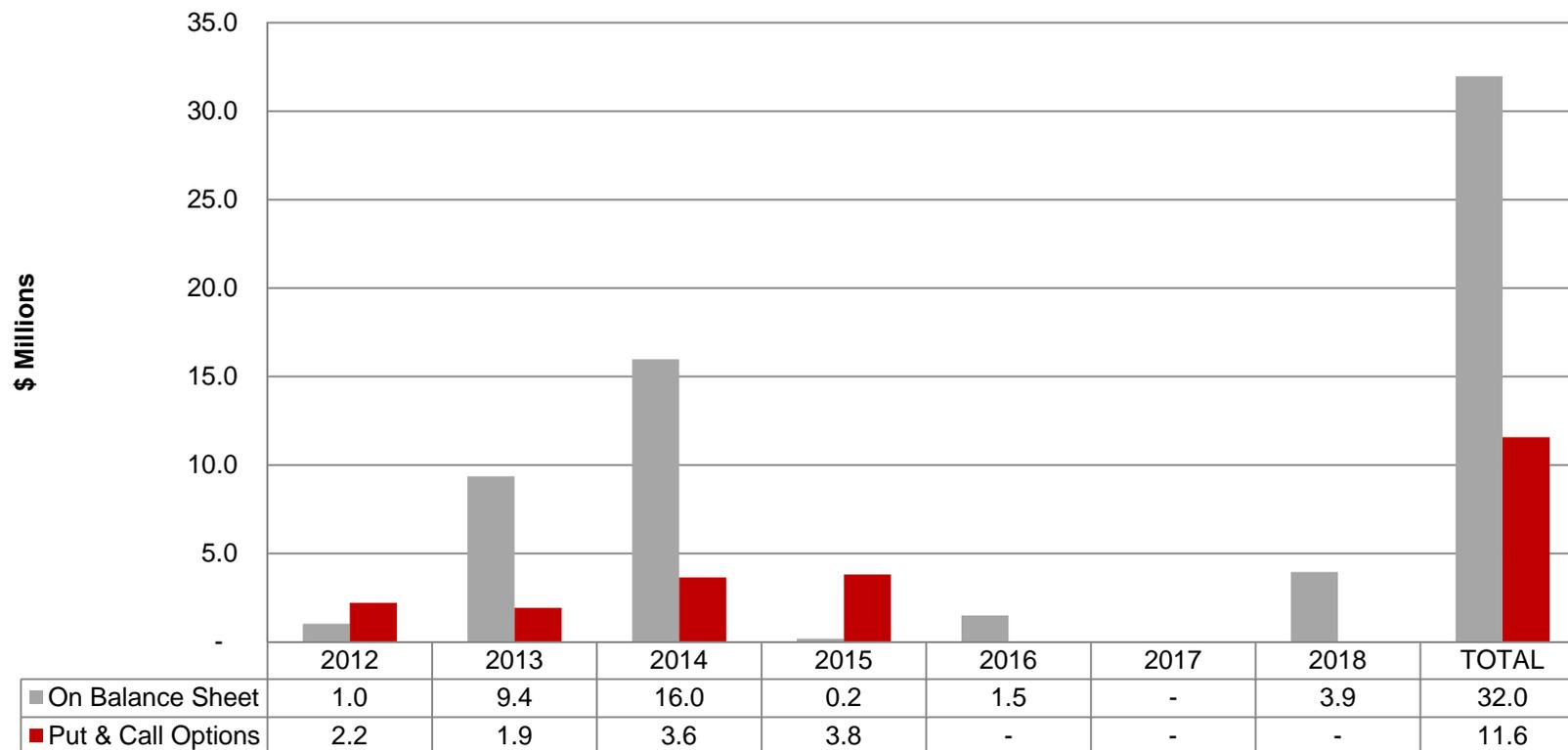
CLIENT REVENUE



30 JUNE 2012 HALF YEAR NET DEBT & EARNOUTS



FUTURE EARN-OUT PAYMENTS



	On Balance Sheet	Off Balance Sheet Put & Call Options	Total at June 12	Total at Dec 11
Total Future Value	32.0	11.6	43.6	39.0
Total Present Value	29.2	10.7		
Total Number of Deals	14	5		