



# STW GROUP

HALF YEAR RESULTS  
30 JUNE 2013

**IDEAS**  
**CREATE**  
**GROWTH**

## 2013 HALF YEAR RESULTS IN SUMMARY

- ★ Full Year Guidance achievable
- ★ New Business Performance – STRONG
- ★ Underlying NPAT Growth 7.2%
- ★ Economic conditions in Australia and New Zealand sluggish
- ★ Diversified business model enabled our performance in a tough market
- ★ Geographic expansion and export of home grown brands and IP encouraging
- ★ New revenue streams opening up at home and abroad
- ★ Interim dividend of 3.3¢ per share (fully franked) = 72% payout ratio

## 30 JUNE 2013 HALF YEAR GROUP PROFIT AND LOSS – STW SHARE\* (\$M)

	2013	2012	Change Fav/(Adv)
Revenue	176.0	163.2	7.9%
<b>EBITDA</b>	<b>35.7</b>	<b>33.4</b>	<b>6.9%</b>
EBITDA Margin	20.3%	20.5%	(0.2%)
<b>Underlying NPAT</b>	<b>19.3</b>	<b>18.0</b>	<b>7.2%</b>
Acquisition expenditure written off	(0.6)	(0.5)	N/M
Accounting gains net of tax	-	0.5	N/M
<b>Reported Statutory NPAT</b>	<b>18.7</b>	<b>18.0</b>	<b>3.3%</b>
Fully Diluted Underlying EPS	4.92 cents	5.05 cents	(2.6%)
Fully Diluted Statutory EPS	4.68 cents	5.05 cents	(7.3%)

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

## INTERIM DIVIDEND

	Fully Franked Dividend per Share	Dividend \$m	% payout ratio Underlying EPS
2011 Interim Dividend	3.0 cents	10.9	64%
2012 Interim Dividend	3.3 cents	12.0	67%
<b>2013 Interim Dividend</b>	<b>3.3 cents</b>	<b>13.3</b>	<b>72% <sup>1</sup></b>

\*The 2013 interim dividend is payable on 10 September 2013 to all Shareholders registered at 27 August 2013

<sup>1</sup> Full year payout ratio expected to be in 60%-70% target range.

## NEW BUSINESS



## NEW CAPABILITY



## NEW REVENUE STREAMS

Merchandising

CRM      Production

Social Sampling

Data      Logistics

Marketing Automation

## OUR STRATEGY

### BIG AT HOME

- \_ No. 1 Advertising Agency Group
- \_ No. 1 Media Group
- \_ No. 1 PR Group
- \_ No. 1 Digital Group
- \_ No. 1 Production Group

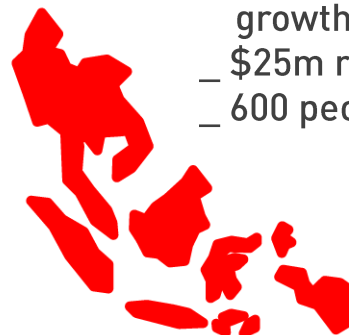


### DIGITAL DOMINANCE



### SOUTH EAST ASIA

- \_ Fast start platform for growth in place
- \_ \$25m revenue
- \_ 600 people



# LUKAS AVIANI

## CHIEF FINANCIAL OFFICER

KEY FINANCIALS

## GROUP PROPORTIONAL PROFIT & LOSS (\$M)

	JUNE 2013	JUNE 2012	CHANGE PCP	
<b>REVENUE</b>	<b>176.0</b>	<b>163.2</b>	<b>7.9%</b>	<ul style="list-style-type: none"> <li>• Pleasing revenue growth</li> <li>• Growth led my media and larger agencies</li> <li>• 3 weaker businesses detract – reduce reported NPAT growth by circa 4%</li> </ul>
Staff Costs (SCR%)	(111.2) (63.2%)	(102.2) (62.6%)		<ul style="list-style-type: none"> <li>• Staff cost well contained – up 0.6%</li> <li>• Other overheads well contained – drop in share by 0.4%</li> </ul>
Establishment	(9.9)	(9.2)		
Net Other Overheads	(19.2)	(18.4)		
<b>EBITDA &amp; MARGIN</b>	<b>35.7 (20.3%)</b>	<b>33.4 (20.5%)</b>	<b>6.9%</b>	<ul style="list-style-type: none"> <li>• Margin – held in tough environment and with changed business mix</li> <li>• Phasing of EBITDA weighted to second half</li> </ul>
D&A	(4.0)	(4.0)		<ul style="list-style-type: none"> <li>• D&amp;A in line with prior year despite acquisitions</li> <li>• Net interest increase – impact of earn outs, acquisitions as well as weaker working capital management</li> </ul>
Net Interest	(4.7)	(3.9)		
Tax	(7.7)	(7.5)		
<b>NPAT</b>	<b>19.3</b>	<b>18.0</b>	<b>7.2%</b>	<ul style="list-style-type: none"> <li>• Tax rate reduced slightly to 28.5% – Asia impact. Will continue to decrease with earnings mix.</li> </ul>

## HALF YEAR 2013 – ORGANIC GROWTH CONTINUES (\$M – STW SHARE)

	Revenue		EBITDA		NPAT (est)	
	\$	% Δ	\$	% Δ	\$	% Δ
2012 Half Year	163.2		33.4		18.0	
Forex impact <sup>(A)</sup>	0.9	0.6%	0.1	0.1%	-	0.1%
Net acquired <sup>(B)</sup>	6.4	4.0%	1.3	3.9%	0.6	3.3% <sup>(C)</sup>
Organic growth	5.5	3.3%	0.9	2.8%	0.7	3.0%
2013 Half Year	176.0	7.9%	35.7	6.9%	19.3	7.2%

- 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 2013 as well as the full year effect of acquisitions and disposals made in 2012
- C. Based on debt financing of net acquired growth at STW incremental borrowing rate

## 30 JUNE 2013 HALF YEAR CASHFLOW (\$M)

	30 June 2013	31 Dec 2012	30 June 2012	31 Dec 2011	Last 24 month total
Statutory EBITDA *	38.1	53.1	36.4	45.7	173.3
Operating cashflow pre interest and tax	24.1	44.6	37.4	38.1	144.2
<i>EBITDA Conversion to cash flow</i>	63%	84%	103%	83%	83%
Tax paid	(12.2)	(7.0)	(12.7)	(4.1)	
Net Interest	<u>(4.7)</u>	<u>(5.7)</u>	<u>(4.0)</u>	<u>(4.6)</u>	
Operating Cashflow	7.2	31.9	20.7	29.4	

### Key First Half Themes:

- Changed processes on 4 clients results in working capital lock up (\$14M) – 2 have normalised in July
- Conversion down to 63%
- Timing only and will be materially rectified in the second half
- Tax payments – timing impact of \$7M in first half – significant improvement in full year 2013
- Still expecting full year cashflow to push towards the \$60M mark

## 30 JUNE 2013 - BALANCE SHEET IN GOOD HEALTH (\$M)

	30 Jun 2013	31 Dec 2012	30 Jun 2012
Cash <sup>(a)</sup>	30.2	43.6	29.3
Net working capital	(5.7)	(24.8)	(23.4)
Investments	107.0	95.9	96.1
Intangibles	489.7	495.5	435
Other Assets	57.6	51.5	49.9
<b>TOTAL ASSETS</b>	<b>680.8</b>	<b>661.7</b>	<b>586.9</b>
Bank Debt - Current <sup>(b)</sup>	(35.3)	(3.2)	(3.0)
- Non Current <sup>(b)</sup>	(127.8)	(133.0)	(133.9)
Earnouts - Current <sup>(b)</sup>	(15.0)	(14.4)	(6.8)
- Non Current <sup>(b)</sup>	(16.7)	(31.5)	(22.3)
Other Liabilities	(18.8)	(16.2)	(17.6)
<b>NET ASSETS</b>	<b>467.2</b>	<b>463.4</b>	<b>403.4</b>

### Key balance sheet metrics:

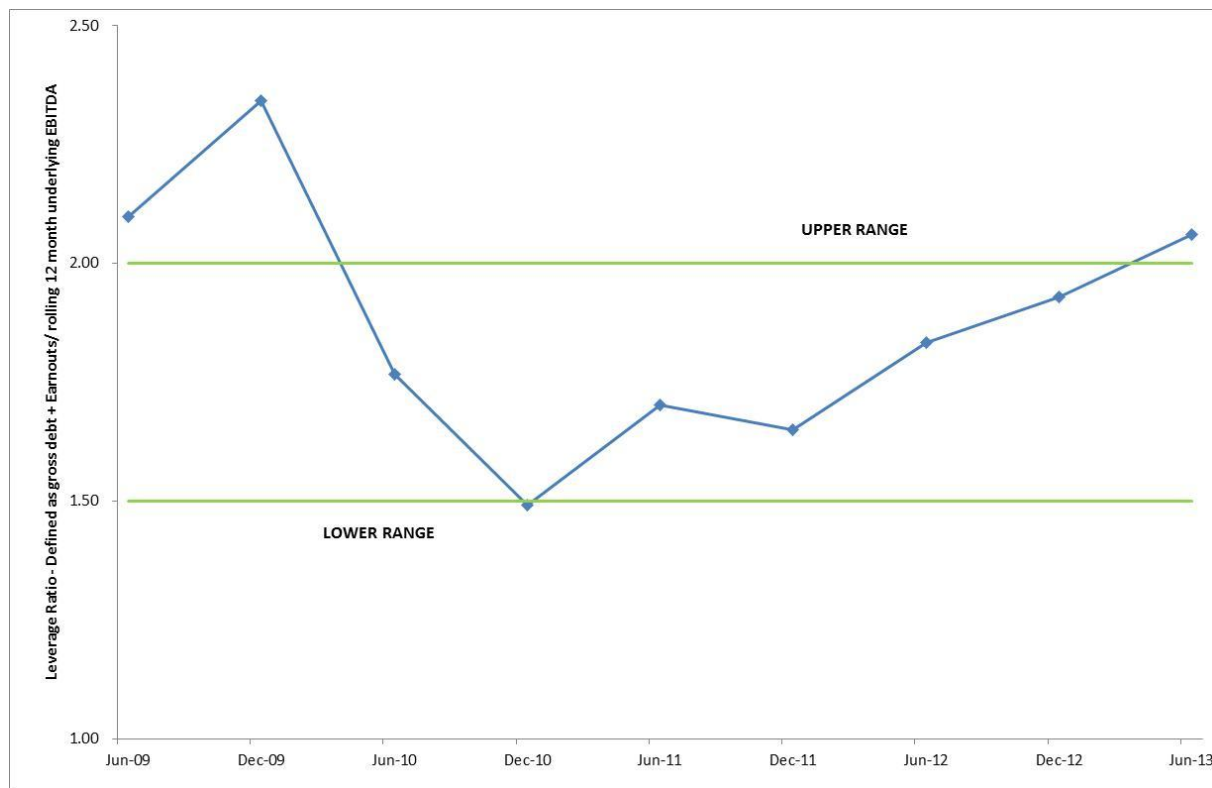
Net debt including earnouts <sup>(b-a)</sup>	164.5	138.5	136.7
Net debt: Net Assets <sup>(1)</sup>	35%	30%	34%

### Key First Half Themes:

- Working capital change due to four clients – to be addressed in second half
- Net investment position largely unchanged – nominal acquisition in first half
- Earnouts significantly reduced with first half settlements
- Increase in debt due to cashflow and circa \$4M spent Kent St fitout
- Gearing ratio increases – still comfortable.

<sup>(1)</sup> Net debt for this calculation includes earnouts as shown.

## 30 JUNE 2013 – LEVERAGE VERSUS CAPITAL MANAGEMENT TARGETS (\$M)



### Key Outlook:

- Much stronger second half cashflow
- Lower 2nd half capex
- Stronger EBITDA earnings at full year
- Leverage levels expected to move back within the band at 31 December.

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

## BANK FACILITIES – LOCKED IN MATURITIES TO 2018/ 2019

MATURITY	\$AUD (M)
Revolving at call - NZD	\$2.8
Jan 2015 – AUD	\$75.0
July 2015 – AUD	\$25.0
August 2016 – AUD *	\$95.0
August 2018 – AUD *	<u>\$40.0</u>
Total Group Facilities (excludes guarantees of \$18M)	\$237.8
Drawn	\$163.1
Undrawn	\$74.7

### BANK FACILITY DEFINITION BASIS

Ratios	30 Jun 13	31 Dec 12	Covenant
Debt to EBITDA	2.41x	<b>2.17x</b>	< 3.00x
Interest Cover	6.43x	<b>7.05x</b>	> 5.00x
Debt:Equity	32.9%	<b>31.3%</b>	< 40.0%

\* Rolling 12 month test

\*New committed facilities signed post half year. These facilities include a 12 month term out option extending the stated maturities to August 2017 and August 2019.

## AGGREGATE EARNOUT POSITION (@ 30 JUNE 2013)

15

	Total earnouts and put/ call options	Expected Settlement	Maturity Profile
	(\$M)		(\$M)
31 December 2012 @ Future Value	54.9	2013	6.4
Payments made in 2013	(13.6)	2014	10.7
New 2013 earnouts	0.5	2015	20.0
Net revisions to prior earnout estimates	(1.1)	2016+	3.6
30 June 2013 @ Future Value	40.7	Total @ Future Value	40.7

1. Peak earnout settlement now spread over 2014 & 2015
2. \$5.4 million in earnouts relates to put and call options - to deliver incremental earnings when exercised

## RETURN METRICS – ROLLING 12 MONTH PERIODS

(\$M)	30 Jun 2013	31 Dec 2012	30 Jun 2012	31 Dec 2011	30 Jun 2011	31 Dec 2010
Average shareholders equity	404.1	383.7	359.5	353.0	344.5	336.7
Average invested capital	591.6	548.6	511.3	485.4	478.6	480.6
Underlying NPAT – rolling 12 months	45.3	44.0	42.1	41.3	39.6	38.7
Underlying EBIT – rolling 12 months	85.2	80.9	77.7	75.1	73.7	74.6
Return on shareholders equity (ROE)	11.2%	11.5%	11.7%	11.7%	11.5%	11.5%
After tax return on invested capital (ROIC)*	10.7%	11.0%	11.3%	11.5%	11.3%	11.4%

1. Return metrics have been impacted by capital raising in November 2012 and weaker working capital

2. Focus on continuing to improve returns – tighter working capital management, driving the assets harder

\* Calculated as underlying EBIT x 0.7 / average invested capital – adjusted for tax paid nature of equity accounted income

# **CHRIS SAVAGE**

## **CHIEF OPERATING OFFICER**



# **STW GROUP IN ASIA**

PLATFORM FOR GROWTH IN PLACE,  
ACCELERATING MOMENTUM

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# 1. STW IN SOUTH EAST ASIA

## THE STORY SO FAR

# STW HAS A CLEAR, FOCUSED ASIA STRATEGY THAT BUILDS ON OUR STRENGTHS

## OVERALL VISION

Become the most influential and sought-after marketing content and communications network in South East Asia.

## 2016 GOAL

10% of revenues and profits from offshore (outside Australia & NZ) at 100% ownership

1. > BUILD A DIGITALLY-LED REGIONAL NETWORK

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2. > FOCUS ON SINGAPORE HUB

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3. > SELECTIVELY EXPAND THE FOOTPRINT OF OUR BEST BUSINESSES OFFSHORE

# RECAP: WHY WE ARE DOING THIS

- ✳ Gain exposure to higher-growth markets in South East Asia
- ✳ Capitalise on client demand and opportunities
- ✳ Tap into our advantage as a 'local' player in the region
- ✳ Increasingly regional account focus and client structures
- ✳ Extract more value from our existing IP, capabilities and resources

# WHAT MAKES OUR OFFER TO INVESTMENT TARGETS UNIQUE:

- ★ We're local
- ★ We're "user friendly"
- ★ We're 100% focused and committed to success in South East Asia
- ★ Our South East Asia companies will be the leaders and 'heroes' of our network
- ★ We have a proven track record of happy partners

# WHAT WE HAVE TODAY IN SOUTH EAST ASIA

2013 FORECAST REVENUE

**\$25m**

OVER **700** EMPLOYEES

STRONG PRESENCE IN ALL  
KEY MARKETS

- **SINGAPORE**
- **MALAYSIA**
- **INDONESIA**
- **VIETNAM**
- **THAILAND**

2013 FORECAST EBITDA

**\$6m**

DIGITAL REVENUE APPROACHING

**60%**

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## **2. STW IN SOUTH EAST ASIA**

### **UPDATE SINCE FEBRUARY 2013**

# UPDATE SINCE FEBRUARY 2013

- ✳ Consolidated platform of businesses with bespoke support and client leverage
- ✳ Building strong 'hub' in Singapore
- ✳ Completed two further investments: branding & design, CRM
- ✳ Top quality new investments in advanced stages of negotiation - key focus on Indonesia
- ✳ Opened Bullseye Jakarta, Designworks Singapore, Buchanan Jakarta
- ✳ Launch of Edge Asia very well received

# LAUNCH OF EDGE ASIA NETWORK

**edgeasia** The **First** Regional **Digital Advertising Network**  
Born and **Bred in South East Asia**

- ★ 450+ staff across offices in Vietnam, Thailand, Singapore, Malaysia and Indonesia, with Manila office opening under way
- ★ Key capabilities include digital strategy, campaign development, CRM, e-commerce and digital media planning and buying
- ★ Key clients include HSBC, Diageo, Mead Johnson, Unilever and Citibank
- ★ Brings together the best local talent and capabilities from each market into an integrated full-service network

# STW launches SE Asian digital network

DARREN DAVIDSON The Australian May 16, 2013 1:00PM

STW Group has launched a digital advertising agency network in South East Asia to grow revenues outside of the crowded local market.

The Australian Securities Exchange listed marketing communications group has opened offices in Vietnam, Thailand, Malaysia, Singapore, and Indonesia under the Edge Asia banner.



## STW Group launches Edge Asia, a regional digital network in Southeast Asia

The network has brought together several of STW's majority-owned agencies including Edge Marketing in Vietnam, Newmedia+ in Thailand, and Antics Studios in Malaysia, Singapore and Indonesia, all of which will be rebranded as Edge Asia. With a team of more than 450 staff, Edge Asia is ...

## Edge Asia to deliver Asian soul digital age

By Nguyen Tuong

Australian Securities Exchange-listed marketing communications group STW has announced the expansion of its Edge Asia network in Southeast Asia.

The group is also re-branding offices in Thailand (newmedia+), Malaysia, Singapore and Indonesia (Antics Studios) to match that of

ideas in the markets. It also allows us to share understanding of each market across the region because many clients now want their works to be announced across Southeast Asia," said Natalie Lockwood, CEO of Edge Marketing Vietnam.

Edge Asia also aims at delivering on the group's strategy to expand its Southeast Asia footprint by part-

brands such as HSBC, Diageo, Visa, MSN, AIA, Samsung, Citibank and Mead Johnson.

Lockwood said Vietnam showed clear opportunities as lots of online newspapers and social media were growing strongly, luring many companies to put digital advertisements on the websites. However, only 3 per cent of advertising spending

ness saw more demand than ever "because what we do here is targeted and marginal marketing."

"You can change course and direction very quickly to optimise and improve the performance of the advertising campaign. That is something you can't do with a television campaign or print campaign," she added.

Edge is digital-driven,

continuous improvement and optimisation. Edge is created by entrepreneurs across Southeast Asia who are inspired by opportunities that new technologies offer to build unique and lasting engagement platforms for brands to connect with people. It has identified digital as a major area of development.

Lockwood said Edge

### STW GROUP THÀNH LẬP EDGE ASIA

STW, tập đoàn truyền thông và tiếp thị nổi danh của Úc, vừa thành lập Edge Asia - mạng lưới các công ty quảng cáo kỹ thuật số có các văn phòng hoạt động tại năm thị trường lớn của Đông Nam Á là Việt Nam, Thái Lan, Malaysia, Singapore và Indonesia. Edge Asia được thành lập từ các công ty con Edge Marketing (Việt Nam), Newmedia (Thái Lan), Antics Studios (Malaysia), Singapore và Indonesia. Sự ra đời của Edge Asia là một phần chiến lược của STW nhằm mở rộng thị trường tại khu vực Đông Nam Á. Edge Asia cung cấp các dịch vụ như chiến lược kỹ thuật số, lập kế hoạch và mua quảng cáo, lên ý tưởng sáng tạo và sản xuất cho các chiến dịch, quản lý sự kiện, thiết kế theo trải nghiệm người dùng, các chương trình quản lý quan hệ khách hàng và xây dựng khách hàng trung thành, quản lý truyền thông xã hội và cộng đồng, các chương trình thương hiệu và quản lý trung tâm dịch vụ khách hàng.

D. Hà

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## STW launches Asia Edge brand

16 May, 2013 0 comments



Marketing content and communications group STW has launched a digital advertising network, Edge Asia, with key offices in five major South East Asia markets.

Edge Asia has offices in Vietnam, Thailand, Malaysia, Singapore, and Indonesia with more than 450 staff and a client roster including HSBC, Diageo, Visa, MSN, AIA, Samsung, Citibank and Mead Johnson.

## STW Group creates 'first digital advertising network with an Asian soul'

Sydney-based marcoms group STW has launched a regional digital advertising network called **Edge Asia**, which the group claims to be the first of its kind 'born and bred' in Southeast Asia.

The new brand takes the name of Edge Marketing, an agency STW Group acquired last year, and sees Thailand's newmedia+ and Antics Studios in Malaysia, Indonesia Singapore rebadged

The network has offices in Vietnam, Thailand, Malaysia, Singapore, and Indonesia, 450 staff and clients including HSBC, Diageo, Visa, MSN, AIA, Samsung, Citibank and Mead Johnson.

# CPR VISION INVESTMENT



AGENCY OF THE YEAR  
'CRM & LOYALTY' 2013  
& 2012  
MARKETING MAGAZINE AGENCY OF THE YEAR AWARDS

- ✳ Investment in CPR Vision builds capability across South East Asia in key areas of client demand including CRM, data analytics, loyalty and digital strategy
- ✳ Founded in 2001 and today has strong foothold in both Singapore and Bangkok
- ✳ Works with a wide range of leading global brands including L'Oreal, Adidas, Banyan Tree, Amadeus, and Fairmont Hotels
- ✳ Named by Marketing Magazine as Singapore's leading CRM and loyalty agency for the past two years running

# MOMENTUM BUILDING

- ✳ South East Asia growth plans are on track
- ✳ Consolidating our platform of businesses
- ✳ Adding new capability in fast growth digital/data/shopper sectors
- ✳ Leveraging our unique strengths into regional franchises
- ✳ Solid pipeline of potential investments and highly positive response from potential vendors
- ✳ Continue to tread cautiously but with firm intent

**JAMES GREET**  
**IKON, CEO**

IKON

# STW Media Update

14<sup>th</sup> August 2013



# 2013: Unlucky for some?

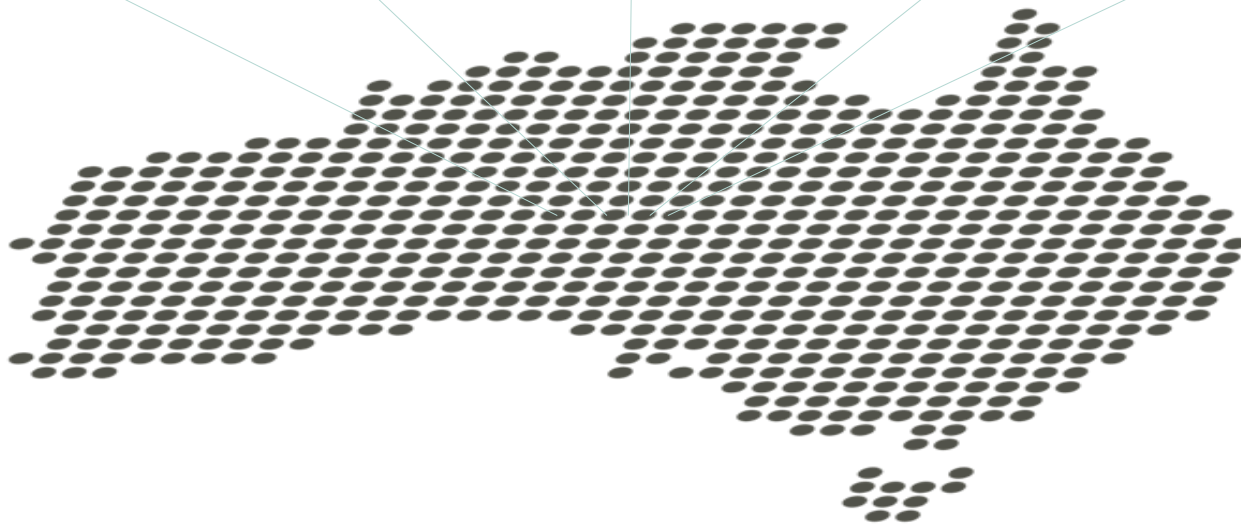
Slow first half  
(0.7% growth  
to June)

Election  
spending to drive  
slight growth in  
second half

Declining AUD,  
consumer  
nervousness, election  
uncertainty

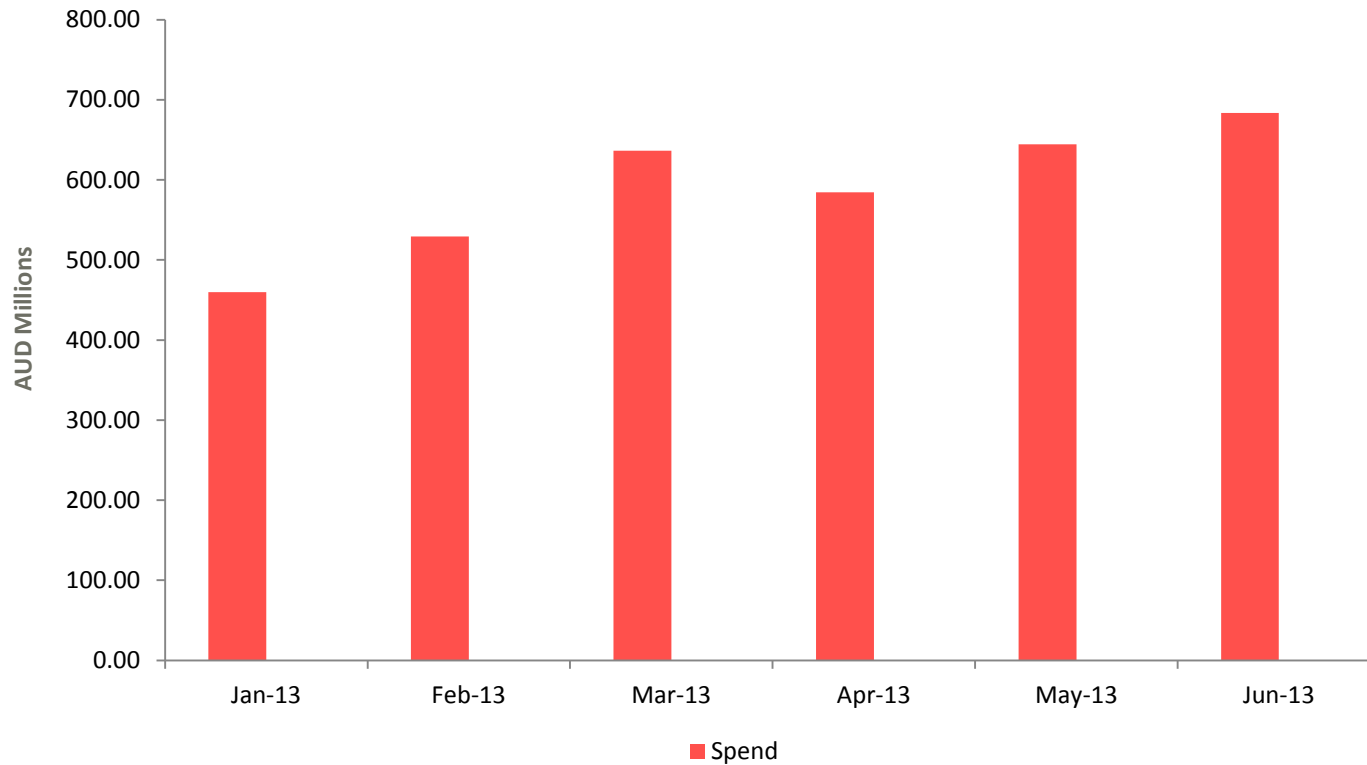
Yield critical to  
all media  
owners

Major  
categories  
in decline  
(FMCG, Retail)



## YTD has been soft, but election expected to stimulate demand

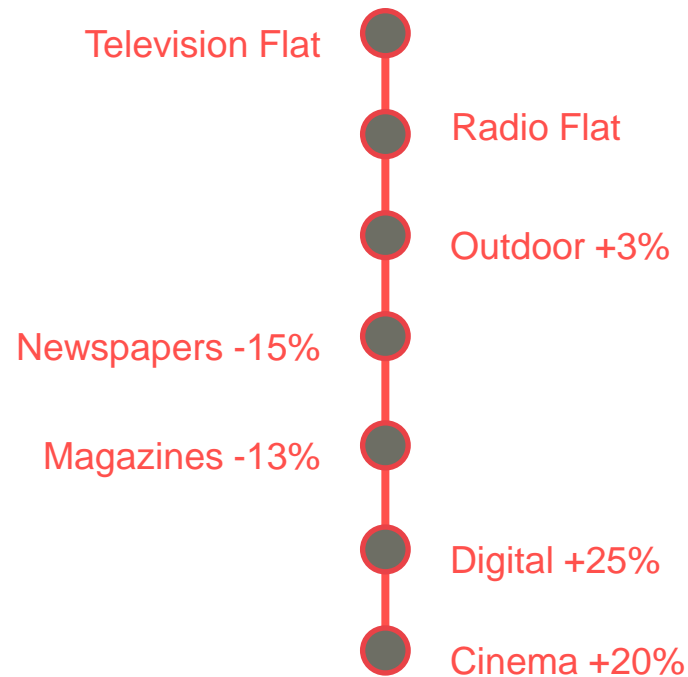
- The market was in decline to May (-1.6%)
- Election advertising has kicked in from June, causing a small rebound
- Government spending up 116% YOY



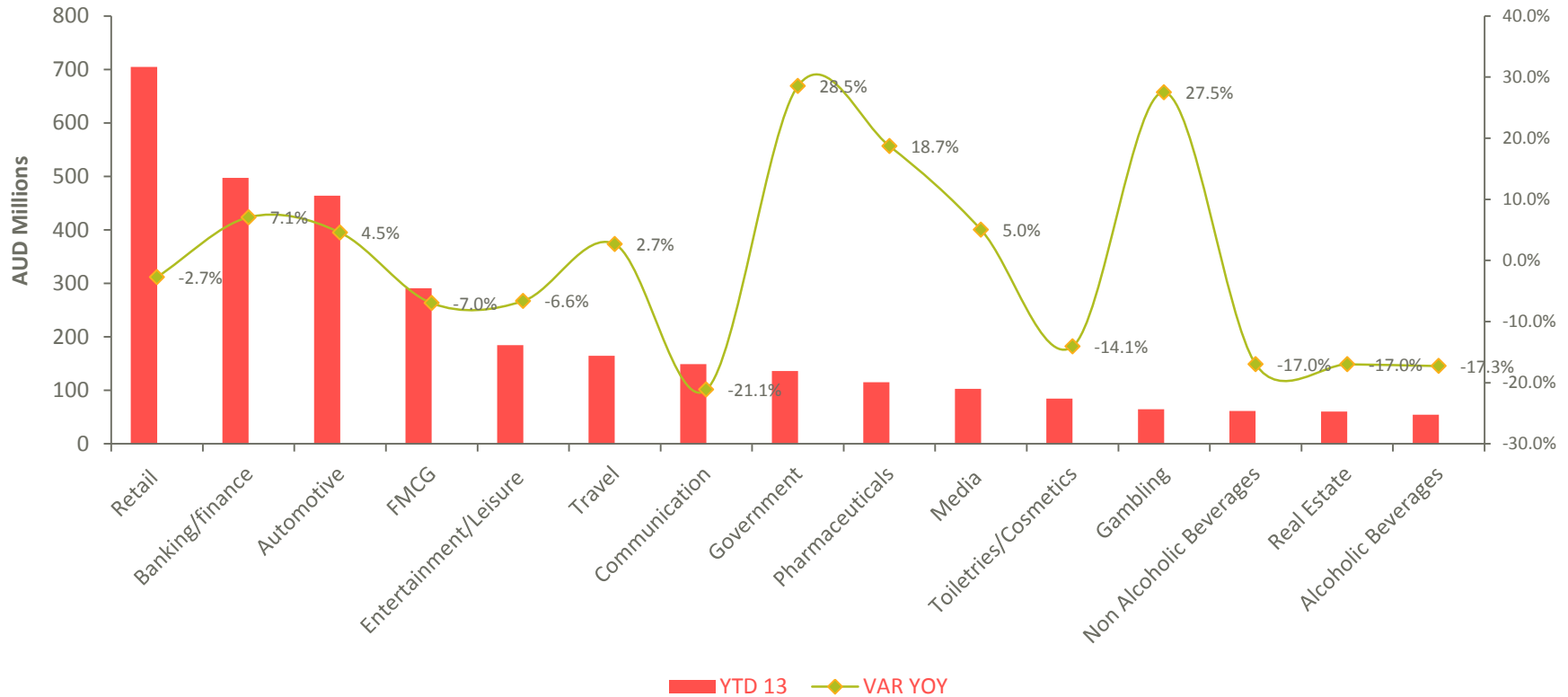
# It will be a year of distinct halves, but overall modest growth

So far the market is -0.7% to June

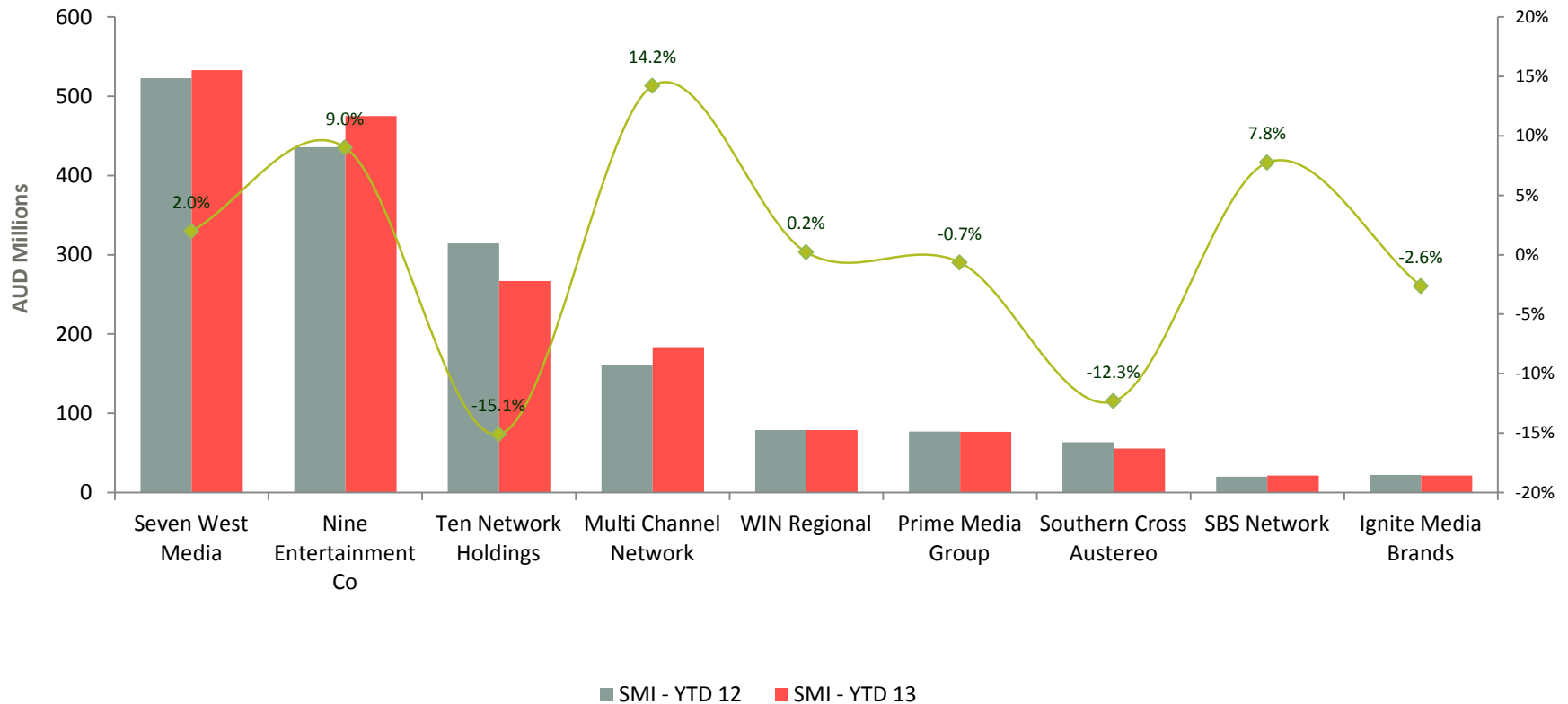
IKON are predicting modest growth for 2013 of 0.8%



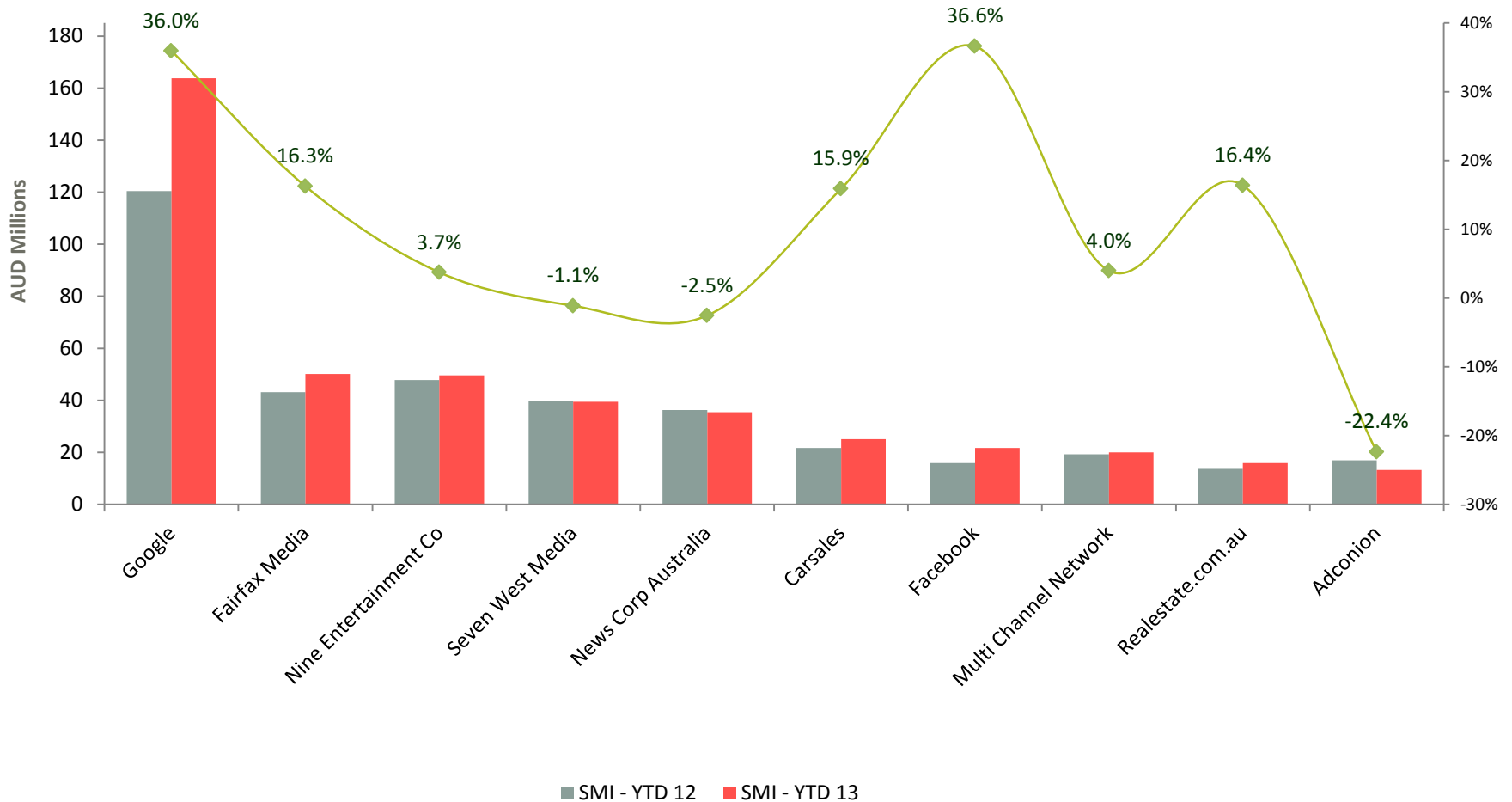
# The Federal Election is driving growth through Govt. spending



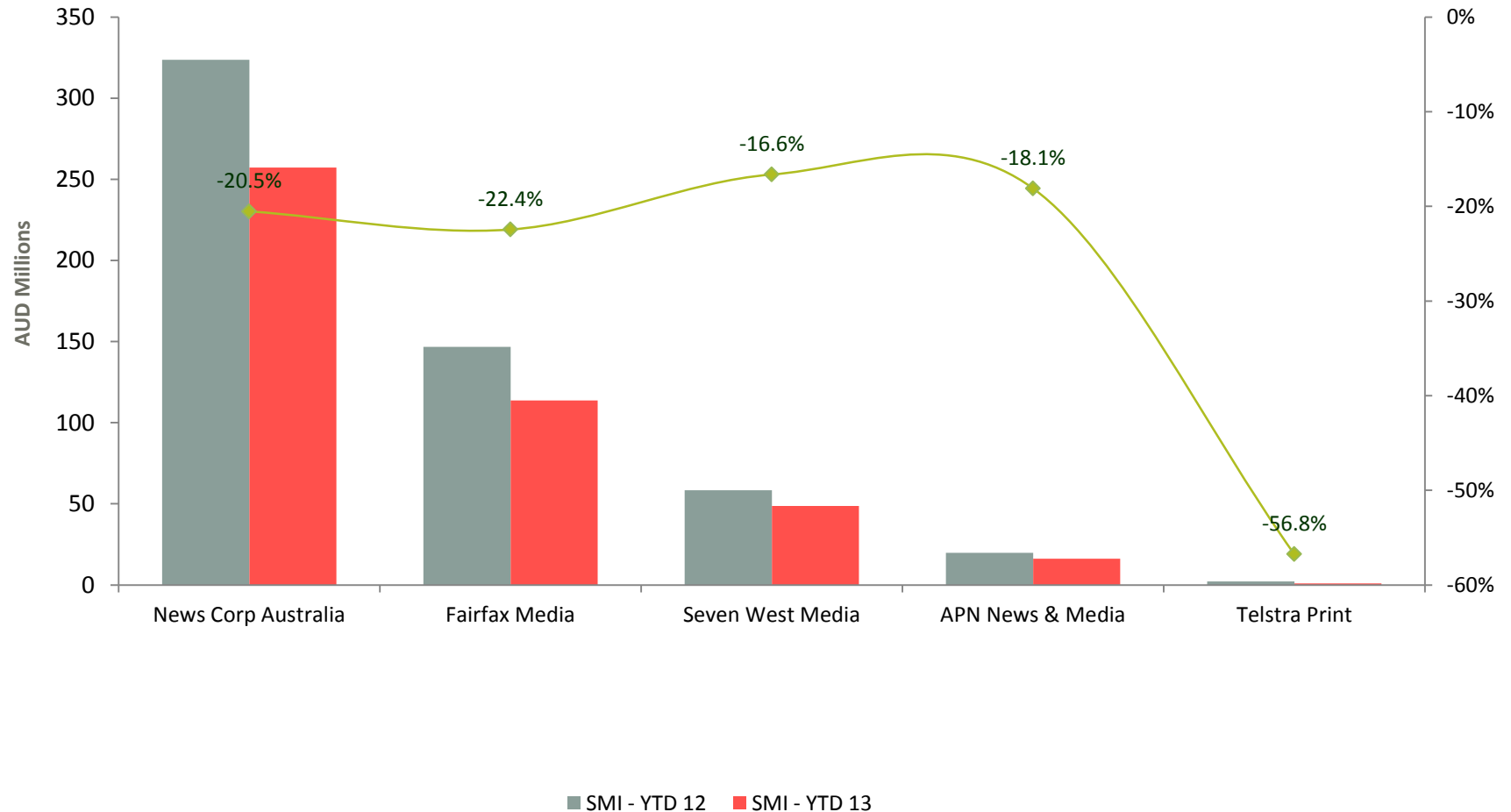
# Television buoyed by recent election spending (+1% YTD)



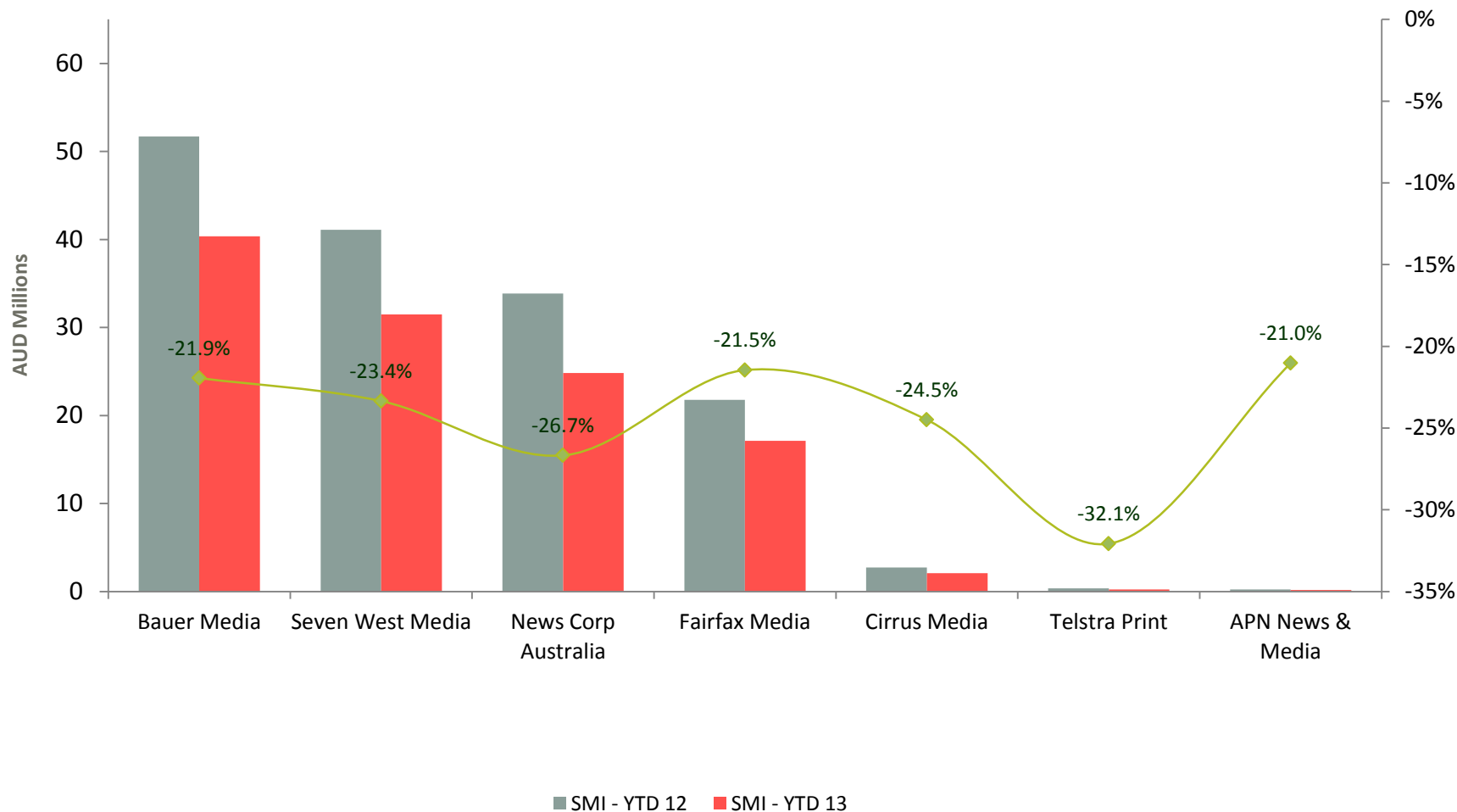
# Digital growth no sign of slowing (+24.1% YTD)



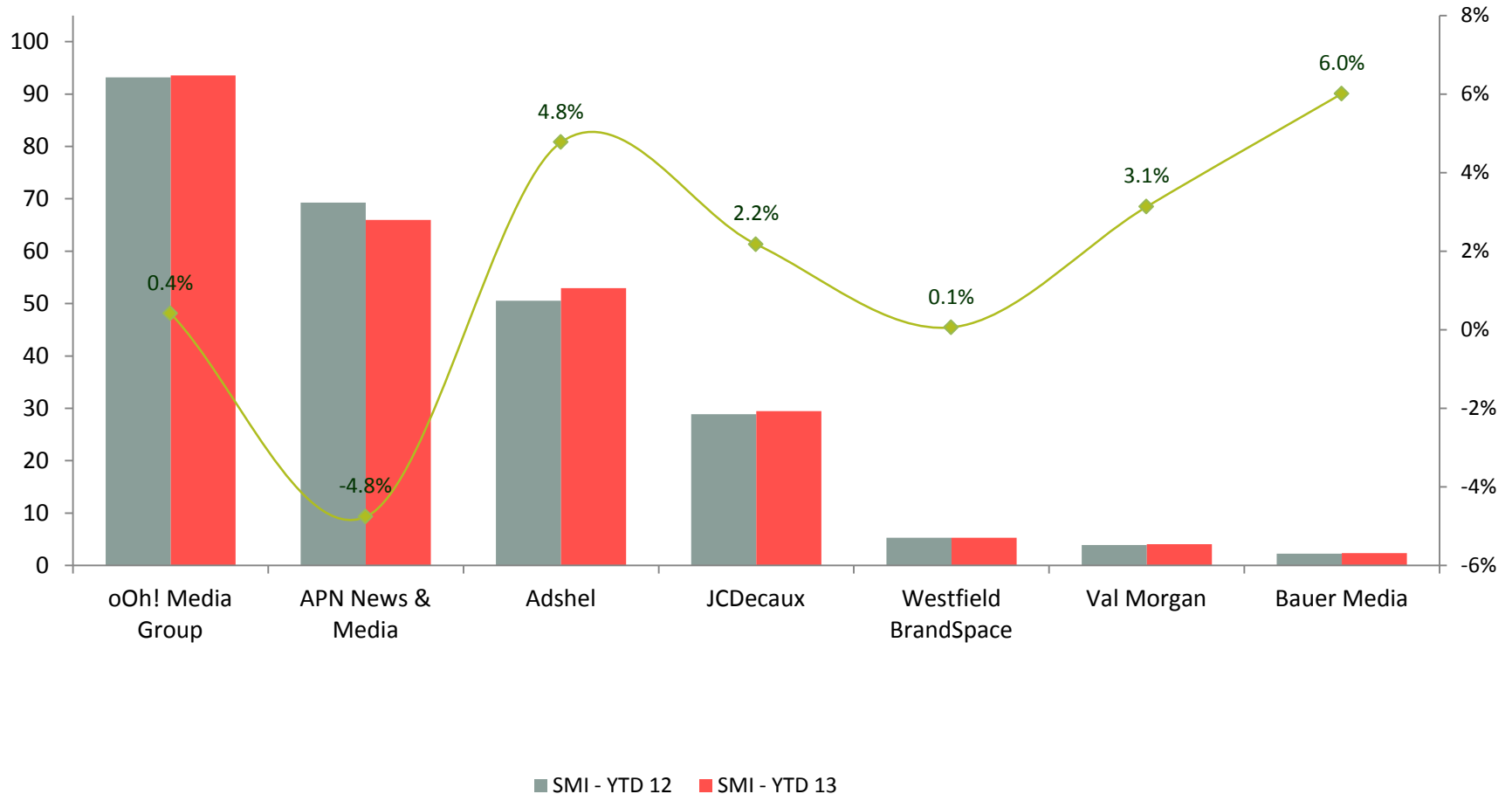
# Pain for print continues (back -20.3% YTD)



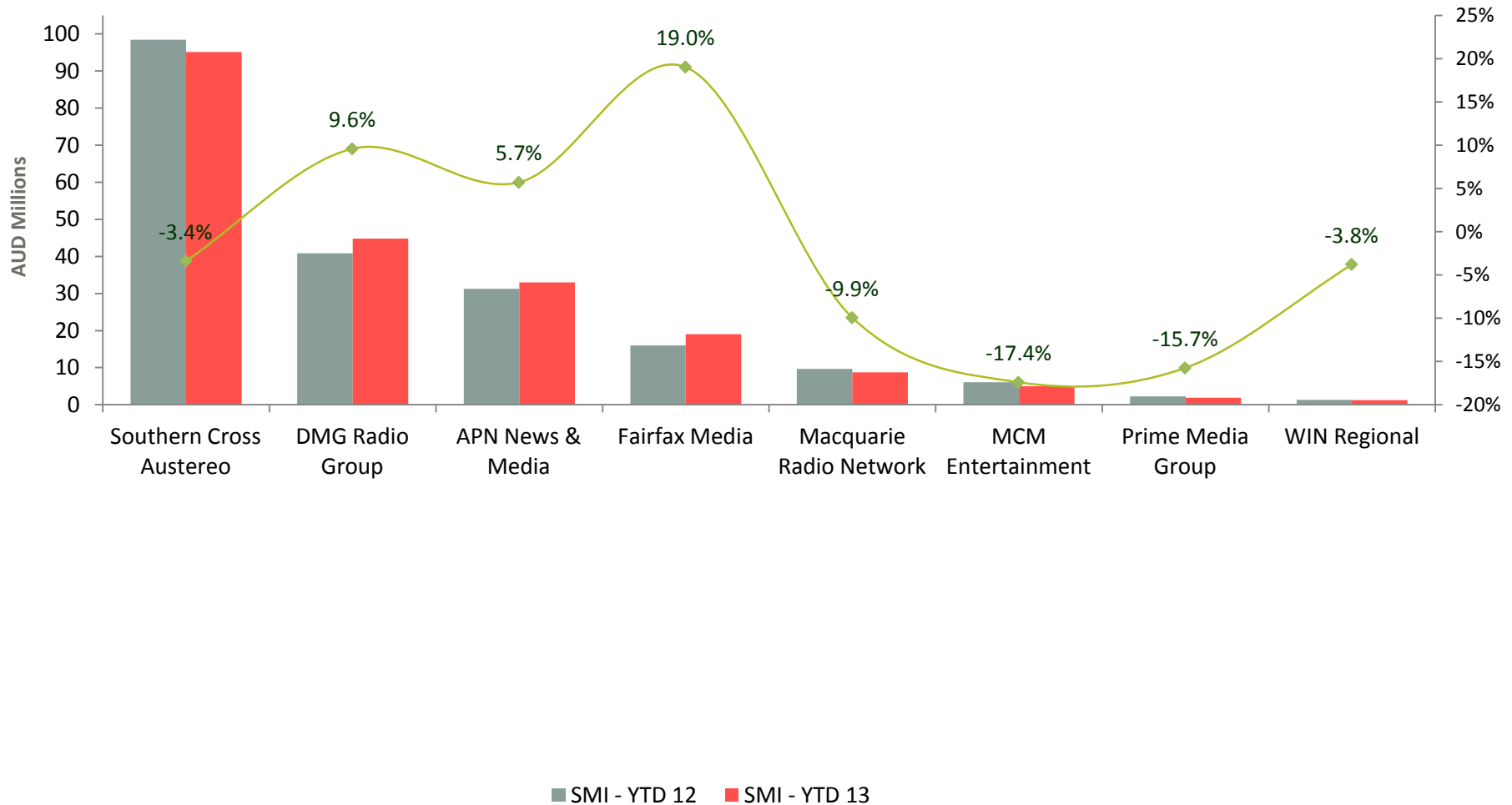
# Magazines attempts to innovate not improving revenue (-22.4%YTD)



# OOH remains a buyers market (-2.5% YTD)



# Radio slight growth driven by Government (+1.1% YTD)



# Short to medium term outlook: no growth

## The next 6–12 months

- Only growth in 2013 to come from Election spending
- Growth no greater than CPI expected for next 1-3 years – gone are the days of exponential increases in traditional ad spend
- Retail and FMCG to continue to feel the pinch
- Senior shake-ups at embattled companies (Kim Williams at News, Hamish McLennan at Ten etc) will likely continue

# Towards 2014

DIGITISED  
AUDIENCE DATA

PROGRAMMATIC  
TRADING



SMART-TV  
GROWTH

FAST-TRACKED  
CONTENT

# Towards 2014

DIGITISED  
AUDIENCE DATA

PROGRAMMATIC  
TRADING

**MODEL  
INNOVATION  
ESSENTIAL**

SMART-TV  
GROWTH

FAST-TRACKED  
CONTENT

**Thank  
You.**



## OUTLOOK

- ★ Good momentum coming in to 2<sup>nd</sup> half 2013
- ★ STW Group strategy and model underpins growth
- ★ STW ahead of curve on costs – holding margins
- ★ Winning business, adding capabilities, new revenue streams
- ★ Training/Development: Campus strategy investment continues
- ★ Digital and offshore expansion on track
- ★ Firmly in control of what we can control
- ★ 2013 guidance still achievable - mid single digit EPS growth, circa 15% NPAT growth



**THANK YOU.**

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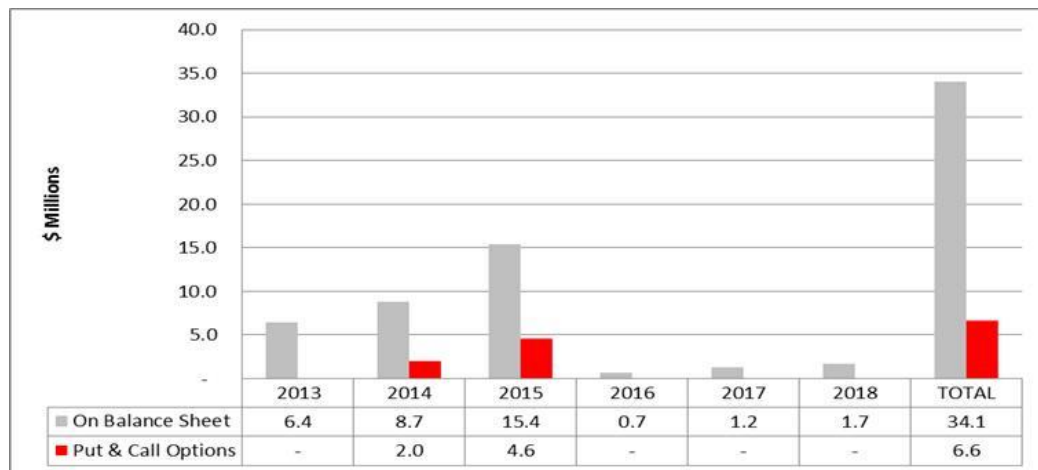
# APPENDIX

## ACQUISITIONS 2013

ENTITY	SPECIALTY	CURRENT STW DILUTED INTEREST
<b>ANZ Acquisitions</b>		
Fusion	Advertising	49% <sup>(A)</sup>
Cru Digital	Digital	39.2% <sup>(B)</sup>
Beyond Analysis Australia	Data analytics	49% <sup>(C)</sup>
Bullseye	Digital	40% <sup>(D)</sup>
<b>Asian Acquisitions</b>		
CPR Vision	Digital CRM and loyalty	40% <sup>(E)</sup>

- A. Effective 1 January 2013
- B. Effective 1 February 2013
- C. Effective 15 March 2013
- D. Effective 1 April 2013
- E. Effective 1 May 2013

## FUTURE EARNOUT PAYMENTS



	On Balance Sheet	Off Balance Sheet Put & Call Options	Total at Jun-13	Total at Dec 12
Total Future Value	34.1	6.6	40.7	54.9
Total Present Value	31.6	5.9		
Total Number of Deals	18	3		