

CREATIVITY
UNLEASHING

stw group



IDEAS 
CREATE
GROWTH

2013 FULL YEAR RESULTS IN SUMMARY

- Solid result
- Strong second half
- Economic conditions in Australia remained challenging
- Changing nature of client expenditure accelerating
- STW model, scale, continuing diversity capturing growth.
- New Business Performance – STRONG
- Underlying NPAT Growth 12.5%
- Geographic expansion and export of home grown brands and IP encouraging
- New revenue streams continuing to open up at home, South East Asia and beyond
- Final dividend of 5.3¢ per share (fully franked), up 6%

31 DECEMBER 2013 FULL YEAR GROUP PROFIT AND LOSS – STW SHARE* (\$M)

	2013	2012	Change Fav/(Adv)
Revenue	402.1	357.8	12.4%
EBITDA	87.6	79.3	10.5%
EBITDA Margin	21.8%	22.2%	(0.4%)
Reported Statutory NPAT	49.5	44.0	12.5%
Fully Diluted Statutory EPS	12.3 cents	12.0 cents	2.5%

*STW has a direct and indirect ownership interest in over 80 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.

FINAL DIVIDEND

	Fully Franked Dividend per Share	Dividend \$m	% payout ratio Underlying EPS
2013 Interim Dividend	3.3 cents	13.3	
2013 Final Dividend	5.3 cents	21.4	
Total 2013 Dividend	8.6 cents	34.7	70%

	Fully Franked Dividend per Share	Dividend \$m	% payout ratio Underlying EPS
2012 Interim Dividend	3.3 cents	12.0	
2012 Final Dividend	5.0 cents	20.2	
Total 2012 Dividend	8.3 cents	32.2	69%

*The 2013 final dividend is payable on 16 April 2014 to all Shareholders registered at 2 April 2014.

OUR STRATEGY

EVOLUTION/FUTURE PROOFING

BIG AT HOME

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



SOUTH EAST ASIA & BEYOND

- _ Fast start platform for growth in place
- _ \$40m revenue*
- _ 600 people



*Based on 100% of revenue of STW Group investments

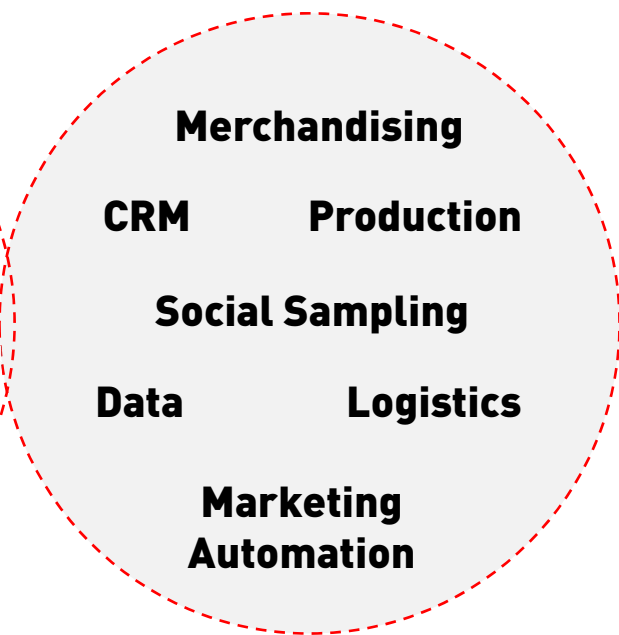
NEW BUSINESS



NEW CAPABILITY



NEW REVENUE STREAMS



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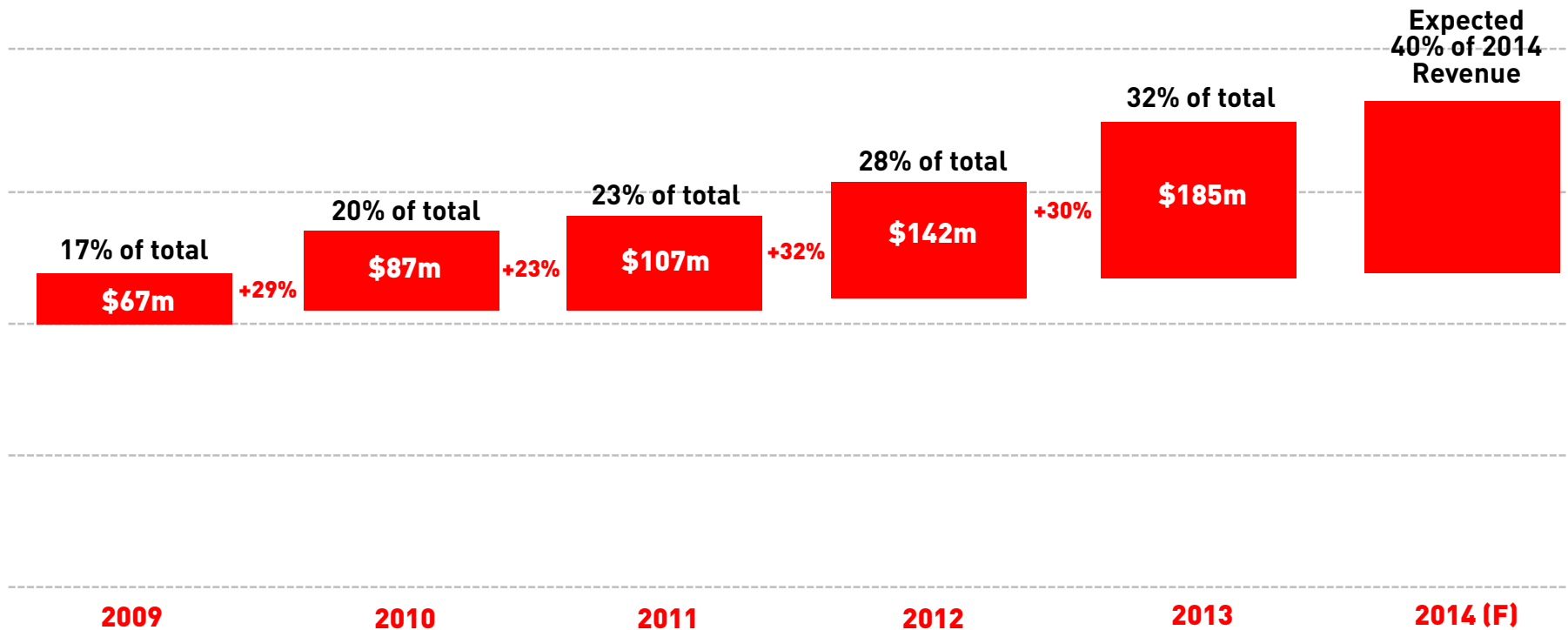
SOUTH EAST ASIA & BEYOND

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*Based on 100% of revenue of STW Group investments

DIGITAL REVENUE UP 30% IN CY13 TO \$185m



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SOUTH EAST ASIA & BEYOND



\$40m

**Revenue beyond
Australia &
New Zealand***

*Based on 100% of revenue
of STW Group investments

LUKAS AVIANI
CHIEF FINANCIAL OFFICER

KEY FINANCIALS

GROUP PROPORTIONAL PROFIT & LOSS (\$M)

	DEC 2013	DEC 2012	CHANGE PCP	
REVENUE	402.1	357.8	12.4%	<ul style="list-style-type: none"> • Double digit increase in revenues • Exceptional growth from media and large digital agencies • PR & Training weaker
Staff Costs (SCR%)	(245.6) (61.1%)	(219.1) (61.2%)		<ul style="list-style-type: none"> • Staff cost ratio flat on the prior year • Impact of campus consolidation and lease run off on establishment costs (normalises in 2014) • Net other overheads increase in line with revenue growth
Establishment	(25.3)	(20.7)		
Net Other Overheads	(43.6)	(38.7)		
EBITDA & MARGIN	87.6 (21.8%)	79.3 (22.2%)	10.5%	<ul style="list-style-type: none"> • Margin reduces by 0.4% • Business mix is main driver – higher research and field contribution to total
D&A	(8.6)	(8.7)		
Net Interest	(10.7)	(9.5)		<ul style="list-style-type: none"> • D&A in line with prior year despite acquisitions • Net interest increase – impact of acquisitions in 2013 and late 2012
Tax	(18.8)	(17.1)		
NPAT	49.5	44.0	12.5%	<ul style="list-style-type: none"> • Effective tax rate at 28% - consistent with prior year.

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

	Revenue		EBITDA		NPAT	
	\$	% Δ	\$	% Δ	\$	% Δ
2012 Full Year	357.8		79.3		44.0	
Forex impact ^(A)	3.2	0.9%	0.6	0.8%	0.4	0.9%
Net acquired ^(B)	32.6	9.1%	5.8	7.4%	2.9	6.7% ^(C)
Organic growth	8.5	2.4%	1.9	2.3%	2.2	4.9%
2013 Full Year	402.1	12.4%	87.6	10.5%	49.5	12.5%

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

31 DECEMBER 2013 FULL YEAR CASHFLOW (\$M)

	31 Dec 2013	31 Dec 2012	Last 24 month total
Statutory EBITDA *	95.5	89.5	185.0
Operating cashflow pre interest and tax	65.5	82.0	147.5
<i>EBITDA Conversion to cash flow</i>	<i>69%</i>	<i>92%</i>	<i>80%</i>
Tax paid	(20.0)	(19.7)	
Net Interest	<u>(10.1)</u>	<u>(9.7)</u>	
Operating Cashflow	35.4	52.6	

KEY FULL YEAR THEMES:

- Media adverse working capital – payment terms and schedules
- Conversion averages 80% over 24 months
- Tax payments – comparable to 2012. Will reduce in 2014 (earnings mix).
- Cash flow conversion target 100% in 2014

31 DECEMBER 2013 - BALANCE SHEET IN GOOD HEALTH (\$M)

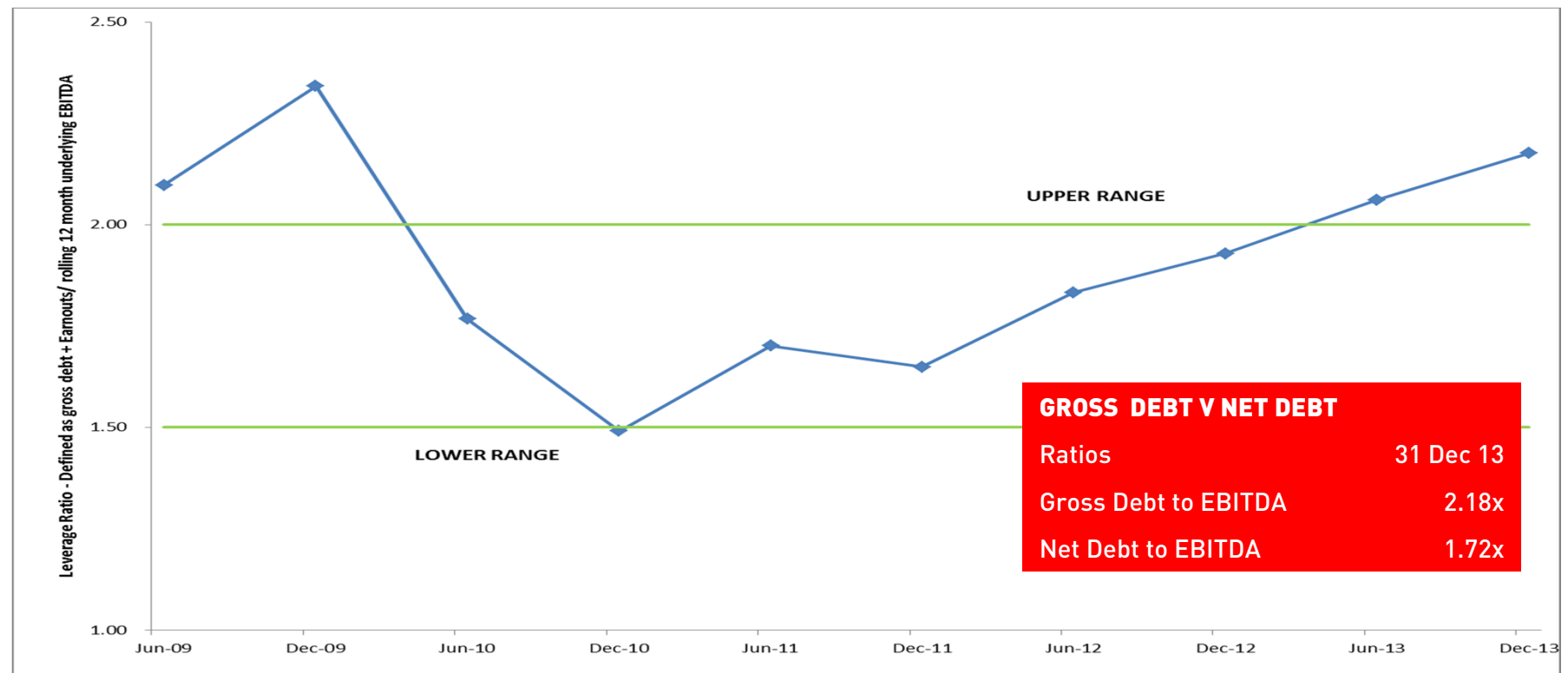
	31 Dec 2013	31 Dec 2012
Cash ^(a)	43.3	43.6
Net working capital	11.4	(24.8)
Investments	117.3	95.9
Intangibles	505.2	495.5
Other Assets	62.1	51.5
TOTAL ASSETS	716.5	661.7
Bank Debt - Current ^(b)	(0.2)	(3.2)
- Non Current ^(b)	(172.2)	(133.0)
Earnouts – Current ^(b)	(9.9)	(14.4)
- Non Current ^(b)	(26.6)	(31.5)
Other Liabilities	(12.7)	(16.2)
NET ASSETS	495.5	463.4
<u>Key balance sheet metrics:</u>		
Net debt including earnouts ^(b-a)	165.6	138.5
Net debt: Net Assets ⁽¹⁾	33%	30%

KEY THEMES:

- Net working capital change – Research and media
- Net investments increase with research acquisition
- Kent St fit out increases other asset balance
- Net drawn debt increases due to funding earnouts, acquisitions and working capital
- Earnouts reduce despite acquisitions
- Overall gearing slight increase

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

31 DECEMBER 2013 – LEVERAGE VERSUS CAPITAL MANAGEMENT TARGETS (\$M)



BANK FACILITIES – LOCKED IN MATURITIES TO 2018

MATURITY	\$AUD (M)
Revolving at call - NZD	\$3.0
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)	\$238.0
Drawn	\$172.8
Undrawn	\$65.2

BANK FACILITY DEFINITION BASIS

Ratios	31 Dec 13	31 Dec 12	Covenant
Debt to EBITDA	2.59x	2.17x	< 3.00x
Interest Cover	6.37x	7.05x	> 5.00x
Debt:Equity	33.4%	31.3%	< 40.0%

* Rolling 12 month test

*These facilities include a 12 month term out option extending the stated maturities to August 2017 and August 2019.

AGGREGATE EARNOUT POSITION (at 31 DECEMBER 2013)

	Total earnouts and put/ call options
	(\$M)
31 December 2012 @ Future Value	54.9
Payments made in 2013	(19.9)
New 2013 earnouts	12.3
Net revisions to prior earnout estimates	(1.5)
31 December 2013 @ Future Value	45.8

Expected Settlement	Maturity Profile
	(\$M)
2014	11.8
2015	17.9
2016	5.6
2017	8.6
2018+	1.9
Total @ Future Value	45.8

1. Peak earnout settlement now spread over 2014 & 2015
2. \$22 million in earnouts relates to put and call options - to deliver incremental earnings when exercised

RETURN METRICS – ROLLING 12 MONTH PERIODS

(\$M)	31 Dec 2013	30 Jun 2013	31 Dec 2012	30 Jun 2012	31 Dec 2011	30 Jun 2011
Average shareholders equity	431.4	404.1	383.7	359.5	353.0	344.5
Average invested capital	631.8	591.6	548.6	511.3	485.4	478.6
Underlying NPAT – rolling 12 months	49.5	45.3	44.0	42.1	41.3	39.6
Underlying EBIT – rolling 12 months	87.1	85.2	80.9	77.7	75.1	73.7
Return on shareholders equity (ROE)	11.5%	11.2%	11.5%	11.7%	11.7%	11.5%
After tax return on invested capital (ROIC)*	10.3%	10.7%	11.0%	11.3%	11.5%	11.3%

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

RECAP ON OUR GROWTH STRATEGY

01. BIG AT HOME

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



02. EVOLUTION/FUTURE PROOFING

- Digital ubiquity across group
- Incubate new ventures
- Build specialist data capabilities
- New services e.g. shopper
- Continue strategic investments and acquisitions



03. ASIA & BEYOND

- Build digitally-led entrepreneurial network in Asia
- Leverage our brands to tap into growth opportunities globally
- Export and build on key IP in new markets



NEW COMPANIES

ENTITY	SPECIALTY	CURRENT STW DILUTED INTEREST
ANZ Acquisitions		
Beyond Analysis Australia	Data strategy, consumer behavioural analytics, CRM	49%
Bullseye	Digital strategy, UX, campaigns, development	40%
Colmar Brunton	Strategy, brand tracking, market research, insights	80%
Cru Digital	Digital strategy, UX, campaigns, development	39.2%
Fusion	Full service digital advertising agency	49%
Maverick	Consumer engagement, digital, PR, promotions	80%
Switched on Media	Digital strategy, digital media, content	75%
Asian Acquisitions		
CPR Vision	Strategy, digital CRM and loyalty, data analytics	40%
Aleph	Digital innovation and product development, UX, mobile	60%
Antics	Digital strategy, UX, campaigns, development	75%



OUR DATA STRATEGY: LEADERSHIP THROUGH DIVERSITY

BIG DATA – THE CLIENT PERSPECTIVE

Big data efforts for corporates work best when they:

- Have clarity around a clear purpose regarding 'Big Data'
- Ignore the hype around Big Data and start small
- Have the right talent that can produce truly actionable insights

Source: World Federation of Advertisers

OUR 2016 DATA GOAL

STW IN LEADERSHIP POSITION AS AUSTRALASIA'S MOST EFFECTIVE MARKETING GROUP, UNDERPINNED BY A DIVERSE SET OF DATA EXPERTS IN OUR OPERATING COMPANIES, ALL LEVERAGING POWERFUL DATA ASSETS AND INTELLECTUAL PROPERTY.

THE OPPORTUNITY

THE BIG REVENUE OPPORTUNITY FOR MOST OF OUR COMPANIES **IS NOT IN 'DATA' ITSELF.**

THE OPPORTUNITY IS IN THE APPLICATION OF DATA TO **CREATE, DELIVER AND OPTIMISE TARGETED AND PERSONALISED COMMUNICATIONS** FOR OUR CLIENTS.

OUR DATA STRATEGY: DATA LEADERSHIP THROUGH DIVERSITY

- Accelerate growth/integration of data capability within operating companies
- Add specialist data capabilities through partnerships, investments, acquisitions
- Fast-track key data initiatives driven/supported at a group level to maximise economies of scale
- 'Data Academy' SPUR training program to launch in 2014
- 'STW Data Brains Trust'

UNMATCHED DIVERSITY OF DATA SERVICES IN AUST & NZ

DATA SPECIALISTS:	MEDIA AGENCIES:	DIGITAL AGENCIES:	DIRECT AGENCIES:	RESEARCH AGENCIES:
<p>Helping clients assess what data assets they have and how these can be leveraged:</p> <ul style="list-style-type: none"> • Beyond Analysis • Data @ Ogilvy 	<p>Using data to make media planning and buying more targeted and efficient:</p> <ul style="list-style-type: none"> • Mindshare & Maxus • Ikon • Bohemia • Switched on Media • Edge Asia • Neo @ Ogilvy 	<p>Building personalised online experiences around customer data:</p> <ul style="list-style-type: none"> • DT • The White Agency • Bullseye • Alpha Salmon • Amblique 	<p>Building programs of targeted and personalised communications from data:</p> <ul style="list-style-type: none"> • Catalyst / TaguchiMail • OgilvyOne • CPR Vision • Edge Asia 	<p>Generating consumer and market insights from data:</p> <ul style="list-style-type: none"> • Colmar Brunton • AMR • ORU • Added Value

ASIA & BEYOND

STW IN ASIA & BEYOND

- Cautious expansion outside ANZ continued successfully
- Majority of expansion in Asia; this remains focus
- Significant gains in North America and Europe

TOTAL STW REVENUE OUTSIDE OF AUSTRALIA & NZ IN 2013: \$40M*

BUCHANAN - THE GLOBAL LEADER IN BRANDED ADVERTISING

- An exceptional case study in Australian IP driving success on a global scale
- Globally recognised brands inc. Brand Power™, Medifacts™ and Home Tester Club™
- Now operating in Asia, Europe, Russia and North America
- Home Tester Club™: 400,000 users globally and growing rapidly
- Agreement with major media partner to launch Home Tester Club™ in Indonesia

BUCHANAN REVENUE FROM OUTSIDE AUSTRALIA: OVER 75%*

STW IN ASIA - 2013 HIGHLIGHTS

- Delivered on \$26m* revenue forecast
- Edge Asia launched as South East Asia's first truly regional digital network born and bred in the region
- Completed acquisition of Antics Studios and investment in CPR Vision
- Bullseye established in Jakarta with a team of 20 servicing top-tier clients
- Exceptional performance and client outcomes from Aleph Labs

AS FORECAST, TOTAL GROUP REVENUE FROM ASIA IN 2013: \$26M*

EDGE ASIA - SE ASIA'S LEADING REGIONAL DIGITAL NETWORK

- Expand to Singapore/Malaysia with acquisition
- Off to fast start in Indonesia with alignment of Alpha Salmon and Xion
- 600 staff across Thailand, Vietnam, Indonesia, Malaysia and Singapore
- Working with clients such as Unilever, Diageo, HSBC, Visa and Heinz

EDGE ASIA POISED FOR STRONG GROWTH IN 2014

STW IN ASIA 2014 - THE YEAR AHEAD

- Continue to build 'Mothership' brands Edge Asia, Aleph and CPR Vision
- Selectively expand footprint into new geographies e.g. Philippines
- Accelerate Asia growth of key Australia & NZ brands e.g. Designworks
- Leverage strong client demand for digital expertise in Indonesia

STW IN ASIA & BEYOND - SUMMARY

- Targeting revenue from outside of Australia & NZ of 10% of group total
- Forecast to achieve organic growth of 15% in CY14
- Expansion and investment remains cautious - one step at a time
- Increased focus on building momentum behind what we have

WE ARE ON TRACK IN SOUTH EAST ASIA AND BEYOND

EVOLUTION OF STW GROUP REVENUE



OUTLOOK

- Momentum solid coming into 2014
- We are confident in the STW Group strategy and model – new acquisitions and start ups will continue to help capture incremental revenue
- STW vigilant on costs – holding margins
- New Zealand, off shore markets delivering solid growth
- South East Asia and beyond – on track
- Encouraging new business pipeline
- 2014 guidance – mid single digit NPAT growth, prior to any new acquisitions

THANK YOU.