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ASX Release
14 August 2014

STW GROUP ANNOUNCES HALF YEAR 2014 RESULT

NPAT marginally up on half year 2013: Driving hard for more growth in tough trading conditions

STW Communications Group Limited ("STW Group" ASX: SGN), Australasia's leading marketing content and communications group, today announced its financial results for the half year ended 30 June 2014.

Key features of the result include:

- **Revenue¹ of \$188.3 million, up 5.3% (30 June 2013: \$178.7 million).**
- **Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA")¹ of \$36.5 million, up 2.2% (30 June 2013: \$35.7 million).**
- **Underlying Net Profit ("NPAT")¹ of \$19.5 million, up 1.0% (30 June 2013: \$19.3 million).**
- **Underlying earnings per share of 4.97 cents, up 1.0% (30 June 2013: 4.92 cents).**
- **Interim dividend of 3.3 cents per share, fully franked. (2013: 3.3 cents per share, fully franked).**

STW Group's NPAT for the half year ended 30 June 2014 is comprised as follows:

(\$ millions)	2014	2013	Change
Revenue	188.3	178.7	5.3%
EBITDA	36.5	35.7	2.2%
Margin	19.4%	20.0%	(0.6)%
EBIT	32.4	31.7	2.2%
Underlying NPAT	19.5	19.3	1.0%
Underlying EPS (fully diluted)	4.97 cents	4.92 cents	1.0%

Note 1: STW Group has a direct and indirect ownership interest in over 80 advertising and communication entities. The financial data presented above aggregates on a percentage basis, STW Group's interest in the revenues, profits and losses of its subsidiaries and associates.



STW's Chief Executive Officer, Michael Connaghan, said: "Our half year result shows growth in revenue and NPAT, albeit marginal, and is creditable given seriously tough conditions in the media and marketing worlds.

"As I said at the AGM in May, this is a year of hard grind. We are fighting harder than ever for gains in an environment of declining consumer confidence, and a slump in advertiser spending levels. Despite these macro factors, the good news is those gains are starting to come.

"There are clear signs of positive progress- in evolving our business for the future, in market share gains in some sectors, and in consolidating leadership in new, higher growth specialties. We also quite simply need to win more business. It is tough going.

"We are committed to delivering growth, and remain optimistic that our traditionally more robust second half will repeat this year. There is absolute resolve and commitment across our leadership to deliver a much stronger second half.

"We remain confident that STW's resilient and consistent growth performance in recent years, achieved through the diversification and scale that underpins our business model, will continue. We are evolving our offering and capabilities to meet changes in technology, channel delivery and client needs. While this investment has seen a slight decline in margins, these remain at global best practice benchmarks.

"Our STW three pillared strategic growth focus remains firmly in place; we continue to focus on driving growth out of our leadership positions in Australia and New Zealand; continue to 'future proof' our business by growing and leading in the evolving areas of our services, including digital, data and shopper marketing; and we are making solid progress with the selective and careful export of our business into new markets in Asia and beyond.

"As outlined in the 2013 full year results in February, clients are diversifying marketing and sales spend into a wider range of channels and disciplines, and we need to continually push out our services to deliver to their fast-changing needs.

"We already have strong leadership momentum in digital and data. Shopper Marketing is another high growth area of our business and our acquisition of retail marketing material solutions company Active Display Group – announced in June – accelerates our leadership in this sector. Active Display is a perfect fit with STW's strategy of broadening capabilities to meeting changing client needs, and enhances STW's ability to service clients' entire budgets. This investment helps anchor a new high growth sector for STW," Mr. Connaghan said.

2014 Outlook

Mr. Connaghan said: "We are attacking every revenue growth and cost reduction opportunity with relentless focus. There is no doubt confidence amongst some clients has been challenged in the first half, and predictions on advertiser spending are negative. Despite these factors, we did hold the line and indeed achieved some growth in the first half.

"We remain optimistic for a much stronger second half. Our expectation for organic profit performance for 2014 will be marginally ahead of the prior year and with the benefit of the recently announced acquisition, overall, STW expects mid-single digit growth in earnings per share and net profit after tax for the full year ended 31 December 2014."

**Cash, Gross Debt & Facilities**

As at 30 June 2014, STW's cash and gross debt balances were \$27.2 million (31 December 2013: \$43.3 million) and \$177.4 million (31 December 2013: \$172.4 million) respectively.

Lukas Aviani STW's Chief Financial Officer said: "Operating cash flow for the half year was \$15.4 million (30 June 2013: \$7.2 million) and after completion payments for new acquisitions STW's net drawn debt position increased to \$150.2 million at 30 June 2014 (31 December 2013: \$129.1 million). Despite the increase in net debt, STW's balance sheet and capital position remains in good health.

"Subsequent to the end of the half-year, the Company has entered into new debt facilities totalling \$35 million and in addition has received a credit approved term sheet (approval subject to customary conditions precedent) for the extension of \$100 million of debt facilities to August 2017.

"With these new arrangements in place, STW will have access to debt facilities totaling \$270 million (of which \$177.3 million is drawn). These debt facilities mature over the period from August 2016 to September 2018 giving STW a weighted maturity on its debt of over 3 years."

Dividend

The Directors of STW Communications Group declared a fully franked interim dividend of 3.3 cents per share. (2013: 3.3 cents per share).

A dividend reinvestment plan (DRP) will operate in respect of the interim dividend, with shares issued under the DRP to be issued at a 2.5% discount. No brokerage, commission or other transaction costs will be payable by participants on shares acquired under the DRP. The price at which shares are issued under the DRP is the volume weighted market price of STW Communications Group Limited's shares sold in the ordinary course of trading on the Australian Securities Exchange over a period of 7 business days beginning on 5 September 2014 and ending on 15 September 2014.

The interim dividend will be paid on the 24th September 2014 to shareholders registered at 3rd September 2014.

Results Presentation

The STW Group's half year 2014 results presentation will take place at a public briefing at the Adelaide Room, Sofitel Wentworth Sydney, Level 4, 61-101 Phillip Street, Sydney on Thursday 14 August 2014 at 9:00 am AEST. The presentation will also be broadcast live on Boardroom Radio.

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