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4 April 2016

The Manager  
Company Announcements  
ASX Limited  
Level 6  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam,

**STW COMMUNICATIONS GROUP LIMITED (SGN) – EXTRAORDINARY GENERAL MEETING**

Please find attached the Chairman's Address that will be presented at the Extraordinary General Meeting of STW Communications Group Limited which commences at 9:00am on Monday, 4 April 2016, in compliance with Listing Rule 3.13.3.

Yours faithfully,

**Chris Rollinson**  
Company Secretary  
STW Communications Group Limited

**Chairman's Address to Shareholders**  
**Extraordinary General Meeting**

St Leonards, 4 April 2016

Good morning Ladies and Gentlemen. My name is Robert Mactier, and as the Chairman, I would like to welcome you to this Extraordinary General Meeting of STW Communications Group Limited.

It is now 9:00am, and as we have a quorum present, I would like to declare the meeting open. The EGM is being webcast and will also be available for replay on the Company's website at [www.stwgroup.com.au](http://www.stwgroup.com.au)

As a courtesy to all could everyone please ensure that their mobile phones are now turned off.

**Introduction of Directors**

I would now like to introduce to you the Directors of STW who are seated in front of you today:

- Mike Connaghan, the Chief Executive Officer;
- STW's current Board members – Ian Tsicalas; Graham Cubbin; Kim Anderson; and Paul Richardson.

I also welcome STW's new nominated Directors here today in:

- Geoff Wild AM;
- Jon Steel; and
- John Steedman.

We have apologies from STW Director Peter Cullinane and WPP nominated Directors Ranjana Singh and Paul Heath, who unfortunately could not change their existing commitments to be here today.

Ahead of the formal part of the meeting, I will now give a short address covering the background to the matters that we are considering today.

**Background to the Merger**

The purpose of today's meeting of STW Shareholders is to consider and vote on the proposed merger between STW and WPP's Australian and New Zealand businesses. The proposed transaction has been extensively covered in our market announcement of 14 December, in our full year results announcement of 19 February and in the Explanatory Memorandum which was released on 2 March 2016. However I would now like to briefly summarize the transaction, its strategic rationale and its benefits for our shareholders.

On 14 December 2015, we announced that STW had entered into an exciting agreement to merge with substantially all of the Australian and New Zealand businesses of WPP plc, to create the clear leader in communications and marketing services in Australia and New Zealand.

The Merger involves STW acquiring the Australian and New Zealand businesses from the WPP Group for an enterprise value of approximately \$512 million in return for the issue of approximately 423 million STW Shares to WPP at an implied price of A\$0.915, which represents a 30% premium to the then share price, and STW assuming net debt of approximately \$125 million. On completion of the

Merger, WPP would become the majority shareholder of STW, increasing its current shareholding from 23.6% to 61.5%.

Approval of the Proposed Merger by STW Shareholders is required under the Corporations Act and ASX Listing Rules.

Your Directors have carefully and diligently considered the merits, advantages, disadvantages and risks of the proposed Merger and investigated the alternatives available to STW. The negotiations with WPP over the terms and conditions of the various Transaction Agreements have been extensive and exhaustive. Our recommendation that eligible Shareholders vote in favour of the Merger is unanimous. Paul Richardson, because of his association with WPP, was not involved in the determination of the Merger and abstains from making any recommendation.

An Independent Expert, KPMG Corporate Finance, has also reviewed the Merger terms and has concluded that it is fair and reasonable for non-WPP associated Shareholders, in the absence of a superior proposal. No superior proposal has been received by STW, and your Directors, excluding Paul Richardson, recommend that you vote in favour of the Merger Resolutions and the Additional Resolutions, with the exception of Resolution 4 which we have decided to make no recommendation on due to a potential conflict of interest.

### **Who are WPP?**

WPP plc is one of the largest communications services businesses in the world, with over £12 billion in revenue and a market capitalisation of c.£21 billion. The Group is listed in London and New York, and operates from over 3,000 offices in 112 countries.

WPP's Australian and New Zealand businesses include many of WPP's iconic global brands, such as Advertising agencies GPY&R, Ogilvy & Mather, JWT and Grey; Media Investment Management agency GroupM; Data Investment Management specialist Kantar; Direct, Digital, Promotion & Relationship Marketing agencies Wunderman and VML; and Public Relations and Public Affairs agency Burson-Marsteller.

These agencies provide marketing and communications services to leading global and domestic companies across a range of sectors.

### **Strategic Rationale and Benefits of the Merger**

STW and WPP Australia and New Zealand are highly complementary businesses, and will create a merged group with significant scale and capabilities across all key marketing and communications services disciplines. STW's strategy of delivering 100% of a client's customer experience budget will be greatly enhanced by the increased depth and diversification of the portfolio and through access to an international partner with unmatched global experience, technology and analytic tools and insights.

The independent directors strongly believe that the proposed Merger is a transformational opportunity for STW.

STW will be a more attractive investment proposition going forward through the alignment with WPP, a leading global player in our industry. We anticipate:

- an improved offering for STW's clients, with the combination of local market knowledge and access to international partners;

- a simplified operating structure and alignment of interests through consolidation of existing jointly owned businesses; and
- an enhanced ability to develop the best talent across the STW Group and the WPP Australian and New Zealand businesses, while benefiting from the experience of the continuing senior management team.

We are of the view that the Merger will deliver compelling financial benefits for STW shareholders, not limited to:

- the Merger will result in a group with significantly enhanced scale, with pro forma normalised net revenue of c.\$850 million for the financial year ended 31 December 2015;
- cost synergies are estimated to reach at least A\$15 million per annum within three years of the Merger;
- incremental revenue synergies are also expected, but these have not been included in estimates;
- the Merger is expected to result in slight earnings per share accretion based on pro-forma 2015 earnings, before synergies (excluding one-off transaction and integration costs and pre-acquisition related amortisation of intangibles);
- material earnings per share accretion is expected going forward, with the realisation of anticipated cost and revenue synergies (excluding integration costs and pre-acquisition related amortisation of intangibles);
- the Combined Group will have a strengthened balance sheet with reduced leverage metrics; and
- no expectation that the current dividend policy will change as a result of the Merger.

Importantly, as part of the transaction, binding governance protocols and shareholder protections have been agreed for the continuing STW minority shareholders, including:

- a standstill agreement, whereby WPP cannot increase their shareholding above their current 61.5% except in limited circumstances (e.g. a takeover bid); and
- maintenance of a strong independent director presence on the Board, which will comprise 4 Independent Directors, including an Independent Chair.

A strong team will lead the Combined Group. Michael Connaghan and Lukas Aviani, the Chief Executive Officer and Chief Financial Officer of STW, will continue as the senior management of the Combined Group. I will continue as Independent Chair, and Kim Anderson, Graham Cubbin and Peter Cullinane will continue as Independent Directors.

Paul Richardson, who is Group Finance Director of WPP plc, will continue in his role as a non-executive Director of STW and Ian Tsicalas, as foreshadowed at last year's AGM, is stepping down from the Board on completion of the Merger.

WPP has nominated five additional highly experienced executives to join the STW Board:

- Mr Geoff Wild AM – Non Executive Director; Director, WPP Australia Holding;
- Mr Paul Heath – Chairman of Ogilvy & Mather Asia Pacific;
- Ms Ranjana Singh – WPP Chairperson for Indonesia and Vietnam;
- Mr John Steedman – Executive Director; Former Chairman/CEO of GroupM Australia; and
- Mr Jon Steel – WPP Group Planning Director.

The share market reaction to date has been positive, with STW's share price rallying since the announcement of the Merger in December and the Merger update with the full year results in February, and significantly outperforming the broader market in that time.

Early engagement with WPP's Australian and New Zealand businesses since the announcement of the Merger in December has been positive, with planning for the integration of the two businesses well underway:

- meetings with many WPP Global leaders have already taken place in Australia, and the local agile management is seen as a real benefit to the Global HQs in Europe and North America;
- treasury / banking assistance from WPP leveraging global knowledge and relationships;
- already investigating bringing to Australia global best practice in local and off-shore Production;
- STW has had access to WPP's Global IP/training tools, as well as access to and engagement with other business divisions, including HR, Finance, IT, and Property; and
- immediate opportunities already realised to capture downstream revenue from WPP companies and leverage combined group resources on global clients.

As announced on 18 March, subsequent to the release of the Explanatory Memorandum, STW has agreed new debt facilities to refinance existing arrangements and repay the WPP shareholder debt to be assumed as part of the Transaction, subject to completion of the Merger. The new debt facilities are on materially better terms than were available to STW on standalone basis, and were obtained with the assistance of WPP's strong global banking relationships, as well as reinforcing the improved credit metrics of the Merged Group.

Consistent with realising the full benefits of becoming part of the WPP group, STW intends to change its name to WPP AUNZ Limited, following completion of the Merger. We expect to seek STW Shareholder approval for the new name at our Annual General Meeting in May.

### **Next steps**

If the Merger Resolutions are approved and all other conditions precedent to the Merger are either satisfied or waived, then formal completion is expected later this week.

As disclosed in the Explanatory Memorandum, a number of the conditions precedent to the Merger have already been satisfied, including the receipt of the necessary approvals and/or confirmations from ACCC, FIRB and ASX for the Merger to proceed.

The STW AGM is scheduled for late May, and assuming shareholder approval of the Merger, we anticipate providing an update on the integration of the two businesses at this time.

Before we move to the formal part of the meeting, I would like to acknowledge that today will mark the last meeting for Ian Tsicalas as a Director of STW. Ian joined the board in November 2007 and, as foreshadowed at last year's AGM, he would be stepping down from the board in the ensuing year. He has remained on the board until now to provide continuity and his wisdom as we worked through the WPP merger process. During his tenure Ian has chaired the Remuneration Subcommittee and has been a member of the Audit Subcommittee, and he has been very diligent and imparted significant experience in carrying out those roles. Ian, on behalf of the board and our shareholders I would like to thank you very sincerely for your support, counsel and service to STW. Our best wishes for the future.

I will now move to the formal part of the meeting. I will outline each of the resolutions that are required to be put to the shareholders for approval in order for the Merger to proceed.

# IDEAS CREATE GROWTH

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STW COMMUNICATIONS GROUP  
PROPOSED MERGER WITH WPP AUSTRALIA & NEW ZEALAND  
4 APRIL 2016

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## DISCLAIMER

This address and the associated presentation (“**Address**”) has been prepared by STW Communications Group Limited ACN 001 657 370 (“**STW**”). All capitalised terms have the meaning given to them in the Explanatory Memorandum and Notice of Meeting (“**EM**”) lodged with the ASX on 2 March 2016.

### **Summary information**

This Address contains summary information about STW, WPP plc, the WPP Group and the Australian and New Zealand businesses of WPP plc and the activities of these entities. The information in the Address does not purport to be complete or comprehensive. It does not purport to summarise all information that a shareholder should consider when making a decision as to how to vote on the Resolutions at the Extraordinary General Meeting. The Address should be considered in conjunction with the EM and the Independent Expert Report on the Merger prepared by KPMG Corporate Finance, as well as STW’s other periodic and continuous disclosure announcements lodged with the ASX, which are available at [www.asx.com.au](http://www.asx.com.au).

The information in this Address has been obtained from or based on sources believed to be to be reliable. To the maximum extent permitted by law, STW, its affiliates, officers, employees, agents and advisors do not make any warranty, express or implied, as to the currency, accuracy, reliability or completeness of the information in this Address and disclaim all responsibility and liability for the information (including, without limitation, liability for negligence).

### **Not financial product advice**

This Address is not financial advice or a recommendation to acquire STW securities and has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek such legal, financial and/or taxation advice as they deem necessary or appropriate to their jurisdiction.

### **Financial data**

All dollar values are in Australian dollars (A\$) unless otherwise stated and all financial data is unaudited.

### **Future performance**

This Address contains certain “forward looking” statements. The words “anticipated”, “expected”, “projections”, “forecast”, “estimates”, “could”, “may”, “target”, “consider” and “will” and other similar expressions are intended to identify forward looking statements. Forward looking statements, opinions and estimates provided in this Address are based on assumptions and contingencies which are subject to certain risks, uncertainties and change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements including projections, indications or guidance on future earnings or financial position and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, there can be no assurance that actual outcomes will not differ materially from these statements. To the full extent permitted by law, STW and its directors, officers, employees, advisers, agents and intermediaries disclaim any obligation or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions.

### **Not an offer**

This Address is not an offer or an invitation to acquire STW securities or any other financial products and is not a prospectus, product disclosure statement or other offering document under Australian law or any other law.

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## PROPOSED MERGER OF STW AND WPP AUSTRALIA & NEW ZEALAND

- ✳ Merger between STW and the Australian and New Zealand businesses of WPP as announced in December 2015 (the "Merger").
- ✳ Combining our businesses creates the clear market leader in Australia and New Zealand.
- ✳ New STW Shares will be issued to WPP at an implied price of A\$0.915 per share, a 30% premium to the 10-day VWAP to 10 December 2015.
- ✳ WPP to become the majority shareholder of STW with a shareholding of c.61.5% (currently 23.6%).
- ✳ STW Directors' recommendation that non-WPP associated Shareholders vote in favour of the proposed Merger is unanimous<sup>1</sup>.
- ✳ Independent Expert has concluded that the Merger is fair and reasonable for non-WPP associated STW Shareholders, in the absence of a superior proposal.

### Notes:

1. Excludes Paul Richardson, a director of STW associated with WPP, who is not independent for the purpose of the proposed Merger and has abstained from making any recommendation in relation to the proposed Merger or any of the Resolutions. Mr Richardson was not involved in the consideration or determination of any issues associated with the proposed Merger.



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## WHO ARE WPP?

# WPP

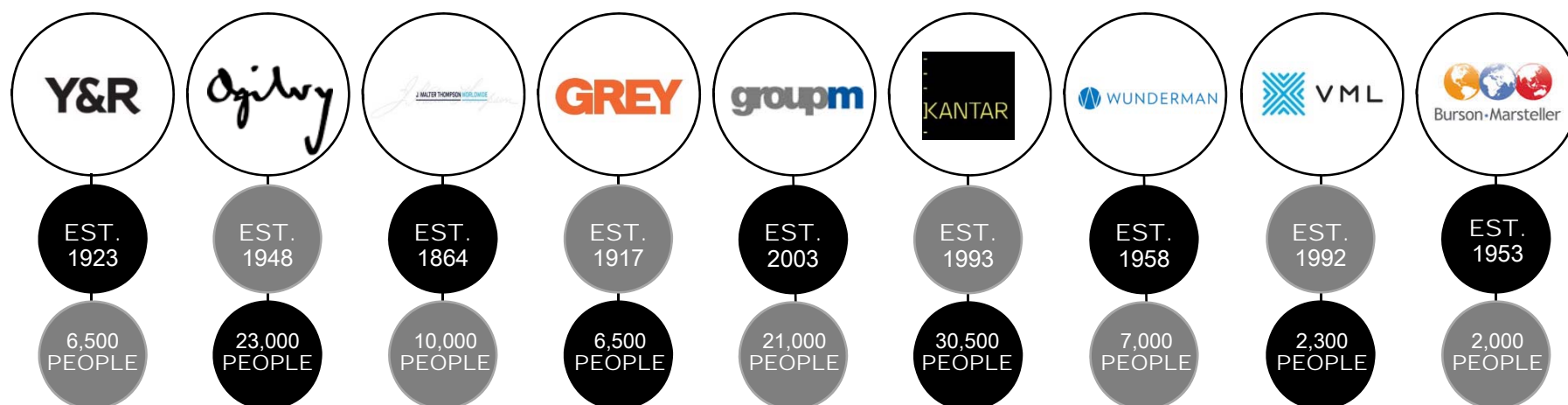
### THE STATS

- WPP companies operate in 112 countries
- 179,000+ Employees (inc. associates)
- 3,000 Offices

### THE NUMBERS

- Reported Billings £47.6 billion (as @ Dec 2015)
- Reported Revenues £12.2 billion (as @ Dec 2015)
- Market Capitalization £20.5 billion (as @ Mar 2016)

## WPP GLOBAL BRANDS ARE ICONIC...



### Notes:

1. STW holds existing interest in JWT Australia and New Zealand and Ogilvy Australia and New Zealand businesses.
2. Information set out above relates to the global businesses of the brands referred to.

## ...AND SERVICE LEADING GLOBAL CLIENTS



### Notes:

1. Information set out above relates to the global businesses of WPP.

## ACCELERATING STW'S EXISTING STRATEGY

Evolution  
of STW  
Group  
Strategy



THE TRANSACTION ACCELERATES STW'S STRATEGY OF DELIVERING 100% OF OUR CLIENTS' CUSTOMER EXPERIENCE BUDGET

BALANCED PORTFOLIO	Balances the portfolio of services and capabilities STW and WPP delivers to clients
COMPLEMENTARY CAPABILITIES	Creates business of scale across every market discipline
ON THE GROUND/LOCAL OVERSIGHT	Local management oversight delivering responsiveness and agility
HORIZONTALITY	Agnostic country leadership driving horizontality
LOCAL AND INTERNATIONAL	Best in class local agency brands with their strong local market knowledge and relationships and international partners with their strong brands, tools and global reach and insights
TALENT POOL	Broader talent pool of employees and management

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## AN ATTRACTIVE INVESTMENT PROPOSITION GOING FORWARD

- ✳ Alignment with WPP, a leading player in our industry worldwide—STW will be its primary operating vehicle in its fifth largest market.
- ✳ Local market knowledge with enhanced support from WPP globally with access to global IP (tools, trends, clients, data, investment) and Global Brand Head Offices.
- ✳ Simplified operating structure and alignment of interests through the consolidation of the ownership and management structures of jointly owned businesses.
- ✳ Continuity of STW Management team with a broader talent pool of employees and management.

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## COMPELLING FINANCIAL BENEFITS FOR STW SHAREHOLDERS

- ✳ Significantly enhances the scale of the Group, with pro-forma normalised net revenue of c.A\$850 million and normalised EBITDA of c.A\$154 million<sup>1</sup>.
- ✳ Cost synergies are estimated to reach at least A\$15 million per annum within three years of the Merger.
- ✳ Incremental revenue synergies also expected but have not been included in estimates.
- ✳ Transaction expected to be slightly EPS accretive based on pro-forma 2015 earnings before synergies.<sup>2</sup> Material EPS accretion is expected going forward with the realisation of synergies.<sup>3</sup>
- ✳ A strengthened balance sheet, with leverage reducing from 2.6x to 2.0x net debt / LTM EBITDA on a pro-forma basis.<sup>4</sup>
- ✳ No expectation that the current dividend policy will change as a result of the Merger.

Notes:

1. Statutory basis for the financial year ended 31 December 2015. Includes associates' income.
2. Excluding one-off transaction and integration costs and pre acquisition related amortisation of intangibles.
3. Excluding integration costs and pre acquisition related amortisation of intangibles.
4. At 31 December 2015.

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## EXISTING STW SHAREHOLDER PROTECTIONS

- ✳ Binding governance protocols and shareholder protections agreed for the continuing STW minority shareholders
  - WPP have agreed to a standstill at 61.5% except in limited circumstances (e.g. a takeover bid)
  - Board to comprise four independent directors including independent Chairman
  - Review and approval of related party transactions by Independent Board Committee.

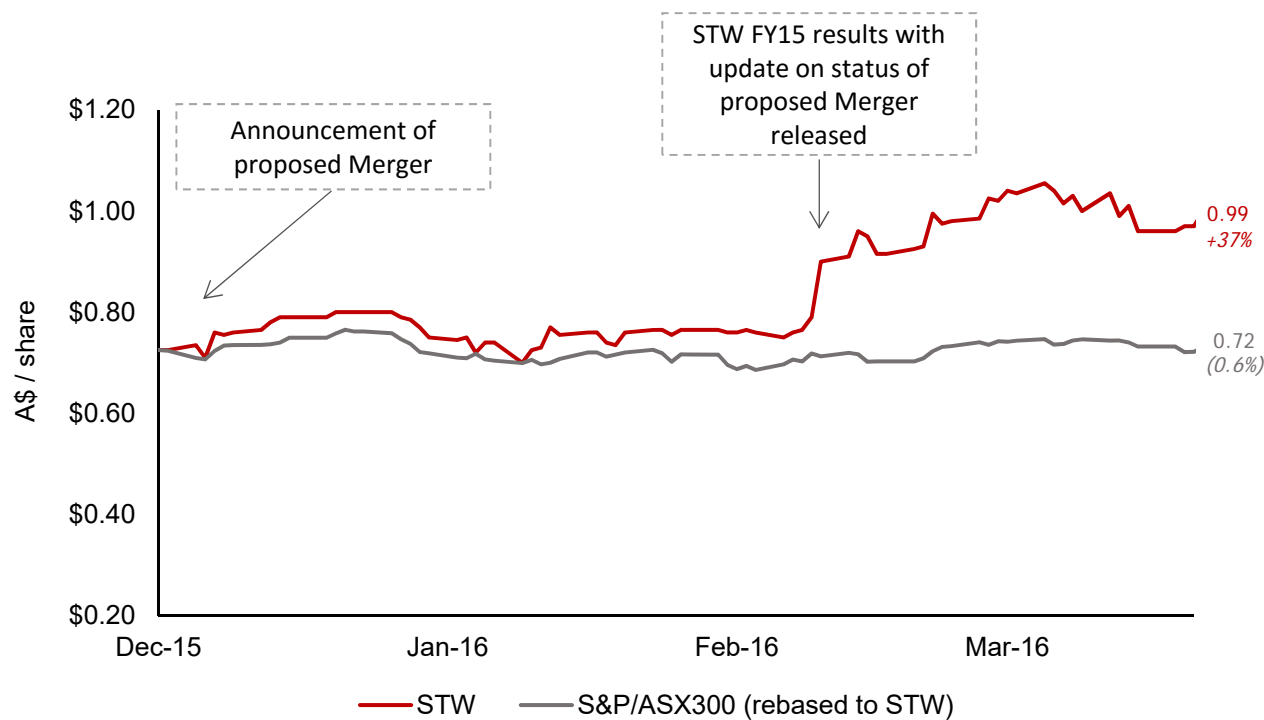
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## GOVERNANCE POST COMPLETION

- ✱ Mike Connaghan and Lukas Aviani to continue in their roles as CEO and CFO respectively.
- ✱ I will continue as Independent Chair, and Kim Anderson, Graham Cubbin and Peter Cullinane will continue as Independent Directors.
- ✱ Mr Paul Richardson, a director of STW appointed in 1999 and associated with WPP, will continue as a Non-executive Director.
- ✱ Ian Tsicalas, as foreshadowed at last year's AGM, is stepping down from the STW Board.
- ✱ WPP has nominated five very experienced executives to join the STW Board:
  - Mr Geoff Wild AM - Non Executive Director; Director, WPP Australia Holding
  - Mr Paul Heath – Chairman of Ogilvy & Mather Asia Pacific
  - Ms Ranjana Singh – WPP Chairperson for Indonesia and Vietnam
  - Mr John Steedman – Executive Director; Former Chairman/CEO of GroupM Australia
  - Mr Jon Steel – WPP Group Planning Director



## POSITIVE SHARE MARKET REACTION



- STW share price has rallied since the announcement of the proposed Merger in December and the Merger update with full year results in February

Source: IRESS at 1 April 2016

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## EARLY COOPERATION AND ENGAGEMENT WITH WPP VERY ENCOURAGING

- ✳ Global operating companies have enthusiastically embraced STW. Meetings have already taken place in Australia with many Global WPP leaders.
- ✳ Local agile management seen as real benefit to Global HQ's in Europe or North America.
- ✳ Treasury / banking assistance from WPP leveraging global knowledge and relationships.
- ✳ Already investigating bringing to Australia global best practice in local and off-shore Production.
- ✳ Easy access to Global IP/training tools has already borne fruit for existing and new business opportunities.
- ✳ Access to and engagement with best practice in HR/Finance/IT/Property/Procurement/Internal Audit/Compliance.
- ✳ Immediate opportunities already realised to capture downstream revenue from WPP companies and leverage combined group resources on global clients.

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## REFINANCING COMPLETED

- ✳ On 18 March, STW announced that it had agreed new debt facilities, pending completion of the proposed Merger:
  - to refinance existing STW bank facilities
  - to repay the WPP shareholder debt it will assume as part of the proposed Merger
  - for general corporate purposes
- ✳ A very strong outcome and endorsement by six banks, including the two existing STW lenders:
  - significantly lower margins effective on first drawing under the Facilities
  - reduced number of financial covenants, with improved covenant levels and definitions
  - new facility is unsecured

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## STW to change name to WPP AUNZ Limited

- ✳ Assuming completion of the proposed Merger, STW intends to seek shareholder approval to change its name to WPP AUNZ Limited
  - change of name to better align the group with WPP and facilitate realisation of the full benefits of becoming part of the WPP group
  - shareholder approval expected to be sought at STW's Annual General Meeting in late May



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## NEXT STEPS



### Today

- Shareholder vote (excluding WPP and associates) to approve the Merger
- Shareholder approval of the appointment of WPP nominee directors to the STW Board



### Later this week

- Expected completion of the Merger



### Late May 2016

- STW AGM and update to the market regarding integration execution and full year outlook

THANK YOU.

