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ASX Release

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STW GROUP ANNOUNCES FULL YEAR 2014 RESULT

STW Communications Group Limited (“STW Group” ASX: SGN), Australasia’s leading marketing content and communications group, today announced its financial results for the full year ended 31 December 2014.

Key features of the result include:

- Revenue¹ of \$442.9 million, up 10.1% (2013: \$402.1 million).
- Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) ¹of \$83.3 million, down 5.0% (2013: \$87.6 million).
- Underlying Net Profit (“NPAT”) of \$45.6 million, down 7.8% (2013: \$49.5 million).
- Underlying earnings per share of 11.3 cents, down 8.4% (2013: 12.3 cents).
- Final dividend of 3.5 cents per share, fully franked. Total dividend for the year of 6.8 cents (2013: 8.6 cents per share, fully franked). A dividend reinvestment plan will operate in respect of the final dividend.
- Strategic review has commenced to drive improved future performance.

STW Group’s NPAT for the full year ended 31 December 2014 is comprised as follows:

| (\$ millions) | 2014 | 2013 | Change |
|--------------------------------|------------|------------|--------|
| Revenue | 442.9 | 402.1 | 10.1% |
| EBITDA | 83.3 | 87.6 | (5.0%) |
| Margin | 18.8% | 21.8% | (3.0%) |
| Underlying NPAT | 45.6 | 49.5 | (7.8%) |
| Underlying EPS (fully diluted) | 11.3 cents | 12.3 cents | (8.4%) |

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: "Clearly, we had a tough year in 2014, particularly in the second half and we are very disappointed with the full year profit result.

"The results were impacted by key client losses during the year and subdued demand leading to weaker than expected earnings in the final quarter of the year, with the critical month of December being particularly weak. Overall, revenues increased by 10%, however, this revenue gain is primarily as a result of acquisitions made during the year. Our organic revenue was in fact down by 0.6%, which is largely a function of our new business win/loss record. We had a number of businesses losing client mandates, particularly in the first half of 2014, and not enough new business to bridge the gap. Pleasingly, we have improved our win/loss strike rate in the second half, but all the same, losing clients and in some cases large clients has hurt us.

"During the year, we have brought some great new partners into the group and continue to see opportunities to bring our group companies closer together to build scale and do a better job for clients in an ever more complex marketing environment. In 2014, we made a very significant acquisition in Active Display Group ("ADG"), which is heavily vested in the shopper and retail activation space. It was a big deal for us, one which we have been very pleased with to date. ADG provides us with a business of scale that enables us to offer additional solutions to clients in both print and digital display.

2015 Outlook

Mr. Connaghan said: "We are not providing specific full year guidance at this stage. Whilst we do expect year-on-year growth, we would not predict anything more than low single digit growth in net profit after tax at the current time. We have initiated a strategic and structural review of the business. We are firmly of the view there are significant opportunities to streamline the way we go to market, manage our cost base and drive organic growth within the business, which will deliver profit growth for our shareholders. We will update the market on the outcomes of the strategic review in the middle of the year."

Cash, Gross Debt & Facilities

As at 31 December 2014, the group's cash and gross debt and finance lease liabilities were \$19.9 million (2013: \$43.3 million) and \$212.7 million (2013: \$172.4 million), respectively.

Lukas Aviani STW's Chief Financial Officer said: "Operating cash flow for the year was \$33.0 million (2013: \$35.4 million) and after completion payments for new acquisitions STW's net drawn debt position increased to \$192.8 million at 31 December 2014 (31 December 2013: \$129.1 million).

"Subsequent to the end of year, the Company has entered into an agreement to extend the term of \$100 million of debt maturing in 2015 to January 2018. The original maturity dates of the \$100 million of debt were January 2015 (\$75 million) and July 2015 (\$25 million).

"With these new arrangements in place, STW Group now has access to Australian core banking debt facilities of \$270 million that mature in July 2017 (\$35 million), August 2017 (\$70 million), January 2018 (\$100 million), September 2018 (\$25 million) and August 2019 (\$40 million). STW has a weighted duration profile of 33 months on our debt. We remain committed to reducing debt within the group"



Dividend

The Directors of STW Communications Group declared a fully franked final dividend of 3.5 cents per share, bringing the total dividend for the year to 6.8 cents per share (2013: 8.6 cents per share).

The final dividend will be paid on 28 April 2015 to shareholders registered at 7 April 2015. A dividend reinvestment plan (DRP) will operate in respect of the final 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 9 April 2015 and ending on 17 April 2015.

Results Presentation

The STW Group's full 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 Friday, 20 February 2015 at 9:00 am AEST. The presentation will also be broadcast live on Boardroom Radio.

For further information contact:

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