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ASX Release

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**STW ANNOUNCES FULL YEAR 2011 RESULT  
6.8% UNDERLYING NPAT GROWTH  
15.4% INCREASE IN FULL YEAR DIVIDEND**

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 2011.

**Key features of the result include:**

- Revenue<sup>1</sup> of \$322.7 million, up 6.1% (2010: \$304.3 million).
- Underlying Net Profit After Tax (“NPAT”)<sup>2</sup> of \$41.3 million, up 6.8% (2010: \$38.7 million).
- Reported Statutory NPAT of \$40.9 million, up 5.8% (2010: \$38.7 million).
- Underlying earnings per share<sup>2</sup> of 11.5 cents (2010: 10.8 cents).
- Net debt and future earnout payments of \$106.6 million (2010: \$76.1 million).
- Extension of \$85m in debt facilities to January 2015.
- Final dividend of 5 cents per share, fully franked. Total dividend relating to the 2011 year of 8 cents per share, fully franked, up 23.1% (2010: 6.5 cents per share, fully franked). The full year dividend payout ratio is 70.0% of underlying profit.

STW Group’s NPAT for the full year ended 31 December 2011 is comprised as follows:

(\$ millions)	2011	2010	Change
Advertising, Media and Production	32.1	31.7	1.5%
Diversified Marketing & Communications	24.6	23.9	2.9%
<b>Total Operating NPAT</b>	<b>56.7</b>	<b>55.6</b>	<b>2.0%</b>
STW Group Holding Company (including net interest expense)	(15.4)	(16.9)	8.6%
<b>Underlying NPAT</b>	<b>41.3</b>	<b>38.7</b>	<b>6.8%</b>
Acquisition related costs written off under new Accounting standards	0.4	-	N /M
<b>Reported NPAT</b>	<b>40.9</b>	<b>38.7</b>	<b>5.8%</b>
Underlying EPS (fully diluted)	11.5 cents	10.8 cents	
Reported EPS (fully diluted)	11.4 cents	10.8 cents	

Note 1: STW Group has a direct and indirect ownership interest in over 70 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.

Note 2: Underlying NPAT and Underlying EPS excludes the impact of needing to write off acquisition related costs under new accounting standards.

STW's Chief Executive Officer, Michael Connaghan said: "This is a solid result. Our business model has once again prevailed in challenging market conditions, and we have continued on our growth trajectory in 2011. Our revenue and profit growth reflects improved performance across all our communications disciplines and prudent control of costs at the holding company level."

"Earnings growth in 2011 has been largely organic, and we remain focused on extracting maximum value from our existing portfolio of companies. We have continued to grow revenues and gain market share and our new business pipeline remains strong."

"As advised to the market previously, STW has a three pillared strategic growth focus; to drive growth out of our leadership positions in Australia and New Zealand; to continue to grow and dominate in digital; and to selectively and carefully expand our footprint into new markets in Asia. In 2011, we have made good progress on these strategic goals."

"We made outstanding progress in consolidating our leadership position in digital capabilities across the group. In 2011 Digital revenue grew 18%, and is expected to continue to increase its contribution to Group revenue," Mike Connaghan said. "Our digital growth strategy is working and will be further accelerated in 2012".

"During the year we announced our first investments in the emerging economies of South East Asia - our first step in STW establishing a solid foundation for growth in Asia. While it is still 'early days' for STW's growth plans in Asia, the momentum gained in a short period of time has been encouraging. The priority for the next few months is to bed down these new investments, leverage synergies and growth opportunities and deliver outstanding results to our clients."

"We have also maintained a high level of investment in training, and continue to invest in new revenue streams through new business start-ups leveraging proven talent in the business. These start-ups while adding revenue to the Group in the short term, are poised to start delivering solid profits in 2012. It is vital we continue to invest in incubating great talent with new ideas if we are to continue to shape and lead our industry", Mike Connaghan said.

### **2012 Outlook**

"While the economic outlook remains uncertain, we remain confident that in the year ahead we can continue to drive our growth strategy successfully. There is real momentum across our business and we begin the year with confidence," Mike Connaghan said.

"Despite the state of the macro economy, we are trading strongly and our revenues are growing. Our balance sheet is strong and we continue to explore expansion opportunities in opening new revenue streams and new markets."

"At this early stage of the year, we are targeting underlying NPAT growth of mid single digits in percentage terms for the full year ended 31 December 2012. This guidance is on the basis of being pre new acquisitions, profit on disposal and the economy as we see it. We will continue to monitor the macro-economic drivers and operating conditions impacting on our customer base and will provide an update at our Annual General Meeting in May."

### **Cash, Gross Debt & Facilities**

As at 31 December 2011, STW's cash and gross debt balances were \$27.1 million (31 December 2010: \$43.8 million) and \$111.9 million (31 December 2010: \$77.3 million) respectively.

Lukas Aviani, STW's Chief Financial Officer said: "As anticipated 2011 has seen a significant increase in the settlement of earnout liabilities along with payments for new acquisitions leading to a cash outflow of \$42.1 million. This, coupled with a winding back of the Group's working capital position, sees STW's "net drawn debt" position increase to \$84.8 million at 31 December 2011 (31 December 2010: \$33.5 million). Despite the increase in net debt, STW's balance sheet and capital position remain extremely robust."

"STW has total estimated earnout liabilities on balance sheet of \$21.9 million as at 31 December 2011 (31 December 2010: \$42.6 million). We remain comfortable with our capacity to service our remaining earnout liabilities given their significantly reduced quantum and payment caps in place. Earnout liabilities will be funded through a strong balance sheet, existing debt facilities and free cashflow."

"STW has access to debt facilities totaling \$173.5 million. We have exercised an option to extend half of our core debt facilities for a further 12 months subject to customary documentation. This pushes the maturity date for 50% of our core facility to January 2015."

"STW implemented a highly EPS accretive share buyback program during 2011. During the year, STW acquired 1,512,613 shares at an average price of \$0.85 per share. It is anticipated that the share buyback program will continue in 2012, subject to market and trading conditions."

#### **Dividend**

The Directors of STW Communications Group declared a fully franked final dividend of 5.0 cents per share bringing the total 2011 dividend to 8.0 cents per share, an increase of 23.1%. The full year dividend represents a payout ratio of 70.0% of underlying profit. The increase in absolute dividend and dividend payout ratio is in line with STW's target payout ratio of between 60% to 70% of underlying profit.

The final dividend will be paid on 20 April 2012 to shareholders registered at 6 April 2012.

#### **Results Presentation**

The STW Group's full year 2011 results presentation will take place at a public briefing at the Adelaide Room, Sofitel Wentworth Sydney, Level 4, 61-101 Phillip Street, Sydney on Tuesday 14<sup>th</sup> February 2012 at 9:00 am AEST. The presentation will also be broadcast live on Boardroom Radio; [www.brr.com.au](http://www.brr.com.au).

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