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STW ANNOUNCES FULL YEAR 2012 RESULT
Earnings growth in line with guidance: outlook positive

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 2012.

Key features of the result include:

- Revenue¹ of \$357.8 million, up 10.9% (31 December 2011: \$322.7 million).
- Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA")¹ of \$79.3 million, up 10.0% (31 December 2011: \$72.1 million).
- Underlying Net Profit After Tax ("NPAT")² of \$44.0 million, up 6.5% (31 December 2011: \$41.3 million).
- Underlying earnings per share² of 12.0 cents, up 4.6% (31 December 2011: 11.5 cents).
- Net debt and future earnout payments of \$138.5 million (31 December 2011: \$106.6 million).
- Strong cash flow generation with EBITDA conversion of 92%.
- Additional banking facilities of \$50 million signed in July 2012.
- Final dividend of 5.0 cents per share, fully franked. Total dividend for the year of 8.3 cents up 3.8% (2011: 8.0 cents per share, fully franked).

STW Group's NPAT for the full year ended 31 December 2012 is comprised as follows:

(\$ millions)	2012	2011	Change
Revenue	357.8	322.7	10.9%
EBITDA	79.3	72.1	10.0%
Margin	22.2%	22.3%	(0.1%)
EBIT	70.6	65.3	8.1%
Underlying NPAT	44.0	41.3	6.5%
Reported EPS (fully diluted)	12.0 cents	11.5 cents	4.6%

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 one-off losses on sale of businesses and amortisation.

STW's Chief Executive Officer, Michael Connaghan said: "Our full year trading results are strong in the face of continued tough economic conditions. We have continued revenue and profit growth momentum in the second half of the year, underpinned by organic market share gains. We have also made significant progress in accelerating our growth strategy for the future."

"Importantly, STW's continued resilient and consistent growth performance in a fast evolving industry and uncertain, challenging economic conditions highlights the benefits of the diversification that underpins our business model."

"We operate and lead across all the major growth sectors of our industry, have multiple offerings within each sector, have a wide spread of client engagements with no material reliance on any individual revenue source, diversified early into what is today the market leading, most multi-faceted digital offering in our industry in Asia Pacific, and now- increasingly- have diversified our geographic footprint into higher growth new markets," Mr Connaghan said.

"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 export our footprint into new markets in Asia. During the second half of 2012, we have continued to make excellent progress on these strategic goals."

"This strategy, while we continue to fine-tune and evolve its implementation, is clearly working and we are confident of our ability to accelerate our industry leading position."

"We have made strong progress in **growing market share within Australia and New Zealand**, and strengthening and further diversifying our portfolios with investments in quality businesses. It's heartening that the very best independent businesses in our industry continue to choose STW Group as the partner of choice."

"In the critical Shopper Marketing sector, we finalised our investment in Markitforce, a company specialising in POS management, warehousing and distribution, consolidating our growing presence in the fast-growing Field Marketing and Path to Purchase capabilities. We also completed, as announced at the Half Year, the acquisition of Buchanan Group, a market leader in branded advertising with offices in Australia, Kuala Lumpur, London and Canada, and of Yellow Edge, a training and facilitation agency which operates out of the ACT, New South Wales, Queensland, Victoria and New Zealand. During the year, Cannings Communications invested in public and investor relations firm, Purple Communications, based in Perth, a transaction that created a national financial PR network. We also completed an investment in market leading experiential agency, Maverick.

"As reported at the Half Year, we have continued to invest in new revenue streams and to incubate new business start-ups, with four new entities commencing operations during the year. Our specialist digital businesses continue to lead and win. Our large traditional businesses in advertising and media have evolved ahead of the structural shift and are ideally positioned for further market share gains."

"Specifically, Ogilvy, JWT and The Brand Agency all made significant, positive progress in 2012. Our digital portfolio, led by DT (part of Ogilvy) and The White Agency, continued significant growth momentum, and our media agencies, including Mindshare, Maxus, Ikon and new start-up Bohemia all had outstanding years.

“Our strategy to lead our industry in **digital services** out-performed our expectations in 2012. Digital services now account for 27%, or \$140 million, of STW’s total revenues, making our digital communications offering the largest in the Asia Pacific region. Digital revenues grew 32% in 2012. Pleasingly, margins achieved from digital revenues continued to grow.

“We invested in a significant internal ‘Digital Academy’ training initiative across our Group which covered 575 STW Group executives, and added specialist new capabilities to the portfolio. These included our investments in Amblique, Australia’s industry leader in ecommerce and digital consulting, and Switched On Media a digital marketing agency focusing on search engine optimisation and social media.

“The third pillar of our growth strategy- to carefully grow and diversify STW’s footprint and capabilities into higher growth **South East Asian markets**- has also exceeded our expectations this year. We began this journey just over 12 months ago, and today have the strong foundations of a digitally led, specialist and differentiated network in place across the ASEAN region.

“Led by our investment announced in late 2011 in Edge in Vietnam and Thailand, our progress this year was highlighted by:

- acceleration to market leader position of our Alpha Salmon digital start up in Jakarta, now with a staff of 55 and a new office in Singapore;
- expansion of existing STW capabilities into Singapore and Malaysia, including the Buchanan Group;
- extension of the Edge brand via the acquisition of a specialist 30 person digital business into Kuala Lumpur, Singapore and Jakarta;
- finalization of a majority investment in a market leading 50 person digital and other e-commerce specialist in Singapore; and
- final stage due diligence underway on several other specialist digital, data and other capabilities, to be finalized and announced in the first half of 2013.

“We continue to approach this offshore expansion with measured caution. Our goal is to see our South East Asia business contribute around 10% of our total revenues and profits by 2016, and we are on track to achieving that.”

Mr Connaghan said STW’s investment in training through in-house training facility, SPUR continues apace. “Our training programs provide a foundation for STW to be a collaborative and unified marketing and communications group. We see our culture as a key differentiator and the collaboration and trust engendered between our companies and people pay dividends for all stakeholders, but most importantly, our clients,” Mr Connaghan said.

2013 Outlook

“STW’s market guidance for 2013 is positive despite prevailing market and economic trading conditions. We are targeting circa 15% underlying NPAT growth, delivering mid single digit underlying EPS growth for the full year ended 31 December 2013.”

Cash, Gross Debt & Facilities

As at 31 December 2012, STW's cash and gross debt balances were \$43.6 million (31 December 2011: \$27.1 million) and \$136.2 million (31 December 2011: \$111.8 million) respectively.

Lukas Aviani STW's Chief Financial Officer said: "Operating cash flow for the year was strong and after completion payments for new acquisitions STW's net drawn debt position increased to \$92.6 million at 31 December 2012 (31 December 2011: \$84.7 million). Despite the increase in net debt, STW's balance sheet and capital position remains in good health."

"STW has total estimated earnout liabilities on balance sheet of \$45.9 million as at 31 December 2012 (31 December 2011: \$21.9 million). We remain comfortable with our capacity to service our remaining earnout liabilities given their quantum and payment caps in place. Earnout liabilities will be funded through a strong balance sheet, existing debt facilities and free cashflow."

"STW signed extended banking facilities in July 2012, increasing our total debt facilities by \$50 million. STW now has access to debt facilities totaling \$213.2 million (of which \$136.2 million is drawn). These debt facilities expire in July 2013 (\$3.2 million), January 2014 (\$85.0 million), January 2015 (\$75.0 million) and July 2015 (\$50.0 million)."

Dividend

The Directors of STW Communications Group declared a fully franked final dividend of 5.0 cents per share, bringing the total dividend for the year to 8.3 cents per share up 3.8% (2011: 8.0 cents per share).

The final dividend will be paid on 19 April 2013 to shareholders registered at 5 April 2013.

Results Presentation

The STW Group's full year 2012 results presentation will take place at a public briefing at the Adelaide Room, Sofitel Wentworth Sydney, Level 4, 61-101 Phillip Street, Sydney on Wednesday 13th February 2013 at 9:00 am AEST. The presentation will also be broadcast live on Boardroom Radio.

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