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13 May 2015

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

Dear Sir/Madam,

**STW COMMUNICATIONS GROUP LIMITED (SGN) - ANNUAL GENERAL MEETING**

Please find attached the following documents that will be presented at the Annual General Meeting of STW Communications Group Limited which commences at 9:00am on Wednesday, 13 May 2015, in compliance with Listing Rule 3.13.3:

1. Chairman's Address; and
2. Chief Executive Officer's presentation.

Yours faithfully,

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

## **CHAIRMAN's ADDRESS**

### **STW Communications Group Limited, Annual General Meeting - 13 May 2015**

For those of you that have read my Letter in the 2014 Annual Report you will be well aware of the disappointment shared by your board and management in relation to the results that STW delivered in the 2014 year. Quite simply, our results were poor and we did not deliver to STW shareholders the benefits that should accrue by virtue of the scale and diversity of the STW Group. I should hasten to add that within the group there are many companies that did deliver, or indeed continued to deliver, very strong results in 2014. And yes, we continue to have to confront challenging industry dynamics and weak consumer sentiment but, no excuses from us, as a whole the results were well short of our expectations..... "full stop". We are committed to doing a better job of capitalising on the strengths of the STW Group.

To recap on our 2014 results:

- Proportionate revenue increased by 10.1% to \$442.9million
- Proportionate EBITDA declined by 5.0% to \$83.3million
- Underlying net profit after tax fell by \$3.9million to \$45.6million
- Our full year dividend for 2014 was 6.8 cents per share down from 8.6 cents per share the prior year

In light of these results we announced a strategic review to look at how we are structured, how we operate and how we go to market. The aim of the review is to make the changes that will enable us to better unlock the benefits that are inherent in the STW Group structure..... leveraging the power of the whole to drive revenue wins; identifying and capturing incremental revenue opportunities; sharing knowledge, relationships, experience, ideas and talent across the group; more efficiently managing people costs and workloads across the group; and capturing general operating cost efficiencies through our scale.

This strategic review is well underway and your CEO, Mike Connaghan will provide a brief update shortly. Suffice to say driving cultural and operational change through an organisation that is driven and inspired by a very broad and varied entrepreneurial and creative business leadership group and across a myriad of different disciplines and ownership structures is not a straight forward exercise. But your board and management team is committed to this process, because the size of the opportunity is very significant. We remain very confident of our ability to deliver better results for our shareholders.

A number of shareholders and potential investors have raised concerns that STW may need to raise capital because of the amount of debt that we are carrying. Your board and management shares the concern that our debt is outside of our internal target range.

However, we are firmly of the view that our commitment to improved earnings, better cash flow conversion, enhanced working capital management, no acquisitions and prudent dividend policy will deliver an improvement in our covenant ratios. When combined with our excellent commercial banking relationships, I maintain the view that I outlined in the annual report, that we do not anticipate a need for the group to raise equity outside of the

dividend reinvestment program. But let me reiterate that we do maintain an absolute focus on returning our debt to within our target gearing levels in the near to medium term.

Mike Connaghan will provide an update on our year to date trading results. Suffice to say we continue to operate in challenging markets but we are pleased that the majority of our companies are trading well. Disappointingly a small number of companies are still continuing to report poor results and these companies have unduly impacted on our overall year to date trading performance. Remedial action to drive enhanced performance at those companies is ongoing and coupled with the potential benefits that we expect to unlock through the strategic review this augurs well for the medium term. There is no doubt that the current year will be a transitional period but we continue to believe that we are on the right strategic path and our execution will continue to improve.

Ian Tsicalas has been a director of STW since 2007. He has been a very wise and experienced source of counsel for us and in particular he has led the Remuneration Subcommittee with great distinction. Ian is standing for re-election today but he does so having advised me last year that he would like to step down from the board at a point when we have identified a suitable replacement candidate and to allow for an appropriate board transition period. The search process for a successor to Ian is well advanced and we will update the market as soon as we have identified his replacement. I would like to personally extend my thanks to Ian for his very diligent service to your company and the very valued support he has provided to me in my capacity as Chairman. Thank you Ian.

In conclusion, I will simply restate that 2014 was a very disappointing year. Your board and senior management team are well aware that change and improved performance are required.

Thank you. I will now ask Mike Connaghan to address the meeting.



Thanks Rob.

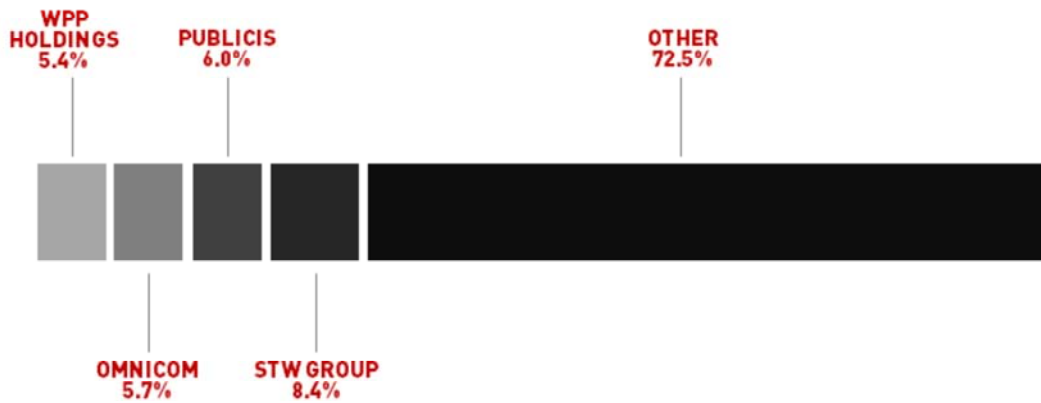
Good morning and thanks for coming along today.

Firstly, I'd like to echo what the Chairman has said. Clearly 2014 was a tough year for the STW Group. Very tough.

We were very disappointed with our performance and don't resile from the fact that there is a need for significant change. Some of those changes have already been made. These changes as part of our strategic and structural review will enable us to better shape ourselves to take full advantage of what I believe to be a fantastic opportunity to continue to grow as an organization and continue to help our clients navigate some challenging yet exciting times.

## MAJOR PLAYERS

### AUSTRALIAN ADVERTISING SERVICES MARKET, 2014



SOURCE: [www.ibisworld.com.au](http://www.ibisworld.com.au)

© STW Group Limited | Annual General Meeting May 2015

I want to state up front that the STW Group remains strong and the dominant player in our market in this part of the world.

Yes our profit delivery was not good enough in 2014.

Yes it is challenging. We have cyclical headwinds in Australia and seismic structural changes all around us, yet the businesses of STW will this year have revenues of close to five hundred million dollars!

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**BUT... we have too many brilliant people, businesses and client relationships to contemplate defeat.**

**CBA win. Westfield win. Aleph. Bohemia. Designworks. DT. The Brand Agency. JWT. Mindshare. Maxus. AMR. Government relations. Ogilvy on the comeback. Switched on Media. The White Agency. The best client list in Australia. Some of the best talent in the world. Half a billion dollars in revenue. Huge opportunity.**

**Right Strategy. Better Execution.**

It would not be fair for me to stand in front of you and not acknowledge the fact that the majority of our businesses did great things in 2014. We were let down by a few, the leadership of those businesses has been changed. Our strategic and structural review is designed to bring us closer to all the businesses and give us better and earlier insight and access to those businesses which are under stress.

We absolutely believe our strategy is right, we must however be much better in execution. I for one absolutely do believe that the seismic structural changes the industry is facing does provide even more opportunity for STW Group.

We have scale, we have diversity and we have an incredible client list who are in need of support to confront their own challenges.

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## REWRITING OUR STRATEGY FOR GROWTH

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The world is moving fast forward. No one company, no one client, no ONE can possibly predict what next.

STW as a collective has a better chance than anyone – our scale brings enduring client relationships, a pool of talented people and unrivalled knowledge of the local market.

As part of our strategic review we are evolving our strategy for growth.

Some may view this a fairly subtle change but it is an important acknowledgement that the marketing communications world is changing and it's changing quicker than ever. We started as an Advertising business which grew and diversified to be able to service whole marketing budgets. Marketing itself is evolving at rapid speed and we as a Group must and are investing heavily to move with it.

# EVOLUTION OF STW GROUP REVENUE



We have brought 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, 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. Active Display Group provides STW with a business of scale that enables us to offer additional solutions to clients in both print and digital display.

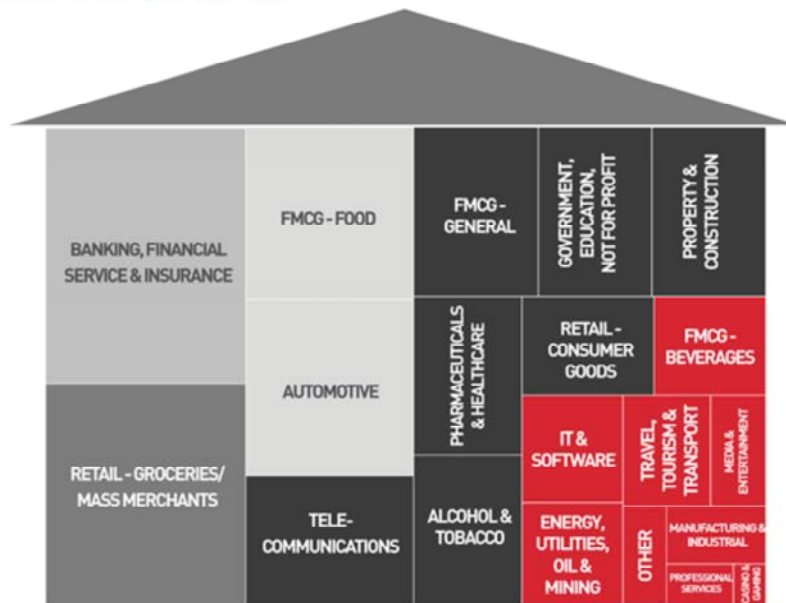
In the Data area we are also investing. Last year we did a fulsome review of our data capabilities and have now concluded that we will build our own data hub in our Kent Street campus. Rose Herceg who we have appointed as Chief Strategy Officer is leading the build with the assistance of the senior data specialists from around the group and importantly in collaboration with some of our larger clients,



who are helping shape what they need from us in order to transform their data in to a meaningful tool for growth.



I want to assure you that we are on the front foot in delivering and executing a strategy that allows STW to achieve its potential. We accept we must change and we are well underway with a strategic and structural review. We intend to provide the market an update on the strategic review in June. 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 revenue growth within the business, which will deliver profitable growth for our shareholders.



STW purpose is best expressed and understood through our work.

I would like to share with you some of the work that our outstanding companies produce for the benefit of their clients. We work with the biggest brands and best companies in Australia, New Zealand and South East Asia. Clients come to us because of our difference; our diversity; our originality; our ability to solve their business challenges by seeing them and approaching them from many different angles.

In choosing this work to share with you I have had to ignore literally tens of thousands of other pieces. After all, our revenue last year was \$450m! That is a lot of work.

Both these campaigns underscore STW at its best:- work that is driven by effectiveness and results for the client;

work driven by deep insight knowledge of the local market; and work for long standing, enduring and valued clients.

The first piece of work is through Lawrence Creative Strategy who launched a new brand campaign for Qantas

## LAWRENCE CREATIVE: QANTAS WELCOME HOME CAMPAIGN - RECONNECTING WITH AUSTRALIANS

- New 'Feels like Home' brand campaign launched in November 2014
- Customer insights led proposition to re-connect emotionally with Australians
- 2 minute TVC<sup>1</sup> has had **over 1.5m views** on YouTube to date
- Strong performance and outperforming industry benchmarks
- 66% of Australians who saw the TVC felt more positive about Qantas<sup>2</sup>
- 54% of Australians who saw the TVC felt it made them want to fly with Qantas<sup>2</sup>



1. Television Commercial. 2. Source: House of Brand Advertising Tracking. Feels like Home advertisement was recognised by 67% of Australians based on highest net recall score in Jan 2015 which includes 2min TVC and Charlotte TVC. "Felt more positive" and "Felt it made them want to fly" diagnostics based on average of all TVCs included in advertising tracking (2min, Alice, Charlotte and Melinda TVC). Based on recognisers of each TVC (2min, Alice, Charlotte and Melinda).

SOURCE: Qantas Investor Day Presentation 12 May 2015

### Welcome Home – Qantas Campaign

Lawrence Creative Strategy created the new brand campaign for Qantas.

For almost 100 years, Qantas has been bringing Australians from all around the world home to the people and places they love. This film tells the real stories of five Qantas passengers and their journey home to Australia being welcomed at the airport by loved ones.

Seeing the Qantas red tail at an airport, or stepping on board a Qantas aircraft, makes Australians feel like they're halfway home already. That's the spirit we wanted to capture.

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# LAWRENCE CREATIVE: QANTAS WELCOME HOME CAMPAIGN





The next piece of work is from DT Digital for Tourism Australia.

Travellers visit Australia hoping to explore our breathtaking beauty. Now, they can immerse themselves in our beautiful country before they even arrive. Tourism Australia and DT have together launched Australia.com as part of a major digital transformation. Aimed at inspiring travellers to plan and book Australian experiences, the new site is the culmination of more than 18 months' work.

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## STW DASHBOARD AWARDS 2014



Some of you will recall me explaining the Dashboard our business planning tool before. We take it very seriously and the awards for each of the Pillars are highly anticipated and seen as a real badge of honour.

In 2014 we had a diverse range of winners - Digital businesses, Design businesses, Media businesses, CRM businesses, PR businesses and Research businesses.





## ALEPH 2014 HIGHLIGHTS

### BEST RESULT EVER:

FBT UP 40+% YOY

### DELIVERED WORK IN:

USA  
EUROPE  
COLUMBIA  
DUBAI

### STRONG CULTURE

REFLECTED IN LOW  
TURN OVER RATE

## ONCE THE DUST SETTLES...

OPEN IN  
HONGKONG,  
JAPAN &  
INDIA

(AND BEYOND)

STW  
INTERNATIONAL

CLOSER  
ALIGNMENT  
WITH  
STW ASIA  
NETWORK

Our business of the year I'm proud to say in one of our South East Asian Businesses – Aleph.

Aleph have been pioneering digital product innovation and development for clients across Asia. Their work is in increasing demand beyond just Asia. Arvind and his team are continuing to grow and testament to our faith in their product and leadership is that we have asked them to take a bigger role in leading our Asia strategy into the future.

- 2014 first negative year since GFC
- New business win/loss record was poor
- Not close enough oversight of business to ensure growth - no red ink!

### YTD

- Cyclical headwinds of a tough economic situation in Australia
- Structural disruption all around us as the world changes rapidly
- Organic revenue flat on prior period

In summary, clearly we are coming out of a disappointing year in 2014. Year to date in 2015, before any restructuring costs our performance is marginally behind the same period for the prior year. However, we are cycling over the full year effect of the loss of some major contracts in 2014.

Based on our recently completed first quarter reforecast our expectation is that underlying EBITDA and NPAT for 2015 will be in line with 2014 pre restructuring costs. It is our expectation that whilst we are incurring costs related to the strategic review, the benefits associated with the restructure will not be realized until late 2015 and have a full year effect in 2016.

We will provide further guidance at our half year results in August.

Thanks, and I will hand you back to the Chairman.

