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## STW GROUP HALF YEAR 2015 RESULT

STW Communications Group Limited (“STW Group” ASX: SGN), Australasia’s leading marketing content and communications group, today announced its financial results for the half year ended 30 June 2015.

Key features of the result include:

- Revenue<sup>1</sup> of \$194.4 million, up 3.3% (2014: \$188.3 million).
- Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”)<sup>1</sup> of \$30.9 million, down 15.2% (2014: \$36.5 million).
- Underlying Net Profit After Tax (“NPAT”)<sup>1</sup> of \$15.1 million, down 22.5% (2014: \$19.5 million).
- Very strong operating cash flow of \$34.4 million, up \$19.0 million on prior period.
- Underlying earnings per share of 3.7 cents, down 24.9% (2014: 4.9 cents).
- Reported loss of \$73.4 million after incurring non-cash impairment charges of \$78.9 million, and costs related to the strategic review and other one-off costs of \$9.6 million.
- Strategic review completed and being implemented to drive improved future performance. The one-off costs relating to the strategic and structural review have largely been incurred in the first half of the year with benefits to start accruing in second half of the year.
- Interim dividend of 2.1 cents per share, fully franked. A dividend reinvestment plan will operate in respect of the final dividend.

STW Group’s NPAT for the half year ended 30 June 2015 is comprised as follows:

(\$ millions)	2015	2014	Change
Revenue	194.4	188.3	3.3%
EBITDA	30.9	36.5	(15.2%)
Margin	15.9%	19.4%	(3.5%)
Underlying net profit after tax	15.1	19.5	(22.5%)
Strategic review and other one-off costs	(9.6)	(0.5)	
Non cash impairment of intangible assets	(78.9)	-	
Reported net (loss) / profit after tax	(73.4)	19.0	
Underlying EPS (fully diluted)	3.7 cents	4.9 cents	(24.9%)

**Note 1:** 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: "STW's underlying net profit after tax of \$15.1 million is down 22.5% on the prior period. We knew that the first half of 2015 was not going to be easy as we lost some big client mandates in 2014. But while we made significant progress in winning new business and our win/loss record has improved, it has not bridged the gap to make up for significant client losses last year. STW's revenues have grown by 3.3% to \$194.4 million, however, this growth is driven by acquisitions and organic revenue has declined by 4.2%."

Mr Connaghan said: "We have taken some tough decisions in the first half of the year to restructure the business for STW to meet the challenges faced in the current trading environment and to position STW for future growth. This has led to STW incurring a number of one-off costs that have further impacted the weak reported half year result. The reported result includes non-cash impairment charges of \$78.9 million, and costs related to the strategic review and other one-off costs of \$9.6 million. The one-off costs relating to the strategic review have largely been incurred in the first half of the year."

The results highlight the importance of the strategic review undertaken during the first half of the year. The review identified a number of initiatives designed to drive deeper engagement with each of our businesses, coupled with stronger financial and management oversight to drive operating margin performance. We are building a group that is stronger, tighter and more fit for the challenges, we as an industry face.

### **2015 Full Year Outlook**

Mr Connaghan said: "We expect the net profit after tax for the full year to be circa \$40 million, excluding the impact of impairment charges and one-off restructure costs.

The first half of the year has been disappointing, however, the tough decisions we have made and costs incurred will begin to deliver benefits in the second half of the year. The expected 2015 full year profit will still be behind our 2014 result but certainly the trajectory is headed in the right direction. By 2016 we should see the full benefit of the cost out program associated with the strategic review.

We remain entirely confident in our strategy. We now need to focus on the speed and intensity of our execution. The new structure with the Executive Committee in place will allow us to help drive efficiencies, take advantage of our scale and leverage the incredible resources and talent the STW Group has at its disposal. It is tough, but our strategy, the business, the clients and the talent in the Group will see us through and return STW to growth."

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

As at 30 June 2015, the group's cash balance was \$22.6 million (31 December 2014: \$19.9 million). The group's gross debt and finance lease liabilities totalled \$228.6 million (31 December 2014: \$212.7 million).

Lukas Aviani, STW's Chief Financial Officer said: "The Group's cash flows were positively impacted by the timing of media payments and the improvement in working capital balances at 30 June 2015. Operating cash flow for the half-year was \$34.4 million (30 June 2014: \$15.4 million).

The Company's net debt position increased to \$206.0 million at 30 June 2015 (31 December 2014: \$192.8 million) driven by earnout payments for existing investments.

As at 30 June 2015, the Company has access to Australian core banking debt facilities totalling \$270 million, of which \$222.2 million is drawn. The facilities mature in August 2016 (\$70 million), July 2017 (\$35 million), January 2018 (\$100 million), August 2018 (\$40 million) and September 2018 (\$25 million). We are in the process of extending the August 2016 facility maturity out to August 2017."

**Dividend**

The Directors of STW Communications Group declared a fully franked interim dividend of 2.1 cents per share (2014: 3.3 cents per share).

The 2015 interim dividend will be paid on 23 September 2015, to shareholders registered at 2 September 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 4 September 2015 and ending on 14 September 2015 (inclusive).

**Results Presentation**

The STW Group's half year 2015 results presentation will take place at a public briefing at the 72 Christie Street, St Leonards, on Thursday, 13 August 2015 at 9:00 am AEST. The briefing will be accessible online via a live webcast at <http://webcast.openbriefing.com/2256/>.

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