



STW Group Limited  
 Level 6, 72 Christie Street  
 St Leonards, NSW 2065  
 Sydney Australia  
 t +61 2 9373 6488  
 f +61 2 9373 6398  
 ABN 84 001 657 370  
 www.stwgroup.com.au

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## STW ANNOUNCES FULL YEAR 2009 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 2009.

### Key features of the result include:

- Revenue<sup>1</sup> of \$269.2 million, down 10.9% (2008: \$302.1 million).
- Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”)<sup>1</sup> of \$62.8 million, down 13.9% (2008: \$72.9 million).
- Underlying Net Profit After Tax (“NPAT”)<sup>2</sup> of \$33.1 million, down 15.4% (2008: \$39.1 million).
- One-off charges of \$11.3 million relating to impairment writedowns of non-current assets, loss on disposal of non-current assets and amortisation.
- Reported Statutory NPAT of \$21.8 million, up 27.9% (2008: \$17.0 million).
- Underlying earnings per share<sup>2</sup> of 11.1 cents (2008: 20.2 cents).
- Exceptionally strong free cashflow of \$66.7 million for the full year.
- Final dividend of 2.0 cents per share, fully franked (2008: 3.2 cents per share, fully franked). Total dividend relating to the 2009 year of 3.5 cents per share, fully franked (2008: 8.0 cents per share, fully franked).
- Strengthening of Balance Sheet through a 7 for 8 rights issue completed in May 2009, strongly supported by the investor base raising \$73 million (net of transaction costs). Net proceeds used to repay bank debt.

STW Group’s NPAT for the year ended 31 December 2009 is comprised as follows:

| (\$ millions)  | 2009        | 2008        | Change         |
|--|-------------|-------------|----------------|
| Advertising, Media and Production  | 27.2        | 33.0        | (17.4%)        |
| Diversified Marketing & Communication  | 21.3        | 25.3        | (15.7%)        |
| <b>Total Operating NPAT</b>  | <b>48.5</b> | <b>58.3</b> | <b>(16.8%)</b> |
| STW Group Holding Company (including net interest)   | (15.4)      | (19.2)      | 19.8%          |
| <b>Underlying NPAT</b>   | <b>33.1</b> | <b>39.1</b> | <b>(15.4%)</b> |
| Property move costs  | -           | (5.5)       |                |
| Impairment of assets and gains/losses on sale of investments, Amortisation and other non-cash expenses | (11.3)      | (16.6)      |                |
| <b>Reported NPAT</b>   | <b>21.8</b> | <b>17.0</b> | <b>27.9%</b>   |
| Underlying EPS (fully diluted)   | 11.1 cents  | 20.2 cents  |                |
| Reported EPS (fully diluted)   | 7.3 cents   | 8.8 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 gains/losses on sale of businesses and impairment write downs.



STW's Chief Executive Officer, Michael Connaghan said: "We have seen an extremely challenging trading environment in 2009 and our results reflect the impact of the global economic downturn on our industry."

"The financial performance of the vast majority of entities within the portfolio has been satisfactory, despite the economic conditions. Unfortunately, the Group's results have been adversely impacted by the underperformance of a small number of entities."

"We have responded to the difficult market conditions with cost control measures across the STW Group. While revenue has been impacted in 2009, the EBITDA margins across the Group have been largely maintained, highlighting our ability to effectively manage our variable cost base." he said.

"We took steps to further strengthen our balance sheet through a capital raising during 2009. The Company's balance sheet is in good health with earnings backed up by strong cashflow generation."

### **2010 Outlook**

Mr Connaghan said: "We remain focused on all aspects of the business which we can control, in particular managing our variable cost base and realising best possible organic earnings performance. Our new business pipeline is strong and we have had positive new business wins in the second half of 2009, the full benefit of which will be realised in 2010." he said.

"The strength of our professional offering, with a proven track record of delivering value and maximizing return on investment for clients, a balanced portfolio of companies, coupled with a disciplined approach to financial management, has STW well positioned to drive long term success."

"We are optimistic about our prospects in 2010 and would be disappointed not to return to double digit growth in net profit."

### **One-off Impacts**

The result has been impacted by one-off costs of \$11.3 million relating to impairment writedowns of non-current assets and loss on disposal of non-current assets (\$9.9 million) and amortisation of non-current assets and other non-cash items (\$1.4 million).

In relation to the impairment of investments, the non-cash writedown of four of STW's investments in operating companies is a reflection of the difficult trading environment experienced by these companies in 2009. The Directors believe that this writedown is conservative given the current economic environment.

Mr Connaghan said: "STW will continue to assess entities within the group, their financial performance, strategic fit and future growth prospects. We have and will continue to rationalise the portfolio, look for opportunities to merge existing businesses to build scale and close or dispose of entities that do not meet the Group's long term goals."



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

As at 31 December 2009, STW's cash and gross debt balances were \$42.0 million (2008: \$43.0 million) and \$113.6 million (31 December 2008: \$206.2 million) respectively.

Lukas Aviani, STW's Chief Financial Officer said: "The Company has strengthened its financial position during the financial year with the completion of a rights issue in May 2009, strongly supported by the investor base. The rights issue raised net proceeds of \$73 million which were used to reduce bank debt.

"Operating cashflow was strong with STW generating free cashflow of \$67 million (2008: \$19 million). The improvement in cashflow is due to better working capital management and timing of media payments and has enabled the group to fund incremental acquisitions of \$6 million, earnout payments and earnout liability reductions of \$29 million, dividends of \$12.5 million and further reduce net debt by \$18 million in excess of the capital raising proceeds."

The company now has total debt facilities of \$268.8 million (of which \$113.6 million is drawn). Of these facilities, \$119 million matures in December 2010 (this facility is undrawn at 31 December 2009), \$147.5 million matures in June/July 2011 and \$2.3 million matures in December 2013. We will be accelerating discussions with our bankers through the first half of 2010 with regard to putting in place new debt facilities in line with STW's overall financing requirements."

### **Dividend**

The Directors of STW Communications Group declared a fully franked final dividend of 2.0 cents per share (2008: 3.2 cents per share). The total dividend relating to the 2009 year is 3.5 cents per share, fully franked (2008: 8.0 cents per share).

The final dividend will be paid on 12 May 2010 to shareholders registered at 28 April 2010.

The STW Group's Full Year 2009 results presentation will take place at a public briefing at the Marble Room at The Radisson Plaza Hotel, 72 O'Connell Street, Sydney on Thursday 11<sup>th</sup> February 2010 at 9:00 am AEST. The presentation will also be broadcast live on Boardroom Radio; [www.brr.com.au](http://www.brr.com.au)

### **For further information contact:**

Michael Connaghan  
Chief Executive Officer  
STW Communications Group Limited  
(02) 9373 6463

Lukas Aviani  
Chief Financial Officer  
STW Communications Group Limited  
(02) 9373 6463