IDEAS CREATE GROWTH

STW COMMUNICATIONS GROUP 2015 FULL YEAR RESULTS
19 FEBRUARY 2016

AGENDA

1. 2015 FULL YEAR RESULTS
2. PROPOSED MERGER OF STW + WPP AUSTRALIA & NEW ZEALAND

2015 FULL YEAR RESULTS SUMMARY

- Underlying NPAT $39.6 million – in line with guidance of circa $40 million.
- Underlying net revenue of $416.0 million up 2% on prior year.
- Earnings and revenue momentum built in the second half of 2015 on the back of new business wins and strategic review initiatives positively impacting trading performance – H2 EBIT = $45.9 million.
- Strategic review – catalyst for large amount of change positioning STW Group for future growth.
- Portfolio now more streamlined creating businesses of scale and strengthening their competitive position.
- Reported statutory loss of $52.6 million driven by previously announced non cash impairment charges and one off strategic review costs.
- Underlying EPS of 9.5 cents per share.
- Strong operating cash flow, 104% EBITDA conversion.
- Final dividend of 3.6 cents per share fully franked. (Total full year dividend 5.7c).

31 DECEMBER 2015 FULL YEAR GROUP PROFIT AND LOSS – STW SHARE* ($M)

	2015	2014	Change Fav/(Adv)
Net Revenue	416.0	409.6	1.6%
EBITDA	**76.8**	**83.3**	**(7.8%)**
EBITDA Margin	18.5%	20.3%	(1.9%)
Underlying NPAT	**39.6**	**45.6**	**(13.1%)**
Strategic Review and other one-off costs	(10.4)	(0.6)	N/M
Non-cash impairment of intangible assets	(81.8)	(0.4)	N/M
Reported Statutory NPAT	**(52.6)**	**44.6**	**N/M**
Fully Diluted Underlying EPS	9.5 cents	11.3 cents	(16.3%)

*STW has a direct and indirect ownership interest in over 50 advertising and communications businesses. STW Share takes into account STW's economic interest in their revenues, expenses, profits and losses of the entities, aggregated on a percentage basis.

1. Consistent with June 15 strategic review.
2. Consistent with half year impairment calculation reported August 15.

FINAL DIVIDEND

	Fully Franked Dividend per Share	Dividend $m	% payout ratio Underlying EPS
2015 Interim Dividend	2.1 cents	8.9	
2015 Final Dividend	3.6 cents	15.5	
Total 2015 Dividend	**5.7 cents**	**24.4**	**60%**

	Fully Franked Dividend per Share	Dividend $m	% payout ratio Underlying EPS
2014 Interim Dividend	3.3 cents	13.3	
2014 Final Dividend	3.5 cents	14.3	
Total 2014 Dividend	**6.8 cents**	**27.6**	**60%**

Dividend Reinvestment Plan
A dividend reinvestment plan will not apply to the final dividend.

*The 2015 final dividend is payable on 26 April 2016, with record date of 24 March 2016.

ORGANIC REVENUE GROWTH FROM NEW AND EXISTING CLIENTS

QANTAS

TREASURY WINE ESTATES

Australian Government

NSW GOVERNMENT

hs harris scarfe

CPA AUSTRALIA

CommonwealthBank

TAL

xero

lendlease

LION NATHAN

UNIBET

Virgin australia

UOB

State Government Victoria

CALTEX

SPECIALTYFASHION | GROUP

UPDATE ON STRATEGIC REVIEW

- Very pleased with progress of ongoing implementation of key initiatives.
- Appointment of Group Business Director (Rob Currie) already paying dividends – driving Group co-operation and organic revenue growth.
- Closed/Merger/Sale of 10 businesses.
- Further consolidation of property portfolio and enhancement of campus strategy.
- Closer deeper oversight of businesses by Exco has been a very positive influence on performance and collaboration.
- Development of proprietary offerings via cross group co-operation - STW Data Hub, Kent St Consulting, CX Hub, HR Hub, Marketing Infrastructure Hub.
- Proposed merger with WPP accelerates and strengthens strategic renewal of STW.

LUKAS AVIANI
CHIEF FINANCIAL OFFICER

KEY FINANCIALS

2015 KEY FINANCIAL RESULT THEMES

- Full year results impacted by significant one-off impairment, close down and restructuring costs - substantially all incurred in the first half.
- Cost incurred in restructuring the business now substantially complete.
- Full year organic revenue decline reflecting impact of 2014 major client losses.
- 2nd half organic revenue growth of +0.4% - despite still cycling through some revenue losses from prior year.
- Second half EBITDA margin held flat year on year at 21%.
- Strong operating cash flow – full year conversion of 104% (115% when normalised for 2nd half associate dividends).
- Debt maturities – current weighted maturity of 20 months.
- Refinance of debt facilities for proposed merger is significantly advanced.

STATUTORY TO UNDERLYING NPAT – 2ND HALF A CLEAN RESULT ($M – STW SHARE)

One off cost summary (NPAT)	Dec 2015	Jun 2015	Var
Underlying NPAT	39.6	15.1	24.5
Reported statutory NPAT	(52.6)	(73.4)	20.8
Total one off costs (NPAT)	92.2	88.5	3.7
Comprising			
Impairment and amortisation of intangible assets	81.8	80.2	1.6
Net strategic review and restructure costs	9.1	8.3	0.8
Costs in relation to STW/ WPP merger	1.3	-	1.3

KEY COMMENTS:

- Net one off costs incurred in the second half of $3.7M (NPAT @ STW share).
- $1.3M in external advisor costs incurred by 31 December 2015 on WPP merger.
- Some minor incremental impairment and other costs ($1.6M – non cash).

GROUP PROPORTIONAL PROFIT & LOSS ($M)

	Dec 2015	Dec 2014	CHANGE PCP
Net Revenue	**416.0**	**409.4**	**1.6%**
Staff Costs (SCR%)	(262.2) 63.0%	(253.4) 61.9%	
Establishment	(26.0)	(25.1)	
Net Other Overheads	(51.0)	(47.8)	
EBITDA & MARGIN	**76.8 18.5%**	**83.3 20.3%**	**(7.8%)**
D&A	(9.6)	(9.4)	
Net Interest	(12.0)	(12.2)	
Tax	(15.6)	(16.1)	
Underlying NPAT	**39.6**	**45.6**	**(13.1%)**

- Increase in revenue due to the acquisition of Active Display Group.
- Organic revenue decline due to cycling through major account losses of 2014.

- Direct margin impacted through revenue mix.
- Staff cost increase very disappointing and highlights opportunities to focus on productivity and efficiency aspects of strategic review and structural change.
- Other overheads increased (largely full year effect of net acquisitions) and seeking to achieve further savings through rationalizing all group procurement functions.

- Higher effective tax rate in 2015 of 28% (2014: 26%).

SOLID 2ND HALF – BACK TO ORGANIC REVENUE GROWTH ($M – STW SHARE)

	1H	2H
Organic Net Revenue Growth	**(4.2%)**	**0.4%**
EBITDA margin (underlying)	16%	21%
B/ (W) Vs 2014	**(4%)**	**-%**

KEY COMMENTS:

- Organic revenue turnaround from 1st half result.
- 2nd half organic revenue growth of +0.4% despite still cycling through some revenue impact from 2014 client losses.
- 2nd half EBITDA margin of 21% - in line with the previous year.
- Significant improvement versus 1H margin showing the benefits from cost out program and greater focus on margin achievement.

31 DECEMBER 2015 FULL YEAR CASHFLOW ($M)

	31 Dec 2015	31 Dec 2014	Last 24 month total
Statutory EBITDA (adjusted for non-cash significant items)	70.1	93.7	163.8
Operating cashflow pre interest and tax	**73.2**	**63.0**	**136.2**
EBITDA conversion to cash flow	*104%*	*67%*	*83%*
Normalised conversion for 2nd half associate dividend	*115%*	*67%*	*88%*
Tax paid	**(13.9)**	**(18.4)**	**(32.3)**
Net Interest	(12.3)	(11.7)	(24.0)
Operating Cashflow	**47.0**	**32.9**	**79.9**

KEY THEMES:

- The Group's cash flows were positively impacted by the timing of media payments.
- Underlying EBITDA conversion of 104% which is an improvement on 2014's 67% and ahead of STW's cash conversion targets.
- STW cash increased by $7.0 million to $26.9 million at Dec-15.
- Certain dividends and other items impacted second half cashflow due to structuring ahead of proposed merger – deal related matters. Had this been on a normal basis full year cash conversion would have been 115%.

31 DECEMBER 2015 - BALANCE SHEET ($M)

	31 Dec 2015	31 Dec 2014
Cash [a]	26.9	19.9
Net working capital	**23.1**	**22.0**
Investments	90.7	122.3
Intangibles	**522.7**	**555.6**
Other Assets	61.8	70.6
TOTAL ASSETS	**725.2**	**790.4**
Bank Debt - Current [b]	(70.0)	(100.0)
- Non Current [b]	(157.1)	(107.1)
Lease Liability [b]	(4.7)	(5.6)
Earnouts – Current [b]	**(8.1)**	**(16.9)**
– Non Current [b]	**(7.0)**	**(14.8)**
Other Liabilities	(23.6)	(20.3)
NET ASSETS	**454.7**	**525.7**
<u>Key balance sheet metrics:</u>		
Net debt including earnouts [b-a]	220.0	224.5
Net debt: Net Assets [1]	48%	43%

[1] Net debt for this calculation includes earnouts as shown.

KEY THEMES:

- Net working capital comparable to Dec-14
- Reduction in investments of $31.6m is primarily due to impairment charges and net impact of profit and dividends from associates during 2015.
- Reduction in intangibles of $32.9m is primarily due to impairment of goodwill and intangibles.
- Bank debt was renegotiated in 2015. The Company extended the term of $100 million of debt maturing in 2015 to January 2018.
- Earnouts reduced significantly since 2014 mainly due to payments made throughout 2015. Only new earnout has been for the acquisition of Union Digital.

AUSTRALIAN CORE DEBT FACILITIES

Australia Core Debt Facilities @ 31 Dec 15

- Australian core debt facilities unchanged
- Weighted average maturity 20 months
- Access to sufficient facility headroom to fund business
- Banking covenants adjusted for dividend payments from associated entities
- Complete refinance of facilities (including requirements of merged group) significantly advanced and will result in lower borrowing costs with improved covenant package

Australia core debt facilities maturity	2015 $million
August 2016	$70
July 2017	$35
January 2018	$100
August 2018	$40
September 2018	$25
Total Group Facilities	**$270**
Total Group Facilities - Drawn	**$227**
Total Group Facilities - Headroom	**$43**

	Calculation	Covenant	Adj Dec 15[1]	Jun 15	Dec 14 Pro-forma Adjusted
Leverage	Net Debt/EBITDA	< 3.0 times	2.52x	2.56x	2.53x
Interest Cover	EBIT / Net Interest	> 5.0 times	5.79x	5.23x	5.83x
Net Debt: Equity	Net Debt / Net Debt + Equity	< 40.0%	35.21%	36.3%	32.3%

(1) Covenant calculation adjusted for impact of associate dividends.

AGGREGATE EARNOUT POSITION - 31 DECEMBER 2015

	Total Earnouts
	($M)
31 December 2014 @ Present Value	**31.7**
Payments made in 2015	(25.5)
New 2015 earnouts	**0.6**
Net revisions to prior earnout estimates	8.3
31 December 2015 @ present value	**15.1**

Expected Settlement	Maturity Profile
	($M)
2016	**7.8**
2017	5.5
2018+	**1.8**
Total @ present value	15.1

MIKE CONNAGHAN
CHIEF EXECUTIVE OFFICER

PROPOSED MERGER OF STW GROUP WITH WPP AUSTRALIAN & NEW ZEALAND OPERATIONS

PROPOSED MERGER – STW & WPP BUSINESSES

- STW to merge with the Australian and New Zealand businesses of WPP - Announced 14 December.
- Transaction structured via a contribution of WPP's Australian and New Zealand businesses for an enterprise value of c.A$512 million.
- New STW Shares will be issued to WPP at A$0.915 per share, a 30% premium to the 10-day VWAP to 10 December 2015.
- As a result of the Transaction, WPP will become the majority shareholder of STW with a shareholding of c.61% (currently 23.5%).
- STW to become the primary operating vehicle for WPP in Australia and New Zealand.
- WPP Australian and New Zealand companies will report directly to STW CEO- with dotted line to Global Operating Company CEOs.
- STW intends to change its name to align it with WPP, subject to shareholder approval.
- The Transaction is conditional on approval of non-WPP associated shareholders. Completion of the Transaction is expected early in the second quarter of 2016.
- We have always believed WPP and STW coming together made sense.
- Best in class local agency brands with strong local market knowledge and relationships combined with international businesses with iconic brands, tools and global reach is a win for staff and clients.
- World is shrinking. Data and technology is omnipresent, STW alone in Australia could never match the level of investment WPP deploys.
- Accelerates and enhances our own strategy.

ACCELERATING EXISTING STW STRATEGY

Evolution of STW Group Strategy

"MANAGE 100% OF A CLIENT'S ADVERTISING BUDGET" → "SERVICE 100% OF A CLIENT'S MARKETING BUDGET" → "DELIVER 100% OF A CLIENT'S CUSTOMER EXPERIENCE BUDGET"

THE TRANSACTION ACCELERATES STW's STRATEGY OF DELIVERING 100% OF OUR CLIENTS' CUSTOMER EXPERIENCE BUDGET

BALANCED PORTFOLIO	Balances the portfolio of services and capabilities STW and WPP delivers to clients
COMPLEMENTARY CAPABILITIES	Creates business of scale across every market discipline
ON THE GROUND/LOCAL OVERSIGHT	Local management oversight delivering responsiveness and agility
HORIZONTALITY	Agnostic country leadership driving horizontality
LOCAL AND INTERNATIONAL	Best in class local agency brands with their strong local market knowledge and relationships and international partners with their strong brands, tools and global reach and insights
TALENT POOL	Broader talent pool of employees and management

OPERATIONAL BENEFITS OF THE MERGER

- Local oversight and direct line of decision making of ANZ offices of global brands.
- Iconic brands join our group along with an international client list second to none.
- Significant revenue and cost synergies to be unlocked, far greater than we could have achieved alone.
- Access to global tools, trends, clients, data, investment, technology – important in industry moving fast forward.
- Operational support – deep bench of global talent and resource.
- Complete alignment of interests by putting all businesses on the same 100% shareholding.
- Opportunity to bring more companies together - horizontality.

FINANCIAL BENEFITS OF THE MERGER

- Significantly enhances the scale of the Group with pro-forma normalised net revenue of c.A$834.7 million and normalised EBIT of c.A$148.7 million[1].
- Transaction expected to be slightly EPS accretive based on pro-forma 2015 earnings before synergies but this reflects the negative EPS impact of reduced leverage (circa 7% EPS accretive pre-synergies on a constant leverage basis).
- Material EPS accretion going forward with the realisation of synergies.
- Wide range of synergies including cost synergies of at least A$15 million per annum anticipated to be fully realised over three years.
- Incremental revenue synergies also expected but have not been included in estimates.
- Leverage reduces from 2.6x to 2.0x net debt / LTM EBITDA on a pro-forma basis.
- New STW shares will be issued to WPP at $A0.915 per share, a 30% premium to the 10 day VWAP to December 2015.

1. For the 12 months ended 31 December 2015. **2.** Excluding one-off transaction and integration costs and pre acquisition related amortisation of intangibles.

OTHER BENEFITS OF THE MERGER

- WPP are the leading player in our industry worldwide.
- WPP No.1 global holding company in creativity and effectiveness.
- Deep knowledge and content platforms that STW as a standalone could only dream about.
- Iconic global brands with an enviable track record and long standing client relationships.
- Digital/Data tools at a global scale.
- Access to world class cutting edge tech.
- Better balanced portfolio of services – allowing STW to accelerate strategy of being able to deliver 100% of a client’s customer experience budget.
- Broader talent pool of employees and management.
- Operational support – deep bench of global talent and resource.

WPP

THE STATS

- WPP companies operate in **111 Countries**
- **179,000+ Employees** (inc. associates)
- **3,000 Offices**

THE NUMBERS

- Reported Revenues **£11.5 billion** (as @ Dec 2014)
- Reported Billings **£46.2 billion** (as @ Dec 2014)
- Market Capitalization **£20.5 billion** (as @ April 2015)

SOME OF THE WPP GLOBAL BRANDS

Y&R	groupm	KANTAR	GREY	VML
EST. 1923	**EST.** 2003	**EST.** 1993	**EST.** 1917	**EST.** 1992
16,000 **PEOPLE**	21,000 **PEOPLE**	30,500 **PEOPLE**	6,500 **PEOPLE**	2,300 **PEOPLE**
CLIENTS Nissan Vodafone Emirates Microsoft Land Rover Virgin Atlantic BBC	**CLIENTS** Kleenex Bose Volkswagen Universal Music Procter & Gamble Ikea Shell Coca-Cola	**CLIENTS** GlaxoSmithKline McDonalds Peroni Bupa Unilever Purina Land Rover	**CLIENTS** Canon HSBC Kellogg's Diageo Procter & Gamble GSK Nestle Volvo	**CLIENTS** Dell Gatorade Kimberly-Clark Microsoft PepsiCo McDonalds Colgate-Palmolive Xerox

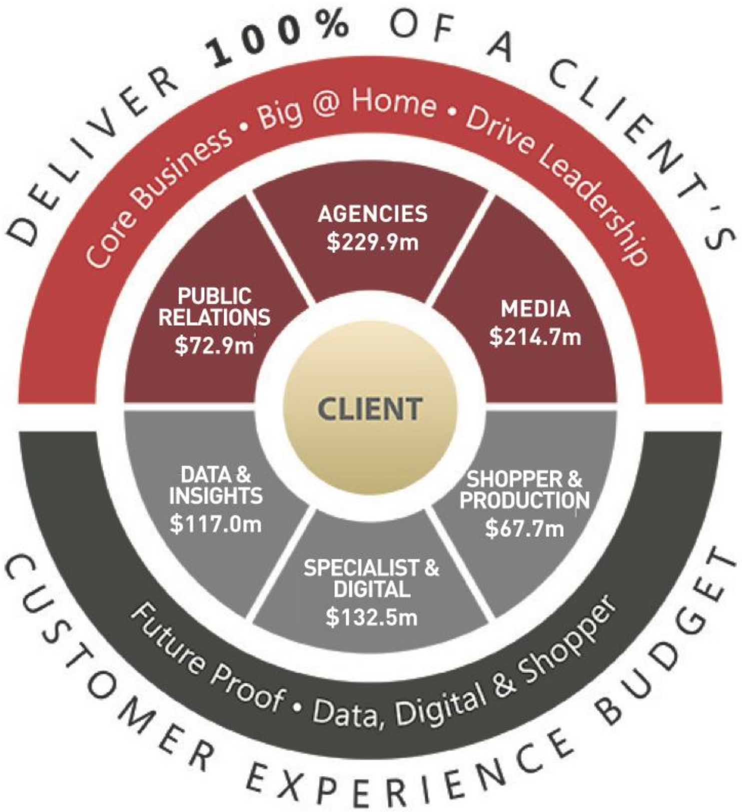
EXISTING STW SHAREHOLDER PROTECTIONS

- Australia and New Zealand is a very important market for WPP - 5th largest market in the world WPP have a vested interest in our success.
- Strong minority shareholder governance framework.
- WPP have agreed to a standstill at 61.5% unless via DRP participation or a full takeover bid is launched.
- Four independent directors including independent Chairman.
- Continuity of STW Management team.
- Commitment to maintenance of dividend policy subject to usual review by Board.

MANAGING THE MERGED GROUP

- WPP and STW are existing partners – integration and planning is advanced.
- The merged group gives greater balance to our Group and creates large verticals. This will give us greater scope to invest and put in place a structure of Group MD's and Finance heads.
- Exco will be redeployed in to a wider Management Board that will also include WPP senior leadership.
- New Structure put in place reducing direct reports to HQ.
- Sourced from internal promotion, WPP Global talent and external recruitment – we will have domain expertise reporting direct to CEO/CFO.

DRIVING THE STRATEGIC PRIORITIES THROUGH A GROUP BUILT FOR THE FUTURE



MANAGING THE MERGED GROUP

- Agnostic country leadership will drive co-operation and enhance ‘horizontality’.
- Continue to drive our campus strategy – driving further efficiency and opportunity.
- Opportunity to bring more companies closer together.
- Merger greatly enhances group capacity and accelerates strategy.
- Merged group will be an even more powerful proposition for clients – driving efficiency and reducing complexity.
- Incentivisation of key executives based on local brand, global brand and overall STW performance.

EARLY COOPERATION AND ENGAGEMENT VERY ENCOURAGING

- Global operating companies have enthusiastically embraced STW. Meetings have already taken place in Australia with many Global WPP leaders.
- ANZ key strategic and financial market. Local agile management seen as real benefit to Global HQ's in Europe or North America.
- WPP Banking relationships provide further opportunity to maximise STW position.
- Treasury assistance from WPP leveraging global knowledge and relationships.
- Already investigating bringing to Australia global best practice in local and off-shore Production.
- Easy access to Global IP/training tools has already borne fruit for existing and new business opportunities.
- Access to and engagement with best practice in HR/Finance/IT/Property/Procurement/Internal Audit/Compliance.

STRATEGIC PRIORITIES

BIG AT HOME	EVOLUTION/ FUTURE PROOF	DRIVE HORIZONTALITY	LEVERAGE POWER OF WORLD'S LEADING BUSINESS IN COMMUNICATIONS SERVICES
• No.1 in every sector of our industry • Advertising • Research • Media • Design • Digital • Production • Public Relations • Shopper	Continue to build market leading capability in high growth future facing activity: • Shopper • Digital • Data • Mobile • Proprietary offerings	• Leverage power of group wide resources and relationships • Enhance campus property strategy • Build bespoke client teams • Reward partnership • Reduce complexity	• WPP have invested in and own deep tech/data/insight content IP • Significant opportunity to enhance local client opportunities with global best practice
			

2016 FULL YEAR OUTLOOK

- Remain extremely confident in STW's strategy and cultural shift we are undergoing.
- Proposed merger between WPP and STW businesses in Australia and New Zealand to be effective at beginning of Q2 2016, subject to shareholder approval.
- STW will not be providing specific full year guidance at this stage given the significant impact the proposed STW and WPP merger will have on the 2016 result.
- As a stand-alone business, in 2016, STW is expected to deliver mid-to-high single digit organic growth in underlying net profit after tax.

INDICATIVE TRANSACTION TIMETABLE

KEY EVENT	DATE
Explanatory Memorandum and Notice of Shareholder Meeting lodged with ASX and dispatched to STW shareholders	Late February/ Early March 2016
Meeting of STW shareholders to approve the Transaction	Late March 2016
Completion of Transaction (subject to satisfaction of conditions precedent)	Early April 2016

Notes:
1. Dates are indicative only and subject to change

THANK YOU.

APPENDIX.

STRATEGIC REVIEW, RESTRUCTURE COSTS & ONE OFF ADD BACKS ($M – STW SHARE)

Cost summary at NPAT	Dec 15
Non cash charges - impairment of intangible assets and amortisation and other	81.8
Strategic Review and other one-off costs	10.4
Total NPAT at STW Share	**92.2**

Strategic Review and other one-off costs at PBT	Dec 15
Operating restructure and staff efficiency measures	5.1
Centralised cost restructuring	1.3
Sub-total: Strategic review and restructure costs	**6.4**
Property consolidation	1.5
Losses in closed and merged businesses	4.1
STW/WPP merger costs	1.3
Sub-total: Business close down costs	**6.9**
Total PBT at STW Share	**13.3**
NPAT at STW Share	**10.4**

Non cash charges - impairment of intangible assets and amortisation and other
Non-cash charges primarily driven by the impairment of non-current assets: goodwill; investments accounted for using the equity method; and plant and equipment.

Strategic review and restructure costs

Operating restructure and staff efficiency measures: Relate to redundancy and staff salary costs incurred in achieving operational restructure and efficiency initiatives and the related head-count reductions within various operating businesses.

Centralised cost restructuring: Redundancy and staff salary costs incurred in reducing head count within head office and shared service functions and other operating infrastructure.

Property consolidation: Consolidation of property footprint and co-location of selected business units into campuses.

Losses in closed and merged businesses: Relates to costs associated with company close down and merger of companies.

Merger Costs: Advisory fees in relation to the STW/WPP merger. Total advisory fees expected to be circa $6 million.

FULL YEAR 2015 – COMPONENTS OF GROWTH ($M – STW SHARE)

	Revenue		EBITDA		NPAT	
	$	% Δ	$	% Δ	$	% Δ
2014 Full Year	**409.6**		**83.3**		**45.6**	
Forex impact [A]	2.4	0.6%	-	-%	-	-%
Net acquired [B]	**11.1**	**2.7%**	**2.4**	**2.9%**	**0.7**	**1.5%**
Organic growth	(7.1)	(1.7%)	(8.9)	(10.7%)	(6.7)	(14.7%)
2015 Full Year	**416.0**		**76.8**		**39.6**	

A. Reflects the impact of foreign exchange movements on the level of prior year revenue derived in foreign currencies
B. Represents the net impact of acquisitions and disposals made in 2015 as well as the full year effect of acquisitions and disposals made in 2014