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STW GROUP

Australasia's Leading Marketing Content and Communications Company



Acquisitions and equity raising

30 October 2012

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Executive summary

Overview of acquisitions

- STW is currently undertaking a number of acquisitions⁽¹⁾:
 - **75% of Markitforce**
Australian leader in promotional campaign execution and point of sale (“POS”) fulfilment for local and global clients
 - **80% of Maverick Marketing and Communications (“Maverick”)**
Australian leader in experiential marketing from strategic and creative development through to execution
 - **75% of Switched on Media (“SOM”)**
Digital agency specialising in search engine marketing and social media
 - **40% of Amblique⁽²⁾**
Digital agency specialising in online strategy, e-commerce, and web development
- Aggregate purchase price represents 5.0x CY13 EBITDA on a pre-synergy basis
- STW is well advanced towards completing a number of other acquisitions

(1) Sale and purchase agreements have been signed but as set out on slide 21, there remains a risk that one or more of the acquisitions does not complete

(2) Acquisition of Amblique was effective 1 July 2012 as set out in STW’s half year results presentation dated 9 August 2012

Executive summary

Financial impact

- Forecast CY13 revenue and EBITDA contribution of \$29.8m⁽¹⁾ and \$6.1m⁽¹⁾, respectively
- The announced acquisitions and the Placement are expected to be EPS neutral in CY13 on a pre-synergy basis
- If each of the other acquisitions being evaluated are completed on the terms currently anticipated by STW these acquisitions are expected to result in mid single digit accretion to CY13 EPS on a pre-synergy basis

Funding

- Announced acquisitions to be fully funded through a fully underwritten placement and a non-underwritten share purchase plan
- Other acquisitions currently being considered to be funded through:
 - Remaining proceeds from the equity raising
 - Existing debt facilities (to the extent remaining equity raising proceeds are not sufficient)

Placement and SPP

- Fully underwritten placement to qualified and sophisticated institutional investors (“**Placement**”) to raise \$33m at an issue price of \$0.97 per new share, representing 9.4% of current shares on issue
 - WPP plc, STW’s largest shareholder owning 20.7% of current shares on issue, have indicated that they will not be participating in the Placement
- Non-underwritten share purchase plan (“**SPP**”) to raise up to \$7m to enable retail shareholder participation at the same issue price as the Placement

STW strategy

SOUTH EAST ASIA

- Building specialist SEA network
- Invest in the high growth markets and segments
- Export of Australian I.P. and local operating companies to high growth SEA markets
- Build hub in Singapore to serve region and provide landing pad for STW Group companies
- Talent swap / I.P. transfer between markets

ACQUISITIONS

- ★ Digital/Data Business⁽¹⁾
- ★ Social Media Specialist⁽¹⁾

AUSTRALIA & NZ

- Maintain leadership position
- Keep home fires burning
- Organic growth from existing clients
- Rapid/deep Digital transformation
- Business incubation yielding great results
- Invest in service lines currently under weight

ACQUISITIONS

- ★ Markitforce
- ★ Maverick
- ★ Aust. based research Co. ⁽¹⁾

DIGITAL DOMINANCE

- Strong organic growth of local specialist Digital agencies
- Invest in key growth areas; mobile, social, data, search
- STW Digital academy roll out
- Future proof traditional agency brands
- Partnership/leverage at core of Digital dominance

ACQUISITIONS

- ★ Switched on Media
- ★ Amblique

(1) Not yet completed

Strategic rationale

The acquisitions are in line with our strategy and bolster STW's service offering



- Exposure to attractive **retail & shopper marketing** segment
 - Strengthens STW's **execution capabilities**
 - Good portfolio fit and ability to leverage growth via other STW companies
-



- Provides STW with **experiential marketing** capabilities
 - Long history of working with STW agencies
-



- Bolsters STW's **digital capabilities**
 - Deep and established capability in "**Search**" and "**Social**"
 - Complementary to STW's existing digital portfolio
-



- Significantly increases exposure to key "**e-commerce**" battleground
 - Opportunities for **leverage with STW retail companies**
 - Deep implementation / technical capability fills significant gap and client need
-

Other acquisitions currently under consideration⁽¹⁾

STW is well advanced towards completing a number of other acquisitions

Market Research Company

- One of the largest independent Market Research Companies in Australia/New Zealand
- Significant range of products servicing both Private and Government sectors
- Extensive geographical and market coverage

Digital Interactive Design

- Singapore based – wide South East Asia footprint
- 12 staff
- Deep expertise in financial services
- Deep user experience (UX) expertise

Social Media Specialist

- Blue chip client list of Global and Asian companies
- Singapore based – largest social media specialist in region
- Offices in Indonesia, Malaysia and Thailand
- 45 staff

(1) Discussions in respect of these acquisitions are ongoing and there is no assurance that any or all of these acquisitions will proceed

Markitforce



Overview of Markitforce (STW ownership: 75%)

- Australian business leader in promotional campaign execution and point of sale (“**POS**”) fulfilment for local and global clients
- Markitforce was founded in Sydney in 2001, and has since opened offices in Melbourne (2003), Brisbane (2005), Adelaide (2007), Perth (2007) and Auckland (2007) and has over 100 staff nationally

Service offering

- POS Management and product fulfilment
- Warehousing and distribution, climate control storage
- 3rd party logistics and packaging solutions
- Pick, Pack & Kitting
- Consumer redemptions
- In-store merchandising via 3rd parties
- Print management

Blue chip customer base, including:

- Unilever
- L’Oreal
- Boehringer Ingelheim
- Other blue chip customers spanning the FMCG, entertainment, automotive, pharmaceutical and other sectors



Attractive product with increasing client budgets being directed towards Retail & Shopper marketing

Maverick Marketing and Communications (“Maverick”)



Overview of Maverick (STW ownership: 80%)

- Australian leader in experiential marketing from strategic and creative development through to execution
- Operating for 12 years out of Sydney and currently employing 25 full time staff

Service offering

- Live consumer engagement through:
 - Digital
 - PR
 - Promotions
 - Branded Content
- Promotional staffing

Blue chip customer base, including:

- | | |
|-------------------|---------------|
| ▪ Coca Cola | ▪ Big Brother |
| ▪ Telstra BigPond | ▪ Target |
| ▪ Berlei | ▪ Voodoo |
| ▪ Westpac | ▪ Cleo |
| ▪ Ford | ▪ Nescafe |
| ▪ Schick | ▪ Bonds |
| ▪ Nestle Kit Kat | ▪ Vodafone |

- ✓ Profitable and dominant force in growing category
- ✓ Activation becoming more important in Digital age
- ✓ Substantial opportunity for leverage from STW client base

Switched on Media (“SOM”)



Overview of SOM (STW ownership: 75%)

- Digital agency specialising in search engine marketing and social media with a blue chip client base
- Founded in 2007
- 27 staff across Sydney and Melbourne offices

Service offering

- Search engine optimisation – helping clients increase their search engine rankings
- Search engine marketing – paid placement of advertising on search engines
- Social media – creating campaigns and content for social platforms

Blue chip customer base, including:

- | | |
|-------------------|---------------------|
| ▪ Canon | ▪ Westfield |
| ▪ Cochlear | ▪ Hamilton Island |
| ▪ Fairfax Digital | ▪ rogenSi |
| ▪ P&G | ▪ Reckitt Benckiser |

- ✓ **Profitable and fast-growing business**
- ✓ **Diverse revenue streams – paid search, organic search, social, content**
- ✓ **Potential for expansion into new markets (e.g. South East Asia)**

Amblique



Overview of Amblique (STW ownership: 40%)

- Digital agency specialising in online strategy, e-commerce, and web development for a range of leading retailers
- Established in 2006
- 60 staff in Sydney offices

Service offering

- Working with clients to plan their online retail strategy, web architecture
- Implementing end-to-end e-commerce solutions for clients
- Designing and building the technical platforms that drive successful e-commerce solutions for clients

Blue chip customer base, including:

- Supre
- Bunda Boutique
- Bardot
- Katies
- Glue Store
- Matt Blatt
- Godfrey Hirst

- ✓ **Profitable and fast-growing business**
- ✓ **Already benefiting significantly by shift from bricks and mortar retail to online retail**
- ✓ **Partnership with world-leading Demandware platform brings lead-flow opportunities**

Acquisition terms and financial impact

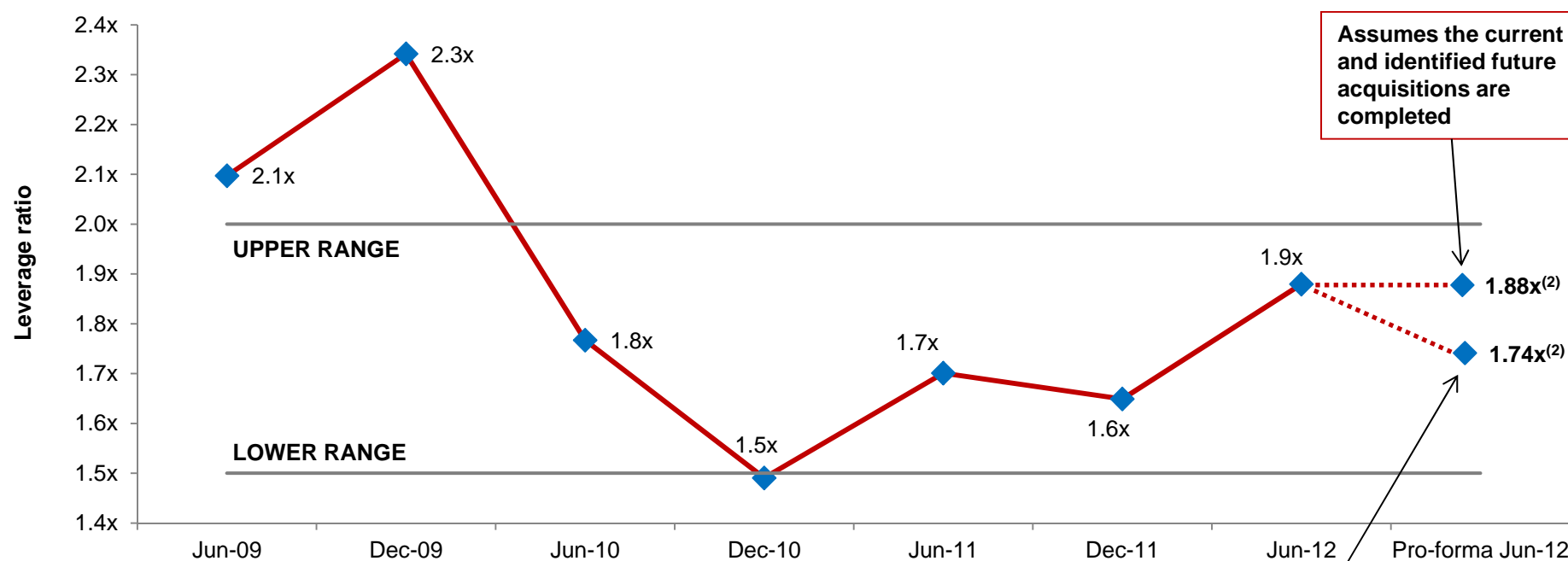
Terms	
Total purchase price	\$30.6m (including estimate of likely earnout payments)
Acquisition multiple	5.0x CY13 EBITDA (pre-synergy basis)
% of companies acquired	Markitforce – 75%, Maverick – 80%, SOM – 75%, Amblique – 40%
Earn-outs	Each of the agreements provide for further performance related payments in future years
Average earn-out duration	4 years
Approvals required	All required approvals have been obtained

- Contribution of announced acquisitions to P&L forecast:
 - Full year CY13 revenue contribution of \$29.8m⁽¹⁾
 - Full year CY13 EBITDA contribution of \$6.1m⁽¹⁾
- The announced acquisitions and the Placement are expected to be EPS neutral in CY13 on a pre-synergy basis
- If the additional acquisitions under consideration are completed on the terms currently anticipated by STW, those additional acquisitions are expected to be mid single digit EPS accretive in CY13 on a pre-synergy basis

(1) STW's proportionate share

Pro forma gearing within target range

- Pro forma gearing metrics post the acquisitions and Placement are within STW's target range of 1.50 to 2.00 times (gross debt + on balance sheet earn-out liabilities) / (rolling 12 month underlying EBITDA)



(1) Leverage ratio is defined as (gross debt + earnouts) / (rolling 12 month underlying EBITDA)

(2) Assumes a \$33m Placement and does not include proceeds from the SPP

Assumes only the current acquisitions are completed (i.e. only Markitforce, SOM, Maverick and Amblique are acquired) with the remaining funds raised under Placement are used to pay down debt

Outlook

1. Macro economy remains challenging
2. We are confident in STW's strategy and model
3. STW ahead of curve on costs – holding margins
4. Ideally positioned to capture incremental investment in Digital revolution
5. Encouraging new business pipeline
6. South East Asia strategy – Phase 1 complete
7. CY12 guidance remains unchanged at mid single digit NPAT growth (pre-acquisitions (including those announced today) and the equity raising)
8. Dividend payout ratio to remain in line with previously announced policy – target payout of 60% – 70% of underlying NPAT

Funding overview

Placement and SPP details

- Fully underwritten Placement to qualified and sophisticated institutional investors to raise \$33m at an issue price of \$0.97 per new share, representing 9.4% of current shares on issue
 - WPP plc, STW's largest shareholder owning 20.7% of current shares on issue, have indicated that they will not be participating in the Placement
- Non-underwritten SPP to raise up to \$7m to facilitate participation of retail shareholders at the same price as the Placement
- Issue price of \$0.97 per new share represents a:
 - 7.2% discount to the last closing price of \$1.045 on 29 October 2012
 - 3.0% discount to the 5 day volume weighted average price of \$1.00
- New shares will rank equally with existing STW shares
- Macquarie Capital (Australia) Limited is acting as the Sole Lead Manager and Underwriter

Sources and uses of funds

Sources	\$m	Uses	\$m
Placement	33	Purchase price of announced acquisitions	31
SPP	Up to 7	Future acquisitions / general corporate purposes / other	Up to 9
Total	Up to 40	Total	Up to 40

Placement timetable

Placement	Date
Trading halt	30 October 2012
Bookbuild opens	10:00am, 30 October 2012
Bookbuild closes	4:30pm, 30 October 2012
Trading halt lifted and shares recommence trading	31 October 2012
Settlement of new shares issued under the Placement	5 November 2012
Allotment of new shares issued under the Placement	6 November 2012
Normal settlement trading of new shares issued under the Placement	6 November 2012

SPP	Date
Record Date for determining eligibility to participate in SPP	7:00pm, 29 October 2012
SPP offer period	12 November – 26 November 2012
Allotment of new shares issued under the SPP	4 December 2012
Normal settlement trading of new shares issued under the SPP	5 December 2012

The above timetable is indicative only and subject to change. STW and the Lead Manager reserve the right to amend any and all of these events, dates and times subject to the Corporations Act 2001 (Cth), the Australia Securities Exchange (“ASX”) Listing Rules and other applicable laws. In particular, STW and the Lead Manager reserve the right to extend the closing time and date of the bookbuild, or to close the bookbuild early without any notification. The commencement of quotation of new shares is subject to confirmation from ASX. All references in this investor presentation are to Sydney time.

Key risk factors

A number of risks and uncertainties, which are both specific to STW and of a more general nature, may affect the future operating and financial performance of STW and the value of STW shares. You should carefully consider the following risk factors, as well as the other information provided by STW, and consult your financial and legal advisers before making an investment decision. The risks and uncertainties described below are not the only ones facing STW. Additional risks and uncertainties that STW are unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect STW's operating and financial performance.

General risks

Economic conditions	<p>The performance of STW may be influenced by changes in various general economic factors in Australia, New Zealand and South East Asia including, but not limited to: level of economic growth and the resultant impact on advertising market conditions; unemployment levels and the amount of consumer discretionary spending; consumer and business sentiment; interest rates, inflation and currency exchange rates; labour costs; and other changes in economic conditions which may affect the revenue or costs of STW.</p> <p>The spending patterns of international clients of STW are also driven by offshore economic conditions and accordingly the performance of STW may be influenced by changes in various general economic factors outside Australia, New Zealand and South East Asia. Material adverse changes to these general economic factors may have an adverse impact on STW's operating and financial performance.</p>
Asset impairment risk	<p>Under the A-IFRS accounting standards, intangible assets that have an indefinite useful life, including goodwill, are not subject to amortisation and are reviewed semi-annually for impairment. Individual assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an individual asset may not be recoverable. Changes to the carrying amounts of intangible assets of STW could have an adverse impact on the reported financial performance of STW.</p>
Regulatory risk	<p>STW may be affected by changes in government policy or legislation applicable to companies in the media sector including cross-media ownership laws. This could include those policies and legislation which regulate ownership or control of interests in media organisations.</p>
Taxation implications	<p>Future changes in taxation law in Australia, including changes in interpretation or application of the law by the courts or taxation authorities in Australia, may affect taxation treatment of an investment in STW shares, or the holding or disposal of those shares. Further, changes in taxation law, or to the way taxation law is interpreted in the various jurisdictions in which STW operates, may impact STW's future tax liabilities.</p>
Credit risks	<p>Credit market conditions and the operating performance of the STW will affect borrowing costs as well as STW's capacity to repay, refinance and increase its debt.</p>
Risks relating to equity investments and markets	<p>Investors should be aware that there are risks associated with any investment listed on the ASX. The value of STW shares may rise above or fall below the issue price, depending on the financial condition and operating performance of STW. Further, the price at which STW shares trade on ASX may be affected by a number of factors unrelated to the financial and operating performance of STW and over which STW and its directors have no control. Investors should note that the historic share price performance of STW shares provides no guidance as to its future share price performance.</p>

Key risk factors

General risks (cont.)

Future payment of dividends	STW's future dividend levels will be determined by the Board having regard to the operating results and financial position of STW. There is no guarantee that any dividend will be paid or, if paid that they will be paid at in accordance with the stated dividend payout ratio policy.
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Operational risks

Competition in the media sector	The media sector, and the marketing and communications services sector more specifically, in the markets in which STW operates can be highly competitive. Competitors to STW's businesses include both large internationally aligned and small local specialist firms. The actions of an existing competitor or the entry of new competitors in a media sector in which STW's businesses operate may result in client loss and have an adverse effect on STW.
Advertising and marketing spend	Revenue and earnings of a majority of STW's businesses are predominantly derived from the advertising and marketing spend of key corporations in a number of different sectors. STW's earnings are therefore influenced by fluctuations in the advertising markets in the markets in which STW operates.
Client's ability to terminate contracts on short notice	<p>Service agreements with clients are generally terminable by the client upon short notice, typically three months. Some clients also put their advertising and communications contracts up for competitive bidding at regular intervals. Clients generally are able to reduce advertising and marketing spending or cancel projects at any time for any reason.</p> <p>A significant reduction in spending by key clients, or the loss of key clients or a suite of clients in a particular industry segment, could adversely affect STW's prospects, business, financial condition and results of operations.</p>
Dependence on key personnel	The advertising and marketing services industries are highly dependent on the talent, creative abilities and technical skills of the personnel of the service providers and the relationships their personnel have with clients. STW companies have established a reputation in the industry that attracts talented personnel. However, like all service providers, it is vulnerable to adverse consequences from the loss of key employees due to competition among providers of advertising and marketing services.
Seasonality of revenue	STW's operating companies generally experience seasonality in earnings which historically has resulted in stronger revenue generation in the six months ending 31 December compared to the six months ending 30 June. STW relies on the seasonality trends displayed by its operating companies historically to prepare forecasts and budgets. There is no guarantee that the seasonality trends displayed historically will continue in the future, including in the current financial year ending 31 December 2012.
Access to capital	There is no assurance that funding will be available to STW in the future on acceptable terms. If adequate funds are not available, STW may not be able to meet its future funding obligations, take advantage of acquisition opportunities, develop new business opportunities or otherwise respond to competitive pressures.

Key risk factors

Operational risks (cont.)

Divestment and acquisition activities	From time to time STW evaluates acquisition and divestment opportunities. Any acquisition and/or disposal would lead to a change in the sources of STW's earnings and could increase the volatility of earnings. There is also an inherent risk that the integration of a recently acquired business may encounter unexpected challenges or issues. As a result, it might not realise the intended advantages of any given acquisition and it also may suffer unexpected loss.
Deferred consideration agreements	The acquisition agreements entered into with the vendors of certain operating companies require the STW to potentially make additional payments based on deferred consideration arrangements. The final amounts to be paid are uncertain and dependent on individual company performance and the level of growth in individual company performance.
Strategy execution	STW may not be able to execute effectively the current strategies for its businesses including the leveraging of print and online opportunities, cost savings and continuous operational improvements.
Counterparty risk	STW is exposed to credit-related losses (which may not be fully insurable) in the event of non-performance by counterparties to contracts, as those counterparties may not be willing or able to perform their obligations to STW.

Key risk factors

Acquisition risks

Completion risk	Completion of the acquisitions may be conditional on certain matters. If any of the conditions are not met, completion of the acquisitions may be deferred or cancelled. Failure to complete these transactions and any action required to be taken to deploy capital raised may have a material adverse effect on STW's financial performance, financial position and share price. Completion of the other acquisitions currently under consideration as referred to in this presentation may or may not occur, or the acquisitions may proceed on terms that differ to those currently anticipated by STW.
Deferred consideration agreements	The acquisition agreements entered into in respect of the four acquisitions require STW to potentially make additional payments based on deferred consideration arrangements. The final amounts to be paid are uncertain and dependent on individual company performance and the level of growth in individual company performance. The final amounts paid may exceed the amounts estimated by STW as at the date of this presentation.
Loss of key staff	It is possible that there will be some unintended loss of key staff leading up to and following the announced acquisitions. Given the nature of the businesses to be acquired, loss of key staff may have a significant adverse impact on the financial performance of the companies being acquired.
Analysis of acquisition opportunities	STW has undertaken financial, business and other analyses of the companies to be acquired in order to determine their attractiveness to STW and whether to pursue the acquisitions. It is possible that such analyses and the best estimate assumptions made by STW draws conclusions and forecasts that are inaccurate or which are not realised in due course. To the extent that the actual results achieved by the business being acquired are different than those indicated by STW's analysis, there is a risk that the profitability and future earnings of the operations of the STW Group may be materially different from the profitability and earnings expected as reflected in this presentation.
Limited due diligence and reliance on information provided	The information regarding the announced acquisitions in this presentation has been derived from limited financial information and other information made available by or on behalf of the vendors during the due diligence process conducted by STW in connection with the announced acquisitions. While STW has conducted due diligence on the announced acquisitions, and prepared financial analysis of the announced acquisitions in order to determine the attractiveness of those businesses, STW is unable to verify the accuracy or completeness of the information provided to it by or on behalf of the vendors and there is no assurance that this due diligence was exhaustive and that all material issues and risks in relation to the announced acquisitions have been identified. To the extent that this information is incomplete, incorrect, inaccurate or misleading, or the actual results achieved by Integrity are weaker than those indicated by STW's analysis, there is a risk that the profitability and future results of the operations of the STW Group may differ (including in a materially adverse way) from STW's expectations, or that additional liabilities may emerge.
Synergies and risk	There are risks that any integration between the businesses of STW and the announced acquisitions may take longer than expected and that anticipated efficiencies and benefits of that integration may be less than estimated. These risks include possible differences in the management culture, inability to achieve synergy benefits and cost savings, and the potential loss of key personnel.

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- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
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- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID.

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International selling restrictions

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- persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money; or
- persons who are each required to (i) pay a minimum subscription price of at least NZ\$500,000 for the securities before allotment or (ii) have previously paid a minimum subscription price of at least NZ\$500,000 for securities of the Company ("initial securities") in a single transaction before the allotment of such initial securities and such allotment was not more than 18 months prior to the date of this document.

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