

stw group



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

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES OR TO U.S. PERSONS

ASX Release

30 October 2012

STW ANNOUNCES ACQUISITIONS AND EQUITY RAISING

- STW Communications Group Limited (“**STW**”) has agreed to acquire an interest in four companies for total consideration of \$30.6 million, and is also well advanced towards completing a number of other acquisitions currently being evaluated
- Acquisitions are in line with STW’s stated strategy
- Acquisitions to be fully funded through a \$33 million placement and share purchase plan to raise up to \$7 million
- The four acquisitions and the Placement are expected to be EPS neutral in CY13 on a pre-synergy basis
- Other acquisitions currently being evaluated are expected to result in mid single digit accretion to CY13 EPS on a pre-synergy basis, if completed

Overview of the acquisitions

Sydney, 30 October 2012: STW Communications Group Limited (ASX: SGN) today announced that it has agreed to acquire interests in four companies, comprising 75% of Markitforce, 80% of Maverick Marketing and Communications (“**Maverick**”), 75% of Switched on Media (“**SOM**”) and 40% of Amblique. While sale and purchase agreements have been signed, there remains a risk that one or more of the acquisitions does not complete.

The total consideration to be paid for the four acquisitions is \$30.6 million which includes an estimate of the likely further performance related payments in future years.

The other acquisitions that STW is currently evaluating are a privately owned market research company operating in Australia and New Zealand, a Singapore based digital interactive design company with a wide South East Asia footprint and a Singapore based social media specialist with offices in Indonesia, Malaysia and Thailand. Discussions in respect of these potential acquisitions are ongoing and there is no assurance that any of them will proceed.

Markitforce

Markitforce is an Australian leader in promotional campaign execution and point of sale (“**POS**”) fulfilment for local and global clients.

Founded in Sydney in 2001, Markitforce has since opened offices in Melbourne, Brisbane, Adelaide, Perth and Auckland, and employs over 100 staff nationally.

Maverick Marketing and Communications

Maverick is an Australian leader in experiential marketing from strategic and creative development through to execution.

For personal use only

Based in Sydney, it has been operating for 12 years and currently employs 25 full time staff with a service offering that includes live consumer engagement through digital, PR, promotions and branded content.

Switched on Media

SOM is a digital agency specialising in search engine marketing and social media with a blue chip client base and is complementary to STW's existing digital portfolio.

SOM was founded in 2007 and has 27 staff across its Sydney and Melbourne offices.

Amblique

Amblique is a digital agency specialising in online strategy, e-commerce and web development for a range of leading retailers.

It was established in 2006 and has 60 staff in its Sydney offices.

On announcing these acquisitions, STW's Chief Executive Officer, Mr Michael Connaghan, said "The acquisitions of Markitforce, Maverick, SOM and Amblique are important strategic investments for STW and are highly complementary to our existing portfolio of businesses. These acquisitions are in line with STW's stated strategy and we look forward to building on the success these companies have already enjoyed."

Outlook

Based on prevailing market and economic conditions, CY12 guidance remains unchanged at mid single digit NPAT growth (pre acquisitions (including those announced today) and the equity raising).

STW's dividend payout ratio will remain in line with the previously announced policy, targeting a payout of 60% to 70% of underlying NPAT.

Financial impact

STW expects the four acquisitions to deliver a full year CY13 revenue and EBITDA contribution of \$29.8 million and \$6.1 million, respectively.

The four acquisitions and the Placement are expected to be EPS neutral in CY13 on a pre-synergy basis. If each of the other acquisitions that are being evaluated proceed in line with STW's current expectations, those acquisitions are expected to result in mid single digit accretion to CY13 EPS on a pre-synergy basis.

Acquisition funding

STW has agreed to pay \$30.6 million for the four acquisitions (which includes an estimate of the likely further performance related payments in future years), which are to be fully funded through a fully underwritten placement to qualified and sophisticated institutional investors to raise \$33 million ("**Placement**") and a non-underwritten share purchase plan to raise up to \$7 million ("**SPP**").

The remaining net proceeds from the Placement and SPP will be used for the other acquisitions currently being evaluated and/or for general corporate purposes. If the acquisitions do not proceed, the funds raised will be used to pay down debt.

Placement

The Placement will be conducted through an institutional bookbuild to qualified and sophisticated institutional investors at a fixed price of \$0.97 ("**Placement Price**") per new fully paid ordinary share in STW ("**New Share**") to raise \$33 million, 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.

The Placement is fully underwritten by Macquarie Capital (Australia) Limited.

The Placement Price represents a:

- 7.2% discount to the last closing price of \$1.045 on 29 October 2012; and
- 3.0% discount to the 5 day volume weighted average price (“**VWAP**”) of \$1.00.

New Shares issued under the Placement will rank equally with existing fully paid ordinary shares in STW.

SPP

STW intends to raise up to \$7 million under the SPP. Investors on STW’s share register at 7:00pm (Sydney time) on 29 October 2012 (“**SPP Record Date**”) and whose registered address is in Australia or New Zealand will be entitled to subscribe for up to \$15,000 worth of new fully paid ordinary shares in STW at the Placement Price (subject to scale-back at STW’s discretion should applications under the SPP exceed \$7 million). The SPP is not underwritten.

Further details of the SPP, including instructions on how to apply, will be announced on ASX and distributed to eligible shareholders in due course.

Indicative timetable for the Placement and SPP

Placement	Date
Trading halt	Tuesday, 30 October 2012
Placement bookbuild opens	10:00am, Tuesday, 30 October 2012
Placement bookbuild closes	4:30pm, Tuesday, 30 October 2012
Trading halt lifted and shares recommence trading on ASX	Wednesday, 31 October 2012
Settlement of New Shares under Placement	Monday, 5 November 2012
Issue of New Shares under Placement	Tuesday, 6 November 2012
New Shares issued under Placement commence normal settlement trading on ASX	Tuesday, 6 November 2012

SPP	Date
SPP Record Date	7:00pm Monday, 29 October 2012
Announcement of SPP	Tuesday, 30 October 2012
SPP offer period	Monday, 12 November to Monday, 26 November 2012
SPP results announcement	Friday, 30 November 2012
Issue of New Shares under SPP	Tuesday, 4 December 2012
New Shares issued under SPP commence normal settlement trading on ASX	Wednesday, 5 December 2012

The above timetables are indicative only and subject to change. STW reserves the right to amend any or all of these events, dates and times subject to the Corporations Act 2001 (Cth), the Australian Securities Exchange (“**ASX**”) Listing Rules and other applicable laws. In particular, STW reserves the right to extend the closing date of the offers, to accept late applications either generally or in particular cases or to withdraw the offers without prior notice. The commencement of quotation of New Shares is subject to confirmation from ASX. All references are to Sydney time.

For personal use only

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

Important Information

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES OR TO U.S. PERSONS

This announcement has been prepared for publication in Australia and may not be released or distributed in the United States or to "U.S. Persons" (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") ("**U.S. Persons**"). This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States, or to any person that is, or is acting for the account or benefit of, a U.S. Person. The New Shares described in this announcement have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. Persons except in transactions exempt from, or not subject to, registration under the U.S. Securities Act and other applicable securities laws.

Forward-looking statements contained in this announcement are subject to significant risks, uncertainties, assumptions, contingencies and other factors (many of which are outside the control of, and unknown to, STW and its officers, employees, agents or associates), which may cause the actual results or performance to be materially different from any future result expressed or implied by such forward looking statements. There can be no assurance or guarantee that actual outcomes will not differ materially from these statements.

For personal use only