



citadel group
MANAGING COMPLEXITY

For personal use only

2016 Full Year Results

22 August 2016

Dr Miles Jakeman – MD

Darren Stanley – Deputy CEO



FY16: a record result



Doing what we said we would do... ... and delivering strong results

- Delivered well against existing contracts
- Signed new contracts, extending reach into new markets
- Strengthened and added capabilities via acquisitions
- Recruited additional high profile, commercially-experienced executives
- Well-positioned for further growth

\$85.1m

total revenue

↑ 17%

\$21.4m

EBITDA

↑ 109%

\$12.8m

profit before income tax

↑ 49%

\$8.9m

net profit

↑ 36%

17.6¢

earnings per share
(note 7)

↑ 9%

\$4.95m

dividends paid
(note 28)

↑ 20%

Statutory Financial results for full-year ended 30 June 2016
relative to Previous Corresponding Period (PCP)



citadel group
MANAGING COMPLEXITY

FY16: a transformational year that
delivered a record result

For personal use only

Growth across all key metrics



Exceptional growth in EBITDA

(\$m)	FY16	FY15	Change
Total Revenues	85.1	72.3	17%
Gross Profit	34.4	22.4	53.6%
Gross Profit margin	41.6%	31.0%	10.6%
EBITDA	21.4	10.2	109.8%
EBITDA margin	25.9%	14.1%	11.8%
Depreciation & Amortisation	(5.0)	(1.2)	316.7%
EBIT	16.4	9.0	82.2%
Finance Costs	(3.6)	(0.5)	620.0
NPBT	12.8	8.5	50.6%
Tax Expense	(3.9)	(2.0)	95.0%
NPAT	8.9	6.5	36.9%

- Total revenue (sales + other income) up 17% to \$85.1m
 - Growth in Technology (includes Health)
 - Combination of organic growth strategies and acquisition activities
- Gross profit margin grew to 41.6%
 - Scale through new managed service contracts
 - Good execution of existing contracts
- EBITDA up 109.8% to \$21.4m
 - Successful integrations
 - Focus on non-resource constrained, IP business
 - Implementation of cost reduction strategies
 - Gains from fair value revaluations of investments and financial instruments (\$1.8m)
- NPAT up 36.9% to \$8.9m
 - Higher depreciation and amortisation due to investment in ICT, facilities, and amortisation of assets associated with earlier acquisition
 - Increase in effective tax rate due to tax treatment associated with earlier acquisition

Strong financial trends

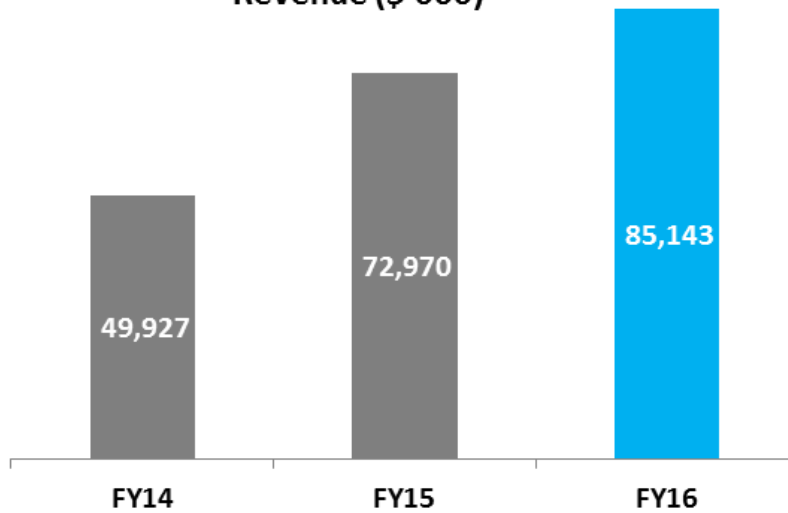


citadel group

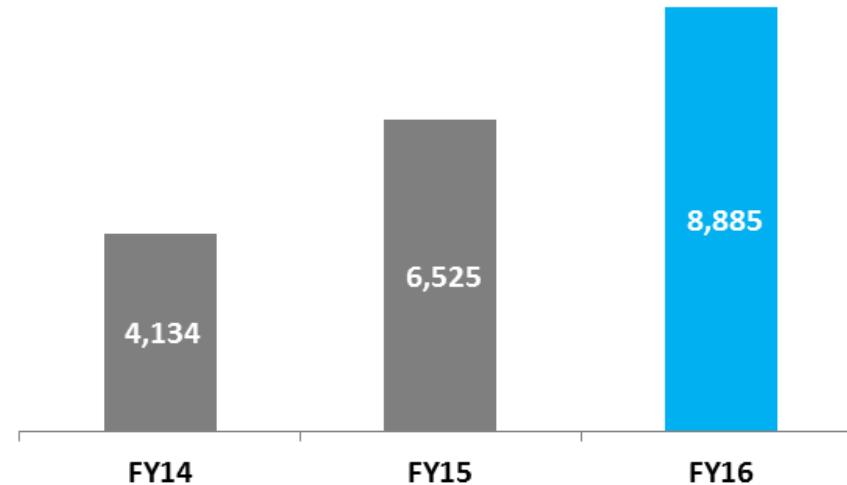
MANAGING COMPLEXITY

For personal use only

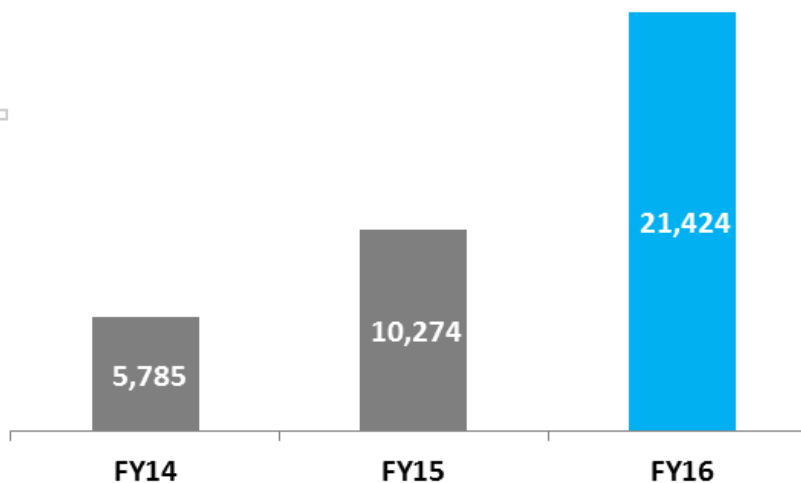
Revenue (\$'000)



Net Profit After Tax (\$'000)



Statutory EBITDA (\$'000)



- Operating in attractive industry segments
- Revenue improvements through organic and acquisitive activities
- EBITDA growth through leveraging managed service contracts, unique IP, synergies from successful acquisitions, continued change in sales mix towards higher margin services, and diligent cost management
- Enhanced sales capability will continue revenue and margin growth trends

Strong balance sheet



Supports further growth initiatives

(\$m)	FY16	FY15
Cash	34.6	37.2
Trade & other receivables	12.5	21.3
Plant & equipment	6.0	2.6
Intangible assets	59.3	60.0
Other assets	4.3	5.6
Total assets	116.7	126.7
Debt	1.3	1.6
Trade & other payables	22.1	46.3
Other liabilities	28.8	21.8
Total liabilities	52.2	69.7
SHAREHOLDERS EQUITY	64.5	57.0

- Cash down slightly to \$34.6m
 - Control was gained of filosofh-e (a former associate) for \$2.65m
- Trade & other receivables down to \$12.5m
 - Improved cash collection process
 - nRAH project completed during the year with all monies received by 30 June 2016 (30 June 2015: \$5.8m receivable)
- Plant & equipment up to \$6.0m
 - \$1.0m upgrade Education's Parramatta campus
 - \$2.5m investment in future revenue generating ICT infrastructure, and customer relationship and talent management systems
 - Balance: further software acquisitions to complement health software offerings and capitalised software program enhancements
- Trade & other payables down to \$22.1m
 - Regular payment of supplier invoices
 - Reduced spending on inventory as a result of the nRAH project completion

For personal use only

Cashflows and dividend



Growing operating cashflow underpins continued dividend returns

(\$m)	FY16	FY15
Net cash inflow from operating activities	10.4	6.9
Net cash outflow from investing activities	(2.8)	(10.7)
Net cash from financing activities	(9.5)	21.4
Net increase / (decrease) in cash	(1.9)	17.5

	Franking tax rate %	Dividend cents per share	Total paid / payable \$m
Dividend paid 25 September 2015	30	5.8	2.7
Dividend paid 31 March 2016	30	4.8	2.2
Dividend declared 22 August 2016	30	4.8	2.2

- Operating cashflow up \$3.5m to \$10.3m
 - Mirroring growth in business
 - EBITDA includes \$5.6m in net expenses that are non-cash in nature
 - Working capital totalled \$12.4m which includes \$6.9m in deferred revenue (paid in FY15; recognised in FY16)
- Investing cash outflow down to \$(2.8)m
 - FY15: \$9.1m payment for Citadel Health
 - FY16: \$1.5m payment for philosoph-e (\$2.65m consideration net of cash balances acquired)
- Financing cash outflow of \$(9.5)m
 - FY15: \$25m inflow from IPO
 - FY16: \$5.4m outflow re repayment of loans
- Final FY16 dividend of 4.8 cps fully franked
- Total dividend paid in FY16 up 20% to \$4.95m fully franked

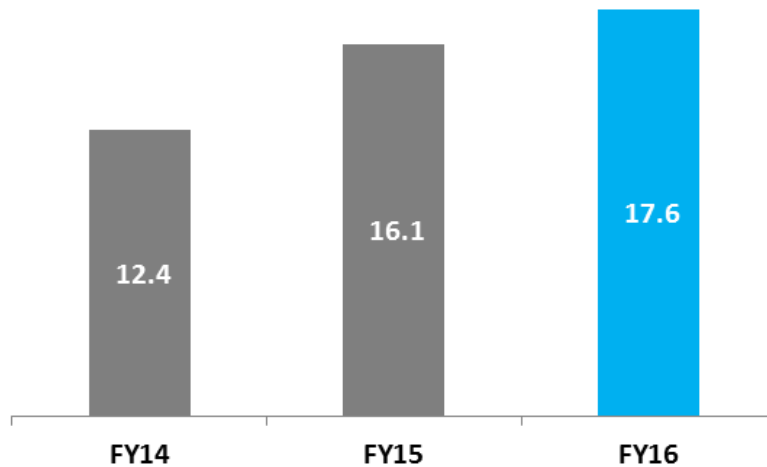
For personal use only

Growing shareholder returns

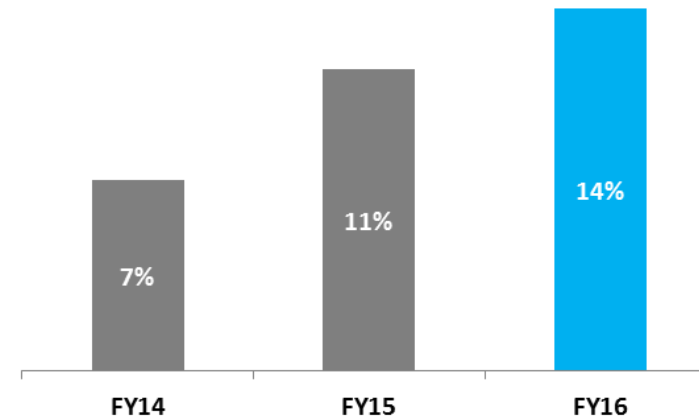


For personal use only

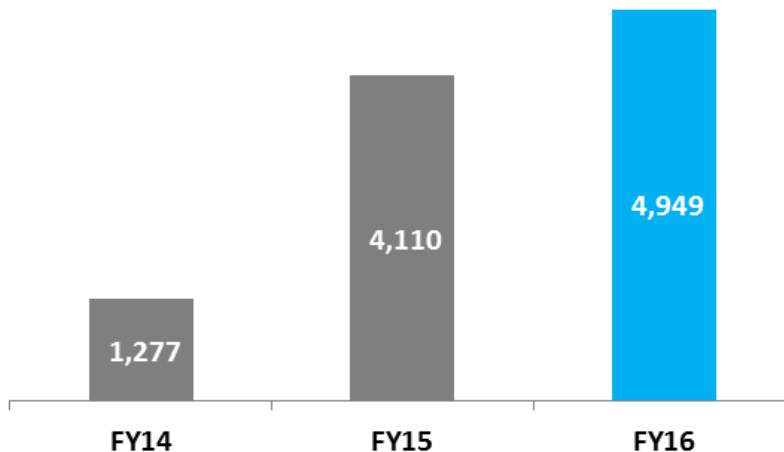
Earnings per share (cents per share)



Return on Equity (%)



Total dividends (\$'000)



- EPS growing and rate of growth reflects accretive approach to successful acquisitions
- Total dividends paid is growing through operating cashflows and balance sheet strength
- ROE continuing to strengthen



citadel group
MANAGING COMPLEXITY

Segment and Divisional Information

For personal use only

Technology segment



Continued strong growth as we deliver on our strategy

(\$m)	FY16	FY15	Change
Revenue	75.3	61.5	22.4%
Cost of Sales	(44.6)	(46.1)	(3.3)%
Gross Profit	30.7	15.4	99.4%
Gross Profit margin	40.8%	25.0%	15.8%
EBITDA	25.9	10.6	144.3%
EBITDA margin	34.4%	17.2%	17.2%

- Incorporates the Knowledge, Technology and Health divisions
- Revenue up 22.4% to \$75.3m
 - FY impact of Citadel Health: revenues, synergies and new combined market offerings
 - Early successes in new markets
 - Success with incremental Integrated Technology Solution delivery
- Gross profit margin grew to 40.8%
 - Greater efficiencies generated through scalability of managed service contract resources
 - Focus on use of variable direct labour for implementation phase of large projects
- EBITDA up 144.3% to \$25.9m
 - Recognition of \$1.8m in other income associated with gains from fair value revaluations of investments and financial instruments

For personal use only



Underpinning the Group's continuing successes

- New Royal Adelaide Hospital (nRAH) successfully delivered
 - Now awaiting commencement of hospital services to finalise an ongoing managed service contract
- Major Department of Defence and other key federal government agency contracts continue to progress well
 - Exceeding SLAs/KPIs
 - Have added additional services
- Contract with Charles Sturt University (CSU) to provide a new communications solution supporting up to 25,000 users in real-time was successfully completed
- New contract with Monash University for the provision of audio and visual collaboration services was won and delivery has been proceeding well
- Retention of contracts coupled with new managed service contracts has seen margins improve



Presenting attractive opportunities for expansion

- Citadel Health's strong client-centric culture has had a very positive effect on acquired clients
 - E.g. renewed NSW Pathology North contract
 - Positive feedback and referrals from other large clients
- Significant ongoing R&D in development of cloud-enabled Laboratory Information Management Systems
 - Required to meet future clients needs for integration and connectivity in the emerging Connected Health ecosystem
- Also investing in new product development in adjacent health technologies
 - Digital pathology, pathology exchange, e-Orders, analytics and point of care solutions
- Commercialisation of the eBlood acquisition has commenced
- Exploring offshore expansion opportunities for a number of our products



'Hunkered down' in Education



citadel group

MANAGING COMPLEXITY

Impacted by market sentiment, now represents less than 4% of earnings

- Revenue down 30.4% to \$7.8m
 - Negative publicity in private education market
 - Lower student numbers
- Gross profit decreased to 50.0% from 63.4%
 - Continued fixed costs such as leases
 - Increased governance and compliance-related costs to ensure quality delivery
- EBITDA down 75.6% to \$1.0m
 - Administration costs have remained stable. Effect of initiatives to scale down costs will come through in FY17
- Going forward we will:
 - Maintain a 'watching brief' on the political landscape and concomitant regulatory requirements
 - Pivot back to B2G and B2B training delivery
 - Market additional offerings via our online delivery platforms
 - Focus on our use of technologies and platforms (TechEd) to complement training delivery





citadel group
MANAGING COMPLEXITY

Well positioned for continued growth

For personal use only

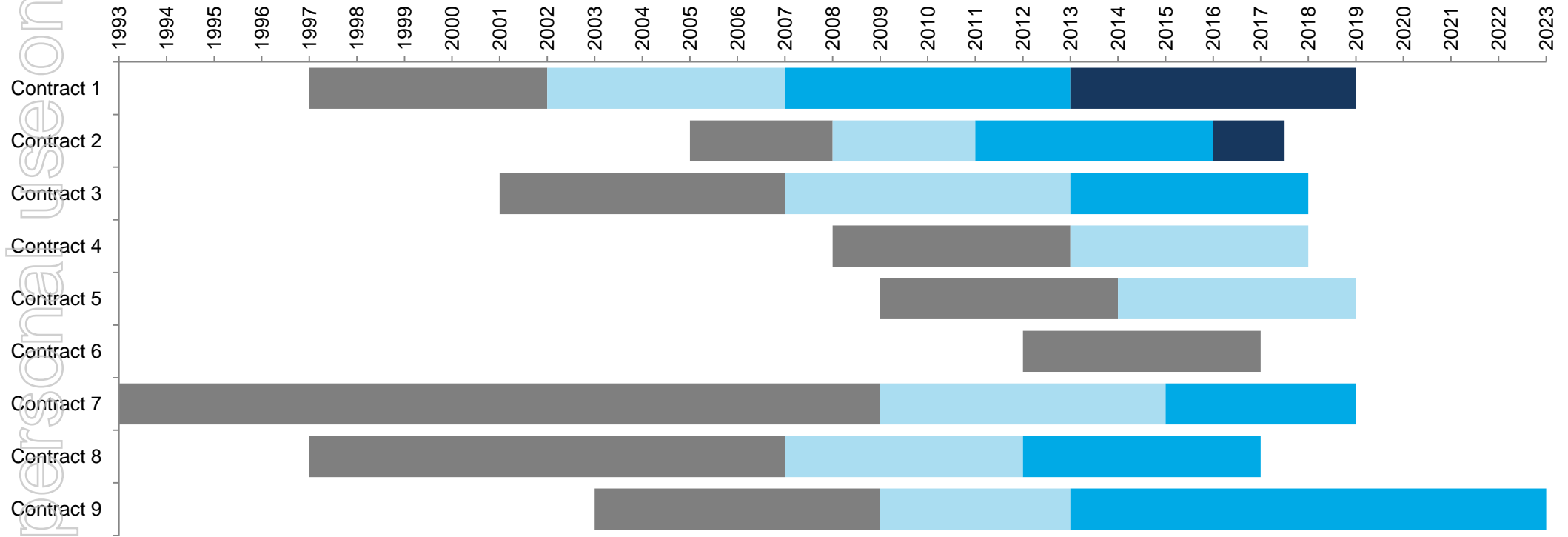
All major contracts locked in for FY17



citadel group

MANAGING COMPLEXITY

For personal use only



- Only material, long-term contracts shown in the chart above
- Managed service contracts prolong the average duration of client relationships and provide stable, recurring revenue streams, as well as opportunity to upsell
- Strong history of renewal through exceeding client requirements
- Strong 'pipeline' of net new managed services contracts

Recent acquisition update



citadel group

MANAGING COMPLEXITY

Kapish acquisition deepens capability and extends customer reach in Enterprise Data Management

- Founders staying on
- Investment in new product development capability already underway
 - Integrated into our Knowledge Division
 - Greater sales capability to the team and greater access to additional resources and operations support to enable growth
- Significant opportunity to quickly become HPE Platinum Partner and leverage HPE channel for additional services
- Growth focus:
 - Initially geographic expansion into NSW and QLD
 - Delivering the entire product suite As-a-Service provides greater effectiveness and efficiency for clients
 - Integrating with other content management products such as SharePoint and Objective



Sharing information seamlessly and securely

Another busy year ahead

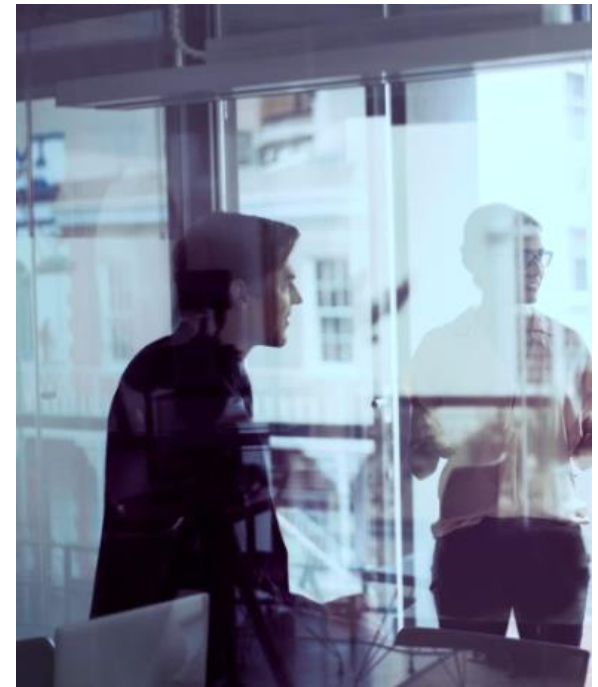


citadel group

MANAGING COMPLEXITY

For personal use only

- Strong pipeline of opportunities across all sectors of the business, with particular strength in eHealth and Knowledge
 - Opportunities being developed by new sales teams to new markets, but leverages our assurance pedigree of managing information in complex environments
 - Have the management/staff bandwidth to manage this continued growth
- Continued focus on delivering IP-laden, non-resource constrained, scalable solutions
 - Builds on our assurance pedigree where trust is paramount
- Continued focus on eHealth product development
- Continued focus on commercialising mission critical systems to support Defence, Police and other first responder agencies
- Moving Education segment from its reliance on VET delivery to a TechEd provider with greater scale
- Campaign of brand recognition and client base expansion to reduce concentration risks
- Ongoing acquisition program where it makes sense to support ambitions in the eHealth and technology portfolios





Appendices



citadel group
MANAGING COMPLEXITY

How Citadel supports its clients

For personal use only

Delivering to Government Clients



citadel group
MANAGING COMPLEXITY

Leveraging our “trusted provider” status with a long-term customer to deliver tangible outcomes

- Chosen because of pedigree as a security specialist;
- Provided an ‘end-to-end’ solution: scoping, training, migration, integration, security & service support;
- Now over 110,000 users (30,000 log in every day);
- Users access and manage over 350 million electronic objects from across the globe;
- Size and complexity of this deal usually reserved for global SIs, but in this domain we are seen as an obvious Strategic Partner;
- Contract has been held since 2005 including progressing through three further ‘market retests’; and,
- This model is replicable into other Government and Corporate clients.

Enterprise Content Management Lifecycle





Optimising service delivery in a disconnected sector

- Solutions for clients are enabled via multiple modules including amongst others:
 - Order placement and management
 - Positive patient identification
 - Specimen and Image handling
 - Point of care testing (POCT)
 - Biochemistry, microbiology and haematology
 - Molecular diagnostics and molecular genetics
 - Immunology and anatomical pathology
- Largest Australian-based LIMS supporting over 34 laboratories, 3500 laboratory staff on a 24/7 basis;
- Over 50,000 daily transactions (approx. 40% of all public hospital tests nationwide);
 - Hold 27 years of patient histories for data analytics/BI; and,
 - Leveraging this case study into other health areas.

Highly configurable lab information management system (LIMS)



Enabling unified collaboration

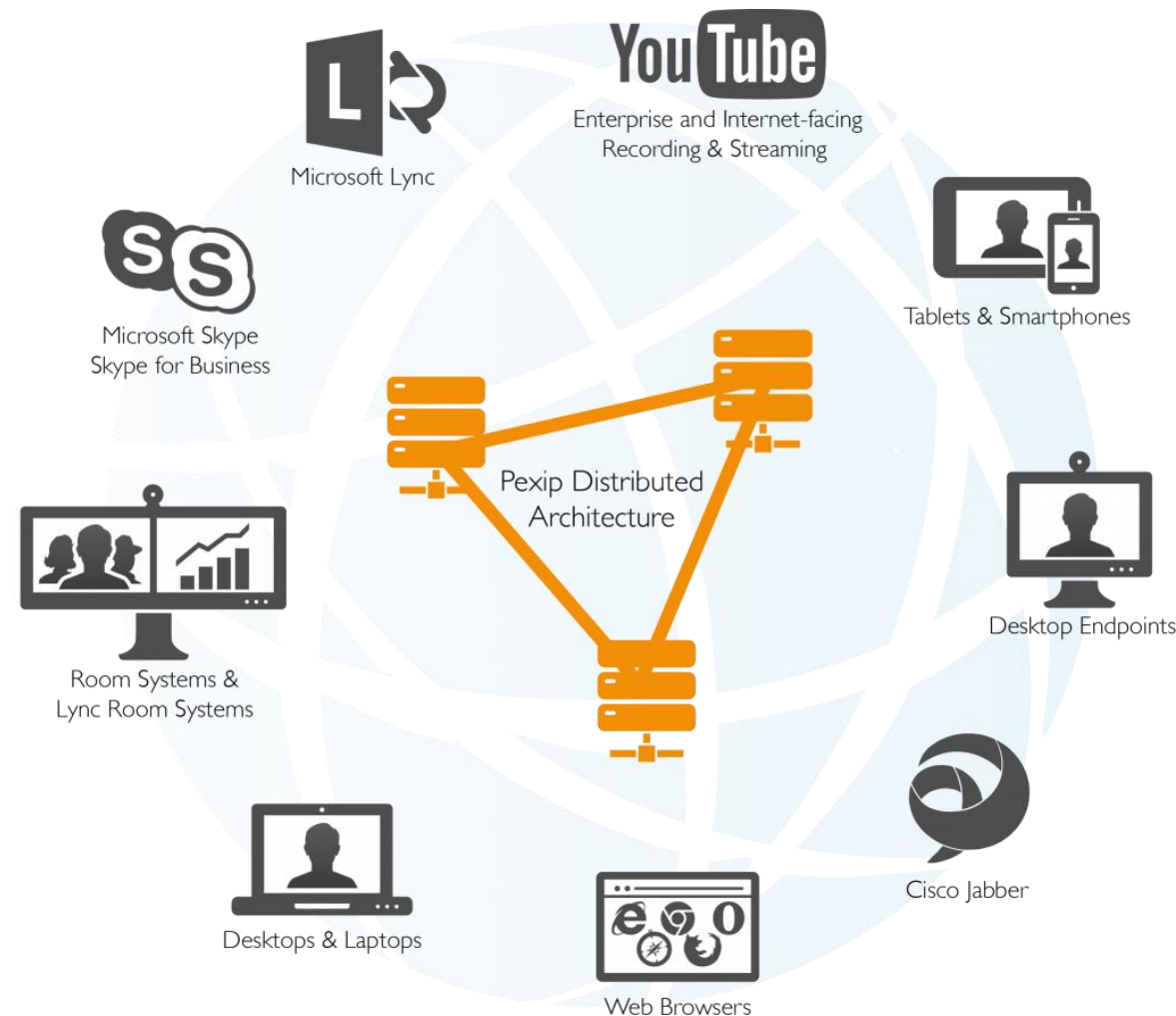


citadel group

MANAGING COMPLEXITY

Anytime-anywhere-any device

- World's largest multi-point video conferencing deployment: entire student-teacher-staff population can connect real-time from anywhere using any device;
- Designed and delivered through combining proprietary software and hardware;
- Integrates seamlessly with scheduling, timetabling, audio visual and recording solutions;
- Done at significantly less cost;
- Students are happier with their learning experience; and,
- Device and application-agnostic solution has enabled a true "BYOD" culture.



Innovating across networks

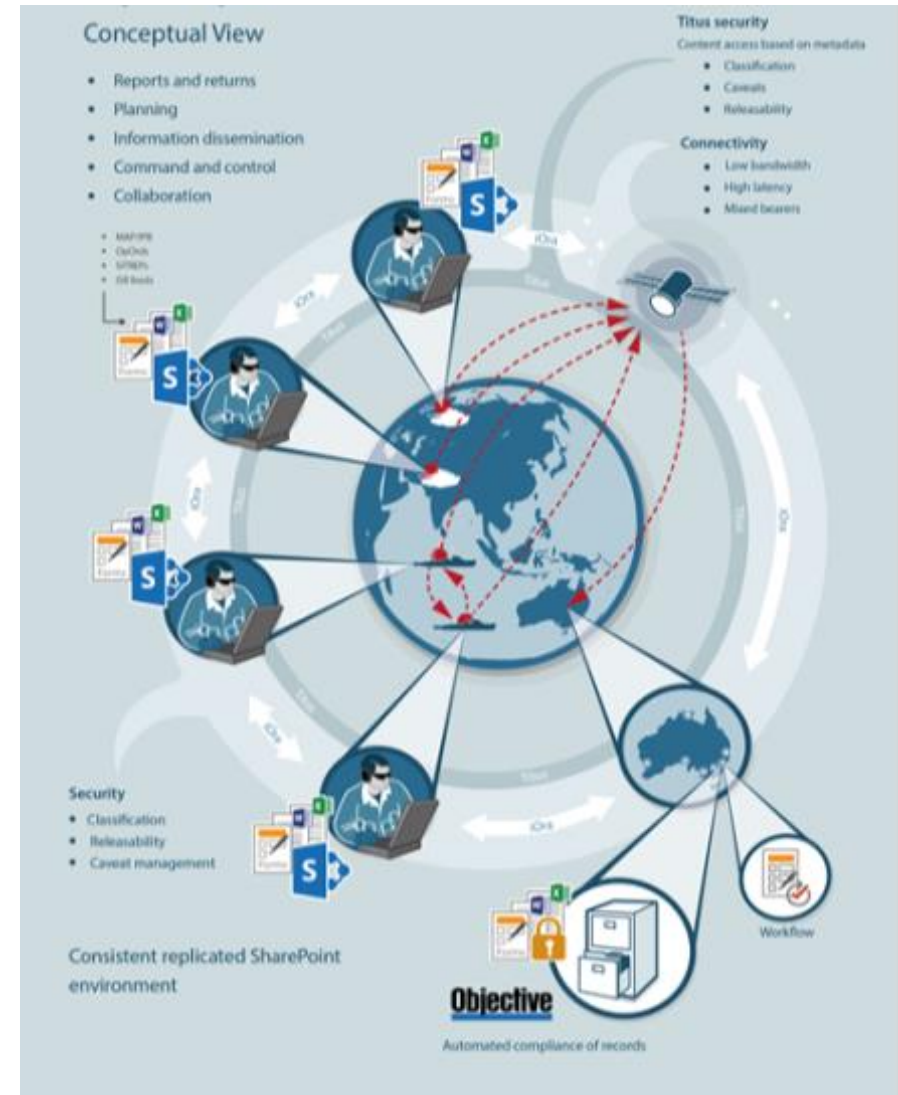


citadel group

MANAGING COMPLEXITY

Federating information – extending information boundaries securely

- Developing next generation of Secure Content & Collaboration;
- Have completed prototype design; and,
- Solution combines:
 - Collaboration & search via shared web front-end
 - Standardised reports and templates
 - Fully integrated information back-end (linking 2200 disparate document stores) and ensuring ‘single version of the truth’ always available
 - Increased resilience when connectivity is unreliable
 - Security to operate across sensitive and restricted networks globally
 - Low bandwidth/mixed bearer solutions
 - Managed service to ensure solution is always supported



Important Notice and Disclosure



citadel group
MANAGING COMPLEXITY

The information contained in this presentation prepared by The Citadel Group Limited (ASX:CGL) is not investment or financial product advice and is not intended to be used as the basis for making an investment decision. This presentation has been prepared without taking into account the investment objectives, financial situation or specific needs of any particular person. Potential investors must make their own independent assessment and investigation of the information contained in this presentation and should not rely on any statement or the adequacy or accuracy of the information provided.

To the maximum extent permitted by law, none of the CGL Group of Companies, its directors, employees or agents accepts any liability, including, without limitation, any liability arising out of fault or negligence, for any loss arising from the use of the information contained in this presentation. In particular, no representation or warranty, express or implied, is given as to the accuracy, completeness or correctness, likelihood of achievement or reasonableness of any forecasts, prospects, statement or returns contained in this presentation. Such forecasts, prospects, statement or returns are by their nature subject to significant uncertainties and contingencies. Actual future events may vary from those included in this presentation.

The statements and information in this presentation are made only as at the date of this presentation unless otherwise stated and remain subject to change without notice.

For personal use only



citadel group

MANAGING COMPLEXITY

For personal use only

2016 Full Year Results

CONTACT INFORMATION:

Darren Stanley, Deputy CEO

Tel: +61 2 6124 0800

darren.stanley@citadelgroup.com.au

Ronn Bechler, Managing Director – Market Eye

Tel: +61 400 009 774

ronn.bechler@marketeye.com.au

