



ASX Announcement

Trading Update

17 May 2019: Canberra, Australia - The Citadel Group Limited (ASX: CGL) today provides an update on expected revenue and earnings for the year ending 30 June 2019.

As a result of changes to trading expectations becoming more certain, CGL now expects revenue for the full year to be in the range of \$97 million to \$104 million, gross profit margins to be reduced to approximately 46%, and EBITDA to be in the range of \$22 million to \$24 million for the full year.

The expected change to FY19 revenue and earnings arise due to two factors:

- customer-controlled project extensions, which were expected to commence during H2FY19, but are now not expected to commence until H1 FY20; and
- CGL not experiencing the same Q4 increase in FY19 in customer spend that has occurred in prior years.

The impact of the delays, combined with the previously advised changing mix of revenue from higher margin consulting and managed services business, to SaaS and related software services (which operate at a reduced margin in the short term before scaling out in the medium term), has seen an overall reduction in gross profit margin to an estimated 46%.

While the short term results are clearly disappointing, the medium and long term outlook remains strong, based on the consistent expansion of our qualified sales pipeline, especially in the SaaS business.

As outlined at the half year, the group is pivoting to becoming a global Software and Services company under the Citadel 2.0 strategy, which will mean an inevitable change in the mix of margin as the shift in the revenue model is embedded. The group is adding to its traditional consulting and managed services revenue base (which was dependent on winning new large scale projects to maintain revenue and profit), with a diversified portfolio of SaaS and other software revenue streams. This, coupled with new clients both in Australia and overseas, will set the company up for success in the future.

The Board expects to see strong growth momentum in FY20, across all areas of the business.



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About The Citadel Group

Citadel specialises in managing information in complex environments through integrating know-how, systems and people to provide information on an anywhere-anytime basis. We are a leader in the development and delivery of managed technology solutions. The majority of our revenues are derived from long term managed services and software-as-a-service solutions.

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