ABN: 79 127 151 026
ACN: 127 151 026

20 August 2019

RESULTS IN LINE WITH REVISED GUIDANCE
BUILDING A STRONG PLATFORM FOR FUTURE GROWTH

FY19 EBITDA of $23.3m in line with revised guidance from May 2019

FY19 results disappointing, with a return to growth forecast in FY20

Software/SaaS Revenue up 23% to $34.2 million

Canberra, Australia – The Citadel Group Limited (ASX: CGL) announces its results for the 12 months ended 30 June 2019 (FY19).

FY19 revenue of $99.2 million and EBITDA of $23.3 million were in line with the guidance provided in May 2019 of $97-$104 million and $22-$24 million respectively.

Commenting on the FY19 results, Citadel's CEO Darren Stanley said: "FY19 was a mixed year for the Company. Our FY19 financial performance was disappointing and reflected the delay in customer-controlled project extensions and a lower Q4 customer spend which had historically occurred within our government business, impacted by the Federal Government election. However, the result reinforced our view that our Citadel 2.0 strategy is the right growth strategy to drive diversification of our Company's client base and secure a higher percentage of software/SaaS based revenue over time."

FY19 results overview

($ million)	**FY19**	**FY18***	**% Change**
Software/SaaS Revenue	**34.2**	**27.8**	**23.0%**
Knowledge Revenue	43.6	58.1	(25.0%)
Health Revenue	19.6	18.3	7.1%
Technology Revenue	35.0	29.0	20.7%
Total Revenue**	**99.2**	**106.5**	**(6.9%)**
Gross Profit	45.0	55.5	(18.9%)
Gross Profit margin	*45.4%*	*52.1%*	
EBITDA	**23.3**	**34.1**	**(31.7%)**
EBITDA margin	*23.5%*	*32.1%*	
NPAT	10.9	19.4	(43.8%)
NPAT attributable to owners of The Citadel Group Limited	7.9	14.3	(44.8%)
Final dividend (cps)	6.0	9.0	(33.3%)
Total Dividend (cps)	10.8	13.8	(21.7%)

* restated under AASB 15 *Revenue from Contracts with Customers*
**includes revenue not directly allocable to a segment

Continued contract wins position the business well for future growth

During FY19, Citadel continued to win contracts across its core verticals of Knowledge, Health and Technology to position the company for long-term growth, including:

- **Knowledge**:
  - Renewal of defence managed service contract
  - Secured our first commercial client for vResponder in the Department of Agriculture
  - Citadel-IX contract wins with Australia's largest council and two Royal Commissions – now have 12 CIX contracts
- **Health**:
  - Five-year CHARM contract with St Vincent's Hospital NSW
  - Implemented CHARM at John Hunter Children's Hospital, Slade Pharmacies and Prince of Wales Private Hospital
- **Technology**:
  - Extension of $25 million total contract value with Monash University until December 2021
  - Ten-year, $33 million contract signed with The Spotless Group to provide support, maintenance and technology refresh services to the new Royal Adelaide Hospital
  - Secured Melbourne University as our third G8 University

"We are focused on building our business for the long term and the contract wins achieved in FY19 position us well for the future. More importantly, we've continued to invest in the new products, processes and channels that will enable our growth."

"The acquisitions made in FY19 further enhance our capabilities, with Gruden offering a Government-focused procurement-as-a-service platform, and Noventus providing systems integration capability with requisite security clearances for our work with Defence. Importantly, we are now on all three towers of the Defence ICTPA Panel" said Mr Stanley.

New product releases supported Software/SaaS growth

Software/SaaS revenue was up 23% to $34.2 million, following investments made to develop and enhance software and platform capabilities. Citadel-IX gained substantial momentum, with revenue up 157% over FY18. The roll out of new SaaS products such as goTrim and CHARM Web, investment in core enterprise health systems (Evolution/Auslab) and Kapish products also contributed.

Group revenue was down 6.9% to $99.2 million in FY19, as customer-controlled project extensions, which were expected to commence during H2 FY19 were delayed into H1 FY20, and the same fourth quarter increase in FY19 customer spend that has occurred in prior years did not occur, due in part to the impact and timing of the Federal Government election.

The impact of the delays on revenue, combined with the changing mix of revenue from higher margin consulting and managed services business to SaaS and related software services that 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.

SG&A expenses were largely flat at $21.5 million (FY18: $21.4 million), despite the investment in developing software engineering teams and sales capability to support SaaS growth initiatives.

Balance sheet and capital management

Citadel ended the period with $14.0 million in cash, with a net cash position of $2.0 million (after debt of $12.0 million).

Reflecting the Group's earnings, cash position and ongoing investment in growth initiatives, the Directors declared a fully franked final dividend of 6.0 cents per share, bringing the total FY19 dividend to 10.8 cents per share fully franked. The record and payment dates for the FY19 final dividend are 26 August 2019 and 27 September 2019, respectively.

The Company continues to evaluate opportunities to execute and accelerate the Citadel 2.0 strategy. This may include increased investment, complementary acquisitions or other initiatives. The Board will continue to review capital management initiatives, including dividend policy, in light of the capital requirements for such growth opportunities as and when they arise.

Positive outlook with a return to growth in FY20

Commenting on Citadel's outlook for FY20, Mr Stanley said:

"We are increasing our recurring revenue base and the investments made in FY19 are designed to support future Software/SaaS growth. Investments continue to be made in business-critical software, big data/knowledge management and digital solutions across our product suite.

"Our trusted pedigree of delivering solutions to blue chip clients, provides opportunities for us to grow organically and scale our solutions. In FY20 we will enhance our existing software and service offerings, develop new SaaS offerings to complement existing business and move into adjacencies where our pedigree and experience can be effectively leveraged. We also see opportunities to leverage our IP into international markets and plan to utilise strategic channel partnerships to support our sales efforts."

"Our strategic focus on building recurring revenue and diversifying our revenue streams will continue in FY20. We are focused on delivering a return to revenue and EBITDA growth in FY20, targeting low double digit organic revenue growth, with margins expected to be broadly consistent with FY19, and a full year contribution from Noventus expected to add circa $18 million in revenue and $2 million in EBITDA. With a balance sheet that continues to be supportive of our investment goals and a weighted pipeline value of $137 million, we see strong opportunities to grow across our core Knowledge, Health and Technology segments."

\- ENDS -

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Citadel will be holding a results' briefing teleconference at 11:00am (AEST) today.

To pre-register for this conference and avoid a queue when calling, please follow the link below. You will be given a unique pin number to enter when you call which will bypass the operator and give you immediate access to the event.

https://s1.c-conf.com/diamondpass/citadelgroup-10001394-invite.html

If you are unable to register, then at the time of the conference you can call one of the numbers below and provide the **conference ID 10001394** to an operator:

- Attendee Dial-in (Australia Toll Free): **1800 558 698**
- Attendee Dial-in: **+61-2 9007 3187**

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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.