



MARKET RELEASE

01 May 2015

Citadel Group expands e-health managed service offerings through acquisition of PJA Solutions

Canberra, Australia – The Citadel Group Limited (ASX:CGL), a leading provider in the delivery of unified collaboration, knowledge management and education services, today announces that it has signed a binding agreement to acquire PJA Solutions (“PJAS”), a leading provider of managed technology services to the Australian health sector, for total consideration of approximately \$45 million (or approximately 5x FY15 sustainable EBITDA¹). This acquisition expands Citadel’s position in the e-health sector and creates a broader platform to continue the growth of its managed service offerings.

“The acquisition of PJAS represents a great opportunity for Citadel to strengthen its position in the health vertical – a core growth platform for our business outlined at the time of the IPO – and solidifies our presence as a leading managed service/software-as-a-service provider”, said Dr Miles Jakeman, Citadel Managing Director. “The acquisition of PJAS adds a transformational capability and geography to our business, and I am delighted that the MD Philip Allison and the COO Stephen Lynch have agreed to join the Citadel leadership team, where they will play important roles in the success of the combined businesses.”

PJAS, which was founded in 1984, is a leading provider of managed services in the pathology sector and is responsible for upwards of 30% of all data transactions associated with public laboratory pathology testing in Australia. PJAS provides services to laboratories/hospitals throughout Victoria, NSW and Queensland (where it is the dominant player in the public laboratory data management market), and is well positioned to extend both its offerings and reach into new markets across Australia and the region.

PJAS founder and MD, Philip Allison, stated that “this transaction represents a great opportunity for PJAS to couple its brand to a larger listed business and thereby offer its trusted client base a broader range of solutions”.

The acquisition consideration is payable in three tranches over the next 30 months through a combination of cash and shares, subject to the achievement of agreed financial performance metrics across the period. The acquisition consideration of up to \$45 million incorporates an initial payment of \$20 million (to be funded from available cash (\$15 million) and through the issue of new CGL ordinary shares to the value of \$5 million, priced at \$2.30 per share) and two additional payments totalling up to \$25 million across tranches two and three. The initial payment will be made upon financial close of the acquisition, which is expected to occur on or before 30 June 2015.

An additional earn out payment of up to \$15 million (taking maximum potential consideration to \$60 million) is payable subject to achieving agreed further financial growth objectives,

¹ Sustainable EBITDA represents known contract and repeatable non-contract revenue.



which will be paid after completion of the audits of the financial results in FY16 and FY17. A claw back mechanism is also in place to protect against underachievement.

On a full year basis, Citadel expects the transaction to add >80% at the EBITDA level, which is equivalent to an additional \$9.5 million per annum. The transaction will be immediately EPS accretive (approximately 40% in FY16), excluding any synergies. In relation to its core business, and in isolation of this acquisition, Citadel reaffirms its Prospectus Proforma forecasts. For the avoidance of doubt, the consolidation of PJAS does not contribute to this forecast because of the requirement for contract assignments and finalisation of conditions precedent.

Citadel will hold an investor teleconference on Friday 01 May at 11:00am (Melbourne time). To access the teleconference, dial in details are:

- Australia: 1800 200 102
- International: +61 3 9909 0916 (Not Toll Free)

Guest Pin: 8815180

A replay will also be made available one hour after the conference call for up to seven days. Replay dial in details are:

- Australia: 1800 008 585
- International: +61 3 9226 0870 (Not Toll Free will incur International charges)

Replay Passcode: 8815180

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About The Citadel Group

Citadel is a leader in the development and delivery of Education and Technology solutions to state and federal government departments and the private sector. For these clients, Citadel specialises in integrating know-how, systems and people to provide information on an anywhere-anytime basis.

The majority of Citadel's revenues are derived from long term managed services, software-as-a-service, and high quality nationally accredited education and training.