



## Citadel Group delivers "strong earnings" following refocused business strategy

Canberra-based managed services provider reports \$44.1 million in revenue for 1H17.

Hafizah Osman (ARN) | 20 February, 2017 11:48



Citadel Group (ASX:CGL) has announced "strong earnings growth" for the six months ending 31 December 2016, as the Canberra-based managed services provider continues its business turnaround.

For its first half 2017 results, the company announced, on the ASX, \$44.1 million in total revenue - this was a marked increase of 6.4 per cent from the \$41.4 million in revenue it brought in the same time last year.

In addition, the company declared a gross profit of \$21.9 million, up 31.9 per cent from last year, an EBITDA of \$13.6 million, up 23.6 per cent from last year, and an NPAT from continuing operations of \$6.7 million, up 45.7 per cent from last year.

"The past six months have been a very busy period for Citadel Group," Citadel Group CEO, Darren Stanley, said.

"We have refocused the business on our information technology solutions, and closed the education training delivery business.

"Citadel Group now operated as a pure technology business in industry segments, and I am pleased with how we are developing our pipelines in these segments."

Stanley added that the group's financial performance was elevated as result of the "execution of its organic growth strategies" and its [acquisition of software and services company, Kapish](#).

The company's "strong cash balance" was used to fund the acquisition of Kapish, with debt drawn down to settle the second tranche of consideration payable for PJA Solutions.

As of 31 December 2016, the company had net cash of \$8.7 million.

"This growth was achieved despite the impact of the Federal Election delaying the start of some of our largest projects, and replacing the revenue from the New Royal Adelaide project," Stanley added.

"We are seeing the benefits of scale flow through as the proportion of managed service contracts increases within our business."

On 13 December 2016, the company [signed a multi-million dollar contract with an Australian Federal Government agency](#), following a [similar agreement it struck on August last year](#).

Referring to the [\\$24.8 million contract with the Australian Federal Government agency](#), Stanley said it is "progressing well and will develop further".

Stanley said the company has seen the extended tenure of existing contracts as well as new contract wins.

"The Monash University contract is now delivering the revenue and margins we had planned for after our initial start-up investments," he added.

"We are also delivering well against our existing contracts in defence and health, with the Queensland Health contract recently extended to 2022."

Going forward in to the second half of 2017, Stanley said the company will keep focus on its refined strategy, with further acquisitions on its roadmap.

"Our strategy is the right strategy," he added. "If we continue to deliver on this, we will continue to drive Citadel Group's growth.

"All of our major contracts are locked in for FY17. We have a strong pipeline of new managed services and system integration contracts we are well positioned to win.

"In addition to our organic growth plans, acquisitions remain a key element of our growth strategy. We have successfully integrated Kapish and are now accelerating its growth through as-a-service offerings into a larger market."

At the time of publication, Citadel Group's shares were trading at \$4.90.

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