

# How Vocation's loss became Citadel's gain

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Mark McConnell said Citadel Group pitched itself as an alternative player among registered training organisations without a heavy reliance on state government contracts. **Photo: Andrew Meares**

## SALLY ROSE

Citadel Group, the technology services group with big plans to expand in the adult education and training sector was in the process of raising \$46.5 million through its initial public offering last month when ASX-listed adult education and training operation Vocation plunged more than 65 per cent on the admission it had lost a key contract with the Victorian government.

Rather than frightening investors off, Citadel executive director Mark McConnell reckons Vocation's troubles helped fill the register.

"We became a logical switch trade," he told *The Australian Financial Review*.

Mr McConnell said Citadel Group pitched itself as an alternative player in the registered training organisation space, but without such a heavy reliance on specific state government contracts.

[Shares in Citadel Group jumped 6.2 per cent on debut at midday on Thursday, but closed their maiden session bang-on the \\$2.25 per share offer price.](#)

Mr McConnell was a co-founder and cornerstone investor in the business, and has taken an executive role responsible for mergers and acquisition strategy and investor relations. Citadel Group has up to \$60 million at its disposal to spend on acquisitions, he said.

"The company now has a war chest of up to \$45 million in cash, negligible debt, and is in a position to access bank debt facilities of between \$15 million to \$20 million no worries," Mr McConnell said.

Originally an IT services provider, Citadel Group acquired The Australian Business Academy in 2009. The education and training business included both face-to-face teaching and online delivery.

Citadel's education division earns higher margins than the technology business and is the focus of the group's growth strategy.

There are four campuses across western Sydney with two new sites due to open in the coming months. The board has approved the roll-out of a further 10 new campuses.

A range of diploma and advanced diploma courses are provided online and an application is pending for a license to administer bachelor degrees.

"We are quietly confident of getting that licence and have the course materials for three bachelor degrees in business ready," Mr McConnell said.

Mature age Asian students who want an Australian bachelor's qualification without needing to relocate will be a key target market.

### **MARKET CAP OF \$100 MILLION**

The company raised \$46.5 million through the sale of 20.7 million shares at \$2.25 apiece, giving the company an indicative market capitalisation at listing of \$100 million. Evans & Partners acted as lead manager and underwriters on the deal.

At listing, new shareholders controlled approximately 46.5 per cent of the stock.

Boutique fund manager Mirrabooka Investments is among the top 20 shareholder list, alongside a number of nominee groups from major investment banks including BNP Paribas, Merrill Lynch, and UBS.

Together, Mr McConnell, his wife Bryony McConnell, and his private equity firm New Territories, still control about a 25 per cent stake in the company.

Despite Vocation's recent travails, and the memory of Navitas plunging more than 30 per cent in July following the loss of a key contract from Macquarie University, leaving some investors skittish about the adult education and training sector – more players are still tipped to go public.

[As reported in Street Talk, Acquire Learning is understood to have appointed JPMorgan to consider a pre-IPO fund-raising round.](#)

Mr McConnell said that privately held competitors The Avoca Group and Martin College provided better comparisons for Citadel's education business than any of its ASX-listed peers, such as Vocation or Nativas.

"In terms of ASX-listed peers that the technology services part of Citadel Group is most often compared to, the names that keep coming up are UXC and Oakton, but we don't have longer contracts that mean we don't have to re-write so much new business each year," Mr McConnell said.

"When pitching for work competitors we regularly come up against are much larger companies like IBM, Accenture and Hewlett-Packard."

**The Australian Financial Review**