

# Why entrepreneur Mark McConnell is floating Citadel

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Citadel Group's Mark McConnell and Miles Jakeman in the Canberra office. **Photo: Jeffrey Chan**

Former Young Rich member Mark McConnell says the Australian Securities Exchange is a good fit for his company Citadel, but there are some downsides for a technology company listing locally.

Citadel, which does IT managed services and white-collar training, is raising \$46.5 million through an initial public offering on the ASX and will have a market capitalisation of \$100 million when it starts trading on November 12.

McConnell, the executive director and co-founder with Miles Jakeman, says the ASX listing is mainly to fund national expansion. Existing shareholders are also selling down stock, including McConnell and Jakeman, but are keeping large stakes.

“We’re doing a lot of work with tier-one clients and like deals with like and they’re demanding that we have a national footprint,” McConnell says. “It’s a very positive problem for us but something our balance sheet can’t do all by itself so we thought coming to market would be a good way of raising some money and also to attract a v

In what McConnell describes as a “real coup” for a small-cap company, the chairman of Citadel will be Kevin McCann, the chair of Macquarie Bank, and directors include former Telstra executive Deena Shiff and former Australian Army chief Peter Leahy.

However, McConnell says the ASX has been a “mixed market for technology stocks over the years”.

“IT [information technology] is a very broad umbrella, we don’t have enough large Australian IT companies to have indexes within indexes, there’s really only software and hardware, whereas indexes in some other countries really drill down into core competencies,” McConnell says.

“We’re going to be compared to a number of good businesses but they’re businesses that don’t really do what we do. A lot of the businesses we’ll be compared to rewrite 80 per cent of their revenue every year ... whereas we work with very long-term contracts, typically four to five years in duration, in managed services.”

Atlassian co-founders Scott Farquhar and Mike Cannon-Brookes have previously ruled out listing on the ASX because they would be compared with “a bunch of random technology stocks” rather than their peers. The company plans to eventually list on a US exchange.

More recently, Nitro founder Sam Chandler said he saw [more strategic value in taking a \\$17 million investment from a top-tier US venture capital firm](#) than raising the same capital on the ASX.

## Military background

McConnell and Jakeman, who is managing director, merged their businesses back in 2007 to form Citadel Group, which has since gone on to acquire three other businesses. The pair both have a military background and the company recruits extensively from defence agencies and federal police, enabling it to win contracts in sensitive government areas.

The company exceeded \$50 million in revenue in the 2014 financial year and is projecting turnover of \$75 million this year. The training subsidiary accounts for \$12 million of that, up from \$200,000 when Citadel bought it in 2009.

The private training sector has been facing difficulties recently, with companies like [Vocation attracting censure for allegedly failing to disclose the loss of government funding in Victoria](#).

McConnell is at pains to point out that this is a different space. “I have to stress that completely different to the type of businesses being caught up at the moment in the state-based funding for trades training,” he says. “That’s not us – we’re a full fee-for-service demand-driven white-collar training organisation and it’s growing like topsy

[McConnell was last listed on the BRW Young Rich in 2012](#), with estimated wealth of \$28 million. Now at 42, he no longer qualifies for the list.

[Citadel made the BRW Fast 100 list in 2009](#) and McConnell’s previous business, Frontier, was also a former Fast 100 company before its acquisition by Citadel.