
Acquisition of PJA Solutions

May 2015

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This acquisition is a key step in CGL's growth strategy that further strengthens its managed service offerings

Acquisition of PJAS

- CGL has agreed to purchase 100% of PJA Solutions Pty Ltd (PJAS) for approximately \$45m, or approximately 5x FY15 sustainable EBITDA.¹
- This strategic acquisition expands CGL's managed service offerings into the e-health sector.
- Deferred consideration of up to \$25m is subject to performance hurdles to provide downside protection.
- Earn out facility allows the vendor to receive up to an additional \$15m, subject to achieving defined further earnings growth hurdles over and above the sustainable EBITDA level by FY17. A claw back mechanism is in place to protect against underachievement.
- Consideration payable over 30 months, with initial payment of \$15m in cash from existing cash reserves and \$5m in ordinary CGL shares (priced at \$2.30) at financial close.

PJAS Overview

- Founded in 1984, PJAS is a leading provider of managed services in the pathology sector (VIC, NSW and QLD).
- Responsible for upwards of 30% of all data transactions associated with public laboratory testing in Australia.
- Vendor and management team committed to staying on post-acquisition.
- Expected to generate approximately \$9.5m in sustainable EBITDA in FY16.

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

Transaction Overview

Strategic rationale

- Expands CGL's managed service offering into the e-health sector.
- Broadens CGL's technical capabilities in relation to software development and Software-as-a-Service (SaaS) solutions.
- Expands State Government client base.
- Augments CGL's "sticky" customer base through additional long-term recurring revenues.
- Creates a platform for national and regional health sector expansion.

Acquisition funding

- \$15m cash paid from existing cash reserves and \$5m in new ordinary CGL shares (priced at \$2.30) payable at financial close.
- Balance of consideration of up to \$25m payable over 30 months based on audited FY16 and FY17 financials, dependent on maintaining FY15 sustainable EBITDA.
- Deferred consideration payments expected to be funded from cash flows and/or available debt facilities, with up to \$5m payable through the issue of new CGL shares (at CGL's discretion).
- Additional earn out of up to \$15m payable upon audit of FY17 financials, subject to meeting earnings growth targets in FY16 and FY17.

Financial impact

- Adds approximately \$9.5m of sustainable EBITDA for FY16.
- Expected EPS accretion in FY16 of approximately 40% excluding any synergies.
- Balance sheet cash reduced by \$15m, shares on issue increased by \$5m and a deferred consideration liability of \$25m recorded from financial close.

Introducing PJA Solutions

Overview of PJA Solutions



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EDUCATION + TECHNOLOGY

A leading provider of managed services in the pathology sector



- Founded in 1984 by vendor.
- Specialist provider of software products, managed services and support to diagnostic laboratories and clinicians in public and private hospitals.
- Responsible for upwards of 30% of all data transactions associated with public laboratory pathology testing in Australia.
- Provides services to laboratories/hospitals throughout Victoria, NSW and Queensland (where it manages a dominant share of the public laboratory data management market).
- AUSLAB/AUSCARE products noted in the “top 10” mission critical systems by Queensland Health.
- Well positioned for additional domestic and regional opportunities in the public and private health verticals.



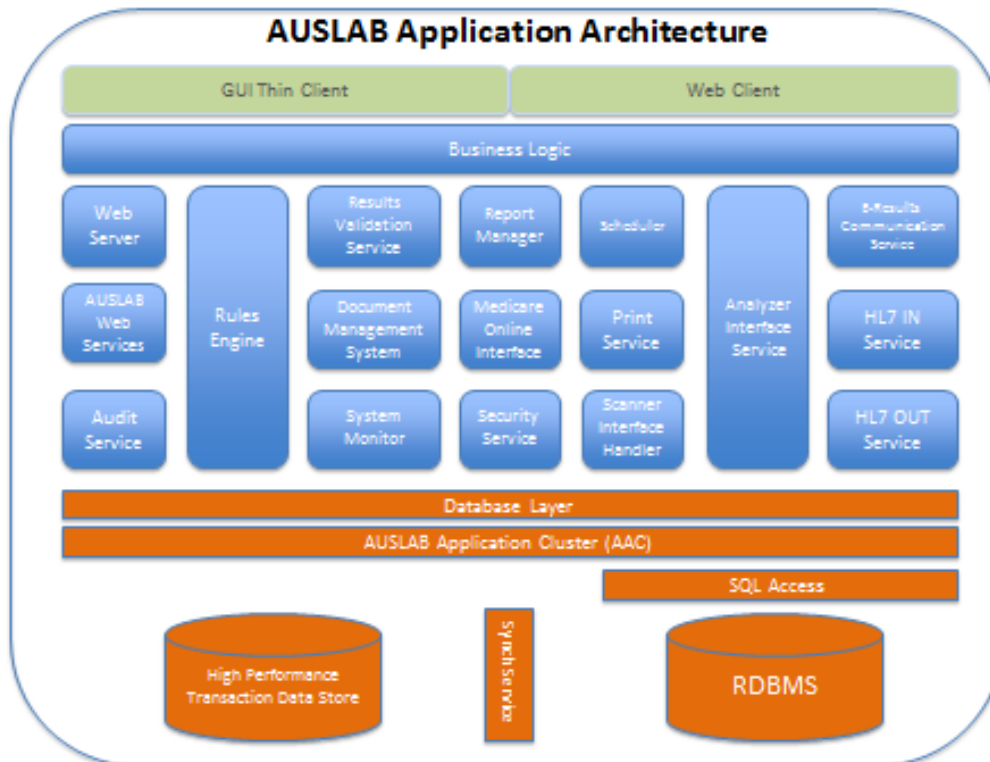
Overview of PJA Solutions



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EDUCATION + TECHNOLOGY

AUSLAB is a fully integrated system that supports enterprise level multi-laboratory implementations

PJAS



Commercial in Confidence

Copyright 2010, PJA Solutions Pty Ltd.



- Qld contract is the largest pathology system implementation in the Southern Hemisphere.
- More than 30,000 clinicians per month using the system.

Strategic Rationale

A transformational opportunity that provides new long term recurring income streams

Strong fit

- Strong fit with CGL's business model and culture.
- Best of class supplier in its industry niche.
- Focused on long-term client relationships with long-term recurring revenues.
- Adds further managed service contracts.

Opportunities within the Health Sector

- Expands CGL's presence in the e-health sector.
- Creates a strong platform to continue the growth of managed service contracts.
- Provides a range of new geographic and sectoral cross-selling opportunities.
- Adds new revenue streams in terms of potential big data management opportunities.

Financially compelling

- Highly earnings accretive, approximately 40% in FY16.
- Diversifies earnings base.
- Provides a material increase in recurring income under contract.
- New combined financial position provides foundation for winning and taking on larger projects.

Operational synergies

- Cross-fertilisation of marketing programs through shared methodologies and client access.
- Opens up further opportunities in the health IT market.
- Back office consolidation.

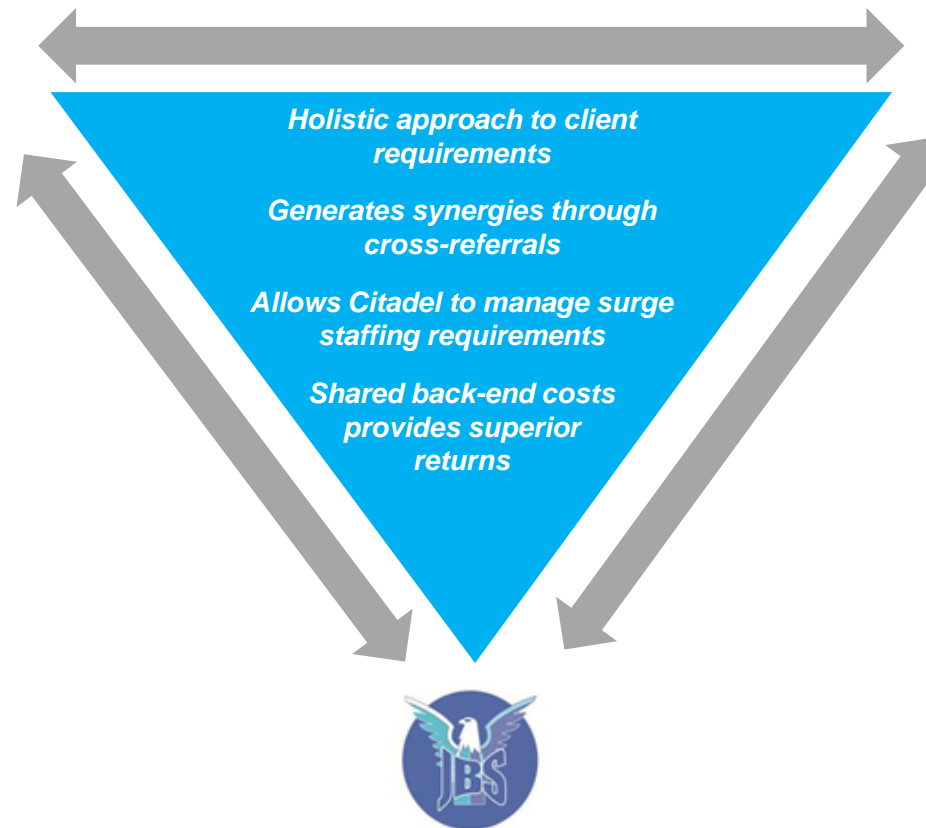
Customer Driven Outcomes

Genuine matrix organisation with cross-selling opportunities enhanced by PJAS customer base



Integration & Technology

Software-as-a-Service, collaboration and presentation systems, unified communications, telemedicine and video conferencing



People & Advisory

Strategic advice, program management, acquisition support and quality assurance services via consulting, contracting and placement mechanisms

Knowledge Management

Capture, protect, share, access and use of corporate information

Strategic Rationale


PJAS eHealth capabilities add depth to Knowledge Management division

People and Advisory

Knowledge Management

PJAS

Integration and
Technology

 **Health Sector**


Western Health


Southern Health


Peter Mac


Queensland Health
Queensland Government


Eastern Health


NSW Health
Health Pathology


Government of South Australia
SA Health


NSW HEALTH
medicare
Royal Adelaide
Hospital

**Defence &
Secure Agencies**

Australian Government
Department of Defence


Australian Government
Attorney-General's Department


Australian Government
Department of Immigration
and Border Protection

Australian Government
Department of Defence


Australian Government
Department of Industry

Australian Government
Department of Defence


DFAT


Australian Government
Attorney-General's Department

Government


Australian Government
Department of Foreign Affairs and Trade


Australian Government
Department of the Prime Minister and Cabinet


AFP
AUSTRALIAN FEDERAL POLICE


Government of South Australia
SA Health


Australian Government
Department of Foreign Affairs and Trade

Australian Government
Solicitor



Australian Government
Department of Health
Therapeutic Goods Administration


Australian Government
Department of Foreign Affairs and Trade


AIRSERVICES AUSTRALIA


AFP
AUSTRALIAN FEDERAL POLICE


ACC
AUSTRALIAN CRASH INVESTIGATION

 **Education**


Australian National University

Australian Federal Police


CHARLES STURT
UNIVERSITY


UNIVERSITY OF WOLLONGONG


CQ university
AUSTRALIA

Private Sector


Leighton Holdings


NORTHROP GRUMMAN


NBNCo
Limited

Tatts Group

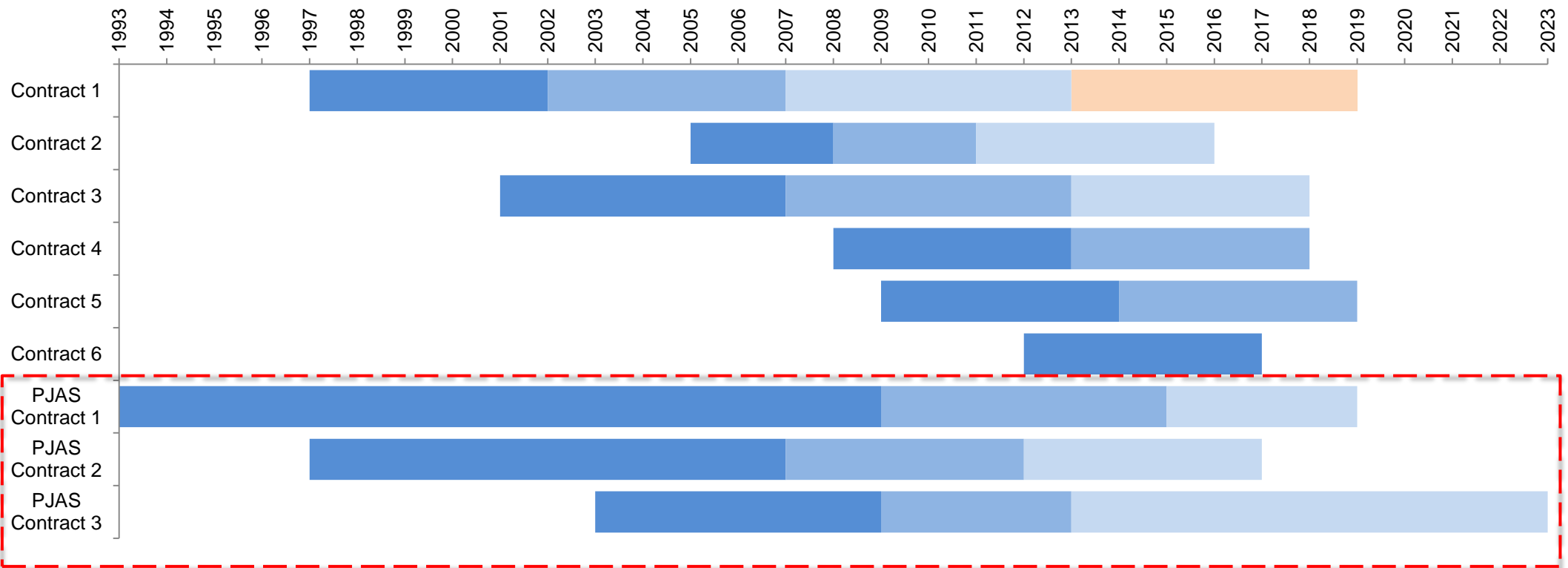
Leading Australian Telco

Lockheed Martin Australia


Leighton Holdings

Contract Longevity in Technology

Long-standing relationships with multiple clients providing stable revenue streams



Commentary

- Only material, long-term contracts shown in the chart above.
- Evidences strong track record of winning and retaining clients.
- Managed service contracts prolong the average duration of client relationships.
- Concurrent managed service contracts provide stable, recurring revenue streams.
- All PJAS managed service contracts ongoing until at least end of 2017 (with a strong history of renewal).

Opportunities for PJAS

Acquisition will allow PJAS to provide a broader range of solutions to its clients with no disruption to existing operations

Develop broader range of solutions

- Strong 'reach back' to customised consulting options.
- Opportunity to enhance current product offerings through collaborative product development with CGL technical capability.

Access CGL client network/resources

- Cross-referral opportunities into CGL's extensive client base.
- Access to a broader range of expertise.
- Pursue acquisitions through access to stronger balance sheet.

Pursue new markets

- Pursue additional domestic and regional expansion opportunities in the health data market.

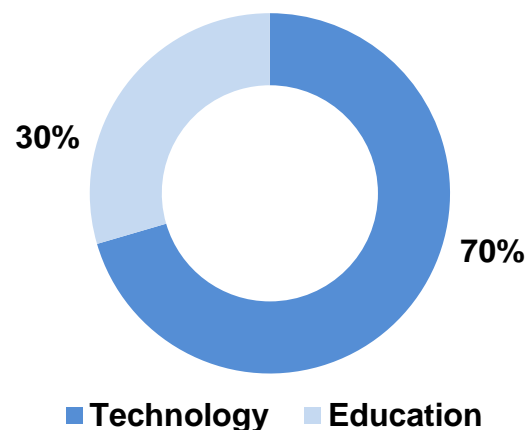


CGL Post-Acquisition

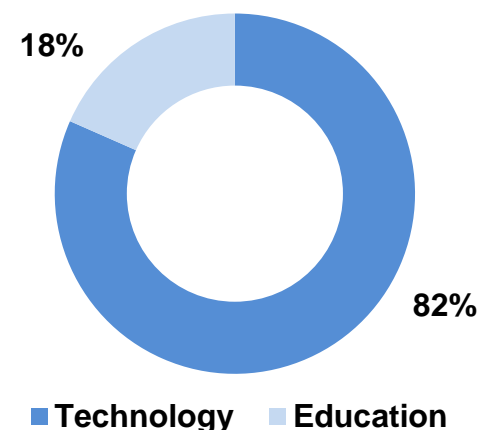
CGL Post-Acquisition

- As with CGL's existing businesses, PJAS will function as a stand-alone division.
- During the earn out period (FY16-FY17), CGL and PJAS management will work together to:
 - Optimise the continuing financial performance of PJAS;
 - Implement marketing synergies;
 - Identify and pursue new growth and product opportunities; and
 - Identify and implement operational synergies.
- A comprehensive 100-day post-acquisition integration plan has been established and will be run by CGL management.
- Material change to segment earnings mix of the business as shown below:

FY15 Prospectus Proforma EBITDA

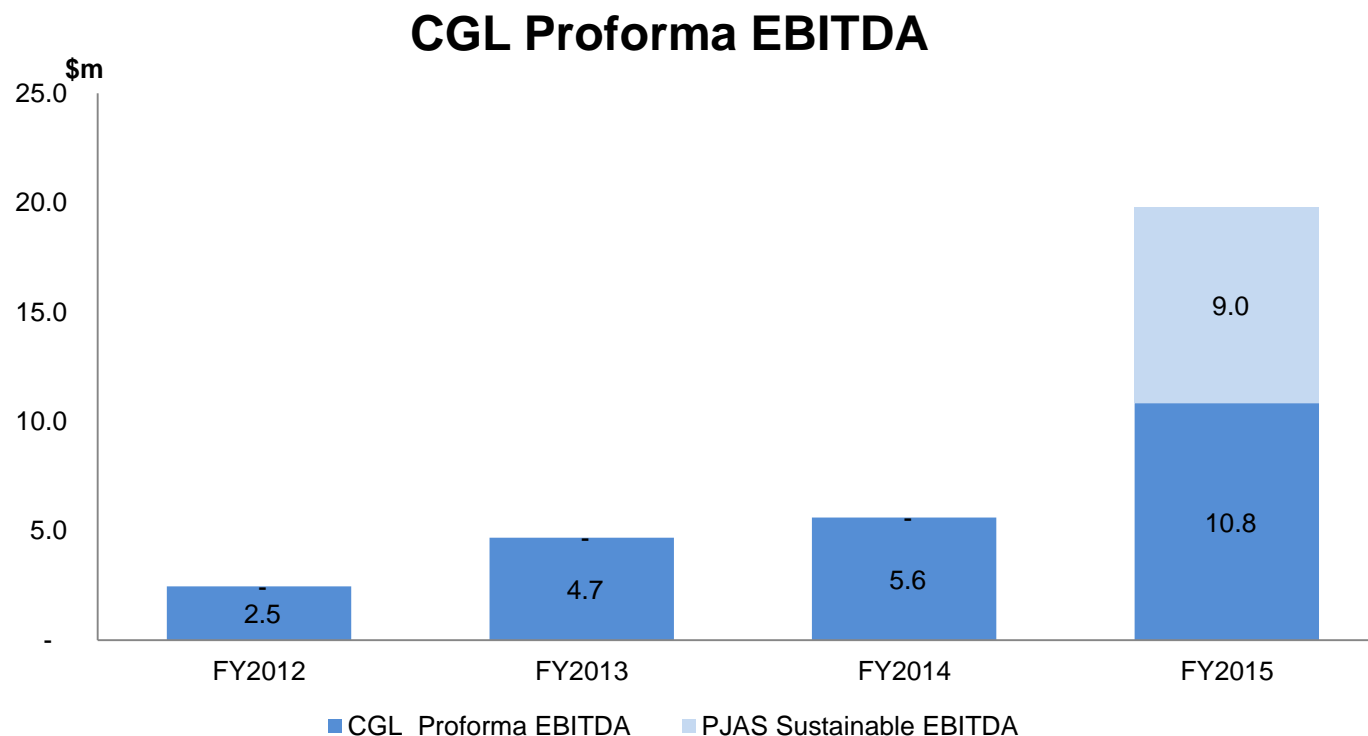


FY15 proforma EBITDA incl PJAS



Proforma Financial Performance

EBITDA in proforma FY15 driven by managed services contracts



Commentary

Sustainable EBITDA reflects:

- Changes to contract revenue based on negotiated pricing for FY15;
- Standardisation of the consulting and non-contracted revenue streams; and
- Removal of professional fees and transaction costs relating to the preparation for sale.

Expected Financial Impact

Expected Financial Impact

- Immediately earnings accretive in FY16:
 - Expected FY16 EBITDA increase of approximately \$9.5m; and
 - Expected EPS accretion in FY16 of 40%, excluding synergies.
- Acquisition funded primarily from existing cash reserves and an equity allocation to align all stakeholders:
 - Balance sheet cash reduced by \$15m;
 - \$5m of new ordinary CGL shares issued at \$2.30 per share; and
 - Deferred consideration liability of up to \$25m recorded from financial close.
- Deferred consideration of up to \$25m payable over 30 months subject to audit of FY16 and FY17 financials, with the full amount payable if FY16 and FY17 earnings exceed FY15 sustainable EBITDA of \$9.0m:
 - Deferred consideration payments expected to be funded from debt and / or cash flows, with up to \$5m payable through the issue of new ordinary CGL shares (at CGL's discretion).
- Additional earn out of up to \$15m payable upon audit of FY17 financials (taking maximum potential consideration to \$60 million), subject to meeting further earnings growth targets in FY16 and FY17.
- Up to \$15m can also be clawed back for underperformance upon review of FY17 financials.

Modelled FY15 Financial Impact



Profit & Loss	FY2015 Consolidated proforma Full Year Impact			
<i>\$ in millions</i>	CGL Prospectus Proforma	PJAS sustainable FY15	CGL Cons Adj.	CGL Group
EBITDA	10.8	9.0	-	19.8
Depreciation and Amortisation	(0.9)	(0.0)	(2.8)	(3.7)
Finance Costs	(0.2)	(0.0)	(0.6)	(0.8)
Tax Expense	(2.5)	(2.7)	0.8	(4.4)
NPAT	7.2	6.3	(2.6)	10.9

Commentary

CGL Consolidation Adjustments:

- Amortisation of separately identifiable intangible assets – 15 years.
- Finance Costs include:
 - the fee for establishing debt facilities; and
 - unwinding of discount on deferred consideration costs.

Modelled FY15 Financial Impact

Historical proforma balance sheet as at 31 December 2014

<i>\$ in millions</i>	CGL Dec-14	PJAS Dec-14	Funding	proforma balance sheet
Cash	34.6	-	(15.0)	19.6
Goodwill & intangibles	13.7	45.0		58.7
Other Assets	15.5	-		15.5
Total Assets	63.8	45.0	(15.0)	93.8
Debt	1.1	-		1.1
Other Liability	16.2	-	25.0	41.2
Total liabilities	17.3	-	25.0	42.3
Total equity	46.5	-	5.0	51.5

Commentary

Proforma balance sheet prepared based on:

- Financial position of PJAS as at 31 December 2014 on a cash and debt free basis in accordance with acquisition agreement;
- Acquisition funding comprising \$15m cash, \$5m equity and \$25m deferred consideration;
- Additional consideration may be payable under the earn out facility if earnings growth hurdles are achieved; and
- Up to \$15m can be clawed back for underperformance upon review of FY17 financials.

Trading Update

- The Board confirms that CGL is on track to achieve its (pre-acquisition) Prospectus Proforma forecast for FY15.
- For the avoidance of doubt, the consolidation of PJAS does not contribute to the Prospectus Proforma forecast for FY15.
- The NRAH contract is progressing in line with CGL forecast expectations.
- CGL continues to deepen relationships with key existing clients and has progressed discussions on new partnering opportunities.
- ABA's RTO registration was renewed by Australian Skills Quality Authority in March 2015 for five years.
- The Tertiary Education Quality Standards Agency site visits for ABA's Higher Education Provider approval process have been completed and we are awaiting the regulator's decision.

Investor/Media Inquiries

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Appendix A – Due Diligence

<i>Activity</i>	<i>Detail</i>
Industry and Market Research	Frost & Sullivan initial market and competitive analysis completed. Further detailed analysis based on Frost & Sullivan research was then conducted along with follow up conversations with industry professionals.
Financial Due Diligence	PwC conducted the external due diligence for the periods of FY13 to YTD FY15 including profit and loss, balance sheet and cash flows.
Tax Due Diligence	PwC conducted the external due diligence for the periods of FY12 to YTD FY15 including Income tax, BAS, GST, FBT and PAYG.
Legal Due Diligence	Gadens Lawyers conducted the external due diligence in relation to intellectual property, corporate structure and litigation.
Sale and Purchase Agreement	Gadens Lawyers drafted the Sale and Purchase Agreement in conjunction with CGL executive.
Key risks identified and mitigated	Identified risks addressed through the Sale and Purchase Agreement and/or the integration plan.
Financial analysis and testing	Scenario analysis/stress testing conducted to determine the impact on cash and earnings.

Appendix B – Board of Directors



Mr Kevin McCann, AM

Chairman & Independent Non-Executive Director

- Chairman of Macquarie Group and Macquarie Bank
- Partner of Allens Arthur Robinson from 1970 to 2004 and was Chairman of Partners from 1995 to 2004
- Member of the Order of Australia in 2005
- Bachelor of Arts and Law (Honours) from Sydney University and Master of Law from Harvard University



Dr Miles Jakeman

Managing Director

- Managing Director since CGL's inception
- Highly skilled in business strategy, program management, security risk management and staff development
- Extensive experience working overseas with multinational companies with full P&L responsibility
- PhD Asian Studies and a PhD in Business Leadership



Lieutenant General Peter Leahy, AC (Rtd)

Independent Non-Executive Director

- Retired from the Army in 2008 after a 37 year career as a soldier. He concluded his career with a six year appointment as the Chief of Army.
- Professor and foundation Director of the National Security Institute at the University of Canberra
- Member of the Australian Institute of Company Directors and has been appointed to Boards of Codan and Electro Optic Systems Holdings



Ms Deena Shiff

Independent Non-Executive Director

- Extensive executive experience in the communications industry, serving as Group Managing Director at Telstra Corporation between 2005 and 2013
- Current Chair of Paloma Mobile, a NED at IPscope and a NED for the Alertness CRC
- Bachelor of Science (Economics) from the London School of Economics and Political Science and a Masters of Arts (Law) from the University of Cambridge



Mr Mark McConnell

Executive Director

- Founder of New Territories Investments (NTI), a private equity fund focussed on clients in Hong Kong and China
- Experienced in acquisitions, capital raising and strategy
- Member of multiple private boards and previously served on several public company boards
- BSc and MBA and is a fellow of AICD

Appendix C – CGL Overview

CGL is a growing business in the education and technology sectors

Specialising in integrating know-how, systems and people to provide information on an anywhere-anytime basis.

EDUCATION



- Provides nationally accredited and professional training solutions; education-employment pathways.
- VET FEE-HELP, CRICOS licenses.
- Full fee-for-service; no government subsidy; no agents.
- White collar, demand driven.
- Highly tailored courses delivered via both face-to-face and online campuses.
- Owns and controls all course materials.
- In operation since 1996.

- *Client driven*
- *Fully integrated business operations*
- *Shared resourcing*
- *Employment pathways*

TECHNOLOGY



- Operates through three segments: People & Advisory, Integration & Technology and Knowledge Management.
- Deep specialisation in designing and operating unified communication and knowledge management solutions, as well as provision of software-as-a-service.
- Strong health sector IT penetration.
- Also provides business strategy and management consulting services.
- Long term managed service contracts underpin technology segment revenues.