



1 December 2020

Scheme Meeting – Chairman’s Address

In accordance with ASX Listing Rule 3.13.3, attached to this announcement is a copy of the address (excluding procedural content) to be given by the Chairman of The Citadel Group Limited (ASX: CGL) (**Citadel**), Mr Peter Leahy AC Lt-Gen (Retd), to the attendees of the virtual Scheme Meeting commencing at 11.00am (AEDT) today.

Capitalised terms used but not defined in the attached document have the meaning given to them in the Scheme Booklet.

Authorised for publication by the Board of Directors.

- ENDS -

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About Citadel Group

Citadel is a software and services company. We specialise in managing information in complex environments through integrating know-how, systems and people to provide information on an anywhere-anytime basis. We are a leader in the development and delivery of managed technology solutions.



Scheme Meeting – Chairman’s Address

SCHEME OVERVIEW

On 14 September 2020, Citadel announced that it had entered into a Scheme Implementation Deed with Pacific Group Bidco Pty Ltd (which I will now refer to as **PEP BidCo**), an entity owned by funds advised by Pacific Equity Partners Pty Limited (**PEP**), under which it is proposed that PEP BidCo will acquire 100% of the share capital in Citadel by way of a Scheme of Arrangement.

If the Scheme is implemented, PEP BidCo will acquire all of the shares in Citadel and Citadel Shareholders will receive (based on their choice prior to 5.00pm (AEDT) on the Election Date, being Tuesday 24 November 2020):

- Cash Consideration of \$5.70 per Citadel Share less a Special Dividend of up to \$0.20 per Citadel Share in respect of all their Citadel Shares held as at the Scheme Record Date,
- All Scrip Consideration being 1 Class B Share in Pacific Group Topco Limited (**HoldCo**), a newly incorporated Australian unlisted public company, for each Scheme Share held, or
- Mix-and-Match consideration, being 1 Class B Share in HoldCo for each Citadel Share in respect of which they made a valid Election in exchange for between 50% and 100% of their Scheme Shares plus Cash Consideration for the remainder of their Scheme Shares.

The Election Date for Citadel Shareholders to elect to receive Scrip Consideration, being 5.00pm Tuesday 24 November 2020, has now passed. Based on the indicative outcome of Elections, which were announced to the market on 26 November 2020, the total number of HoldCo Shares to be issued to Citadel Shareholders on implementation of the Scheme is expected to exceed the Minimum Holding Threshold. Therefore, Citadel Shareholders who made valid Elections to receive either of the Scrip Consideration Options are expected to receive the Scrip Consideration.

Based on the indicative outcome of Elections, the total number of HoldCo Shares to be issued to Citadel Shareholders on implementation of the Scheme will be less than the Maximum Holding Threshold. Therefore, Citadel Shareholders who made valid Elections for Scrip Consideration will not be subject to the Scrip Scale Back.

Further, while no final decision has been made, Citadel has been advised that an independent third party trustee is likely to be appointed by HoldCo to hold the Class B Shares on bare trust for those Citadel Shareholders who make valid Elections to receive Scrip Consideration in accordance with the terms of the HoldCo Shareholders Deed and Nominee Deed.

Since buying and selling of Citadel Shares will continue to occur prior to the Scheme Record Date, these results are indicative only and the final Election outcome will not be known until the Scheme Record Date. We will provide an update in the event of any material change to the indicative outcome of Elections.

STATUS OF SPECIAL DIVIDEND

On 27 October 2020, Citadel announced that Citadel and PEP BidCo entered into a deed of amendment and restatement in relation to the Scheme Implementation Deed under which the parties agreed that the maximum amount of any Special Dividend declared by the Citadel Board may be increased to a maximum amount of \$0.20 per Citadel Share.

If the Scheme Resolution is passed in today's meeting, the Citadel Board proposes to meet this afternoon for the purposes of considering, and, if thought fit, approving, the declaration of a Special Dividend. Citadel will disclose the specific details of any Special Dividend on the Citadel website and to the ASX shortly after closure of the proposed Citadel Board meeting this afternoon.



SCHEME BOOKLET AND DIRECTORS' RECOMMENDATION

Citadel Shareholders will have received either an email or hardcopy letter containing a link to the online Scheme Booklet dated 30 October 2020 together with a link to submit a proxy or make an election if you elected to receive communications electronically or, if you did not, you will have been sent a hardcopy personalised proxy and election form.

The Scheme Booklet includes:

- a notice convening today's meeting;
- an overview of the Scheme;
- the key considerations relevant to each shareholder's vote and election;
- some frequently asked questions;
- information about PEP BidCo and HoldCo;
- risks; and
- taxation implications.

The Citadel Directors unanimously recommend that Citadel Shareholders approve the Scheme by voting in favour of the Scheme Resolution, in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Citadel Shareholders. I also note that the Citadel Directors intend to vote all of the Citadel Shares held or controlled by them in favour of the Scheme.

Your Directors appointed Lonergan Edwards & Associates Limited as the Independent Expert to assess the merits of the Scheme. A copy of the Independent Expert's Report is also included in the Scheme Booklet.

The Independent Expert has concluded that the Scheme is fair and reasonable and hence in the best interests of Citadel Shareholders in the absence of a Superior Proposal. As we stand here today no Superior Proposal has emerged.

The Independent Expert's conclusion is based on the Cash Payments. The Independent Expert has assessed the value of Citadel Shares on a 100% controlling interest basis to be between \$5.24 and \$5.75 per Citadel Share. The amount of the Cash Payments are within the top quartile of this range.

With respect to the Scrip Consideration Options, Citadel Shareholders should note that the Independent Expert has assessed the market value of HoldCo equity on a 100% controlling interest basis to be between \$4.30 and \$4.96 per share of HoldCo equity. This assumes that a Special Dividend of \$0.20 per Citadel Share is declared and paid on the Special Dividend Payment Date in addition to the Scrip Consideration. Adding a Special Dividend of \$0.20 per Citadel Share would increase the overall value to \$4.50 to \$5.16 per Citadel Share. Further to this, the Independent Expert has noted that discounts for minority interest and lack of marketability would be appropriate when considering the valuation of Class B Shares.

STATUS OF SCHEME CONDITIONS

The Scheme Implementation Deed contains a number of Scheme Conditions, which are outlined in Section 9.4(e) of the Scheme Booklet. The key conditions which remain outstanding are:

- Shareholder approval of the Scheme at today's Scheme Meeting; and
- Final approval by the Federal Court at the Second Court Hearing which is scheduled for Monday 7 December 2020.



The Citadel Directors are not aware of any circumstances to date which would prevent these conditions from being satisfied.

REQUISITE MAJORITIES FOR SCHEME TO BE APPROVED

The Scheme is conditional on shareholder approval. The Scheme Resolution needs to be approved by the Requisite Majorities of Citadel Shareholders, which is:

- at least 75% of the total number of votes cast on the Scheme Resolution (in person or by proxy, corporate representative or attorney); and
- a majority in number (more than 50%) of Citadel Shareholders present and voting (in person or by proxy, corporate representative or attorney).

IMPLEMENTATION OF THE SCHEME

If the Scheme Resolution is passed by the Citadel Shareholders in the Requisite Majorities, the Second Court Hearing will be held on Monday 7 December 2020. If the Court approves the Scheme, a copy of the Court order approving the Scheme will be lodged with ASIC and the Scheme will become Effective. On the Implementation Date, which is currently expected to be Thursday 17 December 2020, PEP BidCo will acquire all of the Citadel Shares on issue, the cash component of the Scheme Consideration will be paid, the scrip component of the Scheme Consideration will be issued and the Special Dividend (if declared) will be paid.