

Kelly+Partners Group Holdings Limited (KPGH)

1H18 HALF YEAR RESULTS

ASX: KPG

26 February 2018



KELLY + PARTNERS

CHARTERED ACCOUNTANTS

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Presenting today from Kelly+Partners



Brett Kelly

Founder, Executive Chairman, CEO

Founded Kelly+Partners in 2006
15+ years management experience
20+ years in the financial services industry
BBus, CA, MTax, DipFS, RTA, JP



Pauline Michelakis

CFO

CFO of Kelly+Partners since 2013
20+ years experience in
senior financial roles in financial services
and investment companies
BCom (Hons), CA



Brendan Lyons

Head of Corporate Advisory

Joined Kelly+Partners in January 2017
20+ years experience in management,
financial analysis and equity markets
BSc, MAppFin, GradDipAppFin



Kenneth Ko

Finance Manager

Joined Kelly+Partners in 2015
10+ years experience in
accounting and finance
BBus, CA, HKICA

Section 1:

1H18 Results - Overview

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1H18 Financial Highlights

Growth in all businesses has contributed to a strong 1H

- Strong growth in Underlying 1H18 P&L metrics.
- On track to meet prospectus forecast for FY18.
- Reported NPAT impacted by non-recurring expenses including final IPO costs, Employee Share Scheme and restructuring costs.

Consolidated FY18 Total Revenue	\$19.3m	up 40% from prior year
Consolidated Underlying 1H18 EBITDA*	\$5.8m	up 106% from prior year (refer to appendix for reconciliation)
Attributed Underlying 1H18 NPATA*	\$1.8m	up 202% from prior year (refer to appendix for reconciliation)
Attributed Reported 1H18 NPAT	\$1.0m	impacted by (\$0.6m) in non-recurring items [additional IPO costs, employee share scheme and restructuring costs]
Underlying 1H18 EPS*	4.0cps	1.3cps in the prior year

*Underlying P&L metrics excludes amortisation of intangibles and non-recurring expenses. Refer to Appendix for reconciliation from statutory to underlying numbers.

1H18 Operating Highlights

1. ORGANIC GROWTH

Strong organic growth from existing established businesses in 1H18.



2. NETWORK EXPANSION - ACQUISITIONS

No new business acquisitions were made in 1H18.

However the group has received a number of interests from external parties in joining the K+P network and these opportunities are currently being reviewed.



3. NETWORK EXPANSION - GREENFIELDS

No new greenfield sites were established in 1H18.



4. NEW SERVICES

Corporate Advisory
Providing M&A, IPO and strategic advice to our SME clients.

Investment Office
Launch of Special Opportunities Fund #1.

Finance
Providing financing and mortgage solutions to our SME clients.



Section 2:

1H18 Results – Financial Information

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1H18 Underlying Income Statement

Group continues to drive growth in P&L

Strong growth in the Underlying P&L in 1H18 was driven by:

- solid organic growth across the Kelly+Partners network
- addition of new complementary services (Corporate Advisory, Investment Office, Finance)
- 1H18 results include Kelly Partners Sydney CBD (acquired 1 January 2017) which is not included in the 1H17 statutory results

\$m	Underlying ²	Statutory	Percentage Change
	1H18	1H17	
Total Revenue – consolidated	19.3	13.8	40%
EBITDA – consolidated	5.8	2.8	106%
NPATA – consolidated	4.5	2.3	94%
EBITDA – attributed	2.8	1.0	179%
NPATA – attributed	1.8	0.6	202%
EPS – attributed (cps)	4.0	1.3	217%

² Underlying P&L metrics have been derived from the reviewed financial statements and exclude amortisation of intangibles and non-recurring expenses. Refer to Appendix for reconciliation.

1H18 Balance Sheet & Cash Flow

Balance sheet and cashflow remains strong

- Net debt has reduced by \$0.5m since 30 June 2017
- Net assets and equity attributable to KPGH shareholders have both increased in 1H18 by 4% and 6% respectively
- Net debt gearing vs forecast full year revenue at 30.5%, significantly under bank approved maximum debt capacity of 60% (undrawn debt capacity of approx. \$10.8m)
- Strong operating cashflows continues to support business growth

Balance Sheet

\$m (consolidated)	Balance Sheet		
	Reported	Reported	Movement
	1H18	FY17	
Cash	3.1	3.2	
Total Assets	42.1	42.5	
Borrowings	(14.3)	(15.0)	↓
Total Liabilities	(21.5)	(22.6)	↓
Net Assets	20.6	19.8	↑
Non-Controlling Interest	8.2	8.1	↑
Equity attributable to KPGH shareholders	12.4	11.7	↑
Net Debt	(11.2)	(11.7)	↓

Cash Flow*

\$m (consolidated)	Cash Flow*
	Reported
	1H18
Operating Cash Flow	3.1
Investing Cash Flow	0.3
Financing Cash Flow	(3.6)
Net Cash Flow	(0.3)

Gearing ratio (vs revenue)	Actual	Max	Undrawn Capacity
Total Group	30.5%	60.0%	\$10.8m

Note: Small differences due to rounding.

Dividends Per Share

Consistent quarterly dividend payments since listing

- 2 x quarterly interim dividends, fully franked at 1c per share were declared and paid since the listing of the company
- The dividend payments are in line with the dividend policy

	Total dividends paid	Amount per security Cents	Franked amount per security Cents
First interim dividend for the year ending 30 June 2018, paid on 16 November 2017	\$454,972	1.00	1.00
Second interim dividend for the year ending 30 June 2018, paid on 16 February 2018	\$454,972	1.00	1.00
Total interim dividend paid	\$909,944	2.00	2.00

Section 3:

Strategy & Outlook

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Strategic Priorities for FY18

Strategic Initiative	Plans & Objectives
KPGH	<ul style="list-style-type: none"> • deliver FY18 prospectus forecasts • continued steady revenue and profit growth • pay quarterly dividends • maintain strong balance sheet, and improve working capital management • IT system review
Organic Growth	<ul style="list-style-type: none"> • ongoing steady demand for accounting & taxation services • EBITDA margin improvement via efficiencies • review service offering to top 20% of clients
Acquisitions & Greenfields	<ul style="list-style-type: none"> • continue to build up pipeline of opportunities based on geographic targets • drip-feed campaigns across 7,000 partners in NSW accounting firms
Complementary Services	<ul style="list-style-type: none"> • grow and establish complementary businesses in wealth management, finance, insurance, corporate advisory, and property advisory • develop 'preferred referral' framework for counterparties
People	<ul style="list-style-type: none"> • promote new partners and team members • attract talented new team members • retain & develop senior management team
Brand	<ul style="list-style-type: none"> • continue to grow brand awareness across SMEs, their owners, and their families

Growth Strategy

1. ORGANIC GROWTH

Steady growth from SMEs driven by increasing tax complexity and compliance.

Build out our existing locations via targeted addition of key people and fee parcels.

Proven client acquisition model and proprietary systems drive market share gains.

2. NETWORK EXPANSION - ACQUISITIONS

Continue to partner with private accounting firms, and help solve the succession issue.

3. NETWORK EXPANSION – GREENFIELDS

Launch greenfield sites in target geographies.

Preferred locations in Greater Sydney already identified.

4. NEW SERVICES

Ongoing convergence of audit, tax, financial advice, superannuation/SMSF, wealth management, family office, and estate planning.

Specialist in tax consulting, wealth management, and finance can be leveraged across the 5,300 strong existing client base.

Acquisition Activity

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- Since IPO in June 2017 there has been a notable increase in inquiries to join the Kelly+Partners Group.
- More than 100 inquiries have been received through the Group's contact outreach system with partners in firms located in suitable geographies.
- The Kelly+Partners team continues to work on these opportunities using its proven extensive acquisition process.

Complementary Businesses

supports the main operating businesses of Kelly+Partners

Kelly+Partners Network



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TAX CONSULTING

Specialist Tax Consulting

Established 2012



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WEALTH MANAGEMENT

Wealth Investment & SMSF Solutions

Established 2016



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FINANCE

Business Finance
Personal Finance

Established 2017



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CORPORATE ADVISORY

M&A, Capital Raisings
Corporate Restructuring

Established 2017



Kelly+Partners Investment Office

Special Opportunities Fund #1

Established 2018



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GOVERNMENT, INCENTIVES & INNOVATION

Policy, Regulatory Advice
Legislative Advice

Established 2018



Key Dates

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Q2 Dividend Paid

16 February 2018

1H FY18 Financial Result

26 February 2018

Q3 Dividend

16 May 2018

FY18 Financial Result

31 August 2018

Q4 Dividend

16 September 2018

Annual General Meeting

9 November 2018

Q1 Dividend

16 November 2018

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Questions?

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Appendix

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Reconciliations of underlying EBITDA and NPATA.

Reconciliation of consolidated EBITDA (\$m)	1H18 Underlying
Reported consolidated EBITDA	4.8
Non-recurring expenses:	
add restructuring costs	0.4
shares issued to employees under ESS	0.3
final costs relating to IPO	0.1
other	0.2
sub total Non-recurring expenses	1.0
Underlying consolidated EBITDA	5.8

Reconciliation of attributed NPATA (\$m)	1H18 Underlying
Reported attributed NPAT	1.0
Non-recurring expenses:	
add restructuring costs	0.2
shares issued to employees under ESS	0.2
final costs relating to IPO	0.1
other	0.1
sub total Non-recurring expenses	0.6
Underlying NPAT (post amortisation)	1.6
Add back amortisation of intangibles (after tax)	0.2
Underlying attributed NPATA (pre amortisation)	1.8