

ASX ANNOUNCEMENT

Friday 12 February 2021

KPG 1H21 Underlying attributed NPATA¹ up 55.0% to \$2.8m

1H21 Highlights

Consolidated Group

- Group revenue up 5.8% to \$24.8m (1H20: \$23.5m) driven by annualised revenue contributions from acquisitions completed in FY20.
- Underlying EBITDA up 16.8% to \$9.6m. Underlying EBITDA margin (pre-AASB16) expanded to 33.3% (1H20: 29.6%) demonstrating the strength of our earnings and the continuous improvements made to the operating efficiencies of our underlying businesses.
- Cashflow from Operations (pre-AASB 16) up 41.8% to \$8.1m² with 92.9% cashflow conversion³.
- Return on Equity remains strong at 44.5% (1H20: 45.6%)

Attributed Parent

- Underlying NPATA Earnings Per Share (EPS) of 6.24 cents per share, up 55.7%, benefiting from the growth in the Underlying attributed NPATA, as well as the Company's ongoing share buy backs
- Ordinary Dividends per Share (DPS) of 2.66 cents per share growing 10% on 1H20.
- First monthly dividend paid in January 2021 providing consistent, regular and more frequent returns to our valued shareholders.

Financial Highlights (\$m)	KPGH & Controlled Entities			KPGH Parent Only		
	1H20	1H21	Change %	1H20	1H21	Change %
Revenue	\$23.5	\$24.8	5.8%			
Underlying EBITDA	\$8.2	\$9.6	16.8%			
Underlying EBITDA (pre. AASB16)	\$6.9	\$8.3	19.3%			
<i>EBITDA Margin (%)</i>	29.6%	33.3%	12.7%			
Underlying NPATA	\$5.3	\$6.2	17.8%	\$1.8	\$2.8	55.0%
<i>NPATA Margin (%)</i>	22.5%	25.1%	11.4%			
Statutory NPAT	\$4.4	\$7.1	59.2%	\$1.4	\$3.2	127.0%
Earnings per share (cents) ⁴				4.01	6.24	55.7%
Ordinary dividends per share (cents)				2.42	2.66	10.0%
Return on Equity ⁵	45.6%	44.5%	-2.5%			
Return on Invested Capital	25.8%	28.1%	8.9%			
Owners' Earnings ⁶	\$6.6	\$8.1	21.6%			

¹ Underlying Attributable NPATA is adjusted for 1) amortisation of customer relationship intangible assets acquired; 2) government grants received for COVID-19; 3) other non recurring income and expense items; and represents the profit attributable to the parent after non-controlling interests.

² Pre-adoption of new accounting standard AASB16.

³ Cashflow Conversion is calculated as Operating Cashflow (before finance costs and cash tax paid) divided by Statutory EBITDA.

⁴ EPS is calculated as Underlying NPATA divided by shares outstanding.

⁵ Return on Equity is calculated as Underlying NPATA for the trailing twelve months divided by equity.

⁶ Owners Earnings is calculated as Cash from Operations less leasing expense and maintenance capex.

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Financial Performance

Consolidated Group

- **Revenue of \$24.8m (+\$1.4m, up 5.8%)** driven by annualised revenue contributions from acquisitions completed in FY20. Organic revenue is flat compared to the prior period as the Group has invested significant amounts of billable time written off to support clients during the COVID-19 period. Organic revenue is expected to increase post COVID-19 with more opportunities for price and volume increases across the network. Acquired revenue is also expected to increase with a number of acquisition targets and opportunities in the pipeline for 2H21.
- **Group Underlying EBITDA of \$9.6m (+\$1.4m, up 16.8%):** Underlying EBITDA pre AASB 16 margin lifted to 33.3% (1H20: 29.6%) demonstrating continuous improvements made to the operating efficiencies in our underlying businesses, as well as significant reductions made to the parent entity's additional investments.
- **Cashflow from Operating Activities of \$8.1m (pre-AASB 16)⁷ was up 41.8% on 1H20** with cash conversion ratio of 92.9%, reflecting the ongoing and disciplined approach to working capital management, and the strong underlying cash flow generation of the Group.
- **Group Net Debt of \$13.1m reduced 14.1% on FY20** reflecting the Group's continual disciplined approach in repaying debt. Gearing ratio has fallen 0.76x (Net Debt / Underlying EBITDA) from 0.94x in FY20 as a result of the reduction in debt and the increase in EBITDA.

Attributed Parent

- **Underlying NPATA attributable to Shareholders of \$2.8m (+\$1.0m, up 55.0%)** excludes one-off government cash grants in relation to COVID-19 of \$0.5m as well as other non-recurring revenue and cost items.
- **Share buybacks of 344,406 shares were made in FY21** representing 0.76% of shares outstanding at IPO. Since the IPO, the Company has in total repurchased 441,587 shares at an average price of \$1.33 which represents a 37.5% discount on the closing share price of \$2.12 on 31 December 2020. These buybacks are a return to our valued shareholders.

Operational Highlights up to Feb-21

- **Number of offices increased from 15 to 16** with the launch of Kelly Partners Pittwater in Jan-21. The new office will service the Northern Beaches area together with our existing Kelly partners Northern Beaches office. The office is in a prime street level location with excellent exposure and visibility.
- **Number of operating business partners increased to 51 (30 June 2020: 44)** through internal promotions and external recruitments. The increase in operating partners is expected to drive organic revenue growth over time.
- **Kelly Partners Alternative Investments** launched in Jan-21, providing alternative investments to wholesale investors through identifying and marketing investment opportunities from Kelly Partners clients.
- **Kelly Partners General Insurance** partnering with Austbrokers in the "Austbrokers Kelly Partners" partnership providing general insurance broking services to Kelly Partners clients.
- **Kelly Partners Investment Office Special Opportunities Fund#2** capital raising in progress with a target raise of \$15m-\$20m.

Getting to Scale

Since IPO, KPGH has continued to invest significantly in growth in order to further develop the capabilities of the central services team and for the business to be positioned for long term growth as well as to grow its competitive advantage. In the past, these investments for growth have exceeded the central Services Fee and IP Fee income that the Company receives from its operating businesses, as shown in the table below.

As communicated in prior financial results releases and announcements, the Company undertook a significant review of its cost structures and additional investments made during the coronavirus outbreak in March 2020 and committed to reducing the ongoing additional investment spend to be in line with the income it receives from its operating businesses. This focus and review have brought the additional investments significantly downwards to \$149,561 for the first half contributing signifi-

⁷ Reported Cashflow from Operating Activities was \$9.0m (after AASB16)

cantly to the uplift in the Underlying attributed NPATA for the half. The Company maintains its strategy to continue to improve operational efficiency impact over time, unless attractive opportunities arise where the Company sees a benefit in committing additional investments.

	FY18	FY19	FY20	1H21
Additional investments	\$371,913	\$742,439	\$1,630,905	\$149,561
% of Group Revenue	0.9%	1.9%	3.5%	0.6%

Dividends Paid in 1H21

During the half year ended 31 December 2020, KPG declared two fully-franked ordinary dividends totalling 2.66cps, a 10% growth on prior year ordinary dividends. Since IPO in June 2017, the Group has increased ordinary quarterly dividends by 10% per annum.

In November 2020, the Company announced the change from a quarterly dividend cycle to a monthly dividend cycle, providing our shareholders with a more frequent return to their investment. The Company is one of very few listed companies paying monthly dividends, and it demonstrates the strength of the Company's cashflows and commitment to generating attractive returns to our shareholders.

Dividends	FY18		FY19		FY20		FY21 Outlook	
	Quarterly		Quarterly		Quarterly		MONTHLY from Jan-21	
	DPS (cps)	Total	DPS (cps)	Total	DPS (cps)	Total	DPS (cps)	Total*
Ordinary Dividends	4.00	\$1,819,888	4.40	\$2,001,876	4.84	\$2,197,757	5.32	\$2,417,096
Growth %			10%		10%		10%	
Special Dividends					0.55	\$249,881		
Total	4.00	\$1,819,888	4.40	\$2,001,876	5.39	\$2,447,638	5.32	\$2,417,096
Payout Ratio % [^]	42.1%		62.7%		61.2%			

*FY21 total may vary subject to share buy-backs

[^]Payout ratio calculated as ordinary dividends paid per share dividend by earnings per share (underlying NPATA)

Commenting on the 1H21 performance of the Group, Executive Chairman & CEO Brett Kelly said:

"Kelly Partners is a strongly defensive annuity style revenue business growing at c.15% p.a. since IPO three years ago. Our strategy is to be focussed on tax and accounting services to private business owners with an addressable market in excess of \$12.0b ensures that we feel confident that there is still very substantial growth ahead."

The 1H21 performance of our businesses is pleasing and has improved significantly on 1H20. We expect to continue to grow our earnings. We have and continue to prepare the business for the current economic environment and the business remains well positioned and well capitalised over the medium term to execute its Five Year Growth Plan."

Outlook

The Company will maintain its focus on organic growth, network expansion and offering new services.

During FY21 the Company aims to:

- Continue driving market share gains, underpinned by strong brand presence and growing market penetration;
- Future scale the unique Partner Owner Driver™ model we invented in 2006 and have deployed in 20+ partnerships and 30+ acquisitions to date;
- Pursue acquisition opportunities;

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- Maintain market leading EBITDA margins of >35.0%, lockup of ~55 days and cashflow conversion of 85-100%;
 - Deliver further operational efficiencies at the partnership level and across the Central Services team;
 - Grow dividends at 10% per annum; and
 - Buy back our shares at a meaningful discount to intrinsic value.

The Company expects Underlying NPATA (attributable to Shareholders) to increase in FY21, and to increase its dividends by 10% to 5.32 cents per share (FY20: 4.84 cents per share) through payment of monthly dividends. The Company intends to maintain a dividend payout ratio of 50-70% of Underlying NPATA. This is based on no material adverse impacts emerging as a result of COVID-19.

Post-Results Conference Call

Kelly+Partners Group will be holding a 1H21 results' briefing conference call at 10:00am (AEDT) today 12 February 2021, followed by a Q&A session. To join the call, please dial 1300 264 803 (Australia Toll Free) or +613 8687 0650 (International).

For more information, please contact:



Brett Kelly

Founder and CEO

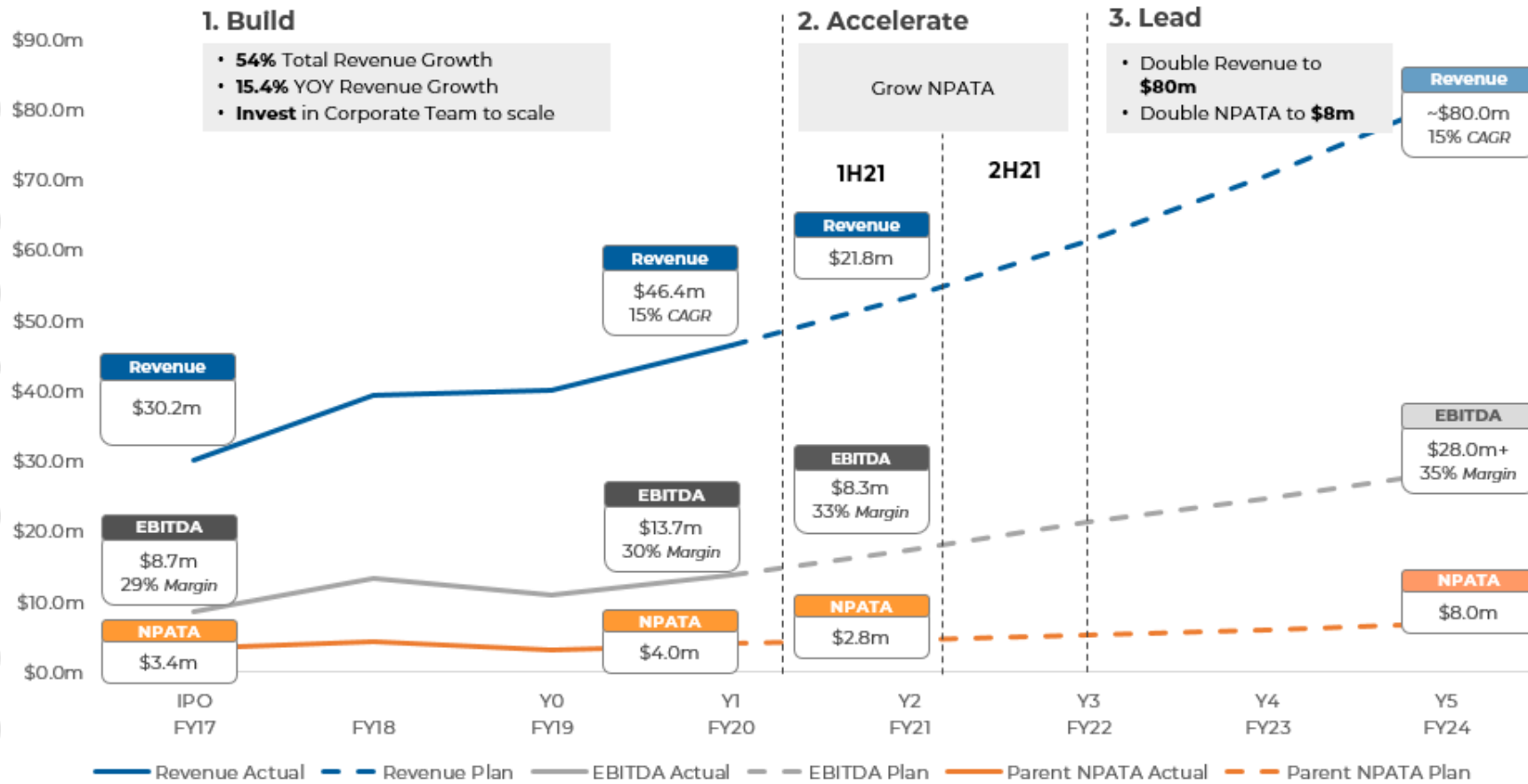
Ph: 02 9923 0800

The Board of Directors of Kelly Partners Group Holdings Limited, has approved the release of this document to the market.

Appendix: KPG - 5 Year Growth Plan

Build, accelerate and lead

Double revenue to \$80m+ by FY24



Kelly+Partners – Current Office Locations



About Kelly+Partners

Kelly+Partners is a specialist chartered accounting network established in 2006 to provide a better service to private clients, private businesses & their owners, and families. Growing from two greenfield offices in North Sydney and the Central Coast, Kelly+Partners now consists of 22 operating businesses across 16 locations in Greater Sydney, Melbourne and Hong Kong. In total, the team consists of more than 250 people, including 51 partners, who service over 8,000 SME clients. Our holding company, Kelly Partners Group Holdings, was successfully listed on ASX on 21 June 2017. Over the past 14 years, Kelly+Partners has undertaken 38 individual transactions in order to build the current accounting network. This includes the transformation of 23 external firms, and the launch of 15 greenfield businesses. Our ownership structure and operating model is unique in the Australian accounting market, and provides a strong platform for long-term sustainable growth. The combination of a proven business model and specialist operational expertise enables Kelly+Partners to help solve many of the issues currently facing both the accounting sector and our SME clients.

For more information, please contact:

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