

ASX ANNOUNCEMENT

Wednesday 1 February 2023

KPG 1H23 Underlying attributed NPATAⁱ up 7.5% to \$3.6m KPG delivers Owner Earningsⁱⁱ per share of 7.86 cps, up 4.6%

1H23 Highlights – Business

- **Mission, Values & Vision** – We exist to help our people, Private Business Owners and the communities in which we work in be better off
- **Strategy** – 6 new locations in NSW, 2 new locations in QLD. Commencement of a global expansion of business into the US and UK with a new office opened in Malibu, California in January 2023.
- **Structure** – Partner-Owner-Driver[®] model implemented in 6 acquisitions completed in 1H23
- **People** – awarded Great Place to Work for the second year with team members awarding a 90% score to the business
- **Clients** – Net Promoter[®] Scoreⁱⁱⁱ of +70 vs an industry average of -18^{iv}, client groups increased by 26% to 17,000+
- **Financial** – see below
- **Digital** – Be Better Off Challenge, Kelly+Partners app
- **Brand** – Brand consideration score of 11.5% vs the average AFR Top 23 score of 6.3%^v
- **Growth** – 42.2% revenue growth in 1H23, 34.5% acquired growth and 7.8% organic growth^{vi}
- **Succession** – assisted senior practitioners from 6 acquisitions manage their succession

1H23 Highlights - Financials

Consolidated Group

- Group Revenue up 42.2% to \$44.0m (1H22: \$30.9m)
- Underlying EBITDA (pre-AASB16) up 14.3% to \$11.8m (1H22: \$10.3m)
- Underlying EBITDA margin (pre-AASB16) of operating businesses at 30.0% (1H22: 33.5%)
- Cashflow from Operations (pre-AASB 16) up 12.2% to \$10.3m (1H22: \$9.2m)
- Number of active client groups up 26% to c.17,000 (FY22: c.13,500)

Attributed Parent

- Underlying NPATA up 7.5% to \$3.6m (1H22: \$3.3m)
- Owner Earnings up 4.6% to \$3.5m (1H22: \$3.4m)
- Underlying NPATA Earnings Per Share (EPS) up 7.5% to 7.98c (1H22: 7.42c)
- Ordinary Dividends per Share (DPS) up 10.0% to 2.40c (1H22: 2.18c)

Financial Highlights (\$m)	KPGH & Controlled Entities			KPGH Parent Only		
	1H22	1H23	%	1H22	1H23	%
Revenue	\$30.9	\$44.0	42.2%			
Underlying EBITDA	\$11.9	\$13.9	17.3%			
Underlying EBITDA (pre-AASB16)	\$10.3	\$11.8	14.3%			
EBITDA Margin (%)	33.2%	26.7%	-6.5%			
EBITDA Margin (%) - Operating Businesses	33.5%	30.0%	-3.5%			
Underlying NPATA	\$7.5	\$8.8	18.2%	\$3.3	\$3.6	7.5%
NPATA Margin (%)	24.2%	20.1%	-4.1%			
Statutory NPAT	\$8.0	\$6.5	-19.2%	\$3.4	\$2.3	-32.2%
Earnings per share (cents)				7.42c	7.98c	7.5%
Ordinary dividends per share (cents)				2.18c	2.40c	10.1%
Return on Equity	41.7%	43.4%	1.7%	30.4%	32.6%	2.2%
Return on Invested Capital	22.3%	21.8%	-0.5%	30.5%	27.7%	-2.8%
Owners' Earnings	\$9.1	\$10.0	9.8%	\$3.4	\$3.5	4.7%

Financial Performance

Consolidated Group

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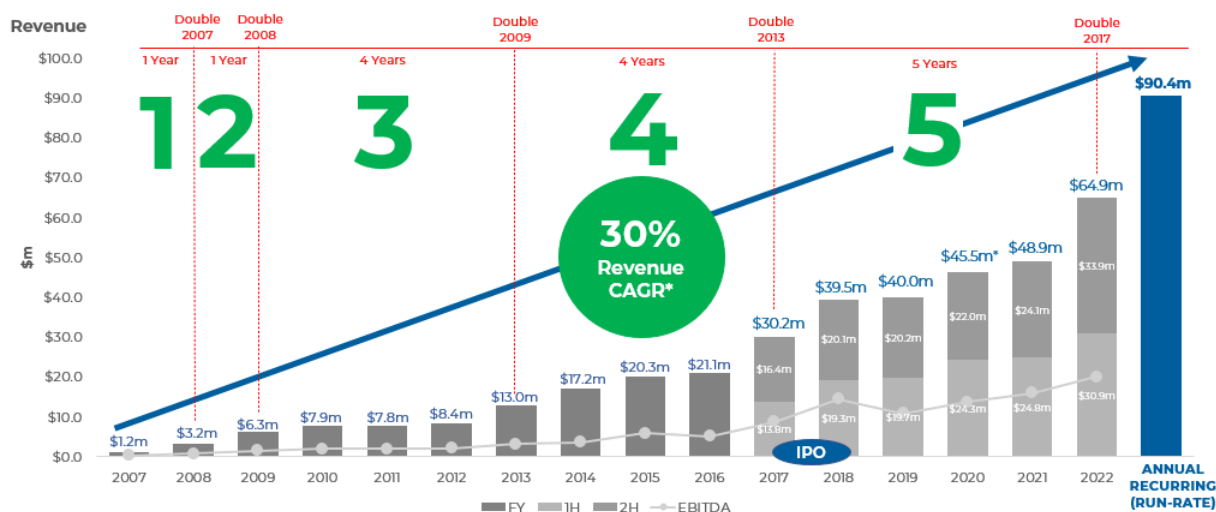


- **Revenue of \$44.0m (+\$13.1m, up 42.2%):** Acquired revenue growth of \$10.7m contributed 34.5% of total revenue growth, with in year acquisitions completed in 1H23 contributing \$4.2m and revenue from the acquisitions completed in FY22 contributing \$6.5m^{vii}. Revenue from organic growth contributed 7.8% of the overall growth. We are pleased that both acquired and organic revenue growth have exceeded the Group's targets of 5% each.
- **Group Underlying EBITDA of \$13.9m (+\$2.1m, up 17.3%):** Underlying EBITDA margin pre AASB 16 as a % of revenue was lower at 26.7% (1H22: 33.2%) mainly due to additional investments by the parent entity. Operating business EBITDA margin also reduced to 30.0% (1H22: 33.5%) mainly as a result of a drag in margins from recently completed acquisitions. On a cohort level, our established operating businesses (i.e. with annual revenues >\$2.0m) generated EBITDA margins of 31.7% whilst our growth (\$1m-\$2m) and subscale businesses (<\$1m) generated EBITDA margins of 21.6% and 22.3% respectively. Acquired businesses generated 20.9% EBITDA margins for the half year. Management continues to focus its efforts on improving all business' profitability to 35% EBITDA.
- **Cashflow from Operating Activities of \$10.3m was up 12.2% on 1H22** with cash conversion ratio of 106.6%.
- **Group Net Debt of \$36.9m increased \$5.5m or 17.7% on FY22** as a result of new borrowings for 1H23 in year acquisitions and buy-ins of new and existing partners.. Gearing ratio has increased to 1.93x (FY22: 1.36x) (Net Debt / Underlying EBITDA). Gearing ratio calculated on Underlying EBITDA of operating businesses (i.e. excluding additional investments of the parent entity) was 1.61x. The Group does not view the increased gearing ratio as a risk given acquisition debt is amortised and repaid through profits generated from the acquired business and is expected to be repaid in full over a 4-5 year term.

Attributed Parent

- **Underlying NPATA attributable to Shareholders of \$3.6m (+\$0.3m, up 7.5%)** which excludes non recurring income and expenses. Refer to Directors Report and Results Presentation for reconciliation between Statutory NPAT and Underlying NPATA.
- **Owner earnings of \$3.5m (+\$0.1m, up 4.6%)** reflect the cash from operations to the parent and the strong conversion of profit to cash.
- **No shares issued since IPO in 2017**, issued shares are currently 45,000,000 shares.

Revenue growth since inception and since IPO



Operational Highlights up to today

- **Number of offices increased from 19 to 28** mainly through completing the acquisitions in 1H23. We are also pleased to announce the opening of our first US office in Malibu, California in January 2023 in line with our goal to expand the business globally.
 1. Hunter Region, NSW – Dungog
 2. Hunter Region, NSW – Taylors Beach
 3. Hunter Region, NSW – Singleton
 4. Hunter Region, NSW – Gloucester
 5. Leeton, NSW
 6. Palm Beach, QLD
 7. Maitland, NSW
 8. South West Brisbane, QLD
 9. Malibu, California, US
- **Number of operating business partners increased to 76 with a record 16 new partners joining the group.** In 1H23, 1 partner was recruited externally and 11 partners joined the group from completed acquisitions. Since 1 January 2023, 4 new partners were promoted internally, taking the total number of equity partners to 76.
- **Number of active client groups increased 26% from c.13,500 to c.17,000** providing further opportunities for growth and network effects.

Current Year Acquisitions

During 1H23, the Group completed 6 acquisitions with estimated total annual revenues in the range of \$8.2m to \$10.7m, representing 12.6% to 16.5% of FY22 revenue. The Group's revenue run rate (annualised revenue including all acquisitions completed to date) for FY24 is expected to be \$90m+, exceeding the target revenue of \$80m as per the published 5 year plan.

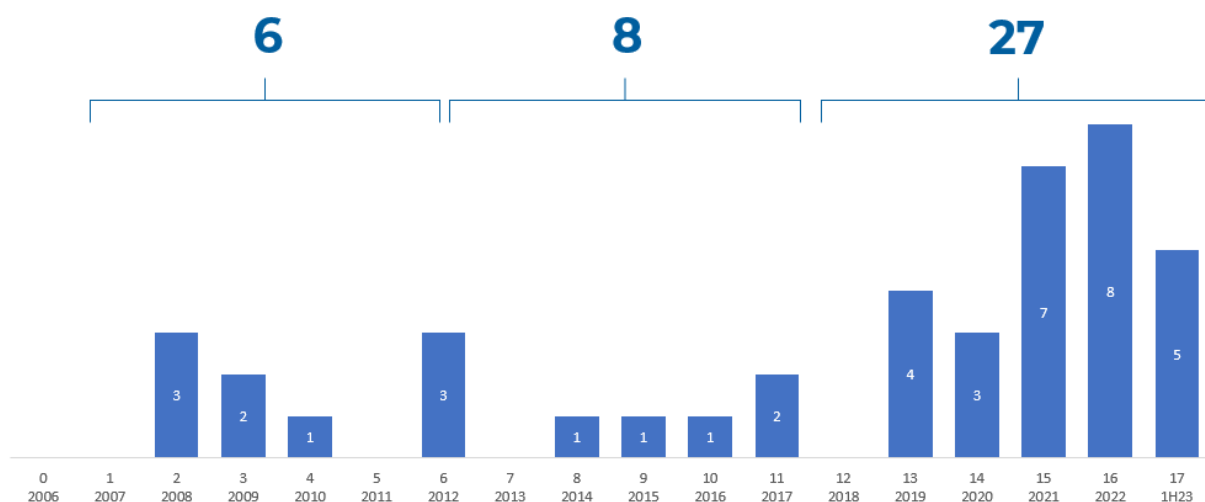
The completed acquisitions in 1H23 are listed in the table below:

#	Acquired / scheduled	Location	Type	Acquired Revenue
1	Jul-22	Hunter Region, NSW	Marquee	\$3.2m - \$4.3m
2	Sep-22	Leeton, NSW	Marquee	\$0.8m - \$1.0m
3	Sep-22	Palm Beach, QLD	Marquee	\$1.6m - \$2.1m
4	Oct-22	Maitland, NSW	Marquee	\$1.5m - \$2.2m
5	Nov-22	Melbourne, VIC	Tuck-in	\$0.5m
6	Dec-22	South West Brisbane, QLD	Marquee	\$0.6m
Acquisitions completed in 1H23				\$8.2m - \$10.7m
% of FY22 Revenue (\$64.9m)				12.6% - 16.5%

Programmatic Acquisitions

KPG is continuing to build its ability to rapidly execute and integrate aligned businesses into the Group in a world class manner. A core focus is further developing the Group's ability to increase the velocity of acquiring suitable businesses. We firmly believe in executing a strategy of programmatic acquisitions (i.e. making many small deals).

Number of acquisitions completed since inception



Additional investment expenditure by the parent entity

Since the IPO, the parent entity has continued to invest to further develop the capabilities of the central services team and to enable the business to be positioned for long term growth as well as to increase its competitive advantage. These investments have sometimes exceeded the central Services Fee and IP Fee income that the parent entity receives from its operating businesses, as shown in the table below.

As communicated in a market announcement in Oct-22, the parent entity has continued to invest heavily in Brand and Digital this half year to:

- 1) support the Group's accelerated expansion through acquisitions that has occurred in the past 2 years and to enable such growth to continue in the future; and
- 2) expand the Group globally, particularly in to the US and UK, where significant opportunities exist.

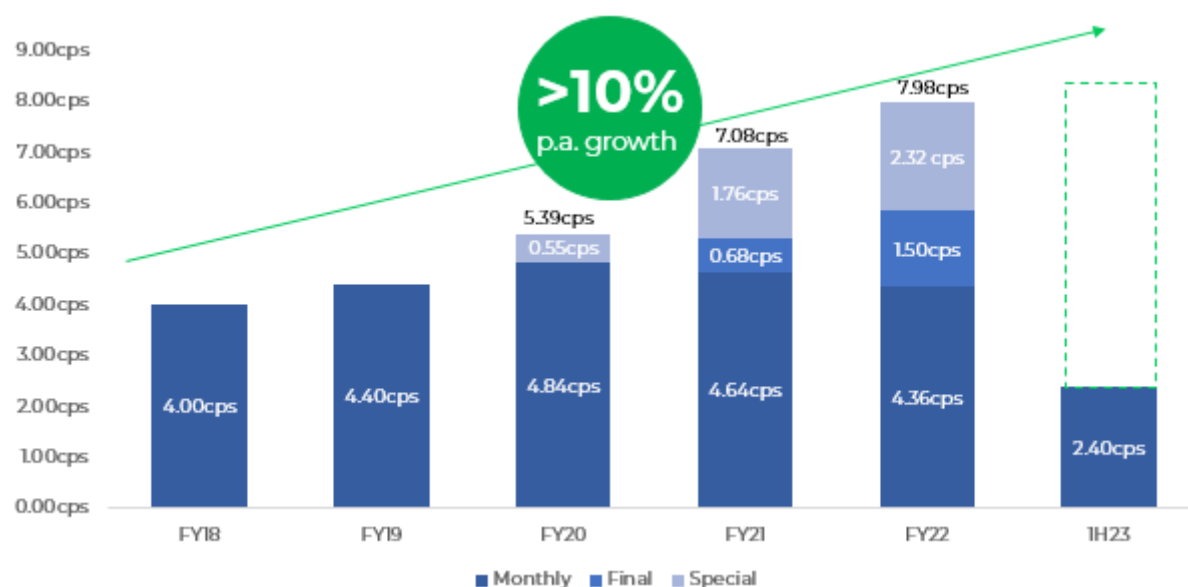
	FY18	FY19	FY20	FY21	FY22	1H22	1H23
Additional investments	\$371,913	\$742,439	\$1,630,905	\$371,127	\$77,836	\$75,990	\$1,454,306
% of Group Revenue	0.9%	1.9%	3.6%	0.8%	0.1%	0.2%	3.3%

Dividends Paid in 1H23

During the half year, KPG paid the final and special dividends related to FY22. The total dividends paid related to FY22 was 8.17 cents per share, equating to a payout ratio of 58.4% of Underlying NPATA. KPG has also continued to pay monthly dividends in 1H23 and has grown such dividends by 10%.

The Company continues to maintain dividend payout ratio of 50-70% of Underlying NPATA and growing ordinary dividends at a minimum of 10% per annum.

Dividends paid



Total Shareholder Return ('TSR') since IPO in June 2017 up to 31 December 2022

Since IPO, KPG has delivered a 32.84% compounded annual return to its shareholders through an appreciation in share price as well as regular dividends paid.

KPG.ASX Return	Issue price at IPO	FY18	FY19	FY20	FY21	FY22	1H23	Total
Share Price	\$1.00						\$4.49	\$3.49
Dividends per share - Ordinary		\$0.04	\$0.04	\$0.05	\$0.05	\$0.06	\$0.02	\$0.27
Dividends per share - Special				\$0.01	\$0.02	\$0.02		\$0.05
Total Shareholder Return (\$)								\$3.81
Total Shareholder Return (%)								381.12%
Total Shareholder Return – Annual %								32.84%

Commenting on the 1H23 performance of the Group, Founder & CEO Brett Kelly said:

"We cannot continue to invest and deliver the world class people, client and community impact we are known for and justify the investment if we don't grow globally. Our clients over the next 25 years are all going to have to earn a return on a global basis and will need their accountants to help them operate in this new global world."

To that end, as we grow our Australian businesses to \$100m+ revenue in the near future and expand internationally to the US and the UK, where we see significant opportunities exist (Australia's two largest expat communities), we have begun to invest heavily in our people, our brand and our digital infrastructure to facilitate this growth.

This market position as 'Australia's global accounting firm' will take effort to build out in the short term and ultimately be a valuable differentiated market position over the long term that is inspiring to the talent we seek to attract'

Post-Results Conference Call

Kelly+Partners Group will be holding a 1H23 results presentation at 11:00am (Sydney time) today 1 February 2023, followed by a Q&A session.

To register, please visit

https://us02web.zoom.us/webinar/register/WN_HCOJV_3DQS-Pa5INfmek4A

For more information, please contact:



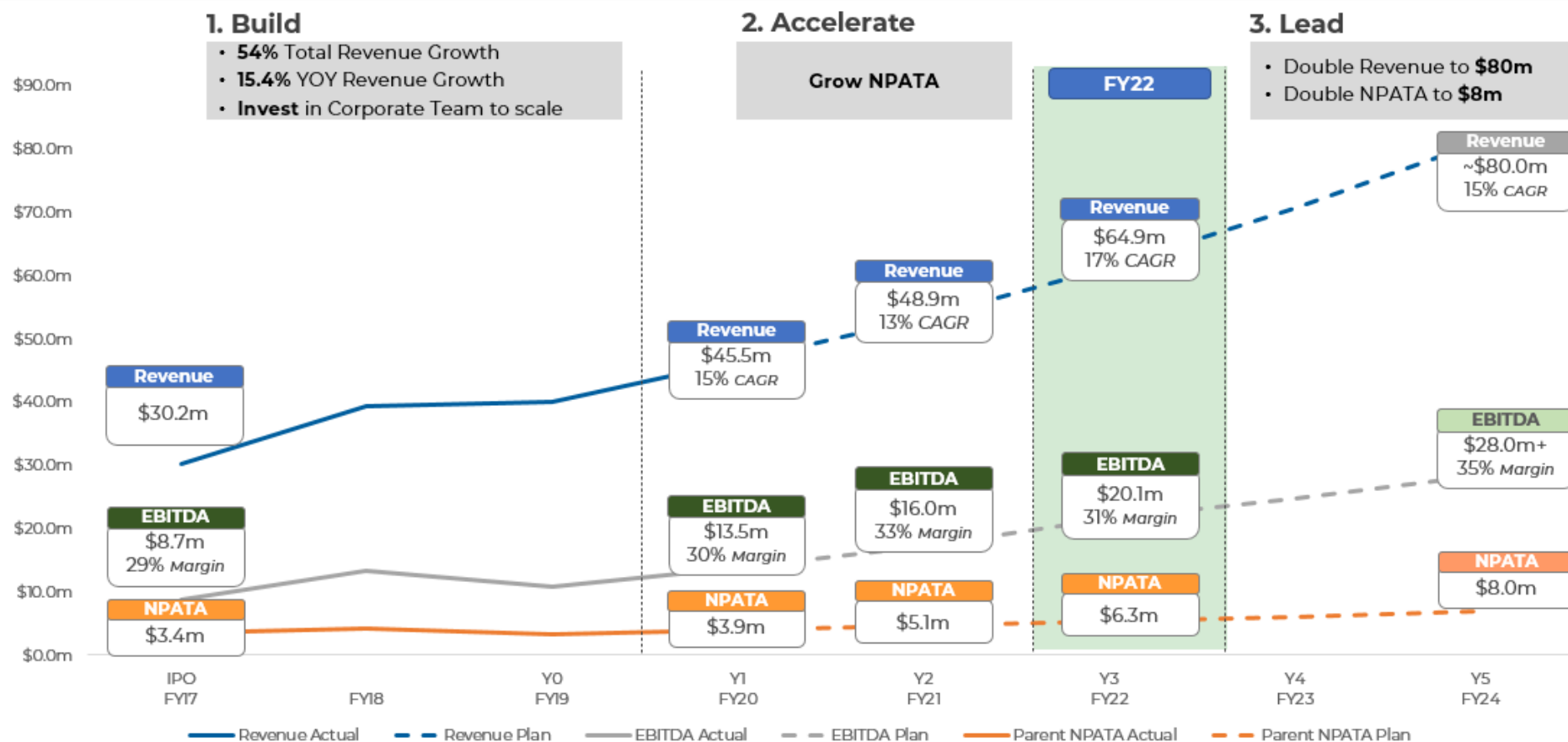
Brett Kelly

Founder and CEO

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

5 YEAR PLAN 1 : FY19-FY24



KP+GH

KELLY PARTNERS GROUP HOLDINGS LIMITED

NSW



VIC



QLD



International



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About Kelly+Partners Group Holdings Ltd (ASX:KPG)

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 34 operating businesses across 28 locations in Greater Sydney, Melbourne, United States and Hong Kong.

In total, the team consists of more than 450 people, including 76 partners, who service over 17,000 SME clients.

The holding company, Kelly Partners Group Holdings Limited, was successfully listed on ASX on 21 June 2017.

Over the past 17 years, Kelly+Partners has undertaken 61 individual transactions in order to build the current accounting network. This includes the transformation of 44 external firms, and the launch of 17 greenfield businesses.

KPG's ownership structure and unique operating model (**Partner-Owner-Driver™**) is transforming 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 KPG to help solve many of the issues currently facing both the accounting sector and the SME clients of our firms.

For more information, please contact:

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Endnotes

- ⁱ Underlying Attributed NPATA is adjusted for 1) amortisation of customer relationship intangible assets acquired; 2) other non recurring income and expense items; and represents the profit attributable to the parent after non-controlling interests.
- ⁱⁱ Owner earnings represent the cashflow available to the parent entity. Owner earnings is used to measure cashflow to the Group (after taxes and finance costs) after taking in to account: 1) additions or reductions in working capital investment (debtors, creditors and other accrual movements); 2) deductions required for the maintenance capital expenditure of the business to maintain ongoing operations in the long term
- ⁱⁱⁱ NPS®, Net Promoter® & Net Promoter® Score are registered trademarks of Satmetrix Systems, Inc., Bain & Company and Fred Reichheld
- ^{iv} The Evolved Group Australian B2B NPS® Industry Benchmarks
- ^v Brand Survey conducted externally in May 2021
- ^{vi} Total impacted by rounding
- ^{vii} Total impacted by rounding