KP+GH
KELLY PARTNERS GROUP HOLDINGS LIMITED

ASX RELEASE

Tuesday 20 Aug 2019

Financial Year 2019 Results Announcement

Kelly Partners Group Holdings Limited (ASX: KPG) announces its financial results for the year ending 30 June 2019 (FY19).

- Group revenue of $40.0 million, in line with previous guidance;
  - Organic revenue (ex Sydney CBD) grew 7.5% to $31.6 million
  - Total revenue growth (ex Sydney CBD) is up 11.9%.
- Group Underlying EBITDA of $10.9 million, in line with previous guidance;
- Underlying Attributed NPATA of $3.2 million, in line with previous guidance;
- Strong Cash Flow from Operations of $10.0 million (up 51.0% on FY18);
- Four fully-franked dividends paid equating to 4.3cps for FY19 in total (10% growth on prior year);
- Integration of four recently acquired accounting firms in North Sydney, Inner West, Northern Beaches and Oran Park. These acquisitions have contributed FY19 revenues of $2.5 million, and are expected to contribute $3.0 - $4.0 million in FY20; and
- Share buy back of up to 10% of the company's shares, with 2,181 shares purchased and cancelled during the financial year. Prior to the buy back, the total shares on issue were 45,497,181. After the buyback and as at 30 June 2019, total shares on issue were 45,495,000. The buyback is in place until 7 May 2020.

Commenting on the full year performance of the Group, Executive Chairman & CEO Brett Kelly said:

"Kelly+Partners' businesses have increased cash flow from operations to $10.0 million, up 51% on FY18. The combination of ongoing strong organic growth, successful acquisition of four businesses this year, and an improvement within the Sydney CBD business will together underpin our earnings in the period ahead. In addition, we have put in place strong foundations to drive our longer-term growth, with our team members working hard to deliver on the mission of the business and the opportunities we see."

KP+GH
KELLY PARTNERS GROUP HOLDINGS LIMITED

Financial Performance

FY19 Financial Highlights	KPGH & Controlled Entities FY19 $m	FY18 $m	Change %	KPGH Attributed to shareholders FY19 $m	FY18 $m	Change %
Revenue from ordinary activities	**$40.0**	**$39.5**	**1.3%**			
Underlying EBITDA	$10.9	$13.4	-18.9%	$5.1	$6.4	-20.9%
Margin (%)	*27.1%*	*33.9%*				
Underlying NPATA	**$8.4**	**$10.2**	**-17.4%**	**$3.2**	**$4.3**	**-26.2%**
Margin (%)	*19.7%*	*26.9%*				
Statutory NPAT	**$7.1**	**$10.0**	**-28.3%**	**$2.4**	**$4.4**	**-44.4%**
Dividends Paid				$2.0	$1.4	
Earnings per share (cents)*				5.35c	9.63c	
Return on Equity	*32.0%*	*44.0%*				
Return on Invested Capital	*20.2%*	*28.9%*				
*Owners' Earnings***	*$9.7*	*$6.3*				

** EPS is calculated as Statutory NPAT divided by shares outstanding. There is a share buy back in place. Immediately prior to the buy back there were 45,497,181 shares outstanding. As at 30 June 2019, there were 45,495,000 shares outstanding, and as at the current date, 4,543,184 shares are authorised for on market buy back.*

*** Owners Earnings is calculated as Cash from Operations less maintenance capex.*

Organic revenue (ex Sydney CBD) grew 7.5% to $31.6 million (FY18: $29.4 million) driven by volume growth and price increases.

Group Underlying EBITDA of $10.9 million (FY18: $13.4 million) at a margin of 27.1%.

Operating expenses during the period of $29.2 million (FY18: $26.4 million) included $1.6 million of costs related to the ongoing operating expenses of acquired entities.

The Company continues to generate strong Cash from Operations (CFO) of $10.0 million (FY18: $6.6 million) driven by billings growth and reduction in lock up (consisting of trade debtors, accrued income and contract liabilities).

Key Personnel Change

As announced on 27 March 2019, Justin Sweeting commenced on 13 May 2019 as Deputy Chief Financial Officer. Subsequent to his appointment, there has been an orderly transition of roles and responsibilities from the current Group CFO, Pauline Michelakis. This transition has included Justin Sweeting being responsible for the FY2019 financial statement preparation and audit process, working closely with Kenneth Ko (KPG Group Finance Manager).

With the transition nearing completion, Pauline Michelakis has agreed to remain as a consultant to the Group on a fulltime basis for the remainder of her employment contract to 26 September 2019.

The Company has also announced the appointment of Viswesh Sathi as Group COO from 18 June 2019. As Group COO, Sathi will lead overall operations including growth and business service functions. Prior to joining Kelly Partners Group Holdings, Sathi served on the leadership team at WeWork as Senior Director, Enterprise – Asia Pacific where he was tasked with the expansion and operational readiness of their Powered by We business supporting enterprise clients across Asia Pacific. Prior to his work at WeWork, Sathi was at JLL as Regional Operations Director - Asia Pacific for their Enterprise Strategy & Innovation group. Sathi earned his Executive MBA from RMIT with distinction and has a Grad.Cert in Project Management from University of Sydney.

Dividends Paid in 2018/19

During the financial year, KPG paid four fully-franked dividends equating to 4.3cps in FY19 (FY18: 4cps).

	Payment date	Total dividends paid	Amount per security Cents	Fully Franked per security Cents
For the year ended 30 June 2018				
Final dividend	12 Jul 2018	$454,972	1.00	1.00
For the year ended 30 June 2019				
First interim dividend	30 Oct 2018	$500,469	1.10	1.10
Second interim dividend	31 Dec 2018	$500,469	1.10	1.10
Third interim dividend	29 Mar 2019	$500,469	1.10	1.10
Total dividends paid		**$1,956,379**	**$4.30**	**$4.30**

Operational initiatives undertaken during FY19

The Company has implemented several business initiatives since 1 July 2018 including:

- Full management integration of Sydney CBD business following the two year earn-out period ending 31 December 2018;
- Implementation of a newly configured IT platform to power the next generation of growth; and
- Renegotiation of all banking facilities, resulting in improved and standardised terms and conditions for all controlled entities and an additional $2.0 million additional revolving credit line for the parent.

These operational initiatives underpin the Company's ongoing delivery of operational efficiencies and growth.

KP+GH

KELLY PARTNERS GROUP HOLDINGS LIMITED

Acquisition strategy continues to deliver growth

The Kelly+Partners Group has completed four acquisitions since 1 July 2018:

	Entity	Type	Acquisition Date	Year to date Revenue	Annual Revenue Forecast
1	SBA	Tuck-in	1 Sep 2018	$965,688	$1,125,000 - $1,500,000
2	Le Page	Marquee	4 Sep 2018	$879,493	$975,000 - $1,300,000
3	BWD	Tuck-in	6 Dec 2018	$502,857	$560,000 - $750,000
4	MLT	Tuck-in	1 Feb 2019	$158,758	$340,000 - $450,000
			Total	$2,506,796	$3,000,000 - $4,000,000

Integrations of the acquisitions have progressed successfully, with the acquired footprint already making a material revenue contribution during FY19.

The acquisitions made in FY19 are expected to contribute $3.0 - $4.0 million in revenues on a FY20 full year basis, representing 7.6% - 10.1% growth on existing revenues. Businesses were acquired with 20% - 30% retentions.

The Company is currently pursuing additional acquisitions in line with the stated strategy to tuck-in at existing offices with spare capacity.

Outlook

The Kelly+Partners Group will continue to drive organic and acquired growth through its proven business model. The Company maintains its focus on organic growth, network expansion and offering new services.

During FY20 the Company aims to:

- Continue targeting EBITDA margins of at least 32.5% (after all partner base distributions) in each individual accounting practice;
- Continue driving market share gains, underpinned by strong brand presence and growing market penetration;
- Continually review acquisition opportunities; and
- Continue to drive operational efficiencies at the practice level.

With its “Owner-driver” operating model which aligns interests, the Kelly+Partners Group is well-positioned to further develop its position in the SME segment of the accounting market.

KP+GH
KELLY PARTNERS GROUP HOLDINGS LIMITED

Post-Result Conference Call

Kelly Partners Group will be holding a FY19 results' briefing conference call at 11:00am (AEST) today, followed by a Q&A session.

To join the call, please dial 1800 870 643 **(Australia Toll Free)** or +61 02 9007 3187 **(Australia Local)** and provide **Conference ID** 10001695.

For more information, please contact:

Brett Kelly
Executive Chairman and CEO
Ph: 02 9923 0800

Appendix - Growth Strategy

+5 Year Growth Strategy

EXISTING GROUP	ORGANIC	NETWORK EXPANSION				NEW SERVICES	TARGET GROUP
	ORGANIC GROWTH	*ACQUISITION – TUCK-IN*	*ACQUISITION – MARQUEE*	OR	*GREENFIELD*		
	5% p.a	2+ tuck-ins per year 8 existing sites $1.0m+ revenue each 112 spare seats Integration cost 10% of price 60 days integration Target ROI – 30%+	5 new sites $2.0m+ revenue each 2+ partners Integration cost 20% of price 2 year integration Target ROI – 30%+		5 new sites $2.0m revenue target 2 partners target Start-up cost $50-$250k 3 years to target metrics Target ROI - 30%+ after 3 years	Wealth Finance Corporate Advisory Investment Office	
	Self Funded / Overdraft	Self Funded / Overdraft	Self Funded / KPG / Overdraft		Self Funded / Overdraft	Self Funded / Overdraft	Self Funded / Overdraft
~$41m Revenue	$12m+ Revenue Opportunity	$12m+ Revenue Opportunity	$10m+ Revenue Opportunity			$5m+ Revenue Opportunity	$80m+ Revenue Opportunity
~$10m EBITDA	$4.2m+ EBITDA Opportunity	$4.2m+ EBITDA Opportunity	$3.5m+ EBITDA Opportunity			$1.8m+ EBITDA Opportunity	$28m+ EBITDA Opportunity

KP+GH
KELLY PARTNERS GROUP HOLDINGS LIMITED

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 13 locations in Greater Sydney, plus Melbourne and Hong Kong. In total, the team consists of 229 people, including 40 equity partners, who service over 5,000 SME clients. Our holding company, Kelly Partners Group Holdings, was successfully listed on ASX on 21 June 2017.

Over the past 13 years, Kelly+Partners has established from start up and completed 20+ individual acquisitions in order to build the current accounting network. The owner-driver ownership structure and operating model is unique in the Australian accounting market, and provides clear alignment driving 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 SME clients.

Disclaimer: Non-IFRS information such as Attributed NPAT, NPATA, EBITDA, and EPS have not been subject to review by the auditors. This release contains "forward-looking" statements. Forward-looking statements can generally be identified by the use of forward-looking words such as "anticipated", "expected", "projections", "guidance, "forecast", "estimates", "could", "may", "target", "consider", "will" and other similar expressions. Forward looking statements, opinion and estimates are based on assumptions and contingencies which are subject to certain risks, uncertainties and change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements including projections, indications or guidance on future earnings or financial position and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, there can be no assurance that actual outcomes will not differ materially from these statements. To the fullest extent permitted by law, KPG and its directors, officers, employees, advisers, agents and intermediaries do not warrant that these forward looking statements relating to future matters will occur and disclaim any obligation or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions.