

ASX ANNOUNCEMENT

Monday 9 August 2021

KPG FY21 Underlying attributed NPATAⁱ up 29.9% to \$5.1m KPG delivers a 41.6% p.a. return to its shareholders since IPO

FY21 Highlights – Business

“We hope you instead visualize yourself as a part owner of a business that you expect to stay with indefinitely, much as you might if you owned a farm or apartment house in partnership with members of your family”. – Warren Buffett

- **Mission, Values & Vision** - B Corp – 1 of 5 listed companies in Australia certified as a B Corp
- **Strategy** – 2 new locations in Pittwater and Newcastle
- **Structure** - Partner-Owner-Driver™ model implemented in 4 acquisitions and 3 in Jul-21
- **People** - Great Place to Work™ - 85% satisfaction
- **Clients** - Net Promoter® Scoreⁱⁱ - +67% vs an industry average of -18ⁱⁱⁱ
- **Financial** - below
- **Digital** – 500 5 Star Google Reviews
- **Brand** - Brand consideration score - 11.5% vs the average AFR Top 23 score of 5.8%^{iv}
- **Growth** - AFR Top 100 Accounting Firms - ranked 23rd largest in Australia
- **Succession** – assisted 4 senior chartered accountants manage their succession

FY21 Highlights - Financials

Consolidated Group

- Group Revenue up 7.5% to \$48.9m (FY20: \$45.5m)
- Underlying EBITDA up 18.4% to \$16.0m (FY20: \$13.5m)
- Underlying EBITDA margin (pre-AASB16) up 10.2% to 32.6% (FY20: 29.6%)
- Cashflow from Operations (pre-AASB 16) up 5.1% to \$13.0m (FY20: \$12.3m)
- Number of active client groups increased +18% to c.9,500 (FY20: ~8,000)

Attributed Parent

- Underlying NPATA up 29.9% to \$5.1m (FY20: \$3.9m)
- Owners' Earnings up 29.1% to \$5.0m (FY20: \$3.9m)
- Underlying NPATA Earnings Per Share (EPS) up 30.7% to 11.33cps (FY20: 8.67cps)
- Ordinary Dividends per Share (DPS) up 10% to 5.32^v cps (FY20: 4.84cps)
- Dividends 100% franked paid monthly

Financial Highlights (\$m)	KPGH & Controlled Entities			KPGH Parent Only		
	FY20	FY21	%	FY20	FY21	%
Revenue	\$45.5	\$48.9	7.5%			
Underlying EBITDA	\$15.9	\$18.7	17.2%			
Underlying EBITDA (pre. AASB16)	\$13.5	\$16.0	18.4%			
EBITDA Margin (%)	29.6%	32.6%	10.2%			
EBITDA Margin (%) - Operating Businesses	32.5%	33.4%	2.7%			
Underlying NPATA	\$10.1	\$11.6	14.2%	\$3.9	\$5.1	29.9%
NPATA Margin (%)	22.3%	23.7%	6.2%			
Statutory NPAT	\$10.1	\$10.9	7.9%	\$3.9	\$4.6	17.1%
Earnings per share (cents) ^{vi}				8.67c	11.33c	30.7%
Ordinary dividends per share (cents)				4.84c	5.32c	10.0%
Return on Equity ^{vii}	44.2%	46.0%	4.0%	24.8%	28.5%	15.0%
Return on Invested Capital	26.1%	27.6%	5.7%	21.9%	27.4%	25.0%
Owners' Earnings ^{viii}	\$12.2	\$12.8	5.2%	\$3.9	\$5.0	29.2%

Financial Performance

Consolidated Group

- **Revenue of \$48.9m (+\$3.4m, up 7.5%):** Organic revenue increased 2.7% compared to the prior period. The Group continues to target annual organic growth of 5%. While the Group has fallen short of this target this year due to limitations to price increases during the COVID-19 period, the Group expects organic revenue to increase post COVID-19 with more opportunities for price and volume increases across the network. Acquired revenue contributed 4.8% of the increase and is comprised of contributions from both in year acquisitions and acquisitions completed in FY20.
- **Group Underlying EBITDA of \$18.7m (+\$2.8m, up 17.2%):** Underlying EBITDA pre AASB 16 margin lifted to 32.6% (FY20: 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 \$13.0m (pre-AASB 16)¹ was up 5.1% on FY21** with cash conversion ratio of 93.5%, reflecting the ongoing and disciplined approach to working capital management, and the strong underlying cash flow generation of the Group.
- **Group Net Debt of \$15.7m increased \$0.5m or 3.3% on FY20** despite \$3.3m of new borrowings taken out during the year for the completion of the in year acquisitions. Gearing ratio has fallen to 0.84x (Net Debt / Underlying EBITDA) from 0.96x in FY20 as a result of the increase in EBITDA.

Attributed Parent

- **Underlying NPATA attributable to Shareholders of \$5.1m (+\$1.2m, up 29.9%)** excludes one-off government cash grants in relation to COVID-19 of \$0.5m and costs of \$0.4m relating to the four acquisitions completed during the year and three acquisitions completed in Jul-21.
- **Share buybacks totalling 400,000 shares were made in FY21** representing 0.88% of shares outstanding at IPO. Since the IPO, the Company has in total repurchased 497,181 shares at an average price of \$1.41 which represents a 64.7% discount on the closing share price of \$4.00 on 2 August 2021. These buybacks increase returns to our valued shareholders.
- **Owners earnings of \$5.0m (\$1.1m, up 29.2%)** 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.**

Operational Highlights up to Jul-21

- **Number of offices increased from 15 to 17** with the launch of Kelly Partners Pittwater in Jan-21 and the launch of Kelly Partners Hunter Region in Jul-21.
- **Number of operating business partners increased to 54 (30 June 2020: 44)** through internal promotions and external recruitments. The increase in operating partners is expected to drive organic revenue growth over time.
- **Number of active client groups increased 18.75% from ~8,000 to ~9,500** providing further opportunities for growth
- **Increasing geographical reach in the KPG shareholder base** with new KPG shareholders in U.S., Canada and Europe. This reflects the Company's efforts this year in cultivating like-minded Quality Shareholders – those who buy large stakes and hold for long periods and see themselves as part owners of the Kelly Partners' business. These shareholders have a focus on long term results and not short-term market prices.

¹ Reported Cashflow from Operating Activities was \$15.1m (after AASB16)

Acquisitions

Since 1 July 2020, the Group has completed 7 acquisitions under our unique Partner Owner Driver™ model with total annual revenues of \$6.2m to \$8.2m, representing an annual \$0.8m-\$1.0m NPATA contribution to the parent. The completed acquisitions are listed in the table below:

#	Acquired	Location	Type	Acquired Revenue
1	Jul-20	Inner West	Tuck-in	\$0.1m - \$0.1m
2	Nov-20	Oran Park	Tuck-in	\$0.4m - \$0.5m
3	Mar-21	Inner West	Tuck-in	\$0.6m - \$0.8m
4	Apr-21	Central Coast	Tuck-in	\$2.1m - \$3.0m
5	Jul-21	Newcastle	Marquee	\$0.8m - \$1.0m
6	Jul-21	Sydney CBD	Tuck-in	\$1.9m - \$2.4m
7	Jul-21	Norwest	Tuck-in	\$0.3m - \$0.4m
Total				\$6.2m - \$8.2m
% of FY20 Revenue (\$46.4m)				13%-18%

Getting to Scale

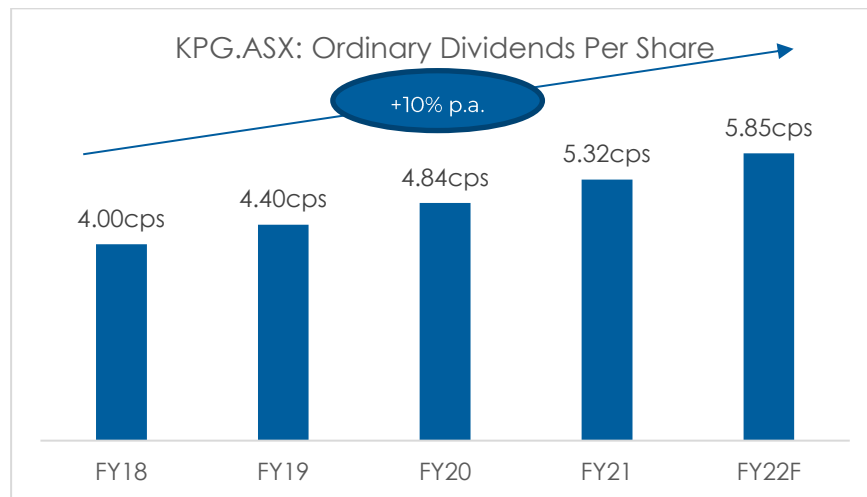
Since IPO, the KPGH parent has continued to invest significantly in growth in order to further develop the capabilities of the central services team and for the business to be positioned for long term growth as well as to grow its competitive advantage. These investments for growth have at times exceeded the Central Services Fee and IP Fee income that the parent receives from its operating businesses.

	FY18	FY19	FY20	FY21
Additional investments	\$371,913	\$742,439	\$1,630,905	\$371,127
% of Group Revenue	0.9%	1.9%	3.6%	0.8%

Dividends Paid in FY21

During the year ended 30 June 2021, KPG paid 4.64 cents per share, and is expected to pay a final dividend of 0.68 cents per share on or before November 2021. The total dividends paid relating to FY21 is expected to be 5.32 cents per share, representing a 10% increase on FY20.

Further from July 2021 the Company has increased its monthly dividends from 0.33 cents per share to 0.36 cents per share. Total dividends to be paid in relation to FY22 is expected to increase from 5.32cps in FY21 to 5.85cps. The Company has grown its dividends by 10% per annum for the fifth straight year.



Total Shareholder Return ('TSR') since IPO in June 2017

Since IPO, KPG has delivered a 41.62 compounded annual return to its shareholders through an appreciation in share price as well as regular dividends paid increasing at 10% per annum and paid monthly from January 2021.

KPG.ASX Return	Issue price at IPO	FY18	FY19	FY20	FY21	Closing Share Price 2/8/2021	Total
Share Price	\$1.0000					\$4.0000	\$3.0000
Dividends per share - Ordinary		\$0.0400	\$0.0440	\$0.0484	\$0.0532		\$0.1856
Dividends per share - Special				\$0.0055			\$0.0055
Total Shareholder Return (\$)							\$3.1911
Total Shareholder Return (%)							319.1%
Total Shareholder Return – Annual (%)							41.6%

Commenting on the FY21 performance of the Group, Founder & CEO Brett Kelly said:

“Kelly+Partners is a strongly defensive business with annuity style revenue growing at c.13% p.a. since IPO four years ago. With our strategy focussed on tax and accounting services to private business owners and with an addressable market in excess of \$12.0b, we feel confident that there is still very substantial growth ahead.

The FY21 performance of our businesses is pleasing and has improved significantly on FY20. We expect to continue to grow our earnings. We have and continue to prepare the business for the current economic environment and the it remains well positioned and well capitalised to execute our Five Year Growth Plan.”

Post-Results Conference Call

Kelly+Partners Group will be holding a FY21 results presentation at 10:30am (Sydney time) today 9 August 2021, followed by a Q&A session.

To register, please visit <https://kellypartnersgroup.com.au/investor-centre/kpg-fy21-results-day>

For more information, please contact:

A handwritten signature in black ink that reads "Brett Kelly". The signature is written in a cursive style with a horizontal line underneath the name.

Brett Kelly

Founder and CEO

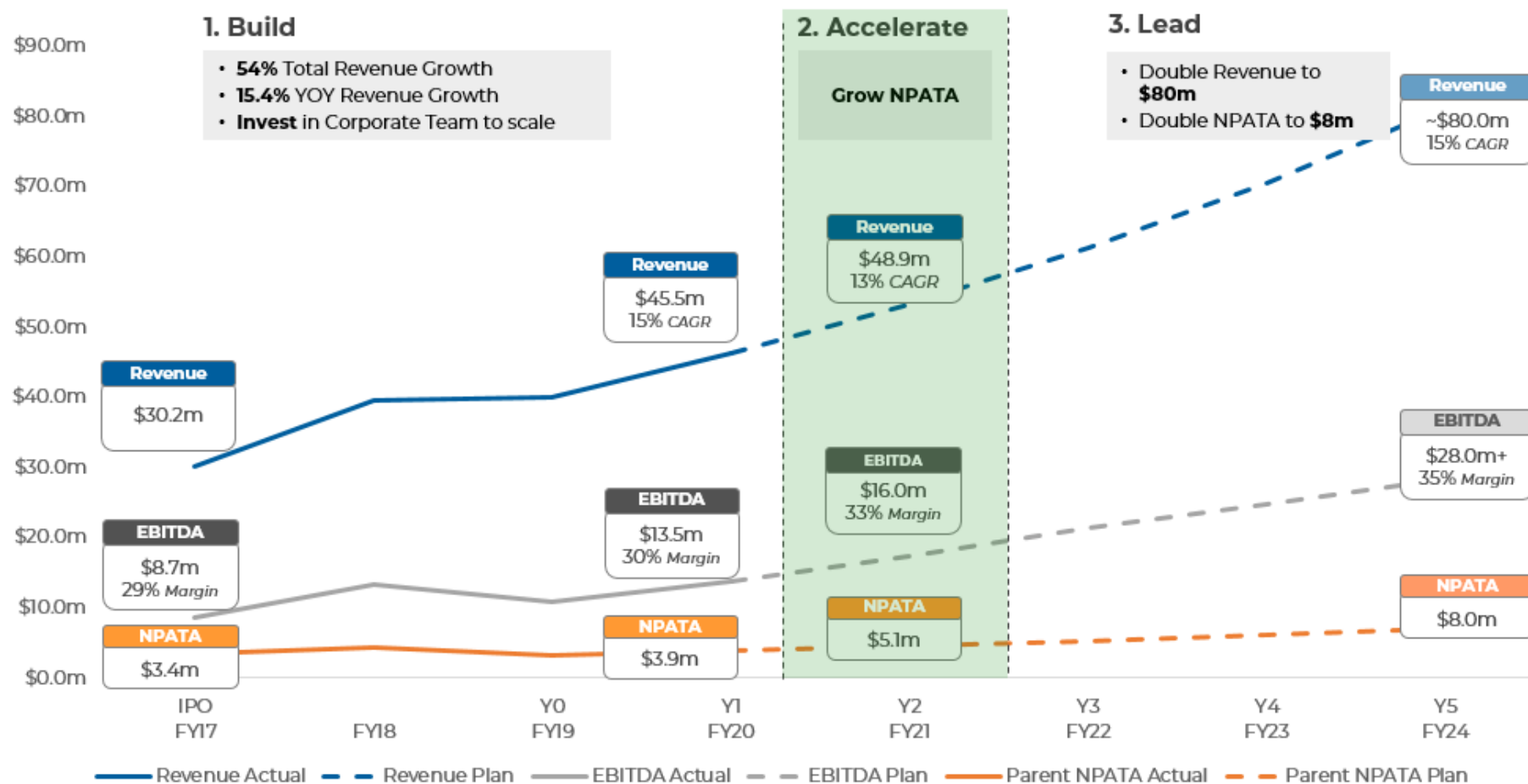
Ph: 02 9923 0800

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 26 operating businesses across 17 locations in Greater Sydney, Melbourne and Hong Kong. In total, the team consists of more than 250 people, including 54 partners, who service over 9,500 SME clients. Our holding company, Kelly Partners Group Holdings, was successfully listed on ASX on 21 June 2017. Over the past 15 years, Kelly+Partners has undertaken 43 individual transactions in order to build the current accounting network. This includes the transformation of 27 external firms, and the launch of 16 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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Endnotes

- ⁱ 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.
- ⁱⁱ NPS®, Net Promoter® & Net Promoter® Score are registered trademarks of Satmetrix Systems, Inc., Bain & Company and Fred Reichheld
- ⁱⁱⁱ The Evolved Group Australian B2B NPS® Industry Benchmarks, <https://www.theevolvedgroup.com/australian-b2b-nps-industry-benchmarks-how-does-your-organisation-compare/>
- ^{iv} Brand Survey conducted externally in May 2021
- ^v Includes the final FY21 dividend expected to be paid on or before Nov-21 totalling a minimum 0.68c per share
- ^{vi} EPS is calculated as Underlying NPATA divided by shares outstanding.
- ^{vii} Return on Equity is calculated as Underlying NPATA divided by equity.
- ^{viii} Owners Earnings is calculated as Cash from Operations less leasing expense and maintenance capex.