

ASX ANNOUNCEMENT

Monday 1 August 2022

KPG FY22 Underlying attributed NPATAⁱ up 23.1% to \$6.3m KPG delivers Owner Earningsⁱⁱ per share of 13.99 cps, up 25.9%

FY22 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** – 3 new locations in Newcastle, Canberra and Bendigo. New locations in the Hunter Region from 1 July 2022
- **Structure** – Partner-Owner-Driver™ model implemented in 7 acquisitions completed in FY22 with 1 acquisition completed on 1 July 2022
- **People** – Employer of Choice winner 2021; eNPS score of 4.23/5; Great Place to Work
- **Clients** – Net Promoter® Scoreⁱⁱⁱ of +68% vs an industry average of -18^{iv}, client groups increased by 40% to 13,500+
- **Financial** – see below
- **Digital** – Be Better Off Challenge, ATO Smart Docs, Kelly+Partners app
- **Brand** – Brand consideration score of 11.5% vs the average AFR Top 23 score of 6.3%^v
- **Growth** – 32.6% revenue growth in FY22, 26.5% acquired growth and 6.2% organic growth
- **Succession** – assisted senior practitioners from 8 acquisitions manage their succession

FY22 Highlights - Financials

Consolidated Group

- Group Revenue up 32.6% to \$64.9m (FY21: \$48.9m)
- Underlying EBITDA (pre-AASB16) up 25.3% to \$20.0m (FY21: \$16.0m)
- Underlying EBITDA margin (pre-AASB16) at 30.8% (FY21: 32.6%)
- Cashflow from Operations (pre-AASB 16) up 10.0% to \$14.1m (FY21: \$13.0m)
- Number of active client groups up 40% to c.13,500 (FY21: c.9,500)

Attributed Parent

- Underlying NPATA up 23.1% to \$6.3m (FY21: \$5.1m)
- Owner Earnings up 25.9% to \$6.3m (FY21: \$5.0m)
- Underlying NPATA Earnings Per Share (EPS) up 23.5% to 13.99c (FY21: 11.33c)
- Ordinary Dividends per Share (DPS) up 10.0% to 5.85c (FY21: 5.32c). This includes final ordinary dividends expected to be paid in August to November 2022 but excludes special dividends.

Financial Highlights (\$m)	KPGH & Controlled Entities			KPGH Parent Only		
	FY21	FY22	%	FY21	FY22	%
Revenue	\$48.9	\$64.9	32.6%			
Underlying EBITDA	\$18.7	\$23.1	23.9%			
Underlying EBITDA (pre. AASB16)	\$16.0	\$20.0	25.3%			
EBITDA Margin (%)	32.6%	30.8%	-1.8%			
EBITDA Margin (%) - Operating Businesses	33.4%	30.9%	-2.4%			
Underlying NPATA	\$11.6	\$14.2	22.5%	\$5.1	\$6.3	23.1%
NPATA Margin (%)	23.7%	21.8%	-1.8%			
Statutory NPAT	\$10.9	\$13.3	21.8%	\$4.6	\$5.6	20.3%
Earnings per share (cents)				11.33c	13.99c	23.5%
Ordinary dividends per share (cents)				5.32c	5.85c	10.0%
Return on Equity	46.0%	41.7%	-4.3%	28.5%	30.4%	1.9%
Return on Invested Capital	27.6%	22.3%	-5.4%	27.4%	30.5%	3.1%
Owners' Earnings	\$12.8	\$14.0	9.0%	\$5.0	\$6.3	26.0%

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Financial Performance

Consolidated Group

- **Revenue of \$64.9m (+\$16.0m, up 32.6%):** Acquired revenue of \$12.9m contributed 26.5% of total revenue growth, with in year acquisitions completed to date in FY22 contributing \$10.5m and revenue from the acquisitions completed in FY21 contributing \$2.4m. Revenue from organic growth contributed 6.2% 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 \$20.0m (+\$4.0m, up 25.3%):** Underlying EBITDA margin pre AASB 16 was lower at 30.8% (FY21: 32.6%). Operating business EBITDA margin also reduced to 30.9% (FY21: 33.4%). On a cohort level, our established operating businesses (i.e. with annual revenues >\$2.0m) generated EBITDA margins of 34.2% whilst our growth (\$1m-\$2m) and subscale businesses (<\$1m) generated EBITDA margins of 13.0% and 6.7% respectively. Management continues to focus its efforts on scaling up the growth and subscale businesses and improve their profitability to 35% EBITDA.
- **Cashflow from Operating Activities of \$14.3m was up 10.0% on FY21** with cash conversion ratio of 83.3%. Cash conversion decreased from FY21 (93.5%) mainly due to the first year accumulation of lockup (debtors and WIP balances) of in year acquisitions. Normalising for this first year accumulation, cash conversion is at 98.0%.
- **Group Net Debt of \$31.4m increased \$15.6m or 99.4% on FY21** as a result of new borrowings for FY21 and FY22 in year acquisitions, purchase of a commercial property in Canberra, and fitouts for various offices. Gearing ratio has increased to 1.36x (FY21: 0.84x) (Net Debt / Underlying EBITDA). 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 \$6.3m (+\$1.2m, up 23.1%)** excludes one-off government cash grants in relation to COVID-19 of \$0.8m and apprenticeship subsidies of \$0.3m, and costs of \$0.6m relating to the in year acquisitions.
- **Owner earnings of \$6.3m (+\$1.3m, up 25.9%)** 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.

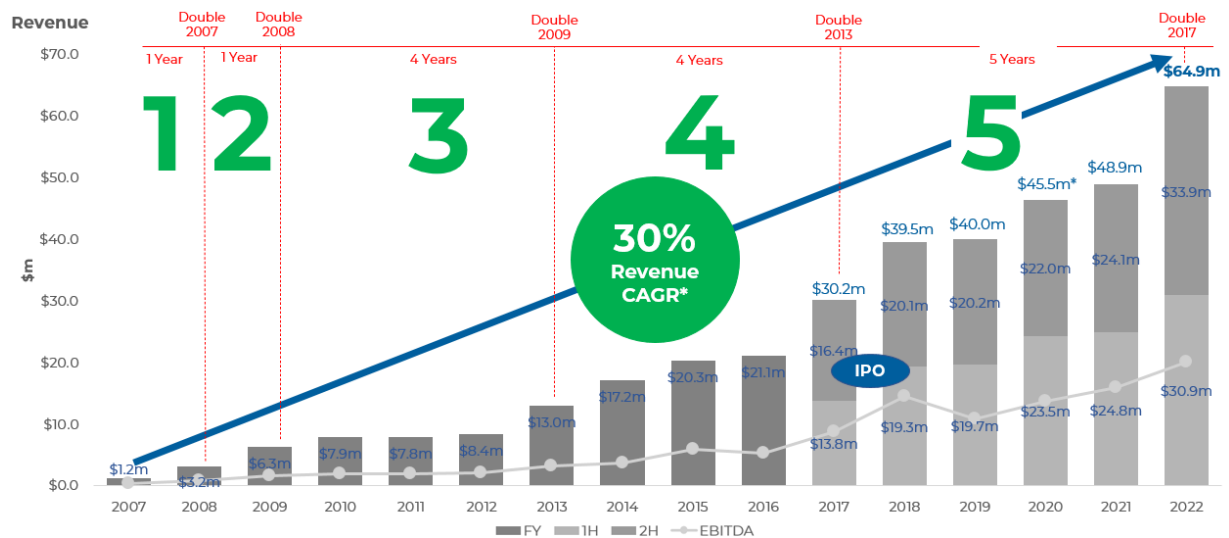
Performance since IPO

- **Since the IPO five years ago, the business has doubled in most metrics, demonstrating the huge growth in the business and significant value created for our shareholders**

Metrics at IPO v FY22

	At IPO	FY22	Total +/-	X	CAGR
Operating businesses	16	31	15	1.9x	14.1%
Office Locations	13	20	7	1.5x	9.0%
Partners	38	66	28	1.7x	11.7%
Team Members	192	370	178	1.9x	14.0%
Client Groups	5,300	13,500	8,200	2.5x	20.6%
Revenue (\$m)	\$30.2	\$64.9	\$34.7	2.1x	16.5%
EBITDA (\$m)	\$8.7	\$20.0	\$11.3	2.3x	18.0%
EBITDA Margin	28.9%	30.8%	1.9%		
Underlying NPATA – Parent (\$m)	\$3.4	\$6.3	\$2.9	1.8x	12.8%
Operating Cashflow (\$m)	\$7.9	\$20.6	\$12.8	2.6x	21.3%
Earnings per share (cents)	7.57	13.99	6.43	1.8x	13.1%
Share Price	\$1.00	\$4.22	\$3.22	4.2x	33.4%
Market Cap (\$m)	\$45.5	\$192.0	\$146.5	4.2x	33.4%

Revenue growth since inception and since IPO



Operational Highlights up to today

- **Number of offices increased from 17 to 20** with the launch of Kelly Partners Canberra from the acquisition of two Canberra accounting firms in Dec-21 and Feb-22, and the commencement of Kelly Partners Bendigo and Kelly Partners Hunter Region as a result of the acquisitions completed in Apr-22 and Jul-22.
- **Number of operating business partners increased to 66 (30 June 2021: 54)** with two partners promoted internally, and eight partners joining the group from completed acquisitions. On 1 July 2022, four partners joined the group from the Hunter Region acquisition, taking the total number of equity partners to 66.
- **Number of active client groups increased 40% from c.9,500 to c.13,500** providing further opportunities for growth and network effects.

Current Year Acquisitions

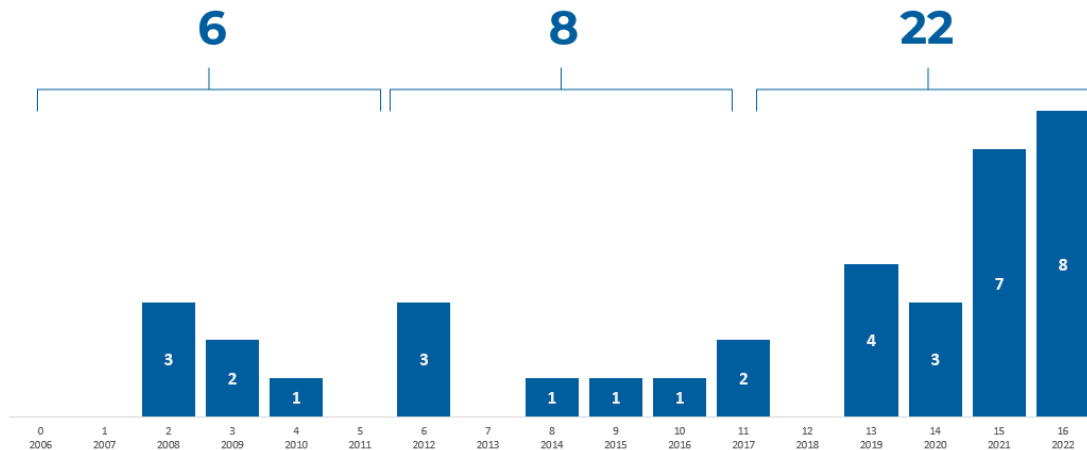
During FY22, the Group completed acquisitions with estimated total annual revenues in the range of \$11.7m to \$15.2m. Further, the Group has completed one acquisition in July 2022 with estimated total annual revenues in the range of \$3.4m to \$4.2m. In aggregate the Group has completed eight acquisitions with estimated total annual revenues in the range of \$15.1m to \$19.4m, representing 30.9% to 39.7% of FY21 revenue. The Group has well surpassed the \$4.4m target acquisition for FY22 as per the Group's 5-year plan. The completed acquisitions are listed in the table below:

#	Acquired / scheduled	Location	Type	Acquired Revenue
1	Nov-21	Western Sydney	Tuck-in	\$3.2m - \$4.3m
2	Dec-21	Canberra	Marquee	\$0.8m - \$0.9m
3	Jan-22	Melbourne	Tuck-in	\$1.0m - \$1.4m
4	Feb-22	Northern Beaches	Tuck-in	\$1.0m - \$1.4m
5	Feb-22	Canberra	Tuck-in	\$0.9m - \$1.1m
6	Mar-22	Central Coast	Tuck-in	\$1.0m - \$1.4m
7	Apr-22	Bendigo	Marquee	\$3.8m - \$4.7m
Acquisitions completed in FY22				\$11.7m - \$15.2m
% of FY21 Revenue (\$48.9m)				23.9% - 31.1%
8	Jul-22	Hunter Region	Marquee	\$3.4m - \$4.2m
Acquisitions completed in FY23				\$3.4m - \$4.2m
% of FY21 Revenue (\$48.9m)				7.0% - 8.6%
Total Acquisitions since 1 July 2021				\$15.1m - \$19.4m
% of FY21 Revenue (\$48.9m)				30.9% - 39.7%

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



Getting to Scale

Since IPO, the KPGH parent has continued to invest significantly in resources 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 increase its moat. These investments have at times exceeded the Central Services Fee and IP Fee income that the parent receives from its operating businesses which fund these costs.

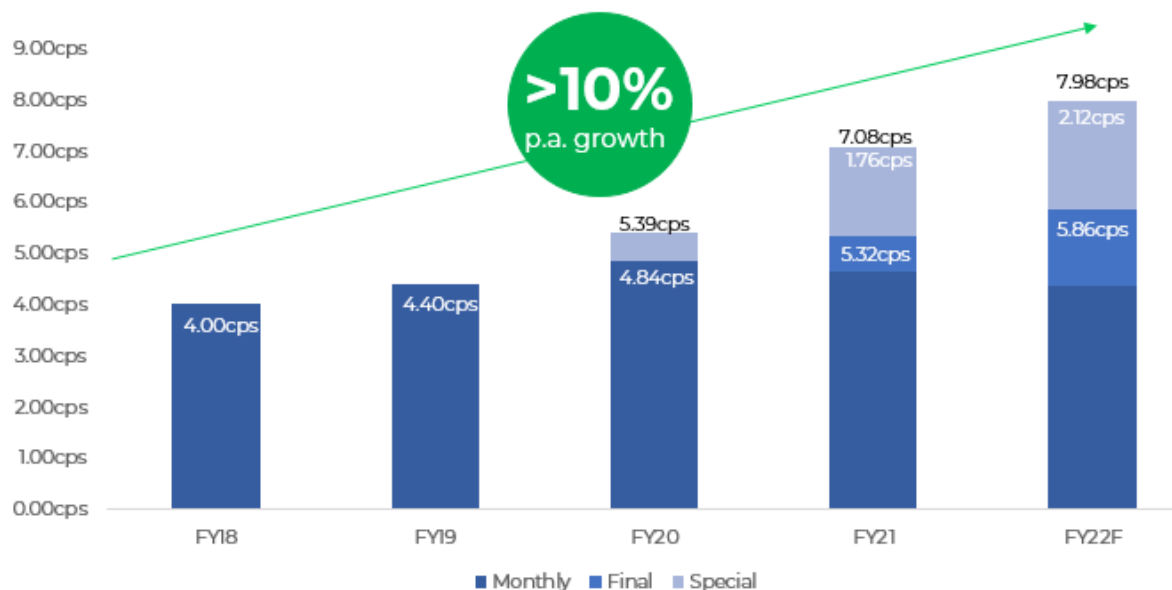
	FY18	FY19	FY20	FY21	FY22
Additional investments	\$371,913	\$742,439	\$1,630,905	\$371,127	\$77,836
% of Group Revenue	0.9%	1.9%	3.6%	0.8%	0.1%

Dividends Paid in FY22

During the year ended 30 June 2022, KPG paid 4.36 cents per share in monthly ordinary dividends. KPG expects to pay an additional 1.49 cents per share in final ordinary dividends and special dividends during August to November 2022. The total estimated dividend for FY22 is expected to be 7.98 cents per share, representing a payout ratio of ~57% of Underlying NPATA.

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 30 June 2022

Since IPO, KPG has delivered a 32.88% 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	Total
Share Price	\$1.00					\$3.88	\$2.88
Dividends per share – Ordinary		\$0.04	\$0.04	\$0.05	\$0.05	\$0.06	\$0.24
Dividends per share – Special				\$0.01	\$0.02	\$0.02	\$0.05
Total Shareholder Return (\$)							\$3.18
Total Shareholder Return (%)							317.53%
Total Shareholder Return – Annual %							32.88%

Commenting on the FY22 performance of the Group, Founder & CEO Brett Kelly said:

"Kelly+Partners is a strongly defensive business with annuity style revenue which has been growing at c.16.5% p.a. since IPO five years ago. With our strategy focussed on providing tax and accounting services to private businesses and their owners and with an addressable market in excess of \$12.0b, we feel confident that there is still very substantial growth achievable.

The FY22 performance of our businesses is pleasing and has improved significantly on FY21. We expect to continue to grow our earnings. We have and continue to prepare the business for the current economic environment and it remains well positioned and well capitalised to execute our Five Year Growth Plan.

We are proud that KPG has grown significantly over the 5 years since IPO and that we have created huge value for our shareholders. We thank our quality shareholders for their trust and support of KPG and look forward to many years of partnership together."

Post-Results Conference Call

Kelly+Partners Group will be holding a FY22 results presentation at 10:30am (Sydney time) today 1 August 2022, followed by a Q&A session.

To register, please visit

https://us02web.zoom.us/webinar/register/WN_P8E8k3sURwyikDXXYJDvgg

For more information, please contact:

A handwritten signature in black ink that reads "Brett Kelly". The signature is stylized with a large, looped 'B' and a long horizontal stroke at the end.

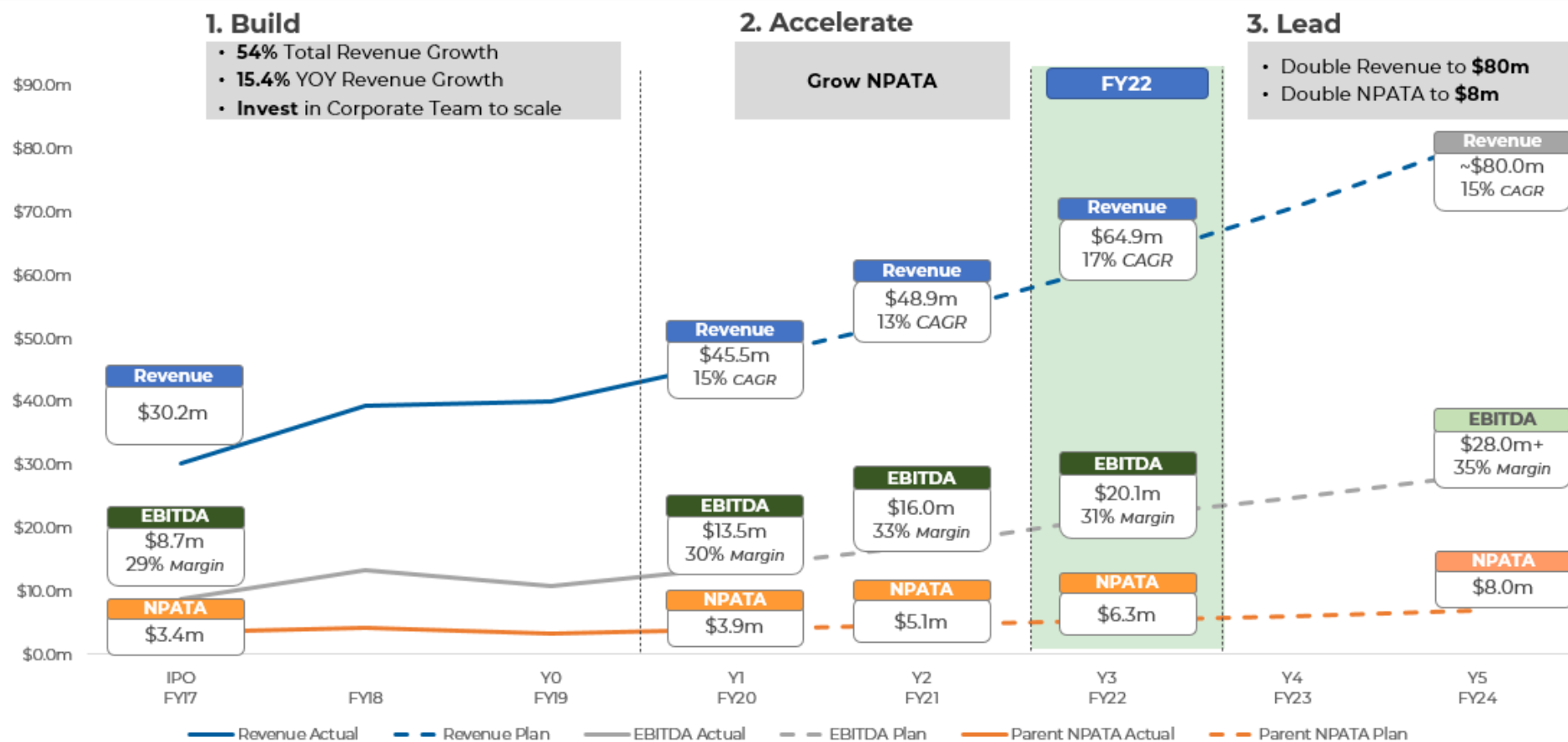
Brett Kelly

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

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NSW & ACT



VIC



Global



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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 31 operating businesses across 20 locations in Greater Sydney, Melbourne and Hong Kong.

In total, the team consists of more than 400 people, including 66 partners, who service over 13,000 SME clients.

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

Over the past 16 years, Kelly+Partners has undertaken 56 individual transactions in order to build the current accounting network. This includes the transformation of 39 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) 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 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