KP+GH
KELLY PARTNERS GROUP HOLDINGS LIMITED

ASX ANNOUNCEMENT
Thursday, 1st February 2024

1H24 Revenue up +23.1% to $52.9m (1H23: $42.9m)
KPG 1H24 Underlying attributed NPATA[1] up +25.0% to $4.4m

1H24 Highlights – Overview

- KPG continues to execute its mission to become **Australia's global accounting firm for private business owners**.
- KPG now operates in Australia, Hong Kong (since 2015), India and USA (both since 2023).
- KPG global team now consists of 542 team members (including 91 partners).
- KPG opened Mumbai, India in May 2023 and has grown to 30+ team members, building within the businesses an ability to work across time zones and distance.
- KPG expanded to Los Angeles, USA in January 2023 and have successfully established partnerships with two accounting businesses to date.
- The two US businesses account for $6.5m or 6% of the Group's revenue, which now totals $110m annually. In both partnerships, the existing owners of the original business have remained as equity partners with a minimum 10 year commitment, confirming the attractiveness of the Kelly Partners Partner-Owner-Driver® model.
- In FY23, KPG made significant investments in building capabilities to grow materially on a global basis and to accommodate the ~60% revenue growth from FY22 to FY24 (from $64.9m ~$110m). This expenditure impacted the underlying earnings in FY23.
- KPG has reduced its additional investments by ~40% this half year.
- Strong performance from existing businesses.
- Underlying NPATA for the first half increased **25.0%** on the prior period.

1H24 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** – 2 new locations in Los Angeles, USA. Our new office in Mumbai, India also now holds 30+ team members supporting our Australian businesses and is part of the Group's strategy to develop a global team.
- **Structure** - Partner-Owner-Driver® model implemented in 3 acquisitions completed in 1H24.
- **People –** awarded Australia's Best Workplace for Women in 2023 by Great Place to Work®
- **Clients -** Net Promoter® Score[2] of +70 vs an industry average of -18[3], client groups increased by 22% to 23,000.
- **Financial –** see below
- **Digital –** Be Better Off Challenge, Kelly+Partners app further developed.
- **Brand –** 80% of clients associate "Transparency" and "24/7 Access" attributes to Kelly Partners[4]
- **Growth –** 23.1% revenue growth in 1H24, 20.4% acquired growth and 2.8% organic growth[5]
- **Succession –** assisted senior practitioners from 3 acquisitions manage their succession

[1] 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.

[2] NPS®, Net Promoter® & Net Promoter® Score are registered trademarks of Satmetrix Systems, Inc., Bain & Company and Fred Reichheld

[3] The Evolved Group Australian B2B NPS® Industry Benchmarks

[4] Sample population size 1,162 clients

[5] Total impacted by rounding

1H24 Highlights - Financials

Consolidated Group

- Group Revenue up 23.1% to $52.9m (1H23: $42.9m)
- Underlying EBITDA (pre-AASB16) up 33.7% to $15.5m (1H23: $11.6m)
- Underlying EBITDA margin (pre-AASB16) of operating businesses at 30.6% (1H23: 30.3%)
- Cashflow from Operations (pre-AASB 16) up 11.4% to $11.5m (1H23: $10.3m)
- Number of active client groups up 22% to c.23,000 (FY23: c.19,000)

Attributed Parent

- Underlying NPATA up 25.0% to $4.4m (1H23: $3.5m)
- Owner Earnings up 17.9% to $4.2m (1H23: $3.5m)
- Underlying NPATA Earnings Per Share (EPS) up 25.0% to 9.78c (1H23: 7.82c)
- Ordinary Dividends per Share (DPS) up 10.0% to 2.64c (1H23: 2.40c)

Financial Highlights ($m)	KPGH & Controlled Entities			KPGH Parent Only		
	1H23	1H24	%	1H23	1H24	%
Revenue	**$42.9**	**$52.9**	**23.1%**			
Underlying EBITDA	$13.7	$18.3	33.3%			
Underlying EBITDA (pre. AASB16)	$11.6	$15.5	33.7%			
EBITDA Margin (%)	26.9%	29.3%	8.6%			
EBITDA Margin (%) - Operating Businesses	30.3%	30.6%	1.0%			
Underlying NPATA	**$8.6**	**$11.1**	**29.1%**	**$3.5**	**$4.4**	**25.0%**
NPATA Margin (%)	20.0%	21.0%	4.4%			
Statutory NPAT	**$6.5**	**$7.3**	**13.4%**	**$2.3**	**$1.8**	**-19.7%**
Earnings per share (cents) – Statutory				5.07	4.07	-19.7%
Ordinary dividends per share (cents)				2.40c	2.64c	10.0%
Return on Equity	42.7%	35.3%[6]	-17.3%	32.2%	29.6%	-8.3%
Return on Invested Capital	21.5%	19.9%[7]	-7.4%	27.4%	27.3%	-0.1%
Owners' Earnings	$10.0	$11.1	11.2%	$3.5	$4.2	17.9%

Financial Performance

Consolidated Group

- ***Revenue of $52.9m (+$10.0m, up 23.1%)***: Acquired revenue growth of $8.7m contributed 20.4% of revenue growth, with in year acquisitions completed to date in 1H24 contributing $6.0m and revenue from acquisitions completed in FY23 contributing $2.7m.[8]. Revenue from organic growth contributed 2.8% of the overall growth (for further analysis please see "Revenue" section of the Directors Report).
- ***Group Underlying EBITDA of $18.3m (+$4.6m, up 33.3%)***: Underlying EBITDA margin pre AASB 16 as a % of revenue was at 29.3% (1H23: 26.9%) and operating business EBITDA margin was at 30.6% (1H23: 30.3%). On a cohort level, our established operating businesses (i.e. with annual revenues >$2.0m) generated EBITDA margins of 32.1% whilst our growth ($1m-$2m) and subscale businesses (<$1m) generated EBITDA margins of 23.0% and -4.3% respectively. Acquired businesses generated 26.4% EBITDA margins. Management continues to focus its efforts on improving all business' profitability to 35% EBITDA margin.
- ***Cashflow from Operating Activities pre AASB 16 of $11.5m was up 11.4% on 1H23*** with cash conversion ratio of 101.4%.

[6] Return on equity impacted where the TTM Underlying NPATA does not include a full year contribution from in year acquisitions. Adjusting for this results in a 38.5% ROE.

[7] Return on Invested Capital impacted where the TTM Underlying NPATA does not include a full year contribution from in year acquisitions. Adjusting for this results in a 21.9% ROIC.

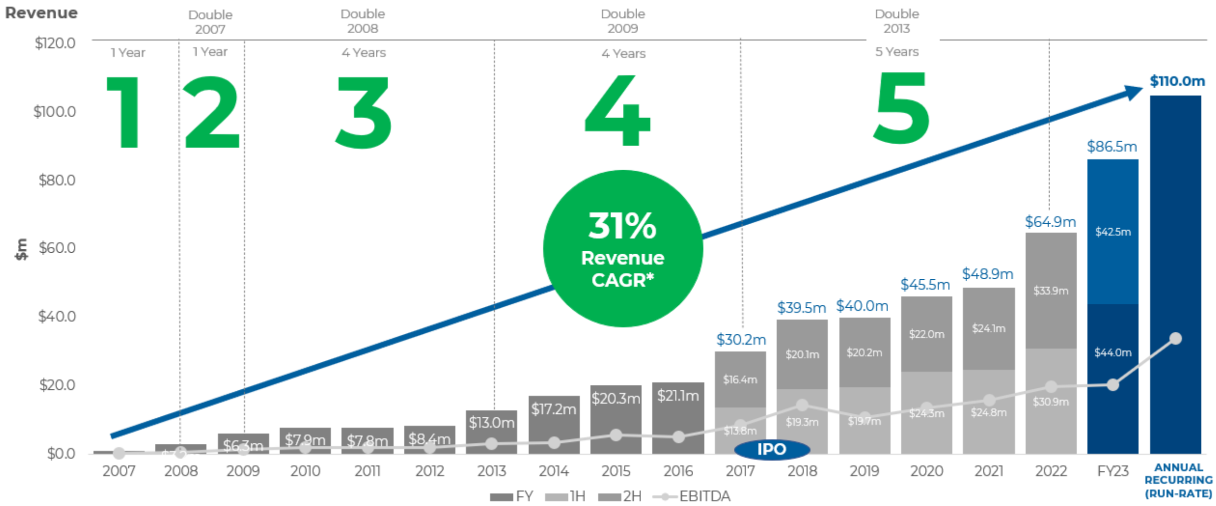
[8] Total impacted by rounding

- ***Group Net Debt of $45.6m increased $5.7m or 14.2% on FY23*** as a result of new borrowings for 1H24 in year acquisitions fitouts and buy-ins of new and existing partners. Gearing ratio has increased to 1.94x (FY23: 1.65x) (Net Debt / Underlying EBITDA). The gearing ratio is impacted by acquisitions that only contributed part year EBITDA. Adjusting for this, the gearing ratio is at ~1.75x. 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. Total debt repayments (scheduled and additional) totalled $5.4m (11.9% of Net Debt) in 1H24.

Attributed Parent

- ***Underlying NPATA attributable to Shareholders of $4.4m (+$0.9m, up 25.0%)*** 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 $4.2m (+$0.7m, up 17.9%)*** 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.

Revenue growth since inception and since IPO



Operational Highlights up to today

- ***Number of offices increased from 32 to 34*** mainly through completing the two US acquisitions.
  1. Woodland Hills, California, USA
  2. Burbank, California, USA
- ***Number of operating business partners increased to 88 with 20 new partners joining the group,*** 13 from completed acquisitions, 2 internal promotions and 2 external recruits. Since 1 January 2024, 3 new partners joined the group (2 from acquisitions, 1 from internal promotions), taking the total number of equity partners to **91**.
- ***Number of active client groups increased 22% from c.19,000 to c.23,000*** providing further opportunities for growth and network effects.

Current Year Acquisitions

During 1H24, the Group completed three acquisitions with estimated total annual revenues in the range of $10.3m to $14.6m. Further, the Group completed two acquisitions in January 2024 with estimated total annual revenues in the range of $4.4m to $5.3m. In aggregate the Group has completed five acquisitions with estimated total annual revenues in the range of $14.7m to $19.9m, representing 17.0% to 23.0% of FY23 revenue. The Group's revenue run rate (annualised revenue including all acquisitions completed to date) for FY24 is expected to be ~$110m, exceeding the target revenue of $80m as per the published 5-year plan.

The completed acquisitions in 1H24 are listed in the table below:

#	Acquired / scheduled	Location	Country	Type	Acquired Revenue
(1)	Jul-23	Griffith, NSW	Australia	Marquee	$7.0m - $10.0m
(2)	Aug-23	Bundall, QLD	Australia	Marquee	$1.5m - $2.1m
(3)	Dec-23	Woodland Hills, California	USA	Marquee	$1.8m - $2.5m
Acquisitions completed in 1H24					**$10.3m - $14.6m**
% of FY23 Revenue ($86.5m)					**11.9% - 16.9%**
(4)	Jan-24	Burbank, California	USA	Marquee	$4.0m - $4.8m
(5)	Jan-24	Bendigo, VIC	Australia	Tuck-in	$0.4m - $0.5m
Acquisitions completed in 2H24					**$4.4m - $5.3m**
% of FY23 Revenue ($86.5m)					**5.1% - 6.1%**
Total Acquisitions since 1 July 2023					**$14.7m - $19.9m**
% of FY23 Revenue ($86.5m)					**17.0% - 23.0%**

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.

	FY18	FY19	FY20	FY21	FY22	FY23	1H24
Group Revenue	$39,468,666	$39,975,031	$45,495,584	$48,906,446	$64,862,110	$86,524,364	$52,862,000
Additional investments	$371,913	$742,439	$1,630,905	$371,127	$77,836	$2,479,110	$726,000
%	0.9%	1.9%	3.6%	0.8%	0.1%	2.9%	1.4%

Dividends Paid in 1H24

During the half year, KPG continued to pay monthly dividends of 0.44 cents per share, increasing 10% on prior year (0.40 cents per share). The Company has grown its ordinary dividends by 10% annually since the IPO. The Company did not declare and pay the final dividend for FY23 of 1.65 cents per share due to funds being required to complete the acquisition of the accounting firm located in Burbank, California in Jan-24.

In relation to the Company's dividend policy, the strategic review undertaken in the half year found that more shareholder value could be created from investing capital currently being paid out as dividends.

Total Shareholder Return ('TSR') since IPO in June 2017 up to 25 January 2024

Since IPO, KPG has delivered a 30.48% 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	FY23	1H24	Total
Share Price	$1.00							$5.43	$4.43
Div - Ordinary		$0.04	$0.04	$0.05	$0.05	$0.06	$0.05	$0.02	$0.32
Div - Special				$0.01	$0.02	$0.02			$0.05
Total Return ($)									$4.80
Total Return (%)									480.15%
Total Return Annual %									**30.48%**

On EBITDA

Last year, management has received feedback from shareholders on the meaningfulness of using Underlying EBITDA as a core measure as it is often criticised for ignoring the cash implications of capital investment requirements. Kelly Partners has historically used EBITDA as a measure of performance because typically depreciation charges have been extremely low or negligible (<1.5% of revenue prior to FY20), reflecting the minimal capital requirements in accounting businesses. Where depreciation charges have been minimal, EBITDA equates roughly to EBITA.

However, depreciation charges for the group have increased in recent years due to depreciation of the cost of fitouts completed across Kelly Partners offices and now amounts to ~2.3% of group revenues. In light of this, management has introduced EBITA as a measure of performance going forward. The targeted EBITA ratio will be 32.5% (35.0% EBITDA target less depreciation of ~2.3%). For the purposes of maintaining a consistent comparison to prior year results, EBITDA is still presented in the directors' report and in the results presentation and announcements, together with the newly added EBITA metrics.

Commenting on the 1H24 performance of the Group, Founder & CEO Brett Kelly said:

"We continue to invest in order to deliver world class people, client and community impact. 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, we have been able to grow our Australian business to $100m+ revenue (No. 21 largest accounting firm in Australia [AFR]) and we look to expand our international presence to the US and the UK, where we see significant opportunities exist (Australia's two largest expat communities). As such, we have invested heavily in our structure, our people, our brand and our digital infrastructure to facilitate this growth.

This market position as 'Australia's global accounting firm for Private Business Owners' will take effort to build out in the short term, investment in the medium term, and ultimately be a valuable differentiated market position over the long term that is inspiring to the talent we seek to attract, develop and have help us build the accounting firm of the future.

KPG aspires to continue to build its market leading programmatic acquisition business system in the accounting sector. Since 2006 using our proprietary Partner-Owner-Driver® model we have completed 70+ partnerships in total. Today we operate 30+ leading partnerships across 4 markets, Australia, Hong Kong, India and USA, notably:

1. ***Anyone can buy a business but you have to have the skill and perseverance to successfully integrate and transform that business;***
2. ***KPG continues to work diligently to become the buyer of choice to Founders of leading accounting firms that seek a permanent partnership rather than a transaction with a party that seeks to buy them only to later sell them."***

Directors Report

Shareholders are encouraged to read the "Directors Report" contained in the 1H24 Financial Report for detailed analysis and commentary on the financials, in addition to the above announcement.

Post-Results Conference Call

Kelly+Partners Group will be holding a 1H24 results presentation at 10:00am (Sydney time) today 1 February 2024, followed by a Q&A session.

To register, please visit

https://us02web.zoom.us/webinar/register/WN_Xk19PGXQQ661FmdLdVCoTQ

For more information, please contact:

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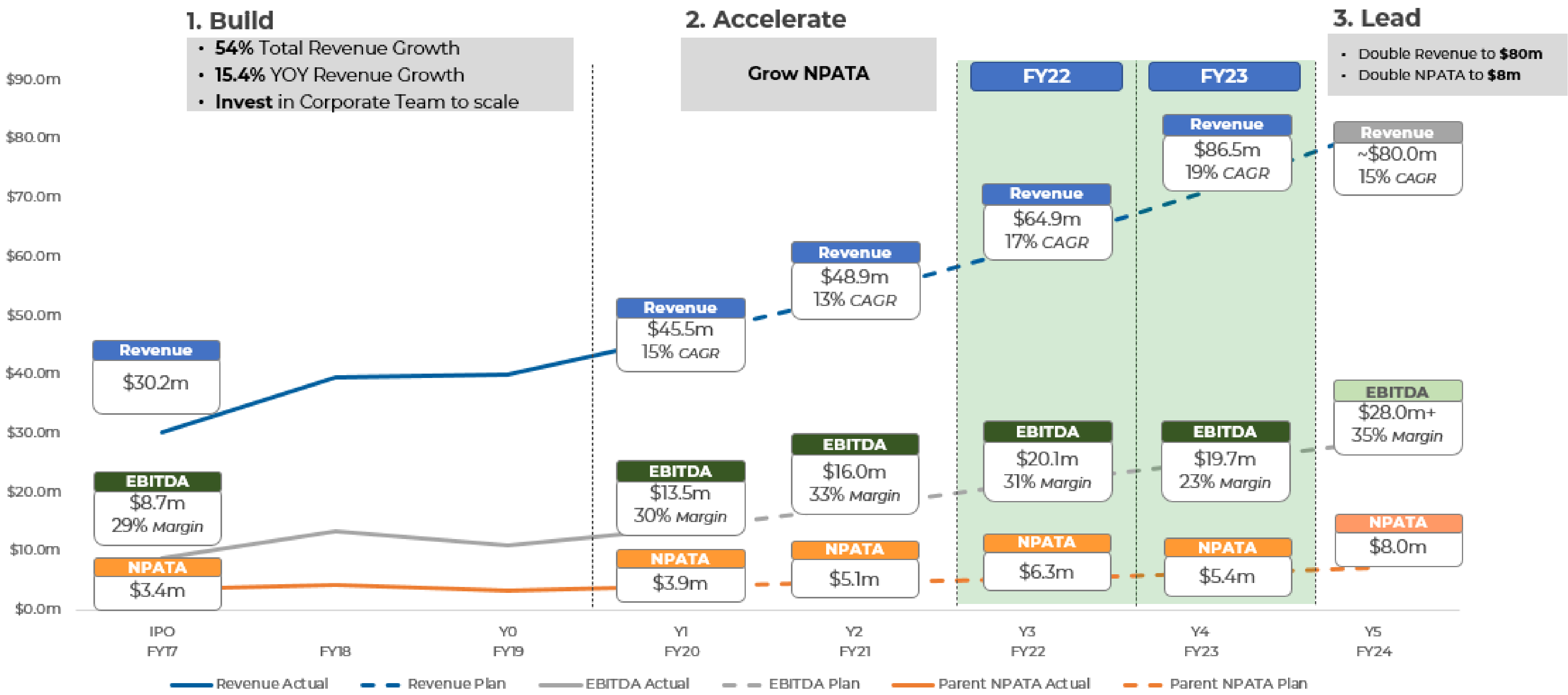
The Board of Directors of Kelly Partners Group Holdings Limited, has approved the release of this document to the market.

Appendix: KPG - 5 Year Growth Plan



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KELLY PARTNERS GROUP HOLDINGS LIMITED

Kelly+Partners – Current Office Locations – NSW & ACT

Kelly+Partners – Current Office Locations – VIC

Kelly+Partners – Current Office Locations – QLD

Kelly+Partners – Current Office Locations – 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 37 operating businesses across 34 locations in Australia, Hong Kong, India and the United States.

In total, the team consists of more than 500 people, including 91 partners, who service over 23,000 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 70 individual transactions in order to build the current accounting network.

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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