

ASX ANNOUNCEMENT - KPG

Monday, 5th February 2024

Dividend Cessation & Founder's Shares

Dividend Cessation

Kelly Partners Group Holdings Limited ("Company", ASX:KPG) announces today that it will declare and pay the final monthly dividend of 0.4392 cents per share in February 2024, and will cease the payment of dividends thereafter. As disclosed in the FY24 half year results, 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 firms in California. The Company no longer expects to pay this as a result of the change in dividend policy as outlined below.

As announced in the 1H24 results release on 1 February 2024, the Company paid regular dividends since listing on the ASX in June 2017 to demonstrate the cash generative ability of KPG and to attract a quality shareholder group that understood the Company's approach to business. As the Company now has access to continuing opportunities the cessation of the dividends will allow the Company to better allocate and invest its capital into such opportunities. Please refer to the Appendix for an illustrative pro forma analysis demonstrating the incremental earnings potential from ceasing dividends and reinvesting capital.

Founder's Shares

Since the IPO, Founder and CEO Brett Kelly has been remunerated via a fixed salary, as well as dividends from his shareholding in the Company. He has not been issued any performance based shares.

The cessation of dividends reduces Brett's personal cashflows by ~60% and he intends to sell shares on a daily basis for a period of time to cover his personal cashflow shortfall. This is also in line with the founder's goal to maintain a 35%+ shareholding in the Company, as disclosed in the Company's Owners' Manual in November 2020.

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

Kelly Partners Group Holdings Limited ABN 25 124 908 363

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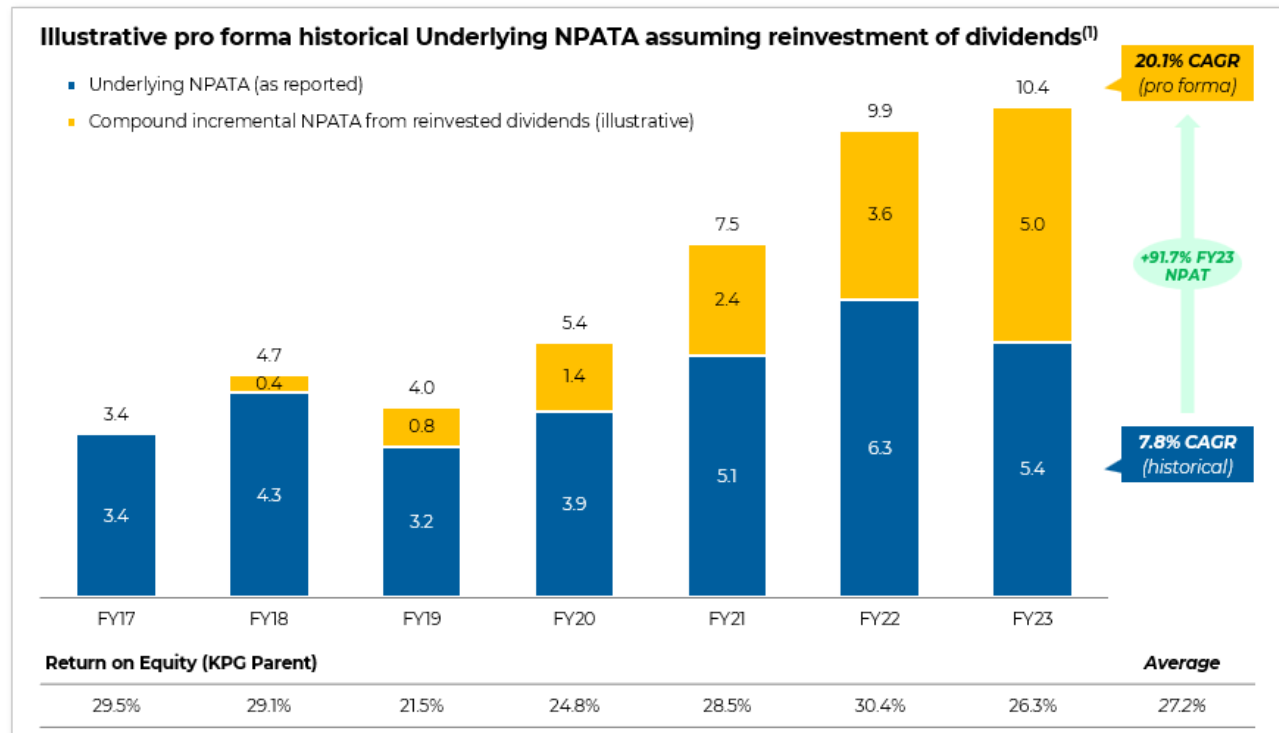
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Appendix: Dividend Reinvestment – Illustrative Pro Forma Analysis

DIVIDEND REINVESTMENT

Illustrative pro forma analysis demonstrates the incremental earnings potential from ceasing dividends and reinvesting capital.



Commentary

- Illustrative analysis shows pro forma historical Underlying NPATA assuming KPG ceased to pay dividends and instead reinvested capital
- Assumes retained capital generates a ~20% compound return, which is lower than KPG's average since IPO of ~27%
- Results in Underlying NPATA of ~\$10.4m by FY23, almost double that generated while paying dividends, implying a valuation almost double that of today (based on KPG's current trading P/E multiple)
- Equates to Underlying NPATA CAGR of ~20% between FY17-23, compared to actual reported Underlying NPATA CAGR of ~8% during this time

Sensitivity analysis

- Sensitising the ROE assumption shows the impact on pro forma NPATA, CAGR and uplift to actual reported results in FY23

ROE assumption	10.0%	15.0%	20.0%	25.0%	30.0%
FY23PF NPAT	7.4	8.7	10.4	12.3	14.6
FY17-23PF CAGR	13.6%	16.8%	20.1%	23.6%	27.2%
FY23 NPAT uplift	37.0%	61.8%	91.7%	127.8%	170.9%

Note: (1) Incremental NPATA from reinvesting dividends illustrative only and calculated as ~20% of cumulative capital retained, compounding at a rate of 20% p.a., consistent with KPG's definition of Return on Equity (Underlying NPATA / Total Equity).

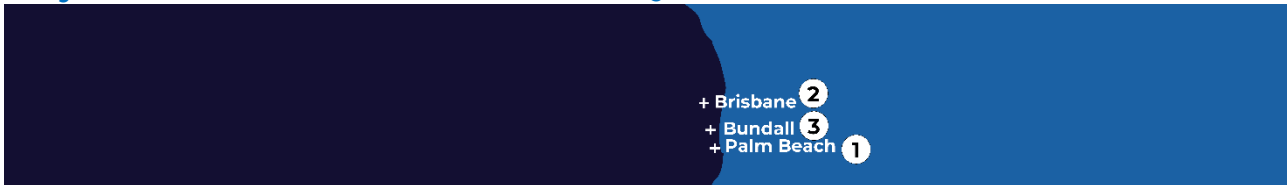
Kelly+Partners – Current Office Locations – NSW & ACT



Kelly+Partners – Current Office Locations – VIC



Kelly+Partners – Current Office Locations – QLD



Kelly+Partners – Current Office Locations – International



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 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 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. This includes the transformation of 50+ external firms, and the launch of 20+ 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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