

KELLY+PARTNERS

GROUP HOLDINGS LIMITED

ASX RELEASE

Monday 26 February 2018

Kelly+Partners 1H18 Reported NPAT up 229% on 1H17

SUMMARY:

- Consolidated 1H18 Statutory revenue of \$19.3m, up 40% on 1H17
- Consolidated 1H18 Underlying EBITDA¹ of \$5.8m, up 106% on 1H17
- Consolidated 1H18 Underlying NPATA¹ of \$4.5m, up 94% on 1H17
- Underlying 1H18 EBITDA¹ attributed to shareholders of \$2.8m, up 179% on 1H17
- Underlying 1H18 NPATA¹ attributed to shareholders of \$1.8m, up 202% on 1H17
- Statutory 1H18 NPAT attributed to shareholders of \$1.0m, up 229% on 1H17
- On track to meet prospectus forecast for FY18.
- Profit generation weighted slightly to the 2H18.

¹ Underlying P&L metrics exclude amortisation of intangibles and non-recurring items including shares issued to employees under the Employee Share Scheme as well as the final costs relating to the Jun-17 IPO and restructuring costs. Underlying revenue, EBITDA, NPATA and EPS are all measures used by Kelly+Partners management to assess the operational performance of the business.

1H18 Statutory vs 1H17 Statutory

Kelly Partners Group Holdings Limited ("KPGH", ASX: KPG) recorded a consolidated 1H18 revenue of \$19.3m, up 40% on 1H17. Statutory NPAT attributable to shareholders of \$1.0m was up 229% on 1H17. The statutory results include non-recurring expenses including the costs of shares issued to employees under the Employee Share Scheme, final costs relating to the Jun-17 IPO as well as restructuring costs. These expenses are detailed in Table 1 (on page 5) and have been adjusted in the underlying numbers below.

1H18 Underlying vs 1H17 Statutory

On a consolidated basis, 1H18 revenue was \$19.3m, up 40% on 1H17. Underlying consolidated EBITDA¹ of \$5.8m and NPATA¹ of \$4.5m were up 106% and 94% respectively on 1H17.

Underlying 1H18 NPATA¹ attributable to shareholders was \$1.8m, up 202% on 1H17. Underlying 1H18 EPS¹ of 4.0cps was up 217% on 1H17.

Kelly Partners Group Holdings Limited ABN 25 124 908 363
Level 8 / 32 Walker Street, North Sydney NSW 2060
PO Box 1764, North Sydney NSW 2059

T 02 9923 0800 F 02 9923 0888 E info@kellypartners.com.au W kellypartnersgroup.com.au

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Executive Chairman and CEO Brett Kelly commented:

“We are very pleased to announce our first six month result since becoming an ASX listed company on 21 June 2017. The 19 operating businesses within the Kelly+Partners group performed well during the first half of the year, and have delivered increased operational leverage through the structure. The group continues to grow strongly driven by a combination of organic, greenfield and acquisition activity, and by attracting excellent talented professionals. During the first half of the financial year, new businesses have been established in Corporate Advisory, Investment Office and Finance. Since the IPO, inbound acquisition inquiries from accounting firms have increased markedly, and we are continuing to undertake a rigorous due diligence process on a number of these opportunities.”

Quarterly Dividends

Since listing, KPGH has declared and paid two fully franked interim dividends of 1c per share, and expect to continue to pay quarterly dividends as per the dividend policy.

Financial Performance

The table below summarises the 1H18 result as compared to 1H17 statutory results. The 1H18 results include the results for Kelly Partners Sydney CBD (acquired on 1 January 2017) which are not included in the 1H17 statutory results.

\$m	1H18 Statutory & Reported ²	Non- recurring costs ³	1H18 Underlying	1H17 Statutory	Percentage Change on 1H17	FY18 Full Year Prospectus
Total Revenue - consolidated	19.3	0.0	19.3	13.8	40%	36.7
EBITDA – consolidated (\$)	4.8	1.0	5.8	2.8	106%	12.9
NPATA – consolidated (\$)	3.7	0.7	4.5	2.3	94%	9.6
EBITDA - attributed	2.0	0.8	2.8	1.0	179%	6.4
NPATA - attributed	1.2	0.6	1.8	0.6	202%	4.1
EPS - attributed (cps)	2.7		4.0	1.3	217%	9.1

²Reported P&L metrics have been derived from the reviewed financial statements, and exclude amortisation of intangibles.

³Non-recurring items include costs of shares issued to employees under the Employee Share Scheme, final costs relating to the Jun-17 IPO as well as restructuring costs. Please see Table 1 on page 5 for full reconciliation.

Balance Sheet

The balance sheet for Kelly+Partners remains strong. Net debt has reduced by \$0.5m since 30 June 2017. Both net assets and equity attributable to shareholders have increased in 1H18 by 4% and 6% respectively. Net debt gearing vs forecast full year revenue is at 30.5%, significantly under bank approved maximum debt capacity of 60% (undrawn debt capacity of approximately \$10.8m).

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Outlook

As outlined in our prospectus, Kelly+Partners' growth strategy includes:

- Organic Growth – Our revenue growth is driven by the ongoing demand for accounting and taxation services due to the increasing complexity and compliance of the Australian tax system. Our unique people culture centred around our proprietary client service system has a proven ability to attract new clients.
- Network Expansion: Acquisitions – We continue to engage with private accounting firms to help solve operational and succession issues.
- Network Expansion: Greenfields – As is the case historically, we will pursue opportunities to launch greenfield sites in target geographies.
- New Services – Where appropriate, we will expand into complementary businesses as driven by the needs of our 5,300 strong SME client base.

The outlook for Kelly+Partners remains positive, and management continue to investigate a number of growth options across our network. The level of inbound inquiry from high quality accounting firms regarding the Kelly+Partners network has increased markedly post IPO. Based on current performance, we remain on track to meet the prospectus forecast for FY18.

Post-Result Conference Call

Brett Kelly, Executive Chairman/CEO, and Pauline Michelakis, CFO, will host a conference call today at 11:30am AEST followed by a Q&A session. Please dial 1800 804 595 in order to join this call (no access code required).

For more information, please contact:



Brett Kelly

Executive Chairman and Chief Executive Officer

PH: +612 9923 0800

kellypartners.com.au

kellypartnersgroupholdings.com.au

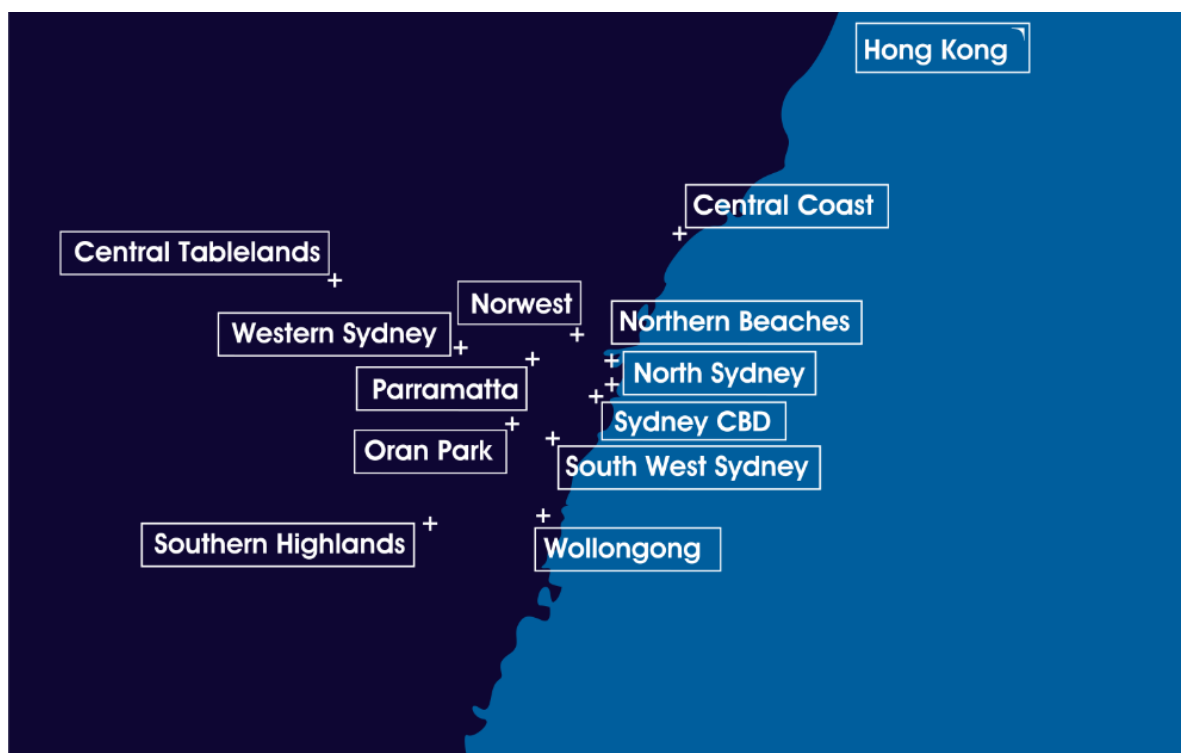
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About Kelly+Partners

Kelly+Partners is a specialist chartered accounting network established in 2006 to provide a better service to private clients, private businesses and their owners, and families. Growing from two greenfield offices in North Sydney and the Central Coast, Kelly+Partners now consists of 20 operating businesses across 12 locations in Greater Sydney, plus 1 office in Hong Kong. In total, we have a team of almost 200 people, including 40 operating partners, who service over 5,300 SME clients. Our holding company, Kelly Partners Group Holdings, was successfully listed on ASX on 21 June 2017.

Over the past 11 years, Kelly+Partners has undertaken 21 individual transactions in order to build the current accounting network. This includes the transformation of 14 external firms, and the launch of 9 greenfield offices. 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.



Disclaimer: Non-IFRS information including Underlying, Attributed and Pro forma 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, KPGH 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.

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Table 1 - Reconciliation of Reported to Underlying EBITDA and NPAT/NPATA⁵

The reported profits in 1H18 include amortisation of intangible assets and non-recurring items including: costs of shares issued to employees under the Employee Share Scheme, final costs relating to the Jun-17 IPO as well as restructuring costs. These items are not part of the regular trading activities and can distort the underlying performance of the business.

Management have adjusted for these items in order to determine the Underlying EBITDA and Underlying NPATA for 1H18. These Underlying P&L metrics are used by management to assess operational performance of KPGH, and are reconciled in the tables below.

Reconciliation of consolidated EBITDA⁴ (\$m)	1H18 Underlying
Reported consolidated EBITDA	4.8
Non-recurring items:	
add restructuring costs	0.4
shares issued to employees under ESS	0.3
final costs relating to IPO	0.1
other	0.2
sub total Non-recurring items	1.0
Underlying consolidated EBITDA	5.8

Reconciliation of attributed NPAT/NPATA⁴ (\$m)	1H18
Reported attributed NPAT	1.0
Non-recurring items:	
add restructuring costs	0.2
shares issued to employees under ESS	0.2
final costs relating to IPO	0.1
other	0.1
sub total Non-recurring items (after tax)	0.6
Underlying NPAT (post amortisation)	1.6
add back amortisation of intangibles (after tax)	0.2
Underlying attributed NPATA (pre amortisation)	1.8

⁴ The financial information in this table has been derived from the reviewed financial statements. Underlying EBITDA, NPAT and NPATA are non-IFRS financial information and as such has not been audited in accordance with Australian Accounting Standards.

Definitions

EBIT = Earnings Before Interest and Tax

EBITDA = EBIT Before Depreciation and Amortisation

NPAT = Net Profit After Tax

NPATA = Net Profit After Tax and before Amortisation

SME = Small and Medium-sized Enterprises