

ASX RELEASE

Monday 25 February 2019

Kelly+Partners 1H19 Reported NPAT up 6% on 1H18 FY19 NPAT expected to be down 8-12% on FY18

SUMMARY:

- Consolidated 1H19 Statutory revenue of \$19.7m, up 3% on 1H18
- Consolidated 1H19 Underlying EBITDA¹ of \$4.7m, down 2% on 1H18
- Consolidated 1H19 Underlying NPATA¹ of \$3.6m, down 3% on 1H18
- Underlying 1H19 EBITDA¹ attributed to shareholders of \$2.0m, down 1% on 1H18
- Underlying 1H19 NPATA¹ attributed to shareholders of \$1.3m, up 6% on 1H18
- Statutory 1H19 NPAT attributed to shareholders of \$1.1m, up 6% on 1H18
- FY19 NPAT expected to be down 8-12% on FY18

¹ Underlying revenue, EBITDA, NPATA and EPS are all measures used by Kelly+Partners management to assess the operational performance of the business.

1H19 Statutory/Underlying vs 1H18 Statutory

Kelly Partners Group Holdings Limited ("KPGH", ASX: KPG) recorded a consolidated 1H19 revenue of \$19.7m, up 3% on 1H18. Consolidated EBITDA¹ of \$4.7m and NPATA¹ of \$3.6m were down 2% and 3% respectively on 1H18. In 1H19, underlying metrics equate to statutory metrics.

1H19 NPATA¹ attributable to shareholders was \$1.1m, up 6% on 1H18. 1H19 EPS¹ of 2.4c was up 6% on 1H18.

Executive Chairman and CEO Brett Kelly commented:

"We are pleased to announce our six month results. The operating businesses within the Kelly+Partners group, other than Kelly Partners Sydney CBD and Kelly Partners Tax Consulting, performed well during the first half of the year. The group continues to grow strongly driven by a combination of organic and acquisition activity with three acquisitions completed during the half year. However, the group's first half results were impacted by the underperformance of the Kelly Partners Sydney CBD and Kelly Partners Tax Consulting businesses.

The major acquisition of the former BMF Chartered Accountants and Business Services business in the Sydney CBD occurred in January 2017 (6 months prior to IPO). The deal included a 2 year earn out for one of the prior owners. It was essential to ensure that all required change be made gradually to modernise and handle the succession in that business.

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 E info@kellypartners.com.au W kellypartnersgroup.com.au

Unfortunately the financial performance of that business, while being acceptable from an acquisition perspective, has impacted the results in this six month period. Full day to day operational control has now been handed to KPG, the succession equity transactions have been signed off to the next generation partners and the 90 day KPG integration plan is being delivered. The business continues to trade very well and is an unrivalled firm in its market.”

Financial Performance

The table below summarises the 1H19 result as compared to 1H18 statutory results.

\$m	1H19 Statutory & Reported ²	1H19 Underlying	1H18 Statutory	Percentage Change on 1H18
Total Revenue - consolidated	19.7	19.7	19.2	3%
EBITDA - consolidated (\$)	4.7	4.7	4.8	-2%
NPATA - consolidated (\$)	3.6	3.6	3.7	-3%
EBITDA - attributed	2.0	2.0	2.0	-1%
NPATA - attributed	1.3	1.3	1.2	+6%
EPS - attributed (cps)	2.4	2.4	2.3	+6%

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

Acquisitions Completed since 1 July 2018

#	Entity	Type	Business	Acquisition Date	Annual Expected Revenue
1	SBA	Tuck-in	Kelly Partners North Sydney	01/09/2018	\$1,500,000
2	Le Page	Marquee	Kelly Partners Inner West	04/09/2018	\$1,300,000
3	BWD	Tuck-in	Kelly Partners Northern Beaches	06/12/2018	\$750,000
4	MLT	Tuck-in	Kelly Partners Oran Park	01/02/2019	\$450,000
	Total				\$4,000,000

Balance Sheet

The balance sheet for Kelly+Partners remains strong. Whilst net debt of \$15.2m has increased \$3.8m from 30 June 2018 mainly due to the acquisition of three accounting businesses completed during the period, the group's net gearing at 38% continues to be significantly under bank approved maximum debt capacity of 60%.

Quarterly Dividends

Since 1 July 2018, KPGH has declared and paid one fully franked final dividend of 1c per share for FY18, and two fully franked interim dividends of 1.1c per share per quarter, and expect to continue to pay quarterly dividends.

Guidance

The Company provides the following guidance for the full year FY19 results with a comparison to the prior year results:

Measure	FY2018 Statutory Actuals \$	FY2019 Statutory Guidance \$	FY2019 Statutory Guidance % Difference
Group Revenue	\$39.5m	\$40.0m to \$41.0m	+1% to +4%
Group EBITDA	\$13.6m	\$11.2m to \$12.3m	-8% to -12%
KPG Attributed NPAT	\$4.4m	~\$4.0m	-8% to -12%

Note: above figures may be subject to rounding differences

Outlook

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

- Organic Growth;
- Network Expansion via Acquisitions; and
- Network Expansion via Greenfields

The Group is focused on partnering with local accounting businesses in existing Kelly+Partners locations via tuck in transactions to existing offices that have available desks.

The Group's complementary businesses (Kelly Partners Finance, Kelly Partners Private Wealth) have returned profits for the first half and are expected to continue to grow in revenue and earnings.

Remuneration Update

Executive Directors

Following an independent review by remuneration consultants, the Board have approved an increase in the total fixed annual remuneration of Brett Kelly, the Chief Executive Officer and Chairman to \$650,000 (including superannuation) effective 1 January 2019.

In the same review, the remuneration consultants confirmed that the current total fixed annual remuneration for Pauline Michelakis, the Group CFO and Executive Director of \$450,000 (including superannuation) was at market. She is also entitled to 6 weeks annual leave each year.

Non Executive Directors

As part of the overall remuneration review, an adjustment will be made to the Deputy Chairman, Stephen Rouvray's annual remuneration from \$30,000 to \$50,000 and Ryan Macnamee from \$30,000 to \$40,000 effective 1 July 2019, subject to shareholder approval at the company's 2019 AGM.

Post-Result Conference Call

Brett Kelly, Executive Chairman/CEO, and Pauline Michelakis, CFO, will host a conference call tomorrow (26th February 2019) at 10:30am AEST followed by a Q&A session. Please dial 1300 264 803 in order to join this call (no access code required).

For more information, please contact:

A handwritten signature in black ink, appearing to read "Brett Kelly", with a horizontal line drawn underneath it.**Brett Kelly**

Executive Chairman and Chief Executive Officer

PH: +612 9923 0800

kellypartners.com.au

kellypartnersgroupholdings.com.au

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 green-field offices in North Sydney and the Central Coast, Kelly+Partners now consists of 22 operating businesses across 13 locations in Greater Sydney, plus Melbourne and Hong Kong. In total, the team consists of more than 200 people, including 41 operating partners, who service over 5,000 SME clients. Our holding company, Kelly Partners Group Holdings, was successfully listed on ASX on 21 June 2017.

Over the past 12 years, Kelly+Partners has completed 20 individual acquisitions in order to build the current accounting network. 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 such as Attributed 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.

Table 1 - Reconciliation of Reported to Underlying EBITDA and NPAT/NPATA⁴

Reconciliation of consolidated EBITDA⁴ (\$m)		1H19 Underlying
Reported consolidated EBITDA		5.7
Non-recurring items:		
add restructuring costs		-
shares issued to employees under ESS		-
final costs relating to IPO		-
other		-
sub total Non-recurring items		-
Underlying consolidated EBITDA		5.7
Reconciliation of attributed NPAT/NPATA⁴ (\$m)		1H19
Reported attributed NPAT		1.1
Non-recurring items:		
add restructuring costs		-
shares issued to employees under ESS		-
final costs relating to IPO		-
other		-
sub total Non-recurring items (after tax)		-
Underlying NPAT (post amortisation)		1.1
add back amortisation of intangibles (after tax)		0.2
Underlying attributed NPATA (pre amortisation)		1.3

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