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KELLY PARTNERS GROUP HOLDINGS LIMITED

KELLY PARTNERS GROUP HOLDINGS

(ASX: KPG)

STRATEGIC REVIEW UPDATE

October 2023

STRATEGIC REVIEW UPDATE

- As part of the Strategic Review announced on 11 August 2023, Kelly Partners Group Holdings Limited ("KPG") continues to review its strategy, capital structure and governance in the context of its Australian and emerging US growth strategy
- As outlined in Section 1, The Strategic Review has identified the following general observations that support the Company's strategy:
    1. Founder-led companies perform up to 3x stronger than non-founder-led companies[1]
    2. Programmatic acquirers generate superior returns compared to other M&A approaches[1]
    3. KPG outperforms select sector participants and compares favourably with best-in-class compounders
    4. There are many global accounting firms, with an opportunity for KPG to emerge as one of Australia's first
    5. Illustrative analysis shows there is potential to generate meaningful incremental earnings from ceasing to pay dividends and reinvesting capital
- While no decision has been made, the Strategic Review has also identified the potential for a US listing to be supportive of KPG's US growth opportunity and enhance shareholder value over the long-term (refer to Section 2)

Source: Company analysis, Bloomberg, Capital IQ, Mckinsey and Company, Bain & Company, Harvard Business Review.
Note: (1) Based on research, refer to subsequent slides for detailed analysis.

GENERAL OBSERVATIONS FROM STRATEGIC REVIEW

SECTION 1

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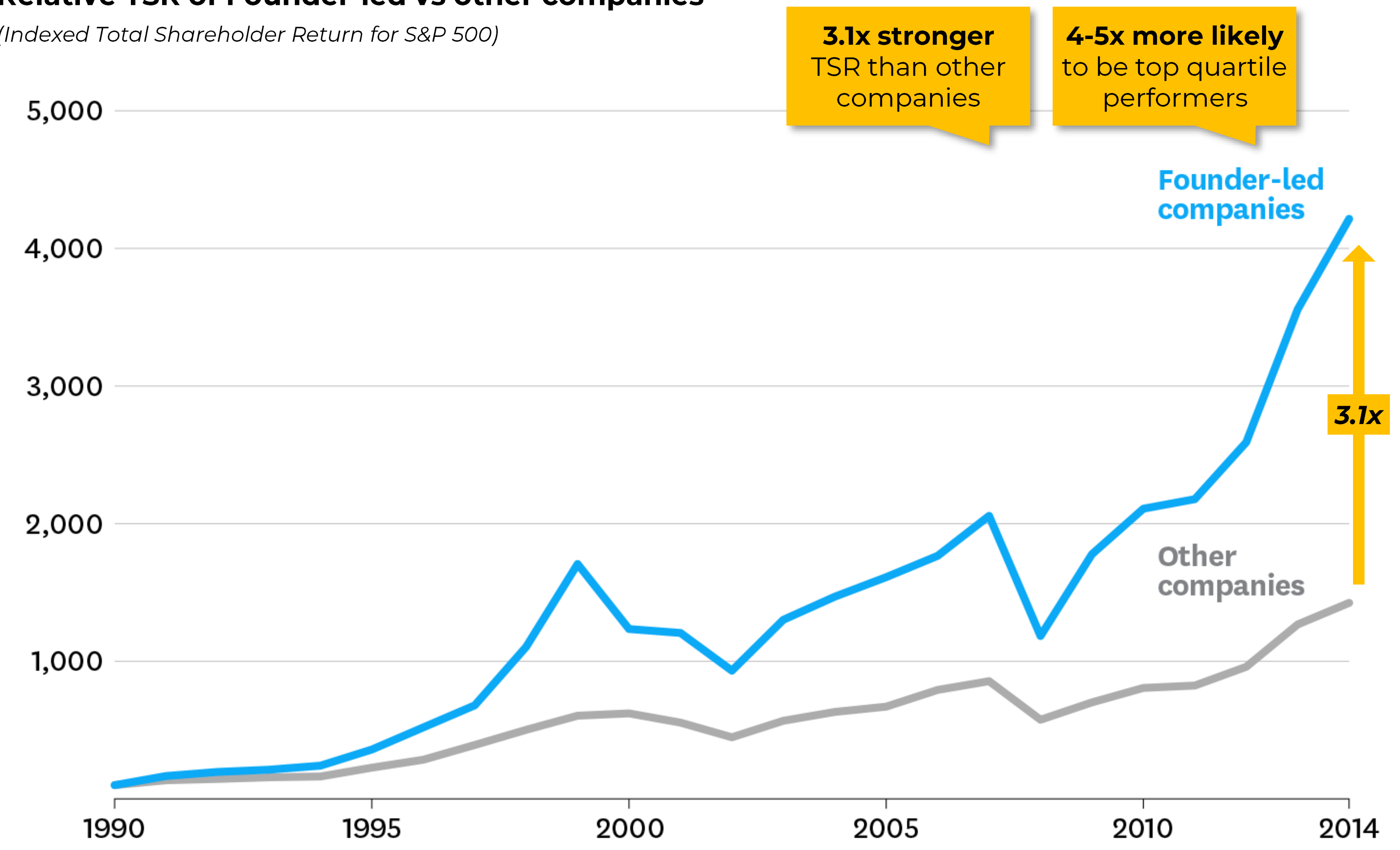
1 FOUNDER-LED COMPANIES OUTPERFORM

Research shows companies in which the founder is still deeply involved perform more than three times better than non-founder led companies.

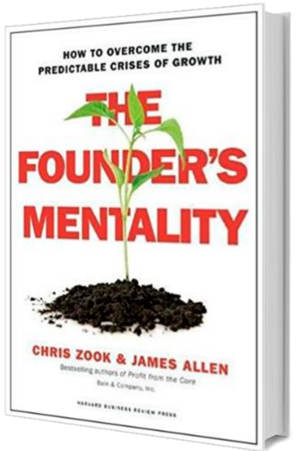
Relative TSR of Founder-led vs other companies

(Indexed Total Shareholder Return for S&P 500)



The most sustainable profitable companies nurture and maintain three traits:

1. **Business insurgency** – a willingness to defy industry norms to create new opportunities / markets for customers' evolving needs
2. **Frontline obsession** – a vested interest in the finer details and performance of day-to-day operations
3. **Owner's mindset** – a willingness to accelerate speed of action by taking personal responsibility for risk and costs



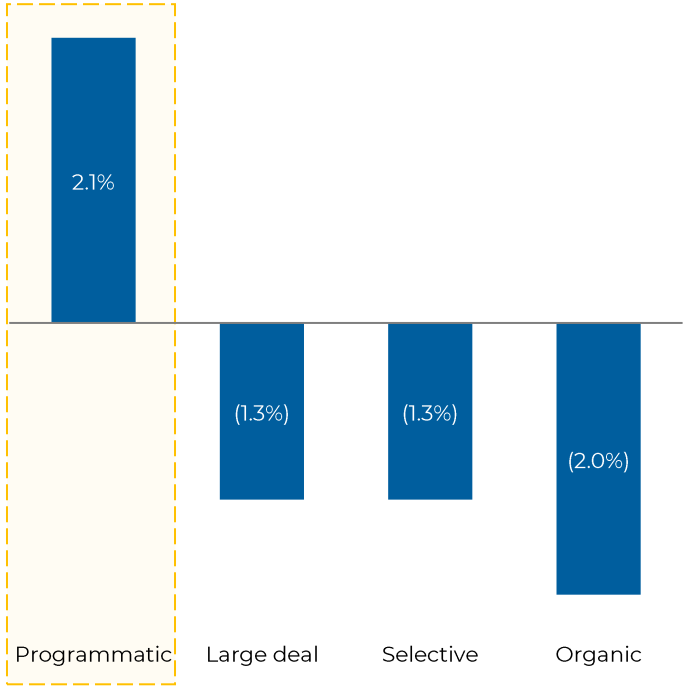
Recent research also shows that family-owned companies outperformed non-family owned companies by an annual average of ~3% between 2006 and 2022.

Source: The Founders Mentality (by Chris Zook and James Allen), Bain & Company, Credit Suisse Research Institute (The Family 1000: Family Values and Value Creation).

2 PROGRAMMATIC ACQUIRERS GENERATE SUPERIOR RETURNS

Programmatic growth strategies are the best performing of all M&A approaches[1]

Excess annual TSR by M&A approaches[2]



Programmatic M&A consistently outperforms other approaches across sectors[1]

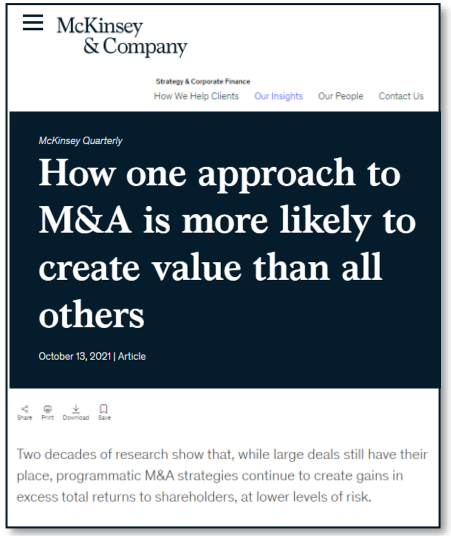
Excess annual TSR by industry & M&A approaches[2]

	Programmatic	Selective	Large deal	Organic
Advanced industries	5.9%	(0.5%)	(0.4%)	(0.8%)
Transport, logistics & infrastructure	2.0%	0.0%	(1.9%)	0.0%
Consumer packaged goods & retail	1.1%	(0.7%)	(0.7%)	0.3%
Financial services	1.2%	0%	0.6%	(0.1%)
Energy & materials	2.2%	0.3%	(0.1%)	(1.7%)
Pharmaceuticals & medical products	1.2%	(0.3%)	(0.6%)	0.9%
Healthcare systems & services	1.0%	(1.8%)	(1.3%)	(1.8%)
Technology, media & telecommunications	1.3%	(2.2%)	1.7%	(2.4%)

Programmatic acquirers are able to build lasting, distinctive capabilities in M&A precisely because they do deals frequently and systematically

Decades of research on M&A strategies and underlying capabilities point to three critical areas for success:

1. **Competitive advantage** – relatively more agile towards economic shocks that require strategic shifts
2. **Conviction** – Central M&A themes allow companies to build conviction quickly when opportunities emerge
3. **Capacity** – Established M&A processes provide capacity to respond to M&A opportunities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How one approach to M&A is more likely to create value than all others

October 13, 2021 | Article

Two decades of research show that, while large deals still have their place, programmatic M&A strategies continue to create gains in excess total returns to shareholders, at lower levels of risk.

Source: Mckinsey and Company – How one approach to M&A is more likely to create value than all others (October 2021).
Note: (1) Based on Mckinsey's Global 2,000, representing companies among the top 2,000 companies by market cap (>$2 billion) on 31 December 2009 and were still trading as of 31 December 2019. Excludes companies headquartered in Africa and Latin America.
(2) Represents average annual TSR outperformance (or underperformance) compared to peers within McKinsey's Global 2,000, between January 2010 – December 2019.

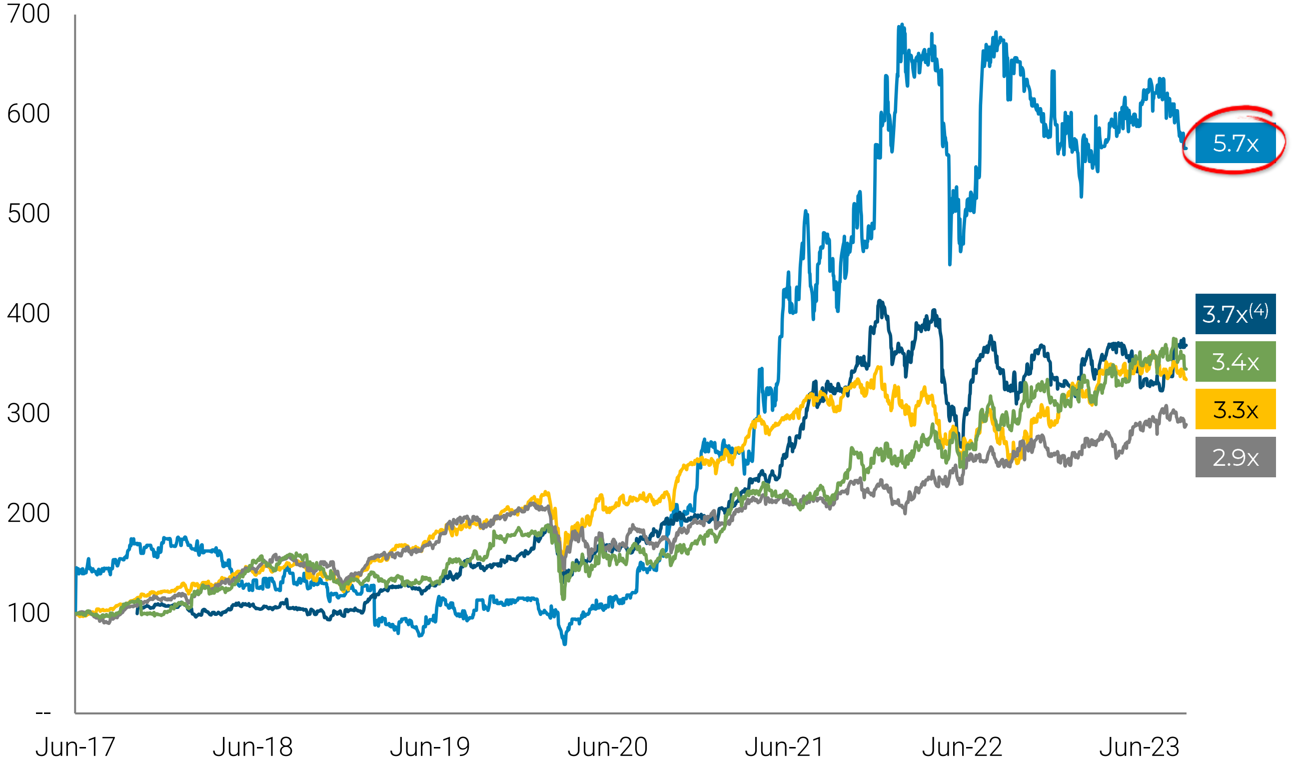
3 KPG HAS OUTPERFORMED SELECT SECTOR PARTICIPANTS AND BEST-IN-CLASS COMPOUNDERS SINCE LISTING IN 2017

KPG TSR during the first six years of listing vs. select sector participants

(Daily, rebased to 100)[1,2]

KPG TSR during the period it has been listed vs. select sector participants

(Jun-17 – Sep-23, rebased to 100)[1]



US business consulting services

US tax and accounting services

Kelly + Partners

ASX growth professional services

Global best-in-class compounders

Source: Bloomberg as at 25 September 2023. TSR calculated as daily share price appreciation, adjusted to include the reinvestment of dividends.

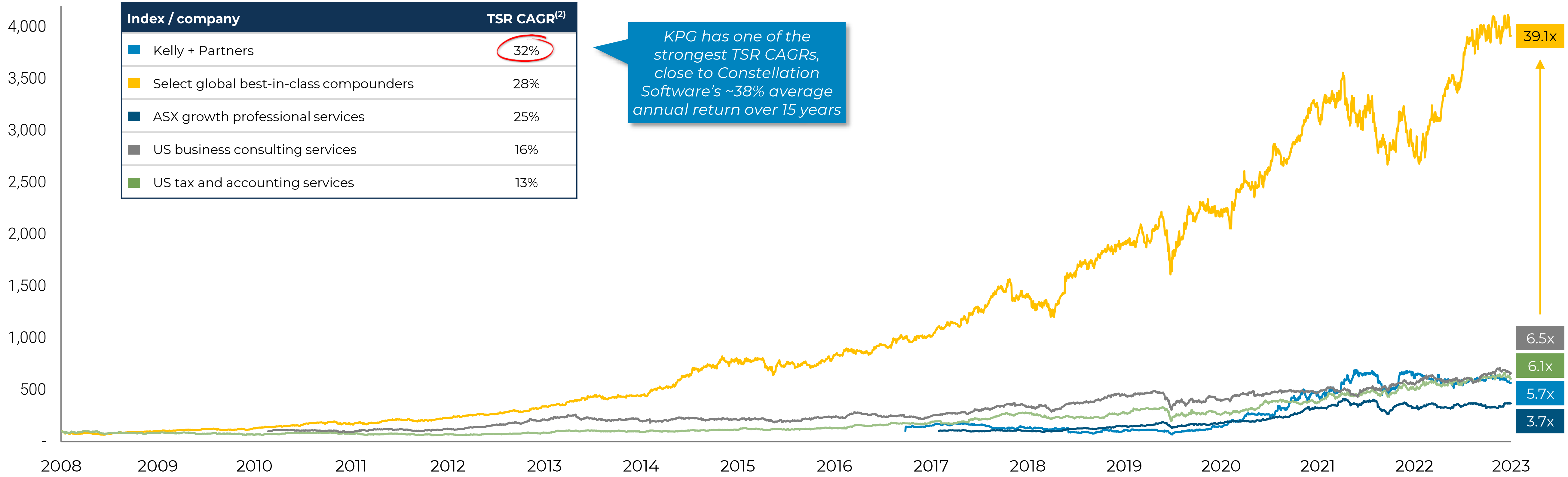
Notes: (1) Index TSRs calculated as a simple average for constituents in each group rebased to 100, starting from the date all constituents were publicly trading.
(2) CBIZ excluded due to volatile trading in years following IPO as a result of a corporate activity during this period.
(3) KPG TSR multiple chart reflects six years of trading through to 20 June 2023 since listing (note adjacent chart on right side of page presents time series data up to 25 September 2023).
(4) ASX growth professional services index begins 26 October 2017 when all constituents were publicly trading.

3 KPG GENERATES ONE OF THE STRONGEST TSRs AMONG SELECT SECTOR PARTICIPANTS AND BEST-IN-CLASS COMPOUNDERS

KPG has generated average annual TSR of 32% which is among the strongest of select sector participants.

Total Shareholder Return (TSR) over the last 15 years (rebased to 100)[(1)]

Index / company	TSR CAGR[(2)]
Kelly + Partners	32%
Select global best-in-class compounders	28%
ASX growth professional services	25%
US business consulting services	16%
US tax and accounting services	13%



US business consulting services

US tax and accounting services

Kelly + Partners

ASX growth professional services

Global best-in-class compounders

Source: Bloomberg as at 25 September 2023. TSR calculated as daily share price appreciation, adjusted to include the reinvestment of dividends.

Notes: (1) Index TSRs calculated as a simple average for constituents in each group rebased to 100, starting from the date all constituents were publicly trading.

(2) TSR CAGR reflects average of index constituents, starting from the date all constituents were publicly trading up until 25 September 2023.

3 KPG OUTPERFORMS SELECT SECTOR PARTICIPANTS AND COMPARES FAVOURABLY WITH BEST-IN-CLASS COMPOUNDERS

Median estimates	US business consulting services	US tax and accounting services	ASX growth professional services	Kelly+Partners Group Holdings Limited[1]	Select global best-in-class compounders
Constituents	FTI Consulting, Booz | Allen | Hamilton, ICF, BBSI, RGP, Huron	CBIZ	Steadfast, AUB Group, iph, Johns Lyng Group	KP+GH Kelly Partners Group Holdings Limited	Teledyne Technologies Incorporated, Constellation Software Inc., LVMH, accenture
Market cap (A$)	$3.1bn	$3.9bn	$2.5bn	$192m	$183.3bn
FY24E revenue growth	9%	8%	15%	21%	8%
FY24E EBITDA margin	11%	15%	31%	33%	25%
FY24E EV / EBITDA	12.9x	13.2x	12.1x	12.3x	15.1x
FY24E P / E	19.2x	20.1x	21.9x	18.3x	23.0x
TSR CAGR[2]	16%	13%	25%	32%	28%
ROE[3]	14%	15%	14%	26%	27%
ROIC[3]	11%	12%	10%	24%	18%

Generally lower growth, margin and return → ***Generally higher growth, margin and return***

Source: Company filings, Capital IQ, broker consensus. Market data as at 25-September-23. Presented on a pre-AASB 16 / IFRS 16 basis and calendarised to June year-end.
Note: (1) KPG revenue growth, EBITDA margin and valuation multiples based on published FY24 run-rate guidance of $100-110m revenue and ~32.5% EBITDA margin (taking 51% for parent proportionate share) and ~10% NPATA margin (for parent).
(2) TSR CAGR reflects average of index constituents, starting from the date all constituents were publicly trading up until 25 September 2023.
(3) ROE and ROIC calculated as NPAT / Equity and (NPAT plus interest) / (Equity + Debt), respectively. Calculated on a last reported basis and represents parent metrics for KPG.

4 THERE ARE MANY GLOBAL ACCOUNTING FIRMS, WITH AN OPPORTUNITY FOR KPG TO EMERGE AS ONE OF AUSTRALIA'S FIRST

KPGH's differentiated model positions the company to continue growing to become one of Australia's first global accounting firms.

Example US-based global accounting firms

(Example operators that meet USD revenue threshold shown)

$10bn+ revenue

pwc, KPMG, Deloitte., EY

$1bn+ revenue

Nexia Australia, RSM, Crowe Horwath, Grant Thornton, bakertilly, BDO

$300m+ revenue

CohnReznick, HORNE, ANDERSEN, withum, CITRINCOOPERMAN, Cherry Bekaert, EideBailly, WIPFLI, EISNERAMPER, armanino

Many global operators face challenges of a lack of transparency and increased scrutiny following recent scandals

KPG well positioned to become one of Australia's first global accounting firms

- ✓ Partner-Owner-Driver model strongly aligns interests
- ✓ Proven programmatic acquisition strategy ensures operational excellence and culture is never compromised
- ✓ Personalised approach to servicing SME clients
- ✓ Founder-led with track record of growth
- ✓ Target geographies display similar market dynamics to Australia

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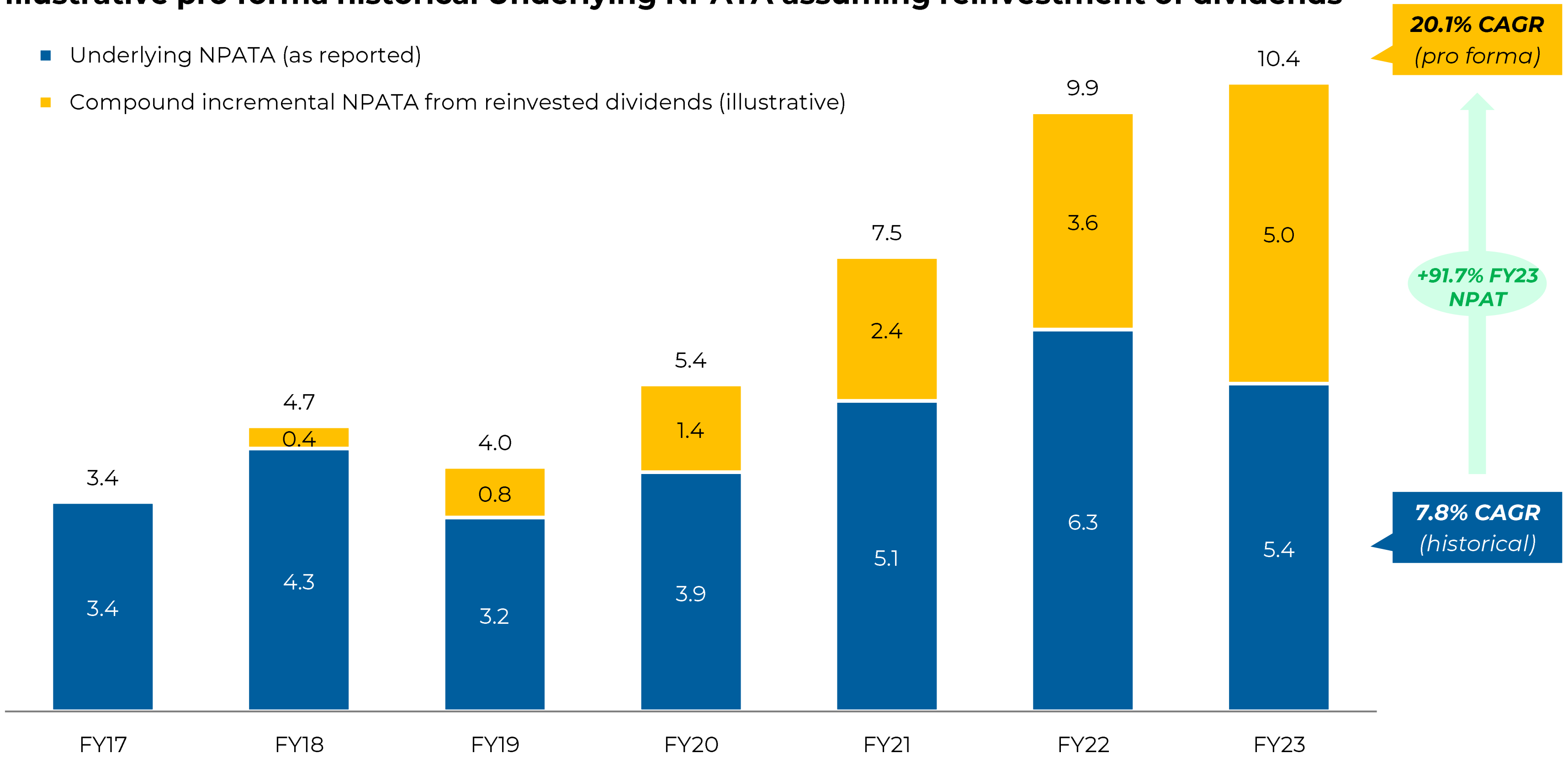
Source: Inside Public Accounting – Top 500 Firms 2023.

5 VALUE CREATION FROM CEASING DIVIDENDS

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

Illustrative pro forma historical Underlying NPATA assuming reinvestment of dividends[1]



Return on Equity (KPG Parent)

FY17	FY18	FY19	FY20	FY21	FY22	FY23	*Average*
29.5%	29.1%	21.5%	24.8%	28.5%	30.4%	26.3%	*27.2%*

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%

Source: Company filings and analysis. 'PF' indicates pro forma.
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).

OBSERVATIONS ON KPG’S US STRATEGY

SECTION 2

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OBSERVATIONS ON KPG'S US STRATEGY

- KPG's Strategic Review has confirmed the following with respect to its US growth strategy:
  1. The US presents an opportunity for KPG expansion, with the accounting services industry over 10x the size of Australia
  2. Many demand drivers in Australia are identical in the US
  3. California is the perfect beachhead to begin expansion in the US, with a target list of areas and firms already identified
  4. US accounting services firms have attracted interest from private equity, demonstrating the consolidation opportunity
  5. A comparison against a select US-listed operator demonstrates KPG's relative performance and provides a valuation reference point for the US listed market

1 THE US MARKET PRESENTS AN OPPORTUNITY FOR KPG EXPANSION

US GDP is ~15x the size of Australia's and shares many of the characteristics that drove KPG's growth over the past five years.

US economy vs Australia

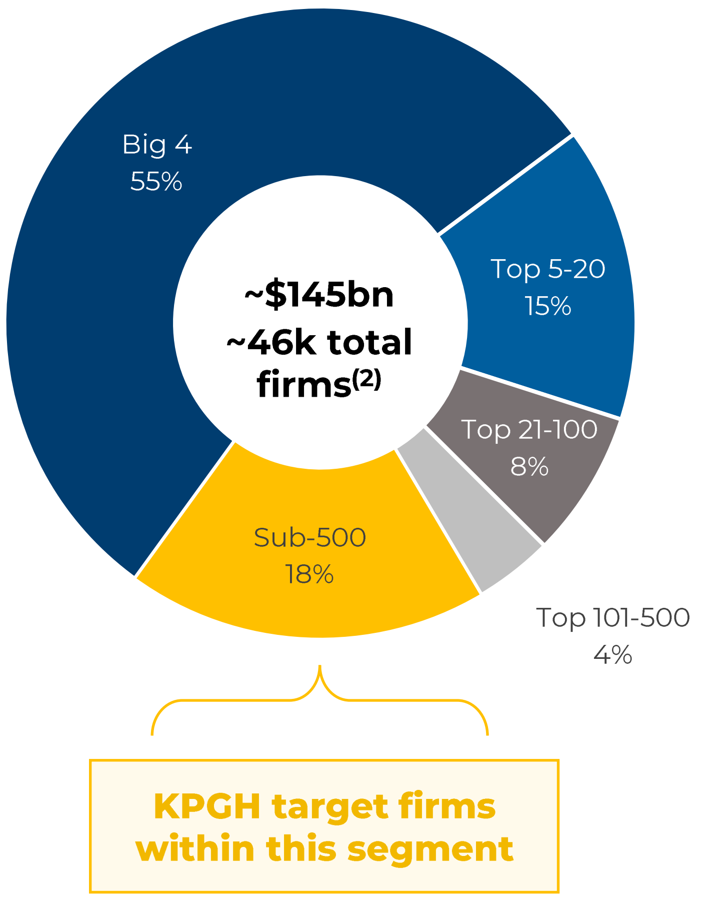
($ USD)

Rank	Country	GDP ($T)
1	United States	25.5
2	China	18.0
3	Japan	4.2
4	Germany	4.1
5	India	3.4
6	United Kingdom	3.1
7	France[1]	2.8
8	Russia[1]	2.2
9	Canada	2.1
10	Italy	2.0
11	Brazil	1.9
12	Australia	1.7

15.0x

US accounting services revenue by firm cohorts (2023)

($ USD)



Source: American Institute of Certified Public Accountants, Statista.
Note: (1) Estimate only.
(2) Represents American Institute of Certified Public Accountants' estimate of public accounting firms in the US.

2 MANY DEMAND DRIVERS IN AUSTRALIA ARE IDENTICAL IN THE US MARKET

Strong tailwinds in the US market bodes well for KPG's growth outlook as it looks to enter the US market.

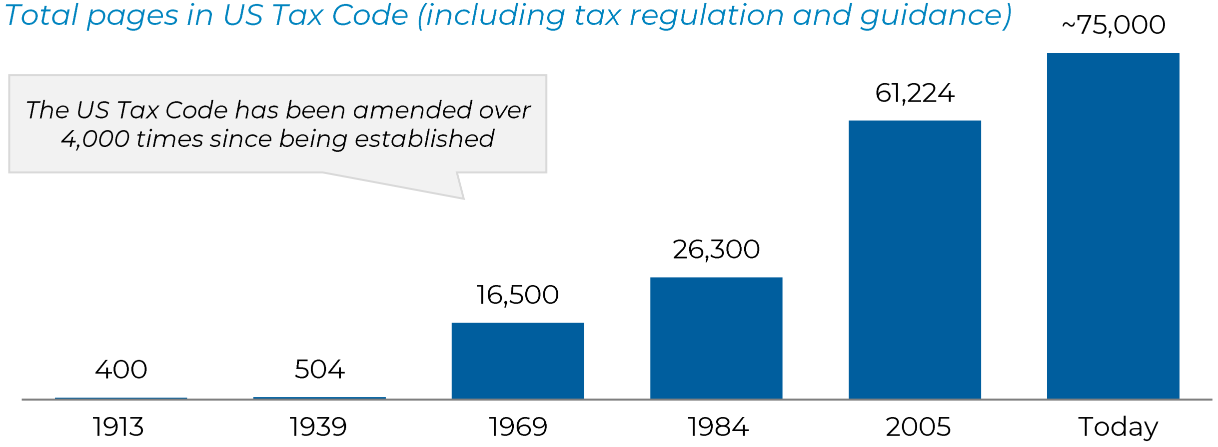
Paying taxes in the US is even more difficult than in Australia

Ease of paying taxes (ranked easiest to hardest)[(1)]

United Arab Emirates	1	Switzerland	18
Hong Kong / China	3	Netherlands	20
Ireland	5	**AUSTRALIA**	**25**
Denmark	7	Norway	26
Singapore	8	Sweden	28
United Kingdom	10	**UNITED STATES**	**36**
New Zealand	11	Germany	48
Finland	13	France	63
Canada	17	Japan	70

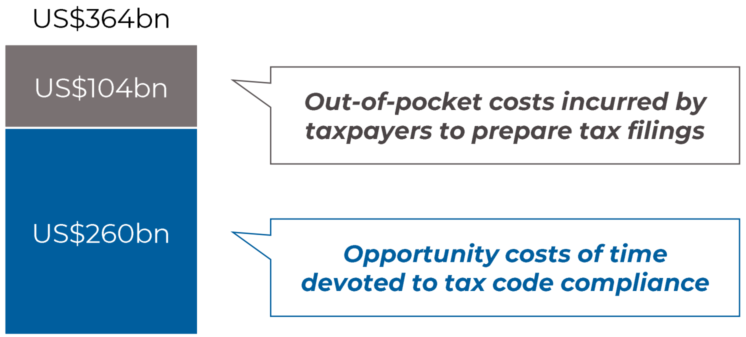
The US tax code is incredibly complex and growing each year

Total pages in US Tax Code (including tax regulation and guidance)



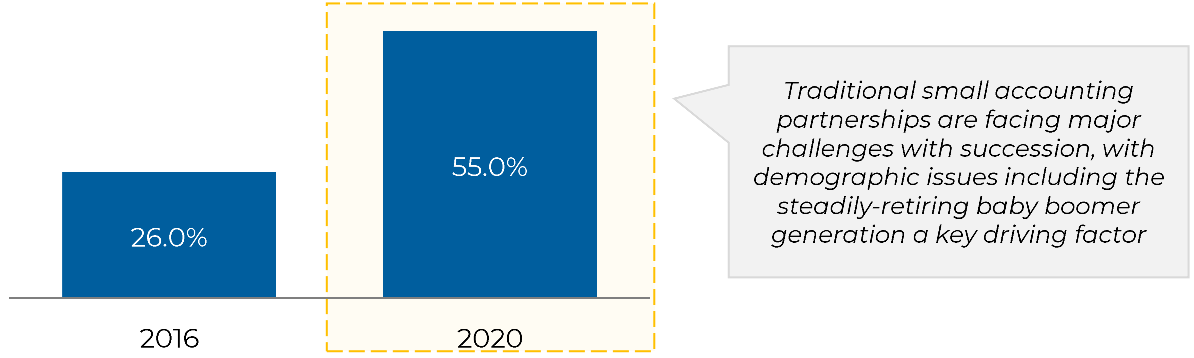
Taxpayers pay massive costs to comply with income tax codes

Estimated tax compliance burden (2022)



US accounting firms are facing a succession crisis

% of multi-owner accounting firms facing succession challenges



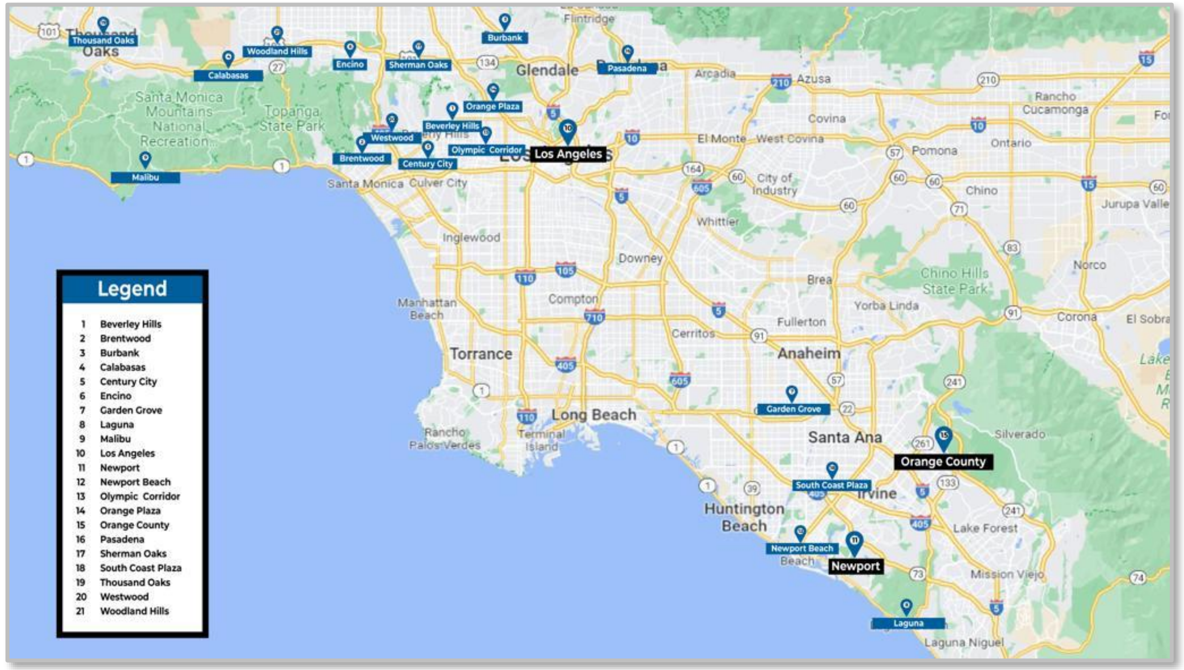
Sources: World Bank, Doing Business Report, 2017; Commerce Clearing House; National Taxpayers Union Foundation analysis of Office of Information and Regulatory Affairs and Bureau of Labor Statistic data; AICPA Private Companies Practice Section and Succession Institute LLC
Notes: (1) Represents overall ranking including post filing index, ranked against 190 economies globally.

3 CALIFORNIA IS THE PERFECT BEACHHEAD TO BEGIN EXPANSION IN THE US MARKET

California is a gateway to the APAC region and a logical beachhead for KPG's expansion, as it's the US' most populous state and the world's 5th largest economy despite a much smaller footprint than Australia.

	CALIFORNIA	AUSTRALIA
Population	39.0m	26.4m
GDP *(USD $trillion)*	$3.6tn	$1.7tn
Land *(thousands sq miles)*	164	2,968
Population density *(Per sq mile)*	251	9
Median household income *(USD$)*	$84,097	$63,393
% with bachelor degree or higher	~35%	~21%
GDP per capita	$91,190	$64,276

Among the estimated **13k accounting services businesses in California**[1] KPG has developed a "target list" of areas and firms just outside the wealthy enclaves of LA / Beverly Hills, Newport Beach and Orange County



Key population centres	LOS ANGELES	SAN DIEGO	ORANGE COUNTY	VENTURA COUNTY	SANTA BARBARA
Population	9.7m	3.3m	3.2m	0.8m	0.4m
Median income	$76k	$88k	$100k	$94k	$84k

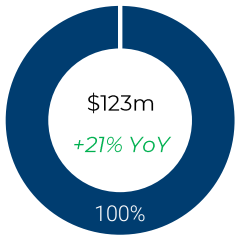
Sources: U.S. Census Bureau; Statista; World Population Review; IBIS World; Worldometer; GlobalData; and Australian Bureau of Statistics.
Note: (1) Estimate of accounting services businesses per IBIS World (Accounting Services in the US) in 2023.

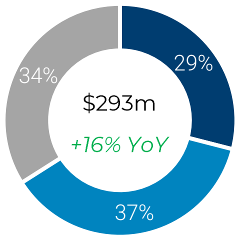
4 US ACCOUNTING SERVICES HAVE ATTRACTED INTEREST FROM PRIVATE EQUITY, DEMONSTRATING THE CONSOLIDATION OPPORTUNITY

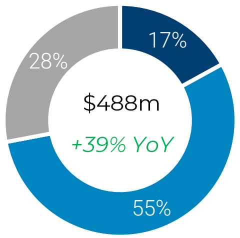
Target	Schellman	Cherry Bekaert	CitrinCooperman	EisnerAmper *Minority*	CFGI
Acquirer	Lightyear Capital	Parthenon Capital	New Mountain Capital LLC	TowerBrook	CVC
Date	September 2021	June 2022	April 2022	August 2021	September 2021
Acq'n mult | EBITDA | EV	*Not disclosed*	*Not disclosed*	13.0x	12.0x | $100m | $1.2bn	15.5x | $120m | $1.9bn
Head office	Florida	North Carolina	New York	New York	Boston
Operating stats	3 offices | 19 partners | 483 staff	15 offices | 132 partners | 1,284 staff	20 offices | 348 partners | 1,877 staff	20 offices | 268 partners | 2,876 staff	17 offices | 84 partners | 650 staff
Accounting Today ranking	#49	#29	#21	#17	*Not included*

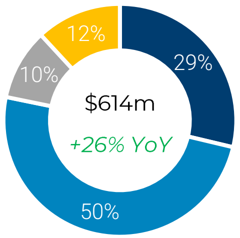
2022 revenue mix (US$)

- Accounting & audit
- Tax
- Management advisory
- Other









CFGI: *Not disclosed*

Equity story	Schellman	Cherry Bekaert	CitrinCooperman	EisnerAmper	CFGI
	✓ Global leader of technology enabled cybersecurity audit and assessment services ✓ Rapidly growing US$3bn industry ✓ Opportunity to accelerate growth through organic and M&A opportunities	✓ One of the largest assurance, tax and advisory firms in the US ✓ Opportunity to expand offering and accelerate growth via targeted investment in technology and existing services	✓ One of the largest professional services firms in the US ✓ Track record of growth from integrating acquired accounting and consulting firms ✓ Well placed as a market leader to execute on consolidation opportunity	✓ One of the largest business consulting firms in the world ✓ Opportunity to accelerate evolution of service offerings ✓ Growth opportunities supported by investment in talent and technology and strategic M&A	✓ Leading global non-audit accounting and finance advisory firm to the Office of the CFO ✓ High quality Fortune 1000 clients ✓ Well positioned to capitalise on underlying market trends that will continue to drive demand

Source: Public filings, Merger Market, Accounting Today Top 100 Firms 2023.

5 COMPARISON OF KPG AGAINST SELECT US OPERATOR

A comparison to CBIZ demonstrates KPG's relative performance and provides a reference point for valuation in the US listed market.

	KP+GH	CBIZ
Overview	**Top 20** and founder-led Australian tax and accounting services platform with market cap of ~A$200m	**Top 15** US provider of tax, accounting, insurance and advisory services with market cap of US$2.7bn
Network size	**32** offices | **456** employees | **19,000** clients	**120** offices | **6,500** employees | **100,000** clients
Business mix	**99%** recurring services (tax and accounting represents **> 90%** of total revenue)	**75%** recurring services (tax and accounting represents **< 50%** of total revenue)
Growth strategy	Programmatic acquisition strategy with **45 acquisitions** to date generating exceptional returns	Programmatic acquisition strategy having successfully acquired **over 200 companies** in last 25 years

Valuation and returns benchmarking

Trading valuations(1)

Return metrics(2)

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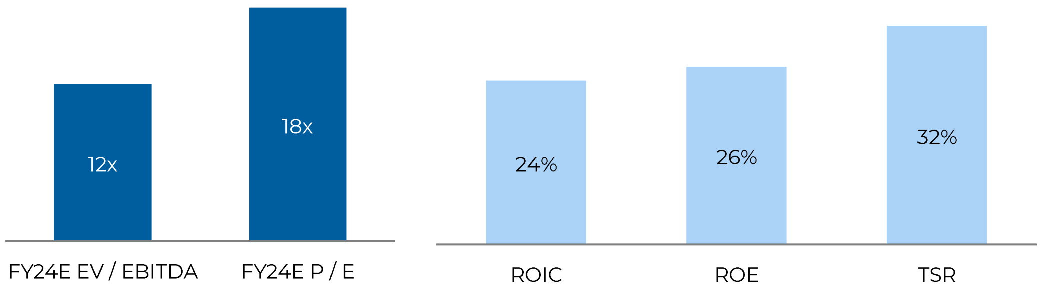
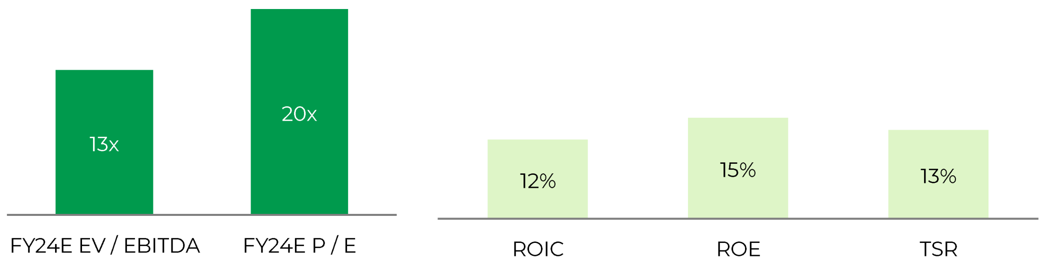


CBIZ



Financial benchmarking(3)

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5YR revenue CAGR	**17%**
EBITDA margin	**30%**
Net debt / EBITDA	**1.8x**

CBIZ

5YR revenue CAGR	**11%**
EBITDA margin	**14%**
Net debt / EBITDA	**2.0x**

Source: Company filings, Capital IQ, Bloomberg. Market data as at 25 September 2023. Calendarised to June year-end.

Note: (1) KPG valuation multiples based on published FY24 run-rate guidance of $100-110m revenue and ~32.5% EBITDA margin (taking 51% for parent proportionate share) and ~10% NPATA margin (for parent). CBIZ based on consensus estimates.
(2) ROE and ROIC calculated as NPAT / Equity and (NPAT + interest) / (Equity + Debt), respectively. Calculated on a last reported full-year basis. TSR represents 2008 to 2023 for CBIZ and since IPO in 2017 for KPG.
(3) Revenue CAGR represents FY18-23 for KPG and CY18-23F for CBIZ. KPG EBITDA margin represents last three-year average, with FY23 adjusted for additional parent entity investment (given the outsized investment made 'ahead of the curve' to support growth). CBIZ EBITDA margin based on consensus CY23F. Net debt / EBITDA shown pre-AASB 16 for KPG and as at 31 August 2023 and based on annualized EBITDA including recent acquisitions.

KEY TAKEAWAYS

- Through consultation with financial and legal advisors and exploration of alternatives with third parties, it has been determined to explore in further detail the US listing alternative, including the potential for a shareholding structure to attract and retain high-quality long-term shareholders. The ability to also retain an ASX listing through CHESS Depositary Interests (CDIs) will also be investigated
- Other key benefits of a US listing would include:
    - Build KPG's profile and visibility to vendors of acquisition targets in the US and globally;
    - Provide transparency to attract talent and credibility for clients;
    - Access capital as KPG continues to grow;
    - Benefit from a listing venue that enables more international investors that understand and are aligned with KPG's strategy;
    - Benefit from a comparison to relevant US-listed sector participants and global best-in-class listed compounders; and
    - Realise KPG's intrinsic value over time.
- While no decision has been made and there is no certainty a US listing will be achieved, the Company is pleased with the progress made to date and will provide further update(s) to the market as required.

DISCLAIMER

SUMMARY INFORMATION

This document has been prepared by Kelly Partners Group Holdings Limited ACN 124 908 363 (Company) of Level 8, 32 Walker Street, North Sydney NSW 2060. This document contains information in a summary form and general background information about the Company's activities current as at the date of the document. It is to be read in conjunction with the Company's other disclosure announcement filed with the Australian Securities Exchange (available at www.asx.com.au). This document is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor.

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Certain non-IFRS financial information has been included with this document to assist in making appropriate comparisons with prior periods and to assess the operating performance of the business. The Company uses these measures to assess the performance of the business and believes that the information is useful to investors. Non-IFRS information including Underlying, Attributed and Pro forma NPAT, NPATA, EBITDA, and EPS have not been subject to review by the auditors.

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AUTHORISATION STATEMENT

The Board has approved the release of this document to the market.