

ASX ANNOUNCEMENT - KPG

Thursday 3 December 2020

Announcement of Austbrokers Kelly+Partners Partnership

Kelly+Partners (ASX: KPG) announces that it has entered into a partnership with Austbrokers (ASX: AUB) to market and deliver a mixture of insurance broking, accounting and tax services to the members and clients of either party.

Service offerings will include the following:

- the provision of general and life insurance broking services to Kelly+Partners' ~8,000 clients and members under a new operation, "Austbrokers Kelly+Partners". The new operation will be owned 50% by Austbrokers, and 50% by a Kelly+Partners controlled entity. The Lead Broker, will have a 49% equity interest in the Kelly+Partners controlled entity, in line with the KPG Partner Owner Driver model
- general insurance advice and services to Kelly Partners Group Holdings Ltd
- accounting and tax services to Austbrokers' ~700,000 clients and members
- design and delivery of tailored solutions for Kelly+Partners clients including a tax and government audit insurance product as well as specialty HR technical advisory services, and
- the development of tailored insurance, tax and accounting advisory services for the strata industry.

The partnership will take maximum advantage of the innovative services and systems of both Kelly+Partners and Austbrokers including the Austbrokers ExpressCover platform which will be used to underpin a significant portion of the general insurance activities of the new partnership. The partnership will grow via the conversion of Kelly+Partners' clients as well as through acquisitions.

AUB Group intends to reinvest 50% of the profits attributable to Austbrokers from this venture into equity in Kelly+Partners Group Holdings.

KPG's Chairman and CEO, Mr Brett Kelly said **"Kelly+Partners is pleased to build this strategic partnership with AUB. AUB pioneered in 1985 and continues to operate a much admired Owner Driver Model in the insurance broking market. KPG's approach in the private business owner accounting market has similarly originated a Partner Owner Driver Model since 2006 with continuing success. We look forward to a long and fruitful relationship with the AUB group as a partner and (future) shareholder.**

We expect to continue to significantly expand our client base and revenue streams through this equity partnership, which will grow our service offering to our clients."

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AUB Group CEO and Managing Director Mike Emmett commented on the announcement,

“We have always been flattered by Kelly+Partners’ aspiration to apply the Austbrokers’ Owner Driver model to the accounting industry.

Our partnership is a natural next step in the relationship between two organisations with a very similar DNA. The ability to focus AUB Group’s diverse capabilities including corporate broking, the benefits of our straight-through technology, ExpressCover, and the specialist product design features of our underwriting agencies complemented by Kelly+Partners’ entrepreneurial approach to accounting and tax advice and the strong service ethic and trust relationship they have with their clients will deliver excellent benefits to both organisations and to our respective clients.

I look forward to working closely with Brett and his team to build this partnership for many years to come.”

The partnership requires a moderate investment of capital but has a potential for an outsized growth opportunity. As such, we do expect the new partnership to have a material impact on KPG’s earnings over time. We also expect the earnings from the partnership to accelerate; the annual year on year revenue and earnings growth rate of KPG over time. The forecast client conversion and profit at maturity for the partnership is outlined in Appendix A.

Brett Kelly

Founder and CEO

Ph: 02 9923 0800

Brett Kelly, Executive Chairman of Kelly Partner Group Holdings Limited, has approved the release of this document to the market.

Appendix A – “Austbrokers Kelly Partners”

Forecast conversion and profit at maturity within a 5 year period

Line of Business	KPG Clients	Assumed client conversion	Total Austbrokers Kelly Partners EBIT
Retail	6,000	30.0%	\$1,080,000
Wholesale	2,000	30.0%	\$900,000
TOTAL	8,000		\$1,980,000