

ASX Announcement: PXA

11 November 2024

PEXA 1Q25 update FY25 guidance reaffirmed

PEXA Group Limited (ASX: PXA) (“**PEXA**” or “**Group**”) has today provided an update on the quarter ended 30 September 2024 (1Q25) performance of the Group¹.

Commenting on the update, Mr Glenn King, Group Managing Director and Chief Executive Officer said:

‘Trading for 1Q25 was generally in line with our expectations. Given this, and the progress we are making, we reaffirm our guidance for FY25. However, we note the uncertainties arising from the mixed outlook for the performance of the Australian and UK economies and property markets over the remainder of FY25.

Australia

Exchange

Total transaction volumes processed by the PEXA Exchange were 999k in 1Q25, an increase of 3 per cent from the prior comparative period (**PCQ** or **1Q24**). Total national market penetration increased to 90 per cent², from 89 per cent at FY24. Further information on Exchange volumes is set out in **Appendix Table 1**. In summary:

- Reflecting a mild recovery in the Australian housing market, higher-value transfer volumes were 645k during the quarter - an increase of 14 per cent from 1Q24.
- Refinance volumes were 215k, a decline of 21 per cent from their peak in the PCQ. Overall, refinance transactions represented 22 per cent of total Exchange volumes, consistent with the previous three quarters and down from 28 per cent in 1Q24.
- ‘Other’ transactions were 138k during the quarter, an increase of 5 per cent from 1Q24, reflecting ongoing increases in transaction coverage, mainly in Western Australia (WA).

Key business updates include:

- Exchange coverage continues to increase. Phase I of our Tasmanian rollout, which focuses on refinance transactions, commenced on schedule in August 2024. Transfers remain scheduled to commence in 3Q25. In WA, following completion of our Duty Hub at the end of FY24, transaction penetration reached 80 per cent at the end of 1Q25, up from 70 per cent at the end of FY24.
- Following the pause of the interoperability program in June 2024, PEXA continues to engage constructively with both the Queensland and New South Wales land registries, who are exploring options to enable the program to recommence. There is currently no statement from ARNECC³ on any future steps or timetable regarding interoperability.
- Preparations for the regulatory review of PEXA’s Exchange pricing, which is expected to be conducted by New South Wales IPART⁴ and commence by mid CY25, are underway.

¹ All date references in this document are to fiscal periods unless otherwise stated.

² PEXA Exchange transaction volumes as a percentage of Oxford Economics Australia estimate of all property transactions in the Australian market.

³ Australian Registrars’ National Electronic Conveyancing Council

⁴ Independent Pricing and Regulatory Tribunal

Digital Solutions

We continue to see solid progress in Digital Solutions:

- Subscription revenue increased by 32 per cent relative to 1Q24, reflecting strong customer retention performance by .id. Relative to the PCQ, subscription revenue performance also benefited from a major bank contract won by Value Australia, sales of our workflow products, and the launch of a new Land Insight offer. Overall, subscription revenue amounted to 74 per cent of 1Q25 revenue, in line with that experienced in 1Q24.
- Transaction related revenue grew by 49 per cent compared to 1Q24. This primarily reflected on-going growth in the use of Send FX by our Practitioners, following customer experience enhancements made during FY24.
- Project and consulting revenue grew by 49 per cent relative the PCQ. This primarily reflected solid pipeline development and conversion in .id, and increased project activity relating to Value Australia.

Key business updates include:

- .id's year-to-date customer churn is 1.5 per cent, 2 percentage points better than in 1Q24 demonstrating the work that has been undertaken to improve the retention rates with our customers
- Considerable work has been undertaken by Value Australia during the quarter to optimise the performance of the Automated Valuation Models (AVM) and expand the range of properties covered by the AVM.

International and UK

UK market remortgage volumes remain subdued. Volumes in the period to August 2024, the latest period for which data is available, were 65.4k (on an implied run rate basis) one per cent higher than in the prior corresponding period from 1Q24. However, we have observed a mild improvement in sale and purchase activity, with volumes increasing by 6 per cent over PCQ (again 1Q25 is on an implied run rate basis). Given these market developments:

- Optima Legal remortgage instructions were 13k in 1Q25, an increase of 2k on the prior comparative period but slightly down (1k) from 4Q24. Total completions were 10k, 2k higher than 1Q24. Optima Legal's market share continued to trend upwards; its remortgage market share was 16 per cent in August 2024 (15 per cent in April 2024) measured on a rolling 3-month basis.⁵ Smoove remortgage instructions and completions were each nine per cent lower than prior period (4Q24), with total completion volumes of 7k in 1Q25. While down slightly from 4Q24, Smoove's sale and purchase (S&P) instruction volumes remain strong with 8k in 1Q25, 18 per cent higher than 1Q24. Completions were 5k in the quarter, up 17 per cent from 1Q24.
- PEXA platform transactions were 550 per cent higher than in 1Q24, and 125 per cent higher than in 4Q24. This is mainly due to the enhanced product coverage offered arising from enhancements to the PEXAGo platform during FY24.

Further information on Optima Legal and Smoove volumes is set out in **Appendix Table 2** and **Table 3**.

⁵ Market share based on UK Finance data (Table RL5) to July 2024. Calculated as Optima Legal Completions over Total Remortgages excluding Product Transfers for the period May 2024 to July 2024.

Key business updates include:

- PEXA platform and product development
 - Technical development of the PEXA platform is progressing to schedule. We will release an additional enhancement to the platform's remortgage capability in 4Q25. The S&P product build remains on track, with a one-sided product due to be launched at the end of 2Q25, and a two-sided product to be available by the end of 3Q25.
 - The technical capability to undertake an S&P test transaction is available, however, this transaction is still to take place. We have also submitted the application supporting the sale of the S&P product to the UK's Financial Conduct Authority.
- Financial Institution customer pipeline
 - We continue to work with NatWest and the other major lender that we have previously discussed.
 - There is continued momentum and positive engagement with a range of lenders. As part of this progress, Metro Bank, one of the UK's leading challenger institutions, recently announced that it will be working with PEXA to improve the remortgage journey for its customers. Hinkley & Rugby Building Society has also recently stated that it will be providing its customers with a fees assisted re-mortgage product utilising the PEXAGo platform through Optima Legal.
- PEXA Pay scheme (Bank of England) testing:
 - The Bank of England has advised that there has been a further delay to the RTGS⁶ upgrade. This will impact the timing of testing slots for potential users of our platform. Revised testing dates are still to be confirmed by the Bank of England, this is now expected to fall in FY26.
 - Due to this development, we will continue working with customers to progress non-payment related preparations for on-boarding, prior to completion of payment testing.
- Smoove integration
 - The integration of Smoove is progressing in line with our expectations. As part of this, Optima Legal has been added onto Smoove's panel with the ability to pass fee assisted Remo instructions to Optima Legal. This is now occurring for eligible transactions from Principality Building Society.

Our ambition remains to achieve an S&P market share of 25 per cent, and to achieve a re-mortgage market share of 25-40 per cent. We are focussed on working to realise our ambition in respect of S&P market share by the end of calendar 2027. We note, however, that because of factors beyond PEXA's control, there are inherent and unavoidable uncertainties affecting the timing of when such S&P or re-mortgage market share aspirations may be achieved.

We continue to heavily scrutinise our progress in the UK, and the expenditures we are incurring in respect of the market.

Outlook

The outlook for macroeconomic conditions and property markets is mixed in both Australia and the UK.

In Australia, we remain cautious about the operating environment, due to subdued economic growth, consumer confidence, and residential construction volumes. In the UK, market conditions are expected to

⁶ Real-time gross settlement

remain reflective of below-trend GDP growth, with sentiment continuing to adjust to recent changes in fiscal settings by the UK government. We note that the impact to our major markets arising from the recent changes in the US environment will become clearer in coming months.

However, reflecting the business progress noted above, the Group today reconfirms its previously announced guidance for FY25:

Measure	FY25 Guidance
Group Business Revenue	+13% – 19%
Group Operating EBITDA Margin	≥ 34%
Specified items	(\$15m) – (\$20m)
Depreciation and amortisation	(\$98m) – (\$102m)
Net interest expense	(\$5.5m) – (\$7.5m)
Income tax benefit / (expense) ⁷	(\$13m) – (\$18m)
Australian capex / Australian revenue	10% – 14%
International operating cash outflows	(\$55m) – (\$58m)
Net debt / operating EBITDA	≤ 2.5x

This release was authorised by the Group CEO and Managing Director of PEXA Group Limited.

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About PEXA

PEXA (Property Exchange Australia) is a world-leading, digital property exchange and data insights business, listed on the Australian Stock Exchange. Since 2013, PEXA has facilitated more than 20 million property settlements, and today, 90% of all property transfer settlements in Australia are processed on the PEXA platform. In 2022 PEXA launched its refinancing capability in the UK.

⁷ This reflects the tax expense incurred in respect of our Australian operations, and our conservative approach to tax effecting losses in the UK. This view assumes that relevant tax laws and regulations, policy approaches as expressed in tax rulings and guidance notes, and our own business mix, taxation procedures and judgements remain consistent across periods.

APPENDIX

Table 1: Exchange national transaction volumes (actual per quarter, #'000)

Quarter	Transfers	Refinances	Other	Total	Refinance mix (%)
3Q22	619	187	125	931	20%
4Q22	656	222	137	1,015	22%
1Q23	586	241	136	962	25%
2Q23	586	239	131	957	25%
3Q23	492	230	121	843	28%
4Q23	592	264	132	988	27%
1Q24	567	271	131	969	28%
2Q24	654	215	129	998	22%
3Q24	537	179	120	837	21%
4Q24	670	202	136	1009	20%
1Q25	645	215	138	999	22%

Table 2: Optima Legal and Smoove instruction volumes⁸ (actual per quarter, #'000)

	Optima	Smoove	Smoove
Quarter	Remortgages	Remortgages	Sale and Purchase
3Q22	25.0	14.6	9.4
4Q22	27.2	9.1	8.9
1Q23	29.9	14.5	7.6
2Q23	12.2	8.2	4.2
3Q23	11.1	11.4	6.2
4Q23	9.0	12.8	7.3
1Q24	11.3	7.9	6.5
2Q24	12.7	7.6	5.9
3Q24	18.9	11.4	7.9
4Q24	14.3	10.0	8.5
1Q25	13.4	9.1	7.6

⁸ Instructions occur when Optima or a conveyancer introduced by Smoove agree to provide conveyancing services for a remortgage, sale or purchase transaction. A completion occurs when these transactions are concluded. For transaction related work both Optima and Smoove recognise revenue on completion. Attachment revenue for Smoove is recognised when the attachment service is delivered, which usually precedes completion for the associated transaction. Not all instructions convert into a completion, and the timeframe for conversion of a given instruction into a completion can vary.

Table 3: Optima Legal and Smoove completion volumes (actual per quarter, #'000)

	Optima	Smoove	Smoove
Quarter	Remortgages	Remortgages	Sale and Purchase
3Q22	18.7	5.2	4.5
4Q22	17.2	8.7	4.3
1Q23	18.6	8.2	5.2
2Q23	20.8	8.5	5.4
3Q23	13.7	9.4	3.5
4Q23	7.4	8.0	3.1
1Q24	7.7	8.9	4.0
2Q24	7.4	6.5	3.9
3Q24	10.9	6.6	3.7
4Q24	11.9	8.1	4.0
1Q25	10.4	7.4	4.7

Table 4: Remortgage and S&P market volumes (actual per quarter, #'000)

	Market	Market
Quarter	Remortgages ⁹	S&P ¹⁰
3Q22	100.2	332.7
4Q22	94.0	316.9
1Q23	93.4	306.9
2Q23	94.7	308.7
3Q23	92.2	276.5
4Q23	74.9	244.7
1Q24	79.6	255.4
2Q24	64.6	247.1
3Q24	73.0	254.5
4Q24	76.7	272.5
1Q25 ¹¹	65.4	271.2

⁹ Source: UK Finance: Table RL5

¹⁰ Source: UK Government Statistics – monthly property transactions in the UK with value £40k+

¹¹ September data unavailable. Market assessed as July and August average multiplied by 3