



ABN 23 629 193 764 | PEXA Group Limited

ASX ANNOUNCEMENT ASX: PXA

PEXA GROUP ACQUISITION OF SMOOVE PLC AND FINANCIAL UPDATE

Wednesday, 20th December 2023

PEXA Group Limited (ASX: PXA) (“PEXA” or “Group”) has today announced its completion of the acquisition of Smoove plc (“Smoove”) and provides an update on the impact of this transaction and other matters on PEXA’s financial outlook.

Smoove acquisition

Smoove is a UK-based conveyancing technology provider. PEXA’s proposed acquisition of Smoove was previously announced to the ASX on 5 October 2023, and an updated transaction timeline was published on 4 December 2023.

PEXA’s acquisition of Smoove via a UK scheme of arrangement was approved by Smoove shareholders on 14 November 2023 and sanctioned by the court on 15 December 2023 (UK time). Smoove will be delisted from the Alternative Investment Market of the London Stock Exchange by 7am on 20 December 2023 (UK time).

The acquisition will further build our support for the UK conveyancing market and provides reach for PEXA into both the sales and purchase and re-mortgage segments of that market.

PEXA Group Managing Director and CEO, Glenn King, said: *“This acquisition will further assist PEXA in bringing its world-leading technology to the UK market, which is in line with our international growth strategy. Smoove’s position in the UK market will allow us to build additional scale and depth, while allowing the PEXA product suite to reach more customers”.*

Further information on the integration of Smoove will be provided as part of PEXA’s Half Year Result announcement in early 2024.

Financial update excluding Smoove

PEXA Group continues to forecast that we will meet our previously announced ex-Smoove guidance for FY24:

- Group operating EBITDA¹ margin of 35% or better;
- Exchange operating EBITDA margin of 50-55%;
- Net cash outflows of \$70-80m for the International and Digital Growth businesses; and
- Break-even operating EBITDA for Digital Growth in June 2024.

¹ Terms used in this announcement have the same definition as similar terms used in PEXA’s FY23 results announcement.

As previously described in PEXA's recent strategy update, a range of uncertainties continue to impact the markets in which PEXA operates in Australia and the UK through the end of November and into December 2023. Specifically, across each of our three business areas, this includes:

- *Exchange:* We continue to observe an improved mix of transactions, reflecting a reduction in refinancing volumes within October and to the end of November 2023. As set out in Table 1 attached, refinancing activity comprised 22% of total activity in 2Q24 to end November 2023, relative to 28% in 1Q24. However, overall transaction volume growth has been modest during 2Q24. We expect to see Exchange Business Revenue for 1H24 land in the range of A\$145 to A\$150m.
- *International:* Following the impact of the Capita-related technology incident in April 2023, the flow of new business instructions to Optima Legal ("**Optima**") has shown pleasing signs of improvement. Business instructions² are 16% higher in 1H24 compared to 2H23³, and 35% higher in 2Q24 to end of November 2023, relative to 4Q23⁴. However, Optima's market share has not yet recovered to its historical position. Additionally, overall remortgage market activity levels remain relatively modest, with average monthly market volumes in 1Q24 being 15%⁵ lower than in the prior comparative quarter. Consequently, we expect International's Business Revenue for 1H24 to be approximately 10 to 14% lower than was achieved in 2H23.
- *Digital Growth:* The sales pipeline in the Digital Growth business remains promising, with good levels of new business development continuing in ID, Value Australia, and Land Insight. However, reflecting the impact of economic conditions on lengthening sales cycles and reducing some of our transaction-based product flows, together with changes to our product line up, we expect sales to be more heavily weighted to 2H24. At this stage, we are expecting Digital Growth's 1H24 revenues to be 5 to 10% lower than in 2H23, or broadly flat after adjusting for the effect of a large one-off fee received in the prior period. We aim to increase Business Revenues in 2H24 relative to 1H24, assuming our product and sales pipelines, and transaction volumes, perform as we expect.

The productivity enhancement actions we have taken to deal with the impacts of these uncertainties remain on track. Most Australian-based staff reductions as previously announced have now been undertaken, and the consultations regarding proposed reductions in the UK have also been completed.

Noting continued uncertainties in the market environment, as set out in Table 2a, our current expectations are that:

² Instructions are a notification from an institution that one of its customers will be seeking to enter a re-mortgage transaction. Once the re-mortgage work is finalised, it is known as a completion. Optima gets paid per completion. Not all instructions convert into a completion, and the timeframe for conversion of a given instruction into a completion can vary.

³ Based on average monthly instructions over July 2023 to November 2023, compared to average monthly instructions over January 2023 to June 2023.

⁴ Based solely on average monthly instructions in October and November 2023, compared to average monthly instructions in April to June 2023.

⁵ Based on average monthly market volumes for the period July 2023 to September 2023, compared to average monthly volumes in the period July 2022 to September 2022.

- Business Revenues for FY24 are expected to be in the range of A\$315 to A\$325m for FY24, excluding the impact of acquiring Smoove. Approximately half of those revenues are expected to be derived during 1H24;
- Group operating EBITDA for FY24 is expected to be A\$109 to A\$115m, and subject to completing our financial close processes, to be within the range of A\$54 to A\$58m in 1H24; and
- While expecting the combined net operating cashflows for International and Digital Growth to be in line with previous guidance, we also expect those net cash outflows to be lower in 2H24 than in 1H24. This reflects the full impact of 1H24 cost reduction actions. It also assumes that Optima volumes improve with continued improved instruction flows and market growth.

Financial implications of the Smoove acquisition

Smoove's acquisition will have an immaterial impact on PEXA's 1H24 revenues and earnings, given only approximately half a month of Smoove's performance will be consolidated into the Group's first-half results.

Assuming Smoove's trading performance continues its current trajectory, we expect that Smoove's acquisition will add A\$16-20m⁶ of revenues to the Group in 2H24 and reduce operating EBITDA by A\$4-6m in the same period.

We note that Smoove's cash balance was approximately A\$14.9m as at 30 November 2023. At the same date, other assets, which primarily consist of property, plant and equipment, development costs, goodwill, and trade debtors, were recorded at approximately A\$17m. Smoove has no bank debt but at 30 November 2023 it had outstanding payables and provisions of approximately A\$8m, and capitalised lease liabilities valued at approximately \$1.2m.

Additional matters

We anticipate providing information on further productivity enhancement actions during our 1H24 results update. At the same time, we also expect to update investors on PEXA's capital management framework and approach.

This announcement was approved by Glenn King, Group Managing Director and Chief Executive Officer.

- ENDS -

For further information please contact:

Investors

Hany Messieh
PEXA
M: +61 414 446 876
E: investors@pexa.com.au

Australian Media

Danielle Tricarico
PEXA
M: +61 403 688 980
E: danielle.tricarico@pexa.com.au

UK Media (Smoove acquisition)

Issie Rees-Davies
MHP
M: 07712447161
E: pexa@mhpgroup.com

⁶ Translated to AUD from GBP at the rate of GBP:AUD of 1.89



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About PEXA

PEXA is a world-leading ASX-listed digital property exchange platform and property insights solutions business. Since 2014, PEXA has facilitated more than 16 million property settlements through the PEXA Exchange in Australia, with 88% market reach, and in 2020 PEXA launched in the UK. The PEXA Group of companies, including .id (Informed Decisions), Value Australia, Land Insight, Optima Legal and Smoove, delivers digital insights and property solutions that help government, financial institutions, banks, and property practitioners to unlock the future value of property.

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Table 1
Exchange national transaction volumes (average per month, #'000)

| Quarter | Transfers | Refinances | Other | Total | Refinance mix (%) |
|-------------------|-----------|------------|-------|-------|-------------------|
| 1Q22 | 225 | 78 | 41 | 344 | 23% |
| 2Q22 | 239 | 72 | 47 | 358 | 20% |
| 3Q22 | 206 | 62 | 42 | 310 | 20% |
| 4Q22 | 219 | 74 | 46 | 338 | 22% |
| 1Q23 | 195 | 80 | 45 | 321 | 25% |
| 2Q23 | 195 | 80 | 44 | 319 | 25% |
| 3Q23 | 164 | 77 | 40 | 280 | 28% |
| 4Q23 | 197 | 88 | 44 | 329 | 27% |
| 1Q24 | 189 | 90 | 44 | 323 | 28% |
| 2Q24 ⁷ | 210 | 73 | 45 | 328 | 22% |

Table 2a
Group financial expectations – excluding effects of Smoove

| Item ⁸ | 1H24 | FY24 (ex Smoove) |
|--------------------------|---------------------|------------------|
| Business revenue | \$159 – 163m | A\$315 - 325m |
| - Exchange revenue | \$145 – 150m | |
| - Digital Growth Revenue | Approximately A\$7m | |
| - International Revenue | Approximately A\$6m | |
| Operating EBITDA | A\$54 – 58m | A\$109 – 115m |

Table 2b
Group financial expectations – including effects of Smoove

| Item ⁸ | 1H24 | FY24 |
|-------------------|-----------------------------------|---------------|
| Business revenue | Materially in-line with the above | \$335m – 345m |
| Operating EBITDA | | \$105m – 109m |

⁷ Based on averaging monthly volumes for October and November 2023.

⁸ Terms have same meaning as used in the FY23 results announcement.