

ASX Announcement: PXA

FRIDAY 23 FEBRUARY 2024

PEXA announces 1H24 results, continues to address strategic priorities

PEXA Group Limited (**PEXA** or the **Group**) is pleased to announce its results for the six months ended 31 December 2023 (1H24), which reflected strong financial performance and sustained focus on executing the Group's strategic agenda in Australia and internationally.

1H24 financial results overview¹

(\$ million)	1H24	1H23	Vs 1H23
Group Business Revenue ²	163.3	140.9	+16%
Group Operating EBITDA ³	58.8	52.4	+12%
Group Operating EBITDA margin	36%	37.2%	-1.2%
Group EBITDA	43.4	45.0	-4%
Group NPAT	-4.6	4.0	n.m.
Group NPATA ⁴	15.0	23.5	-36%
PEXA Exchange Revenue	149.6	135.1	+11%
PEXA Exchange Operating EBITDA ²	82.9	70.9	+17%
PEXA Exchange Operating EBITDA ² margin	55%	52%	+3.0ppt

The first-half results meet or exceed the guidance provided in December 2023. Group revenue for the half increased to \$163 million, 16% higher than the compared to the prior corresponding period, while PEXA's Operating EBITDA increased by 12% to \$59 million, driven by the strength of the Exchange, which produced an operating margin of 55%, up 3 percentage points. At a Group level, PEXA's operating EBITDA margin has remained above target at 36%.

Commenting on the 1H24 results, PEXA Group Managing Director and CEO, Glenn King, said:

"Across the Group, these results represent the discipline we have brought to executing our strategy. This includes improving the efficiency of our business through our Productivity Enhancement Program and beginning to embed our capital management framework. We have made strong progress to ensure we are well placed to execute on our strategic objectives in the second half, but we still have more to do to realise our ambitions in Australia and overseas.

"Pleasingly, PEXA Exchange continues to perform strongly and has maintained its leading market position, reflecting the resiliency of the platform. It delivered a good first-half result, benefiting from CPI-linked price increases, increased market volumes and penetration and a shift in activity towards higher-value transfers.

¹ The release uses a range of non-IFRS financial information to describe the results of the Group. They have the same meaning as set out in the Group's 1H24 results presentation.

² Business Revenue in 1H24 includes \$1.5 million of interest income earned in connection with Optima's revenues, which is not included in IFRS statutory revenue, but instead is included in interest income in the Statement of Comprehensive Income

³ Operating EBITDA represents statutory net profit before interest, tax, depreciation, amortisation and specified items and is a non-IFRS measure

⁴ Net Profit After Tax and after adding back the tax-effected amortisation of historical acquired intangible assets.

“PEXA Digital Growth improved its performance and continued supporting our customers with a suite of new digital solutions. It experienced overall revenue growth of 80% on 1H23 (7% on a proforma basis), largely due to our new businesses. The business remains on track for break-even operating EBITDA for the month of June 2024 as we continue to focus on efficiencies and scaling the business.

“PEXA International expanded its position in the UK and is well positioned to scale up and build distribution following our integration of Optima Legal and acquisition of conveyancing technology provider Smoove. We remain focussed on stabilising and optimising the performance of each of our three UK businesses and driving uptake of our PEXA Exchange proposition.

“PEXA’s UK remortgage proposition now covers approximately 70% of remortgage types in the market and work is underway to enable an initial sale-and-purchase test transaction by end of calendar 2024. Work is progressing with two of the top-10 lenders in the UK who have verbally committed to come onto the platform utilising a combined PEXA/Optima proposition (subject to their own technology roadmaps), with both banks completing their PEXA Pay testing. Our new PEXA UK CEO, Joe Pepper, is embedded into the business and has made a good start in running our UK operations to deliver sustainable growth and efficiencies.

“Looking ahead we are well placed to execute on our plan, with strong financial performance and a focus on continued delivery of operating efficiencies and executing on sustainable growth”.

Financial performance

Group

Total business revenue was \$163.3 million in 1H24, up 16% on 1H23. PEXA Exchange business revenue was \$149.6 million, up 11% on 1H23. Digital Growth business revenue was \$7.2 million, up 80% on 1H23, or on a pro forma basis which adjusts for the impact of acquisitions, up 7%. International business revenue was \$6.5 million, up 261% on 1H23, or on a pro forma basis adjusting for the impact of acquisitions down 41%.

In total, non-Exchange revenue now represents 8% of total business revenue.

Operating EBITDA was \$58.8 million, up 12% on 1H23, or up 10% on a pro forma basis when adjusting for the impact of acquisitions. This reflects efficiencies from the Productivity Enhancement Program (PEP) and increased operating leverage in the Exchange, offset by the effects of planned investments in Digital Growth and International. Relative to 1H23, Group operating EBITDA margin declined by 1.2ppt to 36.0% but remains above target.

NPATA was \$15.0 million in 1H24 compared to \$23.5 million in 1H23. The reduction was primarily due to costs associated with the acquisition of Smoove, restructuring costs, and higher amortisation arising from investments across the Group.

The statutory net loss after tax was \$(4.6) million in 1H24 compared to a net profit after tax of \$4.0 million in 1H23.

PEXA Exchange

PEXA Exchange delivered operating EBITDA of \$82.9 million in 1H24, up 17% on 1H23. The Exchange’s operating EBITDA margin rose 3.0ppt to 55.4%, above long-term guidance.

Market transaction volumes increased by 1.7% to 2.22 million in 1H24 from 2.18 million transactions in 1H23, while transaction penetration increased from 88% to 89%.

Average revenue per transaction increased 8% to \$76.10 in 1H24 from \$70.40 in 1H23, due to annual CPI-linked repricing and a shift in transaction mix away from refinances to higher-value transfers. Operating expenses were up 2% on 1H23 reflecting salary increases and increased resourcing in data and governance, partially offset by a range of efficiency initiatives. The expense outcome also benefited from a one-off GST recovery and the capitalisation of certain cloud-related development costs.

Capital expenditure was \$19 million, \$2.2 million higher than in 1H23. This was mainly due to increased regulatory spend and preparing for the launch of the Exchange in Tasmania, starting with refinancing transactions at the end of calendar 2024.

Digital Growth

Digital Growth continued to build momentum by providing a suite of new digital solutions and national property insights for existing and new customers. This included PEXA workflow tools for financial institution customers; FX support, with 622 practitioners subscribed to Send Payments by the end of the half; and new national datasets for .id (Informed Decisions) customers, including developers and more than 300 local councils across the country. We were also pleased with the commercialisation of our Value Australia business with our first tier 1 bank now contracted as an Automated Valuation customer.

Digital Growth business revenue was \$7.2 million, up 80% on 1H23, or up 7% on a like-for-like pro forma basis), due to 1% subscription revenue growth and 34% growth in project-related revenues, offset by the effect of taking some legacy products off sale. Expenses declined by 10% on a like-for-like pro forma basis over the same period due to efficiencies and taking advantage of Group-wide capabilities and infrastructure.

PEXA International

Our UK business made steady progress. The PEXA UK platform is well established and now covers approximately 70% of remortgage types in the market, with work also underway to enable an initial sale-and-purchase test transaction by end of 2024.

Optima Legal is showing signs of recovery despite challenging UK remortgage market conditions, with 1H24 instructions up 19% vs 2H23. The integration of Optima Legal into the PEXA Group is now complete. The technical integration of the PEXA platform into Optima Legal is now in progress, with discussions underway with two of the top-10 lenders in the UK to utilise a combined PEXA/Optima proposition (subject to their own technology roadmaps).

Overall, International operating EBITDA was a loss of \$18.2 million, compared to a loss of \$9.4 million in 1H23 on a like-for-like pro forma basis. The increased operating loss was due to expenditure on building our UK platform, and losses incurred in the Optima business. Capex was \$11.7 million, down from \$13.1 million in 1H23, with lower spend on our remortgage proposition.

The acquisition of Smoove was completed in December 2023, with integration planning now underway. Smoove is expected to add \$16 million-\$20 million⁵ of revenues and reduce operating EBITDA by \$4 million-\$6 million in 2H24.

Productivity enhancement program

We continue to improve the efficiency of the Group's operations through our Productivity Enhancement Program. Program initiatives delivered total cash savings of \$0.9 million in 1H24 and are anticipated to deliver further operational and capital expenditure savings in 2H24.

Group balance sheet

PEXA closed out 1H24 with cash on balance sheet of \$73.1 million, taking account of interest earning potential of all third-party money balances, net debt-to-operating EBITDA of 2.5x⁶ (2.3x in 1H23) and net interest cover of over 17.2x⁷ (17.3x in 1H23).

Capital management

The Group is committed to managing capital and other resources to ensure the generation of satisfactory, sustainable returns for all shareholders.

To enable this, PEXA has committed to a strengthened capital management framework. The Group has no current expectation of material acquisitions. We will also be actively seeking opportunities to improve the capital efficiency of our International and Digital Growth initiatives.

Outlook

PEXA reconfirms its previously announced guidance for FY24, excluding the impact of Smoove:

- Group operating EBITDA⁸ margin of 35% or better;
- Exchange operating EBITDA⁷ margin of 50-55%;
- Net cash outflows⁹ of \$70 million to \$80 million for the International and Digital Growth businesses; and
- Breakeven operating EBITDA for Digital Growth for the month of June 2024.

A briefing session for the Group's investors and analysts will be held at 10:30am AEDT today.

Participants can register for the conference call via the link [here](#). Registered participants will receive their dial in number on registration, a calendar invitation, and a unique PIN to access the conference call.

This release was authorised by the Board of Directors of PEXA Group Limited.

⁵ Translated to AUD from GBP at the rate of GBP: AUD of 1.89.

⁶ (Interest bearing debt – cash as at end of period) / last 12 months operating EBITDA.

⁷ Last 12 months operating EBITDA / Net Finance charge

⁸ Operating EBITDA / Business Revenue.

⁹ Operating EBITDA – Capex, excluding material acquisitions and associated transaction and integration costs.

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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. As an Australian start-up success story, PEXA assists lawyers, conveyancers and financial institutions, to lodge documents with Land Registries and complete financial settlements electronically. Since 2013, more than 16 million property settlements have occurred via PEXA, and today, 89% of all property transfer settlements in Australia are processed on the PEXA platform. PEXA has since expanded its refinancing capability to the UK and operates an insights solutions business that helps government, and businesses, unlock the future value of property.

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