

## ASX Announcement: PXA

7 May 2024

### PEXA 3Q24 update FY24 guidance reaffirmed, continuing strategic execution

PEXA Group Limited (ASX: PXA) (“PEXA” or “Group”) has today provided an update on the quarter ended 31 March 2024 (3Q24) trading performance of the Group and further detail on the FY24 strategic progress of each of the key operating divisions.

#### Australia

##### Exchange

The PEXA Exchange continues to demonstrate solid performance. Business highlights include:

- Total national market share penetration for 3Q24 was 90%<sup>1</sup>, up 1% from 1H24.
- Ongoing platform resilience and reliability were demonstrated by 100% system uptime through the quarter.
- Customers continue to show strong support for the Exchange, with a satisfaction score of 94.4% at March 2024.<sup>2</sup>
- Extension of national coverage remains on-track. Phase 1 (refinance) of the Tasmanian rollout will start in August 2024 via several pilot transactions. Ramp up is expected to occur prior to Christmas. Northern Territory enablement planning is progressing.

Total transaction volumes for 3Q24 were 837k, which is modestly lower (0.7%) than 3Q23. Despite this, we continue to observe an improved mix of transactions. 3Q24 transfer volumes were up 9% on 3Q23 to 537k. Reflecting overall market conditions, refinance volumes were 22% lower than 3Q23, representing 21% of total volumes in the current quarter compared to 28% in 3Q23.

Further information on Exchange volumes is set out in **Appendix Table 1**.

##### Digital Growth

We are embedding our previously announced operating model<sup>3</sup> under which the Exchange and Digital Growth are managed as a holistic Australian business. This will allow us to better leverage our existing customer base and distribution capability to grow our Insights<sup>4</sup> businesses. Business highlights in the quarter include:

- .ID completed its first sale to a PEXA bank customer who will be using .ID insights and forecasts to assist with strategic and network planning and resource allocation. .ID are in advanced discussions with other FIs including a tier 1 bank. The business has also secured 13 new local, and 17 new non-

<sup>1</sup> PEXA Exchange transaction volumes as a percentage of Oxford Economics Australia estimate of all property transactions in the Australian market.

<sup>2</sup> Q3 Customer Satisfaction measured to 13 March 2024 due to implementation of new ‘Voice of Customer’ tool.

<sup>3</sup> Refer ASX Announcement 7 March 2024

<sup>4</sup> Comprised of .ID, Value Australia and Land Insight

local, government clients on a year-to-date basis. The value of the .ID sales pipeline is 43% ahead of that recorded in 3Q23, largely attributable to a step up in FI proposals.

- Value Australia's Automated Valuation Model (AVM) solution went live with a tier 1 bank, and a consulting engagement with another tier 1 bank was secured.
- Land Insight completed its second sale to a PEXA bank customer to assist with understanding the environmental risk in its lending portfolio. Land Insight also introduced a 'Data as a Service' pricing model which provides access to its database of risks and hazards via API. This has been offered as an additional service.

Subscriptions accounted for 83% of 3Q24 revenues, up from 80% in 3Q23. Half on half revenue growth is expected, with our current forecasts indicating an outcome that will be 7% - 21% (\$0.5m - \$1.5m) higher than in 1H24.

## UK

Activity in the UK has focused on building our customer base and further developing the PEXA proposition. Business highlights include:

- Customers:
  - On 2 May 2024 we announced a strategic partnership with NatWest Group, which is one of the two verbally committed lenders referenced at our 1H24 results. We are engaged in ongoing development work with the second lender which is expected to be using PEXA by mid this calendar year.<sup>5</sup>
  - We have confirmed a further tier 1 lender to test the PEXA Pay scheme at the next available Bank of England testing slot and are progressed in negotiations with other lenders to take the remaining slots.
  - The 11 lenders that have tested on PEXA Pay (which excludes ClearBank) represent c. 20%<sup>6</sup> of the mortgage market in the UK. This is an important step towards our market share objectives announced in May 2022, as our plans continue to evolve in line with market developments.
- PEXA platform:
  - The Remortgage platform build is substantively complete, with over 70% of remortgage transaction functionality now available. While total processed volumes remain modest, the proportion of eligible<sup>7</sup> transactions being processed on the PEXA platform by Shawbrook Bank is now close to 100%.
  - Sale and Purchase product development has commenced, and we expect to undertake an initial test transaction in calendar year 3Q24.
  - The platform integration between PEXA and Optima Legal is expected to complete in late May 2024, which is the precursor to both lenders transacting with PEXA.

<sup>5</sup> Subject to the lender's own technology roadmap

<sup>6</sup> Source: UK Finance table MM10 - Value of outstanding mortgages (2022)

<sup>7</sup> Reflects circa 65% of total remortgage completions processed through Pure Law

- Integration of Smoove
  - Integration planning is underway, with initial organisation design changes announced and embedded during the period. Work is progressing with leveraging Smoove’s distribution and technology capabilities across the broader PEXA business.

Volume developments since 1H24 include:

- Remortgages
  - Optima Legal instructions were 19k in 3Q24, an increase of 6k (49%) on the prior period (2Q24). The increased instruction flow was driven by the benefit of contracts won as previously announced, and lenders diverting flow to Optima. Total completions were 11k, 3k higher than 2Q24.
  - Smoove instructions were up 48% on the prior period. Completion volumes were 7k in 3Q24, broadly in line with 2Q24.
  - Optima Legal remortgage market share was 12% at January 2024 (2% higher than reported at 1H24 results), measured on a rolling 3-month basis.<sup>8</sup> Combined with Smoove remortgages, PEXA UK now completes 21% of remortgage flows in the market.
- Sale and purchase and ‘other’ volumes:
  - Whilst Smoove’s sale and purchase completions of 4k in the quarter were down slightly on 2Q24, instruction volumes increased sharply in 3Q24 compared to the previous half (1H24).
  - Smoove’s revenue model benefits from attachment<sup>9</sup> activity, which is primarily driven by purchase instruction volumes and achieves a higher margin than other Smoove product lines. The sharp increase in sale and purchase instruction volumes noted above has driven increased attachment revenue in the quarter and will provide further support to completion revenue in 4Q24.

The favourable Smoove volume movements noted above mean that FY24 revenue for this business is expected to be at the upper end of previously provided guidance.

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

## **Outlook**

The economic environment for both Australia and the UK remains mixed.

In Australia, we remain cautious about the impact of interest rate movements and the flow on effect this may have on property settlement and refinancing activity levels. In the UK, market conditions remain subdued with some small, but promising, signs of recovery with remortgage activity recently touching cyclical lows.

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<sup>8</sup> Market share based on UK Finance data (Table RL5) to January 2024. Calculated as Optima Legal Completions over Total Remortgages excluding Product Transfers for the period November 2023 to January 2024.

<sup>9</sup> Attachments include searches and ID verification.

Against this external backdrop, PEXA Group today reconfirmed previously announced guidance for FY24:

Operating items EXCLUDING SMOOVE	FY24 Outlook
Business revenue	\$315m to \$325m
Operating EBITDA	\$109m to \$115m
Digital Growth Operating EBITDA	Break even month of June 2024
Exchange Operating EBITDA Margin	50 – 55%
Group Operating EBITDA Margin	≥35%
International and Digital Growth businesses - Net cash outflows	(\$70m) to (\$80m)
Productivity enhancement program run rate benefit – Cash basis	(\$7m - \$8m)

Operating items INCLUDING SMOOVE	FY24 Outlook
Business revenue	\$335m to \$345m
Operating EBITDA	\$105m to \$109m

Non-operating items	2H24 Outlook
Specified items	(\$11m) to (\$14m)
Amortisation (including historical acquired amortisation)	(\$45m) to (\$47m)
Net interest expense	(\$3.5m) to (\$4.5m)
Income tax benefit / (expense)	(\$3m) to (\$8m)

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

**-Ends-**

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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 16 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.

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

Quarter	Transfers	Refinances	Other	Total	Refinance mix (%)
1Q22	674	233	124	1,031	23%
2Q22	717	215	142	1,074	20%
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%

**Table 2: Optima Legal and Smoove instruction volumes<sup>10</sup> (actual per quarter, #'000)**

Quarter	Optima	Smoove	
	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

<sup>10</sup> 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

Combined Optima Legal and Smoove remortgage market share at January 2024 was 21%, measured on a rolling three-month average basis.<sup>11</sup>

<sup>11</sup> Market share based on UK Finance data (Table RL5) to January 2024. Calculated as Optima Legal plus Smoove Remortgage Completions over Total Remortgages excluding Product Transfers for the period November 2023 to January 2024.

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