

ASX release (ASX: PXA)

23 February 2023

PEXA delivers meaningful progress on strategy

Melbourne, Australia – Leading international digital platform business PEXA Group Limited (**PEXA** or the **Company**), operator of the world’s first end-to-end digital property exchange platform, is pleased to announce its results for the six months ended 31 December 2022 (**1H23**), a period in which the Company again delivered on its long-term strategy.

1H23 financial results overview

(\$ million)	1H21 ¹	1H22	1H23	Vs 1H22
Group Revenue	99.7	145.5	140.9	(3)%
Group Operating EBITDA ²	45.0	76.0	52.4	(31)%
Group NPAT	(3.8)	9.7	4.0	(59)%
Group NPATA ³	16.1	29.4	23.5	(20)%
PEXA Exchange Revenue	99.3	144.9	135.1	(7)%
PEXA Exchange EBITDA ²	47.1	83.0	70.9	(15)%
PEXA Exchange EBITDA ² margin	47.5%	57.3%	52.4%	-4.9ppt

Commenting on the 1H23 results, PEXA Group Managing Director and CEO Glenn King said:

“Over the first half of this financial year we continued to execute a clearly articulated strategy and delivered positive outcomes for our stakeholders.

“The resilient and reliable PEXA Exchange platform performed in line with expectations. Given the challenging market conditions, transaction volumes were down 9% compared to the first half of FY22, and just 1% from the second half, with refinancing volumes robust in the increasing interest rate environment. Our team continues to deliver for users of the PEXA Exchange platform, reinforcing our position as the most trusted industry provider.⁴

“Having acquired a portfolio of strategic businesses over the past six months, PEXA Digital Growth is now delivering organic and inorganic revenue, with focus on integrating these businesses to ensure we deliver on the exciting opportunities we see to extend our offering and meet market needs.

“Lastly, we continued to make meaningful progress on our international growth strategy, which for now is focused on entering the UK market. During the first half, we signed up and went live with the first lenders on

¹ 1H21 results include an additional \$3.2 million of “public company costs” added back into pre-IPO operating expenses to be comparable to 1H22 and 1H23

² Operating EBITDA before non-operating items

³ Net Profit After Tax and after adding back the tax-effected Amortisation of acquired intangible assets

⁴ PEXA Brand Research September 2022, Nature

our UK platform, with nine financial institutions having now completed testing of the PEXA settlement payment scheme. In addition, we acquired UK-based remortgage processing firm Optima Legal and the integration is progressing well.”

Financial performance

Reflecting the Australian property market conditions in 1H23, total market volumes of 2.2 million transactions (billable events) were down 12% on 1H22, and down 3% on 2H22. Offsetting this, the PEXA Exchange penetration of 88% was up 3 percentage points on 1H22 and up 1 percentage point on 2H22, as PEXA expanded in Queensland and ACT while also enabling further growth through platform enhancements. Combined with a growth in refinancing volumes, this resulted in total PEXA Exchange volumes of 1.92 million over 1H23, down 9% on 1H22 and down 1% from 2H22, in line with guidance.

The robust performance of the Australian Exchange platform delivered revenue of \$135.1m, which combined with \$5.8 million from PEXA International and PEXA Digital Growth, resulted in Group revenue of \$140.9 million. The robust Exchange revenue result, together with diligent cost management, resulted in PEXA Exchange Operating EBITDA of \$70.9 million, with an Exchange EBITDA margin of 52.4%, within FY23 guidance range.

PEXA Group closed out 1H23 with \$39.8 million in cash, a stable debt level and comfortable gearing, supporting the Company’s strategic growth initiatives.

EXTEND: New value pools and customer segments

Through PEXA Digital Growth – the merged PEXA Insight and PX Ventures businesses – the Company is executing on its strategy to unlock value for the property industry. Having invested in, or acquired a portfolio of strategic businesses, PEXA Digital Growth now has four major brands supporting its key customer segments; financial institutions, practitioners, agents, government, and developers. PEXA Digital Growth delivered \$1.2 million of organic revenue in 1H23 (up >100% vs 1H22) and inorganic revenue of \$2.8 million over the past 3 months of 1H23, with an annual run rate of more than \$10 million.

EXPAND: Solid progress on UK expansion

In addition to PEXA’s launch in the UK, the strategic acquisition of Optima Legal was undertaken during the first half of FY23 to support take-up of the platform. Optima Legal supports 6 of the top 8 UK lenders and generated \$1.8 million of revenue in December, with an annual run-rate of more than \$20 million.

EVOLVE: Sustaining innovative culture and trusted reputation

PEXA is constantly working to implement new ESG initiatives, reinforcing the Company’s “employer of choice” recognition⁵, collaboratively addressing housing affordability, improving the welfare of First Nations peoples and further reducing the Company’s environmental impacts.

⁵ Australian HR Awards Winner: Employer of Choice (100-999) and Excellence Award: Best Health and Wellbeing Program

Outlook

1H23 Exchange volumes performed in line with guidance provided in November 2022. Volumes have been relatively stable on 2H22 but downside risk remains as interest rates rise and the Australian economy slows.

In relation to the outlook for FY23:

- Exchange EBITDA margin to be maintained in 50 - 55% range
- Continued investment in the core business, with Australian Exchange tech investment expected to be circa 20% of revenue
- Revenue diversification to grow, with 2H23 revenue from Optima Legal and .id expected to be above \$15 million
- Investing circa \$45 million - \$50 million in international expansion and circa \$20 million - \$25 million in PEXA Digital Growth (excluding M&A and related costs)
- We are engaging positively with several UK lenders and remain focused on bringing these additional lenders on to the platform. The transformative Optima acquisition gives us the opportunity to explore how we can use an integrated offering to serve these lenders and the broader lender base that Optima supports
- We expect that timing for onboarding further lenders may extend beyond this financial year as we work through the best way to serve this broader lender base through our expanded offering

Commenting on the Company's growth opportunities, Mr King said:

"PEXA is well placed with multiple growth paths - from short term to long term.

"In Australia, the property market is moderating in line with our expectations, but the PEXA Exchange has opportunities for growth including an upcoming e-Conveyancing mandate in Queensland and a future market entry in Tasmania. To drive future growth of the PEXA Exchange, we continue to invest in our core business with a focus on API development, customer-facing enhancements, cyber security and platform resilience. At the same time, we are managing our costs tightly to maintain the Exchange's EBITDA margin in the 50% to 55% range.

"We continue to make progress in new businesses providing insights and data services to help facilitate an efficient Australian property industry.

"With multiple opportunities to grow PEXA's leading digital property settlement platform internationally, we are taking a considered approach, focused first on the UK market while also planning other market entries. The Optima Legal acquisition provides an opportunity to build out our market position and take-up of the PEXA platform."

A briefing session for 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. The webcast will be available live and will be able to be accessed via the link [here](#).



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

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