ASX Announcement: PXA

21 August 2024

PEXA ANNOUNCES STRONGER FY24 RESULTS[1]

Statutory Revenue of $340m, up 21%

Operating EBITDA $115m, up 16%

Statutory NPAT $3.8m favourable to FY23

Free cashflows of $38.5m, up 175%

Leverage of 2.4x, 0.3x lower than in FY23

PEXA Group Limited (**PEXA**, the **Company**, or the **Group**) is pleased to announce its financial results for the 12 months ended 30 June 2024 and to provide an update on its performance and outlook.

Results snapshot

Financial indicator	FY24	FY23	Change
Statutory revenue	$340.1m	$281.7m	+20.7%
Business revenue	$343.5m	$283.4m	+ 21.2%
Group operating EBITDA	$114.9m	$98.7m	+16.4%
Group OEBITDA margin – excl Smoove	36.5%	34.8%	+1.7 ppt
Group OEBITDA margin – incl Smoove[2]	33.5%	34.8%	- 1.3 ppt
Group NPATA	$21.1m	$17.3m	+22.0%
Group statutory NPAT	$(18.0)m	$(21.8)m	+$3.8m
Earnings per share – NPATA basis	11.9 cps	9.8 cps	+ 2.1 cps
Free cashflow	$38.5m	$14.0m	175.0%
Leverage (Net debt / OEBITDA)	2.4x	2.7x	-0.3x

The “Important Notices and Disclaimer” contained in the Company’s “FY24 Results Presentation” of today also applies to this announcement.

[1] Unless otherwise indicated financial results are presented on an ‘as published’ basis, without adjusting for the impact of various acquisitions made by the Group during FY23 and FY24. OEBITDA means operating EBITDA. If the results are labelled as pro forma, they are adjusted to include the full FY23 and FY24 impacts of acquisitions made in these periods, regardless of when the Group acquired them during these periods.
[2] Smoove included in Group ‘as published’ results from 19 December 2023.

Commenting on the results, PEXA's Group Managing Director and CEO, Glenn King, said:

"Our FY24 results demonstrate our team's dedication to progressing PEXA's strategy and our purpose of 'connecting people to place'. Improved revenues reflect the strength of the Exchange, with higher transfer volumes and CPI-linked repricing, and growth within our Digital Solutions business. Operating costs across the Group have benefited from the efficiencies generated through our Productivity Enhancement Program. While we continued with disciplined investments in developing our business, cashflows increased, and the Group's balance sheet settings improved."

Financial outcomes vs guidance
The Company met or exceeded the guidance provided in respect of its FY24 financial results.

Financial indicator	Guidance	Outcome
Business revenue	\$335m to \$345m	\$343.5m
Group operating EBITDA	\$105m to \$109m	\$114.9m
Group operating EBITDA – excl Smoove	≥ 35%	36.5%
Specified items[3]	\$26.4m to \$29.4m	\$27.2m
Depreciation and amortisation[4]	\$88.2m to \$90.2m	\$90.4m
Net interest expense	\$6.1m to \$7.1m	\$6.1m
Tax expense[5]	\$5.2m to \$10.2m	\$9.2m
Australian Exchange OEBITDA margin	50-55%	54.5%
Growth businesses operating cash outflows[6]	\$70-80m	\$75.3m
Digital Solutions OEBITDA break-even	June 2024	Achieved

Business progress

Australia
The Exchange continued its strong performance, reporting revenue of \$292.0 million (+11% from FY23), operating EBITDA of \$159.1 million (+13%), and an operating EBITDA margin of 54.5% (+0.8ppts). The impacts of improved transfer volumes and transaction mix and CPI-linked repricing and drove the revenue uplift. Costs benefited from efficiencies arising from the Productivity Enhancement Program.

Mr King stated:

"Our world-leading Exchange is critical national infrastructure, supporting 89% of Australian property transactions with 100% uptime and 90% customer satisfaction. We released over 220 functional enhancements to the platform. We integrated it more deeply into the broader property marketplace, with 316 APIs now available for our customers. ARNECC[7] paused its interoperability program during the year, and we continue to work with them to evolve our regulatory framework to benefit customers, consumers, and other stakeholders."

Digital Solutions' revenue of \$15.7 million was \$4.1 million (+35%) higher than FY23 from the full year impact of acquisitions and improved revenue generation, particularly in .id. Operating expenses decreased \$4.2 million during the year due to our productivity program and the impact

[3] Relate primarily to M&A, integration and restructuring costs.
[4] Excludes amortisation of debt raising transaction costs. Increase relative to prior year due to acquisitions, and the full year impact of amortising assets capitalised in the previous period.
[5] The tax charge for FY24 was lower than in FY23 due to an elevated one-off tax charge incurred in the previous year.
[6] Growth businesses refer to International and Digital Solutions.
[7] Australian Registrars National Electronic Conveyancing Council.

of better utilising Group-wide scale. Operating EBITDA reached breakeven in June 2024 as targeted.

Commenting on the result, Mr King said:

"We achieved positive momentum in Digital Solutions by growing relationships with existing and new customers by extending our property insight and transaction efficiency services to them. .id generated record revenues, Value Australia made its inaugural sales, and our newly acquired Land Insight business settled in well. Although we did not achieve all our stretch revenue ambitions, we took decisive steps to improve Digital Solutions' efficiency, enabling it to achieve its goal of operating EBITDA break-even in June 2024."

International

International reported an operating EBITDA loss of $37.2 million and operating cash outflows of $63.4 million, including capital expenditures. This was due to investments in the PEXAGo platform, business integration activities, lower revenues from Optima Legal (partly offset by improved business efficiencies), and the impact of acquiring Smoove.

Noting the result, Mr King commented:

"Our international expansion, starting with the UK, continues. Development of the PEXAGo platform, which is designed to be used across jurisdictions, proceeded to schedule. NatWest and another bank have verbally committed to using the platform, and we are working with them on their onboarding programs. Whilst we have completed the underlying integration of PEXA's platform with Optima Legal's processes, we did not transition Optima Legal's flows onto the platform as we expected. However we have received requests from two large and four smaller banks to test PEXAGo's payment capabilities through the Bank of England. Optima Legal had a challenging year due to subdued remortgage market activity and other matters, whilst improving its productivity significantly. Smoove's integration into the Group is progressing as expected."

Other developments

Mr King also commented on the evolution of the Group's approach to people and ESG[8]-related matters during the year:

"Our commitment to diversity continues, with 47% of leadership positions now filled by women, a testament to our inclusive culture. We provide market-leading propositions to our team, with our 'flex first' policy being supported by 92% of Australian staff, giving us a solid base upon which to improve our FY24 engagement score of 63%. We are on track to achieve our commitment to net-zero emissions[9] in 2025. We continued our multi-year support for 'Homes for Homes' as it tackles the issue of housing affordability whilst entering a new partnership with Victoria University to expand career options for its graduates."

Balance sheet

Free cash flow was $38.5 million, up from $14.0 million in FY23, driven by higher operating EBITDA and improved working capital management. The free cash flow conversion rate was 38.5%, compared to 17% in FY23.

In June 2024, the Group refinanced its existing syndicated debt facilities with new bilateral revolving senior unsecured debt facilities totalling $500 million, drawn to $367 million. The weighted average maturity of drawn and undrawn debt is 4.0 years (FY23: 2.0 years). The Group

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[8] Environmental, Social and Governance.
[9] Scope 1 and Scope 2 emissions only.

Net Debt to Operating EBITDA ratio is 2.4 times on 30 June 2024, within our FY24 target range of ≤ 3.0 times. Interest cover is 5.4 times.

As at 30 June 2024, PEXA had $223.5 million of cash and undrawn committed debt facilities available.

Guidance and priorities for FY25

Commenting on PEXA's priorities for FY25, Mr King said:

"During FY24, we created solid foundations for future progress. We will capitalise on these developments during FY25:

- *In Australia, we will continue to maintain the Exchange's resilience and robustness and focus on customer service. We will also expand into Tasmania, plan growth in the Northern Territory, build further integrations into the property market and work with our regulators to provide input into shaping a market structure that supports the interests of consumers and other stakeholders.*
- *We will also leverage Digital Solutions' capabilities to extend our Australian customer relationships, focusing on improving distribution effectiveness to drive .id's growth and accelerate the commercialisation of Value Australia and Land Insight while increasing the availability of our transaction support solutions.*
- *In the UK, we will pursue commitments from more banks to use PEXA's platform, leveraging the distribution reach provided by Optima Legal. We also aim to launch our sale-and-purchase product, utilising Smoove's distribution networks to connect with the UK's fragmented conveyancer market. We will also complete the integration of Smoove. Beyond the UK, we will cautiously explore opportunities in other international markets, including Canada and New Zealand.*

We continue to be conscious of the need for disciplined capital allocation, including reviewing appropriate opportunities for 'capital lite' approaches to growth, subject to them creating value for all shareholders."

Noting the uncertain economic and property market outlook in Australia and the UK, the Group is targeting the following financial outcomes in FY25:

Financial indicator	Guidance	Comment
Group Business Revenue	+13-19%	Uplift vs FY24 'as published'. Includes full year of Smoove
Group OEBITDA margin	≥ 34%	Inclusive of full year of Smoove
Specified items	$15-20m	Consists mainly of integration, restructuring and non-operational items
Depreciation and amortisation	$98-102m	Includes historical acquired amortisation. Excludes amortisation of debt raising costs
Net interest expense	$5.5-7.5m	Includes interest received on Group cash balances and source account
Tax	$13 - $18m	The Group's effective tax rate is expected to remain elevated in FY25
Australian capex / Australian revenue	10-14%	Mainly relates to Exchange capex

International operating cash outflows	$(55-58)m	Reduced operating losses and capex
Net debt / operating EBITDA	≤ 2.5x	Assumes no net draw down against lending facility

The Group's effective tax rate is expected to remain elevated in FY25, reflecting 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.

Previous guidance for Digital Solutions targeted $50m of revenue by 2025 based on organic and inorganic activity. As previously said, and in line with our capital management framework, we are not currently planning any material acquisitions for this division. As a result, rather than focussing on a revenue target, management's objective is to drive appropriate returns from our existing portfolio of assets, and achieving value creating, capital efficient pathways towards scale. Our previous guidance in respect of revenue for the Digital Solutions division is withdrawn.

In the UK, PEXA remains focussed on its ambition of achieving:

- Remo market share of 25-40%
- S&P market share of 25%

There is momentum and engagement with lenders. Building on this, our desire and focus is to work towards achieving these market share goals on a run rate basis by the end of calendar 2025 (Remo) and 2027 (S&P). However, because of external factors beyond PEXA's control, the timing of when these market share aspirations may be achieved is inherently uncertain. Management and Board continue to heavily scrutinise our progress in the UK and the expenditures we are incurring in respect of the market.

Briefing

A briefing session for investors and analysts will be held at **10:30am AEST 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 call.

A transcript of the briefing will be available on PEXA's website in due course.

This release was authorised by the Board of Directors 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, 89% of all property transfer settlements in Australia are processed on the PEXA platform. In 2022 PEXA launched its refinancing capability in the UK.