

Mr Dale Wang  
Adviser, Listings Compliance  
ASX Limited  
By email: [ListingsComplianceMelbourne@asx.com.au](mailto:ListingsComplianceMelbourne@asx.com.au)

Reference: 79796

12 September 2023

Dear Dale,

We refer your letter dated 8 September 2023. Defined terms used in this letter have the same meaning as terms defined in that letter.

We respond as follows.

**1. *Notwithstanding the market's expectation in relation to PXA's FY23 results, does PXA consider the Earnings Information (or any part of it) to be information that a reasonable person would expect to have a material effect on the price or value of its securities?***

As with the announcement of any financial results PXA considers its FY23 Results Announcements released pre-market open on the ASX Market Announcement Platform on 25 August 2023 to be information that a reasonable person would expect to have a material effect on the price or value of its securities.

However, noting PXA's understanding:

- of the market's expectations for PXA's FY23 earnings; and
- as to whether certain of the Earnings Information should be considered a material driver of the price of PXA securities (see further detailed in response to question 4 below),

PXA considers that a reasonable person would not have expected the Earnings Information (as specified in your letter dated 8 September 2023) to have a material effect on the price or value of PXA's securities.

**2. *When did PXA first become aware of the Earnings Information?***

PXA first become aware of the information while preparing and finalising its annual results for FY23, which were approved by the Board, and in respect of which the auditor gave its sign off, on the morning of 25 August 2023, the day on which the FY23 Results Announcements were released pre-market open on the ASX Market Announcement Platform on 25 August 2023.

**3. *If the answer to question 1 is "no", please advise the basis for that view.***

In respect of the earnings measures set out in paragraph A of your letter dated 8 September 2023, either (a) the relevant Variance was not material or (b) a reasonable person would not consider any material Variance in those specific earnings measures to have a material effect on the price or value of its securities.

As set out in, and in accordance with, Guidance Note 8, this is based on a consideration by PXA of many factors including whether near term earnings is a material driver of the value of PXA's securities and whether the variance is attributable to non-cash items that do not impact on underlying cash earnings. During the period relevant to the FY23 Results Announcements, the material drivers for the NPAT/NPATA variances were increased amortisation due to product launches and acquisitions and the write-off of a deferred tax asset, both of which are non-cash items.

**4. Does PXA consider that its results as disclosed in the FY23 Results Announcements and copied in paragraph A above, particularly the Group NPAT and Group NPATA, differed materially from the market expectations of the relevant measure of PXA's earnings for FY23 (the 'Variance'), having regard to the following three base indicators which may have informed such market expectations (in decreasing order of relevance and reliability):**

**4.1 If PXA had published earnings guidance for FY23, that guidance.**

PXA does not consider that its results as disclosed in the FY23 Results Announcements differed materially from those measures on which PXA gave guidance as referenced in question 5.1 below.

**4.2 If PXA is covered by sell-side analysts, the earnings forecasts of those analysts for the relevant reporting period.**

In paragraph A of your letter dated 8 September 2023, you have identified various relevant measures of earnings for FY23. To the extent such measures were covered by sell-side analysts, and based on the considerations set out in the response to Question 3 above, PXA either did not consider:

- any Variance in those measures to be material; or
- (in the case of NPAT and NPATA) that a reasonable person would consider any material Variance in those measures to have a material effect on the price or value of its securities, particularly having regard to the non-cash drivers referenced in question 3.

**4.3 If paragraphs 4.1 and 4.2 are not applicable, PXA's earnings for the prior corresponding period, being the financial year ended 30 June 2022.**

N/A

**5. Please explain the basis for the view provided in response to question 4. In doing so, please specify how PXA determined market expectations of each relevant measure of its earnings for FY23, including:**

**5.1 If PXA had published earnings guidance for FY23, details of that guidance and when it was released to the market.**

In PXA's FY23 half Year Results Presentation released on the 23<sup>rd</sup> February 2023, PXA provided the following guidance to the market.

<b>Guidance</b>	<b>Outcome</b>
• Exchange EBITDA margin to be maintained in 50% - 55% range	• Guidance satisfied.
• Continued investment in the core business, with Australian Exchange technology investment expected to be c.20% of revenue	• Guidance satisfied.
• Revenue diversification to grow, with 2H23 revenue from Optima Legal and .id expected to be >\$15m	• Guidance not satisfied, but variance not considered material.

<ul style="list-style-type: none"> <li>Investing c.\$45m-\$50m in international expansion and c.\$20m- \$25m in PEXA Digital Growth (excl. M&amp;A and related costs)</li> </ul>	<ul style="list-style-type: none"> <li>Guidance satisfied.</li> </ul>
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**5.2** *If PXA used sell-side analyst forecasts to estimate the market expectations of the relevant measure of its earnings for the relevant reporting period, details of the method that PXA used to translate sell-side analyst forecasts into its estimate of such market expectations and, in particular, whether or not PXA used a “consensus estimate” or an “adjusted consensus estimate” or a different specified approach for determining this estimate.*

The consensus estimate for each relevant earnings measure was calculated based on the arithmetic average of the forecasts published by 7 reputable sell side analysts.

**6.** *If the answer to questions 4 is “yes” and PXA first became aware of the Variance before 25 August 2023, did PXA make any announcement prior to that date which disclosed information in relation to the Variance? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe PXA was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps PXA took to ensure that the information was released promptly and without delay.*

N/A

**7.** *Please confirm that PXA is complying with the Listing Rules and, in particular, Listing Rule 3.1.*

PXA confirms that it is complying with the Listing Rules and in particular Listing Rule 3.1.

**8.** *Please confirm that PXA’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of PXA with delegated authority from the board to respond to ASX on disclosure matters.*

PXA confirms that its responses to the questions above have been authorised and approved in accordance with its continuous disclosure policy.

If the ASX requires any further information please contact me.

Regards



Alice Morrison  
Chief Legal & Governance Officer and Company Secretary



8 September 2023

Reference: 79796

Ms Naomi Dawson  
Company Secretary  
PEXA Group Limited  
Tower Four Collins Square  
Level 16 727 Collins Street  
Docklands VIC 3008

By email: Naomi.Dawson@pexa.com.au

Dear Ms Dawson

**PEXA Group Limited ('PXA'): General – Aware Query**

ASX refers to the following:

A. The following PXA announcements, all released pre-market open on the ASX Market Announcements Platform on 25 August 2023:

- the announcement titled "Appendix 4E";
- the announcement titled "PEXA Group FY23 Results Announcement";
- the announcement titled "PEXA Group FY23 Results Presentation"; and
- the announcement titled "PEXA Group 2023 Annual Report",

(collectively referred to as the 'FY23 Results Announcements'), in which PXA disclosed (amongst other things) that in the financial year ended 30 June 2023:

- Group Business Revenue increased by 1% to \$283.4 million;
- Group Operating EBITDA decreased by 26% to \$98.7 million;
- Group NPAT decreased from \$21.9 million for FY22 to a net loss of \$21.8 million for FY23;
- Group NPATA decreased by 71% to \$17.6 million;
- PEXA Exchange Business Revenue decreased by 6% to \$263.1 million; and
- PEXA Exchange EBITDA decreased by 7% to \$141.1 million,

(collectively, the 'Earnings Information').

Each capitalised term used above has the same meaning as in the FY23 Results Announcements.

B. The 11% decline in the price of PXA's shares following the release of the FY23 Results Announcements from \$12.59 at market close on 24 August 2023 to an intraday low of \$11.21 on 25 August 2023.

C. PXA target price cuts by the following brokers following the release of the FY23 Results Announcements:

- PXA target price cut 7.6% to \$14.05 per share by Jefferies;
- PXA target price cut 4.1% to \$15.85 per share by Macquarie;
- PXA target price cut 4.4% to \$14.40 per share by Morgans;

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- PXA target price cut 9.1% to \$15.00 per share by UBS; and
  - PXA target price cut 6.7% to \$14.00 per share by Morgan Stanley.
- D. The media article which appeared in The Australian on 25 August 2023 entitled “Property settlement giant PEXA takes profit tumble after new buying slides” which stated (amongst other things) that:
- “UBS analysts Scott Russell and Shreyas Patel said PEXA’s earnings result ‘looks fine’ but noted the ‘cash strain of UK & PDG may present concerns’. The analysts said the operating earnings were ahead of expectations ‘due to both volumes and margins in the domestic Exchange’. But they said non operational costs, writedowns and tax were well above forecasts. ‘A large miss due to lower quality items,’ they said. ‘Likely to be some concerns with headline profitability and ongoing strain of UK and PDG.’”*
- E. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities.
- F. The definition of “aware” in Chapter 19 of the Listing Rules, which states that:
- “an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity” and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B “When does an entity become aware of information.”*
- G. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.
- “3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:*
- 3.1A.1 One or more of the following applies:*
- *It would be a breach of a law to disclose the information;*
  - *The information concerns an incomplete proposal or negotiation;*
  - *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
  - *The information is generated for the internal management purposes of the entity; or*
  - *The information is a trade secret; and*
- 3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*
- 3.1A.3 A reasonable person would not expect the information to be disclosed.”*
- H. ASX’s policy position on “market sensitive earnings surprises”, which is detailed in section 7.3 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B* (‘GN8’). In particular, the Guidance Note (relevantly) states that:
- “An earnings surprise will need to be disclosed to the market under Listing Rule 3.1 if it is market sensitive – that is, it is of such a magnitude that a reasonable person would expect information about the earnings surprise to have a material effect on the price or value of the entity’s securities.”*
- “Where an entity does not have published earnings guidance on foot for the current reporting period and it is covered by sell-side analysts, ASX would recommend that the entity carefully consider notifying the market of a potential earnings surprise if and when it expects there to be a 15% or greater difference*

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*between its actual or projected earnings for the period and its best estimate of the market's expectations for its earnings."*

### **Request for information**

Having regard to the above, ASX asks PXA to respond separately to each of the following questions and requests for information:

1. Notwithstanding the market's expectation in relation to PXA's FY23 results, does PXA consider the Earnings Information (or any part of it) to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. When did PXA first become aware of the Earnings Information?
3. If the answer to question 1 is "no", please advise the basis for that view.
4. Does PXA consider that its results as disclosed in the FY23 Results Announcements and copied in paragraph A above, particularly the Group NPAT and Group NPATA, differed materially from the market expectations of the relevant measure of PXA's earnings for FY23 (the 'Variance'), having regard to the following three base indicators which may have informed such market expectations (in decreasing order of relevance and reliability):
  - 4.1 If PXA had published earnings guidance for FY23, that guidance.
  - 4.2 If PXA is covered by sell-side analysts, the earnings forecasts of those analysts for the relevant reporting period.
  - 4.3 If paragraphs 4.1 and 4.2 are not applicable, PXA's earnings for the prior corresponding period, being the financial year ended 30 June 2022.
5. Please explain the basis for the view provided in response to question 4. In doing so, please specify how PXA determined market expectations of each relevant measure of its earnings for FY23, including:
  - 5.1 If PXA had published earnings guidance for FY23, details of that guidance and when it was released to the market.
  - 5.2 If PXA used sell-side analyst forecasts to estimate the market expectations of the relevant measure of its earnings for the relevant reporting period, details of the method that PXA used to translate sell-side analyst forecasts into its estimate of such market expectations and, in particular, whether or not PXA used a "consensus estimate" or an "adjusted consensus estimate" or a different specified approach for determining this estimate.
6. If the answer to questions 4 is "yes" and PXA first became aware of the Variance before 25 August 2023, did PXA make any announcement prior to that date which disclosed information in relation to the Variance? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe PXA was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps PXA took to ensure that the information was released promptly and without delay.
7. Please confirm that PXA is complying with the Listing Rules and, in particular, Listing Rule 3.1.
8. Please confirm that PXA's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of PXA with delegated authority from the board to respond to ASX on disclosure matters.

### **When and where to send your response**

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This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30 AM AEST Thursday, 14 September 2023**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, PXA's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require PXA to request a trading halt immediately.

Your response should be sent to me by e-mail at **ListingsComplianceMelbourne@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

### **Trading halt**

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in PXA's securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

### **Suspension**

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in PXA's securities under Listing Rule 17.3.

### **Listing Rules 3.1 and 3.1A**

In responding to this letter, you should have regard to PXA's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that PXA's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

### **Release of correspondence between ASX and entity**

ASX reserves the right to release all or any part of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A.

### **Questions**

If you have any questions in relation to the above, please do not hesitate to contact me.

Kind regards

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**Dale Wang**  
Adviser, Listings Compliance