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ASX ANNOUNCEMENT

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PEXA update on UK strategy and Smoove acquisition commentary

Melbourne, Australia: PEXA Group Limited (**PEXA** or the **Group**) – a world-leading digital property exchange platform and property insight solutions business – provides an update on our UK strategy and the proposed acquisition of Smoove plc (Smoove).

Accompanying commentary from Group Managing Director and Chief Executive Officer Glenn King, Chief Financial and Growth Officer Scott Butterworth, and recently joined CEO UK Joe Pepper.

Group Managing Director and Chief Executive Officer, Glenn King
Good morning. I'm Glenn King, PEXA's Group Managing Director and Chief Executive Officer, and joining me this morning in our Melbourne office is our Chief Financial and Growth Officer, Scott Butterworth and on the line is our recently joined CEO UK Joe Pepper.

We are pleased to welcome you to PEXA's UK Strategy update, and to also provide you with a little more detail on this morning's announcement of our proposed acquisition of Smoove plc. As always, we appreciate your interest in our company.

Before we start, as is usual with these types of announcements, slide 2 sets out importance notices and disclaimers.

Slide 3:
Turning to slide 3, In the spirit of reconciliation, PEXA acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community.

We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

We at PEXA accept the invitation to walk with First Nations Peoples, to a better future for us all, and invite you to join the movement.

Slide 4:
Slide 4 outlines the agenda for this morning's call.

I will start with providing an update on our UK strategy and progress.

I would then like to introduce you virtually to Joe Pepper. Joe started with us this week as our UK CEO, and it is great to have him on board. You will get a chance to meet Joe later this year and we will have more to say on this shortly.

Scott will then provide an overview of the proposed Smoove acquisition that we announced this morning.

We will then be happy to take your questions.

Turning to the UK Update

Slide 5:

Slide 5 is one that I have spoken to many times, and this is because it drives how we think and act across the business.

Our strategy is anchored in our purpose of "Connecting People to Place", which frames how we work and our values. A purpose that is values-based for our customers, our people, community, and our shareholders. A purpose that motivates our people.

Our strategy is simple. Deliver sustainable business growth by:

- Enhancing the PEXA Exchange;
- Extending further into the property ecosystem with additional customer solutions through product adjacencies;
- Expanding our core capability into jurisdictions with similar customer opportunities to solve; and
- Evolving our operating model to underpin a productive and engaged professional team, built on our values of Better Together, Making it Happen and Count, and Innovate for Good.

Today, Scott, Joe and I will focus on the Expand part of our strategy in the UK. As we do so, there are three factors which shape our approach to the market: its relative attractiveness, the benefits created by the PEXA platform, and the structure of the UK's conveyancing sector.

Slide 6:

Slide 6 deals with the first of these factors, the relative attractiveness and size of the UK market.

As we have previously mentioned, the UK market is relatively sizeable. In particular, the sale and purchase market segment is substantially larger than that of Australia, reflecting the differences in the population and size of the two economies.

You may be surprised that the UK re-mortgage market is only slightly larger than that of Australia. In part, this is due to structural differences between the two markets, including differences in the tenor of fixed rate mortgages, and the use of SVR vs fixed rate products. However, we also know from our research that just under half of eligible customers choose not to refinance due to the stress involved, despite the higher costs they may face. I will touch on this detriment in a little more detail shortly.

Slide 7:

Turning now to slide 7, and the benefits created by PEXA, our starting point is that the property settlement process in the UK is highly challenged. Relative to other key Torrens markets, transaction fail rates are unacceptably high and the time to complete transactions is overly long. This is key to the benefits that PEXA creates for customers and stakeholders.

The UK market does feature "daisy chains" (albeit about 70% of deals are "chainless"), "gazumping" and "gazundering". However, while these factors are features of this market, the real issue is that time kills all deals… the longer a contract remains open, the more likely it is to fail. It is here where the PEXA platform, which is designed to facilitate easy transaction co-ordination and to remove key costs and frictions from the conveyancing process, comes into its own to create benefits for consumers and other stakeholders. As we found in Australia, implementing PEXA pulled transaction times down from roughly 90 days to 60 days in jurisdictions such as Victoria, and reduced error rates at land registries from circa 30% to less than 1%.

Slide 8:
Turning to slide 8, customer detriment manifests itself in different ways. This can include unexpected delays, uncertainty about next steps, and unplanned costs. The PEXA platform assists with resolving each of these issues and creates benefits for all key stakeholders.

For lenders, the platform creates benefits from reduced operating costs, lower liquidity costs, and the ability to build share by providing relatively faster services to customers and key intermediaries.

For conveyancers, the platform provides efficiency benefits which are large compared to the relatively low margins that can be found in the conveyancing sector, noting however, that this is somewhat offset by the impact of lower interest receipts from trust accounts in certain part of the economic cycle.

For consumers, the PEXA offering provides certainty and lower stress, which is important in the context of a typical sales and purchase transaction, where 2/3rds of consumers suffer unexpected losses of more than £1,000. In the re-mortgage segment, 8% of customers undertaking such a transaction will suffer from a stress-induced illness.

Slide 9:
Moving now to slide 9, the last factor determining our strategy in the UK is the shape of the industry. This is distinct between the re-mortgage and sales and purchase segments. I'll start with the re-mortgage segment.

As you can see from the slide, there are two types of re-mortgage transaction, driven by the fact that UK lenders do not have their own conveyancing capacity. The mix of the two types varies over time with market cycles and competition.

The first type of re-mortgage is a 'fees assisted' option, where a lender effectively pays for the transaction itself and chooses a conveyancer directly, or through a panel manager. This is the segment where Optima Legal operates, and it receives its work directly from its lender customers.

The second type of transaction is a 'cash back' re-mortgage. In this situation, the lender will provide the borrower with a cash sum to pay for the conveyancing required to complete the re-mortgage. Notionally the customer, or more usually, their broker, will then choose a conveyancer directly or through a panel.

As you can see from the chart, panel managers play an important role in guiding the flow of work across the re-mortgage sector, with the four largest firms (including Optima Legal) carrying out about 80% of the work across the re-mortgage segment.

Slide 10:
Slide 10 deals with the sale and purchase segment. This is much more fragmented than the re-mortgage market.

About half of the flow is directed by individual buyers and sellers of property, using input from price comparison websites, past experiences, and customer and friend recommendations.

The other half of the sales and purchase flow is directed by professional intermediaries, including new home builders, estate agents, brokers, and lenders. They will choose directly from a panel they have arranged (or have had arranged on their behalf), or through a panel manager.

Overall, about half the work is done either by a relatively small number of full-service firms, property law specialists or conveyancing factories. The other half is done by a large number of small high street firms.

Again, the panel manager function is an important mechanism for flowing work across the sector, and together they intermediate around about 10% of sales and purchase flows.

Slide 11:
The size, benefits flow and structure of the UK industry has informed the strategy we are following in the market, as described on slide 11. Our starting point has been to ensure that we have a high quality, flexible and reusable platform. We have also been working to ensure that the platform is wired into key parts of the market. In parallel, we have been building our business capacity in the UK, and we have also been creating advocacy for e-conveyancing and PEXA across important stakeholder groups. Of course, this is all a precursor to building re-mortgage flow (and Optima Legal is an important part of this) and sales and purchase volumes in due course.

We have made progress against many of these factors, albeit not always at the pace our ambitions would set for us and noting that in many ways our UK development has taken 1-2 years less than that required to reach a similar stage in Australia.

I now want to touch on several areas of this progress, relating to the development of our offer, and the use of PEXA technology and capabilities by lenders.

Slide 12:
Slide 12 describes the work we are doing to broaden out our re-mortgage platform. By the end of this year, we will have expanded the capability of PEXA's platform to address a broader range of remortgage transactions including those involving limited companies. By the end of mid-next calendar year, we are targeting further upgrades which will allow us to handle up to 80% of re-mortgage flows.

Slide 13:
As set out on slide 13, we are also beginning work on our sales and purchase proposition, which will allow us to enter the largest part of the market. We aim to do a limited release during the third calendar quarter of next year and move to more fully featured releases over the end of calendar 2024 into the beginning of calendar 2025.

Slide 14:
As we have discussed previously, the integration of PEXA technology into Optima Legal is an important component of our UK strategy to build our presence with lenders. Slide 14 lays out the program of work we are undertaking. We have already started offering commercially bundled PEXA/Optima offers, and I'll talk about some early outcomes of this work in a moment.

However, we will be moving progressively beyond this over the course of the coming calendar year, and our goal is to have a fully integrated, UI and API enabled PEXA-Optima journey in market by the middle of calendar 2024.

Slide 15:
This work has been helpful in our task of enabling lenders to use PEXA's technology. This includes working with an additional four PEXA Pay testers (with three of whom we have signed non-binding MOUs, one of which we are still working with) to participate in the next round of Bank of England testing slots in November 2023.

Additionally, Optima Legal has just won a substantial tender with Lloyds Banking Group. Pleasingly, this was the first major tender positioned as a joint PEXA and Optima proposition. Our feedback was that LBG particularly welcomed this. Whilst LBG have not committed to using PEXAGO yet, it is a good first step. We are progressing the other conversations which we spoke about circa 6 weeks ago and we will provide you updates as required.

Slide 16:
Before I close on this section, I want to turn slide 16, which is a slide that we have shared previously in May 2022. We remain committed to the targets described on the slide.

To reiterate these:

- We are targeting to achieve a minimum of 25% PEXA platform penetration for re-mortgage market share in calendar 2025
- We also reconfirm the target of achieving 25% PEXA platform penetration for sale and purchase by calendar 2027

Introduction of Joe Pepper

Slide 17:
Of course, key to achieving these outcomes is putting in place capable and experienced leaders to execute our strategy. In this context, I am pleased to introduce you to Joe Pepper, our new UK CEO, who started with us this week. Joe is a highly credentialled executive, with strong experience in business development, digitalising markets, and building effective and high performing teams.

Joe's most recent role before joining PEXA was as the CEO of TM Group. TM Group is one of the UK's largest property search providers and this provides Joe with a wealth of experience in the broader conveyancing space. Joe will be joining us in person in Australia before Christmas, when we look forward to introducing him to key stakeholders across the market.

CEO UK, Joe Pepper

Slide 18:
[Joe provided a brief overview of his career and experience and initial observations].

Update on the Smoove transaction

Group Managing Director and Chief Executive Officer, Glenn King

Slide 19:

Thank you for that update, Joe. With that background on our strategy and Joe's observations, I will now hand over to Scott to go through the details of the proposed acquisition of Smoove.

Chief Financial and Growth Officer, Scott Butterworth

Slide 20:
Thanks Glenn. Turning now to slide 20, I want to point out some of the legal parameters relating to this transaction. As you know, Smoove is listed on the Alternative Investment Market of the London Stock Exchange. This means that this takeover is governed by UK law. That constrains some of the matters that we would normally talk about at this stage of a transaction in Australia, particularly in relation to integration and future synergies. We will update you on these matters as soon as we can as the transaction progresses.

Slide 21:
I am now moving to slide 21. Before going through the detail on this slide, I want to provide a perspective on how we got to here. As you know, we have been very keen to de-risk our UK expansion through organic and / or inorganic means. To that end, we have reviewed over 70 inorganic opportunities for availability, strategic fit, economic value creation potential, and cultural and people alignment. Only two organisations have made the cut. The first was Optima Legal. The second is Smoove. Given this, we do not at this stage believe that further UK acquisitions are required to build our UK position.

Moving to Smoove itself, the business was originally established in 2003, and it was IPO'd in 2014. It has a long history of participating in the UK conveyancing market as a panel manager. As you heard from Glenn, Panel Managers are an important conduit for the flow of conveyancing business in the UK. Today, Smoove's panel members deal with c7% of UK re-mortgage flows, and c3% of S&P flows. Smoove's panel firms also obtain business from non-Smoove sources, which provides additional reach into the S&P market.

The business has had a long-standing, and deep, relationship with Lloyds Banking Group. It has also continued to grow its reach across the market by building relationships with intermediaries such as the Mortgage Advice Bureau, one of the UKs largest mortgage introducers. Smoove has also built a sizeable relationship presence in the fragmented conveyancing market, with over 75 panel members, and relationships with a further circa 2,100 firms through its 'white label' panel arrangement activities.

The business has been loss making in recent years as it is has invested in growing its product range, funded through the sale of its previous Conveyancing Alliance business. In this context, I note the trading statement provided by Smoove which accompanied the release of its FY23 results on 5 July of this year.

Slide 22:
As you can see from slide 22, the business has a comprehensive set of products in varying stages of development along the conveyancing value chain. Its primary business is e-Conveyancer, which is the core panel management business. In recent years, Smoove has also added Digital Move, a customer on-boarding portal, and Smoove Start, which is aimed at the agent market. It has also started to grow SmooveComplete, which provides a 'conveyancer in a box' solution for those conveyancers who want to do conveyancing work without the hassle of running their own business. Amity Law is a very small

law firm which, in effect, provides the regulatory wrapper for SmooveComplete. Finally, LegalEye is a business providing compliance related services in the property space.

Slide 23:

Pleasingly, as set out on Slide 23, the business has a long track record of industry recognition and innovation, starting right at the beginning of its journey, and culminating in its recent award as conveyancer of the year in the 2023 Mortgage Awards. Customer feedback is also strong, with an average Trust Pilot rating of 4.4 (albeit from a small sample).

Slide 24:
Slide 24 brings us to the strategic rationale for the transaction. In summary there are 5 points:

1. The transaction builds additional presence for PEXA in the Remo market through Smoove's 7% share of that market.
2. It provides PEXA with an entrée into the Sale and Purchase segment through Smoove's 3% share of that segment. It also provides an opportunity to cross sell PEXA services in relation to the non Smoove S&P flows generated by Smoove panel firms.
3. The transaction provides additional relationship strength for PEXA in a fragmented market, including Smoove's long-standing LBG relationship, and access to the 75+ panel firm members and circa 2,100 members of the lender panels arranged by Smoove.
4. Smoove's products extend and enrichen those contained in the PEXA platform.
5. The acquisition strengthens PEXA's business in the UK by providing access to Smoove's business management platforms and people.

Slide 25:
Slide 25 sets out the key transaction parameters. In summary:

- The acquisition price is 54p per share, which translates to a gross price of circa A$59m, or circa A$40m after adjusting for the projected acquired cash balance of £9.2m as at 30 September. This price is in the mid-range of the trading multiples for UK peers.
- The transaction will be effected by way of a scheme of arrangement. We note that all Smoove directors will be recommending the transaction to its shareholders, and also we have transaction commitments covering 56% from Smoove listed capital.
- Subject to completion of customary conditions, regulatory clearances, and court approvals, we expect the transaction to close in the calendar 4Q23. In terms of regulatory clearance, we will need to seek approval from the relevant legal regulatory body, the CLC.
- A specified item of $5m relating to transaction fees and costs will be booked into our results for fiscal 1H24.

Slide 26:
Slide 26 sets out funding considerations. The transaction will be funded from cash resources obtained through drawing down on existing and new lending facilities.

After taking account of acquired cash, the net increase in indebtedness for the group will be A$42m, representing the cost of the acquisition and transaction costs.

As you can see from the slide, there is a spike in the net debt / ebitda ratio on a pro forma basis (taking account of Smoove losses and acquired cash). There is also a dip in the times interest ratio, albeit this ratio does also benefit from the interest received in respect of source account balances.

However, as we work within the guidance previously given at our full year results, we expect the net debt/ebitda ratio to decline, and the times interest ratio to increase.

A further update on our balance sheet construct will be provided at our half year results, taking account of our overall performance to that point and further detail on the Smoove business and its trading outcome.

Slide 27:
Slide 27 sets out the process from here. In short, the transaction will proceed through a court and general meeting process, and assuming it passes these two hurdles and regulatory clearances are obtained, we expect the transaction will close before the end of the calendar year.

I'll now pass back to Glenn to co-ordinate the rest of the agenda.

Group Managing Director and Chief Executive Officer, Glenn King
Slide 28: Glenn King
Thanks Scott. We would now be happy to take any questions that you may have.

-Ends-

This release was authorised by the Group Managing Director & Chief Executive Officer

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