ABN 23 629 193 764 | PEXA Group Limited

PEXA's speaking notes for IPART Public Hearing
July 2026

Regulations and fee structure	***INTRO*** Firstly, we'd like to acknowledge the time and effort that has gone into this review. We are grateful for engagement we have had to date with IPART and for the chance to share today. We have significant apprehension with the building block methodology being applied to PEXA. IPART's draft recommendation to reduce revenues by 20% has PEXA extremely concerned about what this will mean for e-conveyancing services and this nationally critical infrastructure moving forward. The Building Block Model methodology IPART has chosen to use is designed for physical infrastructure, and is not appropriate for a digital platform business. PEXA has struggled to identify clear examples of a regulator anywhere in the world setting prices for a digital platform using a building block model without reference to other comparators. This suggests the need for a cautious approach to any pricing recommendation. Therefore, PEXA submits the following principal concerns; One; The Building Block approach is not appropriate for digital infrastructure which is capex light Two; the future financial profile produced by a $368 million Initial Asset Base proves the approach is unworkable, introducing very real risks to platform stability and ongoing investment; and Three; IPART's draft report is based on a flawed approach to setting the Initial Asset Base,

	More specifically; The standard building block model is generally applied to physical infrastructure businesses where approximately 75% cash outflows are capital expenditure. PEXA, being a digital platform, has the opposite profile, and as such IPART has taken the unusual approach of reclassifying historical Opex as Capex, indicating that the model is not fit for purpose. The consequence of this methodology is PEXA is only permitted to earn returns of 22% of its annual cash outflows; whereas a utility with the same outflows would earn returns of 70–80% of its annual cash outflows. Further, the financial profile produced by a $368 million Initial Asset Base proves the approach is unworkable. PEXA's analysis, using IPART data, indicates that, if the current approach were maintained beyond the current review period, the ongoing reduction in our free cash flow would lead to an unsustainable outcome for PEXA. If the cost allowances in the proposed methodology cannot be financed, they are meaningless. As a result, another fundamental change to the pricing methodology would be necessary in the next review period to avoid this outcome. This would represent a third pricing framework in three IPART reviews. Our submission will provide further recommendations on alternative methodologies. **However, should IPART continue to pursue the building block methodology,** we want to highlight a number of concerns with how it has been applied to PEXA, as a digital platform. IPART's building block approach does not follow IPARTs own building block model principles which are founded on the Financial Capital Maintenance principle: that an investor can recover the return of, and on their efficient investment. Yet on its historical cost roll-forward method, IPART starts depreciating PEXA's assets from 2011, long before PEXA was earning revenue, and applies only CPI indexation, not a return.

	IPART's own Draft Report identifies FY2020 as the first year PEXA was self-sustaining. Despite this, in 2011, long before PEXA produced meaningful revenue or was able to cover its costs, IPART's calculations start to depreciate our assets which has resulted in no return to our efficient investment in early years. Finally, there are many appropriate methods that produce a materially higher Initial Asset Base than $368 million. When many appropriate methodologies produce figures that are three to five times higher than IPART's Initial Asset Base, we believe it is inappropriate to rely on a single approach without reconciling that divergence. Additionally, IPART's "recovered capital method" cross-check is highly sensitive to one input: the rate used to capitalise historical losses, which we believe is understated. We respectfully request that IPART reviews the rate of return applied in the recovered capital method and cross-check the result against *all* of these independent reference points before finalising the Initial Asset Base, given how significant the consequences are. Now I will address regulation and fee structure. ***REGULATION*** PEXA supports efficient regulation and reasonable prices. However, price regulation that delivers inadequate returns undermines long-term investment without any evidence of corresponding customer benefit. We note no customer

	submitted for a price reduction - in fact in our customer research consistently demonstrates that platform stability, cyber security and system performance is more important to our customers than price. ***Sympli v PEXA Only*** To impose a substantial reset of PEXA's efficient prices and returns ignores its position as a first mover, including the efficient investment it made with no guarantee of success, and removes its first-mover advantages, while creating an artificial price advantage for competitors. ***Scope of regulated services*** We agree with IPART's preliminary view that PEXA Planner, PEXA Tracker, PEXA Projects, PEXA Allocations and Subscriber APIs should remain outside the scope of regulated ELNO services. These products are fundamentally different from the core Electronic Lodgment Network (ELN). They are optional workflow, automation and integration tools that are often designed in collaboration with specific customers, and then customers choose to adopt them because they improve the efficiency of their own operations and security. Stakeholder concerns about bundling or cross-subsidisation are not supported in practice — these products are separately offered, separately priced and entirely optional. They have not prevented customers from accessing the regulated ELN independently. Limited competition for these products today should not justify extending price regulation to them. These are precisely the areas where innovation and competition are most likely to emerge. Extending regulation risks discouraging that innovation and reducing incentives to invest in capabilities that benefit subscribers. Subscriber APIs are a key example — they are not a separate monopoly service but an interface allowing customers to integrate their own technology with the ELN. Treating APIs as regulated services would extend regulation well beyond the essential network into the broader technology ecosystem, setting an unnecessary precedent.

	National vs jurisdictional pricing PEXA continues to support nationally consistent pricing for core ELNO services. However, some costs are genuinely jurisdiction-specific. Government-imposed charges — including Registry Office, Land Services, State Revenue Office and NECDS fees — are outside PEXA's control, vary materially between jurisdictions, and can change independently of PEXA's operations. These should be passed through to customers in the jurisdiction where they are incurred. PEXA HAS NO CONTROL OVER THESE FEES. PEXA has spent the last 12 months building jurisdictional state-based pricing technology at material cost, with the consent of Registrars, to enable the pass-through of jurisdictional fees and charges, and these charges will have been implemented by PEXA and by subscribers well before IPART's recommendations are considered by ARNECC. ***The 4-year regulatory period*** PEXA does not object to a 4-year regulatory period. However, IPART proposes to remove PEXA's existing right under MOR section 5.4.4 to seek pricing adjustments during the regulatory period when costs outside PEXA's control change — including new government fees, changes in law, and insurance premiums. IPART proposes instead that any such costs be addressed retrospectively through a true-up at the next review, four years later. This is not workable given the current regulatory environment. ARNECC is reviewing the eConveyancing framework now, and has implemented new regulations this month, and plans to again in July 2027; SOCI Act obligations continue to evolve; state revenue offices may introduce or increase fees as we have seen over the past year. IPART's own Draft Report acknowledges that new costs from an expanded ARNECC role "may be appropriate to be recouped as a true-up." But a retrospective true-up four years later does not solve the cash flow problem in the year the cost is incurred — particularly if free cash flow is substantively reduced under IPART's proposal. PEXA respectfully asks IPART to retain the existing MOR 5.4.4 mechanism, or establish an equivalent within-period pass-through for demonstrably uncontrollable costs.

	PHASING Given the very large price adjustment that IPART is proposing, PEXA is working through the implications of the fee being implemented in 1 year, versus phased over the review period. We will opine on this in our formal submission. ***FEE STRUCTURE*** The proposal to reduce some fees and not others doesn't change the significant impact the total reduction would have on PEXA and our operations. We look forward to going into more detail in our written submission and again I thank the Tribunal for the chance to share our views.
Cost and Initial Asset Base (IAB)	**Initial Asset Base** As Russell outlined, we have significant concerns in IPART's application of the building block methodology. We ask IPART to address three specific issues in this consultation period: **First, the approach to depreciation**. IPART should not commence depreciating PEXA's assets until 2020. IPART's own Draft Report uses 2019 as the cut-off for classifying operating expenditure as establishment costs, on the basis that 2020 was the first year in which PEXA's revenue exceeded its cash outflows. If PEXA was not self-sustaining until 2020, it could not have been recovering building block costs — including the return on capital and depreciation — prior to that date. By starting depreciation in 2011, IPART assumes a level of cost recovery that its own analysis confirms did not occur.

Second, the rate of return. Historical expenditure must be compounded forward at a rate of return that reflects the risk borne at the time of investment — not merely indexed at CPI. IPART's Draft Report acknowledges that the rate of return applied to early-stage investment should be higher than the current WACC, yet in practice applies only CPI indexation to the historical cost roll-forward. This is a direct inconsistency: if an investor's capital sat unrecovered and at risk for nearly a decade, the compounding rate must reflect that risk. Private investors — who contributed 84% of all capital by the time of privatisation in 2019 — bore the great majority of that risk, not government.

Applying the rate IPART used in its own cross-check scenario this would increase the Initial Asset Base to over $900 million.

These figures are more consistent with other reasonable valuation methods that produce figures three to five times higher than IPART's initial asset base. As such, it is not prudent to rely on a single approach without reconciling that divergence.

Third, is the asset life. IPART has assigned a 15-year useful life to PEXA's core platform and early losses, as though it were generic commercial software subject to routine replacement. IPART's standard practice is to assign an asset life based on the economic life of the asset, not its accounting life. PEXA's platform is not a standalone software application — it is deeply integrated into the operating systems of every major bank, every state land registry and revenue office, and thousands of law and conveyancing firms. Replacing or materially redesigning that infrastructure would require re-integration across the entire industry. Comparable deeply embedded transaction infrastructure — such as core banking platforms or national payment rails — are typically assessed to have an economic life well beyond 15 years. PEXA asks IPART to assign an economic life of at least 25 years from 2020, reflecting the infrastructure nature of PEXA's investment.

RECOVERED CAPITAL METHODOLOGY

IPART's Recovered Capital Methodology cross-check, used an average WACC of 20% for PEXA's start-up phase. PEXA submits this is materially too low, making the check ineffective. The actual return earned by early investors

	— including the NSW State government — was 35% per annum between 2011 and 2019. That is the rate the market revealed for the risk actually borne. The 20% average that IPART applied is substantially lower than the average rate of return expected on a typical venture capital portfolio investing in start-up businesses with a low guarantee of return. IPART justified this lower return on the basis that the average return overstates the return required on a successful investment. PEXA respectfully submits that this reasoning is flawed. Investors can only generate a reasonable rate of return on a diversified portfolio if they are allowed to earn a return on successful investments that is higher than the average for the portfolio. A venture capital portfolio cannot possibly earn its average return if successful investments earn less than the average – as IPART appears to be proposing. And counter to IPART's assertion, Government and bank investment does not guarantee success — for example Australia Post's Digital ID, and banking payment platforms Mambo and BEEM all failed despite institutional backing. The Victorian Land Registry abandoned an investment of over $50mill after unsuccessfully trying to establish eConveyancing in Victoria. Investors paid $1.6 billion for PEXA in 2019 after extensive due diligence and a competitive process. IPART's Initial Asset Base of $600 million in 2019 dollars implies a fundamentally different view of the same future cash flows, at the same point in time. PEXA respectfully asks IPART to adjust the return if the recovered capital methodology is to be a useful cross check. ***GO FORWARD WACC*** PEXA does not seek to re-litigate IPART's standard WACC methodology, but asks IPART to reconsider two inputs. First, the equity beta of 1.02 understates PEXA's risk — IPART's proxy sample excludes technology companies,

	yet IPART's own report acknowledges PEXA "has aspects of a technology firm." The ASX, a closer comparator as a regulated digital exchange, used a beta of 1.20 when setting prices for its own monopoly services. Second, IPART assumes 12% debt gearing, PEXA's analysis indicates that, if the draft recommended approach were maintained beyond the current review period, it would lead to an unsustainable outcome for the business, which would result in limited ability to fund the business. To correct this the WACC should reflect 100% equity funding. • Separately, PEXA asks IPART to recognise a regulatory risk premium. PEXA respectfully submits that a methodology change of this magnitude — one that would reduce free cash flows in one year by 55% — should be accompanied by a corresponding recognition of the increased risk premium investors would require. **COST AND CAPITAL FORECASTS** IPART did not use PEXA's forecast costs. Instead it extrapolated a three-year growth rate of 0.7% from PEXA's historical costs. If it had extrapolated over 4 years, it would have found a historical growth rate of 1.3% and over 5 years 2.6%. Having chosen a period with a low growth rate, IPART then applied an additional 1.7% productivity factor. This double-counts efficiency — the historical growth rate already reflects efficiency gains PEXA has achieved — and IPART's approach ignores the material upward cost pressure from additional regulatory compliance obligations. PEXA respectfully asks IPART to increase the historical growth rate to the longer term 5 year average and remove the double count on productivity. Separately, NECDS and state revenue office fees — totalling several million dollars annually — are outside PEXA's control. Standard regulatory practice treats such external charges as pass-throughs. They should not be locked into a fixed cost base for four years, giving State governments no incentive to manage these costs, when PEXA has no ability to negotiate them. We look forward to going into more detail in our written submission and again I thank the Tribunal for the chance to share our views.

Volume	The market drivers listed by IPART are broadly consistent with PEXA's analysis from November 2025, but we'd ask that IPART update their forecast with more recent January to June 2026 data. What the drivers don't take into account is the unknown impact from the Commonwealth Government's recent changes to capital gain tax and negative gearing. IPART is suggesting through its DVAM that PEXA should absorb a 5% risk on volumes, which would amount to about 25% of its remaining free cash flows – and we might well need to wait for four years to be compensated for any greater volume change. This is a very high level of risk for a business that has no opportunity to adjust its prices. PEXA will discuss both these topics in its formal submission in August.
Closing remarks	We would be remiss not to remind the Tribunal that PEXA's fee constitutes 0.3% of property transaction costs and that no customer made a submission advocating for a reduction to PEXA's prices. Customers consistently value ongoing reliability, security and innovation over short-term price reductions. The overall outcome whereby government would intervene to cut the prices of a commercial business by 20% is not justified, for a range of clear reasons: No customer has asked for it; It would de-stabilise eConveyancing services, creating a substantive operational risk for the industry, and for the 20,000 settlements that occur each week It is punitive and retrospective – it effectively grants State governments an annual return on their initial investment in PEXA of 32% pa, but says that investors today are only entitled to a return of 20% on that same investment,

	There appears to be no attempt to reconcile the current IPART recommendation with IPART's previous determination in 2019 that prices were reasonable - contributing to an investor perception of unpredictable and arbitrary regulatory risk It is incompatible with accepted pricing outcomes for a wide range of other digital platforms in Australia, such as REA, Domain, Seek, Carsales, ASX, and interchange fees for merchant cards acquiring. It will discourage future digital platform investment in Australia A proper application of the Building Block Model, and many reasonable alternative methodologies produce an Initial Asset Base three to five times higher than $368 million. We ask IPART to reconcile that divergence — not rely on a single approach when every cross-check contradicts it. IPART's recommended approach, if maintained beyond the proposed regulatory period, would produce an unsustainable financial profile in the longer term. PEXA's ability to secure debt funding would be jeopardised, given the projected impact on free cash flows. If the cost allowances cannot be financed, they are meaningless. We urge IPART to carefully consider the submissions from credible institutional investors — including UniSuper, Equity Trustees, Yarra Capital, AFIC, Mirrabooka, Paradice Investment Management, Lakehouse Capital, Schroder Investment Management and Berkholts Investments — who have first-hand experience of the capital market reality we have described. This is the first pricing regulation determination of its kind for digital infrastructure in Australia, and it will set a precedent for how this country values and regulates nationally critical digital platforms. We ask IPART to act with caution. Thank you for the opportunity to be heard today.