ABN 92 140 677 792
Property Exchange Australia Ltd

7th April 2026

PEXA's Speaking Notes for Investor Briefing re: Regulatory Updates

Russell Cohen:

Good afternoon, everyone, and thanks for joining us.

We do appreciate you taking the time to join us today at short notice. Last week was a significant week for PEXA, and we know that the IPART consultation paper has raised some questions with some of our stakeholders.

While we may not be able to answer all your questions today, as the process remains in-flight, open to submissions and no conclusions have been reached, we felt it was worthwhile to add greater context on how the IPART process works, where it is at now, what happens next and share any information to the extent we can.

I'll start with the first regulatory update affecting PEXA last week. ARNECC made the determination not to proceed with the interoperability program in all its previously proposed forms. This is a significant moment for us at PEXA. We have invested a lot of time and money into the interoperability program over the last six or so years, and as I mentioned on our first-half '26 results, we were firmly of the view that the reform pathway had been exhausted. The two independent reports commissioned by ARNECC validated this view and we were pleased that ARNECC and the responsible Council of Ministers came to a similar conclusion.

PEXA had a distinct strategy over the past year to be clear and direct about the risk presented by interoperability as contemplated through the reform project - risks to customer on-day settlements, cybersecurity and transaction integrity risks, as well as encroachment of PEXA's intellectual property. We had carefully articulated the cost and time already spent over many years, resulting in the impairment of an interoperability asset of old software code, and we have appeared multiple times in various government forums to make our case on behalf of our customers, our shareholders and the eConveyancing community.

We are now firmly focused on enhancing the existing regulatory framework for our exchange, which, in essence, looks to create more certainty for all stakeholders. This involves closing some gaps and working to re-establish a more nationally consistent framework. Our work on this initiative is already underway with ARNECC.

Now moving on to IPART. A known part of the IPART process is to seek public consultation, to share IPART's early thoughts and ideas and request stakeholder feedback and submissions as it develops draft recommendations and draft reports before reaching a final recommendation to ARNECC.

So, our important first message today is that the process remains fluid until its anticipated completion in September of this year.

For those of you who have just recently started looking at electronic conveyancing and PEXA, it's important to mention that PEXA is price regulated, with pricing reviews conducted every three to five years. ARNECC, our regulator, has engaged IPART to conduct these reviews, with the last review taking place in 2019, where PEXA's pricing was deemed fair and reasonable. In fact, since 2014, we have operated with a regulated annual CPI increase each July, and this was reaffirmed as part of the 2019 IPART review.

In September this year, IPART will make its final recommendation to ARNECC, who are the ultimate decision maker, and will hand out their determination on our prices.

As part of the current pricing review, Liz Warrell, the PEXA team and a selection of economic regulatory experts have been working with IPART to provide all necessary information to assist them to determine an appropriate outcome.

The economic models and approaches IPART may take from here are varied, making it difficult to predict the outcome at this time. IPART's ultimate recommendation in September has a wide range of implications on our revenues and our costs, and thus naturally, how one may value PEXA.

Let me hand over now to Liz, who can talk about the process and the methodologies in more details.

Liz Warrell:

Thanks, Russell. Let me briefly touch on the process first. IPART started its current review on PEXA last July, and it put out a call for initial submissions on the pricing review in August '25, to which PEXA and a number of other stakeholders responded.

Since then, PEXA has attended weekly meetings with IPART to assist with their review. This included attendance at a public workshop on 17 March. The summary from this workshop was released by IPART last week.

Recently IPART engaged cost consultants. Since then, we have participated in a number of workshops with their consultants who are working to estimate and provide advice on the efficient operating and capital expenditure that an ELNO would incur in providing

eConveyancing services in Australia. PEXA will get an opportunity to comment on the cost consultants' draft report as part of the process.

In parallel to this, IPART on Tuesday, 31st March, published a consultation paper on the possible methodologies for the initial or regulatory asset base, or RAB, and invited feedback from interested parties, including industry stakeholders and members of the public. Feedback on the paper is open until 29 April.

PEXA plans to make our submission to IPART on the RAB consultation paper. We expect that our submission will be made public along with other submissions received. Once the consultation process closes, we expect IPART to publish a draft report in June as well as the cost consultants' report. IPART is planning to have a public hearing in June before their final report is published and submitted to ARNECC in September. Any proposed changes in price would then impact the FY28 financial year.

Now moving to methodologies. While IPART's paper flags several potential methodologies, its proposed approach involves using historical capital expenditure incurred in developing the exchange rolled forward for depreciation and indexation. Importantly, the paper also flags a potential allowance for efficient unrecovered costs incurred in establishing the market but not captured in capitalised expenditure.

For PEXA, we think this is highly relevant given the costs we incurred to create the market. This is a scenario we had reviewed internally, so it wasn't unexpected, noting that the quantum of the relevant inputs has yet to be reviewed by IPART.

When we modelled this methodology, we included an adjustment for unrecovered costs PEXA incurred in establishing the market at a return rate that reflected the uncertain nature of PEXA's early years.

In our November '25 submissions to IPART, we didn't recommend the historical cost approach because modelling these unrecovered costs which PEXA has incurred to establish the market is harder and can be subjective, both in proving the cost to include and importantly, the appropriate discount rate to reflect the risks taken at the time of PEXA's establishment.

We do want to be clear that the historical cost approach is a proposal only. It does not constitute a decision or recommendation by IPART. IPART are seeking feedback on this approach. As Russell mentioned, it's a normal part of their process and doesn't indicate that a decision has been made.

Our view on the relevant methodology is that a line in the sand or a discounted cash flow approach is most appropriate. Such an approach would calculate the implied RAB

based on the prices set by IPART in 2019 when IPART found PEXA prices to be reasonable. The approach can reflect the value associated with uncapitalised intangible investment and scale effects, including costs incurred when establishing a market that may not be fully captured in historical CapEx.

We believe this approach addresses the inherent uncertainty around the value of historical efficient capital investment and establishes a RAB using evidence, being IPART's previous review.

The approach also maintains reasonable levels of price and revenue stability, thus avoiding price shocks and/or potentially undermining service levels and platform investment given the critical nature of PEXA's network.

The approach is consistent with approaches applied by economic regulators, including IPART itself, where a sector is transitioning to the building block economic regulation.

I'll also draw your attention to PEXA's published submission to IPART in November '25, in which section 4.5 outlines PEXA's reflections on potential methodologies. While the initial asset base is key in IPART's methodology, there were multiple other inputs into the building block approach, including the discount rate, return on capital, return of capital, future operating costs, future capital spend and forecast market growth and penetration, which are still to be determined by IPART.

We will continue to work productively with IPART as the process continues, and we will respond by 29 April to IPART's RAB methodology paper and we welcome you to also share your views with IPART.

Finally, as Russell and I have commented on previously, we have a wide range of outcomes and scenarios modelled and, importantly, potential actions we can take in response to each scenario. But for now, we're fully focused on working with IPART and respecting the IPART process.

So, with that, we can now open to questions.