ABN 23 629 193 764 | PEXA Group Limited

Investor Presentation Commentary
Wednesday 18 November 2026

Russell:

Good morning everyone and thank you for joining us today for this important update.

As you will have seen from our market announcement this morning, IPART has released its final report and recommendation on the regulation of PEXA's ELNO service fees.

While we acknowledge IPART has made some changes since its draft report, the final recommendation does not reflect the modern realities of operating critical national infrastructure, or the need to support ongoing investment in security, resilience and innovation.

PEXA and a number of respected economic experts provided detailed evidence on concerns with the methodology. We remain concerned that the methodology and assumptions remain unreasonable for a capital light digital infrastructure.

IPART's final report continues to rely on the Building Block Methodology, which is inappropriate for digital critical infrastructure, as evidenced by the number of adjustments being made to the model to arrive at these prices. Its calculations materially understate PEXA's efficient historical investment and rely on volume forecasts that do not reflect current market conditions.

While IPART has made some adjustments to the model at the periphery, these adjustments are insufficient to make up for the fundamentally ill-suited nature of the Building Block Methodology.

For example, IPART's decision to capitalise 40% of controllable Opex from FY20 is a band-aid for the report's fundamental flaw: the initial RAB does not properly recognise PEXA's efficient, unrecovered historical costs.

Capitalising 40% of forecast Opex – a number that was selected by IPART without consultation with PEXA - delays recovery of costs we incur now, spreading that recovery over an assumed 15-year asset life.

The adjustment also changes the reported price impact from a 16% reduction to 2% over four years. That dramatic shift shows how much the result depends on an arbitrary adjustment; it does not fix the underlying flaw in the analysis and we have concerns that it will not be enduring over the long term. Clearly ARNECC should make an informed, independent assessment as to the appropriateness of this adjustment.

Graham will take you through the report in more detail, but at a high level it is clear IPART is recommending PEXA be treated like a regulated utility, rather than a regulated digital infrastructure asset, which has a fundamentally different risk and investment profile.

Furthermore, we are concerned that IPART has not adequately engaged with several key aspects of our submissions, including the current generational downturn in the property market. Ironically, the impact of the market downturn is reflected in State Government's own stamp duty forecasts.

For those reasons, we are calling upon ARNECC and the responsible Ministers, to not adopt IPART's final report and engage with PEXA on a more credible, reasonable and appropriate way forward.

For more than a decade, PEXA has worked with industry, government and customers to build and operate a highly reliable platform that facilitates around 20,000 property settlements each week. Customer satisfaction remains strong, and our regulated prices have not risen in real terms since 2014.

There is no justification for intervention of this magnitude and in this form. At its core, this is not simply a debate about fees. We are injecting massive operational risk into the Australian property ecosystem, all for around a $40 reduction for something that occurs once every seven years for most Australians.

With that, I'll hand over to Graham to take you through the detail of the final report and its implications for PEXA.

Graham:

Thank you, Russell.

At a headline level IPART's final report recommends a 16% price reduction commencing in FY28 which would result in a $50m revenue decline, compared to the original $70m reduction in the draft report.

I will step through the key changes from the draft report to the final recommendation driving this change:

- Firstly, IPART has retained the Building Block Methodology, using the recovered-capital method as a cross-check, however the building block model applied has a number of key assumptions adjusted without appropriate consultation causing concern.

- The initial asset base has increased from $367 million in the draft report to $805 million in the final report. At a headline level this appears to be a significant increase however, this has not resulted in a commensurate lower recommended fee reduction due to other changes to the BBM.

- IPART has adjusted the assumed asset life for expenditure on the original platform investment from 15 to 25 years and commenced depreciation from 1 July 2015.

- In addition, 40% of operating expenditure since 2019 has been capitalised to reflect the long-term nature of the spend with a 15-year useful life. This approach continues into the future which is a change from the original in year recovery of OPEX. Whilst a return on Opex may appear appropriate the adjustment of other key assumptions largely offsets this benefit.

- Total capex and Opex forecasts are largely unchanged and the Post real WACC applied to the BBM was held at 6.5% despite our feedback on an appropriate rate of return

Moving to other aspects of the recommendation - on volumes, IPART's forecasts do not reflect recent tax and property market changes. It did not accept PEXA's proposed adjustment for the announced negative gearing and capital gains tax reforms and as a result IPART's demand forecasts deviate materially from our view.

The demand volatility adjustment mechanism, or DVAM, has been retained, but its threshold has been reduced from plus or minus 5% of transaction volumes, to plus or minus 2% of revenue.

On initial pass the DVAM looks to provide certainty however the language and detail in the report create more uncertainty on the mechanics of the DVAM and the ability to actually recover any true up after 4 years.

In terms of other exchange related optional products and services, there is also a significant change in the treatment with the final report now recommending PEXA Exchange APIs, PEXA Planner, Allocations and tracker are all to be regulated. It also recommends that PEXA Key remain free of charge.

Looking forward to any new products, IPART recommends PEXA give ARNECC at least three months' written notice before introducing any new or materially changed eConveyancing service, feature or functionality and seek approval before introducing any price.

Overall the recommended revenue reduction would take effect in FY28, followed by CPI increases in FY29 to FY31. IPART is recommending implementation in FY28 but also entertains the potential of gradual implementation over 2 years for consideration by ARNECC.

As I briefly touched on at the start whilst the lower headline reduction appears a step in the right direction the proposed material reduction recommended continues to highlight the concerns raised in relation to the reasonableness and logic of applying a Building Block Model in this context.

We will continue to work through the intricacies of the draft recommendation in advance of our discussion with ARNECC in order to find the right way forward for PEXA and the industry.

I'll now hand back to Russell.

Russell:

Thanks, Graham.

As I said earlier, if adopted by the relevant State and Territory Government Ministers, these recommendations will have real-world consequences for our business, our customers and most importantly the stability of the broader property system.

PEXA Exchange is a complex, digital platform and its reliability, security and resilience depend on ongoing investment.

Last year alone, we invested $35 million in the platform and cyber security, successfully defending against over 7.75 million cyber-attacks. With advances in AI, these attacks are only going to get more sophisticated and more frequent.

It's important to remember PEXA facilitates one of the largest financial transactions in most people's lives, our belief is that Australians want to ensure this transaction happens on time and is secure.

If adopted we would need to reassess how we allocate capital and resources, including the pace of investment in the platform, future product development, security and aspects of our operating model. This could affect our ability to continue developing customer-led products and services beyond minimum regulatory requirements.

This comes at a time when the property market is undergoing significant change, and technologies such as AI are rapidly reshaping customer expectations and business operations. Under this proposed framework,

PEXA's incentive to innovate and match the product roadmap demanded by our customers is significantly diminished.

As Graham mentioned, under IPART's recommendation, a new process is recommended for any new or materially changed service, feature or functionality that PEXA may wish to introduce. Under this model PEXA would:

- have to notify the government 3 months in advance providing details of exactly how the innovation would work,
- Be required to provide an analysis of how the new service should be regulated,
- Need to show the expected benefits and costs,
- if the service should be regulated, provide details of the proposed price or cost-recovery methodology, including evidence that the relevant costs are prudent and efficient and are not recovered through another charge
- Have to provide detailed evidence of customer consultation about this innovation
- Wait for government to approve pricing

PEXA delivers hundreds of product and platform enhancements each year and, as a tech company, must stay agile and at the forefront of innovation. Australia is in the midst of a productivity crisis and this kind of administrative bureaucracy is guaranteed to slow down innovation and limit the attractiveness of investing in new technology.

We have obligations to maintain a sustainable financial position on behalf of our customers, staff and shareholders.

If a reduction of the magnitude is implemented, we would need to consider significant changes to our workforce. Regrettably, a large number of jobs in our Melbourne head office are now at risk, with real consequences for Victoria's technology industry.

This drawn out process has been hugely concerning and created a great deal of uncertainty for our staff.

Despite this, every day our PEXA team have focused on keeping transactions settling securely and on time. We have an amazing group of highly skilled and dedicated staff whose contribution to the industry should not be overlooked. I thank them for their dedication and professionalism despite this period of uncertainty.

Looking ahead, IPART's report is a recommendation, not a final decision.

We encourage ARNECC to examine whether the building block methodology is appropriate for a capex-light digital platform and to test the assumptions that drive the recommended outcome. An independent review of the methodology, evidence and assumptions would be a constructive next step in this process.

We expect there will be further consultation before any changes are made, and Registrars in each jurisdiction will ultimately make their own decisions as we look to maintain a secure, resilient and reliable national platform.

I again want to thank shareholders for your continued engagement and support throughout this review.

Graham and I are now happy to take your questions.