

ASX ANNOUNCEMENT

25 May 2021

PEXA update

Link Administration Holdings Limited (ASX: LNK) (**Link Group**) advises that PEXA¹ has provided Link Group with draft information prepared by PEXA, which remains subject to change, but is material to Link Group (**Information**). Link Group (and its Directors) have not prepared and are not responsible for the Information and to the maximum extent permitted by law, disclaim liability to any person who takes action based on the Information.

An extract of the Information is included as an attachment to this announcement.

The release of this announcement was authorised by the Link Group Board.

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¹ Link Group holds (via its wholly owned subsidiary Link Property Pty Ltd) a 44.18% interest in Torrens Group Holdings Pty Ltd (**TGH**). TGH is the ultimate holding company of PEXA.

Extract of the Information provided by PEXA

The forward looking financial and other information in this attachment has been extracted from information provided by PEXA. Link Group understands that the Information is based on PEXA's current expectations, estimates, forecasts and projections about PEXA's business and the industry in which it operates and the beliefs and assumptions of PEXA's management. Forward looking information involves inherent risks and uncertainties, both general and specific, and there is a risk that such predictions, forecasts, projections and other forward looking statements will not be achieved. These forward-looking statements are not guarantees of future performance or development. A number of important factors could cause PEXA's actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements, and many of these factors are beyond PEXA's control, including general economic factors and volatility, uncertainty and disruption caused by the COVID-19 pandemic. Nothing in this document is a promise or representation as to the future and past performance is not a guarantee of future performance. None of Link Group or any of its directors or officers gives any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in this document will actually occur and you are cautioned not to place reliance on the forward looking statements.

The extracted Information in this release comprises both incomplete and draft information. It does not purport to be all inclusive or to contain all information required to provide a complete view of the performance or prospects of the PEXA business.

E-conveyancing market size and PEXA's market share

The Information provided included:

- PEXA's estimated transfer market share in each of the following States as at 31 March 2021: Victoria (98%), New South Wales (96%), South Australia (95%), Western Australia (80%) and Queensland (60%);
- a total potential addressable market opportunity for the PEXA Exchange in Australia will be approximately \$280 million for calendar year 2021, based on the forecast of property transaction volumes and transaction types and PEXA Exchange's prices; and
- PEXA forecasts, with appropriate inputs, that total market billable transactions will increase to 4.2 million transactions in FY21.

PEXA's growth initiatives

The Information provided included an update that:

- PEXA is pursuing growth opportunities through three initiatives:
 - PEXA International - developing digital property settlement solutions for offshore markets with Torrens lands title systems;
 - PEXA Insights - harnessing property data from the PEXA Exchange and other data sources to generate data-driven insights for property market participants and other stakeholders; and
 - PX Ventures - identifying, incubating and accelerating new business ventures with partners to provide solutions for consumers, businesses, and governments across the property sector; and
- in respect of PEXA International, in England and Wales, PEXA is working towards potentially launching an initial re-mortgaging solution in 2022.

PEXA's trading update

The Information included two tables:

Table 1
Exchange revenue excluding growth initiatives: key operating and financial metrics

Exchange revenue excluding growth initiatives, key operating and financial metrics						
		Historical			Forecast	
Year ended 30 June	Note	FY18	FY19	FY20	FY21	FY22
Key operating metrics						
Transfer		2,594	2,293	2,306	2,853	2,818
Refinance		537	525	599	643	619
Other		743	745	642	681	701
Market volumes (000's)	1	3,874	3,563	3,547	4,178	4,137
Transfer		8%	44%	66%	80%	86%
Refinance		71%	91%	98%	97%	98%
Other		28%	37%	50%	55%	63%
Market share (%)	2	21%	49%	68%	79%	84%
Transfer		213	999	1,515	2,283	2,437
Refinance		380	479	585	627	605
Other		208	278	321	371	443
PEXA Exchange transactions (000's)	3	802	1,756	2,421	3,282	3,485
Transfer		79	80	79	78	84
Refinance		44	45	46	46	47
Other		23	23	24	25	28
Average price (\$)	4	48	62	63	66	70
Transfer		17	80	119	178	204
Refinance		17	22	27	29	29
Other		5	6	8	9	12
Exchange revenue excluding ancillary services (\$ millions)	5	38	108	154	216	245
Ancillary services revenue (\$ millions)		1	1	2	2	2
Total revenue (\$ millions)		39	109	156	218	247

Notes:

1. Market volumes represent the total number of national transactions that can be lodged for the period.
2. Market share represents PEXA Exchange transactions as a percentage of the market volumes.
3. PEXA Exchange transactions are transactions conducted on the PEXA Exchange for the period for which PEXA has received a fee. Forecast PEXA Exchange transaction for FY21 are based on actual transactions for July 2020 to April 2021 and PEXA management estimates for May and June 2021 based on lodgements and registrations to date, including actual workspace openings to mid-May.
4. Average price is the average PEXA Exchange revenue per PEXA Exchange transaction, calculated as PEXA Exchange revenue for the period divided by the total number of PEXA Exchange transactions for the period.
5. Exchange revenue excluding ancillary services represents the revenue derived by PEXA from the PEXA Exchange in each historical period and the revenue expected to be derived from the PEXA Exchange in each forecast period.
6. Ancillary services revenue is the revenue derived by ancillary services including PEXA Plus, data services and a recharge associated with members refreshing their workspace with land registry information. Ancillary revenue operates in parallel with PEXA Exchange and adds value to members using these services.

The Information provided also includes details of PEXA Exchange's EBITDA margins². The EBITDA margin for the PEXA Exchange in FY21 and FY22 is expected to be broadly in line with PEXA's 1H 2021 Operating EBITDA margin as disclosed in Link Group's 2021 Half Year Results Investor Presentation³.

In preparing the forecast financial information for FY21 and FY22, Link Group understands that a number of specific and general assumptions have been made by PEXA, including, but not limited to:

- no acquisitions or disposals occur;
- no material financial impact as a result of any change in the competitive environment in which PEXA operates;
- no significant deviation from current market expectations of Australian economic conditions relevant to the industry in which PEXA operates and the Australian property market more broadly, including business confidence, consumer sentiment, economic growth, inflation, fiscal and taxation policies;
- no significant interruptions, industry disturbances or disruptions in relation to PEXA technology, platform, software solutions or operations;

² EBITDA Margin is shown as a percentage and is calculated by dividing EBITDA by Revenue.

³ Reference page 19 of Link Group's 2021 Half Year Results Investor Presentation released to the ASX on 25 February 2021.

- no material amendment to any material agreement or arrangement relating to PEXA business, nor any material change in licences and licence providers relating to PEXA business; and
- no material change in applicable AAS, the Corporations Act or other mandatory professional reporting requirements which has a material effect on PEXA financial performance or cash flows, financial position, accounting policies, or financial reporting or disclosures.

Table 2
Comparison of quarterly, half yearly and annual revenue for FY20 and FY21

\$ millions	Note	FY20	FY21	Change (%)
Time periods		Revenue	Revenue	
1Q (July-September)		36.4	45.4	24.8%
2Q (October - December)		42.3	54.3	28.2%
3Q (January - March)		36.7	55.7	51.6%
4Q (April - June)	1	40.2	63.1	57.2%
1H (July to December)		78.7	99.7	26.7%
2H (January to June)		76.9	118.8	54.5%
FY		155.6	218.5	40.4%

Notes:

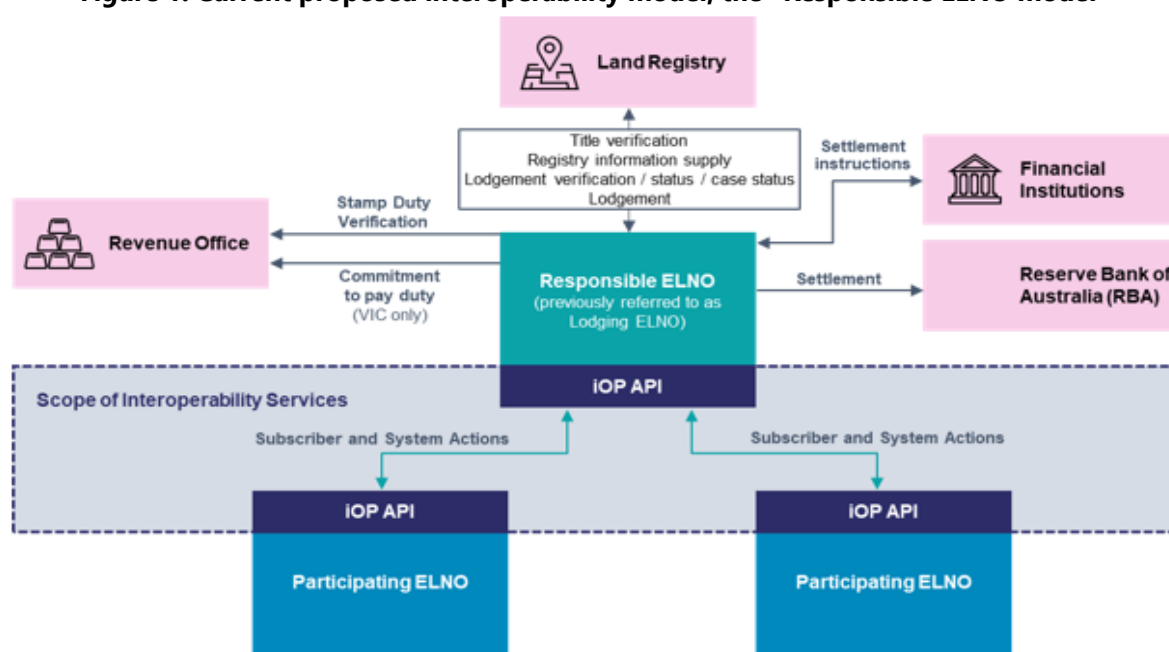
1. Q4 FY21 revenue includes actual revenue in April, and management forecast revenue for May and June.

Proposed interoperability model

The Information included the following details:

- interoperability (which refers to different Electronic Lodgement Network Operators' (ELNOs') systems being able to communicate with each other to complete a property transaction);
- currently, there is no interoperability between ELNOs in the Australian conveyancing market, consequently, under the existing market structure, all parties to an electronic conveyancing transaction must use the same ELNO;
- for multi-party transactions, such as transfers and refinance transactions, interoperability would allow practitioners to use the ELNO of their choosing to complete a property transaction;
- the proposed interoperability model will apply to electronic conveyancing transactions in which the participants have chosen to use different ELNOs and the below figure is a visual representation of the currently proposed interoperability model, the "Responsible ELNO model";

Figure 1: Current proposed interoperability model, the "Responsible ELNO model"⁴



⁴ Interoperability Operational Committee, Interoperability Model Overviews, version 1 (30 March 2021).

- to facilitate the transfer of data between ELNOs, the Australian Registrars' National Electronic Conveyancing Council (**ARNECC**), the body established to facilitate the implementation and ongoing management of the regulatory framework for electronic conveyancing of real property in Australia, is facilitating the development of interoperability application programming interfaces (**APIs**), known as the National e-Conveyancing Interoperability Standards, that will enable ELNOs to exchange data and communicate. The interoperability APIs are still being developed, with further technical work required to develop related matters including process flows, business rules, non-functional requirements (such as security) and technical architecture;
- for each interoperable transaction one of the ELNOs will be designated as the "Responsible ELNO". The Responsible ELNO will orchestrate the transaction, interact with the relevant land registry, financial institutions and (where required) State Revenue Office. It will also perform the financial and lodgement components required to complete the transaction. Other ELNOs that host one or more subscribers in the transaction are designated as "Participating ELNO(s)";
- under the proposed interoperability model, the Participating ELNO(s) will pay a fee to the Responsible ELNO for the larger scope of services and the higher level of risk that it undertakes to orchestrate and execute an interoperable transaction;
- the selection of the Responsible ELNO will first be determined by the responsible participant (either the incoming mortgagee or purchaser where there is no new mortgage) and secondly by capability. To perform the role, the Responsible ELNO must have in place suitable business processes and electronic connections with the participating registries, revenue offices and financial institutions in the applicable jurisdiction. PEXA has established and developed these capabilities over many years and is well placed to perform the role of responsible ELNO for the majority of interoperable transactions in the short term as interoperability is progressively implemented. Over the longer term, the selection of the responsible ELNO will reflect the strengths, convenience and the quality of offerings of competing ELNOs; and
- PEXA expects the interoperability agreement between ELNOs will govern, among other matters, the relationship between ELNOs, including provisions relating to dispute resolution, the fee payable by Participating ELNO(s) to the Responsible ELNO, business rules for designation of the Responsible ELNO, and provisions to ensure consistency with, and the incorporation of, regulatory and legislative amendments relating to interoperability. The parties are yet to negotiate and agree on the fee structure for interoperability, but ARNECC has proposed that until the market matures, land registrars should have power to regulate, or impose principles around, the pricing of such fees.