

Media Release

FY22 HALF-YEAR RESULT

STRATEGIC INITIATIVES DRIVING RECORD \$15.8 BILLION IN TRANSACTIONS

Sydney, 21 February 2022 – Tyro this morning reported its first-half result for the 2022 financial year, booking record transaction value and revenue outcomes.

A 31% lift in transaction value was achieved, delivering a record 6-month of \$15.8 billion processed from more than 61,500 merchants partnering with Tyro – an impressive accomplishment in a period punctuated by lockdowns that impacted many of Tyro's merchants, particularly hospitality and retail merchants in NSW, Victoria and ACT. Tyro's Alliance with Bendigo Bank generated significant momentum, contributing for a full six-months for the first time.

Tyro's payments business performed strongly whilst still carrying the cost of actions designed to assist merchants as Covid lockdowns continued. This included the provision of terminal rental relief to Covid impacted merchants, and the deferral of pricing adjustments typically made annually to offset scheme/interchange fee changes. Tyro's strong transaction value growth drove a 25% lift in statutory gross profit (to \$68.1 million) for the Group's payments business. After allowing for the gross profit share payable under the Bendigo Bank Alliance, the normalised gross profit lift for the payments business was 20% (to \$65.0 million).

At a Group level (including Tyro's banking business) statutory gross profit was up 16% to \$71.2 million. A positive EBITDA result of \$2.8 million was achieved and, whilst lower than the \$8.5 million generated in H1 FY21, reflected continuing investment in growth initiatives including the recently announced exclusive partnership with Telstra, the absence of any JobKeeper benefits, wage inflation and first time costs associated with the newly acquired Medipass operation.

With Covid lockdowns abating and government actions in train to encourage a return of workers to the Nation's CBDs, a positive bias for card present transactions in retail and hospitality is considered a likely feature in H2 FY22.

Highlights from H1 FY22

- * Record **61,554 merchants** choosing Tyro as their payments solution – **up 68%** (H1 FY21: 36,720).
- * Record **\$15.8 billion in transactions** processed by Tyro Group merchants – **up 31%** (H1 FY21: \$12.1 billion).
- * Record **payments revenue of \$146.0 million** – **up 36%** (H1 FY21: \$107.7 million).
- * Record **payments statutory gross profit of \$68.1 million** – **up 25%** (H1 FY21: \$54.3 million).
- * Australia's 5th largest merchant acquiring bank by terminal count – **103,935 terminals up 52.1%** (H1 FY21: 68,338).
- * Growing merchant deposits with **total deposits of \$100.8 million** at 31 December 2021 (30 June 2021: \$75.5 million).
- * Rebound in merchant **loan originations to \$36.2 million** – up 1,279% (H1FY21: \$2.6 million).
- * **Low churn rates** – merchant churn 10.1% + transaction value churn 9.0% (FY21: 11.3% + 8.7% respectively).
- * **EBITDA² \$2.8 million** vs \$8.5 million H1 FY21 – reflecting deferral of annual merchant pricing adjustments + no JobKeeper.
- * Balance sheet strength with **\$157 million in total cash + financial investments** (30 June 2021: \$173 million).
- * **Total capital ratio 45%** (30 June 2021: 73%).
- * **Appointed as Telstra's exclusive partner** offering merchant acquiring solutions to Telstra's business customers.
- * **Tyro | Bendigo Bank Alliance** tracking to expectations.
- * **Tyro Connect gaining traction** – 17 industry leading apps signed + 274 active merchants + 14 POS partners.
- * **eCommerce continuing to scale** – up 1,634% with \$255.9 million in transactions processed (H1 FY21: \$14.8 million).
- * **Medipass integrated with Tyro** creating new unified health payments + claiming platform.

Summary of Results (see Appendix A for more detail)

	H1 FY22	H1 FY21	% change*
Transaction value	\$15.8 billion	\$12.1 billion	▲ 30.6%
Group revenue	\$149.2 million	\$114.8 million	▲ 29.9%
Payments business revenue	\$146.0 million	\$107.7 million	▲ 35.6%
Banking business revenue	\$2.6 million	\$2.0 million	▲ 25.4%
Group gross profit (statutory)	\$71.2 million	\$61.2 million	▲ 16.3%
Payments gross profit (statutory – before Bendigo gross profit share)	\$68.1 million	\$54.3 million	▲ 25.4%
Banking gross profit (statutory)	\$2.4 million	\$1.8 million	▲ 34.8%
Gross profit (normalised¹)	\$68.1 million	\$61.2 million	▲ 11.3%
Payments gross profit (normalised ¹ – post Bendigo gross profit share)	\$65.0 million	\$54.3 million	▲ 19.7%
EBITDA²	\$2.8 million	\$8.5 million	▼ 67.2%
EBIT (normalised³)	(\$10.9 million)	(\$2.6 million)	▼ 322.2%
Loss before tax (normalised³)	(\$11.2 million)	(\$2.8 million)	▼ 305.2%
Loss after tax (statutory)	(\$18.1 million)	(\$3.4 million)	▼ 430.0%

* Percentages are based on full reported numbers (i.e., non-rounded source data)

1) Normalised gross profit is adjusted for Bendigo support fees of \$1.35 million associated with transition of Bendigo merchants to the Tyro platform and the Bendigo gross profit share of \$4.4 million not deducted from statutory gross profit but deducted to calculate normalised gross profit. 2) Tyro uses EBITDA as a non-IFRS measure of business performance, which excludes the non-cash impact of share-based payments expense, share of losses from associates, expenses associated with the terminal connectivity issue and the IPO and other significant one-off costs. 3) EBIT and normalised net loss before tax excludes expenses associated with the IPO including the

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Commentary

Tyro this morning reported its FY22 first-half results, announcing record transaction value of \$15.8 billion, record revenue of \$149.2 million and record statutory gross profit of \$71.2 million. On announcing the result, Robbie Cooke, Tyro's CEO | Managing Director said:

"Booking a 31% lift in transactions processed to set a new record of \$15.8 billion is something as a team we are really proud of. We worked alongside our 61,500 merchants as they continued to navigate the impact of lockdowns and provided all the assistance we could including terminal rental relief, loan repayment relief and we did not pass on scheme and interchange fee increases we incurred in the half."

In discussing the half year Cooke said:

"The strategic importance of our Alliance with Bendigo Bank is clear in our result. The Alliance performed exactly as we forecast when announcing the partnership back in October 2020. This saw the Alliance add \$2.5 billion in transactions to our performance in the half and a gross profit contribution, after allowing for Bendigo Bank's gross profit share, of \$10 million."

"We continued to invest in growth opportunities in the period. Health tech, Medipass contributed for a full half for the first time having joined the group in May 2021 adding more than 7,000 new health providers. The addition of Medipass positions us to provide a leading unified health claiming and payments offering. Our exclusive partnership with Telstra to provide merchant acquiring services to Telstra's business customers through over 350 Telstra retail stores and Telstra Business Technology Centres, as well as online, is an exciting new acquisition pipeline for us."

In discussing the Group's EBITDA result Cooke said:

"While lower than first half last year, our positive EBITDA result of \$2.8 million reflected our continuing investment in growth initiatives, the absence of any JobKeeper benefits, wage inflation and first time costs associated with our newly acquired Medipass operation."

Providing the Group's outlook Cooke said:

"Our start to the second half has seen our strong momentum continue. Lockdowns abating along with government and businesses encouraging a return of workers to the Nation's CBDs, provide a positive outlook for our predominantly card present payments operation. We are looking to roll out our new EFTPOS card reader in the half initially to our Bendigo Alliance merchants. We are also continuing our work on a new android based terminal which will supplement our fleet and presents some exciting opportunities for the future."

More detailed commentary with respect to each of Tyro's business segments is set out below:

PAYMENTS BUSINESS OPERATIONAL PERFORMANCE

	H1 FY22	H1 FY21	% change*	
Transaction value	\$15.8 billion	\$12.1 billion	▲	30.6%
Revenue	\$146.0 million	\$107.7 million	▲	35.6%
Less: Interchange, integration + support + other fees	(\$77.9 million)	(\$53.4 million)	▲	45.9%
Gross profit (statutory – before Bendigo gross profit share)	\$68.1 million	\$54.3 million	▲	25.4%
Less: Bendigo gross profit share	(\$4.4 million)	-	▲	n/a
Add: Bendigo support fees	\$1.4 million	-	▲	n/a
Gross profit (normalised)	\$65.0 million	\$54.3 million	▲	19.7%
Tyro core merchant service fee (excl. terminal rental)	80.6bps	79.7bps	▲	0.9bps
Tyro core gross profit margin (incl. terminal rental)	41.0bps	44.8bps	▼	3.8bps

* Percentages are based on full reported numbers (i.e., non-rounded source data)

The Group's payments business (including core Tyro, Bendigo and Medipass) processed \$15.8 billion in total transactions in the period, a lift of 30.6% on the pcp (H1 FY21: \$12.1 billion).

Tyro's core payments business generated transaction value of \$13.3 billion, up 9.7% on the pcp of \$12.1 billion. Our merchants in NSW and ACT were significantly impacted by Covid lockdowns in the first 3 months of the period resulting in negative transaction value growth of 9.4% for H1 FY22 for those jurisdictions. Excluding those regions, the balance of Tyro's core payments business generated transaction value growth of 23.1%.

The Bendigo Bank Alliance completed on 1 June 2021 and saw all Bendigo merchants novated across to Tyro on that date. Tyro generated \$2.5 billion in transactions from the Bendigo merchants in the current period (H1 FY21: Nil) which was consistent with expectations.

In addition, following the acquisition of Medipass on 31 May 2021, Tyro generated \$22.4 million in payments from Medipass health providers in the period (H1 FY21: Nil). It is notable that Medipass also processed \$77 million in claims in the reporting period over and above the payments transactions processed.

The Group added 24,834 net new active merchants to its payments business in the half, taking the total number of merchants to 61,554 – a 67.6% increase on H1 FY21. Bendigo contributed 18,236 of these new merchants (73.4% of new merchants) while Medipass added 1,000 new health merchants (4.0% of new merchants). Tyro's core payments business added 5,598 net new active merchants in the reporting period. New application numbers for the Group were strong with a total of 7,391 new applications received at an average run-rate of 1,232 applications per month.

From the 30.6% increase in transaction value, a 35.6% lift in payments revenue to \$146.0 million was generated. Revenue growth was assisted by a \$5.1 million increase in terminal rental reflecting the increased merchant base. Of note:

- **Tyro's core payments** business (excluding Bendigo and Medipass) generated payments revenue of

\$119.4 million from a merchant service fee (**MSF**) of 80.6bps which excludes terminal rental revenue (H1 FY21: 79.7bps) and a gross profit margin of 41.0bps (inclusive of terminal rental) (H1 FY21: 44.8bps).

The lower gross profit margin of 3.8bps was in part the result of deferring Tyro's usual annual merchant pricing adjustments which was scheduled to have taken place in H1 FY22. The deferral being made to assist merchants during the period of heightened Covid lockdowns.

- **Tyro's Bendigo merchants** generated revenue of \$25.8 million from a MSF of 83.5bps which excludes terminal rental revenue and a gross profit margin of 39.4bps (inclusive of terminal rental).
- **The newly acquired Medipass business** generated revenue of \$0.8 million.

Tyro's payments business (inclusive of Bendigo and Medipass) recorded statutory gross profit growth of 25.4% and normalised gross profit growth of 19.7% against revenue growth of 35.6%. The variance between revenue growth and gross profit growth is largely attributable to the Bendigo gross profit share payable under the Tyro-Bendigo Alliance agreement and the deferral of the annual merchant pricing review.

BANKING OPERATION PERFORMANCE

	H1 FY22	H1 FY21	% change*
Loan originations	\$36.2 million	\$2.6 million	▲ 1,278.8%
Revenue	\$2.6 million	\$2.0 million	▲ 25.4%
Gross profit	\$2.4 million	\$1.8 million	▲ 34.8%
Gross profit margin	95.0%	88.4%	▲ 6.6 points

* Percentages are based on full reported numbers (i.e., non-rounded source data)

The Group's merchant cash advance loan product returned to strong growth in the period with \$36.2 million in new originations (H1 FY21: \$2.6 million). The features of the Merchant Cash Advance (**MCA**) were improved in the half year to allow advances up to a maximum of \$350,000 (previous maximum \$120,000) together with an improved automated approval process through the Tyro app.

The increase in originations has seen lending income from the MCA product increase 25.4% in H1 FY22 to \$2.6 million. \$1.8 million revenue was generated from interest on the MCA and a further \$0.7 million recorded in revenue as a fair value gain on the loans at 31 December 2021. At 31 December 2021, loans of \$21.1 million were carried on the balance sheet compared to \$15.4 million at 30 June 2021 with an average loan origination amount in the period of \$41,200 compared to \$23,200 in the pcq.

Tyro's Bank Account continued to see encouraging uptake. This fee-free and interest paying business transaction deposit account had 4,964 active accounts in existence at 31 December 2021, representing a 19.6% increase on the pcq (H1 FY21: 4,150 active accounts). Total deposits held by the Group on the Tyro Bank Account amounted to \$96.4 million compared to \$72.5 million at 30 June 2021. The Group's term deposit product continues to offer merchants an attractive interest rate with total term deposits of \$4.4 million on the balance sheet at 31 December 2021.

Gross profit of \$2.4 million from Tyro's banking business was up 34.8% (H1 FY21: \$1.8 million) reflecting the increased interest generated from MCA loans together with lower interest expense on business deposit accounts and term deposit accounts from a favourable interest rate environment.

FINANCIAL POSITION

With total cash and financial investments of \$157.4 million (30 June 2021: \$172.8 million) Tyro has sufficient liquidity in place to continue to fund its growth strategy. The movement in cash is reflective principally of the timing difference in scheme receivables of \$6 million, terminal purchases of \$9 million, other capex of \$10 million including the new office premises, and remediation-related payments of \$4 million. This was offset by a net increase in banking flows of \$20 million.

At 31 December 2021, Tyro had total assets of \$433.4 million of which 36.3% related to cash and financial investments, with the remainder relating primarily to an intangible asset recognised in FY21 for customer contracts on the Bendigo Alliance, the right of use asset recognised on the new lease, receivables from card schemes, property, plant and equipment and deferred tax assets.

Tyro had total liabilities of \$263.4 million of which 38.2% related to the merchant bank account deposits, with the remainder relating to commissions payable to Bendigo under the alliance agreement, trade and other liabilities, lease liabilities and provisions. The Group's total assets exceeded its total liabilities by \$170.0 million.

The Group is also well capitalised with a total capital ratio of 45%. The movement in the ratio from 73% at 30 June 2021 reflects the recognition of right of use assets of \$33 million and office fit outs of \$7 million, an increase in net scheme receivables, an increase in the lending book and losses for the half year (before share based payments expense). The total capital ratio remains multiples above APRA Prudential Capital Requirements.

TRADING UPDATE¹

Tyro has had a strong start to the second half of FY22 with transaction values for January lifting 35% on the same period last year to \$2.7 billion and February performance (up to 18 February) up 50% on the same period last year

¹ These numbers are based on unaudited management accounts that have not been independently reviewed or verified.

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to \$1.8 billion.

Our eCommerce transactions continued to grow strongly albeit from a small base, recording a new record in January of \$36.5 million, up 836% on the same period last year.

Our payments business for January on a normalised basis (post Bendigo gross profit share), generated a gross profit of \$11.1 million an increase of 24%.

In our banking business, loan originations in the first 7 weeks of the calendar year totalled \$5.8 million up 1,099% on the same period last year. Deposit balances at the end of January remained relatively stable at \$96.1 million.

More detailed commentary with respect to Tyro's half-year performance and each of Tyro's operating segments can be found in Tyro's H1 FY22 Interim Financial Report available here: <https://investors.tyro.com>.

Finally, we invite you to join Tyro's Investor call today with dial-in details provided in **Appendix B**.

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Pursuant to Listing Rule 15.5, TYR confirms this document has been authorised for release to the market by its Board

About Tyro

Tyro is a technology-focused and values-driven Group providing Australian businesses with payment solutions and value-adding business banking products. The Group provides simple, flexible and reliable payment solutions as a merchant acquirer, along with complementary business banking products.

More than 61,500 Australian merchants chose to partner with Tyro at 31 December 2021. The Group processed more than \$25.5 billion in transaction value in FY21 and a record \$15.8 billion in H1 FY22. In FY21 the Group generated \$119.4 million in statutory gross profit (H1 FY22 \$71.2 million), originated \$25.8 million in loans (H1 FY22: \$36.2 million) and held merchant deposits totalling \$75.5 million (H1 FY22: \$100.8 million).

Tyro is Australia's fifth largest merchant acquiring bank by number of terminals in the market, behind the four major banks.

The business was founded in 2003 with a goal of being the most efficient acquirer of electronic payments in Australia. Tyro has a track record of innovation, creating purpose-built solutions and being first to market. This approach saw the company become the first technology company to receive an Australian specialist credit card institution licence in 2005. In 2015 that licence was replaced by the award of an Australian banking licence, making Tyro the first new domestic banking licensee in over a decade.

Payments are at the core of Tyro's business, using its proprietary core technology platform to enable credit and debit card acquiring. This offering is enhanced by features purpose-designed for those merchants who choose to partner with the company, including Point of Sale systems integrations, least-cost routing (Tap & Save) and alternative payment types such as integrated Alipay. While traditionally focused on in-store payments, Tyro has recently expanded into eCommerce.

Further, Tyro provides value-adding solutions to its partners, such as loans in the form of merchant cash advances and fee-free, interest-bearing merchant transaction accounts.

Tyro has a team of more than 600 people, approximately half of whom are in technology roles.

APPENDIX A

	H1 FY22	H1 FY21	Variance	
	\$'000	\$'000		%
Payments revenue	145,984	107,682	▲	35.6%
Banking revenue	2,561	2,042	▲	25.4%
Other/investment revenue	667	5,111	▼	86.9%
Total Revenue	149,212	114,835	▲	29.9%
Interchange, integration + support + other fees	(77,926)	(53,423)	▲	45.9%
Interest expense on deposits	(127)	(236)	▼	46.2%
Total direct expenses	(78,053)	(53,659)	▲	45.5%
Gross profit (statutory)	71,159	61,176	▲	16.3%
Bendigo gross profit share	(4,446)	-	▲	n/a
Bendigo support fees	1,350	-	▲	n/a
Gross profit¹ (normalised)	68,063	61,176	▲	11.3%
Operating expenses (normalised)	(65,291)	(52,719)	▲	23.8%
EBITDA²	2,772	8,457	▼	67.2%
Share based payments expense	(3,720)	(3,968)	▼	6.3%
Depreciation and Amortisation	(9,949)	(7,070)	▲	40.7%
EBIT³ (normalised)	(10,897)	(2,581)	▼	322.2%
Net interest expense	(296)	(181)	▲	63.5%
Loss before tax expense³ (normalised)	(11,193)	(2,762)	▼	305.2%
Bendigo amortisation net of gross profit share	(1,142)	-	▲	n/a
Bendigo net interest expense	(1,318)	-	▲	n/a
Bendigo support fees + transitional operating expenses	(2,581)	-	▲	n/a
Other	(101)	-	▲	n/a
IPO related expenses	-	(619)	▼	100.0%
Losses from investment in associates	(1,731)	(28)	▲	6082.1%
Loss before tax expense (statutory)	(18,066)	(3,409)	▼	430.0%
Income tax benefit	-	-	-	-
Loss for the period	(18,066)	(3,409)	▼	430.0%

Discrepancies between totals and sums and components in tables are due to rounding.

1. Normalised gross profit is adjusted for Bendigo support fees of \$1.35 million associated with transition of Bendigo merchants to the Tyro platform and the Bendigo gross profit share of \$4.4 million not deducted from statutory gross profit but deducted to calculate normalised gross profit. Refer to page 31 of the Tyro H1 FY22 Investor Presentation for a reconciliation of normalised results to statutory results.
2. Tyro uses EBITDA as a non-IFRS measure of business performance, which excludes the non-cash impact of share-based payments expense, share of losses from associates, expenses associated with the terminal connectivity issue and the IPO and other significant one-off costs. Refer to the page 31 of the Tyro H1 FY22 Investor Presentation for a reconciliation of normalised results to statutory results.
3. EBIT and normalised net loss before tax excludes expenses associated with the IPO including the share-based payments expense relating to Liquidity Event Performance Rights that vested as a result of the IPO, the non-cash accounting impact of the Bendigo Alliance, expenses associated with the terminal connectivity issue and significant one-off expenses. Refer to page 31 of the Tyro H1 FY22 Investor Presentation for a reconciliation of normalised results to statutory results.

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APPENDIX B

FY22 First-Half Financial Results and Investor/Analyst Briefing

A briefing for investors and analysts will be held at 10:00am Australian Eastern Daylight Time on 21 February 2022. Investors and analysts can access this briefing using the following registration details:

<https://s1.c-conf.com/diamondpass/10019406-b4nks5.html>

Please note that registered participants will receive their dial in number upon registration.

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