

Media Release

TYRO FY22 RESULTS

Focus on Customer Growth, Cost Management and Margin Improvement into FY23

Sydney, 29 August 2022 – Tyro this morning reported its results for the 2022 financial year, delivering significant lifts in merchant numbers (up 10%), transaction value (up 34%), revenue (up 37%), and normalised gross profit¹ (up 24%).

A record \$34.2 billion in transaction value was processed on behalf of Tyro's ~63,700 merchants, despite first half performance being impacted by Covid. Also of note, Tyro's Alliance with Bendigo Bank, in its first full year of operations, outperformed estimates generating over \$5.2 billion in transaction value in the year, and Tyro's new exclusive partnership with Telstra is proving to be a strong application channel.

The Group booked a normalised EBITDA result of \$10.7 million (H1: \$2.8 million / H2: \$7.9 million) down on prior year (FY21: \$14.2 million) reflecting Covid lockdown impacts, the absence of JobKeeper benefits received in FY21 and first-time full-year costs of the acquired Medipass operation, which is not as yet earnings accretive. First half performance was muted due to continuing Covid lockdowns in NSW, Victoria and ACT which cost the Group an estimated \$5 million in foregone EBITDA. The second half provided a better line of sight to Tyro's performance potential without the impact of Covid and saw operating leverage improve by 7.3 points in Q4 FY22. This outcome was assisted by the margin improvement initiatives mentioned below.

Actions taken in the second half of FY22 including reducing headcount while maintaining scale for top line growth, controlling operating costs and lifting the merchant service fee, started to positively contribute in the last quarter of the year. These actions will remain a key focus in FY23 and are expected to yield further operating leverage improvements in the year. This will occur in parallel with a continuing focus on driving strong top line growth, 'new-to-book' merchant acquisition and product innovation into FY23.

Highlights from FY22

- * **63,770 merchants** choosing Tyro as their payments solution – **up 10%** (FY21: 58,186).
- * **\$34.2 billion in transactions** processed by Tyro Group merchants – **up 34%** (FY21: \$25.5 billion).
- * **Payments revenue of \$318.8 million** – **up 39%** (FY21: \$229.2 million).
- * **Payments statutory gross profit of \$147.7 million** – **up 34%** (FY21: \$110.5 million).
- * Australia's 5th largest merchant acquiring bank by terminal count – **109,248 terminals up 4%** (FY21: 104,827).
- * **Merchant loan originations to \$99.1 million** – up 283% (FY21: \$25.8 million).
- * **Total merchant deposits of \$83.3 million** at 30 June 2022 (30 June 2021: \$75.5 million).
- * **Low churn rates** – merchant churn 10.5% + transaction value churn 9.2% (FY21: 11.3% + 8.7% respectively).
- * **EBITDA² \$10.7 million** vs \$14.2 million FY21 – reflecting deferral of annual merchant pricing adjustments + no JobKeeper.
- * Balance sheet strength with **\$123 million in total cash + financial investments** (30 June 2021: \$172 million).
- * **Appointed as Telstra's exclusive partner** offering merchant acquiring solutions to Telstra's business customers.
- * **Tyro | Bendigo Bank Alliance** tracking ahead of expectations.
- * **Tyro Connect gaining traction** – 16 industry leading apps signed + 384 active merchants + 14 POS partners.
- * **eCommerce now 1.5% of total transaction value** up 640% – \$519.9 million in transactions processed (FY21: \$70.3 million).
- * **Medipass integrated with Tyro** creating new unified health payments business with 60 dedicated health payments specialists.

Summary of Results (see Appendix A for more detail)

	FY22	FY21	% change*
Transaction value	\$34.2 billion	\$25.5 billion	▲ 34.4%
Group revenue	\$326.1 million	\$238.5 million	▲ 36.7%
Payments business revenue	\$318.8 million	\$229.2 million	▲ 39.1%
Banking business revenue	\$5.5 million	\$3.2 million	▲ 70.8%
Group gross profit (statutory)	\$154.7 million	\$119.4 million	▲ 29.5%
Payments gross profit (statutory – before Bendigo gross profit share)	\$147.7 million	\$110.5 million	▲ 33.6%
Banking gross profit (statutory)	\$5.2 million	\$2.8 million	▲ 84.0%
Gross profit (normalised¹)	\$148.5 million	\$119.7 million	▲ 24.0%
Payments gross profit (normalised ¹ – post Bendigo gross profit share)	\$141.5 million	\$110.8 million	▲ 27.7%
EBITDA²	\$10.7 million	\$14.2 million	▼ 24.7%
EBIT (normalised ³)	(\$15.0 million)	(\$9.3 million)	▼ 62.1%
Loss before tax (normalised ³)	(\$16.1 million)	(\$9.8 million)	▼ 64.0%
Loss after tax (statutory)	(\$29.6 million)	(\$29.8 million)	▲ 0.7%

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

¹ Normalised gross profit is adjusted for the Bendigo gross profit share of \$8.5 million and Bendigo support fees of \$2.3 million associated with transition of Bendigo merchants to the Tyro platform 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 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 14 of the Tyro FY22 Investor Presentation for a reconciliation of statutory to normalised results.

FY23 GUIDANCE + TRADING UPDATE^{1,2}

Tyro has had a strong start to FY23 with transaction values for July lifting 46% on the same period last year to \$3.4 billion and August performance (up to 26 August) up 70% on the same period last year to \$2.9 billion.

The payments business for July on a normalised basis (post Bendigo gross profit share), generated a gross profit of \$14.1 million, an increase of 46%. Tyro's loan originations in the first 8 weeks of the year totalled \$19.6 million up 91% on the same period last year.

Finally, EBITDA before share-based payments expenses for July came in at \$2.2 million, at an operating leverage of 86%.

More detailed commentary with respect to Tyro's FY22 performance and each of Tyro's operating segments can be found in Tyro's FY22 Annual Report and FY22 Investor Presentation available here: <https://investors.tyro.com>.

For the first time, Tyro has provided earnings guidance range for FY23 with forecast transaction value between \$40 billion to \$42 billion, normalised gross profit of between \$175 million to \$181 million and target operating leverage at ~85%. Tyro is targeting being free cashflow positive on exiting FY23.

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

Commentary

Tyro this morning reported its FY22 results. On announcing the result, Robbie Cooke, Tyro's CEO and Managing Director said:

"Despite the challenges of 2022 with Covid, tight labour markets, market de-ratings of payment companies and inflationary pressures – we responded strongly with focused cost management, tight margin management, and a continuing focus on serving our customers while delivering new products and services to our merchants.

These actions started to positively contribute in the last quarter of the year and remain a key focus in FY23. They are expected to yield further operating leverage improvements in parallel with our continuing focus on driving strong top line growth and new merchant acquisition."

In discussing the FY22 year Cooke said:

"We delivered transaction value of \$34.2 billion (up 34% on FY21) with more than 63,700 merchants (up 10% on FY21) trusting us with their payments needs. We lifted revenue 37% to \$326.1 million and we lifted normalised gross profit 24% to \$148.5 million. We delivered a normalised EBITDA outcome for FY22 of \$10.7 million down from FY21's \$14.2 million, reflecting \$4.7 million in additional costs from the Medipass operation (pre any revenue uplift from integration with the Tyro Health platform), the absence of \$4.5 million in JobKeeper and an estimated \$5 million in lost EBITDA due to Covid lockdowns.

The strategic importance of our Alliance with Bendigo Bank is of note in our result. The Alliance outperformed on what we forecast when announcing the partnership back in October 2020. This saw the Alliance add \$5.2 billion in transactions to our performance with gross profit and EBITDA also ahead of our forecasts."

In discussing the Group's operating leverage, EBITDA result and outlook for FY23 Prav Pala, Tyro's Chief Financial Officer said:

"The 4th quarter of FY22 gives shareholders the best line of sight of our performance without the impact of Covid from an operating leverage and a merchant acquiring fee perspective.

Our start to FY23 has seen the strong momentum of Q4 FY22 maintained, with a 46% lift in transaction value in July and continued improvement in margins and operating leverage. To provide more transparency for the first time we have provided full year guidance – outlining key expected metrics for FY23.

Of particular note, after not passing on scheme and interchange fee increases incurred in H1 FY22 to assist our merchants impacted by the lockdowns, we adjusted our margins in Q4 FY22 to offset these third party cost imposts. The year also sees the continuation of the operating cost saving initiatives initiated in FY22 and targeting our cost base to those projects that will deliver meaningful growth in the coming years."

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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

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

² **Forward-Looking Statements** - Tyro's financial expectations and guidance included in this announcement are subject to there being no material deterioration in market or macroeconomic conditions, and are based on a number of key assumptions which may not prove to be correct, or which may change over time, including no lockdowns, no material changes to current business plan and no material change in the regulatory environment.

During the ordinary course of business, the Group is exposed to credit risk, operational risk, market risk and liquidity risk. For details on the management of these risks, please refer to the Annual Report including the Financial Report for the year ended 30 June 2022.

Certain statements contained in this announcement are forward-looking statements or statements about future matters, including indications and expectations of, and guidance and outlook on, the future earnings, financial position and/or performance of Tyro. These statements are based on information available as at the date of this announcement, and involve known and unknown risks and uncertainties and other factors (many of which are beyond the control of Tyro).

No representation is made or guarantee given that the occurrence of any of the events expressed or implied in these statements will actually occur. Actual future events may vary from these forward-looking statements and it is cautioned that undue reliance should not be placed on any forward-looking statement.

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 63,700 Australian merchants chose to partner with Tyro at 30 June 2022. The Group processed more than \$34.2 billion in transaction value in FY22. In FY22 the Group generated \$148.5 million in normalised gross profit, originated \$99.1 million in loans and held merchant deposits totalling \$83.3 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.

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APPENDIX A

	FY22	FY21		Variance
	\$'000	\$'000		%
Transaction value	34,197,453	25,453,507	▲	34.4%
Payments revenue	318,847	229,221	▲	39.1%
Banking revenue	5,504	3,222	▲	70.8%
Other/investment revenue	1,792	6,079	▼	70.5%
Total Revenue	326,143	238,522	▲	36.7%
Interchange, integration + support + other fees	(171,190)	(118,694)	▲	44.2%
Interest expense on deposits	(274)	(379)	▼	27.7%
Total direct expenses	(171,464)	(119,073)	▲	44.0%
Gross profit (statutory)	154,679	119,449	▲	29.5%
Bendigo gross profit share	(8,490)	(698)	▲	>100.0%
Bendigo support fees + terminal incident costs	2,314	983	▲	>100.0%
Gross profit¹ (normalised)	148,503	119,734	▲	24.0%
Operating expenses (normalised)	(137,836)	(105,568)	▲	30.6%
EBITDA²	10,667	14,166	▼	24.7%
Share based payments expense	(5,199)	(8,779)	▼	40.8%
Depreciation and Amortisation	(20,505)	(14,666)	▲	39.8%
EBIT³ (normalised)	(15,037)	(9,279)	▼	62.1%
Net interest expense	(1,024)	(517)	▲	98.1%
Loss before tax expense³ (normalised)	(16,061)	(9,795)	▼	64.0%
Normalised to Statutory Adjustments:				
Amortisation of Bendigo Alliance intangible asset	(11,176)	(698)	▲	>100.0%
Bendigo Alliance gross profit share	8,490	698	▲	>100.0%
Bendigo Alliance interest expense	(2,534)	-	▲	-
Bendigo Alliance transitional operating expenses	(4,669)	-	▲	-
Costs associated with the terminal connectivity issue	300	(13,285)	▼	>100.0%
M&A project costs	-	(4,681)	▼	100.0%
Other one-off costs	(409)	(894)	▼	55.1%
Share of loss from associates	(3,558)	(1,119)	▲	>100.0%
Loss before tax expense (statutory)	(29,617)	(29,775)	▲	0.5%
Income tax expense	-	(48)	▼	100.0%
Loss for the period (statutory)	(29,617)	(29,823)	▲	0.7%

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

- 1) Normalised gross profit is adjusted for the Bendigo gross profit share of \$8.5 million and the Bendigo support fees of \$2.3 million associated with transition of Bendigo merchants to the Tyro platform not deducted from statutory gross profit but deducted to calculate normalised gross profit. Refer to page 14 of the Tyro FY22 Investor Presentation for a reconciliation of statutory to normalised results.
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APPENDIX B

FY22 Financial Results and Investor/Analyst Briefing

A briefing for investors and analysts will be held at 10:30am Australian Eastern Time on 29 August 2022. Investors and analysts can access this briefing using the following registration details:

<https://s1.c-conf.com/diamondpass/10024646-asfll99.html>

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

For further information, please contact:

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