

Media Release

HALF-YEAR RESULT

TYRO MERCHANTS ACHIEVE RECORD \$12.1 BILLION IN TRANSACTIONS

Sydney, 22 February 2021 – Tyro this morning reported its first-half results for the 2021 financial year, demonstrating strong performance in what continued to be a challenging environment.

For many of Tyro's merchants, particularly those in its core hospitality, health and retail verticals, trading conditions remained difficult, exacerbated by unpredictable lockdowns around the country. Given these circumstances, and as was the case in the prior year, Tyro maintained its focus on actions and initiatives designed to assist merchants navigating the COVID impacts.

Despite these challenges, Tyro delivered strong half-year results achieving an all-time record \$12.1 billion in transactions processed, record gross profit of \$61.2 million and a record positive EBITDA¹ result of \$8.5 million. Tyro's statutory net loss after tax narrowed 82% to \$3.4 million, and on a pro forma basis the net loss was \$2.8 million², improving 69%.

Highlights from H1 FY21

- ★ Record **36,720 merchants** choosing Tyro as their payments solution – **up 13%** (H1 FY20: 32,450).
- ★ Record **\$12.1 billion in transactions** processed by Tyro merchants – **up 10%** (H1 FY20: \$11.1 billion).
- ★ Transaction growth driving record payments **gross profit of \$54.3 million** – **up 16%** (H1 FY20: \$46.8 million).
- ★ Australia's 5th largest merchant acquiring bank by terminal count – **68,338 terminals up 16%** (H1 FY20: 58,993).
- ★ Record merchant deposits with **total deposits of \$104.0 million** at 31 December 2020 (H1 FY20: \$39.7 million).
- ★ Merchant **loan originations \$2.6 million** – down 93% following actions to ensure lending remained within risk appetite in the COVID environment (H1 FY20: \$37.4 million).
- ★ **EBITDA¹ \$8.5 million** up 464% (H1 FY20: \$1.5 million).
- ★ Strong Balance Sheet with **\$165 million in total capital** + a capital ratio of 143% (H1 FY20: \$179 million + 145%).
- ★ **Tyro | Bendigo Bank Alliance** pre-integration activities tracking well.
- ★ **Tyro Connect gaining traction** – 10 industry leading apps signed + 71 active merchants as at 18 February 2021.
- ★ **eCommerce growth** from a small base – up 376% with \$14.8 million in transactions processed (H1 FY20: \$3.1 million).
- ★ **Telehealth payment solution** growing strongly – up 86% with \$178.6 million transactions processed (H1 FY20: \$95.8 million).

Summary of Results (see Appendix A for more detail)

	H1 FY21	H1 FY20	% change*
Transaction value	\$12.1 billion	\$11.1 billion	▲ 9.5%
Revenue	\$114.8 million	\$117.3 million	▼ 2.1%
Gross profit	\$61.2 million	\$50.3 million	▲ 21.6%
EBITDA ¹	\$8.5 million	\$1.5 million	▲ 464.2%
EBIT (pro forma ²)	(\$2.6 million)	(\$8.7 million)	▲ 70.1%
Profit (loss) after tax (pro forma ²)	(\$2.8 million)	(\$9.0 million)	▲ 69.1%
Profit (loss) after tax (statutory)	(\$3.4 million)	(\$19.2 million)	▲ 82.3%

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

Commentary

Tyro this morning reported its FY21 first-half results, announcing record gross profit of \$61.2 million, record EBITDA of \$8.5 million and a statutory net loss of \$3.4 million. On announcing the result, Robbie Cooke, Tyro's CEO | Managing Director said:

"We are proud to have processed a record \$12.1 billion in transactions for our merchants. This was achieved despite the continuing challenges from COVID and unpredictable lockdowns. Our merchants saw solid growth in the half, while our market leading solutions continued to attract new merchants to our platform."

¹ Tyro uses EBITDA as a non-IFRS measure of business performance, which excludes the non-cash impact of share-based payments expense, loss on equity investments and expenses associated with the IPO.

² Pro forma adjustments include the elimination of incremental costs upon becoming a publicly listed company, the elimination of certain non-recurring items of expenditure including the exercise and vesting of Liquidity Event Performance Rights triggered by the IPO and costs of the IPO expensed.

In discussing the results delivered Cooke said:

“We saw transaction values steadily improve from a low of negative 4% in August to positive 19% by December 2020. This was coupled with a 13% increase in merchants choosing to work with us, with the result that close to 37,000 merchants are now on board with Tyro. Our gross profit lifted close to 22% to reach \$61.2 million and we booked a record EBITDA result of \$8.5 million. Definitely a pleasing outcome in what was a difficult trading environment.”

Commenting on the recent terminal connectivity issue and Tyro’s outlook generally Cooke said:

“Whilst we continue at pace with our planned initiatives to drive growth and build our ecosystem centred around payments and enhanced by value adding features and products, our first priority over the next six months is to do all that we can to rebuild trust with those of our merchants impacted by the terminal connectivity issue triggered on 5 January.

This event did not sit comfortably with me nor my team, and notwithstanding 18 years of operation with no similar issue, we are now building a ‘failover’ solution. This will see us provide all our merchants with a dongle solution in combination with their standard terminals as an extra level of redundancy – this is an industry first move.”

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

PAYMENTS OPERATION PERFORMANCE

	H1 FY21	H1 FY20	% change*
Transaction value	\$12.1 billion	\$11.1 billion	▲ 9.5%
Revenue	\$107.7 million	\$113.6 million	▼ 5.2%
Gross profit	\$54.3 million	\$46.8 million	▲ 15.9%
Gross profit margin	50.4%	41.2%	▲ 9.2 points

Tyro’s payments operation processed \$12.1 billion in transactions in the half, a lift of 9.5% on the prior corresponding period (H1 FY20: \$11.1 billion). This growth was assisted by a 13.2% increase in merchants selecting Tyro as their payments provider but was countered by multiple COVID lockdowns imposed on businesses during the reporting period. Specifically, the half-year commenced well with transaction values lifting 11% in July 2020, however these gains were taken back in August 2020 when Victoria entered a ‘hard lockdown’. Growth returned in September and consistent improvement was experienced through to the end of the half-year. In fact, December 2020 delivered 19% growth, with transaction values reaching \$2.6 billion – an all-time record month.

In the half, Tyro’s retail vertical delivered impressive growth with a 17% lift in transaction value, while our hospitality vertical achieved 6% growth. The reduction in elective medical procedures impacted our health vertical which was down 0.5% for the half-year.

Other operational callouts for the reporting period include a 86% increase in telehealth transactions, with telehealth expected to remain a popular ongoing offering with many health practitioners. eCommerce transaction value increased 376% to \$14.8 million albeit from a low base, and we will continue to focus on this channel as a value adding proposition for our merchants. We also continued to develop Tyro Connect, our integration ‘hub’ for apps and point of sale systems, with 71 active merchants (as at 18 February 2021) and 10 industry leading apps signed up to the platform.

Whilst transaction values and merchant numbers were up, Payments revenue was down 5.2% to \$107.7 million – reflecting a change in card mix directly resulting from COVID. We processed fewer higher merchant service fee (MSF) international credit card transactions (due to the absence of international travelers) and more lower MSF debit card transactions. International credit cards represented 0.7% of our transaction value mix in H1 FY21 (H1 FY20: 4.4%) while the proportion of debit cards in the mix increased to 61.5% (H1 FY20: 56.5%).

This card mix shift produced a favourable gross profit outcome given the lower scheme and interchange fees attaching to debit cards. As such our payments operation’s gross profit was \$54.3 million up 15.9% (H1 FY20: \$46.8 million).

BANKING OPERATION PERFORMANCE

	H1 FY21	H1 FY20	% change*
Loan originations	\$2.6 million	\$37.4 million	▼ 93.0%
Revenue	\$2.0 million	\$2.6 million	▼ 20.5%
Gross profit	\$1.8 million	\$2.3 million	▼ 23.1%
Gross profit margin	88.4%	91.4%	▼ 3 points

As expected, our decision to adjust the credit assessment process for our merchant cash advance loans, moving from an automated to manual process, saw originations fall sharply in the half-year. This

proactive step was implemented in March 2020 to ensure our credit risk in the COVID operating environment did not exceed our internal risk appetite. This change in approach saw originations in H1 FY21 reduce to \$2.6 million (down 93.0%) vs \$37.4 million in H1 FY20. Additionally, we managed the risk within the portfolio closely over the period, resulting in lower write-offs for the period than provided for at 30 June 2020. In combination these factors saw lending income from merchant cash advances decline 20.5% to a net \$2.0 million.

Our Tyro Bank Account achieved strong growth in the reporting period. This fee-free and interest paying business transaction deposit account had 4,150 active accounts in existence at 31 December 2020, representing a 33% increase on the same period last year (H1 FY20: 3,119 active accounts). Tyro's term deposit introduced in December 2019, has also performed strongly with 136 term deposits as at 31 December 2020 (vs 8 at 31 December 2019). Total deposits and term deposits held on the balance sheet at 31 December 2020 amounted to \$104.0 million (vs \$39.7 million at 31 December 2019).

The impact of lower loan originations and resulting lower revenue, together with the increase in deposits held, saw revenue from our Banking operation decline by 20.5% in the period to \$2.0 million (H1 FY20 from \$2.6 million). Gross profit of \$1.8 million was down 23.1% (H1 FY20: \$2.3 million) reflecting the decrease in interest earned from our loan product and increased interest expense on our business deposit accounts and term deposit accounts.

At period end we held \$4.4 million in merchant loans as current and non-current assets, against merchant deposits of \$104.0 million as current liabilities on the balance sheet.

FINANCIAL POSITION

Tyro's financial position, strengthened by the strong EBITDA contribution and increased value of merchant deposits held, sees us well placed to pursue our growth plans.

Cash and cash equivalents along with financial investments at the end of the period totaled \$238.6 million (up 26.7%), driven by our strong capital position and the ability to take deposits. Total Tier 1 capital held at 31 December 2020 was \$164 million with a total capital ratio of 143%. Tyro has always held sufficient capital to meet its internal targets above APRA's prudential capital requirements.

Total capital expenditure for the reporting period was \$8.7 million (H1 FY20: \$5.4 million) principally made up of terminal purchases and investment in software, including capitalised internal development costs of \$1.4 million.

LOOKING FORWARD³

Our ambitions for the second half of the year were interrupted by the terminal connectivity issue experienced on 5 January 2021 which impacted ~30% of our merchants either fully or partially. Our prime focus in this period was to bring all impacted merchants back to normal operations and this has now moved to a program to rebuild trust with those impacted merchants. To this end we are proactively contacting and requesting all impacted merchants who suffered financial loss to register with us. We are also closely monitoring merchant terminations and to-date we have not seen any material changes to our normal churn rates.

We paused onboarding new merchants during the course of the incident to ensure all our efforts were deployed on re-establishing normal operations. Pleasingly we have seen new merchant application rates return to near normal levels with the last three weeks delivering:

- 224 new merchant applications in the week ending 7 February 2021;
- 185 new merchant applications in the week ending 14 February 2021;
- 190 new merchant applications in the week ending 21 February 2021.

Our transaction value for the second half commenced with a growth rate of 3% for the first two weeks of January impacted by the terminal connectivity issue. Growth rates returned to between 14% and 18% for the remainder of January and into early February 2021. The third week of February fell to an 8% growth rate as a result of Victoria reinstating lockdowns.

Our eCommerce transactions continued to grow strongly from a small base, recording a new record in January of \$3.9 million, up 500% on the same period last year.

In our Banking operations, loan originations for January 2021 are \$0.62 million and starting to show a gradual increase as we commence returning to our normal automated approval process. Deposit balances at the end of January remained relatively stable at \$102.6 million.

³ These numbers are based on unaudited management accounts that have not been independently reviewed or verified.

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 FY21 Interim Financial Report available here: www.tyro.com/about-tyro/investors.

Finally, we invite you to join our 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 company providing Australian businesses with payment solutions and value-adding business banking products. The company provides simple, flexible and reliable payment solutions as a merchant acquirer, along with complementary business banking products.

For the more than 36,700 Australian merchants who chose to partner with Tyro at 31 December 2020, the company processed more than \$20.1 billion in transaction value in FY20 and a record \$12.1 billion in H1 FY21. In FY20 the company generated \$93.5 million in gross profit (H1 FY21 \$61.2 million), originated \$60.1 million in loans (H1 FY21: \$2.6 million) and held merchant deposits totalling \$50.5 million (H1 FY21: \$104.0 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 500 people, approximately half of whom are in technology roles.

APPENDIX A

	H1 FY21 \$'000	H1 FY20 \$'000		Variance %
Payments revenue	107,682	113,604	▼	5.2%
Banking revenue	2,042	2,570	▼	20.5%
Other/investment revenue	5,111	1,115	▲	358.4%
Revenue	114,835	117,289	▼	2.1%
Interchange, integration and support fees expense	(52,997)	(66,281)	▼	20.0%
Interest expense on deposits	(236)	(221)	▲	6.8%
Terminal accessories	(426)	(498)	▼	14.5%
Total direct expenses	(53,659)	(67,000)	▼	19.9%
Gross profit	61,176	50,289	▲	21.6%
Total operating expenses	(52,719)	(48,791)	▲	8.1%
EBITDA¹	8,457	1,499	▲	464.2%
Share based payments expense	(4,255)	(5,254)	▼	19.0%
Loss on equity investments	(28)	-	▲	100.0%
IPO Costs	(332)	(9,010)	▼	96.3%
EBITDA after share based payments + loss on equity investment + IPO costs	3,842	(12,765)	▲	130.1%
Depreciation and Amortisation	(7,070)	(6,175)	▲	14.5%
Net interest expense	(181)	(305)	▼	40.7%
Loss before tax expense	(3,409)	(19,246)	▼	82.3%
Income tax benefit	-	-	-	-
Loss for the period	(3,409)	(19,246)	▼	82.3%

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

¹ Tyro uses EBITDA as a non-IFRS measure of business performance, which excludes the non-cash impact of share-based payments expense, loss on equity investments and expenses associated with the IPO

APPENDIX B

FY21 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 22 February 2021. Investors and analysts can access this briefing using the following registration details:

<https://s1.c-conf.com/DiamondPass/10011657-jdg99h.html>

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

For further information, please contact:

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