

ASX Announcement

MERCHANT ACQUIRING ALLIANCE - TYRO | BENDIGO BANK

Sydney, 16 October 2020 – Tyro today announced it is partnering with Australia's fifth biggest retail bank, Bendigo Bank, to create a long-term merchant acquiring alliance.

Under the alliance, Tyro will deliver its leading card-present and card-not-present payments solutions to Bendigo Bank's merchant acquiring customers, providing greater functionality, more payment options, enhanced reliability and seamless cloud integration to more than 300 point of sale systems. Bendigo Bank will continue to provide all other banking services to these customers. Tyro expects to deploy more than 26,000 Tyro terminals in 2021 for the alliance, increasing its terminal fleet to just above 89,000 terminals.

The parties have today entered into a suite of definitive legal agreements with the following key features:

- The key joint objective of the alliance is to provide a best-in-class payments solution to Bendigo Bank's business customers.
- Tyro will exclusively provide merchant acquiring services to Bendigo Bank's existing merchant acquiring customers and Bendigo Bank will exclusively refer new merchant opportunities from its business customer base to Tyro, all under a co-brand.
- Economic benefits of Bendigo Bank's existing merchant service contracts will move to Tyro on completion (expected to occur in the first half of calendar 2021):
 - Tyro is purchasing Bendigo Bank's existing merchant acquiring arrangements (essentially its merchant service contracts and associated goodwill);
 - Bendigo Bank will receive upfront consideration of \$9 million and an on-going gross profit share from existing and newly referred Bendigo Bank business customers who use Tyro's merchant acquiring services; and
 - the alliance has an initial 10-year term with provision for extension by agreement for additional five-year terms.
- Bendigo Bank will provide transitional services to Tyro for an expected 90 days from completion to enable Tyro to progressively deploy its payments solutions to Bendigo Bank business customers.
- On expiry of the alliance, all Bendigo Bank transferred and referred customers remain with Tyro, with Bendigo Bank's gross profit share to continue while those customers are served by Tyro.

Tyro's costs associated with implementing the alliance (excluding any applicable taxes) are expected to be as follows:

- one-off project resourcing - \$3.8 million¹;
- one-off other project costs (including terminals) - \$16.1 million²;
- ongoing additional personnel costs to support the alliance are expected to be \$6.7 million per annum³.

It is expected that⁴:

- Bendigo Bank's business customers will generate approximately \$5 billion in transaction value in FY22;
- Tyro's gross profit share (after gross profit share to Bendigo Bank and before operating costs) from the Bendigo Bank cohort will be approximately \$19 million in FY22.

¹ Expected to be fully incurred in FY21

² Expected to be fully incurred in FY21

³ Expected to commence Q3 FY21

⁴ Based on existing Bendigo Bank merchant numbers, merchant acquisition and churn rates continuing as experienced historically and COVID-19 impacted merchants recovering by the end of FY21

Commenting on the transaction, Tyro's CEO and Managing Director, Robbie Cooke said:

"The alliance with Bendigo Bank is an exciting combination of Australia's fifth biggest retail bank with the fifth largest merchant acquiring bank.

Partnering with Bendigo Bank will see Tyro's leading proprietary payments platform made available to Bendigo Bank's current and future business customers – giving them access to more features, more payment options and seamless integrations to more than 300 point of sale systems.

Tyro will deploy its payments expertise to Bendigo Bank's business customers, with Bendigo Bank continuing to provide all other banking services to these customers under a long-term, collaborative and strategic alliance.

This is a great example of two customer focused Australian organisations coming together to provide better solutions for Australian businesses through a partnering of capability and expertise."

Bruce Speirs, Executive Business Banking, Bendigo Bank, said the new alliance with Tyro and development of a new joint offering - Bendigo Bank EFTPOS/eCommerce powered by Tyro - is a positive development for its business banking customers and its strategy. He said:

"In line with our strategy to invest in capability and reduce complexity, we are reshaping our merchant services offering to help customers better run their businesses and further improve the market-leading customer experience we provide.

Our new agreement with Tyro is an exciting development and I look forward to working together to simplify our product offering and provide enhanced capacity to better support our business banking customers."

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Pursuant to Listing Rule 15.5, Tyro confirms this document has been authorised for release to the market by Tyro's 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 32,000 Australian merchants who chose to partner with Tyro in FY20, the company processed more than \$20.1 billion in transaction value. In FY20 the company generated \$210.7 million in revenue, originated \$60.1 million in loans and held merchant deposits totalling \$50.5 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 475 people, approximately half of whom are in technology roles.

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