

# ASX Announcement

## RESPONSE TO FALSE CLAIMS

**Sydney, 19 January 2021** – Tyro requested a trading halt on Friday, 15 January 2021 given the movement in its share price coinciding with the circulation of a report published by an organisation known as Viceroy Research (**Report**) to the media, market participants and members of the public.

The trading halt was requested to prevent trading in Tyro securities occurring in an uninformed market given:

- the significant false claims and assertions in the Report;
- its wide distribution and republication through the media; and
- the deliberate attempt to obfuscate disclosures made by Tyro in relation to the terminal connectivity issue advised to ASX on 7 January 2021 and the status update provided on 13 January 2021.

The Report follows a familiar playbook used by overseas domiciled and unregistered operators seeking to generate uncertainty, so as to directly profit from or facilitate others to profit from their research. The Report was created without prior inquiry to Tyro.

Tyro has reviewed and rejects the Report. While it has intentionally not commented on each individual opinion of the authors of the Report, Tyro sets out below the key factual misstatements in the Report (see “**Ten Key False Claims**”), noting these falsehoods are the foundation for many of the opinions expressed in it.

Tyro has today separately provided a further status update in relation to the terminal connectivity issue. In addition, Tyro yesterday released its 44<sup>th</sup> weekly trading update which provides visibility as to the transaction value impact of the incident to date together with the continued impact of COVID-19. Tyro confirms it has at all times been, and continues to be, in compliance with its continuous disclosure obligations.

Notwithstanding the distraction caused in responding to the Report, Tyro remains fully focused on bringing its impacted merchants back online as rapidly as possible and to provide all assistance it can to minimise the disruption caused.

### TEN KEY FALSE CLAIMS

#### **1. Extent of Impact**

|                          |   |
|--------------------------|---|
| <b>Assertion made:</b>   | <i>“..approximately 50% of Tyro’s merchant terminals are offline as of the date of writing”</i>                                   |
| <b>Factual position:</b> | <b>At no time have 50% of Tyro’s terminals been offline. As advised to the ASX today 15% of Tyro’s merchants remain impacted.</b> |
| <b>Conclusion:</b>       | <b>REPORT STATEMENT FALSE</b>   |

#### **2. Cause of Incident**

|                          |   |
|--------------------------|---|
| <b>Assertion made:</b>   | The terminal connectivity issue was caused by Tyro via a “ <i>software patch</i> ”  |
| <b>Factual position:</b> | <b>The root cause of the connectivity event has been identified as arising from an issue residing in specific versions of the terminal platform software supplied by the manufacturer of the terminals, Worldline.</b><br><br><b>This issue caused valid, forward dated, certificates on the impacted terminals to be incorrectly interpreted as expired, due to the interplay of the selected expiry date and any date on or after 5 January 2021.</b> |
| <b>Conclusion:</b>       | <b>REPORT STATEMENT FALSE</b>   |

### 3. Repair Costs

|                   |   |
|-------------------|---|
| Assertion made:   | The impacted terminals require “ <i>capital-intensive terminal repair/replacement</i> ” and “ <i>would have cost Tyro ~\$12m to replace</i> ”   |
| Factual position: | The repair involves collecting the impacted terminals from the field and implementing an immediate software update. If the terminals were not in a disconnected state this fix would have been achieved via a remote download. There is no capital-intensive terminal repair or replacement required of the nature suggested in the Report. |
| Conclusion:       | <b>REPORT STATEMENT FALSE</b>   |

### 4. Gift Cards

|                   |  |
|-------------------|--|
| Assertion made:   | “.....Westfield gift cards are all completely unreadable at this time, as even working terminals must process these transactions through Tyro infrastructure. .... This highlights some further fundamental issues which are present at Tyro’s back end, as Tyro has also effectively ‘bricked’ gift cards. ....Westfield Gift Cards (usable in all stores within Westfield Precinct, were not functioning at any terminal (even non-Tyro terminals). These gift cards are loaded on Tyro machines.” |
| Factual position: | <p>Tyro does not issue Westfield gift cards nor are they ‘loaded’ on Tyro machines. As such there is no truth in the claim that such gift cards “must process through Tyro infrastructure”.</p> <p>There is no ‘bricking’ of Westfield gift cards by Tyro.</p> <p>There is no relationship as claimed between Westfield gift cards and Tyro’s ‘back end’ or any fundamental issues as claimed.</p> <p>If a gift card was not working on a non-Tyro terminal that has nothing to do with Tyro.</p>    |
| Conclusion:       | <b>REPORT STATEMENT FALSE</b>  |

### 5. Disaster Recovery Plan

|                   |   |
|-------------------|---|
| Assertion made:   | Tyro has “ <i>no disaster recovery plan</i> ”   |
| Factual position: | Tyro has a Business Continuity Management Policy and a Business Continuity Plan. In accordance with these plans Tyro immediately initiated its Major Incident Management Response upon the incident being identified to manage the recovery activities. |
| Conclusion:       | <b>REPORT STATEMENT FALSE</b>   |

### 6. Functional Terminals

|                   |   |
|-------------------|---|
| Assertion made:   | “...Tyro has no idea - and no way to determine - how many of its terminals are actually functional”   |
| Factual position: | Tyro has complete visibility of all its functional terminals - specifically these terminals are actively and continuously communicating with Tyro’s payment switch. |
| Conclusion:       | <b>REPORT STATEMENT FALSE</b>   |

### 7. Communications

|                   |   |
|-------------------|---|
| Assertion made:   | “.....customers had bricked terminals and had received no communications from Tyro”   |
| Factual position: | Tyro has sent the following incident communications to impacted merchants to the email addresses as notified by merchants – emails dated 7, 9, 10, 11 and 13 January 2021, together with 24/7 customer support by phone, Facebook and email. Tyro has also regularly kept merchants updated via its status page on its website. |
| Conclusion:       | <b>REPORT STATEMENT FALSE</b>   |

### 8. Collection Effort

|                   |  |
|-------------------|--|
| Assertion made:   | “.....limited collection efforts taking place”   |
| Factual position: | <p>As per Tyro’s ASX release dated 13 January 2021 we restate that “<i>Tyro has been collecting, repairing, and returning impacted terminals to merchants as rapidly as possible. The turnaround time, from terminal collection to return, ranges between two and four days with this timeframe being location dependent. Tyro has engaged Amtek to assist and they have a team of approximately 250 personnel involved in the collection/return activities...</i>”</p> <p>Amtek has 255 personnel engaged in this exercise across over 60 locations in all Australian states and territories.</p> <p>Tyro has today separately provided a status update on the collection progress.</p> |
| Conclusion:       | <b>REPORT STATEMENT FALSE</b>  |

## 9. Fleet Age

|                          |  |
|--------------------------|--|
| <b>Assertion made:</b>   | <i>".....Tyro's product offering is over a decade old at this point"</i>   |
| <b>Factual position:</b> | <b>Tyro terminals are exclusively Worldline manufactured and the fleet is not aged as implied in the Report, specifically:</b> <ul style="list-style-type: none"><li>- ~60% of the fleet is 3 years old or less;</li><li>- ~80% of the fleet is 5 years old or less.</li></ul> |
| <b>Conclusion:</b>       | <b>REPORT STATEMENT FALSE</b>  |

## 10. Financial Analysis

|                          |  |
|--------------------------|--|
| <b>Assertion made:</b>   | <i>".....Tyro ...floats its operating cash flows through customer deposits" and "our cash flow adjustments ...more accurately reflect the business' operational cash flows.....and puts risk towards depositors, who are effectively holding up positive cash flows ...."</i>  |
| <b>Factual position:</b> | <b>Tyro has cash and investments excluding depositor funds of \$137 million as at 31 December 2020.</b><br><b>Tyro is an Authorised Deposit-taking Institution (ADI). Deposits are generated to fund merchant loans and not to support operating cash requirements.</b><br><b>The reporting of customer deposits in our audited Statement of Financial Position and Statement of Cash Flows is in compliance with Australian Accounting Standards and International Financial Reporting Standards.</b><br><b>The adjustments in the Report to Tyro's cash flows include non-cash items (ie share based compensation) and furthermore to extract 'movements in deposits' without adding back 'movements in loans' is an inconsistent treatment for an ADI and will lead to an incorrect assessment of cash movements as it excludes the banking business.</b> |
| <b>Conclusion:</b>       | <b>REPORT STATEMENT FALSE</b>  |

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**Pursuant to Listing Rule 15.5, Tyro 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 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.