

Media Release

TYRO REPORTS FY20 HALF-YEAR RESULT

Sydney, 20 February 2020 – Tyro Payments Limited this morning reported its half-year results, achieving an all-time \$11.1 billion high in transactions processed, record revenues of \$117.3 million and a positive EBITDA¹ result of \$1.5 million. After taking account of the costs associated with listing on ASX on 6 December 2019, Tyro realised a statutory net loss after tax of \$19.2 million and a pro forma net loss of \$9.0 million².

Highlights for H1 FY20

- ★ Record \$11.1 billion in transactions processed by Tyro merchants – up 30% (H1 FY19: \$8.5 billion).
- ★ Record 32,450 merchants choosing Tyro as their payments solution – up 23% (H1 FY19: 26,351).
- ★ Transaction and merchant growth driving record payments revenue of \$113.6 million – up 29% (H1 FY19: \$88.1 million).
- ★ Australia's 5th largest merchant acquiring bank by terminal count – 58,993 terminals up 26% (H1 FY19: 46,971).
- ★ Record merchant loan originations in the period of \$37.4 million – up 82% (H1 FY19: \$20.6 million).
- ★ EBITDA¹ of \$1.5 million achieved (H1 FY19: loss of \$3.0 million).
- ★ Strong Balance Sheet - \$171.1 million in cash and financial investments available for future growth.
- ★ Commenced trial of new term deposit product for merchants.
- ★ eCommerce solution in roll-out phase.
- ★ More than 20,000 merchants enabled with Alipay as a payments option.
- ★ Largest successful IPO by market capitalisation on ASX in 2019.
- ★ Tracking to Prospectus pro forma forecast.

Summary of results (see Appendix A for more detail)

	H1 FY20	H1 FY19	% change*	
Transaction value	\$11.1 billion	\$8.5 billion	▲	29.7%
Revenue	\$117.3 million	\$91.4 million	▲	28.4%
EBITDA ¹	\$1.5 million	(\$3.0 million)	▲	149.5%
EBIT (pro forma ²)	(\$9.0 million)	(\$7.6 million)	▼	18.2%
Loss after tax (pro forma ²)	(\$9.0 million)	(\$7.4 million)	▼	22.1%
Loss after tax (statutory)	(\$19.2 million)	(\$7.7 million)	▼	151.0%

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

Commentary

Tyro this morning reported its half-year results, announcing record revenue of \$117.3 million, EBITDA of \$1.5 million and a pro forma net loss before costs associated with the IPO of \$9.0 million. After taking account of costs associated with listing on ASX, Tyro realised a statutory net loss after tax of \$19.2 million. On announcing the result, Robbie Cooke, Tyro's CEO and Managing Director said:

"This is a great result all round for our first half as a listed company. We saw strong momentum in the business driving an all-time high \$11.1 billion in transaction volumes with more than 32,000 merchants now trusting Tyro with their payments needs. We lifted revenues 28% to a new record \$117.3 million and booked a positive EBITDA result. All this was achieved at a time when considerable focus was on our

¹ Tyro uses EBITDA as a non-IFRS measure of business performance, which excludes the non-cash impact of share-based payments expense 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 Offer expensed.

IPO. Maintaining our operating rhythm in such a frenetic period demonstrates the robustness of our business and the depth of talent in our team.

With close to 59,000 terminals now in the field, we are the fifth largest merchant acquiring bank in the market with the big four holding the top slots. We are gaining traction by providing functionality and features that merchants want. Features such as being the first bank to provide our merchants cost savings available from least cost routing, being first to market with a fully integrated Alipay solution, and providing eCommerce payments to simplify the day-to-day for merchants by providing a seamless in-store and online transaction solution with the one provider. As a tech company we are able to stay at the front of the curve when it comes to delivering payments solutions responding to our customers' needs.

Our banking operation continues to track well with all products offered to merchants growing strongly albeit from low bases. Our merchant cash advance loan achieved a record level of originations in the half year increasing 82% over the same period last year to \$37.4 million. Our fee-free, interest-paying bank account now has over 3,100 active accounts representing an increase of 80% over last year with \$39.7 million held in deposits at 31 December 2019. We also launched, in pilot, our new term deposit account and intend to make it available to our entire merchant base in the second half of FY20."

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

PAYMENTS OPERATION PERFORMANCE

	H1 FY20	H1 FY19	% change*
Transaction value	\$11.1 billion	\$8.5 billion	▲ 29.7%
Revenue	\$113.6 million	\$88.1 million	▲ 28.9%
Gross profit	\$46.8 million	\$38.3 million	▲ 22.2%
Gross profit margin	41.2%	43.5%	▼ 230bps

Our Payments operation in the reporting period achieved record transaction value, revenue and gross profit driven by:

- the impressive growth in merchant numbers across our three core verticals of Health, Hospitality and Retail; and
- organic growth in transaction value from our existing merchants' businesses.

The value of transactions processed reached \$11.1 billion, up 29.7% (H1 FY19: \$8.5 billion) from 32,450 merchants, up 23% (H1 FY19: 26,351). Our Hospitality vertical delivered an impressive 48% growth in transaction value, with our Retail and Health verticals each achieving 16% transaction value growth.

Our new eCommerce solution now means merchants can work with us both for their in-store and online transactions. This solution simplifies the day-to-day for our merchants by providing one point of contact together with single settlement and reconciliation, removing the need to manage multiple payment providers. While our eCommerce offering is in the initial roll-out phase and at this time represents a very small part of our Payments operation, it is showing good growth and acceptance by our merchants.

Our integrated Alipay offering also remains in the roll-out phase with more than 20,000 merchants now enabled to switch on Alipay as a payment option. We were the first Australian bank to offer fully integrated Alipay acceptance and believe this payment type will exhibit a strong growth profile over the coming years.

Late in 2019 the federal government announced that the Medicare Easyclaim service would be put to tender. Tyro was successful in securing the right to continue providing this important service for our healthcare practitioners. For H1 FY20 we earned \$1.9 million in Medicare Easyclaim revenue (H1 FY19: \$1.7 million). As noted in our 11 December 2019 ASX release announcing our successful tender, under the terms of our new contract the Department of Human Services will no longer pay a fee per transaction for Medicare claims processed. This outcome is consistent with Tyro's Prospectus forecast which excluded any revenue from the provision of Medicare Easyclaim claiming services from 31 December 2019.

The growth in our transaction value and merchant numbers saw us deliver record revenue from our Payments operation of \$113.6 million, up 28.9% on the \$88.1 million achieved in H1 FY19. This translated into gross profit of \$46.8 million at a gross profit margin of 41.2%. Our gross profit margin was slightly down from the 43.5% achieved in H1 FY19 due, in combination, to higher interchange and scheme fees, eCommerce costs, lower margins achieved on larger merchants and least cost routing.

BANKING OPERATION PERFORMANCE

	H1 FY20	H1 FY19	% change*	
Loan originations	\$37.4 million	\$20.6 million	▲	81.9%
Revenue	\$2.6 million	\$1.5 million	▲	70.8%
Gross profit	\$2.3 million	\$1.4 million	▲	67.1%
Gross profit margin	91.4%	93.4%	▼	200bps

Revenue from our merchant cash advance loans grew 70.8% to \$2.6 million with record loan originations in the half-year of \$37.4 million (H1 FY19: \$20.6 million) and 67% of all loan originations being repeat loans. The loan application process has been streamlined in the reporting period with all Tyro merchants now having the ability to check their eligibility for a loan through the Tyro App. Additionally, if eligibility is not automatically satisfied through the App, a manual review can be conducted by our loans team by collecting additional information from the merchant and assessing the application with the benefit of the additional data.

The increase in loan originations and the offering of our loan product to a wider merchant base has seen loss rates remain well within our risk tolerance. Loan losses as a percentage of originations at 31 December 2019 amounted to 1.6% (\$0.6 million) compared to 1.0% (\$0.2 million) in H1 FY19.

Our fee free, interest paying bank account now has over 3,100 active accounts representing an increase of 80.3% with \$39.7 million held in deposits at 31 December 2019 (H1 FY19: \$21.6 million). We also in December commenced a pilot of a new term deposit account. On successful conclusion of the trial our intention is to make the term deposit account available to our entire merchant base in the second half of FY20.

The growth in loan originations delivered gross profit of \$2.3 million for our banking operation representing a gross profit margin of 91.4%. Although our banking operation still only represents a small part of the overall Tyro business, it presents an alternative to the major banks and has strong prospects for continued growth.

FINANCIAL POSITION

Tyro remains in a position of financial strength, which has been enhanced by funds raised in our IPO and assisted by the H1 FY20 positive EBITDA performance, positioning us well to pursue our growth plans. Cash and cash equivalents and financial investments available at the end of the period totalled \$171.1 million.

At period end we held \$18 million in merchant loans as current assets, against merchant deposits of \$39.7 million as current liabilities on the balance sheet. The increase in merchant deposit balances provides further scope to scale our loan product.

Total Tier 1 capital held as at 31 December 2019 was \$177 million with a total capital ratio of 145%. 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 \$5.6 million (H1 FY19: \$4.9 million) principally made up of terminal purchases and investment in software, including capitalised internal development costs of \$1.7 million. Capital expenditure requirements for the second half indicate a likely full-year capex spend in the region of \$15.2 million (FY19: \$11.9 million (including intangibles)).

LOOKING FORWARD¹

The first month's trading in the second half continued the positive trends displayed in half one. Year to date performance in our Payments business for the seven months to 31 January 2020 is as follows:

- Transaction value \$12.9 billion up 29% (pcp: \$10.0 billion).
- Payments revenue \$132.7 million up 28% (pcp: \$103.4 million).
- Payments gross profit \$55.0 million up 23% (pcp: \$44.6 million).

In our Banking business, loan originations year-to-date totalled \$43.8 million up 75% from the \$25.0 million generated in the seven months to end of January 2019. Deposit balances at the end of the month

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

were \$41.1 million up 97% from \$20.9 million at 31 January 2019.

On the basis of trading to date, we remain on track to deliver the FY20 pro forma forecast as contained in our Prospectus dated 18 November 2019.

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, 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 34,000 Australian merchants who chose to partner with Tyro in the first half of FY20, the company processed more than \$11.1 billion in transaction value. In H1 FY20 the company generated \$117.3 million in revenue, originated \$37.4 million in loans and held merchant deposits totaling \$39.7 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 480 people, approximately half of whom are in technology roles.

APPENDIX A

	H1 FY20	H1 FY19		% change
	\$'000	\$'000		
Payments revenue	113,604	88,123	▲	28.9%
Banking revenue	2,570	1,505	▲	70.8%
Other/Corporate revenue	1,115	1,727	▼	35.4%
Revenue	117,289	91,355	▲	28.4%
Interchange, integration and support fees expense	(66,281)	(49,393)	▲	34.2%
Interest expense on deposits	(221)	(99)	▲	123.2%
Terminal accessories	(498)	(402)	▲	23.9%
Total direct expenses	(67,000)	(49,894)	▲	34.3%
Gross profit	50,289	41,461	▲	21.3%
Total operating expenses	(48,791)	(44,487)	▲	9.7%
EBITDA¹	1,499	(3,026)	▲	149.5%
Share based payments expense	(5,254)	(792)	▲	563.4%
IPO Costs	(9,010)	-	▲	100.0%
EBITDA after share based payments and IPO costs	(12,766)	(3,818)	▼	234.4%
				-
Depreciation and Amortisation	(6,175)	(3,821)	▲	61.6%
Net lease interest expense	(305)	-	▲	100.0%
Loss before tax expense	(19,246)	(7,639)	▼	152.0%
Income tax expense	-	(28)	▼	100.0%
Loss for the period	(19,246)	(7,667)	▲	151.0%

¹ Tyro uses EBITDA as a non-IFRS measure of business performance, which excludes the non-cash impact of share-based payments expense, the impact of the adoption of AASB16 and expenses associated with the IPO

APPENDIX B

FY20 First Half Financial Results and Investor/Analyst Briefing

A briefing for investors and analysts will be held at 9:30am Australian Eastern Daylight Time on 20 February 2020. Investors and analysts can access this briefing using the following registration details:

<https://s1.c-conf.com/diamondpass/10003982-invite.html>

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

For further information, please contact:

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