

ASX Announcement

TYRO ACHIEVES RECORD H1 FY23 RESULTS AND IMPROVES FY23 FULL YEAR GUIDANCE

Sydney, 16 January 2023 – Tyro Payments Limited today provided a trading update for its unaudited first half results for FY23. The Company also issued improved guidance for FY23 following strong results for the half-year.

Key highlights for H1 FY23¹

- Strong H1 FY23 result leads to **improved full year guidance** for all key operating metrics - EBITDA range improved to between \$37 million to \$41 million at a target operating leverage of ~79%.
- **Payments transaction value up 37%** on pcp to \$21.7 billion – **payments normalised gross profit up 36%**.
- Banking business growing strongly with **loan originations up 101% to \$72.7 million** and **banking gross profit up 73%**.
- Cost reduction program on track to **achieve an \$11 million reduction in annualised cost base** – H1 FY23 **operating leverage of 80% achieved**, down from 96% in the pcp.
- On track to reach **positive free cash flow exiting FY23**.
- **Accelerated delivery of key strategic priorities achieved** including the Tyro Go reader, the Tyro Pro next generation terminal, and automated onboarding.

Summary of Results¹

	H1 FY23 \$'million	H1 FY22 \$'million	Change %
Transaction value	21,693.4	15,826.3	▲ 37%
Group revenue	216.6	149.2	▲ 45%
Group gross profit (statutory)	102.8	71.2	▲ 45%
Gross profit (normalised ²)	95.2	68.1	▲ 40%
Payments gross profit (normalised – after Bendigo revenue share)	88.2	65.0	▲ 36%
Banking gross profit	4.2	2.4	▲ 73%
Operating costs	(75.7)	(65.3)	▲ 16%
EBITDA ³	19.5	2.8	▲ 601%
Operating leverage (%)	80%	96%	▲ 16 pts

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

1) Based on unaudited management accounts that have not been independently reviewed or verified.

2) Gross profit is stated as normalised gross profit, namely adjusted for Bendigo Alliance support fees associated with transition of Bendigo merchants to the Tyro platform. Bendigo gross profit share is not deducted from statutory gross profit but deducted to calculate normalised gross profit.

3) 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 other significant one-off costs.

Commentary

Jon Davey, Tyro's CEO, commented on the strong results and momentum the Company has achieved in the first half of FY23:

"The 37% increase in our transaction value has been driven by a 9% increase in our merchant base, growth in customer applications, and loan originations. External factors such as the absence of COVID lockdowns and inflation have also positively impacted Tyro's transaction values, particularly

in our hospitality and retail verticals.

Our cost reduction program is on track to achieve an annualised \$11 million reduction in our cost base. These changes have resulted in a leaner, and more efficient business. The resulting focus has facilitated the accelerated delivery of key strategic priorities including the Tyro Go reader, the Tyro Pro next generation terminal, and automated onboarding. They provide a strong foundation from which we can build new customer experiences and drive further operational efficiencies.”

Commenting on the operating leverage achieved in the business, Prav Pala, Tyro’s CFO said:

“We have achieved operating leverage of 80% for the first half of FY23 which is a significant improvement from 96% in the prior period. With a lower cost base and continued growth in transaction value, we are confident that we will continue to improve operating leverage while maintaining our focus on product leadership and innovation.”

Revised FY23 Guidance¹:

Following the release of results for H1 FY23, Tyro has updated its FY23 earnings guidance with forecast transaction value increased to a range of \$42.5 billion to \$43.5 billion (up from \$40.0 billion to \$42.0 billion). This will result in an improvement to gross profit of between \$187 million to \$191 million and a targeted operating leverage of ~79%.

Commenting on the improved guidance for FY23, Jon Davey said:

“The first half of FY23 has been exceptionally strong, however in forecasting the second half of FY23, we are taking a cautious approach and have allowed for some softening of consumer trading conditions due to rising interest rates and other macro-economic factors. We are also focusing on a more disciplined approach to managing the profitability of our merchant portfolio. Based on our forecast for the remainder of FY23, we will be targeting a full year operating leverage of 79% or better.”

	FY23 Guidance Range		
Transaction Value ²	\$42.5 billion	to	\$43.5 billion
Gross Profit ³ (after Bendigo commission)	\$187 million	to	\$191 million
Targeted operating leverage ⁴	~79%		
EBITDA ⁵	\$37 million	To	\$41 million
Targeted EBITDA margin	~21%		

1) This FY23 guidance includes forward-looking statements. Refer below.

2) H1 FY23 had 3 national public holidays while H2 FY23 has 8 national public holidays.

3) Gross profit is stated as normalised gross profit, namely adjusted for Bendigo Alliance support fees associated with transition of Bendigo merchants to the Tyro platform. Bendigo gross profit share is not deducted from statutory gross profit but deducted to calculate normalised gross profit.

4) Operating leverage is measured as operating costs (including lending and non-lending losses) divided by gross profit (after Bendigo commission).

5) 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 other significant one-off costs.

Tyro will be releasing its audited interim financial report on 28 February 2023 followed by an investor briefing call by Jon Davey, CEO and Prav Pala, CFO. Details of the results announcement and investor briefing will be provided in early February 2023.

For further information, please contact:

Media: Brett Clegg - Citadel Magnus
Ph: +61 487 436 985
E: bclegg@citadelmagnus.com

Investors: Giovanni Rizzo
Ph: +61 439 775 030
E: grizzo@tyro.com

Monica Appleby
Ph: +61 466 598 946
E: mappleby@tyro.com

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 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 \$34.2 billion in transaction value in FY22. Group generated \$154.7 million in statutory gross profit, originated a record \$99.1 million in loans and held merchant deposits totaling \$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.

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.