

Media Release

TYRO POSTS RECORD H1 FY23 RESULTS AND ACHIEVES PROFITABILITY AND POSITIVE FREE CASH FLOW

Sydney, 28 February 2023 – Tyro Payments Limited (**Tyro**) today announced that it has achieved profitability and positive free cash flow alongside strong transaction value growth and record EBITDA.

Key highlights for H1 FY23

- Delivered foundational initiatives of Tyro Go, Tyro Pro and automated onboarding - will deliver lasting benefits to merchants.
- Statutory net profit of \$1.1 million and positive free cash flow of \$0.6 million.
- 37% increase in transaction value to \$21.7 billion.
- 40% increase in gross profit with record EBITDA of \$19.5 million.
- 101% increase in loan originations and 123% increase in banking and other gross profit.
- Operating leverage of 79.6%, down from 95.9% in the prior comparative period.
- Reaffirmed full year guidance for all key operating metrics including EBITDA range of between \$37 million to \$41 million at a target operating leverage of ~79%.

Summary of Results

	H1 FY23 \$'million	H1 FY22 \$'million		Variance %
Transaction value	21,693.4	15,826.3	▲	37%
Group revenue (statutory)	220.6	149.2	▲	48%
Group revenue (normalised¹)	216.6	149.2	▲	45%
Group gross profit (statutory)	102.8	71.2	▲	45%
Gross profit (normalised²)	95.2	68.1	▲	40%
Payments gross profit (normalised – after Bendigo revenue share)	88.2	65.0	▲	36%
Banking and other gross profit (normalised)	7.0	3.1	▲	123%
Operating costs (normalised)	(75.7)	(65.3)	▲	16%
EBITDA³	19.5	2.8	▲	601%
Operating leverage (%)	79.6%	95.9%	▼	16.3 pts
Net profit (statutory)	1,100	(18,066)	▲	106%

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

- 1) Statutory revenue is adjusted for the recognition of the me&u investment as a financial asset after Tyro's ownership reduced in the period with the impact of the initial recognition as a financial asset taken to profit or loss. Refer to page 18 of the H1 FY23 Investor Presentation for a reconciliation of statutory to normalised results.
- 2) Normalised gross profit is adjusted for Bendigo switching fees of \$0.7 million associated with transition of Bendigo merchants to the Tyro platform, the Bendigo gross profit share of \$4.4 million not deducted from statutory gross profit but deducted to calculate normalised gross profit and a fair value gain on the recognition of me&u as a financial asset. Refer to page 18 of the H1 FY23 Investor Presentation for a reconciliation of statutory to normalised results.
- 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, change in accounting treatment of investments and one-off costs to implement the cost reduction program and any M&A related spend. Refer to page 18 of the H1 FY23 Investor Presentation for a reconciliation of statutory to normalised results.

COMMENTARY FROM TYRO CEO, JON DAVEY

Commenting on key achievements from H1 FY23.

“An increased focus on growth, cost management and delivery excellence has led to very pleasing first half results, including a record EBITDA and achieving positive free cash flow for the first time as a publicly listed company.”

“We have become a leaner and more disciplined organisation. Through our cost reduction program, we are on track to deliver an \$11 million annualised cost saving. This has allowed us to streamline our operations and focus our investment to be the leading specialist payment and banking solutions provider for Australian business.”

Commenting on opportunities for further growth in payments and banking.

“Over the last six months we have delivered foundational initiatives which will deliver lasting benefits to our competitiveness and growth profile. These include the Tyro Go reader, the Tyro Pro next generation terminal, and automated onboarding. From these we will build new customer experiences and drive further operational efficiencies.”

“We have a long runway of growth and opportunity ahead of us. We are proud to support more than 66,000 customers across the nation, however this still only represents less than 6% of the card payments market. New partnerships are creating another avenue to build market share. We have partnered with Telstra and more recently Australia Post to make Tyro products available in more than 750 retail outlets and business centres. Already 13% of this half’s applications were generated from Telstra, demonstrating the potential upside.”

“Our banking solutions are an increasingly attractive opportunity. We believe our lending solution to be the leading cash flow management product in market. Over the last half, we have seen a 101% increase in loan originations and a 73% uplift in banking gross profit. Despite this growth, just less than 10% of our merchants have a Tyro bank account and in the first half less than 2% of our merchants took out a loan. We are confident we can further leverage our banking license to deepen our customer relationships.”

Commenting on Tyro’s future.

“Our vision is for Tyro to be Australia’s leading financial services technology and innovation company, that backs Australian businesses and reimagines payments and banking. While we are already a leading payments business, our banking license is unique among local and international specialised payments companies. It means we can deliver faster settlement, help our merchants pay their suppliers, and manage their working cash flow needs with attractive lending solutions.”

“Tyro remains as ambitious today as when it was founded two decades ago, and the market opportunity is as compelling as it has ever been. As we look forward, our focus will be on payment and banking product innovation, revenue growth and margin optimisation, operating efficiency, and cost reduction. This financial year is off to a strong start, and we are well positioned to maintain this momentum into the second half.”

TRADING UPDATE¹

Tyro has had a strong start to the second half of FY23 with transaction values for the period 1 January 2023 to 24 February 2023 lifting 23% on the same period last year to \$6.3 billion.

Tyro’s banking business generated new loan originations in the first 8 weeks of the calendar year of \$22.5 million up 30% on the same period last year.

On a group basis, Tyro generated a gross profit for January 2023 on a normalised basis (post Bendigo gross profit share) of \$15.4 million an increase of 39% with EBITDA of \$3.6 million at an operating leverage of 76.6%.

Based on the strong start to the second half of the FY23 financial year, Tyro today reaffirmed guidance on all metrics issued in January 2023 with an EBITDA guidance range of \$37 million to \$41 million at a target operating leverage of 79%.

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

ADDITIONAL INFORMATION

More detailed commentary with respect to Tyro's half-year performance and each of Tyro's operating segments can be found in **Appendix A** to this announcement and in Tyro's H1 FY23 Interim Financial Report available here: <https://investors.tyro.com>.

Finally, we invite you to join Tyro's Investor call today with dial-in details provided in **Appendix C**.

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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 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 66,800 Australian merchants chose to partner with Tyro at 31 December 2022. The Group processed \$21.7 billion in transaction value in the first half of FY23. The Group generated \$95.2 million in normalised gross profit, originated a record \$72.7 million in loans and held merchant deposits totaling \$95.0 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 600 people, approximately half of whom are in technology roles.

APPENDIX A

PAYMENTS BUSINESS OPERATIONAL PERFORMANCE

	H1 FY23 \$'million	H1 FY22 \$'million	% Variance*	
Transaction value	21,693.4	15,826.3	▲	37%
Revenue	209.4	146.0	▲	44%
Less: Interchange, integration + support + other fees	(117.5)	(77.9)	▲	51%
Gross profit (statutory – before Bendigo gross profit share)	91.9	68.1	▲	35%
Less: Bendigo gross profit share	(4.4)	(4.4)	▼	2%
Add: Bendigo support fees	0.7	1.4	▼	49%
Gross profit (normalised)	88.2	65.0	▲	36%
Tyro core merchant service fee (excl. terminal rental)	88.0bps	80.8bps	▲	7.2ps
Tyro core gross profit margin (incl. terminal rental)	41.3bps	41.3bps	-	-

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

Tyro's payments business processed \$21.7 billion in transactions on behalf of their merchants in the period, a lift of 37.1% on the pcp (H1 FY22: \$15.8 billion). Tyro's core payment business generated transaction value of \$18.9 billion, up 42.0% on the pcp of \$13.3 billion. Strong growth was recorded in July 2022 to October 2022 due to the absence of COVID lockdowns which impacted transaction value in the pcp. Furthermore, inflation and the impact of price rises has also positively impacted Tyro's transaction value in the period particularly in its hospitality and retail verticals.

From a geographical standpoint, standout performers for the first half were New South Wales (up 59%), Victoria (up 52%), South Australia (up 34%) and Queensland (up 25%). The Bendigo Alliance generated \$2.8 billion in transaction value, up 11% (H1 FY22: \$2.5 billion).

Below is a monthly analysis of transaction value for Tyro's core payments business (excluding Bendigo), highlighting the impact of the absence of COVID-19 restrictions on transaction value growth in the first three months of H1 FY23.

	H1 FY23 \$'million	H1 FY22 \$'million	% Variance*	
July 2022	2,934	1,895		55%
August 2022	2,990	1,673		79%
September 2022	3,080	1,786		73%
October 2022	3,137	2,258		39%
November 2022	3,145	2,674		18%
December 2022	3,624	3,034		19%
Total – Tyro Core Payments Business	18,910	13,320		42%
Bendigo	2,783	2,506		11%
Total – Tyro Group	21,693	15,826		37%

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

Tyro added 5,330 net new and active merchants to their payments business, taking the total number of merchants transacting with the Group to 66,884 – a 8.7% increase on H1 FY22. A total of 8,473 applications were received (H1 FY22: 7,391) against transaction value churn of 8.9% and merchant number churn of 11.7%. Tyro's core payment business added a net new 6,849 active merchants (H1 FY22: 6,598 new merchants) while Bendigo's merchant base decreased by 1,519 merchants to 16,717 at 31 December 2022 (H1 FY22: 18,236).

The increase in merchant numbers and transaction value of 37.1% together with an increase in the Merchant Service Fee of 5.7 basis points in the half resulted in the payments business revenue being up 43.5% to \$209.4 million. Revenue growth was further assisted by the increase in terminal rental of \$1.8 million generated from the increased merchant base and health claiming revenue up \$0.2 million.

Tyro's payments business recorded normalised gross profit of \$88.2 million, up 35.8% against transaction value growth of 37.1% and revenue growth of 43.5% and an increase in direct costs of 49.6%.

BANKING BUSINESS PERFORMANCE

	H1 FY23 \$'million	H1 FY22 \$'million	% Variance*
Loan originations	72.7	36.2	▲ 101%
Revenue	4.5	2.6	▲ 74%
Interest income	5.2	1.8	▲ 186%
Fair value gain/(loss) on loans	(0.8)	0.7	▼ 207%
Gross profit	4.2	2.4	▲ 73%
Gross profit margin	94.3%	95.0%	▼ 0.7 points

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

The Group's merchant cash advance (**MCA**) in the form of a loan product generated record new loan originations \$72.7 million, up 100.7% (H1 FY22: \$36.2 million). Following Tyro's risk mitigation-based approach to the product during COVID, they are now starting to see the true potential of the MCA through increased access to the product with the adoption of web banking and increasing the maximum loan amount from \$120,000 to \$350,000 for certain merchants.

The increase in originations has seen lending income from the MCA product increase 185.6% in H1 FY23 to \$5.2 million (H1 FY22: \$1.8 million). At 31 December 2022, loans of \$44.5 million were carried on the balance sheet compared to \$21.1 million in the pcp with an average loan origination amount in the period of ~\$47,300 compared to ~\$41,200 in the pcp with a total of 1,538 new loans originated.

A key component to funding Tyro's MCA product relates to their deposit products which has seen growth in the period with the number of activated accounts increasing 5.4% over the pcp to 6,400 activated accounts. A total of \$95.0 million is held on deposit with Tyro with an average deposit balance of ~\$15,000.

Tyro indicated that lending losses were again well managed with total lending losses of only \$0.9 million representing 1.2% of originations (H1 FY22: 0.3% loss to originations). Gross profit of \$4.2 million was generated from Tyro's banking business, up 72.9% (H1 FY22: \$2.4 million) reflecting the increased net interest margin generated on the loan product.

FINANCIAL POSITION

With total cash and financial investments of \$117.4 million (30 June 2022: \$122.8 million) Tyro has sufficient liquidity in place to continue to fund its growth strategy. The movement in cash is reflective principally of the timing difference in net scheme and other receivables of \$12.7 million, terminal purchases of \$8.3 million and other capital expenditure of \$6.6 million including capitalisation of development expenditure. This was offset by a net increase in cash generated from operations of \$14.4 million and net banking inflows of \$5.1 million.

At 31 December 2022, Tyro had total assets of \$444.8 million of which 27.3% related to cash, cash equivalents, deposits, and other investments, with the remainder relating primarily to an intangible asset recognised for customer contracts on the Bendigo Alliance, the right-of-use asset recognised on the new HQ lease, receivables from card schemes, property, plant and equipment and deferred tax assets. Tyro had total liabilities of \$279.4 million of which 34.0% related to merchant bank account deposits, with the remainder relating to trade and other liabilities, lease liabilities and provisions. The Group's total assets exceeded its total liabilities by \$165.4 million.

APPENDIX B

	H1 FY23	H1 FY22	Variance	
	\$'000	\$'000		%
Payments revenue	209,423	145,984	▲	43.5%
Banking revenue	4,461	2,561	▲	74.2%
Other revenue and income (normalised)	2,706	667	▲	306.2%
Total revenue (normalised)	216,590	149,212	▲	45.2%
Interchange, integration + support + other fees	(117,492)	(77,926)	▲	50.8%
Interest expense on deposits	(254)	(127)	▲	99.0%
Total direct expenses	(117,746)	(78,053)	▲	50.9%
Gross profit (before Bendigo revenue share and transitional costs)	98,844	71,159	▲	38.9%
Bendigo gross profit share	(4,377)	(4,446)	▼	1.6%
Bendigo support fees	693	1,350	▼	48.7%
Gross profit¹ (normalised)	95,160	68,063	▲	39.8%
Operating expenses (normalised)	(75,704)	(65,291)	▲	16.0%
EBITDA²	19,456	2,772	▲	601.0%
Share based payments expense	(3,970)	(3,720)	▲	6.7%
Depreciation and amortisation (normalised)	(11,625)	(9,949)	▲	16.8%
EBIT³ (normalised)	3,861	(10,897)	▲	135.4%
Net interest expense	(740)	(296)	▲	150.6%
Profit/(loss) before tax expense³ (normalised)	3,121	(11,193)	▲	127.9%
Reconciliation to statutory results				
Bendigo amortisation net of gross profit share	(1,211)	(1,142)	▲	6.0%
Bendigo net interest expense	(1,095)	(1,318)	▼	16.9%
Bendigo transitional costs	(693)	(2,581)	▼	73.1%
One-off costs to implement the cost reduction program and M&A related spend	(3,128)	(101)	▲	2,997.0%
me&u fair value gain	3,974	-	▲	100.0%
Gains/(losses) from investment in associates	132	(1,731)	▲	107.6%
Profit/(loss) before tax expense (statutory)	1,100	(18,066)	▲	106.1%
Income tax expense	-	-	-	-
Profit/(loss) for the period (statutory)	1,100	(18,066)	▲	106.1%

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

1. Normalised gross profit is adjusted for Bendigo support fees of \$0.7 million associated with transition of Bendigo merchants to the Tyro platform, the Bendigo gross profit share of \$4.4 million not deducted from statutory gross profit but deducted to calculate normalised gross profit and a fair value gain on the recognition of me&u as a financial asset. Refer to page 18 of the H1 FY23 Investor Presentation for a reconciliation of statutory to normalised results.
2. 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, change in accounting treatment of investments and one-off costs to implement the cost reduction program and any M&A related spend. Refer to page 18 of the H1 FY23 Investor Presentation for a reconciliation of statutory to normalised results.
3. EBIT and normalised net loss before tax excludes the non-cash accounting impact of the Bendigo Alliance, share of losses from associates, change in accounting treatment of investments and one-off costs to implement the cost reduction program and any M&A related spend. Refer to page 18 of the H1 FY23 Investor Presentation for a reconciliation of statutory to normalised results.

APPENDIX C

H1 FY23 FINANCIAL RESULTS AND INVESTOR BRIEFING

A briefing for investors, analysts and media will be held at 9:30am Australian Eastern Daylight Time (AEDT) on 28 February 2023. The briefing will be hosted by Fiona Pak-Poy, Tyro's incoming Chair together with Jon Davey, CEO and Prav Pala, CFO.

Investors, analysts, and media can access this briefing using the following registration details:

[Tyro Payments H1 FY23 Earnings Briefing](#)

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

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