



Investor Briefing

Full Year Results FY23

29 August 2023

Tyro Payments Limited ABN 49 103 575 042



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All amounts are in Australian dollars.

Past performance information given in this presentation is for illustrative purposes only and should not be relied upon as, and is not, indicative of future performance.

Agenda

1. Business Update
2. Financial Results
3. Outlook
4. Q&A



Jon Davey
CEO



Prav Pala
CFO





Business Update

Jon Davey
CEO

29 August 2023



Key themes

FY23 performance

1

Delivering our plan



- Strong delivery of our three key strategic priorities:
 - enhancing our product portfolio.
 - pricing optimisation.
 - operating efficiency, including the delivery of our cost reduction program.

2

Growing sustainably



- Ongoing focus on cost management has improved efficiency and EBITDA margin.
- FY24 will see further improvements with leaner, more disciplined operations.

3

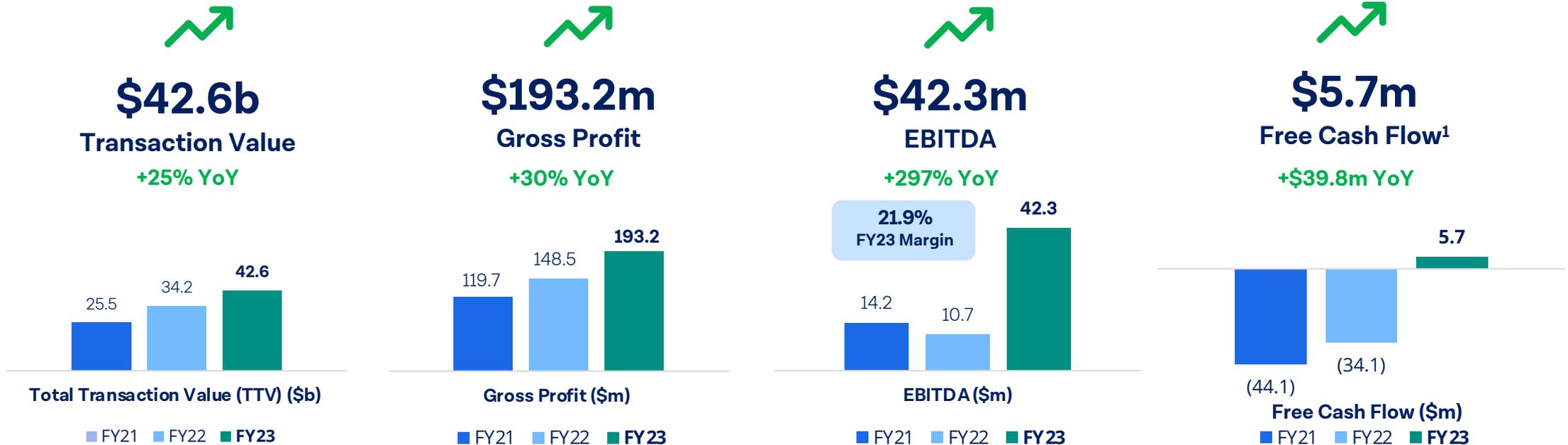
Core business performing strongly



- Core merchant base grew by 14% YoY, while total merchant base grew by 8% inclusive of Bendigo customer churn.
- Increased diversification in core merchant mix, with growth strong in Health and Services.

Driving sustainable growth

FY23 performance highlights



68,665
Merchants
+8% YoY
(+14% YoY Tyro, excl. Bendigo)



\$149.7m
Loan originations
+51% YoY



¹ Free cash flow is calculated before changes in banking funds and timing differences relating to net scheme receivables. It is calculated as EBITDA before share based payments adjusted for non-cash items in Tyro's working capital movements, statutory adjustments (including rent payments) and capital expenditure including internally generated intangibles. Terminal capital expenditure includes both new and replacement terminals.

Delivered our plan

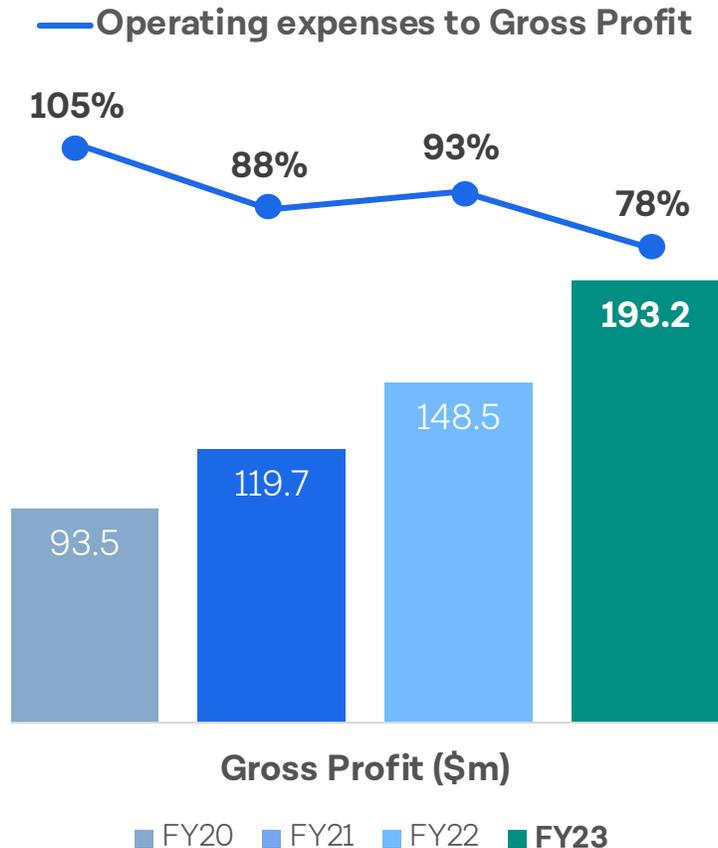
Strong execution of FY23 strategic priorities

Enhanced product portfolio		Pricing optimisation		Operating efficiency	
Tyro Pro – Android payment terminal	✓	No Cost EFTPOS	✓	Cost reduction program	✓
Tyro Go – EFTPOS card reader	✓	Tap & Save – “Least Cost Routing”	✓	New operating model and leadership	✓
Tyro BYO – Tap to Pay on iPhone	✓	Ongoing pricing optimisation	✓	Automated onboarding + Digital self-servicing	✓
Standalone solutions in market		0.6 bps Gross Profit Margin uplift in Tyro Core Payments Business		Operating Leverage down from 93% to 78%	



Sustainable growth

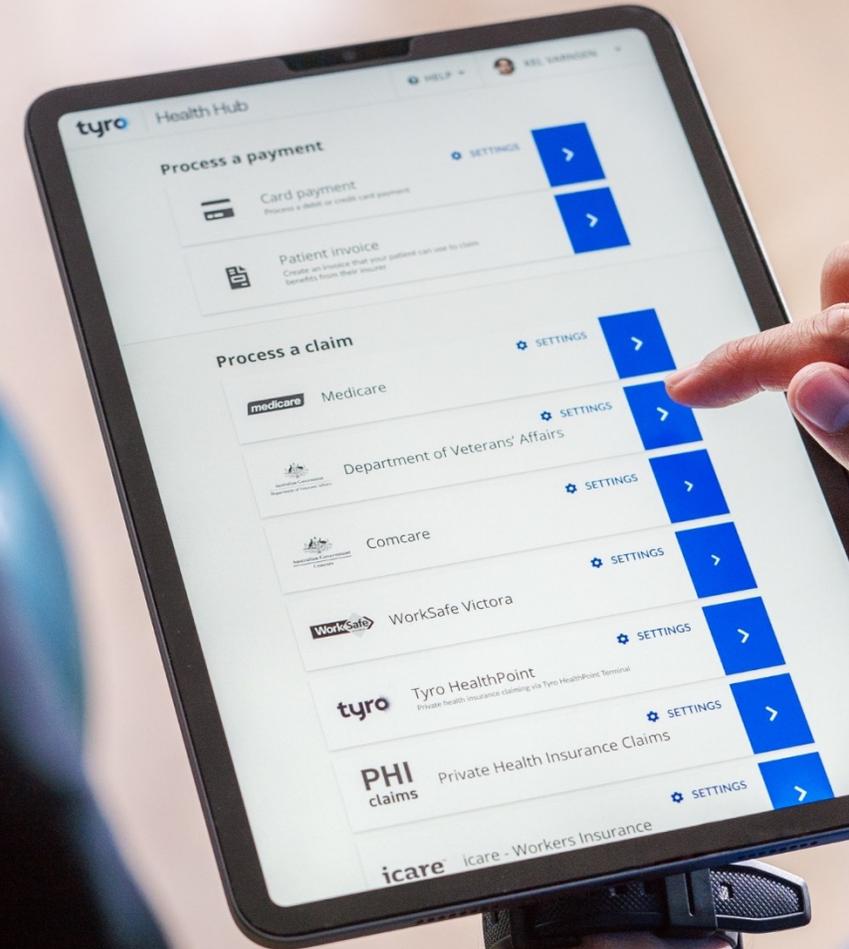
Streamlined costs and operating leverage driving scale and growth



Significant improvement in Operating Leverage

30% increase in gross profit

\$7m FY23 cost savings – H2
\$500k lower than H1



Strong business performance

Tyro's core merchant base grew 14% in FY23

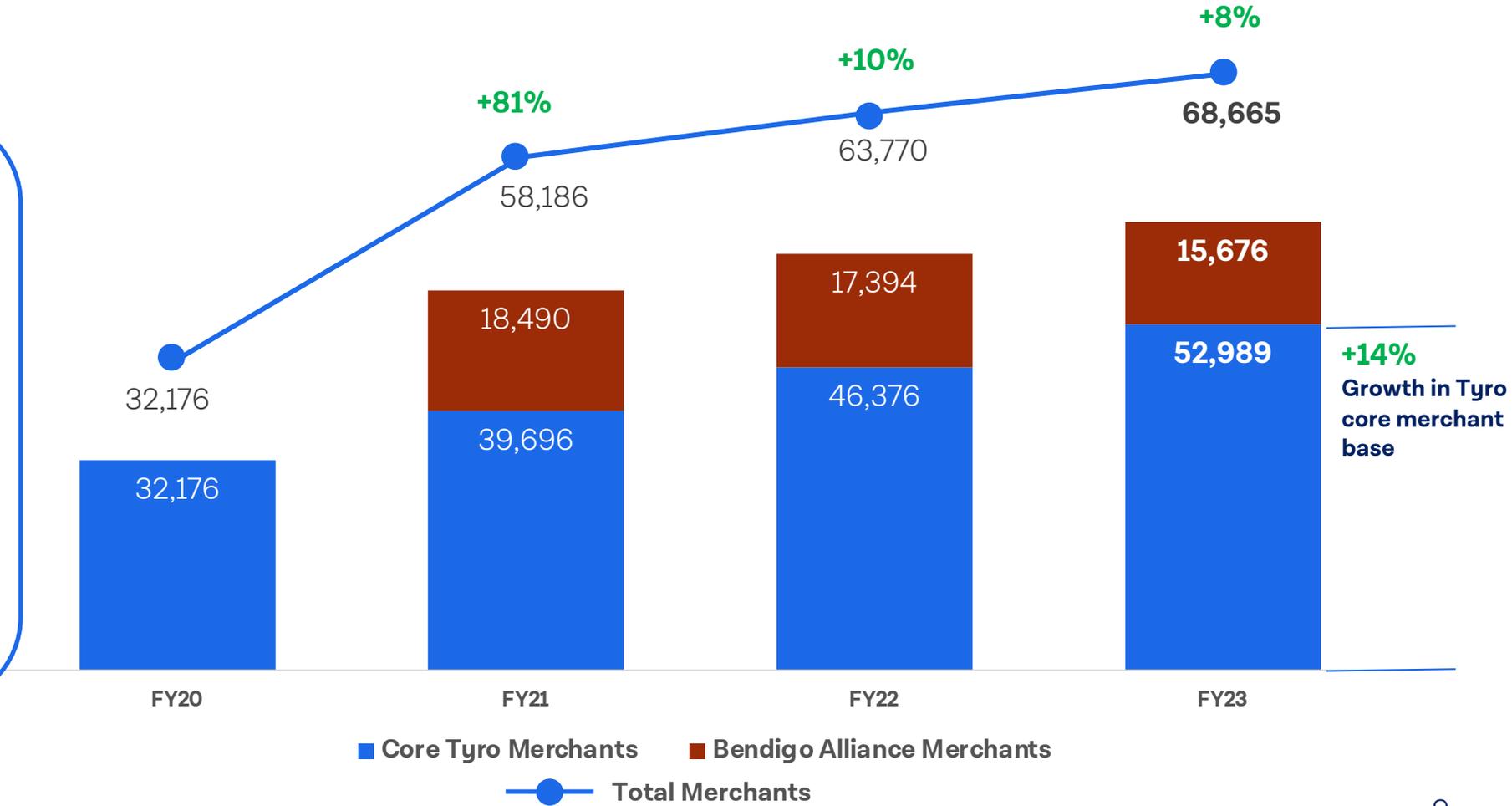
Total merchant growth 8%

Core Tyro customer growth 14%

Bendigo customer reduction (10%) following migration

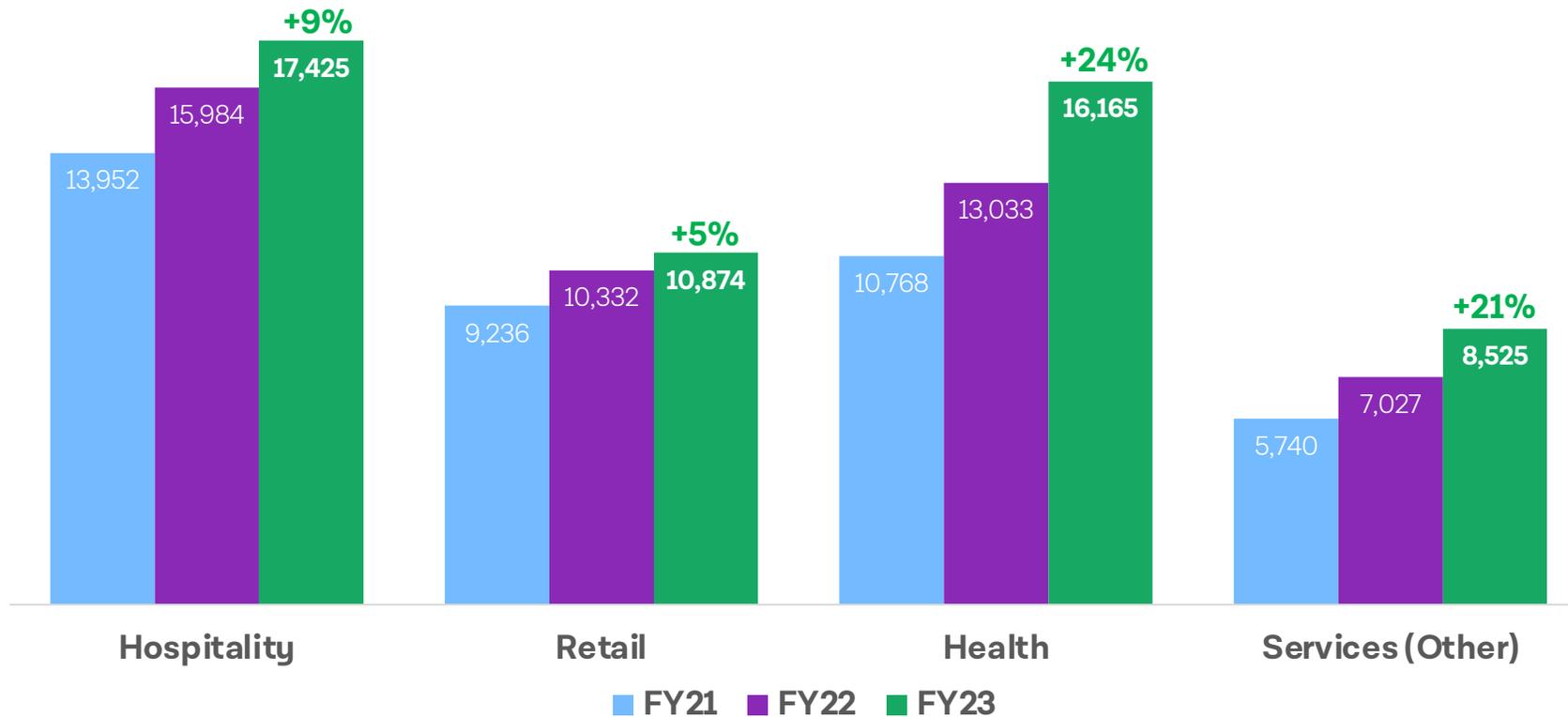
Transaction value churn 9.3% (FY22: 9.2%)

Merchant number churn 11.7% (FY22: 10.5%)



Increased diversification in core merchants

Merchant growth¹ by industry vertical FY21-FY23



Tyro Health (+24%) and Services (Other) (+21%) saw the highest growth in merchant numbers

Specialised verticals (Health and Hospitality) now make up 49% of Tyro's customers

¹ Core merchant numbers exclude 'Bendigo Bank powered by Tyro' merchants.

Improved banking uptake

Positive growth in lending and deposits

\$149.7m

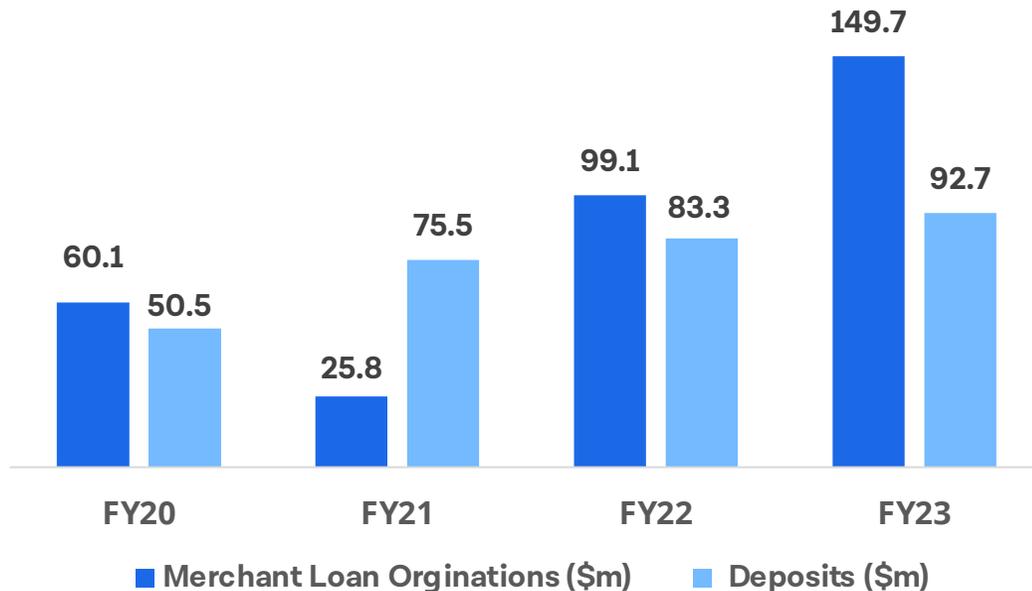
Loan originations

+51% YoY

\$92.7m

Deposits

+11% YoY





Financial Results

Prav Pala
CFO

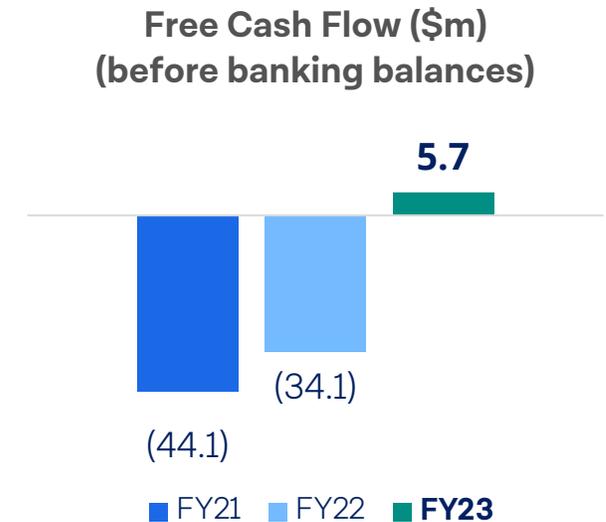
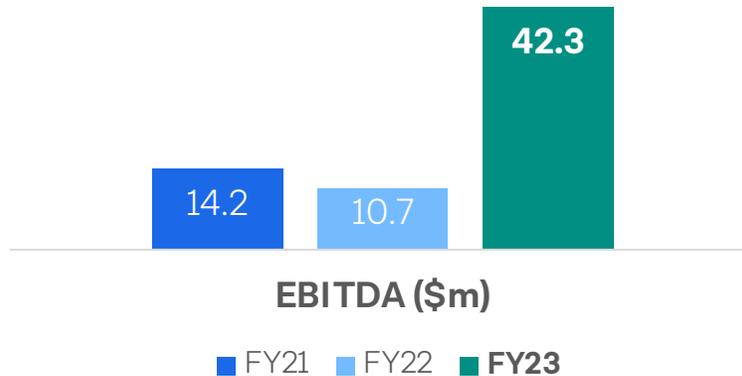
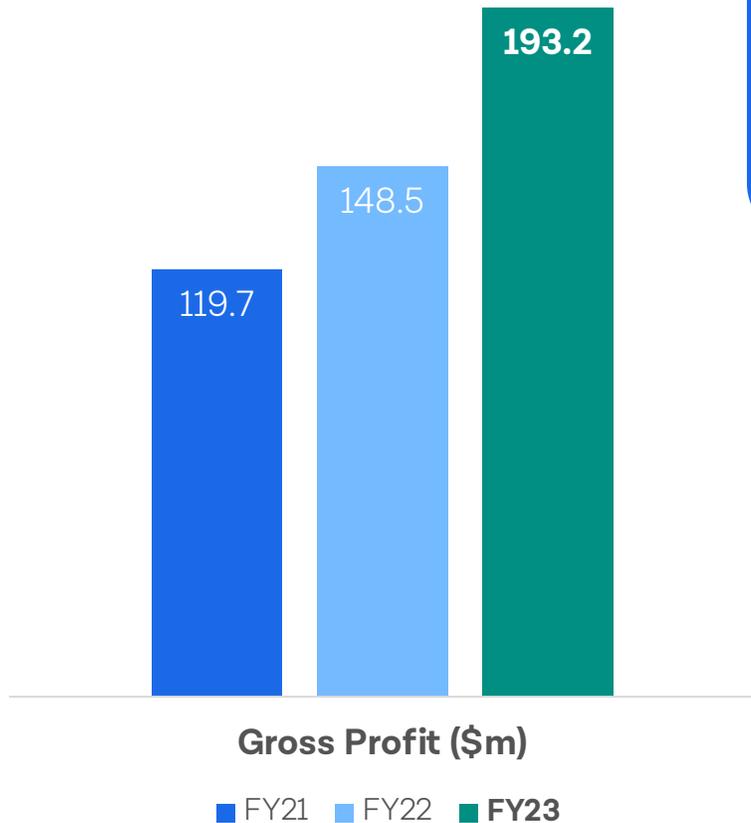
29 August 2023



Strong financial performance

Positive free cash flow for FY23

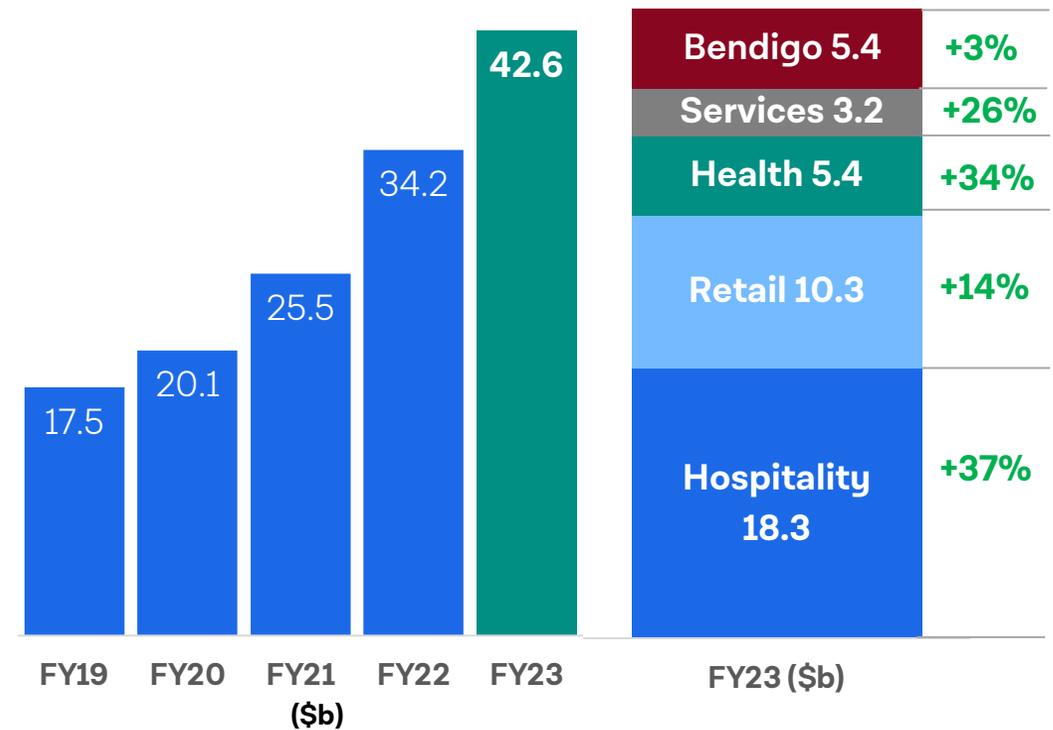
\$193.2m Gross Profit +30% YoY	\$42.3m EBITDA 22% EBITDA margin	\$5.7m Free Cash Flow +\$39.8m YoY
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Payments gross profit driven by growth in transaction value

PAYMENTS BUSINESS	FY23 \$'000	FY22 \$'000	GROWTH %
Transaction value	42,601,263	34,197,453	24.6%
Revenue	419,215	318,847	31.5%
Less: Interchange, scheme, integration + support fees	(234,618)	(171,190)	37.1%
Gross profit (statutory)	184,597	147,657	25.0%
Less: Bendigo gross profit share	(8,139)	(8,490)	(4.1%)
Add: Bendigo support fees	974	2,314	(57.9%)
Gross profit (normalised)¹	177,432	141,481	25.4%

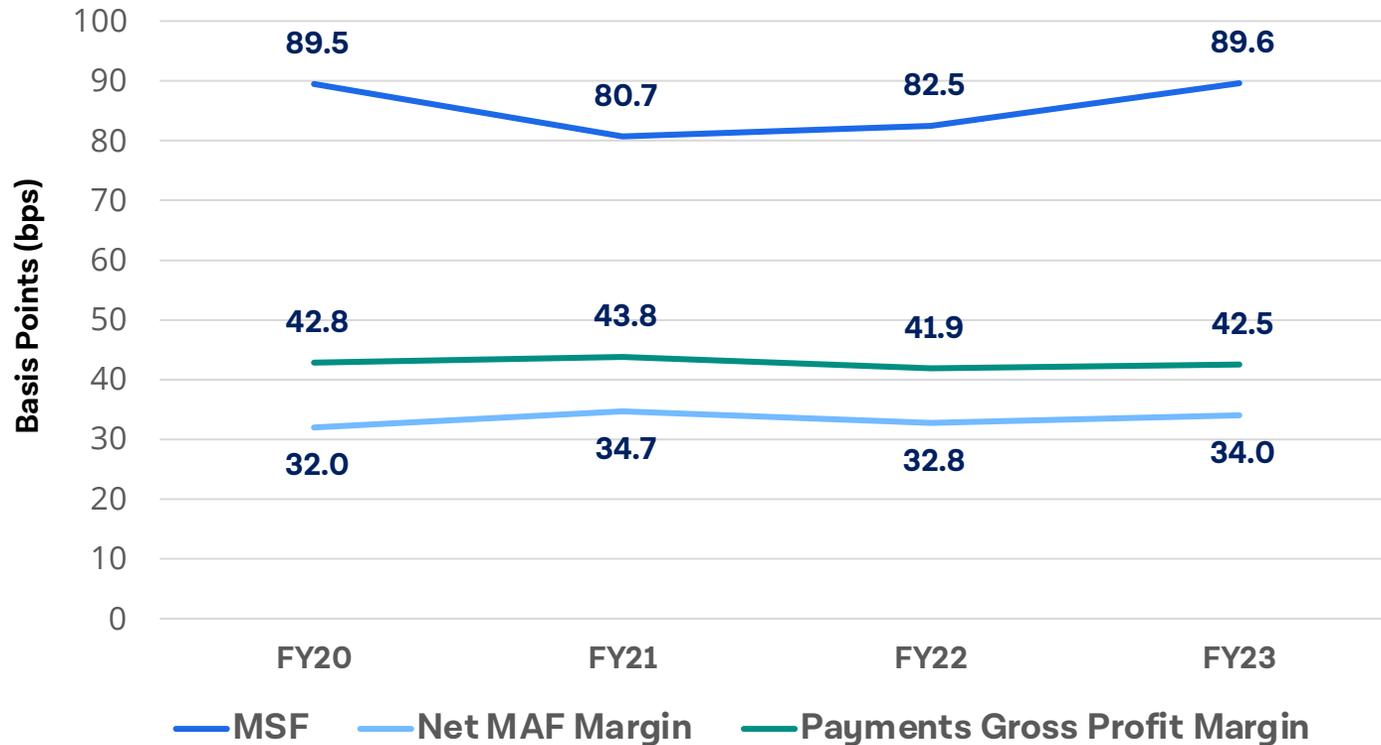
Payments transaction value
\$42.6b, +25% YoY



¹ Normalised gross profit is adjusted for Bendigo support fees of \$1.0 million associated with transition of Bendigo merchants to the Tyro platform, the Bendigo gross profit share of \$8.1 million not deducted from statutory gross profit but deducted to calculate normalised gross profit.

Margin improvement

Tyro core Payments business¹ margins as a proportion of transaction value (bps)



Card mix as a proportion of transaction value (%)



¹ Tyro Core Payments business consists of Tyro merchants excluding Bendigo.

Greater contribution from banking and corporate

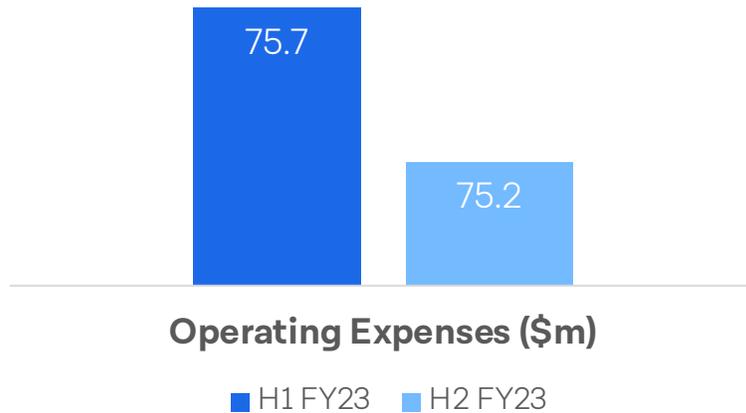
BANKING BUSINESS	FY23 \$'000	FY22 \$'000	GROWTH %
Loan Originations	149,710	99,071	51.1%
Interest income	11,069	4,877	127.0%
Fair value (loss)/gain on loan	(1,697)	627	Large
Revenue	9,372	5,504	70.3%
Less: Interest expense on deposits	(814)	(274)	197.1%
Gross profit	8,558	5,230	63.6%

OTHER REVENUE AND INCOME	FY23 \$'000	FY22 \$'000	GROWTH %
Investment income	7,653	753	916.3%
Other revenue and income	3,536	1,039	240.3%
Less: me&u fair value gain	(3,974)	-	Large
Gross profit (normalised)¹	7,215	1,792	302.6%

¹ Normalised gross profit is adjusted for a fair value gain on the recognition of me&u as a financial asset.

Continued reduction in expenses

Operating expenses¹ (excl. share-based payments) (\$m)



Costs well managed post October cost reduction program

H2 costs \$500k lower than H1

FY23 total operating expenses - \$150.9m (FY22: \$137.8m)

Salary increases offset by half year impact of cost reduction program

¹ Operating expenses excludes one-off costs to implement the cost reduction program, any M&A related spend and the reversal of a previous provision relating to the terminal incident. Refer to page 25 for a reconciliation of statutory to normalised results.

Achieved positive free cash flow

	FY23	FY22	Variance
Free Cash Flow ¹	\$'000	\$'000	\$'000
Operational cash flows			
EBITDA	42,299	10,667	31,632
Capital expenditure	(32,090)	(33,482)	1,392
Rent	(1,173)	(2,788)	1,615
Bendigo top-up payment	(1,861)	(3,536)	1,675
Bendigo transitional costs	(974)	(4,669)	3,695
Working capital movements	3,900	4,703	(803)
Total operational cash flows	10,101	(29,105)	39,206
One-off cash flows			
Change of control discussions	(2,858)	-	(2,858)
Termination payments	(1,295)	-	(1,295)
Remediation payments	(248)	(5,041)	4,793
Total one-off cash flows	(4,401)	(5,041)	640
Free Cash Flow (before loans and deposits)	5,700	(34,146)	39,846

¹ Free cash flow is calculated before changes in banking funds and timing differences relating to net scheme receivables. It is calculated as EBITDA before share based payments adjusted for non-cash items in Tyro's working capital movements, statutory adjustments (including rent payments) and capital expenditure including internally generated intangibles. Terminal capital expenditure includes both new and replacement terminals.



FY24 Outlook

Jon Davey
CEO

29 August 2023



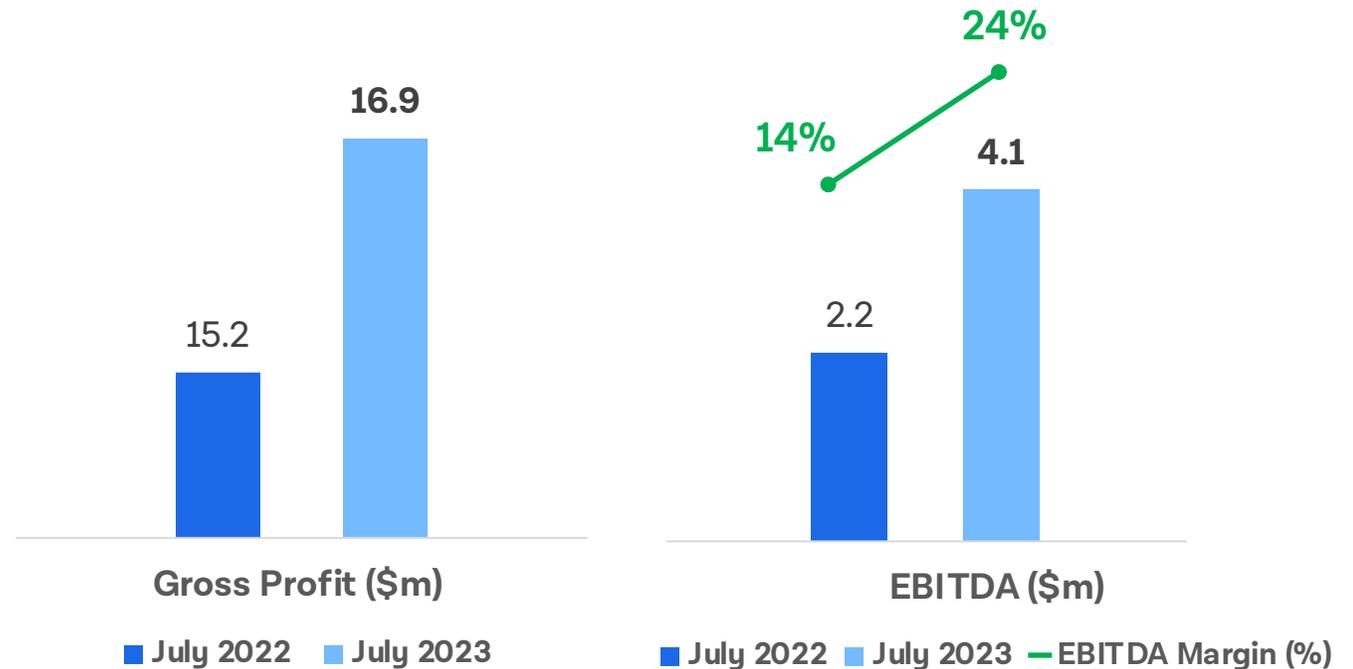
Trading update¹

Soft start to H1 FY24 driven by weaker discretionary spending factored into FY24 Guidance.

Transaction value 1 July 2023 to 25 August 2023: \$6.5 billion, up 6.3% on pcp.

- Hospitality +8.4%
- Health +28.9%
- Retail -1.9%
- Services/Other +12.3%
- Bendigo powered by Tyro -9.0%

Loan originations 1 July 2023 to 25 August 2023: \$22.0 million, up 14.4% on pcp.



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

Guiding for continued profit growth¹

Focus on cost and revenue to further improve EBITDA margin

Earnings guidance range for FY24

Transaction value	\$45.0 billion	to	\$47.5 billion
Gross Profit² (after Bendigo commission)	\$206 million	to	\$215 million
EBITDA⁴ (before share-based payments)	\$52 million	to	\$58 million
Targeted EBITDA margin³	~26%		

Positive Free Cash Flow

- Targeting continued increase in positive free cash flow⁵ (after all operating expenses + capital expenditure)

¹This FY24 guidance includes forward-looking statements. Refer below.

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 EBITDA Margin is measured as EBITDA (including lending and non-lending losses) divided by gross profit (after Bendigo commission).

⁴ 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, and other significant one-off costs.

⁵ Free cash flow is calculated before changes in banking funds and timing differences relating to net scheme receivables. It is calculated as EBITDA before share based payments adjusted for non-cash items in Tyro's working capital movements, statutory adjustments (including rent payments) and capital expenditure including internally generated intangibles. Terminal capital expenditure includes both new and replacement terminals.

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 lock-downs, 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 2023.

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.



Investor Update Tyro Strategy

18 October 2023

Details to follow





Thank you

29 August 2023





Appendix

29 August 2023



Reconciliation of statutory to normalised results



NORMALISATION ADJUSTMENTS

	FY23 STATUTORY \$'000	BENDIGO ALLIANCE GROSS PROFIT SHARE \$'000	BENDIGO ALLIANCE TRANSITIONAL COSTS \$'000	INVESTMENT IN ASSOCIATES & MINORITY INTERESTS \$'000	OTHER \$'000	FY23 NORMALISED \$'000
Total revenue	439,776	-	-	(3,974) ³	-	435,802
Payments direct expenses	(234,621)	(8,139) ¹	974 ²	-	-	(241,786)
Interest expenses on deposits	(811)	-	-	-	-	(811)
Total direct expenses	(235,432)	(8,139)	974	-	-	(242,597)
Gross profit	204,344	(8,139)	974	(3,974)	-	193,205
Operating expenses:						
Employee benefits expense (excl. share-based payments)	(96,957)	-	-	-	1,295 ⁴	(95,662)
Contractor and consulting expenses	(13,427)	-	-	-	1,259 ⁵	(12,168)
Communication, hosting and licencing costs	(16,902)	-	-	-	-	(16,902)
Administrative and other expenses	(16,060)	-	-	-	1,599 ⁵	(14,461)
Marketing expenses	(8,202)	-	-	-	-	(8,202)
Operating expenses before lending and non-lending losses	(151,548)	-	-	-	4,153	(147,395)
Lending and non-lending losses	1,028	-	-	-	(4,539) ⁶	(3,511)
Total operating expenses	(150,520)	-	-	-	(386)	(150,906)
EBITDA	53,824	(8,139)	974	(3,974)	(386)	42,299
Share-based payments	(11,165)	-	-	-	-	(11,165)
Share of losses from associates	(131)	-	-	131	-	-
Depreciation and amortisation	(36,355)	11,183 ⁷	-	-	-	(25,172)
EBIT	6,173	3,044	974	(3,843)	(386)	5,962
Net interest expense	(3,712)	2,228 ⁸	-	-	-	(1,484)
Net profit before tax	2,461	5,272	974	(3,843)	(386)	4,478

Summary of adjustments

1. Bendigo Alliance gross profit share - reflects economic reality of transaction and is treated as a commission in normalised results.
2. Bendigo Alliance transition fees payable in the interim period while merchants are transferred from the Bendigo platform to the Tyro platform.
3. Recognition of me&u investment as a financial asset at fair value instead of an investment in associate.
4. Employee redundancy costs incurred as part of the cost reduction program.
5. One-off costs incurred relating to change of control offers received.
6. Remediation provision release and insurance recoveries recognised.
7. Amortisation accounted for at the completion of the Bendigo Alliance on a straight-line basis over a 10-year period.
8. Non-cash interest accounting charge relating to the Bendigo Alliance.

Financial performance



	FY23	FY22	GROWTH
	\$'000	\$'000	%
Transaction value	42,601,263	34,197,453	24.6%
Payments revenue and income	419,215	318,847	31.5%
Banking revenue (including fair value gain/(loss))	9,372	5,504	70.3%
Other revenue and income (normalised)	7,215	1,792	302.6%
Revenue (normalised)	435,802	326,143	33.6%
Less: Direct expenses	(235,432)	(171,464)	37.3%
Less: Bendigo gross profit share and support fees	(7,165)	(6,176)	16.0%
Gross profit (normalised)	193,205	148,503	30.1%
Less: Operating expenses (excl. share-based payments)	(150,906)	(137,836)	9.5%
EBITDA (normalised)¹	42,299	10,667	296.5%
Less: Share-based payments expense	(11,165)	(5,199)	114.8%
Less: Depreciation and amortisation	(25,172)	(20,505)	22.8%
EBIT (normalised)²	5,962	(15,037)	Large
Less: Net interest expense	(1,484)	(1,024)	44.9%
Profit/(loss) before tax (normalised)²	4,478	(16,061)	Large
Significant items	(2,017)	(13,556)	(85.1%)
Profit/(loss) before tax (statutory)	2,461	(29,617)	Large
Income tax benefit	3,552	-	Large
Profit/(loss) after tax (statutory)	6,013	(29,617)	Large

¹ 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 25 for a reconciliation of statutory to normalised results.

² EBIT and normalised net profit before tax excludes the non-cash accounting impact of the Bendigo Alliance, expenses associated with the 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 25 for a reconciliation of statutory to normalised results.

Financial position



	30 Jun 2023	30 Jun 2022
	\$'000	\$'000
ASSETS		
Cash ¹	58,382	51,583
Financial investments	74,524	72,695
Loans to merchants	50,526	39,504
Property, plant and equipment	42,785	41,452
Intangible assets and goodwill	126,502	132,033
Right of use assets	26,344	31,158
Other current assets	33,625	26,735
Other non-current assets	18,349	14,928
TOTAL ASSETS	431,037	410,088
LIABILITIES		
Customer deposits	92,704	83,273
Commissions payable to Bendigo Bank	85,049	92,781
Other current liabilities	44,534	40,626
Non-current liabilities	31,066	33,808
TOTAL LIABILITIES	253,353	250,488
NET ASSETS	177,684	159,600
Contributed equity	279,422	278,798
Accumulated losses and reserves	(101,738)	(119,198)
TOTAL EQUITY	177,684	159,600

Cash + Financial Investments

- Total cash and liquid investments of \$128.9 million (30 June 2022: \$122.8 million)
- Movement of positive \$6.1 million in cash and FRNs reflecting: positive free cash flow of \$5.7 million
- inflow of \$6.3 million relating primarily to timing differences in net scheme receivables
- offset by a \$6.2 million outflow from banking cash flows

Other current assets

- Increase in other current assets of \$6.9 million primarily reflective of an increase in merchant service fees receivable due to timing of year end
- \$5.8 million insurance receivable relating to settlement of terminal incident class action offset by \$5.0 million in current liabilities

Capital Expenditure

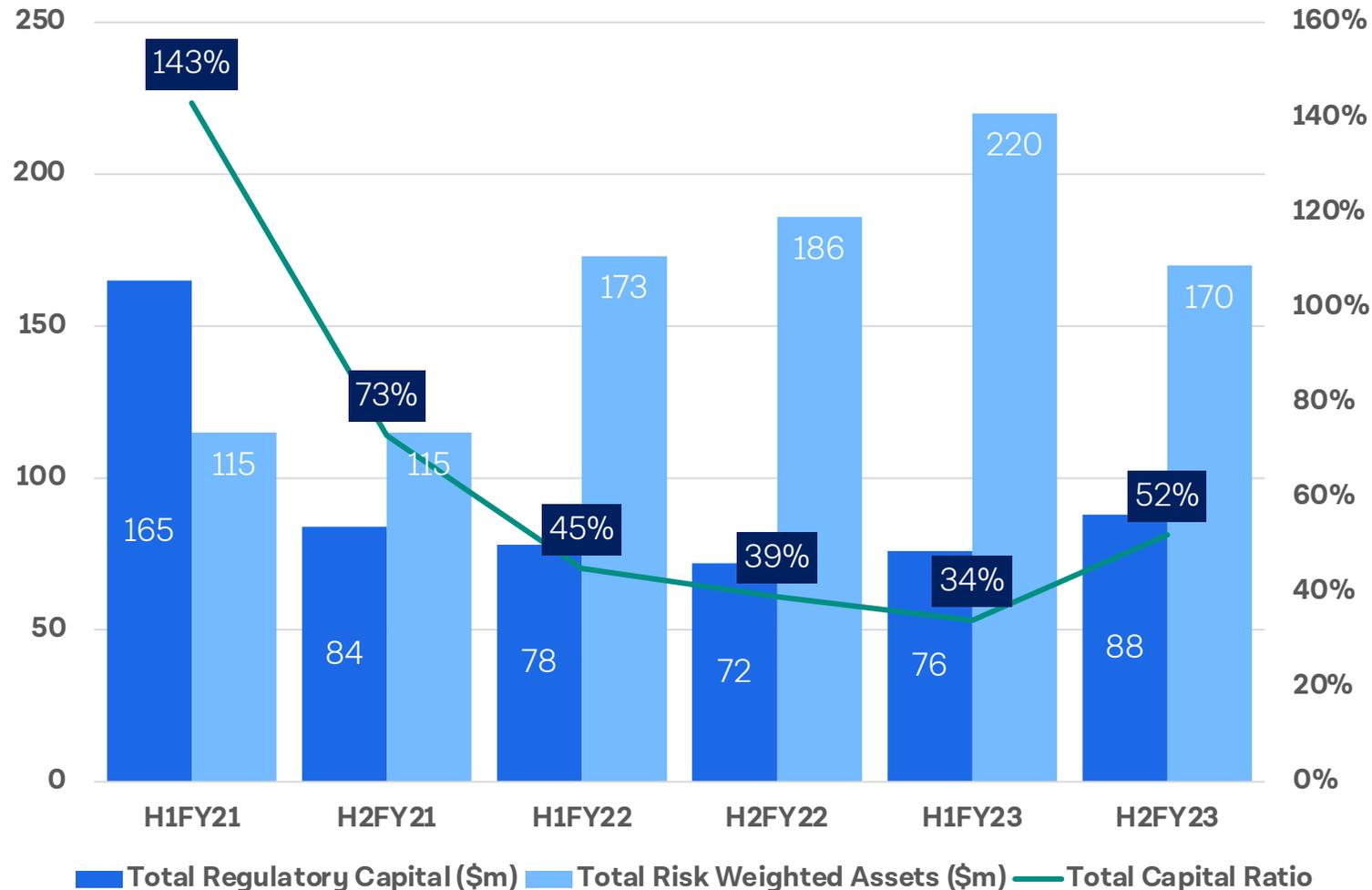
- FY23 capex on terminals of \$19.6 million (FY22: \$14.0 million) - continued roll-out for Bendigo fleet + roll-out of Tyro Pro
- Capitalisation of software development costs of \$12.0 million (FY22: \$7.0 million)
- Depreciation and amortisation on a normalised basis - \$25.2 million (FY22: \$20.5 million)
- FY24 capex expected to be in the range of \$34 million to \$38 million

Other current liabilities

- Increase in other current liabilities of \$4.0 million reflective of \$5.0 million increase expected payments to merchants under the class action settlement

¹Cash includes all cash and cash equivalents and amounts due from other financial institutions

Liquidity and capital adequacy analysis



Liquidity

- Total cash and liquid investments of \$128.9 million (30 June 2022: \$122.8 million)
- Free cash flow generation of \$5.7 million

Total Capital Ratio

- Total capital ratio of 52% at 30 June 2023. Improvement from 39% at 30 June 2022
- Total Capital Ratio significantly above APRA Prudential Capital Requirement
- Increase in capital due to Tyro being in capital generating position in FY23
- Tyro adopted the changes to Basel III that were implemented from January 2023 resulting in the reduction of Risk Weighted Assets

Reconciliation of free cash flow to statutory cash flow from operating activities

	FY23	FY22
	\$'000	\$'000
Free cash flow¹ (before loans and deposits)	5,700	(34,146)
Add back: Capital expenditure (excluding terminals)	12,463	20,653
Add back: Bendigo top-up payment	1,861	3,536
Add back: Rent	1,173	2,788
Add back/(less): Timing differences in net scheme receivables	1,653	(2,451)
Add back: Other	2,378	599
Net cash flows used in operating activities (excluding loans and deposits)	25,228	(9,021)

¹ Free cash flow is calculated before changes in banking funds and timing differences relating to net scheme receivables. It is calculated as EBITDA before share based payments adjusted for non-cash items in Tyro's working capital movements, statutory adjustments (including rent payments) and capital expenditure including internally generated intangibles. Terminal capital expenditure includes both new and replacement terminals.

Payments business – supplementary information



Performance by Vertical (Tyro core + Bendigo):

	MERCHANT COUNT						
	FY23 \$'million	FY22 \$'million	GROWTH %	PROPORTION OF TOTAL TV (%)	FY23 (#)	FY22 (#)	GROWTH %
Performance by Vertical							
Hospitality	18,347	13,382	37%	43%	17,425	15,984	9%
Retail (now excludes pharmacy)	10,360	9,068	14%	24%	10,874	10,332	5%
Health (including Medipass and pharmacy)	5,361	4,013	34%	13%	16,165	13,033	24%
Service/Other	3,169	2,514	26%	7%	8,525	7,027	21%
Bendigo	5,364	5,221	3%	13%	15,676	17,394	(10%)
Total	42,601	34,198	25%	100%	68,665	63,770	8%