

ASX Announcement

TYRO PAYMENTS LIMITED 2020 ANNUAL GENERAL MEETING

Sydney, 27 October 2020, Tyro Payments Limited (**Tyro**) today provided the following documents relating to the 2020 Annual General Meeting, for immediate release to the market.

1. Chair and CEO | Managing Director Address to Shareholders; and
2. Annual General Meeting Presentation.

These addresses will be webcast live at <https://agmlive.link/TYR20> from 15:00 (AEDT) today and will be placed on the Tyro Investor Relations website.

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Pursuant to Listing Rule 15.5, Tyro confirms these documents have 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.

TYRO PAYMENTS LIMITED

ABN 49 103 575 042

2020 ANNUAL GENERAL MEETING

ADDRESS BY THE CHAIR AND CEO | MANAGING DIRECTOR TO SHAREHOLDERS

27 OCTOBER 2020

CHAIR'S ADDRESS

As you would understand - it has been a very challenging year, particularly for our merchants with the impact of COVID-19 and the bushfires wreaking havoc on their businesses and ambitions. Our priority since mid-March has been to do all that we could to work with our impacted merchants to assist them in navigating this crisis.

We moved quickly to develop a range of responses and to provide assistance to our merchants impacted by COVID-19 and also to ensure our business was well positioned to rebound as quickly as possible to a new normal operating environment returns, including:

- ensuring the safety of our team and enabling to work from home;
- doing all that we could to keep our team intact;
- loan repayment holidays for merchants with cash advance loans;
- terminal rental relief to impacted merchants;
- providing access to the Federal Government Coronavirus SME Guarantee Scheme;
- maintaining our high service standards and reliability for our merchants;
- fast-tracking merchant access to the Tyro eCommerce platform;
- implementing a telehealth payments system for our health practitioner merchants to ensure continued service for their patients; and
- keeping you, our investors, informed of how the business was tracking on a weekly basis.

It seems to have been a long year - and our COVID-19 actions rightly have overshadowed other major achievements of the team this year - not least being the accomplishment of the largest successful listing on the ASX by market capitalisation in calendar year 2019 - at a time when many other planned listings failed.

The team achieved this whilst also staying focused on performance - delivering strong growth in challenging conditions and entrenching our position as Australia's fifth largest merchant acquiring bank by terminal count.

Robbie will talk more about Tyro's financial performance for FY20 and provide more details on the steps we have taken and how our operations, team and merchants have traversed this most unusual of years.

FY20 also highlighted the importance of Sustainability. Working with over 32,000 merchants across Australia, it is important that we fulfil our mission by delivering our solutions in a manner that creates a sustainable future for all our stakeholders. This includes our shareholders, our people, our merchants, the broader community in which we operate, our suppliers, business partners and regulatory bodies. A sustainable future also includes our environmental footprint and our impact on the planet and the strategies we have in place to minimise this impact.

We have made good progress in FY20 by establishing our first sustainability framework and presenting our first sustainability report to shareholders. However, we recognise that as we continue to grow as a listed business, we will need to enhance our sustainability reporting and as such plans are in place to further strengthen this aspect of our business from FY21 onwards.

Turning back to the Board - we farewelled Kerry Roxburgh, our former Chair, at last year's Annual General Meeting. I would like to again take this opportunity to thank Kerry for the significant contribution he made to the growth of Tyro during his tenure as Chair.

In September 2019 we welcomed Fiona Pak-Poy to Tyro's Board as a non-executive director. Fiona's career in technology and financial services management consulting, venture capital investment in high tech start-ups, founding and running an online retail operation, coupled with public company board experience made Fiona a standout candidate for us.

I would like to recognise and thank my fellow Board members for their contribution throughout the year.

Finally, on behalf of the Board, I would like to sincerely thank our dedicated team of committed people, our merchants, shareholders and all our other partners for their ongoing support through this challenging year. We will continue throughout FY21 to support our merchants in whatever way we can to get their businesses back to normal with an expectation that there could well be additional challenges as we all seek to navigate our way out of the COVID crisis.

That concludes my address to you, so I will now hand over to Robbie.

CEO | MANAGING DIRECTOR ADDRESS TO SHAREHOLDERS

Thanks David and welcome all.

It's an absolute pleasure to be here with you this afternoon, but I must say I look forward to a time when we can again meet in person.

It has been an amazing two and a half years in the 'chair' as Tyro's CEO.

As a team we have delivered a lot this year and we remain 100% focused on our vision to be Australia's:

- fastest growing;
- most loved and trusted; and
- sustainable, payments and business banking partner.

I will talk in a moment about what we have delivered in the year, but I must say the thing that really excites me is the opportunity that remains in front of us.

We continue to disrupt the payments landscape in Australia and pride ourselves on doing things differently. Our success here perhaps best demonstrated by Tyro being the fifth largest payments provider amongst all banks – measured by the number of terminals deployed. We are taking on the 'big guys'.

In FY20 we transacted \$20.1 billion in payments from a total market that exceeds \$660 billion in 'card present' and 'card not present' transactions. We hold an approximate 3% segment share – clearly demonstrating the significant opportunity in front of us.

Before delving into our FY20 financial results, I would like to spend a few minutes explaining why Tyro is perfectly placed to provide a much-needed alternative to the traditional incumbents.

We are a technology-focused and values-driven company providing payments solutions and complementary banking products. We exist to set businesses free to get on with business, by simplifying payments and banking.

We do this with a DNA that is fundamentally different to the rest of the pack in a number of important respects:

- Firstly, we have a long and successful track-record in payments in Australia, having established our operation some 17 years ago - producing deep payments domain knowledge and expertise with a proprietary payments technology platform.
- We applied for, and were granted, an unrestricted Australian Banking Licence five years ago – the first new local banking entrant in a decade - well before the 'neo bank' phenomenon.
- We have always had a plan and determination to establish a payments and banking solution purpose built for Australian business, particularly in the long-neglected SME segment.
- Our ability to solve the friction points in payments and banking stems from being a tech driven enterprise with approximately half our team being technologists.
- Finally, our plan has always been to stay niche and nimble with a payments centricity – designing banking and other value adding services around our payments core.

It is these attributes in combination that enable us to provide a simply better solution for Australian business.

Looking back at FY20 it is hard to imagine a year with more contrast. We went from the highs of successfully undertaking our IPO in what were challenging markets.

To the lows caused by the combination of the devastating bushfires in January and the onset of COVID-19 from mid-March. As a team our hearts went out to our merchants as we tried to offer what assistance we could as they fought the challenges nature threw at them.

In February we had been on track to deliver our Prospectus forecast however by March we recognised the uncertainty and potential impact of COVID-19 – and for that reason we decided to withdraw our forecast.

Considering the challenges faced in the second half of the year, our overall result was strong, albeit clearly behind where we had forecast to be at the time of our IPO:

- In particular, and as I mentioned, our payments business processed \$20.1 billion in transactions on behalf of our merchants, a lift of 15% on the prior year. At 29 February, pre the COVID impact, we were however growing transaction value at 29%.
- We added close to 3,200 new merchants on a net basis to our payments business in the year, taking the total number of merchants trusting us with their payments requirements to more than 32,000 – an 11% increase on FY19. This growth rate was 23% prior to the COVID impact.
- Our merchant cash advance loans continued to achieve very promising growth. Since product inception four years ago, we have originated close to \$150 million in loans of which

\$60.1 million was originated in FY20 – a 15% lift on the prior year. Originations were growing close to 70% prior to 1 March.

- Strong growth was also achieved by our Tyro Bank Account. This fee-free and interest paying account at year's end had close to 3,700 active accounts in existence, up from 2,400 a year ago.
- The strong performance of our three product streams in combination saw our revenue in FY20 increase by 11% reaching a record \$210.7 million.
- Our cash operating expenses, excluding share-based payments and IPO costs, increased a well-controlled 6.5% to \$97.8 million. To protect our business during COVID-19, we did curtail spending on marketing, travel, and certain other expenses along with pausing new hiring and salary increases.
- Our gross profit was up 12% to \$93.5 million and we delivered an EBITDA loss (before share-based payments and IPO costs) of \$4.4 million compared with a loss of \$8.6 million in FY19.
- Our net loss after tax on a statutory basis was \$38.1 million, compared with \$18.4 million in FY19.

Notwithstanding the impacts of COVID-19, we remain in a strong financial position enhanced by the funds raised in our IPO – which positions us well to pursue our growth plans in FY21 and beyond. In particular:

- Our cash, cash equivalents and liquid financial investments available at 30 June 2020 totalled \$188.3 million, up from \$68.8 million at 30 June 2019.
- Our total capital balance at year's end also remained strong at \$165.8 million and our capital ratio was a very healthy at 162%.
- At year's end we held \$11.9 million in merchant loans fair valued as current and non-current assets, against merchant deposits of \$50.5 million as current liabilities. The ~88% increase in merchant deposit balances provides further scope to scale our loan product in FY21 and beyond once the risks of COVID-19 have subsided.
- Finally, our capital expenditure for FY20 was \$11.9 million principally made up of terminal purchases and investment in software, including capitalised internal development costs of \$2.8 million.

Now just providing a little more detail on our payments operation.

Our focus on our customers shone through in the year with our Net Promoter Score increasing an impressive 6 points from 37 a year ago to a high of 43. Consistent with our NPS, our customer retention rates remained very strong with customer churn measured by customer numbers remaining steady at 11.7% excluding inactive merchants principally due to COVID-19. While transaction value churn reduced from 9.3% a year ago to 8.0%. Also, pleasingly our prompted brand awareness has lifted to 14% up from 10% a year ago – it goes without saying we have plenty of runway left to lift our brand awareness.

As mentioned we were experiencing exceptionally strong growth in our payments transaction values before COVID. Some insight can be gained from our monthly transaction value performance as the COVID-19 lockdowns were introduced and from the recovery profile we saw as the restrictions lifted. This has particular relevance in considering the position in Victoria as restrictions ease and noting Victoria has historically represented approximately 23% of our transaction values.

In this regard our transaction values growth rate which was tracking 30% at the end of February:

- It dropped to 3% for March;

- was negative 38% for April;
- was negative 18% for May; and
- rebounded strongly to positive 7% for June.

This improvement continued into FY21 but we did experience a dip as Victoria went into its second wave of lockdowns in August. The run rate was:

- positive 11% for July;
- negative 4% for August;
- positive 5% for September;
- and month to 23 October positive 9%.

Also of note was the trajectory of new merchant applications pre and post COVID. We were pre-COVID averaging around 1,000 new merchant applications a month, this fell away to 781 applications in March; 508 new applications in April; 800 applications in May; before recovering to 1,000 applications in June. Pleasingly the momentum for signups has continued to improve into FY21 notwithstanding the Victorian situation with:

- 1,019 new merchant applications in July;
- 924 applications in August;
- a record 1,133 new merchant applications in September.

To address the COVID-19 challenge we fast-tracked the roll-out of our new eCommerce solution to merchants. Our 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. Whilst still very much a work in progress - at 30 June we had 384 merchants utilising our eCommerce solution with \$10.6 million generated in transaction value.

Also of note close to 32,000 of our merchants are now able to activate our integrated Alipay offering as a payment option. Whilst our Alipay solution has been significantly impacted by the lockdown of Australia's international borders we are confident this payment type will return to growth once international travel resumes.

We also introduced a payment and rebating solution to facilitate telehealth in March – this was a direct response to COVID. It involves health practitioners processing Medicare Benefits Schedule bulk-billed telehealth claims through their Tyro terminal and gap fee payments through either their Tyro terminal or our eCommerce solution. It is our belief that telehealth will continue to be offered by health practitioners even after the risk of COVID passes.

Turning now to our banking products. Although our banking operation still only represents a small part of our overall business, it presents an alternative to the major banks and has strong prospects for continued growth. Our products are focused on providing our customers with innovative ways to meet their transaction banking and unsecured lending needs.

Our Tyro Bank Account is a fee free, interest earning transaction account. Approximately 3,700 Tyro merchants were actively using the Tyro Bank Account with \$49.7 million on deposit as at 30 June up from \$26.9 million the same time last year.

On 10 December 2019 we commenced a pilot of our new Term Deposit which is available through the Tyro app. The trial successful concluded and on 1 July we made the product generally available to all eligible merchants.

Our cashflow based, unsecured loan product is designed to assist SMEs in growing their businesses. Our business loan is repaid from a merchant-selected, pre-determined percentage of card transaction volumes as generated by the individual business and is offered on the basis of an upfront fee. The innovative feature of this product is that repayments cycle up or down in accordance with a merchant's daily card transaction volumes.

This loan product achieved \$60.1 million in originations in the year up 15% on FY19. Since 1 April only \$1.6 million in new loan originations were written consequent upon COVID. The average loan size in the year was around \$32,000 - this remains consistent with last year. This product is achieving an above 70% repeat usage rate and pleasingly loss rates are tracking sub 2% of originations – with total losses in the period approximately \$1.1 million.

Prior to the onset of COVID, our loan application process was streamlined giving all Tyro merchants the ability to check their eligibility for a loan through the Tyro app. If eligibility was not automatically satisfied through the app, a manual review could be initiated with our loans team collecting additional information and assessing the application with the benefit of this data. Post COVID and from 1 April, our assessment process was adjusted making use of our manual assessment path rather than our automated functionality.

From May to September we were a participating lender in the Government's SME Guarantee Scheme, and we reinitiated our automated assessment process for loans up to \$30,000 and a manual assessment processes for higher value loans. These changes were implemented recognising the impact of the lockdowns and to ensure any new lending met our internal risk tolerances. We are now operating without the SME Guarantee Scheme and have retained our automated process for loans up to \$30,000.

In terms of outlook while we are not providing specific profit guidance for FY21, we do take this opportunity to discuss some early trading indicators for the current year - noting these data points are unaudited. Specifically the highlights are:

- we have maintained our customer acquisition momentum with more than 33,200 active merchants working with us as at 30 September 2020, an 8% increase on September 2019;
- our transaction value to 23 October 2020 grew 5% to \$6.799 billion compared with \$6.463 billion for the same period last year;
- of note New South Wales transaction value was up ~8% on same period last year, whilst Victoria was down ~35%;
- eCommerce transaction value for the year to 30 September 2020 was \$6.7 million;
- loan originations to 30 September 2020 were \$0.9 million down 95% on the same period last year; and
- deposits balances at the end of September 2020 were \$76.6 million compared to \$30.8 million at 30 September last year.

I would also like to say a few words about the alliance we announced with Bendigo Bank on 16 October. The key joint objective of this alliance is to provide a best-in-class payments solution to Bendigo Bank's business customers.

Under the alliance we will exclusively provide merchant acquiring services to Bendigo Bank's existing merchants and Bendigo Bank will exclusively refer new merchant opportunities from its business customer base to us, all under a co-brand.

The alliance will formally commence in the first half of calendar 2021 and has an initial 10-year term. It will see us deliver our leading card-present and card-not-present payments solutions to Bendigo Bank's merchant acquiring customers, providing greater functionality, more payment options, enhanced reliability and seamless cloud integration to more than 300

POS systems. Bendigo Bank will continue to provide all other banking services to these customers. We expect to deploy more than 26,000 Tyro terminals in calendar 2021 for the alliance, increasing our terminal fleet to just above 89,000 terminals.

It is our expectation that¹ Bendigo Bank's business customers will generate approximately \$5 billion in transaction value in FY22. Our gross profit share (after gross profit share to Bendigo Bank and before operating costs) from the Bendigo Bank cohort will be approximately \$19 million in FY22.

Finally, and most importantly, I would like to acknowledge the amazing Tyro team – the commitment to our business and merchants this year has been nothing short of exceptional. We could not have got through the year as we did without your passion, drive, and enthusiasm. So, Tyros, I thank you one-and-all for all your efforts in FY20 and for living the Tyro values!

Thanks for listening and back to you David.

¹ Based on existing Bendigo Bank merchant numbers, merchant acquisition and churn rates continuing as experienced historically and COVID-19 impacted merchants recovering by the end of FY21