

ASX Announcement

TYRO PROVIDES Q1 UPDATE AND RAISES FY23 GUIDANCE

*Record transaction value growth, customer applications and loan originations achieved
Cost reduction program commenced
Release dates of new products confirmed*

Sydney, 10th October 2022 – Tyro Payments Limited (**ASX: TYR**) (**Tyro**) today provided an update on its key performance metrics for the first quarter of FY23 and improved FY23 guidance.

Key highlights for the quarter ended 30 September 2022

- \$10.367 billion in transaction value processed by Tyro merchants – up 59% (pcp: \$6.528 billion).
- 4,281 new applications received in the period (pcp: 3,659 new applications).
- Merchant loan originations of \$32.7 million – up 116% (pcp: \$15.2 million).

Tyro also announced that a cost reduction program targeting an \$11 million decrease in the annualised cost base was underway, with \$5 million in savings to be realised during FY23. The program includes an overall reduction in headcount, changes to the mix of permanent employees and onshore and offshore contractors in technology, and reduced operational and discretionary expenditure.

The result of this cost reduction program will see an uplift in FY23 guidance as follows:

- FY23 operating leverage now guided to a mid-point of 82% (previously 85%); and
- EBITDA before share based payments expense range of \$28 million to \$34 million (previously \$23 million to \$29 million).

Tyro also confirmed the delivery dates of key initiatives with the new **digital onboarding** platform to launch in November 2022, the **Tyro Pro** next generation terminal in December 2022 and the **Tyro Go** reader to be available via our partner channels from January 2023.

Commentary:

Jon Davey, Tyro's new CEO, commented on the Q1 FY23 results and the decisive actions to drive operating leverage:

"We've delivered strong results in the first quarter of this financial year driven by record transaction value growth, customer applications and loan originations, alongside a clear focus on cost management. All our operating metrics are either in line with, or exceeding, expectations which, together with our new cost reduction program, gives us the confidence to lift guidance for FY23."

"The cost reduction program, which is underway now, will decrease our previously guided operating cost base by \$11 million on an annualised basis, of which \$5 million will be achieved in FY23. Based on this plan, we now see EBITDA coming in at a range of \$28 million to \$34 million for FY23 at an operating leverage of 82%."

"This program is targeted at reducing costs in non-revenue generating parts of the business without impacting our customer experience or product delivery timeline. These are difficult but necessary decisions. It is imperative that Tyro continues to invest for growth, but that we do so within an operating approach that reflects long-term sustainability. Our people are a key asset and we will be diligently managing any changes that impact our team and providing support to our departing team members."

“Alongside the cost reduction program, we are reviewing our operating model which will include a lean organisational structure supported by efficient systems and processes to ensure the delivery of our strategic objectives.”

Discussing Tyro's upcoming release of new products, Jon said:

“Customers are the heart of our business, and we exist to simplify payments so our customers can focus on their business. We will be strengthening our customer offering over the next four months with two significant product releases.

“I’m pleased that our new Tyro Pro terminal will launch with select merchants before Christmas this year, ahead of our previous target, and will be available to all merchants next year. Tyro Pro will offer a best-in-class experience for our merchants and, with a growing feature set, will help unlock the potential of in-store digital commerce.

“Further demonstrating the momentum in our product roadmap, we are bringing forward availability of the Tyro Go reader in our partner channels to January 2023. This new reader provides an alternative solution for our micro merchants. Together with our digital onboarding platform, these products will drive future growth at an improved cost base and operating leverage.”

Revised FY23 Guidance¹:

Tyro has updated its earnings guidance range for FY23 with forecast transaction value retained at between \$40 billion to \$42 billion, normalised gross profit of between \$175 million to \$181 million and target operating leverage at ~82%.

FY23 Guidance Range			
Transaction Value	\$40 billion	to	\$42 billion
Gross Profit ² (after Bendigo commission)	\$175 million	to	\$181 million
Operating leverage ³	~82%		
EBITDA ⁴	\$28 million	To	\$34 million
EBITDA margin at midpoint	~18%		

1. This FY23 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. Operating leverage is measured as operating costs (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.

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.

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Pursuant to Listing Rule 15.5, Tyro confirms this document has been authorised for release to the market by the 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 totalling \$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.