Company: **Tyro Payments**

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[START OF TRANSCRIPT]

Operator: Thank you for standing by, and welcome to the Tyro Payments H1 FY25 Investor Briefing. All participants are in a listen only mode. There will be a presentation followed by a question and answer session. If you wish to ask a question, you will need to press the star key followed by the number one on your telephone keypad. I would now like to hand the conference over to Mr Martyn Adlam. Please go ahead.

Martyn Adlam: Thank you. Good morning, everybody, and thank you for joining today's call. My name is Martyn Adlam and I head up Investor Relations for Tyro. I would like to acknowledge that I'm hosting the meeting in Sydney on the land of the Traditional Owners, the Gadigal people. I pay my respects to Elders past, present and emerging.

This morning we released our results for the first six months of the 2025 financial year. All of the documents, including today's presentation, have been released through the ASX and are available on our Investor Centre. The call is being recorded and transcribed and a replay will be available on our Investor Centre shortly.

On today's call, you will hear from Jon Davey, CEO and Managing Director, and from Emma Burke, our Chief Financial Officer. There will be time available for Q&A at the end of the presentation.

I would now like to turn the call over to Jon and ask the audience to turn to slide three.

Jon Davey: Thank you, Martyn, and good morning, everyone, and thank you for joining our call today. It's my pleasure to share our FY25 first half update with you.

The payments industry that we operate in continues to evolve, driven by rapidly evolving technology and regulation, competition and broader macroeconomic factors. Our presentation today shows that, in this complex environment, this management team continues to deliver. Our results are headlined by its solid top line growth and improved EBITDA margin. Performance was highlighted by ongoing growth in health and continued financial discipline. Our discretionary, hospitality and retail verticals demonstrated resilience to softer macroeconomic conditions and competition. We are well on track to deliver against our full year guidance, creating more capacity to invest in the building blocks of future growth.

Key to our message is the belief we have in future growth. We are investing in a combination of building blocks that are unique to Tyro. Our Payment Switch; our Health integrations and omnichannel payment and claiming solution; our embedded payment Software Development Kit, or SDK; and our banking relationship and capability.

On slide four, I'd like to take a brief look back on how far we've come in the time since I've been CEO. This will help set some context for where we are today, especially for those of you who are new or newer to Tyro.

The financial profile of our business is fundamentally different from where we were three years ago, and we are significantly more profitable. At the top line, gross profit has grown at a Compound Annual Growth Rate of 18%. Through top line growth and disciplined cost management, we've seen our EBITDA increase by a multiple of 12 times, and EBITDA margin increased from 4% to more than 29%. With this uplift in Operating Performance, we've gone from losing more than $11 million in the first half of FY22 to a profit before tax of $10.5 million on a normalised basis for the first half of FY25.

On slide five, I want to highlight a couple of areas that we've focused on that have supported this improvement. First, through ongoing investment and excellent delivery, we've been able to continue to grow quickly in health. Based on current growth, our FY25 run rate for transaction value is more than $7 billion. To put that into perspective, when we listed in late 2019 neither of our core hospitality or retail verticals were bigger. Tyro Health is a very meaningful part of our business and it continues to grow at speed.

Second, the measures we've taken to improve operating efficiency mean that operating expenses have reduced to be around 70% of gross profit, whilst in FY22 they were equivalent to more than 90% of gross profit. Both our growth in health and operating efficiency have helped drive H1 performance and will help sustain profitable growth moving forward.

That brings me to slide six, which highlights our guidance metrics - gross profit and EBITDA margin. On our FY24 results call last August we said that we would deliver gross profit of between $218 million and $226 million for the full year, representing growth of between 3% and 7%. We also said that our EBITDA margin would be approximately 28%. For the first half, gross profit was $112 million, up 6.5% on the corresponding period, and our EBITDA margin was 29.5%. We remain confident of delivering against our end of year guidance targets. Emma will provide further detail shortly.

On slide seven, I want to share three key themes coming out of the first half. First, we're continuing to invest in the building blocks for future growth, and we're seeing positive momentum on our integrated payments and banking strategy.

Second, we've delivered higher EBITDA through a combination of top line growth and effective cost management, and we are on track to deliver our FY25 guidance. Third, we believe we are exceptionally well positioned to keep delivering profitable growth, and that the rapidly changing external environment creates opportunities that Tyro is well positioned to leverage.

Turning to slide eight, and the first of the three themes: investing in the building blocks for future growth. Ownership of our payments technology gives us the flexibility to build a range of solutions that meet the varying needs of merchants, and the needs of more than 700 software partners. It is this flexibility that optimises our access to the trillion dollars in card payments that are made in Australia every year.

As payment options evolve we see merchants wanting a solution that meets the specific needs of their industry and their business. Some merchants want us to provide them with a hardware device. This is the most traditional way of operating. Other merchants are looking to us for alternative solutions. For merchants that want hardware, we've been modernising our fleet with the state of the art next generation terminals, many of you will have used one of these. We're now rolling out the Tyro Pro Key, which is an evolution of the Pro with an added physical keypad. This is particularly important in health, where both a large screen and a keypad are often needed.

Both the Tyro Pro and the Pro key are advanced terminals. Perfect for businesses with sophisticated POS integrations. For smaller micro-merchants that don't need the advanced features of these devices, were developing a mid-range terminal that will combine the best of our hardware and software into a powerful but affordable payment solution that can be bought outright or rented monthly.

Increasingly, merchants want to bring their own device. In these instances, merchants and partners can leverage Tyro's Payment Switch and Software Integrations through our Embedded Payments SDK. We're seeing growing transaction volumes through three of our largest POS partners, and we have another 17 partners that are building the new android-based solutions needed to roll out our SDK solution.

Finally, some customers just want to leverage our payments technology. In one use case we're working with software partners who want to leverage our Payments Switch to facilitate their own branded payment solution. Our entry into the unattended payments market provides an example. We're integrating into a partner's hardware and software to process and settle payments while they onboard and service the merchant. In another example, we're taking our digital Health payments technology and leveraging this into the health adjacent insurance vertical that I've previously discussed. We see several other industry based opportunities to leverage both our payment switch and our digital capabilities to drive new sources of growth.

Turning now to slide 9. To help our merchants grow and to provide a better payment experience for their customers, we're giving merchants more ways to get paid. Transactions where a customer is present are not the only way that merchants want to be paid. E-commerce represents about 40% of all card payments in Australia, with most card present businesses also requiring some form of online solution.

We're excited to launch our latest product, which is online payments in our merchant portal. This new functionality, which will automatically be made available for our customer base in March, enables merchants to easily create payment links that can be sent to customers, including through our integrated SMS functionality, and has this all part of a single daily settlement. Customers who have had early access to this product have given us very positive feedback, and we're excited to see this scale in the coming months.

If you would please turn to slide 10. In August, I talked through the three reasons why we believe Tyro Health will generate durable cash flows into the future. Firstly, Tyro Health is growing quickly in a market where our share is relatively low. Secondly, we've built competitive advantage by solving much of the complexity and uniqueness of Health payments. Thirdly, we believe we can leverage our expertise more widely, including within some health sub-verticals, where we have limited share.

I want to cover these further today and outline how investments will maintain our growth. For context, in the 12 months to December, Australian household spend on health was over $100 billion, up 8% on last year. Over the last three years, health spend has compounded at 9% per annum. Tyro has outpaced sector growth, delivering compound annual growth over the same period of 24%. Tyro Health is now a $7 billion plus business, consistently taking market share.

Turning now to slide 11. Our Tyro Health business is deeply focused on simplifying the complex claiming and payment requirements of healthcare providers. We currently offer two very successful products. Our popular EFTPOS device is designed for in-person claiming, and Tyro

Health online, our state-of-the-art browser-based platform that enables claiming with a broad range of insurers and funders.

While Tyro Health online is market leading, our providers still use Tyro's legacy EFTPOS device for payments. This means that their in-person payment solution doesn't match the online experience. Because of this, we see many of our customers split their payment providers between Tyro Health online and other acquirers.

Next month marks a major leap forward, as we pilot a new Tyro Health Pro device. This new solution is built on our next-generation pro EFTPOS hardware and delivers an experience that is fully integrated with our Tyro Health online platform. This reinvention of the healthcare claiming experience enables functionality that we haven't had before. Providers can submit claims from the device, accept patient signatures digitally, process mobile claims and manage all providers in a truly omni-channel experience.

97% of our Health transaction value is processed by merchants using an EFTPOS device, but more than 20% of our Health merchants do not yet use us for these payments. That's why this omni-channel offering is a gamechanger. It will help us to continue growing market share, but it will also increase our share of wallet as existing customers consolidate their payments provider to Tyro Health.

This is an extremely complex build, with releases continuing over the next year. It is testament to the deep industry knowledge required to win in this market. We'll continue to invest, not just in hardware and software solutions but also in sales and marketing. We remain bullish in our ability to significantly outpace market growth over the medium term.

Turning now to slide 12. I'd like to share an update on another part of our business, which is at the centre of our strategy. Integrated payments and banking. The Tyro bank account is the central product for our integrations proposition. It's what connects merchant payments to the same-day settlement and gives our customers the ability to earn interest on balances in their accounts. We invest those deposits in loans and other interest-bearing assets. We now have 9,000 active bank accounts, 34% more than this time last year. For new customers joining Tyro, we've seen a pickup in the Banking attach rate. This reached 25% in December, up from 15% last December, and in January, we saw this increase again.

Performance in our direct channel has been particularly strong, with a marketing campaign run in December resulting in almost 50% of new merchants opening a Tyro bank account. Loan originations also increased in the half and are up 10% compared with last year. It's great to see these growing again. The team have made some changes to the customer experience and sign-up process, which have significantly improved conversion rates.

What our integration strategy is also showing is that merchants that use Payments and Banking are stronger advocates for our business than merchants that just use Payments. In our most recent customer survey, our overall Net Promoter Score was 15. For customers with a Tyro bank account, it was 24, and for customers that use our business loan product, their Net Promoter Score was 62.

From the momentum we're seeing and the satisfaction of those customers reinforces to us that merchants truly value our integrated proposition. While the improvements that we've seen are pleasing, we are far more ambitious.

I said in our full year results that we're exploring ways to accelerate the delivery of new Banking products and features. After an extensive review, we have partnered with Australian-based fintech Constantinople, a banking-as-a-service provider, to leverage their expertise in the provision of modern banking infrastructure. This will allow us to focus on building customer experiences that differentiate us, while leveraging the leading banking platform that Constantinople has in market today.

This is because we believe that most banking products are commoditised, with differentiation coming in the way that we integrate into our payment solution and the way we go to market. Customers expect a transaction account to have a debit card, integrations to the new payments platform, integrations with Xero and MYOB accounting platforms, and an intuitive online banking portal. These are not capabilities that Tyro need to build and maintain. Integration has commenced, and we will launch a new transaction account, banking customer portal, term deposit and lending product in the second half of the year.

On my final slide, slide 13, I'd like to take a moment to talk briefly about our refreshed Leadership team, as we've made some important changes. First is Emma Burke, our new Chief Financial Officer, who you will be hearing from in just a moment. Emma joined in October. She joins from Stockland where she was Deputy CFO and has more than 20 years of experience leading Finance teams across a variety of industries.

Steve Willson joined as our Chief Technology Officer in August. Steve has a wealth of experience across financial services and SaaS businesses. Since his arrival, Steve has had a strong focus on improving project delivery, our operating model and productivity. Finally, this month, we welcomed Steen Andersson as our new Chief Product Officer. Steen joins us from Immutable, where he was VP of Product. Steen has a rich background in product and technology businesses in Australia and the US, including Head of Product roles at Atlassian and at Google. He has also successfully founded and sold several businesses.

Refreshing the Leadership team is part of the broader goal to drive high performance across the business, which includes hiring top talent, embedding a growth and innovation mindset and rewarding high performance. I would now like to hand over to Emma to talk us through the financial performance for the first half.

Emma Burke: Thank you, and good morning to everyone on the call. As mentioned, I joined the team in October, and I'm really excited to be sharing our Half 1 update today. I've met a number of you already, and I look forward to meeting more of you over the coming days and weeks.

Turning to slide 15. When we look at the financial results for Tyro for this period, I'd like to focus on our continued margin expansion through top-line growth and effective cost management, our free cash flow delivery and that we are on track to deliver our FY25 guidance. Our gross profit for the period was $112 million, 6.5% higher than the same period last year. Our full year guidance was between $218 million and $226 million, which equates to 3% to 7% growth for FY25. At 6.5% for Half 1, we are well placed to deliver against this target.

Turning to EBITDA. We delivered $33 million, up 20.6% on Half 1 last year, with an increased margin of 29.5%. In our current forecast, we have a planned increase in expenses, which I will discuss in more detail shortly, but we remain comfortable with our guidance of circa 28% for the year.

In addition to the top-line growth and EBITDA margin expansion, we've continued to generate strong free cash flow at $9 million for the first half. Jon talked about financial discipline helping to drive performance and create capacity for future investment. Our performance in the first half is a great demonstration of this.

On slide 16, I want to highlight four of the key drivers of increased gross profit. Firstly, the benefit flowing through to FY25 from the pricing transformation initiative undertaken in FY24. Secondly, continued strong growth in our non-discretionary verticals, notably Health. Third, a change in mix of funding for our banking services, which has lowered our funding cost. Finally, higher corporate income, which partly reflects earnings on a higher corporate cash balance.

If you will turn to slide 17, I will share more detail on what we've seen in payments this half. The pricing transformation initiative in FY24 has helped improve the net MAF by 3.9 basis points. This includes the price review of our Bendigo merchants, which has aligned the Bendigo margin with our broader merchant base. We completed a smaller price review in December 2024 and any impact from that will flow through from Half 2.

The gross margin, which also includes terminal rental fees, was 44.7 basis points for the half. This increased by 2.9 basis points from first half '24 and reflects our targeted approach to Lightspeed customers since the end of the injunction in September. This approach has resulted in a smaller-than-expected churn impact, but we remain cautious and will continue to support our merchants, helping them avoid unreasonable fees being forced upon them to stay with Tyro.

In terms of payment volume, as you've already heard today, Health continues to deliver strongly, increasing to $3.6 billion in the half. This far outstrips growth in household health-related spend, and with our ongoing investment, we can continue to deliver above market growth.

Across our discretionary verticals, Retail and Hospitality, we saw a 3% reduction in volume compared with the first half of FY24. Volumes in these two verticals are suppressed by lower consumer spending, particularly in Hospitality, elevated business closure rates and higher levels of competition than we see in our non-discretionary verticals. We expect the macro environment to continue to weigh on discretionary areas, but we expect an improvement in consumer spending and business closures as we move into a lower interest rate environment.

Volumes across our Bendigo alliance fell by just under 11%, broadly the same as in Half 1 last year. Whilst gross profit across the Bendigo book is greatly improved, we're working with the team at Bendigo to drive greater customer engagement to reduce churn and to build healthy front book volume.

On a positive note, we've seen particularly strong growth in new business written, a metric we use to track volumes from new Tyro merchants in any given month. In Half 1 '25, these volumes were up 17% compared with Half 1 '24, with an increase in the average merchant size too. What's more pleasing is that Retail and Hospitality were up 22%. This is a strong indicator for us not just in terms of the impact on volumes in the future but how valuable our current proposition is for attracting the right mix of new merchants.

Turning to slide 18. One of the things that attracted me to Tyro was the huge opportunity that we have to provide an integrated payments and banking offering that is truly suited to our large network of Australian SME merchants that already trust us with their business. The NPS scores that Jon showed earlier for the Bank Account and Lending customers shows just how much

SMEs love the products we offer. As more of our customers choose to bank with us, we will continue to see further improvements in our customer economics.

We continue to see growth in account balances and loan originations, which increased by 5% and 10% respectively. This translated to an improved return on deposits of 3.1% for the half. This was driven by an improved mix of deposits, with more emphasis on our TBA balances, and the maturity of some historic wholesale client deposits, which led to a reduced cost of funding.

Net return on loans also increased and for the first half was 28.4%. The key callouts are that average time to repay reduced and the amount of incurred losses, which you see through the loan losses line in expenses, has also reduced. The average loan book was lower in Half 1 '25 compared with Half 1 '24, primarily due to slower loan originations in Half 2 '24. As a result, the overall net return on Banking after credit losses increased from 10.2% to 14.2%.

Moving now to slide 19, and I'm pleased to report another period of improvement in our operating efficiency. The gap, or jaws as we refer to it, between gross profit and operating expenses has widened to around $35 million. That's twice what it was just two years ago. Our operating efficiency, which measures operating expenses as a percentage of gross profit, is now 69%. Why is this so important? It's improvements like this that compound to create investment capacity or improved profitability through the benefits of scale.

When looking at expenses for the full year, both the January salary increase and higher investment spend means that Half 2 expenses will be higher than Half 1. But we're comfortable with the profile and the momentum on costs going into FY26, and this is reinforced through our confirmation of guidance.

Turning now to slide 20 and a brief look at how robust our balance sheet is. Our total capital ratio now sits at 73%, which is well above our regulatory minimum. Given we are a substantially more profitable business, we will continue to have a stream of earnings contributing to our capital base. This gives us significant capacity, which we are looking to deploy into strategic opportunities to grow and scale our business.

During the period, the Employee Share Trust completed a purchase of $3.8 million worth of Tyro shares. We will use these in place of share issuance for incentives awarded from FY24 onwards. From a liquidity perspective, as you can see, we hold liquid assets in excess of our customer balances, which reinforces our customers' funds are extremely secure.

On slide 21, our statutory PBT doubled over the period from $5.1 million to $10.3 million. Normalised EBITDA contributed significantly, increasing by $5.6 million. There is also a $5 million improvement compared with last year in other items, which primarily reflects the Bendigo impairment and high loss on associates in Half 1 FY24.

In the first half, depreciation and amortisation was $3.1 million higher than last year. We signalled at the full year, this is due to the modernisation of our terminal fleet and particularly the impact of upgrading merchants following the decommissioning of the 3G network. Jon talked earlier about the importance of our terminal strategy for future growth, and we will continue to balance growth with financial discipline. The final item I'd like to highlight is the impairment of intangible software assets related to Banking, driven by our decision to no longer internally build our Banking solution.

Looking to our full year, our statutory PBT in FY24 included some significant one-offs, including the $10 million legal settlement from Lightspeed and an insurance recovery. These will not repeat. In summary, on slide 22, I would ask you to focus on three key takeouts. Firstly, we've delivered top-line growth driven by continued strong performance in Health and an improved gross margin. Secondly, we have continued to expand our EBITDA margin through effective management of expenses and operational efficiencies. Finally, we are on track to deliver against our FY25 guidance. It's been a pleasure to share my first financial update for Tyro and I look forward to meeting many of you soon. I will now hand back to Jon for some closing comments.

Jon Davey: Thank you, Emma. Turning now to slide 24. Before we move onto your questions, I'd like to reiterate the confidence we have in our outlook and summarise why we believe we'll continue to deliver profitable growth. Tyro has a proud history of building payment solutions that meet the needs of Australian businesses.

Ownership of our payments technology, the switch, our third-party integrations, applications that run on our terminals and applications that are integrated into third party software, allow us to respond to a rapidly changing payments environment they allow us to build industry leading solutions for merchants and our partners ensuring we have a fast reliable service and drive improved margins as we scale.

We have targeted distribution channels and we continue to refine our go to market for specialised verticals and segments. Today, I have updated you on the next stage of our integrated payments and banking proposition with the announcement of our Constantinople partnership. Together, these capabilities will allow us to grow in our existing markets, explore new markets and generate improved customer economics.

We are also very well placed to navigate the regulatory changes that will come with the RBA payments review. We don't yet know what the final proposal will be, but we know that there's been a focus on banning surcharging for debit card transactions and the unbundling of payments and software.

We already have the pricing structures and technology to suit merchants in a scenario where surcharging is banned. We are confident that the financial impact of any change will be negligible and it will create opportunities for us to acquire customers from others who have business models dependant on surcharging or the bundling of software and payments.

Finally, as Emma noted, we are in a strong capital position. This creates opportunities to transform our business. In addition to the investments in growth that we've discussed today, during 2025 and beyond we are targeting inorganic means of building scale and driving productivity. Finally, on slide 25. As you have already seen we are on track to deliver our FY25 guidance. Also on this slide is a reminder of our medium-term rule of 40 targets.

That concludes our presentation. I would now like to open the call for your questions. Thank you.

Operator: Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you are on a speaker phone, please pick up the handset to ask your question. Your first question comes from Jack Daley with Shaw and Partners. Please go ahead.

Jack Daley: (Shaw and Partners, Analyst) Hi guys and yes, welcome Emma. Just a first one from me, just on churn. I guess you kind of alluded to it being a bit higher than usual. Are you able to quantify all the TTV churn, especially across the non-discretionary and discretionary?

Jon Davey: Yes, Jack. Hi there, how are you? Let me take that one. I'm not able to give you a breakdown across discretionary and non-discretionary other than to say that discretionary was higher in terms of churn rates. TTV churn, transaction value churn for the six months was broadly similar to what we saw in FY24 which you may remember was at 15%, so we're sitting at the same sorts of levels there. It remains higher than our historical averages, as you'd know, which is closer to 10%.

The primary driver that we're still seeing is elevated business closures. We have also seen some churn which we'd categorise under a competition type banner and that includes merchants that have churned to Lightspeed but as I think Emma indicated, the impact there has probably been lower than we expected which we take as a positive and clearly, we've done a lot of work in planning and preparing for that. As we see improvements in the economy we certainly hope and expect that fewer SMEs will close their business, but as I say, broadly tracking similar to where we were in FY24.

Jack Daley: (Shaw and Partners, Analyst) That's great, thank you. Just on the net MAF. I mean I guess you've improved 5 bps half on half. Is that all pricing that's coming through or is there any segment mix gain coming through there?

Emma Burke: The bulk of that is the pricing transformation that we undertook in '24 and you can see that that is rolling through this period. As I mentioned, there is a small price increase we did in December that will flow through in that period, but it's predominantly coming from the pricing transformation.

Jon Davey: The work we did last year, the annualization of that benefit.

Jack Daley: (Shaw and Partners, Analyst) Can you give a sense at all of the size of that pricing increase you put through in December and would that be in line with what you've done in the past around the increase?

Emma Burke: It's just a small group of merchants that were impacted by that increase but it's consistent with the approach we've taken across the wider pricing transformation.

Jon Davey: Jack, that included the repricing of our Bendigo book. It's very consistent with what we've driven across the rest of the book.

Jack Daley: (Shaw and Partners, Analyst) Sure, okay. I appreciate it. I'll jump back in the queue. Thanks guys.

Emma Burke: Thank you.

Operator: Thank you. Your next question comes from Owen Humphries from Canaccord. Please go ahead.

Owen Humphries: (Canaccord, Analyst) G'day team. Just a question here on the guidance statement, just around the second half guidance margins around that 27%. Now, that's well down on - can you guys hear me?

Jon Davey: Yes, yes, we've got you.

Owen Humphries: (Canaccord, Analyst) Just well - it's just that's well down on the first half being 29% and well down on the guidance for FY26. Are you talking about a softer second half or a big step up in costs? Just talk us through the margin in the second half.

Emma Burke: Yes, so we're obviously tracking above the midpoint of our guidance range in half one and we're on track to deliver that guidance. We do as I called out expect the expenses to be higher in H2. That's due to the timing of some of our investment spend aligned to prioritisation of projects in the second half and also impacted by the pay increases from 1 January. These are all known items and they're within our plan so I would say it's not about weakness in the second half. It's more around the profile that we have in our management plan from a spending perspective.

Owen Humphries: (Canaccord, Analyst) Gotcha. Just to - obviously you guys are making a push into banking. Can you just clarify, so you make around $3,000 per merchant at the moment per annum at a gross profit level, am I right by saying the banking is around that nearly $2,000 now? Is it like a 60% uplift when a customer moves to banking? Can you just talk through the economics of when you shift a customer from pure payments to including banking and then just around the levels on that?

Jon Davey: Churn levels. Well, first of all what I'd say is that we see a significantly lower level of churn for customers that have a banking product with us. I don't have those exact numbers for it with me but we know that the lifetime value of a banking customer is significantly higher. When we actually look at some of the multiples there, we know that the gross profit contribution from a customer that has their transaction account with us is 1.2 times what we see from a payments only customer. If they also have a loan with us then that goes to three times. They're numbers that we've previously disclosed. I think that was probably about 12 months ago, 18 months ago.

Owen Humphries: (Canaccord, Analyst) Gotcha and as you guys move to outsourcing a banking in the box style product, what's the cost differential between developing and maintaining that service yourself versus outsourcing it to a third party?

Jon Davey: When you look at the guidance, we have FY25 targets that we've set from a rule of 40 perspective and the impact in terms of our there year plan, they're all within plan. So, pretty consistent with the profile that we have previously spoken to.

Owen Humphries: (Canaccord, Analyst) Gotcha and a last one just around the CapEx. So, the terminal CapEx has been running north of $25 million now. I know you guys have gone through a big 3G to 4G plus replacement cycle. Has there been – if you're looking forward - is there a CapEx unwind if that's now come to completion?

Emma Burke: I think the increase is up by about $2.3 million, more so higher than it has been in recent periods. We did talk, as you said, about the modernisation of the terminals and the decommissioning of the 3G as being two key factors of that. What I would say is I don't expect CapEx to continue to grow at the rate that we have seen this period and there's two key reasons for this.

The first is as we look to deploy a lower cost terminal solution to supplement our Tyro Pro which we were aiming at the smaller SME segment is at a lower cost and so you'll see that the cost of individual terminals, those that are structured that way to reduce a little bit. We are also seeing more demand for our BYO devices or an outright buy of terminals and as this transition occurs you will see that instead of coming through in your CapEx it's going to come through in your inventory line instead. I guess the key fundamental is our CapEx spend will be strongly aligned through our strategic priorities for growth and retention.

Owen Humphries: (Canaccord, Analyst) Gotcha. Thanks guys. Well done.

Operator: Thank you. Once again, if you wish to ask a question, please press star one on your telephone. Your next question comes from Wei Sim with Jefferies. Please go ahead.

Wei Sim: (Jefferies, Analyst) Hi Jon, Emma and Martyn. A great set of results. A few questions from me. The first one is just in regards to the pricing transformation. I hear you on some of the stuff that was happening in calendar year '24 flowing through. Do we have more of that pricing transformation ahead of us or are we pretty much done with that?

Jon Davey: Emma will take that one.

Emma Burke: Thanks, great question. As we called out, there has been a little bit more in the second half. We've adjusted the - we've taken the price review on the Bendigo merchant and another small portion at the back end of December, but at that point we're then pretty much finished with the program. We'll obviously continue to look at our pricing in line with the market but the transformation so to speak is complete at that point.

Jon Davey: I would also say Wei Sim that when we put that pricing transformation program in place there were a number of one-offs and let's call them project related type activities, but there were also several operational type processes that we put in place. That included being far more disciplined around how we managed margin, particularly across some of our larger enterprise and key account type customers which has meant that and I think we've spoken before, some merchants that we support have very high transaction volumes but low gross profit contribution, so we're being far more disciplined around the way we manage margin with some of those bigger customers as well. That will be obviously on an ongoing basis.

Wei Sim: (Jefferies, Analyst) Yes, okay, perfect. Then just in terms of Bendigo. When do we expect that business to normalise and can you remind us just in terms of, I guess, our assumptions going forward, what we have in them and if there wasn't another potential write down on that, touch wood, what would need to happen or what worst case scenario would need to happen in order to trigger that?

Jon Davey: Yes. Emma will run through that and I can add some colour as appropriate.

Emma Burke: You would be aware historically we've had the top up payments in the last few years. What you will see this time around, it will be significantly smaller and that guaranteed top up agreement finishes in May of this year. Given the recent price review for the Bendigo merchants and a subsequent uplift in their gross profit, we would expect the payment this year for the top up to be relatively immaterial.

So, when you look at it more from that aspect obviously there was a large impairment that went through last year, at the moment we're still tracking well against the current value that we're holding it at but we'll obviously continue to monitor and it will depend on the market conditions as to whether there's further requirements for that, but at this point in time, we don't see anything imminent.

Jon Davey: I mean it's fair to say too that we're pretty disappointed about the performance of the Bendigo book and you can see that in the presentation. We've got a bit of work to do. We think we've got the right plans in place but we need to see the results come through.

Wei Sim: (Jefferies, Analyst) Okay and just in terms of second half for that, would assumptions be further declines coming through for that?

Jon Davey: Would be, sorry, say that again, would be further what?

Wei Sim: (Jefferies, Analyst) Oh, just negative growth on Bendigo in terms of the payments TTV.

Jon Davey: Look, I mean I think it's probably - I'd like to say we'd be able to turn it around quickly and I think it was just under 11%. I would like to think it would not be that bad but I think it's probably reasonable to assume that there will still be a decline. I don't think we're going to be able to address [unclear] growth and we're still seeing, you know, a lot of these merchants and I've said it before are regionally based, they're in hospitality and retail, discretionary type industries and I think things are pretty tough for them. We're hopeful that we'll start to see some green shoots but we'll have to wait and see, I think.

Wei Sim: (Jefferies, Analyst) Okay. Last question from me. It's just on the I guess competition and functionality landscape. Chemist Warehouse has been talking about that QR code acceptance and BPay functionality. Can you talk us through how that impacts on Tyro and how we are navigating that? Thanks.

Jon Davey: Look, I mean I think that account to account based payments is an area that we are watching really closely. We have not yet seen use cases that would suggest to us that a better merchant customer experience is delivered and we do think that the current account to account payment solutions do create a barrier for many merchants to adopt them and consumers to use them, particularly in café and restaurant type settings where the speed with which transactions process needs to be pretty quick.

So, we're watching it closely. In that kind of environment obviously, well not obviously, but what happens is the payment bypasses the scan rails so it wouldn't go through a Visa or Mastercard and therefore there's no interchange associated with cost but there is a cost associated with accessing the account to account payment rails or the NPP rails which would be equivalent of some - in my mind at least - be the equivalent of some form of interchange.

I suppose in summary we're watching it closely. We're not seeing huge use cases in Australia. We'll watch what happens from a Chemist Warehouse perspective with interest and when we're seeing real demand from a merchant perspective, we'll certainly be ready to go.

Wei Sim: (Jefferies, Analyst) Okay. Just in terms of functionality, is that something we can provide though with our current hardware?

Jon Davey: Oh yes, sorry. With hardware, absolutely, yes.

Wei Sim: (Jefferies, Analyst) Yes, okay.

Jon Davey: We would need to be able to build an app that would sit on the hardware and it would probably be QR code based, but then absolutely we can do that. That would present a QR code, that would then be scanned, it would open a mobile banking app on the consumer's phone which is where the friction comes from a mobile experience, but absolutely we can build that capability using the hardware we have.

Wei Sim: (Jefferies, Analyst) Great. That's all from me. Thanks guys.

Operator: Thank you. There are no further questions at this time. I will now hand back to Mr Davey for closing remarks.

Jon Davey: Thank you all very much for joining the call today. Hopefully that was useful. I know that we're meeting many of you over the next week or so, so thank you once again for joining and we'll see you all later in the week.

Operator: That does conclude our conference for today. Thank you for participating. You may now disconnect.

[END OF TRANSCRIPT]