Tyro Market Briefing on RBA Proposals – 15 July 2025 (note: transcript edited for clarity)

Good afternoon, everybody. Thank you very much for joining this afternoon's call. There's a lot of people on the line, so we really do appreciate the interest, especially given the short notice.

My name is John Davey; I'm the CEO and Managing Director of Tyro. What I'd like to do today is share some key points following the RBA's announcements earlier today, and then open the floor to Q&A. Please note this call is being recorded.

Firstly, today's RBA announcement represents exactly the kind of regulatory evolution we've been anticipating. It's very consistent with the recommendations Tyro submitted as part of our submission to the RBA in December last year.

Overall, we view the recommendations as a win for consumers, a win for small businesses, and, importantly for Tyro, a win for our investors. However, I would note that for card issuers, payment schemes, and merchant acquirers whose business models are dependent on surcharging or on bundling software and payments, these changes are certainly disruptive.

The RBA's proposals can be broken down into three key elements:

1. A complete ban on surcharging for both credit and debit cards.
2. A lowering of the cap on interchange fees paid by Australian businesses.
3. Increased transparency on the fees charged by card networks and large acquirers to help all businesses better understand the fees that are being charged and therefore provide businesses with the opportunity to shop around for a better deal.

There are some key points I'd like to make in relation to Tyro's business:

First, Tyro's business model is in no way dependent on surcharging or bundled product pricing. As we've previously shared, we have limited exposure to merchants on no-cost EFTPOS or zero-cost acquiring products. We also do not bundle software and payments products.

Second, the implementation of the RBA's proposals has no impact on our short- or medium-term gross profit or EBITDA margin targets. We expect to pass on to merchants any cost benefit that comes from a reduction in interchange fees. This would reduce the fees we charge, but we would still maintain our margin.

Third, around 80% of our transaction volume today is from merchants on card-based pricing plans. These include cost-plus plans, where we charge a margin on top of the processing cost, or plans that vary fees by the card type used — debit or credit, for example. We already have the pricing systems and operational processes in place to support the RBA's recommendations. Disabling surcharging is a very simple technical change for us.

Fourth, we see real opportunities to target merchants whose current acquirers use blended pricing models, rely on surcharging, or bundle in other services. We believe this creates significant opportunities and positions us to be a net acquirer of merchants when these changes are implemented.

Finally, it's been more than nine months since the government announced support for a debit surcharging ban to start in January 2026. We're looking forward to seeing the final conclusions and implementation timeline, and we certainly hope these changes are implemented with some speed.

I’d now like to open the call for a brief Q&A. As I mentioned earlier, the aim today is to help investors understand the scope and direction of the RBA’s proposals. Rather than getting into the minutiae, we’ll keep the discussion at a high level. We’re happy to meet with analysts and investors one-on-one over the coming weeks.

Q&A

Cam Halkett: Thanks for doing the call. There are a few different listed names out there in the market, each with, I suppose, mirroring exposures to this outcome, and only Tyro stood up to provide clarity thus far. I think I speak for everyone when I say thanks for doing this.

Regarding the surcharge ban, do you see this potentially playing into Tyro's strengths? When you look at some of the challengers over the last few years, you know, take a SmartPay who's leaned aggressively on surcharging. You've had POS businesses also launch surcharging with payments. But they now don't have the breadth of offering that Tyro has in terms of banking, cards, and also integrated POS, so do you think as we go forward that Tyro is actually in a far better spot now given some of the changes to some of your smaller competitors?

John Davey: Yes, I do. Our pricing models already provide a high level of transparency. What we've seen in recent years is the emergence of business models with bundled products and hidden fees. Some models have relied entirely on a “free” acquiring solution where the cost is actually passed on to consumers. These models will be challenged by the RBA’s push for transparency, which creates significant opportunity for us.

Cam Halkett: Given people on the call are focusing on potential financial impacts, I believe in the past you've said that should a surcharge ban roll through, whether that was debit or debit and credit, that there'd be limited to no impact to Tyro's gross profit going forward? Are you reiterating that again today?

John Davey: That’s right. The RBA’s changes are about lowering the cost of payment acceptance through lower interchange. We’d pass those savings through to merchants but maintain our margin, so we're pretty comfortable with what this means from a financial perspective, based on the information that we have.

Cam Halkett: Hypothetically, if merchants raise their prices after losing the ability to surcharge, could that lead to higher TTV and be a net positive for Tyro?

John Davey: Conceptually, yes. If merchants pass on the cost and demand remains steady, transaction values would increase, which would benefit us in terms of TTV.

Wei Sim: Regarding your pricing model, do you think your card-based pricing plans would come under pressure due to the changes?

John Davey: We already have more than 80% of our customers on some form of card-based pricing. These plans allow us to show transparent pricing and different costs for different card types — credit, debit, international, etc. So, while merchant service fees might decrease with interchange, we expect our margin to remain stable. Any impact would be at the revenue level, not margin.

Cam Halkett: With regulatory uncertainty easing, what impact might this have on M&A activity?

John Davey: I think scale is increasingly important. These changes may challenge smaller payment providers and accelerate consolidation in the market.

Tim Piper: For merchants on simple pricing plans, do you think competition will increase now that they can’t offset fees via surcharging?

John Davey: Yes, I do. I think there has to be. For merchants that are very price sensitive, that have been able to offset the cost of payment acceptance through surcharging, these merchants will now receive monthly invoices with a fee. They'll be looking for the best deal that they can get, and that will create competition, and that creates opportunity.

And now the challenge, I think, for small businesses will be that they've been able to look at it and say I'm being charged 1.2% and that's pretty easy to understand.

Transparency also adds a little bit more complexity, because they will look at an invoice monthly, and they'll have a different price for credit, and they'll have a different price for debit - the invoice will move around a little bit more, potentially.

Tim Piper: Could that push merchants to switch from simple pricing to cost-plus models?

John Davey: I think we’ll see an evolution in simple pricing. The RBA’s paper is quite detailed. There was a fair bit of detail in there around surcharging and transparency and what needed to be provided, what needed to be reported, and I think we need to see the level of detail that will play out there. There's going to be a bit of a balance that needs to be struck for keeping it simple enough that merchants can understand it and be able to make price comparisons across acquirers without too much complexity in the whole process.

Tim Piper: Any thoughts on how the banks might respond?

John Davey: I think the biggest impact will be on the issuing side of the big banks, not on their acquiring side. How they respond remains to be seen.

Tim Piper: Could Tyro win larger merchants from banks?

John Davey: Yes, I believe that opportunity exists.

Owen Humphries: The RBA says the changes will save consumers $1.2 billion. Who absorbs that cost?

John Davey: That will come from banks and card schemes — primarily through lower interchange.

Jackson Hewett: Are interchange fees too high? For consumers, do you think it's fair that they're paying sliding scales, effectively a flat rate that costs more and more as they spend more on their transactions.

John Davey: I won't comment on whether interchange is too high or too low. I think one of the things about interchange that's probably not well understood is that it is funding a lot of the rewards programs that many of us use on a day-to-day basis. So, yes, as a consumer, maybe I'm being surcharged, but it is also funding a benefit that I am receiving. So, one of the interesting byproducts of this is going to be what happens to some of those reward and loyalty programs that we benefit from today, and how they will be funded in a lower interchange environment?

Wei Sim: Just to clarify, given what you’ve said, does this change your guidance or outlook?

John Davey: The guidance that's currently out in market for FY25, that's done and dusted. We will provide our results, and guidance for FY26 and over the coming weeks, but our assessment of the impact is that it is neutral at worst, and we see some positive opportunities.

Closing Remarks

Thank you all for joining. Hopefully that was useful. It's going to be interesting to I see this play out over the next 12 months.