

**TYRO PAYMENTS LIMITED
ABN 49 103 575 042
ANNUAL GENERAL MEETING**

15 OCTOBER 2019

CHAIRMAN AND CEO ADDRESSES

Good afternoon Ladies and Gentlemen,

My name is Kerry Roxburgh, and I am Chairman of Tyro Payments Limited. On behalf of my fellow Directors and Tyro's senior executive team, I am pleased to welcome you to our 2019 Annual General Meeting – the Company's 17th.

It is with a little sadness to be here today for the last time as your Chairman.

However, as I mentioned at last year's AGM after more than 11 years on Tyro's Board the time is right for me to pass the baton on and it is with pleasure that I officially announce David Thodey AO is our next Chairman.

I make this decision with absolute confidence in Tyro's future and knowing that I could not leave the Company in a safer set of hands. David has been on the Board for 11 months now and his transition to the Chairman role has been seamless.

Welcome again David, and I wish you and all the team at Tyro every success. I would also like to take this opportunity to thank my fellow Board members, past and present, our executive team and you our investors for the strong support provided to me over the years.

We find ourselves at a very exciting point in Tyro's evolution. As you know we have been investigating the possibility of moving from our current non-listed public company structure, to an ASX listing. This follows an extensive five-year business planning process undertaken in the second half of the year with Tyro's executive team.

We have for the last few months been working with our trusted advisors and have reached a point where we are contemplating a listing in December 2019, obviously subject to market conditions and other relevant factors. There is considerable work in progress to achieve this timeline, and we will keep you informed as to progress as this process evolves further. I have to also note there is no certainty that a listing will necessarily occur.

The one thing I do want to particularly highlight is that in the event we proceed to listing, we will look to establish a facility to assist existing shareholders to sell shares into the listing if so desired. Providing an opportunity for greater liquidity for shareholders was one of the deciding factors in investigating a listing.

Before I call on Robbie Cooke, our Chief Executive Officer to address you in greater detail about the Company's activities in FY19 and its plans, I will provide a brief overview of the past financial year. Shareholders, proxies and visitors will then have an opportunity to comment and ask questions before we proceed with the formal business of the AGM as outlined in the notice of meeting.

[The Year in a Snapshot – Another year of outstanding growth](#)

We had a particular focus in FY19 on delivering customer facing initiatives including:

- our e-commerce platform providing a single unified payment solution to those of our merchants who also operate an online sales channel;
- a fully integrated Alipay payments solution giving Tyro merchants better access to the significant and growing number of Chinese tourists visiting Australia; and

- being the first bank to market with a least cost routing solution ('tap & save') designed to save our merchants fees.

These initiatives and our continuing quest to eliminate friction in payments saw Tyro become the 5th largest Australian bank in 'card-present' payments, measured by EFTPOS terminal numbers.

As Robbie will elaborate further in his address, this past financial year's performance was outstanding, with strong growth in our core payments operations and good progress in offering our merchants a suite of business building banking products that complement our payments offering. Financial highlights achieved in FY19 included:

- 31% increase in the value of payments transacted reaching \$17.5 billion (FY18: \$13.4 billion);
- 28% increase in total revenues to \$189.8 million (FY18: \$148.2 million);
- 108% increase in loan originations in the year totalling \$52.2 million (FY18: \$25.2 million); and
- 133% increase in deposit balances ending the year at \$26.9 million (FY18: \$11.6 million).

We incurred an EBITDA loss of \$8.6 million (FY18: loss \$9.0 million) reflecting our continuing investment in developing Tyro business building products, our commitment to attracting more businesses to the Tyro eco-system and our continuing investment in team building.

An outstanding team

The results we achieved in FY19 are only possible from having a passionate, energised and focused team who share a common sense of purpose, a commitment to winning and with a clear vision of what success looks like.

We are extremely fortunate to have such a highly talented and dedicated multi-disciplinary team driving Tyro's business as we have.

To all Tyros, I thank you for the outstanding effort in FY19 and for your individual part in driving Tyro's success.

Board changes

I would also like to take a moment to acknowledge the significant contribution in the year of my fellow Board members and to record the changes to the Board's composition in FY19.

Early in the year and after 13 years of service (including acting as Managing Director until March last year) our talented colleague Rob Ferguson announced his retirement from the Board – it is of note that Rob preceded me as Chair. I pay tribute to the crucial role Rob played over his long association with Tyro and for the load he carried in transitioning us to our current leadership.

Rob's departure coincided with the appointment in July 2018 of David Fite bringing his extensive financial sector experience to Tyro not only from his time as a senior banking executive but also as an active fintech investor.

In November 2018 David Thodey AO joined Tyro as a non-executive director, bringing with him a wealth of management, leadership and technology experience. I am delighted to announce that today, immediately after this meeting, David becomes Chairman of the Board.

In February 2019, Mike Cannon-Brookes, after a significant nine years as an investor in Tyro and a Board member, stepped back from his role due to other commitments. We are pleased Mike remains as a significant shareholder and on behalf of Tyro I thank him for his commitment and contribution.

In April 2019 Hamish Corlett a principal of TDM Growth Partners (also a major Tyro investor), joined the Board as a non-executive director. Hamish brings to the Board his extensive finance and investment experience.

Finally, in September 2019 Fiona Pak-Poy joined Tyro's Board as a non-executive director. Fiona's career in management consulting in technology and financial services, 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.

To all my colleagues who served on the Board with me over the years, I say thank you one and all, for what you have done for Tyro and for your influence in its ongoing success.

FY20 + Beyond

As I mentioned we spent a great deal of time, particularly in the second half of the year planning for the next five years. This included refreshing our purpose, our mission and our vision as well as setting goals and targets. In this process, Tyro has explored the future looking deeply at payments and more broadly at business banking in Australia. As a result, we have a clear set of business and project priorities that position and actions Tyro for continued strong growth and success.

In closing, whilst I will say farewell to you as Tyro's Chairman, I look forward to continuing my association with Tyro as a committed shareholder and passionate advocate of our business.

Ladies and Gentlemen, thank you for your patience during my report, and it is now my pleasure to hand over to Robbie, who will provide you with his report as Chief Executive Officer of Tyro.

CEO ADDRESS – ROBBIE COOKE:

Thanks Kerry.

It's a pleasure to be here with you all this afternoon.

After 18 months in the role as CEO, I can say my enthusiasm and belief in Tyro's ability to provide Australian business with better payments and banking solutions has only grown stronger.

We are disrupting the payments landscape in Australia. Perhaps best demonstrated by Tyro now being the 5th largest payments provider amongst all banks – measured by the number of terminals deployed. We are taking on the 'big guys'.

We transacted \$17.5 billion in FY19 from a total market that exceeded \$651 billion in 'card present' and 'card not present' transactions – this represents a 3% segment share – clearly demonstrating the enormous potential in front of us.

Before delving into our 2019 financial results in more detail, I would like to spend a few minutes explaining why Tyro is perfectly placed to provide a much-needed alternative to the traditional incumbents.

TYRO'S PURPOSE, VISION + ECOSYSTEM

We are a technology-focused and values-driven company providing payments solutions and complementary banking products to Australian businesses.

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:

- we have a long and successful track-record in payments, having established our operation some 16 years ago – producing deep payments domain knowledge and expertise;

- we applied for and were granted an Australian Banking Licence four years ago – the first new domestic banking entrant in over a decade – well before the ‘neo bank’ phenomenon – for the record we do not see ourselves in this category;
- we have always had a plan and determination to establish a payments and banking solution purpose built for Australian businesses, particularly in the long neglected small and medium enterprises 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; and
- finally, our strategy is to stay niche and nimble with a payments centricity – designing banking and other value adding services around our payments core.

THE YEAR IN REVIEW

FY19 saw our business perform strongly both in our payments operation and in our value adding offerings – loans and deposits.

As I mentioned our payments business processed \$17.5 billion in transactions on behalf of our merchants, a lift of 31% on the prior year - with our growth accelerating beyond the 26% year-on-year performance in FY18 and outpacing our 5-year compound annual growth rate of 27%.

We added close to 5,800 net new merchants to our payments business, taking the total number of merchants trusting us with their payments requirements to more than 29,000 – a 25% increase on FY18 and also outpacing our 5-year CAGR of 23%.

Our merchant cash advance offering continues to achieve very promising growth and strong repeat usage. Since product inception three years ago, we have now originated more than \$100 million in loans of which \$52.2 million were originated in FY19, a 108% lift on the prior year.

Strong growth has also been achieved by our Tyro Bank Account. Underpinned by our banking licence – this fee-free and interest paying business transaction account, at year’s end had more than 2,400 active accounts in existence representing an 87% increase on prior year.

The strong performance of these three product streams in combination saw our revenue in FY19 increase by 28% to reach a record \$189.8 million.

Our total operating expenses increased 19% to \$103.5 million reflecting continuing investment in our:

- team and capabilities;
- brand; and
- customer acquisition and retention.

Included in this number are non-cash items - depreciation, amortisation and share based payments expense - totaling \$11.7 million.

Permanent employee expenses (excluding share-based payments expense) represented the largest absolute cost increase lifting \$7.4 million, reflecting in part an additional 69 personnel joining the Tyro team by year’s end. Our marketing spend increased 65% to \$4.8 million which contributed to lifting our prompted brand awareness to 10%. Consistent with our approach at half-year a component (\$2.5 million) of our investment in technology and product development has been capitalised and appears on our balance sheet as an intangible asset.

Our business remains well positioned with total cash and investments of \$68.8 million at the end of the financial year. Our total regulatory capital balance at year’s end also remained strong at \$79.3 million and our capital ratio was a very healthy at 92%.

PAYMENTS

Just providing a little more detail on our payments operation.

We saw very strong growth in our merchant numbers increasing from approximately 23,000 to 29,000 at the end of FY19. A number of factors assisted us in achieving this:

- we increased our focus on merchant satisfaction and retention levels - this saw us reduce our merchant churn from 13.0% to 11.7% (measured by merchant number);
- we lifted our direct integration efforts with our Point of Sale and Practice Management System partners. At the end of the financial year we had a segment leading 275 POS and PMS partners working with us – up from 257 a year prior – with all these systems seamlessly integrating with our payment terminals; and
- we continued our focus on customer acquisition which saw new merchant applications increase 27% to over 10,000 applications.

As mentioned, the value of transactions processed on our platform grew an impressive 31% with \$17.5 billion in card transactions processed in the 12 months to 30 June 2019. We achieved a record in monthly transaction values in December 2018 with \$1.7 billion being processed in that month alone. Pleasingly, even with these volume increases, our transaction reliability for our merchants remained at a high of 99.99% availability for our core acquiring platform.

These factors all combined to drive a very strong revenue outcome from our payments operation of \$183.7 million, up 28%.

BANKING OPERATIONS

Whilst still in a 'build-out' phase our two banking products are growing strongly albeit from small bases.

These products are designed to complement our payments offering and provide our merchants with innovative ways to meet their transactional banking and unsecured lending needs.

We have a strong conviction that these banking solutions meaningfully enhance the overall value proposition that we offer to our merchants.

DEPOSITS

Our Tyro Bank Account is a fee free interest-bearing transactional account.

As at 30 June 2019 we had 2,401 active Tyro Bank Accounts up from 1,285 as at 30 June 2018. We held \$26.9 million of funds on deposit at the end of FY19 compared to \$11.6 million a year prior.

FUNDING

Our Tyro Business Loan is a cash-flow based unsecured loan, purpose-built to assist merchants in growing their businesses. This product provides small unsecured loans to eligible Tyro merchants which are repaid via a pre-agreed percentage of their daily payments settlements, and is offered on the basis of one fixed fee - calculated upfront.

With average loan balances of less than \$40,000 and average loan terms of less than 6 months, this product is being used by many of our merchants as a way of accessing cash-flow to accelerate their growth initiatives.

The attractive feature of this product is its ease of management, with repayments that cycle up or down in accordance with a merchant's daily card transaction value, removing some of the stress of inflexible repayment schedules.

This innovative product was soft launched shortly after receiving our banking licence and to date it has

only been available to around 6,000 of our 29,000 merchants. It is displaying a very promising growth profile and has achieved strong repeat usage. We achieved a 108% lift in loan originations in FY19 reaching \$52.2 million and has now surpassed \$100 million in loans originations. Loan losses in FY19 were \$542,000 representing around 1% of originations in the year.

NEW INITIATIVES

Beyond the strong financial outcomes in FY19, we achieved a number of other significant operational achievements in the year:

- we commenced a brand refresh project which has resulted in a new Tyro logo, new brand positioning and our merchant facing assets - including our website - being upgraded;
- we entered into an agreement with one of the world's largest mobile and online payment platforms, Alipay, to become the first Australian bank to offer a seamless, all-in-one EFTPOS solution with Alipay. This payment offering improves our merchants' access to the Chinese visitor market. We currently have more than 17,000 Tyro merchants enabled with Alipay;
- we were proud to have been the first bank to have launched 'least cost routing' back in March 2018. Our 'Tap & Save' feature is a cost-saving initiative for our merchants that directs contactless multi-network debit card payments through the transaction path that represents the lowest cost for the merchant, instead of the most profitable for the bank. This initiative is a clear demonstration of our commitment to doing the right thing for those Australian businesses that have chosen to partner with Tyro. Since launch over 39 million eligible transactions have been diverted through to EFTPOS delivering significant savings for our merchants. Pleasingly around one out of every three eligible Tyro merchants have requested our 'Tap & Save' feature be enabled, clearly demonstrating the attractiveness of this offering;
- finally, our eCommerce payments solution went live on 1 April 2019 enabling Tyro merchants to accept online payments for their businesses. This solution extends our ability to solve payments friction for our merchants – true to our purpose.

OUTLOOK

I would like to take this opportunity to discuss our trading performance for the first quarter to 30 September 2019. In particular and based on unaudited management accounts:

- in our payments operation we continue to see great momentum in customer acquisition with 30,875 merchants now working with Tyro – that is 24% increase from the position at the end of September last year when we had 24,834 merchants working with us;
- the value of transactions processed on our platform grew an impressive 30% with \$5.1 billion in credit and debit card transactions processed in the 3 months to 30 September 2019;
- our revenue for the first quarter was up 29% on same period last year at \$54.8 million;
- our loan originations in the first quarter were up 113% on the prior period – with a total of \$17.9 million in loans originated;
- deposit balances at the end of the quarter were \$30.8 million, up 89% compared to the same time last year.

We are this year providing some guidance in relation to the full FY20 period. This guidance is subject to a number of key assumptions (including continuation of the current macro-economic competitive and regulatory landscape), estimates and the risks inherent in conducting our business. For those reasons the guidance above may not be achieved and is subject to change.. With those qualifications we are targeting:

→ more than 36,000 merchants (FY19: 29,031);

- transaction values in the range of \$22.5 billion representing a ~29% increase (FY19: \$17.5 million);
- revenue in the range of \$240 million representing a ~27% increase (FY19: \$189.8 million);
- gross profit in the range of \$100 million representing a ~20% increase (FY19: \$83.3 million).
- Based on the current operating environment we expect to generate an improvement in our operating leverage consistent with the trend over the past two years.

Finally, I would like to touch upon our growth strategy. As Kerry mentioned we spent a considerable amount of time this year undertaking a five-year business planning process. As a result we have a clear strategy underpinning our growth ambitions involving a number of key initiatives:

1. **Firstly, to grow merchant share in our existing verticals** – Our focus on our three core verticals of Health, Hospitality and Retail has been one of the pillars of our business model and success to date.

This approach has enabled us to better understand each vertical and the needs of merchants that operate within it. In turn this has enabled us to develop better solutions for our merchants in those verticals, and gain segment share growth.

We believe that there is still significant opportunity for growth in our three core verticals.

2. **Secondly, we plan to add new core verticals** – Accommodation and Services are our next verticals of focus. We believe merchants in these segments will benefit from a merchant acquirer with the technical capability to produce specialised solutions and a preparedness to build domain expertise.

Our initial research suggests that our product suite and capabilities, including eCommerce, will align with the identified needs in these areas of focus.

3. **We plan to drive expansion into eCommerce and other payment types** – As the first Australian bank to provide a fully integrated Alipay solution, we intend to continue to innovate and provide multiple new and emerging payment types. In the near term, we plan to introduce payment methods like WeChat Pay, Zip Pay and in-app payments.

We believe that having these features will position us ahead of the incumbent banks and assist us in retaining and growing our merchant base.

Within our current merchant base alone, there is significant opportunity to drive growth in eCommerce. We estimate that approximately one-third of our merchants currently have online sales. We believe our merchants will benefit from our unified payments solution, which provides single-settlement and reporting across 'card-present' and 'card-not-present'.

4. **We will focus on cross-selling and drive expansion in lending and other value-added services** – We believe that there is significant cross-sell opportunity within our current product suite.

By promoting a greater uptake of our ancillary value-added offerings, including our loans and Tyro Connect, we will seek to enhance our unit economics through greater share of merchant wallet and merchant retention.

5. **Launch Tyro Connect** – In recent years, there has been growth in the number of customer-facing apps participating in the payments ecosystem. These include loyalty apps, booking apps and order-ahead apps – all designed to meet customer demands for enhanced convenience and service. These apps typically seek to integrate with multiple POS systems to distribute their services into merchants' operations – this which creates duplication, costs

and other inefficiencies.

We are currently in the pilot phase of Tyro Connect which is designed to be an integration hub for apps and POS systems – it is - if you like - a ‘plug and play’ solution designed to address merchant pain points around ‘counter clutter’ and manual processes. It also aims to make it easier for POS system partners and app providers to meet their customer needs.

6. **Finally, we will also consider M&A and strategic partnerships** – We have an appetite to pursue growth through acquisitions where it presents an opportunity to:
- gain scale;
 - leverage our platform or capabilities;
 - enhance our market position in our core verticals; or
 - supplement our ecosystem.

Noting the Australian merchant acquiring market has not experienced significant consolidation to date, we do intend to assess potential opportunities and, to this end, may also enter into strategic partnerships to accelerate development and growth. We maintain a disciplined approach to inorganic growth, and will only pursue opportunities where we believe there is significant alignment around valuation, strategy and culture.

I thank our Board and amazing team at Tyro. Without their passion, drive, enthusiasm, support, and single-minded focus on wowing our customers, we could not have delivered the result we did. So, Tyros, I thank you one-and-all for making our result in the year possible!

Finally, I would like to say a huge thanks to Kerry from all Tyro's past and present. Kerry joined Tyro as a director in April 2008 and became Chairman in February 2010 at a time when Tyro was, I think it is fair to say, a challenged challenger. The success of Tyro over the last 11 years has been all under Kerry's stewardship and guidance. Kerry's passion and drive for Tyro is something to truly behold and we all owe him a debt of gratitude for his commitment to the cause. Thanks Kerry!

Back to you Kerry.