

TYRO PAYMENTS LIMITED

ABN 49 103 575 042

2021 ANNUAL GENERAL MEETING

ADDRESS BY THE CHAIR AND CEO | MANAGING DIRECTOR TO SHAREHOLDERS

3 NOVEMBER 2021

CHAIR'S ADDRESS

The payments industry continues to undergo significant change. The structural shift we are seeing in the way people pay both here in Australia and internationally will continue. Cash, as a means of payment, will continue to decrease with customers preferring contact free payments, eCommerce payments and QR code-based payments.

These changes are driving exciting product innovation in payments. Some of the key innovations relate to the digital enablement of small and medium businesses who have adapted their business models in response to the challenges of Covid - specifically in the adoption of e-commerce and also cloud based technologies. We have seen the advent of the acceptance of blockchain crypto currencies as a payment method and the roll-out of open banking, which gives customers the ability to share their banking data with accredited third parties which will allow customers to choose better-suited banking products and switch products or banks more easily. These innovations will provide opportunities to accredited participants that were not previously available.

Tyro is strongly placed to support our merchants in response to these industry changes with our industry leading product offerings and our future strategic product developments.

These industry changes have - and will continue to be - a positive catalyst for growth at Tyro. It is for that reason that Tyro will continue to invest in the growth runway available to us.

FY21 saw Tyro deliver on three key strategic initiatives, namely:

- completion of our Bendigo Bank Alliance;
- the acquisition of health fintech, Medipass; and
- our continuing focus on our eCommerce solution with me&u now starting to process their transactions through Tyro.

Robbie will be discussing these achievements in detail later this afternoon.

As I mentioned, FY21 also presented us with some of the biggest challenges in our history. COVID-19 continues to remain a significant challenge to our community and our customers.

While the roll-out of vaccines in Australia and globally is starting to offer hope that business can return to normal - many of our merchants are still impacted by COVID-19. There are still limitations placed on international travel (though we are seeing some possible relaxations), numerous state-based lockdowns, and limitations on the number of customers allowed in a venue at any time.

As we did in FY20 and continued to do in FY21, we remain committed to doing all that we possibly can to support our merchants and our teams during this challenging period by offering our range of financial and wellbeing support packages to merchants. We are also ensuring we continue to provide critical payments and banking services to our approximately 58,000 merchants.

The second major event that has challenged Tyro in FY21 was the terminal connectivity issue experienced by our merchants in January 2021. In response to this event we established a remediation program to provide financially impacted merchants a fast and straightforward channel to seek to claim financial loss caused by the connectivity incident. This 'make good' process continues to be available to any financially impacted merchant who has not as yet sought remediation. Tyro

remains fully committed to this approach notwithstanding the representative proceedings filed in the Federal Court two weeks ago.

Robbie will provide a more detailed analysis of this issue together with the specific steps we are taking in remediating our merchants as well as the industry leading products we are introducing to provide merchants with the best payments and business banking solutions possible in Australia.

As a Board, we were very encouraged by the way the team at Tyro dealt with the adversity of the continued impact of COVID-19 on our merchants as well as dealing with the terminal connectivity issue. I am happy to report that as at yesterday's date, 93% of all remediation claims relating to the terminal incident have been resolved.

Against the backdrop of the structural changes in the payments industry as well as the challenges of COVID-19 and the terminal connectivity issue, I am happy to report that Tyro performed strongly in FY21 achieving record transaction value, gross profit and a positive EBITDA of \$14.2 million.

The delivery of this positive EBITDA provides shareholders with confidence that Tyro is on a path to profitability as we continue to grow.

The COVID-19 pandemic has clearly demonstrated how deeply interconnected our world has become and how social and environmental issues impact all of our lives and communities.

Working with 58 thousand merchants across Australia, it is important that we fulfil our mission of simplifying payments and banking for our customers. We are focused on delivering solutions that create a sustainable future for all our stakeholders. This includes our shareholders, our people, our merchants, the broader community in which we operate, our suppliers and business partners and regulatory bodies. A sustainable future also includes our environmental footprint, our impact on the planet and the strategies we have in place to minimise this impact.

We released our first standalone Sustainability Report for FY21 which can be found on our website, and I encourage shareholders to read this Report to see the significant steps we are taking on our environmental, social and governance responsibilities including our journey to being carbon neutral and embracing diversity and inclusiveness targets.

Turning back to the Board - At the end of the year Cathy Harris decided to step down from the Board. I would again like to again thank Cathy for her significant contribution to our Company over the last five and a half years. We have been fortunate to have the benefit of Cathy's strong customer focus and fearless counsel on the Board. We will miss Cathy's contribution to the Board. Cathy's position as Chair of the People Committee has been taken on by Fiona Pak-Poy.

Hamish Corlett has been contemplating his Board portfolio commitments and his day-to-day professional responsibilities, against a desire to achieve a balance in his family life. For these reasons Hamish feels the time is right to step down from the Board with effect from the conclusion of today's Annual General Meeting. I would like to thank Hamish for his commitment to Tyro over the last 6 years. Hamish's contribution to our success has been invaluable with a knowledge of the global payments sector that is second to none. As a Board we have been very fortunate to have had Hamish's insight, counsel, and passion.

On 21 April 2021 we were pleased to welcome Aliza Knox to the Board. Aliza's experience in scaling banking and financial services businesses and particularly in the digital sector makes her a great addition to Tyro's Board.

Board succession planning remains a key area of focus for the Board, and we continually evaluate the skills and competencies required for effective board governance.

As part of this focus, we are in the process of appointing additional directors over the next few months.

As Chair of the Board, I would like to thank all Board members for their contribution over this challenging year and 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 the year.

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

CEO | MANAGING DIRECTOR ADDRESS TO SHAREHOLDERS

Welcome all and thanks David.

It's great to be with you this afternoon. I have to say though I'm looking forward to the day when we can return to doing AGMs in person.

In short it has been an intense year at Tyro. As a team we have traversed a lot of ground since our IPO less than 2 years ago. Notwithstanding a few challenges thrown our way in the year we continued to successfully deliver on the strategy we articulated on listing, and I will talk about some of these accomplishments shortly.

I will also touch on some of our coming initiatives and in thinking of the future - it is the opportunity still in front of us that truly excites me. Despite the 26% lift in transactions executed on our platform hitting a record \$25.5 billion, we still have only a 3.8% share of the \$670 billion card-present and card-not-present market in Australia.

Before delving into our FY21 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:

- Most importantly we have a long and successful track-record in payments in Australia, having established our payments operation some 18 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 6 years ago – the first new local banking entrant in a decade.
- 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.
- Significantly 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.

As you know we have strong growth ambitions and despite the disruption Covid caused us and many of our merchants - we continued to successfully execute against our plan for the year. There are a seven key call-outs I would like to highlight today.

Firstly the transformational Bendigo Bank Alliance was a key initiative delivered in the year. This has added more than 18,000 new merchants to our portfolio and around \$5 billion in annualised transaction value.

Partnering with Bendigo Bank sees our leading proprietary payments platform becoming available to Bendigo Bank's current and future business customers. It gives these customers access to more features, more payment options and seamless integrations to more than 320 point of sale systems.

Under our long-term, collaborative, and strategic alliance, Bendigo Bank continues to provide all other banking services to these customers. This is a great example of two Australian customer focused organisations coming together to provide better solutions for Australian businesses through a partnering of capability and expertise.

We welcomed the 20-person Medipass team to Tyro in May. Medipass integrates with 18 cloud-based practice management systems and has approximately 1,700 active healthcare merchants working with it. This complements, with limited overlap, the ~9,500 merchants in Tyro's health vertical and the 52 practice management systems integrated with Tyro.

This combination provides Tyro's health merchants greater claiming and payment capabilities extending beyond Tyro's private health insurer and Medicare Easyclaim options, to include a range of State and Federal based compensatory funders.

Our acquisition of Medipass is a significant step in building out Tyro's core health vertical. The approach taken is consistent with our strategy to build our offering through acquisition where there is a distinct opportunity to gain scale and to enhance our segment position. By combining Medipass' platform with our existing card-present health offering, we can provide a simple, unified solution to healthcare practitioners for payments and claiming.

We continued to invest in our Tyro Connect integration hub, which amongst other things is providing unique data insights to some of our merchants on the Connect platform.

Launched in the year, Tyro Connect is going from strength to strength. In today's competitive and tech-enabled environment, merchants can find themselves having to juggle many different apps in order to meet customer expectations and manage day-to-day tasks. Tyro Connect enables hospitality businesses to easily integrate and more effectively use the apps they need to thrive.

Tyro Connect is piloting a new partnership with Hubster which will enable us to make leading ordering apps available to our merchants and point of sale system partners. Tyro Connect is also piloting our new menu management builder which allows our merchants to build and manage their menus with Tyro and then publish them to all of their delivery partners – saving them from having to update their menus in all the different systems.

We have started to provide the in-app payments solution for the leading tap, order, and pay platform, me&u using our eCommerce capabilities.

Me&u enables customers to view menus, and to order and pay for meals via their mobile phone. In December 2019, we made a ~16% equity investment in me&u for \$3.5 million, which also provided us the right to be me&u's exclusive in-app payment provider.

This innovative solution, found particular relevance as a result of Covid. Beyond that it also improves the customer experience, frees up wait staff, and increases order value & frequency. Me&u is a foundation app on the Tyro Connect platform.

In June 2021 me&u commenced migrating their in-app payments to Tyro's eCommerce platform and this activity will continue progressively throughout the year.

On the banking front, Tyro was one of the first non-major banks to become an active data holder under the Consumer Data Right or Open Banking in June 2021. Open Banking seeks to:

- provide a safe and secure way for customers to share their data between accredited organisations to enable easier comparison of financial products and providers;
- provide a single view of accounts across banks; and
- streamline application processes.

In December 2020 we made a 20% equity investment in Paypa Plane for \$1.9 million. The intent of this investment being to expand the payments solutions we offer merchants by integrating Paypa Plane's innovative recurring payments functionality into Tyro's bank accounts. This functionality being of particular relevance to merchants operating businesses such as childcare centres, gyms, and subscription based services.

Our number one priority in the second half of the year though was to do all that we could to rebuild trust with those of our merchants who were impacted by the connectivity issue we experienced in early January. Our efforts here have been effective and have been focused on doing the right thing.

The pleasing result of those efforts has been the absence of any noticeable increase in merchant churn together with merchant application numbers returning to record highs.

The issue did negatively impact our Net Promoter Score which was positive 43 before the event. Our NPS fell at the peak of the event to a low of negative 25 however has improved every month since January and we ended the year at positive 21 and our NPS is currently a positive 47.

Our remediation program for those merchants financially impacted by the event has been well received. All financially impacted merchants were invited to register with Tyro to enable remediation claims to be assessed. As at 31 October we have settled claims with approximately 93% of those merchants who have sought remediation.

The remediation process remains available for financially impacted merchants and is designed to:

- provide a fast, fair and straightforward resolution to assess the financial loss claimed to be suffered;
- provide a more tailored option for those merchants preferring that course;
- avoid the unnecessary incursion of legal and litigation funding costs, along with inevitable time delay and uncertainty associated with legal process.

Tyro remains fully committed to this approach notwithstanding the class action proceedings recently instituted.

Moving now to our financial performance for FY21. Covid continued to impact our performance as State and Territory governments variously implemented lockdowns, forcing many of our merchants to either partially or completely close their operations. Nonetheless we achieved strong results in the year.

- Our payments operation processed \$25.5 billion in transactions on behalf of our merchants, an all-time high, up 26% on the prior year. This included \$0.44 billion from our Bendigo merchants who started contributing from 1 June.
- We significantly increased the number of merchants trusting us with their payments requirements, with 58,186 merchants working with us at the end of the year.
- We achieved stable merchant retention metrics at comparative lows levels when considering the segments we serve. Transaction value churn remaining relatively constant 8.7% versus 8.0% in the prior year, and merchant number churn decreased to 11.3% from 11.7% in the prior year.
- Our merchant cash advance loans returned to strong growth in the later part of FY21 as we switched back to an automated loan approval process following a period of manual approvals to mitigate risks inherent due to Covid volatility. We wrote \$25.8 million in loan originations in the year of which close to \$20 million were booked in the last quarter.
- Our risk-based management of the loan product during Covid together with many merchants businesses rebounding following the initial lockdowns, saw our loan loss rates remain well within our risk appetite. Loan losses as a percentage of originations at 30 June 2021 amounted to 2.7% (\$0.7 million) compared to 1.8% (\$1.1 million) in the prior year.
- Our fee-free, interest-paying bank account and term deposit account now have over 4,650 active accounts representing an increase of 26% over last year with \$75.5 million held in deposits at 30 June 2021 compared to \$50.5 million last year.
- We lifted our revenues 14% to a new record \$238.5 million.
- And even more impressively we lifted gross profit 28% to a new high of \$119.4 million.
- Our operating costs were well controlled lifting 7.9% excluding the costs associated with the terminal connectivity issue and M&A project costs.
- We recorded a record positive EBITDA of \$14.2 million compared with an EBITDA loss of \$4.4 million in the prior year. This result implies an EBITDA margin of 12% demonstrating operating leverage from scale in the year.
- Our statutory net loss after tax was \$29.8 million after accounting for \$13.3 million in costs associated with connectivity issue and \$5.0 million in costs associated with the IPO, the Bendigo transaction and the Medipass transaction. Excluding the impact of these one-off costs, net profit before tax on a normalised basis was a loss of \$10.9 million, a \$15.0 million improvement on the normalised net loss before tax generated in FY20.

- We continue to maintain a balance sheet that positions us well for our growth ambitions. Cash, cash equivalents and financial investments available at 30 June 2021 totalled \$172.8 million (FY20: \$188.3 million).
- Total regulatory capital at 30 June 2021 was \$83.7 million with a total capital ratio of 73% (FY20: \$165.8 million with a capital ratio of 162%). Tyro has always held sufficient capital to meet its internal targets which are above APRA's prudential capital requirements.

Total capital expenditure for FY21 was \$23.1 million (FY20: \$11.9 million) in the main comprising terminal purchases and investment in software, including capitalised internal development costs of \$3.7 million (FY20: \$2.8 million).

It is an exciting time to be a Tyro, we have achieved a lot in the last year, but it is the opportunity in front of us that remains large and exciting.

We have a mix of features and products in train that will continue to build out our payments centric ecosystem. Products such as the Tyro Go terminal which will open up new verticals (trades and micro merchants for example) and provide a 'queue busting' solution for larger retailers. We are assessing our next generation terminal which presents some exciting opportunities including a mPOS capability. We are looking to extend our merchant cash advance product to make it available to a wider cohort of Tyro merchants with larger advances available. With the digital claiming capabilities including State and Federal compensatory funders available via Medipass, we have an opportunity in combination with our existing health solutions, to create the leading unified claiming and payments platform for Australian healthcare practitioners.

We have created IP (both technical and commercial) in creating our payments alliance model for Bendigo Bank, which has potential applicability to other market opportunities – this is an area we remain keenly interested in exploring. In this regard we have a pilot in operation with Telstra that includes 29 of its retail locations where business customers can view and sign up to Tyro Terminals.

We continue to have appetite for 'bolt on' acquisitions, whether large or small, which present an avenue to gain scale, leverage our platform or capabilities, enhance our market position or supplement our ecosystem.

In terms of outlook while we are not providing specific profit guidance for FY22, I do take this opportunity to highlight a few of our key trading stats - noting these data points are unaudited:

- we averaged over 1,200 new merchant applications per month for the first 4 months of this current financial year;
- our transaction value to 29 October 2021 grew 25% to \$8.97 billion compared with \$7.16 billion for the same period last year;
- impressively, transaction value is up 46% since NSW came out of lockdown on 11 October 2021;
- eCommerce transaction value for the year to 31 October 2021 was \$178.6 million – up 1,848% on the pcp;
- loan originations to 31 October 2021 were \$20.6 million - up 1,447% on the same period last year;
- deposits balances at the end of October 2021 were \$97.7 million compared to \$91.2 million at 31 October last year; and
- Group gross profit at 31 October 2021 was \$38.5 million – up 14% on the comparable gross profit in the prior period.

In closing I would like to thank my excellent team at Tyro and formally welcome the Medipass team to the Tyro family. Without the team's commitment to the cause, sheer hard work and desire to make payments and banking better for Australian businesses none of what we achieved would have been possible. I would also like to thank the Tyro Board members both past and present for the support over the last 4 years.

Thanks for listening and back to you David.

-END-