

Tyro Payments Ltd

Commentary Note

Demonstrating the power of leverage

Tyro is a provider of payments and banking infrastructure and services to Australia's small to medium enterprises (SMEs). The company was founded in 2003 as MoneySwitch Ltd and was the first new entrant in the EFTPOS market since 1996. In 2015, Tyro became the first technology company to be awarded an unrestricted banking licence by APRA. The company last raised capital in March 2016, with an equity capital raising of \$100m at \$1.036 per share led by Tiger Global, TDM Asset Management, and Atlassian co-founder and current Tyro director Mike Cannon-Brookes. In FY18, the company processed \$13.4bn in transaction volumes, a year on year increase of 26% and an acceleration of the 23% growth rate delivered in the prior year. The Compound Annual Growth Rate from FY12 to FY18 in transaction volumes has been ~29%. Our analysis demonstrates that there is support for valuing Tyro above the last traded price of \$1.10 a share and the 6-month VWAP to August 31 of \$1.078 per share.

KEY POINTS

Tyro reports strong FY18 revenue and customer growth — Tyro has reported FY18 revenue growth of 23% to \$148.3M, driven by a 26% increase in transaction volumes and 27% lift in merchants over the prior corresponding period. Tyro added close to 5,000 new merchants to its payments business in FY18, taking the total number of merchants using the EFTPOS/payments platform to more than 23,000. Transaction volumes increased by more than 30% in 2H18 over the prior period. Tyro now commands an estimated 7% share of its target market of transacting small-to-medium enterprises in Australia.

Demonstrating the benefit of leverage — Tyro's nascent merchant cash advance, unsecured loan product delivered \$25.2m in loan originations in FY18, an increase of 127% and demonstrating the opportunity for Tyro to leverage its merchant relationships into ancillary products. This product has only been offered, so far, to ~4,000 of Tyro's 23,000+ merchants. Similarly, activations of the Tyro Bank Account – a fee free and interest paying business transaction deposit account – grew 262% to 1,285 in FY18, versus 355 in FY17.

New Initiatives — Tyro has announced a series of "firsts" in recent months, becoming the first bank to launch "least cost routing", and the first Australian bank to forge a seamless, all in one EFTPOS solution with Alipay for Tyro's merchants. It has also secured exclusive rights with six of Australia's leading hospitality Point of Sale (POS) providers to connect to the Tyro Platform designed to streamline connectivity to third party apps.

Successful leadership transitions — Long-standing NED Rob Ferguson stepped down from the board in July 2018, having completed a nine-month stint from June 2017 as acting Managing Director and acting CEO before handing the reins to new CEO Robbie Cooke in March 2018. Rob has been succeeded by NED David Fite who brings several years' banking experience including senior and group executive roles at Westpac and Japan's Shinsei Bank.

Reverse DCF demonstrates last traded share price of \$1.10 is assuming conservative growth — We have conducted a reverse DCF to determine what is implied in the last traded price of \$1.10. We have applied a WACC of 11.0%, Beta of 1.25 and terminal growth rate of 2.2%. Tyro's last traded price of \$1.10/share implies market share of 13.2% in 2028 and a compound growth rate in revenues of 12.5%, a conservative growth rate, in our view.

Compco valuation at a premium to last traded price — Our analysis has derived multiples from comparative companies in Australia and the US in the payments processing market. Including Australian peers, the compco valuation is \$1.76/share, excluding the Australian peers, this rises to \$2.08/share, reflecting the relative size and maturity of the peer group.

The Golden Rule implies a premium to the last traded price - We have also applied The Golden Rule as a way of determining an appropriate revenue multiple that is related to investor return expectations, market pricing and profitability. Using a PE multiple equal to the long run market PE (15x), an NPAT margin of 26.0% and an uplift factor of 2x (based on Tyro's growth rate being twice the rate of return of the broader market) we determine a revenue multiple of 7.8x and an implied value of \$2.60 per share.

Banking and Payments Processing

24 September 2018

Company Summary

Last Cap Raise Price (Mar 16)	A\$1.036
Last Traded Price (Aug 18)	A\$1.10
VWAP 6mth to Aug 31	A\$1.078
Shares on issue	440.4M
Implied Market Cap (@\$1.10 per share)	A\$484.4M
Tier 1 Capital	A\$95.7M
Capital Ratio	139%
Trading Platform	PrimaryMarkets.com

Significant Shareholders

Directors & Executives	20.6%
Tiger Global Management	13.1%
TDM Asset Management	12.1%

Upside Case

- Well credentialed board and management with skin in the game
- First Australian tech company to be issued an unrestricted bank licence
- Well capitalised to roll-out its deposit and lending products

Downside Case

- Deposit and lending products require significant marketing effort to scale
- Highly fragmented market below the top 4 big banks
- Investment into product development, product delivery and sales and marketing need to translate into top line growth

Board of Directors

Chairman	Kerry Roxburgh
NED	Mike Cannon-Brookes
NED	David Fite
NED	Catherine Harris
NED	Paul Rickard

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FY18 RESULTS DISCUSSION

Strong revenue growth

Tyro delivered 25.1% growth in operating income before interest from treasury investments driven predominantly from its merchant fees and commissions. Albeit off a small base, its nascent Bank Account and Business Loans products delivered a greater than two-and-a-half times increase in net banking income. The Bank Account product added 930 net new active customers in the half to take total accounts to 1,258 active customers at 30 June 2018, up from 355 a year before. Funds on deposit increased to \$11.6m from \$3.9m the year before. The Business Loans product originated \$25.2m in loans in FY18, a 127% year-on-year increase, bringing total originations to more than \$35m. This product has only thus far been offered to ~4,000 of Tyro’s 23,000 merchants. The company recorded only \$411k (1.6%) in lending losses for the year on an outstanding loan balance of \$5.5m.

Transaction momentum accelerates in FY18

Tyro’s strong transactions growth continued in H218 with volumes increasing more than 30% in the second half to deliver full year transaction volumes of \$13.4bn, an increase of 26% year on year. Tyro’s transaction volumes have grown on average more than 25% per annum since 2014, outpacing total market growth of 6.3%¹ annually over the same period. The lift in volumes was matched by a similar increase in customer numbers which increased 27% to 23,245 which likely reflects the benefit of Tyro’s focus on marketing both in terms of above the line advertising and an increased investment in its sales and marketing talent. The company’s share of its target market is now an estimated 6.84%, up from 2.4% in 2013. We expect growth in market share to continue but also its share of wallet, particularly as Tyro’s two new banking products gather momentum and extend the company’s relationship with its merchant customer base and as its new initiatives take hold. As Exhibit 1 demonstrates, the company’s growth in its share of target market and transaction volumes was achieved with a smaller increase in employee numbers.

Exhibit 1: Performance Indicators from FY18 result

	FY17	FY18	% chg
Transaction Volume (\$bn)	10.6	13.4	26.4%
Employees	371	388	4.6%
Customers ²	18,329	23,245	26.8%
Share of Target Market*	5.39%	6.84%	26.8%

Source: Tyro 2018 Annual Report, *Share of target market is based on RaaS estimates

Investment in people and systems

Tyro reported a net loss of \$16.4m for FY18, up from a \$12.8m net loss a year ago, largely due to investment in people, in particular, sales and marketing staff and an increase in contracting and consulting costs as the company invested in additional expertise to support its rapid growth. This investment in people has also been behind the increase in merchants signing up for Tyro and the take up in loan originations. Tyro noted to a series of “firsts”; first bank to launch “least cost routing”; first Australian bank to announce an all-in-one EFTPOS solution with Alipay for its merchants and the exclusive rights with six of the country’s leading hospitality POS providers to connect Tyro platform to third party apps offering online ordering and loyalty programs.

¹ RBA Credit Card and Charge Card Statistics, RBA Debit Card Statistics, August 2018

² The term “Customers” is used generically. The equivalent number used as an economic unit is the number of “Merchant identifiers” used internally. The number does not translate to number of merchants or number of SMEs. RBA estimates the number of merchants in Australia is 680,000.

Exhibit 2: Profit & Loss FY18 vs FY17

PROFIT AND LOSS STATEMENT (AUD'000)	Jun-17	Jun-18	% chg
Fees and commission income	115,453	142,213	23.2%
Interchange, integration, support fees	(63,761)	(78,511)	23.1%
Net fees and commission income	51,692	63,702	23.2%
<i>Gross Margin</i>	<i>44.77%</i>	<i>44.79%</i>	<i>0.0%</i>
Interest income on loans	450	1,567	248.2%
interest expense on deposits	(33)	(110)	233.3%
Net banking operating income	417	1,457	249.4%
Terminal and accessories sale	327	810	147.7%
Terminals and accessories COGS	(744)	(542)	-27.2%
Net terminal sales & accessories expense	(417)	268	-164.3%
Interest income on treasury investments	2,866	2,498	-12.8%
Other Income	1,532	1,163	-24.1%
Total Operating Income	56,090	69,088	23.2%
Employee benefits expenses	(45,820)	(53,370)	16.5%
Share based payments	(1,841)	(1,411)	-23.4%
Marketing expenses	(1,162)	(1,671)	43.8%
Administrative expenses	(15,758)	(22,410)	42.2%
Other expenses	(230)	(252)	9.6%
Total Expenses	(64,811)	(79,114)	22.1%
Loan Impairment	(230)	(411)	78.7%
FX Gain	(53)	(20)	-62.3%
EBITDA	(9,004)	(10,457)	16.1%
Depreciation	(5,984)	(7,064)	18.0%
Loss Before Tax	(14,988)	(17,521)	16.9%
Tax	2,213	1,151	-48.0%
Net Loss	(12,775)	(16,370)	28.1%

Source: Tyro 2018 Annual Report

Strong Balance sheet and sustained cash losses

Tyro ended FY18 with \$85.5m in liquid assets (comprising cash and equivalents due from financial institutions and investments), giving it a strong balance sheet from which to scale. We set out the full year cash statement and balance sheet below.

Exhibit 3: Balance Sheet

In AUD'000	FY17	FY18
Cash and cash equivalents	24,052	28,564
Due from other financial institutions	52,438	17,812
Trade and other receivables	10,489	15,935
Prepayments	1,992	1,925
Inventories	1,148	2,588
Loans	4,511	7,590
Total current assets	94,630	74,414
Available-for-sale investments	21,097	39,097
PPE	13,482	14,696
Net deferred tax assets	10,300	11,351
Total non-current assets	44,879	65,144
TOTAL ASSETS	139,509	139,558
Deposits	3,948	11,563
Trade payables and other liabilities	11,000	13,764
Provisions	2,636	3,922
Total current liabilities	17,584	29,249
Provisions	534	768
TOTAL LIABILITIES	18,118	30,017
Contributed equity	138,381	141,258
Reserves	12,157	13,973
Accumulated losses	(29,147)	(45,690)
TOTAL EQUITY	121,391	109,541

Source: Tyro 2018 Annual Report

Exhibit 4: Cashflow Statement

In AUD'000	FY17	FY18
Interest, fee and rental income received	119,796	148,077
Payments to suppliers and employees	(129,055)	(159,824)
Net inflow from retail deposits	3,489	7,616
Net outflow from customer lending	(4,741)	(3,489)
Receipts from terminals & accessories sale	320	0
Terminals Purchased	(5,060)	(5,179)
Net cash flows from operating activities	(15,251)	(12,799)
Investments in term deposits	(24,417)	35,013
Investments in available-for-sale assets	(20,125)	(17,668)
Purchase of PPE	(1,822)	(2,891)
Proceeds from disposal of PPE	0	0
Net cash flows from investing activities	(46,364)	14,454
Proceeds from exercise of share options	3,815	2,877
Net cash flows from financing activities	3,815	2,877
Change in cash and cash equivalents	(58,120)	4,532
Net foreign exchange difference	(52)	(20)
Cash and equivalents at beginning of year	82,224	24,052
Cash and equivalents at end of year	24,052	28,564

Source: Tyro 2018 Annual Report

The cash movements shown above are in line with strict definitions under Australian Accounting Standards. Surplus cash has been invested in a combination of term deposits and other liquid assets. These are shown as either “due from other financial institutions” or “available for sale investments” on the Balance Sheet. The aggregate of the three line items was \$85.5m at 30 June 2018 (\$97.6m at 30 June 2017).

VALUE DISCUSSION & ANALYSIS

Value Considerations

In our view there is merit in exploring what is implied by the last traded share price and what multiples Tyro might reasonably be expected to trade on in comparison to its peers. In conducting this analysis, consideration has been given to the most appropriate methodology to be used. Methods examined include:

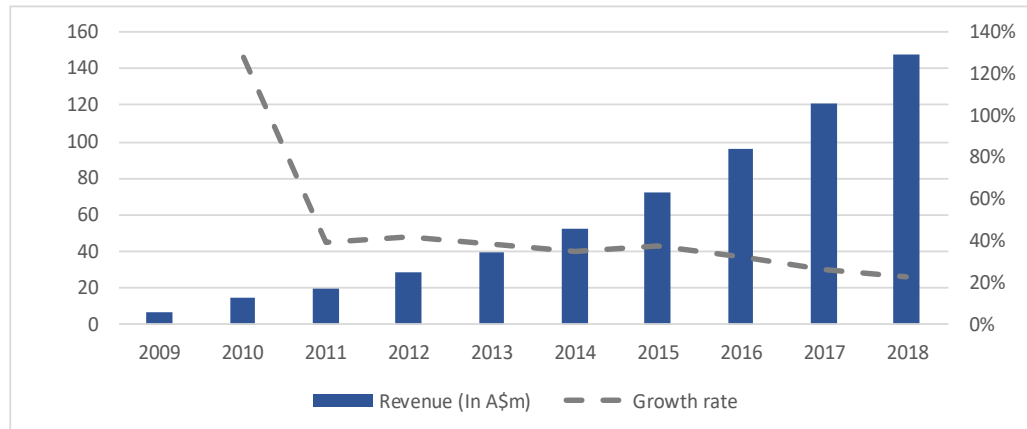
- Comparative company analysis, using earnings multiples;
- Reverse DCF used to determine the growth rate in cash earnings required to achieve the last traded share price of \$1.10 per share;

To make sense of the multiples used in comparative company analysis, we have also looked at a simplified method referred to as “the Golden Rule”³ (see page 6).

Reverse DCF Calculation

The current pricing of 440.4m Tyro shares at \$1.10 for a market capitalisation of \$484m implies CAGR in revenue of 12.5%. Tyro has achieved CAGR in revenue since 2009 of 42%. Annual revenue growth rates are set out in the chart below.

³ “Valuation of pre-revenue pre-earnings companies”, Dr Kingsley Jones, Jevons Investment Management 2016

Exhibit 5: Tyro's Historical Revenues and revenue growth rate


Source: Company reports

Reverse DCF parameters

We have undertaken a reverse DCF analysis to determine what growth in future cashflows of the core business is assumed by the current share price. Our analysis in undertaking the reverse DCF calculation used the following assumptions. Please note that these assumptions are not forecasts and should not be construed as such:

- Gross acquiring margin achieved in FY18 was 46.6%, we have assumed the margin declines to 40.6% by the end of the 10-year period in the analysis as the business matures;
- CAGR in revenues over the 10-year period of 12.5%;
- R&D investment is assumed to be 10% of revenue in FY19 and to grow at 5% pa thereafter;
- Number of people employed in business is expected to grow at a CAGR of 5.1% to reach 726 FTEs by 2028;
- Increase in labour costs of 5% pa gives recognition to scarcity of skilled technology professionals;
- Other costs are assumed to be fixed and increase by 3% pa.

The implied market share using current revenue per merchant of \$6,378 growing at 2% pa and a total target market of 340,000 merchants growing at 3% per annum results in a 13.2% market share by 2028.

This reverse DCF calculation uses forecasts for 10 years and a WACC of 11% based on the following inputs:

- Risk free rate of 2.85% = 10-year Commonwealth Government bond yield;
- Equity risk premium of 6.5% based on survey average⁴ of 6% increased by 0.5% for size
- Terminal growth rate 2.2%
- Beta of 1.25 – the median of the 12-month Beta of its Australian bank peers
- Target gearing of 0%

We have set out the estimated cashflows required to justify the current share price of \$1.10 a share in Exhibit 6 below.

4 KPMG Survey of WACC, 2017

Exhibit 6: Reverse DCF analysis (in A\$m unless otherwise stated)

Year ending June 30	2019 e	2020 e	2021 e	2022e	2023 e	2024 e	2025 e	2026 e	2027 e	2028 e	Terminal
EBITDA (Adjusted to remove growth R&D)	23.3	33.0	42.4	51.1	58.6	64.2	70.2	80.4	91.8	104.4	
Tax	(7.0)	(9.9)	(12.7)	(15.3)	(17.6)	(19.3)	(21.0)	(24.1)	(27.5)	(31.3)	
Maintenance Capex (stay in business R&D)	(8.3)	(9.1)	(9.6)	(10.0)	(10.5)	(11.1)	(11.6)	(12.2)	(12.8)	(13.5)	
Free Cash flow	8.0	14.0	20.1	25.7	30.4	33.8	37.5	44.1	51.4	59.6	52.6
Growth	628.3%	74.0%	44.1%	27.9%	18.3%	11.2%	10.7%	17.6%	16.7%	15.9%	
Discount rate	1.000	0.901	0.812	0.732	0.659	0.594	0.535	0.482	0.435	0.392	0.353
Discounted value	8.0	12.6	16.3	18.8	20.1	20.1	20.1	21.3	22.4	23.3	18.6
Sum of PV	183.0										
								ERP			6.5%
Terminal value	612.2							Risk free rate			2.85%
Discount factor	0.353							WACC			11.0%
PV of terminal Value	216.1							Beta			1.25
								Terminal growth rate			2.2%
PV of Enterprise	399.1										
Net cash at 30 June '18	(85.5)										
Net Value - Shareholder	484.5										
No of shares on issue	440.4										
NPV	\$1.10										

Source: RaaS Advisory analysis

PEER COMPARISON

There are several listed and unlisted players in the payments processing market both in Australia and offshore. Some of the unlisted players in the international payments markets include Alipay, the unlisted mobile and online payments business owned by Ant Financial and headquartered in Hangzhou, China, and unlisted US payments processors Stripe and Flagship Merchant Services, although none of these operators hold banking licences. Another US peer is Cayan Merchant Services which was acquired by Total System Services (TSS) in December 2017 for US\$1.05bn cash. Cayan has around 400 employees worldwide and services 70,000 merchants. We have included the main US listed payments players in our peer comparison below, namely First Data Corporation, Square, Global Payments, TSS and PayPal, and four listed Australian/New Zealand players, Credit Corp, EML Payments, Flexigroup, and Smartpay to capture local companies of a similar size in the financial services sector. We note that the off-shore comparables have market capitalisations measured in tens of billions and that the structure of the US market with thousands of financial institutions is very different from the Australian market which is dominated by the Big Four banks and is tightly regulated.

Compcop EV/revenue multiple implies

If we were to apply the median EV/Revenue multiple to Tyro's FY18 revenues of \$148.2m, we would arrive at an implied value of \$1.76 per share, excluding the Australian peer group the EV/Revenue multiple rises to 6.5x, translating to an implied value of \$2.08 per share.

Exhibit 7: Peer Comparison

Company	Code	Currency	Share price	Mkt Cap	EV	Rev TTM	EBITDA TTM	EPS TTM	Fct EPS	EV/Rev	EV/EBITDA	PE TTM	Fwd PE	EBITDA Margin
First Data	FDC	USD	25.91	24,190	45,480	8,540	3,000	1.78	1.46	5.3	15.2	14.56	17.75	35.1%
Global Payments	GPN	USD	128.55	20,330	24,300	3,720	1,220	3.48	5.15	6.5	19.9	36.94	24.96	32.8%
PayPal Holdings	PYPL	USD	89.72	10,620	99,070	14,520	2,640	1.68	2.34	6.8	37.5	53.40	38.34	18.2%
Square	SQ	USD	87.99	36,110	36,720	2,680	-13	-0.16	0.45	13.7	n/a	n/a	195.5	n/a
Total System Services	TSS	USD	97.89	17,860	21,640	4,520	1,040	3.52	4.4	4.8	20.8	27.81	22.25	23.0%
Credit Corp	CCP	A\$	22.59	1,080	1,300	258	104	134	145.2	5.0	12.5	16.9	15.6	40.2%
EML Payments	EML	A\$	1.69	421	391	71	21	0.92	6.3	5.5	18.8	183.7	26.8	29.3%
Flexigroup	FXL	A\$	2.08	778	2,760	460	204	14.1	26.1	6.0	13.5	14.8	8.0	44.3%
Smartpay	SPY	NZ\$	0.22	38	60	20	10	1.47	4.0	2.9	6.2	15.0	5.5	47.0%
Median*				10,620	21,640					5.5	17.0	22.3	22.2	34.0%

 Source: Thomson Reuters, Bloomberg Prices at 18th September 2018 *Median calculated in US\$

THE ‘GOLDEN RULE’

In our view, revenue multiples used in isolation can be problematic because they are not anchored to profit margins or to earnings multiples. Rather than use the average revenue multiples for a peer group of differing stages of maturity and with different risk and return characteristics and different profit margins, we have applied a simple valuation rule taken from a research paper by Dr Kingsley Jones, principal of Jevons Global. This simple valuation rule takes into account growth expectations, profit margins and earnings multiples and is defined as:

$$\text{Current price to sales} = \text{Stable margin} \times \text{Price Earnings Ratio} \times \text{Sales uplift/Price uplift}$$

The price that the market will pay at a given time is dependent on the cyclicity of markets. When the market favours growth then the emphasis is on revenue multiples with seemingly little regard for profitability. However, as this enthusiasm cools the market will turn its attention to profitability and return on funds employed. If we apply the simple valuation rule explained above and make the following assumptions:

- Sales uplift (defined as the expected growth in sales over the investor’s investment horizon) divided by price uplift (defined as the investor’s expectations of return over the investor’s investment horizon).
- A long run EBITDA profit margin for the industry of 34.0% which converts to 26.0% NPAT margin using a tax rate 30%. We have based this margin on the listed peer group discussed above.
- The third component to this calculation is Price Earnings Ratio. The long-term PE ratio of the ASX is 15x. The average PE for profitable companies in our comparative company group is 22x. The market capitalization of this group of companies averages US\$10.6bn. Most of these companies are global leaders and this, together with relative size and growth prospects, sees the market paying a substantial premium to the market PE.

As the following exhibit demonstrates, market PE multiple and an uplift factor of 1.0x generates an EV/revenue multiple of 3.90x which in turn implies a value of \$1.30 per share for Tyro, a small premium to the current price. If we assume that Tyro’s sales growth of say 25% (mid-point of the 20-30% range) and that investor return expectations are 12.5% y-o-y, the uplift factor becomes 2.0x and results in a 7.8x revenue multiple and an implied value of \$2.60 per share. Our assumption of a long run PE multiple of 15x could be seen as unduly conservative, particularly given the peer group is trading at a significantly higher PE. The revenue multiple increases by 0.8x for every one PE point added.

Exhibit 8: Golden Rule using uplift factors of between 1x and 2x

Uplift factor	1.0	1.2	1.4	1.6	1.8	2.0
NPAT margin	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%
PE	15.0	15.0	15.0	15.0	15.0	15.0
Revenue multiple	3.90	4.68	5.46	6.24	7.02	7.80
Implied Tyro valuation (\$/share)	\$1.30	\$1.56	\$1.82	\$2.08	\$2.34	\$2.60

Source: RaaS Advisory

Exhibit 9: FINANCIAL SUMMARY

PROFIT AND LOSS STATEMENT (AUD'000)	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Fees and commission income	27,075	37,584	51,327	70,850	92,683	115,453	142,213
Interchange, integration, support fees	(16,148)	(21,184)	(28,466)	(39,082)	(48,876)	(63,761)	(78,511)
Net fees and commission income	10,927	16,400	22,861	31,768	43,807	51,692	63,702
<i>Gross Margin</i>	<i>40.36%</i>	<i>43.64%</i>	<i>44.54%</i>	<i>44.84%</i>	<i>47.27%</i>	<i>44.77%</i>	<i>44.79%</i>
Interest income on loans						450	1,567
Interest expense on deposits					(3)	(33)	(110)
Net banking operating income					(3)	417	1,457
Terminal and accessories sale	564	707	554	573	212	327	810
Terminals and accessories COGS	(419)	(433)	(465)	(508)	(705)	(744)	(542)
Net terminal sales & accessories expense	145	274	89	65	(493)	(417)	268
Interest income on treasury investments	794	775	750	805	2,010	2,866	2,498
Other Income	7	24	13	130	862	1,532	1,163
Total Operating Income	11,873	17,473	23,713	32,768	46,183	56,090	69,088
Employee benefits expenses	(6,112)	(9,583)	(13,064)	(20,942)	(31,216)	(45,820)	(53,370)
Share based payments	(85)	(49)	(672)	(487)	(965)	(1,841)	(1,411)
Marketing expenses (not provided before 2017)						(1,162)	(1,671)
Administrative expenses	(3,580)	(3,652)	(4,428)	(8,348)	(12,946)	(15,758)	(22,410)
Other expenses	(280)	(254)	(385)	(97)	(234)	(230)	(252)
Total Expenses	(11,501)	(13,157)	(18,549)	(29,874)	(45,361)	(64,811)	(79,114)
Loan Impairment	0	0	0	0	(14)	(230)	(411)
FX Gain (loss)	70	74	(36)	233	10	(53)	(20)
EBITDA	442	4,390	4,378	3,127	818	(9,004)	(10,457)
Depreciation	(970)	(1,098)	(1,276)	(2,436)	(4,025)	(5,984)	(7,064)
Operating loss before tax expense	(528)	3,292	3,102	691	(3,207)	(14,988)	(17,521)
Tax	-	6,573	(908)	120	2,461	2,213	1,151
Net Loss for the year	(528)	9,865	2,944	811	(746)	(12,775)	(16,370)

PERFORMANCE INDICATORS*	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Transaction Volume (\$bn)	3	4.1	5.3	6.8	8.6	10.6	13.4
Employees	68	93	127	221	297	371	388
Merchants	6,351	8,024	10,140	13,032	15,565	18,329	23,245
Share of Target Market	1.9%	2.40%	3.00%	3.70%	4.50%	5.40%	6.84%

Source: Tyro Annual Reports *Performance Indicators based on RaaS Analysis

Exhibit 9: FINANCIAL SUMMARY

BALANCE SHEET (AUD'000)	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Cash and cash equivalents	18,183	22,945	9,011	9,990	82,224	24,052	28,564
Due from other financial institutions	-	-	-	6,794	27,803	52,438	17,812
Trade and other receivables	2,257	2,646	12,099	3,782	7,191	10,489	15,935
Prepayments	164	185	309	492	966	1,992	1,925
Inventories	136	375	293	855	923	1,148	2,588
Loans	-	-	-	-	-	4,511	7,590
Total current assets	20,740	26,151	21,712	21,913	119,107	94,630	74,414
Available-for-sale investments	207	336	381	596	681	21,097	39,097
PPE	1,651	1,737	2,996	7,673	12,557	13,482	14,696
Net deferred tax assets	-	6,497	5,575	5,631	8,174	10,300	11,351
Total non-current assets	1,858	8,570	8,952	13,900	21,412	44,879	65,144
TOTAL ASSETS	22,598	34,721	30,664	35,813	140,519	139,509	139,558
Deposits	-	-	-	-	459	3,948	11,563
Trade payables and other liabilities	10,108	12,025	3,383	6,519	9,542	11,000	13,764
Provisions	382	521	618	1,088	1,526	2,636	3,922
Total current liabilities	10,490	12,546	4,001	7,607	11,527	17,584	29,249
Provisions	198	289	424	418	685	534	768
TOTAL LIABILITIES	10,688	12,835	4,425	8,025	12,212	18,118	30,017
Contributed equity	33,198	33,206	33,912	34,013	134,566	138,381	141,258
Reserves	7,079	7,255	8,041	8,707	9,572	12,157	13,973
Accumulated losses	(28,366)	(18,575)	(15,714)	(14,932)	(15,831)	(29,147)	(45,690)
TOTAL EQUITY	11,911	21,886	26,239	27,788	128,307	121,391	109,541

Source: Tyro Annual Reports

Exhibit 9: FINANCIAL SUMMARY

CASH FLOW STATEMENT (AUD'000)	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Interest, fee and rental income received	27,681	39,040	52,797	71,970	91,101	119,796	148,077
Payments to suppliers and employees	(23,709)	(33,740)	(65,369)	(66,102)	(92,848)	(129,055)	(159,824)
Net inflow from retail deposits	-	-	-	-	459	3,489	7,616
Net outflow from customer lending	-	-	-	-	-	(4,741)	(3,489)
Receipts from terminals & accessories sale	564	707	554	573	212	320	0
Terminals purchased	-	-	-	-	-	(5,060)	(5,179)
Dividend income received	1	1	2	2	3	-	0
Net cash flows from operating activities	4,537	6,008	(12,016)	6,443	(1,073)	(15,251)	(12,799)
Investments in term deposits	-	-	-	-	(20,000)	(24,417)	35,013
Investments in available-for-sale assets	-	-	-	-	-	(20,125)	(17,668)
Purchase of PPE	(1,233)	(1,212)	(2,542)	(7,138)	(8,941)	(1,822)	(2,891)
Proceeds from disposal of PPE	7	50	18	112	139	0	0
Lease incentive received	-	-	-	1,229	2,080	0	0
Net cash flows from investing activities	(1,226)	(1,162)	(2,524)	(5,797)	(26,722)	(46,364)	14,454
Proceeds from exercise of share options	-	8	706	101	412	3,815	2,877
Proceeds from fund raising	2,000	5,500	-	-	99,720	-	-
Proceeds from shareholder loans	3,110	-	6,100	-	4,600	-	-
Shareholder loan repayment	(4,500)	(5,500)	(6,100)	-	(4,600)	-	-
Interest & fees paid on shareholder loans	(107)	(166)	(63)	-	(113)	-	-
Net cash flows from financing activities	503	(158)	643	101	100,019	3,815	2,877
Change in cash and cash equivalents	3,814	4,688	(13,897)	747	72,224	(58,120)	4,532
Net foreign exchange difference	70	74	(37)	232	10	(52)	(20)
Cash and equivalents at beginning of year	14,299	18,183	22,945	9,011	9,990	82,224	24,052
Cash and equivalents at end of year	18,183	22,945	9,011	9,990	82,224	24,052	28,564

Source: Tyro Annual Reports

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