

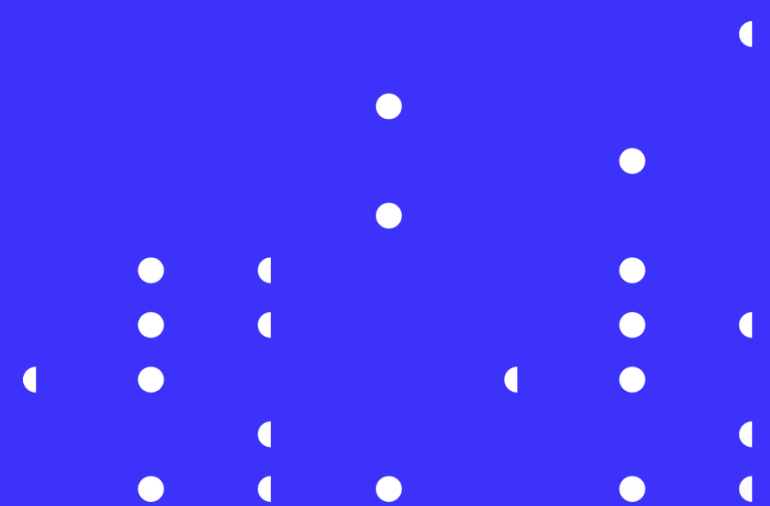


# RS2 Group Strategy

A clear road to growth

June 2020

Malta



# Agenda

- 1 2019 Financials
- 2 Executive Summary - Key Highlights
- 3 Internal Analysis – RS2
- 4 External Analysis – Payment Market & Competitors
- 5 Strategic Planning – SWOT & Strategic Choice
- 6 RS2 Vision, Mission and Strategy

# Agenda

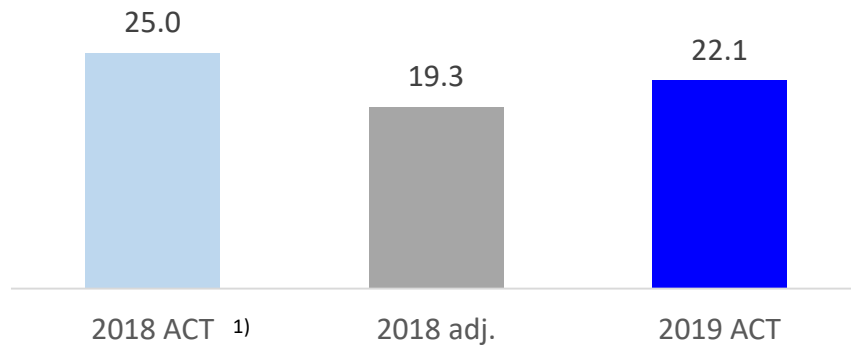
- 1 **2019 Financials**
- 2 Executive Summary – Key Highlights
- 3 Internal Analysis – RS2
- 4 External Analysis – Payment Market & Competitors
- 5 Strategic Planning – SWOT & Strategic Choice
- 6 RS2 Vision, Mission and Strategy

# Key Figures 2018 and 2019

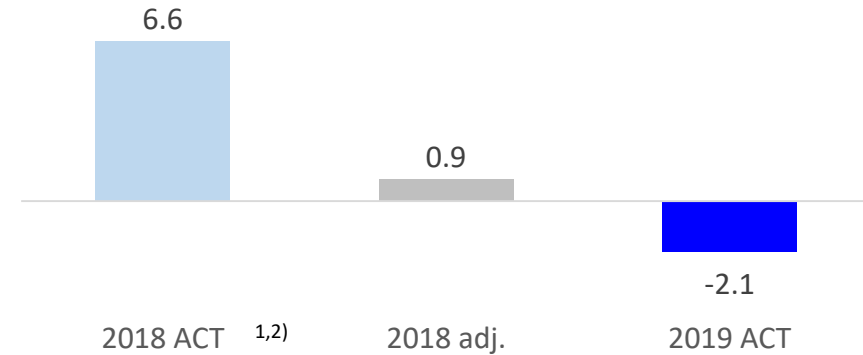
## 2019 impacted by investment in new business areas

in €m

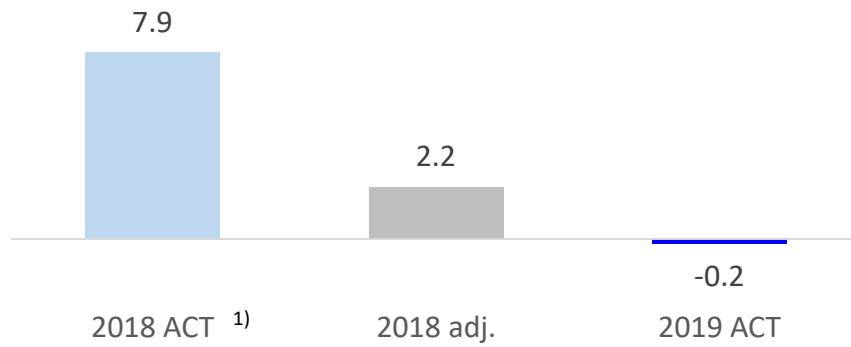
### Revenues



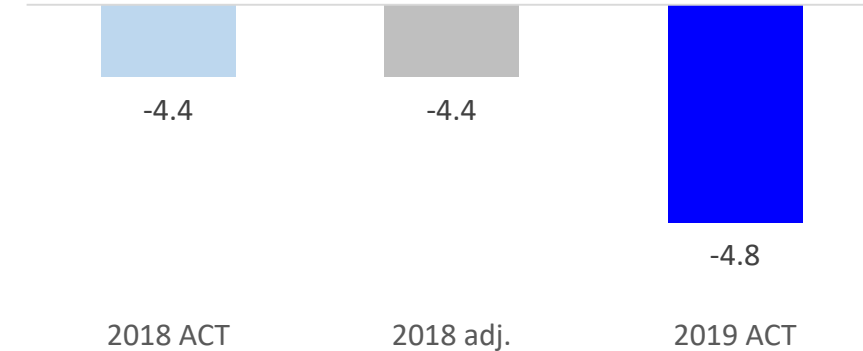
### NIBT



### EBITDA



### Cash Flow



1) 2018 revenues and EBITDA were positive impacted by m€ 5.7 due to IFRS conversion

2) The IFRS conversion had a positiv impact of m€ 3.7 on net income

## 2019 was a transformational year for RS2

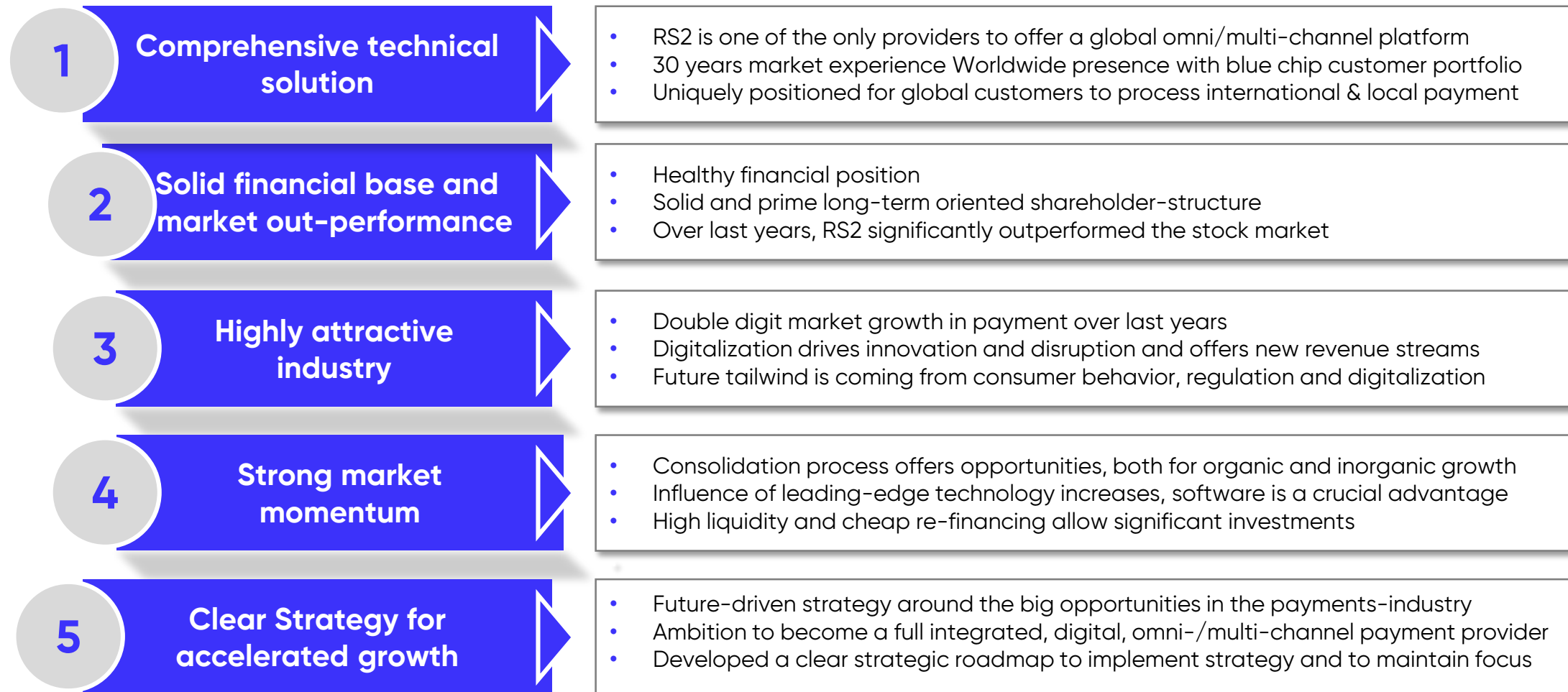
- 2019 was a transformation year for RS2 group with continued investments in international expansion, enhancement of product capabilities and new business lines.
- Group ended 2019 with a NIBT of ca. - € 2.1m after € 0.9m in 2018 (excluding IFRS15 effects), falling in line with plan following the expansion in the US market and the set up of direct acquiring in Europe.
- Core businesses RS2 PLC, RS2 SP and RS2 APAC delivered a positive bottom line contribution in 2019 while RS2 INC resulted in a NIBT of -€ 4.4m.
- Group revenues for 2019 reached €22.1m, €2.9m (15%) higher than the Group revenue registered during 2018 (excluding IFRS15 effects) with €3.9m in revenues from the US subsidiary
- Cost of Sales increased by 20% in line with Group expansion strategy mainly related to increase of staff in order to support the implementation of the pipeline and servicing the current clients
- Marketing, Sales and Administration expenses increased by €2.9m following investments into marketing, management and the integration of RS2 Germany GmbH
- Group Assets increased from €28m to €31.8m while Group Equity decreased from €17.2m to €14.1m

# Agenda

- 1 2019 Financials
- 2 **Executive Summary – Key Highlights**
- 3 Internal Analysis – RS2
- 4 External Analysis – Payment Market & Competitors
- 5 Strategic Planing –SWOT & Strategic Choice
- 6 RS2 Vision, Mission and Strategy

# Executive Summary

## Key highlights of RS2 & RS2's growth strategy



# Agenda

- 1 2019 Financials
- 2 Executive Summary - Key Highlights
- 3 **Internal Analysis – RS2**
- 4 External Analysis – Payment Market & Competitors
- 5 Strategic Planing –SWOT & Strategic Choice
- 6 RS2 Vision, Mission and Strategy



# Internal Analysis of RS2 / Company Overview

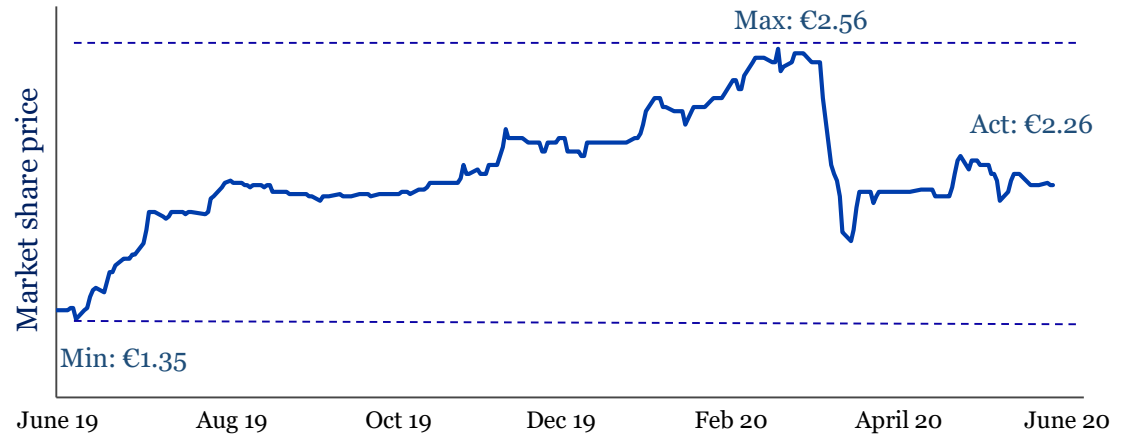
## RS2 is a powerhouse with strong financials

### Company description

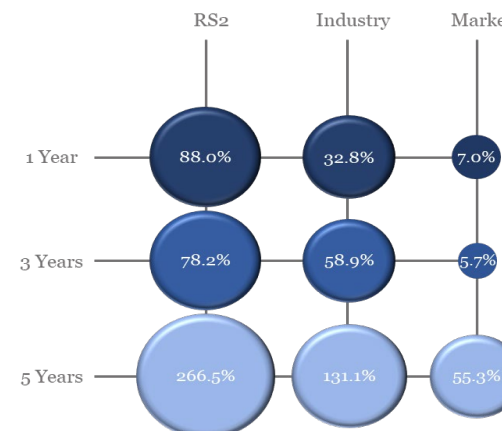


- Founded in 1988 and headquartered in Malta, RS2 Software develops software and managed services for card payment processing to banks and other Financial Institutions
- The company operates in three segments:
  - **Licensing:** engaged in licensing of the Company's BankWORKS software to banks and service providers, including maintenance and services thereto
  - **Processing:** segment is involved in processing of payment transactions utilizing its BankWORKS software
  - **Merchant service:** New business-line to take next step in the payment value chain. Solution is to directly serve merchants for acquiring and issuing solutions
- RS2 has steadily significantly outperformed the market. Shareholder returns over the last 5 years amount to >250%
- Current market capitalization €436m (as of 06-10-20)

### Stock price development

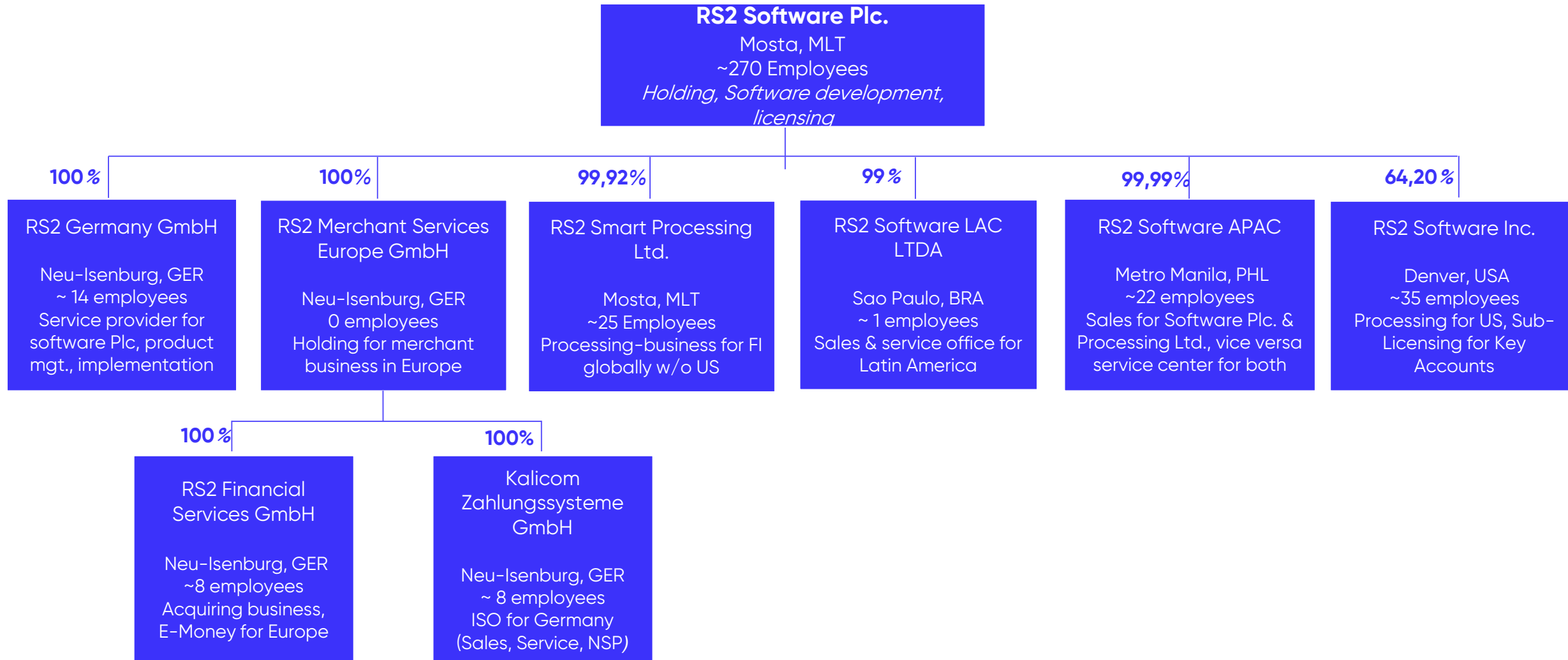


### Comparative return analysis



# Internal Analysis of RS2 / Organization

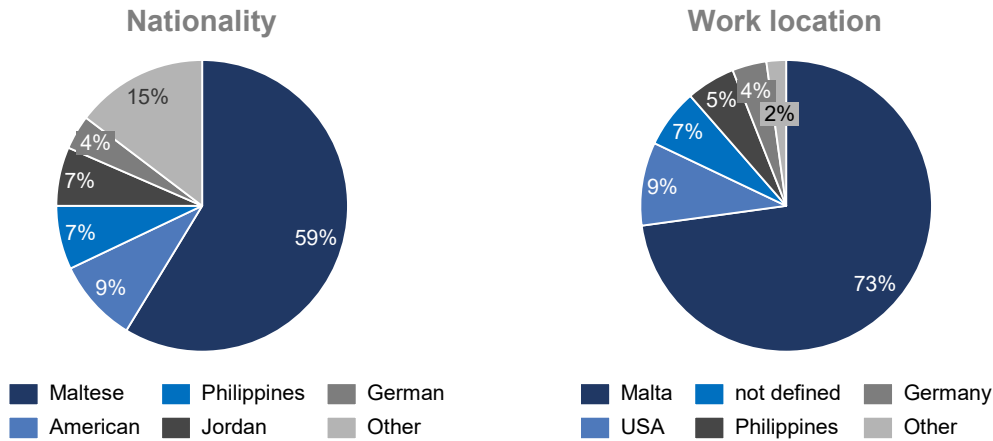
## Overview about the RS2 Group



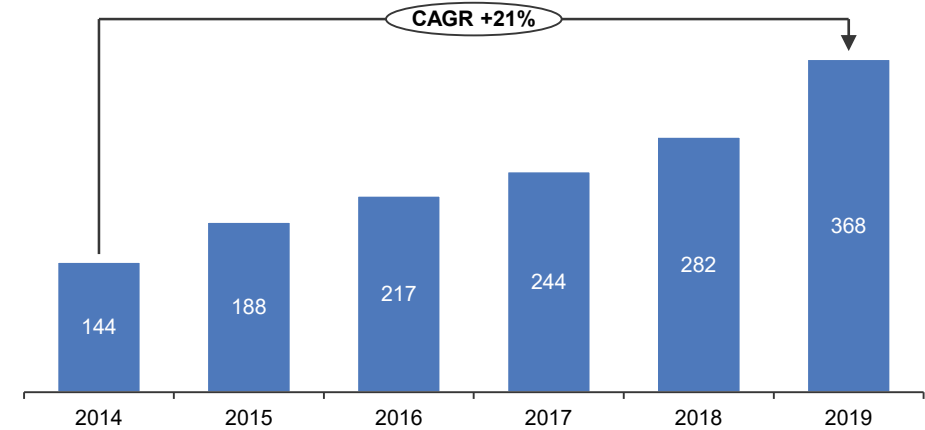
# Internal Analysis of RS2 / Organization

## Employment statistics

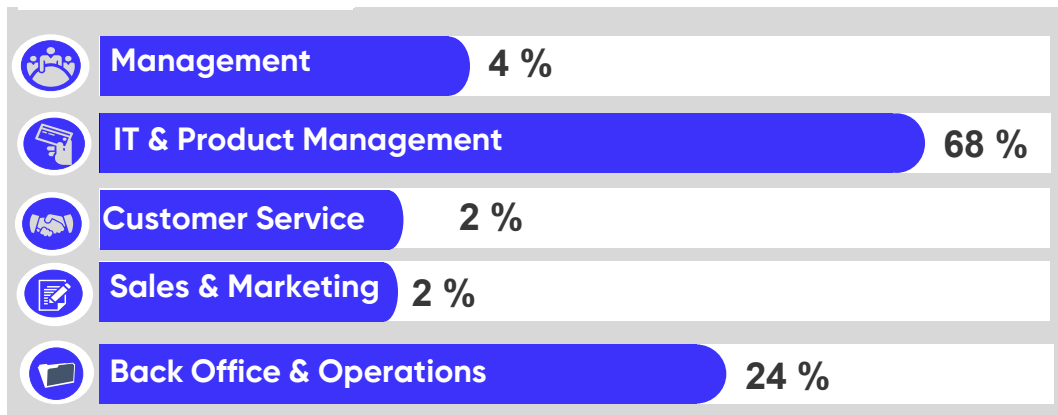
### Employee nationality and work location



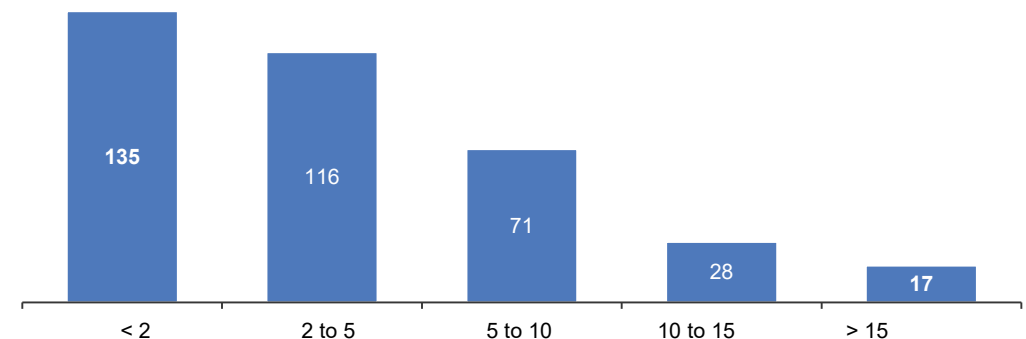
### Employee development 2014 to 2019



### Competences



### No. of employees by tenure in years (2019)



# Internal Analysis of RS2 / USPs

## Unique Selling Points and Value Proposition, overview of key differentiators



### Reliable performance

Robust 99.99 % availability and high performance engine



### One Global Platform

Global state of the art solution and global coverage, instant and real time payments



### Scalable

Cloud-based solution linearly scalable with no lead-time for infrastructure upgrade



### Omni Channel

True omni-channel covering all payment sources (online, offline, mobile)



### API enabled

Single platform with single API integration – one source code for SMEs and large Enterprises



### Highly Configurable

Configurable by client, region, currency, business type and channel



### Customer experience

High integration over the payment value chain enables superior customer support



### Value-added services

DCC, MCA, Installments, reporting, merchant and partner portal, global reconciliation, FX

- RS2 is one of the only providers worldwide to offer **global omnichannel payment services** through a single integration to its cloud platform
- RS2 is uniquely positioned to enable global customers to process both **international and local payments**
- RS2 provides customers with a **single view of their transactions** through consolidated reporting and the reconciliation of their entire businesses across currencies and languages
- It has a highly flexible platform **allowing customers quicker time to market** through a single API integration

# Agenda

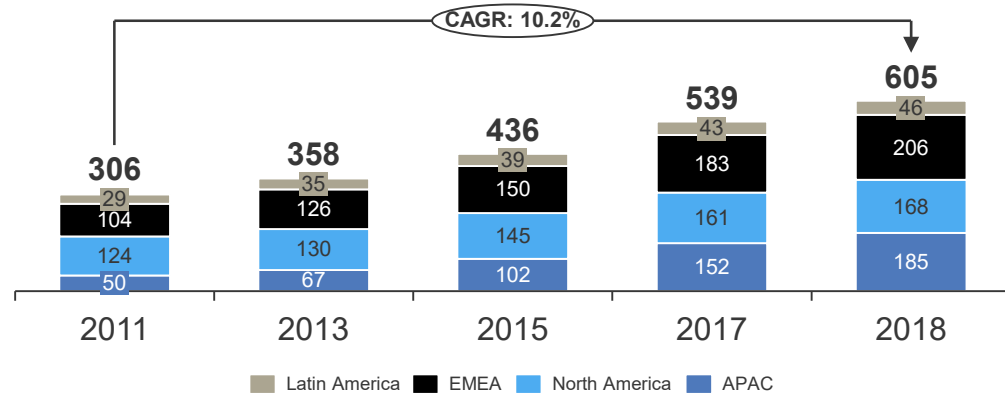
- 1 2019 Financials
- 2 Executive Summary - Key Highlights
- 3 Internal Analysis - RS2
- 4 **External Analysis - Payment Market & Competitors**
- 5 Strategic Planning - SWOT & Strategic Choice
- 6 RS2 Vision, Mission and Strategy

# Payment Market/Global Payment Market Development

## Five main trends for opportunities and challenges in the payment ecosystem

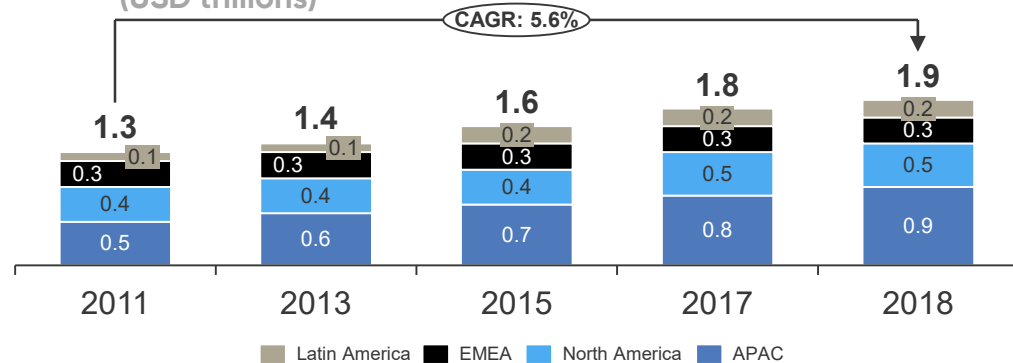
### Global non-cash transactions

(trillions)



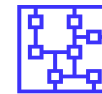
### Global payment revenues by region

(USD trillions)



Source: McKinsey Global Payments Map, Capgemini World Payments Report

### Market trends



**Dynamic market growth:** Non-cash transactions grew by 12% globally during 2018, Asia and CEMEA growing by 20-30%. Drivers are mobile payments, contactless payments and shift to e-commerce.



**Technology invests of incumbents:** Main payment providers modernized their operations and infrastructure to support new product offerings and new technologies in order to generate new revenue sources.



**Consolidations:** The payments market is undergoing an unprecedented wave of consolidation with intensive M&A in payment services related to acquiring and broader merchant servicing.



**Boosted competition:** New entrants, especially Big Techs, have changed the dynamics in the industry as businesses and consumers shift from cash to digital payment methods – Apple as a game-changer.

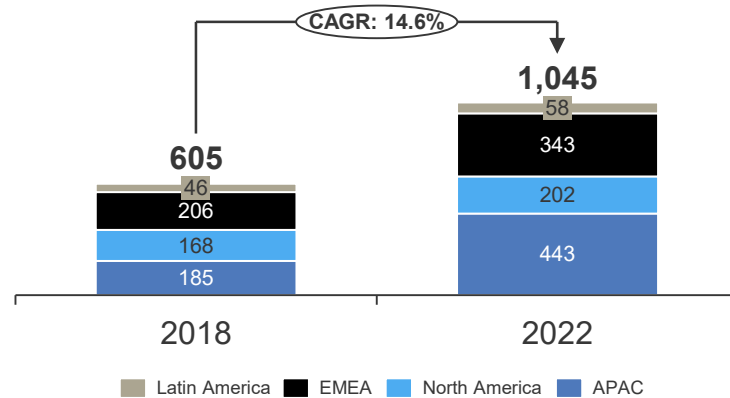


**Regulatory environment:** The EU has developed a comprehensive legislative payment framework aimed at keeping pace with the rapid evolution of the industry as well as preserve financial stability, while creating a more competitive payment system (PSD2) and ICF regulation.

# Payment Market/Global Payment Market Development

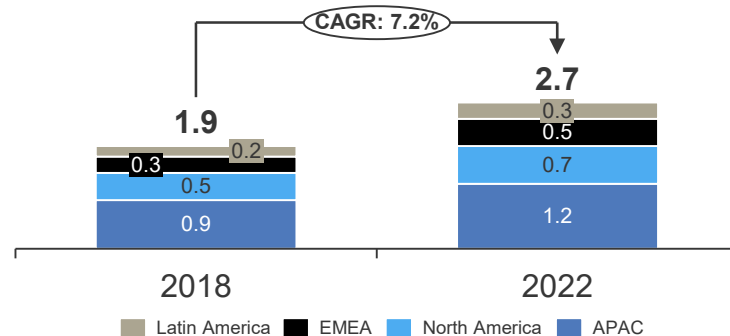
## Global payments revenue is expected to grow to about \$2.7 trillion by 2022

### Projected global non-cash transactions



### Projected payment revenues by region

(USD trillions)



Source: McKinsey Global Payments Map, Capgemini World Payments Report

### The future of payments



**Continuous development** from cash to electronic payment solutions, the rapid growth of contactless and the adaption of invisible payment solutions and the demand in rich payment solutions is expected to generate additional \$1.8 trillion in revenues by 2022

The APAC region, especially China, is expected to grow by >30% from 2018 to 2022 reaching \$1.2 trillion in revenues.



**Technology** is rapidly changing the entire payment industry ecosystem. The move away from cash towards electronic payment solutions, the rapid growth of contactless and the adaption of invisible payment solutions, demand for instant cross-border payment solutions, increasing data protection demands and cyber risks foster technological advancements.



**Consolidation process** is expected to continue to gain momentum, in the current economic situation, with interest rates being down, creating large international players.



**Fostered by regulators**, contactless penetration is set to bring mobile in-store solutions to prominence in the coming years.



**Green technology** is expected to increase in importance in the coming years, with a focus on sustainable energy supply for data centers and production of terminals, general waste reduction, etc.

# Payment Market/Impact of COVID-19 on Payments

## Impact of COVID-19 pandemic on payments

### Short term

- Significant decrease of global payment-revenue with negative growth
- Most affected industries: Hospitality and tourism, retail, airlines, events, hotels, restaurants. But also some segments can benefit from the crisis, like: E-Commerce, garden/flower-retail, food delivery service, supermarkets.
- Acceleration of cash displacement towards contactless payment infrastructure and migration to terminals without pin-pads

Contactless payment limits

**29**

Countries have raised contactless payment limits

Increasing e-com sales

**30%**

More planned online shopping of current online-shoppers

Declining in travel

**88%**

Drop of number of passengers traveling at EU airports

Decline x-border payments

**58%**

Cross-border transaction flow decline

### Mid/Long term

- Accelerated shift from POS to E-Commerce
- Shift in consumer behavior will lead in an accelerated growth for card based payments at POS
- Self-checkout or "order & collect" solutions gaining popularity pre-crisis, contactless payment cards with increasing penetration
- Expected uptake in regional travel on the back of certain international travel (e.g. cruises) shifting spending patterns and revenue opportunities. Proven effectiveness of virtual meetings reducing business travel expected. This lead in a lasting drop for some segments, like Airlines, Hotels, Events hitting their business model and in less cross boarder transactions



In mid-term, **payments can profit from the corona crises**, but in a shift in customer-industries, infrastructure-equipment and channels!



# Agenda

- 1 2019 Financials
- 2 Executive Summary - Key Highlights
- 3 Internal Analysis – RS2
- 4 External Analysis – Payment Market & Competitors
- 5 **Strategic Planning –SWOT & Strategic Choice**
- 6 RS2 Vision, Mission and Strategy

# Strategic Planning / Action Map

## Strategic areas of action



# Strategic Planning / Strategic Options

## High-level assessment of strategic options and what it takes to win

### White Label processing



- Expand the current position of RS2

- Processing only
- Global
- Top-Key account segment

- Operation excellence
- Best-in-class technical solution
- Innovative services

- Invest in Platform
- Strengthen sales capabilities and organization



### Pure Technical-driven Provider



- Expand into E-Com business

- Adress Global E-Com
- Top-Clients with high growth-rates

- Build PSP-competence
- Start-up/tech image
- Innovative technical solution w/o interface

- Invest significant in PSP-solution and sales
- Win reference customer with strong brand



### Vertical/Regional Specialist



- Build portfolio of vertical leadership position (market/industry)

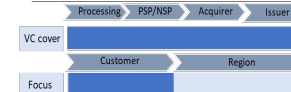
- Adress vertical with special need to serve best (Airlines, hotels)
- Adress markets US/GER

- Best competence in chosen vertical – understand merchants
- Focus on one Country

- Invest in vertical competence or in capabilities in one specific country
- Acquirer fitting companies



### High-Margin Provider



- Agressivley capture high-profit segment

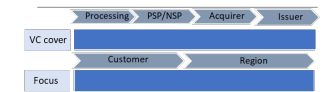
- SME-POS Business in US and Germany and/or
- High-Risk E-Com global

- Build special salesforce
- Develop individual Go-to market model
- Fitting competence

- Build necessary capabilities (Risk, Monitoring, Legal etc)
- Invest in Salesforce



### Fully integrated End2End Provider



- Being truly full service provider

- Processing, Acquiring, PSP, NSP
- Global

- Provide full offering (Front-and Backend)
- Win merchants with traditional products

- Invest massivley to fill gaps (PSP, Acq. Issuing)
- Acquirer matching Companies to fill gaps



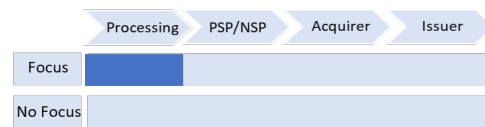
\*Based on investment Thesis  
\*\* incl. M&A

# Strategic Planning / Strategic Choice

Among strategic options, the fully integrated E2E payment provider seems most attractive

## AS IS POINT OF DEPARTURE

White Label  
processing



## SECENARIO POINT OF ARRIVAL

Fully integrated  
End2End Provider



Among the strategic options, the fully integrated End2End payment provider seems most attractive one. Being a truly fully service provider, by means offering Processing, Acquiring, Issuing and NSP/PSP out of one hand at the front- and back-end, seems the most future-proven strategy, which also allows the maximum customer-monetarization and high degree of merchant stickiness.

# Strategic Planning / Strategic Choice

Fully integrated End2End payment provider – Strategy is based on focussing toward merchant with an integrated proposition delivered by inhouse-capacities belong the entire value chain

	From	Towards	Out of scope
<b>Market (geography)</b>	<ul style="list-style-type: none"> <li>Serving all markets with same priority</li> </ul>	<ul style="list-style-type: none"> <li>Focus on markets EU and US</li> </ul>	<ul style="list-style-type: none"> <li>Niche-markets (eg Albania), Risk-markets (eg Russia), not addressable markets (eg China)</li> </ul>
<b>Customer Segment</b>	<ul style="list-style-type: none"> <li>Banks</li> <li>Especially Key Account merchants</li> </ul>	<ul style="list-style-type: none"> <li>All kinds of industries*</li> <li>All merchant sizes</li> <li>Focus Omni-channel customer</li> </ul>	<ul style="list-style-type: none"> <li>Mico-Merchants not targeted</li> </ul>
<b>Product Portfolio</b>	<ul style="list-style-type: none"> <li>Processing</li> <li>Licensing</li> </ul>	<ul style="list-style-type: none"> <li>Processing</li> <li>Licensing</li> <li>Acquiring</li> <li>Issuing</li> <li>PSP</li> <li>NSP</li> <li>Alt. payments</li> </ul>	<ul style="list-style-type: none"> <li>Terminal manufacturing</li> <li>Blockchain</li> </ul>
<b>Distribution &amp; Go-to-market</b>	<ul style="list-style-type: none"> <li>Primary via indirect sales (Merchant leads)</li> <li>Focus on one product</li> </ul>	<ul style="list-style-type: none"> <li>Integrated multi sales channel offering via own salesforce</li> </ul>	<ul style="list-style-type: none"> <li>Indirect Sales-channel via competitors</li> </ul>

\*T&E especially airlines only via JV with strategic partner

# Agenda

- 1 2019 Financials
- 2 Executive Summary - Key Highlights
- 3 Internal Analysis – RS2
- 4 External Analysis – Payment Market & Competitors
- 5 Strategic Planing –SWOT & Strategic Choice
- 6 **RS2 Vision, Mission and Strategy**

# RS2 Vision and Mission Statement

Truly global & fully integrated E2E digital omni/multi-channel payment service provider



## Vision

Our ambition is to become a **fully integrated, digital omni/multi-channel payment service provider** – simple, innovative, targeted to consumer demands and with global reach



## Mission

Deliver all payment services out of one hand, worldwide scalable and agile solutions combined with best in class customer service – We empower Financial Service Provider & merchants to benefit from digitalization of payment and on-us processing

# Cornerstones of RS2 Group-Strategy

Five pillars will drive the strategy, to build an integrated omni-channel service provider



## Processing

- Best-in class Processing for Issuing & Acquiring - Global platform with a single API
- Switching
- Disputes
- Risk-Management
- ICF/CSF-Optimization
- Empowering on-us



## Acquiring & Issuing

- Direct merchant acquiring-business under own license in EU
- Strong position in Germany and US as a starting point for further growth in other countries (as follow your customer strategy)
- Issuing for Loyalty, Prepaid, closed-loop cards



## PSP / Alternative Payments

- PSP-solution, incl. capability to offer integrated one-stop- shop payment solutions („omni-channel“)
- Alternative payments in E-Commerce (e.g. Billpay, Ratepay, iDeal, Elo, Wallets)



## Terminal & Technical Network

- Own technical network operations
- Sales & Rent of terminals incl. own terminal management



## Strategic Add-on Services

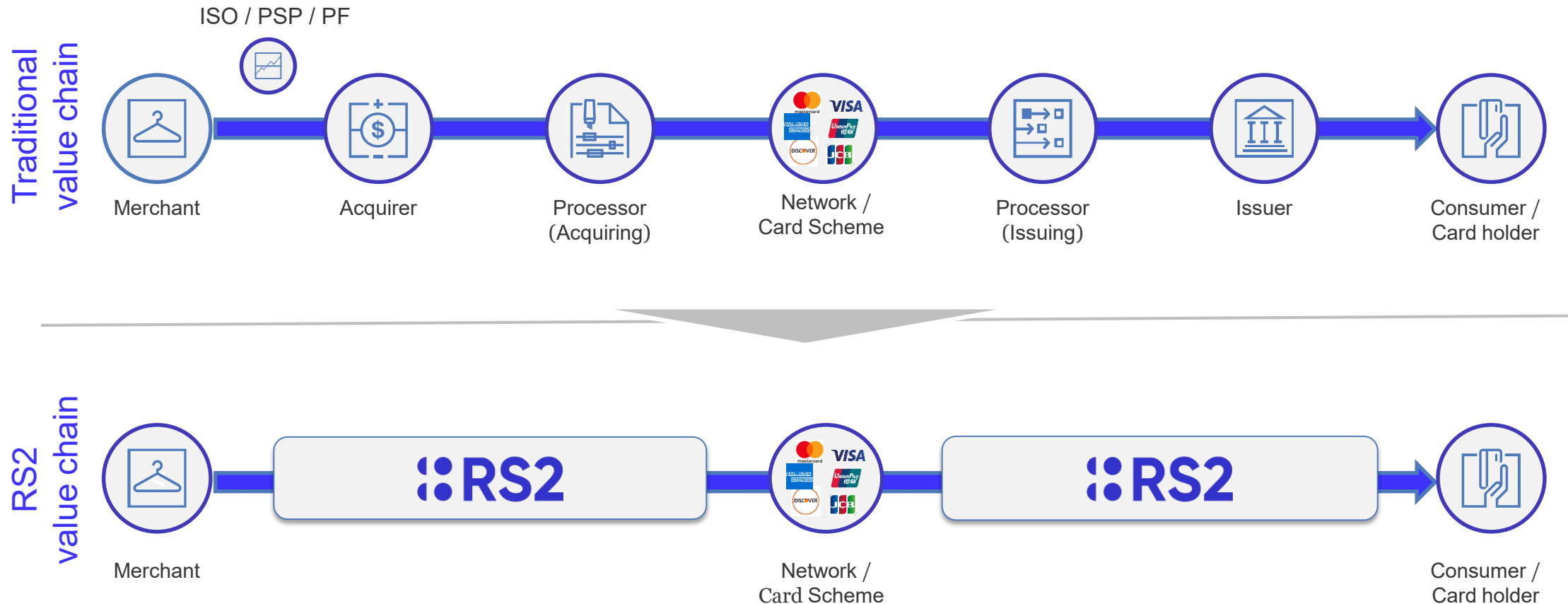
- Dunning/Collection
- Factoring
- Cash Management
- B2B payment

One Contract + Reconciliation + Reporting + Billing



# The Payment Value Chain

Six core stakeholders in the traditional chain – RS2 strategy is to consolidate the value chain



The RS2-way: Control the chain, take complexity out, lift synergies to build better solutions

# Envisaged Growth Scenario

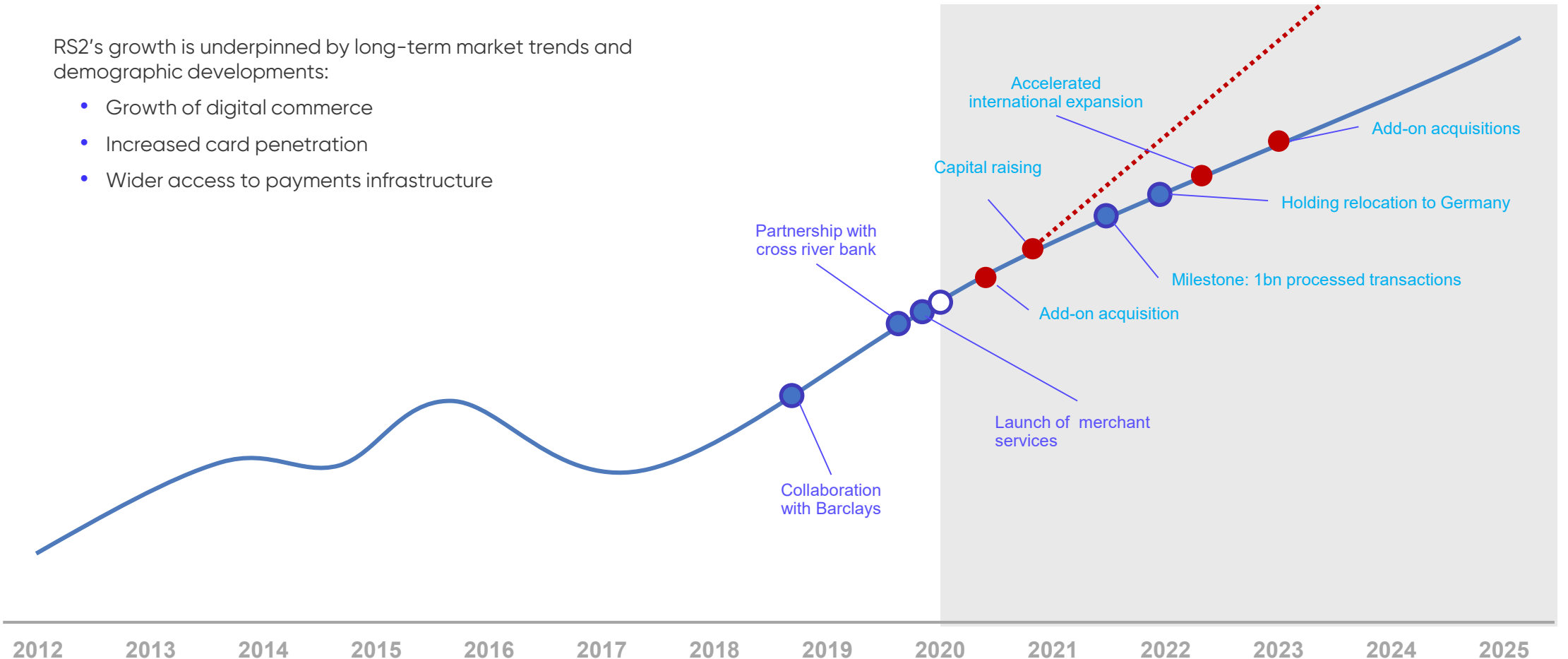
## RS2's growth path bases on RS2 Group Strategy

### Platform strategy

RS2's growth is underpinned by long-term market trends and demographic developments:

- Growth of digital commerce
- Increased card penetration
- Wider access to payments infrastructure

### Accelerated growth




# Investment Areas for RS2

In order to support the RS2 Group's growth strategy to be a fully integrated payment provider, the following areas of invests are needed

**Growth invest in US & EU**  


**Ramp-up of operation in the USA and EU**

- Invest in Organisation
- Scale of Sales and Marketing resources
- Move into acquiring

**Product enhancement** 

**Develop technology roadmap**

- Gateway product
- Call Center Services
- Chargeback Processing
- Terminal Deployment
- Partner portal
- Optimize BankWorks system-architecture

**M&A activities** 

**Agreeive Deals in US & EU, to enhance capability, to scale and to have a fast time-to market**

- US: ISO and/or Acquirer
- EU: ISOs, Acquirer, Technical Network Provider, PSP

Thank you.

