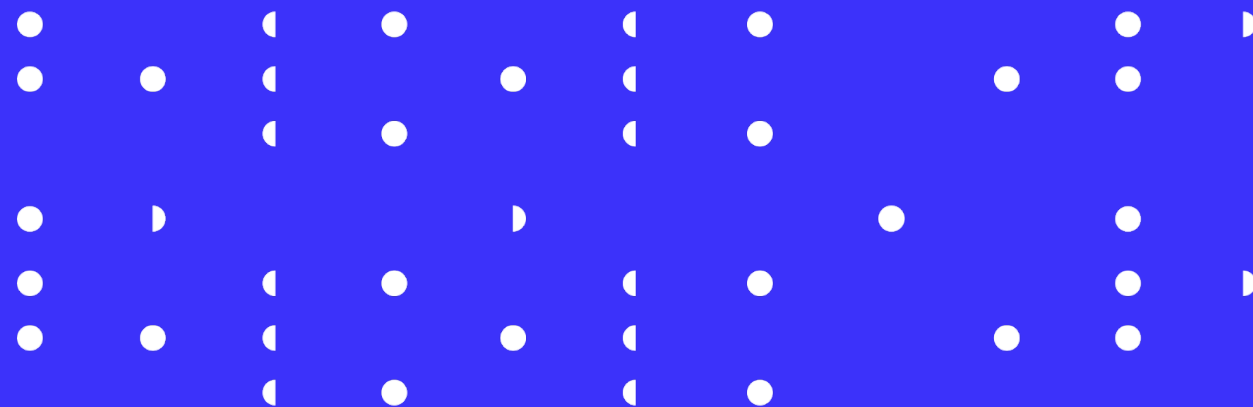




# 13<sup>th</sup> Annual General Meeting

24<sup>th</sup> June 2021



- 1 **Business Lines and Revenue Models**
- 2 RS2 in the Value Chain
- 3 Financial Key Figures
- 4 Business Performance
- 5 Business Updates & Outlook
- 6 Resolutions

Our business lines cover the entire value chain of payments and digital commerce

## SOFTWARE SOLUTIONS

Licensing of BankWORKS® Software to banks and financial institutions

- Selling term or perpetual licenses
- Customisation, implementation, and installation services
- Upgrades, enhancement, and update mandated by card organisations
- Additional services including onsite support for testing, implementation and training
- Value Added Services

## PROCESSING SOLUTIONS

Processing of payment transactions utilising BankWORKS® software

- BankWORKS® as a managed service
- Clients can access payments as a service on a private/public cloud solution for acquiring, issuing, clearing and settlement covering multiple omnichannels
- Provision of installation services (setup)
- Other services including statements, chargebacks, merchant portal, e-commerce gateway

## MERCHANT SOLUTIONS

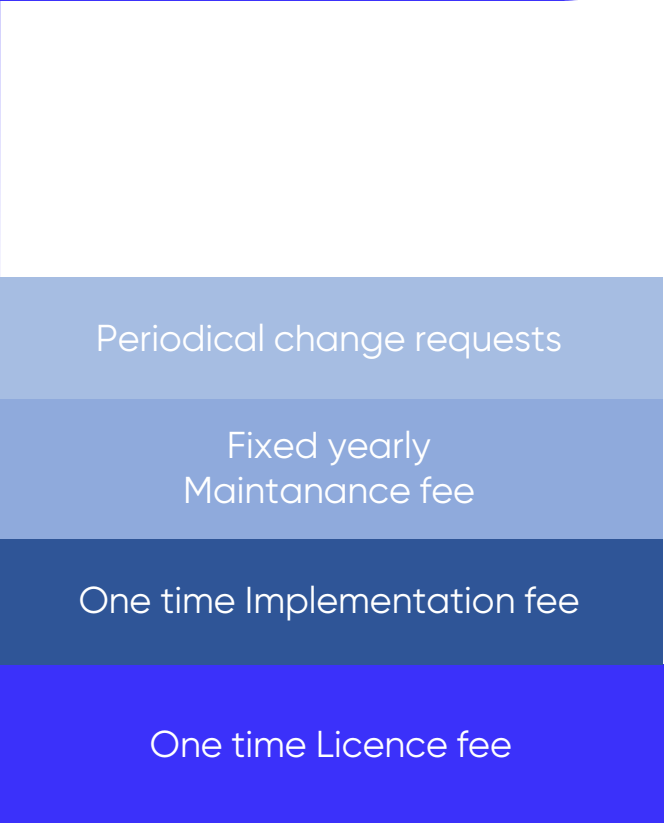
Offering issuing and acquiring payment solutions directly to merchants

- Acquiring - merchant's products and services for online and mobile payments including selling and renting of terminals, technical network services, clearing and settlements
- Issuing - consumer products and services for cards, including pre-paid, gift, and loyalty cards as closed or open-loop systems
- Authorisation
- Clearing and Reconciliation
- Fraud and Risk Management
- Settlement and Funding

# Revenue Model Transformation

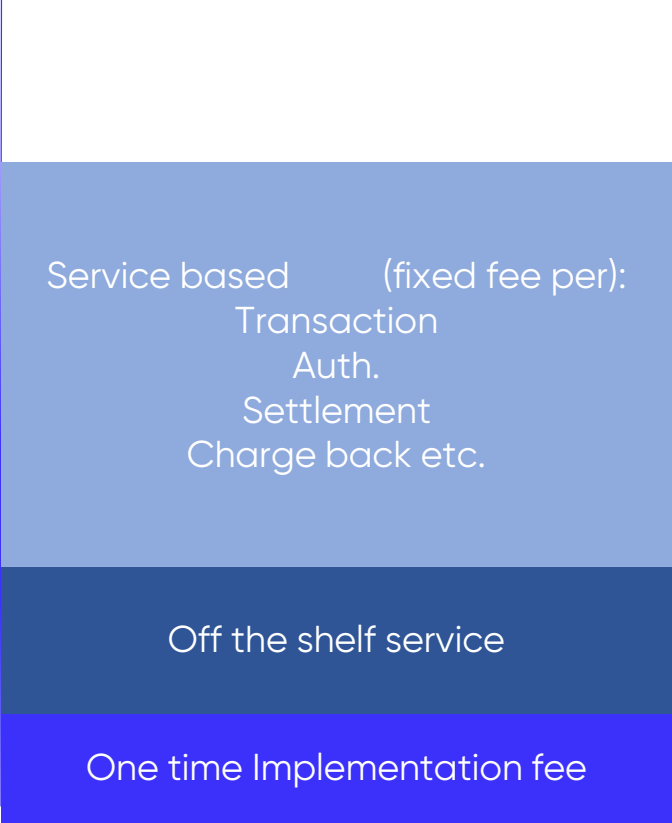
## SOFTWARE SOLUTIONS

### Traditional Licensing Revenue



## PROCESSING SOLUTIONS

### Recurring Processing Revenue



## MERCHANT SOLUTIONS

### Merchant Services Revenue



Transforming the Group's revenue generation model from dependence on one-time licence fees to ongoing and recurring revenue based on number and value of transactions processed

# Revenue Model Transformation

## Illustrative Revenue Models

### SOFTWARE SOLUTIONS

#### Traditional Licensing Revenue

Periodical change requests	<b>Revenue Example:</b> <b>License fee:</b> €1000 one time payment <b>Implementation fee:</b> €200 one time payment <b>Maintenance:</b> 21% of 1000 = € 210 paid yearly  <b>Project lifecycle between 8-24 months</b>
Fixed yearly Maintenance fee	
One time Implementation fee	
One time Licence fee	

### PROCESSING SOLUTIONS

#### Recurring Processing Revenue

Service based (fixed fee per): Transaction Auth. Settlement Charge back etc.	<b>Revenue Example of 1000 Transactions:</b> <b>Implementation fee:</b> € 100 <b>Authorization fee:</b> $0.2 \times 1000 = € 200$ <b>Settlement fee:</b> $0.3 \times 1000 = € 300$ <b>Chargeback fee:</b> $2 \times 5 = € 10$ <b>Customer total bill per month</b> = € 510  <b>Project Lifecycle between 1-4</b>
Off the shelf service	
One time Implementation fee	

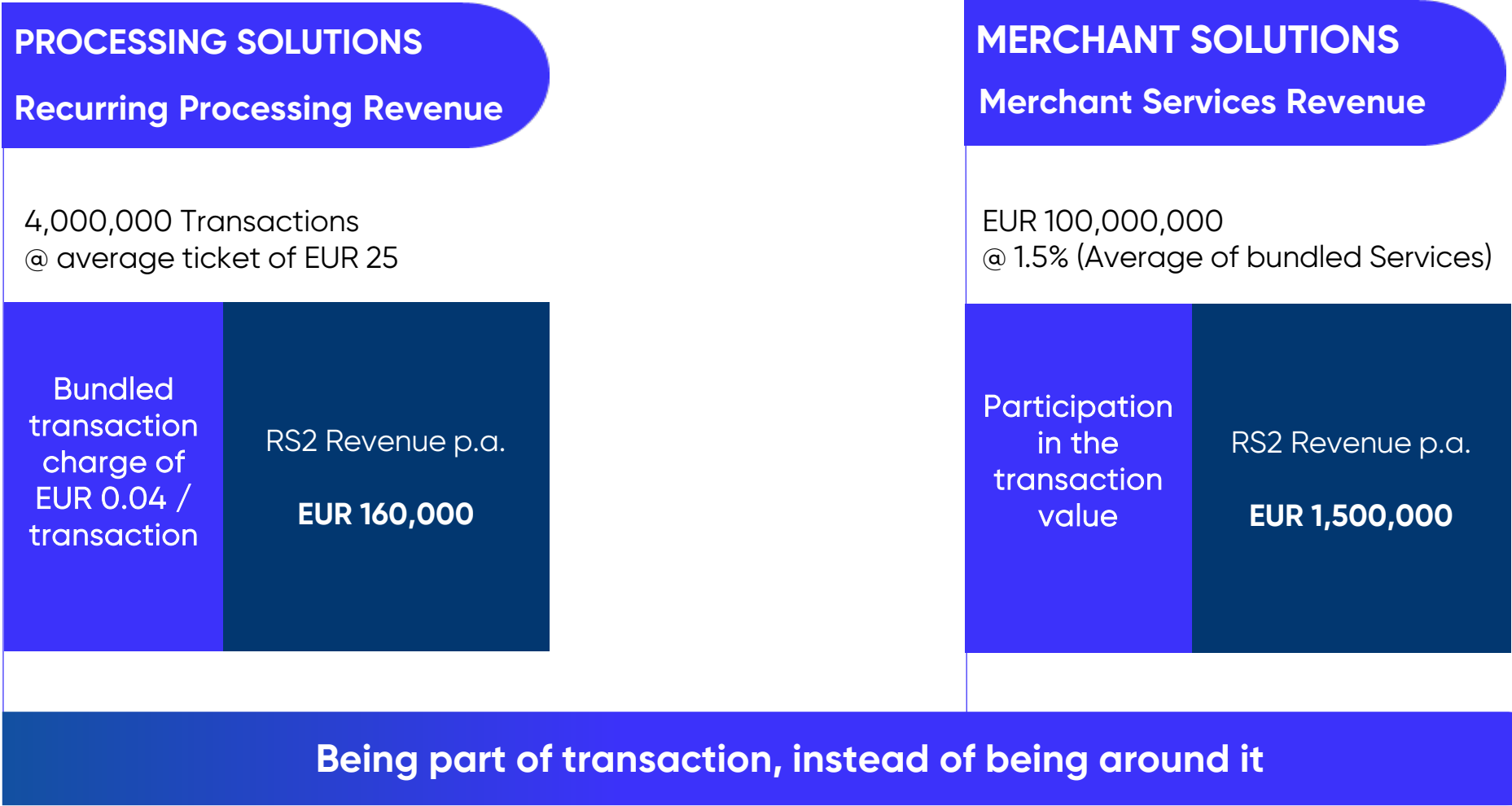
### MERCHANT SOLUTIONS

#### Merchant Services Revenue

Merchant service charge	<b>Revenue Example:</b> <b>Consumer buys for:</b> € 100 <b>Issuing Bank charges:</b> € 1.00 <b>Card Schemes charges:</b> € 0.50  <b>RS2FS:</b> $0.2 + 1.8\% = € 1.677$  <b>Merchant paid = € 96,82</b> <b>+ Fixed Trx Routing-Fee</b> = 5 - 10 Cent / Trx <b>+ Optional Value Add Fees (DCC, Charge Back etc.)</b> <b>+ Rental Fee for Terminal/Gateway</b> = €10 - €40 per month  <b>Project Lifecycle 2 weeks</b>
Participation in transaction volumes	
POS rental fee Gateway service	

# Revenue Model Transformation

Illustrative Revenue Model for a merchant having €100,000,000 yearly turnover

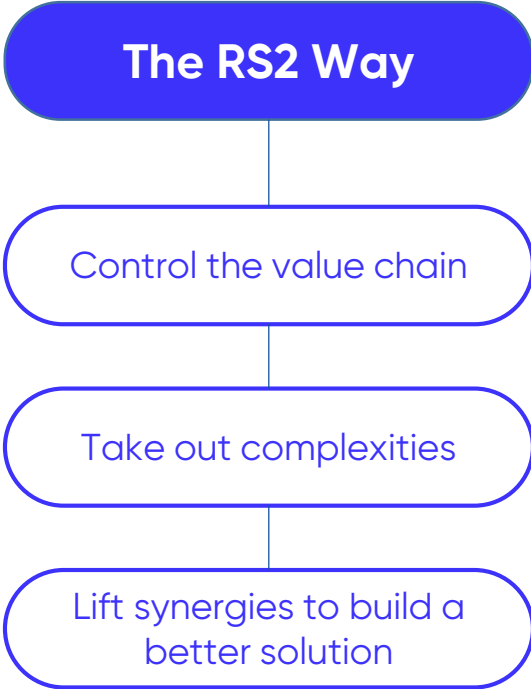
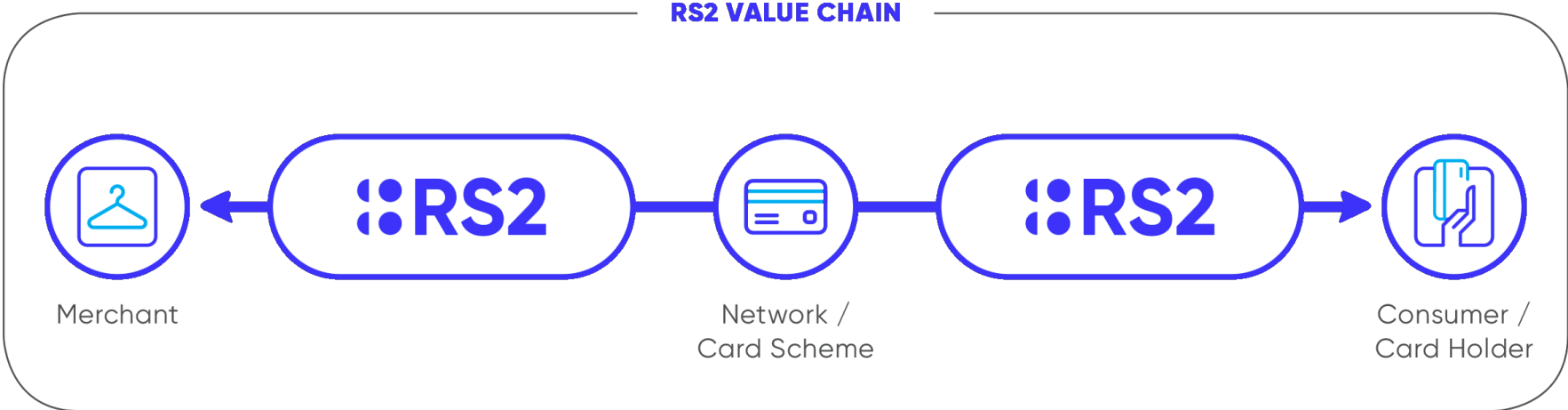
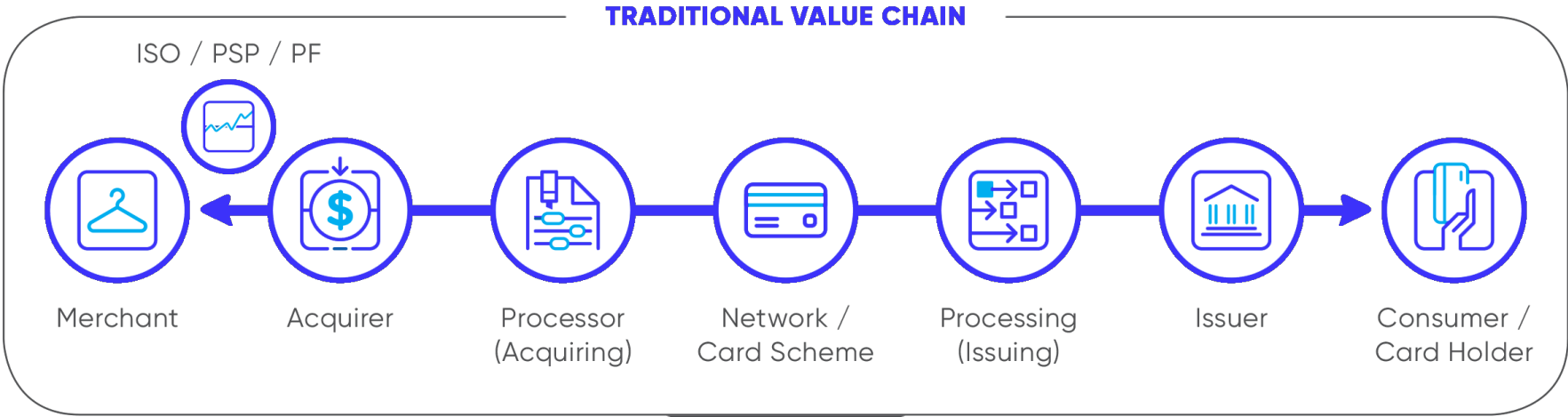


# Agenda

- 1 Business lines and revenue models
- 2 **RS2 in the Value Chain**
- 3 Financial Key Figures
- 4 Business Performance
- 5 Business Updates & Outlook
- 6 Resolutions

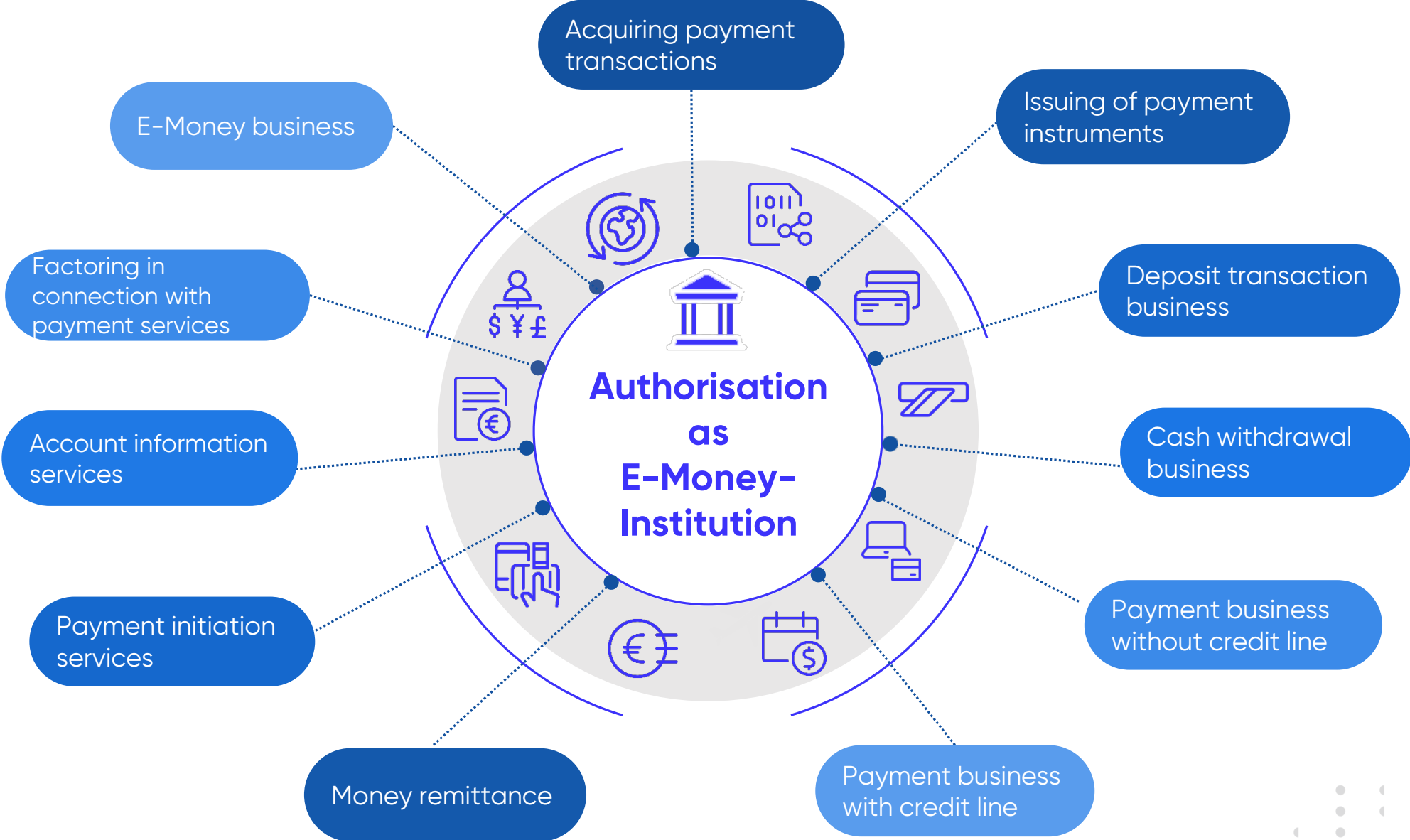
# RS2 in the Value Chain

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





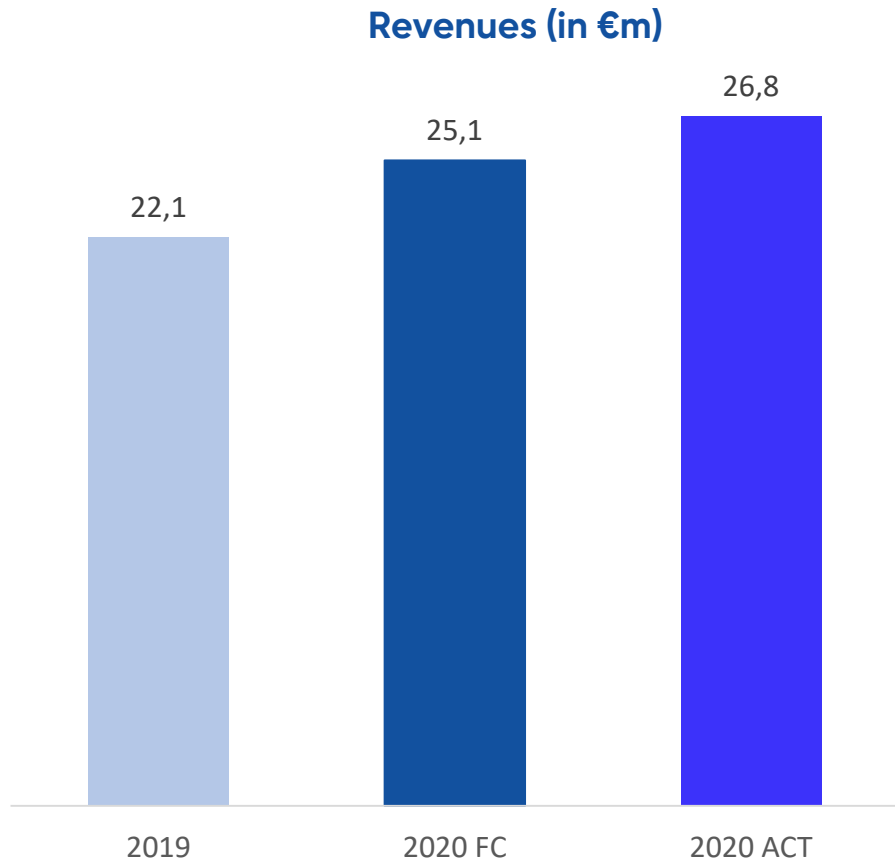
# Business Areas of EMI License



# Agenda

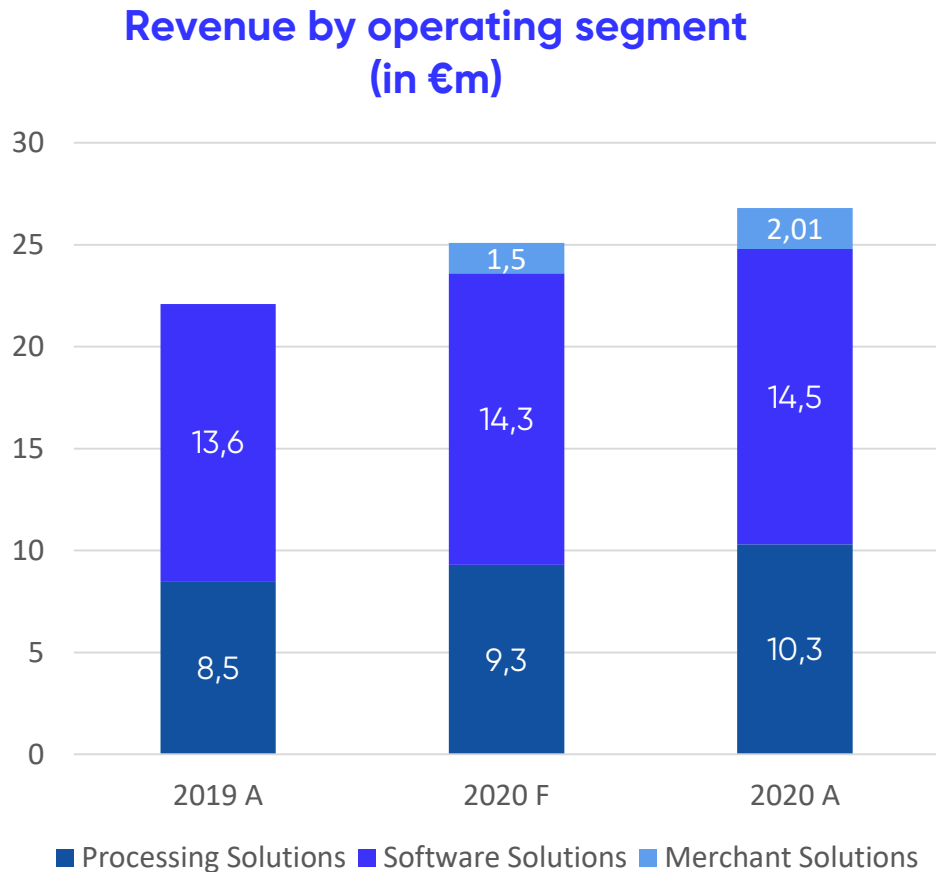
- 1 Business lines and revenue models
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## Positive Revenue Development despite Covid-19 Environment



- Group revenues up by €4.7m (+18%) compared to prior year
  - €1.8m increase in license revenues
  - €3.6m growth in service fees (including €2m RS2 Zahlungssysteme acquisition)
- Group revenues exceed forecast by **€1.7m (+7%)**, thereof:
  - €0.3m additional service fees in RS2 PLC
  - €0.4m higher processing and implementation fees in RS2 SP
  - €0.3m additional service and processing fees in RS2 Inc.
  - €0.1m additional implementation and service fees in RS2 APAC.
  - €0.6m higher revenue through IFRS accounting in Germany

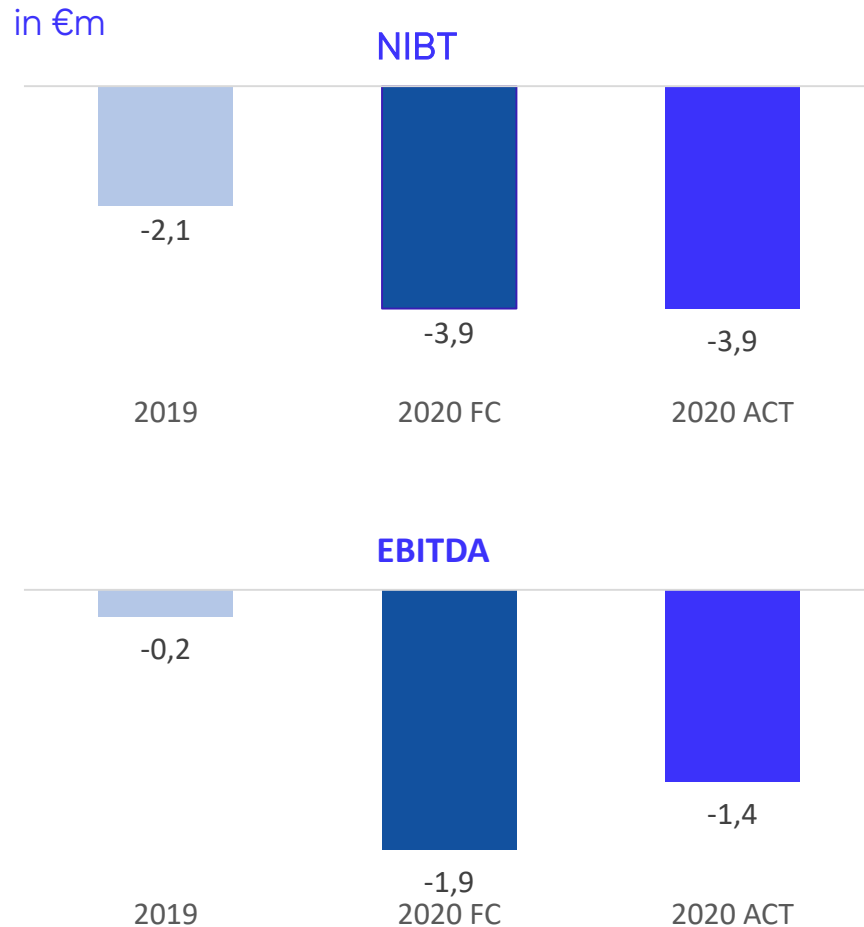
## Revenue growth across all operating segments



- RS2 continued the transformation of its business model through expansion of processing and entry into merchant services
- Successful start of diversification of revenue model across business lines and regions
- Despite the Covid-19 pandemic, sustainable growth across all business lines and regions

# Key Figures

## Bottom line performance in line with forecast



- In FY20, actual loss before tax for RS2 Group amounted to €3.9m (€2.1m in FY19). This is in line with the 2020 forecast prepared by management.
- EBITDA for FY20 amounted to negative €1.4m, which is up by €0.5m when compared to the forecast EBITDA.
- Core businesses RS2 plc and RS2 Software APAC Inc. delivered a positive bottom line contribution in FY20.
- RS2SP, RS2 Software INC. and the German subsidiaries forming the Merchant Solutions segment still with start-up, integration or transformation costs leading to losses in 2020.

# Agenda

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## RS2 Group – Statement of Comprehensive Income

<i>Amounts in € millions</i>	Revised Est. YTD	Actual YTD	Actual YTD	Actual Variance % Dec-20 vs. Dec-19
<b>Statement of Comprehensive Income</b>	<b>Dec-20</b>	<b>Dec-20</b>	<b>Dec-19</b>	<b>Dec-19</b>
Revenue	25.1	26.8	22.1	17.5%
Cost of sales	(18.7)	(18.6)	(15.1)	18.8%
<b>Gross Profit</b>	<b>6.4</b>	<b>8.2</b>	<b>7.0</b>	<b>14.6%</b>
Marketing and promotional expenses	(1.3)	(1.5)	(1.9)	-26.7%
Administrative expenses	(8.2)	(8.3)	(7.0)	15.7%
Other operating expenses	(0.6)	(0.7)	(0.0)	93.3%
Impairment loss on trade receivables and contract costs	-	(1.1)	(0.1)	90.9%
<b>Results from operating activities</b>	<b>(3.7)</b>	<b>(3.4)</b>	<b>(2.0)</b>	<b>39.8%</b>
Net finance costs	(0.3)	(0.4)	(0.1)	75.0%
<b>Loss before tax</b>	<b>(4.0)</b>	<b>(3.8)</b>	<b>(2.1)</b>	<b>43.5%</b>
Income tax expense	(1.2)	(2.1)	(1.1)	47.6%
<b>Loss for the period</b>	<b>(5.2)</b>	<b>(5.9)</b>	<b>(3.2)</b>	<b>45.0%</b>

- Group revenues exceeded the forecast by approximately €1.7m. This has been absorbed, in the most part, by an impairment loss on contract costs of €1.1m, which relate to deferred costs on a specific project currently on hold.
- The Loss before tax for the year ended 31 December 2020 amounted to €3.8m which is in line with the revised 2020 forecast of €4.0m.
- Loss after tax amounted to €5.9m as compared to the forecast of €5.2m. The difference is mainly attributed to a higher tax expense related to a license sale by the Company to one of its subsidiaries. The revenue from the license sale is eliminated on consolidation, however the timing of the tax expense for the Company, and the tax deduction for the subsidiary varies under the respective jurisdictions, thus showing a variance.

## RS2 Group – Statement of Financial Position (1 of 2)

Amounts in € millions

	Actual Dec-20	Actual Dec-19	Actual Variance % Dec-20 vs. Dec-19
<b>Statement of Financial Position</b>			
<b>ASSETS</b>			
Property, plant and equipment	8.8	9.2	-4.5%
Right-of-use assets	2.2	2.6	-18.2%
Intangible assets and goodwill	12.8	9.0	29.7%
Investments in subsidiaries	-	-	0.0%
Other investment	-	0.2	0.0%
Deferred tax assets	0.2	-	100.0%
Loans receivable	0.8	0.8	0.0%
Finance leases receivable	0.1	-	100.0%
<b>Total non-current assets</b>	<b>24.9</b>	<b>21.8</b>	<b>12.4%</b>
Trade and other receivables	2.7	4.2	-162.5%
Finance leases receivable	0.0	-	100.0%
Loans receivable	0.0	0.1	-10889.0%
Prepayments	0.8	0.7	12.5%
Accrued income and contract costs	2.4	2.6	27.8%
Inventories	0.0	-	100.0%
Cash at bank and in hand	6.8	2.4	64.7%
	12.8	10.0	22.3%
Non-current asset classified as held-for-sale	0.3	-	100.0%
<b>Total current assets</b>	<b>13.2</b>	<b>10.0</b>	<b>24.0%</b>
<b>Total assets</b>	<b>38.1</b>	<b>31.8</b>	<b>16.5%</b>

- Intangible assets and goodwill increased by ca. 30% compared to previous year mainly attributable to goodwill arising upon acquisition of Kalicom (€1.3m) and capitalized development costs (€2.6m).
- In FY20, an option to sell IPOS investment was taken up. A gain of €80k in fair value was therefore accounted for, and this asset has been reclassified to NCA HFS. This sale was concluded in June 21.
- Trade receivables are down due to a strong focus on debt collection during the year. In FY20, a provision of €1.2m has been recognised in the books of RS2 Group i.r.o. deferred expenses related to a project put on hold. This is netted off from contract costs.
- Cash at bank for RS2 Group totaled to €6.8m due to invoices paid by US subsidiary right before year end.



## RS2 Group – Statement of Financial Position (2 of 2)

	Actual	Actual	Actual
	Dec-20	Dec-19	Variance % Dec-20 vs. Dec-19
<b>EQUITY</b>			
Share capital	11.6	11.6	0.0%
Other equity	(0.1)	-	100.0%
Reserves	(1.6)	(0.2)	87.5%
Retained earnings	1.8	5.6	-211.1%
<b>Total equity attributable to equity holders of the Company</b>	<b>11.7</b>	<b>17.0</b>	<b>-45.3%</b>
Non-controlling interest	(4.6)	(2.9)	37.0%
<b>Total equity</b>	<b>7.1</b>	<b>14.1</b>	<b>-98.6%</b>
<b>LIABILITIES</b>			
Bank borrowings	1.6	0.1	93.8%
Lease liabilities	1.9	2.2	-15.8%
Employee benefits	3.8	3.0	21.1%
Deferred tax liabilities	1.5	1.4	6.7%
Derivatives	-	0.0	0.0%
<b>Total non-current liabilities</b>	<b>8.8</b>	<b>6.7</b>	<b>23.8%</b>
Bank borrowings	10.1	3.9	61.4%
Trade and other payables	2.2	1.7	22.7%
Lease liabilities	0.3	0.4	-33.3%
Derivatives	0.0	-	100.0%
Current tax payable	2.9	0.6	79.3%
Accruals	3.3	1.8	45.5%
Provisions	0.1	-	100.0%
Employee benefits	1.4	0.8	42.9%
Deferred income	1.9	1.8	5.3%
<b>Total current liabilities</b>	<b>22.2</b>	<b>11.0</b>	<b>50.5%</b>
<b>Total liabilities</b>	<b>31.0</b>	<b>17.7</b>	<b>42.9%</b>
<b>Total equity and liabilities</b>	<b>38.1</b>	<b>31.8</b>	<b>16.5%</b>

- Equity at year end down to €7.1m (18.6% equity ratio).
- Significantly increased bank borrowings includes bank overdraft (€9.7m) and loan (€2m) taken out to finance Kalicom acquisition.
- Employee benefits have increased by €1.4m:
  - Non-competition post-employment benefits increased to €4.1m
  - The liability arising from performance-related share-based payment arrangements (cash-settled) of the US subsidiary increased to €1.1m
- Current tax payable has increased from €0.6m to €2.9m due to the fact that RS2 plc availed of an exemption i.r.o. provision tax payments.

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## RS2 Group – Updates for 2021 (1 of 5)

- Successful preference share issue

- A total amount of 8,989,600 preference shares, for a total value of €15,731,800 were admitted to the Malta Stock Exchange following a successful share issue. Such shares were available for trading as from 3 May 2021.
- Proceeds have been used to pay off short term bank borrowings and bridge financing
- Total equity per end of April 2021 now €24.8m (Equity Ratio of 52% in April 2021).

	<u>Apr-21</u>	<u>Dec-20</u>	<u>Variance %</u>
<b>EQUITY</b>			
Share capital	11.6	11.6	0.0%
Preference share capital	0.1	(0.1)	155.6%
Reserves	13.7	(1.6)	956.3%
Retained earnings	5.2	1.8	-188.9%
<b>Total equity attributable to equity holders of the Company</b>	<b>30.6</b>	<b>11.7</b>	<b>-161.2%</b>
Non-controlling interest	(5.8)	(4.6)	-26.1%
<b>Total equity</b>	<b>24.8</b>	<b>7.1</b>	<b>-248.7%</b>

## RS2 Group – Updates for 2021 (2 of 5)

- RS2 is taking important steps to scale its delivery capabilities for the planned growth path
  - RS2 successfully grew its employee base by more than 30 (net) qualified business professionals in the first 5 months of 2021.
  - In addition, RS2 concluded a partnership agreement with Malta based recruiting specialist to accelerate further hiring and to gain access to more external IT resources giving RS2 flexibility in its capacity planning.
  - RS2 also entered into a framework agreement with one of the leading IT developers in the world, to outsource certain developments around future UI/UX of its merchant portal and disputes management system as well as parts of the development of a new reconciliation system the group is working on.

## RS2 Group – Updates for 2021 (3 of 5)

- **RS2 Smart Processing Limited (RS2 SP) concluded major processing outsourcing agreements**
  - In March 2021 RS2 SP concluded a major processing outsourcing agreement with its business partner Alpha Fintech, to provide acquiring services to Bank of New Zealand. The agreement was signed for a 3 year term, with the option to extend on an annual basis.
  - Through its agreement with Alpha Fintech, a further two clients were acquired, one being a large fintech company operating in the mobility sector in Singapore, and another being a financial institution in Indonesia.
  - In April 2021, RS2 SP concluded another major processing outsourcing agreement with one of the largest European Fintech companies, enabling us to now provide acquiring services in Latin America. The agreement was signed for a 3 year term, with the option to extend on an annual basis.
  - RSP also signed a processing agreement with Landesbankinn in Iceland to provide Omni-channel acquiring services to the bank.
  - A leading specialised payments platform successfully completed the migration of its European Acquiring business to RS2.

## RS2 Group – Updates for 2021 (4 of 5)

- **Granting of E-Money Institution (EMI) License**

- A German subsidiary of the Group, RS2 Financial Services GmbH, has been granted an EMI license by BaFIN (the German Federal Financial Supervisory Authority). This EMI license allows the Group to provide a wider range of financial services, comparing with payment institutions, and allows safeguarding client funds for an unlimited period of time.
- To date, the Group uses external market leading service providers to complete its service offering for financial service providers and merchants with respective back-up alternatives available. As an EMI institution, the Group will be able to provide direct acquiring and issuing services to merchants, and is planning to offer such services as from the second half of 2021.

## RS2 Group – Updates for 2021 (5 of 5)

- Per end of May the Group is - despite further global Covid-19 lock down measures - developing in line with pro rata projections from a revenue perspective (fx adjusted).
- RS2 Software PLC is trading above targeted projections as per May 21, due to increased demand of service requests.
- As for the bottom line, the Group is performing well above pro rata projections per end of May.
- For the second half of the year, the Group is expecting a continuously high demand in the service request area compensating some delays in the ramp up of the business in Germany due to a later EMI approval and longer certification process with Mastercard.
- The launch of the ISO business in the US is now expected for October due to changes on the sponsorship side and delays in the terminal certification process. The business with the large US bank and other financial service providers is, however, developing in line with expectations or even slightly better.

## RS2 North America - New General Manager



# Kolja Reiss

RS2 Software Inc.  
General Manager





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## Ordinary Resolutions

### 1. To Approve the Accounts

That the Financial Statements for the year ended 31 December 2020 and the Directors' and Auditors' Report thereon be hereby received and approved.

### 2. To appoint Auditors

That the appointment of Deloitte Malta as Group auditors, be hereby approved and the Board of Directors be hereby authorised to authorise their remuneration.

### 3. Appointment of Directors

That in accordance with the provisions of Article 56.4 of the Articles of Association of the Company, since there are less nominations than there are vacancies, no election will take place and that the nominees Mr Mario Schembri, Mr Radi Abd el Haj, Dr Robert Tufigno, Mr Franco Azzopardi, Mr John Elkins, Mr Raša Karapandža and Mr David Price be automatically appointed as Directors.

### 4. Aggregate emoluments of Directors

That, for the purpose of Article 63 of the Articles of Association, the maximum aggregate emoluments that may be paid to the Directors of the Company in any financial year shall be €500,000.

## Extraordinary Resolutions

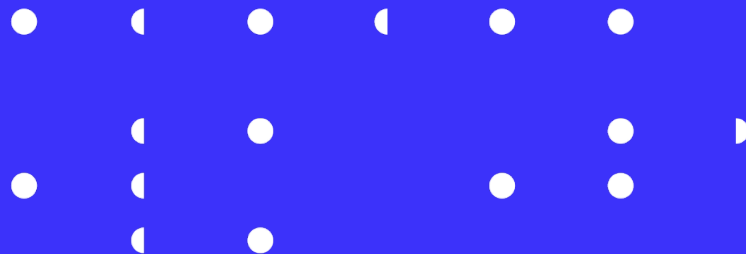
### 5. Amendment to the Object Clause of the Memorandum of Association of the Company

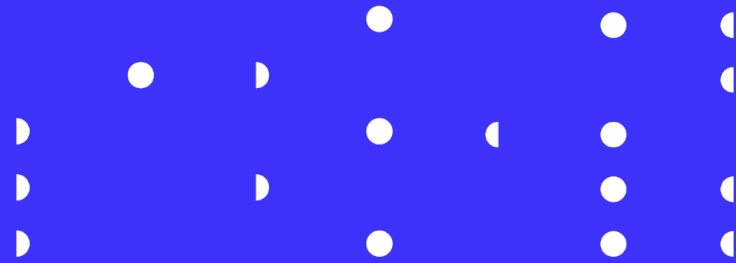
To approve that immediately after Clause 4(d), the following new Clause 4(e) be and is hereby inserted:

4(e) To receive from the assets of the company dividends, capital gains, interests, royalties and similar income, rents and any other income or gains derived from such assets or from their disposal, whether arising in or outside Malta, and including profits or gains attributable to permanent establishments (including branches) whether situated in or outside Malta.



together beyond payments





Thank You

