



RS2 Software p.l.c.
COMPANY ANNOUNCEMENT

The following is a company announcement issued by RS2 Software p.l.c. pursuant to the Malta Financial Services Authority Listing Rules.

Quote

Below is the presentation made regarding the acquisition of 100% of KALICOM Liebers Zahlungssysteme KG , during a stockbrokers' meeting held on the 28th January 2020.

Unquote

A handwritten signature in black ink, appearing to read 'Dr. Ivan Gatt', with a stylized flourish at the end.

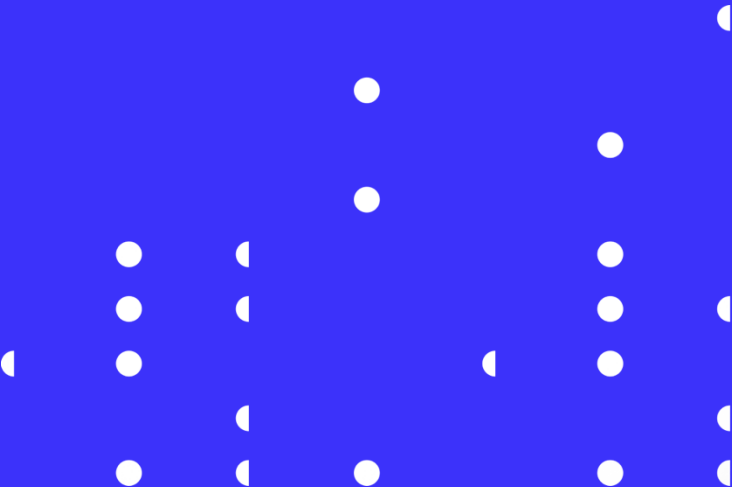
Dr. Ivan Gatt

Company Secretary
31st January 2020



Acquisition of Kalicom Zahlungssysteme KG in the German Market

January 2020



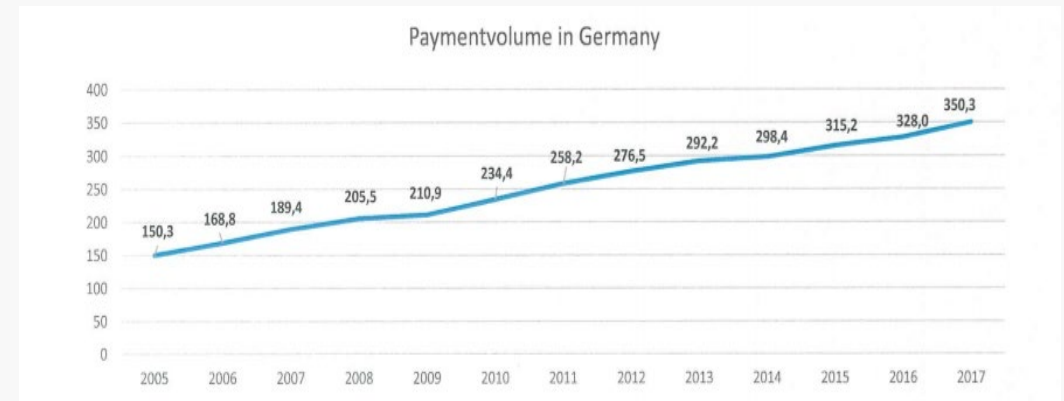
Acquisition of Kalicom is an attractive inorganic growth opportunity

- 1 Jumpstart for RS2's direct acquiring market entry immediately giving RS2 a complete POS service offering and distribution capability
- 2 Growing merchant and terminal portfolio (>4,000 terminals) with up and x-sell opportunities
- 3 Potential for a significant value creation through integrated group capabilities
- 4 Attractive EBITDA contribution potential diversifying group earnings

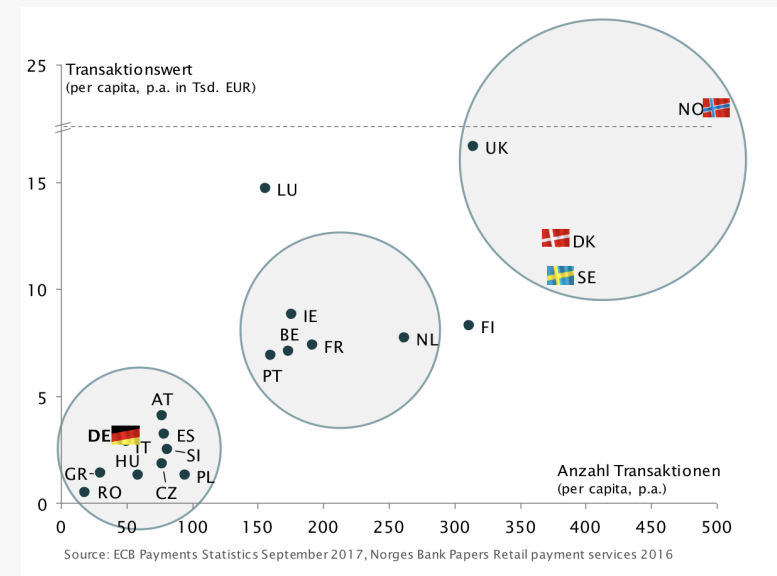
Market Overview

German market provides exceptional growth potential

- Germany is by far the largest economy in Europe, but only the 3rd largest payment market
- Payment volumes have grown historically with a CGAR of 7-8% p.a. with e-commerce and contactless payments accelerating the growth
- Germany is an underserved market with a poor service level within the whole industry and lower innovation rate
- German card market under penetrated with below average usage per capita (50% of EU average) and relatively low terminal infrastructure (40% below average), offering significant growth potential for the future



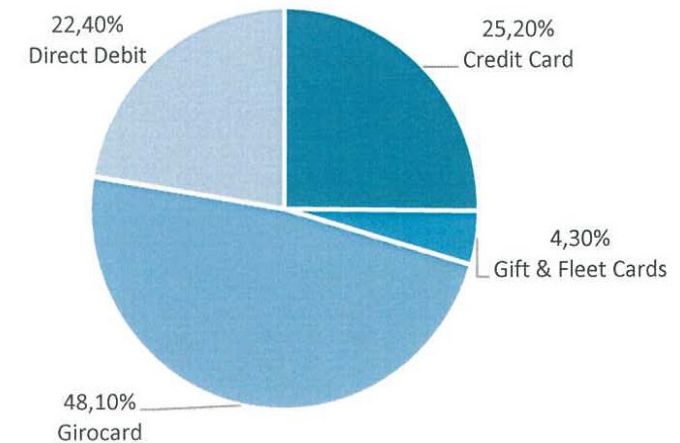
Source: ECB



Domestic debit scheme girocard is the leading payment method

- Germany is a debit market with the domestic debit scheme girocard (including direct debits) being the dominating payment method
- Due to local debit scheme the POS network operations are separate from card processing and acquiring
- Terminals and card volumes generate a total estimated revenue pool of approx. €1bn and a profit pool of €200m
- Payment provider landscape consolidating but still fragmented compared to other EU markets

Card-Paymentmix in Germany 2017

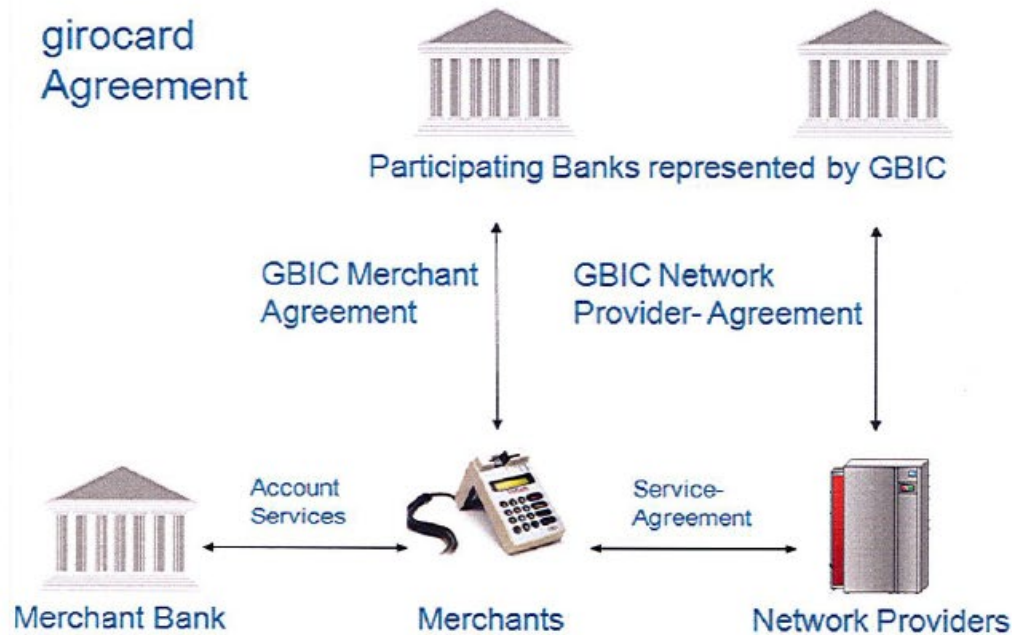


Source: ECB, RS2 expert opinion

The German Debit Network-girocard

Girocard processing via banking infrastructure drives market specific set up

Roles in the 3-party system girocard

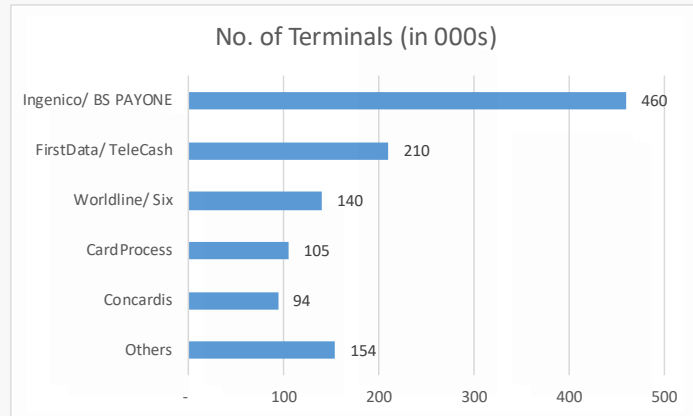


- Real-time authorisation system with payment guarantee (by issuer) and daily settlement
- Since November 2014, the commercial terms (including fees) are negotiated bilaterally between the acquirer/customer and issuer, both mostly represented by a so-called "concentrator".
- Some Technical Network Providers use girocard to build own (guaranteed) direct debit systems

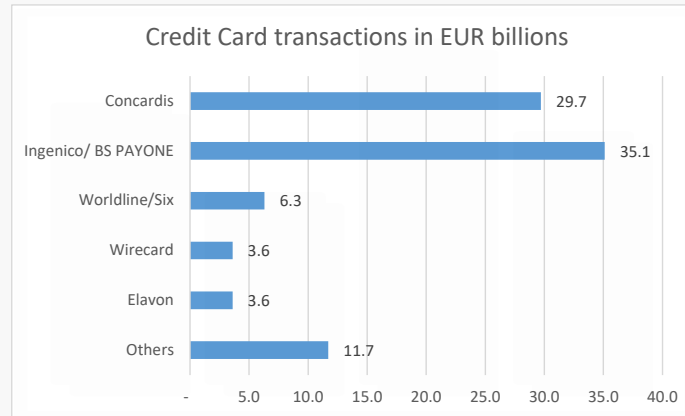
Role of the technical network providers (TNB): Monitoring and maintenance of the POS network, transaction-routing to the DK authorization hubs, passing the consolidated payment data to the issuer, collection of transaction fees and forwarding to the issuer. There are only 19 licenced TNBs (thereof 6 internal customer networks)

Market Overview- continued

German payment landscape

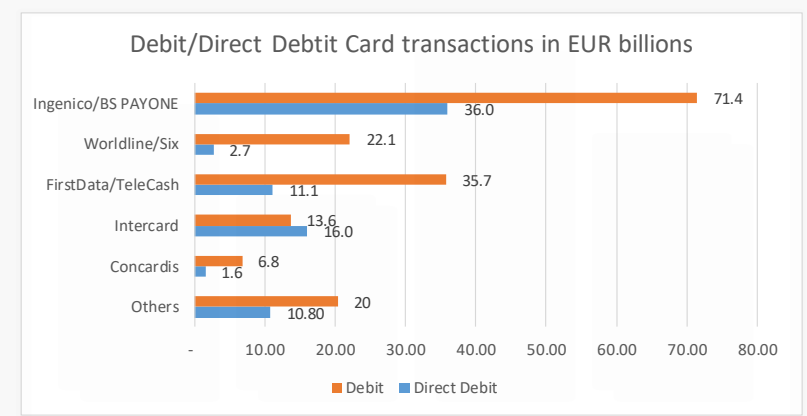


The German terminal market comprises in total ~ 1,163k terminals which are expected to grow at a CAGR of ~ 2-3%



The German acquiring market comprises in total ~ € 90b transactions which are expected to grow at a CAGR '16 to 20 of ~ 7-9%

Source: ECB, PaySys, RS2 expert opinions



The German debit card acquiring market comprises in total a volume of ~ € 248b transactions which are expected to grow at a CAGR '16 to 20 of ~ 3-4%

Market has been concentrating recently, however terminal distribution still to a large extend based on ISOs white labeling NSP services

About the Target

Kalicom Liebers Zahlungssysteme KG

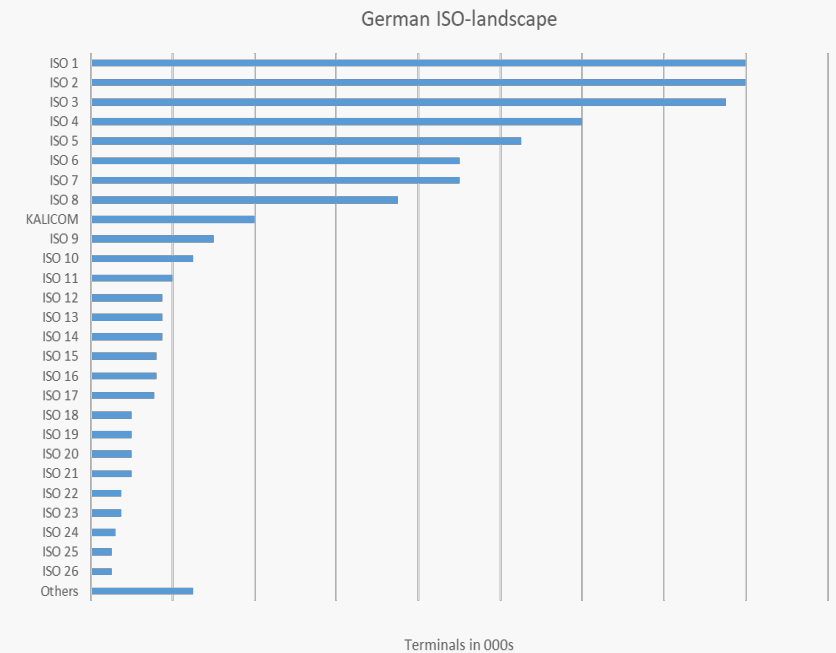
Key Facts

- Kalicom is an ISO business
- > 4,000 terminals
- 8.1m transactions
- € 1.1m turnover
- Located in Reinsdorf, Sachsen
- 10 employees

Products

- Products include:
 - POS terminals
 - girocard and direct debit processing
 - routing of credit card transactions
 - referral of acquiring services
- In-house capabilities:
 - terminal services
 - Hotline
 - Inside sales
 - Outbound sales
 - Kalicom serves SMEs across Germany

Market Position



Attractive market entry opportunity for RS2

- The acquisition of Kalicom gives RS2 a quick start into the direct merchant business
 - Immediate capabilities of selling, installing and servicing terminals and processing girocard transactions in the German market for small but also mid-size accounts
 - Attractive portfolio of >4,000 terminals and existing merchant book
 - Acquiring x-sell opportunity for a large part of the merchant book, allowing RS2 to benefit prospectively from the full acquiring margin
- Basis for further add-on acquisitions of smaller ISO portfolios in Germany
- Prospectively interesting EBITDA margin contribution to the group

Historical and Going-Concern Business Case

Continued top and bottom line grow

Business Plan FY19 - FY24

in €k	FY 18 Act	FY19 Plan	FY20 Plan	FY21 Plan
Gross profit	581,9	597,7	750,8	942,1
Expenses	479,5	390,9	369,9	390,0
EBITDA	99,4	206,8	380,8	552,1

in €k	FY22 Plan	FY23 Plan	FY24 Plan	CAGR Plan
Gross profit	1.108,6	1.325,7	1.530,4	20,7%
Expenses	490,0	609,0	625,2	- 0,1
EBITDA	618,6	716,7	905,2	34,4%

- Very stable business with positive trending above plan in 2019
- Positive development will be accelerated by the following measures:
 - In 2021 - 2023 investment in sales force to drive top line growth
 - Increase credit card acceptance to market average until end of 2021
 - Increased x-selling
 - Higher margins through in-house coverage of the value chain, which for simplicity reasons are completely displayed in Kalicom (acquiring)
 - Conversion of new terminal business to rent model
 - Sufficient EBITDA generation to repay acquisition loan over 5 years

Deal Structure and Terms

Deal Structure

- Share Deal
- Kalicom Zahlungssysteme GmbH, a 100% subsidiary of RS2 Holding Europe GmbH acquired Kalicom Zahlungssysteme KG
- Kalicom Zahlungssysteme KG was upon closing by law merged into Kalicom GmbH

Deal Terms

- The transaction is classified as a Class 1 transaction as per listing rules
- Purchase price €2.5m including transaction related cost and fees
- Budgeted one-off cost of €250k for technical integration

Deal Funding

- Bank financing



Thank you.

