



RS2 Software p.l.c.
COMPANY ANNOUNCEMENT

Interim Directors' Statement

Quote:

The purpose of the present company announcement is for the Board of Directors of RS2 Software p.l.c. ("RS2" or "the Group") to provide the market with an update on the Group's 2020 performance and expectations for the next financial year.

Review of 2020 financial performance and expectations for 2021

Despite the world economic crisis and the challenges brought about by COVID-19, the year 2020 has been a year where significant revenue contracts have been entered into and during which a number of strategic clients across regions in Asia-Pacific (APAC), North America, Europe and Latin America (LATAM) have transitioned from implementation phase to live processing.

The year was characterised by the Great Lockdown that was a consequence of the COVID-19 pandemic, which had far-reaching social, economic and geopolitical negative impacts globally. The Group's response to the pandemic was based on an agile management culture leveraged by a technology-based culture and preparedness, to seamlessly switch over to home productivity with minimal disruption. In response to the COVID-19 global crisis, RS2, as a service provider, triggered its Business Continuity Plan (BCP) to continue providing its services with no impact or interruption to business. The Group is sufficiently liquid to ensure it can meet all its obligations as and when they fall due in order to continue the implementation of its strategy.

The payments market remains one of the brightest spots in the financial services industry, which presents substantial opportunities. One may begin to note the challenges in the payment markets arising due to an unprecedented wave of consolidation with intensive merger and acquisition (M&A) activities, increased competition especially due to new entrants that significantly change the dynamics in the industry, as well as through regulatory initiatives, including the likes of the PSD2 (Payment Services Directive 2 – an EU directive designed to produce safer and more innovative payments services), which generate significant complexity.

As a result of these trends, payment companies began to invest heavily in their infrastructure in order to play a more active role in the digitalisation of the whole customer journey, by offering omni-channel solutions and venturing beyond their traditional role. These factors, combined with favourable economics, mean that the real breakthrough for the industry is yet to come. It is expected that the payment market will increasingly accelerate over the next decade and those companies which have

Tel: +356 2134 5857
Email: info@rs2.com
Vat: MT 1185-5601
Co. Reg No: C25829

**RS2 Software p.l.c, RS2 Buildings,
Fort Road, Mosta MST 1859, Malta, Europe**

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the right strategy, executed by a strong management team, together with sufficient funding, will benefit from these trends.

While the current COVID-19 environment in the short-term has been negatively impacting the payments market, we expect that, in line with the forecasts being published by leading research institutes, the pandemic should accelerate the digital transformation into card payments. Payment systems have proved to be resilient and reliable, as they have been in earlier crises. Notwithstanding the fact that the importance of non-cash payments is growing rapidly, any projections on industry performance rest on assumptions surrounding overall economic activity. The COVID-19 pandemic can indeed be an accelerator for card payments globally with the right triggers in place from governments, retailers and consumers.

During 2020, the Group executed strategic milestones to increase its customer base and diversify its global business across various regions:

- In LATAM, the Group continued to expand its customer base and has rolled out its omni-channel acquiring services to new clients in Brazil, where in 2021 the Group expects to process just over two hundred million transactions. In Argentina, the Group has enabled its services to one of already existing customers in the region to start its merchant acquiring; in Columbia, together with its Partner MOVII, the Group went live with e-commerce acquiring and will kick-off its POS acquiring in Q3 of 2021;
- In North America, the Group has concluded major processing outsourcing agreements with various payment providers such as Independent Sales Organisations (ISOs) and Payment Facilitators (PayFacs). In addition to that, the Group has signed on one of the largest banks in the United States on a hybrid licensing and processing model, which will take revenue generation for the Group to a new level - this client has recently concluded its initial implementation.

In APAC, the Group has added other major outsourcing clients across various countries, starting with Singapore. These clients will increase the Group's APAC customer base, adding to its current customers in New Zealand, Philippines and Vietnam. In Indonesia, the Group will be providing outsourcing services to a financial institution for issuing and acquiring.

Through the Group's recent investments in quality relationships with new premium clients, RS2 reported an increase in the volume of transactions processed on its platform during 2020 when compared to those processed in 2019. This increase is expected to progress with a gradual increase from RS2's current clients as well as the on-boarding of new clients.

During the last 12 months, the Group continued to invest in human resources to support the framework of its new acquiring business line in conjunction with the process undertaken to obtain its financial licence through BaFin, the German financial regulator. The Group continues to concentrate on implementing and delivering its strategy around its main business pillars of growing and expanding

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the managed services business, ramping up the US expansion and building its own direct acquiring business.

The Board of Directors reasonably expects the Group to experience growth in its consolidated results for 2021, notwithstanding the current economic challenges resulting primarily from the COVID-19 pandemic. By the end of 2021, the Company aims to have achieved important developmental milestones in key business areas pursued by the Group.

RS2 continues to enhance its platform globally in order to on-board more businesses which target large financial institutions, Independent Software Vendors (ISVs), PayFacs and merchants from various industries globally. This is done by providing issuing and acquiring processing services throughout Europe, Middle East, North America, Latin America and Asia Pacific, covering various industries while reducing the cost of the BankWORKS® platform (RS2's internally developed software solution) infrastructure. The success of the Group is empowered through the uniqueness of BankWORKS® which offers one single platform deployed on the cloud covering all payment channels and which allows its customers to transact globally through one single Application Programming Interface (API).

By way of an extraordinary resolution of the shareholders taken on 15 December 2019, the Company has increased its authorised share capital from €12,000,000 to €18,000,000, increasing its authorised ordinary share capital from 200,000,000 ordinary shares to 240,000,000 ordinary shares of €0.06 each and additionally creating a new class of 60,000,000 preference shares of €0.06 each. The increase of the authorized share capital would provide the Company with the capacity and flexibility needed to further increase its issued share capital in the near future to react in a timely manner to opportunities and to be able to bring on board strategic investors which will enhance shareholder value, if and as needed. Taken as a whole, the increase in the ordinary share capital and the creation of the new preference shares is being done in order to enable the planned growth, including, any necessary enhancement of the Group's BankWORKS® platform, further investment in North America and in the new acquiring business line, expanding the sales force to the various lines of businesses and selected M&A activities.

Whilst the Board recognises the prevailing volatile economic environment and the risk of unforeseen events impacting the Group going forward, it looks towards 2021 with optimism, expecting the Group to reap the benefits on the investments it has made in previous years and to show markable top-line growth and improved profitability in the years to come.

Unquote:

A handwritten signature in black ink, appearing to read 'Ivan Gatt', written over a light blue horizontal line.

Dr. Ivan Gatt
Company Secretary
22 January 2021

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