

# SUMMARY

THIS SUMMARY HAS BEEN APPROVED BY THE LISTING AUTHORITY AS THE COMPETENT AUTHORITY UNDER THE PROSPECTUS REGULATION. THE LISTING AUTHORITY ONLY APPROVES THIS SUMMARY AS MEETING THE STANDARDS OF COMPLETENESS, COMPREHENSIBILITY AND CONSISTENCY IMPOSED BY THE PROSPECTUS REGULATION. SUCH APPROVAL SHOULD NOT BE CONSIDERED AS AN ENDORSEMENT OF THE ISSUER AND THE SECURITIES THAT ARE THE SUBJECT OF THIS SUMMARY. THIS SUMMARY IS VALID FOR A PERIOD OF 12 MONTHS FROM THE DATE HEREOF. FOLLOWING THE LAPSE OF THIS VALIDITY PERIOD, THE ISSUER IS NOT OBLIGED TO SUPPLEMENT THIS SUMMARY.

## APPROVED BY THE DIRECTORS



**Mr Mario Schembri in his capacity as Director of the Company**

and for and on behalf of: Mr Radi Abd El Haj, Dr Robert Tufigno, Mr Franco Azzopardi,  
Mr John Elkins, Prof. Raša Karapandža and Mr David Price.

## A. INTRODUCTION AND WARNINGS

This summary should be read as an introduction to the Prospectus. Any decision to invest in the Preference Shares should be based on consideration of the Prospectus as a whole by the prospective investor. A prospective investor may lose all or part of the invested capital. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under Maltese law, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof and who applied for its notification, but only if the summary, when read together with the other parts of the Prospectus, is misleading, inaccurate or inconsistent or does not provide key information in order to aid investors when considering whether to invest in the Preference Shares.

Legal Name of the Company/Issuer:	RS2 Software p.l.c.
Registered Address:	RS2 Buildings, Fort Road, Mosta, MST 1859
Registration Number:	C 25829
Telephone Number:	+356 2134 5857
Email Address:	investorrelations@rs2.com
Legal Entity Identifier (LEI):	2138004MEYJUDFJ3IQ49
Securities to be issued:	28,571,400 Preference Shares having a nominal value of €0.06 per Preference Share
ISIN of the Preference Shares:	MT0000400219
Competent authority approving the Prospectus:	The Board of Governors of the MFSA, appointed as Listing Authority for the purposes of the Malta Financial Services Authority Act (Chapter 330 of the laws of Malta)
Address, telephone number and official website of the competent authority approving the Prospectus:	The Listing Authority, Malta Financial Services Authority, Triq l-Imdina, Zone 1, Central Business District, Birkirkara CBD 1010, Malta Tel: +356 2144 1155; Website: <a href="http://www.mfsa.mt">www.mfsa.mt</a>
Prospectus approval date:	19 February 2021

## B. KEY INFORMATION ON THE ISSUER

### B.1 WHO IS THE ISSUER OF THE SECURITIES?

#### General

The Issuer is RS2 Software p.l.c., a public limited liability company registered in Malta in terms of the Companies Act. The Company's LEI is 2138004MEYJUDFJ3IQ49.

## Principle activities

The principal activities of the Issuer are the development, installation, implementation and marketing of computer software for financial institutions under the trademark of BankWORKS® (Licence Solutions). Through its subsidiaries, the Issuer also acts as service provider with the use of BankWORKS® (Processing Solutions) and has recently established its own 'Acquiring' business line by making use of a financial institution licence to be obtained through BaFin, the German regulator (Merchant Solutions).

## Major shareholders

The Issuer is owned up to 50.04% by ITM Holding Limited, a company registered in Malta in terms of the Companies Act. Mr. Radi Abd El Haj is the ultimate beneficial owner of ITM Holding Limited. Barclays Bank plc holds 18.25% of the Ordinary Shares of the Issuer. No other person holds more than 10% of the Ordinary Shares.

## Directors

The members of the Board of Directors are Mr Mario Schembri (Chairman), Mr Radi Abd El Haj, Dr Robert Tufigno, Mr Franco Azzopardi, Mr John Elkins, Prof. Raša Karapandža and Mr David Price.

## Auditors

The Company's statutory auditors are Deloitte Audit Limited, a firm registered as a limited liability company authorised to provide audit services in Malta in terms of the Accountancy Profession Act (Cap. 281 of the laws of Malta).

## B.2 WHAT IS THE KEY FINANCIAL INFORMATION REGARDING THE ISSUER?

The financial information presented below has been extracted from the Company's audited consolidated financial statements for the three financial years ended 31 December 2017, 2018 and 2019 and the consolidated interim financial statements for the six months ended 30 June 2019 and 2020. The Company's financial statements are available for inspection at the Company's registered office. The financial statements have been drawn up in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

<b>RS2 Software p.l.c.</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>6 months to</b>	<b>6 months to</b>
<b>Extracts from Consolidated Income Statements</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>€000s</b>	<b>€000s</b>	<b>€000s</b>	<b>Unaudited</b>	<b>Unaudited</b>
				<b>€000s</b>	<b>€000s</b>
Revenue	22,100	25,008*	17,380	10,838	11,219
Results from operating activities	(1,995)	6,606	1,619	(2,900)	361
(Loss) / Profit for the year attributable to equity holders	(1,634)	4,247	793	(2,304)	20
Year on year revenue growth	(12%)	44%	17%	(3%)	23%
Results from operating activities margin	(9%)	26%	9%	(27%)	3%
(Loss) / Profit margin attributable to equity holders	(7%)	17%	5%	(21%)	0%
Earnings per share **	(€ 0.0085)	€ 0.0220	€ 0.0041	(€ 0.0119)	€ 0.0001

\* Revenue for 2018 includes €5.6 million resulting from the effect of the first-time implementation of IFRS15.

\*\* Earnings per share have been adjusted retrospectively to reflect the bonus issue of 18 June 2019.

<b>RS2 Software p.l.c.</b>	<b>31-Dec-19</b>	<b>31-Dec-18</b>	<b>31-Dec-17</b>	<b>30-Jun-20</b>
<b>Extracts from Consolidated Statements of Financial Position</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Unaudited</b>
	<b>€000s</b>	<b>€000s</b>	<b>€000s</b>	<b>€000s</b>
Total assets	31,812	27,970	29,638	34,811
Total equity	14,085	17,232	20,720	10,536
Net financial debt	1,558	(2,569)	(5,931)	6,659

<b>RS2 Software p.l.c.</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>6 months to</b>	<b>6 months to</b>
<b>Extracts from Consolidated Statements of Cash Flows</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>30 June 2020</b>	<b>30 June 2019</b>
	<b>€000s</b>	<b>€000s</b>	<b>€000s</b>	<b>Unaudited</b>	<b>Unaudited</b>
				<b>€000s</b>	<b>€000s</b>
Net cash (used in) / generated from operating activities	(1,108)	1,296	4,563	(3,030)	(133)
Net cash used in investing activities	(2,680)	(2,145)	(430)	(1,448)	(659)
Net cash generated from / (used in) financing activities	2,798	(3,524)	(2,575)	4,981	(589)

### **B.3 WHAT ARE THE KEY RISKS THAT ARE SPECIFIC TO THE ISSUER?**

The most material risk factors specific to the Company and the Group are the following:

#### ***i. Execution risk***

The Groups' growth strategy involves a variety of projects, activities, undertakings and investments which lead to a complex, multi-project management which is typical for a tech-driven, competitive and innovative environment and an ambitious growth strategy. RS2 is partially dependent on third parties, its ability to retain existing clients and attract new ones, as well as on the impact of applicable regulatory issues related to the financial industry in which it operates.

#### ***ii. Access to capital and funding***

The Group's primary sources of further funding can be through a combination of capital increase, cash flow based self-financing and debt financing (particularly for M&A transactions). Taking into consideration the Group's current capital base and the significant investment required to expand in new markets and in new business lines, the Group's funding capabilities could be limited, while competitors in larger and more liquid markets can have access to alternative and broader funding sources.

#### ***iii. Market forces and competition***

The market in which the Group operates is characterised by rapidly evolving technology and industry standards, as well as new competitors such as FinTechs and Big Techs entering the market, driving change and market disruption, bringing new business models to the market. RS2 must be able to compete with such companies and meet the need for innovation in its industry.

#### ***iv. Dependence on key clients***

RS2 generally benefits from a highly diversified global client base, including Banks, PayFacs, PSPs, ISVs, acquirers and issuers. However, since some of its clients are large and global corporates with a high aggregated payment and processing volume, these key clients stand for a large proportion of the Group's revenue. Although management believes that its relationships with these key clients are stable, its ability to renew existing agreements with them, or to enter into new contractual relationships on commercially attractive terms, depends on a range of commercial and operational factors and events, any of which may be beyond RS2's control.

#### ***v. Dependence on key personnel***

RS2's success and growth has been dependent on the loyalty and dedication of its pool of highly skilled employees and key personnel including its executive officers and key management team, and as such this has been a main driver of the Group's historical success in delivering large and strategic projects contributing to the Group becoming a global player in the payment industry. Although no single person is solely instrumental in fulfilling the Group's business objectives, there is no guarantee that these objectives will be achieved to the degree expected following the loss of certain key personnel. The loss of the service of executive officers or other key personnel, and the process to replace any of them, could involve significant time and expense and may significantly delay or prevent the achievement of RS2's business objectives.

#### ***vi. Software risk***

It is an inherent risk of this industry that software applications could contain undetected errors which could lead to the software not operating as intended. Any failure of the Group's current or future platforms, software and technology infrastructure, including the Cloud-Solution, could materially adversely affect its business, results of operations, financial condition or prospects.

#### ***vii. Cyber security risk***

Similar to business and technology, cyber threat evolves and is always present. The most common cyber security threats result in risks associated with either data breach or service provision disruptions. The nature of RS2's business and of its customers and partners, who use the processing services involve systems and environments that possess large amounts of sensitive data. RS2 cloud services and data centres as well as its operations store and transmit sensitive information related to cardholders, merchants and financial institutions including names, addresses and accounts amongst other information that could be vulnerable to computer viruses, physical and cyber-criminal attacks and web fraudsters that could lead to destruction or theft of transaction data and/or personal data. This could lead to financial losses or delays in providing the services to the customers.

### **viii. Risk to intellectual property and proprietary rights**

The Group regards its intellectual property as critical to its success. It relies and will rely on a combination of trade secret, copyright, trademark and non-disclosure laws, domain name, registrations and other contractual agreements and technical measures to protect its intellectual proprietary rights ("**IPR**"). RS2 generally seeks to enter into confidentiality or licence agreements with its employees, consultants and clients. The Directors consider that, currently, RS2 has appropriate systems and procedures to control access to and distribution of its intellectual property documentation and other proprietary information and are continually on the lookout for new tools to protect its IPR in the future.

### **ix. Compliance risk**

The Group, via its subsidiary RS2 Financial Services GmbH, is in the application process for an E-Money-Institution (EMI) licence with BaFin, the German financial authority. Once approved and licensed as an EMI, RS2 will be subject to a number of regulatory controls, reporting duties and organisational requirements, designed to maintain the safety and soundness of business, ensure its compliance with economic and other objectives and limit its exposure to risk.

### **x. Integration risk for Mergers & Acquisitions ("M&A")**

Since its inception, RS2's strategy has been to grow organically as a technology software provider. As the Group seeks to build its new Merchant Solutions business segment, it has adapted its strategy to consider M&A transactions that could help accelerate market entry and add on products that have to date not been considered as core to the Group's business, but which would offer a consolidated proposition to its clients. The Group started the implementation of the new adapted strategy and in 2020 completed its first acquisition of KALICOM Zahlungssysteme GmbH. Going forward, further acquisitions may be considered as part of RS2's disciplined, phased and strategic geographical expansion. Any acquisition that RS2 undertakes could subject it to integration and other risks and difficulties.

## **C. KEY INFORMATION ON THE SECURITIES**

### **C.1 WHAT ARE THE MAIN FEATURES OF THE SECURITIES?**

The key features of the Preference Shares are set out below:

#### **Description, amount and class of the Preference Shares**

The offer consists of 28,571,400 Preference Shares of a nominal value of €0.06 per share, at an offer price of €1.75. The Preference Shares shall be denominated in Euro. On admission to trading, the Preference Shares shall have the following ISIN MT0000400219.

#### **Rights attaching to the Preference Shares**

The Preference Shares shall carry the right to participate in the Company's profits in the form of dividends at a premium of not less than 10% over the dividend distributed and payable to the holders of Ordinary Shares. The dividend is non-cumulative and when declared, would be payable similarly to all holders of Preference Shares. The Preference Shareholders shall have the right to attend general meetings of the Company and to receive notices, reports and balance sheets as the holders of any class of Ordinary Shares but, save for specific circumstances as documented in the Company's Memorandum and Articles of Association, shall not have the right to vote at any general meeting of the Company. The Preference Shares shall carry the right for the holders thereof to participate in any distribution of capital made whether on a winding up or otherwise, *pari passu* with all other Ordinary Shares. The Preference Shares shall be non-cumulative, and shall not be redeemable or convertible into any other form of security.

#### **Transferability**

The Preference Shares are freely transferable and, once admitted to the Official List of the MSE, shall be transferable only in whole (that is in multiples of one (1) Preference Share) in accordance with law, including the rules and regulations of the MSE applicable from time to time and with the Articles of Association of the Company.

## **Dividend policy**

The Directors of the Company expect that, subject to available cash flows, the requirements of the Act, unforeseen circumstances and economic conditions that might have an impact on the Company's financial performance, the Company will distribute dividends to its shareholders. The Company will also balance the distribution of dividends against the use of these funds towards growing the enterprise value of the business by investments, including in new markets and new services. In this way, the Company will seek to maximise shareholders' return. The Preference Shares shall carry the right to participate in the distribution of dividends at a premium of not less than 10% over the dividend distributed and payable to the holders of Ordinary Shares on a non-cumulative basis.

## **C.2 WHERE WILL THE SECURITIES BE TRADED?**

Application has been made to the MSE for the Company's shares to be listed and traded on the Official List.

## **C.3 WHAT ARE THE KEY RISKS THAT ARE SPECIFIC TO THE SECURITIES?**

The most material risk factors specific to the securities are set out below:

### ***i. Results and ability to pay dividends***

The Company's results can fluctuate and its ability to pay dividends is dependent on, amongst other things, it achieving sufficient profits. The Company may not pay dividends if the Directors believe this would cause the Company to be less adequately capitalised or that there are otherwise insufficient distributable reserves or for various other reasons.

### ***ii. Market for the shares***

The existence of an orderly and liquid market for the Preference Shares depends on a number of factors, including but not limited to, the presence of willing buyers and sellers of the Company's Preference Shares at any given time and the general economic conditions in the market in which the Preference Shares are traded.

### ***iii. No voting rights***

Preference Shareholders will not have the right to vote at any general meeting of the Company save for specific circumstances as documented in the Company's Memorandum and Articles of Association.

### ***iv. Equity interest***

The Preference Shares represent equity interests in the Company that entitle the holder to rank *pari passu* with all other holders of Ordinary Shares in the Company upon any distribution of assets in a winding up situation. The Preference Shares of the Company are subordinated to any other debt instruments in the Company's capital structure, and will therefore be subject to greater credit risk than debt instruments of the Company.

## **D. KEY INFORMATION ON THE OFFER OF SECURITIES TO THE PUBLIC AND ADMISSION TO TRADING ON A REGULATED MARKET**

### **D.1 UNDER WHICH CONDITIONS AND TIMETABLE CAN I INVEST IN THIS SECURITY?**

#### **Application for the Shares**

The offer of Preference Shares is open for subscription to all categories of investors. The Issuer may enter into conditional subscription agreements ("**Subscription Agreements**") with Financial Intermediaries subject to the underlying applications being for a minimum of 150,000 Preference Shares and in multiples of 100 thereafter.

Ordinary Shareholders will, as a result of the Offer, suffer an immediate dilution of 12.9% in the share capital of the Company if the Offer is taken up in full. The level of dilution to each individual Ordinary Shareholder will be dependent on the level of participation in the Offer.

The expenses pertaining to the Offer are estimated not to exceed €1,040,000 and shall be deducted entirely from the proceeds of the Offer.

## Allocation Policy

The Company shall allocate the Preference Shares on the basis of the following policy:

- i. a maximum amount of 14,285,700 Preference Shares, shall be allocated to Financial Intermediaries pursuant to Subscription Agreements entered into with the Issuer at the Intermediaries' Offer date. Financial Intermediaries may, by ticking the appropriate box in the respective Subscription Agreement, opt to have any unallocated Preference Shares considered with the Applications received from Preferred Applicants and the general public in terms of (ii) hereunder in case of over-subscription;
- ii. the remaining 14,285,700 Preference Shares together with any number of Preference Shares not being subscribed for during the Intermediaries' Offer referred to in (i) above, shall be allocated to Preferred Applicants and the general public in accordance with an allocation policy as determined by the Issuer. In determining the allocation policy, the Issuer will be giving preference to Preferred Applicants (which include the Ordinary Shareholders appearing on the register of members as at 19 February 2021 (with last trading being on 17 February 2021) and the Company's employees as at 19 February 2021).

The terms of the allocation policy will be published up to five (5) business days after the closing of the Offer Period. The Issuer will endeavour, through the allocation policy to be adopted, to sufficiently disperse the shareholder base to facilitate, as far as practicable, an active secondary market in the Preference Shares.

## Expected Timetable

Event	Date
1. Application Forms mailed to RS2 Ordinary Shareholders	26 February 2021
2. Opening of Offer Period	3 March 2021
3. Intermediaries' Offer date	17 March 2021
4. Closing of Offer Period	30 March 2021
5. Announcement of basis of acceptance through a company announcement	9 April 2021
6. Refund of unallocated monies, if any	16 April 2021
7. Dispatch of allotment letters	16 April 2021
8. Expected date of admission of the Preference Shares to listing	16 April 2021
9. Expected date of commencement of trading in the Preference Shares	19 April 2021

The Issuer reserves the right to close the Offer Period before 30 March 2021 in the event of over-subscription, in which case the remaining events set out above in 5 to 9 above will be brought forward and will keep the same chronological order set out above.

## D.2 WHY IS THIS PROSPECTUS BEING PRODUCED?

The Preference Shares, because of their characteristics, would form part of the Company's equity base and will be instrumental for the Company's growth plans. The net proceeds from the Offer, expected to amount to approximately €48,959,950, shall be for the benefit of the Company and will be used to allow the Group embark onto its business expansion and transformation plan.

The points below outline the reason for the Offer:

- i. increase the Group's profile and brand awareness;
- ii. foster organic growth investment to ramp up and strengthen operations by focusing on Europe and North America as well as extending its reach to APAC and LATAM;
- iii. invest in organisation and regional expansion by scaling up sales, marketing and market communication;
- iv. invest further in its own acquiring business initially in Europe and the US and subsequently globally by following the Group's customers base;
- v. develop and execute the technology roadmap to enhance product capability and service offering;
- vi. support RS2 in pursuing growth over profitability in the medium term;
- vii. repay short-term bank facilities mainly composed of bank overdrafts taken to finance the Group's investment in operating expenditure necessary to execute its growth plans; and
- viii. sign accretive add-on acquisitions of companies to enhance our capability, to scale and improve time to market through M&A transactions.

Points (i) to (vii) above will enable the Group to proceed with the following (there is no order of priority with which the funds will be applied):

- further investment in the United States (applying *circa* €4 million of the proceeds from the Offer);
- additional investment in the Merchant Solutions business (applying *circa* €6 million of the proceeds from the Offer);
- product enhancements in line with the Group's strategic product road map (applying *circa* €5 million of the proceeds from the Offer); and
- the repayment of short-term bank facilities (applying *circa* €10 million of the proceeds from the Offer).

The balance from the proceeds pursuant to the offer of Preference Shares, amounting to the equivalent of a maximum of €25 million in Preference Shares will be applied towards the following, depending on future opportunities as they may arise:

- M&A transactions which will complement the Group's business and growth plans (approximately €15 million); and
- further investments in the technical capability of the platform and the service offering ensuring a full automation for its operation including the Processing Solutions business, business intelligence within Software Solutions and a fully digitalized KYC/AML, merchant onboarding and payment gateway services for its Merchant Solutions business (approximately €10 million).

**Underwriting:** The Offer is not underwritten.

**Potential Conflicts of Interest:** Radi Abd El Haj is the indirect majority shareholder of the Company and has been nominated to the Board of Directors by ITM Holding Limited. Mr. David Price has been nominated to the Board of Directors by Barclays Bank plc, which is also a client of the Company. As of the date of this Prospectus, the Directors are not aware of any potential conflicts of interest which could relate to their roles within the Company.