

RS2: Bigger opportunities ahead?

As economic uncertainty looms large in the face of the COVID-19 pandemic, the shares of RS2 were not spared in the recent local equity market sell-off, with the price dropping to a low point of €1.70 over the past couple of weeks.

Given that RS2 operates in multiple jurisdictions, it is important to keep in mind that the Group is subject to multiple COVID-19 scenarios. However, the Group confirmed that all business lines, including licensing, processing and merchant services across the globe are operating at normal levels.

During FY19, the Group had successfully secured new contracts and opened up new verticals within several regions concerning managed services as well as generating revenue for the first time through its US operation.

In furtherance, RS2 continued reaping the benefits implemented in prior years and achieved two important milestones during the first quarter of FY20. The first being an acquisition of a commercial network operator for electronic, card-based payment systems in Germany and the second relates to a partnership agreement entered into with MoviiRed based in Colombia. Both milestones are expected to boost the Group's acquiring business segment moving forward.

Although the pandemic impact on RS2's financial and operational performance is still unknown, the Group stated that pursuant with RS2's healthy pipeline, the Group is confident to be able to mitigate the challenges that the pandemic will present.

The ongoing COVID-19 pandemic and the expected recession are reshaping the way business is done and the way payments are being implemented. Across number of industries, merchants are currently struggling with the sudden and steep decline in business, requiring them to pivot at a moment's notice towards new business models that reach customers literally at their doorstep.

Contactless payments are becoming the norm in such an environment, and as consumers become hesitant to carry and handle cash, companies need processing partners who can serve merchants' changing needs, even across industries that are currently being decimated, such as travel, hospitality and restaurants. To this end, we believe that RS2 is uniquely positioned to assist such companies make the necessary changes to survive this pandemic, and even thrive in a post-COVID-19 world.

We believe that those investors who have capitalised on the recent sharp decline in RS2's share price will be further rewarded in the longer term. We look forward to receive further updates on the Group's project pipeline and for a more concise direction by the Group in terms of projections moving forward.

H1-19 financial results: Strong growth potential

As per latest results, RS2 registered an increase in revenue of 12.2% over the previous corresponding period, which is net of the effects of the implementation of IFRS15. However, the results were dominated by increases in operating, HR and marketing expenses, driven by RS2's expansion strategy.

Company update:

As per FY18 results, the Board declared a bonus issue of one ordinary share for every eight ordinary shares held by shareholders, thus increasing the Group's issued share capital to 193m ordinary shares. As at June 2019, the Board did not declare the payment of an interim net dividend (FY18: Nil).

	FY2016	FY2017	FY2018	CAGR/AVG
Revenue (€'m)	17	17	25	20.7%
Net profit (€'m)	0.5	0.6	3.2	167.5%
CC Adj. EPS (€)	0.003	0.004	0.022	171.3%
DPS (€)	0.008	0.013	Nil	0.01
Dividend pay-out	225.2%	280.7%	Nil	252.9%

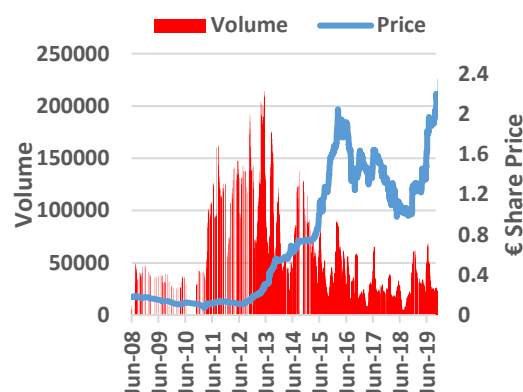
Country	Malta
Industry	Software and IT Services
Ticker	RS2
Price (as at 16/04/2020)	€1.93
Market Cap	€372m
Ranking on the MSE	4 th largest market cap
Shares Outstanding	192.6m
Free Float	31.7%
Net Dividend Yield	Nil
Current P/E (FY18)	87.7x

Company Overview:

RS2 is principally engaged in the development, installation, implementation and marketing of computer software for financial institutions under the trade mark of BankWORKS®. Through one of its subsidiaries, the Group is also engaged in the processing of payment transactions with the use of BankWORKS®.

Exchange	Malta Stock Exchange (MSE)
5-year range	€0.76 - €2.56

Price and Volume Movement (20 day moving average)



Source: Bloomberg – Prices adjusted for bonus issues

Market Research



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