

UPDATE AND AMENDMENT TO SHAREHOLDER LOAN AGREEMENT

[REGTECH OPEN PROJECT PLC](#)

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16 May 2024

RegTech

OPEN PROJECT

RegTech Open Project plc

("RTOP" or the "Company" and, together with its subsidiaries and subsidiary undertakings from time to time, as the context requires, the "Group")

General Update and Amendment to the Shareholder Loan Agreement

1. Strategy update

- As announced on 4 March 2024, RTOP has embarked on the following four key strategic initiatives to drive revenue growth and accelerate growth and profitability over the next 5 years (subject to growth funding being available when applicable):
 1. Capture significant new sales opportunities driven by DORA operational resilience regulation;
 2. Launch an additional scalable business line in InsurTech aimed at corporate customers;
 3. Convert legacy product clients to subscription-based products;
 4. Monetise non-core assets.
- Since the publication of its interim report on 28 March 2024, the Company has made progress in all four of the key strategic initiatives set out above, in readiness to execute at full speed when the planned growth funding, where required, is in place. In particular, the Company:
 - has identified and begun the recruitment process for senior key hires to deliver increased sales across our target geographies;
 - has technical and commercial proposals in place with an international, multi-class Managing General Agent for piloting the InsurTech solution, with our technical evaluation concluding that our current products constitute a good basis for fulfilling this solution;
 - has defined its revised operational resilience subscription service and is creating a customer communications plan with the intention to start migrating the first customers from legacy products to subscription-based products in the second half of the year;

- o has reviewed and revised its go-to-market strategy in China, including potentially extending the existing GRC (governance-risk-compliance) offering to cater for the local market needs;
- o is in the final stage of negotiations with a leading Italian provider of ICT technology and services to banking and financial services, as a value-added reseller for our core and selected non-core products.

2. Funding update

At its admission to listing in August 2023, the Company had in place an unsecured working capital loan agreement, made between the Company and RegTech Open Project S.p.A. (a corporate entity ultimately beneficially wholly-owned by Alessandro Zamboni) ("**RegTech Italy**") (the "**Shareholder Loan Agreement**" or the "**SLA**") under which RegTech Italy would provide a facility of up to £8,000,000 to the Company (the "**Loan**"), drawable at the Company's request, to cover the Group's total working capital requirements comprising of the following tranches:

- (i) up to £2,000,000 in cash to be drawn by 1 September 2023;
- (ii) up to £500,000 in cash to be drawn by 30 September 2023 (which, together with (i) above, is "**Cash component A**");
- (iii) during the period commencing on 25 August 2023 and ending on 31 March 2024, up to £2,000,000, which may, at the election of the Company, be set-off on a £-for-£ basis against certain payables of the Company (where such payables shall be transferred to RegTech Italy to be settled) ("**Payables component**");
- (iv) save to the extent that the Company receives unrestricted cash amounts from the exercise of any outstanding Warrants and/or alternative equity, debt or hybrid financing and such unrestricted cash amounts are in the opinion of the Board of Directors from time to time (the "**Board**") sufficient to enable the Company to meet the Group's working capital requirements, during the period commencing on 1 October 2023 and ending on 31 December 2024, up to £3,500,000 in cash which may be drawn by the Company by giving RegTech Italy no less than 20 Business Days written notice and subject to maximum monthly drawings of £500,000 (until fully drawn) ("**Cash component B**").

On 6 December 2023 the Company announced that it had entered into an amendment to the SLA (the "**First SLA Deed of Amendment**"), whereby the Company and RegTech Italy had agreed to:

- increase the maximum amount of payables that may be set-off on a £-for-£ basis from "up to £2,000,000" to "up to £3,600,000", thereby increasing the maximum amount of the loan made available by RegTech Italy to the Company by way of the SLA from "up to £8,000,000" to "up to £9,600,000"; and
- extend the period during which such set-off may be made from a long-stop date "ending on 31 March 2024" to "ending on 31 December 2024".

The SLA provides that RegTech Italy is liable to pay a Late Drawdown Fee (the "**Late Drawdown Fee**") to the Company in the event that RegTech Italy fails to transfer or procure the transfer of any cash amounts of the Loan drawn by the date specified in the SLA. The Late Drawdown Fee is calculated at a compounding rate of 15% per annum of the relevant unfunded amounts of the Loan under the relevant drawdown request (the "**Drawdown Request**") which shall accrue from day to day on the basis of the actual number of days elapsed between the date for the drawdown of the relevant amount of the Loan in the relevant Drawdown Request and the date on which the Lender actually transfer or procures the transfer of the full amount of the Loan, calculated on the basis of a year of 360 days.

The table below summarises the current performance of the SLA, detailing both cash and payables components and the corresponding accrued interest payable/receivable to date.

SLA components	Original amount envisaged in the SLA disclosed in the Prospectus in £	Maximum amount envisaged under the SLA in £	Already drawn-down / assigned in £	Funded / assigned in £
Cash component A basic working capital SLA tranches (i) and (ii)	2,500,000	2,500,000	2,500,000	1,727,146
Cash component B growth capital SLA tranche (iv)	3,500,000	3,500,000	3,000,000	-
Total cash component SLA tranches (i), (ii) and (iv)	6,000,000	6,000,000	5,500,000	1,727,146
Payables component⁽¹⁾ SLA tranche (iii)	2,000,000	3,600,000	831,497	831,497
Total cash and payables principal amounts	8,000,000	9,600,000	6,331,497	2,558,643
Interest payable on cash component and payables component				81,019
Interest receivable on outstanding cash amounts drawn but not yet received				(269,857)
Total loan liability (including interest payable and receivable)				2,369,805

Note: (1) An additional £603k of assignable payables is currently being finalised subject to receiving confirmatory documentation and is not included in the table above

Reasons for delays

The Directors have been told by Mr Zamboni that (i) RegTech Italy's ability to advance monies to the Company under the SLA was dependent on RegTech Italy receiving cash in return for selling shares in the Company via

share purchase agreements (the "**SPAs**"); (ii) under the SPAs, RegTech Italy had relied on receiving c.£17m in cash from 12 independent third parties (the "**Purchasers**") to enable it to comply with its obligations to the Company under the SLA; (iii) the Purchasers subsequently failed to honour their obligations to RegTech Italy under the SPAs; and (iv) as a result, RegTech Italy was unable to fulfil its obligations to the Company under the SLA in accordance with the payment schedules; see the Company's announcement of 29 September 2023 and subsequent announcements.

Actions taken by RegTech Italy to continue to fulfil the SLA

Following the Purchasers' failure to honour their obligations to RegTech Italy under the SPAs, RegTech Italy and its parent The AvantGarde Group S.p.A. (a corporate entity ultimately beneficially wholly-owned by Alessandro Zamboni) ("**TAG**") took a number of steps: (i) RegTech Italy facilitated the sale by the Purchasers of shares in the Company to third parties, with the cash proceeds of those share sales being used by RegTech Italy to perform in part its obligations under the SLA; (ii) TAG monetised some of the listed bonds in its investment portfolio and entered into asset backed financing arrangements to generate cash for RegTech Italy to lend to the Company under the SLA; and (iii) RegTech Italy sought to negotiate a settlement with the Purchasers to generate further cash proceeds that can be used to honour its obligations to the Company under the SLA.

Subsequently, the Directors have been told by Mr Zamboni that TAG and RegTech Italy agreed in principle a negotiated settlement with the Purchasers and started the multi-phase execution process for such settlement on 4 April 2024. Accordingly, RegTech Italy and Mr Zamboni represented to the Company that phase 1 of the settlement process would result in RegTech Italy receiving and advancing to the Company US\$1.5 million by 14 June 2024 and that in phase 2 of the settlement process RegTech Italy would advance a further US\$1.0m to the Company under the SLA during the summer of 2024. Both phase 1 and phase 2 payments to TAG/RegTech Italy are subject to final approval and execution of completion documentation and activities.

Actions taken by the Company to raise alternative capital

The Board has considered a number of capital markets alternatives for raising capital including through equity-linked instruments. However, the Company has not found counterparties willing to contract on terms acceptable to the Company.

Nonetheless, the Board remains open to evaluating all possible options for raising capital including a potential placing. Accordingly, the Company has updated its strategy and investment case as outlined above and has been actively seeking to engage with new fundamental investors. In this context, the Company retains the option to transfer 2,250,000 warrants which it had originally granted to RegTech Italy as a commitment fee in relation to the SLA and may use this option to raise capital.

3. Cash flow and working capital requirements

The Board continues to review and monitor the cashflow and working capital requirements of the Group on a prudent basis and acknowledge the importance to the Company of receiving funds under the SLA.

The Board continues to explore alternative financing options for RTOP to mitigate the potential impact on the Group's working capital position that may arise from further delays in receipt of the amount of funding drawn and outstanding under the SLA.

The Board is continuing to work on the mitigation of risks relating to delays in the receipt of funds drawn and outstanding under the SLA.

In addition to funding via the SLA and exploring alternative funding arrangements as noted above, the Directors are managing the business in a way designed to mitigate short-term working capital challenges which includes:

- Driving cash generation through new business and uplifts to existing customers. This includes:
 - implementation of price increases of c.10% to existing clients as renewals fell due;
 - engagement with all existing customers to discuss the Company's complete product and service offering with the aim of driving additional incremental recurring and non-recurring sales;
 - proactively targeting new leads/opportunities through network, outreach and promotional activities which includes recent work with the Business Continuity Institute ("**BCI**") and existing partners such as Everbridge.
- Reducing the average monthly fixed cost base of the Company by c.20% and implementing cash conservation and cost reduction measures including:
 - implementation of payment plans with a number of suppliers aimed at addressing historical debts;
 - aligning the timing of hiring replacement positions in line with receipt of secured funding;
 - the deferment of a percentage of all Directors' salaries;
 - prudent management of all expenditure by the Directors.

4. Amendment of the SLA dates

Further to the above noted delays of receipts of funding from RegTech Italy under the SLA and representations from RegTech Italy in respect of anticipated payments under the SLA resulting from the negotiated settlement between TAG/RegTech Italy and the Purchasers, the Company has today entered into a further amendment to the SLA with RegTech Italy (the "**Second SLA Deed of Amendment**"), whereby the Company and RegTech Italy have agreed to:

- extend the repayment due date for the principal amount plus remaining accrued interest under the SLA from 31 December 2026 to 31 December 2027. Furthermore, each of the due dates for payment of accrued unpaid interest have been extended by one year with the first of these repayment dates which had been 1 January 2025 now being 1 January 2026; and
- allow for the off-setting of interest payments as between RegTech Italy and the Company under the SLA in relation to any Voluntary Prepayments made by the Company.

The entry by the Company and RegTech Italy into the Second SLA Deed of Amendment constitutes a material change to the terms of the SLA. Accordingly, the Independent Directors (which excludes Alessandro Zamboni, who is a "related party" (as such term is defined in International Financial Reporting Standards as adopted in the UK)) have complied with the material related party transaction requirements in DTR 7.3. The Independent Directors determined the Second SLA Deed of Amendment to be fair and reasonable from the perspective of the Company and the holders of ordinary shares of nominal value £0.20 each in the capital of the Company ("Ordinary Shares") who are not a related party.

For the purposes of UK MAR, the person responsible for arranging release of this announcement on behalf of RTOP is Ian Halliday-Pegg, Chief Executive Officer.

- Ends -

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About Regtech Open Project plc

Regtech Open Project plc is a technology business specialised in Regulatory Technology (RegTech) that has developed the Orbit Open Platform, an award-winning proprietary software platform focused on Operational Resilience (OR), which helps its customers navigate an increasingly complex and demanding regulatory landscape, maintain a secure and stable operating environment, whilst improving compliance with applicable regulations and standards, and reducing the risk of business disruptions.

RTOPs shares are listed on the London Stock Exchange's main market under the ticker "RTOP". For more information, please visit www.regtechopenproject.co.uk

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