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Payments Group Holding - Legal disputes with former major shareholder SGT Capital LLC, its partners and affiliate companies

- Default of payment by SGT Capital LLC, its subsidiary SGT Beteiligungsberatung GmbH, SGT Capital Fund II entities and other related parties
- Unclear issues and irregularities concerning our subsidiary formerly managed by the SGT Capital LLC partners
- Examination of criminal law implications and potential claims for damages or liability for a shortfall against SGT Capital LLC in the amount of up to 100 million EUR

Frankfurt/Main, 13 February 2025 – The Payments Group Holding (PGH), a Frankfurt-based investment company founded in 2012 and renamed in August 2024, acknowledges the default of SGT Capital LLC, its subsidiary SGT Beteiligungsberatung GmbH, SGT Capital Fund II entities and other related companies that owe PGH Group a total amount of over 5 million EUR, including

- SGT Capital LLC, Cayman ("SGTLLC"), around 3.6 million EUR from a 9% p.a. interest-bearing and secured loan maturing on 31.12.27, including around 1 million EUR in overdue interest,
- SGT Beteiligungsberatung GmbH, Frankfurt ("SGTBB"), a loan receivable of 200k EUR due on 31.12.24 and an invoice for expenses of 41k EUR due since June 2024 relating to the bonuses 2023 of employees dispatched to SGTBB by PGH, which SGT had firmly promised to those employees and PGH by Marcel Normann, and
- two entities of the flagship fund SGT Capital Fund II ("SGT Fund II"), and other affiliated companies, some 1.4 million EUR in overdue receivables from expenses of PGH's wholly owned subsidiary TGS24 Capital Pte. Ltd, Singapore ("TGS24"), in 2022 and 2023 for SGT Fund II et al (the name SGT Capital Fund II may be misleading as there is no SGT Capital Fund I to PGH's knowledge).

These loans and expenses were made by TGS24 when it was still managed by SGTLLC partners like Marianne Rajic and Marcel Normann and by Paul Wong as managing directors, i.e. by the same persons who are now responsible for the default respectively who are opposing the claims of TGS24 caused by them. The recipients of the loans and some of the beneficiaries of the incurred expenses are indirectly owned to the above and the two other SGTLLC partners, Joseph Pacini and Carsten Geyer. The aforementioned persons have therefore benefited themselves personally indirectly from the granting of the loans and the expenses by TGS24 and are now also benefiting from the refusal to make the repayments and interest payments due on them. The other beneficiary of the disbursements is SGT Capital Fund II managed by them.

The aforementioned SGT entities are not able or not willing to make the aforementioned overdue payments in the millions owed to PGH Group. In mid-October 2024, various general partners of the SGT funds out of the blue boasted devious claims against TGS24, partially transferred these to the debtors of the aforementioned liabilities in order to offset these and declared the offsetting. In doing so, they disregarded the fact that the loan agreements expressly prohibit offsetting and that the loan and other claims, including the collaterals, were transferred by TGS24 at the time still represented by Marianne Rajic to PGH, versus which the debtors have no claims that could even be considered for offsetting.

PGH takes the position that by these means SGT Capital LLC is trying to evade its imminent payment obligations by attempting to set them off against some sudden fictitious counter claims, contradicting the books and records of TGS24, so possibly with fraudulent intent.

The claims that the opposing party is claiming are so-called “clawbacks” of sales revenues of TGS24 in the years 2021 and 2022, which, for certain incomprehensible reasons, are now allegedly and subsequently deemed due to other affiliated companies of SGTLLC in a time-related pro rata, presumably ultimately or indirectly to SGT Capital AG, Switzerland, newly founded by the SGTLLC partners. This is the despite of the fact that contracts and invoices, say the rendered services were provided by TGS24 for SGT funds in full in 2021 and 2022, respectively, hence not for services over time, i.e. services provided by TGS24 for SGT funds in connection with the Utimaco private equity deal. The proceeds were consequently fully recognized by TGS24 under the lead of Paul Wong et al, and the full recognition was proven to the auditors, no provisions were booked for any potential repayment obligations, the annual statement was audited, management representation letters were provided to the auditors, a balance sheet guarantee was issued to Gerlinger & Partner GmbH upon the separation in February 2024 and the questionable profits generated from the revenues were taxed by TSG24 and partially already used for a dividend payment to PGH. If one were to follow SGT's point that the revenues in question in 2021 and 2022 were not one-off revenues fully recognized in those years, but revenues to be recognized only over the term of the Utimaco-investment, this would, in PGH’s opinion, result in charging the SGT fund investors well beyond the rates p.a. in relation to the assets under management that were agreed with them and could therefore violate the agreements with the Utimaco fund investors. This could trigger complaints by the financial supervisory authorities of the respective jurisdictions like MAS, Finma, CSSF or SEC or fuel discussions allegedly already initiated by SGT fund investors about the appropriateness of the fees collected by SGT.

For the booking of the clawbacks, which PGH considers to be unfounded, and their unlawful offsetting SGT has also involved CSC Intertrust as the fund administrator appointed for the SGT funds since 2023, as a replacement for the provider Sanne/Apex. As far as the Luxembourg fund manager entity is concerned, SGT also instrumentalized Hans de Zwart in his capacity as co-managing director of SGT Capital GP Sarl coming from outside, the new alternative investment fund manager presumably only appointed since 2023. His main occupation is managing director of JTC Group, whose business activity apparently includes to provide board mandates for such companies because Luxembourg requires management to be made up of locals. Even after repeated queries from PGH Group, no legal substantiation of the clawback claims could be obtained from the lawyers Strelia Sarl, Carey Olsen Hong Kong LLP and Willkie Farr & Gallagher LLP appointed by the SGT fund manager entities since October 2024 and no statement could be obtained from either CSC Intertrust or Hans de Zwart. This raises doubts as to whether the clawback demands are serious or merely intended to increase the pressure on PGH. Whether the auditors of the SGT funds will accept the questionable autonomous derecognition of the liabilities of the SGT funds to the PGH Group seems uncertain to PGH. In 2023, the SGT funds switched to Mazars after KPMG resigned from the mandate.

SGTLLC has also already received “its share” of the PGH Group’s profits generated by the revenues of TGS24 at that time. From January 2021 to February 2024, SGTLLC held a stake of just under 80% in PGH. TGS24 generated a total operating net profit of around 15 million EUR in 2021 and 2022 and caused a net operating loss of around 5 million EUR in 2023, i.e. a total operating net profit of around 10 million EUR over the three years. PGH distributed a dividend of just under 2 million EUR during this period and bought back PGH treasury shares for 7 million EUR in 2022, i.e. paid out a total of just under 9 million EUR to its shareholders. SGTLLC participated in this with its 80% stake in PGH. The clawback claims are therefore an attempt to collect money twice that has already been received. In summary, the clawback claims are unfounded, have no merits and anyway have no significant economic meaning for PGH Group due to the circumstances described above, but in the opinion of PGH they constitute considerable legal risks for the natural and legal persons involved.

With the separation of SGTLLC and its partners from TGS24 and PGH, TGS24, previously acting as the investment manager for the SGT funds, has surrendered its license of the Monetary Authority of Singapore (MAS) in April 2024 and the departing SGT team has changed regulatory jurisdictions and consequently replaced the financial supervisory authority. PGH Group is not aware whether the new SGT investment manager, SGT Capital AG, has obtained a license elsewhere. This does not seem to be the case at the headquarters of the new investment manager in Switzerland. An application to the SEC from fall 2024 still appears to be in process. Nevertheless, in PGH's view, these circumstances do not expose PGH Group to any risk of failure to comply with regulatory requirements or any liability risk vis-à-vis the SGT fund investors, as its subsidiary has duly surrendered its license and has not engaged in any investment management activities since then.

Following the departure of Marianne Rajic, Paul Wong, Marcel Normann and Dino Steinborn from the management of TGS24 in fall 2024, unclear issues in 2023 were found and questioned at TGS24. PGH did not receive any qualified answers and subsequently arranged for a forensic audit by a reputable audit firm. Among other things, questionable payments from the accounts of TGS24 to SGTLLC, SGTBB and in their favor to third parties were discovered, including 71k EUR for an arbitration cost fee of SGT ELT BidCo GmbH, which was apparently repaid to TGS24 in March 2024, 200k EUR for a share purchase of SGTBB, which was subsequently attempted to be cured by granting a loan to SGTBB, 300k EUR as a down payment to SGTBB, but which was probably never accounted for, several million EUR in so-called research and advisory fees to SGTLLC, but which was probably not accounted for transparently, around 85k EUR for the establishment of SGT fund entities, several transfers in the order of 30k EUR per month to the benefit of a SGTLLC account. It is unclear whether TGS24 has received these amounts back in cash or whether they represent part of the 1.4 million EUR in claims that SGT is now refusing to pay, or neither. In addition, TGS24, represented by Marianne Rajic, arranged for the aforementioned loan of 200k EUR to be granted to SGTBB at not market standard conditions, namely without interest and collateral, and, represented by Marcel Normann a few days before his departure in February 2024, accepted a significant deterioration in the collateralization of the loan to SGTLLC of 3.6 million EUR and, represented by all managing directors and in PGH's opinion in breach of duty, waived documentation, standard market interest rates, collateralization, repayment, clauses such as repayment modalities, set-off prohibitions, etc., and a maturity date for the receivables of 1.4 million EUR. This could be suitable for triggering joint and several liability on the part of the former managing directors of TGS24. Clarifying statements by SGTLLC and its managing directors on these issues were not available. SGTLLC has denied the software provider Sage to give TGS24 access to its own accounting data under threat of claims for damages. The original collateral agreement for the 3.6 million EUR loan to SGTLLC from 2022, which was more favorable for TGS24, was not found by PGH in TGS24’s records provided to it.

Since fall 2023, public sources such as OffshoreAlert.com or caseboard.io have successively revealed that SGTLLC partners Joseph Pacini and Carsten Geyer have been involved in a number of legal disputes around the globe, some of which continue, including with investors in their former private equity firm XIO, the Wall Street Journal respectively its holding company Dow Jones, the majority of their former partners, most recently with Christoph Gerlinger, and even with the current SGTLLC partners Marcel Normann and Dino Steinborn as well as with their own lawyers. It must therefore be assumed that PGH will also have to take legal action in order to assert its legitimate interests and claims. With regard to the loan repayment of 200k EUR, PGH has already filed an “Urkundenklage” (action based on documentary evidence) against SGTBB.

In the course of various disputes between the SGTLLC partners and their companies on one hand and Christoph Gerlinger, CEO and founder of PGH, and the PGH Group on the other hand, among other things with regard to specific questioning by the Financial Times on the capital ressources of the SGT funds, the failure of the PE deal Elatec in 2023, etc., since 2023, and with regard to potentially related arbitration proceedings, and countless cease and desist letters by SGT’s part calling for action or injunctive relief from PGH and Christoph Gerlinger. Christoph Gerlinger has come to the conclusion that various actions i.e. by Joseph Pacini and Carsten Geyer before and after the separation of the two sides might constitute criminal offenses. PGH has now appointed a recognized law firm specializing in commercial criminal law to examine the criminal law implications, respective criminal complaints are in preparation.

Since December 2024, various newspaper publishers, private and business organizations and financial supervision authorities have even been receiving anonymous emails from various senders with a wide variety of untrue accusations aimed at massively damaging the reputation of PGH and Christoph Gerlinger and which seem likely to constitute criminal acts. There are many indications that the perpetrator comes from among the SGTLLC partners. The SGT partners' lawyer emphatically denies this on their behalf. Christoph Gerlinger considers it subjectively impossible that Marcel Normann or Dino Steinborn are involved in the acts and has filed a criminal complaint against unknown, and official efforts to identify the perpetrator are in full swing. In addition, PGH has taken up the examination of possible claims for damages or liability for a shortfall against SGTLLC in the amount of up to 100 million EUR on suspicion of fraudulent misrepresentation regarding the value of the contribution in kind in PGH's capital increase in 2020 / 2021, the compensation of which could financially overburden SGTLLC even if its current private equity investments are successful.

Regardless of these circumstances, PGH is focusing on the transformational acquisition of The Payments Group, a group of four cooperating, specialized fintech and paytech companies, which has already been signed, and the resulting growth and earnings prospects.

About The Payments Group Holding

The Payments Group Holding (PGH) is an investment holding based in Frankfurt/Main founded in 2012 and renamed in August 2024.

In August 2024, PGH signed a share purchase agreement for the acquisition of four PayTech companies, the closing of which is subject to conditions precedent that are expected to be fulfilled in the coming months. Following completion of the transaction, PGH will form a group of four operating PayTech companies:

Funanga AG, Campamocha Ltd with its 100%-owned subsidiaries TBWS Ltd and Calida Financial Ltd as well as Surfer Rosa Ltd form a fast-growing, vertically integrated e-Money PayTech group of companies - The Payments Group (TPG). TPG provides proprietary closed and open (branded and white-labelled) prepaid payment services to hundreds of online merchants worldwide. The synergy between these companies positions TPG as the future market leader in embedded financial products and prepaid solutions. Calida Financial Ltd. is the regulated company within TPG, having received an e-money license from the Malta Financial Services Authority (MFSA) in August 2024. This license entitles Calida Financial Ltd. to offer innovative e-money services and products across Europe.

TPG employs over 50 people and operates globally. TPG's customers make use of more than 550,000 POS cash payment points and the global online prepaid card network to process cash and cashless online payments.

Furthermore, The Payments Group Holding holds from its history as a leading German venture capital provider under the German Startups Group brand a heritage VC-portfolio of minority stakes in partly promising German startups via its wholly owned subsidiary German Startups Group VC GmbH.

For more information about The Payments Group Holding, please visit www.tpgholding.com.

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