

In the Spotlight - Lightspeed POS (TSX: LSPD)

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Lightspeed POS Inc. is a Montreal based, software as a service (SaaS) company that offers cloud-based business solutions for small and medium-sized businesses (SMBs). The Lightspeed platform offers its subscribers, primarily in the retail and hospitality industries, the ability to create customized omnichannel marketing strategies, manage daily operations, and accept payments. The platform is innovative, scalable, and structured to capitalize on the massive shift in how SMB's will manage their businesses in the future. LSPD has seen impressive year-over-year growth in gross total revenues (GTR), with \$57.1 million GTR in 2018, \$77.5 million in 2019 (+36% year-over-year), and \$120.6 million in 2020 (+56% year-over-year).

Currently, most SMB's manage their payments with hardware based **legacy systems** that face technological obsolescence. **Lightspeed Payments**, which is a newer module in the company's ecosystem, strives to capitalize on new technology by replacing a subscriber's traditional system with LSPD's cloud-based SaaS system. The payments module will collect a small percentage of a subscriber's sales thus generating a recurring revenue stream for LSPD. The payments industry is clearly ripe for disruption and given LSPD's expertise and global footprint, the company is well positioned to capitalize.

In a testament to LSPD's ability to adapt and innovate, the company recently announced **eCom for Restaurant**. This platform is designed to help **Lightspeed Restaurant** subscribers transition their businesses in the face of pandemic related challenges. The platform enables curb side, loyalty, and targeted marketing options. In addition, the **Merchant Cash Advance** (MCA) module offers short term advances to LSPD subscribers. In a partnership with **Stripe Payments**, Lightspeed will use its data base to target some subscribers and offer cash advances up to \$50k. Advances will only be offered to subscribers who pre-qualify and repayment will occur as an agreed upon percentage of daily revenues. Currently offered in the U.S. only, it's expected that this module will expand to include non-U.S. markets in the future.

While organic growth remains a key strategy, the company will also pursue growth through mergers & acquisitions (M&A). Over the past 18 months, LSPD has acquired **Chronogolf**, a cloud-based supplier of solutions for managing golf course operations, and Australia based **Kounta**, a point-of-sale company with over 7,000 customers. This January, LSPD also acquired Germany based **Gastrofix**, a European leader in point-of-sale (POS) software solutions. These acquisitions have grown the overall subscriber base and will serve as a springboard for growth in the Asia-Pacific and European markets.

On September 9, the company announced an initial public offering (IPO) in the United States. Upon closing, the shares will be listed on The New York Stock Exchange (NYSE). This listing will offer U.S. investors the opportunity to invest in LSPD, at a time when investor interest in cloud-based and SaaS businesses is high. The Palos-Mitchell Alpha Fund participated in the Canadian IPO in March 2019 and shares are up 155% from the IPO pricing. We are maintaining our bullish outlook. The Palos-Mitchell Alpha Fund currently holds a 3.9% weighting in LSPD shares.

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