

Lightspeed POS Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three and nine months ended December 31, 2019
(expressed in thousands of US dollars)

Lightspeed POS Inc.

Condensed Interim Consolidated Balance Sheets
(Unaudited)

As at December 31 and March 31, 2019

(expressed in thousands of US dollars)

	Notes	December 31, 2019 \$	March 31, 2019 \$
Assets			
Current assets			
Cash and cash equivalents		126,662	207,703
Accounts receivable	9	10,069	8,424
Inventories		427	269
Prepaid expenses and deposits		4,110	1,527
Commission assets		3,939	3,677
Total current assets		145,207	221,600
Lease right-of-use assets	10	13,730	—
Property and equipment, net		7,336	5,372
Intangible assets, net		35,330	2,618
Goodwill	4	72,344	22,536
Commission assets		2,857	2,993
Other long-term assets	11	1,225	506
Deferred tax assets		127	186
Total assets		278,156	255,811
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	12	24,725	16,183
Lease liabilities	10	3,165	—
Income taxes payable		125	135
Current portion of deferred revenue		36,503	32,317
Total current liabilities		64,518	48,635
Deferred tax liabilities		1,485	706
Deferred revenue		5,896	8,025
Lease liabilities	10	12,336	—
Other long-term liabilities	13	1,471	1,779
Total liabilities		85,706	59,145
Shareholders' equity			
Share capital	14	679,529	652,336
Additional paid-in capital		7,803	4,278
Accumulated deficit		(494,882)	(459,948)
Total shareholders' equity		192,450	196,666
Total liabilities and shareholders' equity		278,156	255,811

The accompanying notes are an integral part of these consolidated financial statements.

Lightspeed POS Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)

For the three and nine months ended December 31, 2019 and 2018

(expressed in thousands of US dollars)

		Three months ended December 31,		Nine months ended December 31,	
	Notes	2019	2018	2019	2018
		\$	\$	\$	\$
Revenues	5	32,275	20,097	84,366	56,166
Direct cost of revenues	6	11,716	5,970	29,604	16,611
Gross profit		20,559	14,127	54,762	39,555
Operating expenses					
General and administrative		7,198	3,443	17,136	8,997
Research and development		8,070	5,001	21,712	13,209
Sales and marketing		15,049	9,995	40,149	27,681
Depreciation of property and equipment		386	378	1,199	974
Depreciation of right-of-use assets	10	648	—	1,671	—
Foreign exchange loss (gain)		315	240	(95)	350
Acquisition-related compensation	4	3,187	158	5,949	266
Amortization of intangible assets		2,154	644	4,966	2,499
Total operating expenses		37,007	19,859	92,687	53,976
Operating loss		(16,448)	(5,732)	(37,925)	(14,421)
Fair value loss on Redeemable Preferred Shares		—	(52,489)	—	(59,084)
Interest income net of interest expense		283	9	1,992	100
Loss before income taxes		(16,165)	(58,212)	(35,933)	(73,405)
Income tax expense (recovery)					
Current		56	—	95	(5)
Deferred		(459)	12,916	(1,094)	14,049
Total income tax expense (recovery)		(403)	12,916	(999)	14,044
Net loss and comprehensive loss		(15,762)	(71,128)	(34,934)	(87,449)
Loss per share – basic and diluted	8	(0.18)	(2.37)	(0.41)	(2.94)

The accompanying notes are an integral part of these consolidated financial statements.

Lightspeed POS Inc.

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)

For the nine months ended December 31, 2019 and 2018

(expressed in thousands of US dollars)

	Nine months ended December 31,	
	2019	2018
	\$	\$
Cash flows from (used in) operating activities		
Net loss	(34,934)	(87,449)
Items not affecting cash and cash equivalents		
Acquisition-related compensation	5,949	266
Fair value loss on Redeemable Preferred Shares	—	59,084
Amortization of intangible assets	4,966	2,499
Depreciation of property and equipment and lease right-of-use assets	2,870	974
Deferred income taxes	(1,094)	14,049
Stock-based compensation expense	4,810	976
Unrealized foreign exchange loss (gain)	140	119
(Increase)/decrease in operating assets and increase/(decrease) in operating liabilities		
Accounts receivable	1,099	1,575
Prepaid expenses and deposits	(2,425)	172
Inventories	(89)	32
Commission assets	(126)	(685)
Other long-term assets	(774)	92
Accounts payable and accrued liabilities	664	1,057
Income taxes payable	(10)	(120)
Deferred revenue	342	223
Other long-term liabilities	939	(82)
Interest income net of interest expense	(1,992)	(100)
Total operating activities	(19,665)	(7,318)
Cash flows from (used in) investing activities		
Additions to property and equipment	(2,308)	(1,511)
Payment of liabilities related to acquisition of business	(1,215)	—
Acquisition of business, net of cash acquired	(60,721)	(1,106)
Interest income	2,980	—
Total investing activities	(61,264)	(2,617)
Cash flows from (used in) financing activities		
Proceeds from exercise of stock options	3,340	296
Share issuance costs	(1,609)	—
Payment of lease liabilities	(1,940)	—
Total financing activities	(209)	296
Effect of foreign exchange rate changes on cash and cash equivalents	97	(140)
Net increase in cash and cash equivalents during the year	(81,041)	(9,779)
Cash and cash equivalents – Beginning of period	207,703	24,651
Cash and cash equivalents – End of period	126,662	14,872
Interest paid	—	16
Income taxes paid	113	124

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Lightspeed POS Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Unaudited)

For the nine months ended December 31, 2019 and 2018

(expressed in thousands of US dollars, except number of shares)

	Notes	Issued and Outstanding Shares		Additional paid-in capital \$	Accumulated deficit \$	Total \$
		Number of shares	Amount \$			
Balance as at March 31, 2019		83,752,210	652,336	4,278	(459,948)	196,666
Net loss and comprehensive loss		—	—	—	(34,934)	(34,934)
Share issuance costs		—	(706)	—	—	(706)
Exercise of stock options and vesting of share awards		1,381,029	4,625	(1,285)	—	3,340
Stock-based compensation		—	—	4,810	—	4,810
Exercise of warrants		86,251	—	—	—	—
Acquisition-related compensation in connection with acquired business	4	—	2,471	—	—	2,471
Shares issued in connection with business combination	4	765,123	20,803	—	—	20,803
Balance as at December 31, 2019		85,984,613	679,529	7,803	(494,882)	192,450
Balance as at March 31, 2018		29,366,937	14,325	2,804	(282,690)	(265,561)
Beginning accumulated deficit IFRS adjustments		—	—	—	6,267	6,267
Net loss and comprehensive loss		—	—	—	(87,449)	(87,449)
Exercise of stock options and vesting of share awards		273,754	403	(107)	—	296
Stock-based compensation		—	—	976	—	976
Acquisition-related compensation in connection with acquired business		171,380	195	—	—	195
Shares issued in connection with business combination		327,180	1,777	—	—	1,777
Balance as at December 31, 2018		30,139,251	16,700	3,673	(363,872)	(343,499)

The accompanying notes are an integral part of these consolidated financial statements.

Lightspeed POS Inc.

Notes to Condensed Interim Consolidated Financial Statements

(unaudited)

December 31, 2019 and 2018

(expressed in thousands of US dollars, except number of shares)

1. Organization and nature of operations

Lightspeed POS Inc. (“Lightspeed”) was incorporated on March 21, 2005 under the Canada Business Corporations Act. Its head office is located at Gare Viger, 700 Saint-Antoine St. East, Suite 300, Montréal, Quebec, Canada. Lightspeed provides easy-to-use, omni-channel commerce enabling platforms. The Company’s software platform provides its customers with the critical functionalities they need to engage with consumers, manage their operations, accept payments, and grow their business. Lightspeed operates globally in over 100 countries, empowering single- and multi-location small and medium-sized businesses to compete in an omni-channel market environment by engaging with consumers across online, mobile, social, and physical channels.

2. Basis of presentation and consolidation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) applicable to the preparation of interim financial statements, including International Accounting Standard (IAS) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB). Certain information and disclosures have been omitted or condensed. The same accounting policies and methods of computation were followed in the preparation of these unaudited condensed interim consolidated financial statements as were followed in the preparation of the most recent annual audited consolidated financial statements except for the adoption of IFRS 16, Leases as discussed in note 3. These unaudited condensed interim consolidated financial statements should be read together with the Company’s annual audited consolidated financial statements and notes thereto for the fiscal year ended March 31, 2019. Certain comparative figures have been reclassified in order to conform to the current period presentation.

These unaudited condensed interim consolidated financial statements were approved for issue by the Board of Directors of the Company on February 5, 2020.

Seasonality of interim operations

The operations of the Company can be seasonal, and the results of operations for any interim period are not necessarily indicative of operations for the full fiscal year or any future period.

Estimates, judgments and assumptions

The preparation of the unaudited condensed interim consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and reported amounts of revenues and expenses during the period. These estimates and assumptions are based on historical experience, expectations of the future, and other relevant factors and are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected. Actual results may differ from these estimates.

In preparing these unaudited condensed interim consolidated financial statements, the significant judgments made by management in applying the Company’s accounting policies and the key sources of uncertainty are the same as those applied and described in the Company’s annual audited consolidated financial statements for the fiscal year ended March 31, 2019.

Lightspeed POS Inc.

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(expressed in thousands of US dollars, except number of shares)

3. Significant accounting policies and other changes in the current reporting period

Changes in subsidiaries

In May 2019, the Company acquired a 100% interest in Chronogolf Inc. ("Chronogolf"), in July 2019, the Company acquired a 100% interest in iKentoo SA ("iKentoo"), in November 2019, the Company acquired a 100% interest in Kounta Holdings Pty Ltd ("Kounta"), and in January 2020, the Company acquired a 100% interest in Gastrofix GMBH ("Gastrofix"), all of which are wholly-owned subsidiaries (note 4).

New accounting standard

The Company adopted the following new accounting standard effective April 1, 2019.

IFRS 16, Leases

Policy applicable from April 1, 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Company has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received prior to the commencement date. Any costs related to the removal and restoration of leasehold improvements, which meet the definition of fixed assets under IAS 16, Property Plant and Equipment, are assessed under IAS 37, Provisions, Contingent Liabilities and Contingent Assets, and are not within the scope of IFRS 16.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, which is considered the appropriate useful life of these assets. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability, to the extent necessary.

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The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using an incremental borrowing rate if the rate implicit in the lease arrangement is not readily determinable.

Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments and variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, lease term, or if the Company changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Lease incentives receivable are included in the initial measurement of the lease liability and right-of-use asset.

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

On the statement of cash flows, lease payments related to short-term leases, low value assets and variable lease payments not included in lease liabilities are classified as cash outflows from operating activities on the cash flow statement whereas the remaining lease payments are classified as cash flows from financing activities.

The disclosures relating to IFRS 16 can be found in note 10. The adoption of IFRS 16 resulted in the derecognition of deferred rent liabilities of \$1,197, the recognition of lease right-of-use assets of \$11,971 and lease liabilities of \$13,168, on the condensed consolidated balance sheet as of April 1, 2019. There was no impact to the consolidated statement of loss and comprehensive loss or on the accumulated deficit upon adoption. Except for the first-time application of IFRS 16, none of the new or amended standards and interpretations as of April 1, 2019 have had a material impact on the Company's financial results or position.

4. Business combinations

Chronogolf

On May 9, 2019, the Company acquired all of the outstanding shares of Chronogolf, a long-standing partner of the Company that leverages Lightspeed's retail and restaurant platform within its comprehensive golf course management platform that also includes booking and membership capabilities.

The fair value of the consideration transferred of \$13,497 consisted of \$9,115 cash paid on the closing date, net of cash acquired, and 50,199 Common Shares, at a fair value of \$18.23 per share at the closing date, which is based on the quoted price of the Common Shares on the Toronto Stock Exchange on the closing date. A discounted amount of \$1,399 is payable if certain milestones are achieved by December 31, 2019, along with the issuance of 50,198 of additional Common Shares, at a value of \$18.23 per share, and a discounted amount of \$935 to be paid over two years, some of which are contingent upon key employees' continued employment with the Company and are accounted for as acquisition-related compensation expense. These milestones are being assessed by management.

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(unaudited)

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(expressed in thousands of US dollars, except number of shares)

The results of operations of Chronogolf have been consolidated with those of the Company as at May 9, 2019. The acquisition has been accounted for as a business combination in accordance with IFRS 3, Business Combinations, using the acquisition method whereby the net assets acquired and the liabilities assumed are recorded at fair value. The purchase price allocation was based on management's best estimates of the fair values of Chronogolf's assets and liabilities as at May 9, 2019.

The following table summarizes the allocations of the consideration paid and the amounts of estimated fair value of the assets acquired and liabilities assumed at the acquisition date:

	\$
Current assets	
Cash	208
Accounts receivable	779
	<u>987</u>
Property and equipment	10
Goodwill	5,859
Customer relationships	4,501
Software technology	2,708
	<u>14,065</u>
Current liabilities	
Accounts payable and accrued liabilities	867
Deferred revenue	50
Employee stock option payout liability	1,215
Deferred income tax liability	546
	<u>2,678</u>
Fair value of net assets acquired	11,387
Less: Cash acquired	<u>208</u>
Fair value of net assets acquired, less cash acquired	<u>11,179</u>
Paid in Common Shares of the Company	915
Paid in cash	9,115
Payable to Chronogolf	1,149

The goodwill related to the acquisition of Chronogolf is composed of expected synergies in utilizing Chronogolf technology in the Company's product offerings, including an assembled workforce that does not qualify for separate recognition, and is not deductible for tax purposes.

Right-of-use assets and lease liabilities of \$337 were recorded by Lightspeed on the acquisition date of Chronogolf. This lease was subsequently transferred to a third party and Lightspeed is no longer a party to this lease.

Lightspeed POS Inc.

Notes to Condensed Interim Consolidated Financial Statements

(unaudited)

December 31, 2019 and 2018

(expressed in thousands of US dollars, except number of shares)

iKentoo

On July 2, 2019, the Company acquired all of the outstanding shares of iKentoo, a Switzerland-based POS solutions provider for small and medium-sized businesses.

The total consideration of \$35,100 consisted of \$17,428 cash paid on the closing date, net of cash acquired, and 408,624 Common Shares, at a fair value of \$29.17 per share at the closing date, which is based on the quoted price of the Common Shares on the Toronto Stock Exchange on the closing date. An amount of \$6,327 is payable through July 2, 2021 contingent upon key employees' continued employment with the Company and is accounted for as acquisition-related compensation expense. Additional cash may be paid by (or returned to) the Company due to a post-closing working capital adjustment.

The results of operations of iKentoo have been consolidated with those of the Company as at July 2, 2019. The acquisition has been accounted for as a business combination in accordance with IFRS 3, Business Combinations, using the acquisition method whereby the net assets acquired and the liabilities assumed are recorded at fair value. The preliminary purchase price allocation was based on management's best estimates of the fair values of iKentoo's assets and liabilities as at July 2, 2019.

The following table summarizes the preliminary allocations of the consideration paid and the amounts of estimated fair value of the assets acquired and liabilities assumed at the acquisition date:

	\$
Current assets	
Cash	1,044
Accounts receivable and other assets	<u>767</u>
	1,811
Property and equipment	192
Goodwill	16,471
Customer relationships	7,394
Software technology	<u>7,342</u>
Total assets	<u>33,210</u>
Current liabilities	
Accounts payable and accrued liabilities	800
Deferred revenue	1,207
Deferred income tax liability	<u>1,386</u>
Total liabilities	<u>3,393</u>
Fair value of net assets acquired	29,817
Less: Cash acquired	<u>1,044</u>
Fair value of net assets acquired, less cash acquired	<u>28,773</u>
Paid in Common Shares of the Company	11,918
Paid in cash	17,428
Receivable from iKentoo	573

Lightspeed POS Inc.

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(unaudited)

December 31, 2019 and 2018

(expressed in thousands of US dollars, except number of shares)

The goodwill related to the acquisition of iKentoo is composed of expected synergies in utilizing iKentoo technology in the Company's product offerings, including an assembled workforce that does not qualify for separate recognition, and is not deductible for tax purposes.

The customer relationships of iKentoo are amortized on a straight-line basis over their estimated useful life of 5 years.

Right-of-use assets and lease liabilities of \$851 were recorded by Lightspeed on the acquisition date of iKentoo.

The allocation of the purchase price to assets acquired and liabilities assumed was based upon a preliminary valuation for all items and may be subject to adjustment during the 12-month measurement period following the acquisition date.

Kounta

On November 1, 2019, the Company acquired all of the outstanding shares of Australia-based Kounta, a cloudbased POS solutions provider to small and medium-sized businesses operating within the hospitality industry.

The total consideration of \$57,717 consisting of \$34,178 cash paid on the closing date, net of cash acquired, and 306,300 Common Shares, at a fair value of \$26.02 per share at the closing date, which is based on the quoted price of the Common Shares on the Toronto Stock Exchange on the closing date. An amount of \$7,524 in deferred cash consideration along with the issuance of 299,702 Common Shares, at a value of \$26.02 per share, is payable through October 2021 to certain key employees contingent on if certain milestones, such as the continued employment of those employees, are achieved, and is accounted for as acquisition-related compensation expense. Additional cash may be paid by (or returned to) the Company due to a post-closing working capital adjustment.

The results of operations of Kounta have been consolidated with those of the Company as at November 1, 2019. The acquisition has been accounted for as a business combination in accordance with IFRS 3, Business Combinations, using the acquisition method whereby the net assets acquired and the liabilities assumed are recorded at fair value. The preliminary purchase price allocation was based on management's best estimates of the fair values of Kounta's assets and liabilities as at November 1, 2019.

Lightspeed POS Inc.

Notes to Condensed Interim Consolidated Financial Statements

(unaudited)

December 31, 2019 and 2018

(expressed in thousands of US dollars, except number of shares)

The following table summarizes the preliminary allocations of the consideration paid and the amounts of estimated fair value of the assets acquired and liabilities assumed at the acquisition date:

	\$
Current assets	
Cash	941
Accounts receivable and other assets	745
	<u>1,686</u>
Property and equipment	177
Goodwill	27,478
Customer relationships	10,584
Software technology	5,149
	<u>45,074</u>
Current liabilities	
Accounts payable and accrued liabilities	1,280
Deferred revenue	458
Deferred income tax liability	0
	<u>1,738</u>
Fair value of net assets acquired	43,336
Less: Cash acquired	941
	<u>42,395</u>
Fair value of net assets acquired, less cash acquired	42,395
Paid in Common Shares of the Company	7,970
Paid in cash	34,178
Payable to Kounta	247

The goodwill related to the acquisition of Kounta is composed of expected synergies in utilizing Kounta technology in the Company's product offerings, including an assembled workforce that does not qualify for separate recognition, and is not deductible for tax purposes.

The customer relationships of Kounta and the software technology acquired are amortized on a straight-line basis over their estimated useful lives of 5 years and 3 years respectively.

Right-of-use assets and lease liabilities of \$991 were recorded by Lightspeed on the acquisition date of Kounta.

The allocation of the purchase price to assets acquired and liabilities assumed was based upon a preliminary valuation for all items and may be subject to adjustment during the 12-month measurement period following the acquisition date.

The Company has a non-cancellable commitment to pay an amount of \$3,433 tied to a marketing alliance agreement to one selling shareholder in three equal annual installments. The first installment was made on closing.

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Notes to Condensed Interim Consolidated Financial Statements

(unaudited)

December 31, 2019 and 2018

(expressed in thousands of US dollars, except number of shares)

5. Revenue from contracts with customers

The disaggregation of the Company's revenue from contracts with customers was as follows:

	Three months ended December 31,		Nine months ended December 31,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Software and payments revenue	28,354	17,908	75,087	49,841
Hardware and other	3,921	2,189	9,279	6,325
Total revenue from contracts with customers	32,275	20,097	84,366	56,166

6. Direct cost of revenues

	Three months ended December 31,		Nine months ended December 31,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Cost of software and payment revenue				
Support	5,078	3,407	13,021	9,338
Other third party costs	4,057	639	8,993	1,810
	9,135	4,046	22,014	11,148
Cost of hardware and other				
Hardware and other	2,581	1,924	7,590	5,463
Total direct cost of revenues	11,716	5,970	29,604	16,611

Stock-based compensation and related costs of \$273 and \$561 were included in direct cost of revenues for the three and nine months ended December 31, 2019 respectively (December 31, 2018 - \$58 and \$109).

Support consists of any support services offered by the Company to its customers; third-party direct costs consists of housing, servicing and maintaining the Company's servers, payments made to suppliers of certain software add-ons sold by the Company and direct costs related to Lightspeed Payments; hardware relates to costs of hardware sold to customers; and other relates to implementation services provided to customers.

7. Employee compensation

The total employee compensation comprising salaries and benefits for the three and nine months ended December 31, 2019 was \$23,639 and \$59,473 (December 31, 2018 - \$13,617 and \$37,118). These costs are inclusive of stock-based compensation and related payroll taxes of \$3,534 and \$7,254 for the three and nine months ended December 31, 2019 (December 31, 2018 - \$654 and \$1,067).

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8. Loss per share

The Company had three categories of potential dilutive securities: convertible preferred shares, share options and awards and warrants. Diluted loss per share excludes all dilutive potential shares if their effect is anti-dilutive. As a result of net losses incurred, all potentially dilutive securities have been excluded from the calculation of diluted loss per share because including them would be anti-dilutive; therefore, basic and diluted number of shares is the same for the three and nine months ended December 31, 2019 and 2018. All outstanding convertible preferred shares, share options and warrants, if any, could potentially dilute loss per share in the future.

	Three months ended December 31,		Nine months ended December 31,	
	2019	2018	2019	2018
Issued Common Shares	85,984,613	30,139,251	85,984,613	30,139,251
Weighted average number of Common Shares (basic and diluted)	85,661,763	30,036,978	84,825,306	29,782,514
Loss per Common Share – Basic and diluted	\$ (0.18)	\$ (2.37)	\$ (0.41)	\$ (2.94)

The weighted average number of potential dilutive securities that are not included in the diluted per share calculations because they would be anti-dilutive are as follows:

	Three months ended December 31,		Nine months ended December 31,	
	2019	2018	2019	2018
Class B Preferred Shares issued and outstanding	—	1,317,268	—	1,317,268
Class C Preferred Shares issued and outstanding	—	1,897,750	—	1,897,750
Class D Preferred Shares issued and outstanding	—	11,663,949	—	11,663,949
Class E Preferred Shares issued and outstanding	—	22,252,232	—	22,252,232
Stock options and awards	6,460,604	5,795,428	6,229,913	5,486,932
Warrants	—	98,903	35,624	98,903

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9. Accounts receivable

	December 31, 2019	March 31, 2019
	\$	\$
Trade	6,192	6,535
Loss allowance	(1,362)	(1,703)
Total trade receivables	4,830	4,832
Research and development tax credits receivable	3,016	3,017
Sales tax receivable	1,152	384
Other	1,071	191
Total accounts receivable	10,069	8,424

Included in general and administrative expenses is an expense of \$379 and a reversal of \$293 related to loss allowance for the three and nine months ended December 31, 2019 (December 31, 2018 – expense of \$53 and \$583).

10. Leases

On April 1, 2019, the Company adopted IFRS 16, and all related amendments, using the modified retrospective transition method, under which the cumulative effect of initial application is recognized in accumulated deficit at April 1, 2019. There was no impact on the accumulated deficit for the Company. The new standard requires the recognition of right-of-use assets and lease liabilities on the Company's balance sheet for operating leases, along with the net impact on transition recorded to accumulated deficit. The Company is required to separately recognize the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets.

The Company's statement of loss and comprehensive loss for the three and nine months ended December 31, 2019 reflects additional depreciation expense due to the right-of use assets, an increase in finance costs for effective interest expense on its lease liabilities, and is partially offset by a reduction in rental expenses.

There is no impact to the overall changes in cash flows. However, operating cash flows is positively impacted, while financing cash flows is negatively impacted due primarily to the classification of principal payments on lease liabilities.

The comparative information for the prior period has not been restated and continues to be reported under IAS 17, Leases, and related interpretations. The primary change in accounting policies as a result of the application of IFRS 16 is explained below. Such a change is made in accordance with the transitional provisions of IFRS 16.

Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IAS 17 and IFRIC 4, Determining Whether an Arrangement Contains a Lease. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in the accounting policy in note 3.

The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after April 1, 2019.

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As a lessee, the Company previously classified all of its leases as operating based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases previously classified as operating under IAS 17.

The Company leases certain properties under non-cancellable operating lease agreements that relate to office space. The expected remaining lease terms are between one and eleven years.

The Company does not currently act in the capacity of a lessor.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the lessee's incremental borrowing rate as at April 1, 2019. Right-of-use assets were measured at the value of the lease liabilities, less any deferred lease incentives still outstanding as of the transition date.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term and for leases of low-value assets.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

Below is a reconciliation related to lease commitments as of that date recognized due to the modified retrospective application of IFRS.

	March 31, 2019
	\$
Total lease commitments as at March 31, 2019	14,798
Discounted lease renewal options	4,302
Variable lease payments	(3,666)
Impact of discounting remaining lease payments	(1,634)
Recognition exemption for short-term leases	(534)
Future commitments starting after April 1, 2019	(153)
Foreign exchange	55
Total lease liabilities included in the interim consolidated balance sheet as at April 1, 2019	13,168

The weighted average incremental borrowing rate applied to lease liabilities recognized in the consolidated balance sheet at the date of initial application was 5.64%. The interest expense for the three and nine months ended December 31, 2019 was \$212 and \$606.

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The roll-forward of lease right-of-use assets is as follows:

	\$
<i>Cost</i>	
As at April 1, 2019	11,971
Additions	1,491
Acquired in business combinations	2,179
Modifications to lease contracts	(279)
As at December 31, 2019	<u>15,362</u>
<i>Accumulated depreciation</i>	
As at April 1, 2019	—
Depreciation charge	1,671
Modifications to lease contracts	(39)
As at December 31, 2019	<u>1,632</u>
Cost, net accumulated depreciation	
As at April 1, 2019	<u>11,971</u>
As at December 31, 2019	13,730
Offices	<u>13,118</u>
Vehicles	<u>612</u>

Expenses relating to short-term leases, including those excluded from the IFRS 16 transition due to the election of the practical expedient, were approximately \$421 and \$1185 for the three and nine months ended December 31, 2019.

The maturity analysis of lease liabilities as at December 31, 2019 are as follows:

<i>Fiscal Year</i>	\$
2020	796
2021	3,009
2022	2,351
2023	2,130
2024	1,644
2025 and thereafter	5,571
Total minimum payments	<u>15,501</u>

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11. Other long-term assets

	December 31, 2019	March 31, 2019
	\$	\$
Long-term deposits	289	262
Other	936	244
Total other-long term assets	1,225	506

12. Accounts payable and accrued liabilities

	December 31, 2019	March 31, 2019
	\$	\$
Trade	9,074	7,706
Accrued compensation and benefits	8,457	6,883
Accrued payroll taxes on stock-based compensation	2,329	1,361
Acquisition-related payables	4,865	233
Total accounts payable and accrued liabilities	24,725	16,183

13. Other long-term liabilities

	December 31, 2019	March 31, 2019
	\$	\$
Deferred lease incentives	—	1,197
Accrued payroll taxes on stock-based compensation	585	353
Other	886	229
Total other long-term liabilities	1,471	1,779

14. Share capital including Redeemable Preferred Shares

The Company's authorized share capital consists of (i) an unlimited number of Subordinate Voting Shares, (ii) an unlimited number of Multiple Voting Shares and (iii) an unlimited number of preferred shares, issuable in series.

15. Related party transactions

Key management personnel includes the Chief Executive Officer, Chief Financial Officer, President and other Vice-Presidents. Other related parties include close family members of the key management personnel and entities controlled by the key management personnel.

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The executive compensation expense to the top five key management personnel is as follows:

	Nine months ended December 31, \$
Short-term employee benefits and other benefits	1,688
Stock-based payments	1,705
Total compensation paid to key management personnel	3,393

16. Financial instruments

The Company measures the fair value of its financial assets and financial liabilities using a fair value hierarchy. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Three levels of inputs may be used to measure fair value. The different levels of the fair value hierarchy are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Unobservable inputs for the asset or liability.

The Company estimated the fair value of its financial instruments as described below.

The fair value of cash and cash equivalents, trade accounts receivable, trade accounts payable, accrued compensation and benefits, and other accruals is considered to be equal to their respective carrying values due to their short-term maturities.

The fair value of other long-term liabilities approximates their carrying value as at December 31 and March 31, 2019.

The market value of the Common Shares underlying the Redeemable Preferred Shares was used to determine the fair value of the Redeemable Preferred Shares at the time of the Company's initial public offering.

As at December 31 and March 31, 2019 financial instruments measured at fair value in the condensed interim consolidated balance sheet were as follows:

		December 31, 2019			March 31, 2019	
	Fair value hierarchy	Carrying amount \$	Fair value \$	Fair value hierarchy	Carrying amount \$	Fair value \$
Cash and cash equivalents	Level 1	126,662	126,662	Level 1	207,703	207,703

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17. Subsequent events

On January 7, 2020, the Company acquired all of the outstanding shares of Gastrofix with approximately \$60,428 being paid in cash (excluding cash acquired), \$6,486 of which was transferred to a holdback account and \$4,423 of which was to settle a liability assumed through the acquisition, and the issuance of 1,437,930 Common Shares, at a value of \$30.99 per share, which is based on the quoted price of the Common Shares on the Toronto Stock Exchange on the closing date, subject to a post-closing working capital adjustment. An additional \$2,407 in deferred cash consideration along with the issuance of 57,278 Common Shares, at a value of \$30.99 per share, is payable through January 2022 contingent on certain milestones being achieved. An additional \$1,604 along with the issuance of 38,186 Common Shares, at a value of \$30.99 per share, is payable to certain key employees through January 2022 contingent on the continued employment of those employees, and will be accounted for as acquisition-related compensation expense. An additional \$10,531 in deferred cash consideration along with the issuance of 250,598 Common Shares, at a value of \$30.99 per share, subject to an adjustment for amounts payable to non-shareholders, is payable contingent on the over performance of agreed milestones in each of the next two years. The assessment of the purchase price and the accounting for this acquisition has not yet been finalized and certain IFRS 3 disclosures have not been included due to the timing of the acquisition.

The Company drew down \$30,000 from its stand-by acquisition term loan with the Canadian Imperial Bank of Commerce on January 2, 2020 to fund part of the acquisition.