

**Lightspeed POS Inc.**

Condensed Interim Consolidated Financial Statements  
(Unaudited)

**For the three months ended June 30, 2020**

(expressed in thousands of US dollars)

**Lightspeed POS Inc.**  
Condensed Interim Consolidated Balance Sheets  
(Unaudited)  
**As at June 30 and March 31, 2020**

(expressed in thousands of US dollars)

	Notes	June 30, 2020 \$	March 31, 2020 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		203,521	210,969
Trade and other receivables	10	10,266	10,879
Inventories		623	932
Other current assets	9	9,532	10,427
<b>Total current assets</b>		<b>223,942</b>	<b>233,207</b>
<b>Lease right-of-use assets</b>	11	15,334	15,957
<b>Property and equipment, net</b>		7,645	7,989
<b>Intangible assets, net</b>		60,737	62,819
<b>Goodwill</b>		151,306	146,598
<b>Restricted cash and other long-term assets</b>	12	11,710	11,749
<b>Deferred tax assets</b>		88	109
<b>Total assets</b>		<b>470,762</b>	<b>478,428</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	13	31,326	30,810
Lease liabilities	11	3,474	3,301
Income taxes payable		80	76
Current portion of deferred revenue		32,924	36,622
<b>Total current liabilities</b>		<b>67,804</b>	<b>70,809</b>
<b>Deferred revenue</b>		4,072	5,472
<b>Lease liabilities</b>	11	13,507	13,546
<b>Long-term debt</b>	14	29,716	29,687
<b>Other long-term liabilities</b>	15	8,735	8,198
<b>Deferred tax liabilities</b>		5,279	6,578
<b>Total liabilities</b>		<b>129,113</b>	<b>134,290</b>
<b>Shareholders' equity</b>			
Share capital	16	858,436	852,115
Additional paid-in capital		16,186	11,773
Accumulated other comprehensive income (loss)		622	(6,271)
Accumulated deficit		(533,595)	(513,479)
<b>Total shareholders' equity</b>		<b>341,649</b>	<b>344,138</b>
<b>Total liabilities and shareholders' equity</b>		<b>470,762</b>	<b>478,428</b>

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

## Lightspeed POS Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss  
(Unaudited)

**For the three months ended June 30, 2020 and 2019**

(expressed in thousands of US dollars)

		<b>Three months ended June 30,</b>	
	<b>Notes</b>	<b>2020</b>	<b>2019</b>
		<b>\$</b>	<b>\$</b>
<b>Revenues</b>	4	36,229	24,065
<b>Direct cost of revenues</b>	5	14,615	8,520
<b>Gross profit</b>		21,614	15,545
<b>Operating expenses</b>			
General and administrative		6,771	3,790
Research and development		9,824	6,521
Sales and marketing		15,100	13,289
Depreciation of property and equipment		412	390
Depreciation of right-of-use assets	11	827	414
Foreign exchange loss (gain)		480	(330)
Acquisition-related compensation		5,129	707
Amortization of intangible assets		4,405	1,012
<b>Total operating expenses</b>		42,948	25,793
<b>Operating loss</b>		(21,334)	(10,248)
Net interest income (expense)	7	(301)	1,019
<b>Loss before income taxes</b>		(21,635)	(9,229)
<b>Income tax expense (recovery)</b>			
Current		55	20
Deferred		(1,574)	(152)
<b>Total income tax recovery</b>		(1,519)	(132)
<b>Net loss</b>		(20,116)	(9,097)
<b>Other comprehensive income (loss)</b>			
<i>Items that may be reclassified to net loss</i>			
Foreign currency differences on translation of foreign operations		6,893	—
<b>Total comprehensive loss</b>		(13,223)	(9,097)
<b>Net loss per share – basic and diluted</b>	8	(0.22)	(0.11)

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

**Lightspeed POS Inc.**Condensed Interim Consolidated Statements of Cash Flows  
(Unaudited)**For the three months ended June 30, 2020 and 2019**

(expressed in thousands of US dollars)

	<b>Three months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from (used in) operating activities</b>		
Net loss	(20,116)	(9,097)
Items not affecting cash and cash equivalents		
Acquisition-related compensation	5,129	707
Amortization of intangible assets	4,405	1,012
Depreciation of property and equipment and lease right-of-use assets	1,239	804
Deferred income taxes	(1,574)	(152)
Stock-based compensation expense	5,529	912
Unrealized foreign exchange loss (gain)	172	5
(Increase)/decrease in operating assets and increase/(decrease) in operating liabilities		
Trade and other receivables	251	2,418
Inventories	309	(79)
Other assets	592	(633)
Accounts payable and accrued liabilities	1,031	(1,178)
Income taxes payable	4	(4)
Deferred revenue	(5,098)	(479)
Other long-term liabilities	415	478
Net interest (income) expense	301	(1,019)
<b>Total operating activities</b>	<b>(7,411)</b>	<b>(6,305)</b>
<b>Cash flows from (used in) investing activities</b>		
Additions to property and equipment	(160)	(393)
Acquisition of business, net of cash acquired	(1,779)	(10,330)
Interest income	468	1,259
<b>Total investing activities</b>	<b>(1,471)</b>	<b>(9,464)</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from exercise of stock options	2,872	1,178
Share issuance costs	(778)	(1,401)
Payment of lease liabilities	(954)	(506)
Financing costs	(343)	—
<b>Total financing activities</b>	<b>797</b>	<b>(729)</b>
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>	<b>637</b>	<b>235</b>
<b>Net decrease in cash and cash equivalents during the period</b>	<b>(7,448)</b>	<b>(16,263)</b>
<b>Cash and cash equivalents – Beginning of period</b>	<b>210,969</b>	<b>207,703</b>
<b>Cash and cash equivalents – End of period</b>	<b>203,521</b>	<b>191,440</b>
Interest paid	301	—
Income taxes paid	—	—

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

## Lightspeed POS Inc.

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

**For the three months ended June 30, 2020 and 2019**

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

	Notes	Issued and Outstanding Shares		Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total
		Number of shares	Amount \$				
<b>Balance as at March 31, 2020</b>		92,206,817	852,115	11,773	(6,271)	(513,479)	344,138
Net loss		—	—	—	—	(20,116)	(20,116)
Share issuance costs		—	(3)	—	—	—	(3)
Exercise of stock options and vesting of share awards		738,483	3,988	(1,116)	—	—	2,872
Stock-based compensation		—	—	5,529	—	—	5,529
Share-based acquisition-related compensation		25,099	2,336	—	—	—	2,336
Other comprehensive income		—	—	—	6,893	—	6,893
<b>Balance as at June 30, 2020</b>		<b>92,970,399</b>	<b>858,436</b>	<b>16,186</b>	<b>622</b>	<b>(533,595)</b>	<b>341,649</b>
<b>Balance as at March 31, 2019</b>		83,752,210	652,336	4,278	—	(459,948)	196,666
Net loss and comprehensive loss		—	—	—	—	(9,097)	(9,097)
Share issuance costs		—	(650)	—	—	—	(650)
Exercise of stock options and vesting of share awards		440,983	1,636	(458)	—	—	1,178
Stock-based compensation		—	—	912	—	—	912
Exercise of warrants		31,647	—	—	—	—	—
Share-based acquisition-related compensation		—	234	—	—	—	234
Shares issued in connection with business combination		50,199	915	—	—	—	915
<b>Balance as at June 30, 2019</b>		<b>84,275,039</b>	<b>654,471</b>	<b>4,732</b>	<b>—</b>	<b>(469,045)</b>	<b>190,158</b>

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

# Lightspeed POS Inc.

## Notes to Condensed Interim Consolidated Financial Statements (unaudited)

**June 30, 2020 and 2019**

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

### **1. Organization and nature of operations**

Lightspeed POS Inc. ("Lightspeed" or the "Company") 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 platforms provide 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.

The Company's shares are listed on the Toronto Stock Exchange under the stock symbol "LSPD".

### **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. 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, 2020. 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 August 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, 2020.

# Lightspeed POS Inc.

## Notes to Condensed Interim Consolidated Financial Statements (unaudited)

**June 30, 2020 and 2019**

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

In March 2020, the World Health Organization characterized a novel strain of the coronavirus, known as COVID-19, as a pandemic. Concerns related to the spread of COVID-19 and the related containment measures intended to mitigate its impact have created substantial disruption in the global economy. Refer to note 3 for a description of how COVID-19 impacted the Company's significant accounting estimates and assumptions.

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

#### Risks and uncertainties related to COVID-19

The uncertainties around COVID-19 required the use of judgments and estimates which resulted in no material impacts for the three months ended June 30, 2020 other than the impact on expected credit losses driven by the changes in the macro-economic environment due to COVID-19. For information on the expense related to the loss allowance, refer to note 10. The future impact of COVID-19 uncertainties could generate, in future reporting periods, a significant risk of material adjustment to the following: revenue recognition, estimated losses on revenue-generating contracts, goodwill and intangible impairment, and other assets and liabilities.

In addition to the impacts disclosed above, the Company received \$6,216 with respect to remuneration of eligible employees pursuant to government-sponsored COVID-19 wage subsidy programs globally.

### 4. Revenue from contracts with customers

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

	<b>Three months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Software and payments revenue	33,406	21,334
Hardware and other	2,823	2,731
<b>Total revenue from contracts with customers</b>	<b>36,229</b>	<b>24,065</b>

# Lightspeed POS Inc.

## Notes to Condensed Interim Consolidated Financial Statements (unaudited)

**June 30, 2020 and 2019**

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

### 5. Direct cost of revenues

	Three months ended June 30,	
	2020	2019
	\$	\$
<b>Cost of software and payments revenue</b>		
Support	5,223	4,006
Other third-party costs	6,847	1,961
	12,070	5,967
<b>Cost of hardware and other</b>		
Hardware and other	2,545	2,553
<b>Total direct cost of revenues</b>	<b>14,615</b>	<b>8,520</b>

Support consists of any support services provided by the Company to its customers and mostly consists of salaries; other third-party costs consists of housing, servicing, infrastructure 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.

### 6. Employee compensation

The total employee compensation comprising salaries and benefits, excluding tax credits and government grants for the three months ended June 30, 2020, was \$32,189 (June 30, 2019 - \$17,995).

Stock-based compensation and related costs were included in the following expenses:

	Three months ended June 30,	
	2020	2019
	\$	\$
Direct cost of revenues	615	240
General and administrative	1,842	962
Research and development	2,251	577
Sales and marketing	2,508	1,100
<b>Total stock-based compensation and related costs</b>	<b>7,216</b>	<b>2,879</b>



# Lightspeed POS Inc.

## Notes to Condensed Interim Consolidated Financial Statements (unaudited)

**June 30, 2020 and 2019**

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

Due to the COVID-19 pandemic, the Company benefited from global government subsidies. The subsidies were included as a reduction in the following expenses:

	<b>Three months ended June 30, 2020</b>
	\$
Direct cost of revenues	1,190
General and administrative	1,088
Research and development	2,015
Sales and marketing	1,923
<b>Total reduction</b>	<b>6,216</b>

### 7. Finance income and costs

For the three months ended June 30, 2020, interest income and interest expense, including interest expense on lease liabilities, amounted to \$448 and \$749, respectively (2019 – \$1,259 and \$240).

### 8. Loss per share

The Company had two categories of potentially dilutive securities: share options and awards and warrants. Diluted net loss per share excludes all potentially-dilutive 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 net loss per share because including them would be anti-dilutive; therefore, basic and diluted number of shares is the same for the three months ended June 30, 2020 and 2019. All outstanding potentially dilutive securities could potentially dilute loss per share in the future.

	<b>Three months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
Issued Common Shares	92,970,399	84,275,039
Weighted average number of Common Shares (basic and diluted)	92,464,395	83,879,960
<b>Net loss per Common Share – basic and diluted</b>	<b>\$ (0.22)</b>	<b>\$ (0.11)</b>

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:

	<b>Three months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
Stock options and awards	7,516,555	5,998,076
Warrants	—	86,403

## Lightspeed POS Inc.

### Notes to Condensed Interim Consolidated Financial Statements (unaudited)

**June 30, 2020 and 2019**

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

#### 9. Other current assets

	<b>June 30, 2020</b>	<b>March 31, 2020</b>
	<b>\$</b>	<b>\$</b>
Restricted cash	1,868	1,829
Prepaid expenses and deposits	3,323	4,048
Commission asset	3,574	3,938
Other	767	612
<b>Total other current assets</b>	<b>9,532</b>	<b>10,427</b>

#### 10. Trade and other receivables

	<b>June 30, 2020</b>	<b>March 31, 2020</b>
	<b>\$</b>	<b>\$</b>
Trade	9,211	7,721
Loss allowance	(4,192)	(2,878)
<b>Total trade receivables</b>	<b>5,019</b>	<b>4,843</b>
Research and development tax credits receivable	2,840	4,059
Government subsidy receivable	1,308	—
Sales tax receivable	521	847
Other	578	1,130
<b>Total trade and other receivables</b>	<b>10,266</b>	<b>10,879</b>

Included in general and administrative expenses is an expense of \$1,145 related to loss allowance for the three months ended June 30, 2020 (June 30, 2019 – expense of \$184).

# Lightspeed POS Inc.

## Notes to Condensed Interim Consolidated Financial Statements (unaudited)

**June 30, 2020 and 2019**

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

### 11. Leases

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

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

	\$
<i>Cost</i>	
<b>As at March 31, 2020</b>	18,403
Additions	85
Exchange differences	119
<b>As at June 30, 2020</b>	<u>18,607</u>
<i>Accumulated depreciation</i>	
<b>As at March 31, 2020</b>	2,446
Depreciation charge	827
<b>As at June 30, 2020</b>	<u>3,273</u>
<b>Cost, net accumulated depreciation</b>	
<b>As at March 31, 2020</b>	<u>15,957</u>
<b>As at June 30, 2020</b>	15,334
Offices	<u>14,570</u>
Vehicles	<u>764</u>

The maturity analysis of lease liabilities as at June 30, 2020 is as follows:

<i>Fiscal Year</i>	\$
2021	2,698
2022	3,006
2023	2,448
2024	1,919
2025	1,519
2026 and thereafter	5,391
<b>Total minimum payments</b>	<u>16,981</u>

Expenses relating to short-term leases, including those excluded due to the election of the practical expedient, as well as variable lease payments not included in the measurement of lease liabilities, were approximately \$363 for the three months ended June 30, 2020 (June 30, 2019 - \$446).

The interest expense for the three months ended June 30, 2020 was \$233 (June 30, 2019 - \$184).

## Lightspeed POS Inc.

Notes to Condensed Interim Consolidated Financial Statements  
(unaudited)

**June 30, 2020 and 2019**

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

### 12. Restricted cash and other long-term assets

	<b>June 30, 2020</b>	<b>March 31, 2020</b>
	\$	\$
Restricted cash	7,528	7,703
Commission asset	2,885	2,898
Other	1,297	1,148
<b>Total restricted cash and other-long term assets</b>	<b>11,710</b>	<b>11,749</b>

### 13. Accounts payable and accrued liabilities

	<b>June 30, 2020</b>	<b>March 31, 2020</b>
	\$	\$
Trade	8,803	12,325
Accrued compensation and benefits	8,971	9,528
Accrued payroll taxes on stock-based compensation	2,637	1,170
Acquisition-related payables	10,036	7,787
Other	879	—
<b>Total accounts payable and accrued liabilities</b>	<b>31,326</b>	<b>30,810</b>

### 14. Credit facility

The Company has credit facilities with the Canadian Imperial Bank of Commerce (“CIBC”), which include a \$25,000 demand revolving operating credit facility (the “Revolver”) and a \$50,000 stand-by acquisition term loan (the “Acquisition Facility”, and together with the Revolver, the “Credit Facilities”).

The Revolver will be available for draw at any time during the term of the Credit Facilities.

The Acquisition Facility was drawn for \$30,000 in January 2020 for the acquisition of Gastrofix GmbH (“Gastrofix”) and will mature 60 months thereafter. The interest rate on the current Acquisition Facility is equal to LIBOR + 3.0%.

The financing costs related to the Credit Facilities are netted against the principal and are being amortized over the 60-month term.

The Credit Facilities are subject to certain general and financial covenants, including the delivery of annual audited consolidated financial statements to the holders.

## Lightspeed POS Inc.

### Notes to Condensed Interim Consolidated Financial Statements (unaudited)

**June 30, 2020 and 2019**

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

#### 15. Other long-term liabilities

	<b>June 30, 2020</b>	<b>March 31, 2020</b>
	\$	\$
Acquisition-related payables	8,336	7,982
Accrued payroll taxes on stock-based compensation	399	198
Other	—	18
<b>Total other long-term liabilities</b>	<b>8,735</b>	<b>8,198</b>

#### 16. Share capital

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.

#### 17. Related party transactions

Key management personnel includes the C-Level executives, and other Vice-Presidents. Other related parties include close family members of the key management personnel and entities controlled by the key management personnel.

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

	<b>Three months ended June 30, 2020</b>
	\$
Short-term employee benefits and other benefits	408
Stock-based payments	1,697
<b>Total compensation paid to key management personnel</b>	<b>2,105</b>

#### 18. 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.

# Lightspeed POS Inc.

## Notes to Condensed Interim Consolidated Financial Statements (unaudited)

**June 30, 2020 and 2019**

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

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

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

The fair value of contingent consideration and other long-term liabilities approximates their carrying value as at June 30 and March 31, 2020.

### Recurring fair value measurements

#### *Contingent consideration*

On January 7, 2020, the Company acquired Gastrofix, a cloud-based POS hospitality software provider in Germany. The amount included in the purchase price related to the estimated fair value of contingent consideration was nil. The contingent consideration was valued by the Company using a discounted cash flow model under the income approach. The maximum potential contingent consideration payout is \$10,030 over two years. The fair value of the contingent consideration, if above nil, is presented as a component of accounts payable and accrued liabilities as well as other long-term liabilities on the condensed interim consolidated balance sheets. The change in the fair value of the contingent consideration, if any, is recognized within general and administrative expenses in the condensed interim consolidated statements of loss and comprehensive loss. As at June 30, 2020, there was no change in the estimated contingent consideration from the time of the acquisition.

The purchase price allocation of Gastrofix was finalized during the three months ended June 30, 2020.

As at June 30 and March 31, 2020, financial instruments measured at fair value in the condensed interim consolidated balance sheet were as follows:

	June 30, 2020			March 31, 2020		
	Fair value hierarchy	Carrying amount	Fair value	Fair value hierarchy	Carrying amount	Fair value
		\$	\$		\$	\$
Cash and cash equivalents	Level 1	203,521	203,521	Level 1	210,969	210,969
Restricted cash	Level 1	9,396	9,396	Level 1	9,532	9,532
Contingent consideration	Level 3	0	0	Level 3	0	0