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Sell Recommendation
Target price: \$10 (21% Downside)
Sector: Technology
Current price as of January 8, 2026: \$12.26

Executive summary

LSPD uses several unique, industry-specific metrics to track performance, for explanations on all acronyms and important terms, see Appendix 3.

Lightspeed is a structurally challenged platform

We initiate coverage on Lightspeed Commerce Inc. (“LSPD”) with a SELL recommendation and a 12-month price target of \$10 per share, representing (~21%) downside from the recent share price of \$12.26 as of January 8, 2026. Our valuation is based on a DCF framework, weighted toward intrinsic valuation due to structural differences relative to peers.

LSPD is a global point-of-sale (“PoS”) and payments software provider serving retail, hospitality, and golf merchants across more than 100 countries. While the company has grown well historically, recent revenue growth has decelerated, margins are under pressure, and their recent pivot to “profitable growth” is yet to yield strong results. The PoS market is saturated, and peers benefit from stronger vertical integration than LSPD. Our research indicates limited product differentiation, persistent pricing pressure, and growing merchant preference for competitors with stronger e-commerce, payments, and integrated workflow capabilities. As a result, LSPD’s ability to execute on its stated growth strategy is constrained.

Investment thesis highlights

We believe LSPD represents an unattractive risk-reward opportunity, with headwinds that limit both sustainable growth and margin expansion.

Thesis #1: LSPD’s growth engines face structural constraints

LSPD’s renewed strategic focus on North American (“NA”) retail and European (“EU”) hospitality is misaligned with merchant preferences in markets dominated by stronger competitors. In NA retail, merchants increasingly prioritize e-commerce-first platforms, with Shopify and Square consistently outranking LSPD. In EU hospitality, LSPD faces notable competitors such as Toast, Shopify, and SumUp, and has weaker sales efficiency which is increasingly important as the broader industry focuses on outbound sales. We believe that this will lead them to have subpar Gross Transaction Volume (“GTV”) growth relative to peers.

Thesis #2: Inorganic growth has masked subpar organic execution

LSPD’s heavy reliance on expensive acquisitions and an inability to integrate or scale undermines confidence in management’s execution capabilities. LSPD’s acquisitions, which were completed at a weighted average 12.5x EV/Revenue, have since deteriorated significantly to an implied multiple of 5.4x, driving \$1.3B in impairments. As LSPD has shifted away from inorganic growth, revenue momentum has slowed, exposing a weak underlying organic engine. Although LSPD has obscured shortfalls by redefining or discontinuing critical metrics, this is unsustainable, especially as product quality suffers. Together, this highlights structural execution issues and limits confidence in LSPD’s ability to deliver long-term value.

Thesis #3: Payments-led growth limits margin expansion

LSPD’s transaction segment has deteriorating unit economics. Payments margins are compressing as revenue comes from lower take-rate merchants and is processed through a third-party stack whose costs scale linearly with volume. In Europe, interchange fees are capped while scheme and processing fees are uncapped, resulting in cost inflation that flows directly through to LSPD’s cost of sales. While Lightspeed Capital temporarily stabilizes margins, it masks the weakness of the payments business rather than addressing the root cause.

Figure 1: Company statistics, as at January 8, 2026

Last Close	\$12.26
Market Cap	\$1.68B
Shares Outstanding	136M
52-Week High	\$15.38
52-Week Low	\$7.86
EV/NTM Revenue	1.1x

Source: Capital IQ, 2025

Figure 2: Valuation results, as at January 8, 2026

	Weight	Value
DCF – Terminal Growth	50%	\$8.97
DCF – Exit Multiple	50%	\$10.32
Comparables	0%	\$14.61
Target Price	-	\$9.64
Implied Downside	-	(21%)

Source: Team 2 Analysis

Figure 3: Financial data, as at January 8, 2026

	'22	'23	'24	'25 ¹
Rev. (\$M) ¹	\$548	\$731	\$909	\$1077
Rev. Growth	147%	33%	25%	18%
EBITDA (\$M)	(\$109)	(\$846)	\$57	(\$459)
EBITDA Margin	(19.9%)	(115%)	6.3%	(46.2%)

Source: Company filings, Team 2 analysis

Figure 4: 5-year stock chart, as at January 8, 2026



Source: Capital IQ, 2025

Business overview

Founded in 2005 and headquartered in Montréal, Québec, LSPD's core business is to sell PoS systems. PoS systems are the software and hardware needed to process payments and help with related tasks such as inventory management. LSPD derives most of its revenue from the U.S. (Figure 5).

Key operating segments

LSPD operates across three main segments; 1) Subscription; 2) Transaction-Based; 3) Hardware and Other (Figure 6). Subscription revenue is generated through the sale of software modules. LSPD has three key software offerings: Lightspeed Retail, Lightspeed Restaurant, and Lightspeed Golf. Each offering has similar features (payment processing, analytics, inventory management, etc.), with additional features tailored to the industry. Examples of tailored features include tee time booking (golf), kitchen displays (restaurant), and advanced inventory management (retail). Subscription revenue also includes revenue from NuORDER and Lightspeed eCom. NuORDER is a B2B platform that streamlines wholesale buying and selling online by allowing brands to showcase their products and take wholesale orders online. Lightspeed eCom allows businesses to create and manage an online storefront. Transaction-based revenue is generated from charging a fee on each transaction processed using LSPD's payment system (% of each transaction plus a fixed amount). Transaction-based revenues also include fees from Lightspeed Capital where LSPD provides cash advances to select vendors in exchange for a percentage of total transactions until the advance, plus a fee, is repaid (Figure 7). LSPD generates hardware and other revenues from the one-time sale and installation of PoS related hardware (receipt printers, etc.).

LSPD's history of growth and current strategy

LSPD historically grew inorganically (Figure 8), but post-COVID growth has slowed (88% FY19-22 vs 31% FY22-25 revenue CAGR) as LSPD has slowed inorganic expansion to prioritize profitability. Post-COVID, growth was driven by transaction-based revenue as LSPD began to mandate the use of Lightspeed Payments (revenue CAGR of 12% for subscription-based vs 38% for transaction-based from FY22-25). LSPD has also shifted to focus on growing customer locations (defined as number of locations an individual customer has) by investing NA retail and EU hospitality sales teams, targeting medium-to-high GTV customers (>\$500k GTV/location).

Industry overview

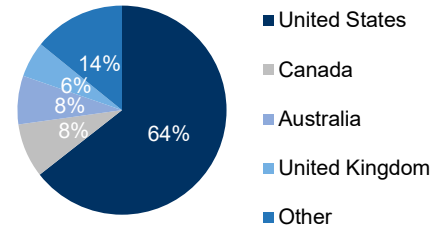
Competitive NA PoS landscape – Negative for LSPD

The NA PoS landscape is consolidated among larger players with a long tail of regional players resulting in limited differentiation as PoS systems have similar core features. Dominant cloud players include Toast, Square, LSPD, Clover, and Shopify. Most companies offer large discounts on both software and hardware to win customers, often selling hardware at a loss. LSPD has a ~60% gross margin on hardware sales, however these represent a small percentage of sales. In the NA hospitality PoS landscape, Toast has 15% market share and serves hospitality businesses (Figure 9).

Strict and fragmented EU regulatory environment – Positive for LSPD

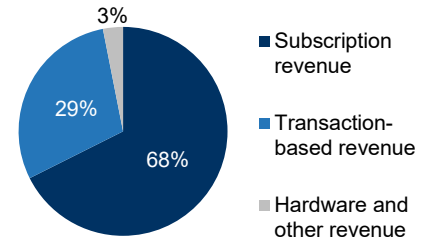
Europe is fragmented, with a concentration of key players in each country due to stricter regulatory requirements and higher cash usage (~15% of transactions are cash in the U.S. vs ~50% in Europe). This helps LSPD maintain market share against new entrants. LSPD entered the EU markets through the acquisition of local EU companies. Competitors looking to expand into the EU hospitality market must use the same strategy or adapt their product to meet the stricter regulations of 10+ EU countries, compared to just two NA countries, as well other requirements such as language and currency support (Expert A).

Figure 5: Revenue by geography, as at September 30, 2025



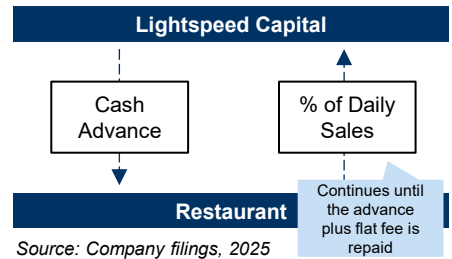
Source: Company filings, 2025

Figure 6: Revenue by segment, as at September 30, 2025



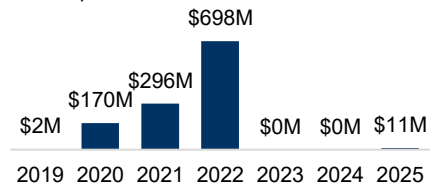
Source: Company filings, 2025

Figure 7: Lightspeed Capital business model



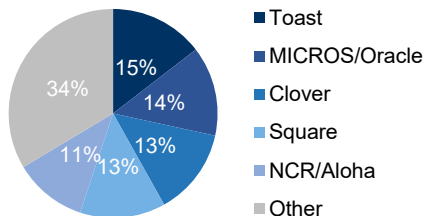
Source: Company filings, 2025

Figure 8: Cash spent on acquisitions by fiscal year (e.g. integration costs), as at September 30, 2025



Source: Company filings, 2025

Figure 9: US food & beverage PoS market share, as at June 13, 2025



Source: Jefferies equity research, 2025

"Europe has very strict regulations, and stores are required to report many things directly to the government. Local-language support can also be difficult. Many vendors find it hard to tackle all these challenges at once."

– Expert A, Senior Technology Leader at a Large International Hospitality Company

Increasing omni-channel focus – Negative for LSPD

Omni-channel capabilities are becoming increasingly important. Most top retailers adopted omni-channel capabilities during COVID but penetration among SMBs is growing (Figure 10). 91% of small businesses use multiple channels to reach customers with 30% of them adding a new sales channel from 2024 to 2025. Lightspeed eCom is a weaker offering, particularly struggling with advanced APIs / scripts and building websites. Shopify has the most differentiated offering due to strong integration with their e-commerce platform and ecosystem of prebuilt extensions.

Competitive positioning

LSPD has strong inventory management capabilities

LSPD's main niche is in-store first and multi-brand merchants with complex inventories. LSPD has strong inventory software capabilities that competitors do not (e.g. re-order automation with NuORDER).

LSPD's product underperforms vs Toast

Toast has managed to gain market share despite being priced higher than LSPD due to its strong product. As the only scaled PoS player focused solely on restaurants, Toast's products are better suited for the industry. Although Toast and LSPD have the same fundamental features, Toast's are more polished. Online reviews have described LSPD as "not having the simplest interface with all of its features and potential add-ons" and being difficult to integrate. Toast is also the first to add many restaurant specific new features, with LSPD only offering these features afterwards. For example, Toast was one of the first PoS providers to add delivery integration. As a result, LSPD has stopped treating NA hospitality as a focus due to low product market fit and right to win, holding <6% market share versus Toast's ~15% (Figure 9).

LSPD is less vertically integrated in payments

PoS system providers rely on third-parties to compete transactions. These third parties charge a portion of the transaction for their services, eating into margins. LSPD is less integrated on the payment value chain compared to peers as they outsource payment facilitation, costing them 30-100bps in transaction fees depending on the size of the customer (Figure 11). As a result, their payment gross margins are lower than peers (Figure 12).

LSPD's e-commerce offering is weaker than peers

Experts and customers (Appendix 1 and 2) noted that Shopify is the preferred vendor for e-commerce first companies, improving significantly in recent years while LSPD lags. Shopify's strength is that it unifies in-store and online sales without the need for APIs and intermediaries and has a better website builder, reducing administrative burden and increasing data accuracy. Although lack of multi-site capabilities has previously slowed Shopify adoption, in the previous year Shopify has added new features that bring core functionalities in line with competitors (Figure 13).

Investment summary

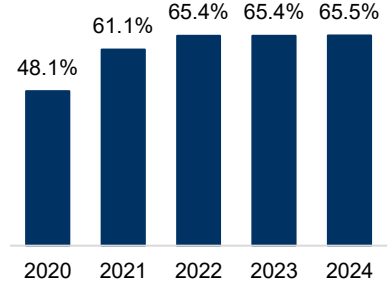
Thesis #1: LSPD's growth engines face many challenges with a weak strategy and overly ambitious targets

LSPD's new growth strategy focusing on NA Retail and EU Hospitality through a targeted outbound sales approach is misaligned with merchant preferences in markets dominated by better-positioned competitors, raising execution risk against management's overconfident growth targets.

LSPD's unfavourable NA Retail customer profile limits growth

Historically, LSPD has focused on in-store, multi-brand merchants in complex, inventory-centric retail verticals. However, consumer trends have moved in the opposite direction, with e-commerce's share of U.S. retail sales rising from ~7% in 2015 to ~16% in 2024, while the department-store sales index declined ~25% over the same period. Several of LSPD's largest multi-brand customers, including Nordstrom, Macy's, and Saks,

Figure 10: Availability of in store stock status among top 1000 physical retail chains



Source: Digital Commerce 360, 2025

Figure 11: Payment integration comparison

	PoS Terminal & Software	Payment Facilitation
Cost	SaaS Fees	30-100bps
LSPD	In-House	3P
Toast	In-House	In-House
Square	In-House	In-House
Shopify	In-House	In-House

Source: Jefferies equity research, 2025

Figure 12: Payment gross margin comparison

	Payment Gross Margin
LSPD	27%
Toast	18%*
Square	41%
Shopify	38%

*Toast's gross margins lag since the gross value of pass-through payment processing fees is included in both revenue and COGS

Source: J.P. Morgan equity research, 2025

Figure 13: Shopify PoS features released over the past year

- Multi-store/terminal support
- Offline payments
- Tap to pay extension
- QR code payments

Source: Shopify filings, 2025

"Acquired companies were often just bolted on after rebranding and did not integrate properly. Bringing in all the teams also led to internal friction as it felt like 10 different LSPDs."

– Expert B, Former Senior Account Manager at LSPD

"In the past, Shopify's PoS was a little bit behind LSPD since they focused on e-commerce and payments processing but their ecosystem is amazing... Lightspeed Payments had many technical problems but when it worked well, it was a good tool to have."

– Expert C, Sales Lead at LSPD and Shopify

have been shrinking store footprints, directly pressuring LSPD's core merchant base. This is evident in LSPD's customer mix, where growth in merchants processing over \$500K and \$1M in annual GTV has decelerated sharply. As these higher-GTV merchants are intended to drive ARPU expansion, their slowdown materially limits revenue scaling per customer.

Meanwhile, LSPD falls behind as merchants increasingly prioritize omnichannel and digitally integrated workflows. Across ~10 third-party PoS rankings (Figure 14), LSPD consistently trails peers with more integrated and scalable offerings, and customers often note that LSPD has weaker eCom offerings. With limited remaining runway among complex, high-GTV merchants and weaker positioning in the faster-growing SMB segment, it is increasingly difficult for LSPD to achieve sustained share gains in line with management expectations.

Guidance suggests unreasonable growth from expansion strategy

LSPD is guiding 10-15% annual location growth through 2028 (Figure 16), implying that a salesforce of approximately 150 reps must deliver one new customer location per day under continued quarterly hiring. We view this productivity as difficult to achieve given LSPD has historically grown locations at only ~4% annually over the past four years and its outbound strategy remains unproven. Sales efficiency metrics reinforce this concern, where LSPD's SaaS magic number has deteriorated to ~0.10 in recent years, trailing Toast (Figure 17). The magic number (Figure 17) compares incremental recurring revenue to sales and marketing spend, where <0.75 is viewed as inefficient S&M spend. While Toast is more efficient than LSPD, a magic number of ~0.44 is not ideal, and proves that the competitive nature of the PoS market makes it difficult to attain sales efficiency, even with a scaled, mature salesforce similar to Toast.

Thesis #2: LSPD's track record gives no confidence in the ability to execute on growth strategy

LSPD's expensive roll-up strategy, lagging growth, and missed targets highlight structural execution issues.

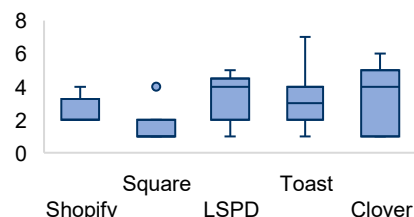
Historical growth has been heavily driven by expensive acquisitions, which have deteriorated in value in recent years

LSPD's growth has been highly inorganic (Appendix 13). Acquisitions were completed at a weighted average valuation of 12.5x EV/Revenue, roughly seven turns above the prevailing weighted averages of ~4 to 6x at the time (Figures 18 and 19). Although acquisitions were not dilutive, due to LSPD's high trading multiple at the time, the long-term value of these acquisitions has declined, with impairments of \$1.3B recognized across FY23 and FY25. Current impairment testing indicates acquisitions are now valued at less than half of the original purchase multiple (Figure 18), with potential for further deterioration. At a present trading multiple of ~1.05x EV/Revenue, a revaluation of prior acquisitions would produce ~\$800M of additional impairments. This reflects poorly on the quality and longevity of acquired companies and on management's ability to successfully complete and integrate targets. Although CEO Dax Dasilva has not signaled plans to resume an acquisition-led strategy since his return in 2024, the track record provides limited confidence in previous execution ability and future acquisition-led value creation.

Shift away from acquisitions has exposed slow internal growth engine

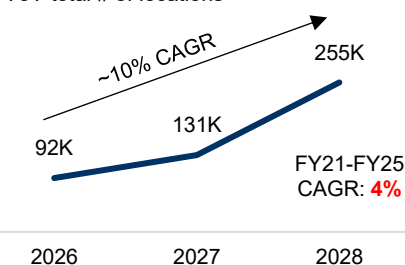
More than half of LSPD's revenue growth over the past five years has been driven by acquisitions. Since pivoting away from inorganic expansion, growth has decelerated sharply, highlighting the reliance of prior deals on topline momentum. Before the Echowid acquisition, LSPD revenue grew at a CAGR of 118%; in the four years after the transaction, revenue growth

Figure 14: PoS system rankings, lower number = higher ranking



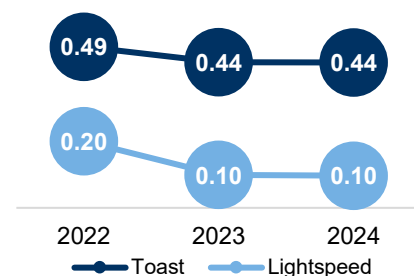
Source: Team 2 analysis, 2025

Figure 16: LSPD location guidance, YoY total # of locations



Source: Company filings

Figure 17: SaaS magic number, \$ of revenue per each \$ of S&M



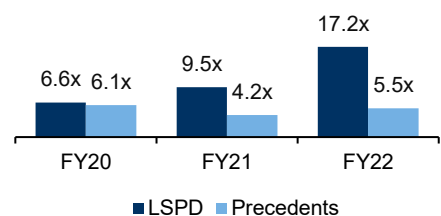
Source: Company filings, Team 2 analysis

Figure 18: LSPD acquisitions, FY20-FY22

USD, \$M	EV	Revenue	EV / Revenue
Echowid	\$500	\$20	25.0x
NuORDER	\$425	\$20	21.3x
Vend	\$350	\$34	10.3x
FY22 Total	\$1,275	\$74	17.2x
Upserve	\$430	\$40	10.8x
Shopkeep	\$440	\$50	8.8x
Gastrofix	\$101	\$13	8.1x
FY21 Total	\$970	\$103	9.5x
Kounta	\$43	\$6	6.6x
FY20 Total	\$43	\$6	6.6x
Total	\$2,289	\$183	12.5x
Less impairments	\$984	\$183	5.4x

Source: Company filings, press releases

Figure 19: Weighted average acquisition EV/Revenue multiples, FY20-FY22



Source: Capital IQ, Team 2 analysis (further detailed in Appendix 14)

slowed to 24%. Although strong, this is the lowest among mature peers (Figure 20). The underperformance suggests LSPD is unable to maintain industry pace without acquisitions. Peers continue to invest in acceleration while LSPD pursues an organic-led strategy that is not keeping up.

LSPD management has shown difficulty executing on long-term goals

Lack of conviction in management is supported by the limited progress between LSPD's last two Capital Markets Day presentations in 2022 and 2025 (Figure 21). LSPD has concealed missed targets by stopping or altering the reporting of key metrics. Average Revenue per User ("ARPU") was redefined before the 2025 event, while revenue as a percent of GTV and total subscription revenue growth were omitted. Similar actions were highlighted previously in a short seller report that triggered a one-day 12% stock decline. Later vindication of all claims made in the report produced no meaningful recovery. Product quality is also suffering, which is harder to obscure. LSPD has pursued a fully integrated platform since 2019, yet the process remains incomplete. Customer complaints related to integration are now ~2x as common for LSPD compared to peers (Figure 22). These results indicate weak execution and deteriorating competitive positioning.

Thesis #3: LSPD's profitability will only continue to weaken as payments economics are unfavorable

LSPD claims it is pursuing "profitable growth," but its stated priorities and growth drivers are structurally undermining that objective.

Lightspeed Payments lacks meaningful economies of scale due to its structural reliance on third-party infrastructure

Despite growing transaction volumes, LSPD Payments continues to experience margin compression. This pressure is driven by a customer mix shift as higher-GTV merchants comprise a larger portion of the platform (Figures 23 and 24). Unlike integrated competitors that offset this dynamic with declining unit costs, LSPD relies on white-labeled third-party acquiring infrastructure, primarily Stripe. As payment-related cost of sales scale proportionately with transaction volume, incremental payments growth does little to improve unit economics. As a result, growth in payments does little to improve underlying unit economics.

Lightspeed Capital is masking structural weakness in payments margins

Reported margin stabilization in LSPD's transaction-based segment has been driven almost entirely by Lightspeed Capital gross profit. In reality, continued focus on larger-GTV customers makes the core payments business dilutive to margins. This leaves the transaction segment dependent on Lightspeed Capital to offset payments deterioration. This reliance is unsustainable as the business is highly capital intensive and LSPD is not expected to generate enough cash to support it. This will put a cap on the portfolio growth going forward.

EU interchange regulation structurally constrains Lightspeed Payments' margin due to inflation in scheme fees

Regulation (EU) 2015/751 caps interchange fees, while leaving scheme fees, processing costs, and acquirer margins uncapped. The legislation did not protect acquirers from inflation in the non-interchange layers, and rising scheme fees from Mastercard and Visa have followed (Figure 25). LSPD does not control network pricing in Europe and must share economics with its third-party acquiring infrastructure, primarily Stripe. Due to incremental cost pressure flowing directly through to LSPD's payment cost of sales, the Company has limited ability to recapture margins in a highly competitive market (Figures 26). Vertically integrated peers can internalize these increases, but LSPD bears the full pass-through impact. The result is a structurally declining payments profile in the EU.

Figure 20: Revenue growth rates

	2Y CAGR (FY20 to FY22)	Difference	4Y CAGR (FY22 to FY26)
Toast	43%	+7%	50%
Shift4	25%	+21%	46%
Shopify	42%	(6%)	36%
Fiserv	28%	(2%)	26%
LSPD	118%	(94%)	24%

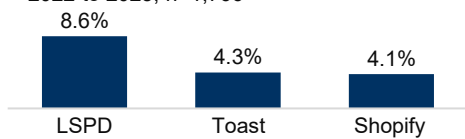
Source: Company filings

Figure 21: Targets and Results

	FY25 Actual	FY22 CMD Target	Miss
ARPU	\$490	~\$650	-\$160
Revenue as a % of GTV	1.2%	~3%	-2 p.p.
GPV as a % of GTV	37.1%	~50%	-13 p.p.
Subscription revenue growth	7.1%	10 to 15%	-3 to -8 p.p.

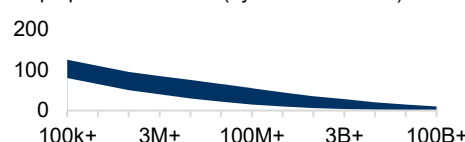
Source: Company filings

Figure 22: Percent of Better Business complaints related to integration, 2022 to 2025, n=1,766



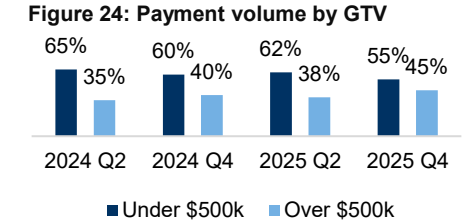
Source: Better Business Bureau, Team 2 analysis

Figure 23: Fee net of interchange, bps per trans. value (by customer GTV)



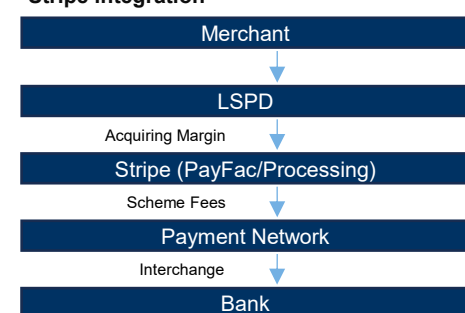
Source: Bain

Figure 24: Payment volume by GTV



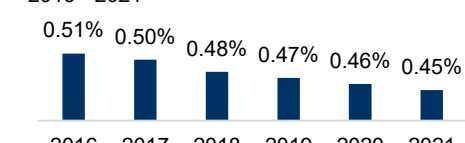
Source: Team 2 analysis

Figure 25: Payments value chain with Stripe integration



Source: Team 2 Analysis

Figure 26: Acquiring fees (% of total transaction value in Germany), 2016 - 2021



Source: CMSPI

Valuation

We conducted an intrinsic valuation to arrive at a 12-month target price of \$10 per share, a (~21%) downside from LSPD's closing price of \$12.26 on January 8, 2026 (Figure 27). Our methodology assigns a weighting of 100% on our DCF (exit multiple and perpetuity) and none to any relative valuations due to the uniqueness of LSPD's current operating leverage.

DCF with 10-year projection period

We valued LSPD using a 10-year levered DCF model. Each of LSPD's segments rely on a few inputs that can be reliably forecasted using a few economic variables. Therefore, we have forecasted number of customers, software revenue per user, GTV, and GPV to assist with our forecasting.

Revenue growth

As LSPD has been operating in a market where it was competing against legacy players and cash penetration, topline growth was the primary performance indicator. Given the competitive nature of the industry and less room for payments penetration, we have forecasted declining top-line growth rates with continued double-digit growth for the first half and declining single digit growth throughout the second half of the period. We have outlined our approach leveraging multiple variables to forecast revenue in Appendix 15.

Cost of Equity ("CoE")

We calculated the cost of equity using several methods including the 1-Factor Capital Asset Pricing Model (CAPM), the 3-Factor and 5-Factor Fama-French Model, the Build-up Approach, and Implied CoE based on market price. Ultimately, we chose to use a 1-Factor CAPM model as it resulted in the lowest estimated cost of equity. We view this as conservative given LSPD's elevated execution risk and sensitivity to macroeconomic conditions. We applied a risk-free rate of 4.17% (10Y US Treasury), a market risk premium of 5.00%, and a beta of 1.72, derived from an industry-based approach using a peer set consisting of Toast, Block, and Shift4. This beta selection is more conservative than relying solely on LSPD's observed since inception monthly beta of 2.33, while still reflecting the company's higher-than-average execution risk. These assumptions imply a cost of equity of 12.8% (Figure 29).

Terminal growth and exit multiple

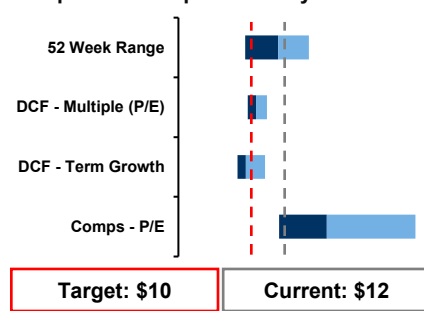
Terminal growth: We apply a 3.0% perpetual growth rate in our base-case discounted cash flow, reflecting a long-term assumption that exceeds nominal GDP growth in LSPD's core end markets. Given LSPD's exposure to structurally competitive PoS and payments markets, we believe a mid-single-digit terminal growth rate would be overly aggressive. Under this assumption, terminal value represents ~54% of total equity value, which we view as reasonable for a business still transitioning toward sustainable profitability and given the 10-year timeframe of the DCF. The implied exit earnings multiple of ~9x is around that of more mature peers, such as Fiserv, and we view this as reasonable for a steady-state LSPD in a decade.

Exit multiple: We also assessed LSPD using a terminal earnings multiple approach, applying a 14x multiple to terminal-year earnings. This multiple represents the current average earnings multiple for a peer group of more mature PoS and payments platforms, reflecting LSPD's more transaction-focused business in the future (see Appendix 15 for information on peer group). Under this approach, terminal value accounts for ~65% of equity value, and the implied terminal growth rate of ~6%.

Comparable companies analysis

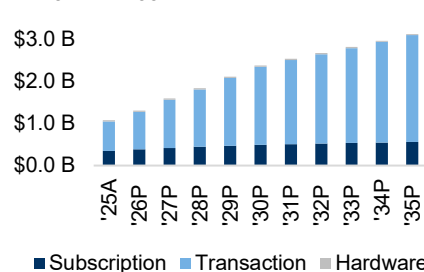
We have chosen a peer set comprising of businesses that have similar underlying drivers as LSPD. Based on this peer group, LSPD trades at a discount to peers, implying upside (Figure 31). We do not provide any weight to this relative valuation method given the limitations of multiple-based valuation for LSPD with structurally different payments solutions.

Figure 27: Football Field, DCF and comparable companies analysis



Source: Team 2 analysis

Figure 28: Revenue build-up by segment, FY25A to FY35P



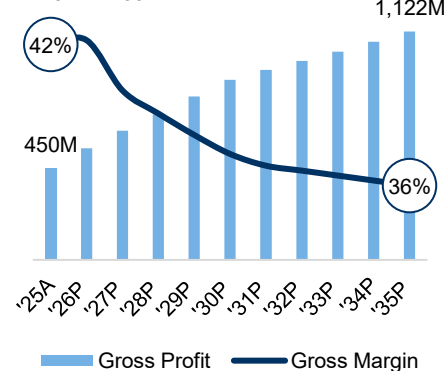
Source: Team 2 analysis

Figure 29: CAPM CoE

Risk Free Rate	4.17%
Beta	1.72
Market Risk Premium	5.00%
Cost of Equity	12.78%

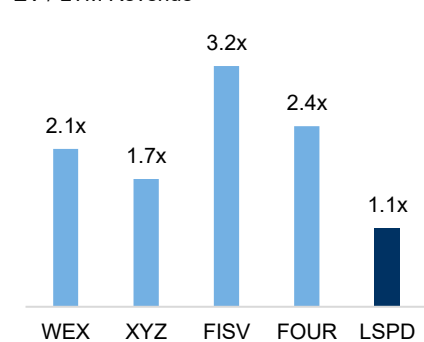
Source: Team 2 analysis

Figure 30: Gross profit and gross margin, FY25 to FY35



Source: Team 2 analysis

Figure 31: Comparable companies analysis, EV / LTM Revenue



Source: Team 2 analysis

Financial analysis

Figure 32: DuPont analysis

	2021A	2022A	2023A	2024A	2025A	2026P	2027P	2028P	2029P	2030P
DuPont Analysis										
Gross Margin	57.6%	49.5%	45.4%	42.4%	41.8%	42.0%	39.9%	39.0%	38.1%	37.3%
EBITDA Margin	(26.6%)	(19.9%)	(115.8%)	6.3%	(42.6%)	7.1%	5.5%	5.2%	4.5%	4.1%
Net Profit Margin	(44.4%)	(43.4%)	(131.9%)	(5.2%)	(51.2%)	0.5%	0.1%	0.6%	0.9%	1.2%
Asset Turnover	0.1x	0.2x	0.3x	0.4x	0.6x	0.7x	0.9x	1.0x	1.1x	1.2x
Return on Assets	(4.7%)	(6.6%)	(36.1%)	(1.8%)	(30.2%)	0.3%	0.0%	0.6%	1.0%	1.5%
Financial Leverage (A/E)	1.1x	1.1x	1.1x	1.1x	1.1x	1.1x	1.1x	1.1x	1.1x	1.1x
Return on Equity	(5.1%)	(7.0%)	(38.6%)	(2.0%)	(33.1%)	0.4%	0.1%	0.7%	1.1%	1.7%
Return on Invested Capital	(1.9%)	(0.9%)	(2.1%)	0.8%	4.7%	5.2%	4.7%	4.8%	5.0%	5.1%
Liquidity										
Current Ratio	7.6x	6.6x	6.2x	6.3x	5.4x	5.7x	5.5x	5.5x	5.4x	5.3x
Quick Ratio	7.2x	6.2x	5.8x	5.9x	4.8x	5.1x	5.0x	4.9x	4.9x	4.8x
Debt Ratios										
Interest Coverage Ratio	NA	NA	NA	40.2x	NA	81.4x	98.2x	134.0x	150.6x	144.6x
Debt / EBITDA	NA	NA	0.0x	0.4x	0.0x	0.1x	0.1x	0.1x	0.1x	0.1x

Source: Company filings, Team 2 analysis

Short-term top-line growth with new initiative

LSPD's top-line growth has decelerated sharply in recent years, declining from 147% growth between FY21 and FY22 to just 18.4% growth between FY24 and FY25. The outsized growth rates achieved in the early 2020s were driven primarily by acquisition-led expansion and the rollout of mandatory adoption of Lightspeed Payments for eligible customers, rather than by underlying organic demand. As the company transitions toward a more organically driven growth strategy, management has increased investment in sales capacity through new hiring and a renewed outbound sales push. As a result, we expect a near-term acceleration in revenue growth over the next two fiscal years. Beyond this period, however, sustaining elevated growth rates is likely to prove challenging given the intensely competitive market structure and the limited product differentiation across PoS and payments platforms, as discussed in Thesis 1 (pg. 5).

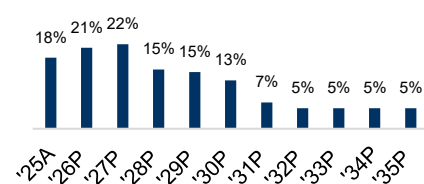
Margins stabilize, except for transaction-related segment

LSPD has delivered steady improvement in gross margins within its subscription segment over the past four years, bringing profitability broadly in line with expectations for a mature software-as-a-service ("SaaS") business. Management has since indicated that incremental margin expansion in this segment is largely exhausted, suggesting subscription gross margins are likely to stabilize near current levels going forward. In contrast, gross margins in the hardware segment have deteriorated over the same period, reflecting aggressive promotions, discounts, and bundled incentives used to remain competitive in the highly saturated PoS market. Given persistent pricing pressure and limited scope for differentiation, we expect the hardware segment to remain structurally loss-making. Finally, gross margins in the transaction-based segment, which is primarily driven by Lightspeed Payments, are expected to decline modestly. This outlook reflects continued pricing pressure associated with deeper penetration of the EU hospitality market, as well as a strategic shift toward higher-GTV merchants, as discussed in Thesis 3 (pg. 6 and 7).

Continued cash flow challenges

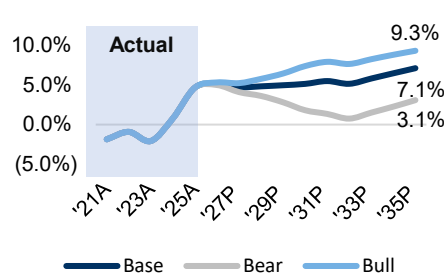
LSPD has made small, incremental improvements over the past five years to achieve cash flow positivity. The changes focused on improving the profitability and decreasing capital expenditures, to no avail as they have yet to turn positive. To reflect LSPD's current plan, we believe they will become slightly cash flow positive in the short term, but over the next 5 years, we expect the delaying of capital expenditures to catch up to the growing business and for the lack of operating leverage to further damage free cash flows into the future. Modest near-term cash flow improvements mask a structurally weak free cash flow profile, leaving LSPD increasingly exposed to reinvestment shortfalls and deteriorating value creation.

Figure 33: Revenue growth, FY25 to FY35



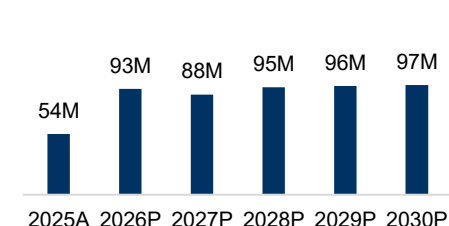
Source: Company filings, Team 2 analysis

Figure 34: ROIC forecast



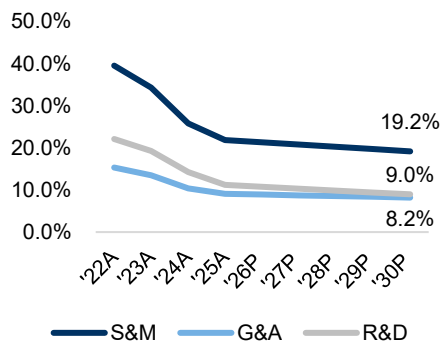
Source: Team 2 analysis

Figure 35: Adj. EBITDA forecast



Source: Company filings, Team 2 analysis

Figure 36: S&M, G&A, and R&D expenses as % of revenue



Source: Company filings, Team 2 analysis

Capital history and recent share buybacks

Following its 2019 IPO on the TSX, LSPD listed on the NYSE in September 2020 and raised \$332M, and raised \$824M in February 2021. Since that financing, acquisitions have slowed and LSPD has retained a substantial cash balance (Figure 37). In 2024, management announced a Normal Course Issuer Bid and have since renewed the program in 2025 (Figure 38). We view the buybacks as inconsistent with the purpose of the capital originally raised. The funds were obtained to invest in the business and generate long-term returns, yet investors have received no meaningful return on that cash. Based on our valuation, the current share price is not attractive for large-scale repurchases. Returning cash to shareholders years after it was raised, without value creation, represents a misuse of funds, and an undisciplined use of capital. For the benefit of shareholder, LSPD should deploy capital toward operational improvement and profitability initiatives rather than reversing prior financings.

Investment risks

Risk #1: Core growth strategy succeeds

With 130 out of 150 targeted sales representatives hired and well into the ramp-up stage, LSPD may succeed in their growth strategy in NA Retail and EU hospitality. As of the most recent quarter, LSPD brought on ~1,700 new locations across these growth markets (7% growth year-over-year).

Mitigant: While LSPD may bring on new locations in the short-term, we view long-term success as questionable given the competitive nature of the industry with minimal right to wins for LSPD, and a weak track record of organic growth. As mentioned earlier in the report, larger scale competitors also have a strong salesforce and are continuing to hire, meaning merchants will be having several PoS companies knocking on their door constantly.

Risk #2: Strong underlying customer performance

When LSPD's merchants succeed, LSPD benefits through payment revenue and potential upsell opportunity (i.e. a succeeding merchant can will expand into new locations and purchase more LSPD product). Weaker consumer spending has hindered LSPD in recent quarters, but a pickup in spending will prove beneficial to LSPD.

Mitigant: We sensitized the impact of Risk 1 & 2 in Figure 40, where we increased location growth and same-store sales growth by 2%, and it had minimal impact on our target price. Restaurant turnover has been high in Europe, and while they inevitably will be replaced by new ones, LSPD will still be harmed as high turnover does not cover the payback period of a customer, and new restaurants coming online are not LSPD's ideal customer that they would target.

Risk #3: Payments economics enable operating leverage

If LSPD can achieve sustainable profitability or margin expansion in the transaction segment by stabilizing payments unit economics (for example, by improvements in GPV mix), investors may see a significant increase in the stock based on forward profitability coming to fruition. In such a scenario, the market could assign higher valuation multiples despite our structural concerns around future growth markets and the transaction segment.

Mitigant: This risk is mitigated by several of the structural constraints still present and highlighted throughout the report. Payments-led profitability remains fundamentally misaligned with margin expansion due to third-party processing costs and regulatory pressure in Europe, regardless of the GTV mix of customers. While reported margins may improve in the near-term through GTV mix improvements and LSPDC, these measures do not address the core issue of weak underlying earnings power when compared to vertically integrated peers (Figure 41).

Figure 37: Share buybacks

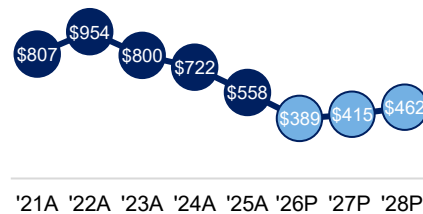
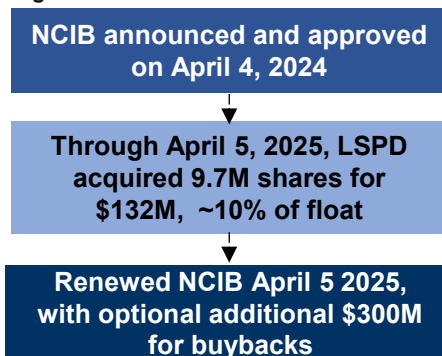
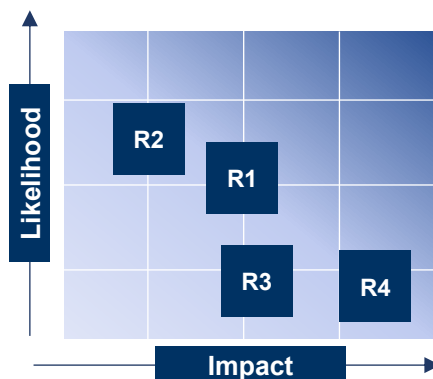


Figure 38: Cash balance



Source: Company filings

Figure 39: Risk matrix



Source: Team 2 analysis

Figure 40: R1 & R2 sensitivity

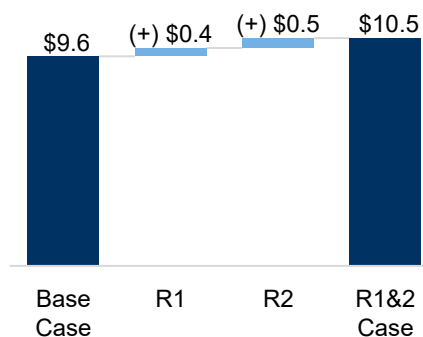
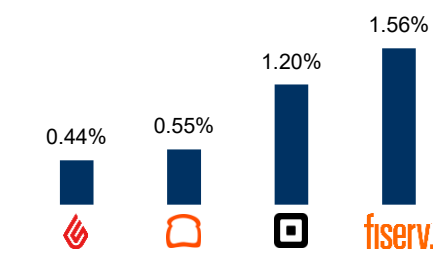


Figure 41: Payment take rate, as % of transaction value



Source: Team 2 analysis

Risk #4: Opportunity of LSPD being acquired

The potential for LSPD to be acquired by a strategic peer seeking scale, geographic expansion, or incremental merchant relationships represents a material risk. Despite LSPD's operational challenges, its global merchant base and established PoS footprint across retail and hospitality could be attractive to larger, more vertically integrated competitors. Notably, the Company underwent a strategic review in February which appeared to generate some acquirer interest. However, it concluded with no sale due to its new growth strategy showing early returns, seeming to cause pause to pursuing a sale.

Mitigant: We view the likelihood of an economically rational acquisition as low. Industry-wide inorganic customer acquisition costs (CAC) have fallen meaningfully and, at a 20% premium to LSPD's current valuation, an acquirer would effectively pay an implied CAC of \$11,178.08 per customer, not including integration costs. This looks to be extremely uneconomical given recent acquisitions with an implied CAC of only ~\$1,600.

ESG

The sustainability profile of businesses has become increasingly decision-relevant for software-enabled commerce platforms, where the most financially material ESG factors are typically data privacy/cybersecurity, business integrity, and human capital. Third-party ESG datasets generally place LSPD in the low-to-medium aggregate risk range, with Social and Governance often carrying more weight than Environmental given the nature of the business model. Our scorecard method is further detailed in **Appendix 18**.

Environmental

LSPD's environmental footprint is primarily indirect and largely mitigated through its reliance on cloud infrastructure providers such as Amazon Web Services and Google Cloud.

Environmental footprint of hardware infrastructure: LSPD's cloud-based offerings are supported by outsourced data centers provided primarily by AWS and Google Cloud. In 2024, Google Cloud matched 100% of their global electricity consumption with renewable energy purchases and AWS matched 100% of their electricity consumed with renewable energy sources. LSPD reported 17,188 mT CO2e for Scope 3, which includes indirect emissions from cloud service providers among other purchased goods and services but the company does not disclose a granular breakdown of how much is attributed to energy use or direct emissions tied to these cloud data centers.

Social

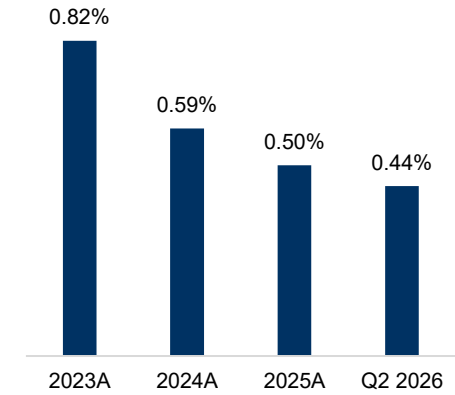
For LSPD, the social part of sustainability is most material through (i) talent acquisition/retention and culture, (ii) merchant outcomes and SMB enablement, and (iii) product reliability and customer trust.

Workforce representation & inclusion: LSPD reports that 87% of employees feel they can be their authentic self at work (based on a DEI and engagement survey with ~90% participation). The company also discloses employee-base representation metrics including 11% LGBTQ2S+, 34% BIPOC, and 9% persons with disabilities, and notes that 43% of executive officers identify as women. LSPD does consistently get more complains than peers about being understaffed (Figure 44). However, employee reviews appear to be consistent with peer group (Figure 46).

Employee support and benefits: LSPD highlights expanded benefits, including a Family Building Benefit for Canadian employees (covering fertility procedures, surrogacy, and adoption) and parental leave offered broadly across eligible employees regardless of role/gender/caregiver status, which is directionally supportive for retention in competitive software.

Consumer privacy and data security: LSPD handles sensitive merchant and consumer data as part of its platform, exposing the company

Figure 42: Payment take rate (as % of transaction value), FY2023 to Q2 2026



Source: Team 2 analysis

Figure 43: ESG scores for third-party data providers

	Overall Score	Environ.	Social	Gov.
LSEG	82/100	70	90	82
Morningstar	15.2/40+			
Bloomberg	4.45/10	3.67	2.59	8.58
MSCI	5.3/10	5.6	4.3	5.9

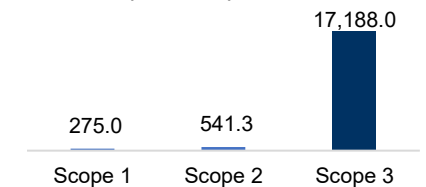
Source: Company websites

Figure 44: Analysis of recent (2025) employee reviews, n=645

	Low-Rating Reviews	Common Issues
LSPD	~31%	Mgmt disconnect, under-resourced
TOST	~20%	Commission issues
SHOP	~25%	High expectations
FOUR	~20%	Transparency, career growth

Source: Team 2 analysis

Figure 45: Reported location-based emissions (mT CO2e)



Source: Company website

Figure 46: Breakdown of employee reviews, since inception

	Overall Rating	CEO Approval	Rec. to a Friend
Toast	3.9/5	75%	71%
Block	3.7/5	58%	68%
Shift4	3.5/5	68%	59%
LSPD	3.5/5	76%	62%
Shopify	3.3/5	46%	47%
Fiserv	3.0/5	69%	42%

Source: Glassdoor, 2025

to cybersecurity, data privacy, and regulatory compliance risks. Operations are subject to stringent data protection regimes, including GDPR in Europe, while reliance on third-party processors and integrations increases potential vulnerability. In 2016, the company had a data breach where hackers got access to merchant data. While the database was accessed, there was no evidence data was removed, and all payment information was stored elsewhere, and thus not exposed.

Governance

LSPD has a well-designed governance and compensation framework to align management incentives with shareholders.

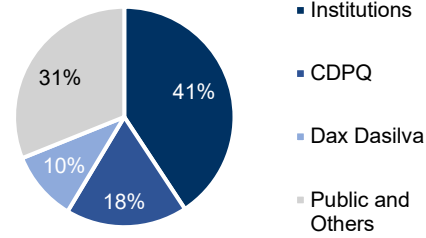
Shareholder ownership: Executives at LSPD are compensated through a balanced mix of base salary, short-term incentive plan (STIP), and long-term incentive plan (LTIP), with a clear emphasis on performance-based and equity-linked compensation (Figure 48). For Fiscal 2025, the framework remained heavily weighted toward variable pay, with the majority of total direct compensation for named executive officers delivered through STIP and LTIP awards. LSPD reports strong shareholder support for its advisory say-on-pay vote, with 98.92% approval at the 2024 annual meeting. On a normalized basis, LSPD’s cumulative executive compensation of \$117.7m represents approximately 1.01% of revenue, modestly higher than larger peers such as Block (0.24%) and Fiserv (0.26%), but broadly in line with growth-oriented peers including Toast (0.67%) and Shift4 (0.73%) (Figure 47). Despite this, LSPD has delivered the weakest five-year total shareholder return at -80.45%, materially underperforming most peers, demonstrating that continued investor confidence is increasingly dependent on management’s ability to translate strategic execution into sustained operating improvement.

Management: LSPD is led by founder and CEO Dax Dasilva, who returned to the role following the Company’s strategic reset, providing continuity after a prolonged period of underperformance. The broader management team includes experienced executives across all major functions, with backgrounds spanning SaaS, payments, and global software platforms. However, management has overseen a history of acquisition-led growth, delayed platform integration, and repeated misses against long-term growth and profitability targets, which has weighed on investor confidence. While leadership has articulated a renewed focus on growth and profitability, LSPD’s track record to date provides limited evidence that recent strategic pivots will translate into sustained operating improvement. Accordingly, despite industry experience and founder involvement, we remain cautious on management’s ability to execute effectively on the revised strategy.

Board of Directors: The tenure of the Board, excluding their newest members and CEO, ranges from 2 to 7 years, with strong shareholder approval ratings in 2025. Including all independent members, there is a 40% female representation on LSPD’s Board, surpassing both the average representation of women on Canadian boards and that on the boards of other PoS players. The diversity of industry experience across the Board members and relatively recent refresh of its composition reflects on LSPD’s current strategic reset (Appendix 18).

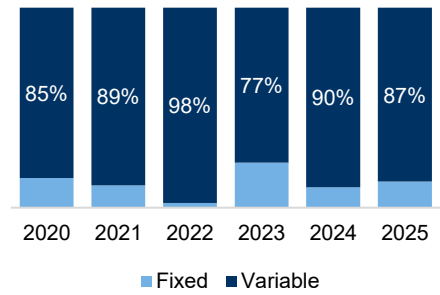
Systemic risks from technology disruptions: LSPD manages systemic risk from technology disruption through a robust, multi-layered IT infrastructure that includes continuous network monitoring, DDoS protection, and strict access controls. Data is encrypted both in transit and at rest, and their systems are hosted with third-party providers audited to SOC 2 Type II, ISO 27001, and PCI DSS standards. Regular vulnerability scanning, a public bug bounty program, and annual third-party penetration testing further strengthen their defenses. LSPD also maintains formal security policies, comprehensive incident response procedures, and ongoing employee security training, ensuring a proactive and resilient approach to safeguarding customer operations and data integrity. labor markets.

Figure 47: Shareholder ownership breakdown,
as of September 30, 2025



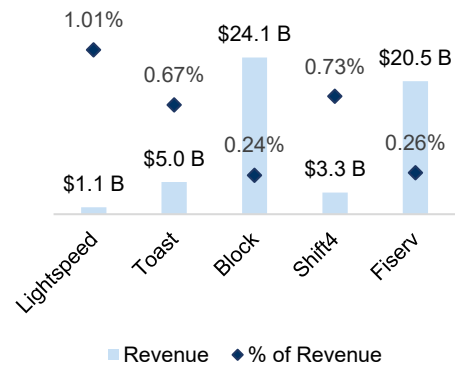
Source: Capital IQ, 2025

Figure 48: Historical executive compensation mix,
FY 2020 to FY 2025



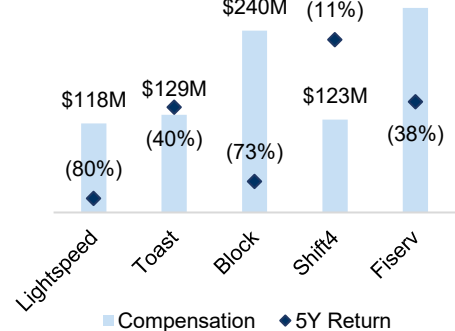
Source: Company filings

Figure 49: Executive compensation benchmarking,
FY 2025



Source: Company filings, 2025

Figure 50: Executive comp. vs shareholder returns,
5Y Returns



Source: Company filings, Capital IQ 2025

“LSPD has many diverse products, but the code bases are all completely different. For customers it might be okay but for the back-end it is still struggling.”
– Expert D, former Senior Product Manager at LSPD

Appendix 1: Expert interviews conducted¹

Expert A	• Senior Technology Leader, 10+ years experience in the Hospitality industry
Expert B	• Former LSPD Senior Account Manager, 5+ years experience in the PoS industry
Expert C	• Former LSPD Account Management Team Lead, 7+ years experience in the PoS industry
Expert D	• Former LSPD Senior Product Manager, 5+ years experience in the PoS industry
Expert E	• Consultant, 22+ years of experience advising PoS and payments businesses

Appendix 2: PoS customer interviews conducted

Customer A	<i>Sales Manager @ US-based small multi-location retailer</i> <ul style="list-style-type: none">• Noted attractive price-point of LSPD, however indicated concerns with modularity and access to different non-integrated components, especially related to multi-site platforms
Customer B	<i>Founder, Owner @ EU restaurant</i> <ul style="list-style-type: none">• Migrated from LSPD to new a PoS due to many sales/support issues, noted software being non-startup friendly with high competition in the space that were easy to swap to
Customer C	<i>Regional Manager @ NA restaurant operator</i> <ul style="list-style-type: none">• Operates multiple locations using both Toast and LSPD, reported recurring LSPD system outages (approximately monthly) and faster ticket times with Toast due to its ease-of-use
Others (6)	Brewery manager, president of café chain, restaurant owner x2, restaurant manager x2

Appendix 3: Glossary

Term	Description
ARPU	Average Revenue Per User (“ARPU”) represents the total subscription revenue and transaction-based revenue recognized by LSPD in a reporting period divided by the average number of Customer Locations active during that period. LSPD excludes subscription and transaction revenue attributable to standalone eCommerce sites from this calculation.
GTV	Gross Transaction Volume (“GTV”) is the total dollar value of all transactions processed through LSPD’s cloud-based software-as-a-service (SaaS) platform during a reporting period excluding amounts processed through the NuORDER solution. It is measured net of refunds and includes shipping and handling, duty, and value-added taxes.
GPV	Gross Payment Volume (“GPV”) is the total dollar value of transactions processed through LSPD’s payments solutions in a period in which LSPD acts as the principal in the arrangement with the customer. Again, this is excluding transactions processed via the NuORDER solution, and measured net of refunds, inclusive of shipping, duty, and value-added taxes.
Customer Locations	LSPD defines customer locations as the distinct business outlets where LSPD’s hardware/software is installed and actively used. As an example, a restaurant that is a customer of LSPD may have 5 different locations all using LSPD, which is then counted as 5 locations. A location with multiple LSPD tills is counted as one location, and customers that use the e-commerce offerings are not counted as a location.
Interchange Fees	Interchange fees are transaction fees paid between financial institutions in the card-payment ecosystem each time a payment card (credit or debit) is used. Specifically, the acquiring bank (acquirer) pays an interchange fee to the cardholder’s issuing bank (issuer) for each card transaction processed on the merchant’s behalf.
Scheme Fees	Scheme fees (also known as card scheme fees, assessment fees, or network fees) are charges imposed by card networks or payment schemes such as Visa, Mastercard, American Express, Discover, or domestic networks (e.g., Interac in Canada) for using their payment-processing infrastructure.
Acquiring Fees	Acquiring fees are the charges earned on top of interchange and scheme fees for actually running card acceptance (onboarding merchants, authorizing, settling, managing risk). In LSPD’s model, those economics are effectively shared between Stripe and LSPD. Stripe collects the full merchant discount rate from each transaction, keeps the portion required to cover interchange, scheme costs, and its own processing margin, and passes an agreed economic share back to LSPD.

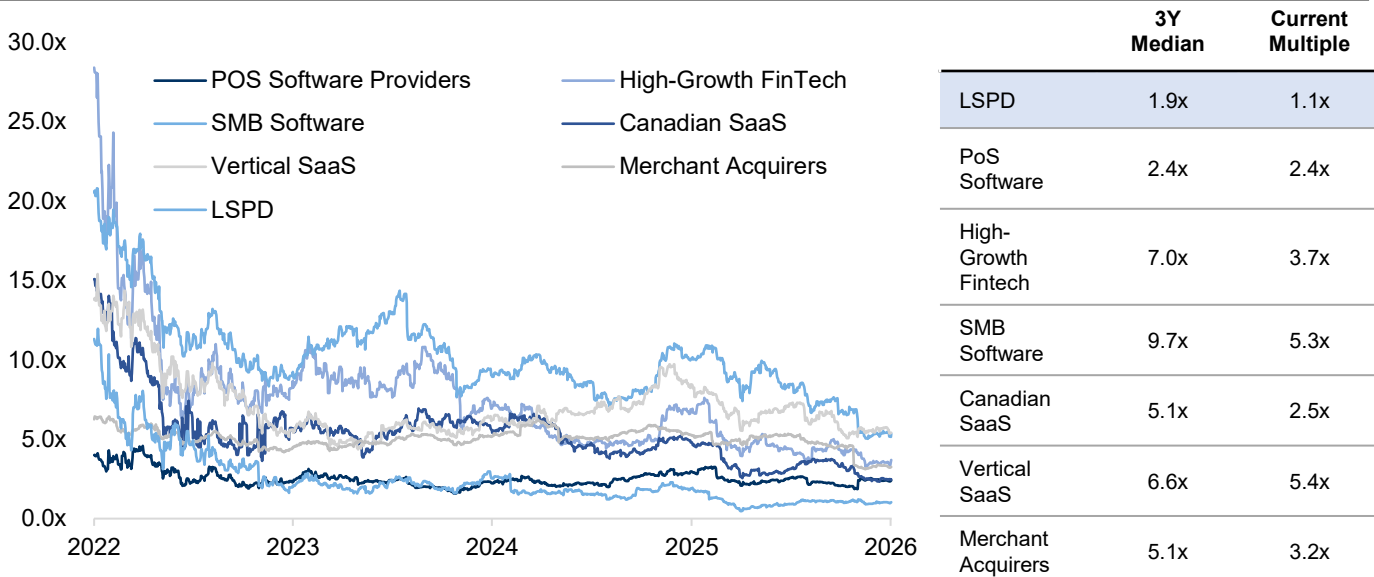
Appendix 4: Managements' bios

Name & Position	Years of Industry Experience	Background
Dax Dasilva <i>Founder and CEO</i>	38	Dax Dasilva is the founder and CEO of Lightspeed Commerce, the global unified commerce platform he started in 2005, and under his leadership the company has expanded to serve merchants in over 100 countries and completed its public listing.
Jean-David Saint-Martin <i>President</i>	23	Joined LSPD through its acquisition of Chronogolf and rose through global sales and revenue leadership roles. He has played a central role in scaling LSPD's operations and go-to-market.
Ash Bakshani <i>CFO</i>	18	Asha brings over 15 years of leadership experience from roles in technology and media, and prior to joining LSPD she held senior finance positions including at Cineflix and in public accounting.
Daniel Micak <i>Chief Legal Officer</i>	19	Micak was VP, Assistant General Counsel and Assistant Corporate Secretary at D2L Inc. from June 2017 to July 2018, and Assistant General Counsel and Assistant Corporate Secretary with D2L Inc. from September 2011 to June 2017.
Shirvani Mudaly <i>Chief People Officer</i>	35	Prior to her roles with LSPD, Shirvani was Chief People Officer at Vend and Yellow in New Zealand, and has 20 years' of HR experience in the tech, financial and media sectors.
John Shapiro <i>Chief Product and Technology Officer</i>	31	Responsible for directing the company's global product strategy and technology organization. His experience includes senior product and design roles at Wayfair and Intuit.

Appendix 5: Board of directors' bios

Name & Position	Since	Prior Board Experience?	Background
Manon Brouillette <i>Chair of the Board</i>	2023	Yes	Manon was re-appointed to Board of Directors in October 2023, with a 98.33% approval rating in 2025. She previously served as director for LSPD from 2020 to 2021. She is currently also Chair of the Board for Hydro-Quebec and Strategic Partner at Inovia Capital. Prior director roles include at BFA Industries, Sonder Holdings, National Bank of Canada, and Altice USA.
Dax Dasilva <i>CEO</i>	2005	Yes	Dax is the founder and current CEO of LSPD, after having been re-appointed in February 2024, previously serving from 2005 to 2022. He served as Executive Chair of the Board for two years prior to his reappointment. He had an approval rate of 99.79% in 2025. During his previous term as CEO of LSPD, the company went public in 2019 and made 9 key acquisitions and developments for their products Lightspeed Retail and Lightspeed Restaurants.
Nathalie Gaveau	2022	Yes	Nathalie has served as a director since 2022, with a 99.61% approval rate in 2025. She is currently Senior Advisor at BCG and serves as a director at Coca-Cola EuroPacific Partners, Sonepar, and HWX Partners Ltd. She holds much experience on different boards having previously served as director for PortAventura World, Calida AG, and Tailwind.
Paul McFeeters <i>Chair of the Audit Committee</i>	2018	Yes	Paul has been a director since 2018, having previously held many C-level positions including CFO of OpenText, Platform Computing, Kintana, Municipal Financial Corporation, and CEO of MD Private Trust, and Municipal Financial Corporation. He has also served many boards including Constellation Software from 2014 - 2022 and Blueprint Software Systems.
Dale Murray <i>Lead Independent Director</i>	2022	Yes	Dale serves as Lead Independent Director of the board as of April 2025 and had a 99.47% approval by shareholders in 2025. She serves as a director at Xero, the Cranemere Group, and Jupiter Fund Management, and previously served as a director at the UK Government's Department for Business.
Sameer Samat	2025 <i>(Effective October)</i>	Yes	Sameer was appointed as a Director in 2025. He is currently President of the Android Ecosystem at Google and was previously a founding member of Google's commerce team, serving as VP of Google's Shopping and Travel search products. He currently sits on the board of Open English.
Odilón Almeida	2025 <i>(Effective October)</i>	Yes	Odilón was appointed as a Director in 2025. He is currently a Managing Principal of AJ Holdings and Operating Partner at Advent International. He has served as CEO and board of ACI Worldwide before and serves several boards including NCR Atleos, MarineMax, and Amerant Bancorp.

Appendix 6: 3-Year industry multiples (EV / LTM Revenue)



Following the broader market selloff and the release of the short-seller report with the accusations of manipulating figures, LSPD has consistently traded below its industry peers¹. Their closest peer set, PoS Software, has traded in-line with LSPD up until 2024, where a clear divergence began as PoS peers began to reach profitability and achieve strong organic growth, and the market has placed a justified discount to LSPD since.

Appendix 7: Segment deep dive

Subscriptions

Subscription revenue is generated through the sale of the sale of software modules. LSPD has 3 main software offerings: 1) Lightspeed Retail; 2) Lightspeed Restaurant; 3) Lightspeed Golf. These systems have the same core features (PoS, reporting & intelligence, etc.) but have different features tailored to the verticals in which they operate. All customers that use LSPD software must use Lightspeed Payments.

Transaction-Based

Transaction-based revenue comes from charging a fee on payments and Lightspeed Capital. The standard fee on payments is 2.6% + 10c. After collection LSPD must pay fees to third parties in the payment value chain including payment facilitators, merchant acquirers, merchant processors, and card networks. LSPD does not own any of the third-party steps so pays higher fees compared to competitors resulting in a lower payment gross margin.

Lightspeed Capital provides cash advances to select vendors in exchange for a percentage of total transactions until the advance, plus a fee, is repaid. The typical payback period is 6-7 months, with ~95% gross margins and ~85% EBITDA margins contributing significantly to LSPD's EBITDA.

Appendix 8: Company history



Appendix 9: Competitor profiles

Name & Position	Description	Revenue Segments	Financial Metrics
Shopify	Shopify offers customers Shopify PoS, a system that's fully integrated with their e-commerce platform. When it comes to hardware, Shopify does not sell physical countertop terminals as they offer iPad-based software. Shopify also offers Shopify payments, an integrated payments solution that allows merchants to directly credit cards and other methods without a third-party if desired.	Payments: 74% Software: 26% NA: 70% EU: 19% RoW: 11%	L3Y Rev. CAGR: 36% FY2025 Revenue: \$10.6B GP Margin: 49% L3Y GP CAGR: 24%

Appendix 9: Competitor profiles (cont.)

Name & Position	Description	Revenue Segments	Financial Metrics
Square (Block)	Square is a cloud-based PoS system tailored to small businesses and startups, with a free plan available that only requires customers to pay for payment processing. They operate as a payment processor itself and handles card acceptance and related fees. They offer a hardware including Square Terminal, its portable PoS device and card machine.	Payments: 80% Software: 20% U.S.: 93% RoW: 7%	L3Y Rev. CAGR: 50% FY2025 Revenue: \$6.6B GP Margin: 47% L3Y GP CAGR: 13%
Toast	Toast is a cloud-based PoS and management platform that was deliberately designed for the food industry. They offer front to back of house tools including menus, inventory, and a delivery services and takeout app with integrations from many third-party apps. They offer Toast Payment Processing, a built-in credit card processing solution.	Payments: 54% Software: 46% U.S.: ~95% RoW: ~5%	L3Y Rev. CAGR: 50% FY2025 Revenue: \$6.1B GP Margin: 26% L3Y GP CAGR: 43%
Shift4	Shift4 is a cloud-based PoS and integrated payment processing platform designed for restaurants, hospitality, retail, and entertainment businesses. Their solutions include proprietary hardware like SkyTab PoS terminals and mobile card readers, as well as software for menu and product management, inventory tracking, loyalty programs, and multi-location control.	Payments: 90% Software: 10% U.S.: 83% RoW: 17%	L3Y Rev. CAGR: 46% FY2025 Revenue: \$4.2B GP Margin: 33% L3Y GP CAGR: 39%
Clover (Fiserv)	Clover is a cloud-based PoS platform that offers a mix of hardware and software solutions, known for their top range of hardware. Their selection includes three different countertop terminals, a handheld PoS system, and a range of accessories. While Clover offers its own payment processing system through parent company Fiserv, merchants are able to select alternative processors in certain setups.	Payments: 88% Software: 12% NA: 85% RoW: 15%	L3Y Rev. CAGR: 50% FY2025 Revenue: \$3.3B GP Margin: 37% L3Y GP CAGR: 26%
SumUp	Private EU PoS provider serving over 37 regions, with a recent push towards the US and Latin America. Known as the most prominent EU provider, SumUp serves hospitality, retail, and services businesses, with a focus on smaller merchants.	Merchants: ~4M Revenue is majorly from Europe, followed by Latin America and the US	Preparing for IPO in 2026 at ~US\$20B Processes ~\$1B in payment volume

Appendix 10: Competitors entering the EU market



The CCV acquisition gives Clover access to Germany and Benelux, access to a deep merchant network, and the hopes of expanding the Clover brand across Europe



Vectron serves 65k+ restaurants across Europe; recently onboarding ~1k new merchants monthly across Europe. This growth dwarves LSPD which is growing at ~500 locations monthly, and the growth is likely much smaller when compared on a merchant basis that Shift4 reported

Appendix 11: EU Hospitality PoS market scorecard

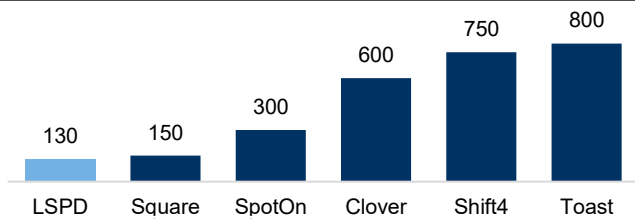
The two main factors that will make the EU expansion succeed are taking share from competition, and LSPD merchants experience strong volume; we have outlined our view on each factor for their main countries below

Country	Rating	Cloud Competition	PoS Adoption	Underlying Performance
			<ul style="list-style-type: none"> Most modern country in Europe given its size, regulatory support for digitalization, and the saturated PoS market 	<ul style="list-style-type: none"> Full-service restaurants are yet to reach pre-pandemic performance as consumers have traded down to the rising QSR brands Restaurant consolidation is evident as independent operators feel mounting costs, and need the scale of a well-funded backer

Appendix 11: EU Hospitality PoS market scorecard (cont.)

Country	Rating	Cloud Competition	PoS Adoption	Underlying Performance
		sumup® 4 	<ul style="list-style-type: none"> Strong in recent years as the region more progressive in adopting fintech than the rest of EU 	<ul style="list-style-type: none"> Densest restaurant network in Europe, with restaurants typically only operating 1-2 locations Younger generation is dining less, opting to drink instead
		sumup® 4 	<ul style="list-style-type: none"> Lags rest of Europe as cash-heavy culture remains, while cash payments have declined to ~50% of transactions from ~74% in 2022 	<ul style="list-style-type: none"> Fragmented market with 67% of the market being independent Recent restaurant tax cut from 19% to 7%, yet business are unlikely to pass on savings, harming an already weakened German consumer
		sumup® 	<ul style="list-style-type: none"> Growing adoption post-COVID with the rise of contactless payments Recent regulatory change requiring PoS companies to be approved by regulators 	<ul style="list-style-type: none"> Fine-dining, legacy restaurants are core to France and its culture, and France will continue to benefit from tourism Government is considering a cap on new restaurant openings in congested areas to curb competition and dampen closure rates as ~25 restaurants close daily

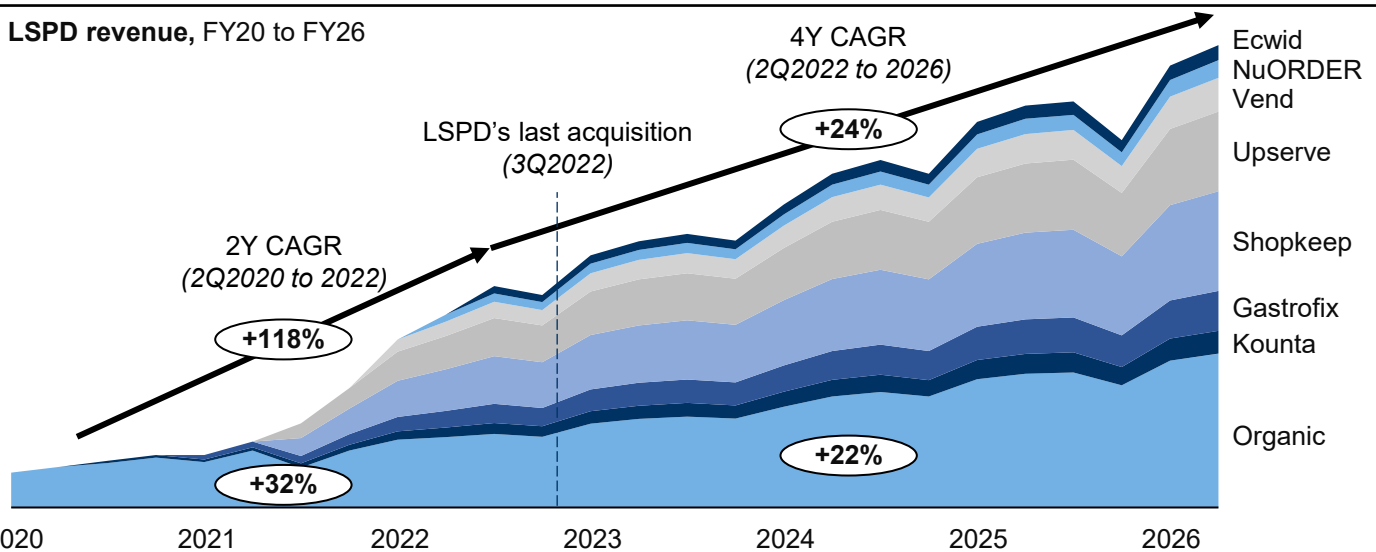
Appendix 12: Industry PoS sales team size (# of employees)



LSPD's sales team size will be amongst the lowest in the industry, and competitor sales teams are mature and do not need to ramp up like LSPD. Merchants will be constantly getting contacted by every PoS provider, making it even more difficult for LSPD to beat out competitors

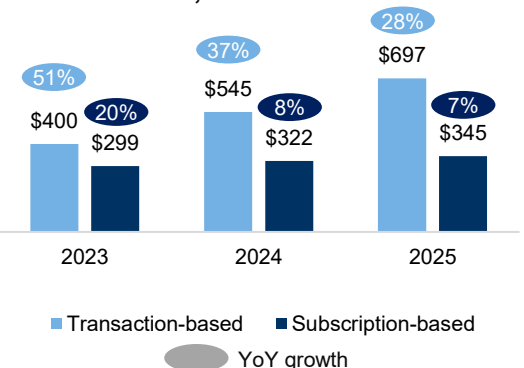
Appendix 13: LSPD organic growth

LSPD revenue, FY20 to FY26



Revenue of acquired companies are estimated using revenue reported in press release at time of acquisition and are assumed to grow in each quarter at same rate as total LSPD revenue. Historically, when stripping out the impact of acquisitions, LSPD's organic growth is still strong. However, this has been heavily driven by growth in payments penetration, with transaction-based revenue growth outpacing subscription-based. This growth has been made possible by LSPD mandating that a forced adoption of their payments solution for existing customers. As such, growth has slowed, with minimal room for further growth to LSPD's identified ~50% cap (penetration reached 43% in 2Q2026). LSPD's future organic growth will be reliant on location growth and underlying performance of customers, both of which we do not anticipate to reach strong levels.

LSPD revenue, FY23 to FY26



Appendix 14: Precedent transactions for comparison to LSPD

Date	Acquiror	Target	Target description	EV	Revenue	EV / Revenue
Mar 2022	Shift4	Finaro	EU payments provider	\$585	\$150	3.9x
Feb 2022	Integrum Holdings	Merchant e-Solutions	Payment processing platform	\$290	\$41	7.1x
Dec 2021	Thoma Bravo	Bottomline Technologies	Software for business-to-business payments, invoicing, and fraud prevention	\$2,616	\$409	6.4x
Dec 2021	Kofax, Inc.	Tungsten Corporation	Global digital network for electronic invoicing and business process automation	\$75	\$50	1.5x
FY22 Total				\$3,566	\$650	5.5x
Feb 2021	Tyler Technologies	NIC	Digital government services provider and secure payment solutions for agencies	\$2,300	\$460	5.0x
Oct 2020	Kaufman Hall	Changes connected analytics unit	Data analytics optimizing financial and clinical performance for healthcare	\$55	\$50	1.1x
May 2020	NEC Corporation	Avaloq Group	Provides cloud-based banking software and digital wealth management solutions	\$2,239	\$589	3.8x
FY21 Total				\$4,594	\$1,099	4.2x
Jul 2019	ACI Worldwide	Speedpay	Electronic bill presentment and payment platform for various business sectors	\$750	\$218	3.4x
May 2019	FIS	Worldpay	Integrated omni-channel payment processing and merchant technology services	\$35,000	\$3,877	9.0x
Apr 2019	Fiserv	First Data	Global provider of commerce-enabling technology and payment processing solutions	\$46,675	\$9,498	4.9x
FY20 Total				\$82,425	\$13,593	6.1x

Appendix 15: Valuation support (base case)

Valuation overview

Our intrinsic valuation is anchored in a 10-year discounted cash flow framework that emphasizes the implementation of operating changes. Profitability assumptions embed a multi-year path from current depressed operating performance toward a more normalized steady-state margin profile, driven by the Company's limited operating leverage (particularly in S&M intensity and improved G&A efficiency), while maintaining product investment through R&D. Cash taxes are modeled to converge toward a normalized statutory-like rate over the explicit forecast period as profitability improves and OECD rates are implemented in Canada. Finally, free cash flow reflects modest capital intensity consistent with an asset-light software/payments model.

Discounting assumptions we used are intentionally conservative. The cost of equity is triangulated across methodologies (including a standard CAPM and factor-based reference points) and ultimately held at a mid-teens-to-low-teens, consistent with the company's elevated business risk and operating leverage. Terminal value is supported using two independent approaches, a perpetual growth method and an exit multiple method, to reduce reliance on any single end-point assumption. The perpetual growth case applies a low single-digit long-run growth rate to reflect mature, GDP-like expansion once penetration normalizes. Our exit multiple case uses a peer terminal multiple from more mature payment/PoS platforms to reflect a mature LSPD in the terminal year.

Appendix 15: Valuation support (base case)

Revenue build detail

LSPD breaks down revenue by segment and provides some drivers for which to base projections off. We have chosen to forecast revenue by segment using individual growth drivers for each in order to reflect the fundamental drivers. Subscription revenue is calculated by applying an implied software ARPU to their amount of customers by each region, with each customer count growing the growth rates of population and market share capture from legacy providers in each region. Transaction revenue is based off of an implied conversion of GPV to revenue based on their historical conversion rate, with GPV growing at inflation. For hardware, a standard growth % approach was chosen due to the declining importance of that segment in the overall business. Costs have been forecasted by segment based on the fixed or variable nature as well as using a % of approach.

Free cash flow projections (\$MM)

Fiscal year ended	Actual		Forecasts									CAGR	
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	'25 - '29	'30 - '35
Revenue	1,077	1,300	1,573	1,809	2,069	2,321	2,482	2,615	2,755	2,903	3,060	17.7%	5.7%
% Growth		20.7%	21.0%	15.0%	14.4%	12.2%	6.9%	5.3%	5.4%	5.4%	5.4%		
EBITDA	(459)	(114)	79	88	92	98	141	146	150	154	157	N/A	9.9%
% Margin	(42.6%)	(8.8%)	5.0%	4.9%	4.5%	4.2%	5.7%	5.6%	5.4%	5.3%	5.1%		
EBT	(559)	(193)	6	26	46	72	114	116	119	121	124	N/A	11.3%
% Margin	(51.9%)	(14.8%)	0.4%	1.4%	2.2%	3.1%	4.6%	4.5%	4.3%	4.2%	4.0%		
Tax	8	39	(1)	(5)	(9)	(14)	(23)	(23)	(24)	(24)	(25)		
Tax rate	1.4%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%		
Net income	(551)	(154)	5	21	36	58	91	93	95	97	99	N/A	11.3%
Change in FCF items	(18)	26	31	23	13	4	5	5	4	3	1		
Levered free cash flow (LFCF)	(568)	(122)	25	34	39	54	90	93	96	98	100	N/A	13.2%

Shares outstanding

Basic S.O	135,979
(+) In-the-money options	131
(-) Shares repurchased from proceeds	(59)
(+) Warrants Outstanding	0
Fully diluted shares outstanding	136,146

Cost of equity methodologies

Cost of equity (fama)		Cost of equity (CAPM)	
Coe with mkt factor	12.78%	Risk-free rate	4.17%
SMB beta	2.47	Market risk premium	5.00%
SMB premium	1.00%	Levered beta	1.72
Cost of equity	15.25%	Cost of equity	12.78%

Terminal growth method

Terminal growth method	
CoE	12.8%
Terminal growth rate	3.0%
Implied exit multiple	9x
PV of LFCF	\$242,344
Terminal year LFCF	\$76,712
PV of terminal year	\$282,507
Implied equity value	\$524,852
Add: cash	\$558,469
Equity value	\$1,083,321
S.O	136,146
Implied price	\$7.96
1-yr target	\$8.97
Current price	\$12.26
Implied downside	(26.8%)

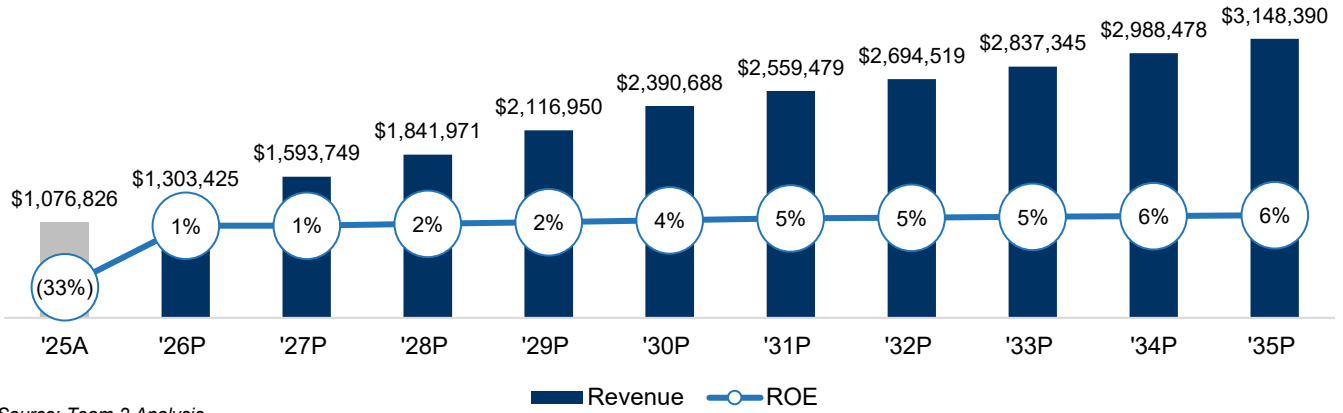
Exit multiple method

Exit multiple method	
Coe	12.8%
Exit multiple	14x
Implied growth rate	6.4%
PV of LFCF	\$242,344
Terminal year earnings	\$91,852
PV of terminal year	\$445,059
Implied equity value	\$687,403
Add: cash	\$558,469
Equity value	\$1,245,872
S.O	136,146
Implied price	\$9.15
1-yr target	\$10.32
Current price	\$12.26
Implied downside	(15.8%)

Discount Rate	Terminal Growth Rate				
	1.0%	2.0%	3.0%	4.0%	5.0%
14.8%	(32.7%)	(31.8%)	(30.8%)	(29.5%)	(28.0%)
13.8%	(30.5%)	(29.4%)	(28.0%)	(26.4%)	(24.4%)
12.8%	(27.9%)	(26.5%)	(24.7%)	(22.6%)	(19.9%)
11.8%	(24.8%)	(22.9%)	(20.6%)	(17.8%)	(14.0%)
10.8%	(21.0%)	(18.5%)	(15.4%)	(11.4%)	(6.1%)

Discount Rate	Exit Multiple (P/E)				
	12.0x	13.0x	14.0x	15.0x	16.0x
14.8%	(23.0%)	(21.3%)	(19.6%)	(17.9%)	(16.2%)
13.8%	(20.8%)	(19.0%)	(17.2%)	(15.4%)	(13.6%)
12.8%	(18.5%)	(16.6%)	(14.6%)	(12.7%)	(10.7%)
11.8%	(16.0%)	(13.9%)	(11.8%)	(9.7%)	(7.6%)
10.8%	(13.3%)	(11.0%)	(8.8%)	(6.5%)	(4.2%)

Base case graphic



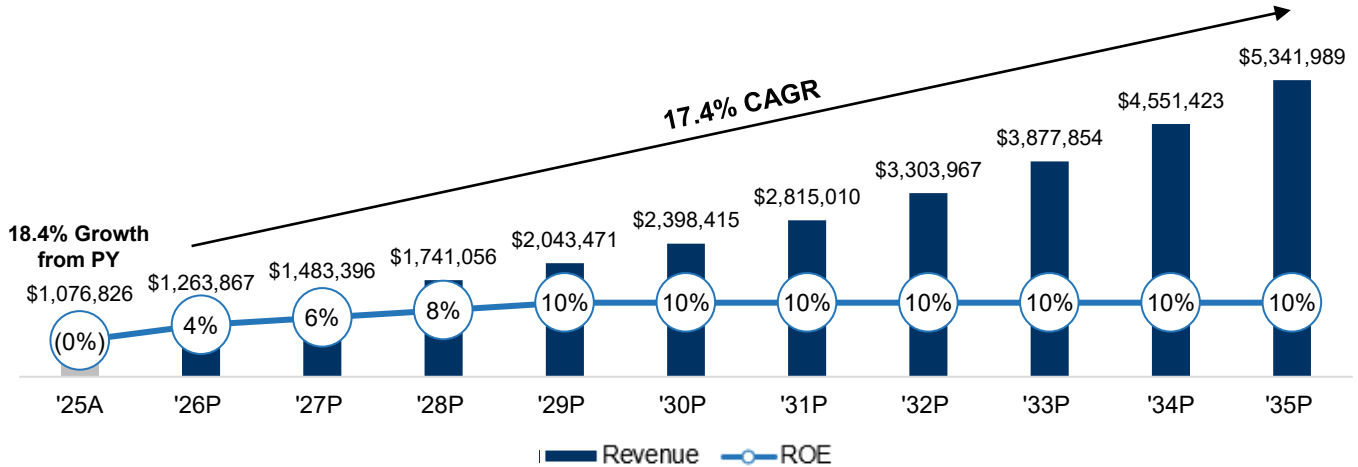
Source: Team 2 Analysis

Appendix 16: Reverse DCF

Reverse DCF takeaway

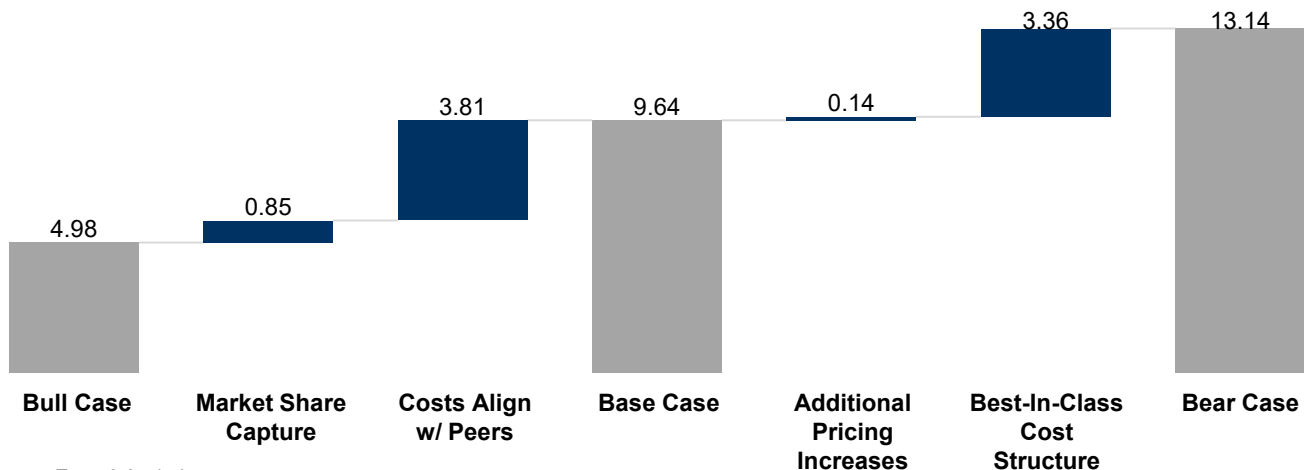
To understand the level of growth the market may be pricing in, we conducted a reverse DCF. Our assumptions around profitability mirrored that of profitable peers. After adjusting revenue growth and direct cost assumptions until the model arrived at LSPD's current price, it is evident that the market is pricing in significant topline growth (or above peer average profitability). We believe this is not reflective of the environment in which LSPD is operating. Given LSPD's low level of operating leverage and competitive environment, we view this scenario as extremely hard to achieve.

Reverse DCF graphic



Source: Team 2 Analysis

Appendix 17: Valuation waterfall (intrinsic valuation)



Source: Team 2 Analysis

Appendix 18: ESG Scorecard

Approach & Rationale

LSPD, like most companies, faces inconsistent treatment from ESG rating agencies due to limited standardization in ESG reporting and the Company's hybrid SaaS and payments business model. To address this, we reviewed the disclosure rationale from LSEG, Bloomberg, and MSCI and selected a peer group relevant to LSPD's current operations. Using these materials, we developed an internal scorecard focused on material factors.

Rating	Description	Team 2 Assessment			
0	N/A	No or lack of evidence of effort to achieve criterion.			
1	Laggard	Evidence of some effort but little success to achieve criterion.			
2	Satisfactory	Evidence of effort and a level of success to achieve criterion.			
3	Average	Effort and success in line with industry standards for criterion.			
4	Excellent	Higher level of effort and success in achieving criterion.			
5	Leader	Innovator for industry initiatives and high level of effort and success.			

Criteria	LSPD	Toast	Shift4	Block	Fiserv
Energy and Emissions Footprint	No target or plan to reduce emissions. Cloud providers offset using 100% clean energy.	No additional targets set, renewable energy target hit in 2022.	No target or plan to reduce emissions. Cloud providers offset most usage.	Targets aligned with SBTi ¹ . Robust plan to reduce emissions, including purchasing clean energy.	Absolute emission reduction target for 2050. Limited clear plans. Some clean energy purchases.
Target Reduction	0.0	2.5	0.0	5.0	4.0
Plan & Execution	0.0	0.0	0.0	4.5	2.5
Use of Clean Energy	4.0	4.0	4.0	4.5	3.0
Disclosure	Discloses small portion of GHG emissions. Reporting is slightly delayed	Annual ESG reports disclose clear and concise details on environmental factors, primarily emissions.	No annual disclosure. Current report has stale data and unclear future plans.	Reporting is delayed and non-current. Comprehensive report is available following standard frameworks.	Annual report is timely and follows several industry standard frameworks with historical data available.
Timeliness	4.0	5.0	1.0	3.0	5.0
Relevance & Specificity	3.0	4.0	2.0	5.0	5.0
Environment	2.2	2.1	1.2	4.4	2.0
Criteria	LSPD	Toast	Shift4	Block	Fiserv
Customer Privacy and Protection of Merchant Data	Emphasizes merchant data protection through PCI compliance and independently audited internal controls.	Treats customer privacy as a core enterprise risk governed under a CISO-led, NIST-based security program.	Formal cybersecurity controls and third-party testing to safeguard sensitive merchant information.	Operates a unified, framework-aligned cybersecurity program focused on protecting consumer and merchant data.	Maintains Board-overseen global security operations dedicated to privacy and data protection.
Program Maturity	4.0	4.0	4.0	5.0	5.0
Incident Response	4.0	4.0	4.0	4.0	4.0
Talent Attraction/Retention and Workforce Capability	Uses DEI reporting plus formal governance to support talent attraction. Workforce satisfaction from 1.0K reviews.	Scales hiring and development around employee resource groups and workforce-focused ESG reporting. Workforce satisfaction from 1.6K reviews.	Frames retention around "diverse, inclusive" culture plus centralized human-capital governance. Workforce satisfaction from 336 reviews.	Publishes workforce diversity results and ties inclusion to manager expectations and development efforts. Workforce satisfaction based on 1.8K reviews.	Runs enterprise-scale recruiting and development programs with Board-level oversight of human-capital strategy. Workforce satisfaction based on 10.5k reviews.
Diversity & Inclusion	4.0	4.0	3.0	4.5	4.0
Satisfaction ²	3.5	3.9	3.5	3.7	3.0
Disclosure	Discloses annual social and cybersecurity narratives with limited quantitative KPIs.	Provides structured, timely ESG disclosures with concrete workforce and privacy metrics.	Relies mainly on risk-factor filings and high-level static ESG statements.	Publishes current CSR and SEC-based reports with specific diversity results.	Issues regular corporate-scale privacy and people disclosures, largely narrative.
Timeliness	4.5	5.0	4.0	4.0	4.0
Relevance & Specificity	3.0	5.0	4.0	4.0	3.5
Social	3.8	4.3	3.6	4.3	3.9

Criteria	LSPD	Toast	Shift4	Block	Fiserv
Board of Directors	Independent-majority Board with CEO participating as a non-independent director.	Largely independent Board with strong restaurant-tech experience.	Controlled-company Board with a mix of independent and executive directors.	Independent Board with deep fintech and platform governance expertise.	Independent-majority Board with extensive financial-technology leadership backgrounds.
Independence	4.0	5.0	3.0	4.0	4.0
Experience	4.0	5.0	4.0	4.0	5.0
Diversity	3.0	4.0	2.0	5.0	3.0
Management	Seasoned SaaS-oriented executives supported by performance-linked equity compensation.	Operator-experienced restaurant-tech leadership with highly aligned long-term incentive programs.	Payments-focused management team with traditional compensation structures.	Fintech-centric leadership group with incentive-driven compensation planning.	Veteran financial-technology executives with robust, metric-tied compensation frameworks.
Experience & Competence	4.0	5.0	4.0	5.0	5.0
Diversity	3.0	4.0	2.0	4.0	3.0
Compensation Structure	4.0	5.0	2.0	4.0	4.0
Shareholder Rights	Single-class structure provides one vote per share for common shareholders. 90% owned by public and institutions.	Dual-class structure concentrating control with Class B holders. 82% owned by public and institutions.	Multi-class structure concentrating voting power with insiders. 97% owned by public and institutions.	Dual-class structure concentrating control with Class B holders. 89% owned by public and institutions.	Single-class structure provides one vote per share. 99% owned by public and institutions.
Voting Rights	5.0	2.0	1.0	2.0	5.0
Data Governance at Board Level	Independent members familiar with compliance requirements.	Independent members familiar with compliance requirements.	Independent members familiar with compliance requirements.	Independent members familiar with compliance requirements.	Independent members familiar with compliance requirements.
Oversight Structure	3.0	3.0	3.0	4.5	4.5
Experience	3.0	3.0	3.0	4.0	4.0
Disclosure	Relevant financial reporting and human capital are disclosed. Less human capital KPIs than peers.	Relevant financial reporting and more structured human capital data are disclosed.	Relevant financial reporting disclosed. Lack of any extended human capital disclosure.	Relevant financial reporting and human capital data are disclosed.	Relevant financial reporting and human capital data are disclosed. This includes accountability information.
Financial Reporting	4.0	4.0	4.0	4.0	4.0
Human Capital	3.0	4.0	2.0	4.5	4.5
Governance	3.6	4.0	2.7	4.1	4.2
Overall	3.4	3.9	2.8	4.2	4.0

Overall ESG ratings are calculated with Social and Governance weighted at 40% each and Environment weighed at 20%, due to the relative importance of the categories to businesses in the industries examined. LSPD does not come off outstanding in any one area compared to peers but does fall behind either. Given all of the information above, we believe LSPD's current ESG does not create any cause for concern.

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