MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As used in this management's discussion and analysis ("MD&A"), unless the context indicates or requires otherwise, all references to the "Company", "Lightspeed", "we", "us" or "our" refer to Lightspeed POS Inc. together with our subsidiaries, on a consolidated basis as constituted on March 31, 2019.

This MD&A for the three months ended March 31, 2019 and 2018 and the years ended March 31, 2019 ("Fiscal 2019") and 2018 ("Fiscal 2018") should be read in conjunction with the Company's audited annual consolidated financial statements and the notes related thereto for the years ended March 31, 2019 and 2018, included elsewhere in this annual report. This MD&A is presented as of the date of this annual report and is current to that date unless otherwise stated. The financial information presented in this MD&A is derived from the Company's audited annual consolidated financial statements for Fiscal 2019 and Fiscal 2018, which has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are in U.S. dollars except where otherwise indicated.

Forward-looking information

This MD&A contains "forward-looking information" and "forward-looking statements" (collectively, "forward-looking information") within the meaning of applicable securities laws. Forward looking information may relate to our financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, taxes, dividend policy, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information.

In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "outlook", "forecasts", "projection", "prospects", "strategy", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", "will", "will be taken", "occur" or "be achieved", the negative of these terms and similar terminology. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances.

This forward-looking information includes, among other things, statements relating to: expectations regarding industry trends; our growth rates and growth strategies; addressable markets for our solutions; the achievement of advances in and expansion of our platform; expectations regarding our revenue and the revenue generation potential of our payment-related and other solutions; our business plans and strategies; and our competitive position in our industry.

This forward-looking information and other forward-looking information is based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of our ability to build our market share and enter new markets and industry verticals; our ability to retain key personnel; our ability to maintain and expand geographic scope; our ability to execute on our expansion plans; our ability to continue investing in infrastructure to support our growth; our ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition; the changes and trends in our industry or the global economy; and the changes in laws, rules, regulations, and global standards are material factors made in preparing forward-looking information and management's expectations.

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that we considered appropriate and reasonable as of the date such statements are made, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the factors described in the "Summary of Factors Affecting our Performance" section of this MD&A and in the "Risk Factors" section of our Annual Information Form dated May 30, 2019, which is available under our profile on SEDAR at www.sedar.com.

If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The opinions, estimates or assumptions referred to above and described in greater detail in "Summary of Factors Affecting our Performance" should be considered carefully by prospective investors.

Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. No forward-looking statement is a guarantee of future results. Accordingly, you should not place undue reliance on forward-looking information, which speaks only as of the date made. The forward-looking information contained in this MD&A represents our expectations as of the date of hereof (or as of the date they are otherwise stated to be made), and are subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

All of the forward-looking information contained in this MD&A is expressly qualified by the foregoing cautionary statements.

This MD&A includes certain trademarks, such as "Lightspeed", "Flame Design", "Show & Tell", "Lightspeed Cloud" and "Lightspeed Pro", which are protected under applicable intellectual property laws and are our property. Solely for convenience, our trademarks and trade names referred to in this MD&A may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to these trademarks and trade names.

Additional information relating to Lightspeed, including our most recently completed Annual Information Form, can be found on SEDAR at www.sedar.com.

Overview

Lightspeed provides an easy-to-use, omni-channel commerce-enabling SaaS platform. Our software platform provides our customers with the critical functionality they need to engage with consumers, manage their operations, accept payments, and grow their business. We operate globally in approximately 100 countries, empowering single- and multi-location small and medium-sized businesses (SMBs) to compete successfully in an omni-channel market environment by engaging with consumers across online, mobile, social, and physical channels. We believe that our platform is essential to our customers' ability to run and grow their business. As a result, most of our revenue is recurring and we have a strong track-record of growing revenue per customer over time.

Our cloud platform is designed around three interrelated elements: front-end consumer experience, back-end operations management to improve our customers' efficiency and insight, and the facilitation of payments. Key functionalities of our platform include full omni-channel capabilities, point of sale ("POS"), product and menu management, inventory management, analytics and reporting, multi-location connectivity, loyalty and customer management. Our position at the point of commerce puts us in a privileged position for payments processing and allows us to collect transaction-related data insights. Lightspeed Payments, our recently-launched payment processing solution, is currently available to our U.S. retail customers. We believe that the broader rollout of Lightspeed Payments will further align us with our customers' success and represents a significant growth opportunity for our Company.

We sell our platform primarily through our direct sales force in North America, Europe and Australia, supplemented by indirect channels in other countries around the world. Our platform is well-suited for various types of SMBs, particularly single and multi-location retailers with complex operations, such as those with a high product count, diverse inventory needs or a service component, and restaurants ranging from quick service to fine dining establishments. On average, the customers we serve generate Gross Transaction Volume (as defined herein) in excess of $500,000 annually, which is reflective of the success of their businesses. Our customers generate monthly ARPU (as defined herein) of approximately $200 as of the month of March 2019 and collectively represented over 49,000 Customer Locations in approximately 100 countries. With respect to eligible new customers, greater than 40% purchased Lightspeed Payments in conjunction with purchasing their Lightspeed software. For Fiscal 2019, our cloud-based SaaS platform processed GTV of $14.5 billion, which represents growth of 37% relative to GTV of $10.6 billion processed in Fiscal 2018.

We generate revenue primarily from the sale of cloud-based software subscription licenses and other recurring revenue sources including payments solutions for both retailers and restaurants. We offer pricing plans designed to meet the needs of our current and prospective customers that enable Lightspeed solutions to scale with SMBs as they grow. Our subscription plans vary from monthly plans to one-year and multi-year terms, with the majority of our Customer Locations contracted for at least 12 months as of March 31, 2019. In addition, our software is integrated with certain third parties that enable electronic payment processing and as part of integrating with these payment processors, we have entered into revenue share agreements with each of them. We have recently launched Lightspeed Payments, our in-house payment processing solution, which provides our customers with full visibility into the final steps of their sale process. In Fiscal 2019, software and payments revenue accounted for 89% of our total revenues (90% in Fiscal 2018).

In addition, we offer a variety of hardware and other services to provide value-added support to our merchants and supplement our software and payments revenue solutions. These revenues are generally one-time revenues associated with the sale of hardware with which our solutions integrate and the sale of professional services in support of the installation and implementation of our solutions. In Fiscal 2019, this revenue accounted for 11% of our total revenues (10% in Fiscal 2018).

We believe we have a distinct leadership position in SMB commerce given our scale, breadth of capabilities, and diversity of customers. As a result, our business has grown significantly. Our total revenue has increased to $77.5 million in Fiscal 2019 from $57.1 million in Fiscal 2018, representing year-over-year growth of 36%. No customer represented more than 1% of our revenue in Fiscal 2019 or Fiscal 2018 or the three months ended March 31, 2019 and 2018.

Our business is growing rapidly and we plan to continue making investments to drive future growth. We believe that our future success depends on a number of factors, including our ability to expand our customer base, increase revenue from existing customers, accelerate the adoption of Lightspeed Payments, add more solutions to our platform, and selectively pursue acquisitions. We believe that our continued investments will increase our revenue base, improve the retention of this base and strengthen our ability to increase sales to our customers.

We have not been profitable to date, and if we are unable to successfully implement our growth strategies, we may not be able to achieve profitability. In Fiscal 2019 and Fiscal 2018, we incurred an operating loss of $23.2 million and $21.9 million, respectively, and our operating cash outflow was $7.6 million and $10.0 million, respectively.

Lightspeed completed an Initial Public Offering of its shares on the Toronto Stock Exchange in March 2019 (the "Initial Public Offering").

Key Performance Indicators

We monitor the following key performance indicators to help us evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions. Our key performance indicators may be calculated in a manner different than similar key performance indicators used by other companies.

Average Revenue Per User. "**Average Revenue Per User**" or "**ARPU**" represents the total software and payments revenue of the Company in the period divided by the number of unique customers of the Company in the period.

Customer Locations. "**Customer Location**" means a billing customer location for which the term of services have not ended, or with which we are negotiating a renewal contract. A single unique customer can have multiple Customer Locations including physical and eCommerce sites. We believe that our ability to increase the number of Customer Locations served by our platform is an indicator of our success in terms of market penetration and growth of our business. We have successfully demonstrated a history of growing both the number of our Customer Locations and GTV per Customer Location through the increased use of our platform. At the end of Fiscal 2019 and Fiscal 2018, over 49,000 and over 41,000 Customer Locations were utilizing our platform, respectively.

Gross Transaction Volume. "**Gross Transaction Volume**" or "**GTV**" means the total dollar value of transactions processed through our cloud-based SaaS platform in the period, net of refunds, inclusive of shipping and handling, duty and value-added taxes. We believe GTV is an indicator of the success of our Customer Locations and the strength of our platform. GTV does not represent revenue earned by us. For Fiscal 2019 and Fiscal 2018, GTV was $14.5 billion and $10.6 billion, respectively.

Net Dollar Retention Rate. We believe that our ability to retain and expand the revenue generated from our existing customers is an indicator of the long-term value of our customer relationships. We track our performance in this area by measuring our "**Net Dollar Retention Rate**", which is calculated as of the end of each month by considering the cohort of customers on our commerce platform as of the beginning of the month and dividing our subscription and payments revenue attributable to this cohort in the then-current month by total subscription and payments revenue attributable to this cohort in the immediately preceding month. For Fiscal 2019, we had Net Dollar Retention Rates in excess of 100% as calculated using an average of the monthly Net Dollar Retention Rates for those periods.

Non-IFRS Measures and Reconciliation of Non-IFRS Measures

The information presented within this MD&A includes certain financial measures such as "Adjusted EBITDA", "Adjusted Operating Expenses Before Depreciation and Amortization" and "Free Cash Flow." These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. These non-IFRS measures are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Our management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation.

Adjusted EBITDA

Adjusted EBITDA is defined as net loss excluding interest, taxes, depreciation and amortization, or EBITDA, as adjusted for stock-based compensation and related expenses, fair value loss on Redeemable Preferred Shares, compensation expenses relating to acquisitions completed, foreign exchange gains and losses and transaction-related expenses. The following table reconciles Adjusted EBITDA to net loss for the periods indicated:

	Fiscal year ended March 31,		Three months ended March 31,	
(In thousands of US dollars)	**2019 $**	**2018 $**	**2019 $**	**2018 $**
Net loss	(183,525)	(96,179)	(96,076)	(11,688)
Fair value loss on Redeemable Preferred Shares[1]	191,219	59,985	132,135	4,644
Stock-based compensation and related payroll taxes[2]	3,110	1,258	2,043	425
Depreciation and amortization	4,537	5,119	1,064	1,305
Foreign exchange loss (gain)[3]	987	(287)	637	(31)
Interest expense (income)	(181)	26	(81)	7
Acquisition-related compensation[4]	454	942	188	-
Transaction-related expenses[5]	1,023	-	718	-
Income tax expense	(30,729)	14,246	(44,773)	1,004
Adjusted EBITDA	(13,105)	(14,890)	(4,145)	(4,334)

[1] These costs include costs with respect to the change in valuation of our Redeemable Preferred Shares from period to period, which is a non-cash expense. Prior to the completion of our Initial Public Offering, all of our Redeemable Preferred Shares were converted and the liability was reduced to $Nil with a corresponding increase in share capital. There will be no further impact on our results of operations from these shares.

[2] These expenses represent non-cash expenditures recognized in connection with the issuance of stock options under our stock option plans to our employees and directors as well as related payroll taxes given that they are directly attributable to stock-based compensation, are estimates and therefore subject to change, and don't reflect a current cash outlay. We do expect future cash outlays with respect the payroll tax component of stock-based compensation.

[3] These non-cash losses (gains) relate to foreign exchange translation.

[4] These costs represent a portion of the purchase price that is associated with the ongoing employment obligations for certain key employees of acquired businesses.

[5] These expenses relate to our Initial Public Offering and include professional, legal, consulting and accounting fees that are non-recurring and would otherwise not have been incurred.

Adjusted Operating Expenses Before Depreciation and Amortization

Adjusted Operating Expenses Before Depreciation and Amortization is defined as the sum of general and administrative, research and development and sales and marketing expenses, and excludes compensation expenses relating to acquisitions completed, stock based compensation, foreign exchange gains and losses, and transaction-related expenses. The following table reconciles Adjusted Operating Expenses Before Depreciation and Amortization to our total operating expenses:

	Fiscal year ended March 31,		Three months ended March 31,	
	2019 **$**	**2018** **$**	**2019** **$**	**2018** **$**
Total operating expenses	77,094	61,522	23,118	16,879
Depreciation of property and equipment	(1,389)	(1,188)	(415)	(351)
Foreign exchange (loss) gain[1]	(987)	287	(637)	31
Acquisition-related compensation[2]	(454)	(942)	(188)	-
Amortization of intangible assets	(3,148)	(3,931)	(649)	(954)
Stock-based compensation[3]	(2,850)	(1,199)	(1,892)	(403)
Transaction-related expenses[4]	(1,023)	-	(718)	-
Adjusted Operating Expenses Before Depreciation and Amortization	67,243	54,549	18,619	15,202
Total revenues	77,451	57,079	21,285	15,688
Adjusted Operating Expenses Before Depreciation and Amortization as a % of total revenues	86.8%	95.6%	87.5%	96.9%

(1) These non-cash (losses) gains relate to foreign exchange translation.

(2) These costs represent a portion of the purchase price that is associated with the ongoing employment obligations for certain key employees of acquired businesses.

(3) These expenses represent non-cash expenditures recognized in connection with the issuance of stock options under our stock option plans to our employees and directors as well as related payroll taxes given that they are directly attributable to stock-based compensation, are estimates and therefore subject to change, and don't reflect a current cash outlay. We do expect future cash outlays with respect the payroll tax component of stock-based compensation.

(4) These expenses relate to our Initial Public Offering and include non-capitalized professional, legal, consulting and accounting fees that are non-recurring and would otherwise not have been incurred.

Free Cash Flow

Free Cash Flow is defined as cash flow from (used in) operating activities less cash flow used for the purchase of property and equipment. The following table reconciles our cash flow from (used in) operating activities to Free Cash Flow:

	Fiscal year ended March 31,		Three months ended March 31,	
(In thousands of US dollars)	**2019 $**	**2018 $**	**2019 $**	**2018 $**
Cash flow from (used in) operating activities	(7,556)	(10,023)	(238)	(926)
Additions to property and equipment	(2,030)	(937)	(519)	(96)
Free Cash Flow	(9,586)	(10,960)	(757)	(1,022)

Free Cash Flow for Fiscal 2019 was ($9.6) million compared to ($11.0) million for Fiscal 2018. Excluding transaction costs associated with our Initial Public Offering, Free Cash Flow would have been ($8.9) million in Fiscal 2019. Free Cash Flow for the three months ended March 31, 2019 increased by $0.3 million compared to the three months ended March 31, 2018. Excluding transaction costs associated with our Initial Public Offering, Free Cash Flow was ($0.2) in the three months ended March 31, 2019.

Summary of Factors Affecting Our Performance

We believe that the growth and future success of our business depends on many factors, including those described below. While each of these factors presents significant opportunities for our business, they also pose important challenges, some of which are discussed below and in the “Risk Factors” section of our most recent Annual Information Form, which can be found on SEDAR at www.sedar.com.

Market adoption of our platform

We intend to continue to drive adoption of our commerce-enabling platform by scaling our solutions to meet the needs of both new and existing customers of all types and sizes. We believe that there is significant potential to increase penetration of our total addressable market and attract new customers. We plan to do this by further developing our products and services as well as continuing to invest in marketing strategies tailored to attract new businesses to our platform, both in our existing geographies and new markets around the world. We also intend to selectively evaluate opportunities to offer our solutions to businesses operating in industry verticals that we do not currently serve. We plan to continue to invest in our platform to expand our customer base and drive market adoption and our operations may fluctuate as we make these investments.

Customer adoption of Lightspeed Payments

We recently released our payment processing solution, Lightspeed Payments, to our U.S. retail customers, and we believe that Lightspeed Payments will become an increasingly important part of our business as we make it available to our broader customer base and across multiple geographies. Lightspeed Payments is designed to be transparent and easy to understand, and we have priced our solution at market competitive rates based on a percentage of GTV electronically processed through our platform. As an increasing proportion of our revenue is generated from Lightspeed Payments, we believe that while our total revenues may grow significantly, our gross margins will decrease slightly over time due to the lower gross margin profile of our payments revenue stream relative to the higher gross margin profile of our software subscription revenue stream.

Cross-selling and up-selling with existing customers

Our existing customers represent a significant opportunity to cross-sell and up-sell products and services with limited incremental sales and marketing expense. We use a “land and expand” approach, with many of our customers initially deploying our platform for a specific use case. Once they realize the benefits and wide functionality of our platform, they can expand the number of use cases including services such as Lightspeed Loyalty, Lightspeed Analytics and Lightspeed Payments. We plan to continually invest in product development, and in sales and marketing, to add more solutions to our platform and to increase the usage and awareness of our solutions. Our future revenue growth and our ability to achieve and maintain profitability is dependent upon our ability to maintain existing customer relationships and to continue to expand our customers’ use of our comprehensive suite of our solutions.

Scaling our sales and marketing team

Our ability to achieve significant growth in future revenue will largely depend upon the effectiveness of our sales and marketing efforts, both domestically and internationally. The majority of our sales and marketing efforts are accomplished in-house, and we believe the strength of our sales and marketing team is critical to our success. We have invested and intend to continue to invest meaningfully in terms of expanding our sales force, and consequently, we anticipate that our headcount will continue to increase as a result of these investments.

International sales

We believe that global demand for our platform will continue to increase as SMBs seek out end-to-end solutions with omni-channel capabilities to enable their businesses to thrive and succeed in an increasingly complex operating environment. Accordingly, we believe there is significant opportunity to grow our international business. We have invested, and plan to continue to invest, ahead of this potential demand in personnel and marketing, and to make selective acquisitions outside of North America to support our international growth.

Seasonality

We believe our transaction-based revenues will begin to represent an increasing proportion of our overall revenue mix over time as a result of the recent introduction of Lightspeed Payments, and we expect seasonality of our quarterly results to increase. While rapid growth in our subscription base and upsells to existing customers has largely mitigated seasonal trends in our revenues to date, we expect our transaction-based revenues will become increasingly correlated with respect to the GTV processed by our customers through our platform.

Foreign currency

Our presentation and functional currency is the U.S. dollar. We derive the majority of our revenues in U.S. dollars and a smaller proportion of our expenses in U.S. dollars. Our head office and a significant portion of our employees are located in Montréal, Canada, along with additional presence in Europe, and as such, a significant amount of our expenses are incurred in Canadian dollars and Euros. As a result, our results of operations will be adversely impacted by a decrease in the value of the U.S. dollar relative to the Canadian dollar or the Euro. See the “Risk Factors” section of our most recent Annual Information Form, which can be found on SEDAR at www.sedar.com, for a discussion on exchange rate fluctuations.

Key Components of Results of Operations

Revenues

Software and payments revenues

We principally generate subscription-based revenues through the sale of subscription licenses to our retail and restaurant software solutions and transaction-based revenues. We offer pricing plans designed to meet the needs of our current and prospective customers that enable Lightspeed solutions to scale with SMBs as they grow. Our subscription plans are sold as monthly, one-year or multi-year plans, with the majority of our Customer Locations contracted for at least 12 months. A meaningful proportion of our customers elect to pay their full contract upfront, which results in the creation of a deferred revenue balance on our balance sheet. Subscription plans for our cloud-based solutions include maintenance and support. Customers purchase subscription plans directly from us or through our channel partners.

We also generate transaction-based revenues by providing our customers with the functionality to accept payments from consumers. Such revenues come in the form of payment processing fees and transaction fees and represent a percentage of GTV processed by our customers through our offered solutions. We have two sources of transaction-based revenues: our recently launched proprietary payments processing solution, Lightspeed Payments, and revenue sharing agreements with our integrated payment partners.

Lightspeed Payments allows our customers to accept electronic payments in-store, through connected terminals and online. Given its recent launch, initially limited to only our base of U.S. retail customers, Lightspeed Payments represents only a nominal source of revenue to date. We believe it will become an increasingly important part of our business, as it is made available to our broader customer base. Offering a fully integrated payment functionality is highly complementary to the platform we offer our customers today and will allow us to monetize a greater portion of the $14.5 billion in GTV processed on our cloud-based SaaS platform annually.

We also continue to support our legacy on-premise retail solution, which is downloaded by the customer and installed on the customer's server. As we transition this small group of customers to our cloud platform, we expect revenue from our on-premise solution to decline.

In addition, we generate revenues through referral fees and revenue sharing agreements from our partners to whom we direct business or who sell their applications through our apps and themes marketplace. Pursuant to the terms of our agreements with these partners, these revenues can be recurring or non-recurring.

Hardware and other revenues

These revenues are generally one-time revenues associated with the sale of hardware with which our solutions integrate and the sale of professional services in support of the installation and implementation of our solutions. We generate revenues through the sale of POS peripheral hardware such as receipt printers, cash drawers, servers, stands, bar-code scanners, and an assortment of accessories, as well as our Lite Server product that enables restaurant customers to operate on our platform without requiring an active internet connection.

Although our software solutions are intended to be turnkey solutions that can be used by the customer as delivered, we provide professional services to our restaurant customers in some circumstances in the form of onsite installations and implementations. These implementation services are typically delivered through a network of certified partners.

Direct Cost of Revenues

Cost of software and payments revenue

Cost of software and payments revenue primarily includes employee expenses for the support team and cost associated with maintaining hosting infrastructure for our services. Significant expenses include data center capacity costs and costs directly associated with our cloud infrastructure, including total salaries and benefits, stock-based compensation, customer support and royalties. We expect that cost of software and payments revenue will increase on an absolute dollar basis and as a percentage of total revenues due to the lower gross margin profile of Lightspeed Payments relative to the higher gross margin profile of our software subscription revenue stream.

Cost of hardware and other revenue

Cost of these revenues primarily includes costs associated with our hardware solutions, such as the cost of acquiring the hardware inventory, including hardware purchase price, expenses associated with a third-party fulfillment company, shipping and handling and inventory adjustments.

Operating Expenses

General and administrative

General and administrative expenses comprise employee expenses, including stock-based compensation and related expenses, for finance, accounting, legal, administrative, human resources, information technology, legal costs, professional fees, and other corporate expenses. We expect that general and administrative expenses will increase on an absolute dollar basis as we incur the costs of compliance associated with being a public company, including increased accounting and legal expenses. In the longer term, however, we expect general and administrative expenses to decrease as a percentage of total revenues as we focus on processes, systems and controls to enable our internal support functions to scale with the growth of our business.

Research and development

Research and development expenses consist primarily of employee expenses, including stock-based compensation and related expenses, for product-related expenses including product management, product design and development and other corporate overhead allocations. We continue to invest our research and development efforts on developing added features and solutions, as well as increasing the functionality and enhancing the ease of use of our platform. Historically, these expenses have been reduced by the Canadian Federal Scientific Research and Experimental Development Program and Tax Credit for the Development of e-business, or “SR&ED” and “e-business” tax credits respectively. As a newly public company, we will no longer be eligible for refundable SR&ED tax credits, while e-business tax credits will remain available. However, we remain eligible for non-refundable SR&ED credits under this program, which are eligible to reduce future income taxes payable and will have no direct impact on our research and development expenses. Although not immediately, given that we are still scaling our technology group in line with anticipated growth, we expect research and development expenses to decline in proportion to total revenue as we achieve additional economies of scale from our expansion.

Sales and marketing

Sales and marketing expenses consist primarily of selling and marketing costs and employee expenses, including stock-based compensation and related expenses, for sales and business development, marketing as well as a small portion of onboarding for new customers. Other costs within sales and marketing include costs of acquisition of new customers, travel-related expenses and corporate overhead allocations. We plan to continue to expand sales and marketing efforts to attract new customers, retain existing customers and increase revenues from both new and existing customers. Over time, we expect sales and marketing expenses will decline as a percentage of total revenues as we achieve additional economies of scale from our expansion.

Acquisition-related compensation

Acquisition-related compensation expenses represent the portion of the purchase price from acquisitions which is payable contingent upon ongoing employment obligations of certain key employees of the acquired businesses. This portion of the purchase price is amortized over the required service period for those key employees.

Other Expenses

Fair value loss on Redeemable Preferred Shares

These costs include costs with respect to the change in valuation of the Redeemable Preferred Shares from period to period. Immediately prior to the completion of the Initial Public Offering of our shares on the Toronto Stock Exchange in March 2019, all of our Redeemable Preferred Shares were converted and the liability was reduced to $Nil with a corresponding increase in share capital. Following their conversion, the Redeemable Preferred Shares ceased to impact our results of operations.

Results of Operations

The following table outlines our consolidated statements of loss and comprehensive loss for Fiscal 2019 and Fiscal 2018, and for the three months ended March 31, 2019 and 2018:

	Fiscal year ended March 31,		Three months ended March 31,	
(In thousands of US dollars, except per share data)	**2019 $**	**2018 $**	**2019 $**	**2018 $**
Revenues				
Software and payments	68,650	51,144	18,702	14,030
Hardware and other	8,801	5,935	2,583	1,658
	77,451	57,079	21,285	15,688
Direct cost of revenues				
Software and payments	15,752	12,194	4,604	3,370
Hardware and other	7,821	5,285	2,358	1,472
	23,573	17,479	6,962	4,842
Gross profit	53,878	39,600	14,323	10,846
Operating expenses				
General and administrative	13,790	9,225	4,793	2,523
Research and development	18,283	13,295	5,074	3,820
Sales and marketing	39,043	33,228	11,362	9,262
Depreciation of property and equipment	1,389	1,188	415	351
Foreign exchange loss (gain)	987	(287)	637	(31)
Acquisition-related compensation	454	942	188	-
Amortization of intangible assets	3,148	3,931	649	954
Total operating expenses	77,094	61,522	23,118	16,879
Operating loss	(23,216)	(21,922)	(8,795)	(6,033)
Fair value loss on Redeemable Preferred Shares	(191,219)	(59,985)	(132,135)	(4,644)
Interest income (expense)	181	(26)	81	(7)
Loss before income taxes	(214,254)	(81,933)	(140,849)	(10,684)
Income tax expense (recovery)				
Current	59	113	64	18
Deferred	(30,788)	14,133	(44,837)	986
Total income tax expense (recovery)	(30,729)	14,246	(44,773)	1,004
Net loss and comprehensive loss	(183,525)	(96,179)	(96,076)	(11,688)
Loss per share – basic and diluted	(5.53)	(3.30)	(2.21)	(0.40)

The following table outlines stock-based compensation and the related payroll taxes associated with these expenses included in the results of operations for Fiscal 2019 and Fiscal 2018 and the three months ended March 31, 2019 and 2018:

	Fiscal year ended March 31,		Three months ended March 31,	
(In thousands of US dollars)	**2019 $**	**2018 $**	**2019 $**	**2018 $**
Direct cost of revenues	260	59	151	22
General and administrative	1,030	372	647	159
Research and development	245	407	350	114
Sales and marketing	1,575	420	895	130
Total stock-based compensation	3,110	1,258	2,043	425

Results of Operations for the Three Months Ended March 31, 2019 and 2018

Revenues

	Three months ended March 31,			
(In thousands of US dollars, except percentages)	**2019 $**	**2018 $**	**Change $**	**Change %**
Revenues				
Software and payments	18,702	14,030	4,672	33.3
Hardware and other	2,583	1,658	925	55.8
Total revenues	21,285	15,688	5,597	35.7
Percentage of total revenues				
Software and payments	87.9%	89.4%		
Hardware and other	12.1%	10.6%		
Total	100.0%	100.0%		

Software and Payments Revenue

Software and payments revenue for the three months ended March 31, 2019 increased by $4.7 million or 33% as compared to the three months ended March 31, 2018. The increase was primarily due to growth in our subscription revenue and payment referral fees. The number of new Customer Locations using our platform increased and the GTV processed through our platforms grew from $2.7 billion for the three months ended March 31, 2018 to $3.5 billion for the three months ended March 31, 2019, evidencing increased use of our platform. Customers adopting additional modules of our platform also contributed to the increase in subscription license revenue in the period.

Hardware & Other Revenue

Hardware and other revenue for the three months ended March 31, 2019 increased by $0.9 million or 56% as compared to the three months ended March 31, 2018 primarily due to the increase in sales of our hardware to new customers during the period.

Direct Cost of Revenues

(In thousands of US dollars, except percentages)	Three months ended March 31, 2019 $	2018 $	Change $	Change %
Direct cost of revenues				
Software and payments	4,604	3,370	1,234	36.6
Hardware and other	2,358	1,472	886	60.2
Total costs of revenues	6,962	4,842	2,120	43.8
Percentage of total revenues				
Software and payments	21.6%	21.5%		
Hardware and other	11.1%	9.4%		
Total	32.7%	30.9%		

Direct Cost of Software and Payments Revenue

Direct cost of software and payments revenue for the three months ended March 31, 2019 increased by $1.2 million or 37% as compared to the three months ended March 31, 2018. The increase was primarily due to increased costs associated with supporting a greater number of Customer Locations utilizing our platform, as well as increased stock-based compensation and associated costs resulting in a $0.9 million increase in support costs over the prior period and a $0.3 million increase in incremental hosting costs. Overall, direct cost of software and payments revenue as a percentage of revenue remained constant for the three months ended March 31, 2019 compared with that for the three months ended March 31, 2018.

Direct Cost of Hardware and Other Revenue

Direct cost of hardware and other revenue for the three months ended March 31, 2019 increased by $0.9 million or 60% as compared to the three months ended March 31, 2018. The increase was primarily due to an increase in sales of our hardware to new customers during the period.

Gross Profit

(In thousands of US dollars, except percentages)	Three months ended March 31, 2019 $	2018 $	Change $	Change %
Gross profit	14,323	10,846	3,477	32.1
Percentage of total revenues	67.3%	69.1%		

Gross profit for the three months ended March 31, 2019 increased $3.5 million or 32% compared to the three months ended March 31, 2018. The increase was primarily due to growth in our software and payments revenue as a result of increased Customer Locations using our platform and increased GTV processed through our platforms. A slightly higher mix of hardware and other revenue, which has lower gross profit margins, initial costs from the introduction of Lightspeed Payments, as well as an increase in stock-based compensation and related payroll taxes reduced gross profit as a percentage of revenue.

Operating Expenses

General and Administrative

(In thousands of US dollars, except percentages)	Three months ended March 31, 2019 $	2018 $	Change $	Change %
General and administrative	4,793	2,523	2,270	90.0
Percentage of total revenues	22.5%	16.1%		

General and administrative expenses for the three months ended March 31, 2019 increased by $2.3 million compared to the three months ended March 31, 2018. Of this increase, $0.7 million was due to transaction fees incurred as part of our Initial Public Offering, and $0.5 million was due to higher stock-based compensation and related payroll tax costs as compared to the prior year quarter. The remainder of the increase was due to higher salary costs as we continued to scale our back-office operations with additional headcount in our finance, human resources, legal, information technology and data departments. As a result of the above, our general and administrative expenses as a percentage of revenue excluding the costs related to our Initial Public Offering increased to 19.2% from 16.1% between the three months ended March 31, 2019 and the three months ended March 31, 2018.

Research and Development

(In thousands of US dollars, except percentages)	Three months ended March 31, 2019 $	2018 $	Change $	Change %
Research and development	5,074	3,820	1,254	32.8
Percentage of total revenues	23.8%	24.4%		

Research and development expenses for the three months ended March 31, 2019 increased by $1.3 million or 32.8% compared to the three months ended March 31, 2018. This increase was due primarily to $1.3 million of additional salary and other employee costs due to increased headcount in our research and development teams. Our research and development costs as a percentage of revenue decreased from 24.4% to 23.8% from the three months ended March 31, 2018 to the three months ended March 31, 2019.

Sales and Marketing

(In thousands of US dollars, except percentages)	Three months ended March 31, 2019 $	2018 $	Change $	Change %
Sales and marketing	11,362	9,262	2,100	22.7
Percentage of total revenues	53.4%	59.0%		

Sales and marketing expenses for the three months ended March 31, 2019 increased by $2.1 million or 22.7% as compared to the three months ended March 31, 2018. The increase was mainly due to added personnel tied to our continued growth in revenue. Approximately $1.3 million of the additional expenses related to salaries and other employee costs, $0.8 million of which related to stock-based compensation and related benefits. An additional $0.8 million in costs was incurred for the increase of conferences and training for our marketing teams and advertising, acquisition and growth spend including payments made to our distribution partners as reseller commissions, after the implementation of the IFRS 15 accounting standard. As a result of the above, sales and marketing costs as a percentage of revenue decreased from 59.0% to 53.4% from the three months ended March 31, 2018 to the three months ended March 31, 2019.

Depreciation of Property and Equipment

(In thousands of US dollars, except percentages)	Three months ended March 31, 2019 $	2018 $	Change $	Change %
Depreciation of property and equipment	415	351	64	18.2
Percentage of total revenues	2.0%	2.2%		

Depreciation of property and equipment expenses for the three months ended March 31, 2019 increased 18.2% as compared to the three months ended March 31, 2018. The marginal increase in the depreciation expense results from additions to property and equipment made throughout Fiscal 2019.

Foreign Exchange Loss (Gain)

(In thousands of US dollars, except percentages)	Three months ended March 31, 2019 $	2018 $	Change $	Change %
Foreign exchange loss (gain)	637	(31)	668	2,154.8
Percentage of total revenues	3.0%	(0.2)%		

Foreign exchange loss for the three months ended March 31, 2019 increased $0.7 million as compared to the foreign exchange gain for the three months ended March 31, 2018. This was due to the weakening of the Canadian dollar given that subsequent to our Initial Public Offering, a significant portion of the Company's cash was held in Canadian dollars. Items included in our results are measured in the functional currency (U.S. dollar), and foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or when items are re-measured with resulting gains and losses subsequently recognized.

Acquisition-related Compensation

(In thousands of US dollars, except percentages)	Three months ended March 31, 2019 $	2018 $	Change $	Change %
Acquisition-related compensation	188	-	188	100
Percentage of total revenues	0.9%	-		

Acquisition-related compensation expenses for the three months ended March 31, 2019 increased by $0.2 million or 100% as compared to the three months ended March 31, 2018. The increase was due to our acquisition of ReUp Technologies Inc. (“ReUp”), a cloud-based digital loyalty solutions provider, in July 2018. We issued contingent equity instruments as part of our acquisition, and these contingent equity instruments were not included in the total purchase consideration, but rather were treated as an acquisition-related compensation expense for post-combination services to be received over a two-year period starting on the date of acquisition.

Amortization of Intangible Assets

	Three months ended March 31,			
(In thousands of US dollars, except percentages)	**2019 $**	**2018 $**	**Change $**	**Change %**
Amortization of intangible assets	649	954	(305)	(32.0)
Percentage of total revenues	3.0%	6.1%		

Amortization of intangible assets for the three months ended March 31, 2019 decreased by $0.3 million or 32% as compared to the three months ended March 31, 2018. The decrease was primarily due to specific additions made in previous periods becoming fully amortized during the three months ended March 31, 2018, and thus having no impact on the three months ended March 31, 2019.

Other Income (Expenses)

	Three months ended March 31,			
(In thousands of US dollars, except percentages)	**2019 $**	**2018 $**	**Change $**	**Change %**
Fair value loss on Redeemable Preferred Shares	(132,135)	(4,644)	(127,491)	(2,745.0)
Percentage of total revenues	(620.8)%	(29.6)%		

Other income (expenses) mainly include losses on the Redeemable Preferred Shares that are measured at fair value, and interest income (expenses).

Fair value loss on Redeemable Preferred Shares for the three months ended March 31, 2019 increased by $127 million or 2,745.0% as compared to the three months ended March 31, 2018. The increase was primarily due to the increase in fair value of the preferred shares as the Company approached its Initial Public Offering in March 2019 resulting in an increase in loss on the Redeemable Preferred Shares.

Income Taxes

(In thousands of US dollars, except percentages)	Three months ended March 31, 2019 $	2018 $	Change $	Change %
Income tax expense (recovery)				
Current	64	18	46	256.6
Deferred	(44,837)	986	(45,823)	(4,647.4)
Total income tax expense (recovery)	(44,773)	1,004	(45,777)	(4,559)
Percentage of total revenues				
Current	0.3%	0.1%		
Deferred	(210.7)%	6.3%		
Total costs of revenues	(210.4)%	6.4%		

Deferred income tax expense (recovery) for the three months ended March 31, 2019 decreased by $45.8 million or 4,647.4% as compared to the three months ended March 31, 2018. The decrease was primarily due to the reversal of the balance of the Part VI.I tax given the conversion of the Redeemable Preferred Shares upon the Initial Public Offering.

Results of Operations for the Fiscal Years Ended March 31, 2019 and 2018

Revenues

(In thousands of US dollars, except percentages)	Fiscal year ended March 31, 2019 $	2018 $	Change $	Change %
Revenues				
Software and payments	68,650	51,144	17,506	34.2
Hardware and other	8,801	5,935	2,866	48.3
Total revenues	77,451	57,079	20,372	35.7
Percentage of total revenues				
Software and payments	88.6%	89.6%		
Hardware and other	11.4%	10.4%		
Total	100.0%	100.0%		

Software and Payments Revenue

Software and payments revenue for Fiscal 2019 increased by $17.5 million or 34.2% as compared to Fiscal 2018. The increase was primarily due to growth in our subscription revenue and payment referral fees. The number of new Customer Locations using our platform increased from approximately 41,000 Customer Locations as at March 31, 2018, to approximately 49,000 Customer Locations as at March 31, 2019. Additionally, the GTV processed through our platforms grew from $10.6 billion in Fiscal 2018 to $14.5 billion in Fiscal 2019 evidencing the increased use of our platform. Customers adopting additional modules of our commerce-enabling platform also contributed to the increase in subscription license revenue in the period.

Hardware and Other Revenue

Hardware and other revenue for Fiscal 2019 increased by $2.9 million or 48% as compared to Fiscal 2018. The increase was primarily due to an increase in hardware sold as we expanded our customer base.

Direct Cost of Revenues

(In thousands of US dollars, except percentages)	Fiscal year ended March 31, 2019 $	2018 $	Change $	Change %
Direct cost of revenues				
Software and payments	15,752	12,194	3,558	29.2
Hardware and other	7,821	5,285	2,536	48.0
Total costs of revenues	23,573	17,479	6,094	34.9
Percentage of total revenues				
Software and payments	20.3%	21.4%		
Hardware and other	10.1%	9.2%		
Total	30.4%	30.6%		

Direct Cost of Software and Payments Revenue

Direct cost of revenues for software and payments revenue for Fiscal 2019 increased by $3.6 million or 29.2% as compared to Fiscal 2018. The increase was primarily due to increased costs associated with supporting a greater number of Customer Locations utilizing our platform, resulting in a $3.2 million increase in support costs over the prior year and a $0.5 million increase in infrastructure costs to support a larger customer base. This was partially offset by a $0.2 million decrease in royalty costs as a result of the fact that we purchased a third party add-on software provider in late 2018 and no longer had to pay these royalties in Fiscal 2019. The 29% increase was not commensurate with software and payments revenue growth of 34.2% due primarily to scaling and efficiencies realized as our customer base continued to expand. As a result of the above, direct cost of software and payments revenue as a percentage of revenue decreased from 21.4% to 20.3% from Fiscal 2018 to Fiscal 2019.

Direct Cost of Hardware and Other Revenue

Direct cost of hardware and other revenue for Fiscal 2019 increased by $2.5 million or 48% as compared to Fiscal 2018. The increase was primarily due to an increase in hardware sold as we expanded our customer base.

Gross Profit

(In thousands of US dollars, except percentages)	Fiscal year ended March 31, 2019 $	2018 $	Change $	Change %
Gross profit	53,878	39,600	14,278	36.1
Percentage of total revenues	69.6%	69.4%		

Gross profit for Fiscal 2019 increased by $14.3 million compared to Fiscal 2018. The increase was primarily due to growth in our software and payments revenue as a result of increased Customer Locations using our platform and increased GTV processed through our platforms. An increase in support costs as a result of the additional Customer Locations as well as an increase in stock-based compensation costs and benefits resulted in gross margin remaining constant at approximately 69%.

Operating Expenses

General and Administrative

(In thousands of US dollars, except percentages)	Fiscal year ended March 31, 2019 $	2018 $	Change $	Change %
General and administrative	13,790	9,225	4,565	49.5
Percentage of total revenues	17.8%	16.2%		

General and administrative expenses for Fiscal 2019 increased by $4.6 million, or 50%, as compared to Fiscal 2018. In Fiscal 2019, an additional expense of $2.1 million was incurred from higher salaries and benefits, including an increase of $0.7 million in stock-based compensation and related payroll taxes, as we continued to scale our back-office operations with additional headcount in our finance, human resources, information technology and data departments. Overall, our back-office headcount increased by 21% to 92 employees from 76 employees in the prior period. In addition, professional fees increased by $1.0 million in connection with our Initial Public Offering in March 2019. The remaining increase was due to higher costs incurred as a result of the increased headcount. As a result of the above, our general and administrative expenses as a percentage of revenue increased from 16.2% in Fiscal 2018 to 17.8% in Fiscal 2019.

Research and Development

(In thousands of US dollars, except percentages)	Fiscal year ended March 31, 2019 $	2018 $	Change $	Change %
Research and development	18,283	13,295	4,988	37.5
Percentage of total revenues	23.6%	23.3%		

Research and development expenses for Fiscal 2019 increased by $5.0 million, or 37.5%, as compared to Fiscal 2018. The increase was primarily the result of $2.9 million increase in salary and benefits due to an increase in average headcount between Fiscal 2019 and Fiscal 2018 of 15%. The higher headcount also increased other employee costs by $1.2 million. In addition, tax credits decreased by $0.9 million in Fiscal 2019 as compared to Fiscal 2018 due to two years of tax credits accrued in Fiscal 2018 which reduced research and development expenses in that year. Our research and development costs as a percentage of revenue remained constant at approximately 23% in Fiscal 2018 and Fiscal 2019.

Sales and Marketing

(In thousands of US dollars, except percentages)	Fiscal year ended March 31, 2019 $	2018 $	Change $	Change %
Sales and marketing	39,043	33,228	5,815	17.5
Percentage of total revenues	50.4%	58.2%		

Sales and marketing expenses for Fiscal 2019 increased by $5.8 million or 17.5% as compared to Fiscal 2018 due to the addition of personnel to facilitate our growth. Approximately $3.4 million of the additional expense related to salaries and benefits, including an increase of $1.2 million in stock-based compensation and related payroll taxes. Between Fiscal 2018 and Fiscal 2019, our average headcount increased by 18% to 235 employees from 199 employees in the prior period. Other employee-driven costs such as corporate allocations, training, user licenses, and travel increased by $0.8 million as a result of the increased headcount. An additional $1.6 million in costs was incurred from the increase of conferences and training for our marketing teams as well as advertising, acquisition and growth spend. As a result of the scaling and efficiencies realized as our customer base continued to expand, our sales and marketing expenses as a percentage of revenue decreased from 58.2% to 50.4% from Fiscal 2018 to Fiscal 2019.

Depreciation of Property and Equipment

(In thousands of US dollars, except percentages)	Fiscal year ended March 31, 2019 $	2018 $	Change $	Change %
Depreciation of property and equipment	1,389	1,188	201	16.9
Percentage of total revenues	1.8%	2.1%		

Depreciation of property and equipment expenses for Fiscal 2019 increased by $0.2 million, or 16.9% as compared to Fiscal 2018. The increase in the depreciation expense results from additions to property and equipment made throughout the Fiscal year.

Foreign Exchange Loss (Gain)

(In thousands of US dollars, except percentages)	Fiscal year ended March 31, 2019 $	2018 $	Change $	Change %
Foreign exchange loss (gain)	987	(287)	1,274	443.9
Percentage of total revenues	1.3%	(0.5)%		

Foreign exchange loss for Fiscal 2019 was $1.0 million as compared to a gain of $0.3 million for Fiscal 2018. This was due to the weakening of current assets in U.S. dollar terms, in particular, cash held in Canadian dollars. Items included in our results are measured in the functional currency, which is the U.S. dollar, and foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or when items are re-measured at the end of the Fiscal period with resulting gains and losses subsequently being recognized.

Acquisition-related Compensation

(In thousands of US dollars, except percentages)	Fiscal year ended March 31, 2019 $	2018 $	Change $	Change %
Acquisition-related compensation	454	942	(488)	(51.8)
Percentage of total revenues	0.6%	1.7%		

Acquisition-related compensation expenses for Fiscal 2019 decreased by $0.5 million or 51.8% as compared to Fiscal 2018. We issued contingent equity instruments for our acquisition of SEOshop and these contingent equity instruments were not included in the total purchase consideration, but rather treated as an acquisition-related compensation expense for post-combination services received over a two-year period since the date of acquisition. The decrease was due to the two-year term of the contingent equity instruments issued for our acquisition of SEOshop. This term ended in Fiscal 2018. In addition, in Fiscal 2019, the Company again issued contingent equity instruments for the acquisition of ReUp, a provider of a cloud-based digital loyalty solutions. These contingent equity instruments were not included in the total purchase consideration, but rather were treated as an acquisition-related compensation expense for post-combination services to be received over a two-year period starting from the date of acquisition.

Amortization of Intangible Assets

(In thousands of US dollars, except percentages)	**Fiscal year ended March 31,**			
	2019 $	**2018 $**	**Change $**	**Change %**
Amortization of intangible assets	3,148	3,931	(783)	19.9
Percentage of total revenues	4.1%	6.9%		

Amortization of intangible assets for Fiscal 2019 decreased by $0.8 million or 19.9% as compared to Fiscal 2018. The decrease was primarily due to specific additions to intangible assets made in previous periods becoming fully amortized in Fiscal 2018. Additional acquisitions of intangible assets for Fiscal 2019 were lower than past periods, contributing to the decline in cost.

Fair Value Loss on Redeemable Preferred Shares

(In thousands of US dollars, except percentages)	**Fiscal year ended March 31,**			
	2019 $	**2018 $**	**Change $**	**Change %**
Fair value loss on Redeemable Preferred Shares	(191,219)	(59,985)	(131,234)	(218.8)
Percentage of total revenues	246.9%	(105.1)%		

Fair value loss on Redeemable Preferred Shares for Fiscal 2019 increased by $131.2 million or 219% as compared to Fiscal 2018. The increase was primarily due to the increase in fair value of the Common Shares as the Company approached its Initial Public Offering in March 2019, resulting in an increase in the loss on the Redeemable Preferred Shares in Fiscal 2019.

Income Taxes

(In thousands of US dollars, except percentages)	Fiscal year ended March 31, 2019 $	2018 $	Change $	Change %
Income tax expense (recovery)				
Current	59	113	(54)	(47.8)
Deferred	(30,788)	14,133	(44,921)	(317.8)
Total income tax expense (recovery)	(30,729)	14,246	(44,975)	(315.7)
Percentage of total revenues				
Current	0.1%	0.2%		
Deferred	(39.8)%	24.8%		
Total	(39.7)%	25.0%		

Deferred income tax expense (recovery) for Fiscal 2019 decreased by $44.9 million or 317.8% as compared to Fiscal 2018. The decrease was primarily due to the reversal of the balance of the Part VI.I tax given the conversion of the Redeemable Preferred Shares upon our Initial Public Offering.

Selected Annual Information

(In thousands of US dollars	Fiscal year ended March 31, 2019 $	2018 $	2017 $
Total revenues	77,451	57,079	42,612
Net loss and comprehensive loss	(183,525)	(96,179)	(58,404)
Loss per share – basic and diluted	(5.53)	(3.30)	(2.02)
Total assets	255,811	64,025	55,451
Total long-term liabilities	10,510	295,278	203,068

See “Results of Operations” in this MD&A for a more detailed discussion of the year-over-year changes in revenues and net loss and comprehensive loss.

Total Assets

Fiscal 2019 Compared to Fiscal 2018

Total assets increased $191.8 million or 300% from Fiscal 2018 to Fiscal 2019, with cash accounting for $183.1 million of the increase, accounts receivable accounting for $1.3 million of the increase, commission assets accounting for $6.7 million of the increase, goodwill from the ReUp acquisition accounting for $2.0 million of the increase, property and equipment accounting for $0.6 million of the increase, offset by a decrease in prepaid expenses of $0.3 million and a decrease in intangible assets of $1.5 million due to amortization. The proceeds from our Initial Public Offering net of issuance costs accounted for the increase in cash.

Fiscal 2018 Compared to Fiscal 2017

Total assets increased $8.6 million or 16% from Fiscal 2017 to Fiscal 2018, with cash accounting for $9.3 million of the increase, offset by a decrease in intangible assets of $3.4 million due to amortization. The Class E preferred share issuance and proceeds received from exercise of stock options under our Legacy Option Plans contributed to the increase in cash. Accounts receivable increased by $2.8 million from Fiscal 2017 to Fiscal 2018 reflecting growth in revenue and also due to an increase in the research and development tax credits receivables of $1.1 million. These tax credits receivables are the estimated refunds we anticipate receiving as a result of research and development that is considered qualified for tax credits.

Total Long-Term Liabilities

Fiscal 2019 Compared to Fiscal 2018

Total long-term liabilities decreased $284.8 million or 96.4% from Fiscal 2018 to Fiscal 2019. The main drivers of the decrease was the conversion of the Redeemable Preferred Shares which had a carrying value of $250.9 million at the end of Fiscal 2018 into Common Shares, the decrease in deferred tax liabilities of $30.2 million and the decrease in long-term portion of deferred revenue of $3.8 million. The decrease in deferred tax liabilities is due to the reversal of the balance of the Part VI.I tax given the conversion of the Redeemable Preferred Shares upon our Initial Public Offering. The decrease of deferred revenue was due to the shorter durations of our contracts in general which increased the short-term portion of deferred revenue and decreased the long-term portion of deferred revenue versus Fiscal 2018.

Fiscal 2018 Compared to Fiscal 2017

Total long-term liabilities increased $92.2 million or 45% from Fiscal 2017 to Fiscal 2018. The main drivers of the increase were the increase in the fair value of Redeemable Preferred Shares of $80.2 million and the increase in deferred tax liabilities of $14.0 million, offset by a decrease in long-term portion of deferred revenue of $2.1 million. The increase in deferred tax liabilities is due to the increase in loss on fair value of Redeemable Preferred Shares in Fiscal 2018 creating a larger Part VI.I tax balance according to the Tax Act. The decrease of deferred revenue was due to the shorter durations of our contracts in general which increased the short-term portion of deferred revenue and decreased the long-term portion of deferred revenue vs Fiscal 2017.

Quarterly Results of Operations

The following table sets forth selected unaudited quarterly statements of operations data for each of the eight quarters ended March 31, 2019. This data should be read in conjunction with our audited annual consolidated financial statements and the notes related thereto. These quarterly operating results are not necessarily indicative of our operating results for a full year or any future period.

	Three months ended							
(In thousands of US dollars, except per share data)	**Jun. 30, 2017 $**	**Sept. 30, 2017 $**	**Dec. 31, 2017 $**	**Mar. 31, 2018 $**	**Jun. 30, 2018 $**	**Sept. 30, 2018 $**	**Dec. 31, 2018 $**	**Mar. 31, 2019 $**
Revenues	12,801	13,602	14,988	15,688	17,471	18,598	20,097	21,285
Direct cost of revenues	4,156	3,982	4,499	4,842	5,390	5,251	5,970	6,962
Gross profit	8,645	9,620	10,489	10,846	12,081	13,347	14,127	14,323
Operating expenses								
General and administrative	2,038	2,075	2,589	2,523	2,644	2,910	3,443	4,793
Research and development	3,371	3,037	3,067	3,820	4,184	4,024	5,001	5,074
Sales and marketing	7,693	8,087	8,186	9,262	8,647	9,039	9,995	11,362
Depreciation of property and equipment	282	258	297	351	272	324	378	415
Foreign exchange loss (gain)	(119)	(153)	16	(31)	119	(9)	240	637
Acquisition-related compensation	604	338	-	-	-	108	158	188
Amortization of intangible assets	1,003	1,031	943	954	980	875	644	649
Total operating expenses	14,872	14,673	15,098	16,879	16,846	17,271	19,859	23,118
Operating loss	(6,227)	(5,053)	(4,609)	(6,033)	(4,765)	(3,924)	(5,732)	(8,795)
Fair value loss on Redeemable Preferred Shares	(5,565)	(30,758)	(19,018)	(4,644)	(2,952)	(3,643)	(52,489)	(132,135)
Interest income (expense)	9	8	(36)	(7)	58	33	9	81
Loss before income taxes	(11,783)	(35,803)	(23,663)	(10,684)	(7,659)	(7,534)	(58,212)	(140,849)
Income tax expense (recovery)								
Current	17	18	60	18	(5)	-	-	64
Deferred	1,170	7,476	4,501	986	471	662	12,916	(44,837)
Total income tax expense (recovery)	1,187	7,494	4,561	1,004	466	662	12,916	(44,773)
Net loss and comprehensive loss	(12,970)	(43,297)	(28,224)	(11,688)	(8,125)	(8,196)	(71,128)	(96,076)
Loss per share – Basic and diluted	(0.45)	(1.48)	(0.97)	(0.40)	(0.28)	(0.27)	(2.37)	(2.21)

Revenues

Our total quarterly revenue increased in all periods presented due primarily to increased sales to existing and new customers. The increase in total revenue was due to increases in subscription revenue and payment referral fees as well as additional hardware sales. The number of Customer Locations using our platform and the GTV processed through our platforms have both exhibited increases over the cumulative period evidencing their increased usage and adoption.

Direct Cost of Revenues

Our total quarterly costs of revenue increased sequentially for all periods presented except for the two quarters ended September 30, 2017 and September 30, 2018. The aggregate increase was primarily due to increased costs associated with supporting a greater number of Customer Locations utilizing our platform.

Gross Profit

Our total quarterly gross profit increased sequentially for all periods presented due primarily to increased sales to existing and new customers.

Operating Expenses

Total operating expenses generally increased sequentially for each period presented except for the three quarters ended June 30, 2017, September 30, 2017 and June 30, 2018. The aggregate increase was primarily due to the additional resources such as headcount required to support our expanding base of Customer Locations as well as higher sales and marketing expenses required to attract additional customers to our platform.

Liquidity and Capital Resources

Overview

The general objectives of our capital management strategy reside in the preservation of our capacity to continue operating, in providing benefits to our stakeholders and in providing an adequate return on investment to our shareholders by selling our services at a price commensurate with the level of operating risk assumed by us.

We thus determine the total amount of capital required consistent with risk levels. This capital structure is adjusted on a timely basis depending on changes in the economic environment and risks of the underlying assets. We are not subject to any externally imposed capital requirements.

Working Capital

Our primary source of cash flow is from raising capital totaling $272.2 million, net of issuance costs, since Fiscal 2016. Our approach to managing liquidity is to ensure, to the extent possible, that we always have sufficient liquidity to meet our liabilities as they become due. We do so by monitoring cash flow and performing budget-to-actual analysis on a regular basis. In addition to the cash balances, since April 2, 2019, we have a $55 million credit facility available to be drawn to meet ongoing working capital requirements. Our principal cash requirements are for working capital and acquisitions we may execute. Working capital surplus as at March 31, 2019 was $173.0 million. Excluding the short-term portion of deferred revenue of $32.3 million, our working capital as at March 31, 2019 is $205.3 million. Given our existing cash and credit facilities, along with proceeds obtained from our Initial Public Offering, we believe there is sufficient liquidity to meet our current and short-term financial obligations.

Cash Flows

The following table presents cash and cash equivalents as at March 31, 2019 and 2018, and cash flows from operating, investing, and financing activities for Fiscal 2019 and Fiscal 2018:

	Fiscal year ended March 31,		Three months ended March 31,	
(In thousands of US dollars)	**2019 $**	**2018 $**	**2019 $**	**2018 $**
Cash and cash equivalents	207,703	24,651	207,703	24,651
Net cash provided by (used in)				
Operating activities	(7,556)	(10,023)	(238)	(926)
Investing activities	(3,419)	(1,479)	(802)	(61)
Financing activities	194,919	20,490	194,623	89
Effect of foreign exchange on cash and cash equivalents	(892)	354	(752)	78
Net increase (decrease) in cash and cash equivalents	183,052	9,342	192,831	(820)

Cash Flows Used in Operating Activities

Cash flows used in operating activities for Fiscal 2019 were $7.6 million compared to $10.0 million for Fiscal 2018. Excluding costs associated with our Initial Public Offering, cash flows used in operating activities were $6.9 million in Fiscal 2019. Cash flows used for operations were lower in Fiscal 2019 due primarily to $2.9 million more cash generated from working capital than in the prior year.

Cash Flows Used in Investing Activities

Cash flows used in investing activities for Fiscal 2019 were $3.4 million compared to $1.5 million for Fiscal 2018. The increase in cash outflows for investing activities of $1.9 million was mainly due to an increase in additions to property and equipment of $1.1 million as well as an increase of $1.1 million relating to the acquisition of ReUp for total proceeds of $4.2 million, $1.1 million of which was cash.

Cash Flows from Financing Activities

Cash flows from financing activities for Fiscal 2019 was $194.9 million compared to $20.5 million for Fiscal 2018. The increase in cash inflows from financing activities of $174.4 million was due to the closing of our Initial Public Offering on March 15, 2019 which yielded proceeds of $193.8 million net of issuance costs. In addition, cash flows from financing activities include $0.6 million of proceeds from exercise of stock options under our stock option plans offset by $0.8 million in cash outflow from the repurchase of Common Shares from a shareholder.

Recent Developments

Chronogolf

On May 9, 2019, the Company acquired all of the outstanding shares of Chronogolf Inc., a long-standing partner of the Company that leverages Lightspeed's retail and restaurant platform within its comprehensive golf course management platform that also includes booking and membership capabilities with $9,323 being paid in cash and 50,199 Common Shares, at a value of $18.23 per share, which were issued on the closing of the sale. An additional $1,483 is payable if certain milestones are achieved by December 31, 2019, along with the issuance of 50,198 additional Common Shares and cash of $1,018 to be paid over two years, both of which are contingent upon key employees' continued employment with the Company. Additional cash may be paid to (or returned to) the Company due to a post-closing working capital adjustment. The accounting for this acquisition has not yet been finalised and certain IFRS 3 disclosures have not been included due to the timing of the acquisition. We do not expect this acquisition to have a material effect on our financial condition, financial performance or cash flows.

Credit Facility

On April 2, 2019, the Company entered into new credit facilities with the Canadian Imperial Bank of Commerce ("CIBC"), which include a $25,000 demand revolving operating credit facility (the "Revolver") and a $30,000 stand-by acquisition term loan (the "Acquisition Facility", and together with the Revolver, the "New Credit Facilities"). The New Credit Facilities replace the previous $15,000 working capital line of credit granted to the Company by Silicon Valley Bank. The Acquisition Facility will be available for draw up to 24 months and will mature 60 months after the initial drawdown under the Acquisition Facility. The Revolver will be available for draw at any time during the term of the New Credit Facilities.

Contractual Obligations

We have contractual obligations with a variety of expiration dates. The table below outlines our contractual obligations as at March 31, 2019:

	Payments due by period				
(In thousands of US dollars)	**< 1 Year**	**1 to 3 Years**	**4 to 5 Years**	**>5 Years**	**Total**
Accounts payable and accrued liabilities	16,183	-	-	-	16,183
Other long-term liabilities	-	582	-	-	582
Operating lease obligations	2,995	4,500	4,373	2,930	14,798
Total contractual obligations	19,178	5,082	4,373	2,930	31,563

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements, other than operating leases disclosed above under "Contractual Obligations". From time to time, we may be contingently liable with respect to litigation and claims that arise in the normal course of operations.

Related Party Transactions

We have no related party transactions, other than those noted in our consolidated financial statements. The executive compensation expense for the top five key management personnel is as follows for Fiscal 2019 and Fiscal 2018:

	Fiscal year ended March 31,	
(In thousands of US dollars)	**2019** **$**	**2018** **$**
Short-term employee benefits and other benefits	1,892	1,783
Stock-based payments	1,288	735
Total compensation paid to key management personnel	3,180	2,518

Share Repurchase and Cancellation

For Fiscal 2019, there was no related party rental expense with one of our former investors under operating leases compared to $0.4 million in Fiscal 2018.

Pursuant to separate agreements reached in 2014 and 2016 between the Company, its CEO and his holding company, DHIDasilva Holdings Inc. ("DHI"), for the benefit of the Company's other shareholders, the Company's CEO agreed to absorb from his own shareholdings, in the case of the first agreement, 60% of the dilutive impact of an increase in the number of shares issuable under the Company's stock option plan, and in the case of the second agreement, the full dilutive impact of option grants to certain executives. In the case of the first agreement, the dilutive impact of the increase was to be absorbed upon exercise of a specified number of options by the Company's stock option plan participants through the repurchase by the Company for nominal consideration of options and shares held beneficially by the Company's CEO. In the case of the second agreement, the dilutive impact of the increase was to be absorbed upon the exercise of the specific options granted to the key executives through the repurchase by the Company of shares held beneficially by the Company's CEO for an amount equal to the aggregate exercise price of the specific options being exercised.

These arrangements were unwound on March 7, 2019 when the agreements were cancelled and the Company acquired 966,651 Common Shares in the capital of the Company and 10,928 options to purchase Common Shares in the capital of the Company from DHI for total cash process of $792. The Company also agreed to indemnify DHI for certain costs, including taxes, in connection with such transaction. The Common Shares acquired from DHI were cancelled on such same date in order to give effect to the intent of the cancelled agreements.

Financial Instruments and Other Instruments

Credit and Concentration Risk

Generally, the carrying amount in our consolidated statement of financial position exposed to credit risk, net of any applicable provisions for losses, represents the maximum amount exposed to credit risk.

Our credit risk is primarily attributable to our cash and cash equivalents and trade accounts receivable. We do not require guarantees from our customers. Credit risk with respect to cash and cash equivalents is managed by maintaining balances only with high credit quality financial institutions.

Due to our diverse customer base, there is no particular concentration of credit risk related to our trade accounts receivable. Moreover, balances for trade accounts receivable are managed and analyzed on an ongoing basis to ensure allowances for doubtful accounts, which are established and maintained at an appropriate amount.

We maintain a provision for impairment of a portion of trade receivables when collection becomes doubtful. We estimate anticipated losses from doubtful accounts based upon the expected collectability of all accounts receivable, which estimate takes into account the number of days past due, collection history, identification of specific customer exposure and current economic trends. An impairment loss on trade receivables is calculated as the difference between the carrying amount and the present value of the estimated future cash flow. Impairment losses are charged to general and administrative expense in the consolidated statements of loss and comprehensive loss. Receivables for which an impairment provision was recognized are written off against the corresponding provision when it is deemed uncollectible. As at April 1, 2018, impairment losses for trade receivables has been calculated based on the expected credit losses model instead of historical collection evidence as under the previous standards.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. We do not hold any collateral as security.

Foreign Currency Exchange Risk

We are exposed to currency risk due to financial instruments denominated in foreign currencies. The following table provides a summary of our exposure to the Canadian dollar, the Euro, the British pound sterling and the Australian dollar, expressed in thousands of U.S. dollars:

2019	**CAD** **$**	**EUR** **$**	**GBP** **$**	**AUD** **$**	**Total** **$**
Cash and cash equivalents	194,978	1,865	547	2	197,392
Accounts receivable	102	1,705	98	11	1,916
Accounts payable and accrued liabilities	(8,250)	(3,584)	(431)	-	(12,265)
Long-term debt	(98)	(94)	-	-	(192)
Net financial position exposure	186,732	(108)	214	13	186,851

2018	CAD $	EUR $	GBP $	AUD $	Total $
Cash and cash equivalents	606	883	240	1	1,730
Accounts receivable	960	1,637	179	17	2,793
Accounts payable and accrued liabilities	(4,353)	(3,161)	(413)	(22)	(7,949)
Long-term debt	(38)	(10)	-	-	(48)
Net financial position exposure	(2,825)	(651)	6	(4)	(3,474)

We have not generally entered into arrangements to hedge our exposure to currency risk.

Share price risk

Share price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in the fair value of the Company's ordinary share price. The Company's exposure to this risk relates primarily to the outstanding options and accrued payroll taxes on stock-based compensation.

Other share price risk

Accrued payroll taxes on stock-based compensation are payroll taxes associated with share-based compensation that we are subject to in various countries in which we operate. Payroll taxes are accrued at each reporting period based on the number of vested stock options and awards outstanding, the exercise price, and the Company's share price. An increase in share price will increase the accrued expense for payroll taxes, and when the share price decreases, the accrued expense will become a reduction in payroll tax expense, all other things being equal, including the number of vested stock options and exercise price remaining constant.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We review these estimates on an ongoing basis based on management's best knowledge of current events and actions that we may undertake in the future. Actual results could differ from these estimates. Areas requiring the most significant estimates and judgments are outlined below. Management has determined that we operate in a single operating and reportable segment.

Revenue Recognition

Our main sources of revenue are subscriptions for our platform as well as subscriptions and licenses from our legacy product. In addition, we generate revenue from our apps and themes marketplace, payment residuals, Lightspeed Payments, lead generation fees, professional services and the sale of hardware.

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of our Company's activities.

We determine whether revenue should be recognized based on the gross amount billed to a customer or the net amount retained. This determination is a matter of judgment that depends on the facts and circumstances of each arrangement.

As of April 1, 2018, we implemented the new revenue standard which requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Software and Payments Revenue

We recognize revenue for our software subscriptions ratably over the contract term, primarily commencing with the date the services are made available to customers.

Revenues for sales of software licences begin to be recognized on the date that our services are made available to the merchant. Support fees are typically paid in advance and are recognized on a straight-line basis over the term of the contract.

Payment Residuals and Lead Generation Fees

We recognize revenue we receive from third party vendors on a net basis, whereby only the portion of revenues that we receive (or that is due) from the counterparty is recognized. These revenues are recognized at a point in time when they are due from third party vendors.

Lightspeed Payments

We recognize revenue from Lightspeed Payments at a point in time at the time of the transaction, on a gross basis as we have determined we are the principal in the arrangement.

Apps & Themes

We recognize revenues from the sale of separately priced Apps & Themes ratably over time, over the contractual term. We recognize revenue from the sales of Apps & Themes on a net basis, as it has been determined that we are the agent in the arrangement with merchants.

Hardware

Hardware equipment revenues are recognized on a gross basis at a point in time, based on the receipt of the goods by the customer in accordance with the shipping terms.

Professional Services

Most professional services are sold on a time-and-materials basis. Consulting engagements can last anywhere from one day to several weeks and are based strictly on the customer's requirements. Our software, as delivered, can typically be used by the customer. Our professional services are generally not essential to the functionality of our software, as delivered. For services performed on a time and materials basis, revenues are recognized as the services are delivered.

Recoverability of Deferred Tax Assets and Current and Deferred Income Taxes and Tax Credits

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. We establish provisions based on reasonable estimates for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred income tax assets are recognized for unused tax losses and deductible temporary differences to the extent it is probable that taxable income will be available against which the losses and deductible temporary differences can be utilized. Management's judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and the level of future taxable income together with future tax planning strategies.

Share-Based Payments

We measure the cost of equity-settled transactions with employees by reference to the fair value of the related instruments at the date at which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant, which depends on the terms and conditions of the grant. This also requires making assumptions and determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield.

Financial Instruments

Effective April 1, 2018, we adopted IFRS 9 using the modified retrospective approach. The impact of the new standard led to a decrease in the loss allowance of $557. There was no other material impact on our consolidated financial statements.

Fair Value of Redeemable Preferred Shares

The fair value evaluation of the embedded financial derivative liability is based on numerous assumptions and estimates that may have a significant impact on the amount recognized as a financial liability. The impact of material changes in assumptions and the review of estimates is recognized in profit or loss in the period in which the changes occur or the estimates are reviewed, as required. The fair value of Redeemable Preferred Shares recognized in the consolidated balance sheet has been determined using a discounted cash flow (DCF) approach in order to determine the fair market value of our enterprise value. The DCF approach is considered to be appropriate when valuing a business where significant fluctuations in the future earnings or discretionary cash flow are expected or where historical/current operating results are not considered to be representative of our future earnings capacity. A discount rate of 23.0% to 25.0% was used in the DCF approach.

Business Combinations and Impairment of Non-financial Assets

Business combinations are accounted for in accordance with the acquisition method. The consideration transferred and the acquiree's identifiable assets, liabilities and contingent liabilities are measured at their fair value. We develop the fair value internally by using appropriate valuation techniques, which are generally based on a forecast of the total expected future net discounted cash flows. These evaluations are linked closely to the assumptions made by management regarding the future performance of the related assets and the discount rate. Contingent consideration is measured at fair value using a discounted cash flow model.

Our impairment test for goodwill is based on internal estimates of fair value less costs of disposal calculations and uses valuation models such as the discounted cash flows model. Key assumptions on which management has based its determination of fair value less costs of disposal include estimated growth rates, discount rates and tax rates. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment.

Whenever property and equipment and intangible assets are tested for impairment, the determination of the assets' recoverable amount involves the use of estimates by management and can have a material impact on the respective values and ultimately the amount of any impairment.

Provisions

We have recorded provisions to cover cost exposures that could materialize in future periods. In determining the amount of the provisions, assumptions and estimates are made in relation to discount rates and the expected cost to settle such liabilities.

Recently Issued Accounting Standards Not Yet Adopted

From time to time, new accounting pronouncements are issued by the International Accounting Standards Board ("IASB") or other standards-setting bodies, and are adopted as of the specified effective date.

IFRS 16 – Leases

In January 2016, the IASB released IFRS 16. The new standard, which represents a major revision of the way in which companies account for leases, sets out the principles that both parties to a contract, i.e. the customer (lessee) and the supplier (lessor), apply to provide relevant information about leases in a manner that faithfully represents those transactions. To meet this objective, a lessee is required to recognize assets and liabilities arising from a lease, following a single model, where previously leases were classified as either finance leases or operating leases. Most leases will be recognized on our consolidated balance sheet. Certain exemptions will apply for short-term leases and leases of low-value assets.

On April 1, 2019, we will adopt IFRS 16 using the modified retrospective approach and recognize the cumulative effect of initially applying the standard as an adjustment to accumulated deficit. We intend to elect the available practical expedients on adoption. Although we are in the process of evaluating the impact of adoption on our consolidated financial statements, we currently believe the most significant change will be related to the recognition of right-of-use assets and lease liabilities on the consolidated statement of financial position for real estate operating leases, along with the net impact on transition recorded to accumulated deficit, and deferred tax assets, potentially unrecognized, resulting from the aforementioned changes. Our consolidated statements of loss and comprehensive loss after adoption will reflect additional amortization expense due to the right-of use assets and an increase in finance costs for effective interest expense on its lease liabilities and be partially offset by a reduction in rent expense.

There will be no impact to the overall statement of cash flows. However, operating cash flows will be positively impacted, while financing cash flows will be negatively impacted due primarily to the classification of principal payments on its lease liabilities. We will also be required to disclose additional qualitative and quantitative disclosures as required by the standard within its post adoption interim and annual financial statements.

Capital Changes

The Company completed the closing of its IPO on March 15, 2019.

Effective March 15, 2019, immediately prior to the completion of the Company's IPO, all classes of Redeemable Preferred Shares were converted into Common Shares on a one-for-one basis.

As approved in a special meeting of the shareholders on March 5, 2019, immediately preceding the IPO, the Company (i) filed articles of amendment to, among other things, (a) reclassified the Company's Common Shares as subordinate voting shares, (b) amended the rights, privileges and conditions of the subordinate voting shares, (c) cancelled all the authorized but unissued Class B Preferred Shares, Class C Preferred Shares, Class D Preferred Shares and Class E Preferred Shares, (d) created an unlimited number of multiple voting shares, and an unlimited number of preferred shares issuable in one or more series, and (e) consolidated the issued and outstanding subordinate voting shares on a 4-for-1 basis, and (ii) entered into a share exchange agreement with DHI, pursuant to which 16,052,445 multiple voting shares were issued to DHI in exchange for an equivalent number of subordinate voting shares held by DHI. The Capital Reorganization was completed on March 15, 2019.

As a result of the 4-for-1 share consolidation, the historical per share amounts presented in the consolidated financial statements have been retroactively adjusted to reflect this change.

On March 15, 2019, the Company completed an IPO and issued 17,250,000 subordinate voting shares for a total gross consideration of $207,547, including 2,250,000 subordinate voting shares issued upon the exercise of the underwriters' over-allotment option which accounted for total gross consideration of $27,071. Share issuance costs amounted to $13,773.

Outstanding Share Information

Lightspeed is a publicly traded company listed on the Toronto Stock Exchange (TSX: LSPD). Our 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, of which 67,749,964 subordinate voting shares, 16,052,445 multiple voting shares and no preferred shares were issued and outstanding as of May 28, 2019.

As of May 28, 2019, there were 5,338,638 options outstanding under the Company's amended and restated 2012 stock option plan (of which 2,084,053 were vested as of such date), 253,931 options outstanding under the Company's amended and restated 2016 stock option plan (of which 216,691 were vested as of such date), and 350,346 options outstanding under the Company's omnibus incentive plan (of which 0 were vested as of such date). Each such option is or will become exercisable for one subordinate voting share.

As of May 28, 2019, there were 98,903 warrants outstanding, 37,500 of which are exercisable at a price of $4.00 per subordinate voting share and 61,403 of which are exercisable at a price of $3.795732 per subordinate voting share. Each warrant is exercisable for one subordinate voting share. The warrants have not been exercised as of the date hereof.

As of May 28, 2019, there were 646 DSUs outstanding under the Company's omnibus incentive plan. Each such DSU will, upon the holder thereof ceasing to be a director, executive officer, employee or consultant of the Company in accordance with the omnibus incentive plan, be settled at the discretion of the board through (a) the delivery of shares issued from treasury or purchased on the open market, (b) cash, or (c) a combination of cash and shares.

Controls and Procedures

As a result of the Company's IPO in Fiscal 2019, the Company is exempt from representations relating to the establishment and maintenance of disclosures controls and procedures (DC&P) and internal controls over financial reporting (ICFR), as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109).

In particular, the certifying officers filing the certificates required under NI 52-109 are not making any representations relating to the establishment and maintenance of:

i. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii. a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP.

In accordance with securities legislations, the Company will begin making the required representations in the first quarter of Fiscal 2020.