
Case Study

LML Payment Systems, Inc. (LMLP)

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Business

- LML Payment Systems, Inc. is a Vancouver, British Columbia based company involved in electronic payment processing, check processing, and patent licensing
- The check processing division is profitable but slowly shrinking
- The core business, electronic payment processing, is growing revenue at approximately 30% year-over-year and expected to continue growing as E-Commerce in the \$1 Trillion retail segment develops further
- The patent licensing division has been successful in raising approximately \$47 Million in settlements over the past few year for patent infringement among notable financial institutions
- The business had a market cap of approximately \$45 Million with \$31 Million in net cash
- The business is currently engaged in product development to further expand technology offerings and better facilitate card-not-present financial transactions

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People

- Insiders held over 31% of outstanding shares- significant “skin in the game”
- Management had been with the firm since inception- a lot of “sweat equity”
- Exceedingly conservative leadership maintains a clean, sturdy balance sheet
 - Has made careful acquisitions
 - Has been picky in determining trustworthy merchants to do business with
- Head of the class in their fields of expertise
- Have met the approval of and do significant business with well-known entities such as TD Bank, Scotia Bank (2nd and 3rd largest banks in Canada) Best Buy, and Disney

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Price

- Initiated the position in September of 2011 at an average price of \$2.30 per share with a conservative price target of \$3.50
- Dollar-cost-averaged to a basis of approximately \$1.90 per share. Company was acquired in January 2013 for \$3.45
- We work with management closely on strategies to realize the intrinsic value of the business while maintaining a strong balance sheet. We proposed a sale, share buybacks, one time dividend to shareholders

