

Scott Miller, Founder of Greenhaven Road Capital, and Savneet Singh, President and CEO of PAR Technology (NYSE: PAR), joined members for a fireside chat at Latticework on December 15, 2021.

Scott and Savneet explored the topic, “Spotting Winners in Tomorrow’s Enterprise Software Ecosystem”. Savneet talked about the evolution, business model, and strategy of PAR Technology.

This conversation is available as an episode of “Gain Industry Insights” and “Discover Great Ideas”, member podcasts of MOI Global. (Learn [how to access](#).)

The following transcript has been edited for space and clarity.

John Mihaljevic: Welcome all to this live session at Latticework 2021. It is a great pleasure to welcome Scott Miller, founder of Greenhaven Road Capital, and Savneet Singh, president and CEO of PAR Technology.

Scott is somebody I admire and have had the opportunity to get to know over the years. In my book, he is a model of how to succeed in business and investing. Scott, the firm you founded and the letters I read periodically show why a lot of emerging managers and capital allocators gravitate toward you – it’s because you make sure everyone gets value from their interactions with you.

Greenhaven Road Capital is a boutique investment partnership that seeks off-the-beaten path investments modeled after the early Buffett partnerships. It’s built on a belief that a focused investment manager can outperform an index by limiting fund capacity and concentrating exposure on a few great ideas over the long-term time horizon.

Scott has experience as an owner-operator himself. He co-founded Acelero Learning and grew that company before switching his focus to investing. He has an MBA and a master’s in education from Stanford University.

Today’s guest is a great case study and example of Scott’s investment approach. Scott, I will turn it over to you to set the stage and take it away with this fireside chat.

Scott Miller: Thanks, John. Let me start by saying that you do a great job with Manual of Ideas. A lot of investors are sprinkled around the world, and they’re hard to connect with, so this is an excellent forum for convening people and teasing out thoughts and ideas.

Getting to this session with Savneet Singh, full disclosure: Greenhaven Road is a shareholder in PAR Technology. We have some frameworks that I talk about in my letters about making jockey bets and having this notion of Fight Club. We’re investing in people managing assets versus assets managed by people, and one of the more flexible thinkers out there, one of the jockeys we have bet on is Savneet Singh.

I have more of an operating background than many fund managers, and I think you,

Savneet, have more of an investing background than many CEOs. Do you want to set the context, give a bit of your background and maybe hit some finance-related pieces and ways to help us get into this investing conversation?

Savneet Singh: I started my career in a very traditional finance path. I spent two years doing investment banking at Morgan Stanley and then worked at a large hedge fund because I had this dream of learning to invest like Warren Buffett. No disrespect to Scott and all the amazing entrepreneurs out there, but I realized that wasn't the place to learn to be Warren Buffett. I had always had a strong entrepreneurial bug, so I left and started a company in the financial technology space. It was an incredible experience. I did it for seven and a half years, learning how hard it is to be an operator but also how rewarding it is to get it right and to win.

After that experience, I left and went on a journey of trying to build a set of investment businesses. Early on, I had observed the power of great software businesses. I had seen that once you build a great product and integrate it into large organizations, you're building businesses with gigantic moats. My favorite line has always been, "If Warren Buffett was 30, this is all he'd be looking at."

I said, "If you were going to envision the next Berkshire Hathaway, you'd probably think about building it around great enterprise software businesses, so let's go try to find that," except our angle was to find growth assets. This comes back to the foundation of your question, which is we were operators in nature. We didn't want to be merely passive allocators. We wanted to have some operating influence. Thus, we went on this journey. It's a very long story, but we stumbled on PAR. Originally, we tried to carve an asset out of PAR. Later, I stumbled my way onto the board and eight months after that, I ended up becoming the CEO. It's one of those things you couldn't have predicted. It wasn't meant to be that way, but it turned out that PAR was the asset we wanted to build into our little mini-Berkshire Hathaway. We're focused on serving one constituent, which is restaurants.

Miller: Can you tell us a bit about what PAR does?

Singh: The company was founded 54 years ago as a defense contractor selling IT services to the DOD. Think of it as data scientists before they were called data scientists. In 1978, the founders of PAR invented the point-of-sale terminal because the mother of one of them was a McDonald's franchisee. Two years after they invented it, McDonald's adopted it as an approved system to be sold within McDonald's. Maybe more interesting, the company mandated in 1982 that if you were running a McDonald's, you had to run on a PAR system. On that news, PAR went public. It took off in the next five or six years as restaurants moved from cash registers to point-of-sale systems.

Unfortunately, in the subsequent 25 or 30 years, the company went the wrong way. It was primarily because it missed out on building and shipping software. As customers started realizing that it wasn't the device in the store that mattered but the software inside that helps you run your operations, they would buy the software from third parties and then bundle it onto PAR hardware. Thus, PAR got stuck as this cyclical hardware and services company while Oracle's MICROS, Aloha, and other amazing software products grew quickly

and built the higher-quality model.

To rectify that, PAR bought a small SaaS product called Brink. The way to think about this is that Toast and Square and these amazing businesses were built to re-envision how you ran your small restaurant. All of us have been to a coffee shop and had that Square experience. You see how easy it is on the consumer side. What we don't see is how amazing it is on the operator side. It's a "wow" experience if you're working at that restaurant and upgrade to a modern software product.

Brink was that version for the enterprise restaurant, which is incredibly complicated and much harder. When PAR bought the business, the idea was that the same innovation, the same technology revolution happening in small coffee shops and small restaurants is going to happen in enterprise. That was the rocket ship PAR attached its future to. Since then, we've grown a lot. Today, we have gone from a company that sold point-of-sale systems to being the fastest-growing and certainly the largest pure cloud operating enterprise in the space of restaurants, and we also have a back-office product.

The way we'd like to think about PAR is we're giving you a platform to run your enterprise restaurant. We are absolutely the wrong solution if you're a single-store restaurant, but, if you're an Arby's or a Five Guys, we are the platform you want to run your restaurant.

Miller: Can you parse that out a bit? You're in restaurant technology, like Toast, and then you're making the distinction between SMB and enterprise. What are some of the actual nuance differences there?

Singh: The way to think about the distinction between SMB and enterprise is that if you run a single-store restaurant, your needs are literally defined by the four walls of your establishment. If you've got one store, you don't need a great loyalty app, right? Your people are coming in because they come to that one store. You don't need modern labor software, and you certainly don't need a robust online ordering system. You can literally use anything off the shelf. You don't have a massive supplier network, massive supplier software, franchisees, and reporting systems. You're not using Snowflake or mParticle. You're literally a single-store operator.

Compare that to running Arby's and think about all the stuff that runs through an Arby's. The way I mentally frame it is you've got everything I just described happening in the store, but then you've got franchisees, cybersecurity rules, and 20 different pieces of reporting software. It's an incredibly challenged way to look at a system.

The way we think of Brink - our core product - is that it's a great product to run your in-store operations, and that's relatively similar to what a Toast or a Square would do. You've got to process transactions and push that data out to all sorts of systems. You also have the above store functionality, which is everything you need for franchisees, suppliers, and all that comes outside the store. Then we have a third module called integrations, which is all the entry points to an enterprise restaurant that you wouldn't have in a small business. That can be everything from your drive-thru to something more complex like the robotic delivery services some of our chains are testing out. The work to service enterprise is 5 to 10 times

more than it is to service a small restaurant.

Miller: I think it's implied in all of this that churn is lower. For you guys, it should be.

Singh: Of course. People always say, "You know restaurants are crappy businesses, right?" I always reply, "They are, but franchised restaurants are amazing businesses." These QSR chains are truly incredible businesses. They are capital-light. The returns on capital are super high. Part of the reason we chose this vertical to be in was we knew the end market was very strong. I think that was a little misunderstood. The churn in the enterprise market is extremely low. Our churn is low single digits every year because the business is the same business, and it is extremely hard to rip it out. Not to sound terrible, Scott, but when I was looking at software stocks back in the day, I would say, "I'd rather buy a basket of the lowest NPS stocks than high NPS stocks." That's because if you're around and you're growing as a low NPS product, it simply means you're stuck, and the opportunity is so high. PAR was a bit like that.

Miller: Enterprise versus SMB has these implications for churn. It has implications for different products you can integrate with, but also the competitive landscape, right? Most of us have seen and interacted with Toast. That hasn't historically been the primary competitor. What are your primary competitors?

Singh: Let me add one thing to what you said. There are product differences we just described, which is you're serving so many more constituents when you're an enterprise product. There are also business model differences. How we go to market is dramatically different. Our sales cycles are a year or a year and a half. When you're selling down market, you can sell something on Instagram, ship them the software and the point-of-sale terminal, and they're up and running. Their go-to-market is different. The pricing is different. I look at it as almost completely different end markets as you evolve down the road.

Our first sale to the enterprise customer is relatively small. We're selling them point-of-sale software. That product is \$2,000, \$2,100, and sometimes \$2,500 a year, and that's all we charge. From there, over time, we'll upsell them loyalty. Eventually, we'll upsell them online ordering, and we'll move up that stack of more extremely sticky products. On that first sale in down market, you're bundling point-of-sale, probably bundling online ordering, bundling payments, you might bundle labor, and you get a big sale upfront.

Early on, the CAC to LTV in down market looks incredible, which is why venture capital ran to it. It's like, "Wow! You can bundle \$10,000 a year software to a small restaurant. You can only do \$2,000 to that enterprise restaurant up market." Over time, though, the enterprise market has longer term LTVs because it's so sticky. That's the bet we're making. Yes, the CAC to LTV down market is great because you're going to sell more upfront, but over time, I think you'll end up better. As you mentioned, the churn is lower, but the number of products needed in an enterprise restaurant will grow and grow. In the last five years, there have been more restaurant technology companies created than there were in the history of time. In the next five years, it's going to happen all over again, and most of that will go to these enterprise restaurants.

Miller: Makes total sense. In terms of your competitors?

Singh: One of the great things about PAR is who we compete with. Without a question, our biggest competitors are NCR with its product called Aloha and Oracle with its product called MICROS. There are other companies, like Xenial. There are tons of legacy companies, many of them bought by payment companies, and these are solid, stable products. They're not dead products, but they're older products. They're not modern, and they're all owned by organizations where they are a minority of the business.

The reason why this is important is because their not being the primary focus, those large companies can't turn on a dime and say, "You know what? We have these great businesses that generate lots of cash. We're going to reinvent the product now," because you're not the focus. I imagine at PAR, if we had a 5% revenue line generating 35% cash flow margins and, all of a sudden, that manager came to me and said, "Can I take that down to zero because I want to reinvent the product?" I'm just going to be like, "That's too much brain damage. It's too much distraction for a 5% product line."

As a result, these companies are the perfect pool for us to fish in because we're not competing in Silicon Valley 2.0. This is Silicon Valley 1.0. I have immense admiration for Square and Toast. I think these are world-class companies, but we're not really competing against them, not today. We're competing against these older legacy-type companies. You see it every day in the market. You look at the sales folks, and you're like, "I feel like I'm going back 10 years." You look at the pace of product development; it's nowhere close to what a Toast or a Square is doing. We look at those as our core competitors. Over time, the competitors will become Toast, Square, everybody, but today, we have a beautiful competitive moat, and we're not really competing against the best developers in the world.

Miller: To give you a sense of how important MICROS might be within the overall Oracle landscape, I think Oracle has mentioned the business in a public setting one time in the last seven years.

Singh: If you're a customer and you're excited, try to find it on the website. It takes some time.

Miller: Another thing I wanted to discuss was team. I teed you up as kind of Fight Club and a jockey, but in terms of winning and the importance of team, can you talk a little about what you've been doing and some of the changes you're trying to make on the team level?

Singh: When we stepped into PAR three years ago, it was a very challenged business. To me, every business problem is a people problem. In the end, businesses are merely organizations of people that have decided to do something. Early on, we got obsessed about building a great team at PAR. The first thing we did was come out with a set of simple values. We value speed – people who run up the escalator, who don't wait for the elevator, who run upstairs, and who are ready to go. We look for owners, not renters, and people who focus and are absolutely about winning.

The reason we wanted that intense, rigorous culture was because we were in a really

challenged situation. We've obsessed over building a talent factory and a talent engine at PAR. Prior to working at PAR, our CPTO Raju was the CTO of Salesforce Marketing Cloud, one of the largest marketing software businesses in the world. The guy before him was an awesome person. He was managing 13 people and then he became the CTO of PAR. Think of that step function of talent - we had a guy working with 13 people succeeded by a guy who had run Salesforce Marketing Cloud. You can't imagine what that does to an organization from just the quality of what we're building. You'll see it throughout PAR. For the first two years of the business, the talent was better than the business. We were acquiring, and we were attracting people who had worked for the likes of 3G Capital, Google, and Blackstone. Today, we're sure the business is catching up, and that's always how it works. We worked hard to build that, and it's not easy. It's not a bunch of fun. It's a lot of hard work, but that's what we obsess over.

This has been the year of the great resignation, and it's certainly hit PAR and every other company, but we haven't lost one senior person, and I take a lot of pride in that. That wasn't because it was a fun and fluffy year, but because I think people felt proud of what we've accomplished and how we got here, and they feel great about building something for the long run. The results will tell, but in general, we tend to think that, if there's a problem, it's generally a people problem, and then we try to find the best talent we can and bring them on board.

Miller: I want to talk a bit about qualitative things that don't necessarily show up in numbers, like the competitive landscape. In your case, I think you benefit from going up against some legacy providers. If you're a software investor, we're trying to look at things like billings and growth, but you guys have what I would call a shadow backlog, which is a real asset. Can you talk a bit about what that is?

Singh: Dairy Queen is one of our largest customers. It has around 4,500 to 5,000 stores. Dairy Queen - the institution - is highly committed to having PAR run in every single store. It's very simple. If the company has the same IT stack in every store, its ability to move quickly as an organization increases dramatically. If it decides to update its website, loyalty system, and back-office systems, it's plugging into one system, whereas today, if you've got 25 different systems, it's a ton of work to redo every integration. Every time you make a change, make an upgrade, or change a vendor, you're doing 25 integrations versus one.

The corporates are incredibly incentivized to have one platform to run their own organization. When we sign a customer, they are committing nothing more than saying, "We want to roll PAR out." We then have to go convince all these franchisees to sign up for PAR.

The beauty of our business is that at some point, we know everybody will come over - almost everybody - because they have no choice, but it takes some time to roll them out. At the end of Q3, we were installed in around 15,000 stores, but if you look at our large logos, we're barely half-penetrated through the vast majority of our large logos. The way to think about it is if Dairy Queen is 5,000 stores and we're in 2,500 of them, there's another 2,500 of shadow backlog that are going to come over time. That shadow backlog is probably another 10,000 stores that we haven't even booked yet. The beauty of that is we could get rid of our direct sales team and still keep growing the business for the next two years very

comfortably without signing new logos. We'd never do that, but it builds this awesome momentum in the background which is "I can create growth by signing new logos, but I can also create great growth by making a massive penetration into our Arby's and Dairy Queens and so forth by signing up existing customers."

There is an extremely lucky part of this, which is that the corporates we work with are now seeing the value of this technology. They're realizing that during the pandemic, if only half their stores had access to the new loyalty product, those stores did a lot better, so they truly want more stores to get that, and they're going to put incentives. We have organizations today that are saying, "If you switch on to PAR by the end of 2022, we're going to cut your royalty points for that year." That's massive savings. We're benefiting from our customers seeing the value of our products, and that shadow backlog provides great foundation for growth for the next few years.

Miller: Thank you for explaining. That's a truly positive hidden asset in that it's not so clear from doing a quantitative screen that it's there. On the negative side, I think you inherited a fair amount of technical debt, which had some implications for your growth. Can you talk a little about what investors might not have seen, but what's going on on the inside when you got to PAR and where you are now?

Singh: When you looked at PAR from the outside at the end of 2018 when we stepped in, it looked like it was this legacy hardware company that has a very fast-growing software asset. You assumed that the software asset was just like any other software business - it's got great growth, there's great retention, it's a clean shop. When I got to the job, I think what scared me the most was that the NPS on this thing was like negative 50 or so. It was truly awful. The sad thing was, at the time, it was the same as the employee NPS, also negative 50 or negative 60.

It didn't make sense, though. The business had been growing 50% to 100% a year, and the employee NPS and the customer NPS were horrendous. I thought, "What's going on here?" What I observed and I think we saw was that while the product was growing very quickly, it was going in the wrong way. It was a cloud product that had 37 different versions running. It was a cloud, but it wasn't a real cloud product because instead of actually building the product and having your changes built into your releases, you were just copying and pasting and building new versions for customers' needs. You were losing all the benefits of being a cloud product.

That wasn't done because the prior team was dumb but because there was a lack of capital and lack of people. It's a lot faster to say, "You know what? I don't want to take the risk of putting that into next release. I'm just going to make a new version for that customer and put them on their own stack." So, we built up an incredible amount of technical debt - an incredible amount. You can't scale at that pace and ever think that you could solve that problem. What we did is we made the very strategic decision to go to our investors early on and say, "We need to bring this growth down considerably, and we're going to take all of our resources and put them towards hardening and scaling our product, not in new product development. We're going to figure out new product development through M&A."

That's specifically what we decided. That was a two-year journey of getting it to the point. A great example here is one of our largest customers would have me fly to their offices once a month just to scream at me for 30 minutes, and then I would fly right back. I did that for six months, back and forth. It was terrible but on that first meeting, I came to the office and said, "I'm the new guy. We're going to try to fix this thing." He comes out and prints me a piece of paper. It says, "Here's all the stuff that was promised to me when I signed this deal in 2016 or 2017." I looked at it and I said, "I'm going to be honest with you. We're not going to get to any of this in the next two years. Let's do this. Why don't we stop billing you today and create a plan for you to go back to Oracle? You'll have a great experience with your old vendor, and we'll focus on making ourselves better, and I'm going to go into your business two years from now." The guy was like, "Whoa! You're still so much better than what we had before. I want to work with you."

In my mind, I was like, "Okay. There's something to build here, and I have to explain to my customers that we need that time to make the product great." That same customer who would scream at me is now mandating that every store get on PAR by the end of 2022. It's such an amazing change to see that our customers now believe in our product. Our product is rock solid. It doesn't go down.

I went from every board meeting being like, "How many times did Brink go down? How bad is NPS? Who's leaving?" to now like, "Why aren't we building this?" It's an amazing transition for us to understand that two years of my life, we had investors clamoring for growth, and I was like, "I just want to keep things from breaking." We're never going to be done with that. It's always technical. You always have to address it, attack it, and have a plan, but we've gotten the product where it works, and we can think a little more about where we want to be as opposed to just surviving. That was a very fine balance because as investors, you just don't get that motion, right? It's like, "Wait, is the product bad? Is it not working?"

Having lived in enterprise software, I know that no product is perfect. There's no product without technical debt. It's a mountain to climb, but you can only do it if you go all in on it. If you do it in the background, it's never going to happen. We made that hard decision, and it cost us a lot. It gave competitors opportunity. We lost talent. If you're a great engineer, do you want to come to a company that's like, "Hey, there's this amazing opportunity, restaurants building software companies, but all your work is going to be fixing this product." That's why I say that our culture hardened too because it was about fixing this challenge.

The thing I'm most proud of is that our two largest customers, our two most angry customers mandated it, and that's huge because it doesn't happen in restaurants. The investors that financed our large acquisition went from hating us to financing us. We've seen this transition of the product starting to work.

Miller: Thanks for telling that story. You did make a decision to build payments. Can you tease out your thought process a little on build versus partner, in particular, why build payments?

Singh: Payments is a highly commoditized business. My advice for those investing in software is not to get so excited about businesses that leverage payments because this is truly a commodity product. I get excited about this idea of, “You know, if payments race to the bottom, then you should be the one to race it there and come up with the product to do it.” So, how do you sell and say, “I’ll give you payments for this, but I’m going to have to sell you a software product on top of it that will do X, Y, and Z.” If you chose any of PAR, Toast, Square, WorldPay, or First Data, there’s no difference in your payment experience as the operator. It’s integrated into your point-of-sale system, and that’s where you see the observable changes, and it’s integrated into your financial statements, but there’s nothing there.

My vision of payments was, “If that’s it, then you’ve got to build a product on top of that payments business for it to be a great money generator, and the only way we could do it is if we built it ourselves. If I’m just taking a bunch of pieces from third parties and then saying, ‘This is PAR payments,’ I can’t reinvent that on top.” So, we took that decision.

I’d also say it was incredibly financial-driven, too. If you’re the payment facilitator, and you’re taking on the risk of that transaction, your margins are much higher. The beauty of selling to fast, casual, and quick service restaurants is that they’re very low risk from a fraud perspective. Nobody steals a credit card to buy a burger. It was part financial, but for us, it was also one of those things which if we can build it out ourselves, we’ll have the ability to create new products on top of it, but if we collected a bunch of third-party stuff, we never would be the ones to innovate in that market. We wanted to be innovators here, not just copy what everybody else was doing.

Miller: Let’s shift gears a little and put on your investor hat. I’m curious, if PAR is taken away from you for whatever reason and you’ve got to go start a fund, how would you approach investing?

Singh: I think being an operator has made me a better investor. Part of that is you have no time to look at stuff. You buy stuff you know and trust, which has been a good play, but part of it is you do understand how businesses work and how hard it is to make those changes.

We’re in the M&A business. We’ve bought a lot of businesses, and we’ll continue to do that. I look at myself as being an allocator maybe a bit similar to how you invest. I start on three levels. Let me discuss them in reverse.

Maybe the biggest flaw of investors is that they don’t understand the TAM of the product they’re investing in. There are so many investments I see where people assume growth rates continue forever without doing the real work and understanding that end market. If I was a professional investor, I’d be obsessing on that end market. Let’s use a quick anecdote here. There are 750,000 or 800,000 restaurants in the United States, half of them applicable to PAR. You say, “Your product is \$2,000 bucks.” I say, “Okay. Take \$2,000 bucks times about 400,000 restaurants, you get a TAM.”

I used to tell people that’s the TAM today, but every time we buy and build a new product, we’re expanding that TAM. We’ve got the loyalty product, we’ve got a back-office product,

still selling to the same customers, but it works the other way, too. I could have told you, "I'm selling a widget to restaurants. There's 4,000 restaurants, and I'm going to be the point-of-sale guy and then the loyalty guy," and you would have been wrong. Really understanding the end market and those dynamics is exceptionally important because they drive your churn. You've got the best product in the world, but if you're selling to businesses with high churn, you'll never have a great business. In my view, it's about truly understanding that end market. I think so much about that now because I can see that when I'm making deals in these businesses. I'm like, "Listen, you've got 100% growth rate, but that's going to end, and that's multiple I'm going to pay for you."

The second one is product. I find that all of us have been influenced by the great value investors of our time, and they always tell you that you should be in a circle of competence and know the products. I would challenge everyone. "Have you seen a demo of the company's product that you're investing in? Have you gone into a store and seen it work?" That true legwork and understanding the product is so valuable. I've met CEOs of our competitors who have bought products. I always ask a very specific question to see if they know anything. I'll ask, "How long is their sales demo?" and they reply they don't know. I'll be like, "You bought a company without watching the demo. You just trusted a bunch of other people to make that decision for you. That's instructive for me because everything crystallizes when you see that product."

The most important thing I've learned is the people side. All you have to do is look at the people coming to PAR. Look at Raju's background, and you'll think, "That guy has got a lot of options. He can make a lot of money anywhere he goes, but he chose this rinky-dink company." You look at some of these people that are leaving 3G and Google and coming to PAR and wonder why they are joining a \$250-million market cap company. Today, we announced the CIO of the Atlanta Hawks has joined PAR to run our smallest business unit. Before that, he was the CIO of Church's Chicken. That's kind of instructive because you're thinking, "This guy was the CIO of 1,000-1,500-store restaurant chain, and he's coming to run PAR's smallest division? Why?" He's here to build something big, and we've given him a great platform to be something great. We think he's awesome, and he's going to be amazing.

When you are able to attract that type of talent, you can do all the work you want, but the people that live in the business know it better. Just following where the people are going is a great thing I've learned. When we're buying businesses at PAR, I myself go through every person on LinkedIn, see where they work, see who their references are, and call them up. It's so easy to see sometimes. You're like, "Gosh! That team is just loaded with talent" Other times, you can say, "You know what? That's a team that built the entire product offshore, and it's just a services company pretending to be a software company."

Talking purely from a software perspective, if you're buying or investing in a software company, go look at the bios of every salesperson. If those salespeople came from Accenture, Deloitte, and KPMG, it's not the company for you. What I mean by that is in services, you get paid to say yes. In product, you get paid to say no. Your sales guys are saying no, and they still have to sell the product. It's extremely hard to do, but that means

your identity is a product company, and your margins will get to 70%, 80%, 90%, like a great software business versus those that have hired people who come from great service companies. They dilute the product so fast because they start saying, “Yes, yes, yes, yes, yes!” and the product becomes bastardized because you’re doing customizations left and right. I really look at that.

Another nugget I can share is don’t run away from low NPS companies. How many products do you absolutely hate, and then they’ve had a great stock market return? Look at the cable companies. Pretty obvious, right? Software is no different. Look at ADP. How many people love the ADP product? We’re on ADP at PAR. It sucks to use. I hate it, but I’m not getting off of it because it’s got 50 years of PAR’s payroll records and we need that data.

My point is that you can learn so much, so I look very deeply at that. Part and parcel of that point on NPS is always ask for telemetry of the product – how much time people spend on a product is absolutely tied to the quality of the moat of that business. You can find so many widgets within restaurant technology that have massive growth, perfect retention, perfect customer base, and I’ll be like, “Give me your telemetry.” You’ve got all the stuff, but people spend 12 minutes on your product a day? All that means to me is that you’re simply filling a small acute need for that business, but if I swapped you out for somebody else, you’re not that important.

In a letter I shared a couple of years ago, I wrote, “Software is not software is not software.” Everyone thinks, “I look at growth, retention, churn, and the quality of the end market, and I make my investment.” It’s a truly horrible way to invest because not all products are the same. You come back five years later and you’re like, “Holy crap! How did you have this step function of growth fall off?” It’s because you didn’t do that work early on and didn’t realize that product with great growth all of a sudden lost its channel partnerships. SAP said, “Sorry, we’re not promoting anymore, and you’re lead side up.”

We’ve got a playbook. We go through all of these things, and we say, “Does it hit all the boxes?” As an investor, because we’ve operated in the business, we know what questions to ask, how to get deep in the weeds on these things. The engineering teams are like, “How fast are you publishing software? Oh, you’re publishing like this. How often is it going to actually be into customer hands?” You say, “Wait. You told me you publish stuff every 10 weeks, but you release to customers every six months?” What does that mean? It means you’ll be able to recruit great talent because great talent wants to see the thing they build into customer hands as soon as possible.

Miller: Do you have any investors asking you questions around how often you’re publishing software?

Singh: There are a few. I think there are a few that get in the weeds and understand it really well. Those are the best conversations we have because they understand. When we started PAR, we were publishing software to customers once or twice a year. You could have known there were some problems.

Miller: Do you see some mistakes investors make when they’re interacting with PAR? Do

you feel like they go down the wrong path for certain reasons?

Singh: I'm not one to judge how people get their answers. I've seen people buy PAR because they love it and believe the product will do great. I've also seen people buy PAR because they've known me for a long time and know how obsessed I am with winning. I've seen people bet against PAR because they're like, "How are you going to beat Oracle and NCR? They have 25% of the restaurant market. They have more power."

I don't know if I have the answer on the right or wrong way to look at it, but I would say that every single investor who has spent more than a few hours understands what we're building and why the opportunity is so large, and then it's all about us as a team to execute on. I think people get caught in the weeds of looking at very small indicators, and this is the big picture. You're not buying PAR, Square, Toast, or anyone in restaurant software because you're looking at the last quarter against this quarter's numbers. Those are important, trust me. We don't pay bonuses if you don't hit your numbers, but you're buying it because you fundamentally believe that the restaurant is being eaten by software, and these are the platforms that will be able to benefit the most from it. If you don't get that macro, it's not worth it because there will be clearly bumps in the road as you go.

Last quarter, for example, we couldn't book customers because I couldn't get products shipped from Korea to the United States. Those things happen, but I promise you that if I wasn't the CEO of PAR, this thing is still going to grow very comfortably simply because the market is there.

I am not someone who say, "Close your eyes and hope for the best." We're super in the weeds. My bonus is tied to margin and revenue, not just to growth. Everything is set up the right way, but you have to buy that and that end state, or it's hard to get there. Let me give a specific example. When I became the CEO of PAR, our ARR was \$10.7 million. Three years later, it was \$80-something million. I couldn't have predicted that when I started. Maybe that's your Fight Club analogy. You can never do that. That was like a crazy transition. If I had gone in and said, "Brink's gross margins are in the 50s, so you're a services company and a product company. You can work through that, work through that, and work through that." You would have missed that, right? The right way would have been, "It's \$10.7 million ARR. There are all these challenges, but the business is still growing. Why?" Then you're like, "Wait. They got this guy Savneet? He just recruited all these guys from great backgrounds to come here." Then you say, "I called five customers. They all say PAR sucks, but it's getting a little better." You're like, "Yeah, you could have figured it out, right?"

Then you could have seen. "We're pretty smart capital allocators. We did a convert. We didn't do an equity raise because we hit the equity price. We make good decisions on who we bought." I think this is an amazing story and will go down as one of the great things we've done. We acquired an amazing business in Punchh, but Punchh was larger than PAR from an ARR basis. It had faster growth, higher retention, great talent for a third of our market cap. We were good allocators there.

The point I was making was not that we're patting ourselves on the back for going from 10 to whatever it is today, but that it is very hard to get in Excel model. I think folks who have

trouble with that have a little trouble with PAR.

Miller: Can you talk a bit about what the opportunity might be in usage-based pricing? This doesn't show up in historical numbers.

Singh: I'm a big believer and, hopefully, our shareholder letter gets approved by compliance, and you'll see a whole write-up, but usage-based pricing is this theme you're just starting to hear about. To me, it's really outcome-based pricing. We live in a world where software is automating everything that we do. I say software is eating the restaurant because you're finding that every problem with the restaurant - and it's the easiest example to get to the point - needs to be solved by a human being. If there are too many people in a drive-thru, send somebody out with a tablet to take your order.

As all those workflows move to software, you, the software company, are charging fees. It's not aligned. If the product sucks, you're still paying that. Conversely, there are certain software products - like PAR's - that I truly believe are incredibly underpriced. You're paying us \$170 a month, but for that money, we literally are sending data to every system you have. If we go down, your entire store goes down. It can't operate. I've been to these restaurants, and I always say, "I love you guys, but for \$170 a month, if I go down, your entire operations go down, but you'll pay \$200 a month for the Wi-Fi connecting app? How does that make any sense? If it goes down, you're still running." I've said that I'd rather give our product for free and charge for every transactional process or, over time, say, "Here are your old transactions for the old company. Put this new product in. If we create more revenue for you, we take a piece of that."

In the end, I think software will move from license spaces to SaaS to some sort of transactional-based pricing - Twilio is a great example; you use it, you pay for it - to eventually outcome-based pricing, which is we, as a software company, create a better outcome for your business, and we want to take a small piece of that because we delivered on it. Conversely, if we don't deliver on it, we don't make anything.

I envision that's what's going to happen next. To give you a super simple example, if you're a restaurant company today and you've got 20 people calling - FYI, phone is still a huge channel for restaurants - and you don't have someone pick up the phone, you should just ship that to an AI bot. If Siri can process that order, it's free margin that came your way. I shouldn't pay them \$20 a month. I should pay 5% on that order. This transition is going to move that way. That's where we're building at PAR, which is if we can deliver better outcomes, we should get paid more. If we can't, we shouldn't. It's super intense, and I love that.

Miller: You talked about seeing the migration of people. I think you didn't have to be that close an observer of PAR with Ron and what they did. Can you tell that little story?

Singh: One of our customers is a firm called CAVA Grill. It's one of our fastest-growing chains and an amazing organization. It was a customer at PAR, an angry customer, truly unhappy. When I got to PAR, they said, "We're bringing in Toast and a couple of other companies because we're going to rip you guys out. We love the thesis, but you have not

delivered for us.” I said, “Give us six months. I’m not going to tell you the answer now, but let us get better and then make your decision. Don’t make your decision on the past. Make it on what we can deliver you now.” It was a hugely challenged relationship. I’d have to say sorry a hundred times and apologize, but we got it right, and we fixed it.

When we made the decision to acquire Punchh and make it a core part of the platform, we needed third-party financing. Lo and behold, we went to our customer CAVA. Ron Shaich was the founder of Panera and Au Bon Pain, an incredible operator, compounded at 20%-plus for 20 years. His group chased us down and said, “We didn’t think you could fix this thing. Our restaurants were struggling greatly. You were taking our restaurants down. It wasn’t working. So, we want to get behind that horse and that jockey, behind that team. We believe you can build this platform for the restaurant that no one has ever delivered on. It was always our dream at Panera to create that platform. We think you’re the guys to do that, and we’d love to invest in that transaction.”

It was an amazing experience. We had a customer that hated us, truly despised us, going from not only saying, “We love you, and we’re going to continue to sign up and renew with PAR” to “We want to invest in your company because we believe you’ve delivered on your promises, and we can help you build something great together.” I would just say that having Ron Shaich on our board has been an incredible experience because he’s not an investor who’s patting you on the back or yelling at your numbers. He’s so in the weeds of what’s wrong with the culture and the operations. He’s so intense, and I truly loved it because he’s been in our shoes, and he’s delivered for a long time. I think he looks at this as if PAR doesn’t deliver, it’s on him.

Mihaljevic: Let’s wrap up with a question about the stock. PAR trades at a material discounts to Toast and Lightspeed, yet their business trends are getting worse and yours are getting better. How do you think about this and your ability to execute future M&A?

Singh: It’s super important. One of the things I’ve learned is that you do have to care about stock prices as a CEO. I was a bit ignorant to this. When I first got to PAR, people said, “Why don’t you do a lot of IR?” I got rid of all PR and marketing at PAR. The only thing I’ve done is four or five podcasts because I enjoy the long conversation. I don’t like being promotional. I’m a millennial and don’t really use social media. The only thing I fight about with shareholders is the lack of promotion. I think I was wrong about this because our currency is our stock, and since we’ve been acquisitive, we need that stock to work. Otherwise, it limits the pool of stuff we can buy in.

I’d like to think that PAR is oriented to deliver shareholder return. As an organization, we look at ROI. We think about it a lot. We do believe we work for you. I say at every meeting, “The best person on PAR is the person who can drive the most long-term shareholder value at PAR.” We’re trying our best to deliver that value, and we understand that the stock price is important. It’s our job to espouse the value and not be promotional. Hopefully, our execution leads that stock price, but I’d say it’s been a learning for me in that you can’t simply pretend it doesn’t exist.

About the session host:

Scott Miller is the Founder of Greenhaven Road Capital, a boutique investment partnership that seeks out off the beaten path investments, modeled after the early Buffett partnerships. The firm is built on the belief that a focused investment manager can outperform an index by limiting fund capacity and by concentrating exposure on a few great ideas over a long time horizon. Experience as an owner-operator of businesses influence Greenhaven's approach towards partially-owning companies rather than merely picking stocks. Prior to founding Greenhaven Road, Scott co-founded Acelero Learning, serving in a variety of roles over a decade from CFO to CTO, to Chief Strategy Officer to his current role of Board Member. Additionally, Scott managed a manufacturing business, with responsibility for hiring, firing, planning inventory, negotiating with suppliers and acquiring customers at a reasonable cost. Scott holds an MBA and a Masters in Education from Stanford University.

About the featured guest:

Savneet Singh is the President & CEO of PAR Technology Corp., and President of ParTech, Inc. Savneet is a partner of CoVenture, LLC, a multi-asset manager with funds in venture capital, direct lending, and cryptocurrency. He has served as a partner of CoVenture since June 2018. From 2017-2018, Savneet served as the managing partner of Tera Holdings, Inc., a holding company of niche software businesses that he co-founded. In 2009, Savneet co-founded GBI, LLC, an electronic platform that allows investors to buy, trade and store physical precious metals. During his tenure at GBI from 2009-2017, Savneet served as GBI's chief operating officer, its chief executive officer, and its president. Savneet serves on the Board of Blockchain Power (TSX:BPWR) and PAR Technology. Savneet received his B.S. in Applied Economics and Management from Cornell University.