

Dylan Penebre of PointOS

Hall T Martin: [00:00:04] This is the Investor Connect Podcast Program, I'm Hall T Martin. I'm the host of the show in which we interview angel investors, venture capital, family offices, private equity, and many other investors for early-stage and growth companies. I hope you enjoy this episode.

Hall T Martin: [00:00:23] Hello, this is Hall Martin with TEN Capital. Today, we're here with Dylan Penebre, CEO and investor for PointOS. Dylan, thank you for joining us.

Dylan Penebre: [00:00:32] Yeah, thanks for having me, Hall. Pleasure to be here.

Hall T Martin: [00:00:35] So I understand PointOS is the most complete and cost-effective restaurant-management platform. Can you give us a short overview of PointOS itself?

Dylan Penebre: [00:00:45] Yeah. So, PointOS was kind of born out of the desire to help restaurants bring everything into one ecosystem covering their software, their hardware, and their payments, which isn't a brand new thing, there's a few other companies out there, but what really uniquely positions PointOS, is that we feel that we can still go after these customers with fair processing rates. So, with the influence of Square and different types of programs out there, PointOS is still going to say to our customers that we're the most affordable because we're not trying to subsidize our hardware, we're not going to Trojan horse our offering in order to get you locked into an exorbitant kind of payment processing rate. So, we cover everything from the POS, we cover the back-end management, we do online ordering, we do all the new stuff that's extremely popular now due to COVID, like contactless ordering, online ordering, all that type of grab-and-go technology to really offer a one-stop platform for restaurants.

Hall T Martin: [00:01:42] Well, great. So, what is your background?

Dylan Penebre: [00:01:45] Interestingly enough, I started in payments. So I started in payments myself pretty much right out of school, and I was there for a long time, pre-integrated days. So, you're thinking a lot of credit card swipers outside of the software itself and with that middle layer, middlemen city was going on, and I was

working with one of the few companies that was bringing a platform to software development companies that would help them alleviate some of that for their customers. And then, you know, the writing on the wall began to get etched and before we knew it, we saw some companies being interested in bringing payments in-house. And it was at that point with my experience trying to help other software vendors out there understand payments, that I realized that the writing on the wall was, let's bring this in-house and why don't I do it at my own company, right? Why don't we do it somewhere where we can kind of reap the fruits of our labor there? So, that was kind of how PointOS was born was to bring those payments and POS hardware ecosystem together, but at an affordable rate and I think that's really where we've positioned ourselves and how I ended up here.

Hall T Martin: [00:02:52] Well, great. And so, what's your role at PointOS today?

Dylan Penebre: [00:02:55] So, I run the shop here as CEO, and as you know, I get to wear many hats. So, you'll find me on sales calls at times, you'll find me running budgets and doing what's needed and helping with vision and marketing. So really, on a day-to-day basis, you'll kind of see me with my hands on a little bit of everything.

Hall T Martin: [00:03:11] Great. So, what drove your decision to invest solely in the company?

Dylan Penebre: [00:03:15] Well, it's kind of like any company, I guess. I have two other partners and we were cruising and we were doing quite well, and about three years ago, we saw the shift of the payments really kind of encroaching on software and it was going to change things a lot, it was. We saw what happened with Square where there's, "Hey, you get a free reader, don't worry about it. Sign up" and you go away. With the influence of Toast and another company out there also, they were trying to bring that to the POS space, right? So, "Hey, don't worry about the cost of hardware, don't worry about the cost of software, we got you." And it just didn't make sense and I don't think it's going to make sense long term, and I think that we've already seen that happen quite a bit. So, it was a forward-thinking type of option to do, and now we're at a place where we want to act on that, right? And I think we've seen from our customers and the way we've grown, the folks that were using those solutions are now done with those because they realize what a Trojan horse it really was, and maybe the issue wasn't the

legacy companies, it was just that they failed to innovate. So, that's kind of where I'd like to put PointOS is, you've got some older systems out there that worked for people, the models, the company, the culture, all that kind of stuff was maybe good for a restaurateur, but the innovation was lacking, the features were lacking. And then you get the new guys that come in and they want to throw something shiny up in the air and say, "Hey, look over here, not here", and then that leads to an old cell phone plan where you think your cell phone's for free and then you get your first month's bill and you realize where all the hidden service costs and add ons and nickel and diming takes place. So, with PointOS, we really want to situate ourselves right in the middle where our customers aren't going to sacrifice any of those enterprise, contactless, peripheral-type offerings with the software. I mean, look, we've all been to those restaurants where we go and there's 100 tablets behind the bar there and each one is managing a different service for a different cost, and it's pretty daunting when you see what the restaurants are paying for that and what they're actually getting. So again, that's kind of where PointOS wants to position ourselves as an affordable, but still feature a solution that a restaurant of the mom-and-pop type could do, or an enterprise location's going to have 50 locations across the U.S. and needs that centralized reporting at an office for someone to help manage the team.

Hall T Martin: [00:05:33] So why do you think the company will be successful in the long run?

Dylan Penebre: [00:05:36] Well, as I like to believe, there's always silver linings that exist out there, and I think it's tough still with it going on and being at the height, maybe we'd say, or hopefully, we've crossed that bell curve, but with COVID, right, I think that's a great example of how I think the opportunity is great and that what we've done here is going to work. And that's because we've seen a lot of uptick in not just new sign-ups, but upgrades from our customers looking to move towards the newer technology that's out there. You may not know this as an investor or maybe you may not know this as a human, maybe you do, restaurants still have not made the full plunge into the cloud. They're very, if-it's-not-broke-don't-fix-it type of mentality. We have relationships with folks we've been working on for years, and that's their fear, it's changed. So, again, back to the silver lining. We've positioned ourselves a few years ago to be in this position. Now, we didn't expect for COVID to happen, we expected that eventually, generationally, people are going to move more digital, right? There's no more pen and

paper, there is no more, "Let me call in an order and have some guy bring it and pick it up" so that it's an hour late and two hours cold. So, that gives us a little bit of confidence as a team because we feel like we saw the tea leaves coming and COVID has surely proven that with not just the sign-ups, not just the adoption, but the revenues are healthier too. The revenues are a lot healthier when they're using and they're extending out their platform to not use, say GrubHub, and now they're using us for that revenue that would typically go to, say, a GrubHub or another third party. And we feel and we see our restaurants like that because they maintain their image, they maintain their branding, they can hire a driver, now they have those tools that will help them aggregate those orders, make sure it hits the printer, which was not possible pre-COVID. That's what I think is our greatest opportunity. We've seen some of it and I think we expect to see some in the future.

Hall T Martin: [00:07:30] So, what should investors know about your company before investing?

Dylan Penebre: [00:07:34] I think they should know that PointOS is specifically a restaurant-hospitality solution, right? We're not trying to do a one-size-fits-all when it comes to software or in the retail space and whatnot. We truly want to offer one platform that's going to offer the full suite to any size restaurant that's out there and we are the most affordable, and with that said, there's about a million restaurants in the U.S. at any given time, and just to talk some of the numbers here, it's just under a \$900 billion kind of sales projection for 2020. So, I think the opportunities are really great there and we just need obviously a small piece of that and I think everybody would be pretty happy.

Hall T Martin: [00:08:18] So, what challenges did you see the company overcome?

Dylan Penebre: [00:08:21] Yeah, not to beat on the COVID one, but that was a scary one for us. I mean, March 15th, call it, somewhere around then, and all of a sudden every restaurant was shutdown. I mean, everything from our partners, our vendors, right? Some of our contractors that work for us, our development team, our sales team. My experience, I can just tell you this, there's never been anything that's been so, "what's what going to happen tomorrow", before. So, we could talk about the numbers - I think I did them a little bit about COVID - but I think that from a company perspective, from a team perspective, I was just really just kind of wanted to lay back at times. It was

really impressive to see everybody roll their sleeves up and realize and kind of see that, you know what, even though this is really dire, the restaurants need us the most now and watching us kind of get together and I mean, Jess has been on sales calls because of this, which is not typical, right? But, we all kind of banded together to continue our efforts, and, yeah, it's different. You're not going to, in those days of March and April, we weren't shoving offers down folks throats, so to speak, but we were, I think, repositioning ourselves as a team and as a company and I think we're all really stronger for it and it was a great challenge. And I think now, seeing some of that adoption take place helped us gain some confidence, and then we kind of took off in the summer, and now, yeah, it's really crazy to see the amount of leads that we're getting coming in. It's almost like we can't get to them all. So, not to again, make it all about COVID, but I think that that was a real thing and it's not just the revenue side, it's the team side and everybody here believes in what we're doing, and I think that was true to me in this experience and I'm very grateful for that.

Hall T Martin: [00:10:01] Great. And so what excites you most about the opportunity going forward in the future?

Dylan Penebre: [00:10:06] I think what excites me most is probably just making a mark, right? It's making a mark and taking a product, an idea that you believe in and you see that looks right on paper and then executing and seeing those results take place. And, we're seeing it now in a small microcosm and obviously, that's why we're looking for a round and we're looking for some funding to go ahead and see that take place in the big pond. So, that's really what excites me the most, is being in a position to really go toe to toe with some of these other guys that had a head start, but maybe with a little bit of a different flavor to it than they do and really get out there and do that.

Hall T Martin: [00:10:38] Right. Can you recap the company and the terms here? I believe you have some slides that you can put those up and walk us through a little bit there to tell more about the opportunity to investors.

Dylan Penebre: [00:10:50] Sure. So, I think we can see this now here. So, you know, this is PointOS and it kind of gives you a quick example of the POS, different versions of that, some of the reporting that's available and then, of course, the mobile there. So, bringing the whole eco, you know, kind of think about PointOS as a PaaS - it's a

Platform as a Service. So it's going to encompass, again, the software, the hardware, and the payments for really, really one low-cost option. And the additional things that you don't see here would be the online ordering, the contactless ordering, different kind of avenues so that your menu as a restaurateur can be put in the pockets of a college kid walking around looking to grab something really quick and swing by and pick it up, all of that with a username and login that they can access from anywhere any time. So, kind of spreading that butter across the toast here. If you look, you know, you've got PointOS there, it's a competitive PaaS model, we've optimized all the different speed entry ideas like everyone wants to do for order entry. So, if you're a server, a bartender, you want things to flow more conversationally today. The kids that are working in these restaurants are typically a lot younger than the owners, and they need software that's designed to at least - what I should say they're comfortable with - that's important to us, and putting everything on the cloud without relying on it at the same time. PointOS still manages a local database to make sure that all the data can be replicated, so if things go down, the system can operate just as is. And of course, if you're an administrative person, you'll get that data when the internet's back up and that's not going to stop you from doing anything. We're really still proud to tout our 24/7/365 technical support, so, no matter where you are in the country, what time of day it is, if you need help, you're going to get that from us. We talked about some of the optional hardware and things like that and then lastly, just the payment processing piece. So, other restaurant providers typically do all of this, I'm not saying that they don't, but we've brought it all into one fell swoop here for a really nominal cost that really does kick the butt of our competitors and that's probably where I'd leave that. I can get into a little bit more of the differentiating stuff, too. So, when our competition is looking at their offering, it's add-on, add-on, and add-on. So, you've heard me talk a bunch of times about the POS, the cloud reporting, the enterprise-level reporting, the online ordering - I will sound like a broken record at this point, I'm sure - but each of those things are line items when it comes to our competitors. With PointOS, again, it's just, it's one simple, really straightforward price that brings all that in. Our year of recurring revenue is generated from these software fees, but the payment processing stuff as well. So, it's not to say we're not making revenue on the processing. Our angle is it can be, with all those opportunities you saw with a million restaurants there, it can still be done fairly. There's still plenty of space there to have an affordable option and still do very well as a company and that's, I think, our biggest differentiator is that we haven't positioned ourselves to be a straight payments company that's dependent on that payments' revenue, it's nice, it's a subsidy,

it adds to our revenue bottom line, but we will stand up on our software fees and we can do that. Our leadership team is designed with over 15 years of experience from everybody in sales and payments and the marketing background. And then lastly, just to kind of share what we're doing and what we're looking for here is that we're seeking a series A, around a \$3 million raise, and that's based on about a \$9 million pre-money valuation.

Hall T Martin: [00:14:15] Well, great. Well, I want to thank you for joining us today and sharing the update about how your company is doing. Sounds like you did great through the COVID pandemic and you're continuing to grow well now, and looking forward to next steps with your company. Appreciate your taking time to share that with us.

Dylan Penebre: [00:14:30] No, absolutely, Hall. And thanks to everybody who decided to make it through the whole thing. We appreciate you and look forward to getting to know you.

Hall T Martin: [00:14:39] Investor Connect helps investors interested in startup funding. In this podcast series, experienced investors share their experience and advice. You can learn more at [Investorconnect.org](https://investorconnect.org).

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