



Market leading product trading near cash value

Long Latch (LTCH)

Latch (LTCH) offers substantial upside potential as its shares trade below cash value and the company has likely reduced its cash burn rate. The recent acquisition of Honest Day's Work, led by experienced executive Jamie Siminoff, the founder of Ring which sold to Amazon, adds valuable expertise in real estate technology.

We believe Latch could be worth over \$2.75+ per share, representing over 150% upside.

Background

Latch is a leading provider of smart access systems for multifamily and commercial properties. Their innovative software solutions offer seamless and secure access for residents, tenants, and property managers. Latch's products have garnered positive feedback from customers and have backing from prominent multifamily owners such as Brookfield and Tishman Speyer. This strong endorsement from industry leaders speaks to the value and reliability of Latch's offerings.

After going public through a SPAC in 2021, Latch faced significant challenges that resulted in a substantial decline in its share price, largely attributed to issues with revenue recognition, outdated financial filings, and the risk of being delisted from the Nasdaq. A failed shift from focus on software to hardware amplified the impact. However, Latch has reversed back to focusing on its software platform.

In January 2023, Luke Schoenfelder stepped down as CEO, and an interim CEO and CFO from restructuring advisor Alix Partners took over while the Board sought a permanent replacement.

Recent Cash Figure Disclosed in March 2023

As of March 8th, 2023, **Latch had a cash balance of \$215.4 million,¹ which equates to approximately \$1.20+ per share** after adjusting for the Honest Day's Work acquisition. We believe this cash figure has gone unnoticed by many investors due to Latch being perceived as a broken SPAC with outdated financial filings. The updated cash figure was disclosed during concerns surrounding the overall liquidity of technology companies during the Silicon Valley Bank collapse.

¹ LTCH [8-k March 8th, 2023](#)

Reduction in Cash Burn Rate

Our research indicates a substantial reduction in Latch’s cash burn, supported by a 50% decrease in employee count over the past year, as seen in LinkedIn data. With the current employee count at 188, representing a 63% decline from its peak of 509 in Q1 2022, we anticipate improved financial efficiency.²



Jamie Siminoff Joining Should Give Shareholders Comfort

As Jamie receives equity in Latch and has a compensation package tied to the share price, his alignment with shareholders’ interest is evident. Considering Jamie’s sale of Honest Day’s Work to Latch in an all-stock transaction, it is reasonable to assume he has a deeper understanding of the business’s current state and financials than the general public. While there remain unknown factors due to the lack of recent filings, Jamie’s involvement adds credibility to the company’s prospects.

Latch’s filing³ states that shares are non-transferable for five years unless specific share price thresholds are reached. In addition, Jamie’s bonus structure is tied to latch’s share price.

Early Unlock Thresholds

Share Price Threshold	Percent of Shares Released
\$2.00	25%
\$3.00	25%
\$4.00	25%
\$5.00	25%

Bonus Thresholds

Share Price Threshold	Adjusted Annual Bonus
\$1.00	\$800,000.00
\$2.00	\$1,800,000.00
\$3.00	\$2,800,000.00
\$4.00	\$3,800,000.00
\$5.00	\$4,800,000.00

² [LinkedIn Insights](#) (as of June 2023)

³ LTCH [8-k May 16th, 2023](#)

What is Latch worth?

Latch's current share price presents an attractive opportunity to acquire an industry leader at a discount to cash value. There are two potential paths for value creation: either Jamie Siminoff successfully revitalizes the company, or management decides to sell the business, unlocking the true value of Latch's software. **Based on our conversations with industry experts, we estimate that the software alone could be valued at over \$3 per share for a potential buyer.**

SmartRent (SMRT) is Latch's closest public competitor. Latch, with revenue nearly half the size of SmartRent's in 2021, was growing nearly double the rate. Consensus estimates for SmartRent still forecast a robust 40% revenue growth over the next two years. By applying a discount of 20-50% to SmartRent's current enterprise value, **Latch's implied share price range is between \$2.75-\$3.65.**

\$m except per share amounts ⁴	Low	High
SMRT Share Price		\$3.49
Diluted Shares		200
Equity Value		\$698
Less: Net Cash		(\$204)
Enterprise Value		\$494
LTCH Enterprise Value Discount	50%	20%
LTCH Implied Enterprise Value	\$247	\$395
Plus: Net Cash ⁵		\$193
Implied Equity Value	\$440	\$588
Diluted Shares ⁶		161
Implied Share Price	\$2.73	\$3.65
<i>Implied Upside</i>	<i>150%</i>	<i>235%</i>

⁴ All share prices reflect closing prices as of June 16th, 2023

⁵ Tourlite estimate. Includes additional cash burn since March 2023 and \$8 million from Honest Day's Work

⁶ Uses treasury stock method

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