

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

For the quarterly period ended September 30, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the transition period from to

Commission File Number 001-40819

Toast, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

45-4168768

(I.R.S. Employer Identification No.)

333 Summer Street

Boston, Massachusetts

(Address of principal executive offices)

02210

(Zip code)

(617) 297-1005

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value of \$0.000001 per share	TOST	New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The registrant had outstanding 471 million shares of Class A common stock and 97 million shares of Class B common stock as of November 1, 2024.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our future results of operations, financial condition, business strategy, plans and objectives of management for future operations, our market opportunity and the potential growth of that market, our liquidity and capital needs and other similar matters, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will,” or “would,” or the negative of these words or other similar terms or expressions. These forward-looking statements are based on management’s current expectations and assumptions about future events, which are inherently subject to uncertainties, risks, and changes in circumstances that are difficult to predict. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements concerning the following:

- our future financial performance, including our revenue, costs of revenue or expenses, or other operating results;
- our ability to successfully execute our business and growth strategy;
- anticipated trends and growth rates in our business and in the markets in which we operate;
- our ability to effectively manage our growth and future expenses;
- our anticipated investments in sales and marketing and research and development;
- our ability to maintain the security and availability of our platform;
- our ability to increase the number of customers using our platform;
- our ability to retain, and to sell additional products and services to, our existing customers;
- our ability to successfully expand in our existing markets and into new markets;
- our expectations concerning relationships with third parties;
- our estimated total addressable market;
- our ability to compete effectively with existing competitors and new market entrants;
- the attraction and retention of qualified employees and key personnel and the impact of our restructuring plan;
- the impact of our share repurchase program;
- our ability to maintain, protect and enhance our intellectual property;
- our ability to comply with modified or new laws and regulations applying to our business;
- our ability to successfully defend litigation brought against us;
- our ability to prevent and successfully remediate material weaknesses, if any, in internal controls over financial reporting;
- the impact of global financial, economic, political, and health events, such as rising inflation, capital market disruptions, sanctions, or economic slowdowns or recessions, on our business and the restaurant industry;
- our ability to source, finance, and integrate companies and assets that we have or may acquire; and
- the sufficiency of our cash, cash equivalents and investments to meet our liquidity needs.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors listed or described from time to time in our filings with the Securities and Exchange Commission, or the SEC, including our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 and this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

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The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report on Form 10-Q. While we believe such information provides a reasonable basis for such statements, such information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and you are cautioned not to unduly rely upon these statements.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TOAST, INC. CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited) (in millions, except per share amounts)

	September 30, 2024	December 31, 2023
Assets:		
Current assets:		
Cash and cash equivalents	\$ 761	\$ 605
Marketable securities	511	519
Accounts receivable, net	105	69
Inventories, net	106	118
Other current assets	319	259
Total current assets	1,802	1,570
Property and equipment, net	95	75
Operating lease right-of-use assets	31	36
Intangible assets, net	22	26
Goodwill	113	113
Restricted cash	56	55
Other non-current assets	108	83
Total non-current assets	425	388
Total assets	\$ 2,227	\$ 1,958
Liabilities and Stockholders' Equity:		
Current liabilities:		
Accounts payable	\$ 30	\$ 32
Deferred revenue	62	39
Accrued expenses and other current liabilities	656	592
Total current liabilities	748	663
Warrants to purchase common stock	27	64
Operating lease liabilities	27	33
Other long-term liabilities	5	4
Total liabilities	807	764
Commitments and Contingencies (Note 11)		
Stockholders' Equity:		
Preferred stock - par value \$0.000001; 100 shares authorized, no shares issued or outstanding	—	—
Common stock, \$0.000001 par value:		
Class A - 7,000 shares authorized; 468 and 429 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	—	—
Class B - 700 shares authorized; 97 and 114 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	—	—
Accumulated other comprehensive income	3	—
Additional paid-in capital	3,053	2,817
Accumulated deficit	(1,636)	(1,623)
Total stockholders' equity	1,420	1,194
Total liabilities and stockholders' equity	\$ 2,227	\$ 1,958

The accompanying notes are an integral part of these condensed consolidated financial statements.

TOAST, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue:				
Subscription services	\$ 189	\$ 131	\$ 506	\$ 358
Financial technology solutions	1,067	856	2,963	2,338
Hardware and professional services	49	45	153	133
Total revenue	1,305	1,032	3,622	2,829
Costs of revenue:				
Subscription services	56	43	159	118
Financial technology solutions	835	674	2,323	1,828
Hardware and professional services	91	88	279	271
Amortization of acquired intangible assets	1	1	4	4
Total costs of revenue	983	806	2,765	2,221
Gross profit	322	226	857	608
Operating expenses:				
Sales and marketing	119	100	340	299
Research and development	89	87	258	264
General and administrative	80	98	229	276
Restructuring expenses	—	—	46	—
Total operating expenses	288	285	873	839
Income (loss) from operations	34	(59)	(16)	(231)
Other income (expense):				
Interest income, net	9	10	30	27
Change in fair value of warrant liability	(1)	18	(37)	(5)
Other income (expense), net	15	—	13	—
Income (loss) before taxes	57	(31)	(10)	(209)
Income tax expense	(1)	—	(3)	(1)
Net income (loss)	\$ 56	\$ (31)	\$ (13)	\$ (210)
Earnings (loss) per share attributable to common stockholders:				
Basic	\$ 0.10	\$ (0.06)	\$ (0.02)	\$ (0.40)
Diluted	\$ 0.07	\$ (0.09)	\$ (0.02)	\$ (0.40)
Weighted-average shares used in computing earnings (loss) per share:				
Basic	563	535	556	530
Diluted	590	536	556	530

The accompanying notes are an integral part of these condensed consolidated financial statements.

TOAST, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited)
(in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss)	\$ 56	\$ (31)	\$ (13)	\$ (210)
Other comprehensive income (loss):				
Unrealized gains on marketable securities, net of tax effect of \$0	3	—	2	—
Currency translation adjustments	1	—	1	—
Total other comprehensive income (loss)	4	—	3	—
Comprehensive income (loss)	<u>\$ 60</u>	<u>\$ (31)</u>	<u>\$ (10)</u>	<u>\$ (210)</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

TOAST, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited)
(in millions)

Three Months Ended September 30, 2024

	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balances at June 30, 2024	\$ 2,976	\$ (1,692)	\$ (1)	\$ 1,283
Issuance of common stock under equity plans	29	—	—	29
Stock-based compensation	63	—	—	63
Share repurchases	(20)	—	—	(20)
Issuance of common stock in connection with charitable contribution	5	—	—	5
Other comprehensive income (loss), net of tax	—	—	4	4
Net income	—	56	—	56
Balances at September 30, 2024	<u>\$ 3,053</u>	<u>\$ (1,636)</u>	<u>\$ 3</u>	<u>\$ 1,420</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

TOAST, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited)
(in millions)

Three Months Ended September 30, 2023

	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balances at June 30, 2023	\$ 2,637	\$ (1,556)	\$ (2)	\$ 1,079
Issuance of common stock under equity plans	16	—	—	16
Stock-based compensation	75	—	—	75
Issuance of common stock in connection with charitable contribution	10	—	—	10
Net loss	—	(31)	—	(31)
Balances at September 30, 2023	<u>\$ 2,738</u>	<u>\$ (1,587)</u>	<u>\$ (2)</u>	<u>\$ 1,149</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

TOAST, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited)
(in millions)

Nine Months Ended September 30, 2024

	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balances at December 31, 2023	\$ 2,817	\$ (1,623)	\$ —	\$ 1,194
Issuance of common stock under equity plans	84	—	—	84
Stock-based compensation	203	—	—	203
Share repurchases	(56)	—	—	(56)
Issuance of common stock in connection with charitable contribution	5	—	—	5
Other comprehensive income (loss), net of tax	—	—	3	3
Net loss	—	(13)	—	(13)
Balances at September 30, 2024	<u>\$ 3,053</u>	<u>\$ (1,636)</u>	<u>\$ 3</u>	<u>\$ 1,420</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

TOAST, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited)
(in millions)

Nine Months Ended September 30, 2023

	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balances at December 31, 2022	\$ 2,477	\$ (1,377)	\$ (2)	\$ 1,098
Issuance of common stock upon net exercise of common stock warrants	1	—	—	1
Issuance of common stock under equity plans	33	—	—	33
Stock-based compensation	216	—	—	216
Issuance of stock in connection with business combination	1	—	—	1
Issuance of common stock in connection with charitable contribution	10	—	—	10
Net loss	—	(210)	—	(210)
Balances at September 30, 2023	<u>\$ 2,738</u>	<u>\$ (1,587)</u>	<u>\$ (2)</u>	<u>\$ 1,149</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

TOAST, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in millions)

	Nine Months Ended September 30,	
	2024	2023
Cash flows from operating activities:		
Net loss	\$ (13)	\$ (210)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	35	22
Stock-based compensation expense	193	206
Amortization of deferred contract acquisition costs	59	44
Change in fair value of warrant liability	37	5
Credit loss expense	50	44
Stock-based charitable contribution expense	5	10
Asset impairments	2	15
Gain on warrant extinguishment	(14)	—
Other non-cash items	(5)	(14)
Changes in operating assets and liabilities:		
Accounts receivable, net	(54)	(24)
Other current assets	(11)	(7)
Deferred contract acquisition costs	(95)	(77)
Inventories, net	12	13
Accounts payable	(1)	(3)
Accrued expenses and other current liabilities	(7)	17
Deferred revenue	23	6
Operating lease right-of-use assets and operating lease liabilities, net	(1)	—
Other assets and liabilities	(2)	(4)
Net cash provided by operating activities	213	43
Cash flows from investing activities:		
Cash paid for acquisition, net of cash acquired	—	(9)
Capital expenditures	(41)	(31)
Purchases of marketable securities	(353)	(479)
Proceeds from the sale of marketable securities	80	23
Maturities of marketable securities	290	414
Other investing activities	—	(3)
Net cash used in investing activities	(24)	(85)
Cash flows from financing activities:		
Change in customer funds obligations, net	40	27
Proceeds from issuance of common stock	84	31
Warrant repurchase	(61)	—
Repurchases of Class A common stock	(56)	—
Net cash provided by financing activities	7	58
Net increase in cash, cash equivalents, cash held on behalf of customers and restricted cash	196	16
Effect of exchange rate changes on cash and cash equivalents and restricted cash	1	(1)
Cash, cash equivalents, cash held on behalf of customers and restricted cash at beginning of period	747	635
Cash, cash equivalents, cash held on behalf of customers and restricted cash at end of period	\$ 944	\$ 650
Reconciliation of cash, cash equivalents, cash held on behalf of customers and restricted cash		
Cash and cash equivalents	\$ 761	\$ 514
Cash held on behalf of customers	127	87
Restricted cash	56	49
Total cash, cash equivalents, cash held on behalf of customers and restricted cash	\$ 944	\$ 650

The accompanying notes are an integral part of these condensed consolidated financial statements.

TOAST, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Description of Business, Basis of Presentation, and Summary of Significant Accounting Policies

Toast, Inc. (“we,” or “the Company”), is a cloud-based all-in-one digital technology platform purpose-built for the entire restaurant community. We provide a comprehensive platform of software-as-a-service, or SaaS, products and financial technology solutions, including integrated payment processing, restaurant-grade hardware, and a broad ecosystem of third-party partners. We serve as the restaurant operating system, connecting front of house and back of house operations across service models including dine-in, takeout, delivery, catering, and retail.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP, and the rules and regulations of the Securities and Exchange Commission, or the SEC, regarding interim financial reporting. Accordingly, they do not include all of the financial information and footnotes required by U.S. GAAP for complete financial statements.

The unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. The unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly our financial position, results of operations, comprehensive income (loss), stockholders' equity, and cash flows for the interim periods, but are not necessarily indicative of the results of operations to be expected for the full year ending December 31, 2024 or any other future interim periods.

The accompanying unaudited condensed consolidated financial statements reflect the application of certain significant accounting policies as described below and elsewhere in these notes to the unaudited condensed consolidated financial statements. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2023, or the 2023 Annual Report. As of September 30, 2024, there have been no material changes in the Company's significant accounting policies from those that were disclosed in the Annual Report on Form 10-K, unless otherwise discussed below.

Risks and Uncertainties

We are subject to a number of risks and uncertainties, including global events and macroeconomic conditions such as inflation and its potential impact on consumer spending, rising interest rates, global supply chain issues, and any public health concerns, which may also impact consumer behavior, the restaurant industry, and our business.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period.

2. Financial Instruments

The following table presents information about our financial assets and liabilities that are measured at fair value on a recurring basis and indicates the level of the fair value hierarchy used to determine such fair values (in millions):

September 30, 2024				
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	\$ 150	\$ —	\$ —	\$ 150
Commercial paper	—	18	—	18
Corporate bonds	—	88	—	88
U.S. government agency securities	—	7	—	7
Treasury securities	—	231	—	231
Asset-backed securities	—	167	—	167
	<u>\$ 150</u>	<u>\$ 511</u>	<u>\$ —</u>	<u>\$ 661</u>
Liabilities:				
Warrants to purchase common stock	\$ —	\$ —	\$ 27	\$ 27
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 27</u>	<u>\$ 27</u>

December 31, 2023				
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	\$ 267	\$ —	\$ —	\$ 267
Commercial paper	—	53	—	53
Certificates of deposit	—	29	—	29
Corporate bonds	—	80	—	80
U.S. government agency securities	—	37	—	37
Treasury securities	—	213	—	213
Asset-backed securities	—	107	—	107
	<u>\$ 267</u>	<u>\$ 519</u>	<u>\$ —</u>	<u>\$ 786</u>
Liabilities:				
Warrants to purchase common stock	\$ —	\$ —	\$ 64	\$ 64
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 64</u>	<u>\$ 64</u>

During the nine months ended September 30, 2024, there were no transfers into or out of Level 3 measurements within the fair value hierarchy.

Marketable Securities

The fair values of marketable securities by contractual maturities at September 30, 2024 were as follows (in millions):

	September 30, 2024
Due within 1 year	\$ 249
Due after 1 year through 5 years	254
Due after 5 years and thereafter	8
Total marketable securities	<u>\$ 511</u>

Valuation of Warrants to Purchase Common Stock

The fair value of the warrants was determined using the Black-Scholes option-pricing model. The following table indicates the weighted-average assumptions made in estimating the fair value as of:

	September 30, 2024	December 31, 2023
Risk-free interest rate	3.6 %	4.0 %
Contractual term (in years)	3	3
Expected volatility	64.8 %	63.8 %
Expected dividend yield	— %	— %
Exercise price per share	\$ 17.50	\$ 17.16

Fair Value of Liabilities

The following table provides a roll-forward of the aggregate fair value of our common stock warrant liability for which fair value is determined using Level 3 inputs (in millions):

	Common Stock Warrant Liability
Balance as of December 31, 2023	\$ 64
Change in fair value	37
Warrant Extinguishment	(74)
Balance as of September 30, 2024	\$ 27

On July 3, 2024, we repurchased a warrant, or the Warrant, to purchase 5 million shares of our Class B common stock for an aggregate purchase price of \$61 million, or the Warrant Repurchase. The Warrant was canceled and is no longer outstanding. Immediately prior to the Warrant Repurchase, we recognized a remeasurement gain of \$2 million within “Change in fair value of warrant liability” in the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2024. Upon the Warrant Repurchase, we also recognized a gain on the extinguishment of the Warrant of \$14 million within “Other income (expense), net” in the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2024.

As of September 30, 2024, the maximum number of shares of our Class B common stock that could be required to be issued upon the exercise of outstanding warrants was 2 million.

3. Loan Servicing Activities and Acquired Loans Receivable, Net

Changes in the contingent liability for expected credit losses for the three and nine months ended September 30, 2024 and 2023 were as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Beginning balance	\$ 26	\$ 22	\$ 29	\$ 14
Credit loss expense	14	16	34	38
Reductions due to loan purchases	(11)	(9)	(34)	(23)
Ending balance	\$ 29	\$ 29	\$ 29	\$ 29

As of September 30, 2024 and December 31, 2023, the non-contingent stand-ready liability was \$10 million and \$11 million, respectively.

As of September 30, 2024 and December 31, 2023, \$56 million and \$55 million, respectively, were classified as restricted cash on the condensed consolidated balance sheets, representing cash held with commercial lending institutions. The restrictions are related to cash held as collateral pursuant to an agreement with the originating third-party bank for the working capital loans serviced by Toast Capital.

4. Lessee Arrangements

The components of lease expense were as follows for the three and nine months ended September 30, 2024 and 2023 (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Operating lease expense	\$ 3	\$ 2	\$ 9	\$ 10
Variable lease expense	—	1	2	2
Total	\$ 3	\$ 3	\$ 11	\$ 12

Operating lease expense reflects the non-cash amortization of right-of-use assets.

The following table summarizes supplemental cash flow information related to operating leases during the nine months ended September 30, 2024 and 2023 (in millions):

	Nine Months Ended September 30,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities	\$ 11	\$ 13
Supplemental non-cash amounts of increases in lease liabilities from obtaining right-of-use assets / (decreases) of lease liabilities from lease terminations and modifications	2	(54)

5. Other Balance Sheet Information

Accounts Receivable, net (in millions)

	September 30, 2024	December 31, 2023
Accounts receivable	\$ 91	\$ 57
Unbilled receivables	20	23
Less: Allowance for credit losses	(6)	(11)
Accounts receivable, net	\$ 105	\$ 69

Our allowance for credit losses was comprised of the following (in millions):

	Nine Months Ended September 30,	
	2024	2023
Beginning Balance	\$ (11)	\$ (12)
Additions	(14)	(7)
Write offs	19	8
Ending Balance	\$ (6)	\$ (11)

Other Current Assets (in millions)

	September 30, 2024	December 31, 2023
Cash held on behalf of customers	\$ 127	\$ 87
Other receivables	69	58
Deferred contract acquisition costs	70	60
Prepaid expenses	31	24
Other	22	30
	<u>\$ 319</u>	<u>\$ 259</u>

Accrued Expenses and Current Liabilities (in millions)

	September 30, 2024	December 31, 2023
Accrued transaction-based costs	\$ 280	\$ 253
Customer funds obligation	127	87
Accrued expenses	72	68
Accrued payroll and bonus	69	78
Contingent liability for expected credit losses	29	29
Accrued commissions	21	25
Operating lease liability	11	11
Other	47	41
	<u>\$ 656</u>	<u>\$ 592</u>

6. Revenue from Contracts with Customers

The following table summarizes the activity in deferred revenue (in millions):

	Nine Months Ended September 30, 2024
Deferred revenue, beginning of period	\$ 41
Deferred revenue, end of period	64
Revenue recognized in the period from amounts included in deferred revenue at the beginning of period	\$ 38

As of September 30, 2024, approximately \$783 million of revenue is expected to be recognized from remaining performance obligations for customer contracts. We expect to recognize revenue of approximately \$734 million from these remaining performance obligations over the next 24 months, with the balance recognized thereafter.

The following tables summarize the activity in deferred contract acquisition costs (in millions):

	Nine Months Ended September 30, 2024
Beginning balance	\$ 127
Capitalization of sales commissions costs	92
Amortization of sales commissions costs	(59)
Ending balance	\$ 160

Amortization expense attributable to deferred contract acquisition costs was \$44 million for the nine months ended September 30, 2023.

7. Stockholders' Equity

Shares of Stock

The following table shows the changes in Class A and Class B shares of common stock (in millions):

	Nine Months Ended September 30, 2024
Class A and B common stock (in shares)	
Balance, beginning of period	543
Issuance of common stock under equity plans	24
Repurchases of common stock	(2)
Balance, end of period	565

Stock-Based Compensation

Stock-based compensation expense recognized for the three and nine months ended September 30, 2024 and 2023, is as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Cost of revenue	\$ 10	\$ 11	\$ 31	\$ 32
Sales and marketing	13	15	40	43
Research and development	22	23	62	69
General and administrative	15	22	48	62
Restructuring expenses	—	—	12	—
	<u>\$ 60</u>	<u>\$ 71</u>	<u>\$ 193</u>	<u>\$ 206</u>

Stock-based compensation of \$3 million and \$10 million, respectively, was capitalized as software development costs for the three and nine months ended September 30, 2024. Stock-based compensation of \$4 million and \$10 million, respectively, was capitalized as software development costs for the three and nine months ended September 30, 2023.

Stock Options

The following is a summary of stock option activity under our stock option plans for the nine months ended September 30, 2024:

(in millions, except per share amounts)	Number of Shares (in millions)	Weighted- Average Exercise Price (per share)	Weighted-Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value (in millions) (1)
Outstanding as of December 31, 2023	48	\$ 7.07		
Granted	2	24.53		
Exercised	(15)	4.61		
Forfeited	(3)	11.87		
Outstanding as of September 30, 2024	<u>32</u>	<u>\$ 8.92</u>		
Options vested and expected to vest as of September 30, 2024	31	\$ 8.63	5.9	\$ 604

(1) The aggregate intrinsic value was determined as the difference between the closing price of the Class A common stock on the last trading day of September 2024, or the date of exercise, as appropriate, and the exercise price, multiplied by the number of in-the-money options that would have been received by the option holders had all option holders exercised their in-the-money options at period end.

The aggregate intrinsic value of options exercised was \$58 million and \$292 million, respectively, during the three and nine months ended September 30, 2024.

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As of September 30, 2024, total unrecognized stock-based compensation expense related to option awards was \$64 million and is expected to be recognized over the remaining weighted-average service period of 2.4 years.

Restricted Stock Units

The following table summarizes restricted stock units, or RSU, activity during the nine months ended September 30, 2024:

	RSU (in millions)	Weighted-Average Grant Date Fair Value (per share)
Outstanding balance as of December 31, 2023	33	\$ 20.70
Granted	7	24.21
Vested	(9)	21.48
Forfeited	(6)	21.36
Outstanding balance as of September 30, 2024	25	\$ 21.19
Expected to vest, as of September 30, 2024	22	\$ 21.16

The fair value of RSUs vested during the three and nine months ended September 30, 2024 was \$73 million and \$199 million, respectively.

As of September 30, 2024, total unrecognized stock-based compensation expense related to the RSUs was \$384 million and is expected to be recognized over the remaining weighted-average service period of 2.5 years.

Share Repurchase Program

In February 2024, we announced the authorization of a share repurchase program for the repurchase of shares in our Class A common stock, in an aggregate amount of up to \$250 million. The repurchase program has no expiration date, does not obligate us to acquire any particular amount of our Class A common stock, and may be suspended at any time at our discretion. The timing and actual number of shares repurchased may depend on a variety of factors, including price, general business and market conditions, and alternative investment opportunities.

During the three and nine months ended September 30, 2024, we repurchased \$20 million and \$56 million, respectively, in Class A common stock. At September 30, 2024, approximately \$194 million remained authorized for repurchase under our share repurchase program.

Shares Reserved for Charitable Donations

In recognition of our values and commitment to local communities, we joined the Pledge 1% movement to fund our social impact initiatives through Toast.org, our social impact arm. During the year ended December 31, 2021, our Board approved reserving 5 million shares of Class A common stock that we may, but are not obligated to, issue over a certain period to fund the Company's social impact initiatives through Toast.org. During the three and nine months ended September 30, 2024, we extended the anticipated period of issuance and recognized stock-based charitable contribution expense of \$5 million for the fair value of the donated shares. During the three and nine months ended September 30, 2023, we recognized stock-based charitable contribution expense of \$10 million for the fair value of the donated shares. Such expenses were recorded within general and administrative expenses in the Condensed Consolidated Statement of Operations.

8. Restructuring Plan

In February 2024, we announced a restructuring plan, or the Restructuring Plan, designed to promote overall operating expense efficiency, including a reduction in force and certain other actions to reorganize our facilities and operations. In connection with this Restructuring Plan, we incurred restructuring and restructuring-related charges of \$0 million and \$46 million, respectively, during the three and nine months ended September 30, 2024. These charges were recorded within restructuring expenses on our Condensed Consolidated Statements of Operations, primarily consisting of cash severance costs and the acceleration of stock-based compensation for certain terminated employees. As of September 30, 2024, accrued restructuring expenses were immaterial. We expect immaterial costs to be incurred during the remainder of fiscal year 2024.

9. Income Taxes

Our effective income tax rate was 1.6% and (0.2)% for the three months ended September 30, 2024 and 2023, respectively, and was (23.3)% and (0.5)% for the nine months ended September 30, 2024 and 2023, respectively. The effective tax rate for each period differs from the statutory rate primarily as a result of having a full valuation allowance maintained against our deferred tax assets, along with the release of a portion of our valuation allowance in the nine months ended September 30, 2023, as a result of an acquisition.

The income tax expense was \$1 million and \$0 million for the three months ended September 30, 2024 and 2023, respectively, and \$3 million and \$1 million for the nine months ended September 30, 2024 and 2023, respectively. The change in the provision is primarily driven by changes in the provision recorded on the earnings of our non-U.S. subsidiaries and a non-recurring benefit recognized in the nine months ended September 30, 2023 from the acquisition of Delphi of \$1 million.

10. Earnings or Loss Per Share Attributable to Common Stockholders

Basic earnings or loss per share is determined by dividing net income or loss by the weighted-average shares outstanding for the period. We analyze the potential dilutive effect of stock options, unvested restricted stock, RSUs, our employee stock purchase plan, and warrants to purchase common stock, during periods we generate net income, or when income is recognized related to changes in fair value of warrant liabilities.

Class A common stock and Class B common stock share proportionately, on a per share basis, in our net income (losses) and participate equally in the dividends on common stock, if declared. We allocate net income (losses) attributable to common stock between the common stock classes on a one-to-one basis when computing earnings (loss) per share. As a result, basic and diluted earnings (loss) per share of Class A common stock and Class B common stock are equivalent.

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The following table sets forth the computation of basic and diluted earnings (loss) per share attributable to common stockholders for the periods presented (in millions, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Numerator:				
Net income (loss), basic	\$ 56	\$ (31)	\$ (13)	\$ (210)
Less: Gain on change in fair value of warrant liabilities and extinguishment ⁽¹⁾	16	18	—	—
Net income (loss), diluted	<u>\$ 40</u>	<u>\$ (49)</u>	<u>\$ (13)</u>	<u>\$ (210)</u>
Denominator:				
Weighted-average shares of common stock outstanding—basic	563	535	556	530
Warrants to purchase Class B common stock ⁽¹⁾	—	1	—	—
Dilutive common share equivalents included in dilutive shares	27	—	—	—
Weighted-average shares of common stock outstanding—diluted	<u>590</u>	<u>536</u>	<u>556</u>	<u>530</u>
Earnings (loss) per share, basic	<u>\$ 0.10</u>	<u>\$ (0.06)</u>	<u>\$ (0.02)</u>	<u>\$ (0.40)</u>
Earnings (loss) per share, diluted	<u>\$ 0.07</u>	<u>\$ (0.09)</u>	<u>\$ (0.02)</u>	<u>\$ (0.40)</u>

⁽¹⁾ During the three months ended September 30, 2024, we recorded a remeasurement gain of \$2 million on the warrant liability immediately prior to the Warrant Repurchase on July 3, 2024 and a gain on the extinguishment of the Warrant upon the Warrant Repurchase of \$14 million. During the three months ended September 30, 2023, we recorded a remeasurement gain of \$18 million of our warrant liability. For purposes of computing diluted earnings (loss) per share, these gains were excluded from our net income (loss) and the corresponding weighted-average shares were also adjusted accordingly.

We excluded the following potential shares of common stock from the computation of diluted earnings (loss) per share because including them would have an anti-dilutive effect for the periods presented (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Options to purchase Class A common stock and Class B common stock	3	49	32	49
Unvested restricted stock	—	1	—	1
Unvested restricted stock units	1	35	25	35
Warrants to purchase Class B common stock ⁽²⁾	2	—	2	7
	<u>6</u>	<u>85</u>	<u>59</u>	<u>92</u>

⁽²⁾ During the three months ended September 30, 2024, we recorded a loss on fair value remeasurement of our remaining warrants outstanding after the Warrant Repurchase. These warrants were excluded from the computation of diluted net earnings (loss) per share due to their anti-dilutive impact. During the nine months ended September 30, 2024 and 2023, we recorded a loss on fair value remeasurement of our warrant liability and the warrants were excluded from the calculation of diluted earnings (loss) per share due to their anti-dilutive effect.

11. Commitments and Contingencies

Legal Proceedings

From time to time, we may be involved in legal actions arising in the ordinary course of business. Each of these matters is subject to various uncertainties, and it is possible that some of these matters may be resolved unfavorably. We establish accruals for losses that management deems to be probable and subject to reasonable estimates. We do not expect any claims with a reasonably possible adverse outcome to have a material impact on us, and, accordingly, have not accrued for any material claims.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations together with the unaudited condensed consolidated financial statements, and the related notes that are included elsewhere in this Quarterly Report on Form 10-Q, and with our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023. Some of the information contained in this discussion and analysis, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the section titled "Special Note Regarding Forward-Looking Statements" and Item 1A. Risk Factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 and in this Quarterly Report on Form 10-Q, if applicable. Our historical results are not necessarily indicative of the results that may be expected for any period in the future.

Overview

Toast is a cloud-based, all-in-one digital technology platform purpose-built for the entire restaurant community. We provide a comprehensive platform of software-as-a-service, or SaaS, products and financial technology solutions, including integrated payment processing, restaurant-grade hardware, and a broad ecosystem of third-party partners. We serve as the restaurant operating system, connecting front of house and back of house operations across service models including dine-in, takeout, delivery, catering, and retail.

We define a live location, or Location, as a unique location that has used Toast Point of Sale, or POS, to record transaction volumes above a minimum threshold, and has not been marked as a churned location as of the date of determination. A Location can use Toast payment services, which we refer to as a Toast Processing Location, or for select enterprise customers, not use Toast's payment services, which we refer to as a Non-Toast Processing Location. Customers of legacy solutions provided by companies that we have acquired that do not use Toast POS, are not included in our Location count.

As of September 30, 2024, approximately 127,000 Locations, an increase of 28% year over year, processing approximately \$151 billion of gross payment volume in the trailing 12 months, partnered with Toast to optimize operations, increase sales, engage guests, and maintain happy employees.

Since our founding, we have translated our love for restaurants into a commitment to innovation and digital transformation for the restaurant industry. As we have expanded our platform, launched new products, and added new partners over time, we have rapidly grown the number of restaurant Locations on the Toast platform.

Seasonality

We experience seasonality in our financial technology solutions revenue, which is largely driven by the level of Gross Payment Volume, or GPV, processed through our platform. For example, customers typically have greater sales during the warmer months, though this effect varies regionally, and customer sales can be impacted by seasonal needs of our customers (which may also impact the total number of Toast Processing Locations in such a period that contributes to our GPV). As a result, our financial technology solutions revenue per Toast Processing Location has historically been stronger in the second and third quarters. We believe that financial technology solutions revenue from both existing and potential future products will continue to represent a significant proportion of our overall revenue mix, and seasonality will continue to impact our results of operations.

Key Business Metrics

We use the following key business metrics to help us evaluate our business, identify trends affecting our business, formulate business plans, and make strategic decisions:

(dollars in billions)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	% Growth	2024	2023	% Growth
Gross Payment Volume (GPV) ⁽¹⁾	\$ 41.7	\$ 33.7	24 %	\$ 116.9	\$ 92.5	26 %

(dollars in millions)	As of September 30,		
	2024	2023	% Growth
Annualized Recurring Run-Rate (ARR)	\$ 1,554	\$ 1,218	28 %

Gross Payment Volume (GPV)⁽¹⁾

Gross Payment Volume represents the sum of total dollars processed through the Toast payments platform across Toast Processing Locations in a given period. GPV is a key measure of the scale of our platform, which in turn drives our financial performance. As our customers generate more sales and therefore more GPV, we generally see higher financial technology solutions revenue.

⁽¹⁾ Please note that numbers may not tie due to rounding to the nearest hundred million.

Annualized Recurring Run-Rate (ARR)

We monitor Annualized Recurring Run-Rate as a key operational measure of the scale of our subscription and payment processing services for both new and existing customers. To calculate this metric, we first calculate recurring run-rate on a monthly basis. Monthly Recurring Run-Rate, or MRR, is measured on the final day of each month as the sum of (i) our monthly billings of subscription services fees, which we refer to as the subscription component of MRR, and (ii) our in-month adjusted payments services fees, exclusive of estimated transaction-based costs, which we refer to as the payments component of MRR. MRR does not include fees derived from Toast Capital or related costs. MRR is also not burdened by the impact of SaaS credits offered. The MRR calculation includes all locations on the Toast platform and locations on legacy solutions, which have a negligible impact on ARR.

ARR is determined by taking the sum of (i) twelve times the subscription component of MRR and (ii) four times the trailing-three-month cumulative payments component of MRR. We believe this approach provides an indication of our scale, while also controlling for short-term fluctuations in payments volume. Our ARR may decline or fluctuate as a result of a number of factors, including customers' satisfaction with our platform, pricing, competitive offerings, economic conditions, or overall changes in our customers' and their guests' spending levels. ARR is an operational measure, does not reflect our revenue or gross profit determined in accordance with U.S. Generally Accepted Accounting Principles, or GAAP, and should be viewed independently of, and not combined with or substituted for, our revenue, gross profit, and other financial information determined in accordance with GAAP. Further, ARR is not a forecast of future revenue and investors should not place undue reliance on ARR as an indicator of our future or expected results.

Results of Operations

Revenue

(dollars in millions)	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2024	2023	Amount	%	2024	2023	Amount	%
Subscription services	\$ 189	\$ 131	\$ 58	44 %	\$ 506	\$ 358	\$ 148	41 %
Financial technology solutions	1,067	856	211	25 %	2,963	2,338	625	27 %
Hardware and professional services	49	45	4	9 %	153	133	20	15 %
Total revenue	<u>\$ 1,305</u>	<u>\$ 1,032</u>	<u>\$ 273</u>	<u>26 %</u>	<u>\$ 3,622</u>	<u>\$ 2,829</u>	<u>\$ 793</u>	<u>28 %</u>

The increase in subscription services revenue during the three and nine months ended September 30, 2024 was attributable to growth in restaurant Locations on the Toast platform and the continued increase in product adoption.

The increase in financial technology solutions revenue during the three and nine months ended September 30, 2024 was attributable to the increase in restaurant Locations on the Toast platform.

Costs of Revenue

(dollars in millions)	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2024	2023	Amount	%	2024	2023	Amount	%
Subscription services	\$ 56	\$ 43	\$ 13	30 %	\$ 159	\$ 118	\$ 41	35 %
Financial technology solutions	835	674	161	24 %	2,323	1,828	495	27 %
Hardware and professional services	91	88	3	3 %	279	271	8	3 %
Amortization of acquired intangible assets	1	1	—	— %	4	4	—	— %
Total costs of revenue	<u>\$ 983</u>	<u>\$ 806</u>	<u>\$ 177</u>	<u>22 %</u>	<u>\$ 2,765</u>	<u>\$ 2,221</u>	<u>\$ 544</u>	<u>24 %</u>

The increase in subscription services costs during the three and nine months ended September 30, 2024 was primarily driven by increased employee-related costs.

The increase in financial technology solutions costs during the three and nine months ended September 30, 2024 was due to an increase in GPV.

Operating Expenses

Sales and Marketing

(dollars in millions)	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2024	2023	Amount	%	2024	2023	Amount	%
Sales and marketing	\$ 119	\$ 100	\$ 19	19 %	\$ 340	\$ 299	\$ 41	14 %

The increase in sales and marketing expenses during the three and nine months ended September 30, 2024 was primarily driven by increased employee-related costs.

Research and Development

(dollars in millions)	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2024	2023	Amount	%	2024	2023	Amount	%
Research and development	\$ 89	\$ 87	\$ 2	2 %	\$ 258	\$ 264	\$ (6)	(2)%

Research and development expenses remained approximately flat during the three and nine months September 30, 2024 as compared to the three and nine months ended September 30, 2023.

General and Administrative

(dollars in millions)	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2024	2023	Amount	%	2024	2023	Amount	%
General and administrative	\$ 80	\$ 98	\$ (18)	(18)%	\$ 229	\$ 276	\$ (47)	(17)%

The decrease in general and administrative expenses during the three months ended September 30, 2024 was primarily driven by decreased employee-related costs. The decrease in general and administrative expenses during the nine months ended September 30, 2024 was attributable to a decrease in employee-related costs of \$21 million and a decrease of \$11 million in lease termination expenses.

Restructuring Expenses

(dollars in millions)	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2024	2023	Amount	%	2024	2023	Amount	%
Restructuring expenses	\$ —	\$ —	\$ —	N/M	\$ 46	\$ —	\$ 46	N/M

N/M - Not meaningful

Restructuring expenses included restructuring and restructuring-related expenses incurred as part of the February 2024 Restructuring Plan, or the Restructuring Plan, substantially all of which relates to severance benefits of approximately \$32 million and approximately \$12 million of expense related to the acceleration of stock-based compensation for terminated employees during the nine months ended September 30, 2024.

Interest Income, Net

(dollars in millions)	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2024	2023	Amount	%	2024	2023	Amount	%
Interest income, net	\$ 9	\$ 10	\$ (1)	(10)%	\$ 30	\$ 27	\$ 3	11 %

Interest income, net, remained approximately flat during the three and nine months September 30, 2024 as compared to the three and nine months ended September 30, 2023.

Change in Fair Value of Warrant Liability

(dollars in millions)	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2024	2023	Amount	%	2024	2023	Amount	%
Change in fair value of warrant liability	\$ (1)	\$ 18	\$ (19)	(106)%	\$ (37)	\$ (5)	\$ (32)	640 %

The change in fair value of warrant liability for the three months ended September 30, 2024 as compared to the three months ended September 30, 2023 was driven by a combination of increased stock prices and a reduction of outstanding warrants from the Warrant Repurchase. The change in fair value of the warrant liability for the nine months ended September 30, 2024 was primarily attributable to an increase in the value of the common stock underlying the outstanding warrants at the end of the period compared to the beginning of the period.

Other income (expense), net

(dollars in millions)	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2024	2023	Amount	%	2024	2023	Amount	%
Other income (expense), net	\$ 15	\$ —	\$ 15	N/M	\$ 13	\$ —	\$ 13	N/M

The gain recognized in other income (expense), net for the three and nine months ended September 30, 2024 was primarily attributable to the extinguishment of the Warrant in connection with the Warrant Repurchase.

Non-GAAP Financial Measures

We use certain non-GAAP financial measures described below to supplement our condensed consolidated financial statements, which are prepared and presented in accordance with GAAP and to understand and evaluate our core operating performance. These non-GAAP financial measures, which may be different than similarly titled measures used by other companies, are presented to enhance investors' overall understanding of our financial performance and should not be considered substitutes for, or superior to, the financial information prepared and presented in accordance with GAAP.

We believe that these non-GAAP financial measures provide useful information about our financial performance, enhance the overall understanding of our past performance and future prospects, and allow for greater transparency with respect to important metrics used by our management for financial and operational decision-making. We are presenting these non-GAAP metrics to provide investors insight into the information used by our management to evaluate our business and financial performance. We believe that these measures provide investors increased comparability of our core financial performance over multiple periods with other companies in our industry.

Net Income (Loss) (GAAP) and Adjusted EBITDA (Non-GAAP)

Adjusted EBITDA is defined as net income (loss), adjusted to exclude stock-based compensation expense and related payroll tax expense, depreciation and amortization expense, interest income (expense) net, income taxes and certain other items that are not considered to reflect our operating activities and performance within the ordinary course of business, such as restructuring and restructuring-related expenses, acquisition expenses, fair value adjustments on warrant liabilities, gain on warrant extinguishments, expenses related to early termination of leases (which includes associated asset impairments), and stock-based charitable contribution expense, as applicable. We have provided below a reconciliation of net income (loss), the most directly comparable GAAP financial measure, to Adjusted EBITDA.

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We believe Adjusted EBITDA is useful for investors in comparing our financial performance to other companies and from period to period. Adjusted EBITDA is widely used by investors and securities analysts to measure a company's operating performance without regard to items such as depreciation and amortization, interest expense, and interest income, which can vary substantially from company to company depending on their financing and capital structures and the method by which their assets were acquired. In addition, Adjusted EBITDA eliminates the impact of certain items that may obscure trends in the underlying performance of our business. Adjusted EBITDA also has limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. For example, although depreciation expense is a non-cash charge, the assets being depreciated may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new asset acquisitions. In addition, Adjusted EBITDA excludes stock-based compensation expense, which has been, and will continue to be for the foreseeable future, a significant recurring expense for our business and an important part of our compensation strategy. Adjusted EBITDA also does not reflect changes in, or cash requirements for, our working capital needs; interest expense, or the cash requirements necessary to service interest or principal payments on our debt, which reduces the cash available to us; or tax payments that may represent a reduction in cash available to us. The expenses and other items that are excluded from the calculation of Adjusted EBITDA may differ from the expenses and other items that other companies may exclude from Adjusted EBITDA when they report their financial results.

The following table reflects the reconciliation of net income (loss) to Adjusted EBITDA for each of the periods presented:

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss)	\$ 56	\$ (31)	\$ (13)	\$ (210)
Stock-based compensation expense and related payroll tax	61	74	193	216
Depreciation and amortization	12	9	32	22
Interest income, net	(9)	(10)	(30)	(27)
Gain on warrant extinguishment	(14)	—	(14)	—
Change in fair value of warrant liability	1	(18)	37	5
Termination of leases	—	1	2	14
Stock-based charitable contribution expense	5	10	5	10
Restructuring and restructuring-related expenses ⁽¹⁾	—	—	46	—
Acquisition expenses	—	—	—	1
Income tax expense	1	—	3	1
Adjusted EBITDA	<u>\$ 113</u>	<u>\$ 35</u>	<u>\$ 261</u>	<u>\$ 32</u>

⁽¹⁾ Restructuring and restructuring-related expenses for the nine months ended September 30, 2024 include \$32 million of severance benefits, \$12 million of stock-based compensation expense, and \$2 million of accelerated depreciation related to facilities.

Subscription Services and Financial Technology Solutions Gross Profit (GAAP) and Non-GAAP Subscription Services and Financial Technology Solutions Gross Profit (Non-GAAP)

Non-GAAP Subscription Services and Financial Technology Solutions Gross Profit is defined as subscription services gross profit and financial technology solutions gross profit, adjusted to exclude stock-based compensation expense and related payroll tax expense, and depreciation and amortization expense. We believe this non-GAAP measure is useful to view the resulting figures excluding the aforementioned non-cash charges because the amount of such expenses in any specific period may not directly correlate to the underlying performance of our business operations and such amounts vary substantially from company to company depending on their financing and capital structures and the method by which their assets were acquired. We have provided below a reconciliation of Subscription Services and Financial Technology Solutions Gross Profit, the most directly comparable GAAP financial measure, to Non-GAAP Subscription Services and Financial Technology Solutions Gross Profit for each of the periods presented.

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue:				
Subscription services	\$ 189	\$ 131	\$ 506	\$ 358
Financial technology solutions	1,067	856	2,963	2,338
Costs of Revenue:				
Subscription services	56	43	159	118
Financial technology solutions	835	674	2,323	1,828
Subscription services and financial technology solutions gross profit (GAAP)	\$ 365	\$ 270	\$ 987	\$ 750

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Subscription services and financial technology solutions gross profit (GAAP)	\$ 365	\$ 270	\$ 987	\$ 750
Stock-based compensation expense and related payroll tax	5	5	16	15
Depreciation and amortization	8	5	22	11
Non-GAAP subscription services and financial technology solutions gross profit (Non-GAAP)	\$ 378	\$ 280	\$ 1,025	\$ 776

Net Cash Provided by Operating Activities (GAAP) and Free Cash Flow (Non-GAAP)

Free cash flow is defined as net cash provided by operating activities reduced by purchases of property and equipment and capitalization of internal-use software costs (collectively referred to as capital expenditures). We believe that free cash flow is a meaningful indicator of our sources of liquidity and capital requirements that provides information to management and investors in evaluating the cash flow trends of our business. Once our business needs and obligations are met, cash can be used to maintain a strong balance sheet and invest in future growth.

Free cash flow has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Other companies may calculate free cash flow or similarly titled non-GAAP measures differently, which could reduce the usefulness of free cash flow as a tool for comparison. In addition, free cash flow does not reflect mandatory debt service and other non-discretionary expenditures that are required to be made under contractual commitments and does not represent the total increase or decrease in our cash balance for any given period.

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The following table presents a reconciliation of net cash provided by operating activities to free cash flow for each of the periods presented:

(in millions)	Nine Months Ended September 30,	
	2024	2023
Net cash provided by operating activities	\$ 213	\$ 43
Capital expenditures	(41)	(31)
Free cash flow	<u>\$ 172</u>	<u>\$ 12</u>

Liquidity and Capital Resources

Our principal sources of liquidity are cash and cash equivalents and marketable securities. We also have access to external sources of liquidity through a credit facility as further described below. The following tables present selected financial information related to our liquidity:

(in millions)	September 30, 2024 ⁽¹⁾	December 31, 2023 ⁽²⁾
Cash and cash equivalents	\$ 761	\$ 605
Marketable securities	511	519
Cash and cash equivalents and marketable securities	<u>\$ 1,272</u>	<u>\$ 1,124</u>
Available credit facility	<u>\$ 330</u>	<u>\$ 330</u>
Total	<u>\$ 1,602</u>	<u>\$ 1,454</u>

⁽¹⁾ Excludes \$127 million of cash held on behalf of customers and \$56 million of restricted cash.

⁽²⁾ Excludes \$87 million of cash held on behalf of customers and \$55 million of restricted cash.

(in millions)	Nine Months Ended September 30,	
	2024	2023
Net cash provided by operating activities	\$ 213	\$ 43
Net cash used in investing activities	(24)	(85)
Net cash provided by financing activities	7	58
Net increase in cash, cash equivalents, cash held on behalf of customers and restricted cash	<u>\$ 196</u>	<u>\$ 16</u>

Cash, cash equivalents and marketable securities

The net increase in cash, cash equivalents and marketable securities in the nine months ended September 30, 2024 was primarily due to cash provided by operating activities of \$212 million (which excludes changes in the balance of restricted cash) and proceeds of \$84 million generated from the issuance of common stock. This was partially offset by \$61 million in cash outflows related to the Warrant Repurchase, \$56 million in cash outflows related to share repurchases and \$41 million in cash outflows related to capital expenditures. Cash generated from operating activities during the nine months ended September 30, 2024 was impacted by our net loss of \$(13) million, which includes restructuring and restructuring-related expenses of \$46 million and a use of cash for working capital, primarily driven by higher deferred contract acquisition costs, resulting, in part, from continued growth in Locations.

The increase in net cash provided by operating activities during the nine months ended September 30, 2024, as compared to the same period last year, was primarily driven by a lower net loss and an increase in non-cash adjustments, which was primarily attributable to increased fair value remeasurement loss of our warrant liability and increased amortization of deferred contract acquisition costs. This increase was partially offset by cash severance charges paid in connection with the Restructuring Plan and a higher use of cash for working capital. The decrease in net cash used in investing activities during the nine months ended September 30, 2024, as compared to the same period last year, was primarily driven by net cash inflows from marketable securities as compared to net cash outflows from marketable securities during the same period last year, partially offset by an increase in capital expenditures. The decrease in net cash provided by financing activities during the nine months ended September 30, 2024, as compared to the same period last year, was primarily driven by cash outflows related to the Warrant Repurchase and share repurchases, partially offset by an increase in cash inflows from the proceeds from the issuance of common stock.

We do not anticipate any material changes, or material changes in trends, related to our net working capital requirements, liquidity or cash flows in the near term, other than for items disclosed within this Quarterly Report on Form 10-Q and our 2023 Annual Report on Form 10-K.

Debt

During 2021 we entered into a senior secured credit facility, or the 2021 Facility, which we subsequently amended on March 2, 2023, to replace LIBOR with SOFR. The 2021 Facility is subject to a minimum liquidity covenant of \$250 million, subject to certain additional customary restrictive covenants in connection with the February 2024 share repurchase program. As of September 30, 2024 and December 31, 2023, total available funds under the 2021 Facility were \$330 million and no amounts were drawn or outstanding. In addition, as of September 30, 2024 and December 31, 2023, there were \$5 million in letters of credit outstanding.

Share Repurchase Program

In February 2024, we announced the authorization of a share repurchase program for the repurchase of shares of our Class A common stock in an aggregate amount of up to \$250 million. The repurchase program has no expiration date, does not obligate us to acquire any particular amount of our Class A common stock, and may be suspended at any time at our discretion. The timing and actual number of shares repurchased may depend on a variety of factors, including price, general business and market conditions, and alternative investment opportunities. During the nine months ended September 30, 2024, we repurchased approximately 2 million shares of our Class A common stock for an aggregate amount of \$56 million.

Dilution

We calculate our fully-diluted share count on an unweighted basis taking our total outstanding share count in addition to unexercised stock options, unvested restricted stock units, shares reserved for charitable donations and other securities that can be converted to common stock, such as our warrants to purchase common stock. As of September 30, 2024, our fully diluted share count was as follows:

(shares, in millions)	September 30, 2024 (1)
Class A and B common stock issued and outstanding	565
Options to purchase Class A common stock and Class B common stock	32
Unvested restricted stock units	25
Warrants to purchase Class B common stock	2
Shares reserved for charitable donations	4
Total fully diluted share count	628

(1) Share amounts presented above do not give effect to potential repurchases of common stock under the treasury stock method.

For further information see Note 7, "Stockholders' Equity" and Note 10, "Earnings or Loss Per Share Attributable to Common Stockholders" included in this Quarterly Report on Form 10-Q in "Notes to Condensed Consolidated Financial Statements".

Other Capital Requirements

Expected working and other capital requirements are described in our 2023 Annual Report on Form 10-K in “Part II, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations.” At September 30, 2024, other than for the changes disclosed in the “Notes to Condensed Consolidated Financial Statements” and “Liquidity and Capital Resources” in this Quarterly Report, there have been no other material changes to our expected working and other capital requirements described in our 2023 Annual Report on Form 10-K, and we believe that our existing cash and cash equivalents, along with our available borrowing capacity under our credit facility, will be sufficient to meet our working capital needs for at least the next 12 months, including planned capital expenditures, strategic transactions, and investment commitments that we may enter into from time to time.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to financial market risks, including changes in interest rates and foreign currency exchange rates, as well as credit risk on accounts receivable and our loan servicing activities. Our exposure to market and credit risk has not changed materially since the presentation set forth in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 27, 2024.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, including our principal executive officer and principal financial officer, have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective as of September 30, 2024, the end of the period covered by this Quarterly Report on Form 10-Q, to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitation on the Effectiveness of Internal Control

Our management, including our principal executive officer and principal financial officer, do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two, or more people or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Due to inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently a party to any litigation or claims that, if determined adversely to us, would have a material adverse effect on our business operating results, financial condition, or cash flows. We are, from time to time, party to litigation and subject to claims in the ordinary course of business. Regardless of the outcome, litigation can have an adverse impact on us because of the defense and settlement costs, diversion of management resources, and other factors.

Item 1A. Risk Factors

There have been no material changes from the risk factors set forth in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023. Our business, operations, and financial results are subject to various risks and uncertainties that could materially adversely affect our business, results of operations, financial condition, and the trading price of our Class A common stock. You should carefully read and consider the risks and uncertainties included in the Annual Report, together with all of the other information in the Annual Report and this Quarterly Report on Form 10-Q, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our condensed consolidated financial statements and related notes, and other documents that we file with the SEC. The risks and uncertainties described in these reports may not be the only ones we face. The factors discussed in these reports, among others, could cause our actual results to differ materially from historical results and those expressed in forward-looking statements made by us or on our behalf in filings with the SEC, press releases, communications with investors, and oral statements.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Unregistered Sales of Equity Securities

In September 2024, we issued and donated 0.2 million shares of Class A common stock in connection with our Pledge 1% commitment to an independent donor advised fund to further our philanthropic goals through our Toast.org initiative, for consideration consisting of the benefit to the Company related to the purpose of the independent donor advised fund. The offer, sale, and issuance of the securities were deemed to be exempt from registration under Section 4(a)(2) of the Securities Act as a transaction by an issuer not involving a public offering.

(c) Issuer Purchases of Equity Securities

Our purchases of our common stock in the third quarter of fiscal year 2024 were:

Period	Total Number of Shares Purchased (in thousands)	Average Price Paid Per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (in thousands)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2) (in millions)
July 1, 2024 to July 31, 2024	402	\$ 24.51	402	\$ 205
August 1, 2024 to August 31, 2024	132	\$ 24.38	132	\$ 201
September 1, 2024 to September 30, 2024	317	\$ 23.70	317	\$ 194
Total	851	\$ 24.19	851	

(1) Average Price Paid Per Share excludes cash paid for commissions.

(2) On February 15, 2024, we announced the authorization of a share repurchase program for the repurchase of shares in our Class A common stock, in an aggregate amount of up to \$250 million. The repurchase program has no expiration date, does not obligate us to acquire any particular amount of our Class A common stock, and it may be suspended at any time at our discretion.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

(c) Insider Trading Arrangements

On August 30, 2024, Brian Elworthy, our General Counsel and Corporate Secretary, entered into a trading plan pursuant to Rule 10b5-1 of the Exchange Act. Mr. Elworthy's Rule 10b5-1 trading plan provides for the sale from time to time of a maximum of 300,000 shares of our Class A common stock pursuant to the terms of the plan. Mr. Elworthy's Rule 10b5-1 trading plan expires on May 30, 2025, or earlier if all transactions under the trading arrangement are completed. The trading arrangement is intended to satisfy the affirmative defense in Rule 10b5-1(c).

On September 13, 2024, the Narang Family Trust, where shares held by such trust are held indirectly by Aman Narang, our Chief Executive Officer, Co-Founder and board member, entered into a trading plan pursuant to Rule 10b5-1 of the Exchange Act. This Rule 10b5-1 trading plan provides for the sale from time to time of a maximum of 720,000 shares of our Class A common stock pursuant to the terms of the plan and expires on September 12, 2025, or earlier if all transactions under the trading arrangement are completed. The trading arrangement is intended to satisfy the affirmative defense in Rule 10b5-1(c).

During the fiscal quarter ended September 30, 2024, other than described in the statements above, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, terminated or modified a Rule 10b5-1 trading arrangement or any "non-Rule 10b5-1 trading agreement" (as defined in Item 408(c) of Regulation S-K).

Item 6. Exhibits

The exhibits listed below are filed or incorporated by reference in this Quarterly Report on Form 10-Q.

Exhibit Number	Description
<u>10.1*#</u>	<u>2024 Executive Severance and Change in Control Policy</u>
<u>31.1*</u>	<u>Certification of the Principal Executive Officer, pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>31.2*</u>	<u>Certification of the Principal Financial Officer, pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.1**</u>	<u>Certification of the Principal Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.2**</u>	<u>Certification of the Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

Indicates management contract or compensatory plan, contract or agreement.

* Filed herewith.

** Furnished herewith. The certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are deemed furnished and not filed with the SEC and are not to be incorporated by reference into any filing of the Company under the Securities Act or the Exchange Act, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TOAST, INC.
(Registrant)

November 7, 2024

By: /s/ Aman Narang
Aman Narang
Chief Executive Officer
(Principal Executive Officer)

November 7, 2024

By: /s/ Elena Gomez
Elena Gomez
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

TOAST, INC.
2024 EXECUTIVE SEVERANCE AND CHANGE IN CONTROL POLICY

1. Purpose. Toast, Inc. (the “*Company*”) has adopted this 2024 Executive Severance and Change in Control Policy (this “*Policy*”) as a means to provide certain severance benefits and accelerated vesting to a Covered Employee who experiences a Termination Event at any time on or after the Effective Date (as such capitalized terms are defined below). Subject to Section 2, this Policy supersedes any and all severance plans, severance policies, change in control plans or change in control policies applying to a Covered Employee that may have been in effect before the Effective Date.

2. Coverage. For purposes of this Policy, “*Covered Employees*” shall mean certain employees of the Company based in the United States at the executive level (senior vice presidents and above) listed on Appendix A and who have signed a Severance Policy Eligibility and Waiver under this Policy provided by the Company. Notwithstanding anything to the contrary herein, if a Covered Employee is party to an employment or letter agreement with the Company or any of its subsidiaries (collectively, an “*Employment Agreement*”) that provides for severance and/or accelerated vesting upon a termination of employment, then the payments and benefits under such Employment Agreement shall supersede this policy unless such payments and benefits under such Employment Agreement are expressly waived. For the avoidance of doubt, in no event shall there be a duplication of payments or benefits under this Policy and any Employment Agreement. For the avoidance of doubt, any person who is classified by the Company as an independent contractor or third-party employee is not a Covered Employee and is not eligible for severance benefits or accelerated vesting under this Policy even if such classification is modified retroactively.

3. Change in Control. A “*Change in Control*” shall be deemed to have occurred upon the occurrence of any one of the following events: (a) the sale or exclusive out-license of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity, (b) a merger, reorganization or consolidation pursuant to which the holders of the Company’s outstanding voting power and outstanding stock immediately prior to such transaction do not own a majority of the outstanding voting power and fair market value of the stock or other equity interests of the resulting or successor entity (or its ultimate parent, if applicable) immediately upon completion of such transaction, (c) the sale of all of the stock of the Company to an unrelated person, entity or group thereof acting in concert, or (d) any other transaction in which the owners of the Company’s outstanding voting power immediately prior to such transaction do not own at least a majority of the outstanding voting power of the Company or any successor entity immediately upon completion of the transaction other than as a result of the acquisition of securities directly from the Company (for the avoidance of doubt, any change in majority voting power resulting from the conversion of Class B common stock of the Company to Class A common stock of the Company by an individual stockholder shall not, on its own, constitute a Change in Control). Notwithstanding any other provision of this Policy, “Change in Control” shall be interpreted, administered and applied in a manner consistent and in compliance with a “change in control event” as set forth in Treasury Regulation Section 1.409A- 3(i)(5).

“*Change in Control Period*” shall mean the period consisting of the 3 months immediately prior to a Change in Control and the 12 months immediately following a Change in Control.

4. Termination Event. A “*Termination Event*” shall mean any of the events provided in this Section 4:

(a) Termination by the Company of the Covered Employee’s employment for any reason other than for Cause or the Employee’s Death or Disability. For purposes of this Policy, “*Cause*” shall mean, as determined by the Company in good faith:

(i) conduct constituting an act of material misconduct in connection with the performance of the Covered Employee’s duties, including, without limitation, any misappropriation of funds or property of the Company other than the occasional, customary and de minimis use of Company property for personal purposes;

(ii) the commission by the Covered Employee of (A) any felony, (B) any crime involving the Company, or (C) any misdemeanor involving moral turpitude, deceit, fraud or dishonesty;

(iii) any conduct of the Covered Employee that would reasonably be expected to result in material injury or material reputational harm to the Company or any of its subsidiaries and affiliates if the Covered Employee was retained;

(iv) a material breach by the Covered Employee of any of the material provisions of any agreement between the Covered Employee and the Company including, without limitation, any agreement relating to non-disclosure, non-competition or assignment of inventions; or

(v) a material violation by the Covered Employee of any of the Company’s written policies relating to conduct or ethics, provided that, other than in the case of noncurable events, the Covered Employee shall be provided with written notice and fifteen (15) days to cure.

A Termination Event shall not be deemed to have occurred pursuant to this Section 4(a) solely as a result of the Covered Employee being an employee of any direct or indirect successor to the business or assets of the Company, rather than continuing as an employee of the Company following a Change in Control. For purposes hereof, the Covered Employee will be considered “Disabled” if, as a result of the Employee’s incapacity due to physical or mental illness, the Covered Employee shall have been absent from his or her duties to the Company on a full-time basis for 180 calendar days in the aggregate in any 12-month period.

(b) Termination of the Covered Employee’s employment by the Covered Employee for Good Reason. For purposes of this Policy, “*Good Reason*” shall mean that the Covered Employee has complied with the Good Reason Process (hereinafter defined) following, the occurrence of any of the following events on or within the 12 months immediately after a Change in Control:

- (i) a material diminution in the Covered Employee's responsibilities, authority or duties;
- (ii) a material diminution in the Covered Employee's base salary; or
- (iii) a 50 mile or greater change in the principal geographic location at which the Covered Employee is required to provide services to the Company, not including business travel and short-term assignments.

"*Good Reason Process*" shall mean that (i) the Covered Employee reasonably determines in good faith that a Good Reason condition has occurred during a Change in Control Period; (ii) the Covered Employee notifies the Company in writing of the first occurrence of the Good Reason condition within 60 days of the first occurrence of such condition; (iii) the Covered Employee cooperates in good faith with the Company's efforts, for a period not less than 30 days following such notice (the "*Cure Period*"), to remedy the condition; (iv) notwithstanding such efforts, the Good Reason condition continues to exist; and (v) the Covered Employee terminates his or her employment within 60 days after the end of the Cure Period. If the Company cures the Good Reason condition during the Cure Period, Good Reason shall be deemed not to have occurred.

1. Severance Benefits.

(a) Termination Event Outside of a Change in Control Period. In the event a Termination Event occurs outside of a Change in Control Period, subject to the Covered Employee signing a separation agreement containing, among other provisions, a general release of claims in favor of the Company and related persons and entities, confidentiality, return of property, non-disparagement and a reaffirmation of the Covered Employee's restrictive covenants, in a form and manner satisfactory to the Company (the "*Separation Agreement and Release*") and the Separation Agreement and Release becoming irrevocable within the time period set forth therein and in no event later than 60 days after the Date of Termination (as defined below), the following shall occur:

(i) the Company shall pay the Covered Employee salary continuation payments for the 6-month period following the Date of Termination (such period, the "*Severance Period*") of the Covered Employee's annual base salary in effect immediately prior to the Termination Event;

(ii) the Company shall pay a lump sum cash payment equal to the Covered Employee's target annual bonus for the year in which the Date of Termination occurs to the extent a bonus for such year has not already been paid, prorated based on the Covered Employee's Date of Termination, provided such prorated portion shall be determined by multiplying the target bonus by a fraction, the numerator of which is equal to the number of days the Covered Employee was employed during the applicable fiscal year through the Date of Termination and the denominator of which is equal to 365; and

(iii) if the Covered Employee was participating in the Company's group health plan immediately prior to the Date of Termination and elects

COBRA health continuation, then the Company shall pay to the Covered Employee a monthly cash payment until the end of the Severance Period in an amount equal to the monthly employer contribution that the Company would have made to provide health insurance to the Employee (and his or her eligible dependents) if the Covered Employee had remained employed by the Company.

(b) Termination Event Within a Change in Control Period. The provisions of this Section 5(b) shall apply in lieu of, and expressly supersede, the provisions of Section 5(a) if a Termination Event occurs within a Change in Control Period; provided that, if the Company has commenced providing severance pay and benefits to the Covered Employee under Section 5(a) prior to the date the Covered Employee becomes eligible to receive severance pay and benefits under this Section 5(b), the severance pay and benefits previously provided to the Covered Employee under Section 5(a) shall reduce the severance pay and benefits to be provided under this Section 5(b). These provisions shall terminate and be of no further force or effect after the conclusion of such Change in Control Period. If a Termination Event occurs within a Change in Control Period, then subject to the Covered Employee signing a Separation Agreement and Release and such Separation Agreement Release becoming irrevocable within the time period set forth therein and in no event later than 60 days after the Date of Termination (as defined below), the following shall occur:

(i) the Company shall pay to the Covered Employee an amount equal to 1.0 *times* the sum of (i) 12 months of the Covered Employee's annual base salary in effect immediately prior to the Termination Event (or, if applicable, the Covered Employee's annual base salary in effect immediately prior to the Change in Control, if higher) and (ii) the Covered Employee's target annual bonus;

(ii) the Company shall pay a lump sum cash payment equal to the Covered Employee's target annual bonus for the year in which the Date of Termination occurs to the extent a bonus for such year has not already been paid, prorated based on the Covered Employee's Date of Termination, provided such prorated portion shall be determined by multiplying the target bonus by a fraction, the numerator of which is equal to the number of days the Covered Employee was employed during the applicable fiscal year through the Date of Termination and the denominator of which is equal to 365; and

(iii) if the Covered Employee was participating in the Company's group health plan immediately prior to the Date of Termination and elects COBRA health continuation, then the Company shall pay to the Covered Employee a monthly cash payment in an amount equal to the monthly employer contribution that the Company would have made to provide health insurance to the Employee (and his or her eligible dependents) if the Covered Employee had remained employed by the Company until the earlier of: (i) the 12-month period following the Date of Termination and (ii) the date the Covered Employee becomes eligible for health benefits through another employer or otherwise become ineligible for COBRA.

Amounts payable under Section 5(a)(i) shall be paid in substantially equal installments over the

Severance Period in accordance with the Company's payroll practice commencing within the 60- day period following the Date of Termination, and amounts payable under Sections 5(a)(ii), 5(b)(i) and 5(b)(ii) shall be paid out in a lump sum within 60 days after the Date of Termination; provided, however, that in each case if the 60-day period begins in one calendar year and ends in a second calendar year, the amounts shall be paid or commence to be paid in the second calendar year by the last day of such 60-day period; provided, further, that the initial payment shall include a catch-up payment to cover amounts retroactive to the day immediately following the Date of Termination, and provided, further, that the payments pursuant to this Section 5 payable to a Covered Employee pursuant to this Policy shall be reduced by the amount, if any, that such Covered Employee is paid in the same such calendar year pursuant to a garden leave payment in a noncompetition agreement.

2. Accelerated Vesting.

(a) In the event that a Covered Employee experiences a Termination Event outside of a Change in Control Period and the Covered Employee has signed the Separation Agreement and Release (and such Separation Agreement and Release has become irrevocable within the time period set forth in Section 5(a) of this Policy), and is entitled to the benefits under Section 5(a), then notwithstanding anything to the contrary in any applicable option agreement or stock-based award agreement, the portion of the Covered Employee's time-based stock options and other time-based stock-based awards that would have vested during the 6- month period following the Termination Event had the Covered Employee's employment with the Company continued during such period shall immediately accelerate and become fully exercisable or nonforfeitable as of the Covered Employee's Date of Termination. For the avoidance of doubt, any awards granted to the Covered Employee that are solely performance- based and/or performance and time-based will be governed by the terms of the applicable award agreement.

(b) In the event that a Covered Employee experiences a Termination Event within a Change in Control Period and the Covered Employee has signed the Separation Agreement and Release (and such Separation Agreement and Release has become irrevocable within the time period set forth in Section 5(b) of this Policy), and is entitled to the benefits under Section 5(b), then notwithstanding anything to the contrary in the applicable option agreement or stock-based award agreement, all of the Covered Employee's then-outstanding time-based equity awards shall immediately and become fully exercisable or nonforfeitable as of the Covered Employee's Date of Termination. For the avoidance of doubt, any awards granted to the Covered Employee that are solely performance-based and/or performance and time-based will be governed by the terms of the applicable award agreement.

(c) For the avoidance of doubt, the post-termination forfeiture and exercise provisions in the applicable award agreements shall remain in full force and effect; provided that the forfeiture of any unvested equity that is subject to acceleration will be delayed to the extent necessary to effectuate the provisions of Section 6(a) or 6(b) above, as applicable.

3. Additional Limitation.

(a) Anything in this Policy to the contrary notwithstanding, in the event that

the amount of any compensation, payment or distribution by the Company to or for the benefit of the Covered Employee, whether paid or payable or distributed or distributable pursuant to the terms of this Policy or otherwise, calculated in a manner consistent with Section 280G of the Internal Revenue Code of 1986, as amended (the “Code”) and the applicable regulations thereunder (the “Compensatory Payments”), would be subject to the excise tax imposed by Section 4999 of the Code, (or any successor provision), then the Compensatory Payments shall be reduced so that the sum of all of the Compensatory Payments shall be \$1.00 less than the amount at which the Covered Employee becomes subject to the excise tax imposed by Section 4999 of the Code (or any successor provision); provided that such reduction shall only occur if it would result in the Covered Employee receiving a higher After Tax Amount (as defined below) than the Covered Employee would receive if the Compensatory Payments were not subject to such reduction. In such event, the Compensatory Payments shall be reduced in the following order, in each case, in reverse chronological order beginning with the Compensatory Payments that are to be paid the furthest in time from consummation of the transaction that is subject to Section 280G of the Code: (i) cash payments not subject to Section 409A of the Code; (ii) cash payments subject to Section 409A of the Code; (iii) equity-based payments and acceleration; and (iv) non-cash forms of benefits; provided that in the case of all the foregoing Compensatory Payments all amounts or payments that are not subject to calculation under Treas. Reg. §1.280G-1, Q&A-24(b) or (c) shall be reduced before any amounts that are subject to calculation under Treas. Reg. §1.280G-1, Q&A-24(b) or (c).

(b) For purposes of this Section 7, the “*After Tax Amount*” means the amount of the Compensatory Payments less all federal, state, and local income, excise and employment taxes imposed on the Covered Employee as a result of the Covered Employee’s receipt of the Compensatory Payments. For purposes of determining the After Tax Amount, the Covered Employee shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation applicable to individuals for the calendar year in which the determination is to be made, and state and local income taxes at the highest marginal rates of individual taxation in each applicable state and locality, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes.

(c) The determination as to whether a reduction in the Compensatory Payments shall be made pursuant to Section 7(a) shall be made by an accounting firm selected by the Company (the “*Accounting Firm*”), which shall provide detailed supporting calculations both to the Company and the Covered Employee within 15 business days of the Date of Termination, if applicable, or at such earlier time as is reasonably requested by the Company or the Covered Employee. Any determination by the Accounting Firm shall be binding upon the Company and the Covered Employee.

4. Section 409A.

(a) Anything in this Policy to the contrary notwithstanding, if at the time of the Covered Employee’s “separation from service” within the meaning of Section 409A of the Code, the Company determines that the Covered Employee is a “specified employee” within the meaning of Section 409A(a)(2)(B)(i) of the Code, then to the extent any payment or benefit that the Covered Employee becomes entitled to under this Policy on account of the Covered Employee’s separation from service would be considered deferred compensation subject to the

20 percent additional tax imposed pursuant to Section 409A(a) of the Code as a result of the application of Section 409A(a)(2)(B) (i) of the Code, such payment shall not be payable and such benefit shall not be provided until the date that is the earlier of (A) six months and one day after the Covered Employee's separation from service, or (B) the Covered Employee's death.

(b) It is intended that this Policy will be administered in accordance with Section 409A of the Code. To the extent that any provision of this Policy is ambiguous as to its compliance with Section 409A of the Code, the provision shall be read in such a manner so as not to be part of this Policy or in compliance with Section 409A of the Code so that all payments hereunder are either exempt or comply with Section 409A of the Code. Each payment pursuant to this Policy is intended to constitute a separate payment for purposes of applying Section 409A, any exemptions thereto and Treasury Regulation Section 1.409A-2(b)(2).

(c) To the extent that any payment or benefit described in this Policy constitutes "non-qualified deferred compensation" under Section 409A of the Code, and to the extent that such payment or benefit is payable upon the Covered Employee's termination of employment, then such payments or benefits shall be payable only upon the Covered Employee's "separation from service." The determination of whether and when a separation from service has occurred shall be made in accordance with the presumptions set forth in Treasury Regulation Section 1.409A-1(h).

(d) The Company makes no representation or warranty and shall have no liability to the Covered Employee or any other person if any provisions of this Policy are determined to constitute deferred compensation subject to Section 409A of the Code but do not satisfy an exemption from, or the conditions of, such Section.

5. Additional Definitions. For purposes of this Policy:

(a) "*Administrator*" shall mean the Compensation Committee of the Board; provided, however, that the Board may in its sole discretion appoint a new Administrator to administer the Policy at any time.

(b) "*Board*" shall mean the Board of Directors of the Company.

(c) "*Date of Termination*" shall mean the date that a Covered Employee's employment with the Company ends.

(d) "*Effective Date*" shall mean August 1, 2024.

6. Withholding. All payments made by the Company to a Covered Employee under this Policy shall be net of any tax or other amounts required to be withheld by the Company under applicable law.

7. No Mitigation. If a Termination Event occurs and a Covered Employee is eligible for the benefits set forth in this Policy, the Covered Employee is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Covered Employee by the Company pursuant to this Policy. Further, the amount of any payment provided for in this Policy shall not be reduced by any compensation earned by the Covered

Employee as the result of employment by another employer.

8. Policy Administration. The general administration of the Policy and the responsibility for carrying out its provisions shall be vested in the Administrator. The Administrator shall have such powers and authority as are necessary to discharge such duties and responsibilities which also include, but are not limited to, interpretation and construction of the Policy, the determination of all questions of fact, including, without limitation, eligibility, participation and benefits, the resolution of any ambiguities and all other related or incidental matters, and such duties and powers of the Policy administration which are not assumed from time to time by any other appropriate entity, individual or institution. The Administrator may adopt rules and regulations of uniform applicability in its interpretation and implementation of the Policy.

The Administrator shall discharge its duties and responsibilities and exercise its powers and authority in its sole discretion and in accordance with the terms of the controlling legal documents and applicable law, and its actions and decisions that are not arbitrary and capricious shall be binding on any employee, the employee's spouse or other dependent or beneficiary and any other interested parties whether or not in being or under a disability. Not in limitation, but in amplification of the foregoing, the Administrator shall have the power and authority in its discretion to:

- (a) construe the Policy to determine all questions that shall arise as to interpretations of the Policy's provisions;
- (b) determine which individuals are and are not Covered Employees, determine the benefits to which any Covered Employees may be entitled, the eligibility requirements for participation in the Policy and all other matters pertaining to the Policy;
- (c) adopt amendments to the Policy which are deemed necessary or desirable to comply with all applicable laws and regulations, including but not limited to Section 409A of the Code and the guidance thereunder;
- (d) make all determinations it deems advisable for the administration of the Policy, including the authority and ability to delegate administrative functions to a third party;
- (e) decide all disputes arising in connection with the Policy; and
- (f) otherwise supervise the administration of the Policy.

All decisions and interpretations of the Administrator shall be conclusive and binding on all persons, including the Company and Covered Employees.

9. Indemnification. To the extent permitted by law, all officers, directors, agents and representatives of the Company shall be indemnified by the Company and held harmless against any claims and the expenses of defending against such claims resulting from any action or conduct relating to the administration of the Policy, whether as a member of the Board or a

committee thereof or otherwise, except to the extent that such claims arise from gross negligence, willful neglect, or willful misconduct.

10. Unfunded Policy. This Policy shall be unfunded and shall not create (or be construed to create) a trust or separate fund. Likewise, the Policy shall not establish any fiduciary relationship between the Company or any of its subsidiaries or affiliates and any Covered Employee.

11. Policy Not an Employment Contract. This Policy is not a contract between the Company and any employee, nor is it a condition of employment of any employee. Nothing contained in the Policy gives, or is intended to give, any employee the right to be retained in the service of the Company, or to interfere with the right of the Company to discharge or terminate the employment of any employee at any time and for any reason. No employee shall have the right or claim to benefits beyond those expressly provided in this Policy, if any. All rights and claims are limited as set forth in the Policy.

12. Enforceability. If any portion or provision of this Policy (including, without limitation, any portion or provision of any Section of this Policy) shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this Policy, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Policy shall be valid and enforceable to the fullest extent permitted by law.

13. Non-Assignability by Covered Employee; Assignability by Company. No right or interest of any Covered Employee in the Policy shall be assignable or transferable in whole or in part either directly or by operation of law or otherwise, including, but not limited to, execution, levy, garnishment, attachment, pledge or bankruptcy. In the event of the Covered Employee's death after a Termination Event but prior to the completion by the Company of all payments due him or her under this Policy, the Company shall continue such payments to the Covered Employee's beneficiary designated in writing to the Company prior to her death (or to her estate, if the Employee fails to make such designation). The Company may assign or otherwise transfer this Policy to any other person or entity without any Covered Employee's consent.

14. Integration With Other Pay or Benefits Requirements. The Severance Benefits provided for in the Policy are the maximum benefits that the Company will pay to Covered Employees upon a Termination Event. To the extent that the Company owes any amounts in the nature of severance benefits to any Covered Employee under any other program, policy or plan of the Company that is not otherwise superseded by this Policy, or to the extent that any federal, state or local law, including, without limitation, so-called "plant closing" laws, requires the Company to give advance notice or make a payment of any kind to an employee because of that Covered Employee's involuntary termination due to a layoff, reduction in force, plant or facility closing, sale of business, or similar event, the benefits provided under this Policy or the other arrangement shall either be reduced or eliminated to avoid any duplication of payment. The Company intends for the benefits provided under this Policy to partially or fully satisfy any and all statutory obligations that may arise out of a Covered Employee's involuntary

termination for the foregoing reasons and the Company shall so construe and implement the terms of the Policy.

15. Amendment or Termination. The Board may amend, modify or terminate the Policy at any time in its sole discretion; provided, however, that (i) any such amendment, modification or termination that may adversely affect the rights of any Covered Employee shall be approved by a majority of the Company's Board; provided that no such amendment, modification or termination may be made following a Change in Control without the consent of any such adversely affected person, and (ii) no such amendment, modification or termination may affect the rights of a Covered Employee then receiving payments or benefits under the Policy without the consent of such person.

16. Governing Law. This Policy and the rights of all persons under this Policy shall be construed in accordance with and under applicable provisions of the laws of the State of Delaware (without regard to conflict of laws provisions). This Policy is not intended to be subject to the Employee Retirement Income Security Act of 1974, as amended.

17. Successor to Company. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company expressly to assume and agree to perform this Policy to the same extent that the Company would be required to perform it if no succession had taken place.

Appendix A

List of Covered Employees

**CERTIFICATION PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Aman Narang, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Toast, Inc.;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
 5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.
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Date: November 7, 2024

/s/ Aman Narang

Aman Narang

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Elena Gomez, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Toast, Inc.;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
 5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.
-

Date: November 7, 2024

/s/ Elena Gomez

Elena Gomez

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Aman Narang, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Toast, Inc. for the period ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Toast, Inc.

Date: November 7, 2024

By: /s/ Aman Narang
Name: Aman Narang
Title: Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Elena Gomez, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Toast, Inc. for the period ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Toast, Inc.

Date: November 7, 2024

By: /s/ Elena Gomez
Name: Elena Gomez
Title: Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)