



## **Toast Second Quarter 2025 Earnings Call - Prepared Remarks**

### **Michael Senno, SVP Finance**

Welcome to Toast's earnings conference call for the second quarter ended June 30, 2025. On today's call our CEO, Aman Narang and CFO, Elena Gomez will open with prepared remarks, which will be followed by our Q&A session.

Before we start, I'd like to draw your attention to the Safe Harbor statement included in today's press release. During this call, we'll make statements related to our business that may be considered forward looking within the meaning of the Securities Act and the Exchange Act. All statements other than statements of historical facts are forward-looking statements, including those regarding management's expectations of future financial and operational performance and operational expenditures, location growth, future profitability and margin outlook; business and investment strategy; expected growth and business outlook, including our financial guidance for the third quarter and full year 2025.

Forward-looking statements reflect our views only as of today, and except as required by law, we undertake no obligation to update or revise these forward-looking statements. Please refer to the cautionary language in today's press release and our SEC filings for a discussion of the risks and uncertainty that could cause actual results to differ materially from our expectations.

During this call, we will discuss certain non-GAAP financial measures, including but not limited to, non-GAAP Subscription Services gross profit and non-GAAP Financial Technology Solutions gross profit, which we refer to collectively as our recurring gross profit streams. These are the basis for our top-line guidance. These non-GAAP measures are not intended to be a substitute for our GAAP results. Please refer to our earnings release and SEC filings for detailed reconciliations of these non-GAAP measures to the most comparable GAAP measures.

Unless otherwise stated, all references on this call to cost of revenue, gross profit and gross margin, sales and marketing expense, research and development expense and general and administrative expense are on a non-GAAP basis.

Finally, the press release can be found on the Investor Relations website at [investors.toasttab.com](https://investors.toasttab.com). After the call, a replay will be available on our website.



With that, let me turn the call over to Aman.

**Aman Narang, CEO & Co-Founder**

Thanks, Michael. And thank you to everyone for joining us today.

We've had a great first half of the year. Q2 results came in ahead of expectations: we added a record 8,500 net new locations, grew recurring gross profit 35%, and delivered \$161 million of adjusted EBITDA. GAAP operating income reached \$80 million.

At Toast, our mission is to help restaurants delight their guests, do what they love, and thrive. Our strong results reflect our consistent execution across the company. More importantly, they reinforce our belief in the significant long-term opportunity ahead of us. We're seeing that opportunity play out as we grow market share in our core and accelerate our momentum across new customer segments. In Q2, we crossed 10,000 live locations across enterprise, international, and food & beverage retail, and now serve approximately 148,000 locations across our customer segments.

We're excited to welcome Firehouse Subs, a 1,300 QSR enterprise brand as well as Zabar's, the iconic New York grocer, to the Toast platform, further signaling our progress in enterprise and retail. Internationally, we recently launched in Australia. This is our fourth international market, extending our reach beyond the UK, Ireland, and Canada, and another step towards building the leading global platform for restaurants.

We're also thrilled to announce an exciting partnership with American Express. This collaboration will bring together reservation listings from Resy, Tock, and Toast Tables into Local by Toast, our mobile app, to make it easier to find and book tables. We also plan to use our platform to enable highly curated and personalized experiences for diners at the point of sale including American Express card members. We're excited about the value our two companies can deliver together for both restaurants and diners through this exciting partnership.

At the start of the year, we laid out four key priorities:

- First, scale locations and market share in our core US restaurant business.
- Second, demonstrate that our new markets can be material growth drivers.
- Third, increase customer adoption of our broad platform and drive differentiation through data and AI.



- And fourth, continue to hold ourselves to a high bar and invest against our most important priorities while gradually expanding margins.

### **Starting with our core restaurant business.**

We have strong momentum driven by our purpose-built vertical platform and our local go-to-market teams. As a result of positive customer feedback and the brand investments we've made, we've seen the largest year over year increase in brand consideration in our peer set. We grew share in nearly every SMB market we operate. In our top 10 markets, we continue to see higher rep productivity and higher market share gains relative to our averages. The fact that we're still seeing strong gains in these markets where we have over 30% penetration across large and small metro areas is a clear sign our flywheel strategy is working.

We're also expanding the breadth of our platform with new products and features like Toast Go<sup>®</sup> 3 and our AI-powered intelligence engine, ToastIQ, which reflect the steady drumbeat of innovation that's core to our strategy. Behind every update is our focus on the thousand little things that make the Toast platform such a great tool for restaurants.

An example of this is Supper Club, a neighborhood restaurant and market in Richmond, Virginia. A deciding factor in their switch to Toast was our Catering and Events product, which replaced a third-party app that was cumbersome for them and their customers. Since switching to Toast, Supper Club has seen a 40% jump in catering sales. Toast Catering is both easy to use and seamlessly integrates into the Toast platform including our point of sale devices and handhelds, which has allowed them to take on significantly more business and even open a second location in March. It's a great example of how, when our customers grow, we grow right alongside them.

### **Our second priority is demonstrating that our new markets can be material drivers of growth.**

We crossed 10,000 live locations across enterprise, food & beverage retail, and international, and these new customer segments are on track to surpass \$100 million in ARR collectively by the end of the year, a milestone that took six years in our core business.

In enterprise, our vision is to have the most iconic restaurant brands on Toast and drive innovation for the entire industry. Our investments are paying off, and we'll keep enhancing the platform to meet the needs of large-scale operators. We're also seeing strong interest from customers to use more of our platform, which will contribute to scaling enterprise ARPU's over time.



In food and beverage retail, we're off to a strong start and the early signals are promising. We're building deeper inventory management tools, expanding integrations, and scaling our dedicated sales team. Total ARPU for Retail customers is already above \$10K, a clear indication our value proposition is resonating. Food retailers like Zabar's in New York City are using Toast Retail to handle their large, fast-paced operation, manage over 30,000 SKUs across a 20,000-square-foot store and process more than 2,500 transactions daily. Zabar's shows how Toast supports complex, high-volume retail environments.

Across the UK, Ireland, and Canada, rolling out more of our products is driving a steady increase in booked ARPU. We are also seeing greater traction among full-service restaurants, which now make up the majority of our new wins in these regions, showing that product improvements and investments in our go-to-market teams are paying off. We're launching Australia with the same products we have in our other international markets today. Our fast, comprehensive launch down under is thanks to the learnings and infrastructure from our first three markets, and the localization investments we've made over the past few years.

We took our first customer, Graze Craze, live in Australia this summer. Graze Craze is an existing Toast customer in the U.S., and we were top-of-mind when they decided to expand to Australia. They initially opted for a local provider at launch but couldn't find another POS provider that matched Toast's capabilities. So they were excited to transition to Toast when we could support their Australian operations. They're using our guest-facing display, kitchen display screens, and online ordering products to solve for the operational friction and reporting gaps they experienced with a local system at launch. And they plan to add more products including email marketing and loyalty to help drive demand and above-store tools like our multilocation management and reporting to power their continued expansion across Australia.

### **Third, we're increasing customer adoption of our platform and driving differentiation through data and AI.**

We were a pioneer in bringing purpose-built handhelds to market seven years ago, redefining in-store operations and service for restaurants, and since then, billions of orders have run through Toast Go® handhelds — giving us a deep understanding of what works on the restaurant floor.

Our new Toast Go® 3 handheld builds on that foundation and continues to push the industry forward. It's the only device in the industry that combines ToastIQ, Toast's intelligence engine, with built-in cellular connectivity so staff can take orders, process payments, and print



receipts seamlessly across Wi-Fi and cellular networks. It does all this while being lighter, faster, and more durable than before – with a 24-hour battery life.

With ToastIQ, staff now get real-time context about their guests to help increase check sizes. Personalized notes and guest details from Toast Tables show up directly into our Toast Go 3 handhelds and terminals. And our Amex partnership aims to build on this technology to deliver these personalized experiences for Amex card members as well.

Haywire Restaurant in Texas calls the Toast Go<sup>®</sup> 3 a “game changer.” They used to lose Wi-Fi in certain areas of their three-story concrete building, but now with Toast Go<sup>®</sup> 3’s cellular functionality, they can seamlessly transition between cellular and Wi-Fi to stay connected and take payments without getting interrupted. The new handhelds meet the demands of their restaurant, including drops on their concrete floors or servers working double shifts who can now carry a handheld all day long without needing to charge it. Haywire also sees the Toast Go<sup>®</sup> 3 as a tool for growth, giving them a reliable way to generate sales at community events and festivals and opening the door to sales they couldn’t access before.

**Finally, we’re continuing to invest with discipline while expanding margins.**

Our updated full-year outlook reflects the strength of our execution and scalability of our business model. And we reached the medium-term margin guidance we laid out at our investor day ahead of plan. We’re confident in our ability to continue investing behind what’s most important to fuel long-term growth, while balancing margins over time.

To close, I want to thank every Toaster, our customers, and our investors. The progress we’re making is a direct result of the team’s incredible execution and the confidence our customers and investors have in what we’re building. Our platform helps local businesses thrive, and I’ve never been more excited about the opportunity that’s in front of us.

Thanks again. And with that, I’ll turn it over to Elena.

**Elena Gomez, President & CFO**

Thank you Aman and to everyone for joining. To start, I would also like to thank our incredible team for another strong quarter which came in above our expectations.

In the second quarter, ARR grew 31%, and total Fintech and Subscription Gross Profit - our recurring gross profit streams - increased 35% year-over-year. Total take rate across SaaS and Fintech Gross Profit was 93 basis points in the quarter, an increase of 8 basis points from a



year ago reflecting our growing share of wallet and the increasing value we provide our customers. Adjusted EBITDA was \$161 million for the quarter, with margins expanding 8 percentage points year-over-year to 35%, and GAAP operating income was \$80 million. We also increased our full year guidance to reflect our strong quarter and the operating momentum we have heading into the second half of the year.

We posted a record quarter with approximately 8,500 net location additions and we ended Q2 with 148,000 locations, up 24% from a year ago. Our results reflect deeper penetration in our core customer segment complemented by growing momentum across our new customer segments.

As Aman mentioned, across international, enterprise and food & beverage retail, we crossed 10,000 locations in Q2. We're excited about new bellwether brands like Firehouse Subs and Zabar's, showing the versatility of our platform to serve a wide range of customers across all segments. The traction we're seeing is a testament to our investments to serve these new customer segments, across both product and go-to-market, and our confidence in the trajectory of these new customer segments continues to grow. We expect these new TAMs to become increasingly meaningful parts of our business over time and contribute to sustained long-term growth. As a result, we are investing behind our success. We're building out the product to serve deeper parts of these new TAMs and scaling go to market to accelerate our progress. That includes expanding into new geographies over time, and we're excited to have our first customer live in Australia.

Looking out to the remainder of the year, we remain on track for more location net adds in 2025 vs. 2024, driven by our consistent go-to-market execution and comprehensive product offering in our core, complemented by the growing scale from new customer segments.

SaaS ARR grew 30% year-over-year driven by location growth and a 5% increase in SaaS ARPU on an ARR basis. Subscription revenue increased 37% and gross profit grew 43%, benefiting from the improved ARR to revenue conversion we discussed last year. As a reminder, beginning next quarter, we will lap the step-up, and associated one time benefits we saw in Q3 and Q4 of last year, and therefore expect Subscription revenue growth to more closely mirror SaaS ARR growth beginning in 3Q.

Payments ARR increased 32% and fintech gross profit grew 30% in the second quarter. GPV was \$50 billion, growing 23% year-over-year, with GPV per location down 1% versus last year.



Fintech net take rate was 57 basis points, and payments net take was 49 basis points. Both increased 3 basis points from a year ago from a combination of ongoing cost optimization efforts; small targeted pricing moves; and new products including surcharging.

Non-payments fintech solutions, led by Toast Capital, contributed \$40 million in gross profit and 8 basis points in take rate. Capital's take rate contribution was in-line with Q2 last year, and as a reminder its seasonally lower in Q2 due to higher GPV. Toast Capital remains healthy with solid demand from customers and defaults remain in-line with our expectations. Looking ahead, we continue to expect Toast Capital's contribution to net take rate to remain in the 10 basis point range.

Excluding \$19 million of bad debt and credit-related expenses, operating expenses increased 18% in Q2. That's primarily from a 28% increase in sales & marketing expenses as we grow our go to market footprint across international and retail. In the core, we're making targeted rep additions and supporting our brand campaign to deliver ongoing share gains.

R&D grew 9%, reflecting investments in our highest priority areas. In the core, Toast Go<sup>®</sup> 3 and newly-launched ToastIQ features highlight our continued focus on extending our product differentiation and driving tangible customer outcomes. Across our new customer segments, we are taking the same vertical approach that has driven our success in the core. We're serving the needs of our customers more deeply in each segment, such as enhancing our inventory solutions for retail, bringing Toast Go<sup>®</sup> 3 internationally, and expanding our functionality and integrations in enterprise.

Adjusted EBITDA was \$161 million with a margin of 35%. Our strong Q2 results reflect healthy topline growth, including better than expected GPV, as well as our focused execution and disciplined capital allocation. In addition, the seasonality of GPV contributed to the seasonally high margin in the quarter.

Free Cash Flow was \$208 million driven by strong Adjusted EBITDA and a benefit from working capital, due to the seasonality of our payments business.

GAAP Operating Income was \$80M up from \$14M a year ago. That's from both the strength in Adjusted EBITDA and our prudent approach to managing stock based compensation. Stock based comp as a percentage of recurring gross profit was 14% in Q2, down 6 percentage points versus a year ago. We continue to be on a path for stock based comp to be in the low double-digits as a percentage of recurring gross profit.



Turning to guidance. For the third quarter, we expect total Subscription and Fintech gross profit to grow in the range of 23% to 26% year-over-year and Adjusted EBITDA to be \$140 million to \$150 million.

We raised our full year outlook due to our strong results and continued momentum across the business. At the midpoints we now expect 29% growth in Fintech and Subscription Gross Profit, and \$575 million in Adjusted EBITDA, a margin of 32% up 5 percentage points vs. 2024.

Let me provide some context on our margin profile in the second half of the year. As a reminder, Q4 margin is typically lower relative to the rest of the year due to the seasonality of payments. In addition, we will have higher tariff expenses in the second half of the year. We take a disciplined approach to scaling the business and based on the positive signals in our growth initiatives, we are unlocking incremental investment across both the core and our new customer segments to move faster in these areas and position ourselves for sustained long term growth. Overall, we are on track for another year of both strong top-line growth and expanding profitability, and are confident we can continue to deliver durable growth while driving towards our long term margin target.

To wrap up, we had a great first half reflecting our consistent execution. Our momentum in the core is strong and we are really excited by our progress in new customer segments. Looking ahead, we're excited and confident about the opportunity in front of us and believe we are still just getting started.

Now, I will turn the call back over to the operator to begin Q&A.