



Toast First Quarter 2026 Earnings Call - Prepared Remarks

Michael Senno, SVP Finance

Thank you. Welcome to Toast's first quarter 2026 earnings call. Toast's CEO, Aman Narang and CFO, Elena Gomez will open with prepared remarks followed by Q&A.

Before we start, I'd like to remind everyone that today's call may include forward-looking statements, which are subject to risks and uncertainties and reflect our views and assumptions only as of today. These forward-looking statements include expectations around financial and operational metrics, business and investment strategy, and guidance. Actual results may vary significantly, and we expressly disclaim any obligation to update the forward-looking statements made today. For a detailed discussion of risks, please refer to the cautionary language in today's press release and our SEC filings.

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.

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

Aman Narang, CEO

Thanks Michael, and thank you everybody for joining us today.

2026 is off to a strong start. In Q1, we grew recurring gross profit streams 27% and expanded GAAP Operating Income margins to 21%. We added 7,000 net locations and are broadening who we serve - from local restaurants across the U.S. to enterprise chains, international markets, and retail - by bringing our same playbook of depth and operational expertise that built our core business to each new market.



I'm really proud of the Toast team - we are both delivering world class results and reinventing ourselves at the same time - from how we build for, sell to, and support our customers with AI, as well as a series of AI investments across our platform to help our customers with the intelligence and the efficiency necessary to run a more successful and profitable business.

Toast IQ is the foundation for our evolution from a software platform to an agent platform that can drive outcomes for our customers. And with the recent launch of Toast IQ Grow - which includes our first AI agent - we are already seeing this vision start to come to life. I am excited to share more in a couple minutes as we break down our priorities, but what's incredibly exciting is we are just scratching the surface of what's possible here.

Our progress in each of these areas is shaping our revised set of priorities in 2026:

1. Expand what Toast does for customers - grow from a software to an agentic platform that can do work and deliver outcomes for our customers
2. Expand the markets we serve
3. Reinvent the organization with AI and dramatically accelerate productivity

We are incredibly well positioned as a vertically integrated platform across software, hardware, and fintech. We are a foundational technology partner for our customers and they are looking to us to help them take advantage of the opportunities AI creates. We will lean into this opportunity while continuing to execute our strategy of expanding to new markets to scale this business to \$5 billion and \$10 billion and beyond. Let's dig into our priorities:

Priority 1: Grow from a software to an agentic platform that can do work and deliver outcomes for our customers

For 14 years, we've evolved from a point of sale solution into a comprehensive system of record — helping customers manage operations, employees, guests, and suppliers. As we've delivered more value and built out our platform, we've seen broader product attach and higher ARPUs. But what I consistently hear from customers is that while they love our ambition and our innovation, they're stretched thin and don't have enough time to leverage everything we've built.

As a result, small business owners outsource functions critical to running a profitable business - things like marketing, bookkeeping, payroll and tax, and more. We've always provided the software, and now, with AI, we will provide the service that can actually do the work for them. They can leverage our growing agent layer to outsource capabilities that are



not their core competency and give them time back to do what they do best - great food, great service, and great hospitality.

Our advantage here is structural. The data that powers these functions — what guests order, how often and when they visit, how much our customers spend on labor and inventory, how the business is performing — already lives in Toast. That data has been built up over 14 years and every new location and transaction makes it more valuable and every agent we deploy deepens the value we can deliver for our customers.

This advantage is already showing up in the product. Toast IQ has 40,000 weekly active locations and growing. Our operators tell us Toast IQ is already helping them find revenue opportunities, save time, and identify trends they hadn't picked up on. For instance, Toast IQ helped a customer in California identify that they weren't covering their food and labor costs when opening an hour early for sporting events last fall. The customer adjusted their hours based on this insight and saved thousands of dollars.

The first Toast IQ agent we've launched is a marketing agent within Toast IQ Grow which brings together everything a restaurant needs to build their brand online, develop direct guest relationships, and drive demand. Toast IQ Grow includes websites, online ordering, advertising, and marketing capabilities — plus this new Marketing Agent and a Marketing Success Manager to develop the marketing strategy for restaurants right alongside them. The Marketing Agent builds and optimizes a campaign from a customer's past performance data, their sales forecast, and soon, upcoming events and weather — a full month of campaigns across SMS, email and social media in minutes. Campaigns designed by the Marketing Agent are already outperforming what restaurants can do on their own, with pilot customers using Toast IQ Grow seeing an average 8% increase in sales compared to similar Toast restaurants.

Sahara Bistro Shawarma, a fast-casual Middle Eastern concept, came to Toast with a fragmented marketing stack. By adopting Toast IQ Grow's Marketing Agent, they can now plan and schedule campaigns across email, SMS, Facebook, and Instagram weeks in advance. Nearly a third of sales in March were directly attributable to Toast marketing tools, and sales were up more than 30% compared to the prior four weeks.

In addition to helping restaurants drive demand through Toast IQ Grow, we are investing in our consumer network, Toast Local. Toast Local connects restaurants and guests directly, with zero commissions and no middlemen. Restaurants use Toast Local to attract new guests and re-engage their regulars through loyalty programs and targeted offers. For guests, they love the convenience of an app that saves them money at tens of thousands of restaurants through no-fee ordering, personalized loyalty rewards, and exclusive offers — whether they're



ordering pickup, delivery, or dining in. That last part is important— unlike aggregator marketplaces built around delivery, Toast Local extends into the on-premise experience where the majority of restaurant revenue is generated. We recently expanded that experience significantly: Toast Local now enables guests to discover and book a table at over 20,000 restaurants through Resy and Toast Tables, making it one of the largest reservation marketplaces. The early traction is strong — we've more than doubled weekly app downloads in the last quarter and Toast Local is now one of the top apps in the App Store's Food & Drink category.

We plan to roll out a series of agentic products to tackle other work as well. Over time, we expect agents across restaurant operations, scheduling and payroll, inventory and food cost, and bookkeeping and accounting, to complement Toast IQ Grow. By working in concert they will be able to look at a restaurant's projected demand, food cost and availability, labor schedules, and projected guest volume to drive suggestions to improve profitability. That's an incredibly exciting future because many of our customers don't have the time or the capabilities to do this effectively today.

Priority 2: Expand who we serve

Our second priority is to expand who we serve. The vertical playbook that built our restaurant business - product depth, operational expertise, and local go-to-market - is now working in enterprise, international, and retail.

In our core, we're well positioned to grow market share in 2026 and beyond - and we're differentiating on both product and brand. On product, customers are citing Toast IQ as a reason they're choosing Toast. Our brand campaign, Built for Busy, extends that differentiation into the market. Built for Busy reflects a fundamental truth about our customers: busy is the ultimate sign of success, whether they're running a family restaurant, an enterprise chain, or a multi-location retailer. And it captures our product philosophy to ship solutions and products to help customers get, and stay busy - from handhelds increasing throughput, to KDS keeping the kitchen in sync, and starting with the Marketing Agent, Toast IQ agents taking work off their plates.

These differentiators are why we continue to win the majority of the time. We are increasing share across all market types, from the largest cities to smaller metro areas, and among high-GPV restaurants. In our most penetrated markets, we are still growing, giving us confidence in continued healthy share gains for many years to come.



We're proud to announce that The Alinea Group — the world-renowned Chicago-based restaurant group that includes iconic Alinea, Next, The Aviary and The Office — went live on Toast. They chose Toast as a key technology partner that shared the same DNA of relentless innovation, commitment to precision, and a passion for delivering a stellar guest experience.

Across all of our TAMs, we're building more conviction in the long-term potential with every quarter. In each of our new TAMs, ARR is growing faster and has higher SaaS ARPU than our core did at a similar time period - demonstrating our proven vertical playbook is working.

In enterprise, we launched Toast for Drive-Thru - opening up 140,000 locations - and we're going deeper in hotels, bringing Preferred Hotels onto the platform. We also continue to invest in specific product features to deeply serve important sub-verticals like pizza, demonstrated by winning Hungry Howies, a 500 unit national pizza chain, as well as Papa Murphy's. We continue to see strong growth and with the pipeline in front of us I'm confident enterprise will be a meaningful growth driver for years to come.

Internationally, we are scaling location count and growing ARPU. We recently launched our Toast Go 3 Handheld to further differentiate our platform. We see the best opportunity in Tier 1 Cities in the countries we are in, where higher GPV restaurants align with our value proposition and drive stronger ARPU and unit economics. As we expand to new markets beyond Canada, UK, Ireland, and Australia, we plan to launch more Tier 1 cities with high density of busy restaurants.

In retail, we're scaling quickly and focused on deepening product-market fit with high-value operators. Grocery, for example, is a near-term focus and represents a meaningful opportunity. There are over 20,000 independent grocers in the US generating over \$250B in sales. We're seeing strong traction with these larger, more complex operators and now serve over 100 grocery locations with more than \$5M in sales, demonstrating our platform is capable of handling the volume and complexity the most demanding retail environments require. The capabilities we've built for restaurants — supplier connectivity, invoice workflows, SKU-level complexity — translate directly, letting us move fast to meet the needs of these customers.

Our scale across restaurants and growing presence in retail give us a unique vantage point - and over time, we see it as the foundation to becoming the platform powering local commerce. We're on a path to significantly scale the locations we serve across our existing TAMs, and further expand the opportunity to core adjacencies like membership and golf, more international markets and new retail verticals. We'll remain disciplined about where we



expand — but our vertical playbook is proven, and with the TAM runway in front of us, I'm confident we can replicate our success we've had in our core business.

Priority 3: Drive productivity through AI

AI is reshaping how we work. Engineering coding velocity is up over 60% year-over-year and accelerating in recent months. This helped us launch our Marketing Agent three months earlier than planned. In support, we've expanded AI coverage from chat to phone, and now have about 40% of our support interactions resolved by AI. We're seeing efficiencies as we do this which is enabling us to invest more in account management and upsell for our highest value customers.

As we drive productivity and efficiency, it frees up capital to invest in our top growth initiatives and support our path to 40%-plus long term margins. We see a clear path to materially scaling this business — by going deeper in our core market, expanding what we do for existing customers, scaling the new markets we're already seeing great success in, and over time opening up new ones. We are operating from a position of financial strength, and leaning in to drive sustained long-term growth. We will remain disciplined about where we lean in, guided by customer feedback and where we have conviction in building differentiated, profitable businesses that deliver significant shareholder value.

I'm excited about 2026 - we are really well positioned for another record year. I want to thank each and every Toaster for their dedication and commitment to Toast. And I want to thank our customers and investors for your continued support as well.

Thank you. And now, I'll turn the call over to Elena.

Elena Gomez, President & CFO

Thank you Aman and everyone for joining us today. I would also like to thank our team for an excellent start to the year. Q1 results exceeded our expectations reflecting the consistent high level of execution across the company.

In the first quarter, ARR was up 26%, our recurring gross profit streams increased 27%, and total monetization across SaaS and Fintech exceeded 1% of GPV for the first time. Adjusted EBITDA was \$179 million. On a GAAP basis, Operating Income margin crossed 20% for the first time to 21%, or \$110 million, and EPS more than doubled to \$0.20.



Building on last year's momentum, we added 7,000 net locations in Q1 and ended the quarter with 171,000 live locations, up 22% from a year ago. Our best-in-class vertical-SaaS platform and local go-to-market execution continues to drive consistent share gains in our core complemented by increasing contributions across each of our new TAMs.

SaaS ARR grew 27% vs. a year ago driven by the combination of our strong location growth and consistent mid-single digit SaaS ARPU growth on an ARR basis. Subscription gross profit continues to outpace top-line growth at 32%. SaaS gross margin exceeded 80% for the first time, expanding nearly 300 basis points from a year ago to 81%. In addition to ongoing efficiencies as we scale, we're seeing early gains from leveraging AI to transform our customer support experience.

Payments ARR and fintech gross profit increased 24% in the first quarter. GPV was \$51 billion, up 22% year-over-year with GPV per location down 1% versus last year.

Fintech net take rate was 61 basis points and payments take rate was 51 basis points. Payments take rate increased 2 basis points year-over-year as we continue to execute on cost optimization efforts, new products, and targeted pricing adjustments.

Non-payments fintech solutions, led by Toast Capital, contributed \$51 million in gross profit and 10 basis points in take rate. Overall, the program continues to grow at a steady clip and defaults remain consistent and well within our risk guardrails.

Our total monetization take rate - measured by recurring gross profit as a percent of GPV - crossed 1% for the first time, to 103 basis points. The 5 basis point increase vs. a year ago demonstrates our growing share of wallet and value we provide our customers. We expect our total take rate to continue to grow as we evolve our platform with AI and deliver more outcomes for our customers.

Moving down the P&L, Hardware and Professional Services gross profit was negative 13% of our recurring gross profit streams. We are leaning into our customer acquisition momentum across all our TAMs and absorbing higher tariff costs. Our strong overall unit economics and scale enable us to absorb these costs while maintaining healthy payback periods.

Excluding \$28 million of bad debt and credit-related expenses, operating expenses increased 17% in the first quarter. We're investing in our highest priority areas across product and go-to-market, and investing in AI tooling to evolve the ways we work and increase



productivity. Over time, AI efficiency gains will give us the flexibility to invest more in key growth initiatives and support our long term margin profile.

Sales & marketing expenses increased 20% reflecting our strong location growth. We're investing to support our ongoing market share gains in our core, and opening up sub-segments like non-native English-speaking customers. We're also expanding our go-to-market presence in our new TAMs which is accelerating our progress.

R&D expenses grew 20% year-over-year. We're investing in our product strategy to expand our TAM and drive location growth and differentiate our product with agentic workflows, and providing our internal teams with AI capabilities to increase productivity. In Enterprise, we just launched our drive-thru offering, we're expanding ToastGo 3 internationally, and deepening our grocery product for retail customers. And we're further differentiating our core product, most recently with the release of Toast IQ Grow and re-launch of Toast Local.

Adjusted EBITDA grew 35% to \$179 million, a 34% margin. Our Q1 results reflect healthy topline growth as well as our continued focus on driving efficiencies throughout the P&L.

Free Cash Flow was \$115 million. As a reminder, Free Cash Flow is typically lower in Q1 due to the timing of cash bonus payments and payments seasonality. For the full-year, we expect our conversion of Adjusted EBITDA into Free Cash Flow to be slightly lower than in 2025. We are strategically purchasing memory chips and plan to hold more inventory in the near-term. We expect the majority of this cash impact in Q2 and for the Free Cash Flow impact to normalize over time as the inventory moves to customers.

GAAP Operating Income was up over 150% from last year to \$110 million. In addition to our strong Adjusted EBITDA growth, we're benefiting from ongoing leverage in stock based compensation. SBC as a percent of recurring gross profit was 11%. That's nearly half what it was just 2 years ago, through our disciplined approach to managing stock compensation.

Year-to-date, we've repurchased 14 million shares for nearly \$400 million. We've been opportunistic given the market pullback and our confidence in the business and we expect this to be an accretive use of capital. We have approximately \$200 million remaining on our share repurchase authorization and will maintain an opportunistic approach to repurchases based on market conditions to support long-term shareholder value.



The combination of our strong financial results and decline in our diluted share count resulted in GAAP EPS more than doubling to \$0.20.

Turning to guidance. For the second quarter, we expect total Subscription and Fintech gross profit to grow 22-24% year-over-year and Adjusted EBITDA to be \$185-\$195 million. We increased our full-year 2026 guidance reflecting our strong start to the year. We now expect recurring gross profit to grow 21-23%, and Adjusted EBITDA to be \$790-\$810 million.

We are positioning Toast to sustain high growth for the next 5 to 10 years. We're seeing positive results from the investments we've made to begin delivering agentic solutions for our customers, extend our lead in the core, and accelerate progress in new TAMs across enterprise, international and retail. Our new TAMs are scaling rapidly and we're confident each is on the path to be materially larger with healthy unit economics.

Our bias remains to reinvest topline outperformance across our growth initiatives and into internal AI tools to transform how we operate. Our bar for investing remains high - it is grounded in customer feedback, improving unit economics, and where we have conviction we can generate meaningful long-term cash flow.

To wrap up, we are executing our goals and are on track to deliver strong top and bottom line results in 2026, while positioning the company for sustained high growth over the next decade as we lead the AI transformation for restaurants and across local commerce. We are more excited than ever about the massive opportunity that lies ahead of us.

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