

Toast Announces Second Quarter 2024 Financial Results

08/06/2024

Added approximately 8,000 net new Locations in second quarter 2024

Annualized recurring run-rate (ARR) as of June 30, 2024 grew 29% to \$1.5 billion

Achieved GAAP operating income of \$5 million in second quarter

Net income was \$14 million and Adjusted EBITDA was \$92 million in second quarter

BOSTON--(BUSINESS WIRE)--Toast (NYSE: TOST), the all-in-one digital technology platform built for restaurants, today reported financial results for the second quarter ended June 30, 2024.

"Our team executed incredibly well in the second quarter and delivered strong results, including adding a record number of net locations and achieving GAAP profitability ahead of expectations. We are sustaining growth at scale while expanding margins by taking a disciplined approach to investing our resources against our most important priorities," said Toast CEO and Co-Founder Aman Narang. "We continue to see strong growth domestically across restaurant types while building on our momentum internationally and across exciting new verticals like food and beverage retail. Our best-in-class customer experience, further strengthened by our platform and data investments, remains the foundation helping us scale and grow."

Financial Highlights for the Second Quarter of 2024

- ARR as of June 30, 2024 was \$1.5 billion, up 29% year over year.
- Gross Payment Volume (GPV) increased 26% year over year to \$40.5 billion.
- Total Locations increased 29% year over year to approximately 120,000.
- GAAP subscription services and financial technology solutions gross profit was up 27% year over year from Q2 2023 to \$330 million. Non-GAAP subscription services and financial technology solutions gross profit grew 29% year over year to \$344 million.
- GAAP operating income was \$5 million in Q2 2024 compared to GAAP operating loss of \$(80) million in Q2 2023.
- GAAP net income was \$14 million in Q2 2024 compared to net loss of \$(98) million in Q2 2023. Adjusted EBITDA was \$92 million in Q2 2024 compared to Adjusted EBITDA of \$15 million in Q2 2023.
- Net cash provided by operating activities of \$124 million and Free Cash Flow of \$108 million in Q2 2024, compared to net cash provided by operating activities of \$50 million and Free Cash Flow of \$39 million, respectively, in Q2 2023.

Percentages may not tie due to rounding. For more information on the non-GAAP financial measures and key metrics discussed in this press release, please see the sections titled "Key Business Metrics" and "Non-GAAP Financial Measures," as well as the reconciliations of non-GAAP financial measures to their nearest comparable GAAP financial measures at the end of this press release.

Outlook¹

For the third quarter ending September 30, 2024, Toast expects to report:

- Non-GAAP subscription services and financial technology solutions gross profit in the range of \$345 million to \$355 million (23-27% growth compared to Q3 2023)
- Adjusted EBITDA in the range of \$70 million to \$80 million

For the full year ending December 31, 2024, Toast expects to report:

- Non-GAAP subscription services and financial technology solutions gross profit in the range of \$1,340 million to \$1,360 million (27-29% growth compared to 2023, up from 25-27% growth)
- Adjusted EBITDA in the range of \$285 million to \$305 million (up from \$250 million to \$270 million)

The outlook provided above constitutes forward-looking information within the meaning of applicable securities laws and is based on a number of assumptions and subject to a number of risks. See cautionary note regarding "Forward-looking Statements" in this press release.

Recent Business Highlights

- Showing continued momentum with larger customers, Toast recently signed customers including Sonny's BBQ, Uno Pizzeria & Grills, Hwy 55, and PPX Hospitality Group, which owns brands including Legal Sea Foods, representing a cumulative commitment of more than 200 locations across the U.S.
- Toast garnered a host of workplace awards in the second quarter, including being named a Great Place to Work in Canada, India, Ireland, Taiwan, the United Kingdom, and the United States; named to the U.S. News Best Companies To Work For list; and named a Fortune Best Workplaces for Millennials™ in the United States. These build on being awarded to Glassdoor Best Places to Work 2024 list earlier in the year.
- In June, Toast launched an AI innovation hub, highlighting some of Toast's AI-powered innovations released to date such as Benchmarking, Instant Toast Support, and an AI-Powered Marketing Assistant. A recent survey from Toast showed that 57% of restaurants surveyed reported already using or wanting to use AI-powered experiences².

Conference Call Information

Toast will host a live conference call at 5:00 p.m. Eastern Time on Tuesday, August 6, 2024. The live webcast of the conference call can be accessed through Toast's investor relations website at <http://investors.toasttab.com>. A replay of the webcast will be available for a period of 90 days after the call.

Toast has used, and intends to continue to use, its Investor Relations website (<http://investors.toasttab.com>), as well as the Toast Newsroom (<https://pos.toasttab.com/news>), as a means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD. Information on or that can be accessed through Toast's Investor Relations website, or that is contained in any website to which a hyperlink is provided herein is not part of this press release, and the inclusion of Toast's Investor Relations website address, and any hyperlinks are only inactive textual references.

About Toast

Toast is a cloud-based, all-in-one digital technology platform purpose-built for the entire restaurant community. Toast provides a comprehensive platform of software as a service (SaaS) products and financial technology solutions that give restaurants everything they need to run their business across point of sale, payments, operations, digital ordering and delivery, marketing and loyalty, and team management. 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. Toast helps restaurants streamline operations, increase revenue and deliver amazing guest experiences. For more information, visit www.toasttab.com.

¹ A reconciliation of these forward looking Non-GAAP measures to the corresponding GAAP measure is not available without unreasonable effort because of the inherent difficulty of accurately forecasting the occurrence and financial impact of the various adjusting items necessary for such reconciliations that have not yet occurred, are out of our control, or cannot be reasonably predicted, including but not limited to the change in fair value of our warrant liability and stock-based compensation. For the same reasons, the Company is unable to assess the probable significance of the unavailable information, which could have a material impact on its future GAAP financial results.

² To help better understand the restaurant industry, Toast conducted a blind survey of 755 restaurant decision-makers operating 16 or fewer locations in the United States from May 17, 2024 to June 2, 2024. Respondents include a mix of both full-service and quick-service restaurants. Respondents were not made aware that Toast was fielding the study. Panel providers granted incentives to restaurant respondents for participation. Using a standard margin of error calculation, at a confidence interval of 95%, the margin of error on average is +/- 4%.

Forward-looking Statements

This press release contains “forward-looking statements,” within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the context of the statement and generally arise when Toast or its management is discussing its beliefs, estimates or expectations. Such statements generally include the words “believes,” “plans,” “intends,” “targets,” “may,” “could,” “should,” “will,” “expects,” “estimates,” “suggests,” “anticipates,” “outlook,” “continues,” or similar expressions. These statements are not historical facts or guarantees of future performance, but represent the beliefs of Toast and its management at the time the statements were made regarding future events which are subject to certain risks, uncertainties and other factors, many of which are outside Toast’s control. Actual results and outcomes may differ materially from what is expressed or forecast in such forward-looking statements. Forward-looking statements include, without limitation, statements about expected financial positions or growth; results of operations; cash flows; guidance on financial results for the third fiscal quarter and full year of 2024; statements about future operating results; the expectations of demand for Toast’s products and growth of its business; statements about new products and offerings and the benefits thereof; the growth rates in the markets in which Toast competes; Toast’s investments in technology and infrastructure; Toast’s ability to deliver innovative solutions; Toast’s ability to attract and retain customers and the commitments from its customers; financing plans; business strategy; operating plans; competitive positions; and growth opportunities for existing products.

The forward-looking statements contained in this release are also subject to other risks and uncertainties, including those more fully described in Toast’s filings with the Securities and Exchange Commission (“SEC”), including in the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Toast’s Annual Report on Form 10-K for the year ended December 31, 2023, Toast’s Quarterly Report on Form 10-Q for the three and six months ended June 30, 2024 that will be filed following this earnings release, and Toast’s subsequent SEC filings. Toast can give no assurance that the plans, intentions, expectations or strategies as reflected in or suggested by those forward-looking statements will be attained or achieved. The forward-looking statements in this release are based on information available to Toast as of the date hereof, and Toast disclaims any obligation to update any forward-looking statements, except as required by law. These forward-looking statements should not be relied upon as representing Toast’s views as of any date subsequent to the date of this press release.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue:				
Subscription services	\$ 166	\$ 121	\$ 318	\$ 257
Financial technology solutions	1,023	808	1,896	1,488
Hardware and professional services	53	49	104	103
Total revenue	<u>1,242</u>	<u>978</u>	<u>2,318</u>	<u>1,848</u>
Costs of revenue:				
Subscription services	53	39	103	103
Financial technology solutions	806	631	1,488	1,488
Hardware and professional services	96	99	188	188
Amortization of acquired intangible assets	1	1	2	2
Total costs of revenue	<u>956</u>	<u>770</u>	<u>1,781</u>	<u>1,781</u>
Gross profit	<u>286</u>	<u>208</u>	<u>537</u>	<u>667</u>
Operating expenses:				
Sales and marketing	115	100	222	222
Research and development	87	92	169	169
General and administrative	75	96	149	149
Restructuring expenses	4	—	46	—
Total operating expenses	<u>281</u>	<u>288</u>	<u>586</u>	<u>540</u>
Income (loss) from operations	<u>5</u>	<u>(80)</u>	<u>(49)</u>	<u>127</u>
Other income (expense):				
Interest income, net	10	9	20	20
Change in fair value of warrant liability	(1)	(26)	(37)	(37)
Other income (expense), net	—	—	(1)	(1)
Income (loss) before taxes	<u>14</u>	<u>(97)</u>	<u>(67)</u>	<u>119</u>
Income tax expense	—	(1)	(2)	—
Net income (loss)	<u>\$ 14</u>	<u>\$ (98)</u>	<u>\$ (69)</u>	<u>\$ 119</u>
Earnings (loss) per share attributable to common stockholders:				
Basic	<u>\$ 0.03</u>	<u>\$ (0.19)</u>	<u>\$ (0.13)</u>	<u>\$ 0.50</u>
Diluted	<u>\$ 0.02</u>	<u>\$ (0.19)</u>	<u>\$ (0.13)</u>	<u>\$ 0.49</u>
Weighted-average shares used in computing earnings (loss) per share:				
Basic	<u>556</u>	<u>529</u>	<u>552</u>	<u>552</u>
Diluted	<u>587</u>	<u>529</u>	<u>552</u>	<u>552</u>