

# Toast: The \$6 Billion Embedded Finance Engine

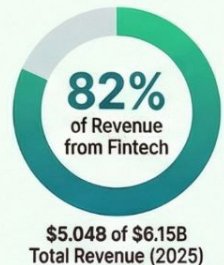
Deconstructing how a Restaurant POS Transformed into a Fintech Powerhouse.

A Case Study in Embedded Finance Strategy

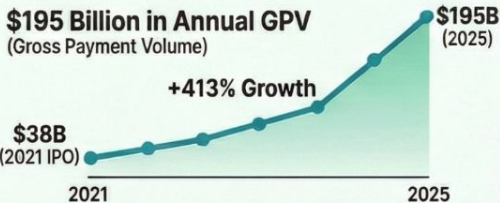


# Toast: The \$6 Billion Embedded Finance Flywheel

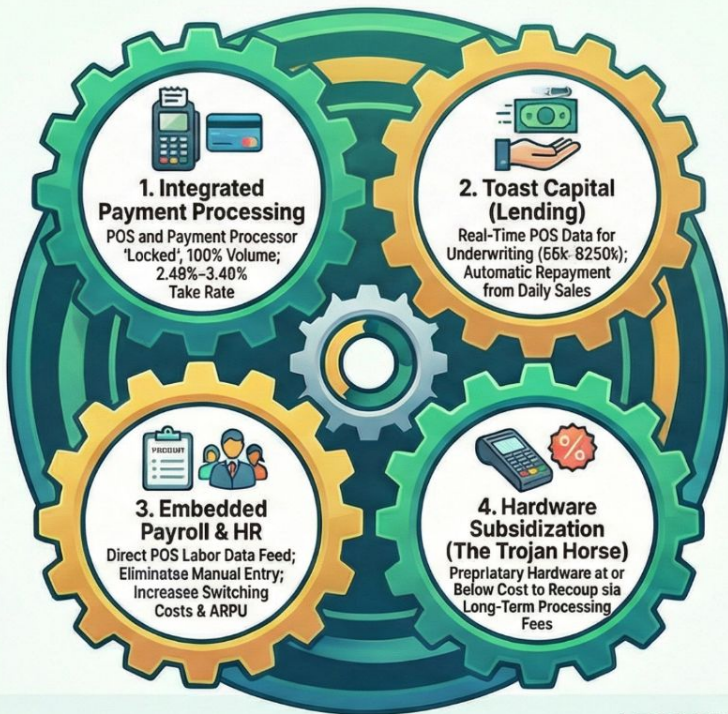
## THE FINANCIAL TRANSFORMATION



From Massive Loss to Profitability



**164,000 Connected Locations**  
Capturing ~15% U.S. Restaurant Market;  
50% Share in Single-Location Table-Service Restaurants



## THE GROWTH FLYWHEEL

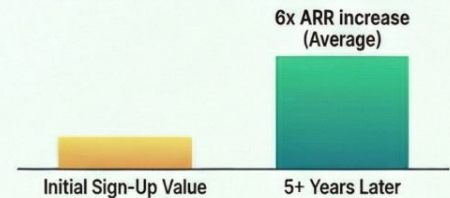
### Low-Cost Acquisition

Subsidized Hardware Gets Toast In: 75% of New Locations from Inbound Channels in 'Flywheel' Metros

### Product Stacking Most

43% Use 6+ Products (Up from 32% in 2021);  
More Products = Harder to Switch

### 6x Revenue Increase Over Time



## COMPETITIVE LANDSCAPE (2025)

Metric	Toast	Square (Block)	Clover (Fiserv)
Primary Focus	Restaurants Only	Multi-vertical	Multi-vertical
Fintech % of Revenue	~82%	~88%	Not Disclosed
Growth Rate (2025)	~24%	~12%	~15%
Est. Market Share	~17%	~12%	~20%
Distribution	Direct local sales	Direct marketing	Bank branches

## LESSONS FOR OTHER PLATFORMS

**OWN THE WORKFLOW FIRST**  
Build Best-in-Class Operational Tool (Distribution) Before Financial Services

**LEVERAGE PROPRIETARY DATA**  
Use Real-Time Cash Flow Visibility to Underwrite Risk Better than Banks

**IMPLEMENT INVERSE PRICING**  
Lower Software Fees Offset by Higher Payment Take Rates to Capture Price-Sensitive Customers



# The Trojan Horse of the Restaurant Industry

Toast (NYSE: **TOST**) represents the definitive case study for vertical SaaS. By treating software as a distribution channel for financial services, Toast has subsidized growth, created massive switching costs, and locked in customers for decades.

## Data Dashboard

### KEY METRICS



Revenue:

**\$6.15 Billion**

82% from Embedded Fintech



Scale:

**~164,000 Locations**

Processing \$195B in GPV



Net Income:

**\$342 Million**

Swing from \$246M Loss



Free Cash Flow:

**\$608 Million**

DATA AS OF Q4 2025

# The Pivot: From Consumer App to 'Operating System'

**Key Insight:** Toast had to build the 'Operating System' first to own the transaction layer later.



# Software is the Hook. Fintech is the Catch.

## FY 2025 Revenue Breakdown



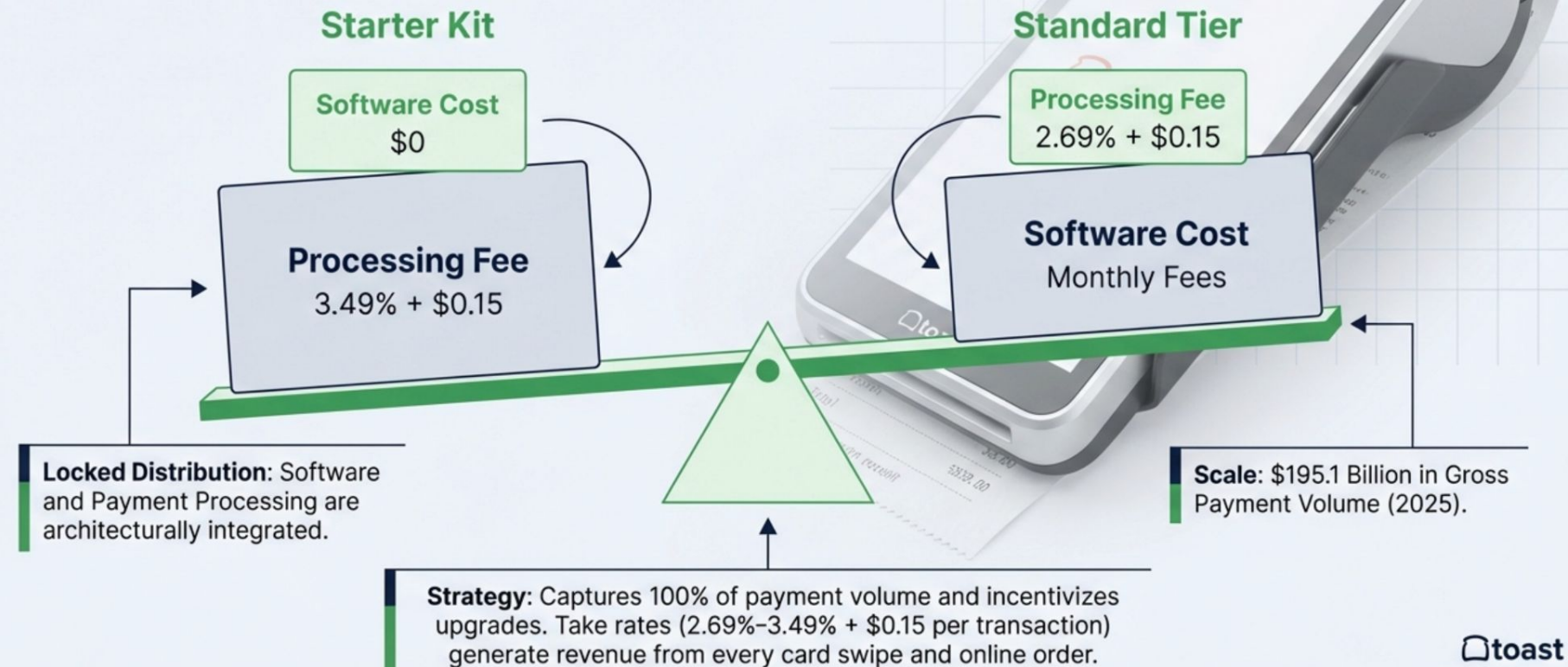
*“Toast is a fintech business that uses restaurant software as its distribution channel.”*

Payments account for 85%+ of total revenue when isolating FY 2024 data.

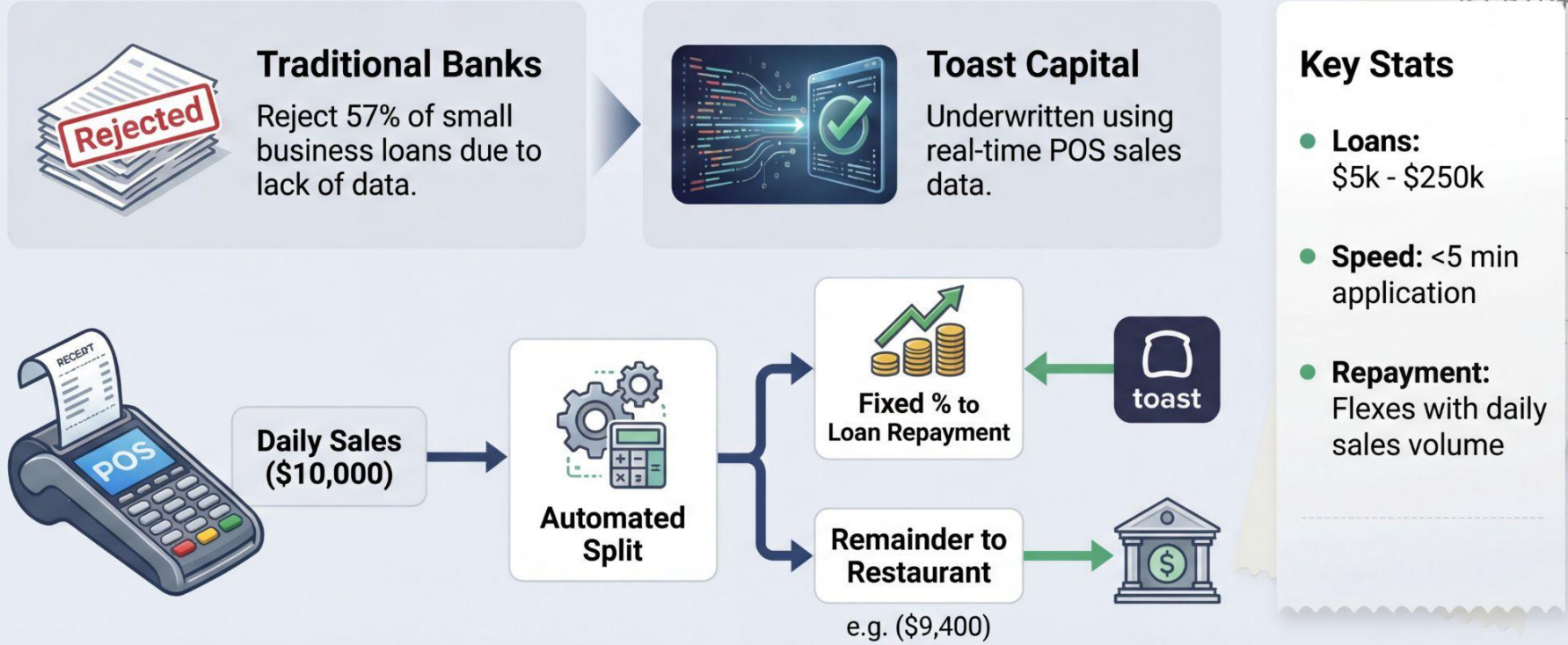


RECEIPT

# Pillar 1: Integrated Payments & The "Lock-In"

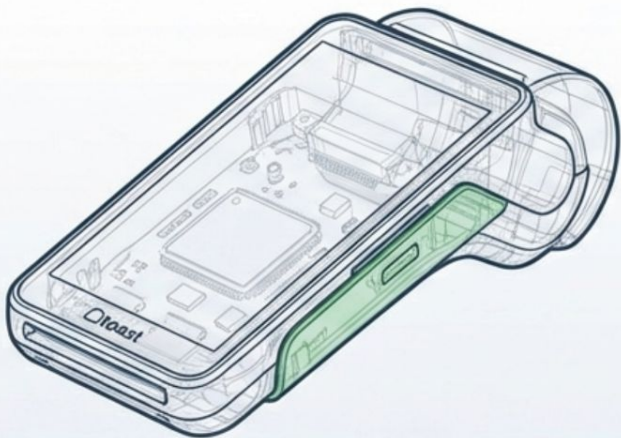


## Pillar 2: Toast Capital (Data > Credit Scores)



# Pillars 3 & 4: The Trojan Horse & The Anchor

## Hardware (The Trojan Horse)



Sell at/below cost to lower entry barriers.  
Loss is recouped via Payment Take Rate.

## Payroll (The Ecosystem Anchor)



POS labor data flows directly to payroll.  
Eliminates manual entry. Raises switching costs.

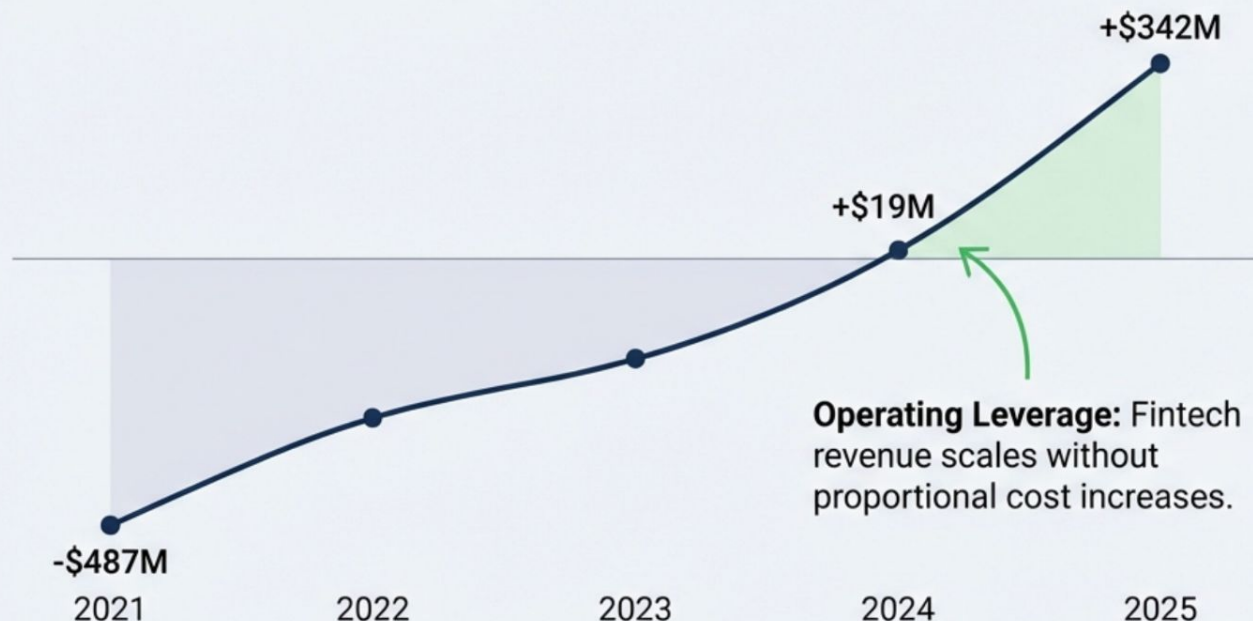
**Insight:** Once operations and payroll are unified, leaving is administratively painful.

# The Fintech Flywheel



# Validating the Model: The Profitability Inflection

## Net Income (2021-2025)



**Operating Leverage:** Fintech revenue scales without proportional cost increases.

## Growth Metrics

Revenue Growth:  
**+260%** since IPO



Location Growth:  
**+242%** (48k to 164k)



GPV Growth:  
**+413%**



# Vertical Focus Wins: Toast vs. The Field

Dimension	Toast	Square	Clover
Focus	100% Restaurant ✓	Horizontal	Horizontal
Sales Model	Direct ✓	Self-Serve	Bank Branch
Growth Rate	~24% ↑ ✓	~12%	~15%
Market Share	 ~50% in core segment	—	—



**The Moat:** Deep functionality (kitchen routing, tip-pooling) creates a product horizontal players cannot easily replicate.

# The Embedded Finance Playbook (Rules 1-4)

## 1. Start with Distribution



Build software workflow first to own the customer relationship, then layer on finance.

## 2. Fintech Subsidizes Acquisition



Use payments revenue to fund hardware giveaways. Let LTV pay for CAC.

## 3. Lock Infrastructure



Financial services must be core infrastructure (hard-coded), not an optional add-on.

## 4. Proprietary Data = Risk Advantage



Use real-time cash flow visibility to underwrite risk better than banks.

# The Embedded Finance Playbook (Rules 5-8)

## 5. Inverse Pricing



Charge higher processing fees on 'free' software plans; incentivize upgrades with lower rates.

## 6. Vertical Focus Creates Moats



Specialized financial products (e.g., tip-based payroll) protect against horizontal competitors.

## 7. Product Stacking



43% of locations use 6+ products. A 'product web' makes churn nearly impossible.

## 8. Profitability Runs Through Finance



In vertical SaaS, the margin upside in fintech often exceeds the core software business.

# Future Outlook: Expanding the Engine



## Growth Vectors



### 1. International Expansion

UK, Canada, Ireland (50% of bookings include Online Ordering).



### 2. New Verticals

Food & Beverage Retail (220,000+ potential locations).



### 3. AI & Data

Monetizing 'Sous-Chef' tools and automated scheduling.



### 4. Enterprise

Partnerships with Hilton (500+ locations) and Instacart.

**Runway:** Toast has captured only ~15% of the total U.S. restaurant market.

# The New Business Model for SaaS



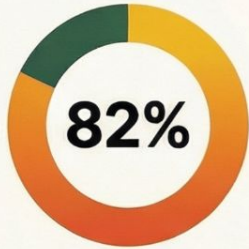
**Embedded Finance is not a feature—it is the business model.**

Companies willing to commit to deep vertical integration and architecturally embed financial services can build businesses that outgrow SaaS-only competitors.

# Toast: The \$6 Billion Embedded Finance Playbook

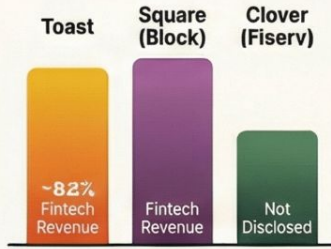
Toast evolved from a restaurant POS startup into a \$6.15B revenue platform, where 82% of income is derived from financial technology by integrating payments and lending directly into the “restaurant operating system,” creating a high-growth, high-stickiness flywheel.

## THE FINTECH TRANSFORMATION



### Dominant Fintech Revenue Stream

Financial technology solutions (payments and lending) now serve as the company's core revenue engine.



#### Primary Focus:

Restaurants Exclusively	Square: Multi-vertical	Clover: Multi-vertical
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#### 2024 Revenue:

Toast: \$4.98B	Square: ~\$21.9B	Part of \$19B+
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### From \$487M Loss to \$342M Net Income

Toast achieved GAAP profitability in 2024, driven by high-margin embedded finance scaling.

### \$195 Billion in Gross Payment Volume

Annual payment volume grew 413% between the 2021 IPO and 2025.



## THE “FLYWHEEL” STRATEGY



### Hardware as a “Trojan Horse”

Subsidized hardware lowers entry barriers, locking customers into the payment and SaaS ecosystem.



### Data-Driven Embedded Lending

Toast Capital uses real-time POS sales data for underwriting, bypassing traditional credit checks.



### Increasing ARPU via “Product Stacking”

Locations using 6+ products generate 6x higher ARR than those on initial plans.

# THE TOAST TRANSFORMATION: FROM POS STARTUP TO \$6 BILLION FINTECH POWERHOUSE

## A Case Study in Embedded Finance and Vertical SaaS Dominance

A Case Study in Embedded Finance and Vertical SaaS Dominance. Toast leveraged its restaurant operating system to become the essential financial infrastructure of the industry, turning a \$487M loss into a \$342M profit.

**2011: FOUNDED**  
(Seed Round \$2M, Consumer App)

**2013: CRITICAL PIVOT**  
(Cloud-Native Platform, Deep Integration)

### THE STRATEGIC SHIFT: FROM SaaS TO FINTECH DISTRIBUTION



**REVENUE MIX:** ~82% from Financial Technology Solutions (Payments, Lending, Payroll) vs. ~18% Subscription Fees. Software acts as the distribution engine for high-margin financial services.

### THE FINTECH FLYWHEEL: CREATING INSURMOUNTABLE SWITCHING COSTS

#### INTEGRATED PAYMENT PROCESSING

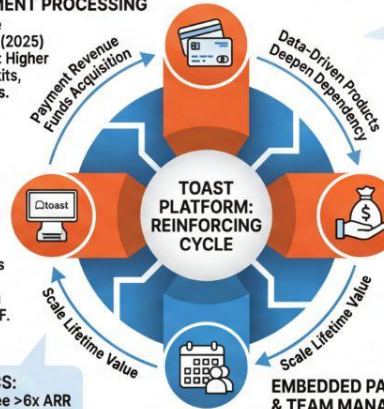
- 100% Volume Capture
- 58 bps Net Take Rate (2025)
- Inverse Pricing Model: Higher take rates on starter kits, incentivizing upgrades.

#### HARDWARE SUBSIDIZATION (THE TROJAN HORSE)

- Sold at/below cost to lower barriers
- Recaptured through high-margin payments & SaaS
- Entry point for system generating \$608M FCF.

#### UNIT ECONOMICS:

- 5-Year Locations see >6x ARR Growth (Over \$16,000).
- 43% of locations use 6+ products (2023).



**UNIT ECONOMICS:**  
5-Year Locations see >6x ARR Growth (Over \$16,000). 43% of locations use 6+ products (2023).

#### TOAST CAPITAL (EMBEDDED LENDING)

- Loans \$5K-\$250K
- Underwriting via Real-Time POS Sales Data
- Automated repayment from daily sales minimizes risk.

#### EMBEDDED PAYROLL & TEAM MANAGEMENT

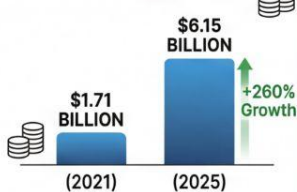
- Integrates labor data (clock-ins, tips)
- Massive ARPU multiplier.
- Creates high operational dependency.

### THE 8 SECRETS OF EMBEDDED FINANCE SUCCESS

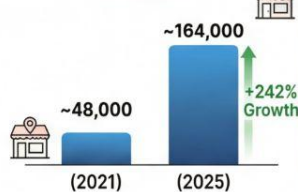
- ✓ **DISTRIBUTION FIRST, MONETIZATION SECOND:** Own workflow before wallet. Software as surface area.
- ✓ **FINTECH AS ACQUISITION SUBSIDY:** Use processing margins to outspend on sales & hardware.
- ✓ **ARCHITECTURAL INSEPARABILITY:** Financial services as core infrastructure, not an add-on.
- ✓ **REAL-TIME DATA AS UNDERWRITING MOAT:** Transactional visibility for superior risk assessment.
- ✓ **INVERSE PRICING MODELS:** Acquire price-sensitive, monetize via take rates.
- ✓ **VERTICAL SPECIFICITY AS A DEFENSE:** Deep domain expertise (e.g., kitchen routing) horizontal players can't replicate.
- ✓ **PRODUCT STACKING FOR CHURN PREVENTION:** Reach 6+ product attach rate for insurmountable switching costs.
- ✓ **THE FINTECH PATH TO PROFITABILITY:** Financial services operating leverage scales faster than software.

### UNPRECEDENTED GROWTH & TURNAROUND (2021 IPO vs. 2025 MILESTONE)

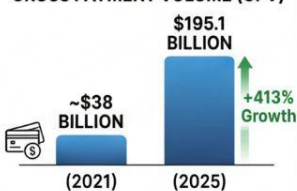
#### TOTAL REVENUE



#### LOCATIONS



#### GROSS PAYMENT VOLUME (GPV)



#### FINANCIAL TURNAROUND



### COMPETITIVE EVALUATION: OUTPACING THE GIANTS

DIMENSION	TOAST	SQUARE (BLOCK)	CLOVER (FISERV)
Primary Focus	Exclusive: Restaurants	Multi-vertical	Multi-vertical
Fintech % of Revenue	~82%	~86%	Not Disclosed
Distribution Model	Direct Local Sales Teams	Direct Marketing	Indirect via Banks
Growth Rate (2025)	~24%	~12% (Segment)	~15%

Toast's 2x growth advantage in restaurant segment driven by direct sales flywheel & vertical depth. Commanding 50% share in core single-location table-service.

### THE FUTURE OF THE INDUSTRY OS

US Embedded Finance Market: \$20 Billion+. Toast expanding internationally (Canada, UK, Ireland).  
Guidance 2026: Adj. EBITDA \$775M-\$795M, Long-term Margins 30-35%.  
AI Tools & Data Moat drive next layer of lock-in. Toast builds a dominant financial institution tailored for its industry.

For more case studies, guides and playbooks on Embedded Finance visit [ChargeForward.io](https://ChargeForward.io)