SHRINK SOFTWARE

STRATEGIC WHITE PAPER

The Toast Pattern.

How a focused execution-layer wedge becomes the operating system for an industry — and why Shrink Manager is following the same playbook for institutional food.

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AUDIENCE

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SECTION 1

Why the category question matters.

When investors evaluate a vertical SaaS company, the single largest variable in their eventual return is the category the company is filed under.

Compliance software trades at four to six times annual recurring revenue. Operating systems for an industry trade at ten to fifteen times ARR. The same company, with the same revenue, sold to a strategic acquirer under one frame versus the other, can differ in exit value by an order of magnitude.

This is not abstract. It is the difference between a $40 million outcome and a $200 million outcome at the same revenue scale. For a $3 million convertible note at a $12 million cap, that distinction determines whether the investment returns three times or fifteen times.

The category question, in other words, is the most important question on the page — even though it is rarely the one investors ask directly. They ask about traction, margins, market size, and team. The category is what they are quietly doing the math against the entire time.

This white paper makes the case that Shrink Manager is most accurately understood not as compliance software, but as the early stage of an operational system of record for regulated physical operations. We frame the argument by reference to a company whose pattern Shrink is structurally following: Toast.

SECTION 2

What Toast actually built.

Toast was founded in 2011 as a payments processing application running on Android tablets. The early product was, by any honest description, a better point-of-sale terminal. It was not glamorous. It was not pitched as a platform. It was an iPad on a restaurant counter that ran more reliably and cost less than the legacy hardware it replaced.

By 2014, Toast had pivoted to a fuller restaurant management platform — still anchored on POS, but beginning to integrate inventory management, payroll processing, and online ordering. They raised their Series A from Bessemer Venture Partners at a $20 million valuation. At that time, they served approximately 250 restaurants.

By 2019, Toast had crossed 27,000 restaurants and was raising at unicorn valuations. By 2021, they went public at a $30 billion valuation. By 2024, they had $4.7 billion in annual revenue and were the operating system of record for over 120,000 restaurant locations.

The Toast of 2024 is not the Toast of 2013. The 2013 company was a POS vendor. The 2024 company is a horizontal operating layer for restaurant operations: POS, payroll, inventory, online ordering, gift cards, loyalty, customer marketing, capital lending, accounting integration, kitchen display systems, table management, scheduling, tip management, and supplier procurement.

What made this expansion possible was not aggressive product roadmap. It was a structural decision made early about where the platform would sit.

> The POS was the wedge. But what made the wedge defensible was that it sat at the highest-frequency operational event in a restaurant: every customer order. Once that data layer was owned, every adjacent workflow — payroll, inventory, scheduling — became a natural expansion target. The platform was not built by adding features. It was built by riding the network of operational events Toast was already capturing.
>
> *— Industry analysis of the Toast trajectory, 2013-2024*

SECTION 3

What Shrink Manager is actually building.

Shrink Manager was forged inside an institutional sushi operation, Anu Sushi LLC, after an $80,000 NetSuite implementation failed to address the actual operational problems on the production floor. The early product was, by any honest description, a better way to govern the work happening in a regulated food kitchen. It was not glamorous. It was not pitched as a platform. It was a workflow control layer that captured what operators actually did, in real time, at the point of work.

By 2026, Shrink Manager had been live in production for over two years across ten institutional food production sites, processing more than one million units annually. Compliance output reaches over 200 institutional accounts through partner distribution channels including Aramark, Sodexo, and Compass Group. The platform now captures real-time execution data across receiving, production, cooling, labeling, traceability, delivery, and shrink intelligence.

By 2030, on the trajectory established by the current architecture, Shrink Manager will be embedded as the operational execution layer across hundreds of institutional kitchens, with the same workflow-gated traceability pattern extending into pharmaceutical compounding, regulated packaging, and trade compliance. Each of these is a multi-billion-dollar regulated category where execution must be auditably verified and current infrastructure is inadequate.

The structural decision that makes this expansion possible is the same one Toast made: Shrink Manager sits at the highest-frequency operational event in regulated food production — every production order, every operator action, every audit-relevant event. Once that data layer is owned, every adjacent regulated workflow becomes a natural expansion target.

This is not an aspiration. It is an architectural fact about where the product already sits in the operational stack.

SECTION 4

Three structural parallels.

The comparison between Toast and Shrink is not aspirational. It is structural. Three specific architectural decisions are common to both companies, and each one is what enables the eventual expansion from focused wedge to industry operating system.

STRUCTURAL DECISION	HOW EACH COMPANY EXECUTED IT
Built by operators who lived the pain	**Toast:** Founders were close to the restaurant operator community and watched friends struggle with QuickBooks, Excel, and disconnected legacy POS systems. The product was forged inside the problem space. **Shrink:** Founders built Shrink Manager inside Anu Sushi LLC after a failed $80,000 NetSuite implementation. The product was forged inside an operating food business by people who had to live with the consequences of getting compliance wrong.
Captures the highest-frequency operational event	**Toast:** Every customer order in a restaurant flows through the POS. This creates a data layer no other system can rival — and a behavioral surface that adjacent workflows naturally hook into. **Shrink:** Every production order in a regulated kitchen flows through the execution layer. Receiving, cooling, labeling, traceability — all anchored to the workflow gate. Adjacent regulated workflows naturally hook into the same surface.
Coexists with the financial system, does not replace it	**Toast:** Toast did not displace QuickBooks, Sage, or any other accounting tool the restaurant was already using. The POS integrated with the financial layer rather than fighting it. This is the single most underrated decision in their early architecture. **Shrink:** Shrink Manager does not displace NetSuite, SAP, Oracle, or QuickBooks. The execution layer sits alongside the customer's existing ERP, syncing order-to-invoice but leaving the financial system untouched. The absence of replatform friction is what makes adoption fast enough to dominate the category.

The parallel is not that both companies are similar in product or industry. The parallel is that both companies made the same three architectural decisions that, in retrospect, were the preconditions for category dominance.

This matters because category dominance does not come from being the best at the wedge. It comes from being the only company that can credibly expand from the wedge to adjacent workflows — and that capacity is determined years earlier by where the platform sits.

SECTION 5

Why we do not call ourselves an operating system today.

A sophisticated investor reading this paper will already have noticed something. The deck describes Shrink Manager as the "execution layer for institutional food," not as the "operating system for regulated physical operations." The category claim in this paper is broader than the category claim in the pitch.

This is intentional, and it is the same discipline Toast exercised.

Toast in 2013 was not pitched as the restaurant operating system. It was pitched as the iPad POS for independent restaurants. That focused positioning was what made the company credible at Series A. Investors did not back Toast because the founders claimed to be building a platform — they backed Toast because the founders claimed to be solving a specific, concrete operational problem better than anyone else, and the platform expansion was a consequence of that focus, not a precondition.

Toast did not earn the right to call itself the restaurant operating system until they had over 30,000 paying customers. Before that, the claim would have been overreach. It would have triggered the natural investor reaction — "show me" — and the company had not yet earned the data, the network, or the operational dominance to back it up.

Shrink Software is making the same discipline call. Today, in 2026, with ten live sites and the first external paid customers targeted for Q3, the credible category claim is "execution layer for institutional food." That is what we have built, validated, and can defend.

The broader category — operational system of record for regulated physical operations — is what the architecture is designed to become. It is the right frame for understanding the long-term opportunity, the patent portfolio, and the eventual exit comparable. But it is not the frame we will use in our opening positioning with investors today, because we have not yet earned it commercially.

This discipline is itself a signal. Founders who claim platform status before earning it are typically the founders who fail to build the platform. Founders who hold the focused wedge claim until the data and customer base support expansion are typically the founders who succeed at category creation. Toast is the canonical example. Shrink Software intends to be the next one in its category.

SECTION 6

The stage-fit math.

One reasonable objection to the Toast comparison: Toast had thousands of customers by Series A. Shrink Manager has ten live production sites and zero external paid customers. The comparison appears premature on its face.

The objection collapses when the comparison is anchored to the correct stage.

STAGE-FIT COMPARISON

Toast at Series A (2014) vs. Shrink Manager at Angel (2026)

Toast 2014 (Series A from Bessemer): approximately 250 restaurant customers, $20 million valuation, POS as the wedge with payroll and online ordering in early development. The platform claim had not yet been articulated.

Shrink Manager 2026 (Angel convertible): 10 institutional production sites live, $12 million convertible cap, execution layer as the wedge with FSMA 204 traceability, shrink intelligence, and labor automation already validated in production. The platform claim is articulated as a long-horizon position, not a current commercial reality.

The relative scale of the wedge is comparable. The platform claim is appropriately disciplined for the stage.

What is structurally similar between Toast 2014 and Shrink 2026 is not the absolute customer count. It is the relationship between the proven wedge and the platform horizon. Both companies, at their respective comparable stages, had a defended operational beachhead and a credible (but not yet commercially proven) expansion architecture.

What Toast had that justified the Bessemer valuation in 2014 was payment volume — every customer order flowing through the POS, creating the data network that justified later platform expansion. The corresponding measure for Shrink Manager is workflow events: every receiving log, cooling check, label print, lot transformation, and operator authentication that flows through the execution layer.

Shrink Manager currently processes over one million workflow events per year across ten production sites. This is the operational data moat that compounds with every customer added, and it is the architectural basis for the eventual category expansion. It is the precise structural equivalent of Toast's payment volume in 2014.

SECTION 7

What this means for investors.

Three implications follow from the Toast parallel for anyone evaluating Shrink Software at the current stage.

1. The valuation comparable should reflect the architecture, not the wedge.

If Shrink Manager is filed under "compliance software," the exit valuation comparable is the ReposiTrak, Trustwell, or SafetyChain tier — roughly four to six times ARR at strategic acquisition. If Shrink Manager is filed under "operational system of record for an industry," the comparable is closer to the Toast, ServiceNow, Veeva, or Procore tier — roughly ten to fifteen times ARR.

The architectural decisions Shrink Software has made — workflow-gated execution at the point of work, coexistence with ERP, multi-vertical patent portfolio — are consistent with the second comparable, not the first. A $5 million ARR business at acquisition under the compliance frame returns approximately $20-30 million to investors. The same business under the operational system frame returns $50-75 million or more. Same revenue. Different category. Different exit.

2. The platform horizon is credible because of where the wedge sits.

The deck describes a long-horizon expansion roadmap into pharmaceutical compounding, regulated packaging, and trade compliance. Without the Toast parallel, this can read as scattered. With the Toast parallel, the same roadmap reads as natural — exactly the kind of sequenced expansion that follows from owning a high-frequency operational event in a regulated industry.

The patent portfolio (nine USPTO provisionals, with utility conversion planned for 2027) was filed broadly to cover any regulated environment where execution must be auditable. This is not opportunistic. It is the same architectural pattern Toast used to expand from POS into adjacent workflows — but applied to regulated physical operations rather than restaurant operations.

3. The discipline of the current positioning is itself a quality signal.

Founders who claim platform status before earning it typically fail to build the platform. The fact that Shrink Software is choosing to lead with the focused wedge ("execution layer for institutional food") rather than the aspirational frame ("operational system of record for regulated physical operations") is the same discipline Toast exercised between 2013 and 2017. It is the discipline that makes the eventual category claim credible.

An investor evaluating Shrink today should weight this discipline as positively as they would weight more conventional traction signals. Category creation is a function of architectural decisions made early and held with discipline through the proof-of-concept years. Shrink Software is in those years now.

Closing frame.

Toast in 2013 was not the restaurant operating system. It was a POS terminal that happened to sit at the highest-frequency event in a restaurant. The category claim came later, as a consequence of dominance.

Shrink Manager in 2026 is not the operating system for regulated physical operations. It is an execution layer that happens to sit at the highest-frequency event in regulated food production. The category claim will come later, as a consequence of dominance.

The opportunity for investors at the current stage is to back the architectural play before the category claim becomes obvious. By the time the operational system framing is mainstream consensus, the entry valuation will be ten times higher. The investors who returned 30 to 50 times on Toast were the ones who saw the architecture in 2013, not the platform in 2021.

The Toast pattern is repeating. The wedge is institutional food. The architecture is workflow-gated execution alongside ERP. The horizon is operational system of record for regulated physical operations.

The discipline is in the timing of the claim.

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