

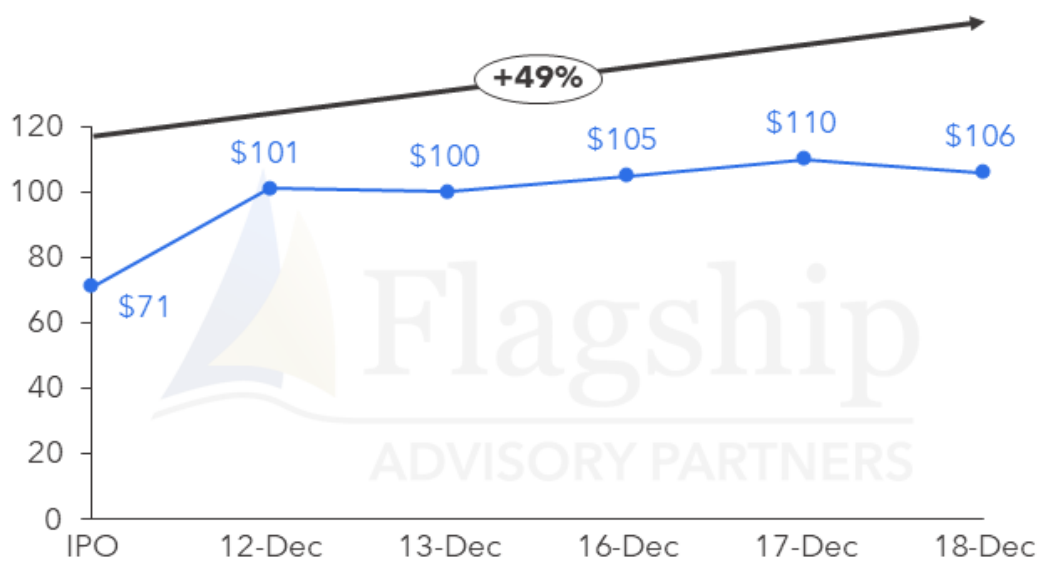
by Joel Van Arsdale and Rohan Manudhane, 19 December 2024

## Attractive Field Services Vertical Propels ServiceTitan to Successful IPO

### Successful IPO

ServiceTitan went public last week and immediately traded up more than 40% as investors flocked to the attractive growth fundamentals of ServiceTitan specifically and the field services vertical software & embedded generally. For embedded finance buffs like us, the TTAN S-1 was compelling reading, so no surprise that investors reacted favorably. We review these attractive vertical fundamentals and ServiceTitan's business below.

**Figure 1: ServiceTitan (TTAN) Stock Price**



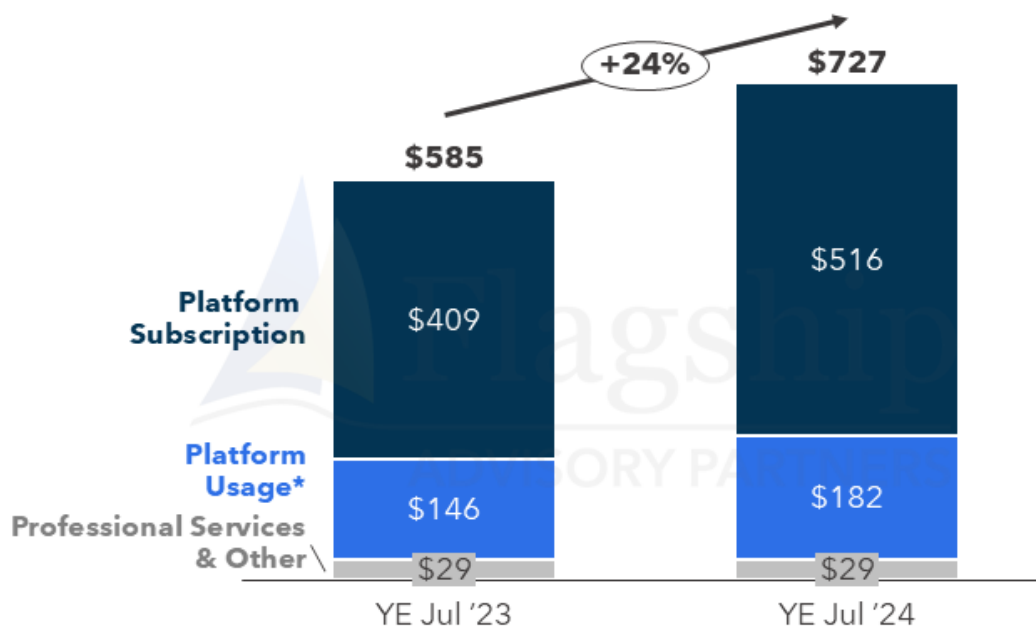
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### Field Services: A Highly Attractive Software + Embedded Finance Vertical

According to the TTAN S-1, field services generate \$1.5 trillion of spend in North America, including sub-vertical use cases such as home construction, HVAC, roofing, landscaping, electric, plumbing, painting and many other trades. ServiceTitan considers just-under half of this \$1.5 trillion spend to be its Service Addressable Market volume (\$650B). In its last 12 reporting months of trading, TTAN captured c. 10% of this market volume (\$62B). On this \$62B, TTAN generated revenue of \$727 mil., a total revenue take rate of 1.17%, inclusive of SW subscription fees, fintech services, and other sources of revenue.

Figure 2 shows ServiceTitan’s revenue splits and growth for the years ending July 2023 and July 2024. Most of TTAN’s Usage revenue comes from embedded payment acceptance (processing of card and ACH payments). Using management’s general statement about the company presently penetrating 50% of the take rate opportunity, TTAN’s usage take rate of 29 bps implies a payments take rate of c. 55+ bps on attached and penetrated embedded payments. There is significant upside to this embedded payment acceptance revenue given the white space for software usage in the field services vertical and given the embedded payment penetration opportunity (lots of check volumes or bespoke, non-integrated payments in the vertical). Sitting at the heart of the service SMB’s interactions with customers and billing flows, vertical ERPs such as TTAN are ideally positioning to capture a high attach rate and penetration rate of payment flows in and out (more nascent in vertical ERPs today). The usage advantages (faster collections, automatic bookkeeping, etc.) relative to using non-embedded horizontal payments are overwhelming.

**Figure 2: ServiceTitan (TTAN) Revenue Composition and Growth**

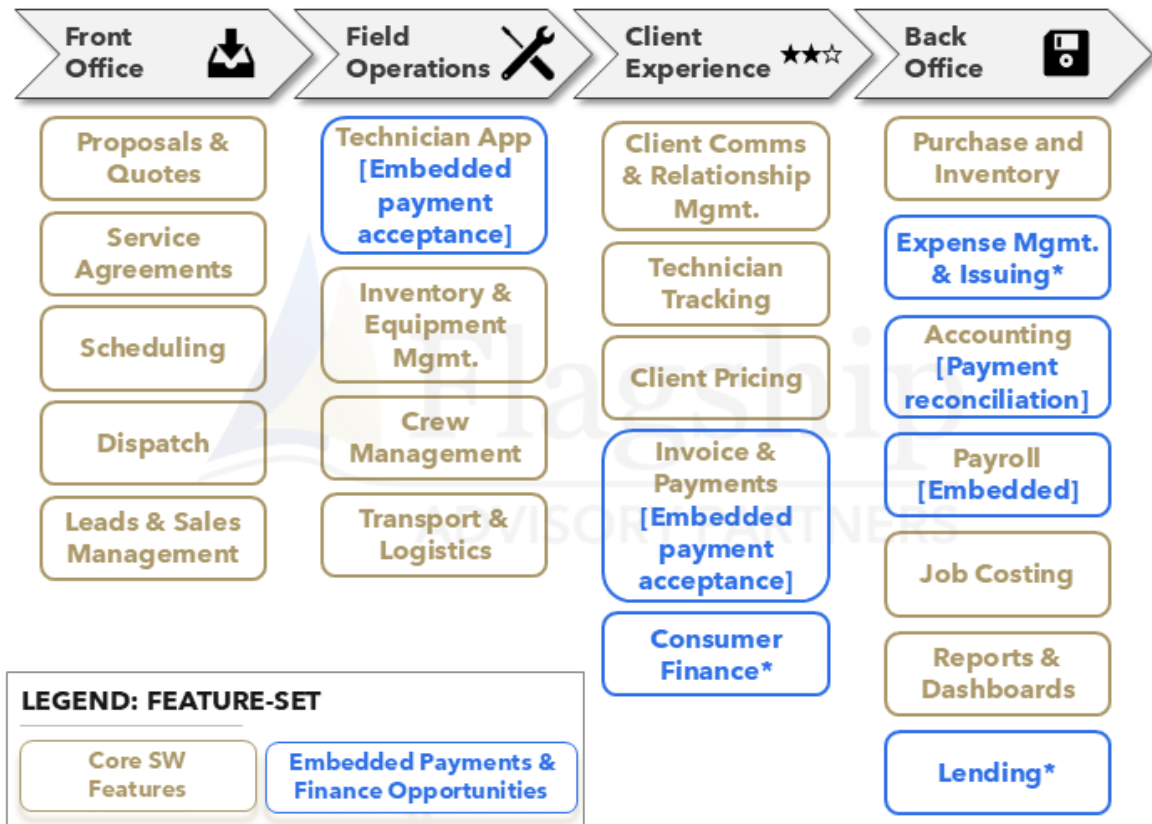


\* Including payments and financial services

Sources: ServiceTitan S-1, Flagship Advisory Partners  
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Beyond the obvious upside of fully capturing the embedded payments opportunity, we also see the broader embedded finance opportunities in field services as highly attractive. Field services SMBs are ideal targets for embedded working capital, trade finance, payroll, procure-to-pay, and issuing / spend mgmt. products. There is also a consumer finance opportunity on large ticket transactions such as HVAC or roofing. ServiceTitan has only a nascent penetration of these broader embedded finance opportunities presently. Figure 3 illustrates the ServiceTitan proposition including key software feature domains and parallel embedded finance opportunities.

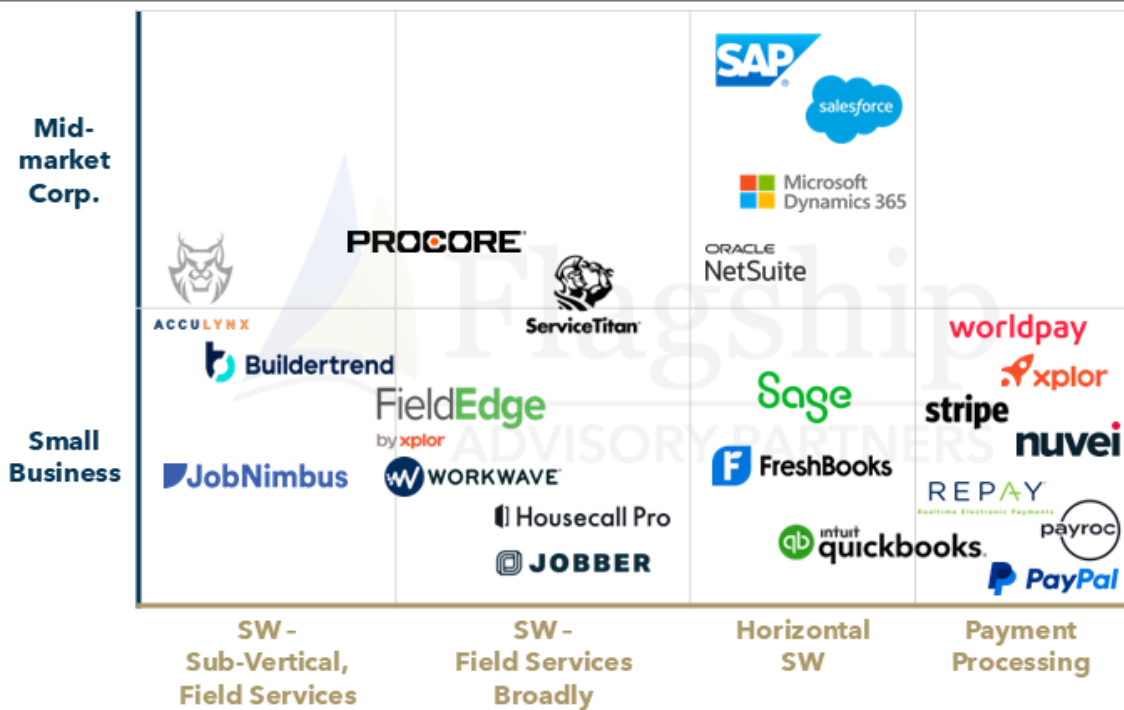
**Figure 3: ServiceTitan (TTAN) Software and Embedded Finance Feature Set**



\* Denotes nascent or not yet offered  
 Source: Flagship Advisory Partners  
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As shown in Figure 4, ServiceTitan positions primarily in the middle and upper size segments of the field services market, across a broad range of sub-verticals. TTAN competes with Xplor (FieldEdge), Workwave, HouseCall Pro, and Jobber, among others (some of these being more small segment focused). TTAN also competes against sub-vertical specialists such as AccuLynx and JobNimbus and, to a lesser extent, more generalized construction software such as Procore and BuilderTrend. Horizontal ERPs such as Salesforce, SAP, and Net Suite also play a role in the larger segments of field services companies but are less broad in capturing these types of vertical opportunities, particularly embedded finance.

**Figure 4: Field Services Software & Payments Landscape (select examples)**



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## Conclusions

ServiceTitan’s IPO was a success because it is a champion in the highly attractive field services SW + fintech vertical, which provides both scale and growth tailwinds. TTAN today captures less than half of its embedded finance opportunity, ongoing penetration of which will help to fuel double-digit embedded finance revenues for many years to come. More broadly, the successful TTAN IPO bodes well for the broader software and fintech community still emerging from a valuation through started in late 2021. Barring macro headwinds, we expect to see many more software + fintech offerings come to the public markets in 2025.

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