



Q1 2023 Supplemental Financial Information

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Non-GAAP Financial Measures

This supplemental financial information contains financial statements that have not been prepared in accordance with generally accepted accounting principles in the United States (GAAP). We use these non-GAAP financial measures and other key metrics internally to facilitate analysis of our financial and business trends and for internal planning and forecasting purposes. We believe these non-GAAP financial measures, when taken collectively, may be helpful to investors because they provide consistency and comparability with past financial performance by excluding certain items that may not be indicative of our business, results of operations, or outlook. However, non-GAAP financial measures have limitations as an analytical tool and are presented for supplemental informational purposes only. They should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

A reconciliation of our non-GAAP financial measures to the most directly comparable GAAP measures has been provided in the financial statement tables included in this supplemental financial information, and investors are encouraged to review these reconciliations.

Confluent, Inc.
Condensed Consolidated Statements of Operations - Fiscal Quarters
(in thousands, except percentages, share and per share data)
(unaudited)

	Three Months Ended							
	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23
Revenue:								
Subscription	\$ 78,516	\$ 92,400	\$ 108,191	\$ 113,920	\$ 127,018	\$ 138,730	\$ 155,341	\$ 160,567
Services	9,822	10,170	11,737	12,219	12,389	13,002	13,325	13,735
Total revenue	88,338	102,570	119,928	126,139	139,407	151,732	168,666	174,302
Cost of revenue:								
Subscription	20,292	25,489	33,322	33,603	35,608	38,417	38,696	42,905
Services	9,717	11,810	12,824	12,174	13,901	14,763	15,253	15,239
Total cost of revenue	30,009	37,299	46,146	45,777	49,509	53,180	53,949	58,144
Gross profit								
Subscription	58,329	65,271	73,782	80,362	89,898	98,552	114,717	116,158
Services	74.2%	72.4%	69.2%	70.5%	72.0%	72.3%	75.1%	73.3%
Total gross margin	1.1%	(16.1%)	(9.3%)	0.4%	(12.2%)	(13.5%)	(14.5%)	(11.0%)
	66.0%	63.6%	61.5%	63.7%	64.5%	65.0%	68.0%	66.6%
Operating expenses:								
Research and development	33,225	47,701	56,686	57,661	64,472	70,099	71,809	84,890
Sales and marketing	73,206	86,991	100,625	106,702	112,754	114,312	122,684	128,624
General and administrative	37,943	25,330	30,151	27,481	29,979	33,041	35,209	35,355
Restructuring and other related charges	-	-	-	-	-	-	-	33,382
Total operating expenses	144,374	160,022	187,462	191,844	207,205	217,452	229,702	282,251
Operating loss	(86,045)	(94,751)	(113,680)	(111,482)	(117,307)	(118,900)	(114,985)	(166,093)
Other income (expense), net	45	(231)	(329)	(816)	1,186	4,719	11,327	15,185
Loss before income taxes	(86,000)	(94,982)	(114,009)	(112,298)	(116,121)	(114,181)	(103,658)	(150,908)
Provision for income taxes	2,170	684	430	689	1,510	1,868	2,226	1,647
Net loss	\$ (88,170)	\$ (95,666)	\$ (114,439)	\$ (112,987)	\$ (117,631)	\$ (116,049)	\$ (105,884)	\$ (152,555)
Net loss per share, basic and diluted	\$ (0.74)	\$ (0.37)	\$ (0.43)	\$ (0.41)	\$ (0.42)	\$ (0.41)	\$ (0.37)	\$ (0.52)
Weighted-average shares used to compute net loss per share, basic and diluted	118,648,655	259,152,303	265,480,761	272,890,829	278,268,980	282,267,230	286,732,756	291,864,975

Confluent, Inc.
Condensed Consolidated Balance Sheets
(in thousands)
(unaudited)

	March 31, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 343,460	\$ 435,781
Marketable securities	1,506,392	1,491,044
Accounts receivable, net	169,650	178,188
Deferred contract acquisition costs	36,830	35,883
Prepaid expenses and other current assets	58,717	57,229
Total current assets	2,115,049	2,198,125
Property and equipment, net	35,468	29,089
Operating lease right-of-use assets	12,604	29,478
Goodwill and intangible assets, net	45,941	-
Deferred contract acquisition costs, non-current	67,130	68,401
Other assets, non-current	16,633	19,756
Total assets	\$ 2,292,825	\$ 2,344,849
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 10,445	\$ 21,439
Accrued expenses and other liabilities	87,733	105,331
Operating lease liabilities	7,295	7,375
Deferred revenue	295,689	290,185
Total current liabilities	401,162	424,330
Operating lease liabilities, non-current	23,229	25,136
Deferred revenue, non-current	28,896	32,644
Convertible senior notes, net	1,085,439	1,084,500
Other liabilities, non-current	9,248	8,762
Total liabilities	1,547,974	1,575,372
Stockholders' equity:		
Preferred stock	-	-
Class A common stock	2	2
Class B common stock	1	1
Additional paid-in capital	2,103,262	1,980,335
Accumulated other comprehensive loss	(4,454)	(9,456)
Accumulated deficit	(1,353,960)	(1,201,405)
Total stockholders' equity	744,851	769,477
Total liabilities and stockholders' equity	\$ 2,292,825	\$ 2,344,849

Confluent, Inc.
Condensed Consolidated Statements of Cash Flows - Fiscal Quarters
(in thousands)
(unaudited)

	Three Months Ended							
	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23
CASH FLOWS FROM OPERATING ACTIVITIES								
Net loss	\$ (88,170)	\$ (95,666)	\$ (114,439)	\$ (112,987)	\$ (117,631)	\$ (116,049)	\$ (105,884)	\$ (152,555)
Adjustments to reconcile net loss to cash used in operating activities:								
Depreciation and amortization	756	897	1,192	1,250	1,810	2,075	2,485	3,122
Net amortization (accretion) of premiums (discounts) on marketable securities	459	536	770	705	(469)	(3,105)	(6,022)	(9,133)
Amortization of debt issuance costs	-	-	187	936	947	958	959	939
Amortization of deferred contract acquisition costs	6,048	6,739	8,375	8,470	8,925	9,658	10,286	10,484
Non-cash operating lease costs	2,748	2,962	2,424	2,275	2,200	2,142	1,991	1,207
Lease abandonment charges	-	-	-	-	-	-	-	15,667
Common stock charitable donation expense	13,290	-	-	-	-	-	-	-
Stock-based compensation, net of amounts capitalized	34,516	49,683	58,072	57,369	68,866	75,393	76,028	79,289
Deferred income taxes	2,297	(1)	(394)	(4)	30	20	(283)	5
Other	209	1,023	157	204	355	321	504	279
Changes in operating assets and liabilities, net of effects of a business combination:								
Accounts receivable	(17,587)	979	(21,642)	12,782	(25,244)	6,047	(35,665)	8,068
Deferred contract acquisition costs	(15,482)	(11,244)	(20,332)	(12,080)	(10,643)	(19,354)	(20,724)	(10,160)
Prepaid expenses and other assets	(12,368)	(2,616)	(14,027)	(7,985)	(12,136)	(977)	3,248	3,141
Accounts payable	(468)	1,366	4,406	177	7,275	(1,004)	7,132	(11,325)
Accrued expenses and other liabilities	11,460	18,597	29,642	(22,853)	24,609	(35)	8,226	(16,557)
Operating lease liabilities	(2,661)	(2,834)	(2,650)	(2,497)	(2,413)	(2,029)	(2,270)	(1,998)
Deferred revenue	21,787	11,550	44,383	19,207	20,047	4,187	32,911	1,755
Net cash used in operating activities	(43,166)	(18,029)	(23,876)	(55,031)	(33,472)	(41,752)	(27,078)	(77,772)
CASH FLOWS FROM INVESTING ACTIVITIES								
Capitalization of internal-use software costs	(1,215)	(2,052)	(1,479)	(2,509)	(2,256)	(2,788)	(2,781)	(4,556)
Purchases of marketable securities	(14,283)	(322,941)	(284,683)	(403,883)	(763,479)	(355,886)	(528,660)	(453,356)
Maturities of marketable securities	66,211	57,693	91,275	95,545	275,114	347,000	482,899	451,777
Purchases of property and equipment	(1,030)	(563)	(1,364)	(887)	(1,184)	(1,044)	(1,006)	(546)
Cash paid for a business combination, net of cash acquired	-	-	-	-	-	-	-	(45,802)
Other	-	3	-	-	-	-	-	-
Net cash provided by (used in) investing activities	49,683	(267,860)	(196,251)	(311,734)	(491,805)	(12,718)	(49,548)	(52,483)
CASH FLOWS FROM FINANCING ACTIVITIES								
Proceeds from initial public offering, net of underwriting discounts and commissions	786,600	-	-	-	-	-	-	-
Proceeds from issuance of common stock upon exercise of vested options	12,490	10,421	22,611	16,436	7,947	9,749	8,329	20,780
Proceeds from issuance of common stock upon early exercise of unvested options	11,309	186	512	345	71	-	-	-
Repurchases of unvested options	(164)	(162)	(107)	(12)	(683)	(14)	(80)	(223)
Payments of deferred offering costs	(767)	(2,205)	-	-	-	-	-	-
Proceeds from convertible senior notes, net of issuance costs	-	-	1,081,300	(786)	-	-	-	-
Payment for purchase of capped calls	-	-	(90,970)	-	-	-	-	-
Proceeds from issuance of common stock under employee stock purchase plan	-	-	-	22,485	-	18,454	-	17,172
Net cash provided by financing activities	809,468	8,240	1,013,346	38,468	7,335	28,189	8,249	37,729
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(2)	(1)	16	(46)	20	20	2	205
Net increase (decrease) in cash, cash equivalents, and restricted cash	815,983	(277,650)	793,235	(328,343)	(517,922)	(26,261)	(68,375)	(92,321)
Cash, cash equivalents, and restricted cash at beginning of period	45,114	861,097	583,447	1,376,682	1,048,339	530,417	504,156	435,781
Cash, cash equivalents, and restricted cash at end of period	\$ 861,097	\$ 583,447	\$ 1,376,682	\$ 1,048,339	\$ 530,417	\$ 504,156	\$ 435,781	\$ 343,460
Reconciliation of cash, cash equivalents, and restricted cash within the consolidated balance sheets to the amounts shown above:								
Cash and cash equivalents	\$ 860,347	\$ 582,697	\$ 1,375,932	\$ 1,047,589	\$ 529,667	\$ 503,406	\$ 435,781	\$ 343,460
Restricted cash included in other assets, current and non-current	750	750	750	750	750	750	-	-
Total cash, cash equivalents, and restricted cash	\$ 861,097	\$ 583,447	\$ 1,376,682	\$ 1,048,339	\$ 530,417	\$ 504,156	\$ 435,781	\$ 343,460

Confluent, Inc.
Reconciliation of GAAP to Non-GAAP Measures - Fiscal Quarters
(in thousands, except percentages, share and per share data)
(unaudited)

	Three Months Ended								
	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	
Reconciliation of GAAP total gross profit to non-GAAP total gross profit:									
Total gross profit on a GAAP basis	\$ 58,329	\$ 65,271	\$ 73,782	\$ 80,362	\$ 89,898	\$ 98,552	\$ 114,717	\$ 116,158	
<i>Total gross margin on a GAAP basis</i>	66.0%	63.6%	61.5%	63.7%	64.5%	65.0%	68.0%	66.6%	
Add: Stock-based compensation expense	3,227	5,735	7,508	7,175	8,346	8,997	7,871	9,105	
Add: Employer taxes on employee stock transactions	326	166	521	410	150	144	469	411	
Add: Amortization of acquired intangibles	-	-	-	-	-	-	-	113	
Non-GAAP total gross profit	<u>\$ 61,882</u>	<u>\$ 71,172</u>	<u>\$ 81,811</u>	<u>\$ 87,947</u>	<u>\$ 98,394</u>	<u>\$ 107,693</u>	<u>\$ 123,057</u>	<u>\$ 125,787</u>	
<i>Non-GAAP total gross margin</i>	70.1%	69.4%	68.2%	69.7%	70.6%	71.0%	73.0%	72.2%	
Reconciliation of GAAP subscription gross profit to non-GAAP subscription gross profit:									
Subscription gross profit on a GAAP basis	\$ 58,224	\$ 66,911	\$ 74,869	\$ 80,317	\$ 91,410	\$ 100,313	\$ 116,645	\$ 117,662	
<i>Subscription gross margin on a GAAP basis</i>	74.2%	72.4%	69.2%	70.5%	72.0%	72.3%	75.1%	73.3%	
Add: Stock-based compensation expense	2,172	3,945	5,479	5,313	6,018	6,313	5,492	6,328	
Add: Employer taxes on employee stock transactions	38	117	481	333	70	82	84	321	
Add: Amortization of acquired intangibles	-	-	-	-	-	-	-	113	
Non-GAAP subscription gross profit	<u>\$ 60,434</u>	<u>\$ 70,973</u>	<u>\$ 80,829</u>	<u>\$ 85,963</u>	<u>\$ 97,498</u>	<u>\$ 106,708</u>	<u>\$ 122,221</u>	<u>\$ 124,424</u>	
<i>Non-GAAP subscription gross margin</i>	77.0%	76.8%	74.7%	75.5%	76.8%	76.9%	78.7%	77.5%	

	Three Months Ended							
	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23
Reconciliation of GAAP operating expenses to non-GAAP operating expenses:								
Research and development operating expense on a GAAP basis	\$ 33,225	\$ 47,701	\$ 56,686	\$ 57,661	\$ 64,472	\$ 70,099	\$ 71,809	\$ 84,890
Less: Stock-based compensation expense	8,932	16,310	20,298	20,085	25,337	27,692	28,385	30,015
Less: Employer taxes on employee stock transactions	277	601	1,279	1,039	342	496	755	1,669
Less: Acquisition-related expenses	-	-	-	-	-	-	-	7,680
Non-GAAP research and development operating expense	\$ 24,016	\$ 30,790	\$ 35,109	\$ 36,537	\$ 38,793	\$ 41,911	\$ 42,669	\$ 45,526
<i>Non-GAAP research and development operating expense as a percentage of total revenue</i>	<i>27.2%</i>	<i>30.0%</i>	<i>29.3%</i>	<i>29.0%</i>	<i>27.8%</i>	<i>27.6%</i>	<i>25.3%</i>	<i>26.1%</i>
Sales and marketing operating expense on a GAAP basis	\$ 73,206	\$ 86,991	\$ 100,625	\$ 106,702	\$ 112,754	\$ 114,312	\$ 122,684	\$ 128,624
Less: Stock-based compensation expense	11,155	18,516	20,859	21,062	24,746	26,712	26,846	28,487
Less: Employer taxes on employee stock transactions	610	1,236	2,317	680	1,048	580	177	1,083
Less: Acquisition-related expenses	-	-	-	-	-	-	-	1,076
Non-GAAP sales and marketing operating expense	\$ 61,441	\$ 67,239	\$ 77,449	\$ 84,960	\$ 86,960	\$ 87,020	\$ 95,661	\$ 97,978
<i>Non-GAAP sales and marketing operating expense as a percentage of total revenue</i>	<i>69.6%</i>	<i>65.6%</i>	<i>64.6%</i>	<i>67.4%</i>	<i>62.4%</i>	<i>57.4%</i>	<i>56.7%</i>	<i>56.2%</i>
General and administrative operating expense on a GAAP basis	\$ 37,943	\$ 25,330	\$ 30,151	\$ 27,481	\$ 29,979	\$ 33,041	\$ 35,209	\$ 35,355
Less: Stock-based compensation expense	11,202	9,122	9,407	9,047	10,437	11,992	12,926	11,682
Less: Employer taxes on employee stock transactions	222	436	1,835	310	130	149	131	500
Less: Common stock charitable donation expense	13,290	-	-	-	-	-	-	-
Less: Acquisition-related expenses	-	-	-	-	-	-	1,104	561
Non-GAAP general and administrative operating expense	\$ 13,229	\$ 15,772	\$ 18,909	\$ 18,124	\$ 19,412	\$ 20,900	\$ 21,048	\$ 22,612
<i>Non-GAAP general and administrative operating expense as a percentage of total revenue</i>	<i>15.0%</i>	<i>15.4%</i>	<i>15.8%</i>	<i>14.4%</i>	<i>13.9%</i>	<i>13.8%</i>	<i>12.5%</i>	<i>13.0%</i>

	Three Months Ended							
	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23
Reconciliation of GAAP operating loss to non-GAAP operating loss:								
Operating loss on a GAAP basis	\$ (86,045)	\$ (94,751)	\$ (113,680)	\$ (111,482)	\$ (117,307)	\$ (118,900)	\$ (114,985)	\$ (166,093)
Add: Stock-based compensation expense	34,516	49,683	58,072	57,369	68,866	75,393	76,028	79,289
Add: Employer taxes on employee stock transactions	1,435	2,439	5,952	2,439	1,670	1,369	1,532	3,663
Add: Common stock charitable donation expense	13,290	-	-	-	-	-	-	-
Add: Amortization of acquired intangibles	-	-	-	-	-	-	-	113
Add: Acquisition-related expenses	-	-	-	-	-	-	1,104	9,317
Add: Restructuring and other related charges	-	-	-	-	-	-	-	33,382
Non-GAAP operating loss	<u>\$ (36,804)</u>	<u>\$ (42,629)</u>	<u>\$ (49,656)</u>	<u>\$ (51,674)</u>	<u>\$ (46,771)</u>	<u>\$ (42,138)</u>	<u>\$ (36,321)</u>	<u>\$ (40,329)</u>
<i>Non-GAAP operating margin</i>	<i>(41.7%)</i>	<i>(41.6%)</i>	<i>(41.4%)</i>	<i>(41.0%)</i>	<i>(33.5%)</i>	<i>(27.8%)</i>	<i>(21.5%)</i>	<i>(23.1%)</i>
Reconciliation of GAAP net loss to non-GAAP net loss:								
Net loss on a GAAP basis	\$ (88,170)	\$ (95,666)	\$ (114,439)	\$ (112,987)	\$ (117,631)	\$ (116,049)	\$ (105,884)	\$ (152,555)
Add: Stock-based compensation expense	34,516	49,683	58,072	57,369	68,866	75,393	76,028	79,289
Add: Employer taxes on employee stock transactions	1,435	2,439	5,952	2,439	1,670	1,369	1,532	3,663
Add: Common stock charitable donation expense	13,290	-	-	-	-	-	-	-
Add: Amortization of acquired intangibles	-	-	-	-	-	-	-	113
Add: Acquisition-related expenses	-	-	-	-	-	-	1,104	9,317
Add: Restructuring and other related charges	-	-	-	-	-	-	-	33,382
Add: Amortization of debt issuance costs	-	-	187	936	946	958	959	939
Add: Income tax effects and adjustments	1,716	(20)	(181)	13	669	293	656	362
Non-GAAP net loss	<u>\$ (37,213)</u>	<u>\$ (43,564)</u>	<u>\$ (50,409)</u>	<u>\$ (52,230)</u>	<u>\$ (45,480)</u>	<u>\$ (38,036)</u>	<u>\$ (25,605)</u>	<u>\$ (25,490)</u>
Non-GAAP net loss per share, basic and diluted	<u>\$ (0.31)</u>	<u>\$ (0.17)</u>	<u>\$ (0.19)</u>	<u>\$ (0.19)</u>	<u>\$ (0.16)</u>	<u>\$ (0.13)</u>	<u>\$ (0.09)</u>	<u>\$ (0.09)</u>
Weighted-average shares used to compute net loss per share, basic and diluted	<u>118,648,655</u>	<u>259,152,303</u>	<u>265,480,761</u>	<u>272,890,829</u>	<u>278,268,980</u>	<u>282,267,230</u>	<u>286,732,756</u>	<u>291,864,975</u>

	Three Months Ended								
	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	
Net cash used in operating activities	\$ (43,166)	\$ (18,029)	\$ (23,876)	\$ (55,031)	\$ (33,472)	\$ (41,752)	\$ (27,078)	\$ (77,772)	
Capitalized internal-use software costs	(1,215)	(2,052)	(1,479)	(2,509)	(2,256)	(2,788)	(2,781)	(4,556)	
Capital expenditures	(1,030)	(563)	(1,364)	(887)	(1,184)	(1,044)	(1,006)	(546)	
Free cash flow	\$ (45,411)	\$ (20,644)	\$ (26,719)	\$ (58,427)	\$ (36,912)	\$ (45,584)	\$ (30,865)	\$ (82,874)	
Free cash flow margin	(51.4%)	(20.1%)	(22.3%)	(46.3%)	(26.5%)	(30.0%)	(18.3%)	(47.5%)	
Net cash (used in) provided by investing activities	\$ 49,683	\$ (267,860)	\$ (196,251)	\$ (311,734)	\$ (491,805)	\$ (12,718)	\$ (49,548)	\$ (52,483)	
Net cash provided by financing activities	\$ 809,468	\$ 8,240	\$ 1,013,346	\$ 38,468	\$ 7,335	\$ 28,189	\$ 8,249	\$ 37,729	