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These forward-looking statements are subject to a number of known and unknown risks, uncertainties and other factors, including but not limited to: (i) our limited operating history, including in uncertain macroeconomic environments, (ii) our ability to sustain and manage our rapid growth, (iii) our ability to increase consumption of our offering, including by existing customers and through the acquisition of new customers, including by addressing customer consumption preferences, and successfully add new features and functionality to our offering, (iv) our ability to successfully execute our go-to-market strategy and initiatives, including as we reorient our go-to-market strategy and model around customer consumption, (v) our ability to attract new customers and retain and sell additional features and services to our existing customers, (vi) uncertain macroeconomic conditions, including higher inflation, higher interest rates, bank failures, supply chain challenges, geopolitical events, recessionary risks, and exchange rate fluctuations, which have resulted and may continue to result in customer pullback in information technology spending, lengthening of sales cycles, reduced contract sizes, reduced consumption of Confluent Cloud or customer preference for open source alternatives, as well as the potential need for cost efficiency measures, (vii) our ability to achieve profitability and improve margins annually, by our expected timelines or at all, (viii) the estimated addressable market opportunity for our offering, including our Flink offering and stream processing, and our ability to capture our share of that market opportunity, (ix) our ability to compete effectively in an increasingly competitive market, (ix) our ability to attract and retain highly qualified personnel, including as we reorient our go-to-market strategy and model around customer consumption, (x) our ability to successfully transition executive leadership, (xi) breaches in our security measures, intentional or accidental cybersecurity incidents or unauthorized access to our platform, our data, or our customers’ or other users’ personal data, (xii) our reliance on third-party cloud-based infrastructure to host Confluent Cloud, (xiii) public sector budgetary cycles and funding reductions or delays, such as an extended federal government shutdown, (xiv) our ability to accurately forecast our future performance, business and growth, and (xv) general market, political, economic, and business conditions, including continuing impacts from the COVID-19 pandemic. 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Confluent Momentum-at-a-Glance

Founded in 2014 by the Original Creators of Apache Kafka

~$60B Total Addressable Market¹

<table>
<thead>
<tr>
<th>FY’23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
</tr>
<tr>
<td>Confluent Cloud Revenue</td>
</tr>
<tr>
<td>Non-GAAP Operating Margin (OM)</td>
</tr>
<tr>
<td>Dollar-Based Net Retention Rate</td>
</tr>
<tr>
<td>Customers with ≥ $100K in ARR</td>
</tr>
</tbody>
</table>


Note: Financials and metrics other than TAM data are as of or for stated period ended December 31, 2023.

Refer to the slides in the section titled “GAAP to Non-GAAP Reconciliations” at the end of this presentation for a reconciliation of our non-GAAP financial metrics to the most directly comparable GAAP financial metrics.

See Appendix for definitions for "Dollar-Based Net Retention Rate" and "Customers with $100,000 or greater in ARR."
Confluent is on a mission to set data in motion
Today, Software Is the Business

**OLD WAY**

- Slow
- Batch processing
- Siloed

**NEW WAY**

- Fast
- Real-time stream processing
- Connected
New use cases need new capabilities

This requires total connectivity and instant reaction, all the time, in real-time
The Problems with Data at Rest and Legacy Movement Tools

**Data at Rest**

- **Databases**
  - Slow, daily batch processing
  - Simple, static real-time queries

**Legacy Data Movement Tools**

- **ETL/Data Integration**
  - Batch
  - Expensive
  - Time Consuming

- **Messaging**
  - Difficult to Scale
  - No Persistence
  - Data Loss
  - No Replay
Databases Bring Point-in-Time Queries to Stored Data; This Leads to a **Giant Mess** in Data Architecture
From Giant Mess to Central Nervous System
A New Paradigm for Data in Motion: Data Streaming

From Data Mess

To Data Products

To Instant Value Everywhere

CONNECT

PROCESS

STREAM

GOVERN

AI/MODELING
FRAUD
RECOMMENDATIONS
PERSONALIZATIONS
PAYMENTS
ACCOUNTS
INVENTORY

CUSTOM APPS & MICROSERVICES

DATA SYSTEMS

AI/MODELING
FRAUD
RECOMMENDATIONS
PERSONALIZATIONS
PAYMENTS
ACCOUNTS
INVENTORY

CUSTOM APPS & MICROSERVICES

DATA SYSTEMS
Proven Success Across Industries

Financial Services
- Citigroup (Citi)
- ING
- SGX
- KeyBank
- Nationwide Building Society
- Morgan Stanley
- Goldman Sachs
- BNP Paribas
- PNC

Technology
- Square
- eBay
- 10x
- Q2
- Taulon
- new relic
- ARMIS
- Care.com
- SAP
- Storyblocks
- Wix
- Instacart
- Viewpoint
- Homepoint
- Snagajob
- SecurityScorecard
- Robinhood
- RE/MAX

Communications & Media
- Telefónica
- Sky
- Netflix
- Ticketmaster
- 8x8
- Brightspeed
- TiVo
- Ziff Davis
- ETC
- MPL
- Premier League
- Dish Wireless
- Globe Group

Manufacturing
- SunPower
- Bosch
- Engel
- Amway
- Whirlpool
- Penske
- Rodan + Fields

Consumer & Retail
- Walmart
- Nulogy
- ao.com
- apna
- Migros Sainsbury’s
- Boden
- Shipt
- S Oliver
- Niche
- Dick’s Sporting Goods
- Domino’s

Automotive & Transportation
- Advance Auto Parts
- Polaris
- DKV
- Lufthansa
- arcese
- BMW Group
- DriveTime
- DB
- Fraport
- DriveCentric
- GTÜ

Healthcare
- Alight
- BHG
- Recursion
- Roosevelt
- SureScripts
- Beazley
- Humana
- Vitality

Insurance
- Generali
- Ladder
- Centene Corporation
Customer Expansion Journey Case Studies

ARR $ in millions

Global Telco Leader
- Secured the ability to continue doing business throughout the globe unlocked by Confluent with use cases including GDPR and mandate processing
- Built out an event portal to support 5G network monetization, billing, sales, security events, and more.

Payment Card Provider
- $0.2  Q3'17
- $1.0  Q4'19
- $1.5  Q1'21
- $6.5  Q4'23

Global Online Job Site
- $0.05  Q3'20
- $0.6  Q1'21
- $5.3  Q1'22
- $13.5  Q4'23

Fortune 50 Bank
- $1.2  Q2'18
- $4.8  Q2'19
- $7.9  Q2'21
- $14.3  Q4'23

Note: The expansion multiple is calculated based on the land ARR and the Q4'23 ending ARR, using actual unrounded numbers. The customer examples shown on this slide are illustrative only and may not be representative of growth of other customers within the same vertical(s).
## Use Cases Across All Industries

<table>
<thead>
<tr>
<th>Industry</th>
<th>Use Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Retail</strong></td>
<td>Inventory Management, Personalized Promotions, Product Development &amp; Introduction, Sentiment Analysis, Streaming Enterprise Messaging, Systems of Scale for High Traffic Periods</td>
</tr>
<tr>
<td><strong>Healthcare</strong></td>
<td>Connected Health Records, Data Confidentiality &amp; Accessibility, Dynamic Staff Allocation Optimization, Integrated Treatment, Proactive Patient Care, Real-Time Monitoring</td>
</tr>
<tr>
<td><strong>Finance &amp; Banking</strong></td>
<td>Early-On Fraud Detection, Capital Management, Market Risk Recognition &amp; Investigation, Preventive Regulatory Scanning, Real-Time What-If Analysis, Trade Flow Monitoring</td>
</tr>
<tr>
<td><strong>Teleco</strong></td>
<td>5G Networks, Data Security, Product Development &amp; Introduction, Sentiment Analysis, IOT Integration, Systems of Scale for High Traffic Periods</td>
</tr>
<tr>
<td><strong>Common in all Industries</strong></td>
<td>Data Pipelines, Hybrid Cloud Integration, Microservices, Security and Fraud, Customer 360, Streaming ETL</td>
</tr>
</tbody>
</table>
Why Confluent Wins

Product Differentiation

Cloud-native: Re-imagined Kafka for the Cloud
Complete: Enable developers to reliably & securely build next-gen apps faster
Everywhere: Be everywhere customers want to be

Customer Growth Go-To-Market Model

Product Led: Getting customers’ hands on product early to qualify and deliver faster time-to-value
Consumption Oriented: Customer health and actual usage are primary indicators for customer success
Purpose Built for Data in Motion Journey: Targeted features and expertise from early stage to Central Nervous System
The Confluent Data Streaming Platform
Stream + Connect + Process + Govern

DATA STREAMING APPLICATIONS

CONNECT
PROCESS
GOVERN

KORA: THE APACHE KAFKA ENGINE, BUILT FOR THE CLOUD
Confluent’s Cloud Advantage: Kora Architecture

**30X ELASTICITY**
Scale to handle GBps+ workloads and peak customer demands 30x faster without operational burden

**10X RESILIENCY**
Ensure high availability and offload Kafka ops with 99.99% uptime SLA, multi-AZ clusters, and no-touch Kafka patches

**∞X STORAGE**
Never worry about Kafka storage again with Intelligent Tiered Storage and Infinite Retention

[Diagram showing Confluent’s Cloud Architecture]

- **CUSTOMERS**
- **NETWORK**
  - Multi-Cloud Networking & Routing Tier
- **SECURITY**
  - METRICS & OBSERVABILITY
  - GOVERNANCE
  - CONNECT
  - PROCESSING
- **COMPUTE**
  - Cells
- **OBJECT STORAGE**
  - Real-time feedback data

Product Differentiation
Stronger Capabilities, With Up to 60% Lower TCO

**HEADCOUNT SAVINGS WITH CONFLUENT**
- Development & Operations Personnel

**INFRASTRUCTURE SAVINGS WITH CONFLUENT**
- Multi-tenancy
- Elastic
- Data Balancing
- Networking & Replication

**DEVELOPMENT & OPERATIONS SAVINGS WITH CONFLUENT**
- Higher Utilization of Infrastructure
- Software-driven Operations
- Real-time Monitoring & Validation

Product Differentiation
Product Led Complements Enterprise Sales GTM Motion

**PRODUCT LED**
Self-Serve Signup, Pay-As-You-Go

**ENTERPRISE SALES**
Master Contract, Success Plan / Value Realization and TCO, Governance

- Awareness of Solution
- Evaluation
- Development
- Mission Critical
- Production
- Central Nervous System

- Developers, Architects, Operators
- Tech Exec, CIO/CTO, Infosec/CISO
Our Powerful and Differentiated Cloud Consumption Model

Serve mission-critical workloads in **data infrastructure**

Power revenue (**frontend**) and operational (**backend**) use cases

Expand seamlessly in the cloud with strong network effects

Moving up the stack with **Flink** and capitalizing on **Cloud and Gen AI opportunities**
Data in Motion Journey

1. **Experimentation / Early Interest**
   - Low friction
   - Developer love

2. **Early Production Usage**

3. **Mission Critical, But Disconnected Use Cases**
   - Architecture Review
   - Operational SLAs
   - Total Cost of Ownership
   - Infosec Review

4. **Mission Critical Cross-Company Platform**
   - Senior executive buy-in (CTO, CIO, CISO)
   - Center of Excellence
   - Company-wide governance

5. **Central Nervous System**

**Investment & Time**

**Value**
Network Effects Drive Further Expansion

Applications Bring Data in Motion

Applications Bring Data in Motion Brings New Applications

any source

- NoSQL
- Oracle
- Mainframes
- Salesforce
- Marketo
- Twitter
- AWS, Azure, GCP
- Data Warehouse

any destination

...and more

- Web
- Custom Apps
- Microservices
- Monitoring
- Analytics
Competitive Landscape

**Legacy Data Infrastructure**

- **Relational DBs**
  - ORACLE

- **ESB & Messaging**
  - MuleSoft
  - IBM
  - TIBCO

- **ETL**
  - Informatica
  - talend
  - ORACLE

**On-Premises Streaming**

- Red Hat
- CLOUDERA

**Cloud Providers**

- **Partners & Competitors**
  - Microsoft
  - AWS
  - Google
## Cloud Competitive Landscape

<table>
<thead>
<tr>
<th></th>
<th>Cloud-Native</th>
<th>Complete</th>
<th>Everywhere</th>
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</tbody>
</table>
Multiple Levers of Growth in a Large and Growing TAM

- **Easy and Frictionless** Land with Cloud Pay-As-You-Go
- **Expand in** Underpenetrated Segments (e.g. Commercial, Tech)
- **Enterprise-Wide Expansion** via Solutions Selling
- Grow and Harness our **Partner Ecosystem**
- **Continued** International Expansion
- **Productize Use Cases** Up-The-Stack
Financial Highlights
A New Data Category, A Large Market Opportunity

2022 Total Addressable Market (TAM) ~$60B

- $37B Application Infrastructure & Middleware
- $10B Analytics Platforms
- $9B Database
- $5B Data Mgmt
- $10B Kafka and Cluster Linking
- Addressed by ksqlDB push queries and Kafka Storage
- Addressed by Connectors and Stream Governance
- Addressed by Kafka and Cluster Linking

2022-2025 TAM Growth 19% CAGR

- ~$60B
- $100B

(2) Confluent product share based on internal analysis of use cases in each Gartner market category addressable with generally available Confluent products
(3) Confluent TAM based on estimated share of each Gartner market from 2022 to 2025, which is tied to our current product offering and planned product roadmap
Bottoms-up View of Our 2022 Addressable Market

- **Fortune 500**
  - Number of Companies: 500
  - Estimated Average ARR per Company: $10M+

- **Enterprise**
  - Number of Companies: ~29,000
  - Estimated Average ARR per Company: $1M+

- **Commercial - Mid Market**
  - Number of Companies: ~300,000
  - Estimated Average ARR per Company: $100K+

Total Addressable Market: $60B+

---

(1) Source: Capital IQ.
(2) Estimates based on evaluation of spending patterns across Confluent's customer base.
The Power of Our Hybrid Model

**Confluent Cloud**
- 47%
- Fully managed, cloud-native
- Rev Rec: Consumption

**Confluent Platform**
- 48%
- Self-managed software
- Rev Rec: Upfront & ratable

**Services**
- 5%
- Attached to product sales
- Rev Rec: As delivered

Note: 47% Confluent Cloud revenue mix, 48% Confluent Platform revenue mix, and 5% Services revenue mix are as of the quarterly period ended December 31, 2023.
Subscription Revenue

Annual Subscription Revenue
$ in millions

Quarterly Subscription Revenue
$ in millions

Y/Y

68%  62%  50%  44%  41%  39%  36%  31%

FY'18  FY'19  FY'20  FY'21  FY'22  FY'23

FY'18  FY'19  FY'20  FY'21  FY'22  FY'23

66%+
CAGR
FY18-FY23

$56.4  $130.2  $208.6  $347.1  $535.0  $729.1

Q1'22  Q2'22  Q3'22  Q4'22  Q1'23  Q2'23  Q3'23  Q4'23

$113.9  $127.0  $138.7  $155.3  $160.6  $176.5  $189.3  $202.8
Confluent Cloud Revenue

**Annual Cloud Revenue**
$ in millions

- FY'18: $2.6
- FY'19: $14.4
- FY'20: $31.4
- FY'21: $94.2
- FY'22: $211.2
- FY'23: $348.8

167%+ CAGR FY18-FY23

**Quarterly Cloud Revenue**
$ in millions

- Q1'22: $38.9
- Q2'22: $47.0
- Q3'22: $56.9
- Q4'22: $68.4
- Q1'23: $73.6
- Q2'23: $83.6
- Q3'23: $91.6
- Q4'23: $100.0

**Y/Y Growth**

- Q4'22 to Q1'23: 180%
- Q4'22 to Q2'23: 139%
- Q4'22 to Q3'23: 112%
- Q4'22 to Q4'23: 102%
- Q3'22 to Q4'22: 89%
- Q3'23 to Q4'23: 78%
- Q2'23 to Q3'23: 61%
- Q1'23 to Q2'23: 46%
Revenue Mix by Geography and Product

Revenue Mix by Geography

<table>
<thead>
<tr>
<th></th>
<th>US</th>
<th>International</th>
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<tbody>
<tr>
<td>FY'22</td>
<td>38%</td>
<td>62%</td>
</tr>
<tr>
<td>FY'23</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>Q4'22</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>Q4'23</td>
<td>40%</td>
<td>60%</td>
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</tbody>
</table>

Revenue Mix by Product

<table>
<thead>
<tr>
<th></th>
<th>Confluent Platform</th>
<th>Confluent Cloud</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY'22</td>
<td>9%</td>
<td>36%</td>
<td>55%</td>
</tr>
<tr>
<td>FY'23</td>
<td>6%</td>
<td>45%</td>
<td>49%</td>
</tr>
<tr>
<td>Q4'22</td>
<td>8%</td>
<td>41%</td>
<td>52%</td>
</tr>
<tr>
<td>Q4'23</td>
<td>5%</td>
<td>47%</td>
<td>48%</td>
</tr>
</tbody>
</table>

Note: Q4'22 revenue mix by product does not sum to 100% due to rounding.
Customers

**Total Customers**

- Confluent Cloud:
  - Q4'22: 4,530
  - Q1'23: 4,690
  - Q2'23: 4,830
  - Q3'23: 4,910
  - Q4'23: 4,960

- Confluent Platform:
  - Q4'22: 4,910
  - Q1'23: 4,690
  - Q2'23: 4,830
  - Q3'23: 4,910
  - Q4'23: 4,960

**Customers with ≥ $100K in ARR**

- Q4'22: 1,015
- Q1'23: 1,075
- Q2'23: 1,144
- Q3'23: 1,185
- Q4'23: 1,229

21% y/y growth

**Customers with ≥ $1M in ARR**

- Q4'22: 127
- Q1'23: 135
- Q2'23: 147
- Q3'23: 155
- Q4'23: 158

24% y/y growth

**Ended FY’23 with 19 Customers with $5M+ in ARR, +10 Customers YoY**
Non-GAAP Gross Margins

**Total Gross Margin**
- FY'22: 71.2%
- FY'23: 75.4%
- Q4'22: 73.0%
- Q4'23: 77.5%

*+450 bps y/y*

**Margin Drivers:**
- Healthy margins for Confluent Platform Revenue
- Growing Confluent Cloud revenue mix
- Improving Cloud hosting costs due to scale and optimization

**Subscription Gross Margin**
- FY'22: 77.1%
- FY'23: 79.6%
- Q4'22: 78.7%
- Q4'23: 81.1%

*+240 bps y/y*

---

Note: Refer to the slides in the section titled “GAAP to Non-GAAP Reconciliations” at the end of this presentation for a reconciliation of our non-GAAP financial metrics to the most directly comparable GAAP financial metrics.
Driving Efficient Growth

Non-GAAP Operating Expenses as % of Revenue

S&M  R&D  G&A  

FY'22  
14%  61%  
27%  48%  

FY'23  
11%  57%  
24%  22%  

Q4'22  
12%  57%  
25%  22%  

Q4'23  
10%  41%  
20%  41%  

First positive quarter

Non-GAAP Operating Margin %

FY'22  FY'23  Q4'22  Q4'23

-30%  -7%  -22%  +5%

Note: Refer to the slides in the section titled “GAAP to Non-GAAP Reconciliations” at the end of this presentation for a reconciliation of our non-GAAP financial metrics to the most directly comparable GAAP financial metrics.
Focus on Managing Net Dilution

Net dilution Calc
- \( \frac{(\text{Shares granted} - \text{shares forfeited})}{\text{WASO}} \)

Drivers
- SBC is a lagging indicator
- Final tranches of pre-IPO options recognized in SBC through 1H FY25
- FY'24 net dilution target of ~3%
- Focus managing net dilution LT below 2% and SBC % of revenue mid-teens

<table>
<thead>
<tr>
<th>SBC % of Revenue</th>
<th>FY'23</th>
<th>Mid-Term</th>
<th>Long-Term</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>45%</td>
<td>~25%</td>
<td>Mid-Teens</td>
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<table>
<thead>
<tr>
<th>Net Dilution</th>
<th>FY'23</th>
<th>Mid-Term</th>
<th>Long-Term</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>~3%</td>
<td>&lt;2%</td>
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Key Takeaways

- Category Creating Company Founded by the Creators of Kafka
- ~$60 Billion Total Addressable Market\(^1\)
- Strong Growth and Long-Term Margin Profile
- Expansion Driven by Network Effects
- Positioned to Capitalize on the Large and Growing Shift to Cloud
- Seasoned Management Team with Track Record of Execution

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Appendix
Definitions

**Annual Recurring Revenue (ARR):**
We define ARR as (1) with respect to Confluent Platform customers, the amount of revenue to which our customers are contractually committed over the following 12 months assuming no increases or reductions in their subscriptions, and (2) with respect to Confluent Cloud customers, the amount of revenue that we expect to recognize from such customers over the following 12 months, calculated by annualizing actual consumption of Confluent Cloud in the last three months of the applicable period, assuming no increases or reductions in usage rate. Services arrangements are excluded from the calculation of ARR. Prior to the first quarter of 2023, ARR with respect to Confluent Cloud customers excluded pay-as-you-go arrangements and was based on contractual commitments over the following 12 months, regardless of actual consumption. We adjusted our methodology for calculating ARR commencing with the first quarter of 2023 to incorporate actual consumption of Confluent Cloud and applied this change retroactively.

**Dollar-Based Net Retention Rate:**
We calculate our dollar-based net retention rate (NRR) as of a period end by starting with the ARR from the cohort of all customers as of 12 months prior to such period end ("Prior Period Value"). We then calculate the ARR from these same customers as of the current period end ("Current Period Value"), and divide the Current Period Value by the Prior Period Value to arrive at our dollar-based NRR. The dollar-based NRR includes the effect, on a dollar-weighted value basis, of our Confluent Platform subscriptions that expand, renew, contract, or attrit. The dollar-based NRR also includes the effect of annualizing actual consumption of Confluent Cloud in the last three months of the applicable period, but excludes ARR from new customers in the current period. Our dollar-based NRR is subject to adjustments for acquisitions, consolidations, spin-offs, and other market activity.

**Total Customers:**
Represent the total number of customers at the end of each period. For purposes of determining our customer count, we treat all affiliated entities with the same parent organization as a single customer and include pay-as-you-go customers. Our customer count is subject to adjustments for acquisitions, consolidations, spin-offs, and other market activity.

**Customers with $100,000 or greater in ARR:**
Represent the number of customers that contributed $100,000 or more in ARR as of period end.

**Customers with $1,000,000 or greater in ARR:**
Represent the number of customers that contributed $1,000,000 or more in ARR as of period end.

**Customers with $5,000,000 or greater in ARR:**
Represent the number of customers that contributed $5,000,000 or more in ARR as of period end.
GAAP to Non-GAAP Reconciliations
## GAAP to Non-GAAP Reconciliations

*(in thousands, except percentages)*

<table>
<thead>
<tr>
<th></th>
<th>FY'22</th>
<th>FY'23</th>
<th>Q4'22</th>
<th>Q4'23</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total revenue</strong></td>
<td>$585,944</td>
<td>$776,952</td>
<td>$168,666</td>
<td>$213,184</td>
</tr>
<tr>
<td><strong>Total gross profit on a GAAP basis</strong></td>
<td>$383,529</td>
<td>$547,282</td>
<td>$114,777</td>
<td>$156,127</td>
</tr>
<tr>
<td>Add: Stock-based compensation expense</td>
<td>32,389</td>
<td>36,716</td>
<td>7,871</td>
<td>8,782</td>
</tr>
<tr>
<td>Add: Employer taxes on employee stock transactions</td>
<td>1,173</td>
<td>1,259</td>
<td>469</td>
<td>150</td>
</tr>
<tr>
<td>Add: Amortization of acquired intangibles</td>
<td>-</td>
<td>564</td>
<td>-</td>
<td>195</td>
</tr>
<tr>
<td><strong>Non-GAAP total gross profit</strong></td>
<td>$417,091</td>
<td>$585,821</td>
<td>$123,057</td>
<td>$165,254</td>
</tr>
<tr>
<td><strong>Non-GAAP total gross margin</strong></td>
<td>71.2%</td>
<td>75.4%</td>
<td>73.0%</td>
<td>77.5%</td>
</tr>
</tbody>
</table>

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<tr>
<td><strong>Subscription revenue</strong></td>
<td>$535,009</td>
<td>$729,112</td>
<td>$155,341</td>
<td>$202,787</td>
</tr>
<tr>
<td><strong>Subscription gross profit on a GAAP basis</strong></td>
<td>$388,685</td>
<td>$553,108</td>
<td>$116,645</td>
<td>$157,980</td>
</tr>
<tr>
<td>Add: Stock-based compensation expense</td>
<td>23,136</td>
<td>25,620</td>
<td>5,492</td>
<td>6,207</td>
</tr>
<tr>
<td>Add: Employer taxes on employee stock transactions</td>
<td>569</td>
<td>867</td>
<td>84</td>
<td>102</td>
</tr>
<tr>
<td>Add: Amortization of acquired intangibles</td>
<td>-</td>
<td>564</td>
<td>-</td>
<td>195</td>
</tr>
<tr>
<td><strong>Non-GAAP subscription gross profit</strong></td>
<td>$412,390</td>
<td>$580,359</td>
<td>$122,221</td>
<td>$164,484</td>
</tr>
<tr>
<td><strong>Non-GAAP subscription gross margin</strong></td>
<td>77.1%</td>
<td>79.6%</td>
<td>78.7%</td>
<td>81.1%</td>
</tr>
</tbody>
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<td>$213,184</td>
</tr>
<tr>
<td>Research and development (R&amp;D) expense on a GAAP basis</td>
<td>$264,041</td>
<td>$348,752</td>
<td>$71,809</td>
<td>$86,948</td>
</tr>
<tr>
<td>Less: Stock-based compensation expense</td>
<td>101,499</td>
<td>139,809</td>
<td>28,385</td>
<td>36,596</td>
</tr>
<tr>
<td>Less: Employer taxes on employee stock transactions</td>
<td>2,632</td>
<td>4,037</td>
<td>755</td>
<td>376</td>
</tr>
<tr>
<td>Less: Acquisition-related expenses</td>
<td>-</td>
<td>19,203</td>
<td>-</td>
<td>3,841</td>
</tr>
<tr>
<td><strong>Non-GAAP R&amp;D expense</strong></td>
<td>$159,910</td>
<td>$185,703</td>
<td>$42,669</td>
<td>$46,135</td>
</tr>
<tr>
<td><strong>Non-GAAP R&amp;D expense as a % of total revenue</strong></td>
<td>27.3%</td>
<td>23.9%</td>
<td>25.3%</td>
<td>21.6%</td>
</tr>
</tbody>
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## GAAP to Non-GAAP Reconciliations

(in thousands, except percentages)

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<td>$585,944</td>
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<td>$168,666</td>
<td>$213,184</td>
</tr>
<tr>
<td><strong>Sales and marketing (S&amp;M) expense on a GAAP basis</strong></td>
<td>$456,452</td>
<td>$504,929</td>
<td>$122,684</td>
<td>$119,911</td>
</tr>
<tr>
<td>Less: Stock-based compensation expense</td>
<td>99,366</td>
<td>124,568</td>
<td>26,846</td>
<td>30,895</td>
</tr>
<tr>
<td>Less: Employer taxes on employee stock transactions</td>
<td>2,485</td>
<td>3,880</td>
<td>177</td>
<td>511</td>
</tr>
<tr>
<td>Less: Acquisition-related expenses</td>
<td>-</td>
<td>4,304</td>
<td>-</td>
<td>1,076</td>
</tr>
<tr>
<td><strong>Non-GAAP S&amp;M expense</strong></td>
<td>$354,601</td>
<td>$372,177</td>
<td>$95,661</td>
<td>$87,429</td>
</tr>
<tr>
<td><strong>Non-GAAP S&amp;M expense as a % of total revenue</strong></td>
<td>60.5%</td>
<td>47.9%</td>
<td>56.7%</td>
<td>41.0%</td>
</tr>
<tr>
<td><strong>General and administrative (G&amp;A) expense on a GAAP basis</strong></td>
<td>$125,710</td>
<td>$137,520</td>
<td>$35,209</td>
<td>$33,948</td>
</tr>
<tr>
<td>Less: Stock-based compensation expense</td>
<td>44,402</td>
<td>48,740</td>
<td>12,926</td>
<td>12,598</td>
</tr>
<tr>
<td>Less: Employer taxes on employee stock transactions</td>
<td>720</td>
<td>1,855</td>
<td>131</td>
<td>131</td>
</tr>
<tr>
<td>Less: Acquisition-related expenses</td>
<td>1,044</td>
<td>1,640</td>
<td>1,044</td>
<td>650</td>
</tr>
<tr>
<td><strong>Non-GAAP G&amp;A expense</strong></td>
<td>$79,484</td>
<td>$85,285</td>
<td>$21,048</td>
<td>$20,441</td>
</tr>
<tr>
<td><strong>Non-GAAP G&amp;A expense as a % of total revenue</strong></td>
<td>13.6%</td>
<td>11.0%</td>
<td>12.5%</td>
<td>9.6%</td>
</tr>
<tr>
<td><strong>Operating loss on a GAAP basis</strong></td>
<td>($462,674)</td>
<td>($478,773)</td>
<td>($114,985)</td>
<td>($84,680)</td>
</tr>
<tr>
<td>Add: Stock-based compensation expense</td>
<td>277,656</td>
<td>349,833</td>
<td>76,028</td>
<td>88,871</td>
</tr>
<tr>
<td>Add: Employer taxes on employee stock transactions</td>
<td>7,010</td>
<td>11,031</td>
<td>1,532</td>
<td>1,296</td>
</tr>
<tr>
<td>Add: Amortization of acquired intangibles</td>
<td>-</td>
<td>564</td>
<td>-</td>
<td>195</td>
</tr>
<tr>
<td>Add: Acquisition-related expenses</td>
<td>1,104</td>
<td>25,147</td>
<td>1,104</td>
<td>5,567</td>
</tr>
<tr>
<td>Add: Restructuring and other related charges</td>
<td>-</td>
<td>34,854</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Non-GAAP operating (loss) income</strong></td>
<td>($176,904)</td>
<td>($57,344)</td>
<td>($36,321)</td>
<td>$11,249</td>
</tr>
<tr>
<td><strong>Non-GAAP operating margin</strong></td>
<td>(30.2%)</td>
<td>(7.4%)</td>
<td>(21.5%)</td>
<td>5.3%</td>
</tr>
</tbody>
</table>