Introducing Confluent

August 2, 2023
Disclaimer

This presentation includes express and implied forward-looking statements. All statements contained in this presentation other than statements of historical facts, including expectations of Confluent, Inc. (“we,” “us,” “our,” or “Confluent”) regarding our revenue, revenue mix, expenses and other results of operations; operating margins and margin improvements, targeted or anticipated margin levels, achievement of non-GAAP operating margin breakeven exiting the fourth quarter of fiscal 2023; future financial performance, business strategy and plans; potential market and growth opportunities; competitive position; technological or market trends; addressable market opportunity; and our objectives for future operations are forward-looking statements. The words “anticipate,” “believe,” “continue,” “estimate,” “expect,” “intend,” “may,” “will” and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. 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, including following our recent restructuring; (iii) our ability to attract new customers and retain and sell additional features and services to our existing customers; (iv) inflationary conditions, economic uncertainty, 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; (v) our ability to increase consumption of our offering, including by existing customers and through the acquisition of new customers, and successfully add new features and functionality to our offering; (vi) our ability to achieve profitability and improve margins annually, by our expected timelines or at all; (vii) our ability to operate our business and execute on our strategic initiatives following our recent restructuring; (viii) the estimated addressable market opportunity for our offering, including our Flink offering and stream processing; (ix) our ability to compete effectively in an increasingly competitive market, including achieving market acceptance over competitors and open source alternatives; (x) our ability to successfully execute our go-to-market strategy and initiatives and increase market awareness and acceptance of the benefits of our offering, including the value of owners' benefits of Confluent Cloud; (xi) our ability to attract and retain highly qualified personnel which could be negatively impacted by our recent restructuring; (xii) breaches in our security measures or unauthorized access to our platform, our data, or our customers’ or other users’ personal data; (xiii) our reliance on third-party cloud-based infrastructure to host Confluent Cloud, and (xiv) 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 Market

<table>
<thead>
<tr>
<th>Q2’23</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>$189M / +36% YoY</td>
</tr>
<tr>
<td>Confluent Cloud Revenue</td>
<td>$84M / +78% YoY</td>
</tr>
<tr>
<td>Non-GAAP Operating Margin (OM)</td>
<td>(9%) / +24pts YoY</td>
</tr>
<tr>
<td>Dollar-Based Net Retention Rate</td>
<td>&gt;130%</td>
</tr>
<tr>
<td>Customers with ≥ $100K in ARR</td>
<td>1,144 / +33% YoY</td>
</tr>
</tbody>
</table>

**Q4’23 OM Target**: 0%

---


2 Q4’23 non-GAAP operating margin target of 0% is as of Confluent’s Q2’23 earnings call dated August 02, 2023.

Note: Financials and metrics other than TAM data are as of or for the period ended June 30, 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
Real-time Use Cases Found Everywhere in Our Lives
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

- 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
A New Paradigm for Data in Motion: Data Streaming

All your data continuously streamed, processed, governed and shared as a product, making it instantly valuable, usable, and trustworthy everywhere.
From Giant Mess to Central Nervous System

CONFLUENT
DATA STREAMING PLATFORM
The New Data Infrastructure Category

Data Infrastructure

Data Analytics & Warehousing / OLAP
- Snowflake
- Google BigQuery
- Teradata
- Oracle
- Databricks

Data in Motion
- Confluent

Databases / DBaaS / OLTP
- MongoDB
- Amazon DynamoDB
- Azure Cosmos DB
- Oracle
- Redis

Applications
- Microsoft
- Applications
- Monday.com
- Salesforce
- ServiceNow
- Workday

Developer Tools
- JFrog
- BMC
- HashiCorp
- HP
- Cloudflare
- GitLab
- Amplitude
- New Relic
- DataDog
- CA
- Samsara

Infrastructure
- IBM
- Pivotal
- VMware
- Google
- Microsoft
- AWS
Confluent is Becoming the Central Nervous System of the Modern Technology Stack
## 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>

*Note: See appendix for additional use case examples.*
Customer Success with Confluent

- Leveraging data in motion to reimagine the customer experience
  LEARN MORE

- Optimizing production logistics through data in motion
  LEARN MORE

- Streaming IoT data to launch new products
  LEARN MORE

- Transforming customer interactions with data in motion
  LEARN MORE

- Delivering real-time data at the point of care
  LEARN MORE

- Democratizing data to launch new digital first banking apps
  LEARN MORE

Meet More Confluent Customers: confluent.io/customers
Customer Expansion Journey Case Studies
ARR $ in millions

**Online Travel Provider**
- Q3’16: $0.1
- Q2’19: $0.6
- Q3’21: $1.5
- Q4’22: $2.4
- 29x

Rapid global adoption driving elevated customer experiences and seamless internal engineering initiatives

**Health Benefits Provider**
- Q4’18: $0.3
- Q4’19: $0.5
- Q4’20: $1.3
- Q4’22: $2.8
- 10x

Accelerated claims approval and processing, member digital experience, and internal systems aggregation

**Payment Card Provider**
- Q2’17: $0.2
- Q4’19: $1.0
- Q4’20: $1.5
- Q4’22: $5.1
- 34x

Secured the ability to continue doing business throughout the globe unlocked by Confluent with use cases including GDPR and mandate processing

**Fortune 50 Bank**
- Q2’18: $1.2
- Q2’19: $4.8
- Q2’21: $7.9
- Q4’22: $11.6
- 9x

Improved banking relationship management, accelerated client onboarding, and enabled customized marketing programs for customers

Note: The expansion multiple is calculated based on the land ARR and the Q4’22 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).
Proven Success Across Industries

Financial Services
- citi
- ING
- SGX
- KeyBank
- Nationwide
- Morgan Stanley
- AFFIN HWANG
- Euronext
- Asset Management
- Goldman Sachs
- RBC

Technology
- Square
- eBay
- PayPal
- Q2
- 10x
- new relic
- ARMIS
- CoreOS
- SAP
- PLAID
- WIX
- Instacart
- Viewpoint
- HomePoint
- SnagJob
- SecurityScorecard
- Robinhood

Communications & Media
- Telefónica
- sky
- Telefónica
- ticketmaster
- 8x8
- brightspeed
- TiVo
- Ziff Davis
- d*sh

Manufacturing
- BOSCH
- ENGEL
- Amway
- RODAN + FIELDS
- Whirlpool

Consumer & Retail
- Walmart
- Migros
- Boden
- Sainsbury’s
- Shipt
- Dick’s
- picnic
- Domino’s

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

Healthcare
- alight
- BHG
- recursion
- surescripts
- Humana
- Vitality

Insurance
- Ladder
- Generali
- Beazley
- Centene
Using Confluent Everywhere

**Confluent Cloud**
*Apache Kafka Re-engineered for the Cloud*

Available via PAYG or commit consumption on the leading public clouds

**Confluent Platform**
*The Enterprise Distribution of Apache Kafka*

Available via committed contract; Deploy on any platform, on-prem or cloud
Why Confluent Wins

Product Differentiation

Cloud-native: Re-imagined Kafka experience for the Cloud

Complete: Enable developers to reliably & securely build next-gen apps faster

Everywhere: Be everywhere our 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

DATA STREAMING APPLICATIONS

CONNECT
GOVERN
PROCESS
SHARE

STREAM

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

CUSTOMERS ➔ Other Confluent Cloud Services

NETWORK ➔ Multi-Cloud Networking & Routing Tier ➔ METRICS & OBSERVABILITY

AZ ➔ Real-time feedback data ➔ GOVERNANCE

Cells ➔ Data Balancing ➔ CONNECT

Cells ➔ Health Checks ➔ SECURITY

OBJECT STORAGE ➔ PROCESSING

GLOBAL CONTROL PLANE

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
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 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

   - Senior executive buy-in (CTO, CIO, CISO)
   - Center of Excellence
   - Company-wide governance

5. Central Nervous System
Network Effects Drive Further Expansion

Web → Custom Apps → Microservices → Monitoring → Analytics → ...and more

Applications Bring Data In Motion

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

any destination
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>
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<tr>
<th></th>
<th>Cloud-Native</th>
<th>Complete</th>
<th>Everywhere</th>
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<tbody>
<tr>
<td>Confluent</td>
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<td>●</td>
<td>●</td>
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<tr>
<td>Microsoft</td>
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<tr>
<td>Event Hubs</td>
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<td>●</td>
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<tr>
<td>Google</td>
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<tr>
<td>Dataflow</td>
<td>●</td>
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<tr>
<td>Pub/Sub</td>
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<tr>
<td>Amazon</td>
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<tr>
<td>Kinesis</td>
<td>●</td>
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<td>MSK</td>
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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**
One Team, One Mission: Set Data in Motion

Jay Kreps
Co-Founder & CEO of Confluent

Jun Rao
Co-Founder

Erica Schultz
President, Field Operations

Stephanie Buscemi
Chief Marketing Officer

Rohan Sivaram
Chief Financial Officer

Chad Verbowski
Chief Technology Officer

Rey Perez
Chief Customer Officer

Gunjan Aggarwal
Chief People Officer

Melanie Vinson
Chief Legal Officer

Christina Liu
Chief Accounting Officer

Shaun Clowes
Chief Product Officer

2,738 employees as of Q2 2023

Board of Directors

Jay Kreps
Co-Founder & CEO of Confluent

Neha Narkhede
Co-Founder of Confluent

Matt Miller
Sequoia Capital

Mike Volpi
Index Ventures

Eric Vishria
Benchmark Capital

Jonathan Chadwick
Former EVP, CFO/COO at VMware

Greg Schott
Former CEO and Chairman at Mulesoft

Lara Caimi
President, Worldwide Field Operations at Samsara

Alyssa Henry
CEO at Square
Financial Highlights
A New Data Category, A Large Market Opportunity

2022 Total Addressable Market (TAM) ~$60B

- $37B Application Infrastructure & Middleware
- $10B Analytics Platforms
- $5B Data Mgmt
- $9B Database

2022-2025 TAM Growth
- 19% CAGR
- $100B

Addressed by:
- Kafka and Cluster Linking
- ksqlDB pull queries, and Kafka Storage
- ksqlDB push queries, Connect SMTs, and Stream Designer
- Connectors and Stream Governance

(1) Market size based on Gartner estimates from:

(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**
  - (LTM Revenue > $1B)
  - Number of Companies: ~29,000
  - Estimated Average ARR per Company: $1M+

- **Commercial - Mid Market**
  - (LTM Revenue: < $1B)
  - Number of Companies: ~300,000
  - Estimated Average ARR per Company: $100K+

- **Total**: $60B+

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(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
44%
Fully managed, cloud-native
Rev Rec: Consumption

Confluent Platform
49%
Self-managed software
Rev Rec: Upfront & ratable

Services
7%
Attached to product sales
Rev Rec: As delivered

Note: 44% Confluent Cloud revenue mix, 49% Confluent Platform revenue mix, and 7% Services revenue mix are as of the quarterly period ended June 30, 2023.
Significant Revenue Growth at Scale

**Annual Revenue**
- $65.2 million (FY18)
- $149.8 million (FY19)
- $236.6 million (FY20)
- $387.9 million (FY21)
- $585.9 million (FY22)

72%+ CAGR FY18-FY22

**Quarterly Revenue**
- Q3'21: $102.6 million
- Q4'21: $119.9 million
- Q1'22: $126.1 million
- Q2'22: $139.4 million
- Q3'22: $151.7 million
- Q4'22: $168.7 million
- Q1'23: $174.3 million
- Q2'23: $189.3 million

**Y/Y Growth**
- Q3'21: 71%
- Q4'21: 64%
- Q1'22: 58%
- Q2'22: 48%
- Q3'22: 41%
- Q4'22: 38%
- Q1'23: 36%
Fast-Growing Confluent Cloud Revenue

Annual Confluent Cloud Revenue
$ in millions

200%+ CAGR FY18-FY22

$2.6 $14.4 $31.4 $94.2 $211.2
FY18 FY19 FY20 FY21 FY22

Quarterly Revenue
$ in millions

Q/Q $ Add

<table>
<thead>
<tr>
<th></th>
<th>Q3'21</th>
<th>Q4'21</th>
<th>Q1'22</th>
<th>Q2'22</th>
<th>Q3'22</th>
<th>Q4'22</th>
<th>Q1'23</th>
<th>Q2'23</th>
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<tbody>
<tr>
<td>$27.1</td>
<td>$26.8</td>
<td>$33.8</td>
<td>$38.9</td>
<td>$47.0</td>
<td>$56.9</td>
<td>$68.4</td>
<td>$73.6</td>
<td>$83.6</td>
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Y/Y Growth

<p>| | | | | | | | | |</p>
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<tbody>
<tr>
<td>211%</td>
<td>180%</td>
<td>139%</td>
<td>112%</td>
<td>102%</td>
<td>89%</td>
<td>78%</td>
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Early International Expansion and Accelerating Adoption of Confluent Cloud

**Revenue Mix by Geography**

<table>
<thead>
<tr>
<th></th>
<th>FY'21</th>
<th>FY'22</th>
<th>Q2'22</th>
<th>Q2'23</th>
</tr>
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<tr>
<td>Revenue (in millions)</td>
<td>$387.9</td>
<td>$585.9</td>
<td>$139.4</td>
<td>$189.3</td>
</tr>
<tr>
<td>US</td>
<td>64%</td>
<td>62%</td>
<td>63%</td>
<td>60%</td>
</tr>
<tr>
<td>International</td>
<td>36%</td>
<td>38%</td>
<td>37%</td>
<td>40%</td>
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</tbody>
</table>

**Revenue Mix by Product**

<table>
<thead>
<tr>
<th></th>
<th>FY'21</th>
<th>FY'22</th>
<th>Q2'22</th>
<th>Q2'23</th>
</tr>
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<tbody>
<tr>
<td>Revenue (in millions)</td>
<td>$387.9</td>
<td>$585.9</td>
<td>$139.4</td>
<td>$189.3</td>
</tr>
<tr>
<td>Confluent Platform</td>
<td>65%</td>
<td>55%</td>
<td>57%</td>
<td>49%</td>
</tr>
<tr>
<td>Confluent Cloud</td>
<td>24%</td>
<td>36%</td>
<td>34%</td>
<td>44%</td>
</tr>
<tr>
<td>Service</td>
<td>11%</td>
<td>9%</td>
<td>9%</td>
<td>7%</td>
</tr>
</tbody>
</table>
Strong Customer Commitments

- **RPO** represents contractually committed revenue to be recognized in the future, regardless of:
  - Billings terms
  - Variability in cloud consumption patterns

- **RPO and current RPO, rather than Billings:**
  - Are important metrics to measure the health of the business, considering the various revenue components and billings terms in our model
  - Provide insight into the organic momentum of our business

Note: cRPO, or current remaining performance obligations, represent the amount of contracted future revenue expected to be recognized in the next 12 months.
Rapid Customer Growth & Large Customer Momentum

**Total Customers**

- Q2'22: 4,120
- Q3'22: 4,240
- Q4'22: 4,530
- Q1'23: 4,690
- Q2'23: 4,830

17% y/y growth

**Customers with ≥ $100K in ARR**

- Q2'22: 862
- Q3'22: 945
- Q4'22: 1,015
- Q1'23: 1,075
- Q2'23: 1,144

33% y/y growth

**Customers with ≥ $1M in ARR**

- Q2'22: 99
- Q3'22: 112
- Q4'22: 127
- Q1'23: 135
- Q2'23: 147

48% y/y growth

$5M+ ARR Customer Cohort Continuing to Grow
Gross Margin Healthy as Revenue Mix Shifts

**Total Gross Margin (Non-GAAP)**

- FY’21: 69.5%
- FY’22: 71.2%
- Q2’22: 70.6%
- Q2’23: 75.0%

**Subscription Gross Margin (Non-GAAP)**

- FY’21: 76.5%
- FY’22: 77.1%
- Q2’22: 76.8%
- Q2’23: 79.1%

**Margin Drivers:**

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

Note: We define non-GAAP gross margin and non-GAAP subscription gross margin as GAAP gross margin and GAAP subscription gross margin, respectively, excluding stock-based compensation expense, employer taxes on employee stock transactions, and amortization of acquired intangibles. 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

<table>
<thead>
<tr>
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<th>FY'21</th>
<th>FY'22</th>
<th>Q2'22</th>
<th>Q2'23</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;M</td>
<td>67%</td>
<td>61%</td>
<td>62%</td>
<td>49%</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>29%</td>
<td>27%</td>
<td>28%</td>
<td>24%</td>
</tr>
<tr>
<td>G&amp;A</td>
<td>16%</td>
<td>14%</td>
<td>14%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Non-GAAP Operating Margin %

<table>
<thead>
<tr>
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<th>Q2'23</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY'21</td>
<td>-41%</td>
<td>-30%</td>
<td>-34%</td>
<td>-9%</td>
</tr>
<tr>
<td>Q4'23</td>
<td>OM Target: 0%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.

¹ Q4'23 non-GAAP operating margin target of 0% is as of Confluent's Q2'23 earnings call dated August 02, 2023.
## Managing Growth and Profitability

<table>
<thead>
<tr>
<th>Non-GAAP</th>
<th>Mid-Term Targets</th>
<th>Long-Term Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>~30% Annual Revenue Growth</td>
<td></td>
</tr>
<tr>
<td>Gross Margin</td>
<td>72%-75%</td>
<td>75%+</td>
</tr>
<tr>
<td>Research &amp; Development % of total revenue</td>
<td>~19%</td>
<td>16%-17%</td>
</tr>
<tr>
<td>Sales &amp; Marketing % of total revenue</td>
<td>~38%</td>
<td>27%-29%</td>
</tr>
<tr>
<td>General &amp; Administrative % of total revenue</td>
<td>~8%</td>
<td>6%-7%</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>5%-10%</td>
<td>25%+</td>
</tr>
<tr>
<td>Free Cash Flow Margin</td>
<td>In-line with OM</td>
<td></td>
</tr>
</tbody>
</table>

### ~80% Cloud Mix Long Term

Top line growth determines rate of OM% expansion
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
- FY23 net dilution target of 3-4%
- Focus managing net dilution LT below 2% and SBC % of revenue mid-teens

### SBC % of Revenue
- FY22: 47%
- Mid-Term: ~25%
- Long-Term: Mid-Tees

### Net Dilution
- FY22: 5%
- Mid-Term: ~3%
- Long-Term: <2%
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

Appendix
Originally created by the founders of Confluent while at LinkedIn

>150,000 organizations using Kafka

>75% of the F500 estimated to be using Apache Kafka

>65,000 Kafka meetup members

>200 global meetup groups
Teleco Use Cases

5G Network
- Migration to the Cloud
- Dynamic Sales Prediction Model
- Legacy IT Modernization
- Edge Computing
- Automating Operations

Data Security
- Fraud Detection & Analysis
- Regulatory Reporting & Compliance
- Customer Dispute Resolution
- Real-time Network Monitoring
- Response Monitoring

Product Development & Introduction
- Predictive/Preventative Maintenance
- Product Quality Monitoring
- Efficiency/Waste Reduction
- Logistics Telemetry
- Real-Time Collaboration Across Teams

Sentiment Analysis
- Customer Data Aggregation
- Intelligence Visualization & Transformation
- Machine Learning Training
- Real-Time Associate feedback
- Responsive Model Correction
Financial Services Use Cases

**Financial Services**
Reshape customer experience and streamline operations

- **Corporate and Investment Banking, Capital Markets**
  - Real-time Payments
  - Risk Analytics
  - Market, Reference, & Security Master Data Distribution
  - Trade System Integration & Automation
  - Trade Processing

- **Finance, Risk, Compliance, IT & Cyber**
  - Operational Log Hub
  - IT Observability
  - Cyber Security / SIEM Modernization
  - Credit & Market Risk
  - Fraud Detection

- **Retail Banking, Wealth & Asset Management**
  - Customer 360
  - Omni-channel Banking
  - Fraud Detection
  - Client Advisor Workstations
  - Data & Analytics Service

- **Technology Modernization**
  - Mainframe Modernization
  - Bridge to Cloud Banking
  - Streaming Analytics
  - Event-driven Microservices
  - CDC Patterns from System of Records

*...*
Retail Use Cases

Inventory Management
- Omni-Channel Experiences
- Dynamic Sales Prediction Model
- Integrated Order Implementation
- Real-Time Alternate Scenario Analysis
- Transportation Optimization

Personalized Promotions
- Correlation Detection & Analysis
- Customer Profile Development
- Event-Driven Processing of Customer Navigation
- Real-time Personalized Messaging
- Promotion Release & Response Monitoring

Product Development & Introduction
- Predictive/Preventative Maintenance
- Product Quality Monitoring
- Manufacturing Efficiency/Waste Reduction
- Shipping/Logistics/Telemetry
- Real-Time Collaboration Across Teams

Sentiment Analysis
- Customer Data Aggregation
- Intelligence Visualization & Transformation
- Machine Learning Training
- Real-Time Associate feedback
- Responsive Model Correction
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.
GAAP to Non-GAAP Reconciliations
## GAAP to Non-GAAP Reconciliations
*(in thousands, except percentages)*

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Total revenue</td>
<td>$387,864</td>
<td>$585,944</td>
<td>$139,407</td>
<td>$189,285</td>
</tr>
<tr>
<td>Total gross profit on a GAAP basis</td>
<td>$250,572</td>
<td>$383,529</td>
<td>$89,898</td>
<td>$131,365</td>
</tr>
<tr>
<td>Add: Stock-based compensation expense</td>
<td>17,989</td>
<td>32,389</td>
<td>8,346</td>
<td>10,039</td>
</tr>
<tr>
<td>Add: Employer taxes on employee stock transactions</td>
<td>1,013</td>
<td>1,173</td>
<td>150</td>
<td>393</td>
</tr>
<tr>
<td>Add: Amortization of acquired intangibles</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>127</td>
</tr>
<tr>
<td>Non-GAAP total gross profit</td>
<td>$269,574</td>
<td>$417,091</td>
<td>$98,394</td>
<td>$141,924</td>
</tr>
<tr>
<td>Non-GAAP total gross margin</td>
<td>69.5%</td>
<td>71.2%</td>
<td>70.6%</td>
<td>75.0%</td>
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<tr>
<td>Subscription revenue</td>
<td>$347,099</td>
<td>$535,009</td>
<td>$127,018</td>
<td>$176,488</td>
</tr>
<tr>
<td>Subscription gross profit on a GAAP basis</td>
<td>$252,239</td>
<td>$388,685</td>
<td>$91,410</td>
<td>$132,300</td>
</tr>
<tr>
<td>Add: Stock-based compensation expense</td>
<td>12,571</td>
<td>23,136</td>
<td>6,018</td>
<td>6,914</td>
</tr>
<tr>
<td>Add: Employer taxes on employee stock transactions</td>
<td>636</td>
<td>569</td>
<td>70</td>
<td>265</td>
</tr>
<tr>
<td>Add: Amortization of acquired intangibles</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>127</td>
</tr>
<tr>
<td>Non-GAAP subscription gross profit</td>
<td>$265,446</td>
<td>$412,390</td>
<td>$97,498</td>
<td>$139,606</td>
</tr>
<tr>
<td>Non-GAAP subscription gross margin</td>
<td>76.5%</td>
<td>77.1%</td>
<td>76.8%</td>
<td>79.1%</td>
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</tr>
<tr>
<td>Research and development (R&amp;D) expense on a GAAP basis</td>
<td>$161,925</td>
<td>$264,041</td>
<td>$64,472</td>
<td>$85,677</td>
</tr>
<tr>
<td>Less: Stock-based compensation expense</td>
<td>49,051</td>
<td>101,499</td>
<td>25,337</td>
<td>35,420</td>
</tr>
<tr>
<td>Less: Employer taxes on employee stock transactions</td>
<td>2,278</td>
<td>2,632</td>
<td>342</td>
<td>1,306</td>
</tr>
<tr>
<td>Less: Acquisition-related expenses</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,841</td>
</tr>
<tr>
<td><strong>Non-GAAP R&amp;D expense</strong></td>
<td>$110,596</td>
<td>$159,910</td>
<td>$38,793</td>
<td>$45,110</td>
</tr>
<tr>
<td><strong>Non-GAAP R&amp;D expense as a % of total revenue</strong></td>
<td>28.5%</td>
<td>27.3%</td>
<td>27.8%</td>
<td>23.8%</td>
</tr>
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<td>$189,285</td>
</tr>
<tr>
<td>Sales and marketing (S&amp;M) expense on a GAAP basis</td>
<td>$319,331</td>
<td>$456,452</td>
<td>$112,754</td>
<td>$127,770</td>
</tr>
<tr>
<td>Less: Stock-based compensation expense</td>
<td>55,506</td>
<td>99,366</td>
<td>24,746</td>
<td>32,889</td>
</tr>
<tr>
<td>Less: Employer taxes on employee stock transactions</td>
<td>4,266</td>
<td>2,485</td>
<td>1,048</td>
<td>1,488</td>
</tr>
<tr>
<td>Less: Acquisition-related expenses</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,076</td>
</tr>
<tr>
<td><strong>Non-GAAP S&amp;M expense</strong></td>
<td>$259,559</td>
<td>$354,601</td>
<td>$86,960</td>
<td>$92,317</td>
</tr>
<tr>
<td><strong>Non-GAAP S&amp;M expense as a % of total revenue</strong></td>
<td>66.9%</td>
<td>60.5%</td>
<td>62.4%</td>
<td>48.8%</td>
</tr>
<tr>
<td></td>
<td>FY'21</td>
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<td>$139,407</td>
<td>$189,285</td>
</tr>
<tr>
<td><strong>General and administrative (G&amp;A) expense on a GAAP basis</strong></td>
<td>$108,936</td>
<td>$125,710</td>
<td>$29,979</td>
<td>$36,343</td>
</tr>
<tr>
<td>Less: Stock-based compensation expense</td>
<td>33,078</td>
<td>44,402</td>
<td>10,437</td>
<td>13,811</td>
</tr>
<tr>
<td>Less: Employer taxes on employee stock transactions</td>
<td>2,532</td>
<td>720</td>
<td>130</td>
<td>412</td>
</tr>
<tr>
<td>Less: Common stock charitable donation expense</td>
<td>13,290</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Less: Acquisition-related expenses</td>
<td>-</td>
<td>1,104</td>
<td>-</td>
<td>281</td>
</tr>
<tr>
<td><strong>Non-GAAP G&amp;A expense</strong></td>
<td>$60,036</td>
<td>$79,484</td>
<td>$19,412</td>
<td>$21,839</td>
</tr>
<tr>
<td><strong>Non-GAAP G&amp;A expense as a % of total revenue</strong></td>
<td>15.5%</td>
<td>13.6%</td>
<td>13.9%</td>
<td>11.5%</td>
</tr>
</tbody>
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## GAAP to Non-GAAP Reconciliations

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<td>$387,864</td>
<td>$585,944</td>
<td>$139,407</td>
<td>$189,285</td>
</tr>
<tr>
<td><strong>Operating loss on a GAAP basis</strong></td>
<td>$(339,620)</td>
<td>$(462,674)</td>
<td>$(117,307)</td>
<td>$(119,368)</td>
</tr>
<tr>
<td>Add: Stock-based compensation expense</td>
<td>155,624</td>
<td>277,656</td>
<td>68,866</td>
<td>92,159</td>
</tr>
<tr>
<td>Add: Employer taxes on employee stock transactions</td>
<td>10,089</td>
<td>7,010</td>
<td>1,670</td>
<td>3,599</td>
</tr>
<tr>
<td>Add: Common stock charitable donation expense</td>
<td>13,290</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Add: Amortization of acquired intangibles</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>127</td>
</tr>
<tr>
<td>Add: Acquisition-related expenses</td>
<td>-</td>
<td>1,104</td>
<td>-</td>
<td>5,198</td>
</tr>
<tr>
<td>Add: Restructuring and other related charges</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>943</td>
</tr>
<tr>
<td><strong>Non-GAAP operating loss</strong></td>
<td>$(160,617)</td>
<td>$(176,904)</td>
<td>$(46,771)</td>
<td>$(17,342)</td>
</tr>
<tr>
<td><strong>Non-GAAP operating margin</strong></td>
<td>(41.4%)</td>
<td>(30.2%)</td>
<td>(33.5%)</td>
<td>(9.2%)</td>
</tr>
</tbody>
</table>