



**Q3 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								
	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	
Revenue:									
Subscription	\$ 108,191	\$ 113,920	\$ 127,018	\$ 138,730	\$ 155,341	\$ 160,567	\$ 176,488	\$ 189,270	
Services	11,737	12,219	12,389	13,002	13,325	13,735	12,797	10,911	
Total revenue	119,928	126,139	139,407	151,732	168,666	174,302	189,285	200,181	
Cost of revenue:									
Subscription	33,322	33,603	35,608	38,417	38,696	42,905	44,188	44,104	
Services	12,824	12,174	13,901	14,763	15,253	15,239	13,732	12,445	
Total cost of revenue	46,146	45,777	49,509	53,180	53,949	58,144	57,920	56,549	
Gross profit	73,782	80,362	89,898	98,552	114,717	116,158	131,365	143,632	
Subscription	69.2%	70.5%	72.0%	72.3%	75.1%	73.3%	75.0%	76.7%	
Services	(9.3%)	0.4%	(12.2%)	(13.5%)	(14.5%)	(11.0%)	(7.3%)	(14.1%)	
Total gross margin	61.5%	63.7%	64.5%	65.0%	68.0%	66.6%	69.4%	71.8%	
Operating expenses:									
Research and development	56,686	57,661	64,472	70,099	71,809	84,890	85,677	91,237	
Sales and marketing	100,625	106,702	112,754	114,312	122,684	128,624	127,770	128,624	
General and administrative	30,151	27,481	29,979	33,041	35,209	35,355	36,343	31,874	
Restructuring and other related charges	-	-	-	-	-	33,382	943	529	
Total operating expenses	187,462	191,844	207,205	217,452	229,702	282,251	250,733	252,264	
Operating loss	(113,680)	(111,482)	(117,307)	(118,900)	(114,985)	(166,093)	(119,368)	(108,632)	
Other (expense) income, net	(329)	(816)	1,186	4,719	11,327	15,185	17,610	17,529	
Loss before income taxes	(114,009)	(112,298)	(116,121)	(114,181)	(103,658)	(150,908)	(101,758)	(91,103)	
Provision for income taxes	430	689	1,510	1,868	2,226	1,647	1,667	1,567	
Net loss	\$ (114,439)	\$ (112,987)	\$ (117,631)	\$ (116,049)	\$ (105,884)	\$ (152,555)	\$ (103,425)	\$ (92,670)	
Net loss per share, basic and diluted	\$ (0.43)	\$ (0.41)	\$ (0.42)	\$ (0.41)	\$ (0.37)	\$ (0.52)	\$ (0.35)	\$ (0.30)	
Weighted-average shares used to compute net loss per share, basic and diluted	265,480,761	272,890,829	278,268,980	282,267,230	286,732,756	291,864,975	297,827,200	303,896,632	

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

	September 30, 2023	December 31, 2022
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 317,043	\$ 435,781
Marketable securities	1,555,749	1,491,044
Accounts receivable, net	183,206	178,188
Deferred contract acquisition costs	41,174	35,883
Prepaid expenses and other current assets	70,886	57,229
Total current assets	2,168,058	2,198,125
Property and equipment, net	47,950	29,089
Operating lease right-of-use assets	10,935	29,478
Goodwill and intangible assets, net	45,685	-
Deferred contract acquisition costs, non-current	69,224	68,401
Other assets, non-current	19,815	19,756
Total assets	\$ 2,361,667	\$ 2,344,849
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 1,993	\$ 21,439
Accrued expenses and other liabilities	125,109	105,331
Operating lease liabilities	7,741	7,375
Deferred revenue	300,617	290,185
Total current liabilities	435,460	424,330
Operating lease liabilities, non-current	19,457	25,136
Deferred revenue, non-current	23,152	32,644
Convertible senior notes, net	1,087,350	1,084,500
Other liabilities, non-current	7,192	8,762
Total liabilities	1,572,611	1,575,372
Stockholders' equity:		
Preferred stock	-	-
Class A common stock	2	2
Class B common stock	1	1
Additional paid-in capital	2,348,874	1,980,335
Accumulated other comprehensive loss	(9,766)	(9,456)
Accumulated deficit	(1,550,055)	(1,201,405)
Total stockholders' equity	789,056	769,477
Total liabilities and stockholders' equity	\$ 2,361,667	\$ 2,344,849

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

	Three Months Ended							
	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Net loss	\$ (114,439)	\$ (112,987)	\$ (117,631)	\$ (116,049)	\$ (105,884)	\$ (152,555)	\$ (103,425)	\$ (92,670)
Adjustments to reconcile net loss to cash used in operating activities:								
Depreciation and amortization	1,192	1,250	1,810	2,075	2,485	3,122	3,256	3,609
Net amortization (accretion) of premiums (discounts) on marketable securities	770	705	(469)	(3,105)	(6,022)	(9,133)	(10,588)	(11,300)
Amortization of debt issuance costs	187	936	947	958	959	939	950	961
Amortization of deferred contract acquisition costs	8,375	8,470	8,925	9,658	10,286	10,484	11,053	11,923
Non-cash operating lease costs	2,424	2,275	2,200	2,142	1,991	1,207	977	934
Lease abandonment charges	-	-	-	-	-	15,667	-	-
Stock-based compensation, net of amounts capitalized	58,072	57,369	68,866	75,393	76,028	79,289	92,159	89,514
Deferred income taxes	(394)	(4)	30	20	(283)	5	5	15
Other	157	204	355	321	504	279	572	2,263
Changes in operating assets and liabilities, net of effects of a business combination:								
Accounts receivable	(21,642)	12,782	(25,244)	6,047	(35,665)	8,068	(19,361)	5,153
Deferred contract acquisition costs	(20,332)	(12,080)	(10,643)	(19,354)	(20,724)	(10,160)	(13,806)	(15,607)
Prepaid expenses and other assets	(14,027)	(7,985)	(12,136)	(977)	3,248	3,141	(9,198)	(7,768)
Accounts payable	4,406	177	7,275	(1,004)	7,132	(11,325)	(7,395)	(488)
Accrued expenses and other liabilities	29,642	(22,853)	24,609	(35)	8,226	(16,557)	24,109	10,413
Operating lease liabilities	(2,650)	(2,497)	(2,413)	(2,029)	(2,270)	(1,998)	(1,756)	(1,808)
Deferred revenue	44,383	19,207	20,047	4,187	32,911	1,755	3,388	(4,204)
Net cash used in operating activities	(23,876)	(55,031)	(33,472)	(41,752)	(27,078)	(77,772)	(29,060)	(9,060)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Capitalization of internal-use software costs	(1,479)	(2,509)	(2,256)	(2,788)	(2,781)	(4,556)	(5,330)	(3,660)
Purchases of marketable securities	(284,683)	(403,883)	(763,479)	(355,886)	(528,660)	(453,356)	(546,408)	(235,824)
Maturities of marketable securities	91,275	95,545	275,114	347,000	482,899	451,777	523,606	228,328
Purchases of property and equipment	(1,364)	(887)	(1,184)	(1,044)	(1,006)	(546)	(809)	(363)
Cash paid for a business combination, net of cash acquired	-	-	-	-	-	(45,802)	-	-
Net cash used in investing activities	(196,251)	(311,734)	(491,805)	(12,718)	(49,548)	(52,483)	(28,941)	(11,519)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
Proceeds from issuance of common stock upon exercise of vested options	22,611	16,436	7,947	9,749	8,329	20,780	27,492	14,673
Proceeds from issuance of common stock upon early exercise of unvested options	512	345	71	-	-	-	-	-
Repurchases of unvested common stock	(107)	(12)	(683)	(14)	(80)	(223)	-	(32)
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	-	11,536
Net cash provided by financing activities	1,013,346	38,468	7,335	28,189	8,249	37,729	27,492	26,177
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	16	(46)	20	20	2	205	(308)	(1,198)
Net increase (decrease) in cash, cash equivalents, and restricted cash	793,235	(328,343)	(517,922)	(26,261)	(68,375)	(92,321)	(30,817)	4,400
Cash, cash equivalents, and restricted cash at beginning of period	583,447	1,376,682	1,048,339	530,417	504,156	435,781	343,460	312,643
Cash, cash equivalents, and restricted cash at end of period	\$ 1,376,682	\$ 1,048,339	\$ 530,417	\$ 504,156	\$ 435,781	\$ 343,460	\$ 312,643	\$ 317,043
<b>Reconciliation of cash, cash equivalents, and restricted cash within the consolidated balance sheets to the amounts shown above:</b>								
Cash and cash equivalents	\$ 1,375,932	\$ 1,047,589	\$ 529,667	\$ 503,406	\$ 435,781	\$ 343,460	\$ 312,643	\$ 317,043
Restricted cash included in other assets, current	750	750	750	750	-	-	-	-
Total cash, cash equivalents, and restricted cash	\$ 1,376,682	\$ 1,048,339	\$ 530,417	\$ 504,156	\$ 435,781	\$ 343,460	\$ 312,643	\$ 317,043

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

	Three Months Ended								
	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	
<b>Reconciliation of GAAP total gross profit to non-GAAP total gross profit:</b>									
Total gross profit on a GAAP basis	\$ 73,782	\$ 80,362	\$ 89,898	\$ 98,552	\$ 114,717	\$ 116,158	\$ 131,365	\$ 143,632	
<i>Total gross margin on a GAAP basis</i>	61.5%	63.7%	64.5%	65.0%	68.0%	66.6%	69.4%	71.8%	
Add: Stock-based compensation expense	7,508	7,175	8,346	8,997	7,871	9,105	10,039	8,790	
Add: Employer taxes on employee stock transactions	521	410	150	144	469	411	393	305	
Add: Amortization of acquired intangibles	-	-	-	-	-	113	127	129	
Non-GAAP total gross profit	<u>\$ 81,811</u>	<u>\$ 87,947</u>	<u>\$ 98,394</u>	<u>\$ 107,693</u>	<u>\$ 123,057</u>	<u>\$ 125,787</u>	<u>\$ 141,924</u>	<u>\$ 152,856</u>	
<i>Non-GAAP total gross margin</i>	68.2%	69.7%	70.6%	71.0%	73.0%	72.2%	75.0%	76.4%	
<b>Reconciliation of GAAP subscription gross profit to non-GAAP subscription gross profit:</b>									
Subscription gross profit on a GAAP basis	\$ 74,869	\$ 80,317	\$ 91,410	\$ 100,313	\$ 116,645	\$ 117,662	\$ 132,300	\$ 145,166	
<i>Subscription gross margin on a GAAP basis</i>	69.2%	70.5%	72.0%	72.3%	75.1%	73.3%	75.0%	76.7%	
Add: Stock-based compensation expense	5,479	5,313	6,018	6,313	5,492	6,328	6,914	6,171	
Add: Employer taxes on employee stock transactions	481	333	70	82	84	321	265	179	
Add: Amortization of acquired intangibles	-	-	-	-	-	113	127	129	
Non-GAAP subscription gross profit	<u>\$ 80,829</u>	<u>\$ 85,963</u>	<u>\$ 97,498</u>	<u>\$ 106,708</u>	<u>\$ 122,221</u>	<u>\$ 124,424</u>	<u>\$ 139,606</u>	<u>\$ 151,645</u>	
<i>Non-GAAP subscription gross margin</i>	74.7%	75.5%	76.8%	76.9%	78.7%	77.5%	79.1%	80.1%	

	Three Months Ended								
	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	
<b>Reconciliation of GAAP operating expenses to non-GAAP operating expenses:</b>									
Research and development operating expense on a GAAP basis	\$ 56,686	\$ 57,661	\$ 64,472	\$ 70,099	\$ 71,809	\$ 84,890	\$ 85,677	\$ 91,237	
Less: Stock-based compensation expense	20,298	20,085	25,337	27,692	28,385	30,015	35,420	37,778	
Less: Employer taxes on employee stock transactions	1,279	1,039	342	496	755	1,669	1,306	686	
Less: Acquisition-related expenses	-	-	-	-	-	7,680	3,841	3,841	
Non-GAAP research and development operating expense	<u>\$ 35,109</u>	<u>\$ 36,537</u>	<u>\$ 38,793</u>	<u>\$ 41,911</u>	<u>\$ 42,669</u>	<u>\$ 45,526</u>	<u>\$ 45,110</u>	<u>\$ 48,932</u>	
<i>Non-GAAP research and development operating expense as a percentage of total revenue</i>	29.3%	29.0%	27.8%	27.6%	25.3%	26.1%	23.8%	24.4%	
Sales and marketing operating expense on a GAAP basis	\$ 100,625	\$ 106,702	\$ 112,754	\$ 114,312	\$ 122,684	\$ 128,624	\$ 127,770	\$ 128,624	
Less: Stock-based compensation expense	20,859	21,062	24,746	26,712	26,846	28,487	32,889	32,297	
Less: Employer taxes on employee stock transactions	2,317	680	1,048	580	177	1,083	1,488	798	
Less: Acquisition-related expenses	-	-	-	-	-	1,076	1,076	1,076	
Non-GAAP sales and marketing operating expense	<u>\$ 77,449</u>	<u>\$ 84,960</u>	<u>\$ 86,960</u>	<u>\$ 87,020</u>	<u>\$ 95,661</u>	<u>\$ 97,978</u>	<u>\$ 92,317</u>	<u>\$ 94,453</u>	
<i>Non-GAAP sales and marketing operating expense as a percentage of total revenue</i>	64.6%	67.4%	62.4%	57.4%	56.7%	56.2%	48.8%	47.2%	
General and administrative operating expense on a GAAP basis	\$ 30,151	\$ 27,481	\$ 29,979	\$ 33,041	\$ 35,209	\$ 35,355	\$ 36,343	\$ 31,874	
Less: Stock-based compensation expense	9,407	9,047	10,437	11,992	12,926	11,682	13,811	10,649	
Less: Employer taxes on employee stock transactions	1,835	310	130	149	131	500	412	684	
Less: Acquisition-related expenses	-	-	-	-	1,104	561	281	148	
Non-GAAP general and administrative operating expense	<u>\$ 18,909</u>	<u>\$ 18,124</u>	<u>\$ 19,412</u>	<u>\$ 20,900</u>	<u>\$ 21,048</u>	<u>\$ 22,612</u>	<u>\$ 21,839</u>	<u>\$ 20,393</u>	
<i>Non-GAAP general and administrative operating expense as a percentage of total revenue</i>	15.8%	14.4%	13.9%	13.8%	12.5%	13.0%	11.5%	10.2%	

	Three Months Ended							
	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23
<b>Reconciliation of GAAP operating loss to non-GAAP operating loss:</b>								
Operating loss on a GAAP basis	\$ (113,680)	\$ (111,482)	\$ (117,307)	\$ (118,900)	\$ (114,985)	\$ (166,093)	\$ (119,368)	\$ (108,632)
Add: Stock-based compensation expense	58,072	57,369	68,866	75,393	76,028	79,289	92,159	89,514
Add: Employer taxes on employee stock transactions	5,952	2,439	1,670	1,369	1,532	3,663	3,599	2,473
Add: Amortization of acquired intangibles	-	-	-	-	-	113	127	129
Add: Acquisition-related expenses	-	-	-	-	1,104	9,317	5,198	5,065
Add: Restructuring and other related charges	-	-	-	-	-	33,382	943	529
Non-GAAP operating loss	<u>\$ (49,656)</u>	<u>\$ (51,674)</u>	<u>\$ (46,771)</u>	<u>\$ (42,138)</u>	<u>\$ (36,321)</u>	<u>\$ (40,329)</u>	<u>\$ (17,342)</u>	<u>\$ (10,922)</u>
<i>Non-GAAP operating margin</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>	<i>(9.2%)</i>	<i>(5.5%)</i>
<b>Reconciliation of GAAP net loss to non-GAAP net (loss) income:</b>								
Net loss on a GAAP basis	\$ (114,439)	\$ (112,987)	\$ (117,631)	\$ (116,049)	\$ (105,884)	\$ (152,555)	\$ (103,425)	\$ (92,670)
Add: Stock-based compensation expense	58,072	57,369	68,866	75,393	76,028	79,289	92,159	89,514
Add: Employer taxes on employee stock transactions	5,952	2,439	1,670	1,369	1,532	3,663	3,599	2,473
Add: Amortization of acquired intangibles	-	-	-	-	-	113	127	129
Add: Acquisition-related expenses	-	-	-	-	1,104	9,317	5,198	5,065
Add: Restructuring and other related charges	-	-	-	-	-	33,382	943	529
Add: Amortization of debt issuance costs	187	936	946	958	959	939	950	961
Add: Income tax effects and adjustments	(181)	13	669	293	656	362	507	328
Non-GAAP net (loss) income	<u>\$ (50,409)</u>	<u>\$ (52,230)</u>	<u>\$ (45,480)</u>	<u>\$ (38,036)</u>	<u>\$ (25,605)</u>	<u>\$ (25,490)</u>	<u>\$ 58</u>	<u>\$ 6,329</u>
Non-GAAP net (loss) income per share, basic	<u>\$ (0.19)</u>	<u>\$ (0.19)</u>	<u>\$ (0.16)</u>	<u>\$ (0.13)</u>	<u>\$ (0.09)</u>	<u>\$ (0.09)</u>	<u>\$ 0.00</u>	<u>\$ 0.02</u>
Non-GAAP net (loss) income per share, diluted	<u>\$ (0.19)</u>	<u>\$ (0.19)</u>	<u>\$ (0.16)</u>	<u>\$ (0.13)</u>	<u>\$ (0.09)</u>	<u>\$ (0.09)</u>	<u>\$ 0.00</u>	<u>\$ 0.02</u>
Weighted-average shares used to compute non-GAAP net (loss) income per share, basic	<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>	<u>297,827,200</u>	<u>303,896,632</u>
Weighted-average shares used to compute non-GAAP net (loss) income per share, diluted	<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>	<u>339,296,142</u>	<u>346,974,638</u>

	Three Months Ended								
	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	
Net cash used in operating activities	\$ (23,876)	\$ (55,031)	\$ (33,472)	\$ (41,752)	\$ (27,078)	\$ (77,772)	\$ (29,060)	\$ (9,060)	
Capitalized internal-use software costs	(1,479)	(2,509)	(2,256)	(2,788)	(2,781)	(4,556)	(5,330)	(3,660)	
Capital expenditures	(1,364)	(887)	(1,184)	(1,044)	(1,006)	(546)	(809)	(363)	
Free cash flow	\$ (26,719)	\$ (58,427)	\$ (36,912)	\$ (45,584)	\$ (30,865)	\$ (82,874)	\$ (35,199)	\$ (13,083)	
Free cash flow margin	(22.3%)	(46.3%)	(26.5%)	(30.0%)	(18.3%)	(47.5%)	(18.6%)	(6.5%)	
Net cash used in investing activities	\$ (196,251)	\$ (311,734)	\$ (491,805)	\$ (12,718)	\$ (49,548)	\$ (52,483)	\$ (28,941)	\$ (11,519)	
Net cash provided by financing activities	\$ 1,013,346	\$ 38,468	\$ 7,335	\$ 28,189	\$ 8,249	\$ 37,729	\$ 27,492	\$ 26,177	