CONFLUENT

Introducing Confluent

May 3, 2023

Disclaimer

Confluent Momentum-at-a-Glance

Founded in 2014 by the
Original Creators of *Apache Kafka*

~*$60B* Total Addressable Market[1]

		Q1'23 TTM
	Total Revenue	**$634M / 45% YoY**
	Confluent Cloud Revenue	**$246M / 106% YoY**
	Dollar-Based Net Retention Rate	**>130%**
	Total Customers	**~4,690**[2]
	Customers with ≥ $100K in ARR	**1,075**

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
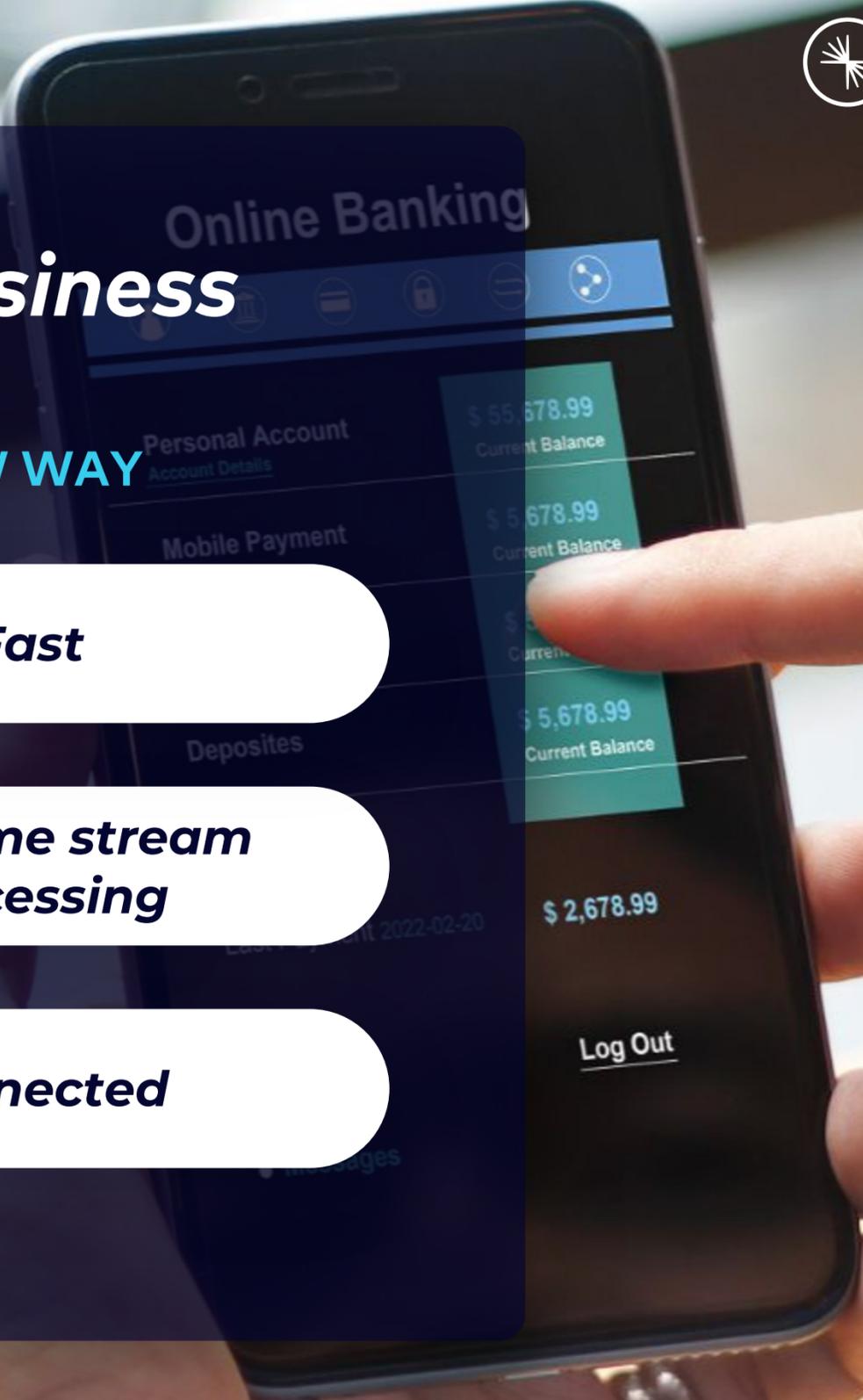
Rich front-end customer experiences

Real-time back-end operations

Real-time Use Cases Found Everywhere in Our Lives

Real-time trades

Transportation optimization

Personalized recommendations

Sentiment Analysis

Cybersecurity

Supply-chain optimization

Real-time promotion

Fleet management

Dynamic pricing

Payment verification

Loyalty rewards

Route optimization

Omnichannel

Customer 360

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
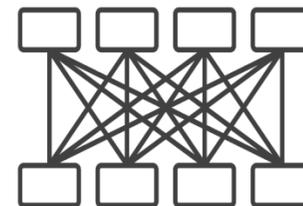
Messaging

- Difficult to Scale

- No Persistence

- Data Loss

- No Replay
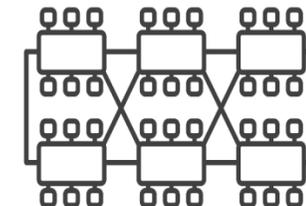
Databases Bring Point-in-Time Queries to Stored Data; This Leads to a *Giant Mess* in Data Architecture

LINE OF BUSINESS 01

LINE OF BUSINESS 02

PUBLIC CLOUD
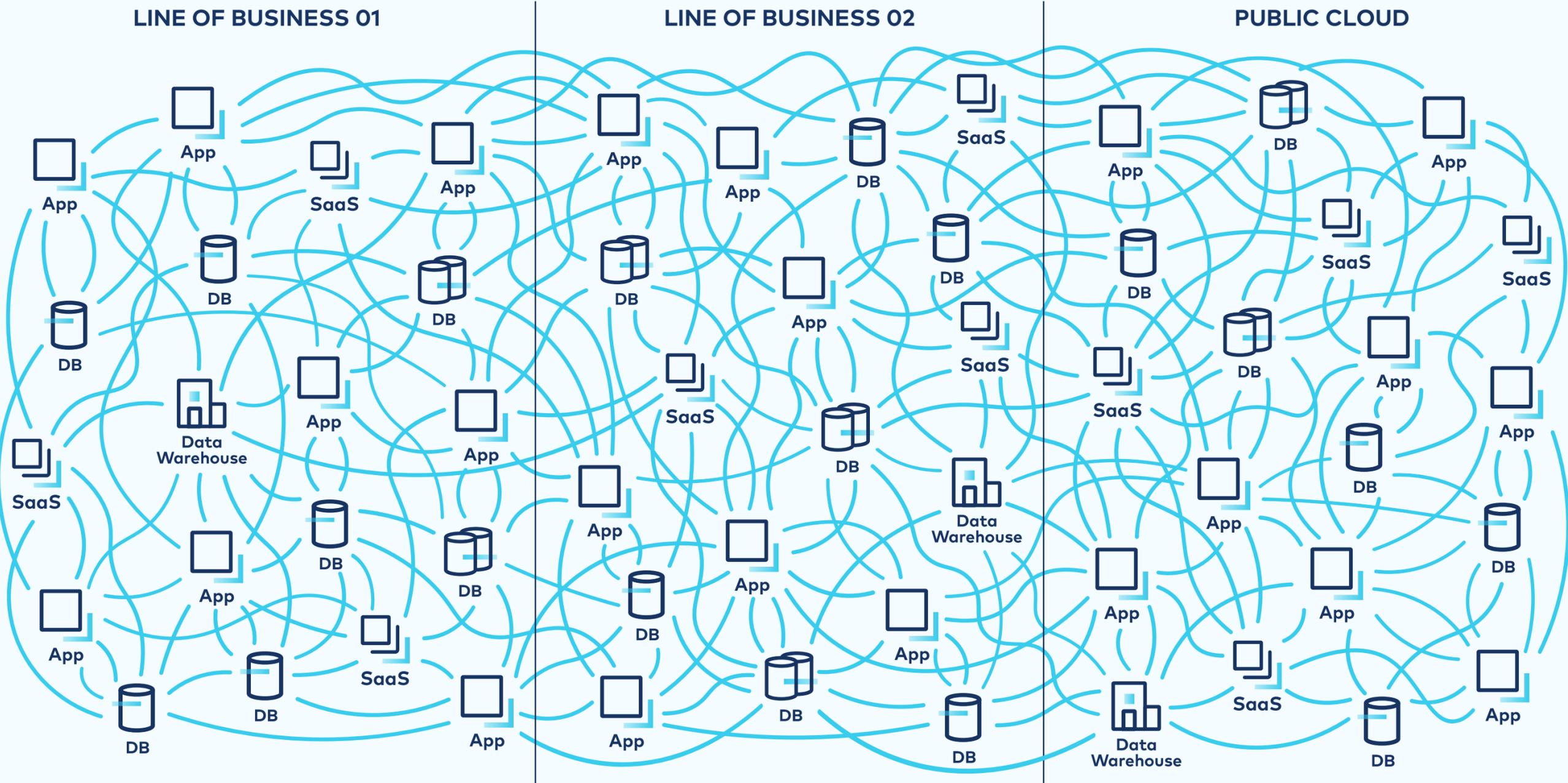
A New Paradigm is Required for Data in Motion:
Continuously Processing Evolving Streams of Data in Real-time

A Sale

A Shipment

Real-Time Stream Processing

Rich Front-End Customer Experiences

Real-time Data

A Customer Interaction

A Trade

QUERY

Real-Time Backend Operations
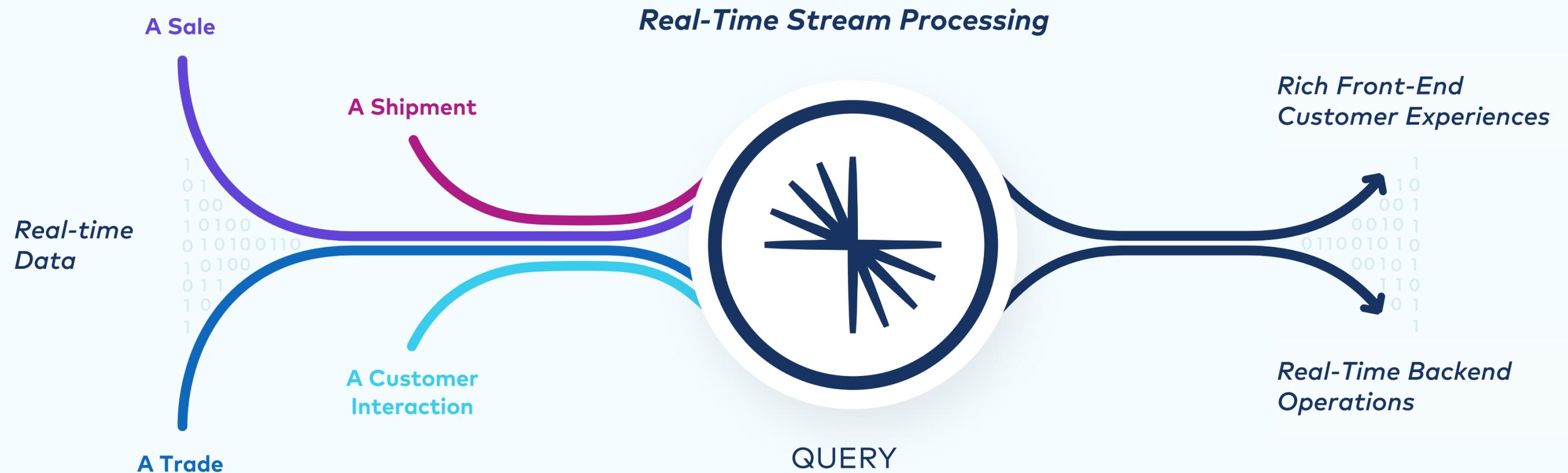
APACHE kafka ®

Originally created by the founders of Confluent while at LinkedIn

+100,000s organizations using Kafka

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

>65,000 Kafka meetup members

>200 global meetup groups

12

From Giant Mess to *Central Nervous System*
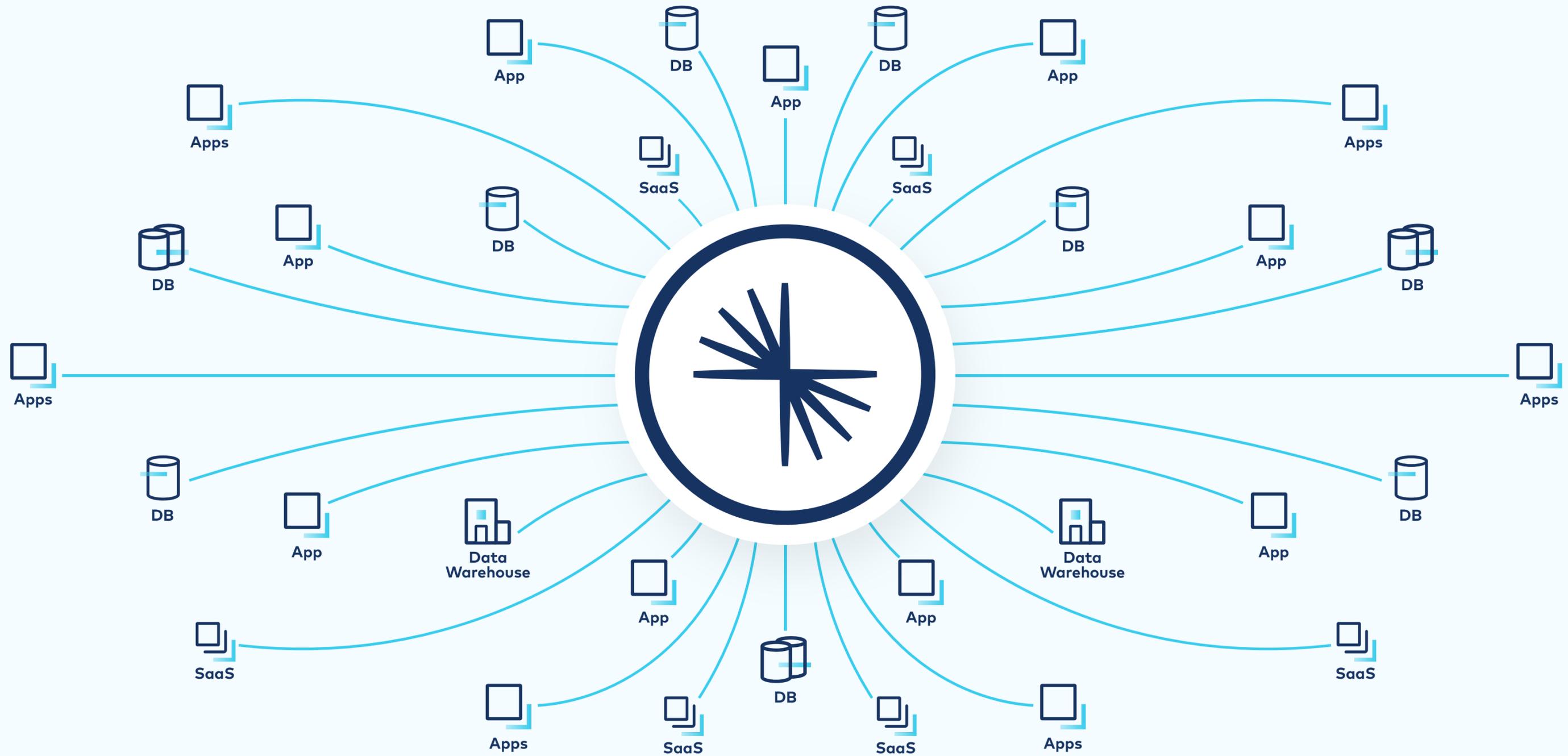
The New Data Infrastructure Category

zoominfo · ORACLE · CISCO · SAP · Microsoft · **Applications** · monday.com · salesforce · servicenow · workday · ATLASSIAN

JFrog · bmc · HashiCorp · hp · CLOUDFLARE · **Developer Tools** · GitLab · Amplitude · new relic · DATADOG · ca technologies · samsara

Data Infrastructure

Data Analytics & Warehousing / OLAP

snowflake · Google Big Query · teradata.

ORACLE · amazon REDSHIFT · databricks

Data in Motion

CONFLUENT

Databases / DBaaS / OLTP

MongoDB · amazon DynamoDB · Azure Cosmos DB

ORACLE · redis
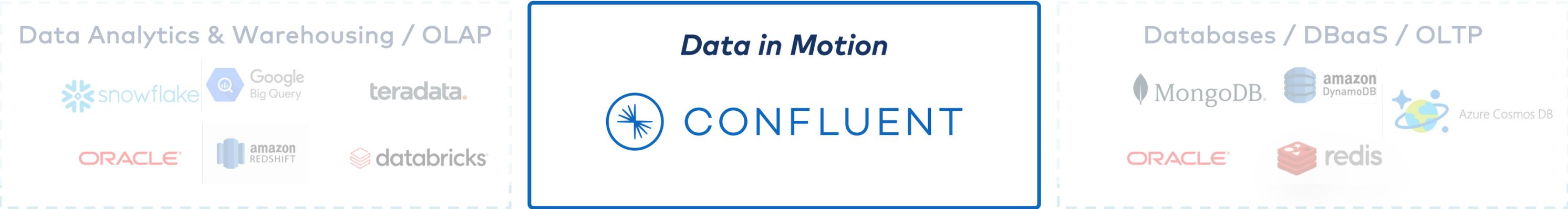
IBM · Pivotal · vmware · **Infrastructure** · Google · Microsoft · aws

Confluent is Becoming the Central Nervous System of the Modern Technology Stack
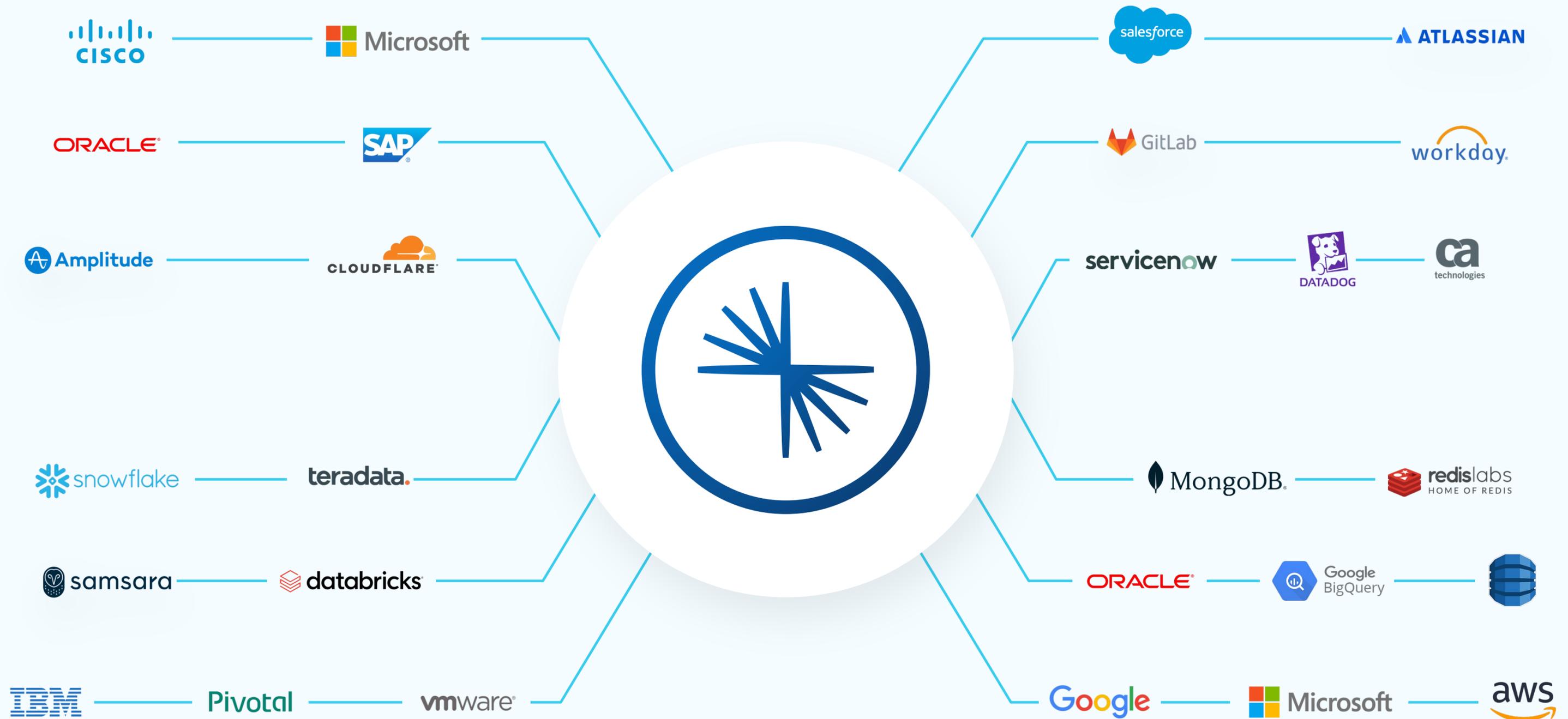
Use Cases Across All Industries

Industry						
Retail	Inventory Management	Personalized Promotions	Product Development & Introduction	Sentiment Analysis	Streaming Enterprise Messaging	Systems of Scale for High Traffic Periods
Healthcare	Connected Health Records	Data Confidentiality & Accessibility	Dynamic Staff Allocation Optimization	Integrated Treatment	Proactive Patient Care	Real-Time Monitoring
Finance & Banking	Early-On Fraud Detection	Capital Management	Market Risk Recognition & Investigation	Preventive Regulatory Scanning	Real-Time What-If Analysis	Trade Flow Monitoring
Transportation	Advanced Navigation	Environmental Factor Processing	Fleet Management	Predictive Maintenance	Threat Detection & Real-Time Response	Traffic Distribution Optimization
Teleco	5G Networks	Data Security	Product Development & Introduction	Sentiment Analysis	IOT Integration	Systems of Scale for High Traffic Periods
Common in all Industries	Data Pipelines	Hybrid Cloud Integration	Microservices	Security and Fraud	Customer 360	Streaming ETL

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

29x

$0.1 — Q3'16
$0.6 — Q2'19
$1.5 — Q3'21
$2.4 — Q4'22
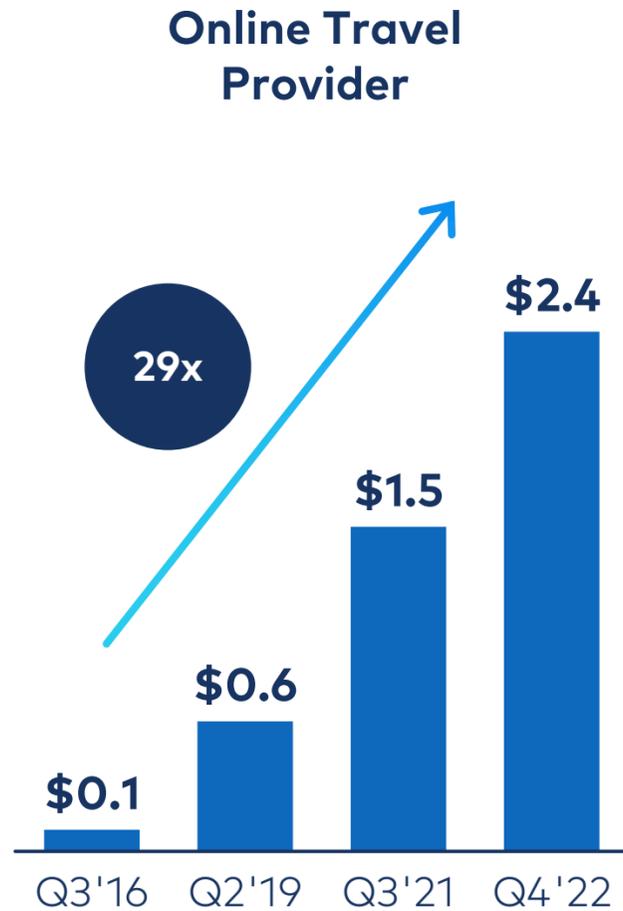
Rapid global adoption driving elevated customer experiences and seamless internal engineering initiatives

Health Benefits Provider

10x

$0.3 — Q4'18
$0.5 — Q4'19
$1.3 — Q4'20
$2.8 — Q4'22
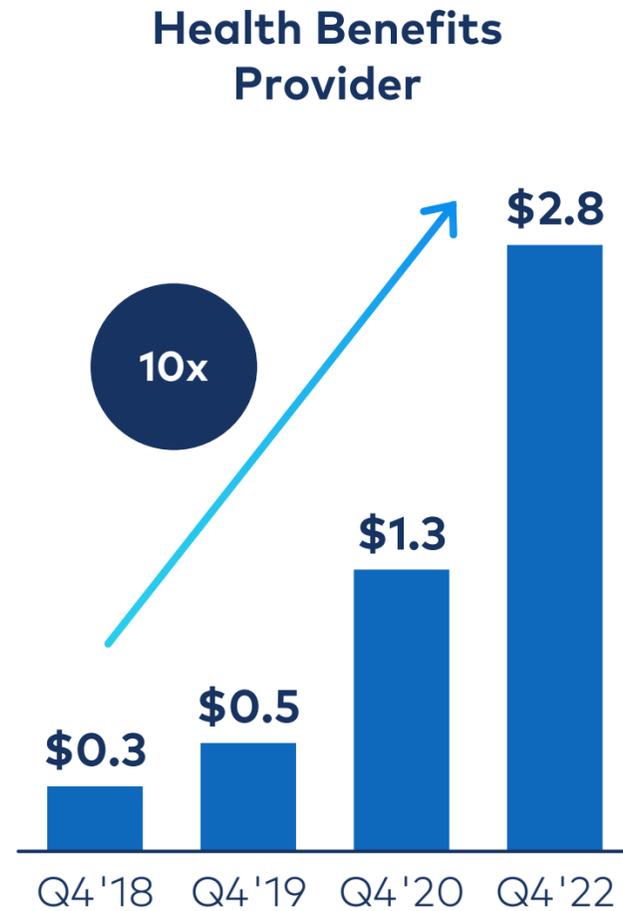
Accelerated claims approval and processing, member digital experience, and internal systems aggregation

Payment Card Provider

34x

$0.2 — Q2'17
$1.0 — Q4'19
$1.5 — Q4'20
$5.1 — Q4'22
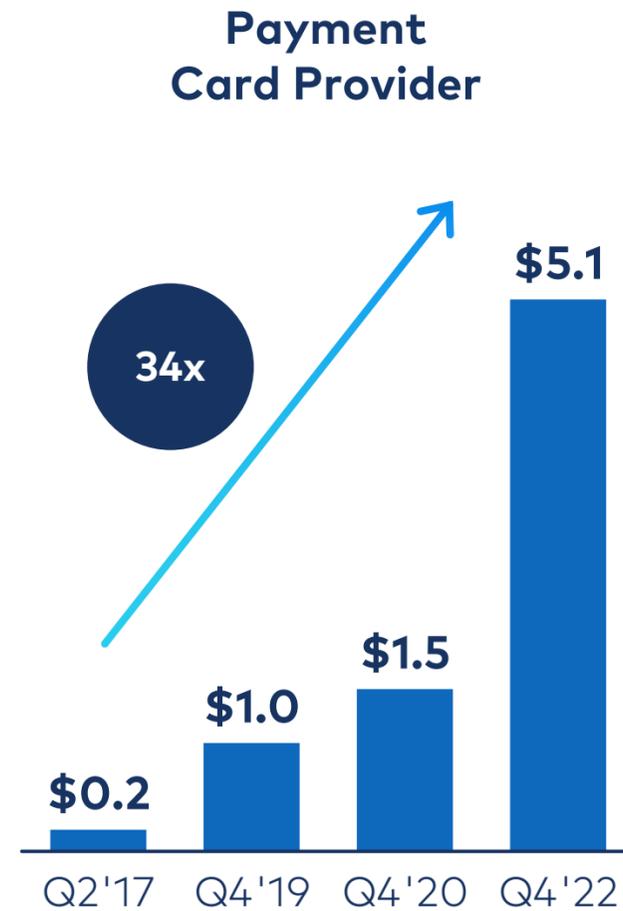
Secured the ability to continue doing business throughout the globe unlocked by Confluent with use cases including GDPR and mandate processing

Fortune 50 Bank

9x

$1.2 — Q2'18
$4.8 — Q2'19
$7.9 — Q2'21
$11.6 — Q4'22
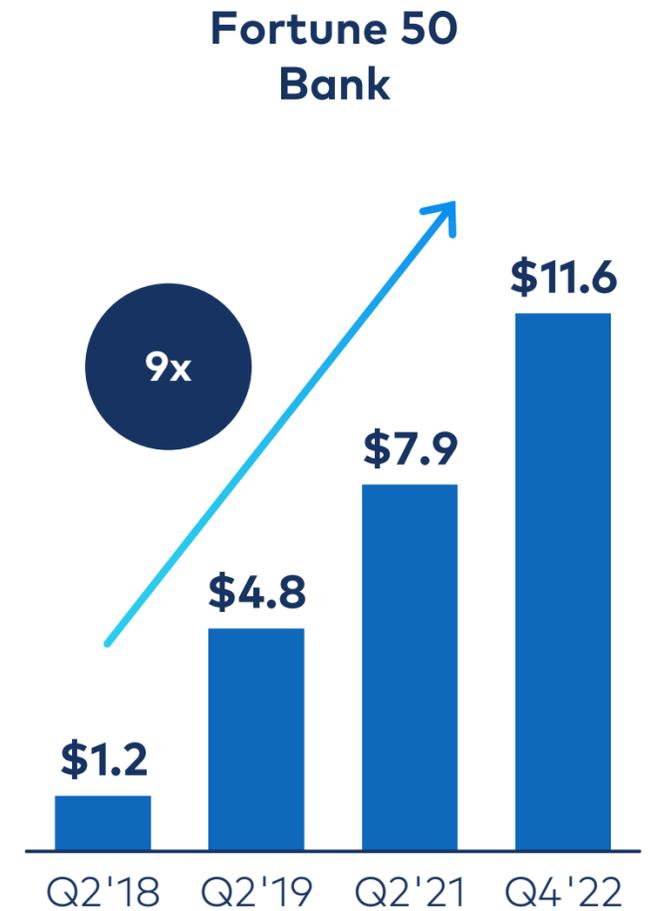
Improved banking relationship management, accelerated client onboarding, and enabled customized marketing programs for customers

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

Using Confluent Everywhere

Fully-Managed

Confluent Cloud

Apache Kafka Re-engineered for the Cloud

Available on the leading public clouds

Self-Managed

Confluent Platform

The Enterprise Distribution of Apache Kafka

Deploy on any platform, on-prem or cloud

Both: Subscription option available where price scales with usage

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: Product-led growth at early stages of the journey

Consumption Oriented: Use case driven expansion and consumption

Purpose Built for Data in Motion Journey: Expertise & product capabilities for every stage of adoption

The Confluent Data Streaming Platform

Up-the-Stack Capabilities

Data Pipelines

Stream Designer

| Data Sharing | Data Analytics | Cyber-security | IoT & Telematics | ML & AI | Customer 360 |

Real-Time Applications ...
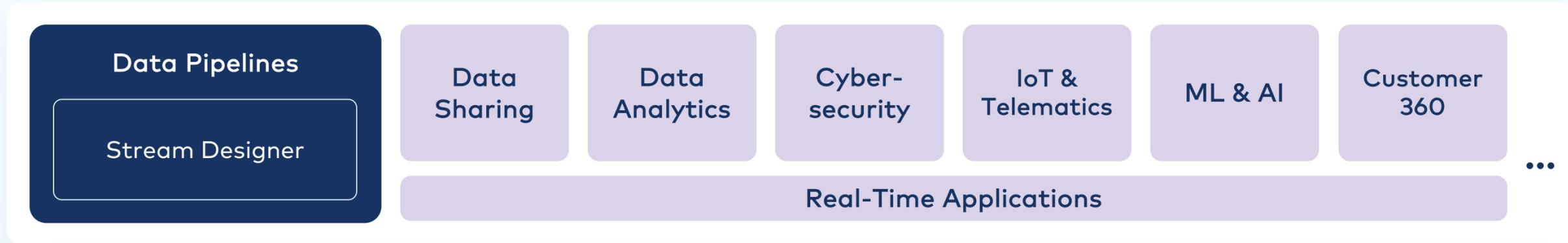
Infrastructure Capabilities

Connectors

| Confluent | Community |

Stream Processing

| Real-time Processing | Point-in-Time Queries | Materialized Views |

Enterprise Security & Governance

| Schema Registry | Stream Catalog | Stream Lineage |

Apache Kafka Protocol

Confluent Server

Cloud-Native   Complete   Everywhere

Data in Motion Journey

VALUE

Central Nervous System

5

Mission Critical Cross-Company Platform

4

Mission Critical, But Disconnected Use Cases

3

Early Production Usage

2

Experimentation / Early Interest

1

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

- Architecture Review
- Operational SLAs
- Total Cost of Ownership
- Infosec Review

- Low friction
- Developer love

INVESTMENT & TIME

23

Product-Led and Enterprise Sales Motions are Complementary and Serve our Stakeholder Personas

Awareness of Solution

Evaluation

Development

Product Led
Pay as you go
Confluent Cloud

Enterprise Sales
Master contract,
Success Plan,
Governance

Mission Critical

Production

Central Nervous System

24
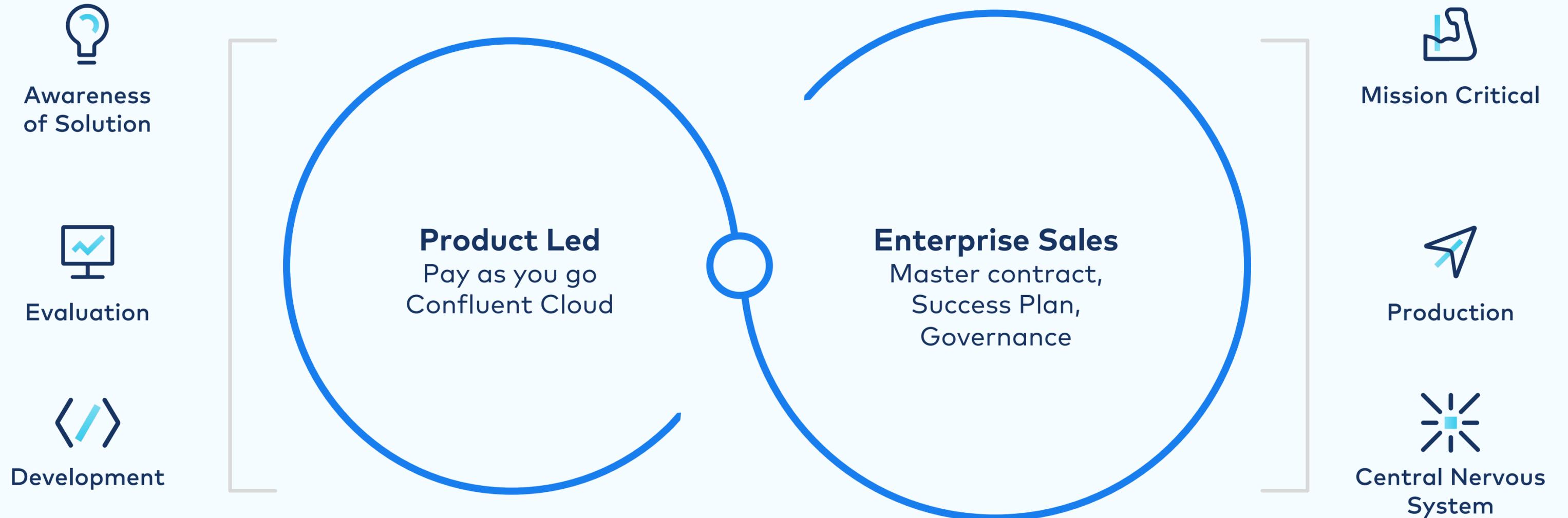
Network Effects Drive Further Expansion

Applications Bring Data In Motion

Data In Motion Brings New Applications

Web

Custom Apps

Microservices

Monitoring

Analytics

...and more

any source

NoSQL

Oracle

Mainframes

Salesforce

Marketo

Twitter

AWS, Azure, GCP

Data Warehouse

any destination
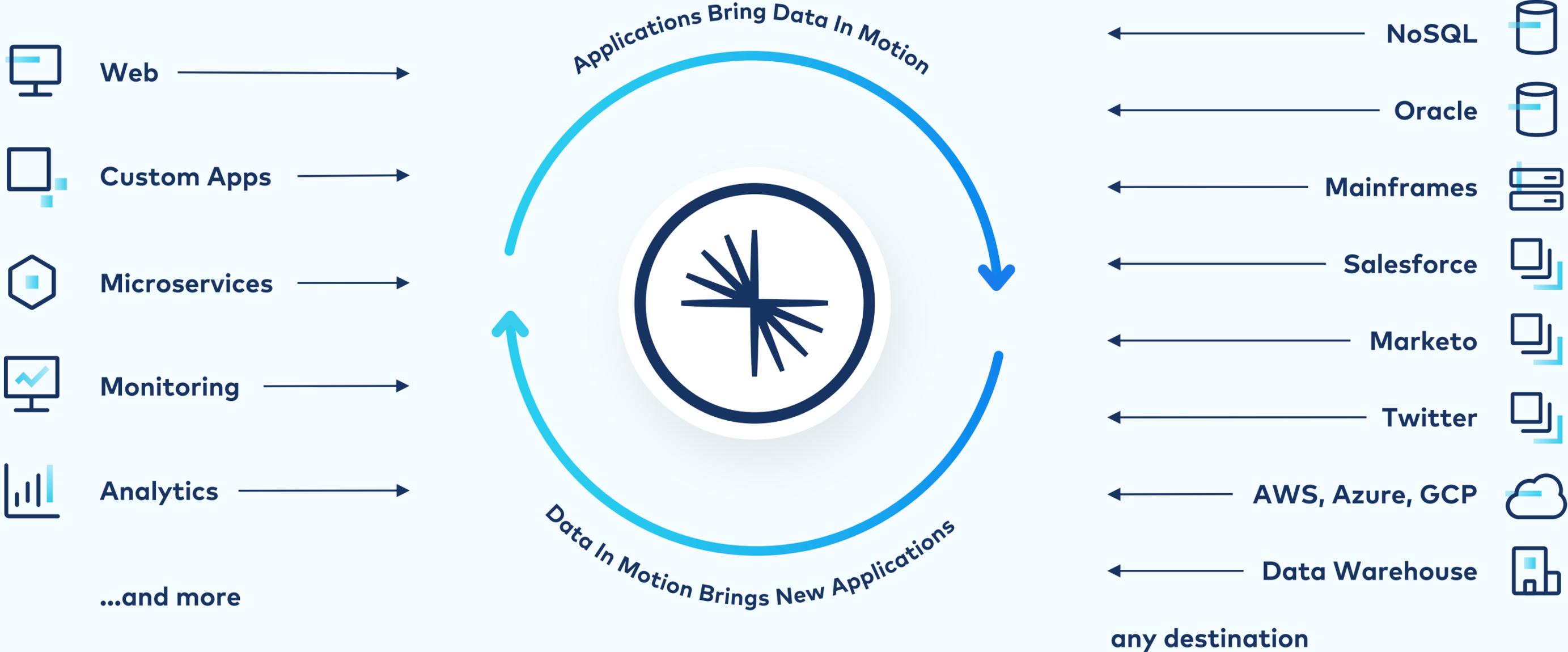
Competitive Landscape

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
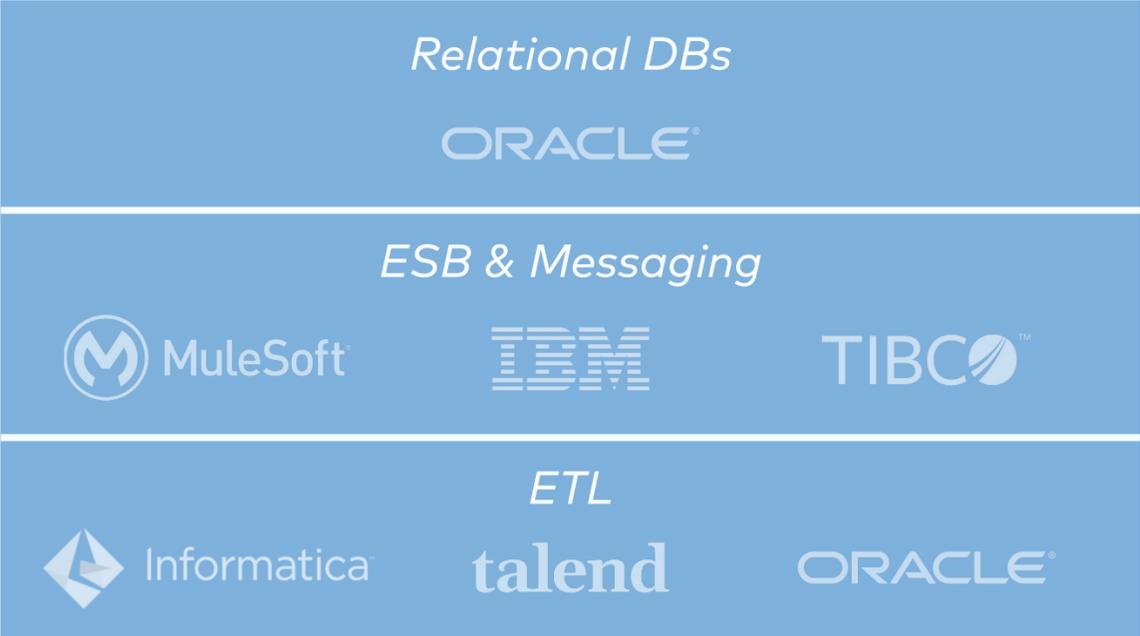
Google

Cloud Competitive Landscape

		Cloud-Native	Complete	Everywhere
Confluent		●	●	●
Microsoft	Event Hubs	●	◐	○
Google	Dataflow	●	○	○
	Pub/Sub	●	○	○
Amazon	Kinesis	●	◔	○
	MSK	◔	◔	○

Multiple Levers of Growth in a Large and Growing TAM

Easy and Frictionless **Land with Cloud Pay-As-You-Go**
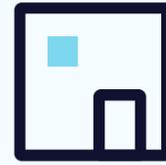
Expand in **Underpenetrated Segments** (e.g. Commercial, Tech)

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
LinkedIn

Jun Rao
Co-Founder
LinkedIn

Erica Schultz
President, Field Operations
New Relic.
ORACLE

Stephanie Buscemi
Chief Marketing Officer
salesforce SAP

Steffan Tomlinson
Chief Financial Officer
Google Cloud
paloalto NETWORKS

Chad Verbowski
Chief Technology Officer
Google
Microsoft

Rey Perez
Chief Customer Officer
New Relic.
ORACLE

Gunjan Aggarwal
Chief People Officer
RingCentral
ERICSSON

Melanie Vinson
Chief Legal Officer
workday. hp

Christina Liu
Chief Accounting Officer
Zendesk
KPMG

Shaun Clowes
Chief Product Officer
MuleSoft
ATLASSIAN

2,716 employees as of Q1 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
Chief Customer and Partner Officer
at ServiceNow

Alyssa Henry
CEO at Square

Financial Highlights

A New Data Category, A Large Market Opportunity

2022 Total Addressable Market (TAM)
~$60B[2]

Addressed by ksqlDB pull queries and Kafka Storage

Addressed by Kafka and Cluster Linking

$9B Database

$10B Analytics Platforms

Addressed by ksqlDB push queries, Connect SMTs, and Stream Designer

$37B Application Infrastructure & Middleware

$5B Data Mgmt

Addressed by Connectors and Stream Governance
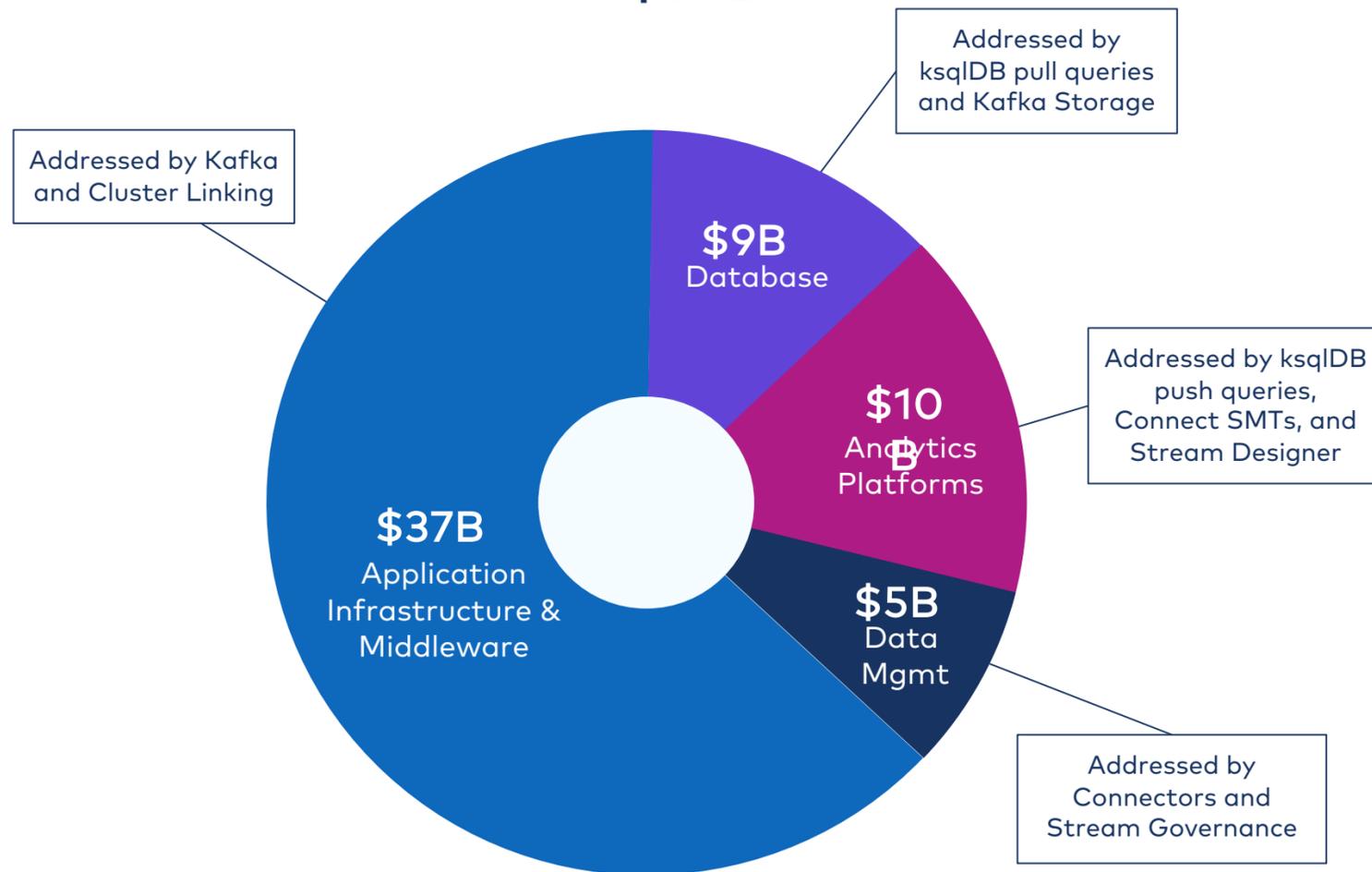
[1]
- Represent 73% of the $50B application infrastructure & middleware market
- Represent 10% of the $92B database management market
- Represent 30% of the $32B analytics platform market
- Represent 50% of the $10B data management market

2022-2025 TAM Growth[3]
19% CAGR
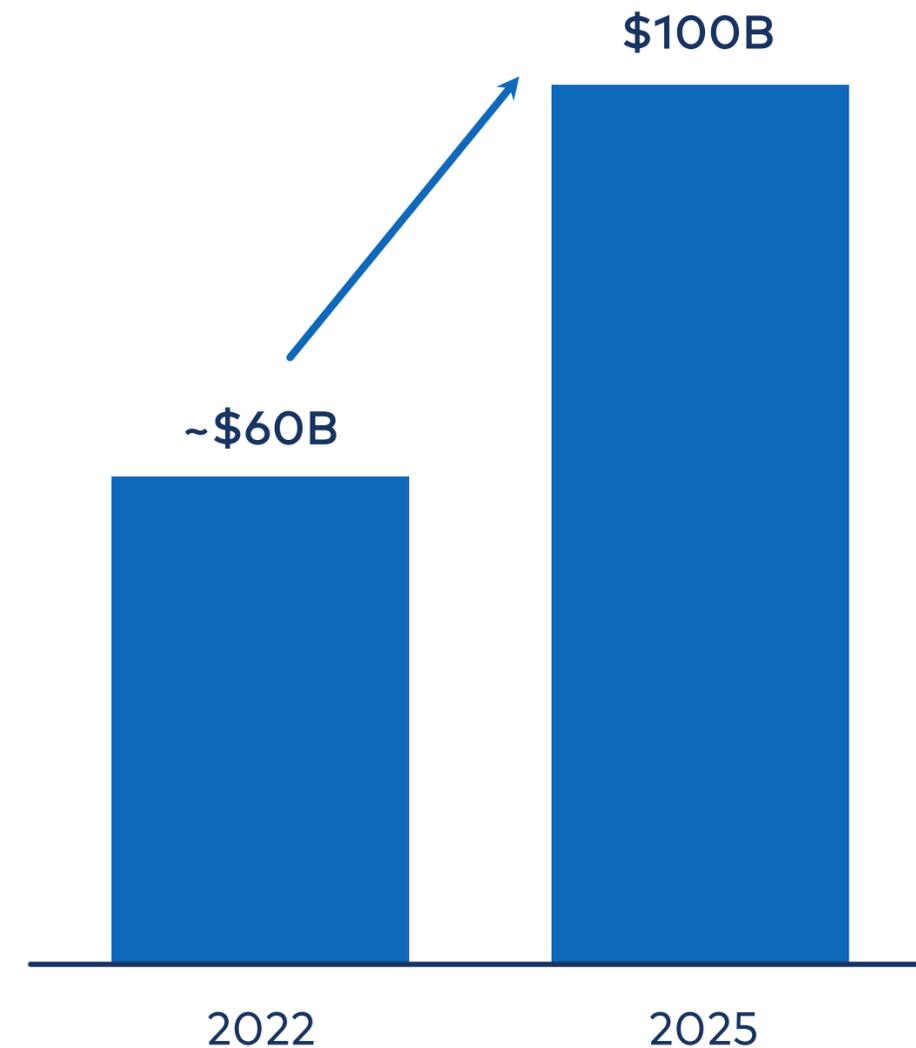
$100B

~$60B

2022   2025

Bottoms-up View of Our 2022 Addressable Market
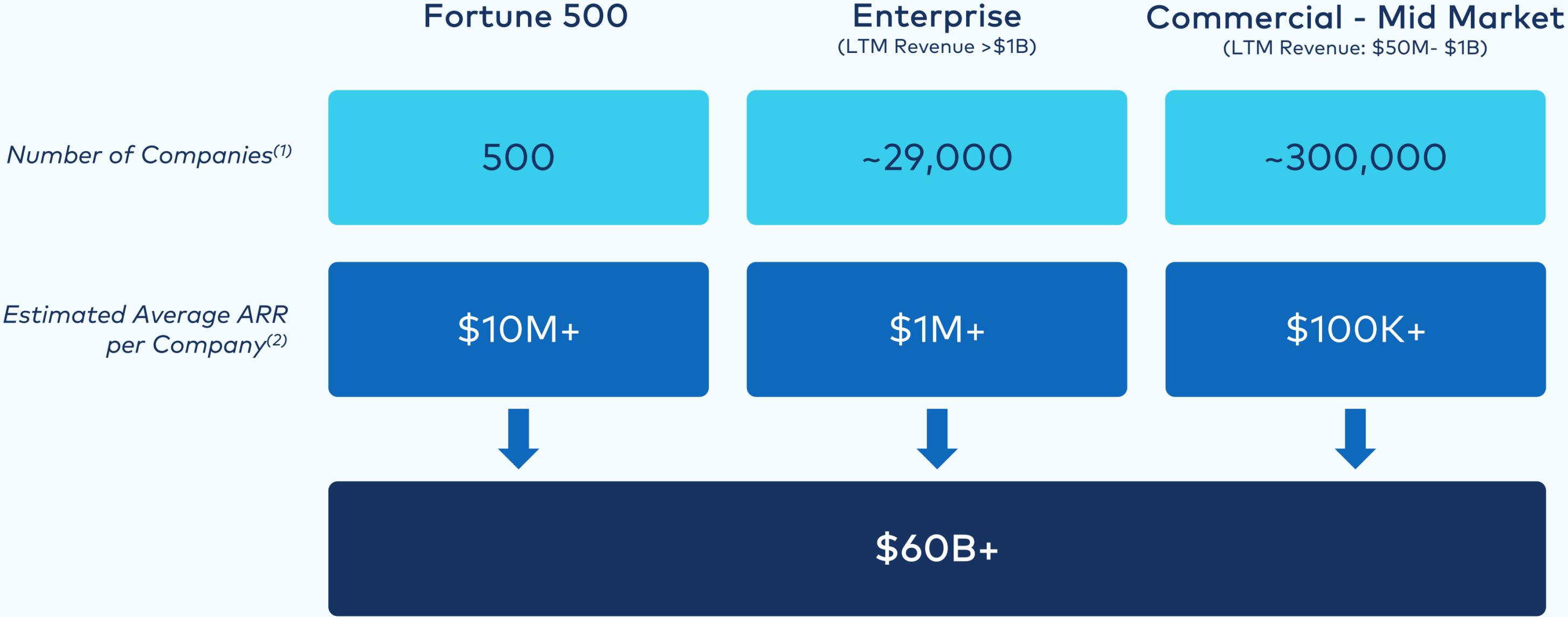
	Fortune 500	Enterprise (LTM Revenue >$1B)	Commercial - Mid Market (LTM Revenue: $50M- $1B)
Number of Companies[1]	500	~29,000	~300,000
Estimated Average ARR per Company[2]	$10M+	$1M+	$100K+

$60B+

The Power of Our Model

Fully-Managed

Confluent Cloud

42% of Q1'23 revenue | 89% y/y growth

Committed subscription or pay-as-you-go

Priced based on type of cluster, compute power, data transfer, and storage used

Revenue recognized based on customer usage[1]

Self-Managed

Confluent Platform

50% of Q1'23 revenue | 16% y/y growth

Committed subscription

Priced per node running on physical or virtual computing machines

Portion of upfront license revenue, substantial majority ratable over contract term

Services | 8% of Q1'23 revenue | 12% y/y growth

| Professional services and education services | Priced on time-and-materials basis; attached to subscriptions sales | Revenue recognized based on completion and utilization |

Significant Revenue Growth at Scale

Annual Revenue
$ in millions

72%+
CAGR
FY18-FY22

$65.2 — FY18
$149.8 — FY19
$236.6 — FY20
$387.9 — FY21
$585.9 — FY22

Quarterly Revenue
$ in millions

	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23
Revenue	$88.3	$102.6	$119.9	$126.1	$139.4	$151.7	$168.7	$174.3
Y/Y Growth		67%	71%	64%	58%	48%	41%	38%
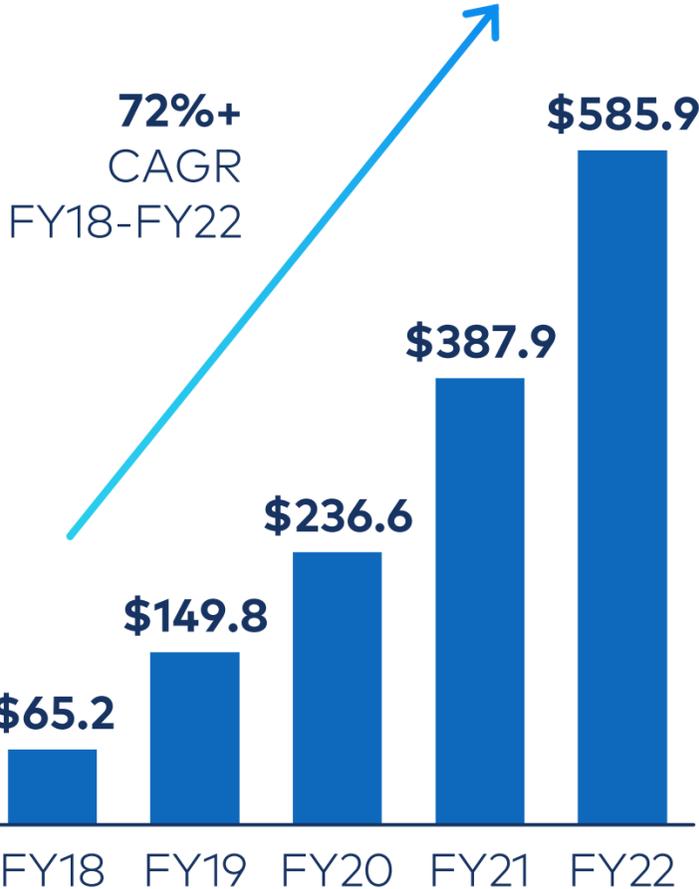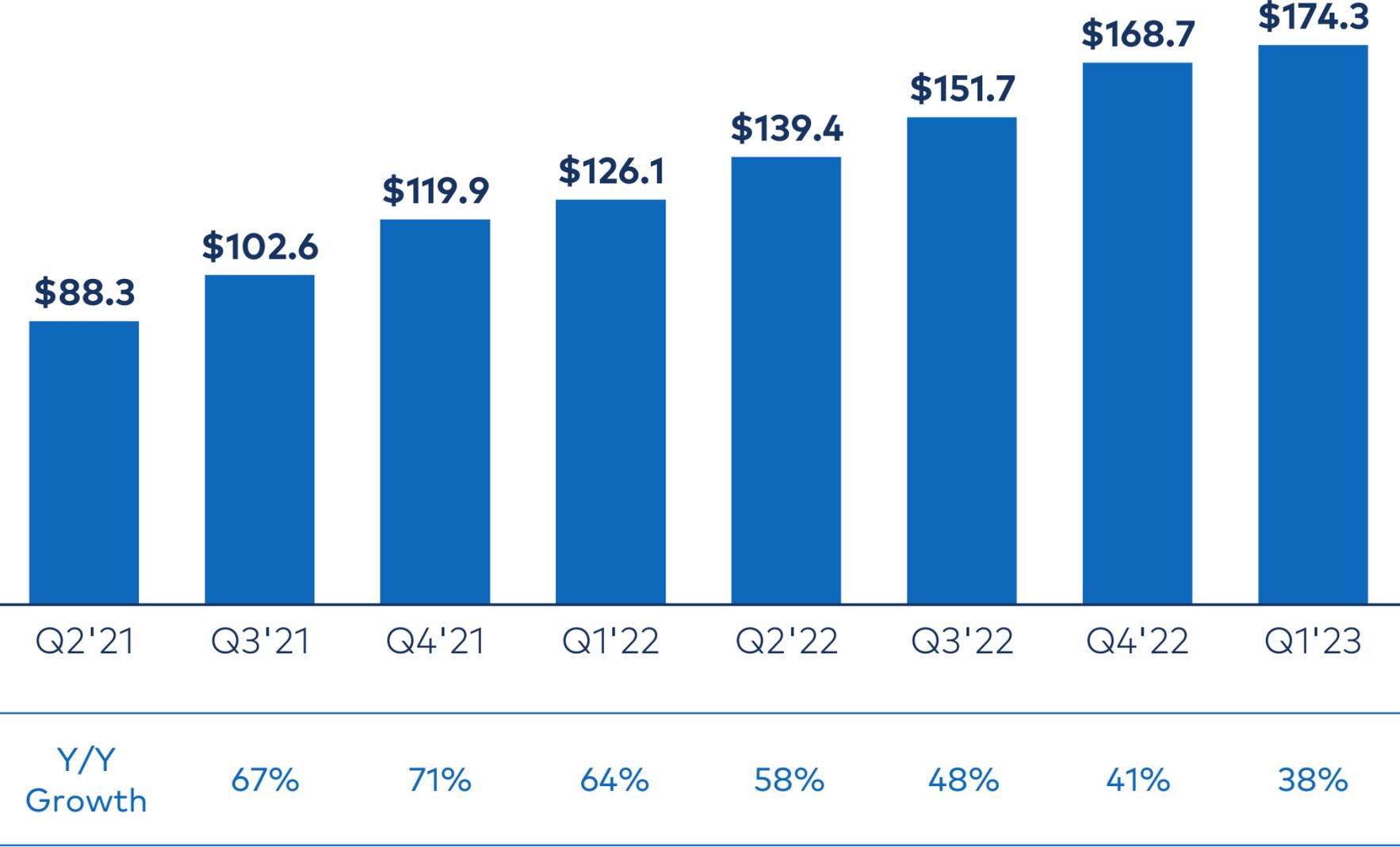
Fast-Growing Confluent Cloud Revenue

Annual Confluent Cloud Revenue
$ in millions

200%+ CAGR FY18-FY22

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

Quarterly Revenue
$ in millions

	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23
	$19.7	$26.8	$33.8	$38.9	$47.0	$56.9	$68.4	$73.6
Q/Q $ Add	$5.8	$7.1	$7.0	$5.1	$8.1	$9.9	$11.5	$5.3
Y/Y Growth		245%	211%	180%	139%	112%	102%	89%
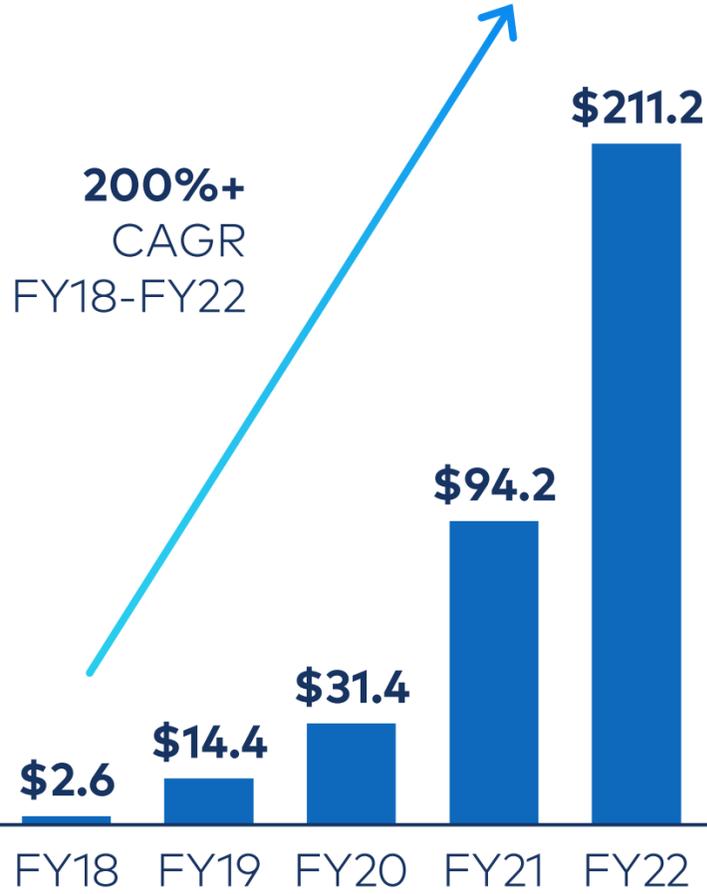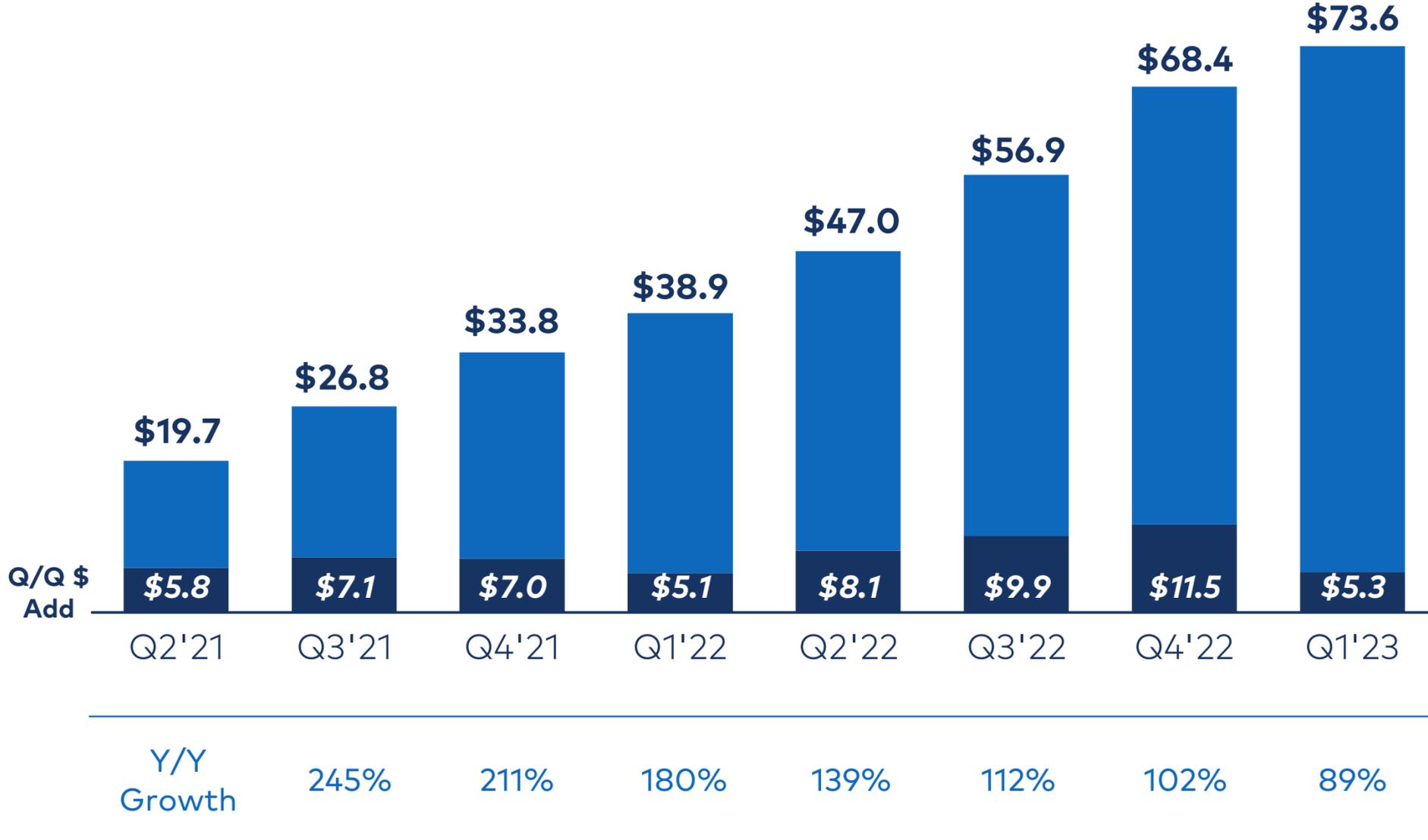
Early International Expansion and Accelerating Adoption of Confluent Cloud

Revenue Mix by Geography
$ in millions

	FY'21	FY'22	Q1'22	Q1'23
Total	$387.9	$585.9	$126.1	$174.3
International	36%	38%	37%	40%
US	64%	62%	63%	60%

Legend: US, International
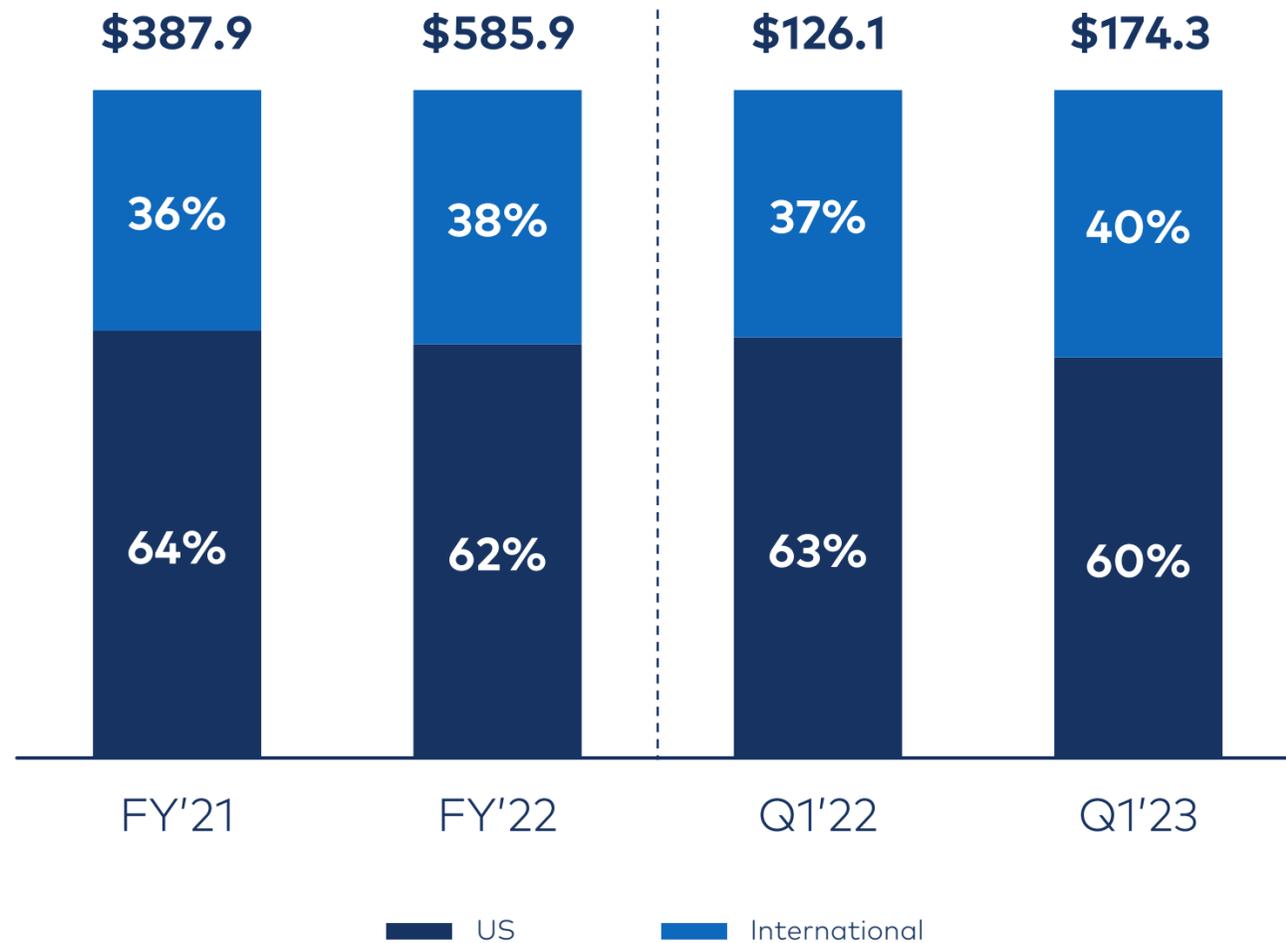
Revenue Mix by Product
$ in millions

	FY'21	FY'22	Q1'22	Q1'23
Total	$387.9	$585.9	$126.1	$174.3
Service	11%	9%	10%	8%
Confluent Cloud	24%	36%	31%	42%
Confluent Platform	65%	55%	59%	50%

Legend: Confluent Platform, Confluent Cloud, Service
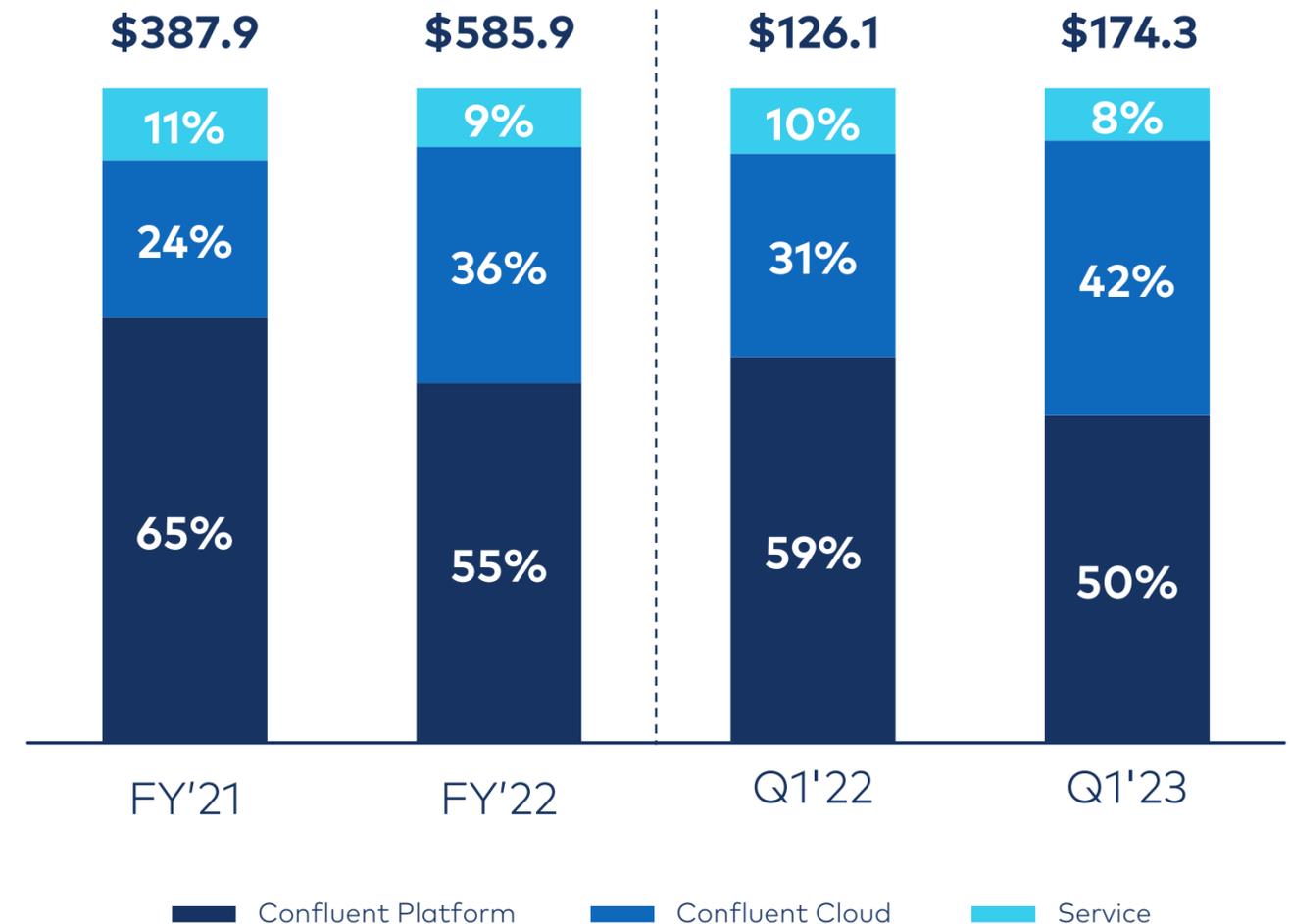
Strong Customer Commitments

Remaining Performance Obligations (RPO)
$ in millions

35% y/y growth
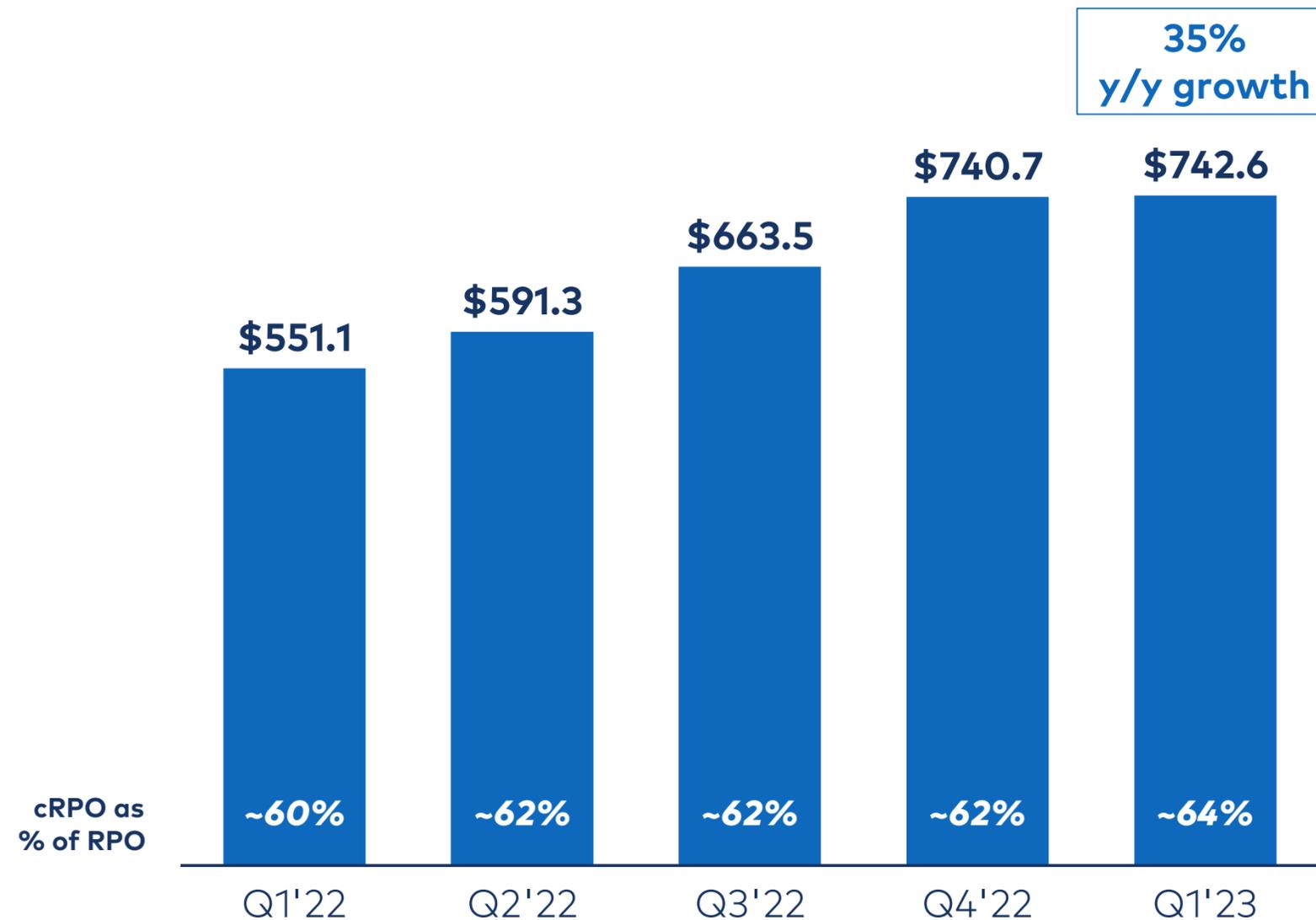
- **RPO represents contractually committed revenue to be recognized in the future, regardless of:**
  - Billings terms
  - Variability in cloud consumption patterns

- **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

	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23
RPO	$551.1	$591.3	$663.5	$740.7	$742.6
cRPO as % of RPO	~60%	~62%	~62%	~62%	~64%

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[1]

14% y/y growth

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

■ Confluent Platform ■ Confluent Cloud
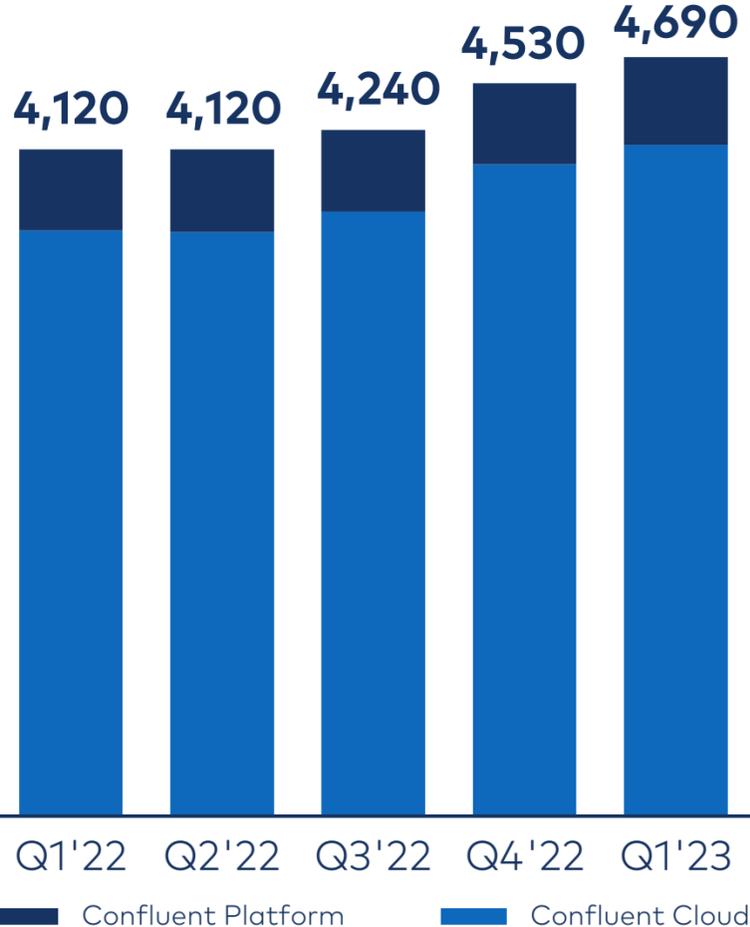
Customers with ≥ $100K in ARR

34% y/y growth

Q1'22	Q2'22	Q3'22	Q4'22	Q1'23
803	862	945	1,015	1,075
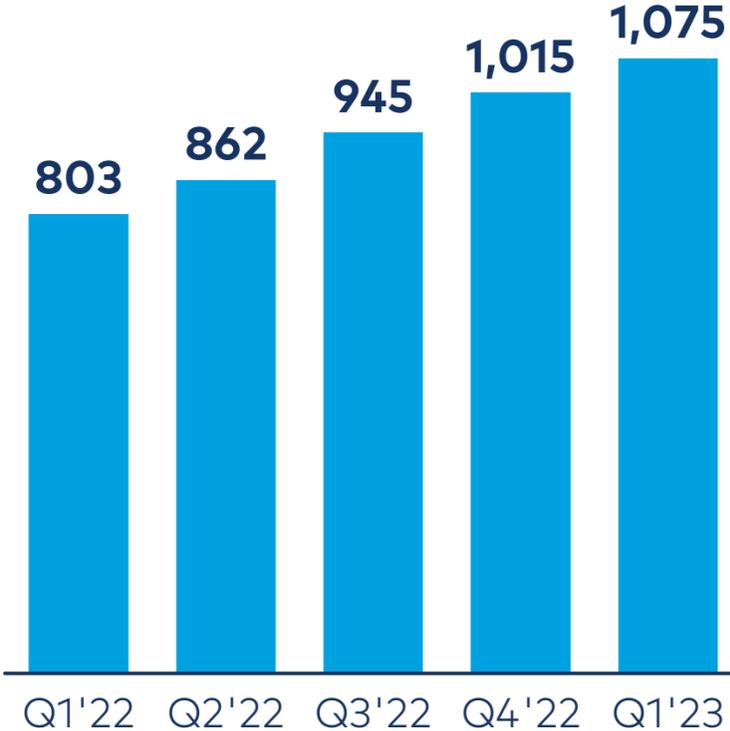
Customers with ≥ $1M in ARR

53% y/y growth

Q1'22	Q2'22	Q3'22	Q4'22	Q1'23
88	99	112	127	135
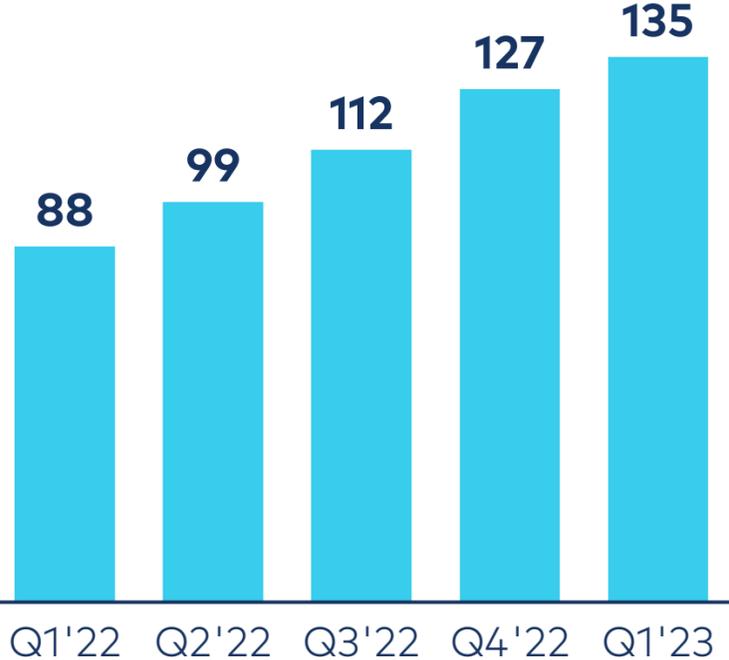
Including a growing number of $5M+ and $10M+ ARR Customers YoY

Note: Commencing with the first quarter of 2023, we updated our methodology for calculating ARR using a consumption-based method for Confluent Cloud, which has been applied retroactively to prior year periods. See Appendix for the updated definitions for "Customers with $100,000 or greater in ARR" and "Customers with $1,000,000 or greater in ARR."
[1] Customer counts as of Q1'23, Q4'22, Q3'22, and Q2'22 include the impact of paywall removal.

Gross Margin Healthy as Revenue Mix Shifts

Total Gross Margin
(Non-GAAP)

69.5%	**71.2%**	**69.7%**	**72.2%**
FY'21	FY'22	Q1'22	Q1'23
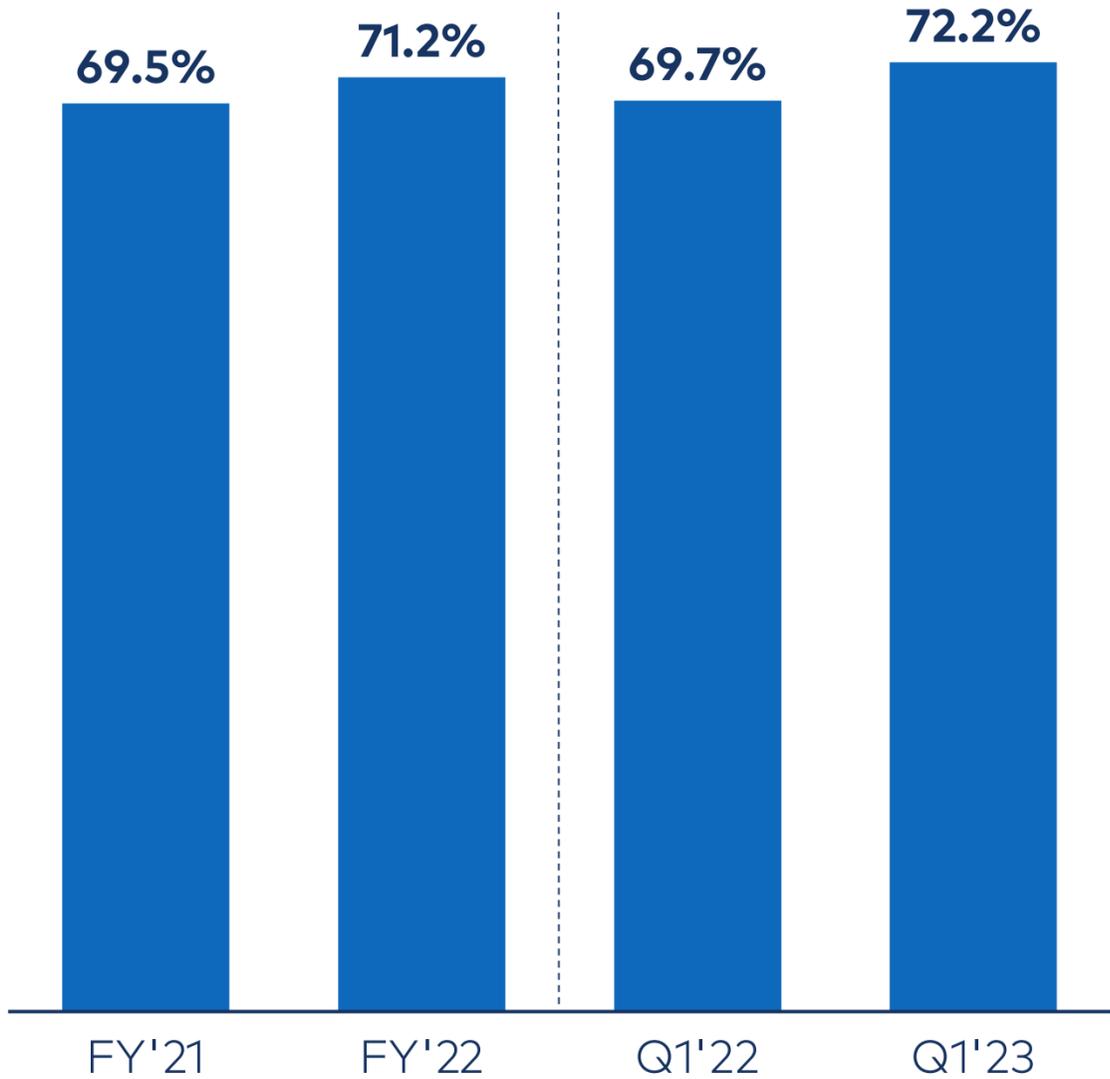
Margin Drivers:

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

Subscription Gross Margin
(Non-GAAP)

76.5%	**77.1%**	**75.5%**	**77.5%**
FY'21	FY'22	Q1'22	Q1'23
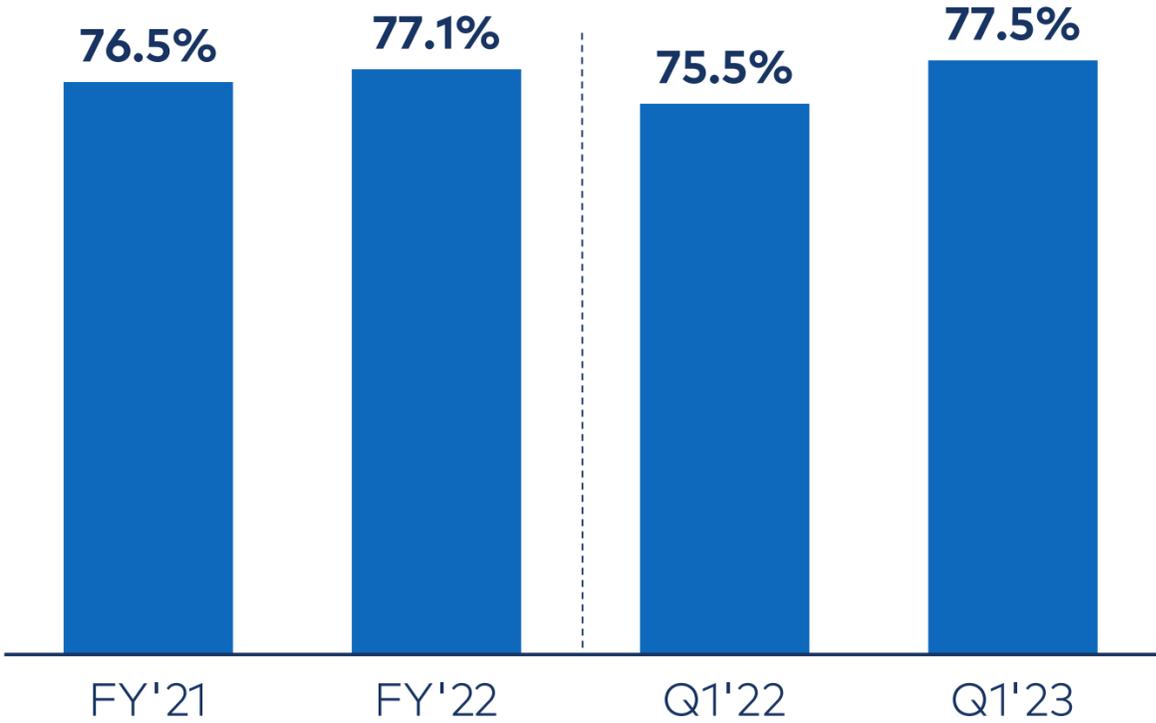
Note: We define non-GAAP gross margin and non-GAAP subscription gross margin as GAAP gross margin and GAAP subscription gross margin, respectively, excluding stock-based compensation expense, employer taxes on employee stock transactions, and amortization of acquired intangibles. Refer to the slides 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.

Investing Prudently for Growth

Total Opex as %
of Revenue
(Non-GAAP)

FY'21	FY'22	Q1'22	Q1'23
110.9%	101.4%	110.7%	95.3%
-41.4%	-30.2%	-41.0%	-23.1%

Non-GAAP Operating Margin

R&D as %
of Revenue
(Non-GAAP)

FY'21	FY'22	Q1'22	Q1'23
28.5%	27.3%	29.0%	26.2%

S&M as %
of Revenue
(Non-GAAP)

FY'21	FY'21	Q1'22	Q1'23
66.9%	60.5%	67.4%	56.2%

G&A as %
of Revenue
(Non-GAAP)

FY'21	FY'22	Q1'22	Q1'23
15.5%	13.6%	14.4%	13.0%

Managing Growth and Profitability

Non-GAAP	Mid-Term Target Annual Revenue Growth: >30%	Long-Term Target
Gross Margin	~70%	72%-75%
Operating Margin	~5%	20%-25%
Free Cash Flow Margin	~10%	>25%

Targeting to exit Q4'23 with breakeven non-GAAP operating margin

Key Takeaways

Category Creating Company Founded by the Creators of Kafka

~$60 Billion 2022 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

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.

Dollar-based Net Retention Rate (NRR)

Commencing with the first quarter of 2023, we updated our methodology for calculating ARR using a consumption-based method for Confluent Cloud, which has been applied retroactively to the calculation of NRR for the prior year periods. The following table summarizes total NRR before and after the methodology change. Going forward, Confluent will disclose NRR under the new methodology only.

	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23
Total NRR (New Methodology)	>130%	>130%	>130%	>130%	>130%
Total NRR (Old Methodology)	>130%	>130%	>130%	Just Under 130%	Just Under 125%

Note:
Definition for the new NRR methodology: See Appendix for the updated definitions for "Annual Recurring Revenue (ARR)" and "Dollar-Based Net Retention Rate."

Definition for the old NRR methodology: "We calculate our NRR as of a period end by starting with the ARR from the cohort of all customers as of the 12 months prior to such period end, or Prior Period Value. We then calculate the ARR from these same customers as of the current period end, or Current Period Value, which includes any growth in the value of subscriptions and is net of contraction or attrition over the prior 12 months. Services and pay-as-you-go arrangements are excluded from the calculation of ARR. We then divide the Current Period Value by the Prior Period Value to arrive at our dollar-based net retention rate. The dollar-based net retention rate includes the effect, on a dollar-weighted value basis, of our subscriptions that expand, renew, contract, or attrit, but excludes ARR from new customers in the current period."

Teleco Use Cases

Teleco
Drive analytics and streamline operations

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
- Streaming Analytics
- Event-driven Microservices
- CDC Patterns from System of Records

...

Retail Services Use Cases

Retail
Drive consumer analytics & streamline operations

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

...

GAAP to Non-GAAP Reconciliations

GAAP to Non-GAAP Reconciliations

(in thousands, except percentages)

	FY'21	FY'22	Q1'22	Q1'23
Total revenue	$387,864	$585,944	$126,139	$174,302
Total gross profit on a GAAP basis	$250,572	$383,529	$80,362	$116,158
Add: Stock-based compensation expense	17,989	32,389	7,175	9,105
Add: Employer taxes on employee stock transactions	1,013	1,173	410	411
Add: Amortization of acquired intangibles	-	-	-	113
Non-GAAP total gross profit	$269,574	$417,091	$87,947	$125,787
Non-GAAP total gross margin	69.5%	71.2%	69.7%	72.2%

	FY'21	FY'22	Q1'22	Q1'23
Subscription revenue	$347,099	$535,009	$113,920	$160,567
Subscription gross profit on a GAAP basis	$252,239	$388,685	$80,317	$117,662
Add: Stock-based compensation expense	12,571	23,136	5,313	6,328
Add: Employer taxes on employee stock transactions	636	569	333	321
Add: Amortization of acquired intangibles	-	-	-	113
Non-GAAP subscription gross profit	$265,446	$412,390	$85,963	$124,424
Non-GAAP subscription gross margin	76.5%	77.1%	75.5%	77.5%

GAAP to Non-GAAP Reconciliations

(in thousands, except percentages)

	FY'21	FY'22	Q1'22	Q1'23
Total revenue	$387,864	$585,944	$126,139	$174,302
Operating expenses on a GAAP basis	$590,192	$846,203	$191,844	$282,251
Less: Stock-based compensation expense	137,635	245,267	50,194	70,184
Less: Employer taxes on employee stock transactions	9,076	5,837	2,029	3,252
Less: Common stock charitable donation expense	13,290	-	-	-
Less: Acquisition-related expenses	-	1,104	-	9,317
Less: Restructuring and other related charges	-	-	-	33,382
Non-GAAP Operating expenses	$430,191	$593,995	$139,621	$166,116
Non-GAAP Operating expenses as a % of total revenue	*110.9%*	*101.4%*	*110.7%*	*95.3%*

	FY'21	FY'22	Q1'22	Q1'23
Total revenue	$387,864	$585,944	$126,139	$174,302
Research and development (R&D) expense on a GAAP basis	$161,925	$264,041	$57,661	$84,890
Less: Stock-based compensation expense	49,051	101,499	20,085	30,015
Less: Employer taxes on employee stock transactions	2,278	2,632	1,039	1,669
Less: Acquisition-related expenses	-	-	-	7,680
Non-GAAP R&D expense	$110,596	$159,910	$36,537	$45,526
Non-GAAP R&D expense as a % of total revenue	*28.5%*	*27.3%*	*29.0%*	*26.1%*

GAAP to Non-GAAP Reconciliations

(in thousands, except percentages)

	FY'21	FY'22	Q1'22	Q1'23
Total revenue	$387,864	$585,944	$126,139	$174,302
Sales and marketing (S&M) expense on a GAAP basis	$319,331	$456,452	$106,702	$128,624
Less: Stock-based compensation expense	55,506	99,366	21,062	28,487
Less: Employer taxes on employee stock transactions	4,266	2,485	680	1,083
Less: Acquisition-related expenses	-	-	-	1,076
Non-GAAP S&M expense	$259,559	$354,601	$84,960	$97,978
Non-GAAP S&M expense as a % of total revenue	*66.9%*	*60.5%*	*67.4%*	*56.2%*
	FY'21	FY'22	Q1'22	Q1'23
Total revenue	$387,864	$585,944	$126,139	$174,302
General and administrative (G&A) expense on a GAAP basis	$108,936	$125,710	27,481	35,355
Less: Stock-based compensation expense	33,078	44,402	9,047	11,682
Less: Employer taxes on employee stock transactions	2,532	720	310	500
Less: Common stock charitable donation expense	13,290	-	-	-
Less: Acquisition-related expenses	-	1,104	-	561
Non-GAAP G&A expense	$60,036	$79,484	$18,124	$22,612
Non-GAAP G&A expense as a % of total revenue	*15.5%*	*13.6%*	*14.4%*	*13.0%*

GAAP to Non-GAAP Reconciliations

(in thousands, except percentages)

	FY'21	FY'22	Q1'22	Q1'23
Total revenue	$387,864	$585,944	$126,139	$174,302
Operating loss on a GAAP basis	$(339,620)	$(462,674)	$(111,482)	$(166,093)
Add: Stock-based compensation expense	155,624	277,656	57,369	79,289
Add: Employer taxes on employee stock transactions	10,089	7,010	2,439	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	$(160,617)	$(176,904)	$(51,674)	$(40,329)
Non-GAAP operating margin	*(41.4%)*	*(30.2%)*	*(41.0%)*	*(23.1%)*