Introducing Confluent

February 10, 2022
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; 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: the impact of the ongoing COVID-19 pandemic on our business, as well as our customers, prospects, partners, and service providers, (ii) our ability to sustain and manage our rapid growth, (iii) our limited operating history, (iv) our ability to attract new customers and retain and sell additional features and services to our existing customers, (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 or sustain profitability, (vii) the estimated addressable market opportunity for our offering, (viii) our ability to compete effectively in an increasingly competitive market, including achieving market acceptance over competitors and open source alternatives, (ix) our ability to attract and retain highly qualified personnel, (x) breaches in our security measures or unauthorized access to our platform, our data, or our customers’ or other users’ personal data, (xi) our reliance on third-party cloud-based infrastructure to host Confluent Cloud, and (xii) general market, political, economic, and business conditions. Moreover, we operate in very competitive and rapidly changing environments, and new risks may emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. You should not rely upon the forward-looking statements as predictions of future events. The future events and trends discussed in this presentation may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that future results, levels of activity, performance, achievements or events and circumstances reflected in the forward-looking statements will occur. Except to the extent required by law, we do not undertake to update any of these forward-looking statements after the date of this presentation to conform these statements to actual results or revised expectations. In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this presentation. While we believe such information provides a reasonable basis for these statements, such information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

This presentation also contains statistical data, estimates and forecasts made by independent parties and by us relating to market size and growth, as well as other data about our industry and business. These data involve a number of assumptions and limitations, and we have not independently verified the accuracy or completeness of these data. Neither we nor any other person makes any representation as to the accuracy or completeness of such data or undertakes any obligation to update such data after the date of this presentation. In addition, projections, assumptions and estimates of our future performance and the future performance of the markets in which we operate are necessarily subject to a high degree of uncertainty and risk. The Gartner content described herein (the “Gartner Content”) represents research opinions or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. (“Gartner”), and are not representations of fact. The Gartner Content speaks as of its original publication date (and not as of the date of this presentation), and the opinions expressed in the Gartner Content are subject to change without notice.

This presentation includes certain non-GAAP financial measures as defined by Securities and Exchange Commission (“SEC”) rules. Because not all companies calculate non-GAAP financial information identically (or at all), the presentations herein may not be comparable to other similarly titled measures used by other companies. Further, such non-GAAP financial information of Confluent should be considered in addition to, and not as superior to or as a substitute for, the historical consolidated financial statements of Confluent prepared in accordance with GAAP. 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.
Confluent Momentum-at-a-Glance

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

~$50B Total Addressable Market¹

<table>
<thead>
<tr>
<th></th>
<th>FY'20</th>
<th>FY'21</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Revenue</strong></td>
<td>$237M / 58% YoY</td>
<td>$388M / 64% YoY</td>
</tr>
<tr>
<td><strong>Confluent Cloud Revenue</strong></td>
<td>$31M / 117% YoY</td>
<td>$94M / 200% YoY</td>
</tr>
<tr>
<td><strong>Dollar-Based Net Retention Rate</strong></td>
<td>125%</td>
<td>&gt; 130%</td>
</tr>
<tr>
<td><strong>Total Customers</strong></td>
<td>~2,100</td>
<td>~3,470</td>
</tr>
<tr>
<td><strong>Customers with ≥ $100K in ARR</strong></td>
<td>513</td>
<td>734</td>
</tr>
</tbody>
</table>


See Definitions page for "Dollar-Based Net Retention Rate", Total Customers," and "Customers with $100,000 or greater in ARR" definitions.
Confluent is on a mission to set data in motion
The digital realm is as important as the physical world in how business is transacted.
Businesses are Becoming Software
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
New use cases need new capabilities

This requires **total connectivity** and **instant reaction, all the time, in real-time**
The Foundational Assumption of Every Database: Data at Rest

Simple, static real-time queries

Slow, daily batch processing

Data at Rest
Databases Bring Point-in-Time Queries to Stored Data; This Leads to a Giant Mess in Data Architecture
Data in motion:
Ubiquitous real-time data and continuous real-time processing
Originally created by the founders of Confluent while at LinkedIn

>70% of the F500 estimated to be using Apache Kafka

>60,000 Kafka meetup members

>200 global meetup groups
A New Paradigm is Required for Data in Motion:
Continuously Processing Evolving Streams of Data in Real-time
From Giant Mess to Central Nervous System
From Giant Mess to Central Nervous System
# The New Data Infrastructure Category

<table>
<thead>
<tr>
<th>Collaboration</th>
<th>Applications</th>
<th>IT Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>zoom</td>
<td>salesforce</td>
<td>servicenow</td>
</tr>
<tr>
<td>slack</td>
<td>workday</td>
<td>datadog</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ca</td>
</tr>
</tbody>
</table>

## Data Infrastructure

**Data Analytics & Warehousing / OLAP**
- snowflake
- teradata
- ORACLE
- databricks

**Data in Motion**
- CONFLUENT

**Databases / DBaaS / OLTP**
- MongoDB
- redislabs
- ORACLE
- cassandra

**Infrastructure**
- IBM
- Pivotal
- vmware

- Google
- Microsoft
- AWS
Confluent is Becoming the Central Nervous System of the Modern Technology Stack
| Use Cases Across All Industries |
|--------------------------------|---|
| **Retail**                     | **Healthcare**                  |
| Inventory Management           | Connected Health Records        |
| Personalized Promotions        | Data Confidentiality & Accessibility |
| Product Development & Introduction | Dynamic Staff Allocation Optimization |
| Sentiment Analysis             | Integrated Treatment            |
| Streaming Enterprise Messaging  | Proactive Patient Care          |
| Systems of Scale for High Traffic Periods | Real-Time Monitoring |
| **Finance & Banking**          | **Transportation**              |
| Early-On Fraud Detection       | Advanced Navigation             |
| Capital Management             | Environmental Factor Processing |
| Market Risk Recognition & Investigation | Fleet Management |
| Preventive Regulatory Scanning | Predictive Maintenance           |
| Real-Time What-If Analysis     | Threat Detection & Real-Time Response |
| Trade Flow Monitoring          | Traffic Distribution Optimization |
| **Common in all Industries**   | **Data Pipelines**              |
| Data Pipelines                 | Hybrid Cloud Integration        |
| Hybrid Cloud Integration       | Microservices                   |
| Product Development & Introduction | Security and Fraud |
| Sentiment Analysis             | Customer 360                    |
| Streaming Enterprise Messaging  | Streaming ETL                   |
| Systems of Scale for High Traffic Periods |
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

**Global Human Resources Solution Company**
- Rapid global adoption driving elevated customer experiences and seamless internal engineering initiatives
- **$0.1** (Q3'20) → **$1.4** (Q4'20) → **$1.9** (Q2'21) → **$4.1** (Q4'21)
- Expansion multiple: **46x**

**Payment Card Provider**
- Secured the ability to continue doing business throughout the globe unlocked by Confluent with use cases including GDPR and mandate processing
- **$0.2** (Q2'17) → **$1.0** (Q4'19) → **$1.5** (Q4'20) → **$3.4** (Q4'21)
- Expansion multiple: **23x**

**Global Financial Institution**
- Increased adoption of Confluent with new use cases in next generation payments processing, fraud detection, and card services
- **$0.5** (Q4'17) → **$2.8** (Q4'18) → **$6.9** (Q4'20) → **$7.4** (Q4'21)
- Expansion multiple: **14x**

**Health Benefits Provider**
- Accelerated claims approval and processing, member digital experience, and internal systems aggregation
- **$0.3** (Q4'18) → **$0.5** (Q4'19) → **$1.3** (Q4'20) → **$2.3** (Q4'21)
- Expansion multiple: **8x**

Note: The expansion multiple is calculated based on the land ARR and the Q4’21 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 Building Society
- AFFIN HWANG CAPITAL Asset Management
- Euronext
- Morgan Stanley
- Goldman Sachs
- RBC
- Bank of America
- PNC

**Technology**
- Square
- eBay
- Q2
- PayPal
- Care.com
- judo bank
- optimove
- instacart
- Viewpoint
- homepoint
- snagajob
- Robinhood

**Communications & Media**
- Telefónica
- Unity
- ticketmaster
- NETFLIX
- Intrado
- TiVo
- 8x8
- sky

**Manufacturing**
- BAADER
- BOSCH
- ENGEL
- Amway
- RODAN+FIELDS

**Consumer & Retail**
- Walmart
- nuuly
- go.com
- Boden
- THE HOME DEPOT
- s.Oliver
- Shipt
- DICK’S Sporting Goods
- Domino’s

**Automotive & Transportation**
- Advance Auto Parts
- GTÜ
- DB
- Lufthansa
- DriveCentric

**Healthcare**
- alight
- BHG
- RECURSION
- surescripts

**Insurance**
- Generali
- Ladder
- Humana
- Vitality
- CENTENE Corporation
Using Confluent Everywhere

Confluent Cloud
Apache Kafka Re-engineered for the Cloud
Available on the leading public clouds

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

Focus

Deep focus on data in motion

● End-to-end operationalized customer journey

● Expanding mindshare and innovation in the new category of data in motion

● Support at large scale with mission-critical use cases

Differentiated Product

Cloud-native: Kafka re-imagined for the cloud

Complete: Connectors, security & governance, SQL processing

Everywhere: Spans all major clouds and on-premises
Our Product Advantage

Open Source

Apache Kafka

Confluent Server

Connectivity
Stream Processing
Enterprise Security & Governance
...100s more features

Multi-cloud SaaS & Private Cloud

A Complete Data-in-Motion Platform
Kafka completely re-architected to be Cloud-native
Fully managed service and software, available Everywhere
Data in Motion Journey

1. Individual Use Case
   Individual Team Project

2. Early Production Usage

3. Mission Critical, But Disconnected Use Case


5. Central Nervous System

Product, Support, Training, Partners, Technical Account Management...
Developer-led Motion and Enterprise Sales Motion are Complementary

- Awareness of Solution
- Evaluation
- Development
- Self-service Adoption
  - Pay as you go
  - Community download
- Enterprise Sales
  - Committed contract
- Production
Network Effects Drive Further Expansion

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

Applications Bring Data In Motion

Data In Motion Brings New Applications

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
- Amazon Web Services (AWS)
- Google
### Cloud Competitive Landscape

<table>
<thead>
<tr>
<th></th>
<th>Cloud-Native</th>
<th>Complete</th>
<th>Everywhere</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Confluent</strong></td>
<td><img src="image" alt="Cloud-Native" /></td>
<td><img src="image" alt="Complete" /></td>
<td><img src="image" alt="Everywhere" /></td>
</tr>
<tr>
<td>Microsoft</td>
<td><img src="image" alt="Cloud-Native" /></td>
<td><img src="image" alt="Complete" /></td>
<td><img src="image" alt="Everywhere" /></td>
</tr>
<tr>
<td>Event Hubs</td>
<td><img src="image" alt="Cloud-Native" /></td>
<td><img src="image" alt="Complete" /></td>
<td><img src="image" alt="Everywhere" /></td>
</tr>
<tr>
<td><strong>Google</strong></td>
<td><img src="image" alt="Cloud-Native" /></td>
<td><img src="image" alt="Complete" /></td>
<td><img src="image" alt="Everywhere" /></td>
</tr>
<tr>
<td>Dataflow</td>
<td><img src="image" alt="Cloud-Native" /></td>
<td><img src="image" alt="Complete" /></td>
<td><img src="image" alt="Everywhere" /></td>
</tr>
<tr>
<td>Pub/Sub</td>
<td><img src="image" alt="Cloud-Native" /></td>
<td><img src="image" alt="Complete" /></td>
<td><img src="image" alt="Everywhere" /></td>
</tr>
<tr>
<td><strong>Amazon</strong></td>
<td><img src="image" alt="Cloud-Native" /></td>
<td><img src="image" alt="Complete" /></td>
<td><img src="image" alt="Everywhere" /></td>
</tr>
<tr>
<td>Kinesis</td>
<td><img src="image" alt="Cloud-Native" /></td>
<td><img src="image" alt="Complete" /></td>
<td><img src="image" alt="Everywhere" /></td>
</tr>
<tr>
<td>MSK</td>
<td><img src="image" alt="Cloud-Native" /></td>
<td><img src="image" alt="Complete" /></td>
<td><img src="image" alt="Everywhere" /></td>
</tr>
</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**
One Team, One Mission: Set Data in Motion

[Image of team members]

1,981 employees as of Q4 2021

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
Lead at Square and Infrastructure/Information Security Lead at Block
Financial Highlights
Large and Fast-Growing Total Addressable Market

2021 Total Addressable Market

- $50B

$31B

$7B

$7B

$4B

2021 Total Addressable Market Growth

22% CAGR 2021-2024

$91B¹

~$50B

¹ Calculations performed by Confluent based on Gartner data and estimates for 2024 total market size.
⁴ Excluding Full Life Cycle API Management, BPM Suites, TPM, RPA, and DXP.
⁵ Excluding Prerelational-era DBMS.
⁶ Excluding other Traditional BI Platforms.
⁷ Excluding other Data Integration Software.
The Power of Our Model

**Confluent Cloud**
28% of Q4’21 revenue | 211% 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\(^1\)

**Confluent Platform**
62% of Q4’21 revenue | 42% 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**
10% of Q4’21 revenue | 65% 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

\(^1\) For contracts that are not usage-based, revenue from Confluent Cloud is recognized ratable over the non-cancelable contractual term of the arrangement. Effective Q3 2020, usage-based contract is the default offering for Confluent Cloud.
**Significant Revenue Growth at Scale**

**Annual Revenue**

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue ($ in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY18</td>
<td>$65.2</td>
</tr>
<tr>
<td>FY19</td>
<td>$149.8</td>
</tr>
<tr>
<td>FY20</td>
<td>$236.6</td>
</tr>
<tr>
<td>FY21</td>
<td>$387.9</td>
</tr>
</tbody>
</table>

80%+ CAGR FY18-FY21

**Quarterly Revenue**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Revenue ($ in millions)</th>
<th>Y/Y Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1'20</td>
<td>$50.9</td>
<td>58%</td>
</tr>
<tr>
<td>Q2'20</td>
<td>$53.9</td>
<td>60%</td>
</tr>
<tr>
<td>Q3'20</td>
<td>$61.5</td>
<td>46%</td>
</tr>
<tr>
<td>Q4'20</td>
<td>$70.3</td>
<td>51%</td>
</tr>
<tr>
<td>Q1'21</td>
<td>$77.0</td>
<td>64%</td>
</tr>
<tr>
<td>Q2'21</td>
<td>$88.3</td>
<td>67%</td>
</tr>
<tr>
<td>Q3'21</td>
<td>$102.6</td>
<td>71%</td>
</tr>
<tr>
<td>Q4'21</td>
<td>$119.9</td>
<td></td>
</tr>
</tbody>
</table>
Early International Expansion and Accelerating Adoption of Confluent Cloud

Revenue Mix by Geography

$ in millions

<table>
<thead>
<tr>
<th>Year</th>
<th>US</th>
<th>International</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY'20</td>
<td>66%</td>
<td>34%</td>
</tr>
<tr>
<td>FY'21</td>
<td>64%</td>
<td>36%</td>
</tr>
<tr>
<td>Q4'20</td>
<td>63%</td>
<td>37%</td>
</tr>
<tr>
<td>Q4'21</td>
<td>62%</td>
<td>38%</td>
</tr>
</tbody>
</table>

Revenue Mix by Product

$ in millions

<table>
<thead>
<tr>
<th>Year</th>
<th>Confluent Platform</th>
<th>Confluent Cloud</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY'20</td>
<td>75%</td>
<td>12%</td>
<td>13%</td>
</tr>
<tr>
<td>FY'21</td>
<td>65%</td>
<td>11%</td>
<td>24%</td>
</tr>
<tr>
<td>Q4'20</td>
<td>74%</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>Q4'21</td>
<td>62%</td>
<td>10%</td>
<td>28%</td>
</tr>
</tbody>
</table>

Note: Q4'20 revenue mix by product does not sum to 100% due to rounding.
Fast-Growing Confluent Cloud Revenue

Annual Confluent Cloud Revenue

$ in millions

<table>
<thead>
<tr>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2.6</td>
<td>$14.4</td>
<td>$31.4</td>
<td>$94.2</td>
</tr>
</tbody>
</table>

230%+ CAGR FY18-FY21¹

Quarterly Revenue

$ in millions

<table>
<thead>
<tr>
<th>Q1’20</th>
<th>Q2’20</th>
<th>Q3’20</th>
<th>Q4’20</th>
<th>Q1’21</th>
<th>Q2’21</th>
<th>Q3’21</th>
<th>Q4’21</th>
</tr>
</thead>
<tbody>
<tr>
<td>$6.2</td>
<td>$6.6</td>
<td>$7.8</td>
<td>$10.9</td>
<td>$13.9</td>
<td>$19.7</td>
<td>$26.8</td>
<td>$33.8</td>
</tr>
</tbody>
</table>

Y/Y Growth 121% 88% 101% 124% 200% 245% 211%

¹ Based on actual unrounded revenue calculation. Calculation with rounded revenue as shown above results in 231% CAGR FY18-FY21.
**Strong Customer Commitments**

Remaining Performance Obligations (RPO)  
$ in millions

- **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**
- Q4’20: ~2,100
- Q1’21: ~3,470
- Y/Y Growth: 65%

**Customers with ≥ $100K in ARR**
- Q4’20: 513
- Q1’21: 734
- Y/Y Growth: 43%

**Customers with ≥ $1M in ARR**
- Q4’20: 56
- Q1’21: 88
- Y/Y Growth: 57%

Note: See Definitions page for “Total Customers,” “Customers with $100,000 or greater in ARR,” and “Customers with $1,000,000 or greater in ARR” definitions.
Gross Margin Healthy as Revenue Mix Shifts

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

- FY’20: 69.9%
- FY’21: 69.5%
- Q4’20: 71.8%
- Q4’21: 68.2%

**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)**

- FY’20: 77.6%
- FY’21: 76.5%
- Q4’20: 78.7%
- Q4’21: 74.7%

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 and employer taxes on employee stock transactions. 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.
Operating Expenses

Total Opex as % of Revenue (Non-GAAP)

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

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

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

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.
Key Takeaways

1. Category Creating Company Founded by the Creators of Kafka
2. Positioned to Capitalize on the Large and Growing Shift to Cloud
3. Expansion Driven by Network Effects
4. -$50 Billion 2021 Total Addressable Market
5. Strong Growth and Long-Term Margin Profile
6. Seasoned Management Team with Track Record of Execution

Definitions

Annual Recurring Revenue (ARR):
We define ARR as the revenue customers contractually committed to over the following 12 months assuming no increases or reductions in their subscriptions. ARR excludes services and pay-as-you-go arrangements. Similar to RPO, ARR as a metric is not necessarily indicative of future revenue growth because it does not account for the timing of customers’ consumption or future expansion.

Dollar-Based Net Retention Rate:
We calculate our dollar-based net retention rate 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.

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
<table>
<thead>
<tr>
<th></th>
<th>FY'20</th>
<th>FY'21</th>
<th>Q4'20</th>
<th>Q4'21</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total revenue</strong></td>
<td>$236,577</td>
<td>$387,864</td>
<td>$70,324</td>
<td>$119,928</td>
</tr>
<tr>
<td><strong>Total gross profit on a GAAP basis</strong></td>
<td>$161,101</td>
<td>$250,572</td>
<td>$49,407</td>
<td>$73,782</td>
</tr>
<tr>
<td>Add: Stock-based compensation expense</td>
<td>4,317</td>
<td>17,989</td>
<td>1,115</td>
<td>7,508</td>
</tr>
<tr>
<td>Add: Employer taxes on employee stock transactions</td>
<td>25</td>
<td>1,013</td>
<td>-</td>
<td>521</td>
</tr>
<tr>
<td><strong>Non-GAAP total gross profit</strong></td>
<td>$165,443</td>
<td>$269,574</td>
<td>$50,522</td>
<td>$81,811</td>
</tr>
<tr>
<td><strong>Non-GAAP total gross margin</strong></td>
<td>69.9%</td>
<td>69.5%</td>
<td>71.8%</td>
<td>68.2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>FY'20</th>
<th>FY'21</th>
<th>Q4'20</th>
<th>Q4'21</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Subscription revenue</strong></td>
<td>$208,633</td>
<td>$347,099</td>
<td>$63,219</td>
<td>$108,191</td>
</tr>
<tr>
<td><strong>Subscription gross profit on a GAAP basis</strong></td>
<td>$159,350</td>
<td>$252,239</td>
<td>$49,057</td>
<td>$74,869</td>
</tr>
<tr>
<td>Add: Stock-based compensation expense</td>
<td>2,572</td>
<td>12,571</td>
<td>703</td>
<td>5,479</td>
</tr>
<tr>
<td>Add: Employer taxes on employee stock transactions</td>
<td>9</td>
<td>636</td>
<td>-</td>
<td>481</td>
</tr>
<tr>
<td><strong>Non-GAAP subscription gross profit</strong></td>
<td>$161,931</td>
<td>$265,446</td>
<td>$49,760</td>
<td>$80,829</td>
</tr>
<tr>
<td><strong>Non-GAAP subscription gross margin</strong></td>
<td>77.6%</td>
<td>76.5%</td>
<td>78.7%</td>
<td>74.7%</td>
</tr>
</tbody>
</table>
## GAAP to Non-GAAP Reconciliations

*(in thousands, except percentages)*

<table>
<thead>
<tr>
<th></th>
<th>FY'20</th>
<th>FY'21</th>
<th>Q4'20</th>
<th>Q4'21</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total revenue</strong></td>
<td>$236,577</td>
<td>$387,864</td>
<td>$70,324</td>
<td>$119,928</td>
</tr>
<tr>
<td><strong>Operating expenses on a GAAP basis</strong></td>
<td>$394,276</td>
<td>$590,192</td>
<td>$81,708</td>
<td>$187,462</td>
</tr>
<tr>
<td>Less: Stock-based compensation expense</td>
<td>139,024</td>
<td>137,635</td>
<td>8,629</td>
<td>50,564</td>
</tr>
<tr>
<td>Less: Employer taxes on employee stock transactions</td>
<td>495</td>
<td>9,076</td>
<td>243</td>
<td>5,431</td>
</tr>
<tr>
<td>Less: Common stock charitable donation expense</td>
<td>-</td>
<td>13,290</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Non-GAAP Operating expenses</strong></td>
<td>$254,757</td>
<td>$430,191</td>
<td>$72,836</td>
<td>$131,467</td>
</tr>
<tr>
<td><strong>Non-GAAP Operating expenses as a % of total revenue</strong></td>
<td>107.7%</td>
<td>110.9%</td>
<td>103.6%</td>
<td>109.6%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>FY'20</th>
<th>FY'21</th>
<th>Q4'20</th>
<th>Q4'21</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total revenue</strong></td>
<td>$236,577</td>
<td>$387,864</td>
<td>$70,324</td>
<td>$119,928</td>
</tr>
<tr>
<td><strong>Research and development (R&amp;D) expense on a GAAP basis</strong></td>
<td>$105,399</td>
<td>$161,925</td>
<td>$21,861</td>
<td>$56,686</td>
</tr>
<tr>
<td>Less: Stock-based compensation expense</td>
<td>33,755</td>
<td>49,051</td>
<td>2,937</td>
<td>20,298</td>
</tr>
<tr>
<td>Less: Employer taxes on employee stock transactions</td>
<td>81</td>
<td>2,278</td>
<td>27</td>
<td>1,279</td>
</tr>
<tr>
<td><strong>Non-GAAP R&amp;D expense</strong></td>
<td>$71,563</td>
<td>$110,596</td>
<td>$18,897</td>
<td>$35,109</td>
</tr>
<tr>
<td><strong>Non-GAAP R&amp;D expense as a % of total revenue</strong></td>
<td>30.2%</td>
<td>28.5%</td>
<td>26.9%</td>
<td>29.3%</td>
</tr>
</tbody>
</table>
GAAP to Non-GAAP Reconciliations
(in thousands, except percentages)

<table>
<thead>
<tr>
<th></th>
<th>FY'20</th>
<th>FY'21</th>
<th>Q4'20</th>
<th>Q4'21</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total revenue</strong></td>
<td>$236,577</td>
<td>$387,864</td>
<td>$70,324</td>
<td>$119,928</td>
</tr>
<tr>
<td><strong>Sales and marketing (S&amp;M) expense on a GAAP basis</strong></td>
<td>$166,361</td>
<td>$319,331</td>
<td>$47,838</td>
<td>$100,625</td>
</tr>
<tr>
<td>Less: Stock-based compensation expense</td>
<td>14,734</td>
<td>55,506</td>
<td>3,247</td>
<td>20,859</td>
</tr>
<tr>
<td>Less: Employer taxes on employee stock transactions</td>
<td>271</td>
<td>4,266</td>
<td>214</td>
<td>2,317</td>
</tr>
<tr>
<td><strong>Non-GAAP S&amp;M expense</strong></td>
<td>$151,356</td>
<td>$259,559</td>
<td>$44,377</td>
<td>$77,449</td>
</tr>
<tr>
<td><strong>Non-GAAP S&amp;M expense as a % of total revenue</strong></td>
<td>64.0%</td>
<td>66.9%</td>
<td>63.1%</td>
<td>64.6%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>FY'20</th>
<th>FY'21</th>
<th>Q4'20</th>
<th>Q4'21</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total revenue</strong></td>
<td>$236,577</td>
<td>$387,864</td>
<td>$70,324</td>
<td>$119,928</td>
</tr>
<tr>
<td><strong>General and administrative (G&amp;A) expense on a GAAP basis</strong></td>
<td>$122,516</td>
<td>$108,936</td>
<td>$12,009</td>
<td>$30,151</td>
</tr>
<tr>
<td>Less: Stock-based compensation expense</td>
<td>90,535</td>
<td>33,078</td>
<td>2,445</td>
<td>9,407</td>
</tr>
<tr>
<td>Less: Employer taxes on employee stock transactions</td>
<td>143</td>
<td>2,532</td>
<td>2</td>
<td>1,835</td>
</tr>
<tr>
<td>Less: Common stock charitable donation expense</td>
<td>-</td>
<td>13,290</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Non-GAAP G&amp;A expense</strong></td>
<td>$31,838</td>
<td>$60,036</td>
<td>$9,562</td>
<td>$18,909</td>
</tr>
<tr>
<td><strong>Non-GAAP G&amp;A expense as a % of total revenue</strong></td>
<td>13.5%</td>
<td>15.5%</td>
<td>13.6%</td>
<td>15.8%</td>
</tr>
</tbody>
</table>
## GAAP to Non-GAAP Reconciliations
(in thousands, except percentages)

<table>
<thead>
<tr>
<th></th>
<th>FY'20</th>
<th>FY'21</th>
<th>Q4'20</th>
<th>Q4'21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>$236,577</td>
<td>$387,864</td>
<td>$70,324</td>
<td>$119,928</td>
</tr>
<tr>
<td>Operating loss on a GAAP basis</td>
<td>$(233,175)</td>
<td>$(339,620)</td>
<td>$(32,301)</td>
<td>$(113,680)</td>
</tr>
<tr>
<td>Add: Stock-based compensation expense</td>
<td>143,341</td>
<td>155,624</td>
<td>9,744</td>
<td>58,072</td>
</tr>
<tr>
<td>Add: Employer taxes on employee stock transactions</td>
<td>520</td>
<td>10,089</td>
<td>243</td>
<td>5,952</td>
</tr>
<tr>
<td>Add: Common stock charitable donation expense</td>
<td>-</td>
<td>13,290</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Non-GAAP operating loss</td>
<td>$(89,314)</td>
<td>$(160,617)</td>
<td>$(22,314)</td>
<td>$(49,656)</td>
</tr>
<tr>
<td>Non-GAAP operating margin</td>
<td>(37.8)%</td>
<td>(41.4)%</td>
<td>(31.7)%</td>
<td>(41.4)%</td>
</tr>
</tbody>
</table>

In connection with a tender offer and secondary sales of our common stock and convertible founder stock, stock-based compensation for the year ended December 31, 2020 included $0.6 million, $23.9 million, $3.5 million, and $83.9 million of expense within cost of revenue, research and development expense, sales and marketing expense, and general and administrative expense, respectively, for an aggregate of $111.9 million of expense related to the amount paid in excess of the estimated fair value of common stock as of the date of the transactions.