Introducing Confluent

August 3, 2022
Disclaimer

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Confluent Momentum-at-a-Glance

Founded in 2014 by the Original Creators of Apache Kafka

~$50B Total Addressable Market¹

<table>
<thead>
<tr>
<th>Q2’22 TTM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
</tr>
<tr>
<td>$488M / 64% YoY</td>
</tr>
<tr>
<td>Confluent Cloud Revenue</td>
</tr>
<tr>
<td>$146M / 180% YoY</td>
</tr>
<tr>
<td>Dollar-Based Net Retention Rate</td>
</tr>
<tr>
<td>&gt;130%</td>
</tr>
<tr>
<td>Total Customers</td>
</tr>
<tr>
<td>~4,120 ²</td>
</tr>
<tr>
<td>Customers with ≥ $100K in ARR</td>
</tr>
<tr>
<td>857</td>
</tr>
</tbody>
</table>

Note: Financials and metrics other than TAM data are as of or for stated period ended June 30, 2022; revenue based on trailing twelve months as of June 30, 2022.


² Includes the impact of paywall removal.

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

>65,000 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
Giant Mess in Data Architecture
The New Data Infrastructure Category

- Collaboration
  - zoom
  - slack
- Applications
  - salesforce
  - workday
- IT Management
  - servicenow
  - datadog
  - caulculation

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

<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>Common in all Industries</strong></td>
<td>Data Pipelines, Hybrid Cloud Integration, Microservices, Security and Fraud, Customer 360, Streaming ETL</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Global Human Resources Solution Company</th>
<th>Payment Card Provider</th>
<th>Global Financial Institution</th>
<th>Health Benefits Provider</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0.1 Q3’20</td>
<td>$0.2 Q2’17</td>
<td>$0.5 Q4’17</td>
<td>$0.3 Q4’18</td>
</tr>
<tr>
<td>$1.4 Q4’20</td>
<td>$1.0 Q4’19</td>
<td>$2.8 Q4’18</td>
<td>$0.5 Q4’19</td>
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<tr>
<td>$1.9 Q2’21</td>
<td>$1.5 Q4’20</td>
<td>$6.9 Q4’20</td>
<td>$1.3 Q4’20</td>
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<tr>
<td>$4.1 Q4’21</td>
<td>$3.4 Q4’21</td>
<td>$7.4 Q4’21</td>
<td>$2.3 Q4’21</td>
</tr>
</tbody>
</table>

**Global Human Resources Solution Company**
- Rapid global adoption driving elevated customer experiences and seamless internal engineering initiatives

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

**Global Financial Institution**
- Increased adoption of Confluent with new use cases in next generation payments processing, fraud detection, and card services

**Health Benefits Provider**
- Accelerated claims approval and processing, member digital experience, and internal systems aggregation

**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
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

Product Differentiation

Cloud-native: Massive scale & agility without the operational overhead

Complete: 120+ connectors, stream processing, built-in security, and more

 Everywhere: Work with real-time data streams in the cloud, across clouds, or on-premises

Customer Growth Go-To-Market Model

Product Led: Product-led growth capabilities at early and all stages of the data in motion journey

Consumption Oriented: Easy start with self-service pay-as-you-go, and seamless and fast expansion

Purpose Built for Data in Motion Journey: Deep expertise and best-in-class product capabilities for each phase of the journey
Our Product Advantage

Open Source

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

Open Source Apache Kafka
Data in Motion Journey

Consumption Motion
Uniform motion to drive customer success & utilization, from adoption to expansion across every level of the customer journey.

1. Low friction
2. Developer love
3. Operational SLAs
4. Security capabilities
5. Senior executive buy-in
   - Cross-organizational understanding and adoption
   - Company-wide governance

Mission Critical, But Disconnected Use Cases
Mission Critical Cross-Company Platform
Central Nervous System

Investment & Time

Value
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

Applications Bring Data In Motion

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

...and more

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
- AWS
- Google
## Cloud Competitive Landscape

<table>
<thead>
<tr>
<th></th>
<th>Cloud-Native</th>
<th>Complete</th>
<th>Everywhere</th>
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<tbody>
<tr>
<td><strong>Confluent</strong></td>
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</tr>
<tr>
<td><strong>Microsoft</strong></td>
<td></td>
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<tr>
<td>Event Hubs</td>
<td>○</td>
<td>○</td>
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</tr>
<tr>
<td><strong>Google</strong></td>
<td></td>
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<td></td>
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<tr>
<td>Dataflow</td>
<td>○</td>
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<tr>
<td><strong>Amazon</strong></td>
<td></td>
<td></td>
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<tr>
<td>Kinesis</td>
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<tr>
<td>MSK</td>
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</tbody>
</table>
Multiple Levers of Growth in a Large and Growing TAM

- Easy and Frictionless Land with Cloud Pay-As-You-Go
- Expand in Underpenetrated Segments (e.g. Commercial, Tech)
- Enterprise-Wide Expansion via Solutions Selling
- Grow and Harness our Partner Ecosystem
- Continued International Expansion
- Productize Use Cases Up-The-Stack
One Team, One Mission: Set Data in Motion

2,357 employees as of Q2 2022
Financial Highlights
Large and Fast-Growing Total Addressable Market

2021 Total Addressable Market
~$50B

- Application Infrastructure & Middleware\textsuperscript{2, 4}
- Database Management Systems\textsuperscript{2, 5}
- Analytics & Business Intelligence\textsuperscript{3, 6}
- Data Integration Tools & Data Quality Tools\textsuperscript{2, 7}

$31B
$7B
$4B
$7B

Total Addressable Market Growth

22% CAGR 2021-2024

~$50B

$91B\textsuperscript{1}

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

**Confluent Cloud**
34% of Q2’22 revenue | 139% 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**
57% of Q2’22 revenue | 36% 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**
9% of Q2’22 revenue | 26% 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>
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<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>
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</tbody>
</table>

Y/Y Growth 80%+ CAGR FY18-FY21

**Quarterly Revenue**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Revenue ($ in millions)</th>
</tr>
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<tbody>
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<td>Q3’20</td>
<td>$61.5</td>
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<td>Q4’20</td>
<td>$70.3</td>
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<td>Q1’21</td>
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<tr>
<td>Q2’21</td>
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<tr>
<td>Q3’21</td>
<td>$102.6</td>
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<tr>
<td>Q4’21</td>
<td>$119.9</td>
</tr>
<tr>
<td>Q1’22</td>
<td>$126.1</td>
</tr>
<tr>
<td>Q2’22</td>
<td>$139.4</td>
</tr>
</tbody>
</table>

Y/Y Growth:
- Q3’20: 46%
- Q4’20: 51%
- Q1’21: 64%
- Q2’21: 67%
- Q3’21: 71%
- Q4’21: 64%
- Q1’22: 58%
Early International Expansion and Accelerating Adoption of Confluent Cloud

Revenue Mix by Geography

$ in millions

<table>
<thead>
<tr>
<th></th>
<th>FY'20</th>
<th>FY'21</th>
<th>Q2'21</th>
<th>Q2'22</th>
</tr>
</thead>
<tbody>
<tr>
<td>$236.6</td>
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</tr>
<tr>
<td>34%</td>
<td>36%</td>
<td>36%</td>
<td>37%</td>
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</tr>
<tr>
<td>66%</td>
<td>64%</td>
<td>64%</td>
<td>63%</td>
<td></td>
</tr>
</tbody>
</table>

Revenue Mix by Product

$ in millions

<table>
<thead>
<tr>
<th></th>
<th>FY'20</th>
<th>FY'21</th>
<th>Q2'21</th>
<th>Q2'22</th>
</tr>
</thead>
<tbody>
<tr>
<td>$236.6</td>
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<tr>
<td>12%</td>
<td>13%</td>
<td>11%</td>
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<tr>
<td>88%</td>
<td>87%</td>
<td>89%</td>
<td>89%</td>
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</tbody>
</table>

Confluent Platform

- FY'20: 75%
- FY'21: 65%
- Q2'21: 67%
- Q2'22: 57%

Confluent Cloud

- FY'20: 13%
- FY'21: 24%
- Q2'21: 22%
- Q2'22: 34%

Service

- FY'20: 34%
- FY'21: 11%
- Q2'21: 11%
- Q2'22: 9%
Fast-Growing Confluent Cloud Revenue

Annual Confluent Cloud Revenue
$ in millions

Quarterly Revenue
$ in millions

Y/Y Growth

230%+ CAGR FY18-FY21

FY18 FY19 FY20 FY21

FY18 FY19 FY20 FY21

Q3’20 Q4’20 Q1’21 Q2’21 Q3’21 Q4’21 Q1’22 Q2’22

101% 124% 200% 245% 211% 180% 139%
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
- Q2'21: ~2,830
- Q3'21: ~
- Q4'21: ~
- Q1'22: ~
- Q2'22: ~4,120¹

- Confluent Platform
- Confluent Cloud

Customers with ≥ $100K in ARR
- Q2'21: 617
- Q3'21: 
- Q4'21: 
- Q1'22: 857
- Q2'22: 

- 39% y/y growth

Customers with ≥ $1M in ARR
- Q2'21: 70
- Q3'21: 
- Q4'21: 
- Q1'22: 
- Q2'22: 107

- 53% y/y growth

¹ Includes the impact of paywall removal.

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%
- Q2’21: 70.1%
- Q2’22: 70.6%

**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%
- Q2’21: 77.0%
- Q2’22: 76.8%

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.
Investing Prudently for Growth

**Total Opex as % of Revenue**
(Non-GAAP)
- FY'20: 107.7%
- FY'21: 110.9%
- Q2'21: 111.7%
- Q2'22: 104.1%
- Change: -37.8% to -41.4% to -41.7% to -33.5%

**R&D as % of Revenue**
(Non-GAAP)
- FY'20: 30.2%
- FY'21: 28.5%
- Q2'21: 27.2%
- Q2'22: 27.8%

**S&M as % of Revenue**
(Non-GAAP)
- FY'20: 64.0%
- FY'21: 66.9%
- Q2'21: 69.6%
- Q2'22: 62.4%

**G&A as % of Revenue**
(Non-GAAP)
- FY'20: 13.5%
- FY'21: 15.5%
- Q2'21: 15.0%
- Q2'22: 13.9%

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. R&D, S&M, and G&A as a % of Revenue may not sum to the Total Opex as % of Revenue due to rounding.
## Managing Growth and Profitability

<table>
<thead>
<tr>
<th>Non-GAAP</th>
<th>Mid-Term Target</th>
<th>Long-Term Target</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Annual Revenue Growth: &gt;30%</td>
<td></td>
</tr>
<tr>
<td>Gross Margin</td>
<td>~70%</td>
<td>72%-75%</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>~5%</td>
<td>20%-25%</td>
</tr>
<tr>
<td>Free Cash Flow Margin</td>
<td>~10%</td>
<td>&gt;25%</td>
</tr>
</tbody>
</table>
Key Takeaways

Category Creating Company Founded by the Creators of Kafka

~$50 Billion 2021 Total Addressable Market

Strong Growth and Long-Term Margin Profile

Expansion Driven by Network Effects

 Positioned to Capitalize on the Large and Growing Shift to Cloud

Seasoned Management Team with Track Record of Execution

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Appendix
Definitions

**Annual Recurring Revenue (ARR):**
We define ARR as 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 (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.

**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><strong>Total revenue</strong></td>
<td>$236,577</td>
<td>$387,864</td>
<td>$88,338</td>
<td>$139,407</td>
</tr>
<tr>
<td><strong>Total gross profit on a GAAP basis</strong></td>
<td>$161,101</td>
<td>$250,572</td>
<td>$58,329</td>
<td>89,898</td>
</tr>
<tr>
<td>Add: Stock-based compensation expense</td>
<td>4,317</td>
<td>17,989</td>
<td>3,227</td>
<td>8,346</td>
</tr>
<tr>
<td>Add: Employer taxes on employee stock transactions</td>
<td>25</td>
<td>1,013</td>
<td>326</td>
<td>150</td>
</tr>
<tr>
<td><strong>Non-GAAP total gross profit</strong></td>
<td>$165,443</td>
<td>$269,574</td>
<td>$61,882</td>
<td>$98,394</td>
</tr>
<tr>
<td><strong>Non-GAAP total gross margin</strong></td>
<td>69.9%</td>
<td>69.5%</td>
<td>70.1%</td>
<td>70.6%</td>
</tr>
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<tr>
<td><strong>Subscription revenue</strong></td>
<td>$208,633</td>
<td>$347,099</td>
<td>$78,516</td>
<td>$127,018</td>
</tr>
<tr>
<td><strong>Subscription gross profit on a GAAP basis</strong></td>
<td>$159,350</td>
<td>$252,239</td>
<td>$58,224</td>
<td>$91,410</td>
</tr>
<tr>
<td>Add: Stock-based compensation expense</td>
<td>2,572</td>
<td>12,571</td>
<td>2,172</td>
<td>6,018</td>
</tr>
<tr>
<td>Add: Employer taxes on employee stock transactions</td>
<td>9</td>
<td>636</td>
<td>38</td>
<td>70</td>
</tr>
<tr>
<td><strong>Non-GAAP subscription gross profit</strong></td>
<td>$161,931</td>
<td>$265,446</td>
<td>$60,434</td>
<td>$97,498</td>
</tr>
<tr>
<td><strong>Non-GAAP subscription gross margin</strong></td>
<td>77.6%</td>
<td>76.5%</td>
<td>77.0%</td>
<td>76.8%</td>
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<tr>
<td>Operating expenses on a GAAP basis</td>
<td>$394,276</td>
<td>$590,192</td>
<td>$144,374</td>
<td>$207,205</td>
</tr>
<tr>
<td>Less: Stock-based compensation expense</td>
<td>139,024</td>
<td>137,635</td>
<td>31,289</td>
<td>60,520</td>
</tr>
<tr>
<td>Less: Employer taxes on employee stock transactions</td>
<td>495</td>
<td>9,076</td>
<td>1,109</td>
<td>1,520</td>
</tr>
<tr>
<td>Less: Common stock charitable donation expense</td>
<td>-</td>
<td>13,290</td>
<td>13,290</td>
<td>-</td>
</tr>
<tr>
<td>Non-GAAP Operating expenses</td>
<td>$254,757</td>
<td>$430,191</td>
<td>$98,686</td>
<td>$145,165</td>
</tr>
<tr>
<td>Non-GAAP Operating expenses as a % of total revenue</td>
<td>107.7%</td>
<td>110.9%</td>
<td>111.7%</td>
<td>104.1%</td>
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<tr>
<td>Research and development (R&amp;D) expense on a GAAP basis</td>
<td>$105,399</td>
<td>$161,925</td>
<td>$33,225</td>
<td>$64,472</td>
</tr>
<tr>
<td>Less: Stock-based compensation expense</td>
<td>33,755</td>
<td>49,051</td>
<td>8,932</td>
<td>25,337</td>
</tr>
<tr>
<td>Less: Employer taxes on employee stock transactions</td>
<td>81</td>
<td>2,278</td>
<td>277</td>
<td>342</td>
</tr>
<tr>
<td>Non-GAAP R&amp;D expense</td>
<td>$71,563</td>
<td>$110,596</td>
<td>$24,016</td>
<td>$38,793</td>
</tr>
<tr>
<td>Non-GAAP R&amp;D expense as a % of total revenue</td>
<td>30.2%</td>
<td>28.5%</td>
<td>27.2%</td>
<td>27.8%</td>
</tr>
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## GAAP to Non-GAAP Reconciliations

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<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>$73,206</td>
<td>$112,754</td>
</tr>
<tr>
<td>Less: Stock-based compensation expense</td>
<td>14,734</td>
<td>55,506</td>
<td>11,155</td>
<td>24,746</td>
</tr>
<tr>
<td>Less: Employer taxes on employee stock transactions</td>
<td>271</td>
<td>4,266</td>
<td>610</td>
<td>1,048</td>
</tr>
<tr>
<td><strong>Non-GAAP S&amp;M expense</strong></td>
<td>$151,356</td>
<td>$259,559</td>
<td>$61,441</td>
<td>$86,960</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>69.6%</td>
<td>62.4%</td>
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<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>$37,943</td>
<td>$29,979</td>
</tr>
<tr>
<td>Less: Stock-based compensation expense</td>
<td>90,535</td>
<td>33,078</td>
<td>11,202</td>
<td>10,437</td>
</tr>
<tr>
<td>Less: Employer taxes on employee stock transactions</td>
<td>143</td>
<td>2,532</td>
<td>222</td>
<td>130</td>
</tr>
<tr>
<td>Less: Common stock charitable donation expense</td>
<td>-</td>
<td>13,290</td>
<td>13,290</td>
<td>-</td>
</tr>
<tr>
<td><strong>Non-GAAP G&amp;A expense</strong></td>
<td>$31,838</td>
<td>$60,036</td>
<td>$13,229</td>
<td>$19,412</td>
</tr>
<tr>
<td><strong>Non-GAAP G&amp;A expense as a % of total revenue</strong></td>
<td>13.5%</td>
<td>15.5%</td>
<td>15.0%</td>
<td>13.9%</td>
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<tr>
<td>Operating loss on a GAAP basis</td>
<td>$(233,175)</td>
<td>$(339,620)</td>
<td>$(86,045)</td>
<td>$(117,307)</td>
</tr>
<tr>
<td>Add: Stock-based compensation expense</td>
<td>143,341</td>
<td>155,624</td>
<td>34,516</td>
<td>68,866</td>
</tr>
<tr>
<td>Add: Employer taxes on employee stock transactions</td>
<td>520</td>
<td>10,089</td>
<td>1,435</td>
<td>1,670</td>
</tr>
<tr>
<td>Add: Common stock charitable donation expense</td>
<td>-</td>
<td>13,290</td>
<td>13,290</td>
<td>-</td>
</tr>
<tr>
<td>Non-GAAP operating loss</td>
<td>$(89,314)</td>
<td>$(160,617)</td>
<td>$(36,804)</td>
<td>$(46,771)</td>
</tr>
<tr>
<td>Non-GAAP operating margin</td>
<td><em>(37.8)</em>%</td>
<td><em>(41.4)</em>%</td>
<td><em>(41.7)</em>%</td>
<td><em>(33.5)</em>%</td>
</tr>
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</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.