

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 27, 2023

CONFLUENT, INC.

(Exact name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-40526
(Commission File Number)

47-1824387
(IRS Employer
Identification No.)

899 W. Evelyn Avenue
Mountain View, California
(Address of Principal Executive Offices)

94041
(Zip Code)

Registrant's Telephone Number, Including Area Code: (800) 439-3207

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value \$0.00001 per share	CFLT	The Nasdaq Stock Market LLC (Nasdaq Global Select Market)

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On August 2, 2023, Confluent, Inc. (“Confluent”) issued a press release announcing its financial results for the quarter ended June 30, 2023. A copy of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

The information contained in this Item 2.02 of this Current Report on Form 8-K, including the accompanying Exhibit 99.1 hereto, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any filing made by Confluent under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, regardless of any general incorporation language in such filings, unless expressly incorporated by specific reference in such filing.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On July 27, 2023, Steffan Tomlinson, Confluent’s Chief Financial Officer, informed Confluent that he will be resigning from his current position, effective as of August 16, 2023, to pursue another opportunity. Rohan Sivaram, age 44, was appointed by Confluent’s board of directors on July 28, 2023 to succeed Mr. Tomlinson as Confluent’s new Chief Financial Officer, effective as of August 16, 2023. Mr. Tomlinson has agreed to remain as an advisor to Confluent from August 16, 2023 through September 1, 2023, to ensure an orderly transition and continuity of operations.

Prior to his appointment as Chief Financial Officer, Mr. Sivaram served as Confluent’s Senior Vice President, Finance, Strategy and Business Operations since July 2021. Prior to that, he served as Confluent’s Vice President, Finance, Strategy and Business Operations, from October 2020 to June 2021. Before joining Confluent, Mr. Sivaram held a variety of positions at Palo Alto Networks, Inc., a cybersecurity company, since joining the company in 2014, including most recently as Senior Vice President, Head of Finance from 2019 to 2020, and prior to that in progressive roles including as Vice President, Head of Finance, and Vice President, Corporate Finance and Treasury. Previously, Mr. Sivaram served in various roles at McKesson, Symantec (acquired by Broadcom), HSBC and Morgan Stanley. Mr. Sivaram holds a B.Com. from St. Xavier’s College and an M.B.A from the Kellogg School of Management at Northwestern University.

Confluent entered into a promotion letter agreement (the “Promotion Letter”) with Mr. Sivaram dated August 1, 2023 in connection with his appointment as Chief Financial Officer, which provides for, among other things, (i) an annual base salary of \$410,000, (ii) an annual discretionary bonus with an initial target amount of \$246,000 under the terms and conditions of Confluent’s Cash Incentive Bonus Plan, and (iii) a grant of restricted stock units (the “RSUs”) valued at \$5,450,000 under Confluent’s 2021 Equity Incentive Plan. The shares underlying the RSUs will vest as follows: approximately 10% of the total shares will vest in two equal quarterly installments, beginning on November 20, 2023; approximately 28% of the total shares will vest in four equal quarterly installments beginning on May 20, 2024; and the remaining shares will vest in four equal quarterly installments beginning on May 20, 2025, in each case subject to continuous service through each applicable vesting date. Mr. Sivaram will participate in Confluent’s Executive Officer Change in Control/Severance Benefit Plan, as described in Confluent’s definitive proxy statement on Schedule 14A, filed with the Securities and Exchange Commission (the “SEC”) on April 18, 2023, and enter into Confluent’s standard form of indemnification agreement, a copy of which has been filed as Exhibit 10.9 to Confluent’s Registration Statement on Form S-1, filed with the SEC on June 1, 2021. Mr. Tomlinson will not receive any additional compensation for his services as an advisor, other than continued health benefit coverage.

The foregoing description of the Promotion Letter is qualified in its entirety by reference to the Promotion Letter, which is filed as Exhibit 10.1 to this Current Report on Form 8-K.

Other than the Promotion Letter, there is no arrangement or understanding with any person pursuant to which Mr. Sivaram was appointed as Confluent’s Chief Financial Officer, and there are no family relationships between Mr. Sivaram and any director or executive officer of Confluent. Additionally, there are no transactions between Mr. Sivaram and Confluent that would be required to be reported under Item 404 of Regulation S-K.

Item 7.01 Regulation FD Disclosure.

On August 2, 2023, Confluent issued a press release announcing its Chief Financial Officer transition. A copy of the press release is attached as Exhibit 99.2 to this Current Report on Form 8-K and is incorporated herein by reference.

The information contained in this Item 7.01 of this Current Report on Form 8-K, including the accompanying Exhibit 99.2 hereto, shall not be deemed “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any filing made by Confluent under the Securities Act or the Exchange Act, regardless of any general incorporation language in such filings, unless expressly incorporated by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
10.1	Promotion Letter between Confluent, Inc. and Rohan Sivaram, dated August 1, 2023.
99.1	Press Release dated August 2, 2023, entitled “Confluent Announces Second Quarter 2023 Financial Results.”
99.2	Press Release dated August 2, 2023, entitled “Confluent Announces CFO Transition.”
104	Cover Page Interactive Data File (formatted as Inline XBRL).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Confluent, Inc.

Dated: August 2, 2023

By: /s/ Steffan Tomlinson

Steffan Tomlinson
Chief Financial Officer



899 West Evelyn Avenue, Mountain View, CA 94041
www.confluent.io

August 1, 2023

Rohan Sivaram

Re: Promotion Letter

Dear Rohan,

We are pleased to promote you to the role of the Chief Financial Officer of Confluent, Inc. (the “Company” or “Confluent”), effective August 16th. This letter confirms the terms and conditions of your employment in that role.

1. **Position.** You are serving in a full-time capacity, and working remotely from California. In your new role as Chief Financial Officer, you will be reporting to the Chief Executive Officer, Edward Jay Kreps. The Company may change your position, duties, and work location from time to time in its discretion.

2. **Cash Compensation and Benefits.**

As of August 16, 2023, your base salary will be \$410,000 per year, which will be paid in accordance with the Company's normal payroll procedures and subject to applicable payroll withholdings and deductions. As a full-time, regular employee of Confluent, you will continue to be eligible for company benefits in accordance with the Company's applicable benefit plans and policies for similarly situated employees, subject to plan terms, generally applicable Company policies, and any applicable waiting periods.

In addition, as of August 16, 2023, you will be eligible to earn an annual discretionary bonus in the target amount of \$246,000, less any applicable taxes and withholdings, under the terms and conditions of the Confluent, Inc. Cash Incentive Bonus Plan, and prorated from August 16. The amount of this bonus will be determined in the sole discretion of the Company and may be based on your performance and/or the performance of the Company during the calendar year, as well as any other criteria the Company deems relevant.

The Company may change your compensation and benefits from time to time in its discretion.

3. **Equity.** You have previously been granted one or more equity awards by the Company, which shall continue to be governed in all respects by the terms of the applicable equity agreements, grant notices, and equity plans.

Subject to the approval of the Company's Board of Directors, you will be granted a restricted stock unit award (“RSU”) with respect to the Company's common stock with a promotion grant value of USD \$5,450,000. The number of shares of the Company's common stock subject to the RSU will be

determined by the Company's Board of Directors in its sole discretion. The RSU will be subject to the terms and conditions applicable to RSUs granted under the Company's 2021 Equity Incentive Plan, as described in that plan and the applicable RSU agreement, which you will be required to sign.

The RSU will vest only if a service-based condition is met, as described in the applicable RSU agreement. You should consult with your own tax advisor concerning the tax risks associated with accepting an RSU with respect to the Company's common stock.

4. **The Company's Policies and CIIAA.** You will continue to be expected to abide by Company policies and procedures, as in effect from time to time. In addition, your signed Confidential Information and Invention Assignment Agreement ("CIIAA") with the Company will continue to remain in effect and binding upon you.
5. **At-Will Employment.** Your employment with the Company is for no specified period and constitutes at-will employment. Accordingly, you may terminate your employment with the Company at any time simply by notifying the Company, and the Company may terminate your employment at any time, with or without cause or advance notice.
6. **Severance.** You will be eligible for severance and change in control benefits under the terms and conditions of the Confluent, Inc. Executive Officer Change in Control/Severance Benefit Plan (the "Severance Plan"), pursuant to the Severance Plan terms as in effect and as may be amended from time to time, and your Participation Agreement under the Severance Plan
7. **No Prior Conflicts and Duty of Loyalty.** You confirm that you are not subject to any consent decree, court or arbitral order or agreement with any former employer or third party that prohibits you from working for Confluent and that you are able to carry out your duties without breaching any legal restrictions imposed by a current or former employer or other third party to whom you have contractual obligations. You also agree that, during the term of your employment with the Company, you will not engage in any other employment, consulting or other business activity without the written consent of Confluent.

You acknowledge and agree that upon your execution of this letter agreement, you will no longer be eligible for, nor entitled to, any cash compensation or benefits (including without limitation, any severance or change in control benefits) under any prior employment terms, offer letter or employment agreement you may have entered into or discussed with the Company, other than as expressly referred to in this confirmatory offer letter. This letter agreement, together with your CIIAA, equity agreements, the Severance Plan (including your Participation Agreement) and other agreements referenced herein, forms the complete and exclusive agreement regarding the subject matter hereof. It supersedes any other representations, promises, or agreements, whether written or oral. Modifications or amendments to this letter agreement, other than those changes expressly reserved to the Company's discretion herein, must be made in a written agreement signed by you and an officer of the Company (other than you).

This letter agreement shall be construed and enforced in accordance with the laws of the State of California without regard to conflicts of law principles. If any provision of this letter agreement is determined to be invalid or unenforceable, in whole or in part, this determination shall not affect any other provision of this letter agreement and the provision in question shall be modified so as to be rendered enforceable in a manner consistent with the intent of the parties insofar as possible under applicable law. This letter agreement may be executed in two or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, Uniform Electronic Transactions Act or other applicable law) or

other transmission method and shall be deemed to have been duly and validly delivered and executed and be valid and effective for all purposes.

Please sign and date this letter below to indicate your agreement with its terms.

Very truly yours,
CONFLUENT, INC.

By: /s/ Edward Jay Kreps
Name: Edward Jay Kreps
Title: Chief Executive Officer

I have read and accept these terms of employment.

By: /s/ Rohan Sivaram
Name: Rohan Sivaram
Date: August 1, 2023

Confluent Announces Second Quarter 2023 Financial Results

- Second quarter revenue of \$189 million, up 36% year over year
- Second quarter Confluent Cloud revenue of \$84 million, up 78% year over year
- Remaining performance obligations of \$791 million, up 34% year over year
- 1,144 customers with \$100,000 or greater in ARR, up 33% year over year

MOUNTAIN VIEW, Calif. -- August 02, 2023 -- Confluent, Inc. (NASDAQ: CFLT), the data streaming pioneer, today announced financial results for its second quarter of 2023, ended June 30, 2023.

“Data streaming is a mission critical component of the modern data stack,” said Jay Kreps, co-founder and CEO, Confluent. “That’s evidenced by our beat of guided metrics every quarter that we’ve been public, including this second quarter where we saw a strong 78% year-over-year growth in Confluent Cloud revenue. Our rapid pace of innovation is fueling customer demand and success.”

“We delivered another strong quarter, with 36% revenue growth and more than 20 points of improvement in both GAAP and non-GAAP operating margins year over year,” said Steffan Tomlinson, CFO, Confluent. “These results underscore our leadership position in a \$60 billion data streaming market, and our team’s track record of driving durable and efficient growth.”

Second Quarter 2023 Financial Highlights

(In millions, except per share data and percentages)

	Q2 2023	Q2 2022	Y/Y Change
Total Revenue	\$189.3	\$139.4	36%
Remaining Performance Obligations	\$791.4	\$591.3	34%
GAAP Operating Loss	\$(119.4)	\$(117.3)	\$(2.1)
Non-GAAP Operating Loss	\$(17.3)	\$(46.8)	\$29.5
GAAP Operating Margin	(63.1%)	(84.1%)	21.0 pts
Non-GAAP Operating Margin	(9.2%)	(33.5%)	24.3 pts
GAAP Net Loss Per Share	\$(0.35)	\$(0.42)	\$0.07
Non-GAAP Net Income (Loss) Per Share	\$0.00	\$(0.16)	\$0.16
Net Cash Used in Operating Activities	\$(29.1)	\$(33.5)	\$4.4
Free Cash Flow	\$(35.2)	\$(36.9)	\$1.7

A reconciliation of each non-GAAP financial measure to the most directly comparable GAAP financial measure is provided in the financial statement tables included in this press release. For a description of these non-GAAP financial measures, including the reasons management uses each measure, please see the section titled “Non-GAAP Financial Measures.”

Financial Outlook

For the third quarter and fiscal year 2023, Confluent expects:

	Q3 2023 Outlook	FY 2023 Outlook
Total Revenue	\$193.5-\$195.5 million	\$767-\$772 million
Non-GAAP Operating Margin	~ (10%)	~ (10%)
Non-GAAP Net Income (Loss) Per Share	\$(0.01)-\$0.00	\$(0.05)-\$(0.02)

A reconciliation of forward-looking non-GAAP operating margin and non-GAAP net income (loss) per share to the most directly comparable GAAP measures is not available without unreasonable effort, as certain items cannot be reasonably predicted because of their high variability, complexity and low visibility. In particular, the measures and effects of our stock-based compensation expense specific to our equity compensation awards and employer payroll tax-related items on employee stock transactions are directly impacted by the timing of employee stock transactions and unpredictable fluctuations in our stock price, which we expect to have a significant impact on our future GAAP financial results.

Conference Call Information

Confluent will host a video webcast to discuss the company's second quarter 2023 results as well as its financial outlook today at 4:30 p.m. Eastern Time/1:30 p.m. Pacific Time. Open to the public, investors may access the webcast, earnings press release, supplemental financial information, and investor presentation on Confluent's investor relations website at investors.confluent.io before the commencement of the webcast. A replay of the webcast will also be accessible from Confluent's investor relations website a few hours after the conclusion of the live event.

Confluent uses its investor relations website and may use its Twitter, LinkedIn, and Facebook accounts as a means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD.

Forward-Looking Statements

This press release and the earnings call referencing this press release contain forward-looking statements including, among other things, statements regarding (i) our financial outlook, including expected revenue mix, Confluent Cloud sequential revenue growth, operating margins and margin improvements, targeted or anticipated gross and operating margin levels, achievement of non-GAAP operating margin breakeven exiting the fourth quarter of fiscal 2023, improvements in unit economics, continued business momentum, and expected revenue growth rate and efficient growth, (ii) our market and category leadership position, (iii) our expected investments in research and development and go-to-market functions, (iv) our expected capital allocation to drive efficient growth and rate and pace of investments, (v) our expectations and trends relating to Confluent Cloud growth, (vi) rates of Confluent Cloud consumption and demand for and retention of data streaming platforms like Confluent in the face of budget scrutiny, (vii) continued higher interest rates and macroeconomic uncertainty as well as our expectations regarding the effects of macroeconomic pressure on our go-to-market motion and durability of our offering with customers, (viii) our pricing, our win rate and deal cycles and customer behaviors such as budget scrutiny, (ix) customer growth, retention and engagement, (x) ability for Confluent Cloud to provide cost savings for users and customers, including lower total cost of ownership, and drive greater monetization of the open source Kafka user base as a result, (xi) increased adoption of our platform and fully managed solutions for data streaming in general, (xii) dependence of businesses on data in motion, (xiii) growth in and growth rate of revenue, customers, remaining performance obligations, dollar-based net retention rate, and gross retention rate, (xiv) our ability to increase engagement of customers for Confluent and expand customer cohorts, (xv) our market opportunity, (xvi) our consumption-oriented strategy, (xvii) our go-to-market strategy, (xviii) our product differentiation and market acceptance of our products, including over open source alternatives, (xix) our strategy and expected results and market acceptance for our Flink offering and timing for launch of that offering, (xx) our expectations for market acceptance of stream processing, (xxi) our ability to meet near-term and mid-term financial targets, (xxii) and our overall future prospects. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “seek,” “plan,” “project,” “target,” “looking ahead,” “look to,” “move into,” and similar expressions are intended to identify forward-looking statements. Forward-looking statements represent our current beliefs, estimates and assumptions only as of the date of this press release and information contained in this press release should not be relied upon as representing our estimates as of any subsequent date. These forward-looking statements are subject to risks, uncertainties, and assumptions. If the risks materialize or assumptions prove incorrect, actual results could differ materially from the results implied by these forward-looking statements. Risks include, but are not limited to: (i) our limited operating history, including in uncertain macroeconomic environments, (ii) our ability to sustain and manage our rapid growth, including following our recent restructuring, (iii) our ability to attract new customers and retain and sell additional features and services to our existing customers, (iv) inflationary conditions, economic uncertainty, recessionary risks, and exchange rate fluctuations, which have resulted and may continue to result in customer pullback in information technology spending, lengthening of sales cycles, reduced contract sizes, reduced consumption of Confluent Cloud or customer preference for open source alternatives, as well as the potential need for cost efficiency measures, (v) our ability to increase consumption of our offering, including by existing customers and through the acquisition of new customers, and successfully add new features and functionality to our offering, (vi) our ability to achieve profitability and improve margins annually, by our expected timelines or at all, (vii) the estimated

addressable market opportunity for our offering, including our Flink offering and stream processing, and our ability to capture our share of that market opportunity, (viii) our ability to compete effectively in an increasingly competitive market, (ix) our ability to successfully execute our go-to-market strategy and initiatives, (x) our ability to attract and retain highly qualified personnel, (xi) breaches in our security measures or unauthorized access to our platform, our data, or our customers' or other users' personal data, (xii) our reliance on third-party cloud-based infrastructure to host Confluent Cloud, and (xiii) general market, political, economic, and business conditions, including continuing impacts from the COVID-19 pandemic. These risks are not exhaustive. Further information on these and other risks that could affect Confluent's results is included in our filings with the Securities and Exchange Commission ("SEC"), including our Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, and our future reports that we may file from time to time with the SEC. Additional information will be made available in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 that will be filed with the SEC, which should be read in conjunction with this press release and the financial results included herein. Confluent assumes no obligation to, and does not currently intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Non-GAAP Financial Measures

This press release includes the following non-GAAP financial measures: non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses (research and development, sales and marketing, general and administrative), non-GAAP operating loss, non-GAAP operating margin, non-GAAP net income (loss), non-GAAP net income (loss) per share, free cash flow, and free cash flow margin. We use these non-GAAP financial measures and other key metrics internally to facilitate analysis of our financial and business trends and for internal planning and forecasting purposes. We believe these non-GAAP financial measures, when taken collectively, may be helpful to investors because they provide consistency and comparability with past financial performance by excluding certain items that may not be indicative of our business, results of operations, or outlook. However, non-GAAP financial measures have limitations as an analytical tool and are presented for supplemental informational purposes only. They should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. In particular, other companies, including companies in our industry, may report non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses (research and development, sales and marketing, general and administrative), non-GAAP operating loss, non-GAAP operating margin, non-GAAP net income (loss), non-GAAP net income (loss) per share, free cash flow, free cash flow margin, or similarly titled measures but calculate them differently, which reduces their usefulness as comparative measures. Further, free cash flow is not a substitute for cash used in operating activities. The utility of free cash flow is limited as such measure does not reflect our future contractual commitments and does not represent the total increase or decrease in our cash balance for any given period. Investors are encouraged to review the reconciliation of these non-GAAP measures to their most directly comparable GAAP financial measures, as presented below. We define non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses (research and development, sales and marketing, general and administrative), non-GAAP operating loss, non-GAAP operating margin, non-GAAP net income (loss), and non-GAAP net income (loss) per share as the respective GAAP balances, adjusted for, as applicable, stock-based compensation expense; employer taxes on employee stock transactions; amortization of acquired intangibles; common stock charitable donation expense;

acquisition-related expenses; restructuring and other related charges; amortization of debt issuance costs; and income tax effects associated with these adjustments. We define free cash flow as net cash used in operating activities less capitalized internal-use software costs and capital expenditures and free cash flow margin as free cash flow as a percentage of revenue. We believe that free cash flow and free cash flow margin are useful indicators of liquidity that provide information to management and investors about the performance of core operations and future ability to generate cash that can be used for strategic opportunities or investing in our business.

Other Business Metrics

Remaining performance obligations (“RPO”) represent the amount of contracted future revenue that has not yet been recognized as of the end of each period, including both deferred revenue that has been invoiced and non-cancelable committed amounts that will be invoiced and recognized as revenue in future periods. RPO excludes pay-as-you-go arrangements. RPO may also fluctuate due to a number of factors, including the timing of renewals, average contract terms, seasonality, and dollar amount of customer contracts. RPO as a metric is not necessarily indicative of future revenue growth because it does not account for the actual timing of customers’ consumption or future expansion.

Customers with \$100,000 or greater in annual recurring revenue (“ARR”) represent the number of customers that contributed \$100,000 or more in ARR as of period end. 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. 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.

Dollar-based net retention rate (“NRR”) as of a period end is calculated 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.

About Confluent

Confluent is the data streaming platform that is pioneering a fundamentally new category of data infrastructure that sets data in motion. Confluent's cloud-native offering is the foundational platform for data in motion – designed to be the intelligent connective tissue enabling real-time data, from multiple sources, to constantly stream across the organization. With Confluent, organizations can meet the new business imperative of delivering rich, digital front-end customer experiences and transitioning to sophisticated, real-time, software-driven backend operations.

Investor Contact

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

	June 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 312,643	\$ 435,781
Marketable securities	1,534,912	1,491,044
Accounts receivable, net	188,705	178,188
Deferred contract acquisition costs	39,180	35,883
Prepaid expenses and other current assets	64,218	57,229
Total current assets	2,139,658	2,198,125
Property and equipment, net	43,599	29,089
Operating lease right-of-use assets	11,870	29,478
Goodwill and intangible assets, net	45,814	-
Deferred contract acquisition costs, non-current	67,533	68,401
Other assets, non-current	19,166	19,756
Total assets	\$ 2,327,640	\$ 2,344,849
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,459	\$ 21,439
Accrued expenses and other liabilities	112,495	105,331
Operating lease liabilities	7,618	7,375
Deferred revenue	300,786	290,185
Total current liabilities	423,358	424,330
Operating lease liabilities, non-current	21,394	25,136
Deferred revenue, non-current	27,187	32,644
Convertible senior notes, net	1,086,389	1,084,500
Other liabilities, non-current	7,926	8,762
Total liabilities	1,566,254	1,575,372
Stockholders' equity:		
Preferred stock	-	-
Class A common stock	2	2
Class B common stock	1	1
Additional paid-in capital	2,228,574	1,980,335
Accumulated other comprehensive loss	(9,806)	(9,456)
Accumulated deficit	(1,457,385)	(1,201,405)
Total stockholders' equity	761,386	769,477
Total liabilities and stockholders' equity	\$ 2,327,640	\$ 2,344,849

Confluent, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue:				
Subscription	\$ 176,488	\$ 127,018	\$ 337,055	\$ 240,938
Services	12,797	12,389	26,532	24,608
Total revenue	<u>189,285</u>	<u>139,407</u>	<u>363,587</u>	<u>265,546</u>
Cost of revenue:				
Subscription ⁽¹⁾⁽²⁾	44,188	35,608	87,093	69,211
Services ⁽¹⁾⁽²⁾	13,732	13,901	28,971	26,075
Total cost of revenue	<u>57,920</u>	<u>49,509</u>	<u>116,064</u>	<u>95,286</u>
Gross profit	<u>131,365</u>	<u>89,898</u>	<u>247,523</u>	<u>170,260</u>
Operating expenses:				
Research and development ⁽¹⁾⁽²⁾	85,677	64,472	170,567	122,133
Sales and marketing ⁽¹⁾⁽²⁾	127,770	112,754	256,394	219,456
General and administrative ⁽¹⁾⁽²⁾	36,343	29,979	71,698	57,460
Restructuring and other related charges	943	-	34,325	-
Total operating expenses	<u>250,733</u>	<u>207,205</u>	<u>532,984</u>	<u>399,049</u>
Operating loss	<u>(119,368)</u>	<u>(117,307)</u>	<u>(285,461)</u>	<u>(228,789)</u>
Other income, net	17,610	1,186	32,795	370
Loss before income taxes	<u>(101,758)</u>	<u>(116,121)</u>	<u>(252,666)</u>	<u>(228,419)</u>
Provision for income taxes	1,667	1,510	3,314	2,199
Net loss	<u>\$ (103,425)</u>	<u>\$ (117,631)</u>	<u>\$ (255,980)</u>	<u>\$ (230,618)</u>
Net loss per share, basic and diluted	<u>\$ (0.35)</u>	<u>\$ (0.42)</u>	<u>\$ (0.87)</u>	<u>\$ (0.84)</u>
Weighted-average shares used to compute net loss per share, basic and diluted	<u>297,827,200</u>	<u>278,268,980</u>	<u>294,862,197</u>	<u>275,593,362</u>

(1) Includes stock-based compensation expense as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Cost of revenue - subscription	\$ 6,914	\$ 6,018	\$ 13,242	\$ 11,331
Cost of revenue - services	3,125	2,328	5,902	4,190
Research and development	35,420	25,337	65,435	45,422
Sales and marketing	32,889	24,746	61,376	45,808
General and administrative	13,811	10,437	25,493	19,484
Total stock-based compensation expense	<u>\$ 92,159</u>	<u>\$ 68,866</u>	<u>\$ 171,448</u>	<u>\$ 126,235</u>

(2) Includes employer taxes on employee stock transactions as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Cost of revenue - subscription	\$ 265	\$ 70	\$ 586	\$ 403
Cost of revenue - services	128	80	218	157
Research and development	1,306	342	2,975	1,381
Sales and marketing	1,488	1,048	2,571	1,728
General and administrative	412	130	912	440
Total employer taxes on employee stock transactions	<u>\$ 3,599</u>	<u>\$ 1,670</u>	<u>\$ 7,262</u>	<u>\$ 4,109</u>

Confluent, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	\$ (103,425)	\$ (117,631)	\$ (255,980)	\$ (230,618)
Adjustments to reconcile net loss to cash used in operating activities:				
Depreciation and amortization	3,256	1,810	6,378	3,060
Net (accretion) amortization of (discounts) premiums on marketable securities	(10,588)	(469)	(19,721)	236
Amortization of debt issuance costs	950	947	1,889	1,883
Amortization of deferred contract acquisition costs	11,053	8,925	21,537	17,395
Non-cash operating lease costs	977	2,200	2,184	4,475
Lease abandonment charges	-	-	15,667	-
Stock-based compensation, net of amounts capitalized	92,159	68,866	171,448	126,235
Deferred income taxes	5	30	10	26
Other	572	355	851	559
Changes in operating assets and liabilities, net of effects of a business combination:				
Accounts receivable	(19,361)	(25,244)	(11,293)	(12,462)
Deferred contract acquisition costs	(13,806)	(10,643)	(23,966)	(22,723)
Prepaid expenses and other assets	(9,198)	(12,136)	(6,057)	(20,121)
Accounts payable	(7,395)	7,275	(18,720)	7,452
Accrued expenses and other liabilities	24,109	24,609	7,552	1,756
Operating lease liabilities	(1,756)	(2,413)	(3,754)	(4,910)
Deferred revenue	3,388	20,047	5,143	39,254
Net cash used in operating activities	(29,060)	(33,472)	(106,832)	(88,503)
CASH FLOWS FROM INVESTING ACTIVITIES				
Capitalization of internal-use software costs	(5,330)	(2,256)	(9,886)	(4,765)
Purchases of marketable securities	(546,408)	(763,479)	(999,764)	(1,167,362)
Maturities of marketable securities	523,606	275,114	975,383	370,659
Purchases of property and equipment	(809)	(1,184)	(1,355)	(2,071)
Cash paid for a business combination, net of cash acquired	-	-	(45,802)	-
Net cash used in investing activities	(28,941)	(491,805)	(81,424)	(803,539)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of common stock upon exercise of vested options	27,492	7,947	48,272	24,383
Proceeds from issuance of common stock upon early exercise of unvested options	-	71	-	416
Repurchases of unvested options	-	(683)	(223)	(695)
Payments of debt issuance costs for convertible senior notes	-	-	-	(786)
Proceeds from issuance of common stock under employee stock purchase plan	-	-	17,172	22,485
Net cash provided by financing activities	27,492	7,335	65,221	45,803
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(308)	20	(103)	(26)
Net decrease in cash, cash equivalents, and restricted cash	(30,817)	(517,922)	(123,138)	(846,265)
Cash, cash equivalents, and restricted cash at beginning of period	343,460	1,048,339	435,781	1,376,682
Cash, cash equivalents, and restricted cash at end of period	\$ 312,643	\$ 530,417	\$ 312,643	\$ 530,417
Reconciliation of cash, cash equivalents, and restricted cash within the consolidated balance sheets to the amounts shown above:				
Cash and cash equivalents	\$ 312,643	\$ 529,667	\$ 312,643	\$ 529,667
Restricted cash included in other assets, current	-	750	-	750
Total cash, cash equivalents, and restricted cash	\$ 312,643	\$ 530,417	\$ 312,643	\$ 530,417

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Reconciliation of GAAP total gross profit to non-GAAP total gross profit:				
Total gross profit on a GAAP basis	\$ 131,365	\$ 89,898	\$ 247,523	\$ 170,260
<i>Total gross margin on a GAAP basis</i>	69.4%	64.5%	68.1%	64.1%
Add: Stock-based compensation expense	10,039	8,346	19,144	15,521
Add: Employer taxes on employee stock transactions	393	150	804	560
Add: Amortization of acquired intangibles	127	-	240	-
Non-GAAP total gross profit	<u>\$ 141,924</u>	<u>\$ 98,394</u>	<u>\$ 267,711</u>	<u>\$ 186,341</u>
<i>Non-GAAP total gross margin</i>	75.0%	70.6%	73.6%	70.2%
Reconciliation of GAAP operating expenses to non-GAAP operating expenses:				
Research and development operating expense on a GAAP basis	\$ 85,677	\$ 64,472	\$ 170,567	\$ 122,133
Less: Stock-based compensation expense	35,420	25,337	65,435	45,422
Less: Employer taxes on employee stock transactions	1,306	342	2,975	1,381
Less: Acquisition-related expenses	3,841	-	11,521	-
Non-GAAP research and development operating expense	<u>\$ 45,110</u>	<u>\$ 38,793</u>	<u>\$ 90,636</u>	<u>\$ 75,330</u>
<i>Non-GAAP research and development operating expense as a percentage of total revenue</i>	23.8%	27.8%	24.9%	28.4%
Sales and marketing operating expense on a GAAP basis	\$ 127,770	\$ 112,754	\$ 256,394	\$ 219,456
Less: Stock-based compensation expense	32,889	24,746	61,376	45,808
Less: Employer taxes on employee stock transactions	1,488	1,048	2,571	1,728
Less: Acquisition-related expenses	1,076	-	2,152	-
Non-GAAP sales and marketing operating expense	<u>\$ 92,317</u>	<u>\$ 86,960</u>	<u>\$ 190,295</u>	<u>\$ 171,920</u>
<i>Non-GAAP sales and marketing operating expense as a percentage of total revenue</i>	48.8%	62.4%	52.3%	64.7%
General and administrative operating expense on a GAAP basis	\$ 36,343	\$ 29,979	\$ 71,698	\$ 57,460
Less: Stock-based compensation expense	13,811	10,437	25,493	19,484
Less: Employer taxes on employee stock transactions	412	130	912	440
Less: Acquisition-related expenses	281	-	842	-
Non-GAAP general and administrative operating expense	<u>\$ 21,839</u>	<u>\$ 19,412</u>	<u>\$ 44,451</u>	<u>\$ 37,536</u>
<i>Non-GAAP general and administrative operating expense as a percentage of total revenue</i>	11.5%	13.9%	12.2%	14.1%

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Reconciliation of GAAP operating loss to non-GAAP operating loss:				
Operating loss on a GAAP basis	\$ (119,368)	\$ (117,307)	\$ (285,461)	\$ (228,789)
Add: Stock-based compensation expense	92,159	68,866	171,448	126,235
Add: Employer taxes on employee stock transactions	3,599	1,670	7,262	4,109
Add: Amortization of acquired intangibles	127	-	240	-
Add: Acquisition-related expenses	5,198	-	14,515	-
Add: Restructuring and other related charges	943	-	34,325	-
Non-GAAP operating loss	\$ (17,342)	\$ (46,771)	\$ (57,671)	\$ (98,445)
Non-GAAP operating margin	(9.2%)	(33.5%)	(15.9%)	(37.1%)
Reconciliation of GAAP net loss to non-GAAP net loss:				
Net loss on a GAAP basis	\$ (103,425)	\$ (117,631)	\$ (255,980)	\$ (230,618)
Add: Stock-based compensation expense	92,159	68,866	171,448	126,235
Add: Employer taxes on employee stock transactions	3,599	1,670	7,262	4,109
Add: Amortization of acquired intangibles	127	-	240	-
Add: Acquisition-related expenses	5,198	-	14,515	-
Add: Restructuring and other related charges	943	-	34,325	-
Add: Amortization of debt issuance costs	950	946	1,889	1,882
Add: Income tax effects and adjustments	507	669	869	682
Non-GAAP net income (loss)	\$ 58	\$ (45,480)	\$ (25,432)	\$ (97,710)
Non-GAAP net income (loss) per share, basic	\$ 0.00	\$ (0.16)	\$ (0.09)	\$ (0.35)
Non-GAAP net income (loss) per share, diluted	\$ 0.00	\$ (0.16)	\$ (0.09)	\$ (0.35)
Weighted-average shares used to compute non-GAAP net income (loss) per share, basic	297,827,200	278,268,980	294,862,197	275,593,362
Weighted-average shares used to compute non-GAAP net income (loss) per share, diluted	339,296,142	278,268,980	294,862,197	275,593,362

The following table presents a reconciliation of free cash flow to net cash used in operating activities, the most directly comparable GAAP measure, for each of the periods indicated (unaudited, in thousands, except percentages):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net cash used in operating activities	\$ (29,060)	\$ (33,472)	\$ (106,832)	\$ (88,503)
Capitalized internal-use software costs	(5,330)	(2,256)	(9,886)	(4,765)
Capital expenditures	(809)	(1,184)	(1,355)	(2,071)
Free cash flow	\$ (35,199)	\$ (36,912)	\$ (118,073)	\$ (95,339)
Free cash flow margin	(18.6%)	(26.5%)	(32.5%)	(35.9%)
Net cash used in investing activities	\$ (28,941)	\$ (491,805)	\$ (81,424)	\$ (803,539)
Net cash provided by financing activities	\$ 27,492	\$ 7,335	\$ 65,221	\$ 45,803

Confluent Announces CFO Transition

Rohan Sivaram to replace Steffan Tomlinson as Chief Financial Officer

MOUNTAIN VIEW, Calif. – August 2, 2023 – Confluent, Inc. (NASDAQ:CFLT), the data streaming pioneer, today announced that Rohan Sivaram has been named Confluent’s Chief Financial Officer, effective August 16. Sivaram replaces Steffan Tomlinson who is leaving Confluent for another opportunity.

“Rohan is an exceptional finance and operations leader who has been instrumental to the success of our IPO and the track record we’ve established as a public company,” said Jay Kreps, co-founder and CEO, Confluent. “I’m thrilled to partner with him in his new role as we continue to grow the business while continuing to improve our margins. I also would like to extend my deepest gratitude to Steffan for his tremendous contributions to Confluent over the last three years.”

As CFO, Rohan will lead all of Confluent’s finance and business technology & data teams. Rohan is a seasoned executive with nearly two decades of experience across technology and the financial services industry. In his three years at Confluent, Rohan led Confluent’s FP&A, investor relations, treasury, and business operations teams. Prior to joining Confluent in October 2020, Rohan was the senior vice president of finance at Palo Alto Networks. In his six years at Palo Alto Networks, Rohan helped scale the company from a \$750+ million to a \$3.7 billion revenue run rate. Prior to that, he held a variety of roles at Symantec Corporation and Morgan Stanley. Rohan holds an MBA from Northwestern University, Kellogg School of Management and a Bachelor’s in Commerce from St. Xavier’s College.

“I am thrilled about this opportunity and look forward to leading Confluent through its next stage of growth,” said Sivaram. “Our talented team and innovation engine have robust growth in data streaming. Looking forward, we remain focused on driving durable and efficient growth as we work toward becoming a profitable company.”

Jonathan Chadwick, Confluent board member and audit committee chair, added: “Having worked with Rohan closely over the past several years I am pleased to see this recognition of his capabilities and to welcome him as Confluent’s new CFO.”

Additional Resources

- Join Confluent’s Second Quarter 2023 earnings call: <https://investors.confluent.io/>
- Learn more about Confluent: <https://www.confluent.io/>
- See how Confluent is helping its customers transform their businesses

Forward-Looking Statements

This press release contains forward-looking statements including, among other things, statements regarding our expected growth, margins and profitability and statements relating to our Chief Financial Officer transition. The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,”

“expect,” “seek,” “plan,” “project,” “target,” “looking ahead,” “look to,” “move into,” and similar expressions are intended to identify forward-looking statements. Forward-looking statements represent our current beliefs, estimates and assumptions only as of the date of this press release and information contained in this press release should not be relied upon as representing our estimates as of any subsequent date. These forward-looking statements are subject to risks, uncertainties, and assumptions. If the risks materialize or assumptions prove incorrect, actual results could differ materially from the results implied by these forward-looking statements. Risks include, but are not limited to: (i) our limited operating history, including in uncertain macroeconomic environments, (ii) our ability to sustain and manage our rapid growth, including following our recent restructuring, (iii) our ability to attract new customers and retain and sell additional features and services to our existing customers, (iv) inflationary conditions, economic uncertainty, recessionary risks, and exchange rate fluctuations, which have resulted and may continue to result in customer pullback in information technology spending, lengthening of sales cycles, reduced contract sizes, reduced consumption of Confluent Cloud or customer preference for open source alternatives, as well as the potential need for cost efficiency measures, (v) our ability to increase consumption of our offerings, including by existing customers and through the acquisition of new customers, and successfully add new features and functionality to our offerings, (vi) our ability to achieve profitability and improve margins annually, by our expected timelines or at all, (vii) the estimated addressable market opportunity for our offerings including our Flink offering and stream processing, and our ability to capture our share of that market opportunity, (viii) our ability to compete effectively in an increasingly competitive market, (ix) our ability to successfully execute our go-to-market strategy and initiatives, (x) our ability to attract and retain highly qualified personnel, (xi) breaches in our security measures or unauthorized access to our platform, our data, or our customers’ or other users’ personal data, (xii) our reliance on third-party cloud-based infrastructure to host Confluent Cloud, and (xiii) general market, political, economic, and business conditions. These risks are not exhaustive. Further information on these and other risks that could affect Confluent’s results is included in our filings with the Securities and Exchange Commission (“SEC”), including our Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, and our future reports that we may file from time to time with the SEC. Additional information will be made available in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 that will be filed with the SEC. Confluent assumes no obligation to, and does not currently intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

About Confluent

Confluent is the data streaming platform that is pioneering a fundamentally new category of data infrastructure that sets data in motion. Confluent’s cloud-native offering is the foundational platform for data in motion—designed to be the intelligent connective tissue enabling real-time data, from multiple sources, to constantly stream across the organization. With Confluent, organizations can meet the new business imperative of delivering rich, digital front-end customer experiences and transitioning to sophisticated, real-time, software-driven backend operations. To learn more, please visit www.confluent.io.

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