



Q2 2023 Supplemental Financial Information

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Non-GAAP Financial Measures

This supplemental financial information contains financial statements that have not been prepared in accordance with generally accepted accounting principles in the United States (GAAP). We use these non-GAAP financial measures and other key metrics internally to facilitate analysis of our financial and business trends and for internal planning and forecasting purposes. We believe these non-GAAP financial measures, when taken collectively, may be helpful to investors because they provide consistency and comparability with past financial performance by excluding certain items that may not be indicative of our business, results of operations, or outlook. However, non-GAAP financial measures have limitations as an analytical tool and are presented for supplemental informational purposes only. They should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

A reconciliation of our non-GAAP financial measures to the most directly comparable GAAP measures has been provided in the financial statement tables included in this supplemental financial information, and investors are encouraged to review these reconciliations.

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

	Three Months Ended							
	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23
Revenue:								
Subscription	\$ 92,400	\$ 108,191	\$ 113,920	\$ 127,018	\$ 138,730	\$ 155,341	\$ 160,567	\$ 176,488
Services	10,170	11,737	12,219	12,389	13,002	13,325	13,735	12,797
Total revenue	102,570	119,928	126,139	139,407	151,732	168,666	174,302	189,285
Cost of revenue:								
Subscription	25,489	33,322	33,603	35,608	38,417	38,696	42,905	44,188
Services	11,810	12,824	12,174	13,901	14,763	15,253	15,239	13,732
Total cost of revenue	37,299	46,146	45,777	49,509	53,180	53,949	58,144	57,920
Gross profit	65,271	73,782	80,362	89,898	98,552	114,717	116,158	131,365
Subscription	72.4%	69.2%	70.5%	72.0%	72.3%	75.1%	73.3%	75.0%
Services	(16.1%)	(9.3%)	0.4%	(12.2%)	(13.5%)	(14.5%)	(11.0%)	(7.3%)
Total gross margin	63.6%	61.5%	63.7%	64.5%	65.0%	68.0%	66.6%	69.4%
Operating expenses:								
Research and development	47,701	56,686	57,661	64,472	70,099	71,809	84,890	85,677
Sales and marketing	86,991	100,625	106,702	112,754	114,312	122,684	128,624	127,770
General and administrative	25,330	30,151	27,481	29,979	33,041	35,209	35,355	36,343
Restructuring and other related charges	-	-	-	-	-	-	33,382	943
Total operating expenses	160,022	187,462	191,844	207,205	217,452	229,702	282,251	250,733
Operating loss	(94,751)	(113,680)	(111,482)	(117,307)	(118,900)	(114,985)	(166,093)	(119,368)
Other (expense) income, net	(231)	(329)	(816)	1,186	4,719	11,327	15,185	17,610
Loss before income taxes	(94,982)	(114,009)	(112,298)	(116,121)	(114,181)	(103,658)	(150,908)	(101,758)
Provision for income taxes	684	430	689	1,510	1,868	2,226	1,647	1,667
Net loss	\$ (95,666)	\$ (114,439)	\$ (112,987)	\$ (117,631)	\$ (116,049)	\$ (105,884)	\$ (152,555)	\$ (103,425)
Net loss per share, basic and diluted	\$ (0.37)	\$ (0.43)	\$ (0.41)	\$ (0.42)	\$ (0.41)	\$ (0.37)	\$ (0.52)	\$ (0.35)
Weighted-average shares used to compute net loss per share, basic and diluted	259,152,303	265,480,761	272,890,829	278,268,980	282,267,230	286,732,756	291,864,975	297,827,200

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 Cash Flows - Fiscal Quarters
(in thousands)
(unaudited)

	Three Months Ended							
	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23
CASH FLOWS FROM OPERATING ACTIVITIES								
Net loss	\$ (95,666)	\$ (114,439)	\$ (112,987)	\$ (117,631)	\$ (116,049)	\$ (105,884)	\$ (152,555)	\$ (103,425)
Adjustments to reconcile net loss to cash used in operating activities:								
Depreciation and amortization	897	1,192	1,250	1,810	2,075	2,485	3,122	3,256
Net amortization (accretion) of premiums (discounts) on marketable securities	536	770	705	(469)	(3,105)	(6,022)	(9,133)	(10,588)
Amortization of debt issuance costs	-	187	936	947	958	959	939	950
Amortization of deferred contract acquisition costs	6,739	8,375	8,470	8,925	9,658	10,286	10,484	11,053
Non-cash operating lease costs	2,962	2,424	2,275	2,200	2,142	1,991	1,207	977
Lease abandonment charges	-	-	-	-	-	-	15,667	-
Stock-based compensation, net of amounts capitalized	49,683	58,072	57,369	68,866	75,393	76,028	79,289	92,159
Deferred income taxes	(1)	(394)	(4)	30	20	(283)	5	5
Other	1,023	157	204	355	321	504	279	572
Changes in operating assets and liabilities, net of effects of a business combination:								
Accounts receivable	979	(21,642)	12,782	(25,244)	6,047	(35,665)	8,068	(19,361)
Deferred contract acquisition costs	(11,244)	(20,332)	(12,080)	(10,643)	(19,354)	(20,724)	(10,160)	(13,806)
Prepaid expenses and other assets	(2,616)	(14,027)	(7,985)	(12,136)	(977)	3,248	3,141	(9,198)
Accounts payable	1,366	4,406	177	7,275	(1,004)	7,132	(11,325)	(7,395)
Accrued expenses and other liabilities	18,597	29,642	(22,853)	24,609	(35)	8,226	(16,557)	24,109
Operating lease liabilities	(2,834)	(2,650)	(2,497)	(2,413)	(2,029)	(1,998)	(1,998)	(1,756)
Deferred revenue	11,550	44,383	19,207	20,047	4,187	32,911	1,755	3,388
Net cash used in operating activities	(18,029)	(23,876)	(55,031)	(33,472)	(41,752)	(27,078)	(77,772)	(29,060)
CASH FLOWS FROM INVESTING ACTIVITIES								
Capitalization of internal-use software costs	(2,052)	(1,479)	(2,509)	(2,256)	(2,788)	(2,781)	(4,556)	(5,330)
Purchases of marketable securities	(322,941)	(284,683)	(403,883)	(763,479)	(355,886)	(528,660)	(453,356)	(546,408)
Maturities of marketable securities	57,693	91,275	95,545	275,114	347,000	482,899	451,777	523,606
Purchases of property and equipment	(563)	(1,364)	(887)	(1,184)	(1,044)	(1,006)	(546)	(809)
Cash paid for a business combination, net of cash acquired	-	-	-	-	-	-	(45,802)	-
Other	3	-	-	-	-	-	-	-
Net cash used in investing activities	(267,860)	(196,251)	(311,734)	(491,805)	(12,718)	(49,548)	(52,483)	(28,941)
CASH FLOWS FROM FINANCING ACTIVITIES								
Proceeds from issuance of common stock upon exercise of vested options	10,421	22,611	16,436	7,947	9,749	8,329	20,780	27,492
Proceeds from issuance of common stock upon early exercise of unvested options	186	512	345	71	-	-	-	-
Repurchases of unvested options	(162)	(107)	(12)	(683)	(14)	(80)	(223)	-
Payments of deferred offering costs	(2,205)	-	-	-	-	-	-	-
Proceeds from convertible senior notes, net of issuance costs	-	1,081,300	(786)	-	-	-	-	-
Payment for purchase of capped calls	-	(90,970)	-	-	-	-	-	-
Proceeds from issuance of common stock under employee stock purchase plan	-	-	22,485	-	18,454	-	17,172	-
Net cash provided by financing activities	8,240	1,013,346	38,468	7,335	28,189	8,249	37,729	27,492
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(1)	16	(46)	20	20	2	205	(308)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(277,650)	793,235	(328,343)	(517,922)	(26,261)	(68,375)	(92,321)	(30,817)
Cash, cash equivalents, and restricted cash at beginning of period	861,097	583,447	1,376,682	1,048,339	530,417	504,156	435,781	343,460
Cash, cash equivalents, and restricted cash at end of period	\$ 583,447	\$ 1,376,682	\$ 1,048,339	\$ 530,417	\$ 504,156	\$ 435,781	\$ 343,460	\$ 312,643
Reconciliation of cash, cash equivalents, and restricted cash within the consolidated balance sheets to the amounts shown above:								
Cash and cash equivalents	\$ 582,697	\$ 1,375,932	\$ 1,047,589	\$ 529,667	\$ 503,406	\$ 435,781	\$ 343,460	\$ 312,643
Restricted cash included in other assets, current and non-current	750	750	750	750	750	-	-	-
Total cash, cash equivalents, and restricted cash	\$ 583,447	\$ 1,376,682	\$ 1,048,339	\$ 530,417	\$ 504,156	\$ 435,781	\$ 343,460	\$ 312,643

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

	Three Months Ended							
	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23
Reconciliation of GAAP total gross profit to non-GAAP total gross profit:								
Total gross profit on a GAAP basis	\$ 65,271	\$ 73,782	\$ 80,362	\$ 89,898	\$ 98,552	\$ 114,717	\$ 116,158	\$ 131,365
<i>Total gross margin on a GAAP basis</i>	63.6%	61.5%	63.7%	64.5%	65.0%	68.0%	66.6%	69.4%
Add: Stock-based compensation expense	5,735	7,508	7,175	8,346	8,997	7,871	9,105	10,039
Add: Employer taxes on employee stock transactions	166	521	410	150	144	469	411	393
Add: Amortization of acquired intangibles	-	-	-	-	-	-	113	127
Non-GAAP total gross profit	<u>\$ 71,172</u>	<u>\$ 81,811</u>	<u>\$ 87,947</u>	<u>\$ 98,394</u>	<u>\$ 107,693</u>	<u>\$ 123,057</u>	<u>\$ 125,787</u>	<u>\$ 141,924</u>
<i>Non-GAAP total gross margin</i>	69.4%	68.2%	69.7%	70.6%	71.0%	73.0%	72.2%	75.0%
Reconciliation of GAAP subscription gross profit to non-GAAP subscription gross profit:								
Subscription gross profit on a GAAP basis	\$ 66,911	\$ 74,869	\$ 80,317	\$ 91,410	\$ 100,313	\$ 116,645	\$ 117,662	\$ 132,300
<i>Subscription gross margin on a GAAP basis</i>	72.4%	69.2%	70.5%	72.0%	72.3%	75.1%	73.3%	75.0%
Add: Stock-based compensation expense	3,945	5,479	5,313	6,018	6,313	5,492	6,328	6,914
Add: Employer taxes on employee stock transactions	117	481	333	70	82	84	321	265
Add: Amortization of acquired intangibles	-	-	-	-	-	-	113	127
Non-GAAP subscription gross profit	<u>\$ 70,973</u>	<u>\$ 80,829</u>	<u>\$ 85,963</u>	<u>\$ 97,498</u>	<u>\$ 106,708</u>	<u>\$ 122,221</u>	<u>\$ 124,424</u>	<u>\$ 139,606</u>
<i>Non-GAAP subscription gross margin</i>	76.8%	74.7%	75.5%	76.8%	76.9%	78.7%	77.5%	79.1%

	Three Months Ended							
	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23
Reconciliation of GAAP operating expenses to non-GAAP operating expenses:								
Research and development operating expense on a GAAP basis	\$ 47,701	\$ 56,686	\$ 57,661	\$ 64,472	\$ 70,099	\$ 71,809	\$ 84,890	\$ 85,677
Less: Stock-based compensation expense	16,310	20,298	20,085	25,337	27,692	28,385	30,015	35,420
Less: Employer taxes on employee stock transactions	601	1,279	1,039	342	496	755	1,669	1,306
Less: Acquisition-related expenses	-	-	-	-	-	-	7,680	3,841
Non-GAAP research and development operating expense	\$ 30,790	\$ 35,109	\$ 36,537	\$ 38,793	\$ 41,911	\$ 42,669	\$ 45,526	\$ 45,110
<i>Non-GAAP research and development operating expense as a percentage of total revenue</i>	30.0%	29.3%	29.0%	27.8%	27.6%	25.3%	26.1%	23.8%
Sales and marketing operating expense on a GAAP basis	\$ 86,991	\$ 100,625	\$ 106,702	\$ 112,754	\$ 114,312	\$ 122,684	\$ 128,624	\$ 127,770
Less: Stock-based compensation expense	18,516	20,859	21,062	24,746	26,712	26,846	28,487	32,889
Less: Employer taxes on employee stock transactions	1,236	2,317	680	1,048	580	177	1,083	1,488
Less: Acquisition-related expenses	-	-	-	-	-	-	1,076	1,076
Non-GAAP sales and marketing operating expense	\$ 67,239	\$ 77,449	\$ 84,960	\$ 86,960	\$ 87,020	\$ 95,661	\$ 97,978	\$ 92,317
<i>Non-GAAP sales and marketing operating expense as a percentage of total revenue</i>	65.6%	64.6%	67.4%	62.4%	57.4%	56.7%	56.2%	48.8%
General and administrative operating expense on a GAAP basis	\$ 25,330	\$ 30,151	\$ 27,481	\$ 29,979	\$ 33,041	\$ 35,209	\$ 35,355	\$ 36,343
Less: Stock-based compensation expense	9,122	9,407	9,047	10,437	11,992	12,926	11,682	13,811
Less: Employer taxes on employee stock transactions	436	1,835	310	130	149	131	500	412
Less: Acquisition-related expenses	-	-	-	-	-	1,104	561	281
Non-GAAP general and administrative operating expense	\$ 15,772	\$ 18,909	\$ 18,124	\$ 19,412	\$ 20,900	\$ 21,048	\$ 22,612	\$ 21,839
<i>Non-GAAP general and administrative operating expense as a percentage of total revenue</i>	15.4%	15.8%	14.4%	13.9%	13.8%	12.5%	13.0%	11.5%

	Three Months Ended							
	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23
Reconciliation of GAAP operating loss to non-GAAP operating loss:								
Operating loss on a GAAP basis	\$ (94,751)	\$ (113,680)	\$ (111,482)	\$ (117,307)	\$ (118,900)	\$ (114,985)	\$ (166,093)	\$ (119,368)
Add: Stock-based compensation expense	49,683	58,072	57,369	68,866	75,393	76,028	79,289	92,159
Add: Employer taxes on employee stock transactions	2,439	5,952	2,439	1,670	1,369	1,532	3,663	3,599
Add: Amortization of acquired intangibles	-	-	-	-	-	-	113	127
Add: Acquisition-related expenses	-	-	-	-	-	1,104	9,317	5,198
Add: Restructuring and other related charges	-	-	-	-	-	-	33,382	943
Non-GAAP operating loss	<u>\$ (42,629)</u>	<u>\$ (49,656)</u>	<u>\$ (51,674)</u>	<u>\$ (46,771)</u>	<u>\$ (42,138)</u>	<u>\$ (36,321)</u>	<u>\$ (40,329)</u>	<u>\$ (17,342)</u>
Non-GAAP operating margin	<u>(41.6%)</u>	<u>(41.4%)</u>	<u>(41.0%)</u>	<u>(33.5%)</u>	<u>(27.8%)</u>	<u>(21.5%)</u>	<u>(23.1%)</u>	<u>(9.2%)</u>
Reconciliation of GAAP net loss to non-GAAP net loss:								
Net loss on a GAAP basis	\$ (95,666)	\$ (114,439)	\$ (112,987)	\$ (117,631)	\$ (116,049)	\$ (105,884)	\$ (152,555)	\$ (103,425)
Add: Stock-based compensation expense	49,683	58,072	57,369	68,866	75,393	76,028	79,289	92,159
Add: Employer taxes on employee stock transactions	2,439	5,952	2,439	1,670	1,369	1,532	3,663	3,599
Add: Amortization of acquired intangibles	-	-	-	-	-	-	113	127
Add: Acquisition-related expenses	-	-	-	-	-	1,104	9,317	5,198
Add: Restructuring and other related charges	-	-	-	-	-	-	33,382	943
Add: Amortization of debt issuance costs	-	187	936	946	958	959	939	950
Add: Income tax effects and adjustments	(20)	(181)	13	669	293	656	362	507
Non-GAAP net (loss) income	<u>\$ (43,564)</u>	<u>\$ (50,409)</u>	<u>\$ (52,230)</u>	<u>\$ (45,480)</u>	<u>\$ (38,036)</u>	<u>\$ (25,605)</u>	<u>\$ (25,490)</u>	<u>\$ 58</u>
Non-GAAP net (loss) income per share, basic	<u>\$ (0.17)</u>	<u>\$ (0.19)</u>	<u>\$ (0.19)</u>	<u>\$ (0.16)</u>	<u>\$ (0.13)</u>	<u>\$ (0.09)</u>	<u>\$ (0.09)</u>	<u>\$ 0.00</u>
Non-GAAP net (loss) income per share, diluted	<u>\$ (0.17)</u>	<u>\$ (0.19)</u>	<u>\$ (0.19)</u>	<u>\$ (0.16)</u>	<u>\$ (0.13)</u>	<u>\$ (0.09)</u>	<u>\$ (0.09)</u>	<u>\$ 0.00</u>
Weighted-average shares used to compute non-GAAP net (loss) income per share, basic	<u>259,152,303</u>	<u>265,480,761</u>	<u>272,890,829</u>	<u>278,268,980</u>	<u>282,267,230</u>	<u>286,732,756</u>	<u>291,864,975</u>	<u>297,827,200</u>
Weighted-average shares used to compute non-GAAP net (loss) income per share, diluted	<u>259,152,303</u>	<u>265,480,761</u>	<u>272,890,829</u>	<u>278,268,980</u>	<u>282,267,230</u>	<u>286,732,756</u>	<u>291,864,975</u>	<u>339,296,142</u>

	Three Months Ended							
	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23
Net cash used in operating activities	\$ (18,029)	\$ (23,876)	\$ (55,031)	\$ (33,472)	\$ (41,752)	\$ (27,078)	\$ (77,772)	\$ (29,060)
Capitalized internal-use software costs	(2,052)	(1,479)	(2,509)	(2,256)	(2,788)	(2,781)	(4,556)	(5,330)
Capital expenditures	(563)	(1,364)	(887)	(1,184)	(1,044)	(1,006)	(546)	(809)
Free cash flow	\$ (20,644)	\$ (26,719)	\$ (58,427)	\$ (36,912)	\$ (45,584)	\$ (30,865)	\$ (82,874)	\$ (35,199)
Free cash flow margin	(20.1%)	(22.3%)	(46.3%)	(26.5%)	(30.0%)	(18.3%)	(47.5%)	(18.6%)
Net cash used in investing activities	\$ (267,860)	\$ (196,251)	\$ (311,734)	\$ (491,805)	\$ (12,718)	\$ (49,548)	\$ (52,483)	\$ (28,941)
Net cash provided by financing activities	\$ 8,240	\$ 1,013,346	\$ 38,468	\$ 7,335	\$ 28,189	\$ 8,249	\$ 37,729	\$ 27,492