



Q3 2024 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								
	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	
Revenue:									
Subscription	\$ 155,341	\$ 160,567	\$ 176,488	\$ 189,270	\$ 202,787	\$ 206,902	\$ 224,702	\$ 239,851	
Services	13,325	13,735	12,797	10,911	10,397	10,335	10,284	10,348	
Total revenue	168,666	174,302	189,285	200,181	213,184	217,237	234,986	250,199	
Cost of revenue:									
Subscription	38,696	42,905	44,188	44,104	44,807	48,355	52,863	52,162	
Services	15,253	15,239	13,732	12,445	12,250	12,866	12,118	11,541	
Total cost of revenue	53,949	58,144	57,920	56,549	57,057	61,221	64,981	63,703	
Gross profit	114,717	116,158	131,365	143,632	156,127	156,016	170,005	186,496	
Subscription	75.1%	73.3%	75.0%	76.7%	77.9%	76.6%	76.5%	78.3%	
Services	(14.5%)	(11.0%)	(7.3%)	(14.1%)	(17.8%)	(24.5%)	(17.8%)	(11.5%)	
Total gross margin	68.0%	66.6%	69.4%	71.8%	73.2%	71.8%	72.3%	74.5%	
Operating expenses:									
Research and development	71,809	84,890	85,677	91,237	86,948	97,571	106,060	102,720	
Sales and marketing	122,684	128,624	127,770	128,624	119,911	131,352	132,865	137,968	
General and administrative	35,209	35,355	36,343	31,874	33,948	38,444	39,429	39,471	
Restructuring and other related charges	-	33,382	943	529	-	-	-	-	
Total operating expenses	229,702	282,251	250,733	252,264	240,807	267,367	278,354	280,159	
Operating loss	(114,985)	(166,093)	(119,368)	(108,632)	(84,680)	(111,351)	(108,349)	(93,663)	
Other income, net	11,327	15,185	17,610	17,529	21,775	20,850	21,853	22,495	
Loss before income taxes	(103,658)	(150,908)	(101,758)	(91,103)	(62,905)	(90,501)	(86,496)	(71,168)	
Provision for income taxes	2,226	1,647	1,667	1,567	31,191	2,466	3,404	2,976	
Net loss	\$ (105,884)	\$ (152,555)	\$ (103,425)	\$ (92,670)	\$ (94,096)	\$ (92,967)	\$ (89,900)	\$ (74,144)	
Net loss per share, basic and diluted	\$ (0.37)	\$ (0.52)	\$ (0.35)	\$ (0.30)	\$ (0.30)	\$ (0.30)	\$ (0.28)	\$ (0.23)	
Weighted-average shares used to compute net loss per share, basic and diluted	286,732,756	291,864,975	297,827,200	303,896,632	309,101,119	314,203,181	319,415,586	324,317,971	

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

	September 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 322,606	\$ 349,761
Marketable securities	1,536,887	1,551,009
Accounts receivable, net	278,667	229,962
Deferred contract acquisition costs	44,812	43,937
Prepaid expenses and other current assets	83,221	76,986
Total current assets	2,266,193	2,251,655
Property and equipment, net	73,158	54,012
Operating lease right-of-use assets	9,989	10,061
Goodwill	164,366	51,998
Intangible assets, net	8,704	3,492
Deferred contract acquisition costs, non-current	72,167	75,815
Other assets, non-current	13,432	13,776
Total assets	\$ 2,608,009	\$ 2,460,809
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 15,516	\$ 6,714
Accrued expenses and other liabilities	158,914	141,847
Operating lease liabilities	10,738	7,890
Deferred revenue	349,787	330,570
Total current liabilities	534,955	487,021
Operating lease liabilities, non-current	11,413	17,391
Deferred revenue, non-current	24,588	22,436
Convertible senior notes, net	1,091,183	1,088,313
Other liabilities, non-current	11,552	35,233
Total liabilities	1,673,691	1,650,394
Stockholders' equity:		
Preferred stock	-	-
Class A common stock	2	2
Class B common stock	1	1
Additional paid-in capital	2,826,053	2,453,293
Accumulated other comprehensive income	9,424	1,270
Accumulated deficit	(1,901,162)	(1,644,151)
Total stockholders' equity	934,318	810,415
Total liabilities and stockholders' equity	\$ 2,608,009	\$ 2,460,809

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

	Three Months Ended							
	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24
CASH FLOWS FROM OPERATING ACTIVITIES								
Net loss	\$ (105,884)	\$ (152,555)	\$ (103,425)	\$ (92,670)	\$ (94,096)	\$ (92,967)	\$ (89,900)	\$ (74,144)
Adjustments to reconcile net loss to cash (used in) provided by operating activities:								
Depreciation and amortization	2,485	3,122	3,256	3,609	3,923	4,311	5,842	5,702
Net accretion of discounts on marketable securities	(6,022)	(9,133)	(10,588)	(11,300)	(11,484)	(10,396)	(9,871)	(9,294)
Amortization of debt issuance costs	959	939	950	961	963	953	953	964
Amortization of deferred contract acquisition costs	10,286	10,484	11,053	11,923	12,428	12,762	13,334	13,949
Non-cash operating lease costs	1,991	1,207	977	934	874	885	969	940
Lease abandonment charges	-	15,667	-	-	-	-	-	-
Stock-based compensation, net of amounts capitalized	76,028	79,289	92,159	89,514	88,871	95,322	99,107	98,307
Deferred income taxes	(283)	5	5	15	1,864	615	(273)	(111)
Other	504	279	572	2,263	(756)	849	361	485
Changes in operating assets and liabilities, net of effects of business combinations:								
Accounts receivable	(35,665)	8,068	(19,361)	5,153	(47,453)	29,360	(58,018)	(21,577)
Deferred contract acquisition costs	(20,724)	(10,160)	(13,806)	(15,607)	(21,781)	(9,732)	(15,296)	(12,244)
Prepaid expenses and other assets	3,248	3,141	(9,198)	(7,768)	3,438	(1,929)	3,703	(2,135)
Accounts payable	7,132	(11,325)	(7,395)	(488)	4,756	(4,932)	11,987	1,231
Accrued expenses and other liabilities	8,226	(16,557)	24,109	10,413	43,368	(43,752)	46,893	(10,363)
Operating lease liabilities	(2,270)	(1,998)	(1,756)	(1,808)	(1,917)	(1,935)	(1,994)	(2,020)
Deferred revenue	32,911	1,755	3,388	(4,204)	29,237	(5,368)	793	25,923
Net cash (used in) provided by operating activities	(27,078)	(77,772)	(29,060)	(9,060)	12,235	(25,954)	8,590	15,613
CASH FLOWS FROM INVESTING ACTIVITIES								
Capitalization of internal-use software costs	(2,781)	(4,556)	(5,330)	(3,660)	(4,299)	(5,539)	(4,776)	(5,669)
Purchases of marketable securities	(528,660)	(453,356)	(546,408)	(235,824)	(351,105)	(443,307)	(455,883)	(273,169)
Sales of marketable securities	-	-	-	-	-	-	12,744	-
Maturities of marketable securities	482,899	451,777	523,606	228,328	374,612	432,267	403,489	374,281
Purchases of investments in privately-held companies	-	-	-	-	-	-	(1,000)	(1,250)
Purchases of property and equipment	(1,006)	(546)	(809)	(363)	(1,116)	(186)	(1,105)	(607)
Cash paid for business combinations, net of cash acquired	-	(45,802)	-	-	(10,000)	-	-	(115,516)
Net cash (used in) provided by investing activities	(49,548)	(52,483)	(28,941)	(11,519)	8,092	(16,765)	(46,531)	(21,930)
CASH FLOWS FROM FINANCING ACTIVITIES								
Proceeds from issuance of common stock upon exercise of vested options	8,329	20,780	27,492	14,673	10,974	14,401	13,096	8,835
Repurchases of unvested common stock	(80)	(223)	-	(32)	-	-	-	-
Proceeds from issuance of common stock under employee stock purchase plan	-	17,172	-	11,536	-	15,603	-	8,367
Net cash provided by financing activities	8,249	37,729	27,492	26,177	10,974	30,004	13,096	17,202
Effect of exchange rate changes on cash and cash equivalents	2	205	(308)	(1,198)	1,417	(673)	(200)	393
Net (decrease) increase in cash and cash equivalents	(68,375)	(92,321)	(30,817)	4,400	32,718	(13,388)	(25,045)	11,278
Cash and cash equivalents at beginning of period	504,156	435,781	343,460	312,643	317,043	349,761	336,373	311,328
Cash and cash equivalents at end of period	\$ 435,781	\$ 343,460	\$ 312,643	\$ 317,043	\$ 349,761	\$ 336,373	\$ 311,328	\$ 322,606

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

	Three Months Ended							
	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24
Reconciliation of GAAP total gross profit to non-GAAP total gross profit:								
Total gross profit on a GAAP basis	\$ 114,717	\$ 116,158	\$ 131,365	\$ 143,632	\$ 156,127	\$ 156,016	\$ 170,005	\$ 186,496
<i>Total gross margin on a GAAP basis</i>	68.0%	66.6%	69.4%	71.8%	73.2%	71.8%	72.3%	74.5%
Add: Stock-based compensation-related charges ⁽¹⁾	8,340	9,516	10,432	9,095	8,932	10,623	11,630	11,340
Add: Amortization of acquired intangibles	-	113	127	129	195	502	501	585
Non-GAAP total gross profit	<u>\$ 123,057</u>	<u>\$ 125,787</u>	<u>\$ 141,924</u>	<u>\$ 152,856</u>	<u>\$ 165,254</u>	<u>\$ 167,141</u>	<u>\$ 182,136</u>	<u>\$ 198,421</u>
<i>Non-GAAP total gross margin</i>	73.0%	72.2%	75.0%	76.4%	77.5%	76.9%	77.5%	79.3%
Reconciliation of GAAP subscription gross profit to non-GAAP subscription gross profit:								
Subscription gross profit on a GAAP basis	\$ 116,645	\$ 117,662	\$ 132,300	\$ 145,166	\$ 157,980	\$ 158,547	\$ 171,839	\$ 187,689
<i>Subscription gross margin on a GAAP basis</i>	75.1%	73.3%	75.0%	76.7%	77.9%	76.6%	76.5%	78.3%
Add: Stock-based compensation-related charges ⁽¹⁾	5,576	6,649	7,179	6,350	6,309	7,905	9,292	8,999
Add: Amortization of acquired intangibles	-	113	127	129	195	502	501	585
Non-GAAP subscription gross profit	<u>\$ 122,221</u>	<u>\$ 124,424</u>	<u>\$ 139,606</u>	<u>\$ 151,645</u>	<u>\$ 164,484</u>	<u>\$ 166,954</u>	<u>\$ 181,632</u>	<u>\$ 197,273</u>
<i>Non-GAAP subscription gross margin</i>	78.7%	77.5%	79.1%	80.1%	81.1%	80.7%	80.8%	82.2%

	Three Months Ended							
	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24
Reconciliation of GAAP operating expenses to non-GAAP operating expenses:								
Research and development operating expense on a GAAP basis	\$ 71,809	\$ 84,890	\$ 85,677	\$ 91,237	\$ 86,948	\$ 97,571	\$ 106,060	\$ 102,720
<i>Research and development operating expense as a percentage of total revenue on a GAAP basis</i>	42.6%	48.7%	45.3%	45.6%	40.8%	44.9%	45.1%	41.1%
Less: Stock-based compensation-related charges ⁽¹⁾	29,140	31,684	36,726	38,464	36,972	41,424	41,866	42,259
Less: Acquisition-related expenses	-	7,680	3,841	3,841	3,841	4,362	4,472	5,870
Non-GAAP research and development operating expense	\$ 42,669	\$ 45,526	\$ 45,110	\$ 48,932	\$ 46,135	\$ 51,785	\$ 59,722	\$ 54,591
<i>Non-GAAP research and development operating expense as a percentage of total revenue</i>	25.3%	26.1%	23.8%	24.4%	21.6%	23.8%	25.4%	21.8%
Sales and marketing operating expense on a GAAP basis	\$ 122,684	\$ 128,624	\$ 127,770	\$ 128,624	\$ 119,911	\$ 131,352	\$ 132,865	\$ 137,968
<i>Sales and marketing operating expense as a percentage of total revenue on a GAAP basis</i>	72.7%	73.8%	67.5%	64.3%	56.2%	60.5%	56.5%	55.1%
Less: Stock-based compensation-related charges ⁽¹⁾	27,023	29,570	34,377	33,095	31,406	35,780	35,332	33,639
Less: Acquisition-related expenses	-	1,076	1,076	1,076	1,076	-	-	-
Non-GAAP sales and marketing operating expense	\$ 95,661	\$ 97,978	\$ 92,317	\$ 94,453	\$ 87,429	\$ 95,572	\$ 97,533	\$ 104,329
<i>Non-GAAP sales and marketing operating expense as a percentage of total revenue</i>	56.7%	56.2%	48.8%	47.2%	41.0%	44.0%	41.5%	41.7%
General and administrative operating expense on a GAAP basis	\$ 35,209	\$ 35,355	\$ 36,343	\$ 31,874	\$ 33,948	\$ 38,444	\$ 39,429	\$ 39,471
<i>General and administrative operating expense as a percentage of total revenue on a GAAP basis</i>	20.9%	20.3%	19.2%	15.9%	15.9%	17.7%	16.8%	15.8%
Less: Stock-based compensation-related charges ⁽¹⁾	13,057	12,182	14,223	11,333	12,857	15,158	15,872	14,599
Less: Acquisition-related expenses	1,104	561	281	148	650	225	6	1,169
Non-GAAP general and administrative operating expense	\$ 21,048	\$ 22,612	\$ 21,839	\$ 20,393	\$ 20,441	\$ 23,061	\$ 23,551	\$ 23,703
<i>Non-GAAP general and administrative operating expense as a percentage of total revenue</i>	12.5%	13.0%	11.5%	10.2%	9.6%	10.6%	10.0%	9.5%

	Three Months Ended							
	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24
Reconciliation of GAAP operating loss to non-GAAP operating (loss) income:								
Operating loss on a GAAP basis	\$ (114,985)	\$ (166,093)	\$ (119,368)	\$ (108,632)	\$ (84,680)	\$ (111,351)	\$ (108,349)	\$ (93,663)
<i>GAAP operating margin</i>	<i>(68.2%)</i>	<i>(95.3%)</i>	<i>(63.1%)</i>	<i>(54.3%)</i>	<i>(39.7%)</i>	<i>(51.3%)</i>	<i>(46.1%)</i>	<i>(37.4%)</i>
Add: Stock-based compensation-related charges ⁽¹⁾	77,560	82,952	95,758	91,987	90,167	102,985	104,700	101,837
Add: Amortization of acquired intangibles	-	113	127	129	195	502	501	585
Add: Acquisition-related expenses	1,104	9,317	5,198	5,065	5,567	4,587	4,478	7,039
Add: Restructuring and other related charges	-	33,382	943	529	-	-	-	-
Non-GAAP operating (loss) income	\$ (36,321)	\$ (40,329)	\$ (17,342)	\$ (10,922)	\$ 11,249	\$ (3,277)	\$ 1,330	\$ 15,798
<i>Non-GAAP operating margin</i>	<i>(21.5%)</i>	<i>(23.1%)</i>	<i>(9.2%)</i>	<i>(5.5%)</i>	<i>5.3%</i>	<i>(1.5%)</i>	<i>0.6%</i>	<i>6.3%</i>
Reconciliation of GAAP net loss to non-GAAP net (loss) income:								
Net loss on a GAAP basis	\$ (105,884)	\$ (152,555)	\$ (103,425)	\$ (92,670)	\$ (94,096)	\$ (92,967)	\$ (89,900)	\$ (74,144)
Add: Stock-based compensation-related charges ⁽¹⁾	77,560	82,952	95,758	91,987	90,167	102,985	104,700	101,837
Add: Amortization of acquired intangibles	-	113	127	129	195	502	501	585
Add: Acquisition-related expenses	1,104	9,317	5,198	5,065	5,567	4,587	4,478	7,039
Add: Restructuring and other related charges	-	33,382	943	529	-	-	-	-
Add: Amortization of debt issuance costs	959	939	950	961	963	953	953	964
Add: Income tax effects and adjustments ⁽²⁾	656	362	507	328	29,373	(260)	(175)	(1,529)
Non-GAAP net (loss) income	\$ (25,605)	\$ (25,490)	\$ 58	\$ 6,329	\$ 32,169	\$ 15,800	\$ 20,557	\$ 34,752
Non-GAAP net (loss) income per share, basic	\$ (0.09)	\$ (0.09)	\$ 0.00	\$ 0.02	\$ 0.10	\$ 0.05	\$ 0.06	\$ 0.11
Non-GAAP net (loss) income per share, diluted	\$ (0.09)	\$ (0.09)	\$ 0.00	\$ 0.02	\$ 0.09	\$ 0.05	\$ 0.06	\$ 0.10
Weighted-average shares used to compute non-GAAP net (loss) income per share, basic	286,732,756	291,864,975	297,827,200	303,896,632	309,101,119	314,203,181	319,415,586	324,317,971
Weighted-average shares used to compute non-GAAP net (loss) income per share, diluted	286,732,756	291,864,975	339,296,142	346,974,638	342,370,878	350,195,868	354,236,764	353,577,179

⁽¹⁾ Represents stock-based compensation expense, employer taxes on employee stock transactions, and amortization of stock-based compensation capitalized in internal-use software. We began excluding amortization of stock-based compensation capitalized in internal-use software from our non-GAAP measures starting with the quarter ended March 31, 2024. The amounts of amortization of stock-based compensation capitalized in internal-use software were immaterial in both current and prior periods.

⁽²⁾ Income tax effects and adjustments for the three months ended December 31, 2023 primarily consists of income tax expense related to an intra-group transfer of acquired intellectual property.

	Three Months Ended								
	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	
Net cash (used in) provided by operating activities	\$ (27,078)	\$ (77,772)	\$ (29,060)	\$ (9,060)	\$ 12,235	\$ (25,954)	\$ 8,590	\$ 15,613	
Capitalized internal-use software costs	(2,781)	(4,556)	(5,330)	(3,660)	(4,299)	(5,539)	(4,776)	(5,669)	
Capital expenditures	(1,006)	(546)	(809)	(363)	(1,116)	(186)	(1,105)	(607)	
Free cash flow	\$ (30,865)	\$ (82,874)	\$ (35,199)	\$ (13,083)	\$ 6,820	\$ (31,679)	\$ 2,709	\$ 9,337	
<i>Free cash flow margin</i>	<i>(18.3%)</i>	<i>(47.5%)</i>	<i>(18.6%)</i>	<i>(6.5%)</i>	<i>3.2%</i>	<i>(14.6%)</i>	<i>1.2%</i>	<i>3.7%</i>	
Net cash (used in) provided by investing activities	\$ (49,548)	\$ (52,483)	\$ (28,941)	\$ (11,519)	\$ 8,092	\$ (16,765)	\$ (46,531)	\$ (21,930)	
Net cash provided by financing activities	\$ 8,249	\$ 37,729	\$ 27,492	\$ 26,177	\$ 10,974	\$ 30,004	\$ 13,096	\$ 17,202	

Remaining Performance Obligations (“RPO”)

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 exclude pay-as-you-go arrangements. As of September 30, 2024, the Company’s RPO was \$883.0 million, approximately 65% of which is expected to be recognized as revenue over the next 12 months and the substantial majority of the remainder in the next 13 to 36 months. Actual amounts or timing of revenue recognized may differ due to subsequent contract modifications.