

**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): August 3, 2022**

**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<br>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<br>(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 3, 2022, Confluent, Inc. (the “Company”) issued a press release announcing its financial results for the quarter ended June 30, 2022. 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 and Item 9.01 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 the Company under the Securities Act of 1933, as amended, 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

| <u>Exhibit No.</u>   | <u>Description</u>   |
|----------------------|--|
| <a href="#">99.1</a> | <a href="#">Press Release dated August 3, 2022.</a>          |
| 104                  | Cover Page Interactive Data File (formatted as Inline XBRL). |

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**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 3, 2022

By: /s/ Steffan Tomlinson  
Steffan Tomlinson  
Chief Financial Officer

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## Confluent Announces Second Quarter 2022 Financial Results

- Total revenue of \$139 million, up 58% year over year
- Confluent Cloud revenue of \$47 million, up 139% year over year
- Remaining performance obligations of \$591 million, up 81% year over year
- 857 customers with \$100,000 or greater in ARR, up 39% year over year

**MOUNTAIN VIEW, Calif. -- August 03, 2022 -- Confluent, Inc. (NASDAQ: CFLT)**, the data streaming platform to set data in motion, today announced financial results for its second quarter of 2022, ended June 30, 2022.

“Data streaming is a requirement to create the real-time digital experiences and efficient operations that are needed to compete and win,” said Jay Kreps, co-founder and CEO, Confluent. “Our strong Q2, highlighted by 139% year-over-year Confluent Cloud revenue growth and exceeding our guidance on all metrics, underscores our leadership of this market and the critical business value we deliver to our customers.”

“Our ability to drive high growth with increased operating leverage is reflected in our 58% year-over-year revenue growth and significant margin improvements in the second quarter,” said Steffan Tomlinson, CFO, Confluent. “Customers view Confluent as a strategic platform for delivering data in motion, as evidenced by our dollar-based net retention rate of greater than 130% for the fifth consecutive quarter and the growth in our six- and seven-figure customers.”

### Second Quarter 2022 Financial Highlights

(In millions, except per share data and percentages)

|                                       | <b>Q2 2022</b> | <b>Q2 2021</b> | <b>Y/Y Change</b> |
|---------------------------------------|----------------|----------------|-------------------|
| Total Revenue                         | \$139.4        | \$88.3         | 58%               |
| Remaining Performance Obligations     | \$591.3        | \$327.2        | 81%               |
| GAAP Operating Loss                   | \$(117.3)      | \$(86.0)       | \$(31.3)          |
| Non-GAAP Operating Loss               | \$(46.8)       | \$(36.8)       | \$(10.0)          |
| GAAP Operating Margin                 | (84.1%)        | (97.4%)        | 13.3 pts          |
| Non-GAAP Operating Margin             | (33.5%)        | (41.7%)        | 8.2 pts           |
| GAAP Net Loss Per Share               | \$(0.42)       | \$(0.74)       | \$0.32            |
| Non-GAAP Net Loss Per Share           | \$(0.16)       | \$(0.31)       | \$0.15            |
| Net Cash Used in Operating Activities | \$(33.5)       | \$(43.2)       | \$9.7             |
| Free Cash Flow                        | \$(36.9)       | \$(45.4)       | \$8.5             |

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 2022, Confluent expects:

|                             | <b>Q3 2022 Outlook</b> | <b>FY 2022 Outlook</b> |
|-----------------------------|------------------------|------------------------|
| Total Revenue               | \$143-\$145 million    | \$567-\$571 million    |
| Non-GAAP Operating Margin   | ~ (33%)                | (35%)-(34%)            |
| Non-GAAP Net Loss Per Share | \$(0.19)-\$(0.17)      | \$(0.73)-\$(0.69)      |

A reconciliation of forward-looking non-GAAP operating margin and non-GAAP net 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 2022 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](https://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.

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## Forward-Looking Statements

This press release and the earnings call referencing this press release contain forward-looking statements including, among other things, statements regarding our financial outlook, including margin improvements, target gross margin levels, achievement of positive non-GAAP operating margin exiting the fourth quarter of fiscal 2024 and impact of macro dynamics; the potential growth runway for Confluent Cloud; continued rates of Confluent Cloud consumption despite macroeconomic uncertainty; ability for Confluent Cloud to provide cost savings for users and customers; increased adoption of our platform and data streaming in general; dependence of businesses on data in motion; retention of data platforms like Confluent by organizations in times of macroeconomic uncertainty; our ability and position to capitalize on the shift to cloud; the degree of market acceptance of our products; our ability to sustain relationships and integration with cloud providers; growth in and growth rate of revenue, including Confluent Cloud revenue, customers, remaining performance obligations and dollar-based net retention rate; our market opportunity; our go-to-market strategy; our product differentiation and market acceptance of our products, including over open source alternatives; our ability to improve margins, on an annual basis or at all; our ability to meet near-term and mid-term financial targets; our potential for value creation; our investment priority and philosophy; 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) the impact of the ongoing COVID-19 pandemic on our business, as well as our customers, prospects, partners, and service providers, (ii) our ability to sustain and manage our rapid growth, (iii) our limited operating history, (iv) our ability to attract new customers and retain and sell additional features and services to our existing customers, (v) our ability to increase consumption of our offering, including by existing customers and through the acquisition of new customers, and successfully add new features and functionality to our offering, (vi) our ability to achieve or sustain profitability and improve margins annually or at all, (vii) the estimated addressable market opportunity for our offering, (viii) our ability to compete effectively in an increasingly competitive market, including achieving market acceptance over competitors and open source alternatives, (ix) our ability to 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, (xiii) inflationary conditions, economic uncertainty, recessionary risks, and exchange rate fluctuations, which may 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 and (ix) 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, 2022, 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, 2022 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.

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## **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 loss, non-GAAP net 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 loss, non-GAAP net 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 loss, and non-GAAP net loss per share as the respective GAAP balances, adjusted for, as applicable, stock-based compensation expense; employer taxes on employee stock transactions; common stock charitable donation expense; 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 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 actual timing of customers’ consumption or future expansion. 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.

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**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 calculate the ARR from these same customers as of the current period end (“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 NRR. The dollar-based NRR 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. 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**

Shane Xie

[investors@confluent.io](mailto:investors@confluent.io)

### **Media Contact**

Taylor Jones

[pr@confluent.io](mailto:pr@confluent.io)

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

|  | June 30,<br>2022    | December 31,<br>2021 |
|--|---------------------|----------------------|
| <b>ASSETS</b>  |                     |                      |
| Current assets:  |                     |                      |
| Cash and cash equivalents                              | \$ 529,667          | \$ 1,375,932         |
| Marketable securities                                  | 1,427,859           | 640,085              |
| Accounts receivable, net                               | 149,394             | 137,491              |
| Deferred contract acquisition costs                    | 29,491              | 27,646               |
| Prepaid expenses and other current assets              | 55,612              | 44,919               |
| Total current assets                                   | 2,192,023           | 2,226,073            |
| Property and equipment, net                            | 21,813              | 14,428               |
| Operating lease right-of-use assets                    | 32,613              | 37,281               |
| Deferred contract acquisition costs, non-current       | 54,661              | 51,178               |
| Other assets, non-current                              | 23,807              | 13,769               |
| Total assets   | <u>\$ 2,324,917</u> | <u>\$ 2,342,729</u>  |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>            |                     |                      |
| Current liabilities:                                   |                     |                      |
| Accounts payable                                       | \$ 15,527           | \$ 7,591             |
| Accrued expenses and other liabilities                 | 93,917              | 98,974               |
| Operating lease liabilities                            | 7,846               | 9,236                |
| Deferred revenue                                       | 255,064             | 220,920              |
| Liability for early exercise of unvested stock options | 3,826               | 11,467               |
| Total current liabilities                              | 376,180             | 348,188              |
| Operating lease liabilities, non-current               | 27,975              | 31,645               |
| Deferred revenue, non-current                          | 30,667              | 25,557               |
| Convertible senior notes, net                          | 1,082,583           | 1,080,701            |
| Other liabilities, non-current                         | 10,888              | 6,357                |
| Total liabilities                                      | 1,528,293           | 1,492,448            |
| Stockholders' equity:                                  |                     |                      |
| Preferred stock  | -                   | -                    |
| Class A common stock                                   | 1                   | 1                    |
| Class B common stock                                   | 2                   | 2                    |
| Additional paid-in capital                             | 1,785,640           | 1,599,962            |
| Accumulated other comprehensive loss                   | (9,547)             | (830)                |
| Accumulated deficit                                    | (979,472)           | (748,854)            |
| Total stockholders' equity                             | 796,624             | 850,281              |
| Total liabilities and stockholders' equity             | <u>\$ 2,324,917</u> | <u>\$ 2,342,729</u>  |

**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, |                     |
|---|-----------------------------|--------------------|---------------------------|---------------------|
|   | 2022                        | 2021               | 2022                      | 2021                |
| <b>Revenue:</b>   |                             |                    |                           |                     |
| Subscription  | \$ 127,018                  | \$ 78,516          | \$ 240,938                | \$ 146,508          |
| Services  | 12,389                      | 9,822              | 24,608                    | 18,858              |
| Total revenue   | <u>139,407</u>              | <u>88,338</u>      | <u>265,546</u>            | <u>165,366</u>      |
| <b>Cost of revenue:</b>   |                             |                    |                           |                     |
| Subscription <sup>(1)(2)</sup>  | 35,608                      | 20,292             | 69,211                    | 36,049              |
| Services <sup>(1)(2)</sup>  | 13,901                      | 9,717              | 26,075                    | 17,798              |
| Total cost of revenue   | <u>49,509</u>               | <u>30,009</u>      | <u>95,286</u>             | <u>53,847</u>       |
| Gross profit  | <u>89,898</u>               | <u>58,329</u>      | <u>170,260</u>            | <u>111,519</u>      |
| <b>Operating expenses:</b>  |                             |                    |                           |                     |
| Research and development <sup>(1)(2)</sup>                                    | 64,472                      | 33,225             | 122,133                   | 57,538              |
| Sales and marketing <sup>(1)(2)</sup>   | 112,754                     | 73,206             | 219,456                   | 131,715             |
| General and administrative <sup>(1)(2)</sup>                                  | 29,979                      | 37,943             | 57,460                    | 53,455              |
| Total operating expenses  | <u>207,205</u>              | <u>144,374</u>     | <u>399,049</u>            | <u>242,708</u>      |
| Operating loss  | <u>(117,307)</u>            | <u>(86,045)</u>    | <u>(228,789)</u>          | <u>(131,189)</u>    |
| Interest income   | 2,618                       | 688                | 3,184                     | 1,532               |
| Other expense, net  | <u>(1,432)</u>              | <u>(643)</u>       | <u>(2,814)</u>            | <u>(979)</u>        |
| Loss before income taxes  | <u>(116,121)</u>            | <u>(86,000)</u>    | <u>(228,419)</u>          | <u>(130,636)</u>    |
| Provision for income taxes  | 1,510                       | 2,170              | 2,199                     | 2,060               |
| Net loss  | <u>\$ (117,631)</u>         | <u>\$ (88,170)</u> | <u>\$ (230,618)</u>       | <u>\$ (132,696)</u> |
| Net loss per share, basic and diluted   | <u>\$ (0.42)</u>            | <u>\$ (0.74)</u>   | <u>\$ (0.84)</u>          | <u>\$ (1.17)</u>    |
| Weighted-average shares used to compute net loss per share, basic and diluted | <u>278,268,980</u>          | <u>118,648,655</u> | <u>275,593,362</u>        | <u>113,717,546</u>  |

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

|  | Three Months Ended June 30, |                  | Six Months Ended June 30, |                  |
|--|-----------------------------|------------------|---------------------------|------------------|
|  | 2022                        | 2021             | 2022                      | 2021             |
| Cost of revenue - subscription         | \$ 6,018                    | \$ 2,172         | \$ 11,331                 | \$ 3,147         |
| Cost of revenue - services             | 2,328                       | 1,055            | 4,190                     | 1,599            |
| Research and development               | 25,337                      | 8,932            | 45,422                    | 12,443           |
| Sales and marketing                    | 24,746                      | 11,155           | 45,808                    | 16,131           |
| General and administrative             | 10,437                      | 11,202           | 19,484                    | 14,549           |
| Total stock-based compensation expense | <u>\$ 68,866</u>            | <u>\$ 34,516</u> | <u>\$ 126,235</u>         | <u>\$ 47,869</u> |

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

|   | Three Months Ended June 30, |                 | Six Months Ended June 30, |                 |
|---|-----------------------------|-----------------|---------------------------|-----------------|
|   | 2022                        | 2021            | 2022                      | 2021            |
| Cost of revenue - subscription                      | \$ 70                       | \$ 38           | \$ 403                    | \$ 38           |
| Cost of revenue - services                          | 80                          | 288             | 157                       | 288             |
| Research and development                            | 342                         | 277             | 1,381                     | 398             |
| Sales and marketing                                 | 1,048                       | 610             | 1,728                     | 713             |
| General and administrative                          | 130                         | 222             | 440                       | 261             |
| Total employer taxes on employee stock transactions | <u>\$ 1,670</u>             | <u>\$ 1,435</u> | <u>\$ 4,109</u>           | <u>\$ 1,698</u> |

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

|   | Three Months Ended June 30, |             | Six Months Ended June 30, |              |
|---|-----------------------------|-------------|---------------------------|--------------|
|   | 2022                        | 2021        | 2022                      | 2021         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                             |             |                           |              |
| Net loss  | \$ (117,631)                | \$ (88,170) | \$ (230,618)              | \$ (132,696) |
| Adjustments to reconcile net loss to cash used in operating activities:   |                             |             |                           |              |
| Depreciation and amortization   | 1,810                       | 756         | 3,060                     | 1,543        |
| Net (accretion) amortization of (discounts) premiums on marketable securities   | (469)                       | 459         | 236                       | 964          |
| Amortization of debt issuance costs   | 947                         | -           | 1,883                     | -            |
| Amortization of deferred contract acquisition costs   | 8,925                       | 6,048       | 17,395                    | 11,583       |
| Non-cash operating lease costs  | 2,200                       | 2,748       | 4,475                     | 5,604        |
| Common stock charitable donation expense  | -                           | 13,290      | -                         | 13,290       |
| Stock-based compensation, net of amounts capitalized  | 68,866                      | 34,516      | 126,235                   | 47,869       |
| Deferred income taxes   | 30                          | 2,297       | 26                        | 1,730        |
| Other   | 355                         | 209         | 559                       | 648          |
| Changes in operating assets and liabilities:  |                             |             |                           |              |
| Accounts receivable   | (25,244)                    | (17,587)    | (12,462)                  | (11,853)     |
| Deferred contract acquisition costs   | (10,643)                    | (15,482)    | (22,723)                  | (26,348)     |
| Prepaid expenses and other assets   | (12,136)                    | (12,368)    | (20,121)                  | (14,723)     |
| Accounts payable  | 7,275                       | (468)       | 7,452                     | 371          |
| Accrued expenses and other liabilities  | 24,609                      | 11,460      | 1,756                     | 12,893       |
| Operating lease liabilities   | (2,413)                     | (2,661)     | (4,910)                   | (5,382)      |
| Deferred revenue  | 20,047                      | 21,787      | 39,254                    | 31,352       |
| Net cash used in operating activities   | (33,472)                    | (43,166)    | (88,503)                  | (63,155)     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                             |             |                           |              |
| Capitalization of internal-use software costs   | (2,256)                     | (1,215)     | (4,765)                   | (1,811)      |
| Purchases of marketable securities  | (763,479)                   | (14,283)    | (1,167,362)               | (55,971)     |
| Maturities of marketable securities   | 275,114                     | 66,211      | 370,659                   | 122,974      |
| Purchases of property and equipment   | (1,184)                     | (1,030)     | (2,071)                   | (1,673)      |
| Other   | -                           | -           | -                         | 9            |
| Net cash (used in) provided by investing activities   | (491,805)                   | 49,683      | (803,539)                 | 63,528       |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                             |             |                           |              |
| Proceeds from initial public offering, net of underwriting discounts and commissions  | -                           | 786,600     | -                         | 786,600      |
| Proceeds from issuance of common stock upon exercise of vested options  | 7,947                       | 12,490      | 24,383                    | 18,705       |
| Proceeds from issuance of common stock upon early exercise of unvested options  | 71                          | 11,309      | 416                       | 18,756       |
| Repurchases of unvested options   | (683)                       | (164)       | (695)                     | (213)        |
| Payments of deferred offering costs   | -                           | (767)       | -                         | (920)        |
| Payments of debt issuance costs for convertible senior notes  | -                           | -           | (786)                     | -            |
| Proceeds from issuance of common stock under employee stock purchase plan   | -                           | -           | 22,485                    | -            |
| Net cash provided by financing activities   | 7,335                       | 809,468     | 45,803                    | 822,928      |
| Effect of exchange rate changes on cash, cash equivalents, and restricted cash  | 20                          | (2)         | (26)                      | (10)         |
| Net (decrease) increase in cash, cash equivalents, and restricted cash  | (517,922)                   | 815,983     | (846,265)                 | 823,291      |
| Cash, cash equivalents, and restricted cash at beginning of period  | 1,048,339                   | 45,114      | 1,376,682                 | 37,806       |
| Cash, cash equivalents, and restricted cash at end of period  | \$ 530,417                  | \$ 861,097  | \$ 530,417                | \$ 861,097   |
| <b>Reconciliation of cash, cash equivalents, and restricted cash within the consolidated balance sheets to the amounts shown above:</b> |                             |             |                           |              |
| Cash and cash equivalents   | \$ 529,667                  | \$ 860,347  | \$ 529,667                | \$ 860,347   |
| Restricted cash included in other assets, current and non-current   | 750                         | 750         | 750                       | 750          |
| Total cash, cash equivalents, and restricted cash   | \$ 530,417                  | \$ 861,097  | \$ 530,417                | \$ 861,097   |

**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, |                   |
|---|-----------------------------|------------------|---------------------------|-------------------|
|   | 2022                        | 2021             | 2022                      | 2021              |
| <b>Reconciliation of GAAP total gross profit to non-GAAP total gross profit:</b>              |                             |                  |                           |                   |
| Total gross profit on a GAAP basis  | \$ 89,898                   | \$ 58,329        | \$ 170,260                | \$ 111,519        |
| <i>Total gross margin on a GAAP basis</i>   | 64.5%                       | 66.0%            | 64.1%                     | 67.4%             |
| Add: Stock-based compensation expense   | 8,346                       | 3,227            | 15,521                    | 4,746             |
| Add: Employer taxes on employee stock transactions  | 150                         | 326              | 560                       | 326               |
| Non-GAAP total gross profit   | <u>\$ 98,394</u>            | <u>\$ 61,882</u> | <u>\$ 186,341</u>         | <u>\$ 116,591</u> |
| <i>Non-GAAP total gross margin</i>  | 70.6%                       | 70.1%            | 70.2%                     | 70.5%             |
| <b>Reconciliation of GAAP operating expenses to non-GAAP operating expenses:</b>              |                             |                  |                           |                   |
| Research and development operating expense on a GAAP basis                                    | \$ 64,472                   | \$ 33,225        | \$ 122,133                | \$ 57,538         |
| Less: Stock-based compensation expense  | 25,337                      | 8,932            | 45,422                    | 12,443            |
| Less: Employer taxes on employee stock transactions   | 342                         | 277              | 1,381                     | 398               |
| Non-GAAP research and development operating expense   | <u>\$ 38,793</u>            | <u>\$ 24,016</u> | <u>\$ 75,330</u>          | <u>\$ 44,697</u>  |
| <i>Non-GAAP research and development operating expense as a percentage of total revenue</i>   | 27.8%                       | 27.2%            | 28.4%                     | 27.0%             |
| Sales and marketing operating expense on a GAAP basis   | \$ 112,754                  | \$ 73,206        | \$ 219,456                | \$ 131,715        |
| Less: Stock-based compensation expense  | 24,746                      | 11,155           | 45,808                    | 16,131            |
| Less: Employer taxes on employee stock transactions   | 1,048                       | 610              | 1,728                     | 713               |
| Non-GAAP sales and marketing operating expense  | <u>\$ 86,960</u>            | <u>\$ 61,441</u> | <u>\$ 171,920</u>         | <u>\$ 114,871</u> |
| <i>Non-GAAP sales and marketing operating expense as a percentage of total revenue</i>        | 62.4%                       | 69.6%            | 64.7%                     | 69.5%             |
| General and administrative operating expense on a GAAP basis                                  | \$ 29,979                   | \$ 37,943        | \$ 57,460                 | \$ 53,455         |
| Less: Stock-based compensation expense  | 10,437                      | 11,202           | 19,484                    | 14,549            |
| Less: Employer taxes on employee stock transactions   | 130                         | 222              | 440                       | 261               |
| Less: Common stock charitable donation expense  | -                           | 13,290           | -                         | 13,290            |
| Non-GAAP general and administrative operating expense   | <u>\$ 19,412</u>            | <u>\$ 13,229</u> | <u>\$ 37,536</u>          | <u>\$ 25,355</u>  |
| <i>Non-GAAP general and administrative operating expense as a percentage of total revenue</i> | 13.9%                       | 15.0%            | 14.1%                     | 15.3%             |

|   | Three Months Ended June 30, |             | Six Months Ended June 30, |              |
|---|-----------------------------|-------------|---------------------------|--------------|
|   | 2022                        | 2021        | 2022                      | 2021         |
| <b>Reconciliation of GAAP operating loss to non-GAAP operating loss:</b>      |                             |             |                           |              |
| Operating loss on a GAAP basis  | \$ (117,307)                | \$ (86,045) | \$ (228,789)              | \$ (131,189) |
| Add: Stock-based compensation expense   | 68,866                      | 34,516      | 126,235                   | 47,869       |
| Add: Employer taxes on employee stock transactions                            | 1,670                       | 1,435       | 4,109                     | 1,698        |
| Add: Common stock charitable donation expense                                 | -                           | 13,290      | -                         | 13,290       |
| Non-GAAP operating loss   | \$ (46,771)                 | \$ (36,804) | \$ (98,445)               | \$ (68,332)  |
| <i>Non-GAAP operating margin</i>  | (33.5%)                     | (41.7%)     | (37.1%)                   | (41.3%)      |
| <b>Reconciliation of GAAP net loss to non-GAAP net loss:</b>                  |                             |             |                           |              |
| Net loss on a GAAP basis  | \$ (117,631)                | \$ (88,170) | \$ (230,618)              | \$ (132,696) |
| Add: Stock-based compensation expense   | 68,866                      | 34,516      | 126,235                   | 47,869       |
| Add: Employer taxes on employee stock transactions                            | 1,670                       | 1,435       | 4,109                     | 1,698        |
| Add: Common stock charitable donation expense                                 | -                           | 13,290      | -                         | 13,290       |
| Add: Amortization of debt issuance costs                                      | 946                         | -           | 1,882                     | -            |
| Add: Income tax effects and adjustments                                       | 669                         | 1,716       | 682                       | 1,045        |
| Non-GAAP net loss   | \$ (45,480)                 | \$ (37,213) | \$ (97,710)               | \$ (68,794)  |
| Non-GAAP net loss per share, basic and diluted                                | \$ (0.16)                   | \$ (0.31)   | \$ (0.35)                 | \$ (0.60)    |
| Weighted-average shares used to compute net loss per share, basic and diluted | 278,268,980                 | 118,648,655 | 275,593,362               | 113,717,546  |

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):

|   | Three Months Ended June 30, |             | Six Months Ended June 30, |             |
|---|-----------------------------|-------------|---------------------------|-------------|
|   | 2022                        | 2021        | 2022                      | 2021        |
| Net cash used in operating activities               | \$ (33,472)                 | \$ (43,166) | \$ (88,503)               | \$ (63,155) |
| Capitalized internal-use software costs             | (2,256)                     | (1,215)     | (4,765)                   | (1,811)     |
| Capital expenditures                                | (1,184)                     | (1,030)     | (2,071)                   | (1,673)     |
| Free cash flow                                      | \$ (36,912)                 | \$ (45,411) | \$ (95,339)               | \$ (66,639) |
| <i>Free cash flow margin</i>                        | (26.5%)                     | (51.4%)     | (35.9%)                   | (40.3%)     |
| Net cash (used in) provided by investing activities | \$ (491,805)                | \$ 49,683   | \$ (803,539)              | \$ 63,528   |
| Net cash provided by financing activities           | \$ 7,335                    | \$ 809,468  | \$ 45,803                 | \$ 822,928  |

