Investor Presentation

May 7, 2024

Disclaimer

This presentation includes express and implied forward-looking statements. All statements contained in this presentation other than statements of historical facts, including expectations of Confluent, Inc. ("we," "us," "our," or "Confluent") regarding our revenue, revenue mix, revenue growth, expenses and other results of operations; operating margins and margin improvements, targeted or anticipated margin levels; future financial performance, business strategy and plans; potential market and growth opportunities; competitive position; technological or market trends; addressable market opportunity; and our objectives for future operations, are forward-looking statements. 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. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. 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, (iii) our ability to increase consumption of our offering, including by existing customers and through the acquisition of new customers, including by addressing customer consumption preferences, and successfully add new features and functionality to our offering, (iv) our ability to successfully execute our go-to-market strategy and initiatives, including as we reorient our go-to-market strategy and model around customer consumption, (v) our ability to attract new customers and retain and sell additional features and services to our existing customers, (vi) uncertain macroeconomic conditions, including high inflation, high interest rates, bank failures, supply chain challenges, geopolitical events, 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, (vii) our ability to achieve profitability and improve margins annually, by our expected timelines or at all, (viii) 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, (ix) our ability to compete effectively in an increasingly competitive market, (x) our ability to attract and retain highly qualified personnel, including as we reorient our go-to-market strategy and model around customer consumption, (xi) breaches in our security measures, intentional or accidental cybersecurity incidents 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) public sector budgetary cycles and funding reductions or delays, (xiv) our ability to accurately forecast our future performance, business and growth, and (xv) general market, political, economic, and business conditions. These risks are not exhaustive. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. You should not rely upon the forward-looking statements as predictions of future events. The future events and trends discussed in this presentation may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that future results, levels of activity, performance, achievements or events and circumstances reflected in the forward-looking statements will occur. Except to the extent required by law, we do not undertake to update any of these forward-looking statements after the date of this presentation to conform these statements to actual results or revised expectations. In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this presentation. While we believe such information provides a reasonable basis for these statements, such information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

This presentation also contains statistical data, estimates and forecasts made by independent parties and by us relating to market size and growth, as well as other data about our industry and business. These data involve a number of assumptions and limitations, and we have not independently verified the accuracy or completeness of these data. Neither we nor any other person makes any representation as to the accuracy or completeness of such data or undertakes any obligation to update such data after the date of this presentation. In addition, projections, assumptions and estimates of our future performance and the future performance of the markets in which we operate are necessarily subject to a high degree of uncertainty and risk. The Gartner content described herein (the "Gartner Content") represents research opinions or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. ("Gartner"), and are not representations of fact. The Gartner Content speaks as of its original publication date (and not as of the date of this presentation), and the opinions expressed in the Gartner Content are subject to change without notice.

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Confluent Momentum-at-a-Glance

Founded in 2014 by the
Original Creators of *Apache Kafka*

~$60B Total Addressable Market[1]

	Q1'24
Subscription Revenue	**$207M / +29% YoY**
Confluent Cloud Revenue	**$107M / +45% YoY**
Non-GAAP Operating Margin (OM)	**(1.5%) / +22pts YoY**
Dollar-Based Net Retention Rate	**120%-125%**
Customers with ≥ $100K in ARR	**1,260 / +17% YoY**

[1] TAM calculations performed by Confluent; source: Gartner, Forecast: Enterprise Infrastructure Software, Worldwide, 2020-2026, 2Q22 Update, June 2022; source: Gartner, Forecast: Enterprise Application Software, Worldwide, August 2022.

Note: Financials and metrics other than TAM data are as of or for stated period ended March 31, 2024.
Refer to the slides in the section titled "Definitions & GAAP to Non-GAAP Reconciliations" at the end of this presentation for a reconciliation of our non-GAAP financial metrics to the most directly comparable GAAP financial metrics.
See Appendix for definitions for "Dollar-Based Net Retention Rate" and "Customers with $100,000 or greater in ARR."

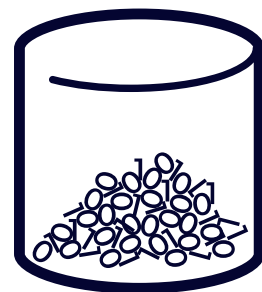# Confluent is on a mission to set data in motion

The Problems with Data at Rest and Legacy Movement Tools
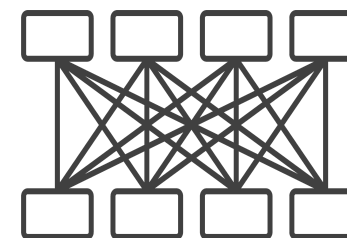
Data at Rest

Databases

- Slow, daily batch processing

- Simple, static real-time queries
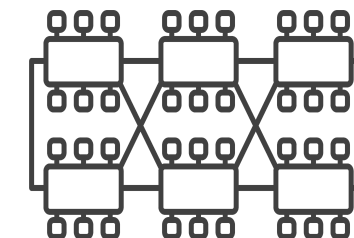
Legacy Data Movement Tools

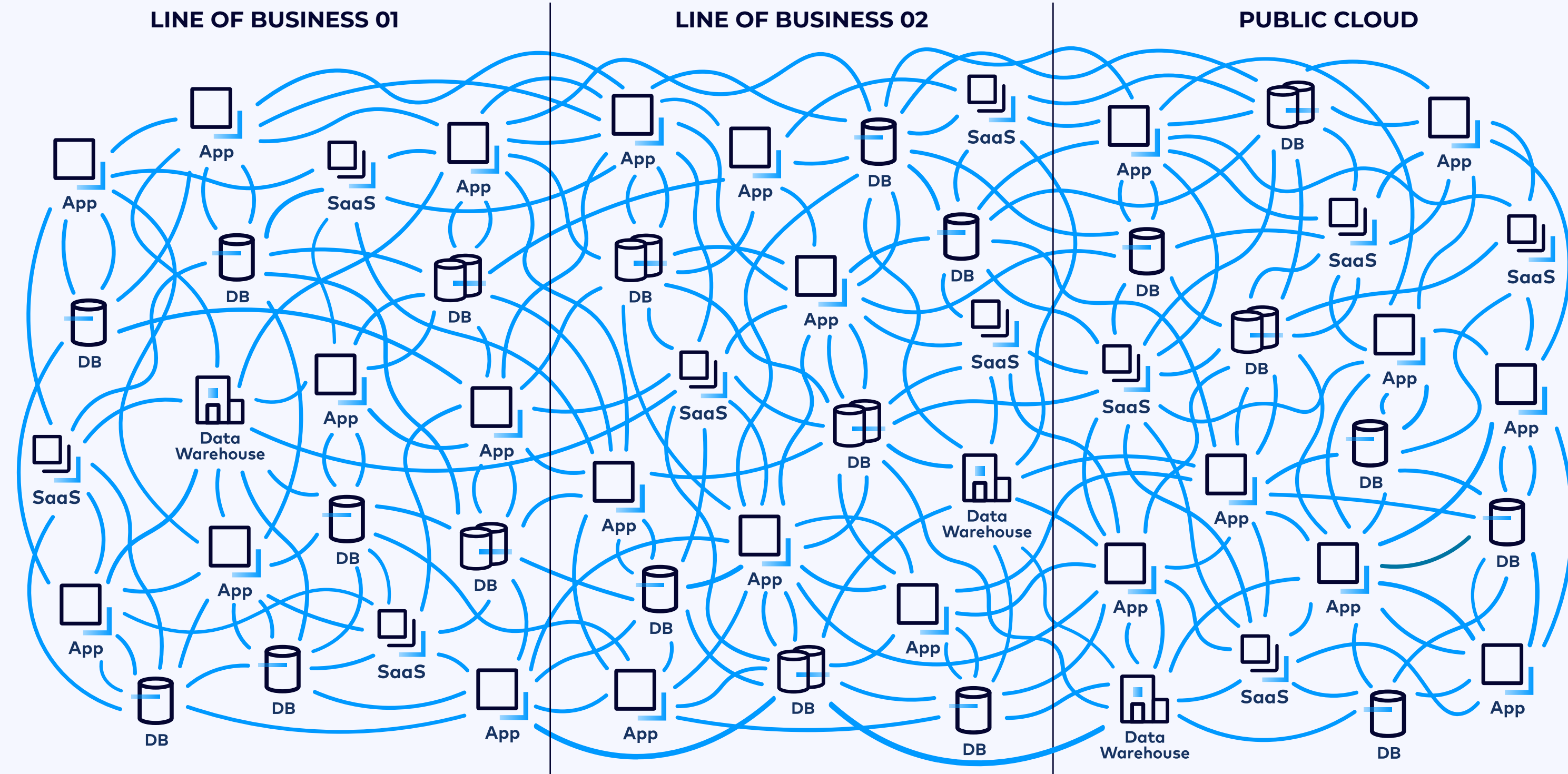### ETL/Data Integration

- Batch

- Expensive

- Time Consuming

Messaging

- Difficult to Scale
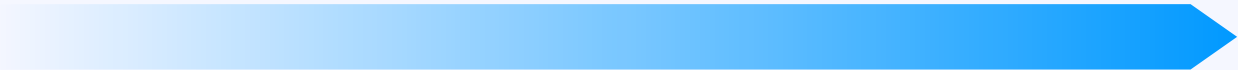
- No Persistence

- Data Loss

- No Replay

Databases Bring Point-in-Time Queries to Stored Data; This Leads to a Giant Mess in Data Architecture

LINE OF BUSINESS 01

LINE OF BUSINESS 02

PUBLIC CLOUD

A New Paradigm for Data in Motion: Data Streaming

From Data Mess → To Data Products → To Instant Value Everywhere

CONNECT
- Microsoft SQL Server
- splunk>
- APACHE ACTIVEMQ
- IBM Z
- SAP ERP
- MQTT
- PostgreSQL
- RabbitMQ

PROCESS

STREAM

GOVERN

- AI/MODELING
- FRAUD
- RECOMMENDATIONS
- PERSONALIZATIONS
- PAYMENTS
- ACCOUNTS
- INVENTORY

CUSTOM APPS & MICROSERVICES

DATA SYSTEMS

From Giant Mess to Central Nervous System
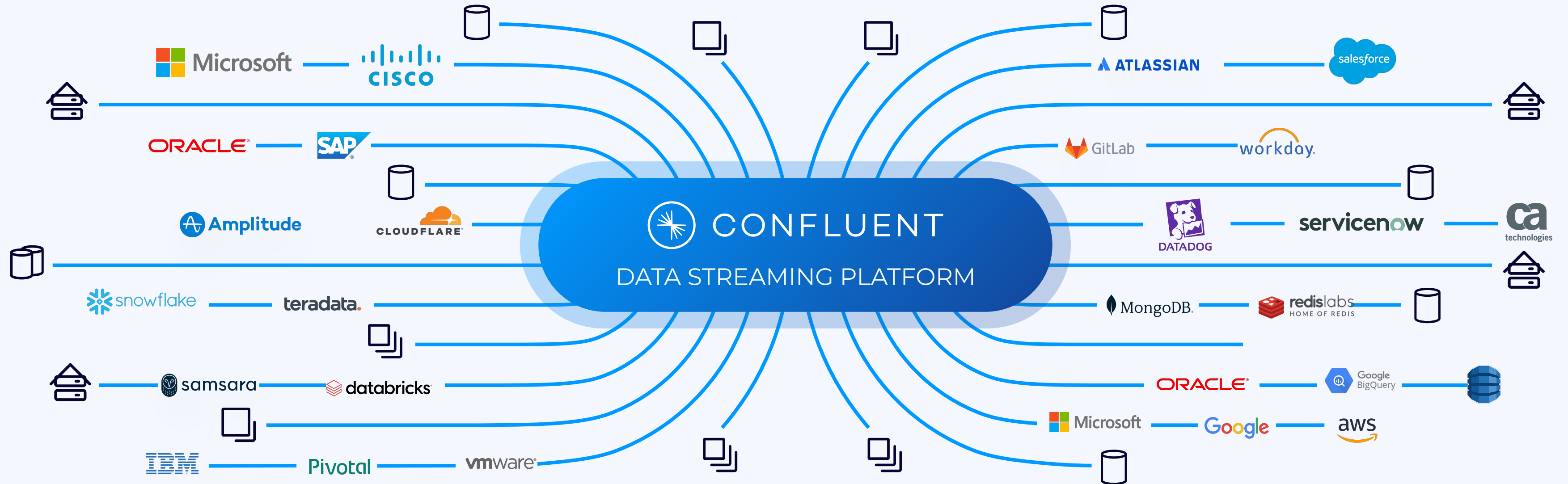
Proven Success Across Industries

Customer Expansion Journey Case Studies

ARR $ in millions

Global Telco Leader

16x

$0.4 — Q4'19
$0.6 — Q1'21
$2.4 — Q1'22
$5.9 — Q4'23
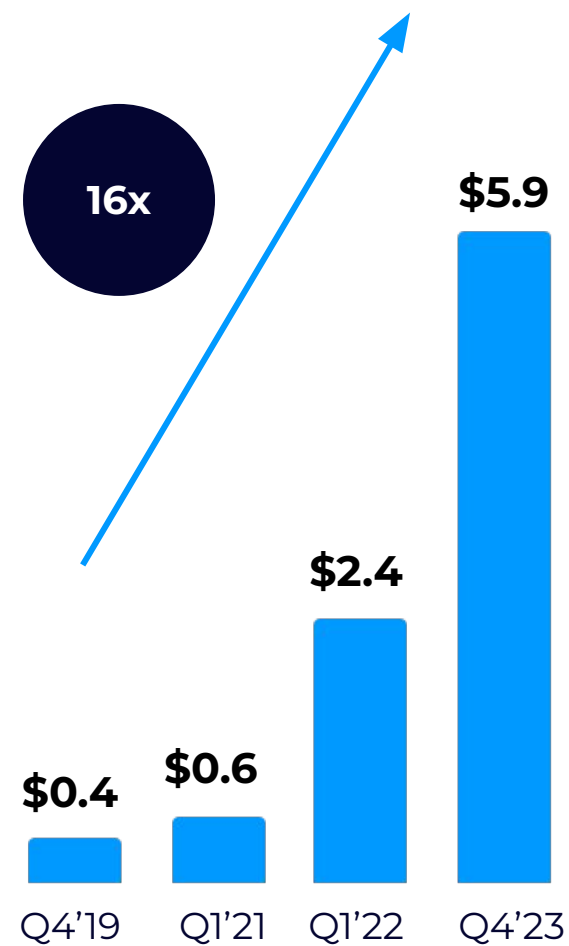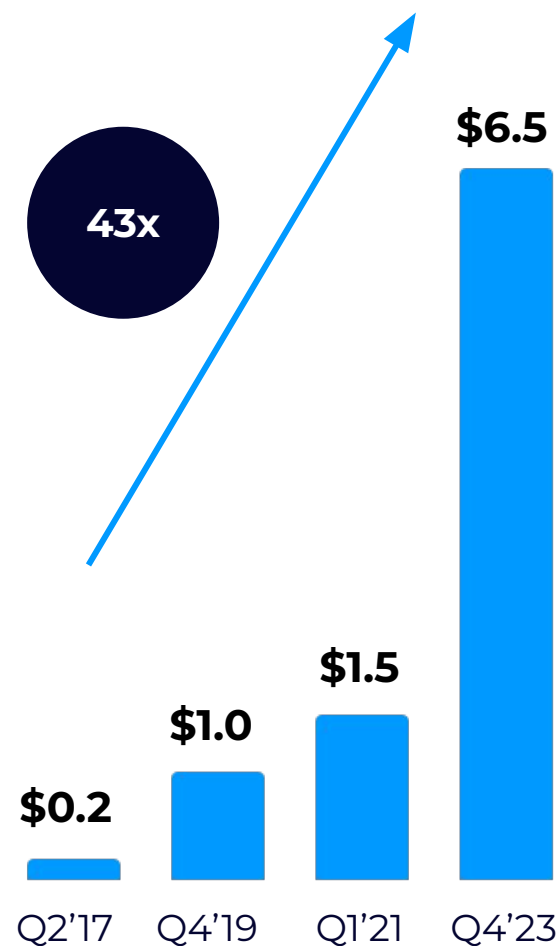
Built out an event portal to support 5G network monetization, billing, sales, security events, and more

Payment Card Provider

43x

$0.2 — Q2'17
$1.0 — Q4'19
$1.5 — Q1'21
$6.5 — Q4'23

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

Global Online Job Site

276x

$0.05 — Q3'20
$0.6 — Q1'21
$5.3 — Q1'22
$13.5 — Q4'23
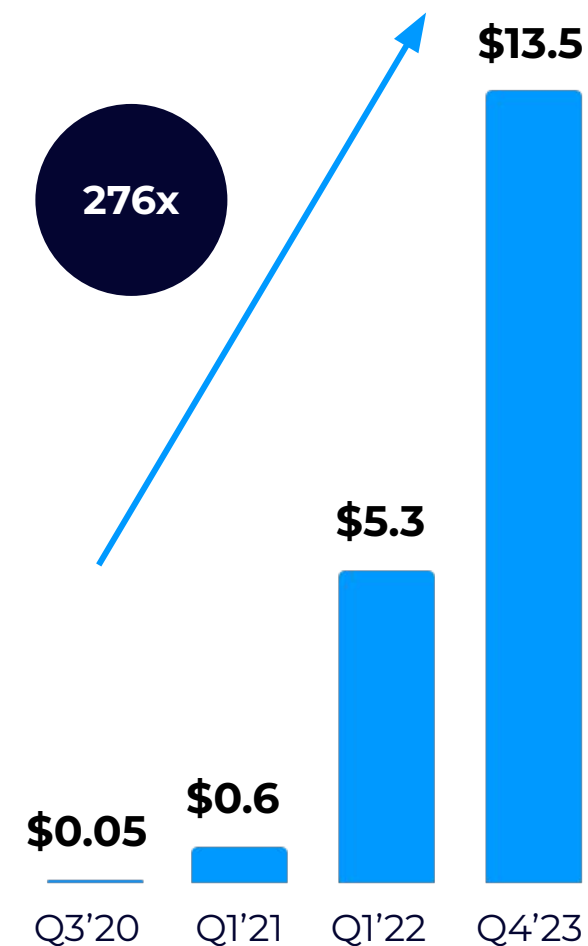
Created a unified, real-time data layer across the organization, enabling employer campaigns, sponsored jobs, and targeted searches

Fortune 50 Bank

12x

$1.2 — Q2'18
$4.8 — Q2'19
$7.9 — Q2'21
$14.3 — Q4'23
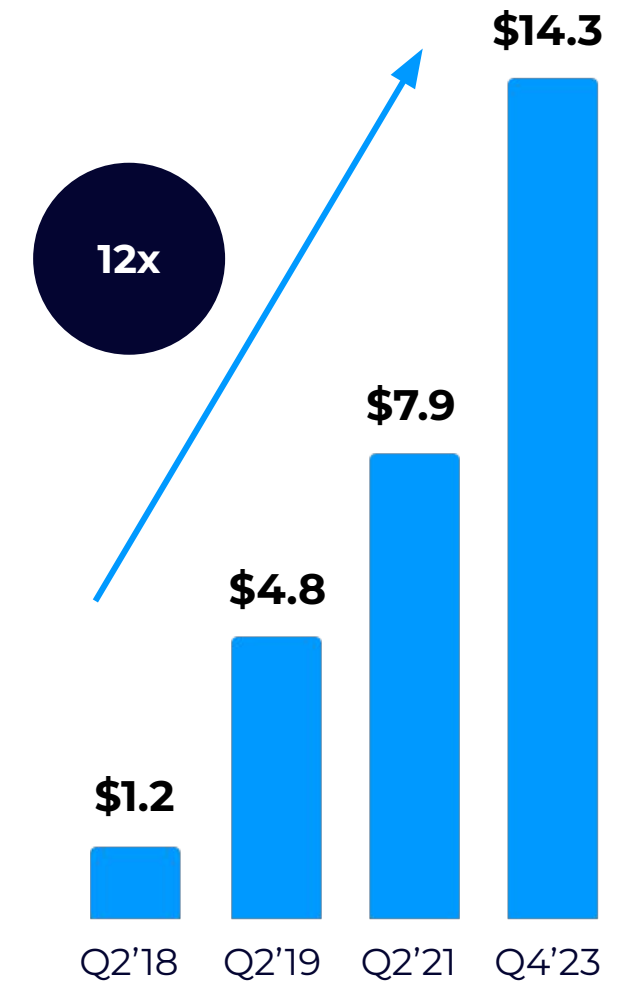
Improved banking relationship management, accelerated client onboarding, and enabled customized marketing programs for customers

Note: The expansion multiple is calculated based on the land ARR and the Q4'23 ending ARR, using actual unrounded numbers.
The customer examples shown on this slide are illustrative only and may not be representative of growth of other customers within the same vertical(s).

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Use Cases Across All Industries

Retail	Inventory Management	Personalized Promotions	Product Development & Introduction	Sentiment Analysis	Streaming Enterprise Messaging	Systems of Scale for High Traffic Periods
Healthcare	Connected Health Records	Data Confidentiality & Accessibility	Dynamic Staff Allocation Optimization	Integrated Treatment	Proactive Patient Care	Real-Time Monitoring
Finance & Banking	Early-On Fraud Detection	Capital Management	Market Risk Recognition & Investigation	Preventive Regulatory Scanning	Real-Time What-If Analysis	Trade Flow Monitoring
Transportation	Advanced Navigation	Environmental Factor Processing	Fleet Management	Predictive Maintenance	Threat Detection & Real-Time Response	Traffic Distribution Optimization
Teleco	5G Networks	Data Security	Product Development & Introduction	Sentiment Analysis	IOT Integration	Systems of Scale for High Traffic Periods
Common in all Industries	Data Pipelines	Hybrid Cloud Integration	Microservices	Security and Fraud	Customer 360	Streaming ETL

11

Why Confluent Wins

Product Differentiation

Cloud-native: Re-imagined Kafka for the Cloud

Complete: Enable developers to reliably & securely build next-gen apps faster

Everywhere: Be everywhere customers want to be
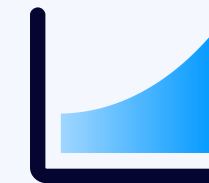
Customer Growth Go-To-Market Model

Product Led: Getting customers' hands on product early to qualify and deliver faster time-to value

Consumption Oriented: Customer health and actual usage are primary indicators for customer success

Purpose Built for Data in Motion Journey: Targeted features and expertise from early stage to Central Nervous System

The Confluent Data Streaming Platform
Stream + Connect + Process + Govern

⮂ Data Pipelines   🕑 Real-time Analytics   ⌕ Data Analytics   🔒 Cyber-Security   📶 IoT & Telematics   ◎ ML & AI

📍 Geofencing   🔄 Streaming ETL   ▣ Dynamic Pricing   🚚 Shipment Tracking / Alerting   🗩 Customer 360   and more...

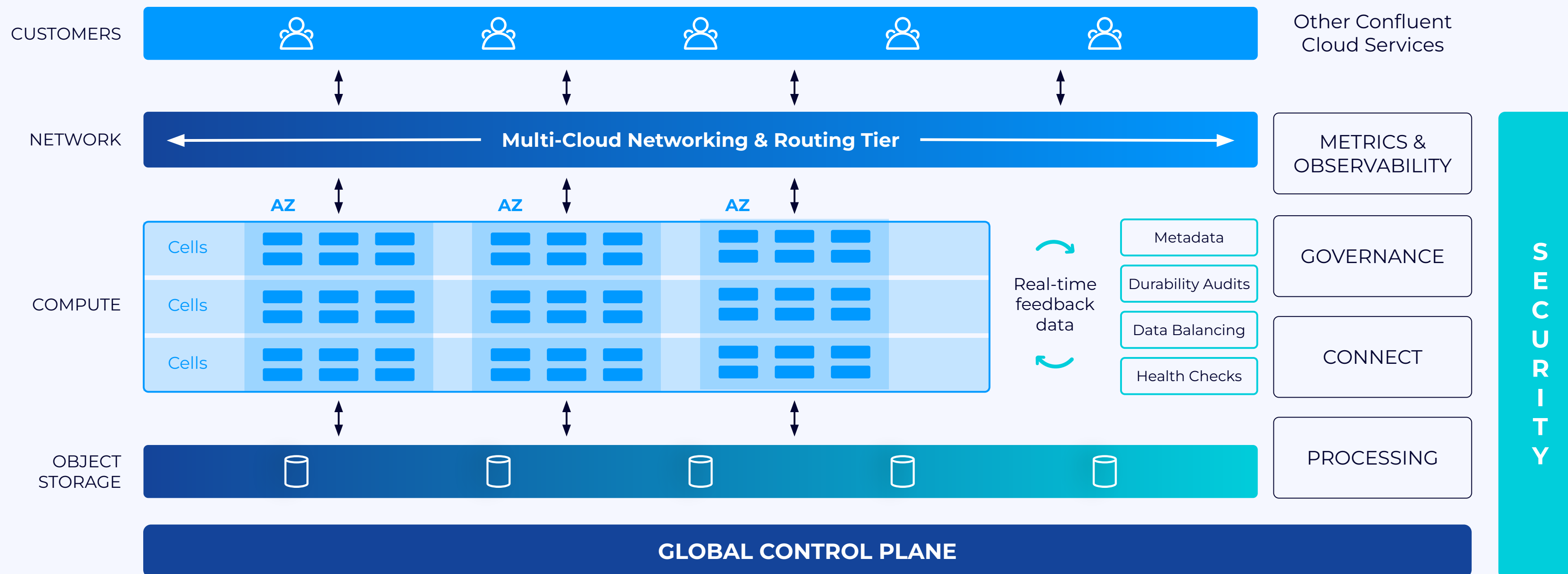**DATA STREAMING APPLICATIONS**

CONNECT   **PROCESS**   **GOVERN**

STREAM   **KORA: THE APACHE KAFKA ENGINE, BUILT FOR THE CLOUD**

Confluent's Cloud Advantage: Kora Architecture

CUSTOMERS — Other Confluent Cloud Services

NETWORK — Multi-Cloud Networking & Routing Tier

METRICS & OBSERVABILITY

AZ   AZ   AZ

COMPUTE — Cells / Cells / Cells

Real-time feedback data

Metadata
Durability Audits
Data Balancing
Health Checks

GOVERNANCE

CONNECT

OBJECT STORAGE

PROCESSING

GLOBAL CONTROL PLANE

SECURITY

30X ELASTICITY
Scale to handle GBps+ workloads and peak customer demands 30x faster without operational burden

10X RESILIENCY
Ensure high availability and offload Kafka ops with 99.99% uptime SLA, multi-AZ clusters, and no-touch Kafka patches

∞X STORAGE
Never worry about Kafka storage again with Intelligent Tiered Storage and Infinite Retention

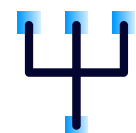# Stronger Capabilities, With Up to 60% Lower TCO

HEADCOUNT
SAVINGS WITH CONFLUENT

Development & Operations Personnel

INFRASTRUCTURE
SAVINGS WITH CONFLUENT

Multi-tenancy

Elastic

Data Balancing

Networking & Replication

DEVELOPMENT & OPERATIONS
SAVINGS WITH CONFLUENT

Higher Utilization of Infrastructure

Software-driven Operations

Real-time Monitoring & Validation

Product Led Complements Enterprise Sales GTM Motion

Awareness
of Solution

Mission Critical

PRODUCT LED

Self-Serve Signup,
Pay-As-You-Go

ENTERPRISE SALES

Master Contract, Success
Plan / Value Realization
and TCO, Governance

Evaluation

Production

Development

Central Nervous
System

Developers,
Architects, Operators
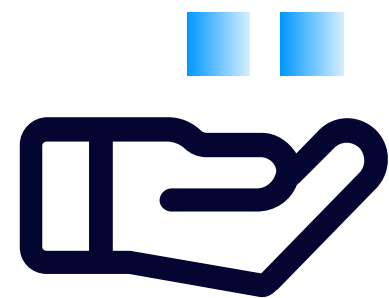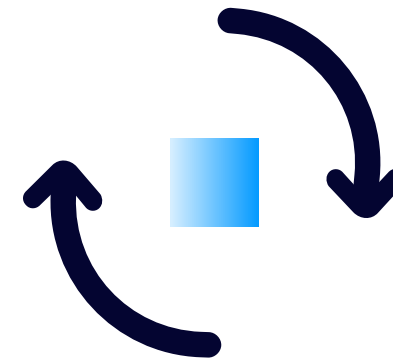
Tech Exec, CIO/CTO,
Infosec/CISO
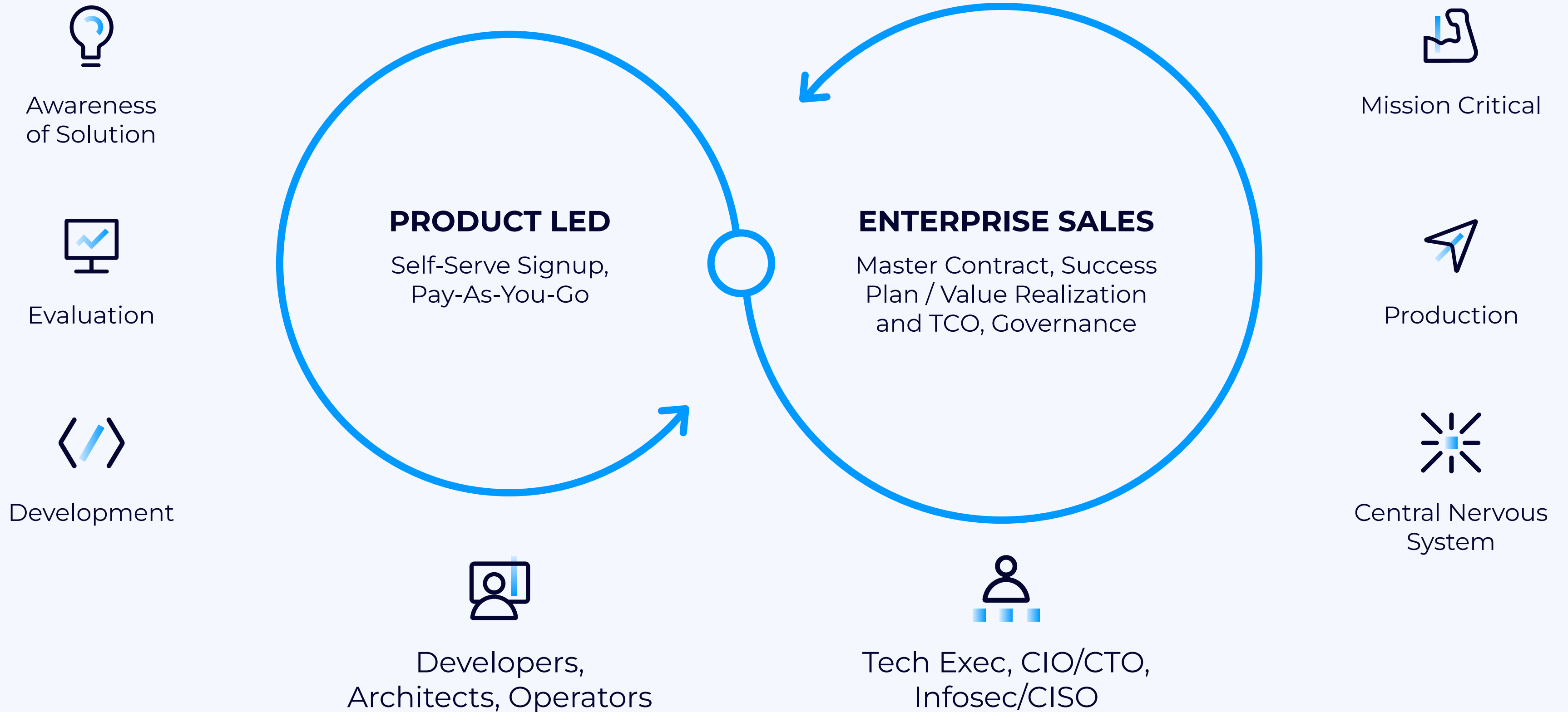
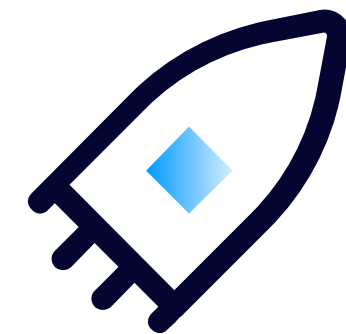# Our Powerful and Differentiated Cloud Consumption Model

Serve mission-critical workloads in **data infrastructure**

Power revenue *(frontend)* and **operational** *(backend)* use cases

Expand seamlessly in the cloud with **strong network effects**

Moving up the stack with Flink and capitalizing on **Cloud and Gen AI opportunities**

Data in Motion Journey

VALUE

Central
Nervous System

5

**Mission Critical
Cross-Company
Platform**

4

**Mission Critical,
But Disconnected
Use Cases**

3

**Early Production
Usage**

2

**Experimentation
/ Early Interest**

1

- Senior executive buy-in (CTO, CIO, CISO)
- Center of Excellence
- Company-wide governance

- Architecture Review
- Operational SLAs
- Total Cost of Ownership
- Infosec Review

- Low friction
- Developer love

INVESTMENT & TIME

18

Network Effects Drive Further Expansion

Applications Bring Data In Motion

Data In Motion Brings New Applications

Web

Custom Apps

Microservices

Monitoring

Analytics

...and more

any source

NoSQL

Oracle

Mainframes

Salesforce

Marketo

Twitter

AWS, Azure, GCP

Data Warehouse

any destination
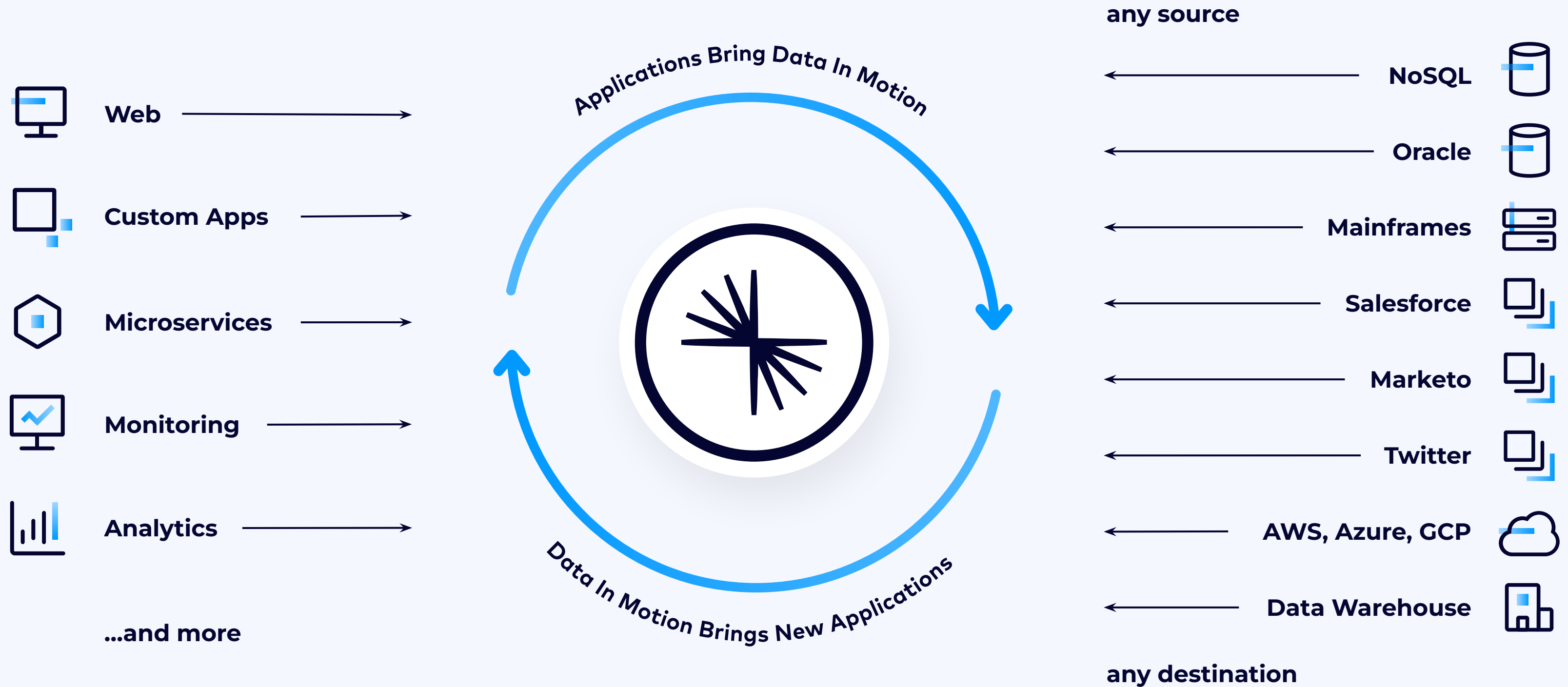
Competitive Landscape

Legacy Data Infrastructure

Relational DBs

ORACLE®

ESB & Messaging

MuleSoft   IBM   TIBCO™

ETL

Informatica   talend   ORACLE®

On-Premises Streaming

Red Hat   CLOUD∃RA

Cloud Providers

Partners & Competitors

Microsoft

aws

Google
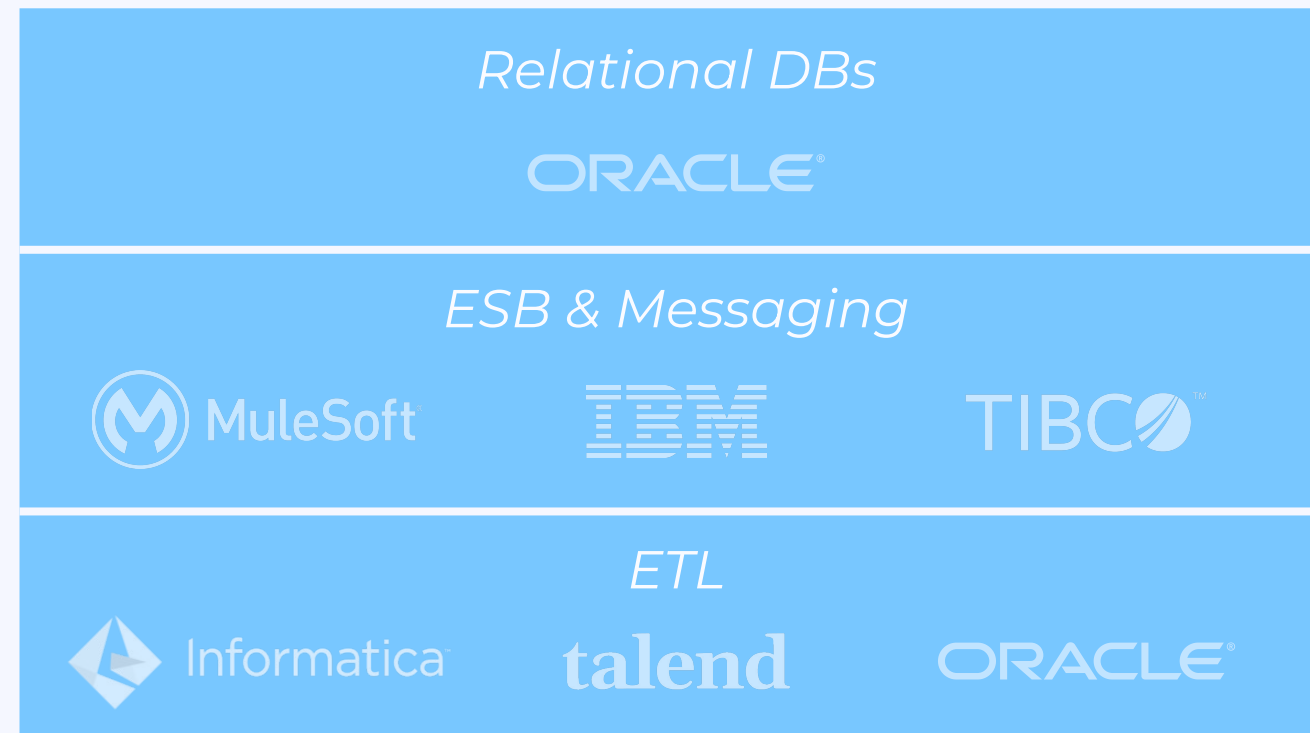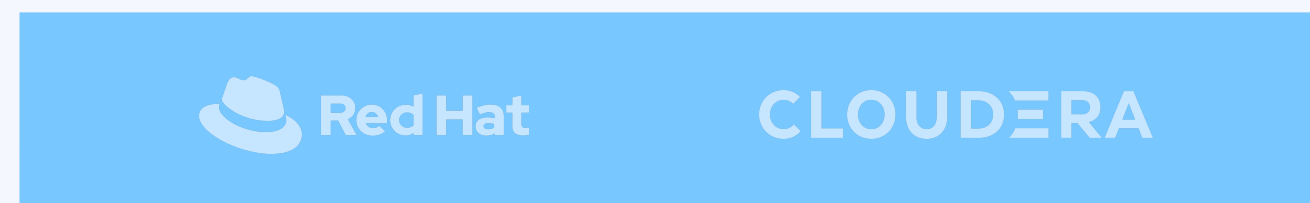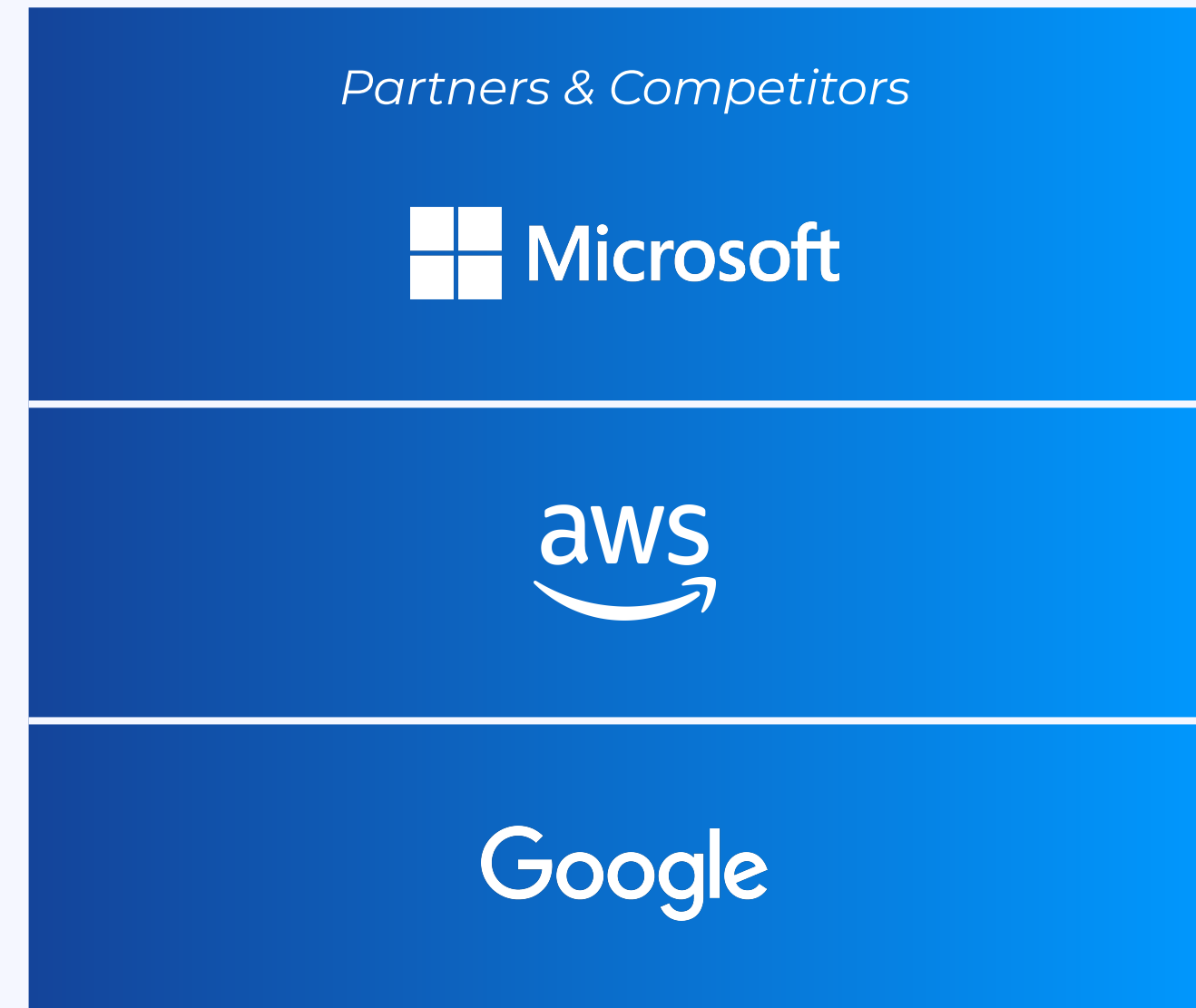
Multiple Levers of Growth in a Large and Growing TAM
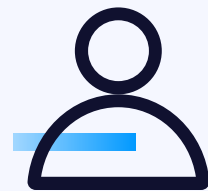
Easy and Frictionless **Land with Cloud Pay-As-You-Go**

Expand in **Underpenetrated Segments** (e.g. Commercial, Tech)

Enterprise-Wide Expansion via **Solutions Selling**
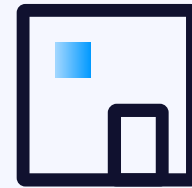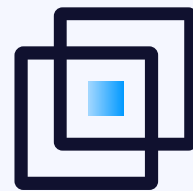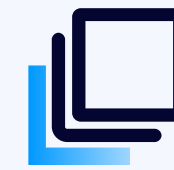
Grow and Harness our **Partner Ecosystem**

Continued **International Expansion**

Productize Use Cases **Up-The-Stack**

One Team, One Mission: Set Data in Motion

Jay Kreps
Co-Founder & CEO
LinkedIn

Jun Rao
Co-Founder
LinkedIn

Erica Schultz
President, Field Operations
New Relic · ORACLE

Stephanie Buscemi
Chief Marketing Officer
salesforce · SAP

Rohan Sivaram
Chief Financial Officer
paloalto · Morgan Stanley

Melanie Vinson
Chief Legal Officer
workday · hp

Gunjan Aggarwal
Chief People Officer
RingCentral · ERICSSON

Chad Verbowski
Chief Technology Officer
Google · Microsoft

Rey Perez
Chief Customer Officer
New Relic · ORACLE

Shaun Clowes
Chief Product Officer
MuleSoft · ATLASSIAN

Hemanth Vedagarbha
Global Head of Sales
ORACLE

2,761 employees as of Q1 2024

Board of Directors

Jay Kreps
Co-Founder & CEO of Confluent

Neha Narkhede
Co-Founder of Confluent

Matt Miller
Sequoia Capital

Mike Volpi
Index Ventures

Eric Vishria
Benchmark Capital

Jonathan Chadwick
Former EVP, CFO/COO
at VMware

Greg Schott
Former CEO and Chairman
at Mulesoft

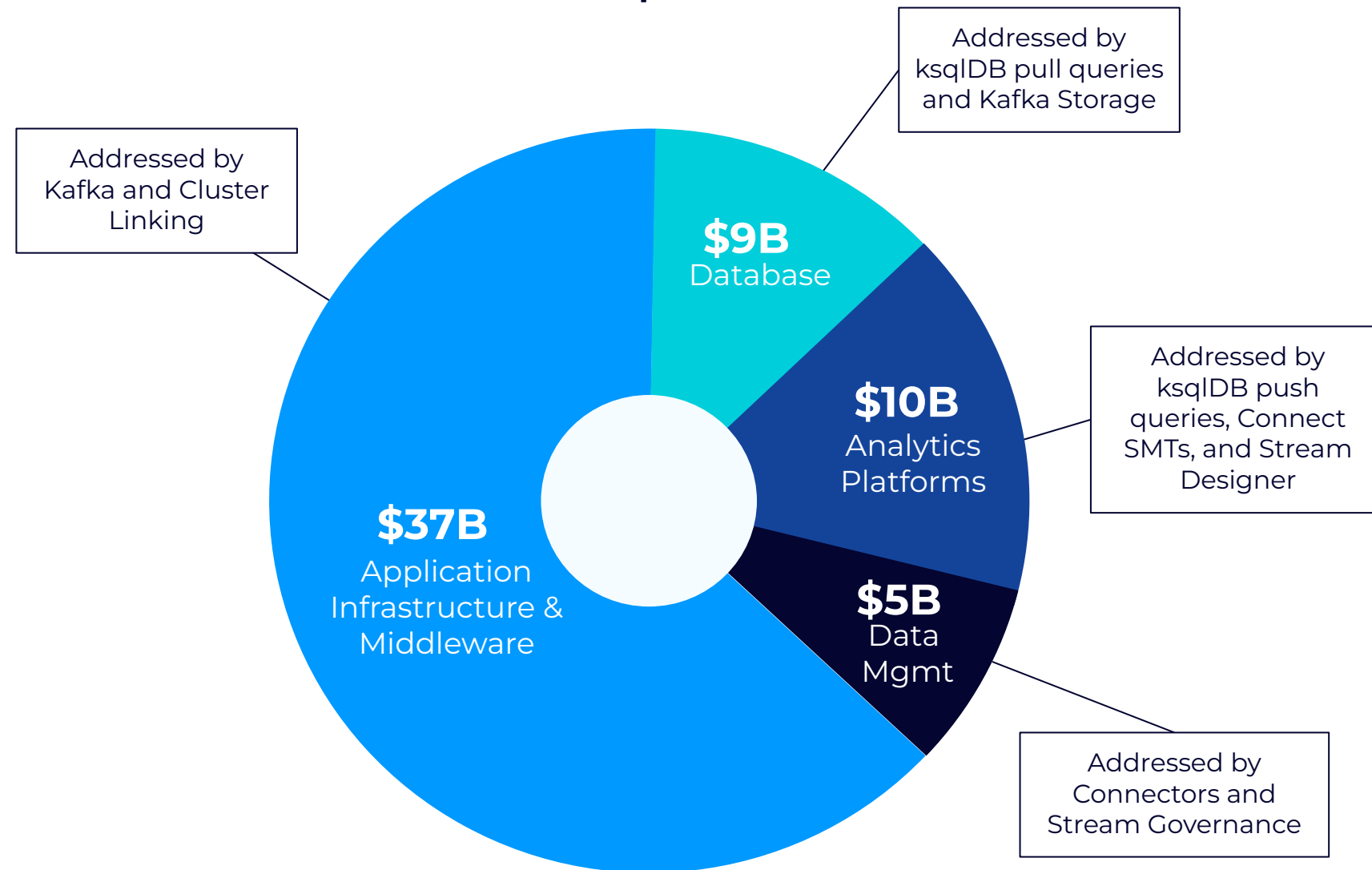**Lara Caimi**
President, Worldwide Field
Operations at Samsara

Alyssa Henry
Former CEO at Square

A New Data Category, A Large Market Opportunity

2022 Total Addressable Market (TAM)
~$60B[2]

Addressed by
Kafka and Cluster
Linking

Addressed by
ksqlDB pull queries
and Kafka Storage

$9B
Database

$10B
Analytics
Platforms

Addressed by
ksqlDB push
queries, Connect
SMTs, and Stream
Designer

$37B
Application
Infrastructure &
Middleware

$5B
Data
Mgmt

Addressed by
Connectors and
Stream Governance

[1] ■ **Represents 73% of the $50B application infrastructure & middleware market**
■ **Represents 10% of the $92B database management market**
■ **Represents 30% of the $32B analytics platform market**
■ **Represents 50% of the $10B data management market**

2022-2025 TAM Growth[3]
19% CAGR

$100B

~$60B

2022   2025

Bottoms-up View of Our 2022 Addressable Market

	Fortune 500	**Enterprise** (LTM Revenue >$1B)	**Commercial - Mid Market** (LTM Revenue: <$1B)
Number of Companies[1]	500	~29,000	~300,000
Estimated Average ARR per Company[2]	$10M+	$1M+	$100K+

$60B+

The Power of Our Hybrid Model

Confluent Cloud

49%

Fully managed, cloud-native
Rev Rec: Consumption

Confluent Platform

46%

Self-managed software
Rev Rec: Upfront & ratable

Services

5%

Attached to product sales
Rev Rec: As delivered
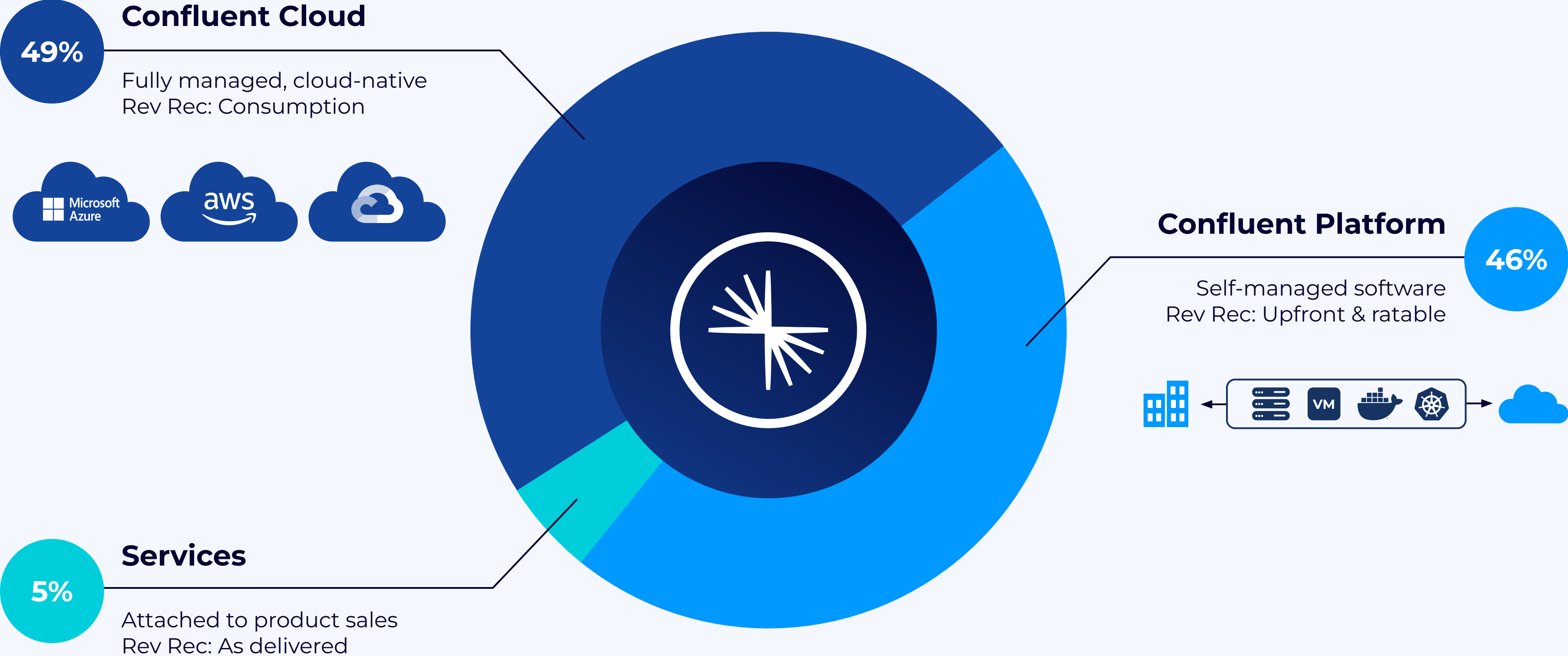
Note: 49% Confluent Cloud revenue mix, 46% Confluent Platform revenue mix, and 5% Services revenue mix are as of the quarterly period ended March 31, 2024.

Subscription Revenue

Annual Subscription Revenue
$ in millions

66%+ CAGR FY18-FY23

FY'18	FY'19	FY'20	FY'21	FY'22	FY'23
$56.4	$130.2	$208.6	$347.1	$535.0	$729.1
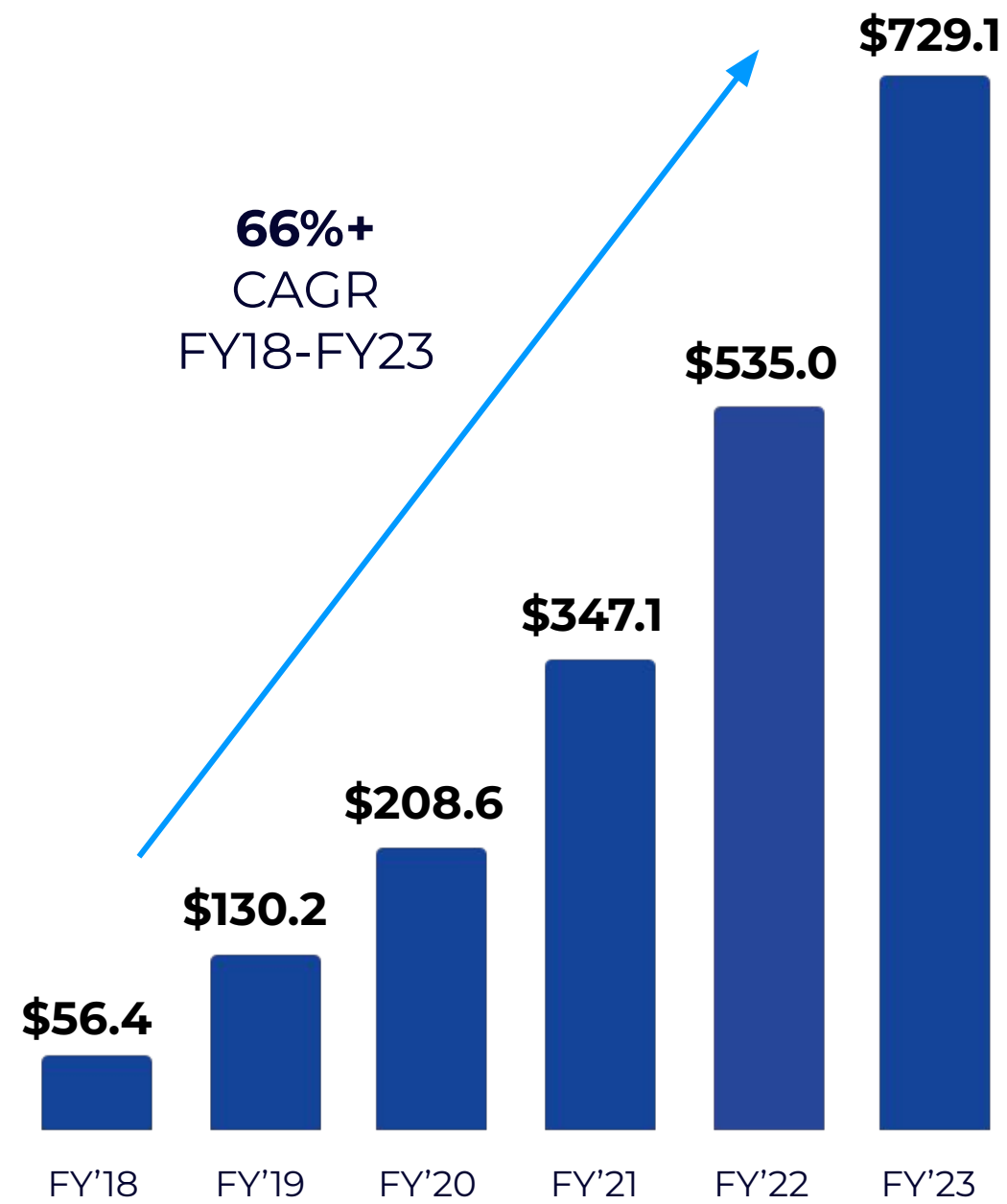
Quarterly Subscription Revenue
$ in millions

	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24
	$127.0	$138.7	$155.3	$160.6	$176.5	$189.3	$202.8	$206.9
Y/Y	62%	50%	44%	41%	39%	36%	31%	29%
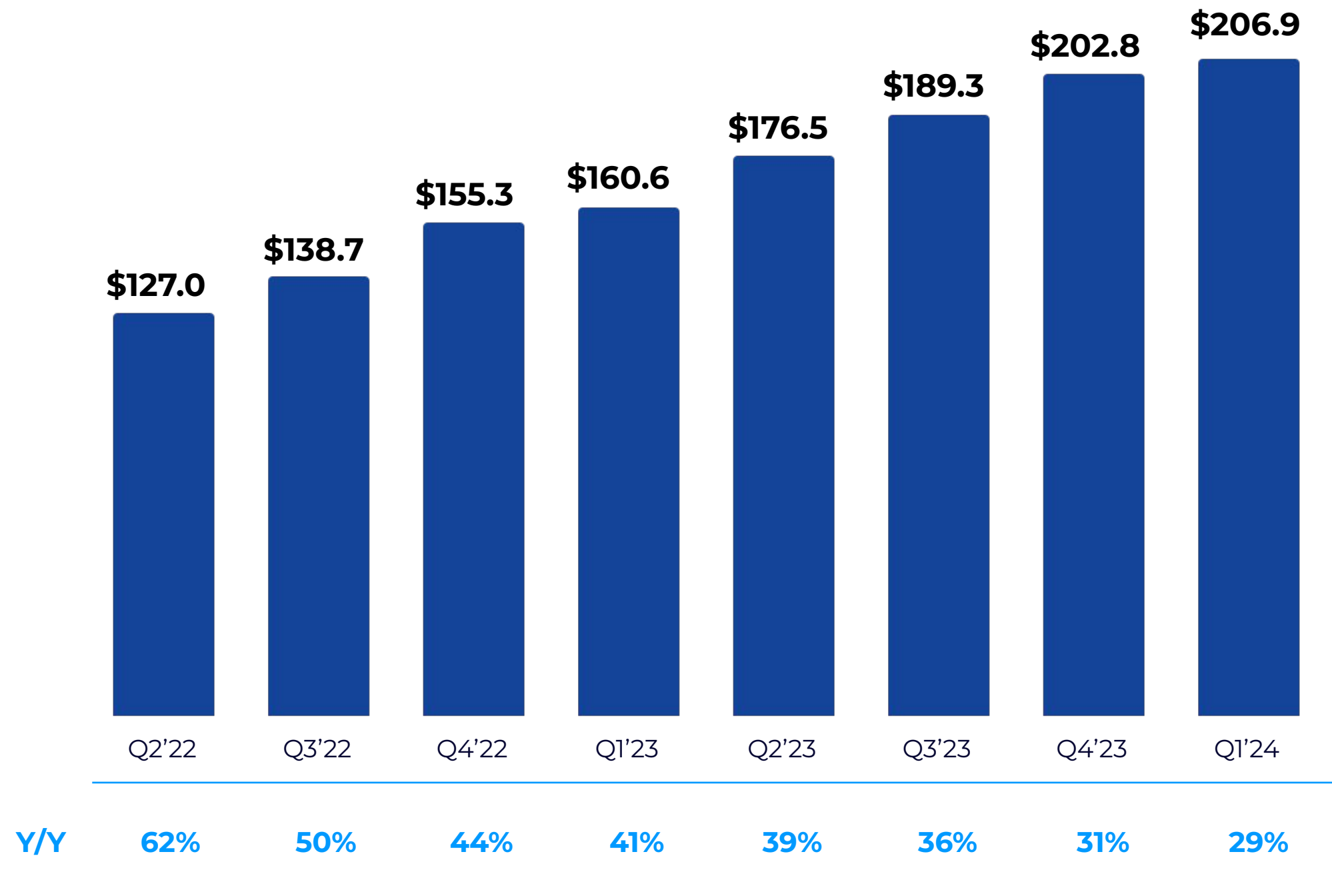
Confluent Cloud Revenue

Annual Cloud Revenue
$ in millions

167%+
CAGR
FY18-FY23

- FY'18: $2.6
- FY'19: $14.4
- FY'20: $31.4
- FY'21: $94.2
- FY'22: $211.2
- FY'23: $348.8
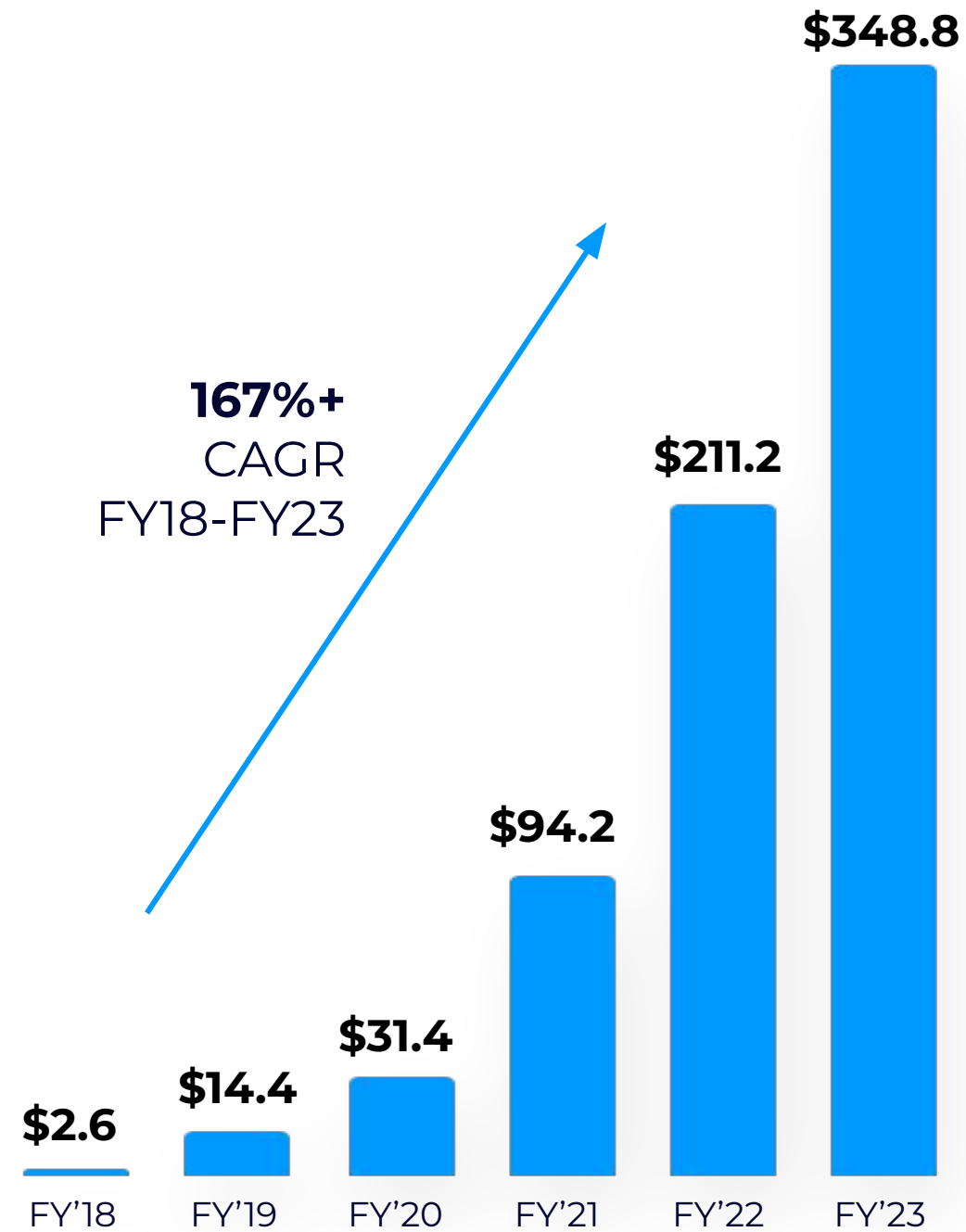
Quarterly Cloud Revenue
$ in millions

Cloud now largest offering

	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24
Revenue	$47.0	$56.9	$68.4	$73.6	$83.6	$91.6	$100.0	$106.8
Q/Q $ Add	$8.1	$9.9	$11.5	$5.3	$9.9	$8.0	$8.4	$6.8
Y/Y	139%	112%	102%	89%	78%	61%	46%	45%
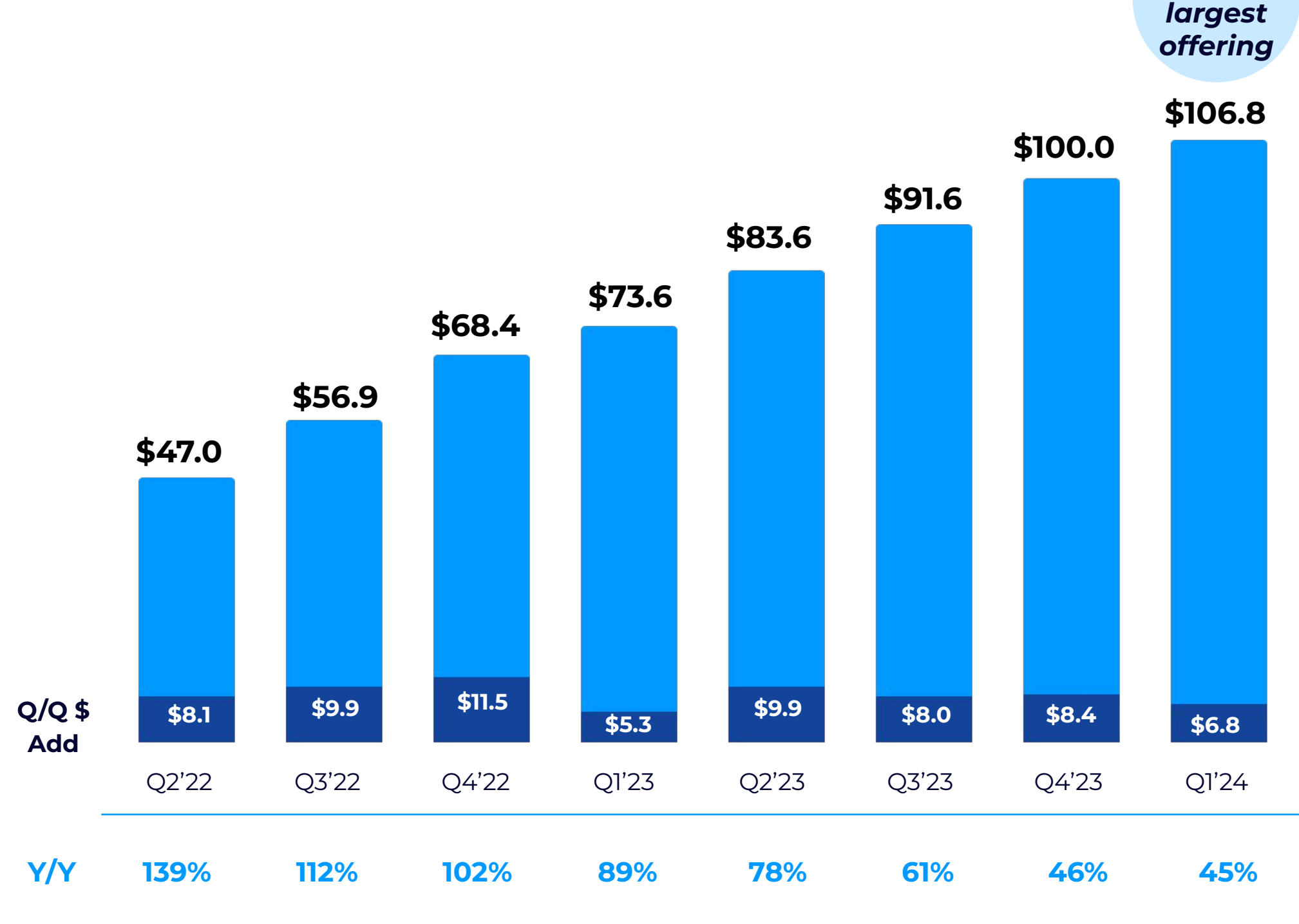
Revenue Mix by Geography and Offering

Revenue Mix by Geography
$ in millions

	FY'22	FY'23	Q1'23	Q1'24
Total	$585.9	$777.0	$174.3	$217.2
International	38%	40%	40%	41%
US	62%	60%	60%	59%

Legend: US, International
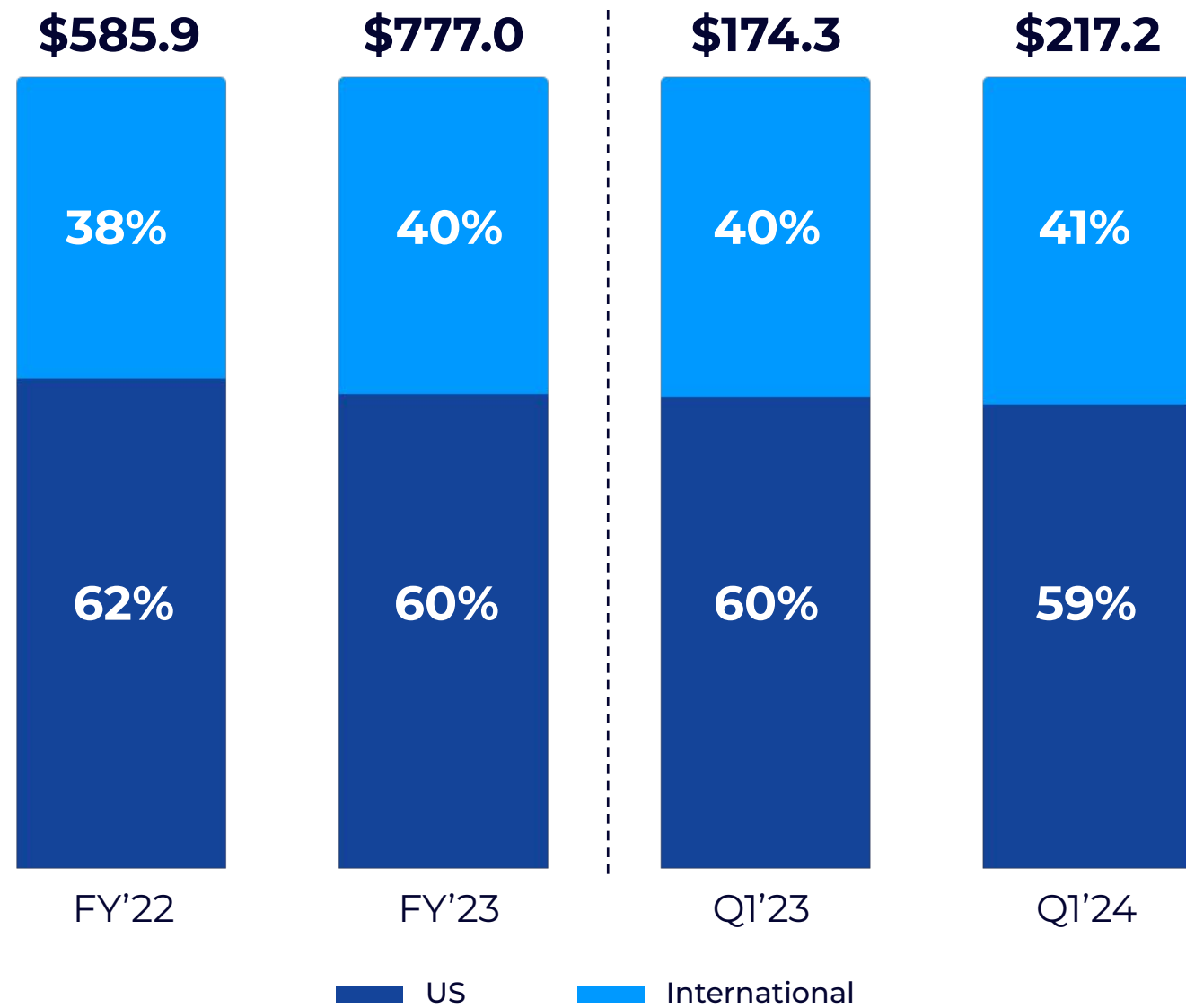
Revenue Mix by Offering
$ in millions

	FY'22	FY'23	Q1'23	Q1'24
Total	$585.9	$777.0	$174.3	$217.2
Service	9%	6%	8%	5%
Confluent Cloud	36%	45%	42%	49%
Confluent Platform	55%	49%	50%	46%

Legend: Confluent Platform, Confluent Cloud, Service
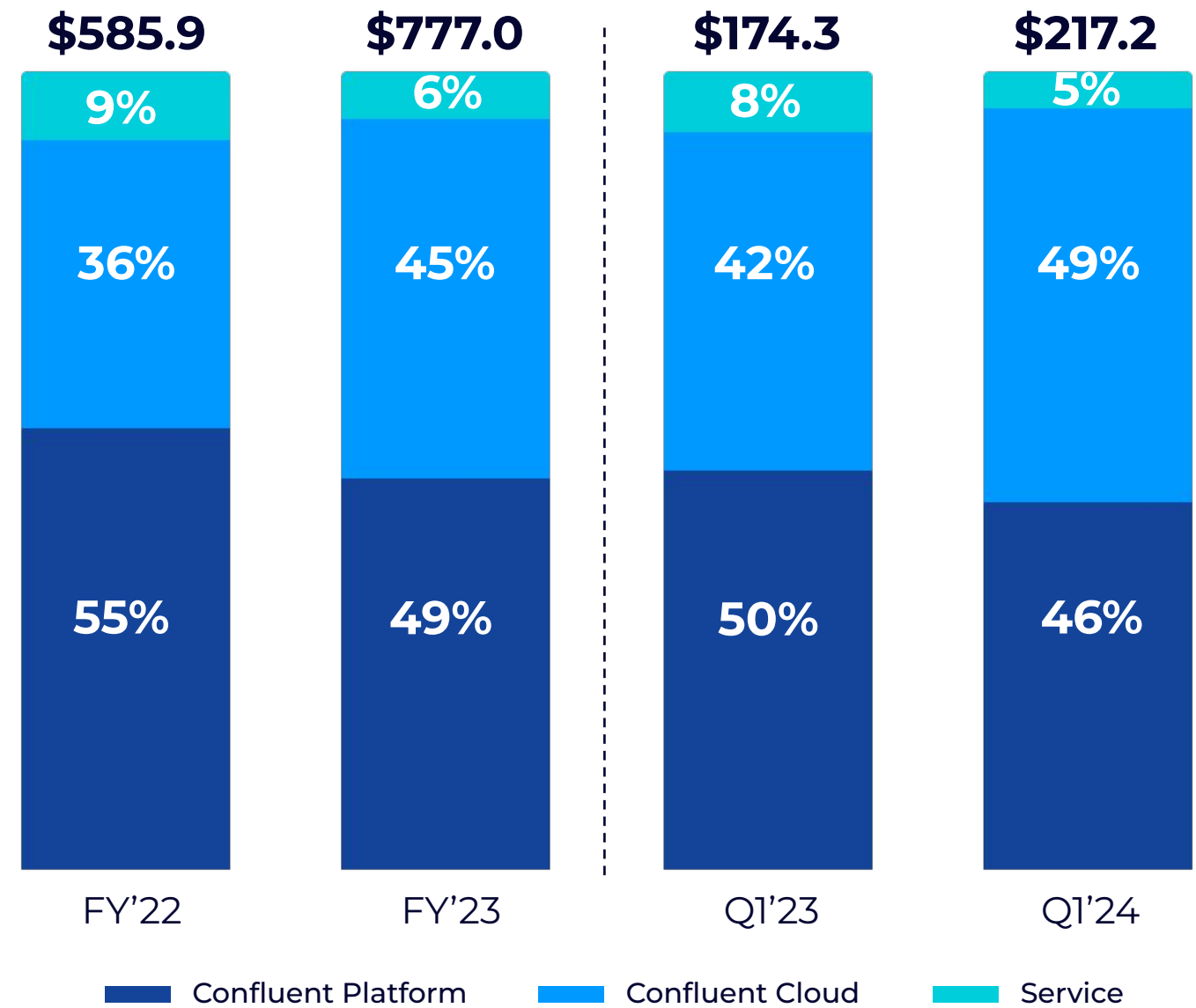
Customers

Total Customers

9% y/y growth

- 4,690 — Q1'23
- 4,830 — Q2'23
- 4,910 — Q3'23
- 4,960 — Q4'23
- 5,120 — Q1'24

Legend: ■ Confluent Cloud ■ Confluent Platform
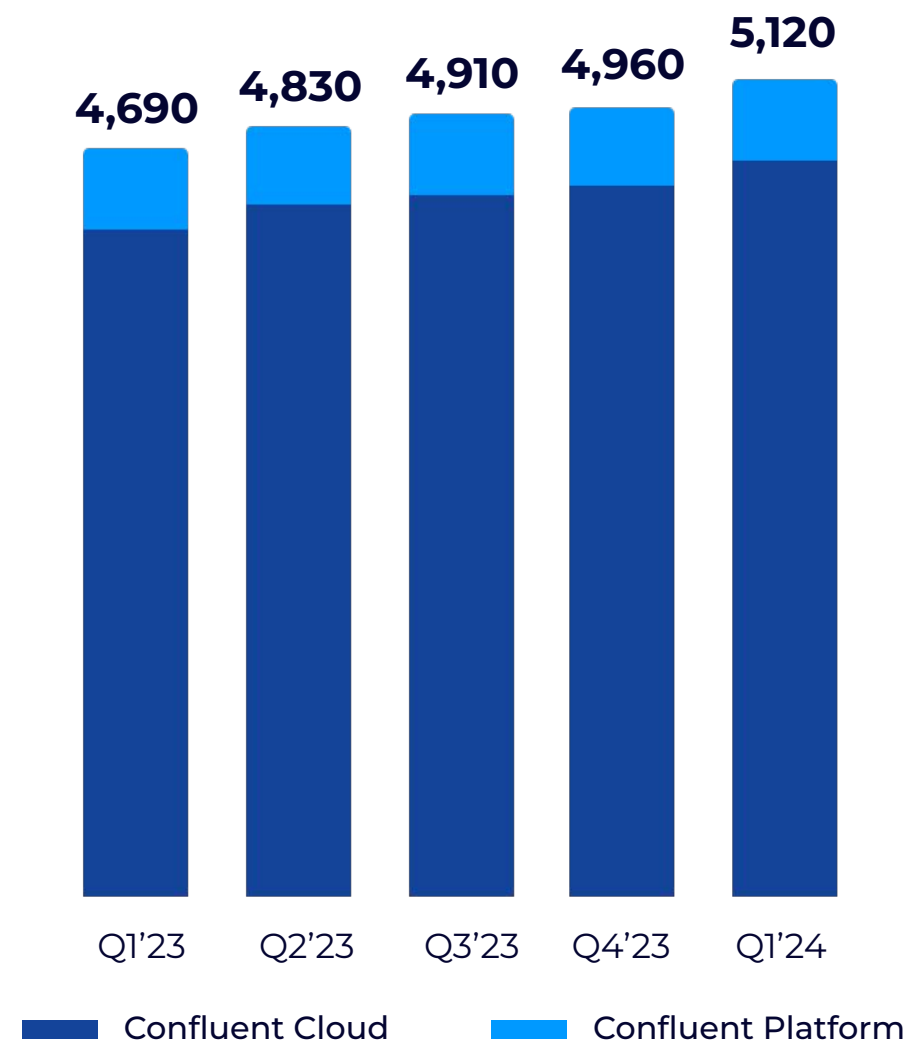
Customers with ≥ $100K in ARR

17% y/y growth

- 1,075 — Q1'23
- 1,144 — Q2'23
- 1,185 — Q3'23
- 1,229 — Q4'23
- 1,260 — Q1'24
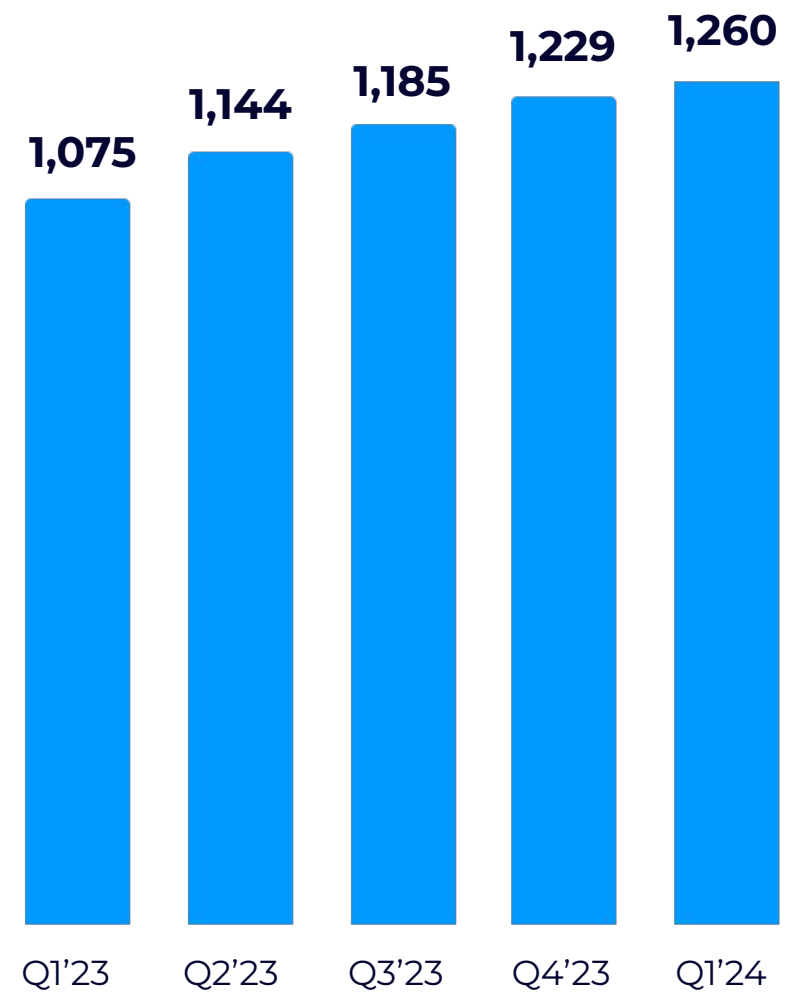
Customers with ≥ $1M in ARR

24% y/y growth

- 135 — Q1'23
- 147 — Q2'23
- 155 — Q3'23
- 158 — Q4'23
- 168 — Q1'24
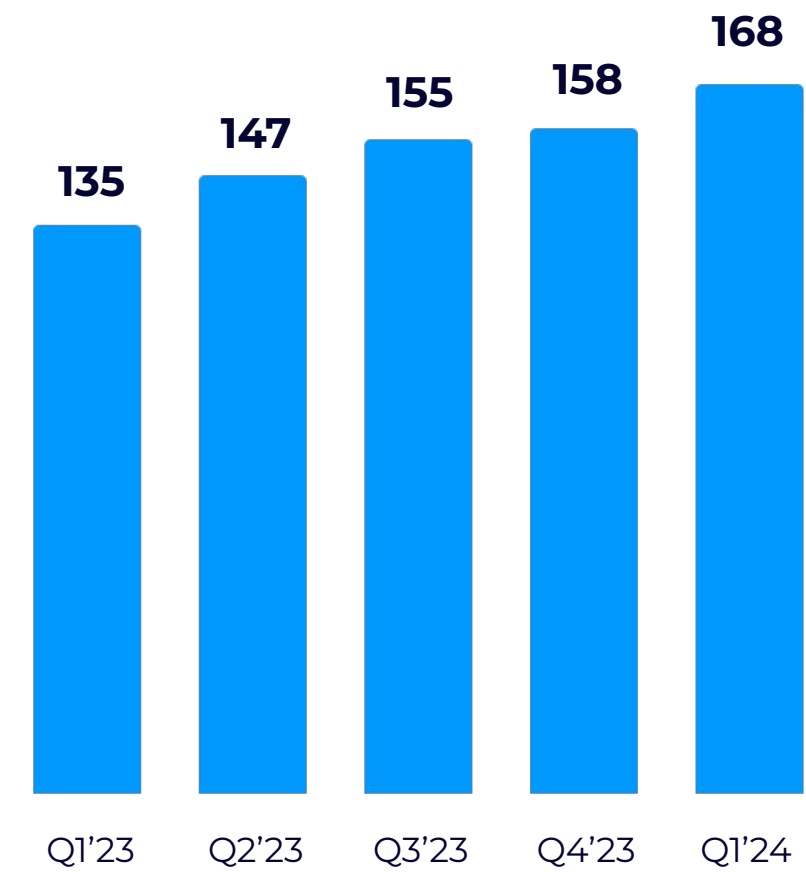
Non-GAAP Gross Margins

Total Gross Margin

+4.7 pts y/y

71.2%	75.4%	72.2%	76.9%
FY'22	FY'23	Q1'23	Q1'24
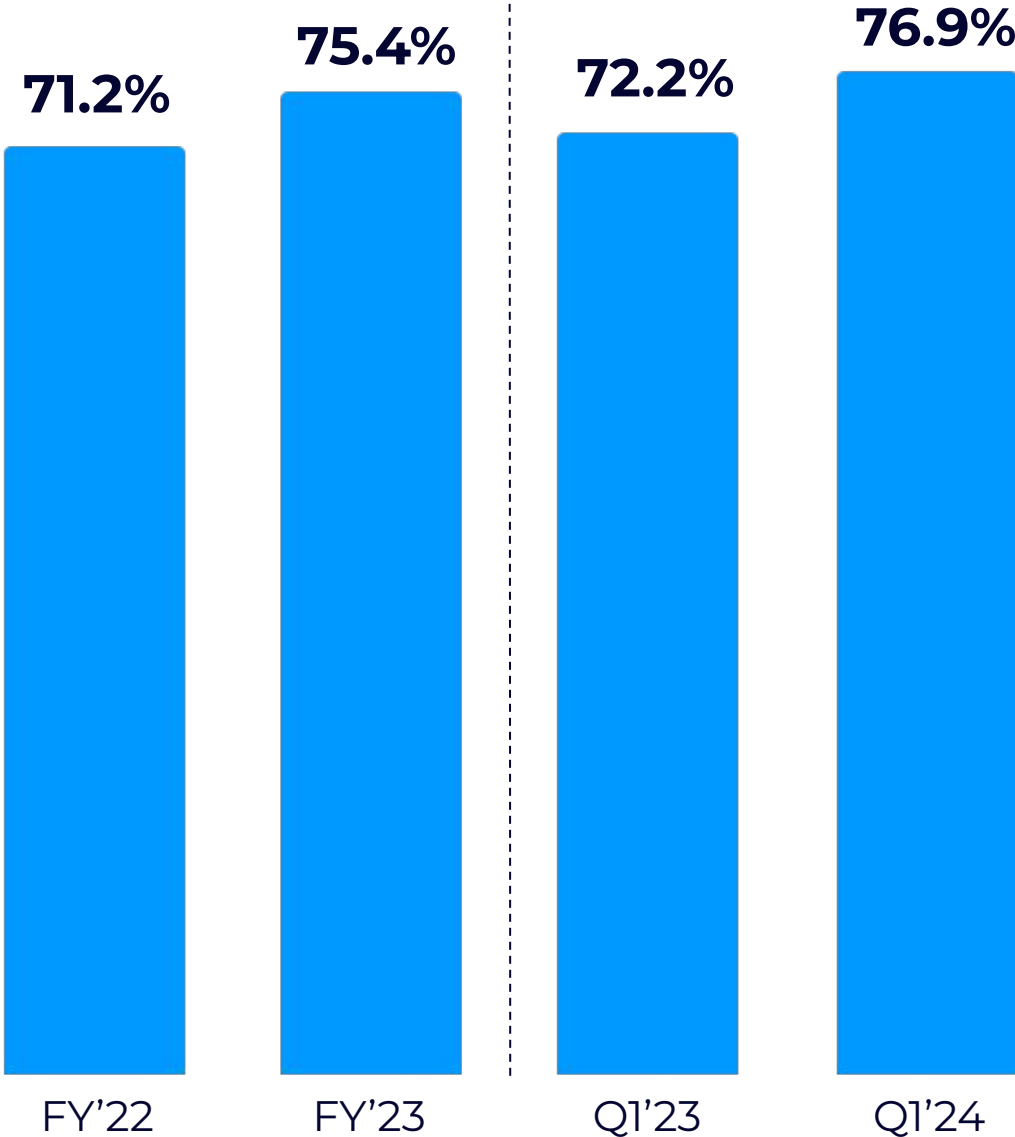
Margin Drivers:

+ Healthy margins for Confluent Platform Revenue

▬ Growing Confluent Cloud revenue mix

+ Improving Cloud hosting costs due to scale and optimization

Subscription Gross Margin

+3.2 pts y/y

77.1%	79.6%	77.5%	80.7%
FY'22	FY'23	Q1'23	Q1'24
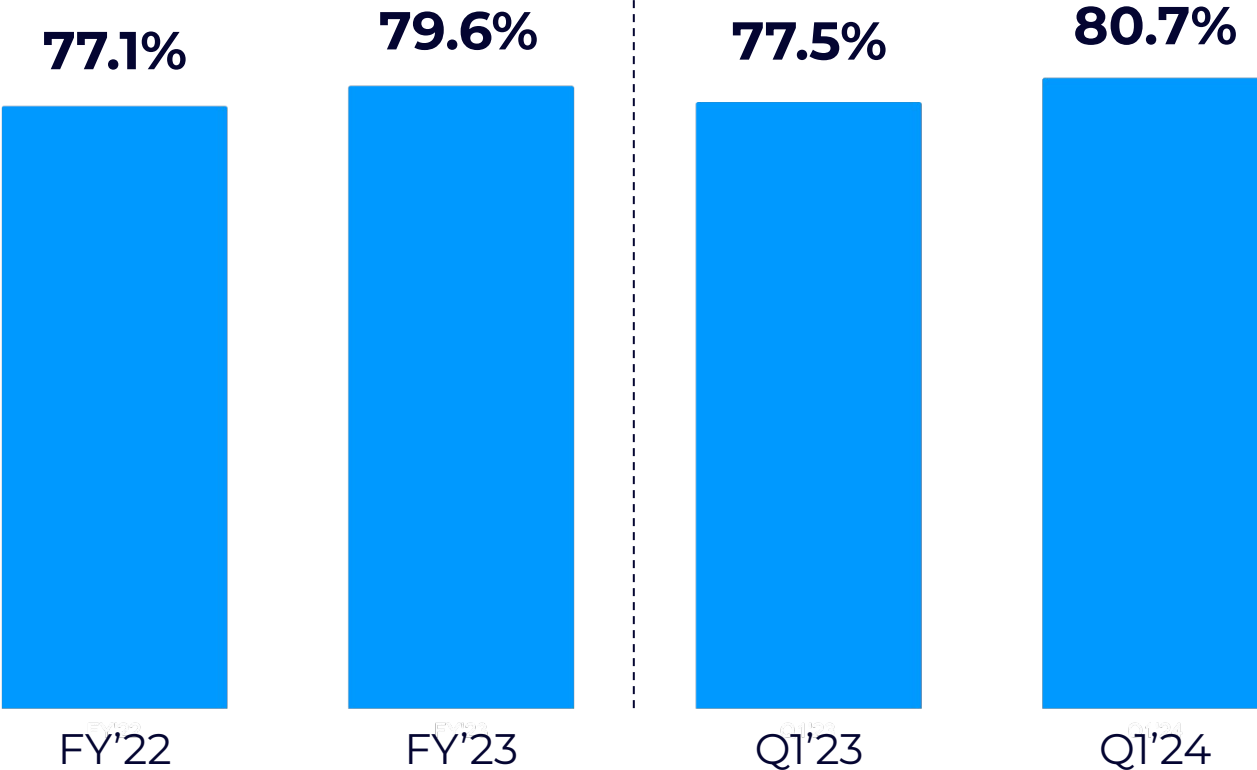
Note: Refer to the slides in the section titled "Definitions & GAAP to Non-GAAP Reconciliations" at the end of this presentation for a reconciliation of our non-GAAP financial metrics to the most directly comparable GAAP financial metrics.

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Driving Efficient Growth
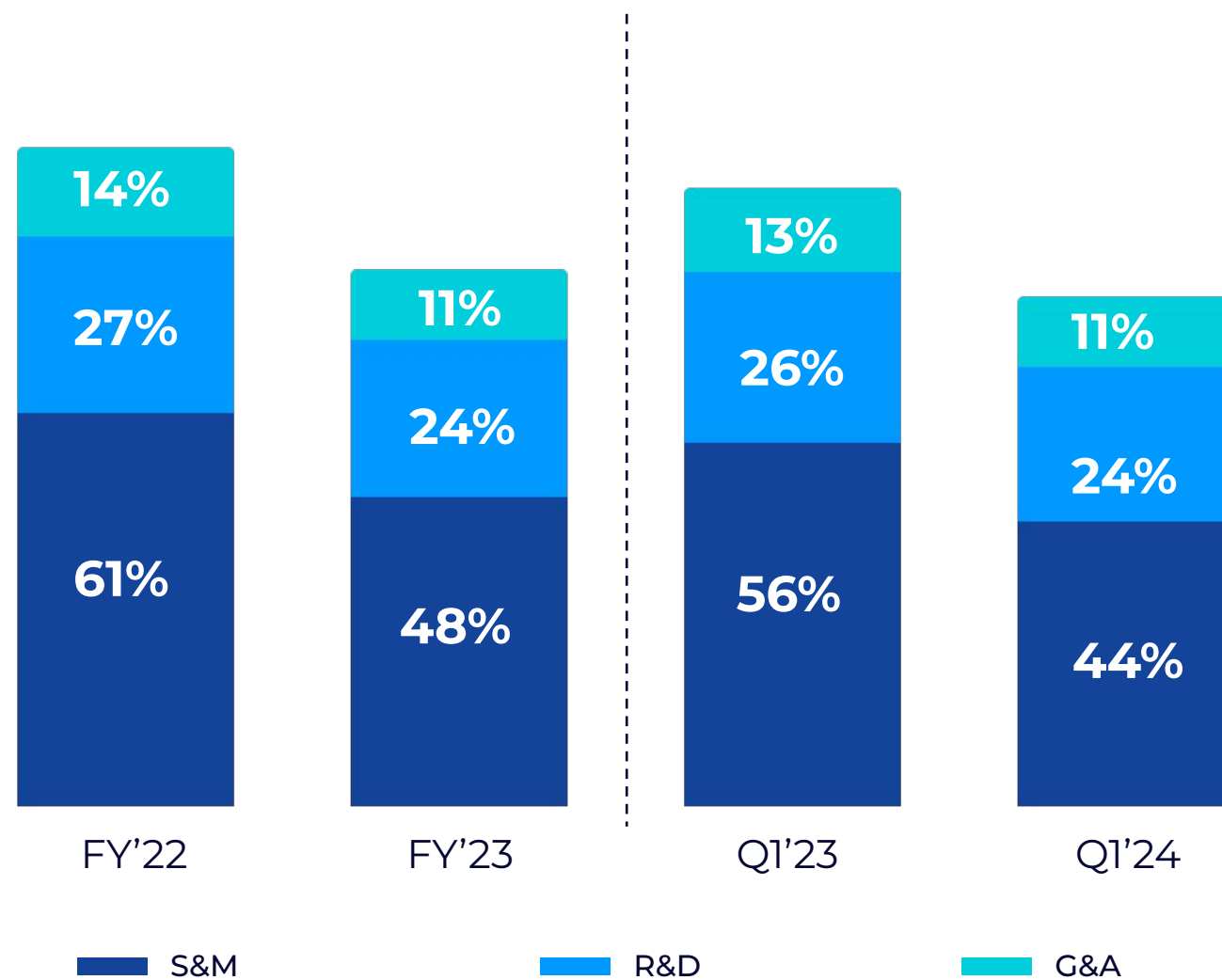
Non-GAAP Operating Expenses as % of Revenue
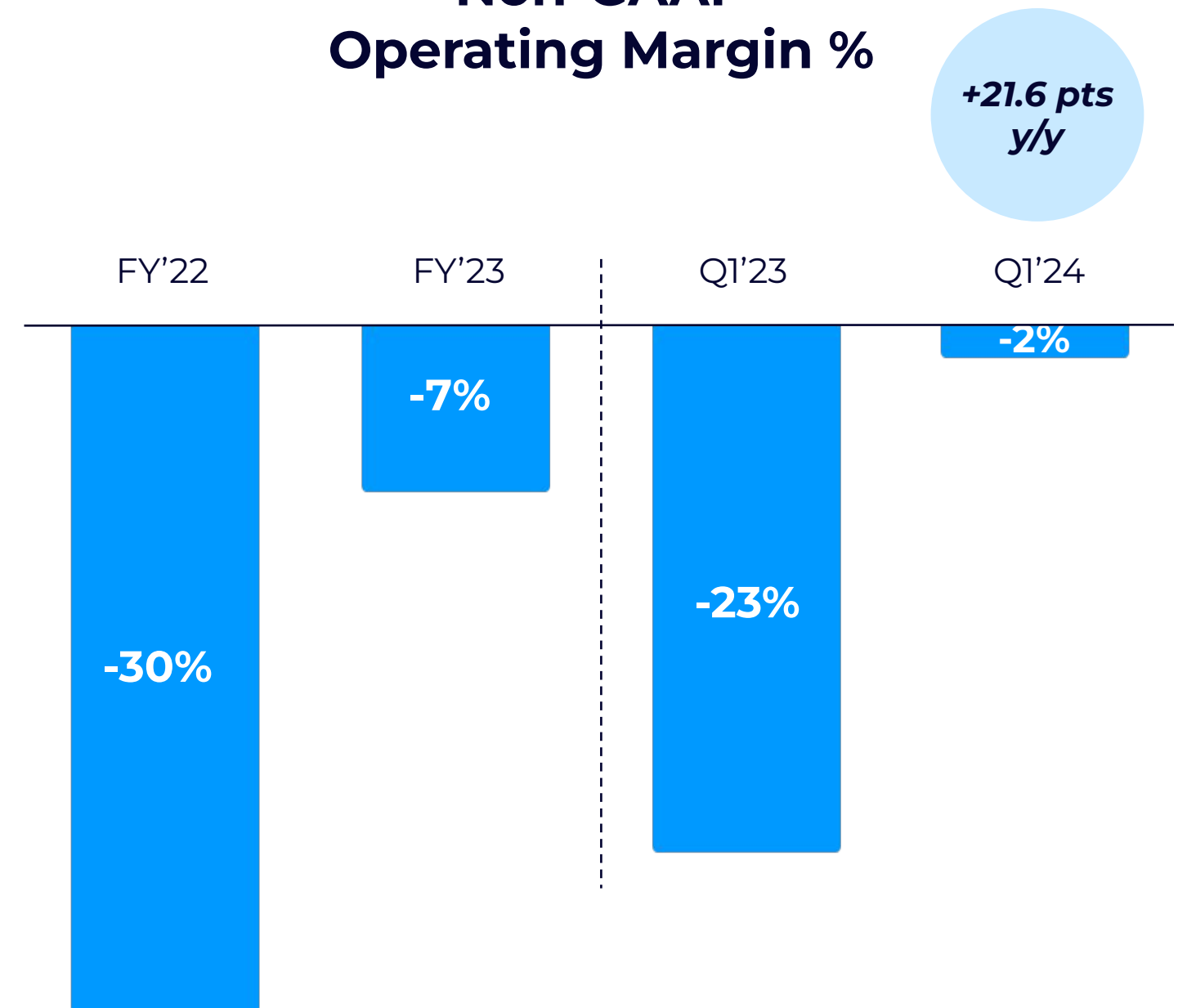
	FY'22	FY'23	Q1'23	Q1'24
G&A	14%	11%	13%	11%
R&D	27%	24%	26%	24%
S&M	61%	48%	56%	44%

■ S&M   ■ R&D   ■ G&A

Non-GAAP Operating Margin %

+21.6 pts y/y

FY'22	FY'23	Q1'23	Q1'24
-30%	-7%	-23%	-2%

Focus on Managing Net Dilution

SBC % of Revenue

45%

~25%

Mid-Teens

FY'23 | Mid-Term | Long-Term

Net Dilution

3.5%

~3%

<2%

FY'23 | Mid-Term | Long-Term
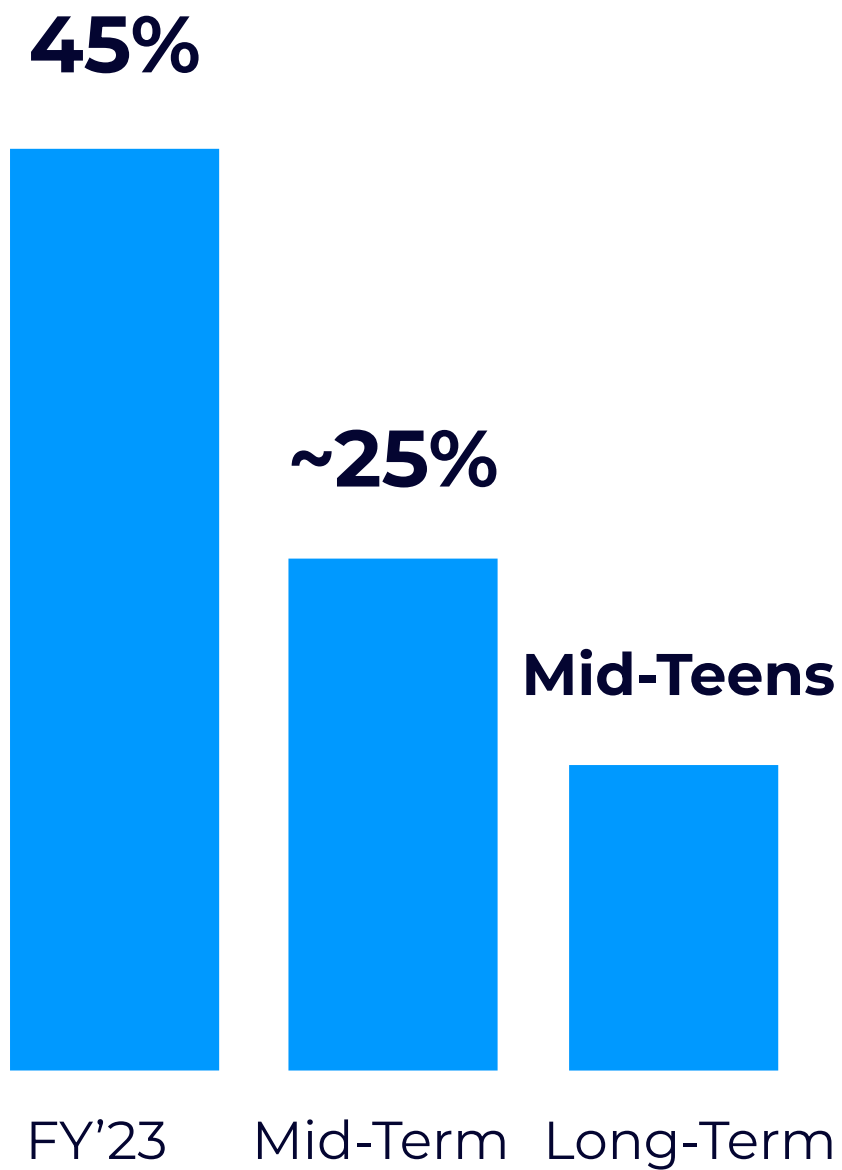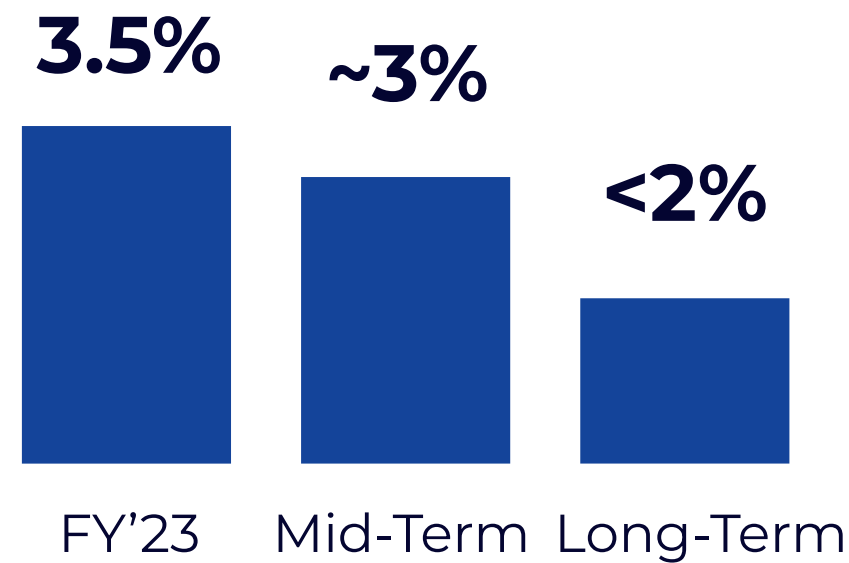
Net dilution Calc

- (Shares granted - shares forfeited) / WASO

Drivers

- SBC is a lagging indicator

- Final tranches of pre-IPO options recognized in SBC through 1H FY25

- FY'24 net dilution target of ~3%

- Focus managing net dilution LT below 2% and SBC % of revenue mid-teens

Key Takeaways
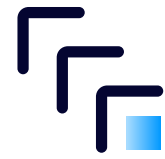
Category Creating Company Founded by the Creators of Kafka
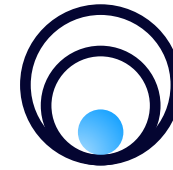
~$60 Billion Total Addressable Market[1]

Strong Growth and Long-Term Margin Profile

Expansion Driven by Network Effects

Positioned to Capitalize on the Large and Growing Shift to Cloud

Seasoned Management Team with Track Record of Execution

Definitions &
GAAP to Non-GAAP Reconciliations

Definitions

Annual Recurring Revenue (ARR):
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 Conf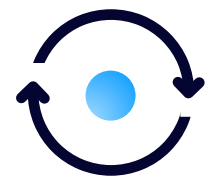luent Cloud customers, the amount of revenue that we expect to recognize from such customers over the following 12 months, calculated by annualizing actual consumption of Confluent Cloud in the last three months of the applicable period, assuming no increases or reductions in usage rate. Services arrangements are excluded from the calculation of ARR.

Dollar-Based Net Retention Rate:
We calculate our dollar-based net retention rate (NRR) as of a period end by starting with the ARR from the cohort of all customers as of 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.

Total Customers:
Represent the total number of customers at the end of each period. For purposes of determining our customer count, we treat all affiliated entities with the same parent organization as a single customer and include pay-as-you-go customers. Our customer count is subject to adjustments for acquisitions, consolidations, spin-offs, and other market activity.

Customers with $100,000 or greater in ARR:
Represent the number of customers that contributed $100,000 or more in ARR as of period end.

Customers with $1,000,000 or greater in ARR:
Represent the number of customers that contributed $1,000,000 or more in ARR as of period end.

GAAP to Non-GAAP Reconciliations
(in thousands, except percentages)

	FY'22	FY'23	Q1'23	Q1'24
Total revenue	$585,944	$776,952	$174,302	$217,237
Total gross profit on a GAAP basis	$383,529	$547,282	$116,158	$156,016
Total gross margin on a GAAP basis	*65.5%*	*70.4%*	*66.6%*	*71.8%*
Add: Stock-based compensation-related charges[1]	33,562	37,975	9,516	10,623
Add: Amortization of acquired intangibles	-	564	113	502
Non-GAAP total gross profit	$417,091	$585,821	$125,787	$167,141
Non-GAAP total gross margin	*71.2%*	*75.4%*	*72.2%*	*76.9%*

	FY'22	FY'23	Q1'23	Q1'24
Subscription revenue	$535,009	$729,112	$160,567	$206,902
Subscription gross profit on a GAAP basis	$388,685	$553,108	$117,662	$158,547
Subscription gross margin on a GAAP basis	*72.7%*	*75.9%*	*73.3%*	*76.6%*
Add: Stock-based compensation-related charges[1]	23,705	26,487	6,649	7,905
Add: Amortization of acquired intangibles	-	564	113	502
Non-GAAP subscription gross profit	$412,390	$580,159	$124,424	$166,954
Non-GAAP subscription gross margin	*77.1%*	*79.6%*	*77.5%*	*80.7%*

	FY'22	FY'23	Q1'23	Q1'24
Total revenue	$585,944	$776,952	$174,302	$217,237
Research and development (R&D) expense on a GAAP basis	$264,041	$348,752	$84,890	$97,571
R&D expense as a % of total revenue on a GAAP basis	*45.1%*	*44.9%*	*48.7%*	*44.9%*
Less: Stock-based compensation-related charges[1]	104,131	143,846	31,684	41,424
Less: Acquisition-related expenses	-	19,203	7,680	4,362
Non-GAAP R&D expense	$159,910	$185,703	$45,526	$51,785
Non-GAAP R&D expense as a % of total revenue	*27.3%*	*23.9%*	*26.1%*	*23.8%*

(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.

GAAP to Non-GAAP Reconciliations

(in thousands, except percentages)

	FY'22	FY'23	Q1'23	Q1'24
Total revenue	$585,944	$776,952	$174,302	$217,237
Sales and marketing (S&M) expense on a GAAP basis	$456,452	$504,929	$128,624	$131,352
S&M expense as a % of total revenue on a GAAP basis	*77.9%*	*65.0%*	*73.8%*	*60.5%*
Less: Stock-based compensation-related charges[1]	101,851	128,448	29,570	35,780
Less: Acquisition-related expenses	-	4,304	1,076	-
Non-GAAP S&M expense	$354,601	$372,177	$97,978	$95,572
Non-GAAP S&M expense as a % of total revenue	*60.5%*	*47.9%*	*56.2%*	*44.0%*
	FY'22	**FY'23**	**Q1'23**	**Q1'24**
Total revenue	$585,944	$776,952	$174,302	$217,237
General and administrative (G&A) expense on a GAAP basis	$125,710	$137,520	$35,355	$38,444
G&A expense as a % of total revenue on a GAAP basis	*21.5%*	*17.7%*	*20.3%*	*17.7%*
Less: Stock-based compensation-related charges[1]	45,122	50,595	12,182	15,158
Less: Acquisition-related expenses	1,104	1,640	561	225
Non-GAAP G&A expense	$79,484	$85,285	$22,612	$23,061
Non-GAAP G&A expense as a % of total revenue	*13.6%*	*11.0%*	*13.0%*	*10.6%*
	FY'22	**FY'23**	**Q1'23**	**Q1'24**
Total revenue	$585,944	$776,952	$174,302	$217,237
Operating loss on a GAAP basis	($462,674)	($478,773)	($166,093)	($111,351)
GAAP operating margin	*(79.0%)*	*(61.6%)*	*(95.3%)*	*(51.3%)*
Add: Stock-based compensation-related charges[1]	284,666	360,864	82,952	102,985
Add: Amortization of acquired intangibles	-	564	113	502
Add: Acquisition-related expenses	1,104	25,147	9,317	4,587
Add: Restructuring and other related charges	-	34,854	33,382	-
Non-GAAP operating loss	($176,904)	($57,344)	($40,329)	($3,277)
Non-GAAP operating margin	*(30.2%)*	*(7.4%)*	*(23.1%)*	*(1.5%)*

(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.

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