



Q4 and Fiscal Year 2023 Supplemental Financial Information

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Non-GAAP Financial Measures

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

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

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

	Year Ended December 31,		
	2021	2022	2023
Revenue:			
Subscription	\$ 347,099	\$ 535,009	\$ 729,112
Services	40,765	50,935	47,840
Total revenue	387,864	585,944	776,952
Cost of revenue:			
Subscription	94,860	146,324	176,004
Services	42,432	56,091	53,666
Total cost of revenue	137,292	202,415	229,670
Gross profit	250,572	383,529	547,282
<i>Subscription</i>	<i>72.7%</i>	<i>72.7%</i>	<i>75.9%</i>
<i>Services</i>	<i>(4.1%)</i>	<i>(10.1%)</i>	<i>(12.2%)</i>
<i>Total gross margin</i>	<i>64.6%</i>	<i>65.5%</i>	<i>70.4%</i>
Operating expenses:			
Research and development	161,925	264,041	348,752
Sales and marketing	319,331	456,452	504,929
General and administrative	108,936	125,710	137,520
Restructuring and other related charges	-	-	34,854
Total operating expenses	590,192	846,203	1,026,055
Operating loss	(339,620)	(462,674)	(478,773)
Other (expense) income, net	(7)	16,416	72,099
Loss before income taxes	(339,627)	(446,258)	(406,674)
Provision for income taxes	3,174	6,293	36,072
Net loss	\$ (342,801)	\$ (452,551)	\$ (442,746)
Net loss per share, basic and diluted	\$ (1.82)	\$ (1.62)	\$ (1.47)
Weighted-average shares used to compute net loss per share, basic and diluted	188,627,720	280,080,357	300,727,487

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

	Three Months Ended							
	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23
Revenue:								
Subscription	\$ 113,920	\$ 127,018	\$ 138,730	\$ 155,341	\$ 160,567	\$ 176,488	\$ 189,270	\$ 202,787
Services	12,219	12,389	13,002	13,325	13,735	12,797	10,911	10,397
Total revenue	126,139	139,407	151,732	168,666	174,302	189,285	200,181	213,184
Cost of revenue:								
Subscription	33,603	35,608	38,417	38,696	42,905	44,188	44,104	44,807
Services	12,174	13,901	14,763	15,253	15,239	13,732	12,445	12,250
Total cost of revenue	45,777	49,509	53,180	53,949	58,144	57,920	56,549	57,057
Gross profit	80,362	89,898	98,552	114,717	116,158	131,365	143,632	156,127
Subscription	70.5%	72.0%	72.3%	75.1%	73.3%	75.0%	76.7%	77.9%
Services	0.4%	(12.2%)	(13.5%)	(14.5%)	(11.0%)	(7.3%)	(14.1%)	(17.8%)
Total gross margin	63.7%	64.5%	65.0%	68.0%	66.6%	69.4%	71.8%	73.2%
Operating expenses:								
Research and development	57,661	64,472	70,099	71,809	84,890	85,677	91,237	86,948
Sales and marketing	106,702	112,754	114,312	122,684	128,624	127,770	128,624	119,911
General and administrative	27,481	29,979	33,041	35,209	35,355	36,343	31,874	33,948
Restructuring and other related charges	-	-	-	-	33,382	943	529	-
Total operating expenses	191,844	207,205	217,452	229,702	282,251	250,733	252,264	240,807
Operating loss	(111,482)	(117,307)	(118,900)	(114,985)	(166,093)	(119,368)	(108,632)	(84,680)
Other (expense) income, net	(816)	1,186	4,719	11,327	15,185	17,610	17,529	21,775
Loss before income taxes	(112,298)	(116,121)	(114,181)	(103,658)	(150,908)	(101,758)	(91,103)	(62,905)
Provision for income taxes	689	1,510	1,868	2,226	1,647	1,667	1,567	31,191
Net loss	\$ (112,987)	\$ (117,631)	\$ (116,049)	\$ (105,884)	\$ (152,555)	\$ (103,425)	\$ (92,670)	\$ (94,096)
Net loss per share, basic and diluted	\$ (0.41)	\$ (0.42)	\$ (0.41)	\$ (0.37)	\$ (0.52)	\$ (0.35)	\$ (0.30)	\$ (0.30)
Weighted-average shares used to compute net loss per share, basic and diluted	272,890,829	278,268,980	282,267,230	286,732,756	291,864,975	297,827,200	303,896,632	309,101,119

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

	December 31, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 349,761	\$ 435,781
Marketable securities	1,551,009	1,491,044
Accounts receivable, net	229,962	178,188
Deferred contract acquisition costs	43,937	35,883
Prepaid expenses and other current assets	76,986	57,229
Total current assets	2,251,655	2,198,125
Property and equipment, net	54,012	29,089
Operating lease right-of-use assets	10,061	29,478
Goodwill and intangible assets, net	55,490	-
Deferred contract acquisition costs, non-current	75,815	68,401
Other assets, non-current	13,776	19,756
Total assets	\$ 2,460,809	\$ 2,344,849
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,714	\$ 21,439
Accrued expenses and other liabilities	141,847	105,331
Operating lease liabilities	7,890	7,375
Deferred revenue	330,570	290,185
Total current liabilities	487,021	424,330
Operating lease liabilities, non-current	17,391	25,136
Deferred revenue, non-current	22,436	32,644
Convertible senior notes, net	1,088,313	1,084,500
Other liabilities, non-current	35,233	8,762
Total liabilities	1,650,394	1,575,372
Stockholders' equity:		
Preferred stock	-	-
Class A common stock	2	2
Class B common stock	1	1
Additional paid-in capital	2,453,293	1,980,335
Accumulated other comprehensive income (loss)	1,270	(9,456)
Accumulated deficit	(1,644,151)	(1,201,405)
Total stockholders' equity	810,415	769,477
Total liabilities and stockholders' equity	\$ 2,460,809	\$ 2,344,849

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

	Year Ended December 31,		
	2021	2022	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$ (342,801)	\$ (452,551)	\$ (442,746)
Adjustments to reconcile net loss to cash used in operating activities:			
Depreciation and amortization	3,632	7,620	13,910
Net amortization (accretion) of premiums (discounts) on marketable securities	2,270	(8,891)	(42,505)
Amortization of debt issuance costs	187	3,799	3,813
Amortization of deferred contract acquisition costs	26,697	37,339	45,888
Non-cash operating lease costs	10,990	8,608	3,992
Lease abandonment charges	-	-	15,667
Common stock charitable donation expense	13,290	-	-
Stock-based compensation, net of amounts capitalized	155,624	277,656	349,833
Deferred income taxes	1,335	(237)	1,889
Other	1,828	1,384	2,358
Changes in operating assets and liabilities, net of effects of business combinations:			
Accounts receivable	(32,516)	(42,080)	(53,593)
Deferred contract acquisition costs	(57,924)	(62,801)	(61,354)
Prepaid expenses and other assets	(31,366)	(17,850)	(10,387)
Accounts payable	6,143	13,580	(14,452)
Accrued expenses and other liabilities	61,132	9,948	61,333
Operating lease liabilities	(10,866)	(9,209)	(7,479)
Deferred revenue	87,285	76,352	30,176
Net cash used in operating activities	<u>(105,060)</u>	<u>(157,333)</u>	<u>(103,657)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capitalization of internal-use software costs	(5,342)	(10,334)	(17,845)
Purchases of marketable securities	(663,595)	(2,051,908)	(1,586,693)
Maturities of marketable securities	271,942	1,200,558	1,578,323
Purchases of property and equipment	(3,600)	(4,121)	(2,834)
Cash paid for business combinations, net of cash acquired	-	-	(55,802)
Other	12	-	-
Net cash used in investing activities	<u>(400,583)</u>	<u>(865,805)</u>	<u>(84,851)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from initial public offering, net of underwriting discounts and commissions	786,600	-	-
Proceeds from issuance of common stock upon exercise of vested options	51,737	42,461	73,919
Proceeds from issuance of common stock upon early exercise of unvested options	19,454	416	-
Repurchases of unvested common stock	(482)	(789)	(255)
Payments of deferred offering costs	(3,125)	-	-
Proceeds from convertible senior notes, net of issuance costs	1,081,300	(786)	-
Payment for purchase of capped calls	(90,970)	-	-
Proceeds from issuance of common stock under employee stock purchase plan	-	40,939	28,708
Net cash provided by financing activities	<u>1,844,514</u>	<u>82,241</u>	<u>102,372</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	5	(4)	116
Net increase (decrease) in cash, cash equivalents, and restricted cash	<u>1,338,876</u>	<u>(940,901)</u>	<u>(86,020)</u>
Cash, cash equivalents, and restricted cash at beginning of period	<u>37,806</u>	<u>1,376,682</u>	<u>435,781</u>
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 1,376,682</u>	<u>\$ 435,781</u>	<u>\$ 349,761</u>
Reconciliation of cash, cash equivalents, and restricted cash within the consolidated balance sheets to the amounts shown above:			
Cash and cash equivalents	\$ 1,375,932	\$ 435,781	\$ 349,761
Restricted cash included in other assets, current	750	-	-
Total cash, cash equivalents, and restricted cash	<u>\$ 1,376,682</u>	<u>\$ 435,781</u>	<u>\$ 349,761</u>

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

	Three Months Ended							
	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23
CASH FLOWS FROM OPERATING ACTIVITIES								
Net loss	\$ (112,987)	\$ (117,631)	\$ (116,049)	\$ (105,884)	\$ (152,555)	\$ (103,425)	\$ (92,670)	\$ (94,096)
Adjustments to reconcile net loss to cash used in operating activities:								
Depreciation and amortization	1,250	1,810	2,075	2,485	3,122	3,256	3,609	3,923
Net amortization (accretion) of premiums (discounts) on marketable securities	705	(469)	(3,105)	(6,022)	(9,133)	(10,588)	(11,300)	(11,484)
Amortization of debt issuance costs	936	947	958	959	939	950	961	963
Amortization of deferred contract acquisition costs	8,470	8,925	9,658	10,286	10,484	11,053	11,923	12,428
Non-cash operating lease costs	2,275	2,200	2,142	1,991	1,207	977	934	874
Lease abandonment charges	-	-	-	-	15,667	-	-	-
Stock-based compensation, net of amounts capitalized	57,369	68,866	75,393	76,028	79,289	92,159	89,514	88,871
Deferred income taxes	(4)	30	20	(283)	5	5	15	1,864
Other	204	355	321	504	279	572	2,263	(756)
Changes in operating assets and liabilities, net of effects of business combinations:								
Accounts receivable	12,782	(25,244)	6,047	(35,665)	8,068	(19,361)	5,153	(47,453)
Deferred contract acquisition costs	(12,080)	(10,643)	(19,354)	(20,724)	(10,160)	(13,806)	(15,607)	(21,781)
Prepaid expenses and other assets	(7,985)	(12,136)	(977)	3,248	3,141	(9,198)	(7,768)	3,438
Accounts payable	177	7,275	(1,004)	7,132	(11,325)	(7,395)	(488)	4,756
Accrued expenses and other liabilities	(22,853)	24,609	(35)	8,226	(16,557)	24,109	10,413	43,368
Operating lease liabilities	(2,497)	(2,413)	(2,029)	(2,270)	(1,998)	(1,756)	(1,808)	(1,917)
Deferred revenue	19,207	20,047	4,187	32,911	1,755	3,388	(4,204)	29,237
Net cash (used in) provided by operating activities	(55,031)	(33,472)	(41,752)	(27,078)	(77,772)	(29,060)	(9,060)	12,235
CASH FLOWS FROM INVESTING ACTIVITIES								
Capitalization of internal-use software costs	(2,509)	(2,256)	(2,788)	(2,781)	(4,556)	(5,330)	(3,660)	(4,299)
Purchases of marketable securities	(403,883)	(763,479)	(355,886)	(528,660)	(453,356)	(546,408)	(235,824)	(351,105)
Maturities of marketable securities	95,545	275,114	347,000	482,899	451,777	523,606	228,328	374,612
Purchases of property and equipment	(887)	(1,184)	(1,044)	(1,006)	(546)	(809)	(363)	(1,116)
Cash paid for business combinations, net of cash acquired	-	-	-	-	(45,802)	-	-	(10,000)
Net cash (used in) provided by investing activities	(311,734)	(491,805)	(12,718)	(49,548)	(52,483)	(28,941)	(11,519)	8,092
CASH FLOWS FROM FINANCING ACTIVITIES								
Proceeds from issuance of common stock upon exercise of vested options	16,436	7,947	9,749	8,329	20,780	27,492	14,673	10,974
Proceeds from issuance of common stock upon early exercise of unvested options	345	71	-	-	-	-	-	-
Repurchases of unvested common stock	(12)	(683)	(14)	(80)	(223)	-	(32)	-
Payments of debt issuance costs for convertible senior notes	(786)	-	-	-	-	-	-	-
Proceeds from issuance of common stock under employee stock purchase plan	22,485	-	18,454	-	17,172	-	11,536	-
Net cash provided by financing activities	38,468	7,335	28,189	8,249	37,729	27,492	26,177	10,974
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(46)	20	20	2	205	(308)	(1,198)	1,417
Net (decrease) increase in cash, cash equivalents, and restricted cash	(328,343)	(517,922)	(26,261)	(68,375)	(92,321)	(30,817)	4,400	32,718
Cash, cash equivalents, and restricted cash at beginning of period	1,376,682	1,048,339	530,417	504,156	435,781	343,460	312,643	317,043
Cash, cash equivalents, and restricted cash at end of period	\$ 1,048,339	\$ 530,417	\$ 504,156	\$ 435,781	\$ 343,460	\$ 312,643	\$ 317,043	\$ 349,761
Reconciliation of cash, cash equivalents, and restricted cash within the consolidated balance sheets to the amounts shown above:								
Cash and cash equivalents	\$ 1,047,589	\$ 529,667	\$ 503,406	\$ 435,781	\$ 343,460	\$ 312,643	\$ 317,043	\$ 349,761
Restricted cash included in other assets, current	750	750	750	-	-	-	-	-
Total cash, cash equivalents, and restricted cash	\$ 1,048,339	\$ 530,417	\$ 504,156	\$ 435,781	\$ 343,460	\$ 312,643	\$ 317,043	\$ 349,761

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

	Year Ended December 31,		
	2021	2022	2023
Reconciliation of GAAP total gross profit to non-GAAP total gross profit:			
Total gross profit on a GAAP basis	\$ 250,572	\$ 383,529	\$ 547,282
<i>Total gross margin on a GAAP basis</i>	<i>64.6%</i>	<i>65.5%</i>	<i>70.4%</i>
Add: Stock-based compensation expense	17,989	32,389	36,716
Add: Employer taxes on employee stock transactions	1,013	1,173	1,259
Add: Amortization of acquired intangibles	-	-	564
Non-GAAP total gross profit	<u>\$ 269,574</u>	<u>\$ 417,091</u>	<u>\$ 585,821</u>
<i>Non-GAAP total gross margin</i>	<i>69.5%</i>	<i>71.2%</i>	<i>75.4%</i>

Reconciliation of GAAP subscription gross profit to non-GAAP subscription gross profit:			
Subscription gross profit on a GAAP basis	\$ 252,239	\$ 388,685	\$ 553,108
<i>Subscription gross margin on a GAAP basis</i>	<i>72.7%</i>	<i>72.7%</i>	<i>75.9%</i>
Add: Stock-based compensation expense	12,571	23,136	25,620
Add: Employer taxes on employee stock transactions	636	569	867
Add: Amortization of acquired intangibles	-	-	564
Non-GAAP subscription gross profit	<u>\$ 265,446</u>	<u>\$ 412,390</u>	<u>\$ 580,159</u>
<i>Non-GAAP subscription gross margin</i>	<i>76.5%</i>	<i>77.1%</i>	<i>79.6%</i>

	Year Ended December 31,		
	2021	2022	2023
Reconciliation of GAAP operating expenses to non-GAAP operating expenses:			
Research and development operating expense on a GAAP basis	\$ 161,925	\$ 264,041	\$ 348,752
Less: Stock-based compensation expense	49,051	101,499	139,809
Less: Employer taxes on employee stock transactions	2,278	2,632	4,037
Less: Acquisition-related expenses	-	-	19,203
Non-GAAP research and development operating expense	<u>\$ 110,596</u>	<u>\$ 159,910</u>	<u>\$ 185,703</u>
<i>Non-GAAP research and development operating expense as a percentage of total revenue</i>	<i>28.5%</i>	<i>27.3%</i>	<i>23.9%</i>
Sales and marketing operating expense on a GAAP basis	\$ 319,331	\$ 456,452	\$ 504,929
Less: Stock-based compensation expense	55,506	99,366	124,568
Less: Employer taxes on employee stock transactions	4,266	2,485	3,880
Less: Acquisition-related expenses	-	-	4,304
Non-GAAP sales and marketing operating expense	<u>\$ 259,559</u>	<u>\$ 354,601</u>	<u>\$ 372,177</u>
<i>Non-GAAP sales and marketing operating expense as a percentage of total revenue</i>	<i>66.9%</i>	<i>60.5%</i>	<i>47.9%</i>
General and administrative operating expense on a GAAP basis	\$ 108,936	\$ 125,710	\$ 137,520
Less: Stock-based compensation expense	33,078	44,402	48,740
Less: Employer taxes on employee stock transactions	2,532	720	1,855
Less: Common stock charitable donation expense	13,290	-	-
Less: Acquisition-related expenses	-	1,104	1,640
Non-GAAP general and administrative operating expense	<u>\$ 60,036</u>	<u>\$ 79,484</u>	<u>\$ 85,285</u>
<i>Non-GAAP general and administrative operating expense as a percentage of total revenue</i>	<i>15.5%</i>	<i>13.6%</i>	<i>11.0%</i>

	Year Ended December 31,		
	2021	2022	2023
Reconciliation of GAAP operating loss to non-GAAP operating loss:			
Operating loss on a GAAP basis	\$ (339,620)	\$ (462,674)	\$ (478,773)
Add: Stock-based compensation expense	155,624	277,656	349,833
Add: Employer taxes on employee stock transactions	10,089	7,010	11,031
Add: Common stock charitable donation expense	13,290	-	-
Add: Amortization of acquired intangibles	-	-	564
Add: Acquisition-related expenses	-	1,104	25,147
Add: Restructuring and other related charges	-	-	34,854
Non-GAAP operating loss	<u>\$ (160,617)</u>	<u>\$ (176,904)</u>	<u>\$ (57,344)</u>
<i>Non-GAAP operating margin</i>	<i>(41.4%)</i>	<i>(30.2%)</i>	<i>(7.4%)</i>
Reconciliation of GAAP net loss to non-GAAP net (loss) income:			
Net loss on a GAAP basis	\$ (342,801)	\$ (452,551)	\$ (442,746)
Add: Stock-based compensation expense	155,624	277,656	349,833
Add: Employer taxes on employee stock transactions	10,089	7,010	11,031
Add: Common stock charitable donation expense	13,290	-	-
Add: Amortization of acquired intangibles	-	-	564
Add: Acquisition-related expenses	-	1,104	25,147
Add: Restructuring and other related charges	-	-	34,854
Add: Amortization of debt issuance costs	187	3,799	3,813
Add: Income tax effects and adjustments ⁽¹⁾	844	1,631	30,570
Non-GAAP net (loss) income	<u>\$ (162,767)</u>	<u>\$ (161,351)</u>	<u>\$ 13,066</u>
Non-GAAP net (loss) income per share, basic	<u>\$ (0.86)</u>	<u>\$ (0.58)</u>	<u>\$ 0.04</u>
Non-GAAP net (loss) income per share, diluted	<u>\$ (0.86)</u>	<u>\$ (0.58)</u>	<u>\$ 0.04</u>
Weighted-average shares used to compute non-GAAP net (loss) income per share, basic	<u>188,627,720</u>	<u>280,080,357</u>	<u>300,727,487</u>
Weighted-average shares used to compute non-GAAP net (loss) income per share, diluted	<u>188,627,720</u>	<u>280,080,357</u>	<u>339,567,823</u>

⁽¹⁾ Income tax effects and adjustments for the year ended December 31, 2023 primarily consists of income tax expense related to an intra-group transfer of acquired intellectual property.

	Year Ended December 31,		
	2021	2022	2023
Net cash used in operating activities	\$ (105,060)	\$ (157,333)	\$ (103,657)
Capitalized internal-use software costs	(5,342)	(10,334)	(17,845)
Capital expenditures	(3,600)	(4,121)	(2,834)
Free cash flow	<u>\$ (114,002)</u>	<u>\$ (171,788)</u>	<u>\$ (124,336)</u>
<i>Free cash flow margin</i>	<i>(29.4%)</i>	<i>(29.3%)</i>	<i>(16.0%)</i>
Net cash used in investing activities	\$ (400,583)	\$ (865,805)	\$ (84,851)
Net cash provided by financing activities	\$ 1,844,514	\$ 82,241	\$ 102,372

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

	Three Months Ended							
	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23
Reconciliation of GAAP total gross profit to non-GAAP total gross profit:								
Total gross profit on a GAAP basis	\$ 80,362	\$ 89,898	\$ 98,552	\$ 114,717	\$ 116,158	\$ 131,365	\$ 143,632	\$ 156,127
<i>Total gross margin on a GAAP basis</i>	63.7%	64.5%	65.0%	68.0%	66.6%	69.4%	71.8%	73.2%
Add: Stock-based compensation expense	7,175	8,346	8,997	7,871	9,105	10,039	8,790	8,782
Add: Employer taxes on employee stock transactions	410	150	144	469	411	393	305	150
Add: Amortization of acquired intangibles	-	-	-	-	113	127	129	195
Non-GAAP total gross profit	<u>\$ 87,947</u>	<u>\$ 98,394</u>	<u>\$ 107,693</u>	<u>\$ 123,057</u>	<u>\$ 125,787</u>	<u>\$ 141,924</u>	<u>\$ 152,856</u>	<u>\$ 165,254</u>
<i>Non-GAAP total gross margin</i>	69.7%	70.6%	71.0%	73.0%	72.2%	75.0%	76.4%	77.5%
Reconciliation of GAAP subscription gross profit to non-GAAP subscription gross profit:								
Subscription gross profit on a GAAP basis	\$ 80,317	\$ 91,410	\$ 100,313	\$ 116,645	\$ 117,662	\$ 132,300	\$ 145,166	\$ 157,980
<i>Subscription gross margin on a GAAP basis</i>	70.5%	72.0%	72.3%	75.1%	73.3%	75.0%	76.7%	77.9%
Add: Stock-based compensation expense	5,313	6,018	6,313	5,492	6,328	6,914	6,171	6,207
Add: Employer taxes on employee stock transactions	333	70	82	84	321	265	179	102
Add: Amortization of acquired intangibles	-	-	-	-	113	127	129	195
Non-GAAP subscription gross profit	<u>\$ 85,963</u>	<u>\$ 97,498</u>	<u>\$ 106,708</u>	<u>\$ 122,221</u>	<u>\$ 124,424</u>	<u>\$ 139,606</u>	<u>\$ 151,645</u>	<u>\$ 164,484</u>
<i>Non-GAAP subscription gross margin</i>	75.5%	76.8%	76.9%	78.7%	77.5%	79.1%	80.1%	81.1%

	Three Months Ended							
	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23
Reconciliation of GAAP operating expenses to non-GAAP operating expenses:								
Research and development operating expense on a GAAP basis	\$ 57,661	\$ 64,472	\$ 70,099	\$ 71,809	\$ 84,890	\$ 85,677	\$ 91,237	\$ 86,948
Less: Stock-based compensation expense	20,085	25,337	27,692	28,385	30,015	35,420	37,778	36,596
Less: Employer taxes on employee stock transactions	1,039	342	496	755	1,669	1,306	686	376
Less: Acquisition-related expenses	-	-	-	-	7,680	3,841	3,841	3,841
Non-GAAP research and development operating expense	\$ 36,537	\$ 38,793	\$ 41,911	\$ 42,669	\$ 45,526	\$ 45,110	\$ 48,932	\$ 46,135
<i>Non-GAAP research and development operating expense as a percentage of total revenue</i>	29.0%	27.8%	27.6%	25.3%	26.1%	23.8%	24.4%	21.6%
Sales and marketing operating expense on a GAAP basis	\$ 106,702	\$ 112,754	\$ 114,312	\$ 122,684	\$ 128,624	\$ 127,770	\$ 128,624	\$ 119,911
Less: Stock-based compensation expense	21,062	24,746	26,712	26,846	28,487	32,889	32,297	30,895
Less: Employer taxes on employee stock transactions	680	1,048	580	177	1,083	1,488	798	511
Less: Acquisition-related expenses	-	-	-	-	1,076	1,076	1,076	1,076
Non-GAAP sales and marketing operating expense	\$ 84,960	\$ 86,960	\$ 87,020	\$ 95,661	\$ 97,978	\$ 92,317	\$ 94,453	\$ 87,429
<i>Non-GAAP sales and marketing operating expense as a percentage of total revenue</i>	67.4%	62.4%	57.4%	56.7%	56.2%	48.8%	47.2%	41.0%
General and administrative operating expense on a GAAP basis	\$ 27,481	\$ 29,979	\$ 33,041	\$ 35,209	\$ 35,355	\$ 36,343	\$ 31,874	\$ 33,948
Less: Stock-based compensation expense	9,047	10,437	11,992	12,926	11,682	13,811	10,649	12,598
Less: Employer taxes on employee stock transactions	310	130	149	131	500	412	684	259
Less: Acquisition-related expenses	-	-	-	1,104	561	281	148	650
Non-GAAP general and administrative operating expense	\$ 18,124	\$ 19,412	\$ 20,900	\$ 21,048	\$ 22,612	\$ 21,839	\$ 20,393	\$ 20,441
<i>Non-GAAP general and administrative operating expense as a percentage of total revenue</i>	14.4%	13.9%	13.8%	12.5%	13.0%	11.5%	10.2%	9.6%

	Three Months Ended							
	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23
Reconciliation of GAAP operating loss to non-GAAP operating (loss) income:								
Operating loss on a GAAP basis	\$ (111,482)	\$ (117,307)	\$ (118,900)	\$ (114,985)	\$ (166,093)	\$ (119,368)	\$ (108,632)	\$ (84,680)
Add: Stock-based compensation expense	57,369	68,866	75,393	76,028	79,289	92,159	89,514	88,871
Add: Employer taxes on employee stock transactions	2,439	1,670	1,369	1,532	3,663	3,599	2,473	1,296
Add: Amortization of acquired intangibles	-	-	-	-	113	127	129	195
Add: Acquisition-related expenses	-	-	-	1,104	9,317	5,198	5,065	5,567
Add: Restructuring and other related charges	-	-	-	-	33,382	943	529	-
Non-GAAP operating (loss) income	<u>\$ (51,674)</u>	<u>\$ (46,771)</u>	<u>\$ (42,138)</u>	<u>\$ (36,321)</u>	<u>\$ (40,329)</u>	<u>\$ (17,342)</u>	<u>\$ (10,922)</u>	<u>\$ 11,249</u>
Non-GAAP operating margin	<u>(41.0%)</u>	<u>(33.5%)</u>	<u>(27.8%)</u>	<u>(21.5%)</u>	<u>(23.1%)</u>	<u>(9.2%)</u>	<u>(5.5%)</u>	<u>5.3%</u>
Reconciliation of GAAP net loss to non-GAAP net (loss) income:								
Net loss on a GAAP basis	\$ (112,987)	\$ (117,631)	\$ (116,049)	\$ (105,884)	\$ (152,555)	\$ (103,425)	\$ (92,670)	\$ (94,096)
Add: Stock-based compensation expense	57,369	68,866	75,393	76,028	79,289	92,159	89,514	88,871
Add: Employer taxes on employee stock transactions	2,439	1,670	1,369	1,532	3,663	3,599	2,473	1,296
Add: Amortization of acquired intangibles	-	-	-	-	113	127	129	195
Add: Acquisition-related expenses	-	-	-	1,104	9,317	5,198	5,065	5,567
Add: Restructuring and other related charges	-	-	-	-	33,382	943	529	-
Add: Amortization of debt issuance costs	936	946	958	959	939	950	961	963
Add: Income tax effects and adjustments ⁽¹⁾	13	669	293	656	362	507	328	29,373
Non-GAAP net (loss) income	<u>\$ (52,230)</u>	<u>\$ (45,480)</u>	<u>\$ (38,036)</u>	<u>\$ (25,605)</u>	<u>\$ (25,490)</u>	<u>\$ 58</u>	<u>\$ 6,329</u>	<u>\$ 32,169</u>
Non-GAAP net (loss) income per share, basic	<u>\$ (0.19)</u>	<u>\$ (0.16)</u>	<u>\$ (0.13)</u>	<u>\$ (0.09)</u>	<u>\$ (0.09)</u>	<u>\$ 0.00</u>	<u>\$ 0.02</u>	<u>\$ 0.10</u>
Non-GAAP net (loss) income per share, diluted	<u>\$ (0.19)</u>	<u>\$ (0.16)</u>	<u>\$ (0.13)</u>	<u>\$ (0.09)</u>	<u>\$ (0.09)</u>	<u>\$ 0.00</u>	<u>\$ 0.02</u>	<u>\$ 0.09</u>
Weighted-average shares used to compute non-GAAP net (loss) income per share, basic	<u>272,890,829</u>	<u>278,268,980</u>	<u>282,267,230</u>	<u>286,732,756</u>	<u>291,864,975</u>	<u>297,827,200</u>	<u>303,896,632</u>	<u>309,101,119</u>
Weighted-average shares used to compute non-GAAP net (loss) income per share, diluted	<u>272,890,829</u>	<u>278,268,980</u>	<u>282,267,230</u>	<u>286,732,756</u>	<u>291,864,975</u>	<u>339,296,142</u>	<u>346,974,638</u>	<u>342,370,878</u>

⁽¹⁾ 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								
	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	
Net cash (used in) provided by operating activities	\$ (55,031)	\$ (33,472)	\$ (41,752)	\$ (27,078)	\$ (77,772)	\$ (29,060)	\$ (9,060)	\$ 12,235	
Capitalized internal-use software costs	(2,509)	(2,256)	(2,788)	(2,781)	(4,556)	(5,330)	(3,660)	(4,299)	
Capital expenditures	(887)	(1,184)	(1,044)	(1,006)	(546)	(809)	(363)	(1,116)	
Free cash flow	\$ (58,427)	\$ (36,912)	\$ (45,584)	\$ (30,865)	\$ (82,874)	\$ (35,199)	\$ (13,083)	\$ 6,820	
<i>Free cash flow margin</i>	<i>(46.3%)</i>	<i>(26.5%)</i>	<i>(30.0%)</i>	<i>(18.3%)</i>	<i>(47.5%)</i>	<i>(18.6%)</i>	<i>(6.5%)</i>	<i>3.2%</i>	
Net cash (used in) provided by investing activities	\$ (311,734)	\$ (491,805)	\$ (12,718)	\$ (49,548)	\$ (52,483)	\$ (28,941)	\$ (11,519)	\$ 8,092	
Net cash provided by financing activities	\$ 38,468	\$ 7,335	\$ 28,189	\$ 8,249	\$ 37,729	\$ 27,492	\$ 26,177	\$ 10,974	